

**THE HUMAN RESOURCE STRATEGIES OF
CHINESE STATE CREWING AGENCIES WITH SPECIAL
REFERENCE TO LABOUR EXPORT AND THE EXPERIENCE
OF CHINESE SEAFARERS**

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

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ABSTRACT

The Chinese shipping industry is one of the fastest developing sectors in the Chinese economy. However, few studies have explored the changes within it, especially concerning its human resource element – seafarers – and the newly formed crewing agencies through which they are employed. This research seeks to explore the contemporary experience of Chinese seafarers and especially how this is impacted by the management strategies of Chinese crewing agencies. In doing so, it contributes to debates about changes in Chinese society - that is, whether the economic reform has led to a new market economy in China.

The idea of the emergence of a modernized, free Chinese seafarer labour market is critically examined through research into the employment and labour supply strategies of two ship crewing agencies, which have been reformed to different degrees, and the experience of the seafarers who work for them. The research utilises qualitative methods, with twenty-two managers and fifty seafarers being interviewed extensively, supplemented by documentary research. It seeks to explain why China's seafaring labour export is far lower than people have expected.

It is seen that it is difficult to characterise China's seafarer labour market as a free market. The state has limited the liberalization of the market by granting foreign manning qualification to less than sixty state-owned crewing agencies. It is seen that institutions at higher levels still intervene in the operation of the agencies, with their management consequently showing a lack of market orientation to different extents, which constrains the development of China's labour export.

It is also difficult to characterise the movement of Chinese seafarers in the labour market as free movement. The argument that Chinese economic reform leads to the transformation of Chinese seafarers into freelancers, which implies a substantial increase of seafarer export due to the attractiveness of working in foreign shipping companies, is too simplistic. In addition, the wages of Chinese seafarers working in the global labour market are lower than the international benchmark rates and are not necessarily higher than the payments by domestic shipping companies. This weakens the willingness of Chinese seafarers to work in foreign shipping companies.

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Glossary of Abbreviations

ACFTU	All China Federation of Trade Unions
CMB	China Maritime Bureau
CCP	Chinese Communist Party
COC	Certificate of Competency
COSCO	Chinese Ocean Shipping Company
EBF	Ensuring Behaviour Fees
FICA	Foreign Invested Crewing Agency
FIE	Foreign Invested Enterprise
FSFC	Fixed Ship, Fixed Crew
ISCA	Independent State-Owned Crewing Agency
MOC	Ministry of Communications
MOLSS	Ministry of Labour and Social Security
NBSC	National Bureau of Statistics of China
OS	Ordinary Sailor
POCA	Private-Owned Crewing Agency
POE	Private-Owned Enterprise
POEA	Philippine Overseas Employment Administration
PSC	Parent Shipping Company
SEC	Standard Employment Contract
SSN	Shanghai Securities News
SOCA	State-Owned Crewing Agency
SOE	State-Owned Enterprise
SSCA	Subsidiary State-owned Crewing Agency
TU	Trade Union
TUC	Trade Union Congress

INTRODUCTION

China's economy has experienced dramatic growth in the last 30 years. The Chinese shipping industry is one of the fastest developing sectors in the Chinese economy. Its human resource element – seafarers – work onboard ships, both nationally and internationally. Although China's seafarer labour export has been growing since the 1990s, it is still lower than the expectation of the international shipping industry and some academics.

Since the late 1990s, articles in trade papers for the maritime industry have reported that China's seafarer export will increase remarkably (Lloyds list, 1998; 2000a; 2000b; 2008). In the academic field, Sharma (2002) predicts that China is going to emerge as the new leader of the global seafaring labour market after evaluating the advantages and drawbacks of China in seafarer export. Wu et al argue for the substantial increase of China's seafarer export by considering the following two aspects. On the one hand, they deem that the emergence of the hundreds of crewing agencies in the market opens new channels for Chinese seafarers to work onboard foreign ships (Wu et al, 2007, p15). On the other hand, as a consequence of China's economic reform, the planned employment system in the planned economy period was destroyed, and consequently, freelance seafarers who are not signed to any agencies or shipping companies have emerged in the shipping industry. Therefore, Wu (2003; 2004a; 2004b; 2005; Wu et al. 2006; Wu et al 2007) argues that Chinese seafarers are becoming freelancers, and that they will flood the world's seafarer labour market due to the attractiveness of working in foreign shipping companies (hereinafter referred to as the 'trend theory').

Despite these expectations, the annual export of Chinese seafarers has not increased much since 2000, but has remained at around 40,000 each year (Bao and Liu, 2008, p380).

In addition, BIMCO/ISF (1995) estimated that China's seafarer export would increase to more than 89,000 by 2000 and to 104,000 by 2005. However, in 2000 and 2005, there were only 38,164 and 41,260 Chinese seafarers working in the global labour market, representing only 42.8% and 39.7% of the numbers predicted by BIMCO/ISF,

respectively. In 1999, Li and Wonham argued that BIMCO/ISF had underestimated China's export of its seafarers in the 2000s and that it could be the alternative to the Philippines as the largest supplier of global seafaring labour (1999, p299). However, China's seafarer supply represented around one fourth / fifth of the seafarer export of the Philippines in both the 1990s and the 2000s (Bao and Liu, 2008, p380; Philippine Overseas Employment Administration, 2007 a and b).

This thesis seeks to contribute to the discussion as to why the practical supply of seafaring labour to the global labour market is lower than expected by casting some light on the extent of the reform of China's seafarer labour market. It provided first-hand investigation of how seafarers, managers and TU officials evaluate their experiences as a result of the management of their crewing agencies and the situation of China's seafarer labour market in the context of Chinese economic reform. Recent years have seen an increase in the number of studies of the changes undergone in various industries in China (Cooke 2008; Jin et al 2003; Li, 2003; Qian 2004; Rui and Tao 2004). However, few of these studies have considered the maritime sector. Again, there has been a growing literature on Chinese workers and their opinions (Chan 2011; Lee, 2007; Zhu et al, 2011). But none of this has been concerned with Chinese seafarers. One of the purposes of this thesis is to rectify both of these deficiencies.

The thesis is in four parts. Part One of the thesis consists of three chapters. Chapter 1 aims at providing a macro social and economic background for the thesis by introducing the reform of Chinese enterprises and the shipping industry and researchers' views regarding the reform in China's seafarer labour market and seafarer export. Chapter 2 focuses on the methods applied in the research. Chapter 3 considers the extent of the liberalization of the Chinese seafarer labour market by discussing the development of Chinese crewing agencies of different ownerships and their roles in labour export. This provides a background for Part Two and Part Three, in which case studies are presented of two Chinese state-owned crewing agencies, which have been two of the largest and most influential operators in Chinese foreign manning business.

Part Two concentrates on the case study of a subsidiary crewing agency of a state-owned shipping company and consists of four chapters. Chapter 4 introduces the

history of the agency and investigates the reasons for its lack of autonomy and market orientation. Chapters 5, 6 and 7 investigate in detail the impacts on seafarers of the agency's management strategies regarding seafarer export. These are argued to be significant elements of the explanation for the failure of the crewing agency to effectively exploit the seeming potential of its foreign manning business.

Part Three analyses the case of an independent state-owned crewing agency in three chapters. Chapter 8 looks at the agency's history and considers the reforms of the management concerning seafarer's contracts and material support and the consequences to seafarers. Chapter 9 demonstrates how, despite the reforms, the interference of the head office has constrained the agency, forcing it to act other than in a market-oriented way, which has resulted in low wages for officer seafarers and eventually their resignation. Chapter 10 demonstrates how the agency failed to resist the resignation of seafarers by looking at the relevant management strategies and the impacts on seafarers, and considering the role of the TU in representing seafarers. It finally presents the limited increase of the labour export as a result of the shortage of officer seafarers since the middle of the 2000s.

Part Four focuses on the impediments to the free movement of seafarers to demonstrate that Chinese seafarers are limited in their ability to leave their state-owned agencies to become freelancers and that the trend theory, which argues that market reform leads to freelance seafarers and thereby brings about a substantial increase of seafarer export, is too simplistic. Specifically, Chapter 11 demonstrates how seafarers' dependency on their state-owned companies prevented them from becoming freelancers. Chapter 12 explains how institutional barriers restrained seafarers from leaving their state-owned agencies to become freelancers. Chapter 13 explains seafarers' dissatisfaction with seafaring as a career and why some of them left their agencies for land-based jobs instead of becoming freelancers.

The Conclusion discusses some of the possible reasons for the limited increase in rates of China's seafarer export by drawing together the threads from the previous chapters.

PART ONE

BACKGROUND AND METHODS

Chapter 1:

China's economic reform, shipping industry reform and seafarer labour export

1.1 The reform of Chinese enterprises

Before the economic reform in China, all political and economic activities were strictly planned and directly controlled by the Chinese government. In order to change this planning system and improve the economy, economic reform was introduced in China towards the end of the 1970s. The whole reform process can be divided into three stages, with two themes running through the entire process, namely 1) granting authority to state enterprises in their decision-making (this reform mainly took place from 1984 to 1992); 2) reconstructing the ownership and structure of state-owned enterprises (SOEs) (which occurred mainly after 1992).

The first stage

Between 1979 and 1983, increasing the autonomy of enterprises became the main focus of the reform. As a result, SOEs began to maintain a small proportion of their profits and to make their own decisions over limited management issues (*fang quan rang li*) (Braun and Warner 2002). However, due to the conflicts between the new reform methods and the unreformed system, the effect of the reform at this early stage was very limited (Child 1994).

The second stage

In the second reform stage, from 1984 to 1992, the main aim was to deepen the reform of power decentralization from the government and authority acquisition of the enterprises. An important step was the issuance of the Contract Responsibility System (CRS) in the mid-1980s. This system declared the diminished role of the state's administration of enterprises' business and emphasised the enterprises' responsibility for their economic results. Rooted in the CRS, the director's responsibility system clarified the rights of directors in decision-making and representing the enterprises. To legalise the full authority and autonomy granted to the enterprises, the Enterprise Law was passed in 1988 and formally implemented in 1993.

The non-state-owned companies in China made their appearance at this stage (Child 1994). With the publication of the policy ‘Temporary Regulations on Private Owned Enterprises’ in 1988, POEs were allowed to register in China (Lau 1997).

Although foreign invested business was encouraged by the Chinese government in the 1980s, it was in a limited fashion, in the form of cooperation with SOEs, establishing joint venture companies (JVC: Cooke 2005). Reasons for this can be related to two aspects. Initially, during the preliminary stage of foreign investment in China, foreign investors were not familiar with the operation of Chinese business. Therefore, they needed the cooperation of Chinese companies. In addition, the Chinese government had its own considerations. On the one hand, the Chinese government welcomed foreign capital because of the beneficial consequences. For example, the advanced management of foreign companies could be learned by SOEs and COEs; JVCs could create more jobs for Chinese workers; JVCs could save those SOEs and COEs that could not survive market competition and China could obtain more opportunities to enter the international market. On the other hand, the Chinese government hoped to control the foreign capital so as to protect the weak Chinese companies and Chinese economy. Therefore, joint venture was the main form that foreign capitals were operated from the mid-1980 to the beginning of the 1990s (Cooke 2005).

The third stage

The reform of Chinese enterprises has accelerated since the 1990s. This started with Deng Xiaoping’s tour of Southern China in 1992. His proposition - ‘developing the market economy of Chinese features’ - changed China and Chinese people’s lives. With the 14th Party Congress in 1992, key reform measures were implemented, such as ‘Modern Enterprise System’ and ‘Group Company System’. The policies were key to promoting the reconstruction of the ownership and organizational structure of state enterprises. The policies also encouraged SOEs to adopt modern management methods and improve their authority and accountability.

To increase the competitiveness of Chinese enterprises, a series of reform policies concerning the employment system of Chinese workers were carried out. The document ‘Three System Reform’, which includes the reform of employment, wage distribution and social insurances, was published in 1992. It re-emphasized the

responsibilities and the full authority of companies for the employment of workers. In particular, it encouraged companies to determine the wages, bonuses and other managerial affairs of workers by making specific regulations and labour disciplines under the regulation of the government (Yueh 2004, p150). Such changes consequently improved workers' incentives and increased their dependence on enterprises (Gallagher 2004). In addition, to reduce the burden of the SOEs as a result of their requirement to provide for all aspects of the welfare of workers and managers, a social insurance system that consisted of the responsibility of the enterprise, the government and the employees was carried out (Gu 2001).

A 'furlough policy' (*Xia Gang*) was implemented in 1994. It aimed at eliminating the traditional role of the SOEs and demonstrating to the Chinese workers that the '*three old irons*'¹ had finally been smashed. This policy was facilitated by China's Labour Law, published in 1995. It required employees and employers to sign a contract when the employment relationship was established and for the employment period to be agreed by both parties. Consequently, companies were able to recruit fixed-term and temporary workers flexibly and also to fire workers.

As a result, China's unemployment rate increased substantially during the period of economic restructuring (Giles et al 2005). Around 34 million state-sector employees were laid off between 1998 and 2001 (Rawski 2002, p 367). By the end of 2005, there were around 8 million unemployed workers in Chinese cities (MOLASS 2006). The reforms improved the flexibility of employment but left Chinese workers in a fearful position (Blecher 2002; Ding and Warner 2001; Gallagher 2004; Mok et al 2002; Warner and Lee 2007).

To establish the market economy in China, non-state-owned enterprises were encouraged to participate in the 'construction of New Socialist China' and a series of policies were implemented to facilitate this. For instance, 'Grasping the large, letting go the small' (*zhua da fang xiao*) was carried out in 1992. This policy allowed middle and small sized state enterprises to go bankrupt and to be merged and purchased by

¹ 'Three old irons', i.e. life-time employment (the 'iron rice bowl'), centrally administered wages (the 'iron wage'), and state-controlled appointment and promotion of managerial staff (the 'iron chair').

POEs and foreign invested enterprises (FIEs), though the pillar and basic industries were still managed by the state (Yueh 2004). As a result, most of the SOEs were no longer supported by the government; small and medium SOEs that could not survive the market competition were eventually merged / purchased by POEs and FIEs. In addition, in 1997, the shareholding programme became the central theme of the 15th Party Congress (Yeh 1998). The Chinese government at different levels published various preferential policies to attract investments from the private and foreign sectors. The non-state companies have grown rapidly since the 1990s (Cooke 2006).

Specifically, the number of POEs increased from 654,531 in 1995 to 1,508,857 in 1999; the number of FIEs increased by almost 10 times, from 25,389 in the beginning of the 1990s to more than 200,000 at the end of the 20th century (Wang 2001, p 6). Since 1997, the FIEs have exceeded JVCs in numbers (Yan and Warner 2002, p 1). According to Jefferson and Su (2006), from 1997 to 2001, the number of large and medium sized JVCs, POEs and FIEs increased from nearly 1,000 to around 6,000, while the number of large and medium-sized SOEs decreased from 14,811 to 8,675; in 1999, half of all Chinese large and medium sized companies were owned by the state and the rest were owned by the non-SOE sectors.

The POEs and FIEs contributed tremendously to the growth of China's economy. By the end of 2008, among the enterprises in China that made annual profits over 5,000,000 *yuan*, 79% were non-SOEs (NBSC 2009b). They contributed to 77% of the production profits of all enterprises in China (SSN 2010). In addition, they absorbed 12.5 million laid-off workers in urban cities in 2005 (Knight and Li 2006, p104) and employed 41.4% of Chinese workers in cities and towns in 2008 (NBSC 2009c).

The reform policies have brought significant changes to the structure of China's industry, which have attracted the attention of scholars.

1.2 Research into Chinese industries and Chinese workers in the context of the Chinese economic reform

China's economic reform has brought about the rapid development of the Chinese industries. Some researchers have documented what has been happening since 1979. A common theme identified from their studies is that while Chinese industries have achieved significant successes since the economic reform, they face critical challenges.

Cooke (2008) looks at the Automotive Industry in China. It is seen that as a result of the economic reform, the Chinese auto industry has been opened to cooperation with foreign enterprises through the mode of joint ventures since the mid-1980s. The foreign auto manufacturers have brought new technology and modern management strategies into the Chinese auto industry, which significantly improved its production capacity and market competitiveness (Qian 2004). By 2005, China had become the second largest auto manufacturing country in the world. However, the economic reform has also brought challenges to the auto industry, especially considering the fierce competition between Chinese and foreign auto enterprises for domestic and international auto markets. In addition, with the growth of the Chinese auto industry, the Chinese government's protection of the industry has been much reduced, weakening the competitiveness of the immature Chinese auto industry in the global market (Cooke 2008; Li and Zhang 2005; Qian 2004). Furthermore, compared with the global leading auto manufacturers, the Chinese auto industry is at a disadvantage in terms of developing domestic brand products, developing strategic alliance with multinational companies, acquiring brand-name international auto firms, attracting and retaining talents and strategic downsizing the enterprises and plants (Cooke 2008; Li and Yang 2005; Li and Zhang 2005).

In contrast to the Chinese auto industry, the pharmaceutical industry in China receives protection and support from the government (Rui and Tao 2004). The Chinese pharmaceutical market has become one of the fastest-growing pharmaceutical markets in the world as a result of the implementation of a series of reform policies (Cooke 2008). For instance, Chinese pharmaceutical enterprises operate under a number of laws and regulations that are based on the updated international standards (Li 2002).

In addition, the biological R&D in Chinese pharmaceutical enterprises is much advanced due to large investments from the Chinese government and foreign companies (Li 2002). Moreover, Chinese pharmaceutical enterprises learn new technology, operational styles and management standards and philosophy through cooperating with foreign enterprises (Li 2003; Yeung 2002). Furthermore, the international competitiveness of large domestic pharmaceutical companies has improved due to the reform, which has forced the industry to consolidate through closure or merger/acquisition of firms (Jin et al. 2003). Like the Chinese auto industry, the pharmaceutical industry in China faces strong competition from foreign multinational companies in both the Chinese and the global pharmaceutical market (Cooke 2008). The problems, such as small firm size and low level of specialization, low technology level and lack of new products, low level of R&D and inadequate protection of intellectual property right, constrain the growth of the Chinese pharmaceutical industry (Buo 2004; Cooke 2008; Li 2003; Wang et al. 2003).

Researchers such as Cooke (2008), Jin et al (2003) and Wang et al. (2004) discuss the development of the Chinese retail industry since the economic reform. The retail industry has a long history in China. Due to the economic reform, the industry has become open to fierce competition from foreign retail enterprises that are now expanding their retail chains rapidly in China. In response, Chinese large retail enterprises adopt the strategy of merger/acquisition to grow stronger. In addition, some smaller domestic retail companies have formed networks to share supply and distribution resources to improve their competitiveness (Jin et al 2003; Wang et al. 2004). However, the Chinese retail enterprises face the problems such as small enterprise size and small operation scale, the shortage of skilled workforce, low level of technological innovation, the brain drain of talent and the rapid expansion of foreign retail chains in China. This makes it difficult for the Chinese retail firms to compete against foreign retail giants (Cooke 2005; Wang et al. 2004).

Some researchers explore the effects of the economic reform on new industries, such as the IT industry, which is significant to China's international competitiveness in the current and future period. The IT industry has expanded rapidly in China since the 1980s and some Chinese IT firms have now become giant competitors in the global market due to the successful reform of the industry, such as attracting foreign firms

for their advanced technology and investment, promoting exports by cooperating with multinational companies, the Chinese government's support of the development of R&D and the state's strategic protection of the IT industry (Kraenen and Dedrick 2001; Lai et al 2005; Rui and Tao 2004). However, the competition between Chinese and foreign enterprises, the small sizes of Chinese computer companies and the lack of IT engineers and technicians seriously constrain the development of the Chinese IT industry (Cooke 2008; Rui and Tao 2004).

Nolan and Zhang (2003) investigate the global competitiveness of large Chinese firms in the oil and aerospace sectors. Facing global competition, PetroChina and Sinopec are at a disadvantage in terms of the quantity of oil and gas reserves, technology and financial strength and the need to introduce a cohesive corporate culture in order to establish a unified company. China's Aviation Industries have failed to develop into dominant, world-leading leading corporations. The authors conclude that although China's leading firms have achieved significant successes, they have faced fierce competition at the global level and China's leading firms are in a highly vulnerable position.

A group of researchers also pay attention to the operation of Chinese enterprises across different industries to explore the changes in the workplace due to the economic reforms. A common theme identified from their studies is that the direct intervention of the government in Chinese enterprises has declined, while increasing profits and competitiveness have become the goal of the Chinese firms.

For instance, by studying the changes in management and the experiences of the workers in three Chinese enterprises, Zhu et al (2011, p21) conclude that:

We can see that the transformation of SOEs into different systems has clearly brought a higher degree of dynamism, such as in the adoption of market-driven management systems and developing new products and markets. Such changes, we would argue, are likely to lead to better performance outcomes.

Based on the analysis of the ethnographies of different Chinese industries, Lee (2007) argues that as a result of the economic reform, the Chinese government regulates

enterprises from the outside through laws and regulations, rather than from within the workplace. In addition, workers are largely subjected to the management of the companies and the market forces of supply and demand, rather than political control produced by the state.

When discussing strikes among Chinese workers, Chan (2011) identifies the weak intervention of the government on enterprises:

The Chinese government does not normally resort to direct administrative intervention to get employers to provide a better deal for workers (2011, p48).

Therefore, the economic reform in China has advanced the reform and development of Chinese industries. Though researchers have documented this by studying various industries, few of the studies have looked at the Chinese shipping industry, which was one of the first industries to be opened to foreign business by the Chinese government and has significant importance to China's economy (the studies are introduced later). In particular, there are very few studies of the Chinese ship crewing agencies.

In addition to exploring the changes in the industries, some researchers pay attention to the experiences of workers as a result of the social and economic transformation in China.

Friedman and Lee (2010) look at the changes to the structure of Chinese employment as a result of the 30 years of economic reform and the consequences for Chinese workers. They find that the Chinese employment relations have been characterized by commodification, with the implementation of labour contracts, and by casualization, with the increasing percentage of employment opportunities appearing in capitalized companies, including both private and state-owned enterprises that have been reformed to more closely resemble their privately owned competitors (Friedman and Lee 2010, p529). The interests of capital are taken as hegemonic by the state and it confers individualized legal rights on workers, rather than collective rights of free association. As a result, workers' protests in China are cellularised; laws are seen to be un-enforced; and the labour conditions for Chinese workers have declined.

Chan (2011) analyses workers' strikes, in particular those that happened in footwear factories managed and owned by Taiwanese companies. It is seen that when confronted with workers' strikes, the state individualizes the disputes and deals with the problems through the arbitration and court systems. Under such a mechanism, workers in China react only when their minimal legal rights are being violated. Chan argues that most of the industrial protests in China are still at the stage of simply seeking to protect workers' minimum legal rights, rather than to advance their interests. Chinese workers' rights and interests are not effectively protected.

Zhu et al (2011) look at the transformation of the Chinese SOEs into enterprises with new ownership models, particularly the consequences to the management and to workers' rights. They conclude that workers' rights have been improved through the practices of the various HRM strategies, such as employees' participation schemes, skill training, performance-linked incentives, etc. However, the management is so powerful that workers are not effectively represented by their TUs and workers' collective voices are not heard. Bearing such problems in mind, it may be difficult to assume that China can establish a harmonious relationship between labour and management when it prioritises the interests of capital to boost the Chinese economy.

Cooke and He (2010) consider the adoption of corporate social responsibility (CSR) in thirty-one textile and apparel enterprises in southern China. They find that working standards have not improved as a consequence of the CSR practices. This is because the companies pay attention to the marketplace activities when they implement the CSR practices, rather than to issues of labour standards such as health and safety provisions and social security contributions. In addition, workers are not involved in the implementation of companies' CRS activities.

Lee (2007) shows that as a result of the economic reform, Chinese workers are deprived of guaranteed life-long employment and welfare provision and are faced with 'economic insecurity and normative uncertainty' (Lee 2007, p7). The Chinese workplace is no longer a political site for the state to foster clientelism or exert ideological and political control, but is now a place of 'pervasive presence of conflict and cynicism, even alienation' (Lee 2007, p4).

This point is the common theme that Lee identifies from a number of ethnographies of different industries in her edited book (Lee 2007). For instance, Chan (2007) pays attention to the life of service workers, particularly people selling life insurance, which is a new profession in China. Chan finds that the sales agents experience constant anxiety about their incomes and job security because of the commission-based sales system (Chan 2007, p244). Michelson (2007) studies the legal profession in China. It is seen that Chinese legal professionals are faced with job insecurity, low prestige and financial pressure. This is taken as one of the reasons why Chinese workers' legal rights cannot be protected.

Zheng's (2007) ethnography of China's Karaoke sex industry explores the exploitative working experiences of the hostesses (most of whom are young peasant women) in relation to violent gangs, abusive bosses, madams and state agents that condemn the erotic company of hostesses as 'cultural trash that destabilize state rule and socialist system' (2007, p130). Zheng's analyses show that the reason why young rural women become hostesses, subject to the abusive and violent working environment, is that these women hope to gain equal status with urban residents, living in better social and economic condition. Hostesses' experiences reflect the limited occupational opportunities for the peasant women in the urban cities due to the dualism of urban-rural resident identities under the *hukou* system in China.

Ross (2007) focuses on the life of workers in the IT industry in Shanghai, especially those who are outsourced, working for foreign companies. Ross finds that without established rules in the workplace, the expectations of managers and the responsibilities of workers are not set or clarified. Workers in this highly competitive industry are asked to take on different kinds of tasks and consequently work under great pressure. In the companies, the turnover rates are high; managers and workers do not trust each other and the workplaces are full of tension. Kessler's ethnography (2007) of Beijing and Shanghai's IT companies explores the fact that the engineers are considered the 'technology thieves' and consequently isolated, distrusted and even hated by companies because of companies' difficulty with the control of proprietary information as a result of the high turnover rates of the engineers.

Switching the focus from the workers in the Sunbelt region of China to those in the Rustbelt, Lee (2007) describes the labour rebellion in the northeast part of China. She describes how a large number of workers have mobilized to demand payment of pensions and wages in arrears in the mode of 'cellular activism'. It is found that although most of these workers eventually got their wages and pensions, the mode of workers' rebellion failed to challenge the problems within the governmental institutions, such as corruption, limited accountability and the lack of rule of law (Lee 2007, p35).

Therefore, in the process of marketisation, privatisation and the reform of enterprises in China, Chinese workers are no longer the masters of the state or the enterprises. The workers are confronted with the hegemonic power of the government and employers as individuals. Their interests are sacrificed for China's economic development. The Chinese workers have attracted a number of qualitative studies. However, here again there has been limited research into the experiences of Chinese seafarers.

An important part of the thesis is its documentation of the effects of the economic reform on China's shipping industry and the experiences of Chinese seafarers. Initially, it briefly reviews the reform of China's shipping industry.

1.3 The reform of China's shipping industry

China's shipping industry was one of the earliest industries to be opened up in the 1960s. It grew fast, transforming from almost nothing in the 1950s to a giant in the global shipping market today. In this process, the continuous reform of Chinese shipping enterprises was an important driving force. Along with the industrial transformation, a huge demand for seafaring labour occurred, which has pushed the development of China's seafarer labour market to some extent since the 1990s. This section reviews the reforms of China's shipping industry by looking at the shipping enterprises' reform, the development of the whole shipping industry and the evolution of its seafarer labour market. After introducing this context, section 1.4 reviews some points made by researchers about the reforms taking place within China's seafarer labour market and the supply of Chinese seafarers to the global labour market.

1.3.1 Chinese shipping enterprise reform - the case of COSCO

At the time of the establishment of P.R. China in 1949, China's shipping industry was virtually non-existent, since few ships were left after the China-Japan War and the Civil War. Due to the need to recover foreign trade, in 1951, the Chinese government cooperated with a Polish shipping company and established a Chinese-Polish Shipping company. However, this was far from enough to support the sustainable development of China's economy. The Chinese government consequently decided to accelerate the process of establishing China's own commercial fleet. In 1961, the first state-owned ocean fleet was established and Chinese Ocean Shipping Company (COSCO) was set up at the same time (Song 1990).

During 1960s and 1970s, COSCO grew fast. While it was a small shipping company, possessing four ships of 30,000 DWT in 1961, the tonnage of the ships increased to 5,000,000 in 1975 (COSCO 2010). In addition, it established its five subsidiaries between the 1960s and 1970s – the Guangzhou Subsidiary in 1961, the Shanghai Subsidiary in 1964, the Tianjin Subsidiary in 1970, the Qingdao Subsidiary in 1976 and the Dalian Subsidiary in 1980. Within twenty years, COSCO expanded its shipping from Asia to Europe by opening up the first international liner shipping route in China in 1967, to Australia in 1978 and to America in 1979: the latter symbolized the recovery of the ocean trading relationship between the two countries. Particularly, crew manning business in China after 1949 was resumed with COSCO's supply of its seafarers to a Japanese shipping company in 1979 (COSCO 2004).

From 1980 until today, COSCO's development can be divided roughly into two stages, moderate growth and accelerated growth, segregated by the year of 1993. From 1979 to 1993, influenced by the Chinese enterprise reform, which aimed to transform the SOEs into independent economic entities, the monthly 'balance meeting' held by the government in Beijing to assign planned shipping tasks to the state-owned shipping companies was abandoned (Wan 1990). COSCO was given some autonomy in deciding some of its shipping business. In addition, profit making became the priority of COSCO's operation. To emphasise this and clarify the company's responsibility for its own performance, an 'economic contract' was signed between the COSCO and the higher administrative institution and between COSCO and its five subsidiaries. Furthermore, concerning the reform of workers' employment

issues, the permanent employment status of some workers was replaced with fixed-contract status. Moreover, COSCO itself began to plan and decide workers' payment. It introduced the personal performance salary into the payment structure so as to improve the motivation of workers. However, due to the interference of the government and very little competition from the shipping market, the extent of the reforms was very limited (Shen et al. 2005, p4).

Experiencing slow progress during the 1980s, COSCO speeded up its reform in the 1990s in the context of the organizational restructure and reform in China. With the deepening of the reforms, COSCO became a giant shipping company not only in the Chinese shipping market but also in the global market.

On 25th December 1992, in accordance with the Chinese government's requirement on the reform of the ocean shipping system, COSCO was made independent of the administration of the Ministry of Communications (MOC). At the same time, the National Development and Reform Commission, along with other government departments, approved the China Ocean Shipping Company's change of name to China Ocean Shipping (Group) Company. On 16th February 1993, the China Ocean Shipping (Group) Company (COSCO Group) was established in Beijing (COSCO 2010).

Two years later, guided by the reform policy of establishing a 'modern enterprise system' and a 'shareholding enterprise system', COSCO Group restructured its organizations and re-allocated its assets. It aims at achieving operational specialization and scale economy, improving the autonomy and accountability of its subsidiaries. Since 1997, more than 400 COSCO Group ships, worth more than 50 billion *yuan*, were re-allocated among COSCO Group's subsidiaries. Consequently, each of those subsidiaries specialized in one kind of shipping business. The COSCO Container Division in Shanghai managed COSCO Group's container ships and specialized in container liner services across the world; COSCO Dalian specialised in global tanker shipping business; COSCO Qingdao and other subsidiaries were engaged in worldwide dry bulk shipping; COSCO Guangzhou operated not only traditional general cargo ships but also special transportation ships (Shen et al 2005 p4).

Besides optimising its structure, COSCO Group made efforts to improve its business management and to explore more ways of absorbing operation funds. While remaining in state ownership, the management, the organizational structure, production, operation and decision-making processes were encouraged to learn from the western enterprises. A Board of Directors was set up in COSCO Group. It decided COSCO Group's operations and replaced the direct administrative control of the government. In addition, with the reform of the investment and merging system in China, COSCO Group's stocks made their appearance on the stock market, including Shanghai, America, Singapore and Hong Kong. COSCO obtained wider and more flexible sources of funds for its operations (COSCO 2010, COSCO 2004).

COSCO Group's shipping business has faced intense competition since the late 1990s. On the one hand, the rate of growth of the Chinese economy was sustained at 14% annually during those years. This inevitably produced a great demand on the growth of the Chinese shipping industry, especially the large state-owned shipping companies, to guarantee stable support for a healthy flow of foreign trade. On the other hand, a huge number of newly established privately owned and foreign invested shipping companies were established in China. By the end of the 1990s, there were 120 Chinese – foreign joint venture shipping companies, 18 foreign invested shipping companies and 50 foreign companies' branches, as well as 412 foreign invested international freight transport agencies (we will examine whom they employ and on what basis later in this chapter). In addition, the world's top twenty liner shipping companies marched into the Chinese shipping market (MOC 2000). These companies competed with COSCO Group for shares of the shipping markets, nationally and internationally.

To cope with the challenge, COSCO Group cooperated widely with foreign shipping companies, signing co-shipping contracts on main, international sailing routes. Internally, COSCO Group implemented the international integrity of its business organization, operation and information and also attempted to build a global cooperation network so that it could be better market-orientated and more capable of providing instant, high-quality global customer service. To do so, the China Ocean Logistics Company was established in Beijing in 2002, with eight logistics

subsidiaries. They look at the domestic and global market and provide transport services throughout the whole supply chain from procurement to distribution, value-added services, multi-mode transport and delivery services, etc. These operations undoubtedly strengthen the competitiveness of COSCO Group in the global shipping market (COSCO 2004).

To date, the capacity of COSCO Group's fleet has exceeded 50 million DWTs, and it is ranked the world's second largest. In addition, COSCO Group has been listed in the Fortune Global Top 500 (COSCO 2010).

The reform and fast development of the shipping companies of different ownerships have contributed greatly to the development of China's shipping industry.

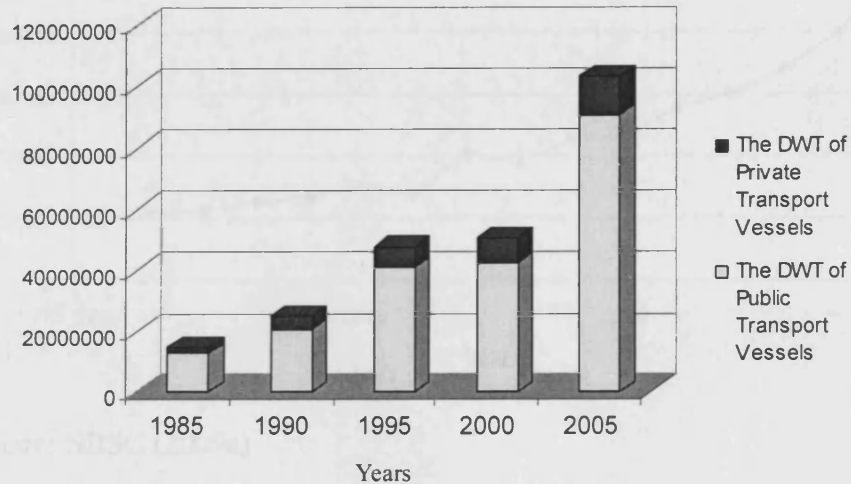
1.3.2 The fast development of China's shipping industry

Driven by the reform of Chinese shipping enterprises, the shipping industry has become one of the nation's pillar industries since the 1990s. It supports China's foreign trade through transporting 80-90% of trading goods (Cheng 2008, p 8). It also contributes 8%-10% of the national economic output annually (Bao and Liu 2008, p 371; Liu and Jia 2008, p46). Specifically, the rapid development of the shipping industry is reflected in four aspects, as follows.

Firstly: the number of ships in China and the dead weight tonnage (DWT)

By 2009, there were more than 176,900 ships in China, including 164,800 in-land river ships, 10,018 domestic coastal-line transport ships and 2,079 merchant deep-ocean going ships (MOC 2010). Because of the expansion of the fleet, the DWT of Chinese ships has increased by around 10 times since the 1980s (Chart 1.1). In particular, the increase in the DWT of public transport vessels was substantial, while the private transport vessels' DWT contributed a small part. This is mainly because although thousands of private and foreign owned shipping companies have emerged in China since the 1990s, their scale was rather small; many of them were just 'single ship' companies. Without a long-term plan, they did shipping business when the shipping market was flourishing and retreated flexibly when the market was falling. They employed temporary seafarers to achieve employment flexibility (Zhao 2002, p172).

Chart 1.1 The Growth of the DWT of Chinese Transport Vessels (from 1985 to 2005)

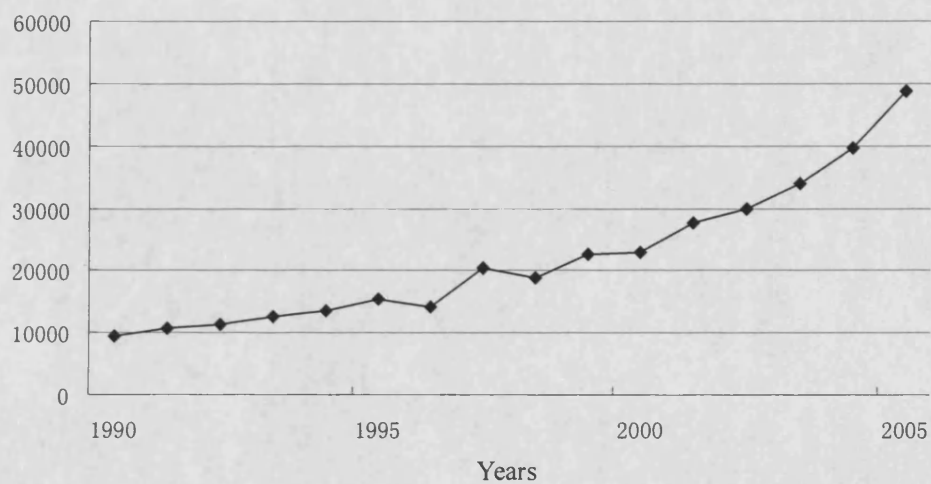


Source: NBSC (2009d; 2009e)

Secondly: the ocean freight traffic and the volume of freight handled in China's sea ports

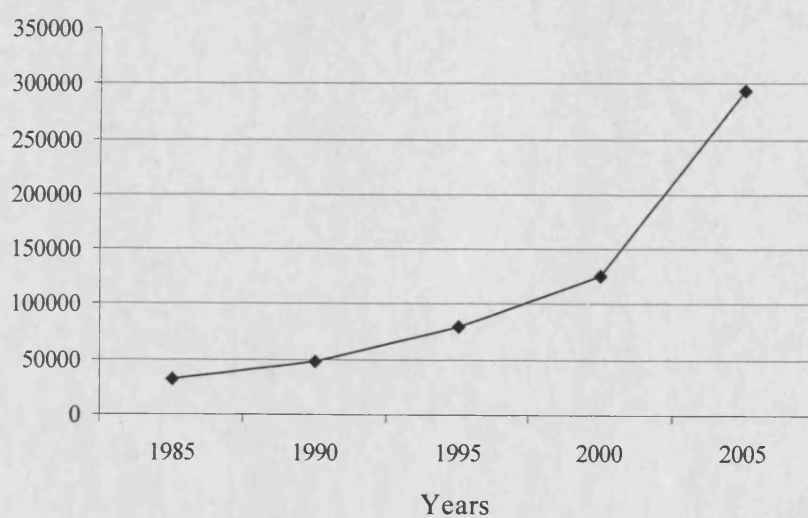
The volumes of freight transported at sea have also increased dramatically. This can be seen from the ocean freight traffic (Chart 1.2) and the volumes of freight handled in Chinese ports (Chart 1.3), which have increased fivefold since 1990 and tenfold since 1985, respectively. From 2003 to 2007, the volume of freight handled in Chinese seaports was sustained as the world's largest (MOC, 2003, 2004, 2005, 2006, 2007).

Chart 1.2 Ocean Freight Traffic in 10,000 tons (from 1990 to 2005)



Source: NBSC (2009a)

Chart 1.3 Volume of Freight Handled in Major Coastal Ports in 10,000 tons (from 1985 to 2005)



Source: NBSC (2009f)

Thirdly: the construction of the infrastructure of China's shipping industry

Along with the rapid increase of the volumes of goods transported at sea, the construction of the infrastructure of China's shipping industry has sustained rapid improvement. The fast development of China's ports construction is one example of this. This success was a consequence of the administrative decentralization of the Chinese government, which made possible the active participation of POEs and JVEs in China's port construction.

In 1985, after the central government opened 14 coastal cities for the first time since 1949, the state published preferential policies to encourage the POEs and JVEs to join in China's port construction (Wang et al 2004). However, these policies were not implemented until the 1990s due to the intervention of the government (Frankel 1998). Since the 1990s, POEs and JVEs have contributed significantly to China's port construction. From 1979 to 1992, only fifty seaports were constructed in China. However, 185 ports were built in the six years between 1993 and 1999 (Wang et al 2004, p240). By 2000, 70% of container terminals in China were owned by POEs and JVEs; 60% of ports facilities were owned by POEs; over 50% of foreign trade was handled at POEs' terminals (Frankel 1998, p247).

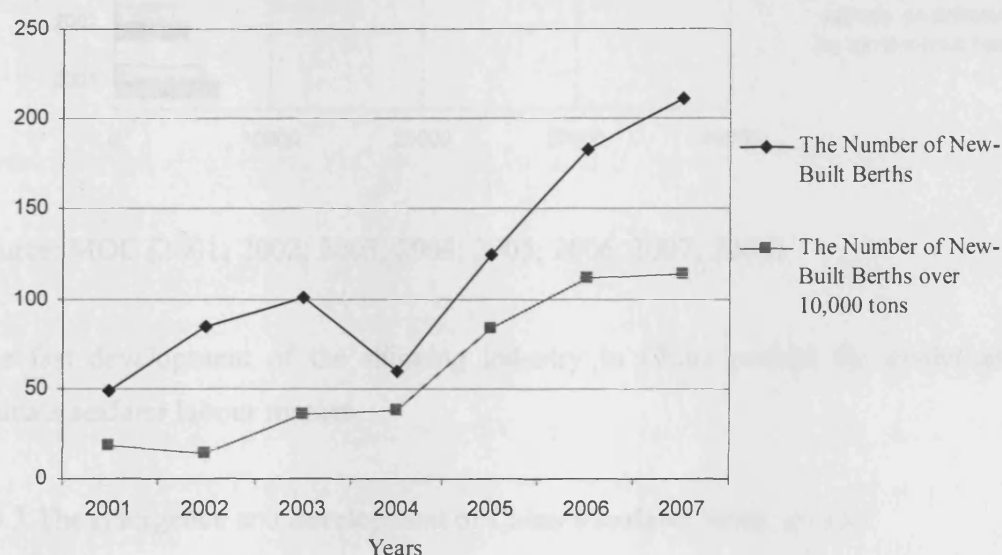
After 2000, the scale of Chinese seaports, especially large ports, increased greatly. In 2009, there were fourteen large ports in China that could handle more than ten million tons' freight (NBSC 2009f). Because of this, China became the country possessing the largest number of large ports in the world. Shanghai port was ranked the largest port in terms of total cargo volume in the world from 2004 to 2007. Eight Chinese ports were on the list of the twenty largest container ports in the world in 2008, six of which were ranked in the top ten. Shanghai Port handled 2449 TEU, was ranked second, followed by Hong Kong Port and Shengzhen Port, ranking third and fourth, respectively. Another three Chinese ports, Guangzhou, Ningbo and Qingdao ranked seventh, eighth and tenth (Lloyd's List 2008).

Fourthly: the number of new-built berths

In addition, the successful construction of the infrastructure of China's shipping industry has been represented by the fast growing numbers of new-built berths in

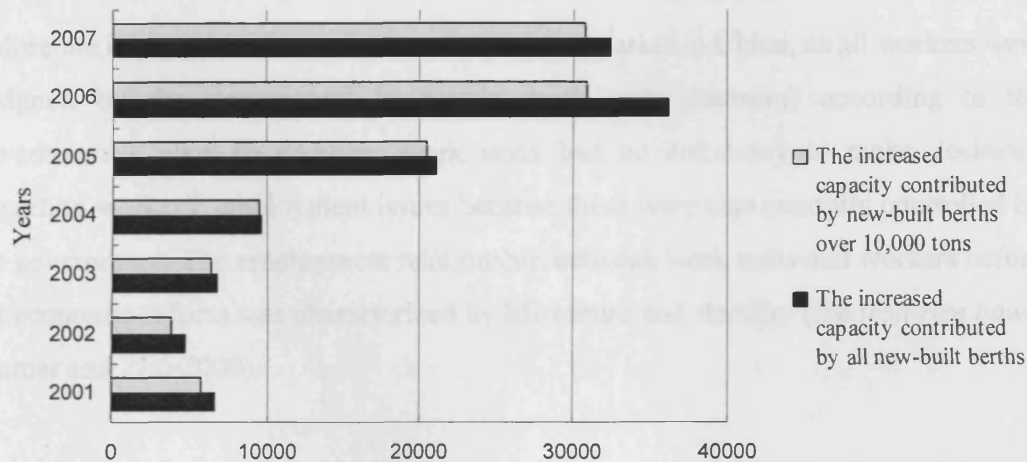
coastal ports, especially after 2000 (Chart 1.4). In 2007, the number of new-built berths reached 211, nearly five times the number in 2001; new-built berths above 10,000 tons showed a faster increase, from 18 in 2001 to 114 in 2007. The fast construction of berths, especially those above 10,000 tons, contributed greatly to the capacity of China's seaports to handle freight (Chart 1.5). It is seen that those large berths above 10,000 tons represented a significant proportion of the increased capacity.

Chart 1.4 The Number of New-Built Berths in China (from 2001 to 2007)



Source: MOC (2001; 2002; 2003; 2004; 2005; 2006; 2007; 2008)

Chart 1.5 The Increased Capacity of Ports' Handling Freight in 10,000 tons (from 2001 to 2007)



Source: MOC (2001; 2002; 2003; 2004; 2005; 2006; 2007; 2008)

The fast development of the shipping industry in China pushed the evolution of China's seafarer labour market.

1.3.3 The emergence and development of China's seafarer labour market

The fast development of the shipping industry has produced a huge demand for seafaring labour. The number of Chinese seafarers was estimated to grow from 330,000² in 1998 (Zhao 2000b, p1), to 394,000³ by the end of 2001 (Shen et al 2005,

² In China, no reliable data about Chinese seafarers can be found. According to Shen et al (2005), the seafarers' trade unions never register seafarers rigorously; and other governmental institutions have never made any census of Chinese seafarers. Previous government-published data about seafarers were based on the reports of Chinese shipping companies. However, after 1998, due to the restructuring reform of Chinese shipping enterprises, many companies no longer reported data to the government because many of them were separated from the government and out of its control; at the same time, many seafarers were laid off or left companies and many others were under-employed, so it is difficult to distinguish between seafarers under different situations. Because of this, it is hard to say whether these published data by the government were accurate and comprehensive. Therefore, researchers often researched and made their own estimates of the numbers of Chinese seafarers or cited the number estimated and researched by other researchers or professionals. This number was cited by Zhao from Li's estimation: Li firstly clarified the definition and status of the seafarers researched and then revised

p19) and to around 500,000 by 2007 (Liu and Jia 2008, p53; Cheng 2008). At the same time, the seafaring labour market in China has emerged and developed to some extent since the 1990s. The process will be reviewed briefly as follows.

Before the economic reform, there was no labour market in China, as all workers were assigned by the government to certain work units (*danwei*) according to the government's plan. In addition, work units had no autonomy to make decisions regarding workers' employment issues because these were also centrally controlled by the government. The employment relationship between work units and workers before the economic reform was characterized by life tenure and stability (the *iron rice bowl*: Warner and Zhu 2000).

Since the economic reform in China, and especially since the 1990s, the evolution of the Chinese seafaring labour market was pushed forward by several main forces. The first and foremost was the reform of the Chinese economy, because of which the central government replaced the planned workers' assignment mechanism with a free, two-way selection system between employees and employers. The second force was the reform of shipping companies, especially the emergence and development of POE and FIE, which produced a huge demand on seafaring labour, who were employed based on fixed-term contracts. The third force was the implementation of the Labour Law in 1995, which enabled SOEs that possessed most of the seafaring labour before 1995 to fire workers, 'liberalizing' Chinese workers from traditional life-long employment status and enabling employment based on fixed-term contracts (Shen et al 2005).

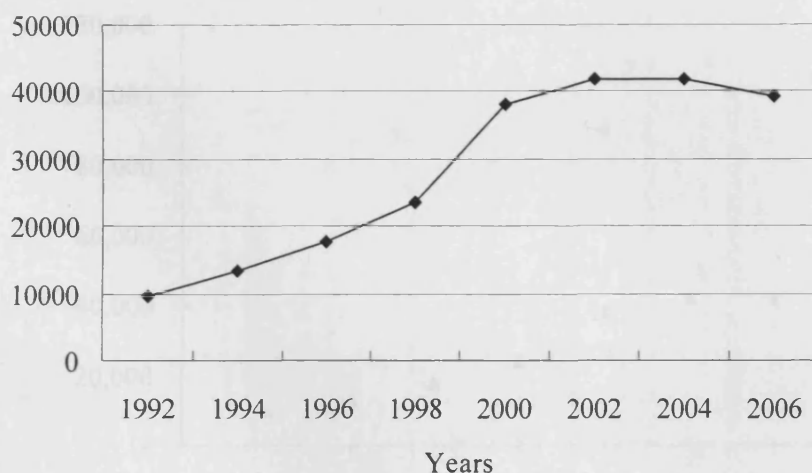
and estimated available data published by the government by using statistical skills

³ This number was estimated by Zhao according to the number in the Chinese Seafarers' Service Book. This was mainly because during her research it was found that the numbers given by the same government department were contradictory. The Seafarer Administration department of the Ministry of Communications of P.R. China reported that by the end of 2000, there were 492,972 ocean seafarers, while in the report, "2000 China's shipping report", published by the same institution, the Ministry of Communications of P.R. China, it was reported that by the end of 2000, there were around 380,000 seafarers. The difference was more than 110,000. Although the researcher tried to explore the reasons for this discrepancy, nobody could give proper explanations. Therefore it was impossible to estimate which number was the more reasonable. Ultimately, the researchers estimated the number themselves.

Based on these main forces, hundreds of crewing agencies were set up, engaging in the business of allocating labour resources to meet the demands of shipping companies. Many seafarers were involved in the distribution process. With the opening of a global seafaring labour market to China, Chinese seafarers are no longer limited to working for shipping companies within China, but can in principle join the global market, working onboard foreign ships.

China's foreign manning business started with the deployment of 29 seafarers from COSCO working onboard a Japanese ship in 1979 (COSCO 2004). The supply of Chinese seafarers to the global labour market has been improving since the 1990s. From 1992 to 2006, it underwent a 400 per cent increase (Chart 1.6).

Chart 1.6 The Annual Intake of Chinese Seafarers into the Global Labour Market (from 1992 to 2006)

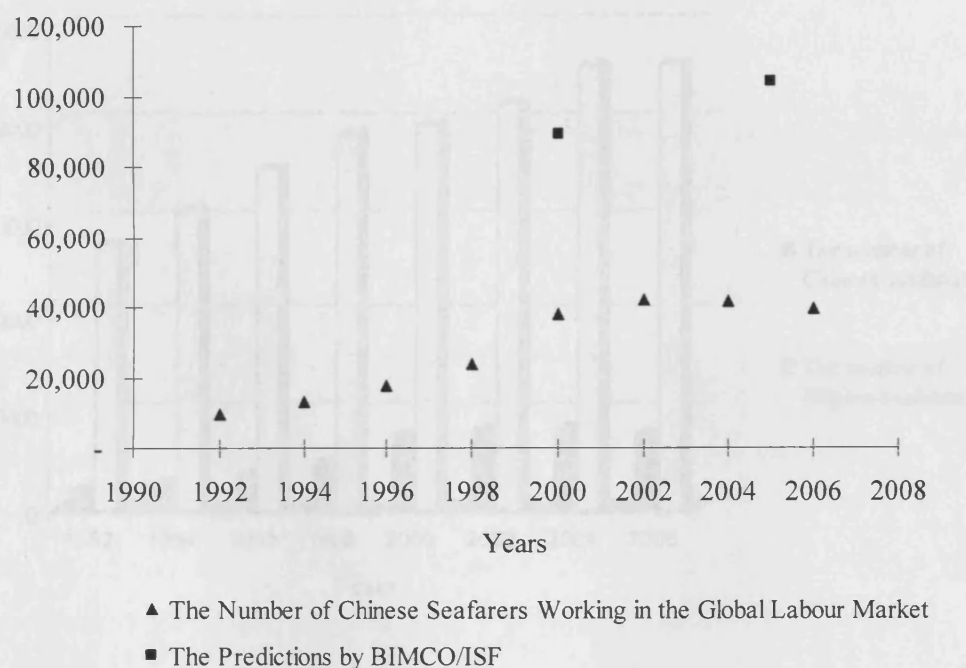


Source: Bao and Liu (2008, p380)

Despite this fast growth, Chinese seafarers who worked in the global labour market represented only 6.1 per cent of the seafaring labour in the global labour market in 2003, which was less than a quarter of the number of Filipino seafarers (27.8%: Ellis and Sampson 2008, p14).

The scale of Chinese seafarer export is also much lower than expectations by the international shipping industry and foreign academia. BIMCO/ISF (1995) estimated that the supply of Chinese crew to the global market would reach more than 89,000 in 2000 and by 2005 it would flood the world seafaring labour market with 104,000. However, Chart 1.7 represents the differences between the BIMCO/ISF's prediction and the actual numbers.

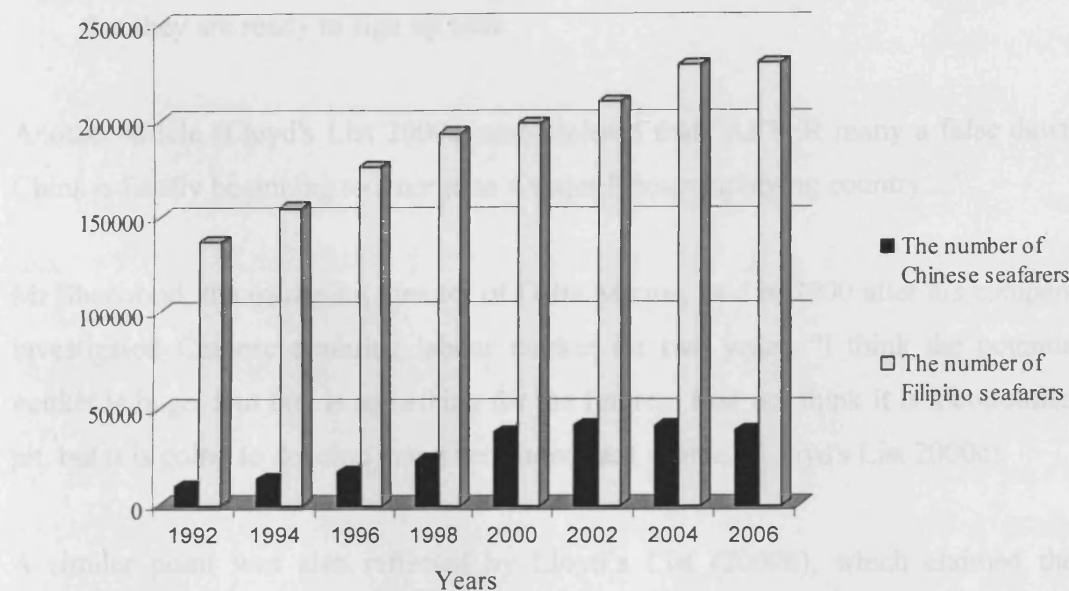
Chart 1.7 The Number of Chinese Seafarers Working in the Global Market from 1992 to 2006 and Predictions Made by BIMCO/ISF



Source: Bao and Liu (2008, p380) and BIMCO/ISF (1995)

Some researchers have even argued that Chinese seafarers were going to march into the international labour market with such great strength that they might even replace Filipino seafarers (Li and Wonham 1999, p299). However, this is far from the truth (Chart 1.8).

Chart 1.8 The Numbers of Filipino Seafarers and Chinese Seafarers Working in the Global Labour Market (from 1992 to 2006)



Source: Bao and Liu (2008, p380); Philippine Overseas Employment Administration (2007a; 2007b)

Since the 1990s, there has been a debate concerning China's seafarer labour export. Some researchers have contributed to this discussion. In the next section, the key ideas of the main authors will be discussed.

1.4 The idea of 'going global'

1.4.1 The views from the shipping industry

With the economic reform in China, there has been a perception in the international shipping industry, which became popular as early as the 1990s, that Chinese seafarers would flood the world's seafaring labour market.

In 1998, a conference reporting China's progress in manning foreign ships was held in Qingdao City, China. After the conference, many industrial professionals from different countries were impressed by the "calibre of Chinese seafarers emerging" (Lloyd's List 1998). In particular, the words of Tony Lane, who was at the conference, were quoted in this article:

I have the impression from this conference that more and more firms are willing to try the Chinese out. I know from at least one large shipping company here that they are ready to sign up now.

Another article (Lloyd's List 2000a) also claimed that "AFTER many a false dawn, China is finally beginning to emerge as a major labour-supplying country...."

Mr Sherwood, the managing director of Delta Marine, said in 2000 after his company investigated Chinese seafaring labour market for two years, "I think the potential market is huge. But that is something for the future... I do not think it is a bottomless pit, but it is going to develop into a very important source." (Lloyd's List 2000c).

A similar point was also reflected by Lloyd's List (2000b), which claimed that China's seafarer export would increase quickly in the near future.

Despite the discussions from the industry, very few researchers have discussed the supply of Chinese seafarers to the global seafaring labour market or the reform of China's seafarer labour market. Nevertheless, there has been debate in the literature. On the one hand, researchers like Shen, et al (2005) and Zhao (2000b; 2002) see that it is difficult to predict that the Chinese seafarer export will increase substantially, due to many constraints. On the other hand, Li and Wonham (1999), Sharma (2002), Wu (2003; 2004a; b; Wu et al 2007) argue that China will hopefully become the top supplier of seafaring labour to the global labour market.

1.4.2 The views from the academic field

Shen, et al (2005)⁴ discuss the reform of China's seafarer labour market and identify some problems. Firstly, the mechanism of the market is far from sound, mainly reflected by the weak social security system and the unregulated, messy market. Secondly, the employers of Chinese seafarers - the Chinese shipping companies and crewing agencies - act unprofessionally and lack market-orientation; Chinese

⁴ This book is based on a research project funded by Seafarers International Research Center, Cardiff University and collaborated between Sociology Department of Shanghai University and SIRC.

seafarers lack the ability to bargain and are heavily dependent on their state-owned companies. Thirdly, the reputation of seafaring has declined and seafarers' social status has decreased with the development of China's economy. In light of these problems, Shen, et al concluded that the supply of Chinese seafarers to the global labour market would not increase substantially in the coming years (2005, p 186).

Zhao (2000b; 2002) discusses the reform of China's seafarer labour market. She notes that some state-owned crewing agencies lack reform and seafarers' flow in the labour market is limited. In addition, there is no adequate regulation or administration concerning the employment of Chinese seafarers onboard foreign ships. These papers highlight that the development of China's seafarer export can be influenced by complex factors, such as the development of the social security system in China, the English ability of Chinese seafarers and the dynamics of the world seafarers' labour market. There is no simple answer when considering the nature of Chinese seafarers on the world market. There are chances but also challenges. In this thesis, we will put forward arguments in favour of this more cautious interpretation.

There are different views, however. Some researchers argue that the export of Chinese seafaring labour will increase significantly. Li and Wonham (1999) evaluate the report of BIMCO/ISF (1995) and suggest that it has underestimated the supply of Chinese seafarers to the global labour market (though the report has already exaggerated the scale of the export, as we have seen from Chart 1.7). The authors argue that China "is a potential alternative to Filipino as a major supplier of seafarers" (Li and Wonham 1999, p299) and that this potential can be realized by improving the English standards and skills of Chinese seafarers through cooperation between China and foreign shipping companies in Chinese maritime education and training, alongside the deepening of China's economic reform.

Sharma (2002) argues that China is going to emerge as the new leader of the global seafaring labour market. He explains:

The major reasons can be the population of the country, the training infrastructure and the availability of alternative occupational opportunities. PRC naturally holds

the lead in all of them to ensure that adequate supply is maintained to the SGLM [seafarers' global labour market] (2002, p21).

Sharma also identifies the main obstacles to the ability of Chinese seafarers to man foreign ships, such as their weak English and the low occupational tenure. However, the author assumes that these difficulties can be overcome, considering the sound and supportive public policy in China, the high initiative of Chinese crewing agencies to export to the SGLM, the good training infrastructure and the foreign shipping companies' cooperation with Chinese shipping companies to train and recruit seafarers.

In addition, some authors argue for the substantial enlargement of China's seafarer export by assuming that the emergence of the hundreds of independent crewing agencies can improve the working opportunities of Chinese seafarers onboard foreign ships (Gu 2002; Wu 2004a; Wu et al 2007; Yin et al 2008, p202). For instance, Wu et al (2007, p15) claim that, "The formation and development of crew agencies/management companies has opened new channels for freelance seafarers to work onboard foreign ships."

The researchers who take the view that Chinese seafarers will flood the global seafarer labour market are faced with the following problems. Initially, they neither consider the problems within China's seafarer labour market deeply nor discuss the complexity of the problems (such as the problems identified by Zhao (2000b; 2002) and Shen et al (2005) based on the data gathered around the beginning of the 2000s). Secondly, though they mention some obstacles to China's seafarer export, they take it for granted that the problems will be solved naturally with the continuing and deepening of the economic reform. They also assume that the emergence of hundreds of crewing agencies in China means the improvement of seafarer labour export, without any evidence or research looking beneath the quantitative data to examine the operation of the crewing agencies or their capacity to man foreign ships. Based on their argument, therefore, it seems that due to the reform of the Chinese economy, a liberalized seafarer labour market has been established, which will lead to an accelerated supply of Chinese seafarers to the global labour market.

The conclusion of this study is different from the above assumption. It is suggested that China's seafarer labour market is not of the kind that people are assuming when they think that it has been liberalized and the crewing agencies have been market-oriented though ten years of economic reform have passed since Zhao's research (2000b; 2002). This may contribute to the explanation of the limited rate of increase of China's seafarer export.

Indeed, some researchers are not only interested in the reform of the labour market, but also pay attention to the impacts of the economic reform on Chinese seafarers. For instance, Zhao's studies (2000a; 2002; 2006) explore the consequence of economic reform to seafarers. The discussions refer to the changes in employment relations in Chinese shipping companies in general, the creation of social and economic differentiation among seafarers of different ranks and positions, and seafarers' working experiences as a result of the reduction of crew size and the fast turnaround of the ships. It is concluded that seafarers' working conditions and welfare treatment have deteriorated as a result of the economic reform and economic globalisation.

Zhao's research also pays attention to particular groups of seafarers, such as women seafarers and commissars. She claims that Chinese women seafarers have stopped working in navigation since the 1980s and started to work onboard passenger ships as waitresses as a result of the economic reform, which implied a lowered position of women in the Chinese navigation industry (Zhao 2006). Concerning commissars, it is concluded that their role has switched from political propaganda during the planned economy to the welfare aspects of the work and life of seafarers at sea as a result of economic reform (Zhao 2003; Zhao et al. 2004).

Wu also considers the impacts of the economic reform on seafarers and the implications for China's seafarer export, but from an economic perspective. He reaches different conclusions from Zhao (2002, 2000b). Wu argues that the reform of China's economy brings Chinese seafarers the opportunity to work onboard foreign ships, which can provide Chinese seafarers with more benefits than they would be entitled to onboard domestic ships, such as higher wages, more working opportunities and more rational and equal management (Wu 2004a, b; Wu et al. 2006; Wu and Morris 2004; Wu et al. 2007). Therefore, he predicts that Chinese seafarers are

becoming freelancers and will flood the world seafarer labour market due to the attractiveness of working onboard foreign ships (Wu 2003; Wu 2004a; b, p14; 2005; Wu et al. 2007).

The benefits claimed for Chinese seafarers as a result of the economic reform and economic globalisation explored by Wu may be true. However, this study suggests that the consequences to seafarers of the economic transitions are far more complicated than the benefits listed by Wu. Implicit in Wu's thinking is a simple model, which is that market reform leads to freelance seafarers, leading to a substantial increase of labour export. However, the conclusion of our study suggests that this is limited; seafarers are limited in their ability to leave their state-owned companies to become freelancers.

The present study seeks to cast some light on the extent of the reform of China's seafarer labour market so as to contribute to the explanation concerning the overestimate of the likely progress of seafarer export in China. This is done through the pursuit of one major aim, which is to examine the employment and labour supply strategies of two state-owned ship crewing agencies, which have been reformed to different degrees, and the experience of the seafarers who work for them.

The next chapter explains the research method that was applied to support this aim.

Chapter 2: Method of the research

2.1 General

This thesis mainly employed qualitative research methods. Case studies were conducted in two Chinese state-owned crewing agencies (hereinafter referred to as Ag1 and Ag2; the agencies will be introduced in a later part of this chapter) in Qingdao City. The analysis in the thesis was based on the data collected from my three research trips between June 2007 and September 2008. Seventy-two semi-structured and in-depth interviews with seafarers and managers were completed (thirty-four interviews conducted in Ag1; thirty-eight in Ag2). Besides the interviews, documentary data, such as company annual reports, company magazines, managers' work reports, official letters, pay slips and some government published documents, were collected.

Qingdao was chosen as the fieldwork site. Along with Shanghai, it was one of the first coastal cities to be opened to foreign business by the state in 1984 (Song 1990). It is one of the most important shipping and port cities in China. In 2008, Qingdao port was ranked the 5th largest among Chinese seaports in terms of the volumes of handled freight and the 10th largest container port in the world (MOC 2008). The most important shipping companies, such as COSCO, China Shipping and the China ChangJiang National Shipping (Group) Corporation, set up branches in the city.

In addition, Qingdao was one of the first cities to start the foreign manning business. As early as the 1980s, the local government set up a ship crewing agency to develop seafarer labour export. In this city, where shipping and ship manning business are advanced, there are the most important shipping companies and crewing agencies. Ag1 and Ag2 have been two of the largest and most influential Chinese crewing agencies and the study of them can represent, to some extent, the operation of the most active crewing agencies in China (please refer to sections 2.3.1.1, 2.3.1.2 and Table 2.1 for more detail).

2.2 The research methods

This research is mainly a qualitative study. This is because an important part of the thesis is to discuss seafarers and managers' perceptions regarding the management of their crewing agencies and the Chinese seafarer labour market in the context of Chinese economic reform so as to provide some explanations for the limited increase in rates of Chinese seafarer export. The detailed views of seafarers and managers generated a vast amount of meaningful qualitative data on which to reflect. In addition, management strategies need to be systematically documented and explained in order to facilitate the understanding of seafarers' feelings and experiences.

While the structured interview method was used to gather some basic information in the research - such as biographic information of the interviewees - this study primarily adopted the methods of semi-structured and in-depth interviews. This is because these methods can provide the informants with more scope to express what they consider important in their own vocabulary (Bryman 2001, p314; Gubrium and Holstein 1998). In addition, researchers can trace important answers from the interviewees by asking new questions that are not prepared in advance (Kvale 1996; Mason 2002). Moreover, the sequence of questions can deviate from the sequence on the interview schedule when using semi-structured and in-depth interview methods, which helps to smooth the flow of interviews, and questions that have been talked about during the interview can be revisited if necessary (Fontana and Frey 2000). Therefore, semi-structured and in-depth interview methods are very flexible. They are helpful in the collection of rich and meaningful data.

Of course, there are some difficulties when using such methods. Interviewing requires the interviewers to possess some necessary interview skills, such as being responsive to the answers of the interviewees and skilled in asking questions and probing and eliciting important information, etc. As Kvale (1996) suggests, it is better for interviewers to practice before conducting interviews. Therefore, I prepared myself before my fieldwork by conducting mock interviews with my colleagues in SIRC. I also conducted a pilot study (see below) in summer 2007, to improve my interview skills and sharpen my interview questions.

Another widely recognized difficulty regarding qualitative interviews is the need to build up a rapport with interviewees, which has significant implications for the quality of collected data (Allan and Skinner 1991). This did not prove to be a big problem for me. Because I once worked part-time in a Chinese crewing agency for almost two years, I had rich experience of working with seafarers and agency staff. In addition, I communicated with my interviewees with the utmost patience at every stage of the interviews. I successfully built up rapport with my interviewees and some of them became my friends after the interviews (More information about the interviewing process will be detailed when introducing my research trips in the following sections).

Last but not the least, organizing and analyzing the huge amount of qualitative data collected from interviews can be complicated and time-consuming (Dey 1993; Ryan and Bernard 2000). To tackle this problem, I always transcribed my data and made important notes as soon as I had finished the interviews, rather than leaving them to the end of my research. Additionally, after analysing the data, I always filed them carefully and systematically so as to facilitate future retrieval. During the stage of writing up the thesis, I revisited the data several times so as to familiarize myself with the data and represent their meanings properly.

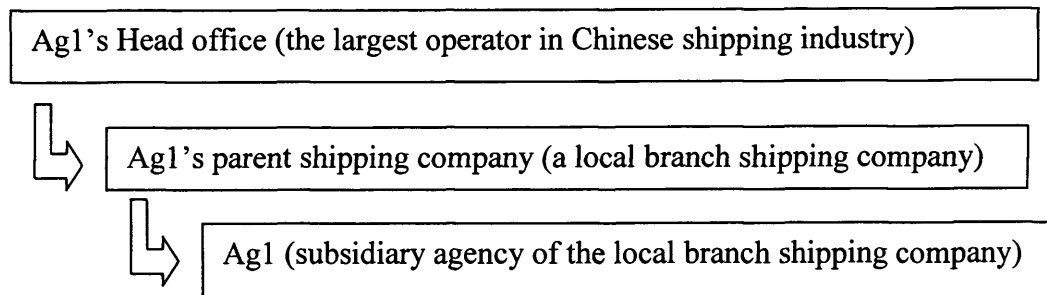
2.3 The fieldwork

2.3.1 The First period of fieldwork

2.3.1.1 Pilot studies in Ag1

In July 2007, I began my first research trip. Ag1 was chosen as one of the sites for case studies. It is a constituent part of what has been the largest operator in the entire Chinese shipping industry. Ag1 is a subsidiary crewing agency of its local branch shipping company (the structure of the relationship between Ag1, the local branch shipping company and the “largest operator” can be seen in Chart 2.1). In 2008, Ag1 employed 52 managers and 3163 seafarers (including both officer seafarers and ratings).

Chart 2.1 The Structure of the Relationship between Ag1 and its Parent Shipping Company and Head Office



The aim of the research trip to Ag1 was to examine seafarers' views about the management of the agency and the opportunities and challenges that the agency was faced with as a result of the economic reform. The interview structure was revised in Cardiff.

The gaining of access is not always easy, especially when one wishes to investigate Chinese state-owned enterprises which are connected to the government and consequently politically sensitive. Access to Ag1 was difficult at the outset. I had a friend who was an ex-senior manager of Ag1. Unfortunately, he quit several months before my fieldwork. When nobody could help me to gain access, I sought help from the teachers in the university where I had undertaken my four-year undergraduate study. The head of my college met me and promised to help. With my agreement, he called the HRM Manager of Ag1' parent shipping company (who had been a student of the head of my college and who directly managed Ag1 at that time) and the manager said I was very welcome. When I arrived at the company, the HRM manager had already notified the director of Ag1 to help me to arrange the interviews. On the day I visited Ag1, I interviewed its director. In addition, other pilot interviews with Ag1's HRM manager, Manning manager and two seafarers (a commissar and a chief officer) were scheduled for the following days.

The interview questions were varied in accordance with the different positions of the interviewees. However, the questions were about the following topics: what do

seafarers think about the management of the crewing agency? What are the impacts on the management and on seafarers of the economic reform?

I selected two interviewees from the seafarers who were on leave. One was a 54-year-old commissar, born in the city, who had been assigned by the government to the parent shipping company when he graduated from high school. He was very careful when talking with me and refrained from commenting much on the 'sensitive' topics, such as the evaluation of the management. The interview with the commissar was conducted in Ag1's meeting room, lasted 40 minutes and was voice-recorded. The other informant was a chief officer, in his 40s, with higher education from China's best maritime university. He was born in the city and assigned by the government to the shipping company in 1988. He was talkative and was keen to expose his feelings and opinions to me and discuss a range of topics. The interview with him was conducted over two separate days; both sessions took place outside the agency (one was in a coffee bar in the town centre and the other in a Korean restaurant). Each interview lasted more than 2 hours and was voice-recorded. I obtained rich information from this participant, which allowed the research to go beyond its original questions.

The interviews with Ag1's HRM manager and Manning manager were conducted in Ag1's luxury meeting room, with a huge, round table and a basket of fresh flowers in the middle. Each interview lasted around 60 minutes and was voice-recorded. It was evident that the managers answered my questions extremely carefully. Sometimes they just refused to answer, saying "this is a company secret". I also found that sometimes what they said was in contrast to the information given by seafarers. Despite this, almost all the manager and seafarer interviewees mentioned the problem of the shortfall of officer seafarers and this problem seriously impeded the development of labour export. The data collected from the research trip proved to be a useful guide to sharpen the structure of the interviews for the second stage.

2.3.1.2 Pilot studies in Ag2

Ag2 was established in 1985. It is one of the crewing agencies with the longest history and also one of the most influential agencies in China. Unlike Ag1, Ag2 is not affiliated to any shipping company, but is supposed to operate independently, as an

independent state-owned crewing agency (ISCA). It has cooperated with foreign shipping companies since its establishment. It employed smaller numbers of seafarers and managers than Ag1. Unlike Ag1, the vast majority of Ag2's regularly employed seafarers were officers; Ag2 recruited freelance ratings temporarily from the labour market (More information about Ag1 and Ag2 can be seen in Table 2.1). The aim of the research trip to Ag2 was to examine seafarers' views about the management of the agency and the impacts on the agency of the economic reform.

Table 2.1 Basic Information about Ag1 and Ag2

Company name	Ag1	Ag2
Category	SSCA	ISCA
Year Established	1995	1985
Main client	Parent shipping company	Foreign shipping companies
The number of ships manned in 2008	46	37
The number of staff in 2008	52	19
The number of regularly employed seafarers in 2008	3163	700
The ranks of the seafarers	All ranks	Mainly officer seafarers
The number of freelance seafarers employed in 2008	0	321 ⁵

Sources: The two crew agencies

The gaining of access to interview managers and seafarers in Ag2 was much easier than in Ag1. The director of Ag2 was a friend of my colleague in SIRC. After he had introduced me to the director, access to conduct interviews in the company was granted.

Pilot interviews were conducted with two freelance seafarers who were ex-registered workers of Ag2 and the Director, Business manager, Manning manager and Training manager in July and August 2007. Freelancers were interviewed because they could

⁵ The majority were the freelance ratings.

evaluate the management of Ag2 with reference to their experiences of working in the labour market as freelancers. This is helpful in understanding the reform of Ag2 and the situation of China's seafarer labour market. The seafarers were interviewed in Ag2's meeting room and the managers were interviewed in their offices. Each interview lasted for one hour or so and was voice-recorded. The questions were focused around the following topics: seafarers' perceptions about being freelancers; the difference between being a freelancer and a worker of the SOE (concluded fixed-term contract); seafarers' views about the management of Ag2; the operation of the crewing agency and its opportunities and challenges. Similar to Ag1, the data suggested that Ag2 was confronted with the problem of a shortfall of officer seafarers and the manning business was constrained by it. The data collected provided the background that was used to improve the subsequent fieldwork.

2.3.2 The second period of fieldwork

This period of fieldwork took place between March and the end of June 2008. I visited Ag1 first and then Ag2. The aim of the research trip to Ag1 and Ag2 was to have a better understanding of seafarers' feelings and behaviors by investigating intensively how the seafarers were managed and treated by their employers and the meaning to seafarers of the reform of China's seafarer labour market. The interview questions were around the following topics: how seafarers' manning, promotion, training, material support and relationships between seafarers and managers, which are the issues closely related to the interests of seafarers, are managed by the agencies? In what ways have the management strategies been reformed and how do these strategies influence seafarers? How do seafarers perceive becoming freelancers? During this period of fieldwork, seafarers were the main interviewees.

The designing of the interview questions took me a long time. As well as the discussions with my supervisors in the UK before the research trip, I got advice from my friend and teacher, Dr. Zhao Wei, who is an associate professor of Beijing Normal University. She has rich experience in workers' studies and in conducting fieldwork in Chinese SOEs. I visited her several times to discuss the interview questions, the sequences and outlays of interview schedules and the way to interview people. I learnt a lot from her and my interview skills were much improved. By the time I started the interviews, I had made 16 drafts of the interview schedule (A copy of the interview

schedules in the final form can be found in Appendix A to D). These efforts proved worthwhile because I collected rich and interesting data through the interviews.

2.3.2.1 Case study in Ag1

In Ag1, twenty-one seafarers were interviewed. Twelve of them were over thirty-five years old and nine were below this age. Fifteen of the interviewees held college/higher education qualifications and six were high school graduates. They worked at different ranks, at different locations onboard ship, came from different parts of China (with different *hukou*) and held different types of contract (Table 2.2).

Table 2.2 The Composition of Seafarer Interviewees in Ag1 in the Second Period of Fieldwork

		Ranks		<i>hukou</i>		Types of contract		
		officer	rating	city	country	registered	peasant	freelancer ⁶
Working location	Deck	6	5	6	5	5	5	1
	Engine	7	3	6	4	5	4	1
		13	8	12	9	10	9	2

N=21

I selected these seafarers from the population of seafarers who were on leave. The selection was limited by the fact that some seafarers were unable to attend the interviews because, for instance, they were busy with affairs at home or with training; in addition, some seafarers suspected that I had been hired by the agency to collect the views of seafarers, so they refused to join in the interviews to avoid any unnecessary trouble.

I contacted most of the interviewed seafarers myself, instead of through the managers of the agency. The interviews were conducted at various places where seafarers were easy to reach, such as coffee bars near seafarers' houses, the schools of the seafarers' children (because some seafarers took their children to school and it was convenient to conduct interviews there), restaurants (KFC, Pizza Hut and local restaurants) and

⁶ The two freelance seafarers were ex-registered workers of Ag1. They were not working for Ag1 when they were interviewed.

the seafarers' training centre. On some occasions, I had to take two-hour bus rides or travel ten miles for the interviews. Despite this, my efforts proved worthwhile because the seafarers felt safe and free to express their opinions and feelings in locations of their own choosing. Some interesting data beyond the interview outlines were collected. Some of the 'secrets' of the company that were referred to by the managers during my first period of research trip in 2007 were disclosed by seafarers, such as issues concerning the contract of peasant workers and the managers taking bribes from seafarers. Each interview lasted around 90 to 120 minutes and was voice-recorded.

In addition to seafarers, the ex-director of Ag1, who was the director of a POCA, and its Manning manager, who was a retired Manning manager of Ag1, were interviewed through introductions from my friend. Through them, I was able to pursue questions that the managers in Ag1 refused to answer and questions that seafarers could not explain clearly, such as Ag1's management concerning the employment of managers and the complex, internal relationships among Ag1, its parent shipping company, the head office and government bodies. Interview questions were concerned with the evaluation and explanation of the management strategies of Ag1, the extent of its reform and the consequences for seafarers and foreign manning business. Interviews were conducted in managers' offices. The interviews lasted 87 and 64 minutes, respectively, and were voice-recorded.

2.3.2.2 Case study in Ag2

In Ag2, twenty-five seafarers were interviewed. Thirteen of them were over thirty-five years old and twelve were below that age. Fifteen of them were graduates from colleges and universities and ten of them had high school qualifications. They were from deck and engine departments, worked at different ranks, came from different parts of China and held different types of contract (Table 2.3).

Table 2.3 The Composition of Seafarer Interviewees in Ag2 in the Second Period of Fieldwork

		Ranks		<i>hukou</i>		Types of contract		
		officer	ratings	city	country	registered	peasant	freelancer
Working location	Deck	8	7	7	8	5	7	3
	Engine	7	3	5	5	5	4	1
		15	10	12	13	10	11	4

N=25

Again, the interviewed seafarers were selected from the population of seafarers on leave. After I had selected the seafarers, the Manning manager called them to come to the agency for their interviews. The interviews were arranged by the manager in Ag2's seafarer waiting room, which was a rather small room with a small table in the middle. When the interviews were being conducted, no other seafarers were allowed to enter. Each of the interviews lasted for one hour or so and was voice-recorded. Learning from the experiences of the interviews in Ag1, I successfully contacted seven of the interviewed seafarers via informal means after the interviews. I treated them to drinks and food in local restaurants, McDonalds and coffee bars and I visited their houses. Each of these subsequent interviews lasted around two hours or so and was voice-recorded. The seafarers talked about some sensitive topics. Some information that was outside the interview schedule was collected. It was evident that some seafarers, especially the peasant seafarers, were disaffected with the management. However, they were afraid that Ag2 would find out that they had disclosed the secrets or negative aspects of the company to me. Some of them therefore exhorted me to pretend that I had never had these informal meeting with them at the end of the interviews.

In addition to seafarers, the director of Ag2 and the President of the TU were interviewed during the second research trip. Questions were about the management strategies of the agency and their impacts on seafarers.

During the interviews with seafarers and managers in Ag1 and Ag2, I tried my best to listen carefully and be responsive to the answers. I was struck that when I mentioned that my cousin had been a seafarer for more than ten years and that I had worked part-time in a crewing agency for almost two years, the distance between the interviewees and myself reduced. They started to ask about my cousin's situation. They wondered how the seafarers in my previous agency were managed and treated. In turn, they told me their problems and feelings. Sometimes, they compared their situation with the information I provided. This made the interview proceed more smoothly.

During the interviewing process, I also told the interviewees my interpretation of their experiences after they had talked, so as to cross-check my understanding. In some cases, my interviewees were eager to talk, since their feelings had never before been heard by others. They said they had little opportunity to tell others their story and express their feelings in such an intensive way; few people cared about them. Some seafarers sought advice from me, for instance what they should do to deal with their difficulties and whether they should adopt certain actions. Sometimes, I felt sorry for their difficult position. However, in all honesty, I did very little to help or improve their position, but acted only as a sympathizer and a spirit advocate.

After the interviews, some seafarers telephoned me to tell me about their latest situations. Some messaged me to say that if I had any interviews in the future, they would like to help. While I treated some seafarers to drinks and food at the beginning of the interviews, some of them invited me to meals after the interviews. Several seafarers became firm friends of mine and we kept contact after I returned to the UK.

2.3.3 The third period of fieldwork

The third research trip took place between August and September 2008. Its aim was to systematically explore the reasons behind the management strategies and internal dynamics, so as to understand deeply the feelings and behaviours of seafarers and the extent of the reform of the crewing agencies. Questions were asked concerning the reforms of the management strategies; the reasons for and the consequences to seafarers of implementing current strategies and the relationships between the agencies and the institutions at higher levels. The roles of the Trade Unions (TUs) in both of the agencies were also investigated. Six interviews with managers and union

officials were conducted in Ag1 and five in Ag2. All the interviews were voice recorded.

Ag1's Director and the lawyer of the company, the Chair of the TU, the Training manager, the HRM Manager, the Vice Director of the Head Office and the Director of the parent shipping company were interviewed. The interviews took place in managers' offices. Each of them lasted 60 to 90 minutes. Some managers were as careful as they had been in 2007. For instance, the director asked the company's lawyer to be present at his interview. Some questions prepared for the interview with the director of the PSC were not answered. Instead, the director asked his secretary to write down the answers and email them to me. In contrast, the chair of the TU showed more enthusiasm about talking with me. His interview was conducted over two separate days and lasted for 3 hours and 50 minutes in total. The Training manager was very patient as well and wished to probe some issues with me. His interview lasted 79 minutes. The interviews with managers provided me with some valuable information.

In Ag2, I interviewed the Director, the HRM manager, the Manning manager, the Chair of the TU and the Training manager. Interviews took place in managers' offices and lasted one to two hours. The managers in Ag2 were more open and relaxed when talking with me than were the managers in Ag1. This might be because Ag2 was not as closely related to the government as Ag1 and therefore the managers in Ag2 were less 'politically sensitive', or perhaps because the managers in Ag2 had more experience of interviews and communications with people from foreign shipping companies or organizations. Interviews with the managers provided rich data to help me to understand the operation and internal dynamics of the firm.

A summary of the seafarers and managers who participated in the interviews and seafarers' backgrounds are shown in Tables 2.4 - 2.7 (Table 2.4-2.5 refer to the interviews in Ag1 and Table 2.6-2.7 refer to the interviews in Ag2).

Table 2.4 The Interviewees in Ag1 between 2007 and 2008

First stage interviews (July to August, 2007)		Second stage interviews (March to June 2008)	
Identity	Post	Identity	Post
Director		Ex-director ⁷	
Manager	HRM Department	Manager ⁸ (retired)	Manning Department
Manager	Manning Department	Registered seafarer	Captain
Registered seafarer	Commissar		2 nd officer
	Chief officer		Chief Engineer
			1 st engineer
			2 nd engineer
			3 rd engineer
			Bosun (Bsn)
			Able seaman (AB)
			Motorman
			Chief cook
N=5			
Third stage interviews (August to September, 2008)		Freelance seafarer	3 rd officer 3 rd engineer
Identity	Post	Peasant seafarer	Captain Chief officer 3 rd officer Chief Engineer 2 nd engineer Able seaman (AB) Ordinary seaman (OS) Electrician Motorman
Director and the lawyer			
Manager	Training Department		
Manager	HRM Department		
Chair	Trade Union		
Vice Director	Head office		
Director	Parent shipping company		
N=6		N=21	

⁷ The ex-director of Ag1 became the director of a POCA after he left Ag1.

⁸ The retired Manning manager of Ag1 was employed as the Manning manager by the POCA.

Table 2.5 The Composition of Seafarers Interviewed in Ag1

Age			Education levels			
29 and under	30 to 40	Over 40	Junior high school	Senior high school	Two year college	Four year university
6	10	7	2	5	10	6

N=23

Table 2.6 The Interviewees in Ag2 between 2007 and 2008

First stage interviews (July to August, 2007)		Second stage interviews (March to June 2008)	
Identity	Post	Identity	Post
Director		Director	
Manager	Training Department	Chair	Trade Union
Manager	Manning Department	Registered seafarer	Captain
Manager	Business Department		Chief officer
			2 nd officer
			3 rd officer
Freelance seafarers	Able seaman		Chief Engineer
	1 st engineer		1 st engineer
			2 nd engineer
			3 rd engineer
			Bosun (Bsn)
			Electrician
N=6			
Their stage interviews (August to September, 2008)		Peasant seafarer	Captain
			Chief officer
			2 nd officer
			3 rd officer
			Chief engineer
			2 nd engineer
			3 rd engineer
			Able seaman (AB)
			Motorman
			Chief cook
			Ordinary seaman
		Freelancer seafarers	Bosun (Bsn)
			Ordinary seaman (OS)
			Able seaman (AB)
			Motorman
N=5		N=25	

Table 2.7 The Composition of Seafarers Interviewed in Ag2

Age			Education levels				
29 and under	30 to 40	Over 40	Junior high school	Senior high school	Two year college	Four year university	
8	11	8	2	9	11	5	

N=27

Before exploring the experiences of seafarers in the case studies, the thesis provides the context wherein the two studied crewing agencies are located to further explain why two state-owned crewing agencies, rather than the agencies of other ownerships, were studied. We turn to this next.

Chapter 3:

The development of Chinese crewing agencies and their foreign manning business

It has been well reported that since the economic reform, hundreds of independent crewing agencies have emerged in the Chinese seafarers' labour market (Gu 2002; Wu 2004a; Wu et al. 2007; Yin et al. 2008, p202). However, what has not been critically considered is the development of the agencies of different ownerships and how they have contributed to the supply of seafarers to the global labour market.

This chapter considers this question. It aims to provide a general idea of the extent of the liberalization of the Chinese seafarer labour market, which may at least partially explain the small increase in the rates of seafaring labour export.

Following the time sequence of the agencies' registration in China, the chapter firstly looks at two types of state-owned crewing agencies (SOCAs). One is an independent state-owned crewing agency (ISCA) and the other a subsidiary crewing agency of a state-owned shipping company (known, for short, as subsidiary state-owned crewing agency (SSCA)). Then, this chapter shows the development of the private-owned crewing agencies (POCAs) and foreign invested crewing agencies (FICAs). The analysis in each of the sections focuses on two issues: 1) the granting of foreign manning qualifications; 2) the employment of seafaring labour.

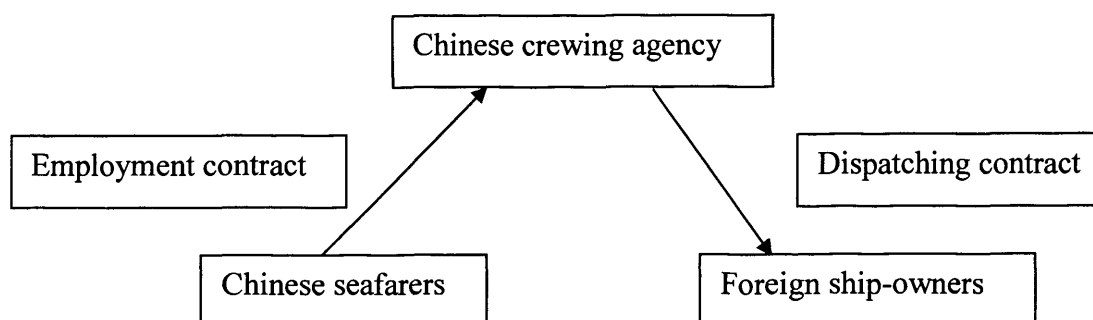
3.1. Independent state-owned crewing agencies (ISCA)

3.1.1 Cooperation with foreign ship-owners and manning qualifications

ISCAs have been granted foreign manning qualifications since their emergence at the beginning of the 1980s, with the support of Chinese government at different levels. The goal of setting up ISCAs was mainly to facilitate the participation of Chinese seafarers in the global labour market. According to the Labour Laws of 1995 and the New Labour Contract Law of 2008, Chinese workers working overseas are not allowed to be directly employed by foreign employers, but must be employed by a Chinese agency first and then dispatched by the agency to the foreign employers. The purpose of this regulation is to protect China's shipping companies and labour resources. Accordingly, ISCAs are established and granted full qualifications to man

foreign ships. The contract relationship among seafarers, ISCA and foreign ship-owners is shown in Chart 3.1.

Chart 3.1 The Contract Relationships in the Foreign Manning Process



As can be seen from the chart, different sorts of contractual relations are involved in the manning process. Seafarers first sign an employment contract with an ISCA, which consequently becomes the buyer of the seafarers' labour-power and decides all the employment issues; then, the ISCA signs a manning contract with the foreign ship-owner, which is the user of seafarers' labour, paying the agencies for the labour of seafarers. Consequently, seafarers rely directly on the agencies for employment.

3.1.2 Seafarer labour management in ISCA

ISCAs manage labour flexibly. They manage officer seafarers and ratings in different ways.

Supported financially by the government, ISCAs employ a number of registered seafarers. They are more likely to be officer seafarers than ratings because of a shortage of freelance officer seafarers in the Chinese labour market (the quantity and quality of Chinese freelance seafarers will be explored in a later section of this chapter). Many of the new registered officer seafarers are graduates from maritime colleges and universities, recruited by ISCA through paying educational institutions a large sum of money (10,000 to 30,000 *yuan* for each student, though different schools required different payments).

ISCAs reserve a number of registered officers by signing a fixed-term contract with them (5-8 years). According to the New Labour Contract Law 2008, most of them are entitled to open-ended contracts after ten years of work. Registered seafarers' employment issues are decided by the agencies, especially their onboard working opportunities. Unless deployed by the agencies, seafarers are not allowed to work onboard ship. To control this, agencies keep seafarers' sailing certificates when they are on leave. In addition, ISCAs, like other state-owned agencies or companies, provide registered officer seafarers with training, social insurance and some non-wage benefits.

However, ISCAs do not keep a large number of registered officer seafarers. When the number of registered officer seafarers becomes insufficient, ISCAs flexibly employ a small number of officer seafarers from the market or temporarily borrow seafarers from other state-owned shipping companies.

In contrast to the management of the officer seafarers' employment, the management of ratings' employment is different. A rating's job is low skilled. There are redundant ratings in the labour market and crewing agencies can very easily recruit enough ratings with a low salary from the market (Han 2008; Huang 2008). Therefore, the ISCAs recruit freelance ratings flexibly, signing a per-voyage contract with them, which enables the agencies to avoid paying them the benefits that are offered to registered workers.

Having a fixed number of registered officer seafarers and the fact that ISCAs are granted foreign manning qualifications by the government give ISCAs an essential foundation to develop their foreign manning business. These advantages come from the political and financial support of the government at several levels.

3.2 Subsidiary state-owned crewing agencies (SSCA)

3.2.1 The manning qualification

SSCA is another type of state-owned crewing agency in China. Unlike ISCAs, which are established by the government at several levels, SSCAs are set up by state-owned shipping companies through the reform of 'separating the management of the seafaring labour resource from the management of ships' (*ren chuan fenli*). This

reform was based on the policies proposed at the 14th Party Congress in October 1992, with the aim of establishing a modern corporate system. The goal of setting up SSCAs was to improve the professionalism of seafaring labour management, thus providing more job opportunities to managers and workers of state-owned shipping companies and improving shipping companies' profits by reducing labour costs. SSCAs were also expected to become market-oriented companies to develop the foreign manning business on a large scale. To this end, SSCAs were granted foreign manning qualifications in the late 1990s with the support of their parent shipping companies and the Chinese government. The contract relations involved in the foreign manning process are the same as those in ISCAAs (see Chart 3.1).

3.2.2 Seafarer labour management in SSCA

In contrast to ISCAAs, which manage labour flexibly, many SSCAs employ officer seafarers and ratings who are surplus to requirements elsewhere in the company. Except for newcomers, most of these seafarers are former employees of parent shipping companies, having been recruited in the 1970s and 1980s when the reform was not deep. At that time, the shipping companies were asked by the government to help realize full employment, which eventually caused a labour surplus for the companies. Despite the deepening of the reform in the 1990s, the firing of surplus workers was prohibited by the government in order to maintain societal stability. Even when the SSCAs are established to manage all the seafarers' resources independently, the firing of surplus seafarers is still forbidden. As a consequence, with the support of the government and their parent shipping companies, the SSCAs employ surplus seafarers to fulfil their social responsibility.

The subsidiary state-owned crewing agencies' (SSCAs) management of the registered seafarers is almost the same as that of the ISCAAs. In some cases, SSCAs' seafarers can enjoy better social insurance and non-wage profits due to better and more direct support from parent shipping companies. However, it is possible for SSCAs' seafarers to have fewer promotion and job opportunities than ISCAAs' seafarers due to the labour surplus in SSCAs.

In addition to the two kinds of SOCAs (the SSCA and ISCA), there are POCAs in China's seafarers' labour market. Since FICAs in China have not yet been allowed to

register, their situations will not be discussed in this thesis. The following section focuses on the hundreds of newly established POCAs, which are expected to contribute substantially to the seafaring labour export in China (Wu 2004a; Wu et al 2007; Yin et al 2008, p202).

3.3 Private-owned crewing agencies (POCAs)

It is a mistake to think of SOCAs and POCAs as having equivalent rights or importance in China's shipping industry. Since the labour resource and foreign manning qualifications are two significant factors influencing the foreign manning business, the POCAs' situations will be analysed by looking at these two aspects, respectively.

3.3.1 Lacking foreign manning qualifications

Unlike Chinese private enterprises in other industries, which were encouraged to develop and were offered preferential policies by the government as early as the mid-1990s, POCAs were not allowed to register until 2004 with the implementation of the policy "*The management measures of the credentials of labour service cooperation with foreign countries*".

The reason for this policy release is related to the deepening reform of China's economy, particularly the changes in the following two aspects after 2000. On the one hand, a prosperous shipping market emerged in China and, consequently, there was a rapid increase in the number of private and foreign-owned shipping companies. Unlike their state-owned counterparts, many of these shipping companies operated on a very small scale and did not have their own seafarers. Therefore, a great demand for seafaring labour was produced by these non-state-owned shipping companies. On the other hand, due to the restructuring reform in China, many shipping companies went bankrupt and some of their workers were laid off. The crewing agencies needed to distribute the labour resources. These factors contributed to the changes in the regulations concerning the registration of POCAs.

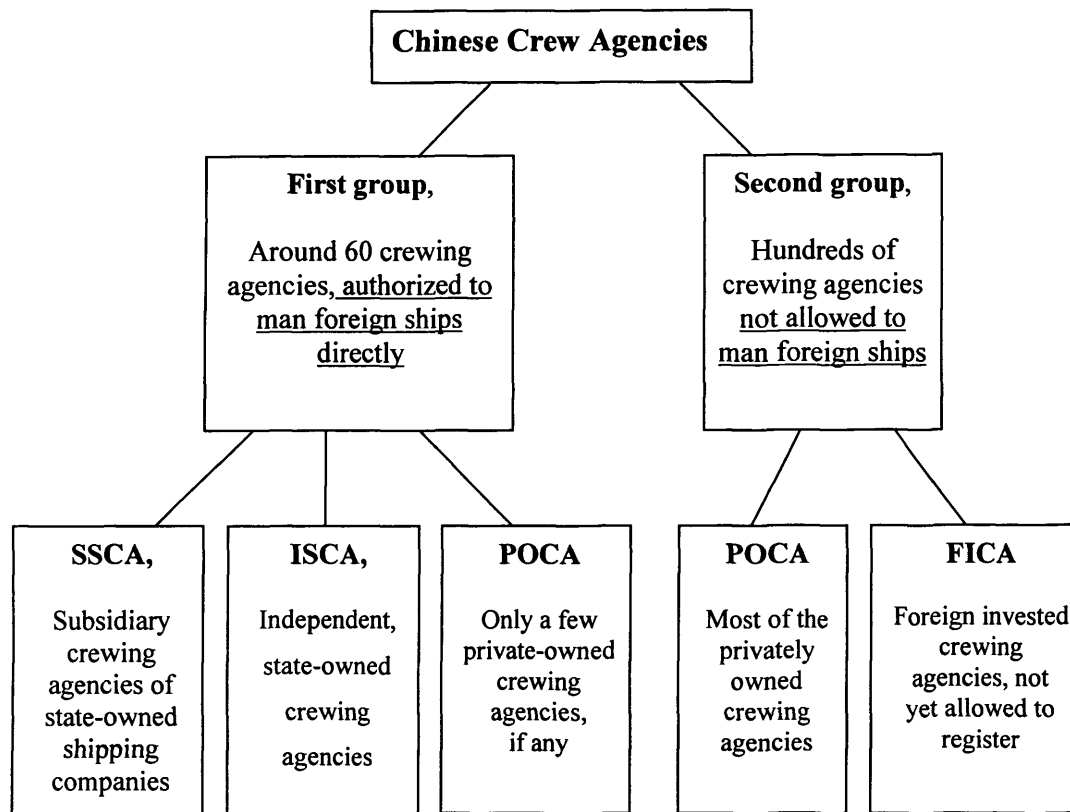
Despite this new policy, most of the POCAs are still unable to register to operate a labour service in cooperation with foreign companies in the same way as the SOCAs because of the stringent requirements of the registration policy.

The policy, “*The management measures of the credentials of labour service cooperation with foreign countries*,” implemented on 26 August 2004 by the Ministry of Commerce, requires any company that applies for these credentials to have been registered for at least three years, with a registered capital of more than 5,000,000 *yuan* (3,000,000 *yuan* for companies in central and western areas of China). The asset-liability ratio of the company must be no more than 50% and the company must have no negative record. The company must be equipped with a sound management system and so be granted an ISO9000 Quality Management System Certification. Adequate reserve funds for labour service cooperation with foreign countries must be paid (1,000,000 *yuan* and 900,000 *yuan* for companies in central and western areas of China). The business place must be fixed and no less than 300 square meters; there must be no fewer than ten professional administration staff (including more than five professionals with college or higher educational qualifications regarding labour service cooperation with foreign countries with colleges, more than two training and administration staff, more than two financial staff and more than one legislation consultant); in the previous three years, the company must have supplied no fewer than 300 workers to enterprises that have the business qualifications of labour service cooperation with foreign countries approved by the Ministry of Commerce; and the regulation system of the company must be complete (Ministry of Commerce, 2004).

Due to these high requirements, apart from those SOEs that are supported by the government, very few POCAs can meet these criteria. Consequently, most Chinese POCAs are unable to obtain the credentials of Labour Service Cooperation with Foreign Countries.

Therefore, in terms of being authorized to crew foreign ships, Chinese crewing agencies can be divided into two categories (Chart 3.2).

Chart 3.2 The Categorization of Chinese Crew Agencies



Without the manning qualifications, the POCAs' manning capacity is greatly weakened. Chinese POCAs are usually small businesses. Many of them work as subordinates of the SOCAs and help them to recruit freelance seafarers when there is a need (mainly for the ISCAs). In the process, the POCAs earn a margin of the profits of crewing foreign ships. When talking about foreign manning business, a managing director of a Chinese POCA said:

We are running a manning business through depending on others [SOCA]. We have to pay for their 'help' and have to be under their control. If we were authorized to man foreign ships directly, we would feel like flying.

Due to the lack of foreign manning qualifications, many POCAs in China are engaged in manning domestic ships.

In addition to the lack of foreign manning qualifications, the development of POCAs is restricted by the seafarers' labour resources, which mainly comprise freelance seafarers. The director of Ag2, which has employed a number of freelance seafarers in recent years, said, "By completely relying on freelance seafarers, an agency is unable to gain a firm foothold".

The following section explores some problems regarding the Chinese freelance seafarers, and how these problems negatively influence POCAs' development.

3.3.2 Freelance officer seafarers in China

Due to the lack of government support and the small scale of the POCAs, very few of them could employ regular workers. As a consequence, most of them depend on freelance seafarers. However, it is found that although there are a large number of freelance ratings, the quality and quantity of freelance officer seafarers in China is rarely satisfactory. This section mainly discusses the freelance officer seafarers in China, focusing on their numbers, quality and the regulation of their behaviour.

3.3.2.1 The lack of freelance officer seafarers

Chinese freelance officer seafarers mainly comprise three kinds of seafarers - unemployed seafarers whose shipping companies went bankrupt during the reforms in the 1990s; some seafarers who quit their shipping companies voluntarily; and some new graduates of maritime universities and colleges.

Freelance officer seafarers in China are in short supply. Although there are no data to quantify this deficiency, some of the facts listed below may help to explain the situation.

It was reported that in recent years, some ships from non-state-owned shipping companies that depended on freelance seafarers had stopped running because no freelance officer seafarers could be found to navigate these ships (Liu et al. 2008, p85). In addition, it was seen that although the POCAs depended on freelance

seafarers, the agencies were unable to recruit freelance officer seafarers directly from the market due to their small number, but had to recruit in special ways. A Manning manager of a POCA said:

When we were looking for freelance officer seafarers, we had to ask for help from other agencies or friends, through special relationships, because freelance officer seafarers were in short supply and when we only put out an advertisement, nobody came.

Due to the difficulty of recruiting freelance officer seafarers from the market, some POCAs 'borrow' seafarers from the large SOCAs that have a surplus. One POCA director said:

Recruiting freelance officer seafarers from the market is difficult. There are too few of them. Seafarers supplied by our crewing agency were mainly registered workers borrowed from a SOCA. Our agency paid not only seafarers' salaries, but also the administrative fees required by that SOCA.

So why are there insufficient freelance officer seafarers in China? One reason concerns the policies of the Chinese government. The Chinese Seafarers' Management Statute 2007 requires that, when seafarers are employed by a ship-owner, a labour contract must be signed between the seafarer and the ship-owner; the ship-owner must also pay for social insurance and salaries, which must be higher than the lowest social salaries required by the local government (Chapter 4, Chinese Seafarers Management Statute 2007). The implementation of this policy has had two main effects.

First, it is thought this policy helps to improve seafarers' employment and hence social stability. In China, social insurance and the welfare system are rather weak and no effective measures have been set up to protect the lawful rights of seafarers, to provide job information or to supervise the operation of crewing agencies (Zhao and Amante 2003). Consequently, the government controls the number of seafarers that are on the market and encourages more seafarers to become registered seafarers of the SOCAs so that they can be taken care of by the companies. Keeping the employment

rate high is still one of the social responsibilities of the SOCAs, as they enjoy significant support from the Chinese government.

As a result, a strange phenomenon arises in the Chinese seafaring labour market in that many state-owned crewing agencies suffer from a surplus of seafarers who are not allowed to be fired by the government, while some POCAs are trapped by the difficulty of recruiting a sufficient number of seafarers from the labour market (Li 2006).

A second effect of the policy of the Statutes 2007 is to help to protect the Chinese shipping industry, which is extremely important for China's economy (Bao and Liu 2008; Cheng 2008; Liu and Jia 2008). The policy enables the state-owned shipping companies to control a greater proportion of the seafaring labour.

In addition to this policy, there are other reasons for the lack of freelance officer seafarers. From the supply side, for example, many Chinese officer seafarers, including freelance officer seafarers, have moved to land-based jobs in recent years because of the fast development of the shipping industry, which has led to the rapid growth of maritime-related land-based jobs, such as maritime officials, ship inspectors, port construction and management, ship brokers and shipbuilders, which needed experienced officer seafarers (Ma and Xu 2008, p118). The long training period for a maritime student at school also slows down the supply of maritime graduates to the industry (in China, a high school student has to study for at least three years to obtain competency certificates, while a rating has to study for at least six years to become a junior officer if he can pass the difficult examinations). From the demand side, the rapid growth of the Chinese shipping industry in recent years and the subsequent huge demand for seafarers are further important reasons.

Consequently, there is a shortage of freelance officer seafarers in the Chinese seafaring labour market. While the SOCAs control a fixed number of seafarers, which enables them to provide ship-owners with a relatively stable supply of labour, the POCAs do not have regular workers but have to depend on these freelance officer seafarers. The shortage of freelance officers has consequently limited the development of POCAs.

Apart from the problem of insufficient numbers, the quality of the freelance officer seafarers is generally low and one of the most direct reasons for this might be a lack of training. The next section considers this issue.

3.3.2.2 The lack of professional training of Chinese freelance officer seafarers

After graduating from maritime colleges and universities, except for the training required by the Maritime Bureau for seafarers' promotion examination, Chinese freelance officer seafarers have little opportunity to be trained. There are several reasons for this.

In China, only the SOCAs organise maritime training, which is funded by the government and the large ship-owners. However, this training is only for their own regularly employed seafarers. The SOCAs do not train freelance officer seafarers even if they are sometimes employed by the SOCAs (like the ISCA's). As for the POCAs, which are the main employers of freelance officer seafarers in China, they do not provide training either, because most of them operate on a small scale and are unable to organize the expensive maritime training. In addition, the POCAs, for the purpose of profits and survival, do not waste money on training seafarers who are not employed regularly. Furthermore, there is no free training from any social institution. The Chinese government has not implemented any specific policies or put any money into improving the training of freelance seafarers, although, since 2003, it has invested several billion *yuan* in the training of peasant workers to improve their employability. Consequently, no institution cares about the training of freelance officer seafarers.

In addition, very few freelance officer seafarers undertake training voluntarily because the training fees are high and because there is a shortage of freelance officer seafarers and it is thus easy for them to find employment opportunities even without training. The lack of training and self-learning of freelancers have become a concern of the Ag2's managers. The director of Ag2 said:

Freelance seafarers, they do not take training. They just know to ask for high salaries. Due to the shortage of seafarers, the ship-owners' selection of seafarers was very weak. Consequently, freelance seafarers don't have any

pressure to find working opportunities. I wonder how they will survive when some day the shipping market collapses and the temporary shortage of officer seafarers diminishes.

The Training manager of Ag2 said:

Due to the current lack of freelance officer seafarers, they do not restrain their behaviour. They don't care about whether they improve their skills or not. Consequently, the quality of seafarers declines when they do not undertake the necessary training.

One consequence of the lack of training could be the minimal improvement of the competitiveness of Chinese freelance officer seafarers. In particular, the weakness among Chinese seafarers, which is identified as key obstacle to their significant flow into the global labour market, cannot be rectified. The language problem is a case in point. Unlike the Filipinos, for whom English is their first language, Chinese seafarers' level of English is generally low. Zhao (2002, p5) said:

[The prospect for China of significantly increasing its share of the world seafarers' labour market] will depend on how much progress China can make with its seafarers' English training. Despite the great investment made by shipping companies and maritime trainers and educators, learning a foreign language for adults is certainly a long and slow process. The lack of contexts in which English is spoken as the language may well hold China back from significantly further improving her position on the world seafarer suppliers' league table.

Without training, the problems concerning the quality of freelance seafarers can hardly be solved. This affects the scale of the POCA's labour export negatively.

3.3.2.3 The lack of effective regulation of freelance officer seafarers

The regulation of Chinese freelance officer seafarers is rather weak (Li 2008, p358). As a consequence, many freelance officer seafarers show a lack of professionalism.

This makes the management of the agencies that depend on freelance seafarers difficult.

It is not hard to find articles from maritime newspapers or journals in China that appeal for improvements to the regulation of freelance seafarers because many problems are found relating to them. The following comment reflects some of the reported problems:

When the ship got to a foreign port, sometimes an irresponsible seafarer would ask the agency to replace him with someone else because he wanted to leave the ship and said that if the crewing agency did not agree, he would not work, but would leave anyway. In order not to affect the shipping period, sometimes the agency had to compromise. But when the agency did not agree with the requirement, some seafarers just took their revenge, for instance, by reporting to the local administrative institutions and bringing a false charge against the ship's condition, like poor equipment and facilities onboard ship, which consequently resulted in the detention of the ship at the port and a huge economic loss for the ship-owner (Ma and Xu, 2008, p118).

The director of Ag2, which has employed a number of freelance officer seafarers in recent years, complained about the lack of responsibility of the freelance officer seafarers. He said:

There is no problem with our registered seafarers: the problem is with the freelance seafarers. They lack a sense of responsibility. Actually, the use of freelance seafarers causes problems. They are very difficult to manage. If there are no freelance seafarers or no freelance officer seafarers in a crew, the management is rather easy. But if there are freelance seafarers among officer seafarers, or if the captain is a freelance, the whole crew will not perform well. Freelance seafarers are not responsible at all.

The generally poor behaviour of freelance officer seafarers was also berated by registered seafarers of Ag2 who worked with temporarily recruited colleagues. One captain said:

The freelance officer seafarers did not work hard. They were difficult to manage onboard. They always thought about how to get more money. If they found an agency offering a higher salary that day, they would probably give up the current job and change to the other job the following day.

In addition, Chinese crewing agencies have no way to know the previous experiences or behaviour of these freelance seafarers due to the lack of regulation tools in the Chinese seafaring labour market. The Manning manager of Ag2 said:

There is no way to regulate or punish the unprofessional behaviour of freelance officer seafarers and there is no record of their behaviour. If one agency fired a freelance seafarer, his previous faults would not influence whether he was employed by other agencies or ship-owners, which can offer even higher salaries. So some freelance officer seafarers show a lack of professionalism. This makes the management of crewing agencies difficult.

As a consequence of the lack of proper regulations, the irresponsible behaviour of some freelance officer seafarers impedes the development of the foreign manning business of the agencies, especially those POCAs which depend heavily on the freelance seafarers.

Through the discussion in section 3.3, it is seen that most of the POCAs are not issued foreign manning business qualifications by the government. In addition, they depend on freelance officer seafarers, who are few in number, lack training and are not well regulated. These facts explain why the labour export of the POCAs is on a very small scale.

The foreign manning business is dominated by the SOCAs in China, as will be detailed in the next section.

3.4 The dominant position of the SOCAs in China's seafaring labour export

When the fieldwork for this research was carried out in 2008, only fifty-three crewing agencies were authorised by the Chinese government to man foreign ships, most of

which were ISCA and SSCAs (Chinese seafarers' employment website, 2008). Many of them were granted not only foreign manning qualifications by the Chinese government, but also financial support to control a large proportion of the Chinese seafaring labour resources and provide regular management to their registered seafarers (Cheng 2008; Gu 2007). In contrast to the SOCAs, hundreds of private-owned crewing agencies (POCAs) had no foreign manning qualifications, and were not allowed by the government to cooperate with foreign ship-owners directly. Without any support, the POCAs developed on a small scale (Gu 2007, p24; Li 2006; Zhang and Zhao 2008). As for FICAs, they were still not allowed to register in China. It was regulated that it was illegal for foreign ship-owners to directly recruit Chinese seafarers (Huang and Ning 2008, p249; Wu et al. 2006, p39; Zhao and Amante 2003). Table 3.1 represents the resources controlled by Chinese crewing agencies of different ownerships.

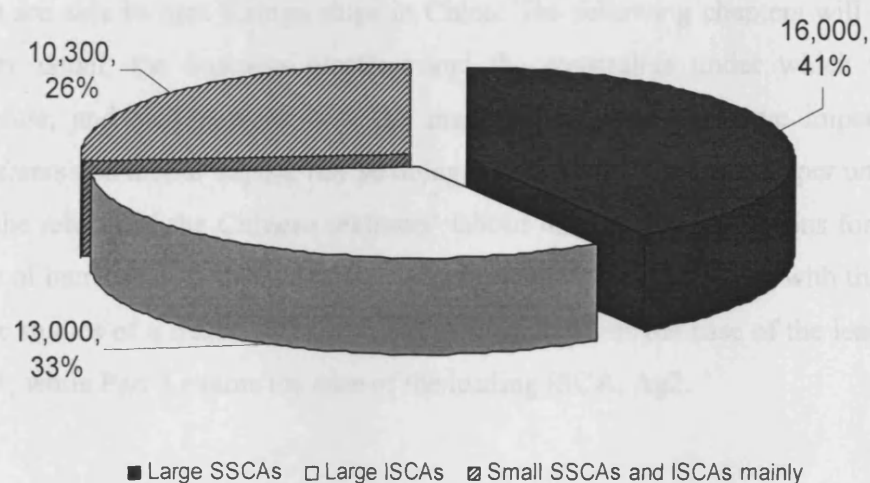
Table 3.1 The Resources of Chinese Crewing Agencies of Different Ownerships

Types of agencies	Business qualifications	Seafaring labour resource	Management on seafarers
SOCA (including ISCA and SSCA)	Foreign Manning qualification	Registered officer seafarers' labour resource (ISCA)	Able to provide training and other management to registered seafarers
	Foreign Manning qualification	Registered officer seafarers' and ratings' labour resource (SSCA)	Able to provide training and other management to registered seafarers
POCAs	No foreign manning qualifications	No stable labour resource; dependant on freelance seafarers who are insufficiently trained, low-skilled and not well regulated.	Not able to provide training or other management to freelance seafarers
FICA	Not allowed to register		

The SOCAs dominate the foreign manning business in China due to the advantages they enjoy. It was reported that, "between 1979 and 1998, COSCOMAN [COSCO's Manning Agency] employed 150,000 Chinese seafarers for foreign ship owners and operators, enjoying the lion's share of the market (60%). MASES follows with a total

supply of 40,000 during its ten years of business between 1988 and 1998, taking a market share of 16%” (Zhao 2000b, p13-14). Until the 21st century, the dominant position of the SOCAs was still evident. At the end of 2006, for instance, China dispatched 39,300 seafarers in total. The large SOCAs dispatched more than 70% of them (large SSCAs dispatched around 16,000 seafarers (representing 40%) and large ISCAAs dispatched nearly 13,000 seafarers (33%)). The rest were manned mainly by small SSCAs and ISCAAs; POCAAs played only a minor role (Chart 3.3).

Chart 3.3 The Contribution of Chinese Crewing Agencies of Different Ownerships to the Foreign Manning Business in 2006



Source: Cheng (2008, p324)

3.5 Summary

To discuss the extent of liberalization of China’s seafarer labour market, this chapter has explored the development of the Chinese crewing agencies of different ownerships and their contribution to China’s labour export.

It is seen that fewer than 60 SOCAs dominate the labour market; the hundreds of non-state-owned crewing agencies develop on a small scale and play a minor role in the business of exporting seafaring labour. This is not the case in other countries with market economies. For instance, in the Philippines, in 2003, there were 417 crewing agencies of different ownerships on the accredited list of POEA which were actively

involved in seafaring labour cooperation with foreign shipping companies (Amante 2003, p52). The facts suggest that the Chinese seafarer labour market is not as free or liberalized as some scholars have assumed, but is heavily controlled by the government. The state imposing its restrictions on agencies' ability to man foreign ships has limited the increase in rates of the seafarer labour export in China.

It is also seen that most of the Chinese seafarers working in the global seafaring labour market are dispatched by fewer than sixty state-owned crewing agencies (SOCAs). To see further reasons why Chinese seafarers have not yet swept the world's seafarers' labour market, my research focuses on the operation of the SOCAs that are able to man foreign ships in China. The following chapters will examine, in more detail, the business practices and the constraints under which the SOCAs operate, and will explore how the management strategies have impacted on the seafarers and labour export. By so doing, they seek to provide a deeper understanding of the reform of the Chinese seafarers' labour market and the reasons for the limited rate of increase of China's seafarer labour export. This is achieved with the aid of two case studies of a major ISCA and SSCA. Part 2 exams the case of the leading SSCA, Ag1, while Part 3 exams the case of the leading ISCA, Ag2.

PART TWO

CASE STUDY ONE: AG1

Introduction

A number of crewing agencies have emerged since the 1990s. Many people have assumed that these companies, which compete freely in the market, would greatly improve the supply of Chinese seafarers to the global seafaring labour market. However, China's seafaring labour export has actually been increasing at a slow speed since 2000 (as we have seen in Chapter 1). The main reason for the overestimates of likely progress might be that previous scholars overlooked how these crewing agencies operate and the extent to which the Chinese crewing agencies have reformed into market-oriented companies.

Previous chapters have explored the fact that the Chinese seafaring labour market was far from being reformed into a free market. It was also seen that the Chinese SOCAs dominated the market and supplied most of the Chinese seafarers working in the world labour market. Therefore, Part Two concentrates on the management of a SSCA (Ag1) and the impacts of its operation on seafarers. It seeks to examine the extent of the reform of the agency and explain the decline of the foreign manning business since 2006. Specifically, based on fieldwork in Ag1 in 2007 and 2008, Chapter Four describes Ag1's background, explains the extent of Ag1's reform by looking at the operation of its parent shipping company (PSC) and analyses several issues regarding Ag1's seafaring labour resource. To explain some of the reasons for the failure of Ag1 to effectively exploit the seeming potential of its foreign manning business, Chapter Five to Chapter Seven examine the specific management strategies regarding seafarer export and the impacts on seafarers. It demonstrates that the reform of the Chinese SOCA has given rise to a more complex situation than people have assumed, which may cast some light on the analysis of the limited increased rates of China's seafarer export in the 2000s.

Chapter 4: The reform of Ag1 and the surplus that is not

In the last twenty years, the Chinese government has implemented a series of methods to reform SOEs. The consequent changes of the SOEs have captured the attention of scholars. Before looking at the reforms in Ag1, we first present a wider picture: the reform of Chinese SOEs.

4.1 Limitations of Chinese SOEs' reform in terms of managerial autonomy

Despite the dramatic growth of the Chinese economy and the significant reform of the Chinese enterprises as discussed in Chapter one, a few western social scientists have argued that the reform of China's SOEs was still limited in terms of managerial autonomy and that the government's interference impeded the evolution of this reform.

For instance, due to government restrictions, some SOEs were still paying huge welfare bills for workers, which was a burden impeding SOEs' economic development (Gu 2001). In addition, the wage budgets of some SOEs were decided by the government, rather than by the companies themselves (Yueh 2004). Furthermore, some SOEs still had to maintain a high employment rate at the government's request (Yueh 2004). Because of this, employment decisions could not be made flexibly by the enterprises, and consequently, the turnover rate was low among Chinese SOEs (Bodmer 2002).

In addition, the government's support of the SOEs impeded their involvement in market competition and, consequently, slowed down the reform of the old management strategies that had been applied during the planning-economy period. For example, it was found that some SOEs carried out hardly any modern human resource selection and recruitment policies (Taylor 2005). As a consequence, many of the managers recruited lacked any professional training or had only a low educational level, which could have made it difficult for them to apply advanced management strategies (Taylor 2005). Furthermore, promotion was not decided according to people's capacity or performance, but was influenced greatly by seniority as before (Lewis 2003). It was also found that, unlike companies in the west, the importance of

harmony still dominated the SOEs' institutions. This harmony emphasized equal treatment among workers, which consequently weakened the personal incentive aspect and made the use of different material rewards according to personal performance impossible (Lewis 2003).

The slow reform of the SOEs' management was manifested, from another respect, by the maintenance of the traditional administrative ties within the SOE system, which gave parent companies strict control over their subsidiaries. Hassard et al (2006) found that the subsidiaries were unable to be market-oriented because the parent company was in charge of many issues. The hiring and firing of workers in the subsidiaries is an example of this. When the subsidiaries hoped to fire a number of workers, they had to obtain the permission of the parent company, and when the subsidiaries hoped to recruit staff, they had to consider the surplus of the parent company first. In addition, issues such as looking for long-term clients and making regulations and investment decisions needed the approval of the parent company.

Therefore, the reform of some Chinese SOEs was still limited in terms of managerial autonomy. However, what about the reforms in Chinese SOCAs? Have they reformed into market-oriented enterprises, as many people expected? This is the focus of attention here.

4.2 Agl's reform

4.2.1 A brief background of Agl

Agl was established in 1995. Before registry, it was the Seafarers' Resource Administration Department of a state-owned shipping company, responsible for manning the ships of its parent shipping company (PSC) and operating a manning business with other foreign shipping companies.

As a department, it started the foreign manning business in 1982 and managed to make the business grow consistently from then on. Until 1995, the department had manned ships from a single type at the beginning to up to six types; the tonnage of the manned ships had increased from small and medium-sized to hundreds of thousands dwt; cooperation extended to Singapore, Korean, French and American shipping companies, instead of those located only in Hong Kong, Taiwan and in the Northern

and Southern Asia Area, as was the case at the beginning. Table 4.1 shows the development of the manning business from 1982 to 1995 before Ag1 was registered.

Table 4.1 The manning business of the PSC (from 1982 to 1995)

Year	Number of registered seafarers	Number of outsourced seafarers	Manned ships	Cooperative ship-owners	Profits from the manning business (10,000 <i>yuan</i>)
1982	1619	15	1	1	4
1983	1658	18	1	1	18
1984	1683	77	5	3	63
1985	1753	65	4	3	44
1986	1885	69	4	3	44
1987	1971	51	3	2	85
1988	2130	54	3	3	102
1989	2179	130	6	4	213
1990	2197	148	6	5	220
1991	2287	318	12	6	430
1992	2373	552	21	12	570
1993	2427	600	23	13	660
1994	2419	558	19	9	1090
1995	2370	712	27	14	1214

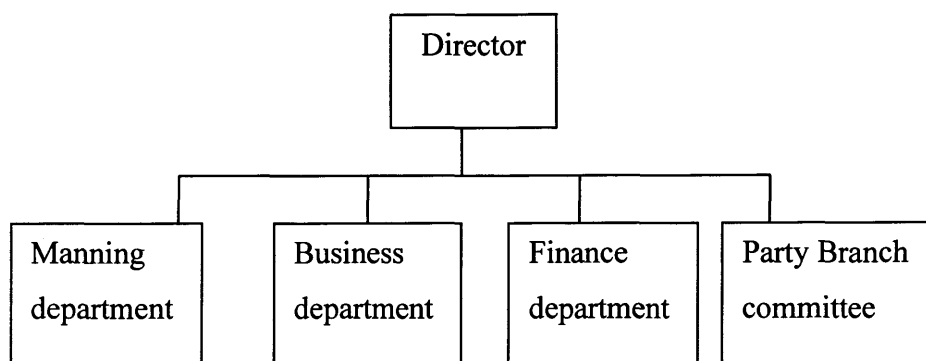
Source: Zhao et al (1999)

Since the international shipping market had started to collapse in 1992, the PSC was suffering from a budget deficit. In this circumstance, profits made by the manning business became important to the company in those years. By 1995, the manning business had become a pillar of the PSC (Zhao et al 1999, p268).

Establishing Ag1 in 1995

Ag1 was registered in 1995. At the initial stage, there were twenty-two members of staff in the crewing agency. Seven of them held high school qualifications, two had middle-school qualifications and the rest had a primary school educational level. Ag1's organizational structure was rather simple at that time (Chart 4.1).

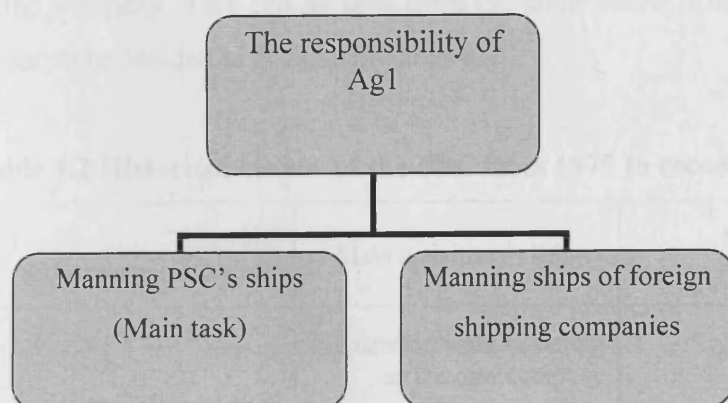
Chart 4.1 Organization structure in 1995



Source: Zhao et al (1999)

The function of Ag1 showed mainly in two aspects (Chart 4.2). On the one hand, it was responsible for managing the seafaring labour for the PSC and manning its ships. On the other hand, it was in charge of the crew manning business with foreign shipping companies. However, it did not receive the foreign manning qualification until 2000. This was because, in order to protect this newborn business, the Chinese government issued only a few foreign manning qualifications to several large SOEs. As a consequence, between 1995 and 2000, Ag1 dispatched seafarers to foreign ship-owners in the name of one of the several qualified institutions.

Chart 4.2 The responsibility of Ag1



Source: Zhao et al (1999)

The reason for establishing the crewing agency in 1995 was to implement the organizational restructuring reform as a part of the policy of setting up the Group Company System (GCS), targeted at establishing the modern corporate system, proposed at the 14th Party Congress in October 1992.

According to the spirit of the reform policy, the Seafarers' Resource Administration Department was supposed to be separated from the PSC and become a market-oriented, independent company. This was expected to improve the specialization of the manning business operation. It also released the PSC from managing thousands of seafarers and consequently allowed it to focus on its shipping business. This restructuring reform was also intended to create more job opportunities for the surplus managers and surplus seafarers in the PSC. When the firing of workers was prohibited by the central government, creating more job opportunities was encouraged.

Despite the intentions mentioned above, Ag1 was still playing its traditional role as a department of the PSC, depending on the support of the PSC and under its control. The reason for this are mainly related to the consistent interference of the PSC. The following sections will explain these reasons in detail by looking at the extent of the reform of the PSC and its intervention in Ag1.

4.2.2 The limited reform of the parent shipping company (PSC)

The reform of PSC was limited, since it had little autonomy to decide the major issues of the company. This can be seen from the table below, illustrating how some major issues were decided historically (Table 4.2).

Table 4.2 Historical review of the PSC from 1975 to recent years

Times and economic performances	Main activities / changes	Decision maker /ratifying institution
From 1975 to 1979 Preparation period	Preparation work in setting up the new company	Central government; the head office
	Setting up PSC's Temporary Party Branch Committee	The Organization Department of the city council
From 1980 to 1985 The PSC made a loss and was supported by the head office	Establishing the PSC	The Ministry of Communications (MOC) and the head office
	Defining the business	MOC and the head office
	Setting up the Party Branch Committee	The head office
From 1986 to 1991 The profit increased continually	Being authorized to dispatch and charter ships directly	The head office
From 1992 to 2000 The PSC made a loss and was supported by the head office	Changing to another business	The head office
	Changing back to the original business	MOC
In the 2000s The PSC made huge profits	Confirming the main business	MOC

Source: Zhao et al (1999)

In addition, there were other decisions that the PSC was not allowed to make by itself (Table 4.3). The ships bought by the PSC were sponsored or at least approved by the head office and decisions to sell the ships needed the ratification of the head office as well. Additionally, the head office examined the PSC annual fiscal budget, its annual business plan and the yearly final economic performance. The head office required the

PSC to submit its entire net profits each year. Furthermore, the setting up of any land-based projects, such as subsidiary companies and a training school, needed the approval of the government and the head office. Moreover, the senior managers of the PSC were selected and appointed by the head office. Concerning the choice of clients, to a large extent, the PSC had autonomy. However, if there was a special order from the government or the head office, the PSC still had to follow the order to fulfil its responsibility to the nation as a state-owned company. These requirements illustrate the restricted autonomy of the PSC and the limited extent of its reform.

Table 4.3 Decision areas that needed to be ratified by the head office in 2008

Main Strategy	√	Structural changes	√	Buying and selling ships	√
Land-based investment	√	Profit allocation	√	Choosing clients	√
Fiscal budget	√	Annual shipping plan	√	Personnel and reward issues of the senior managers	√
Evaluating the entire economic performance of the company		√		Personnel and reward issues of junior managers and seafarers	×

Source: Zhao et al (1999)

Due to the constraints and supports from the head office and the government, the PSC's reforms concerning other aspects did not achieve effective results. The restructuring reforms that were intended to separate and liberalise those sub-businesses from the PSC were an example. The next section will analyse the failure of these restructuring reforms concerning the management of seafaring labour.

4.2.3 The failure of the restructuring reform concerning Ag1

As mentioned before, the establishment of Ag1 was according to the economic reform policy proposed at the 14th Party Congress in October 1992, in order to reorganize the institutional structure and turn the sub-businesses into independent, market-oriented economic entities. However, this reform was not implemented successfully in the PSC. The reasons for this can be related to the government restriction on sacking surplus labour and the benefits and job security enjoyed by the managers.

4.2.3.1 The interference of the local government

The seafarers' labour was surplus in the PSC and the surplus rate was sometimes as high as one-third of the whole labour force (this will be discussed in section 4.3.2). In addition, around 200 seafarers were unable to work onboard ships because, for example, they were disabled, injured or ill. However, the government did not allow the SOEs to lay off these workers, or else the stability of society would be at risk. When talking about the employment of surplus seafarers, the President of the trade union (TU) of Ag1 said:

We need to maintain the stability of society by increasing employment opportunities. We are not capitalists. If surplus workers were fired, society would not be stable and the director of the PSC would be fired. It is the Party leading the company. If you do so [fire the surplus workers], the leaders from the head office will instantly crack down on you.

Because of the government interference, the surplus seafarers could not be fired. Therefore, Ag1 could not be separated completely from the PSC, or else it could refuse to employ some of the seafarers, at least those who were incompetent; thus, many seafarers would be laid off. To avoid this, the PSC had to support the agency in every aspect and control its management. When discussing the reform of Ag1, the vice director of the head office said:

Many surplus, incompetent seafarers cannot be fired... you cannot ask Ag1 to act like market-oriented companies. This is because Ag1 takes the burden off its PSC by employing these surplus seafarers.

4.2.3.2 The benefits and job security of the managers

In addition, the security and benefits that the managers enjoyed, given the support provided by head office and the government, made them reluctant to carry out any reforms.

Each year, the head office of the PSC set a profit criterion that the PSC had to achieve. However, if the PSC's final profit did not achieve the criterion, the managers

did not receive any serious punishment; nor did they lose their position, because they could blame the market and look for other reasons, such as sacrificing the profits of the company for the interest of the state. Since the punishment was rather weak, the managers at most would lose some of their bonus. Therefore, the managers of the PSC were neither much concerned with increasing profits nor undertaking reforms.

In addition, it seems that the profits of Ag1 were not important for the PSC, which may explain the reason why it ignored the restructuring reform of Ag1 and the development of the foreign manning business. The director of the PSC gave the following explanation:

The PSC is making huge profits these years and the profit of the crewing agency, which is only 250,000,000 *yuan* in 2006, is not important for the PSC any more; the PSC does not depend on the crewing agency to make money as it did 10 to 15 years ago when it was in the red.

As discussed above, while ignoring reforms or gaining a low profit will not bring the managers problems, implementing reforms could be complicated and could bring managers troubles. The former director⁹ of Ag1 explained this in the following way:

... the top managers were elderly and were going to retire. They were worried that, when reforms were implemented, what if the seafarers caused trouble [like strikes or campaigns]? The leaders considered their own income and position. When implementing a reform involves some risks and needs the leaders to take certain responsibility, they therefore will not do it.

The president of the TU said:

⁹ He was deprived of the authority of managing the manning business of Ag1 and transferred to another job in the end of 2006 when the foreign manning business was stopped by the PSC (as will be discussed later) because he had been engaged in implementing the restructuring reform and developing the foreign manning business since 2000 and had developed the business on a significant scale until 2006 (as will also be seen later). He has now left his job in the PSC and set up his own crew manning company.

Everyone knows the problems of the management but no one talks about it. The reason is like this: if nobody changes the management, when problems occur, no one will be blamed. This is because the problems have existed for 20 years, and have not been caused by any of the current managers. But if anyone reformed any strategy, he would take the full responsibility and be blamed for any consequences. Therefore, it is safer to keep the current strategies rather than reform them.

Consequently, the managers would rather choose to stay safe during the several years when they maintained their position and enjoy their benefits rather than implement any reform that may involve risks and damage their personal interests.

As a result, the methods for the restructuring reform of Ag1 designed in the 1990s had not been implemented by 2008, when the fieldwork took place. In 1994, when preparations for establishing Ag1 were underway, the PSC had proposed the corresponding reform method, 'simulating the market mechanism at this beginning stage by setting up an internal market relationship between the PSC and the crewing agency, then gradually separating and finally marketising the crewing agency'. However, even today, the 'simulation' is still going on. According to the director of Ag1, there was no simulation or reform at all and the plan was just a slogan. He said:

The internal simulating market means no market. There is no market relationship between the PSC and the crewing agency. The PSC affords the whole material support of the agency's seafarers. So when the PSC uses seafarers, it does not have to pay the agency fee. Additionally, there is no real contractual relationship between the agency and the PSC. There was one contract signed by the agency with a department of the PSC; but that was just formalistic, without any effects. Under the current relationship, we dispatch PSC's seafarers to the ships of the PSC and other shipping companies. We do not have to pay for the use of labour. In all, the agency just needs to guarantee the supply of seafarers to the PSC's ships and safe sailing; there is no market relationship.

The managers do not think that Ag1 is separated from the PSC or that there is market relationship between Ag1 and the PSC. When I asked about the relationship between the PSC and the agency, the HRM manager of Ag1 said, 'The managers' contracts are signed with the PSC; we are the PSC's people...; our salaries and social insurance are paid by the PSC also.' The director of Ag1 said, 'Ag1 is a department of the PSC, though it is registered as a company.' The director of the PSC said, 'The agency was registered as a company by the PSC, which means one of our departments is qualified to do business with other companies. To other companies, the agency is a company; but for the PSC, it is our department, as everything of the agency is from us.'

Therefore, the government's restriction and the security enjoyed by the managers have led to the failure of the reform to separate the crewing agency from the control of the PSC. As a consequence, Ag1 had little autonomy regarding business operations, but acted like an internal department of the PSC, receiving support and constraints from the PSC.

4.2.4 The support and constraints of the PSC

Ag1 has received support from the PSC since its establishment. At the very beginning, the PSC decided to register the agency and injected 5,000,000 *yuan* for Ag1 to obtain the necessary business qualifications. After this, the PSC rented a modern office for Ag1 and bought the office facilities. It also provided all the human resources of Ag1, from the top - director and managers, to the bottom - seafarers. Except for the peasant seafarers, the entire human resource of the agency comprised registered workers of the PSC. All the costs of the agency, such as the material support of the managers and seafarers, their training costs and even the funding of TU, came from the PSC. When Ag1 made losses, PSC compensated for it. Depending on the PSC, Ag1 did not have to be responsible for its profits and losses.

Ag1 was also under the strict control of the PSC. With respect to the distribution of Ag1's profits, all the net profits had to be submitted to the PSC. Although the PSC set a profit criterion that Ag1 had to achieve, it was still not permitted to make independent use of the surplus profits. In addition, the PSC directly controlled the employment issues of the senior managers of Ag1, such as their appointment, contract, promotion and job transfers. The PSC also supervised Ag1's management of

the employment of junior managers. The material support of the managers of Ag1 was decided by the PSC.

Concerning the specific management strategies of the Ag1, such as manning strategies, promotion strategies and material support of seafarers, they were also regulated by the PSC. If Ag1 wanted to make any changes to its management strategies, it had to obtain the approval of the PSC first. As for other management of seafarers, such as seafarers' training and recruitment, Ag1 was also required to gain the approval of the PSC before it carried them out.

PSC defined that the foremost task of Ag1 was always to offer the best manning services to the PSC's ships, rather than enlarging the foreign manning business. To guarantee the manning service to the PSC's ships, the PSC controlled the foreign manning business scale of Ag1 by controlling its clients. It was required that Ag1's clients and business cooperation details had to be approved by the PSC first before it started the cooperation. Because of this, some of Ag1's clients were lost due to the restrictions put in place by the PSC. Besides this, the PSC enjoyed priority in selecting and employing high-quality seafarers. Although Ag1 was authorised to manage and dispatch seafarers, the seafarers selected by the PSC to work onboard its ships were not allowed to be dispatched by Ag1 onboard ships of other companies.

Therefore, although registered as an independent company, Ag1 was still under the control of the PSC, without autonomy or responsibility for its own profits and losses.

As was the case twenty years ago, Ag1 employed surplus seafarers. The next section introduces the state of seafaring labour in Ag1.

4.3 The seafaring labour of Ag1

4.3.1 Categories of seafarers in terms of types of contract

An essential part of the economic reform in China was the employment system reform, beginning in the mid-1980s. It was intended to replace the previous lifetime employment system with a flexible employment system, in order to improve the incentive for workers. The use of labour contracts, which was reinforced with the

implementation of the Labour Law in 1995 and the New Labour Contract Law in 2008, plays a significant role in the achievement of a flexible employment system.

The labour contract system was first introduced to the PSC in 1990 before Ag1 was established. With the establishment of Ag1, seafarers were categorized into three types in terms of the types of contract: registered seafarers who concluded permanent and fixed-term contracts with the PSC, registered seafarers who concluded fixed-term contracts with Ag1, and peasant workers who signed fixed-term contracts with the local labour bureau.

The vast majority of registered seafarers who concluded permanent contracts with the PSC were recruited before 2003, mainly composed of high school graduates, veterans from the army, 'educated youth' who were once assigned to work in the rural areas by the Chinese government during the Great Cultural Revolution, and some college and university graduates. At present, many of these seafarers are over forty years old. In addition, there are some registered seafarers who signed fixed-term contracts (eight years) with the PSC. The registered seafarers who signed contracts with the PSC receive social insurance and various kinds of non-wage benefits (this will be specified in Chapter 6).

A second group of registered workers concluded fixed-term contracts with Ag1. In order to let Ag1 take the responsibility for managing seafaring labour, it was ruled that seafarers recruited after 2003 signed eight-year fixed-term contracts with Ag1. Many of these seafarers were young maritime graduates. The registered seafarers of this group are offered social insurance and non-wage benefits.

Thirdly, Ag1 has recruited peasant seafarers since 1995 through the rural labour bureau. The HRM manager explained, 'it has become increasingly difficult to recruit seafarers from the cities in the last 10 to 15 years. That is the main reason why we recruit more seafarers from the countryside'.

The cooperation mechanism between the local bureau and Ag1 was as follows. Each year, Ag1 gave its recruitment plan to the local bureau and selected candidates with the help of the bureau. Young people, less than 24 years old, possessing high school

qualifications and knowing simple English could become candidates. After being selected, they would be trained for six months to become ratings or trained for two years in college to become officers. The tuition fees were paid by the seafarers themselves. After graduation, the seafarers signed fixed-term contracts with the local labour bureau. To employ the seafarers, Ag1 signed contracts with the bureau and paid the administration fees.

In 1995, there were 330 peasant seafarers, including 256 ratings and 74 officer seafarers. Like the registered seafarers, peasant seafarers had no freedom to choose the ships that they worked aboard, but had to follow the assignment of Ag1. Unlike the registered seafarers, however, peasant seafarers who signed eight-year contracts with the labour bureau were not offered any non-wage benefits or social insurance by 2005. As a consequence of this, peasant seafarers' material support represented only half of the value of the material supports for the registered seafarers (this will be specified in Chapter 6).

From the 1980s to 2008, Ag1 employed surplus seafarers. The following sections will focus on this.

4.3.2 Labour surplus in Ag1

The problem of surplus seafarers has made its appearance since the 1980s, due to the requirement of the government to maintain a high employment rate at that time. By 2008, the problem of labour surplus was still serious in Ag1. This can be seen from Table 4.4, which illustrates the surplus rates of seafarers in different years¹⁰.

¹⁰ The surplus rates in the three years are presented because the three years represented three stages in the history of the PSC and Ag1. 1982 was the year in which the PSC was just established and the economic reform in China was not significant; 1995 was the year in which Ag1 was established; 2006 was the year in which Ag1 manned the largest number of ships in its history.

Table 4.4 The surplus rates of seafarers in some years

Year	Number of manned ships	Demand of seafarers*	Number of seafarers on the books	Surplus rate
1982	17	612	1619	62%
1995	47	1692	3082	45%
2006	62	2232	3003	25.7%

Note: With 24 seafarers onboard each ship and a backup rate of 1.5, demand of seafarers = (number of manned ships) * 24 * 1.5

Source: Comprehensive Statistics of the PSC, 1982, 1995, 2006 and 2008

Therefore this SOCA still controlled surplus seafarers. So how did Ag1 manage the recruitment of seafarers? Why was the problem of labour surplus that existed in the traditional SOEs before the economic reform still serious in Ag1? The following sections will explain this.

4.3.3 The management of seafarers' recruitment

The management of seafarers' recruitment in Ag1 was aimed at continuously maintaining and increasing the number of registered seafarers. For this purpose, some strategies were implemented.

Firstly, to recruit more registered seafarers, Ag1 did not recruit freelance seafarers. The HRM manager said: "all the position are offered to registered workers, not people from the outside". Therefore Ag1 did not employ freelancers, including freelance ratings who were redundant in the labour market, easy to find and cheap to use.

In addition, registered seafarers were asked to sign at least an eight-year contract. To motivate seafarers to sign long-term contracts, Ag1 linked the length of the contract with the provision of welfare and working opportunities. The longer the contract, the better welfare and working opportunity seafarers would have. For instance, before 1999, there were two types of contracts. Seafarers who chose permanent contracts could enjoy a house allowance while seafarers who signed fixed-term contracts (8 years) were not given such allowance. Concerning the working opportunity, Ag1 refused to dispatch seafarers who did not accept eight-year or permanent contracts, according to the president of the TU.

Moreover, to increase the number of registered seafarers, more and more peasant senior officer seafarers were offered contracts with the PSC since 2005. In 2005, only three excellent peasant captains and chief engineers were offered contracts with the PSC. In 2006, twenty senior officer seafarers became registered workers of the PSC. Besides this, some second officers/ engineers were offered contracts as well. By 2007, 35% of peasant seafarers who were second officers/engineers or at higher positions had become registered seafarers of PSC.

Last but not least, Ag1 offered new graduates higher wages than the rates in the market so as to attract more graduates to work for the agency. It managed to recruit around 120-150 students annually from maritime universities.

However, such management was not based on any scientific plan or calculation. Concerning the reasons for recruiting a large number of seafarers when there was already a labour surplus, only two relevant sentences were found from the year-end reports. The year-end report for 2006 mentioned that this recruitment had occurred “for the need of the sustainable development of the company” and “to deal with the problem of the lack of seafarers”. No more specific analysis or explanation can be found as the reasons for recruiting large numbers of seafarers each year.

A Manning manager explained how the recruitment decisions and calculations were made in practice in Ag1. He said:

After implementing the quality management system, a HRM manager came to me. He said ‘there was somebody checking the work and a recruitment plan was not made. According to the quality management system, you should do the plan.’ I said: ‘We have already finished the recruitment for this year. And you are asking about last year’s recruitment plan? Why you are asking me to do the plan? I have no idea at all.’ Then he said: ‘As long as you can write up something, it will be fine. Last year, we recruited 160 graduates. You can say ‘according to the need of the manning department for seafarers and the development of the fleet, we need to recruit 160 graduates’. Then I wrote according to what he said. He submitted the report and passed the examination.

Data suggest that the recruitment plan was made up by the managers, not based on any scientific analysis or calculation. So why did Ag1 have to manage seafarers' recruitment in this way? Since this question has implications for the extent of the reform of Ag1, the following section will look at this issue.

4.3.4 Reasons for the management strategies

4.3.4.1 Support from the governmental institutions and PSC

The governmental institutions and PSC encouraged Ag1 to recruit a large number of seafarers and provided support, especially in terms of finance. Because of this, Ag1 was not concerned about the labour costs that resulted from recruiting large numbers of seafarers or employing surplus seafarers. The HRM manager of Ag1 said:

The agency is state-owned. Even if there are too many seafarers, the company won't fire them. Seafarers are the resource of the fleet; employing a large number of seafarers is a strategic reservation. The state would not let the shipping company or its seafarers' resource disappear. The state will subsidise us. They will retain and support this shipping company, just as they did before 2001 when the company lost money.

The director of the PSC said:

The labour cost for a shipping company is a rather small part, compared with the cost for shipping, like crude oil and ship repairing. Therefore, it does not matter how many seafarers are recruited.

Because of the support and encouragement of the head office and the government, Ag1 recruited a large number of seafarers each year.

4.3.4.2 Requirement of governmental institution and PSC

Before the economic reform, the recruitment of workers was centrally planned by the government. Due to the aim of full employment at that time, SOEs normally employed surplus workers. Although SOEs were given the autonomy to decide on the recruitment of workers due to the economic reform, the PSC was still required by the

government to recruit a large number of seafarers so as to maintain social stability. When Ag1 was established to manage the seafaring labour, the task was taken over by Ag1.

In the annual work reports for 2006 and 2007, it was emphasized that recruiting a large number of seafarers was one of the most important tasks of Ag1. The number of seafarers recruited each year had become a standard by which to evaluate the work performance of the managers. In the year-end report for 2008, Ag1's managers were praised by the leaders of the PSC because they had recruited large numbers of seafarers. It was said in the report:

The number of recruited graduates who are going to become officer seafarers increased from around 80 each year in 2005 and 2006 to more than a hundred in the last two years (2007 and 2008). This is a great achievement.

The HRM manager said:

If very few seafarers were recruited, the leaders of the PSC would not be happy with our work. They will think there is no achievement in the work and we have not accomplished the tasks. The leaders will not ask why we are recruiting so many seafarers, but they will mind if we recruit few.

Because Ag1 had employed a large number of seafarers by 2008, to praise and encourage this, Ag1 was awarded a prize for 'great contribution to the social stability' by the local government in 2008.

Therefore, managers recruited as many seafarers as possible. The reform of the management regarding seafarers' recruitment was therefore quite limited. Without any systematic management, Ag1 consequently suffered from a labour surplus.

4.3.5 Surplus that is not

Despite this, according to the managers, there were not enough seafarers to man the ships that Ag1 was responsible for. The HRM manager explained:

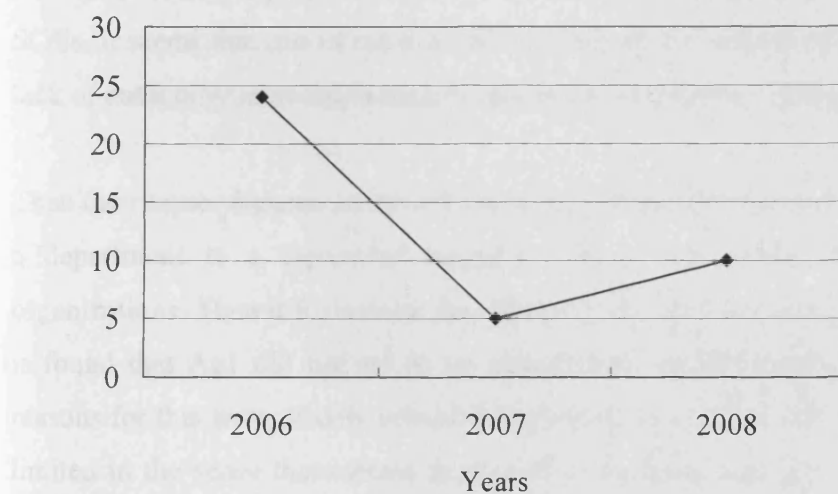
Apparently, the number of seafarers is large and we have surplus seafarers. However, the seafarers are in short supply, especially high-quality seafarers. The agency is faced up with the problem of a lack of seafarers, in fact.

The reason for this, according to the HRM manager, is that while many seafarers remained on the books of the company, which made it appear that there was surplus labour, many of them were actually being employed in the domestic shipping industry and were thus not available for dispatch by Ag1. It was also a recurring theme in the interviews that a significant number of seafarers¹¹ were in fact working in the domestic market.

At the end of 2006, due to the shortage of labour, the PSC required Ag1 to stop its manning business with foreign ship-owners so as to call back the dispatched seafarers onboard foreign ships to serve onboard PSC's ships. This resulted in the shrinking of the number of foreign ships manned by Ag1 and its profits (Chart 4.3 and 4.4; we will examine this issue in more detail in Chapter 7).

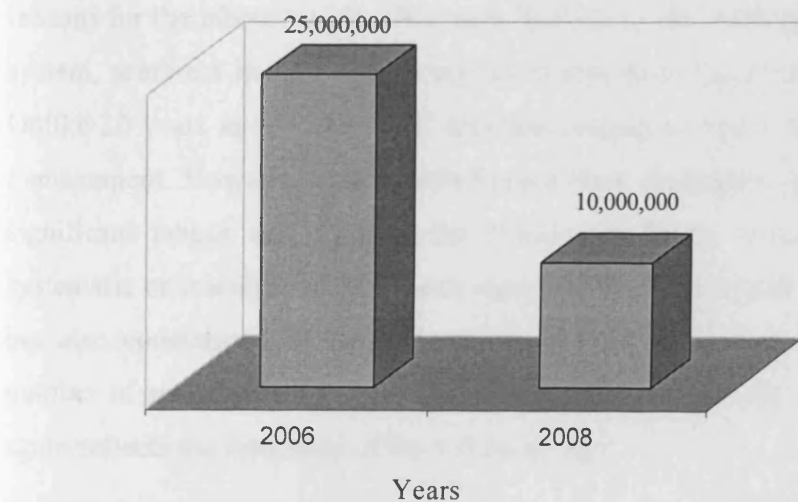
¹¹ By the nature of this activity, there was no reliable evidence provided by the company concerning the number of seafarers who worked in the domestic market while remaining on the books of the company.

Chart 4.3 The number of foreign ships manned by Ag1 (from 2006 to 2008)



Source: Ag1's Annual Report (2006, 2007 and 2008)

Chart 4.4 Profits of Ag1 in 2006 and 2008 (yuan)



Source: Ag1's Annual Report (2006 and 2008)

4.4 Summary

This chapter initially provides a brief review of the research into the reform of the SOEs. It seems that one of the limitations of the SOEs' reform can be reflected by the lack of autonomy in decision-making due to the interference of the government.

Then the chapter focuses on the reform of Ag1. It briefly describes Ag1's history from a department to a registered company due to the reform of restructuring the organizations. Then it focuses on the effects of the reform and the reasons behind it. It is found that Ag1 did not act as an independent, market-oriented company and the reasons for this were closely related to the interference of the PSC, whose reform was limited in the sense that certain aspects of its business operation were controlled by institutions at higher levels. This may suggest that the reform of the shipping companies and crewing agencies was not as complete or as significant as some scholars expected (Li and Wonham 1999; Sharma 2002; Wu et al 2007).

The chapter also looks at the situation of the seafaring labour in Ag1 and analyses the reasons for the labour surplus. It is seen that due to the implementation of the contract system, seafarers in Ag1 were categorised into three types based on their contracts. Unlike 20 years ago, seafarers of different categories were treated differently by the management. However, due to interference from the higher institutions, there was a significant labour surplus from the 1980s until 2008. In fact, Ag1 did not have systematic or scientific management regarding the recruitment of seafarers. Supported but also constrained by the government and the PSC, Ag1 had to recruit a large number of seafarers each year, although it already employed surplus seafarers. This again reflects the limitation of the reform of Ag1.

Finally, the chapter exposes the problem of the shortage of seafarer supply and the consequent decline of labour export since 2006. To explain this, the following chapters consider the reasons for the shortage of seafarers by looking at how seafarers were treated by the management. The general form of the argument here is that the management strategies of Ag1 lacked a market orientation in keeping with the economic reform and as a result, many seafarers who were on the books of Ag1 and PSC were actually working in the domestic seafarer labour market, which resulted in

a shortfall in seafarer supply in Ag1 and thereby constrained the development of the foreign manning business. The management strategies regarding seafarers' export will therefore be examined and the impacts on seafarers will be discussed, starting with a discussion of the experiences of seafarers as a result of the management of manning, training and promotion.

Chapter 5: The management of manning, promotion and training

This chapter looks at the impacts on seafarers of the management of manning, training and promotion. It seeks to contribute to the explanation as to why although there were apparently surplus seafarers on Ag1 and PSC's books, there was actually a shortfall in seafarer supply, especially a shortfall of high-quality seafarers, which impeded the development of the foreign manning business.

5.1 The management of manning

As explored above, although many seafarers remained on the books, they were in fact working in the domestic shipping market, which resulted in the shortage of seafaring labour in Ag1 and the decline of the foreign manning business. One of the reasons why many seafarers in Ag1 actually worked for other domestic shipping companies is that these seafarers had limited working opportunities in Ag1 due to its manning management, which firstly limited working opportunities to a group of selected seafarers and secondly had stringent requirements in terms of the working experiences of employed seafarers. The following section explains these two factors in turn. Initially, it considers why the working opportunities were limited to a particular group of seafarers and thereby other seafarers had few working opportunities.

5.1.1 Distribution of working opportunities and reasons

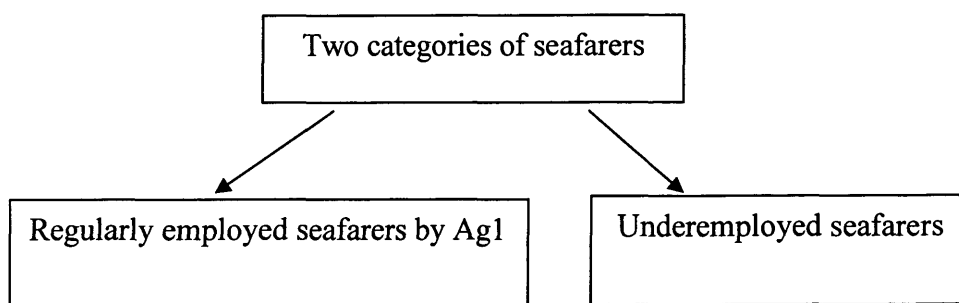
First, the manning management was based on the "fixed ship, fixed crew" (FSFC) policy. FSFC can be traced back to the beginning of the 1990s. In April 1991, the PSC initially designed the programme (for trial implementation) in accordance with the requirements of the MOC. The implementation of this programme was undertaken at that time as a strong measure to improve the sense of responsibility of seafarers and to strengthen the management onboard ship. After more than 2 years' preparation, by the end of 1993, the FSFC had been implemented onboard the ships of the PSC. Ag1 continued to apply this strategy after it started to manage the seafaring labour.

Based on the FSFC, when seafarers were assigned onboard a ship, they were expected to work there consistently. It was not unusual for some seafarers to work onboard the same ship from the first day they became seafarers until the day they retired. It was regulated that the proportion of seafarers changing to other ships should not exceed 20

percent annually. The captain, the political commissar and the chief engineer of a certain ship should not, in principle, be changed.

As a result of the FSFC, the seafarers who were not linked to any ships got few working opportunities from Ag1. A HRM manager said, “In the agency, a group of seafarers are so tired because they are always called to work onboard ship, while the rest have no opportunity at all.” Therefore, the seafarers on the books of Ag1 and PSC were divided into two groups: regularly employed seafarers and underemployed seafarers (Chart 5.1).

Chart 5.1 Two categories of seafarers in terms of whether or not they were regularly employed by Ag1



The other reason for the concentration of working opportunities to a group of seafarers can be related to the effects of personal relationships/*Guanxi*. The personal relationship was identified by Walder (1986) as one of the features of the institutional culture in traditional Chinese factories. He found that in traditional organizations in China, the personal dependence of workers on the leaders and the networks of instrumental-personal ties were very common and important. Because managers were powerful, workers had to cultivate connections with them in many ways in order to further their own interests. Such corruption from within, the significance of the particularism, distinguished Chinese traditional organizations from the rational-legal bureaucratic ones in western societies and contributed to the formation of the image of the neo-traditionalism, according to Walder. Currently, the personal relationship/*Guanxi* continues to have significant meaning in Chinese institutions (Chen et al 2011; Chua et al 2009; Leunga et al 2011; Perks et al 2008). In Ag1, the personal relationships of seafarers with Manning managers influenced the interests of seafarers in many ways.

Manning managers in Ag1 decided the working opportunities of seafarers personally, not based on any standard or selection procedure. The President of the TU said:

There is no standard in our company... When Ag1 selects seafarers, managers do not have a specific method. They just casually ask the opinions of other managers and seafarers and make final decisions based on their personal opinions... So many good seafarers are not given work opportunities because there is no way to examine or evaluate them.

According to the interviewed seafarers, their working opportunities were greatly influenced by the relationship with the managers. A captain said:

The relationship with the Manning managers is very, very important. It is the most important of many important things. If you want to have working opportunities or work onboard a ship of good condition, you need to find ways to bribe the managers. Then you can work onboard a good ship. It is not difficult. As for whether you are competent or not, the manager does not mind.

A 3rd engineer said:

The personal relationship restrained my career development. For instance, I once told my Manning manager that I wanted to work onboard ship X and I thought I was competent enough. However, I was not given the chance, since I did not have a good personal connection. In the end, a seafarer who was less skilful than me got the opportunity. This is very unfair but very common. The personal relationship is too serious. It is just like it was 20 years ago.

Managers dispatched the seafarers with whom they were personally familiar. A Manning manager explained:

When some seafarers remain onboard the ship that I am in responsible for two or three times, I can get to know them and I will use these seafarers continuously, because I know them better than other seafarers. Additionally, we can gradually



build up a good relationship. Every time they finish a trip, they will ask me to go out for dinner. We gradually become friends. So whenever I need to assign some seafarers onboard, I can remember them more easily than others. Whenever there is a chance, I will give it to these seafarers first.

The seafarers also perceived that it was easier for those who had regular working opportunities to maintain and improve their relationships with the managers than those who were not given such working opportunities, because the seafarers in the former group were in a better financial position. A chief officer complained:

Although there are a large number of seafarers, those who can be provided with work opportunities are rather limited. Those who always have working opportunities have more money. Therefore, they can bribe the managers much more and ultimately get more work opportunities. This is a vicious circle. As you know, some seafarers treat managers to very luxurious restaurants. They are the same age as me and they always have onboard opportunities. So they are richer than me. In this agency if you don't go onboard often, that means you have no working opportunity there. I wish I could be dispatched by Ag1 and work onboard ships for ten months. If so, I could earn 20,000-30,000 *yuan* per month and I wouldn't care about bribing managers 3,000-5,000 *yuan*, treating them to dinner or bribing them with ten packages of cigarettes. This is the problem of the state-owned company and it cannot be made right. Seafarers all complain about this. It is true.

Therefore, the working opportunities were in the hands of the seafarers who had good personal relationships with the managers. The ex-director of the crewing agency evaluated the management of the Ag1:

When some seafarers are fixed to a ship, Manning managers just use those seafarers...These seafarers are selected not because of their skills or work performance but through personal relationships with the managers. Those employed seafarers work hard to develop and strengthen their relationships with managers, which makes the management very unprofessional. Consequently, many good seafarers are left unused.

The Chair of the TU said:

We have many good seafarers. But they are not employed because they have never been given a chance. Managers just stick to employing a group of seafarers with whom they are familiar and personally connected. Managers can reject a new seafarer without considering his quality or giving him a chance. If there is any shortage of officer seafarers in this agency, it is definitely related to the method of selecting and dispatching seafarers.

Due to the FSFC policy and the interference of the personal relationship/*Guanxi*, the onboard working opportunity was fixed to a group of seafarers.

5.1.2 Difficulty of re-employment

In Ag1, it was difficult for the seafarers who were not regularly dispatched to be re-employed by the agency because of the high requirement in terms of working experiences of employed seafarers, which has been applied by the PSC since the 1990s.

For instance, it was required that if a captain were to be employed onboard a 150,000 tonnage ship of the PSC, he had to have at least four years' working experience onboard ships of 150,000 tonnage. If he did not have this experience, he had to have at least more than two years' work experience onboard ships of 100,000 tonnage and a return-sailing apprentice experience onboard a 150,000 tonnage ship before he could be employed as captain. For a chief engineer, the requirement was still high. It was regulated that if a chief engineer were to be employed onboard a 150,000 tonnage ship, he must have worked onboard a 150,000 tonnage ship before. If he did not have this experience, he had to have at least twelve months' working experience onboard a 100,000 tonnage ship and have a return-sailing apprentice experience onboard the 150,000 tonnage ship before he could be employed as a chief engineer. The quality requirements for employed seafarers of other ranks were also high. It is regulated that unless seafarers had already gained working experience onboard the ship to which they were going to be assigned, they had to accumulate six to twelve months' work

experience onboard ships of smaller size and had to have one year's apprentice experience onboard the assigned ship before they could be formally employed.

Therefore, as a result of FSFC policy and Ag1's traditional requirements for seafarers' experiences, only those who were regularly employed and hence had rich working experiences were eligible and qualified to be dispatched by Ag1. The seafarers who were not fixed to any ships and hence lacked the required sailing experience were consequently restrained from being employed by Ag1. These apparently surplus seafarers actually worked onboard national ships¹² leading to the situation in which although there were apparently surplus seafarers on the books, in reality, because substantial numbers were working onboard domestic ships, there was actually a shortfall in available labour, resulting in a decline in the foreign manning business.

In addition, the poor management of seafarers' training contributed to the shortage of high-quality seafarers, which influenced the foreign manning business negatively. The next section considers this.

5.2 Training management

The training school was in charge of the land-based training of seafarers. It was established in 1993 by the PSC, under the management of its training department. The school had a training building with ten classrooms. It employed fifty-four teachers in 2008 and trained around 600 seafarers for the PSC annually. In 2006, due to the restructuring reform, the school was registered as an independent school by the PSC. In spite of this, the training school still functioned as a department of Ag1, being directly supported and controlled by the PSC. Therefore, as before, it trained seafarers for the PSC without charging tuition fees. In addition, the staff of the school, including the president, were registered employees of the PSC. Unlike the private schools in the market, Ag1's training school did not have to be responsible for its business result.

¹² The seafarers who had few working opportunities in Ag1 worked in the domestic market. To take these opportunities, seafarers had to pay 10% of their first month's wage to Ag1 to obtain their seafaring documents (which were kept by Ag1 when the seafarers were on leave). Ag1 paid their leave wages, various kinds of non-wage benefits and social insurance.

This section initially focuses on land-based training, particularly considering seafarers' views about the management of training opportunities, the setting of training courses and the teaching quality of teachers, and then discusses the influences on seafarers of the ocean training. It explains how the management of seafarers' training contributed to the shortage of high-quality seafarers and thereby influenced the seafarer export negatively.

5.2.1 The management of land-based training opportunities

According to the policy of the PSC, training opportunities for seafarers were arranged based on a schedule, which was made "through the discussion and evaluation of the managers of the ship management department of the PSC, the safety and technology department of the PSC, the shipping business department of the PSC and the crewing agency" (Ag1's Internal Journal, 2008, p5). However, according to the Training manager of Ag1, the management of the training opportunity of seafarers was not based on any systematic plan. As a result, some seafarers were trained repeatedly while others hardly got any training. The President of the TU introduced and commented on the method of selecting training candidates:

When there is a training opportunity, in many cases, it is the Manning managers who look for training candidates, not based on any schedule but randomly. The managers normally call seafarers on leave and ask whether they are available or not. The seafarers who are free at the time will come and take the training opportunity. Because of the lack of any plan, some seafarers undertake the same training several times, while others are not trained at all.

A rating who is related to a Manning manager said:

Sometimes, when I am on leave, the Manning manager calls me to take some training. I had already done those modules several times and I don't want to do them again. But considering my relationship with the Manning manager and considering that he consistently gives me good working opportunities, I cannot refuse him. So I take the lessons.

In addition, it was regulated that the training opportunities were only provided to seafarers who were fixed to work onboard PSC's ships based on the FSFC. The outsourced seafarers and underemployed seafarers were excluded from the training program. A chief officer dispatched to work for a foreign shipping company by Ag1 said:

There is no training when I am on leave. Working onboard foreign ships, I am not trained by the PSC training school. Being afraid of accidents, PSC only organizes training for seafarers working onboard its ships. PSC does not care about the quality of hundreds of seafarers working for foreign shipping companies.

A peasant rating said:

I know the registered ratings are given training and they can get certificates that enable them to work onboard ships. In addition, there are English courses at least once a year, lasting for 1-2 months each time. I have never joined in such training. I saw they were trained and also heard this from my work-mates who are registered ratings.

This suggests that due to the lack of systematic management, the training opportunities were not equally spread among seafarers in Ag1. While some seafarers were given repetitive training, others had little or no opportunity for training. This negatively influenced the improvement of the quality of seafarers and thereby contributed to the shortage of high-quality labour.

5.2.2 The setting of the contents of land-based training courses

When examining the contents of training courses from 2004 to 2008, it was difficult to find any courses related to hard-skill/operational training or soft-skill training. When talking about operational training, the HRM manager said:

Seafaring requires a lot of operational work. It is important for seafarers to get enough training in the use of equipment onboard ships before actually working at

sea. However, concerning the training in the use of some equipment onboard ship, we mainly show seafarers videos to give them some general idea.

A 2nd officer said:

The land-based training does not emphasize improving the skills that are needed in work at sea. We only watch videos and see how some operations should be done. But we never do any practical training ourselves. You know, watching is quite different from hands-on practice.

When talking about the soft-skill training, a 1st engineer said:

We do not have training concerning soft skills. Sometimes, I need to work with foreign seafarers. So I want to learn about foreign cultures and how to get along with foreign seafarers; I also want to know about some of the advanced technologies used onboard foreign ships. But I can hardly get such information from training.

In fact, soft skills, such as communication skills, are very important for us, living in a confined environment, far from the land. However, we are not given such training.

Therefore, it was suggested that although hard skill training and soft skill training are important for seafarers, they were not given sufficient training to improve these skills.

5.2.3 The quality of teaching

Some seafarers, especially the officer seafarers, also complained about the quality of the teachers. They thought the poor quality of teachers might be another reason for the poor quality of training, which contributed to the shortage of high-quality seafarers in Ag1 and thereby influenced the foreign manning business negatively.

The teachers in the school consisted of former captains and chief engineers and some teachers who did not have seafaring experience. According to the HRM manager, the

school did not provide regular training for the teachers. Teachers taught based on the training books and their personal experiences.

Concerning the training of the teachers, some officer seafarers highlighted a number of problems in the interviews. The first problem is related to the fact that teachers' knowledge is not up-to-date. A chief officer said:

The intention of establishing the training school is to help to improve the quality of seafarers. However, teachers are still talking about old knowledge from old books in spite of the fast development of the shipping market. They talk about theories that are absolutely outdated. Many teachers have sailing experience. But the problem is that they have not worked onboard ships for many years. There are some teachers who have not worked onboard ships for twenty years. Therefore, what they talk about is not really relevant to the current situation. I could not learn much from them.

A second engineer said:

The quality of teachers in the training school is generally low. Some of them were once seafarers, but they have not worked onboard ships for many years. There are some operations and knowledge that they cannot remember or understand clearly. Many teachers are unable to explain themselves clearly. Most of them just read the books in class and repeat what the books say.

Secondly, some seafarers complained that certain teachers, especially those without sailing experience, were lacking in professional knowledge. A chief engineer said:

You know, some teachers are not very good. They have no experience. Many of them have never touched a ship. Once a teacher, talking about chemical ships, said 'You should not work onboard chemical ships because the air of these ships is polluted with poisonous gas'. In fact, as a teacher, he should not have said such irresponsible things. In addition, if he does not know better, he should not be teaching here.

A second engineer said:

At some English classes, few people know English. The English teacher is no good. He had many pronunciation and spelling problems. I don't think his English is as good as mine, and attending the classes is not helpful in improving my English.

Unlike the officer seafarers, some ratings seemed satisfied with the training. For instance, one rating said:

We are trained in the PSC's school. Many of the teachers are former captains or chief engineers. They are scholars and have high salaries. Unlike them, we are workers, selling our labour. I can learn from the teachers. They are rich in experiences and I can learn from these experiences.

The difference in attitudes between officer seafarers and ratings can be explained to some extent by the following two aspects. Initially, at least some considering that ratings' work is low skilled, manual labour, there may be much less knowledge to be updated for the ratings than for the officer seafarers; hence, ratings have fewer concerns with and lower requirements for training than do officer seafarers. In addition, freelance ratings outside the SOEs have few, if any, free training opportunities provided by any institution (Han 2008; Huang and Ning 2008). This may also explain why the ratings in Ag1 seemed more satisfied with the training than did the officer seafarers.

Through the discussion, it seems that the training opportunities were not systematically spread among seafarers, key skills were not included in the training contents and the quality of teaching was not satisfactory. Therefore, the land-based training seems not to be very helpful in improving the skills of seafarers, which led to the shortage of high-quality seafarers and thereby impeded the development of the seafarer export. The next part considers the training organized at sea and how it influenced the quality of seafarers.

5.2.4 Training at sea

According to a training document, the ocean training was designed to improve the skills of seafarers comprehensively, including training in the use of equipment onboard ship, emergency procedures, the study of international conventions and safety documents, English training, occupational health and safety and the cargo-handling.

However, the training plan was not well implemented at sea. One of the reasons for this might be that much of the attention of the ocean training was devoted to coping with maritime inspections, such as those from the shipping companies and Port State Control, concerning the implementation of maritime codes and regulations. The reason for this was that the results of the examinations could directly influence the reputation and business of the shipping company and the personal interests of seafarers.

To perform well in these examinations, preparatory work was carried out in advance, according to seafarers. Captains held meetings to motivate seafarers spiritually and to assign specific tasks to each seafarer. Seafarers were called together to watch DVDs of previous examinations onboard other ships and to analyse these examinations and learn from them. In addition, seafarers were asked to undertake specific practices that were aimed at improving the skills on which each of the seafarers was probably to be examined.

Some seafarers complained that the ocean training did not improve their skills. A third engineer said:

Some training was only organized for the examinations. There was nothing more. Such training can help us to some extent, but it cannot cover the important skills that are needed in daily work.

A second officer said:

When the ocean training is held, the captain often reads out certain documents. Before the examination, the captain reminds us of some important issues. Such training cannot improve our skills, but is just for the examination.

A commissar also suggested in the annual work report 2007 that: “we need more training and practice at sea, but not meetings that emphasize important skills to cope with examinations”.

In addition to coping with maritime inspections, the poor implementation of the ocean training plan is also related to the heavy workload of seafarers. Some seafarers complained that when the workload onboard ships became heavy, training turned into a burden and they could not learn much from it. A rating said:

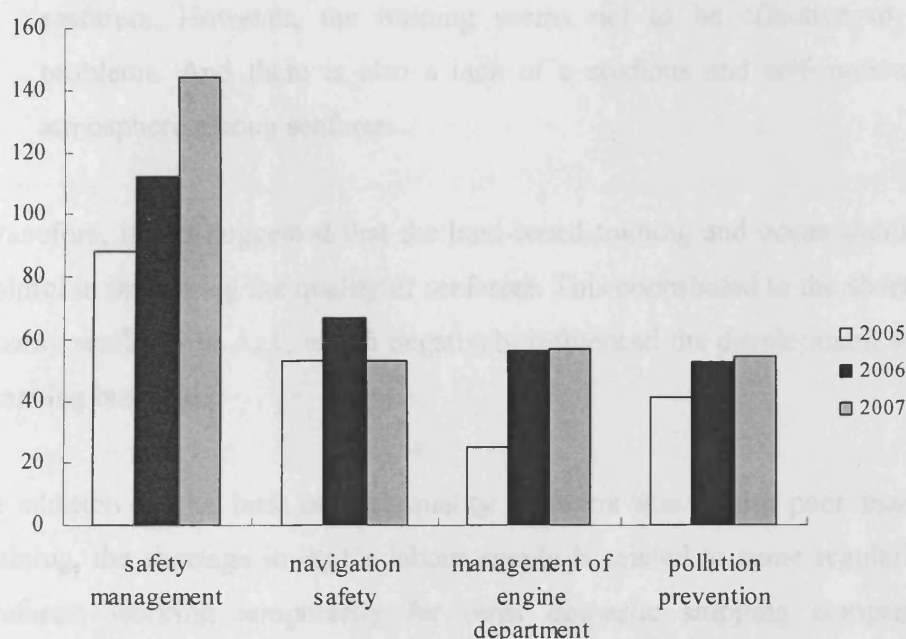
We study international conventions and practice fire fighting and first aid skills every Wednesday afternoon. Training sessions are also organized on Saturdays. Such training is compulsory. I have to attend. But you know, we work very hard and we feel very tired. So now I feel bored when I think about the training. Its effect is not very good as a consequence.

It is therefore suggested that seafarers were disaffected with the training at sea and the ocean training seems not to be very helpful in improving the skills of seafarers. Seafarers in Ag1 lacked certain important skills and their overall quality was not satisfactory.

5.2.5 Consequences of the training management

If we look at the results of the sea inspections from 2005 to 2007, it is easy to see that the mistakes made by seafarers during work at sea increased year by year (Chart 5.2).

Chart 5.2 The numbers of the mistakes of each category from 2005 to 2007



Source: Ag1's Working Report by the Department of Training

In addition, in the annual reports, the director exemplified some problems repeatedly found from seafarers' work at sea:

When we examined the work of seafarers at sea, we found that many seafarers, including officer seafarers, were not familiar with or able to skilfully operate the equipment and devices onboard ship, even some life-saving and fire-fighting equipment. In addition, there was lack of training concerning first aid in confined environments. We need to do that as well. Furthermore, it is found some officers did not clearly understand the use of radar and some second officers were unable to operate the foam pump properly. Last but not least, the poor English of seafarers and the lack of training of chief officers concerning coping with ballast water are also problems with our seafarers.

The director of Ag1 was concerned about the training management and the quality of seafarers. In the interview, he said:

We are facing the problem of a lack of high quality officer seafarers. The supply of high quality seafarers cannot satisfy the demand of the fleet, which is

developing very fast at the moment. English is still the major problem for many seafarers. However, the training seems not to be effective to solve these problems. And there is also a lack of a studious and self-motivated learning atmosphere among seafarers.

Therefore, it was suggested that the land-based training and ocean training were not helpful in improving the quality of seafarers. This contributed to the shortage of high-quality seafarers in Ag1, which negatively influenced the development of the foreign manning business.

In addition to the lack of high-quality seafarers due to the poor management of training, the shortage in Ag1's labour supply is related to some regularly employed seafarers working temporarily for other domestic shipping companies as was discussed in Chapter 4. The following section explains some of the reasons for this. It considers the impacts on seafarers of the management of seafarers' promotion. Other management strategies and the consequent impacts on seafarers and the implications for the foreign manning business will be considered in the following two chapters of Part Two.

5.3 Promotion management

Before 1989, Chinese seafarers did not have to take any form of examination in order to be promoted. They were promoted directly by the company, on the basis of firstly, the recommendation of the commissar and captain onboard ship, and secondly, the approval of the secretaries of the Party Branch and leaders of the departments of the company. Since China was elected as a Class A Party of the International Maritime Organization in 1989, it has had more communication and cooperation with related international and regional organizations. Accordingly, an examination and assessment system for seafarers' promotion has been introduced. Since 1989, Chinese seafarers have been required to take training and examinations in order to be promoted by the Chinese Maritime Bureau (CMB). After they pass the examination and get their certificate of competency of a higher rank, they are promoted after completing the apprenticeship.

However, seafarer' promotion in Ag1 was much more complicated than this. To be promoted, seafarers not only had to earn their certificate of competency (COC), but also had to be "appointed" by the company, and then gain approval of the captains and Manning managers and satisfy the additional requirements of Ag1 before they were given an apprenticeship opportunity. Such management had been implemented since the 1990s and caused the slow promotion of seafarers in Ag1. The following parts will explain this management and its consequences in detail.

5.3.1 Appointment by the managers

Initially, the practice of traditional SOEs before the examination system was introduced in China was to appoint seafarers to be promoted by the managers. It involved the following procedures:

- 1) Seafarers submitting a form signed by the leaders onboard ship, which recommends them to take training and examinations for promotion;
- 2) Taking and passing an exam;
- 3) Working onboard ship in their original position;
- 4) Preparing application documents for promotion, including a promotion application form (signed by the captain), skills evaluation form (signed by the captain), and a sailing experience report;
- 5) Ag1 examining seafarers' English level, certificates of competency, application documents and working report;
- 6) Ag1 submitting the candidates' documents to the heads of eleven departments of the agency and the PSC;
- 7) Ag1 calling a meeting to discuss and make appointment decisions;
- 8) Ag1 publicizing an "appointment notification document" with a big red title.

Such management was still applied by Ag1 in 2008. There were some drawbacks to this management, which consequently delayed seafarers' promotion. For instance, the appointment meetings were only held twice a year. However, seafarers could take in examinations online once a month. In addition, only 20-30 seafarers could be assessed at each meeting. When around 100 seafarers passed the examination each year, half of the seafarers had to wait at least six months for the next assessment. As a result, some seafarers who passed the examination may not be evaluated / appointed in time. The TU President commented on this management and explained the reasons. He said:

Appointing seafarers to be promoted by the leaders of the company was the management system applied before China's economic reform. Now, with the implementation of the maritime inspection system administrated by the Maritime Bureau, few companies [few POCAs and ISCA's] retain this management. But in Ag1, nobody changes it. Everyone is afraid of the possible negative consequences of abolishing this procedure. So it is still used and prevents many seafarers from being promoted.

After seafarers were appointed by the PSC, if they wanted to be promoted, they were required to obtain the approval of the captains and the Manning managers with whom they worked.

5.3.2 The role of captains and Manning managers

Before the economic reform, captains did not have the absolute power onboard ship and the status of the captain onboard ship was lower than that of the commissar. On March 30th 1988, the Contract Responsibility System was implemented in the PSC and the reform of the management system onboard ships was carried out as well. In mid-December 1988, the Captain Responsibility System was executed onboard the ships of the PSC.

The Captain Responsibility System reformed the old system - 'captain under the leadership of the Party Branch, political commissar in charge of the ship' - which had been implemented for several decades before 1988. The reform emphasized the central leading power of the captain and the supervisory role of the Party Branch onboard ship. The political commissar consequently became the deputy head of the ship and was directly responsible to the captain.

Because of the power of captains and commissars, they played an important role in the promotion of seafarers in Ag1. Captains and commissars evaluated the performances of seafarers, wrote reference letters and signed application forms for promotion. After receiving the documents, Manning manager dispatched the seafarers to work as apprentices in the new position. After this, the seafarer was formally promoted.

In 1991, the PSC implemented the regulation that if problems arose onboard ships, the captain would be punished administratively and economically and the Manning manager who had dispatched the seafarers would be responsible for the problems as well.

When captains needed to take full responsibility for any mistakes onboard ship, they consequently became reluctant to let inexperienced seafarers work with them. Since newly promoted seafarers lacked experience in the new position, the captains did not support the promotion of seafarers in Ag1. A second engineer relayed his experience when he was promoted from a rating to a third engineer years ago:

The captain did not promote me because he was afraid of taking responsibility for the possible consequences. After a trip, I went to the managers and asked about my delayed promotion. I said that if the captains intentionally refused to promote me, I would be unable to work any longer. Then the Manning managers said: 'This is the regulation of SOE and we can do nothing to change it.' You know, I also worked for foreign shipping companies. The advantage of their management is that people do not shirk responsibility. Captains have the authority to promote seafarers. If there are problems at sea, the shipping company will deal with them according to law, rather than push the responsibility onto the captains. As a result, captains dare to promote seafarers in foreign shipping companies. But in Ag1, this is not the case. Therefore, while the captains working for foreign ships-owners dare to promote seafarers, the captains in Ag1 dare not.

Like the captains, Manning managers avoided promoting seafarers when they had to undertake the responsibility for their manning decisions due to the regulations. The ex-director of Ag1 explained when talking about the promotion management:

If there is an accident, the director of the PSC or the Head Office will first ask the Manning manager whether the dispatched seafarers have worked in the position before or whether the seafarers have adequate experience. If not, the leaders will ask the managers why they dispatched those new, inexperienced seafarers.

There have been some bad examples when Manning manager have faced negative consequences because they dispatched newly promoted seafarers. Manning managers have now learned to avoid these mistakes. This is the problem with the institutional system. Under this system, seafarers cannot be promoted in time, as it is delayed.

A first engineer said:

The promotion in Ag1 is too slow. In this SOE, if seafarers were not promoted for a long time, no one would be responsible for or punished because of this. The promotion of the seafarers is not related to the wages or the interests of the managers. However, if some seafarers are promoted and an accident happens, managers and the leaders onboard ship will take the responsibility. Therefore it is difficult for seafarers to get promoted.

Therefore, many seafarers had to wait for a long time to be promoted in Ag1. A Manning manager said:

For fewer accidents and less responsibility, Ag1 uses a lot of experienced seafarers. As a result, after being appointed, the seafarers really do not know how long they have to wait to get promoted. Many seafarers work onboard small ships for several years and work onboard old ships for several years, so as to accumulate experience and to be qualified to work onboard the ships of the PSC that they are assigned to.

The problem of the slow promotion of seafarers had already captured the attention of the senior managers of the PSC. In a year-end report, the director of the PSC encouraged captains and Manning managers to train and promote seafarers. He said:

We offer proper rewards to the captains who can take the responsibility to train and promote new seafarers. Land-based managers should also change their attitude so as to promote and dispatch more competent seafarers. Managers should not be so concerned about their position and career development that they dare not

dispatch newly promoted seafarers. Managers should be brave enough to take responsibility for the development of the PSC.

Despite this encouragement, the Manning managers and captains remained reluctant to promote new seafarers due to the old regulations and the consequent responsibility that they had to undertake. Consequently, seafarers experienced slow promotion. Because of this, some of them worked for other domestic shipping companies to attain promotion and to accumulate sailing experiences in their new positions. This contributed to the shortfall of seafaring labour in Ag1, which constrained the development of seafarer export in practical terms.

In addition, the slow promotion of seafarers can be related to certain regulations of Ag1. The following section explains this.

5.3.3 Additional regulations

There were also some additional regulations on the promotion of seafarers in Ag1. For instance, it was regulated that seafarers with higher education could have better promotion opportunities. Consequently, some seafarers could not be promoted in time because their educational level was not high enough. Some seafarers thought this was very unreasonable. A 2nd officer said:

Ag1 will not promote seafarers like us. The Manning manager explained that when there were many seafarers with bachelors' degrees from famous maritime universities in the agency waiting for promotion, those of us who did not have higher qualifications should wait. So to maintain the dignity of the company, seafarers with a higher educational background are to be promoted first. However, this is nonsense, because the technical secondary school qualification is approved by the CMB as granting officer status. And I, along with those seafarers with high qualifications, passed the same examination for promotion held by the CMB and earned a COC. So Ag1 restraining my promotion because of my educational qualification is unreasonable. The regulation and management system of Ag1 is just so outdated. I am very disappointed with it.

In addition, Ag1 intentionally slowed down the promotion of seafarers by restricting the seafarers from taking training courses and examinations for promotion. Restricting seafarers from participating in training and examinations was a management strategy during the period of the 1990s when the promotion of seafarers was planned by companies. At that time, seafarers were not allowed to apply for training or examinations without a supporting letter from the company. In recent years, the restriction has been abandoned by the CMB and it has allowed seafarers to apply for promotional training by themselves and to sit the examinations online every month.

However, Ag1 still retains the traditional restrictions. The certificate and training management department of Ag1 (*Zheng Pei Bu*) undertook this task. It examined the educational level and sailing experience of seafarers, decided who could take part in the training and examinations and signed up the selected seafarers.

It was the policy of Ag1 that when there were surplus seafarers at certain ranks based on the Ag1's books, the promotion of seafarers to those ranks had to be delayed. For instance, chief officers and first engineers would not be promoted for three or four years after they had earned their COC at a higher rank because there were surplus captains and chief engineers on the books. Seafarers thought such restrictions were unreasonable, but they could do nothing about it. A chief officer said:

The agency implements its plan by sacrificing the benefits of seafarers, by restraining seafarers from taking training and examinations. As a result, seafarers are dissatisfied with the management. The agency even claims that chief officers will not be promoted within three years after getting the certificates of competency. This is very unreasonable.

5.3.4 The slow promotion of seafarers

As a result of the management, seafarers complained about the slow promotion in Ag1. A 2nd officer said:

Promotion in Ag1 is too slow, and not reasonable. There is too little opportunity for seafarers. Ag1 should try its best to promote seafarers when they earn COC of higher rank. We feel very angry about the management of promotion. Many of my

classmates working for Ag1 are not given opportunities to take the promotion examination to attain COC as chief officers. However, most of my classmates working for other agencies and domestic shipping companies have worked as captains for seven or eight years.

Some seafarers from Ag2 also talked about the slow promotion in Ag1 when they were asked about the promotion management in their agency. A Captain from Ag2 said:

Promotion in Ag1 is very slow. I know a seafarer who took an examination for the rank of captain at the same time as me six years ago. He is still working as a chief officer. Promotion in Ag1 is just too slow.

A Manning manager of Ag2 said:

I know some seafarers in Ag1 and it is not unusual for them to wait for four or five years to get promoted. Seafarers have no way to deal with it.

Due to the slow promotion in Ag1, some seafarers worked for other domestic shipping companies, which contributed to a shortfall in seafarer supply in Ag1 and thereby constrained the development of the foreign manning business.

5.4 Summary

This chapter looks at the management of manning, training and promotion and the impacts on seafarers. It is found the management strategies lacked reform, which resulted in problems such as limited working opportunities for many seafarers in Ag1, low-quality training and slow promotion. Because of this, many seafarers sought job opportunities in the domestic shipping industry, which contributed to the shortage in seafarer supply in Ag1, particularly the shortfall of high-quality seafarers, and resulted in the decline of the foreign manning business (this will be explained in more detail in Chapter 7).

Specifically, concerning manning management, it was seen that the onboard working opportunity was fixed to a group of seafarers due to the FSFC policy that has been

applied since the beginning of the 1990s and to the interference of the personal relationship/*Guanxi* between the regularly employed seafarers and the managers. The seafarers developed relationships with managers by bribing them, in return for which managers provided working opportunities for these seafarers. The lack of reform of the FSFC policy and the lack of rationalization in the institution imply the limited extent of the reform in Ag1. In addition, because of Ag1's very stringent requirements on seafarers' working experiences, it was difficult for the seafarers who were not regularly dispatched by Ag1 to be re-employed when there was a shortage of seafarers. As a consequence of this form of management, these seafarers had to look for working opportunities in other domestic shipping companies. This partly explains the shortfall in seafarer supply in Ag1, which impeded the development of the manning business with foreign ship-owners.

Concerning the management of seafarers' training, it seems that land-based training opportunities were not systematically distributed among seafarers, land-based training concerning important skills was not included in the training contents and the quality of teaching was far from satisfactory. In addition, Ag1's ocean training plan was not implemented well because much of the focus of the ocean training was on how to cope with maritime inspections, and also because of the heavy workload of seafarers at sea. Therefore, it was suggested that land-based training and ocean training did not significantly improve the quality of seafarers and this contributed to the shortage of high-quality seafarers in Ag1, which consequently constrained the development of the seafarer export. The problems with the training management reflect the limitation of Ag1's reform.

With respect to the management of seafarers' promotion, this aspect also lacked reform. Specifically, the appointment of promoted seafarers by managers, which as the method used in the traditional SOEs in the 1980s, was still applied in Ag1, and it proved to delay the promotion of seafarers. In addition, the old regulations concerning the responsibility of captains and Manning managers for dispatching newly promoted seafarers were still carried out in Ag1. Consequently, captains and Manning managers did not act positively in seafarers' promotion in order to avoid possible consequences and punishment. This further contributed to the slow promotion of seafarers. Last but not least, Ag1 had added additional regulations concerning seafarers' promotion,

which made the promotion of seafarers even more difficult. As a result of this management, seafarers in Ag1 suffered from slow promotion and some regularly employed seafarers sought promotion opportunities by working for other domestic shipping companies. This contributed to the shortage of seafaring labour in Ag1 and thereby resulted in the shrinking of the foreign manning business.

Seafarers were also confronted with other problems as a result of Ag1's management strategies. The following chapter focuses on the impacts on seafarers of the management of material support and thus identifies other reasons for the labour shortage and the consequent decline of the seafarer export in Ag1.

Chapter 6: The management of material support

It has been assumed that the high wages in the global seafarer labour market would be one of the driving forces that accelerate the development of China's seafarer export (Wu, 2004a, Wu, et, al. 2007). This chapter challenges this point by explaining that the wages of the Chinese seafarers dispatched onboard foreign ships are not necessarily higher than those of seafarers working in the domestic seafarer labour market. This is done by looking at the management of seafarers' material support in Ag1 and analysing the reasons for the low wages of officer seafarers. This chapter also considers the consequences to seafarers of the reforms of the payment system in Ag1.

The discussion aims to add further explanations to the reasons why some regularly employed seafarers in Ag1 temporarily worked for other domestic shipping companies, which caused a shortage in labour supply and consequently constrained the development of the foreign manning business.

6.1 The reasons for the low wages of officer seafarers

The wages of officer seafarers in Ag1 were generally lower than those in the domestic seafarer labour market. Table 6.1 shows the average wages of seafarers of different ranks in the market and in Ag1 in May 2008.

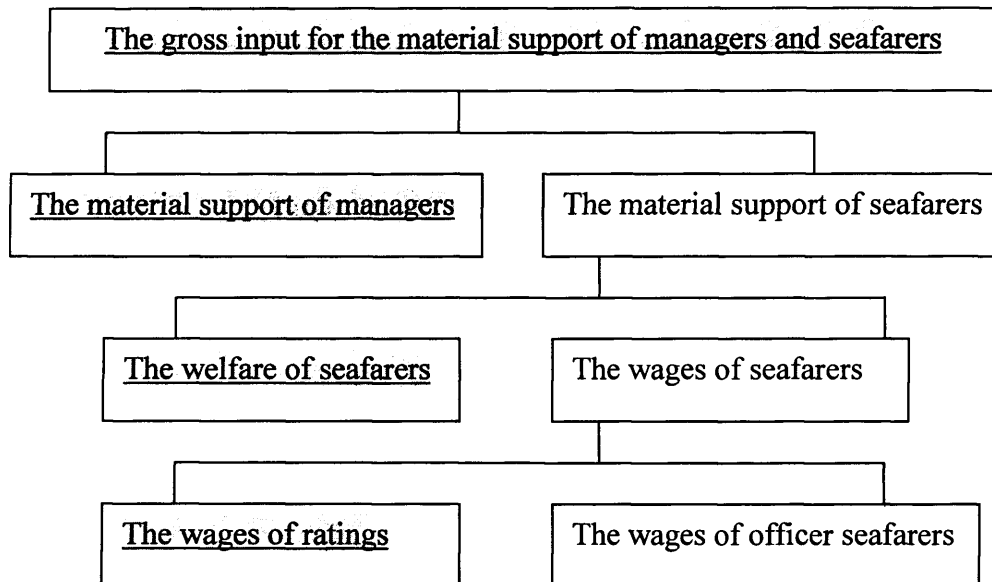
Table 6.1 The wages of seafarers of different ranks in the market and in Ag1 (per month/yuan)

Ranks of seafarers	Average wages in the market	Average wages in Ag1
Captain / chief engineer	70-80,000	50,000
Chief officer/1 st engineer	50-60,000	30,000
2 nd officer/engineer	20-30,000	15,000
3 rd officer/ engineer	15-20,000	10,000

Source: Comprehensive Statistics of Ag1 (2008)

The reasons for the low wages in Ag1 can be related to the following four factors - the control of the head office over the input for the material support of managers and seafarers; the large number of managers and their good material support; the high cost of the welfare of seafarers and the high wages of ratings. The relationship of these four aspects is presented in Chart 6.1. Since the poor remuneration is one of the important reasons why some seafarers worked onboard ships belonging to domestic shipping companies, the following sections explain each of the four aspects, respectively.

Chart 6.1 Factors influencing the wages of officer seafarers and the internal relationship



6.1.1 The control of the head office

The gross input for the material support of seafarers and managers in Ag1 was regulated by the head office of the PSC.

In theory, the PSC was allowed to submit an application to the head office to adjust the amount of the input. However, the application procedure can be so bureaucratic and time-consuming that the PSC had never submitted such a request since its establishment, according to the director of the PSC.

In addition, the head office did not allow the PSC or the agency to improve the input by using its profits. The director explained:

The salaries and welfare of managers and seafarers are adjusted by the head office every two years. If the head office requires the company to achieve a net profit of 5 billion *yuan* but we actually have 7 billion at the year end, we are still not allowed to use the surplus - 2 billion *yuan* - to improve the welfare and wages of workers.

Because of the control of the head office, neither PSC nor Ag1 was able to increase the salaries of officer seafarers in line with changes in the labour market.

Since 2004, the payment of Chinese officer seafarers in the domestic labour market has increased rapidly (Han 2008 p26; Ma and Xu 2008 p117). In contrast, the head office has only increased the payment of seafarers twice, with a moderate increase in January 2005 and a dramatic increase (52%) in January 2007. Despite the increase in 2007, as a result of the implementation of the New Tax Policy in 2007, seafarers in Ag1 started to pay 20% to 30% of their wages in tax. Consequently the officer seafarers in Ag1 have received lower wages than seafarers in the national market since 2004. The director of the PSC said:

We cannot increase the wages of seafarers according to the situation in the labour market because the input for the wages is controlled by the head office. So when the wages of officer seafarers have been increasing every six months or even every three or four months in the market since 2004, we are unable to catch up with that rate. We always lag behind.

In addition, it is an unwritten rule of the SOE that the wages of workers are not supposed to reduce much or fluctuate too often, but keep an increasing trend. So that is another constraint on the increase of the wages of seafarers.

Therefore, under the control of the head office, the input for the material support of the seafarers and managers cannot be adjusted flexibly according to changes in the labour market, which consequently contributes to the low wages of officer seafarers in Ag1.

6.1.2 High material support of managers and their large numbers

When the input for the material support of the seafarers and managers was fixed by the head office, the material support of the managers influenced the benefits of seafarers directly. The following section discusses the management of the material support of the managers to explain the low wages of officer seafarers from another perspective.

6.1.2.1 The good material support of managers

Before the 1990s, managers earned much less than seafarers. A senior officer seafarer recalled that in the 1980s, when he earned four hundred *yuan* per month at sea, land-based managers earned only forty *yuan*. Therefore, many people preferred to work at sea rather than doing land-based managerial work at that time.

However, with the deepening of the economic reform, this situation changed. The material support of managers has been improving due to managers' role in managing the company. Although I did not obtain the exact amount of the managers' salaries, the ex-director of Ag1 and some seafarers provided an estimated annual income for managers in different positions (Table 6.2).

Table 6.2 The annual income of the managers in different positions

Position	Annual income (<i>yuan</i>)
Director and Secretary of the Party Committee	Over 400,000
Vice-director and President of the TU	300,000-400,000
Senior managers (the head of each department)	250,000- 300,000
Managers in other positions	150,000-250,000
Clerks	60,000-100,000

Source: Estimates from the ex-director of Ag1 and some interviewed seafarers

As a result of this increase, the salaries of managers became higher than the wages of most of the seafarers. For instance, the annual income of a second officer / second engineer working at sea for seven months was around 100,000 to 150,000 *yuan*. This was higher than the salaries of clerks, but lower than the salaries of most of the managers, as seen in Table 6.2. This suggests that only the captains/chief engineers and chief officers/first engineers, representing less than 20% of the seafarers in Ag1, have similar or higher annual wages than most of the managers. More than 80% of the seafarers received lower wages than the managers.

In addition, managers can enjoy the welfare that seafarers are offered, such as social insurance and other benefits (which will be further discussed in section 6.2.3). As well as this, the managers have non-wage benefits that are not offered to seafarers. For example, managers are considered first when it comes to the distribution of the year-end bonus. As a result, there are some years when seafarers do not receive a bonus. The Manning manager explained, “While managers get a year-end bonus almost every year, the bonus for seafarers can not be guaranteed.”

Managers were also entitled to other benefits that were not provided to the seafarers, such as free lunch, gas allowance for their cars (800 *yuan* per month), inter-city communication allowance (300 *yuan* per month), gift cards for big shopping malls and study and travelling opportunities to places of interest, both inside and outside China. The managers were satisfied with the welfare and activities organized by the agency, especially with regard to travel. When talking about working in this SOCA, the HRM manager said:

The welfare in the SOEs is always good, much better than other types of companies, such as the private-owned companies or foreign invested companies. That is the reason why many people prefer to work for the SOE.

The working atmosphere in this agency is great. Every month, activities are organized, such as climbing hills at some places of interest, picking fruit in commercial gardens, visiting places with good views. These activities are fantastic. Also we can bring our families with us. Of course, we do invite some seafarers to join us.

These activities were not, however, provided to most of the seafarers. A second officer said:

The managers can travel to different places every month and can take their families for free. Seafarers are never treated like this. Only a few seafarers who are connected to the managers are invited to join in, because to get enough funding, these activities are organized in the name of seafarers. Most of the participants are managers and their families. I have never been invited to join

because I am young and I am not personally related or familiar with anybody in the company....Many elder seafarers, the experienced ones, do not expect to join either. Everyone knows how it works and the chance for our seafarers is small.

In Ag1, such high wages and good welfare were provided to a large number of managers.

6.1.2.2 The large number of managers

An important part of the economic reform of Chinese SOEs is the streamlining of the institutions, which aims at cutting out surplus personnel and increasing the competitiveness of the enterprises. Despite the reform policy, the problem of surplus managers was not solved in Ag1. When talking about streamlining the institution, the director of the PSC said:

In fact, it is very difficult to reduce the number of managers. Concerning the reform of the company, the biggest problem is with the reform of the HRM. In fact, we have already established more than ten subsidiary companies and have tried to assign some less-skilled managers to work there. However, due to the lower salaries and welfare in the subsidiaries, these managers complained: why am I being sent to work in the subsidiaries? How can you tell I am less capable than others? So it is very difficult to make these decisions.

In fact, during these years of reform, there have been more positions and more managers in this company, rather than less. Whenever the head office sets up new departments or the government requires us to organize activities, we must establish corresponding departments. Some old departments that are not very helpful to the business cannot be abandoned either, such as the Party Branch, the Party's commission for inspecting discipline, TU and the Youth League Committee. Our twelve subsidiary companies are also required to have these departments. Therefore, we have more departments and more people now. In fact, to do our business, where a Japanese company may need to employ only fifty people, we may need two hundred.

In Ag1, there were twenty-two staff in 1995. By 2008, this figure had increased to fifty-two. When explaining the large number of managers, the vice director of the head office said:

The SOEs are not completely profit-oriented organizations. In addition to managing the business, they have large departments, such as the Party Branch, TU and Youth League Committee, to ensure that the SOEs fulfil their social responsibilities. These are at the cost of the SOEs as well and not insignificant.

Seafarers thought the large number of the managers and their high material support influenced their material support in a negative way. The words of a third engineer provide an example:

There are too many managers. They do not have to work as hard as us, but they get many more benefits than us. Much money that should have been spent on our seafarers is actually spent on the managers. We seafarers meet the needs of the managers through our hard work. They have good salaries and welfare at the expense of the interests of seafarers. In fact, some departments are not useful, but are an affectation. For example, the secretary of the Party's commission for inspecting discipline cannot really inspect or supervise the director because they are appointed and paid by the director. Other departments, such as the Party Branch, TU and Youth League Committee, are the same. If departments like these could be cut, we seafarers would definitely have better wages.

When part of the regulated input by the head office was used for the material support of managers, the rest was for the material support of seafarers, including their welfare and wages. The next part looks at the management of seafarers' welfare to explain the low wages of officer seafarers further.

6.1.3 The high cost of seafarers' welfare

Before the economic reform, Chinese SOEs offered workers a whole package of welfare benefits. For instance, workers lived in houses that were provided by their companies. Workers visited doctors who worked in the hospital that was also owned by the companies. Workers' children went to schools that were owned by the SOE for

free and after graduation they normally succeeded to the work of their parents. As for food and daily necessities, companies distributed ration coupons to workers. Without the existence of the market at that time, companies provided all-encompassing welfare to workers. This full welfare provision of the SOEs during the planned economy period has been criticized for resulting in a heavy burden to the companies and contributing to their poor economic performance.

In the mid-1980s, China started the reform of the welfare system, which aimed to change the situation by shifting the responsibility for welfare provision from SOEs to a combination of government, company and individuals. Additionally, a social insurance system was established in China.

In line with government regulations, Ag1 set up social insurance account for registered seafarers and paid the fees for that it was obliged to cover. Different standards were applied in different cities in China. The higher the city's GDP, the higher the social insurance standard set. The PSC paid for the welfare of seafarers according to the highest standard. The annual cost for the social insurance of seafarers represented as much as 47% of the cost for the wages of seafarers, including retirement pensions (20%), medical service (14%), working injury (0.8%), maternity leave (female workers 0.2%), unemployment (2%) and public accumulation funds for the houses of seafarers (10%). Except for the House Accumulation Fund, the company's input for insurance could not be used by seafarers directly, but went to the government as a social pooling fund and was used by the government to support people in society who joined the insurance scheme.

In addition, the PSC invested nearly 10% of the cost of seafarers' wages to provide other non-wage benefits, such as a free kindergarten for workers' children, home heating reimbursement in winter (120 *yuan* per month), free physical examinations and work-related reimbursement and so on. In 2007, the company invested more than 300,000 *yuan*, introducing four pieces of modern equipment to its Workers' Hospital so that managers and seafarers could have more free physical examinations, according to the HRM manager.

Therefore, due to the economic reform in China, the SOEs no longer fully supported the workers as they had done thirty years ago. However, a large sum of money, as much as 57% of the cost of seafarers' wages, was spent on social insurance and the other non-wage benefits of seafarers in Ag1.

In addition to the support of employed workers, the PSC spent a large sum of money in offering good welfare and benefits to retired workers and their families. Thus support was even better than that for the registered workers. The medical service serves as a good example.

Since the "free medical service" provided by the old SOEs before the economic reform in China has been abandoned, workers currently have to pay for part of the medical service under the social insurance system. It was regulated that registered workers could claim for 50% of their costs only if they spent more than 2,000 *yuan* (if the cost was under 2000, workers had to pay all the money). For retired workers, those under 70 years old could claim for 70% of the cost if they spent more than 1300 *yuan*, while those aged over 70 could claim for 80% if they spent more than 1300 *yuan* (if the cost was under 1300 *yuan*, retired workers had to pay the full sum). As for the retired cadres who joined in the communist party before the establishment of P.R. China on 1st October 1949, they were entitled to support at the highest standard. They could get a full refund no matter how much they had paid for medical services (Table 6.3). Therefore, retired workers could claim more than registered workers when they spent less.

Table 6.3 Claim for medical service fees

Workers	Age	Reimbursement	Condition
Registered workers	Less than 55	50% of the cost	Spend more than 2,000 <i>yuan</i>
Retired workers	55-70	70% of the cost	Spend more than 1300 <i>yuan</i>
Retired workers	Above 70	80% of the cost	Spend more than 1300 <i>yuan</i>
Retired cadres	Any age	100% of the cost	Any amount

Source: Ag1's internal magazine (2008)

Concerning housing issues, retired workers were entitled to more Workers' Housing Monetary Allowance than employed workers. As for the house heating allowance, it was regulated that if the retired worker passed away, his family could still claim the same allowance from the company. Retired cadres could always receive an allowance of the highest standard and their families could still claim the highest allowance from the company if they died.

Therefore, the seafarers and managers reflected the view that the PSC's welfare cost was huge, which negatively influenced the wages of seafarers. The director of the PSC said:

Actually, we input rather a large sum of money for the wages and welfare of seafarers. As a big SOE, I am confident that we spend more than any other company or agency in the city on workers' welfare. However, because we are state-owned, we also have to implement the government's policy and take care of retired workers and their families. This is the tradition of the SOE. Providing welfare is a big cost, as everyone knows, and this directly influenced the competitiveness of the wages of our officer seafarers in the market. I know many domestic companies avoid paying welfare by reporting low seafarers' wages to the government. Instead, they use the money to increase the wages of seafarers. So the wages of those seafarers are higher than ours. However, we cannot do it. We have to pay for the high welfare to fulfil our social responsibility.

Ag1 spent a large amount of money on the welfare of seafarers. The retired workers benefited most from this. Many seafarers stated that they did not want to resign from Ag1 because they wanted to be entitled to these benefits after retirement (we will discuss this in more detail in Chapter 11). However, the high cost for the welfare of seafarers unavoidably reduced the input for the wages of currently employed seafarers. When the money put in was to pay for the wages of both officers and ratings, ratings' high wages became another factor that contributed to the low wages of officer seafarers.

6.1.4 The high wages of ratings in Ag1

When Doeringer and Piore explain dualism of the labour market in the western societies, they write:

The labour market is divided into a primary and secondary market... Jobs in the secondary market, in contrast, tend to have low wages and fringe benefits, poor working conditions, high labour turnover, little chance of advancement, and often arbitrary and capricious supervision (1971, p. 165).

They also see that there is little chance for secondary workers to work in the primary labour market over their life course (Doeringer and Piore, 1971, p. 167).

During the last three decades in the west, the level of labour segmentation has increased with the extended internal hierarchies as a result of the changes of organizational structure and employer-employee relationships, in which jobs become more contingent and work arrangements more non-standard (Hudson, 2007, p. 290). Workers with certain characteristics (e.g. race, sex, immigration status and types of work arrangement) are more likely to be employed in the 'bad/secondary' jobs at different levels of the organization and in different forms. They are divided and easily exploited (Beck 1998, p261; Hudson 2007, p 289-290; Peck 1996, p 52-53).

These descriptions fit the situation of the redundant, low-skilled freelance ratings in the Chinese seafarer labour market very well, a large majority of whom come from the countryside and are employed on temporary terms, doing manual work for low wages, and are excluded from the ACFTU and easily exploited (Han 2008; Huang and Ning 2008; Huang 2008; Yin et al 2008).

However, the situation for registered ratings in Ag1 was much better than that of the ratings in the labour market. The ratings in Ag1 were offered permanent contracts with the PSC, enjoyed social insurance at the highest standard and non-wage benefits that were almost the same as those of the registered officer seafarers. Over and above this, they received much higher wages than ratings in the labour market. The ratings in Ag1 were very satisfied with their material support. An AB said:

Ratings are happy with the earnings in this company. It is higher than those in other shipping companies or crewing agencies. It is higher than that in Ag2. So I have never heard of any rating resigning from Ag1. Here, we can have good welfare and wages and never be fired. If we were to leave the agency, we would not have such high wages or job security.

When talking about the reasons for the high wages of ratings, interviewed managers and seafarers commonly referred to the phrase “the working-class” as an explanation. The HRM manager explained:

Over 70% of the registered ratings are over 45 years old. We need to take care of the elder comrades. It is the tradition of SOE that the working-class is the “elder brother”. Therefore, although the wages of the ratings outside the SOE are low, we still take care of our ratings, providing them with good wages and welfare. After all, we are all the working class.

The Vice Director of the Head Office said:

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 SOE.

Some officer seafarers complained that the high wages of ratings contributed to their own low wages. A chief officer said:

The wages of ratings in Ag1 are high. This disobeys the rule in the labour market. We officer seafarers should have been given higher wages because there is a shortage of us in the market and we need much longer training and face much greater costs than ratings. We are high-skilled workers, so we should receive higher wages. But now officer seafarers’ wages in Ag1 are lower than the rates in the domestic market. But ratings’ wages are higher. The company just uses the money that should be for officers to subsidize the ratings. This is very unreasonable.

Therefore, the four elements in Ag1 - the head office control over the material support of managers and seafarers, the large number of managers and their good material support, the high cost of the welfare of seafarers and the high wages of ratings - contributed to the low wages of the officers seafarers. Officer seafarers were very unhappy with their material support, as we will see in the next section.

6.2 Officer seafarers' assessments of their material supports

Considering the management of wages, officer seafarers in Ag1 were dissatisfied. A chief officer said:

We are not happy because our wages are much lower than those of seafarers in other companies [domestic shipping companies]. We are wondering why our wages are so low when we do the same jobs as seafarers in other companies and we are capable of accomplishing every task without causing any accident or trouble. It is not like thirty years ago when everyone worked in the SOE and earned the same amount of money. Now our classmates and friends work for different companies. When I learn that they earn 40,000 a year and I earn only 20,000, I feel very disappointed.

Among the officer seafarers, peasant officer seafarers' dissatisfaction was more significant than that of registered officer seafarers because the peasant officer seafarers received lower wages and fewer non-wage benefits than did the registered officer seafarers, though they might do the same jobs.

Compared with the officer seafarers, peasant seafarers were not paid when they were on leave. Nor were they offered a year-end bonus. In terms of non-wage benefits, peasant seafarers were not provided with any until 2005, when the PSC started to pay for some of their social insurance (only work injury insurance and medical service insurance, without a retirement pension or other insurance). In addition, the standards of insurance for peasant seafarers were based on the standards at the places where peasant seafarers' *hukou* were registered and consequently were much lower than those of registered seafarers.

According to the HRM Manager, the value of the material support of peasant seafarers was at least 50% less than that of registered seafarers. Many peasant seafarers expressed the view that they wanted to become registered seafarers so as to have better material support. When Ag1 started to offer the registered worker's contract to the peasant seafarers, as we have seen in Chapter 4, many peasant seafarers leapt at this opportunity. This will be discussed in more detail in Chapter 11.

As discussed above, officer seafarers, especially the peasant officer seafarers, were not satisfied with the low material support offered by Ag1. This adds further explanations as to why although seafarers remained on the books, many of them actually worked in the domestic shipping market, which consequently constrained the development of the supply of seafarers for the global labour market.

In addition to the low wages, seafarers expressed concerns with the way that Ag1 managed their wages. The next part will look at the reform of the management of seafarers' payment and the impacts of this reform on seafarers. This aims to continue to explain some of the reasons for the shortfall in seafarer supply in Ag1 and the shrinking of the seafarer export.

6.3 The reform of seafarers' payment

6.3.1 The reforms of the structure of seafarers' payment

Some reforms were implemented regarding the payment of seafarers. One of the reforms was abandoning equal treatment and enlarging the wage gaps between officers and ratings in the 1980s.

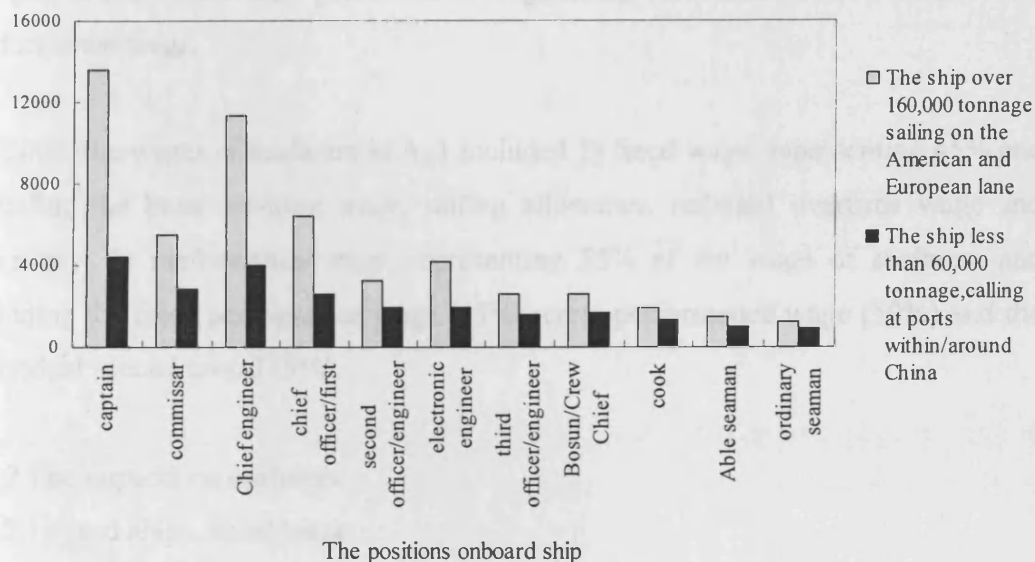
Before the reform, the wages of seafarers were in line with the requirements of the state and local governments. Seafarers of all ranks were paid almost equally. For instance, the wages of ratings and officer seafarers were almost the same, 200 to 300 *yuan*. Commissars' wages were the highest, around 400 *yuan*. From the beginning of the 1990s, the wages of seafarers started to be linked to their onboard positions and the wage gap between officers and ratings began to grow. From then on, seafarers increasingly realized the meaning of the "hierarchy" onboard ship and the difference between being an officer and a rating. A chief officer said:

Before 1990, if you wanted to become an officer seafarer, it was easy. You did not have to take any examination, but were appointed by the company through submitting an application form. Since the payments were almost the same at that time, many people did not apply for the position of officers. But now [after the economic reform] they very much regret it because of the big wage gap between officers and ratings, which was very hard to imagine twenty years ago.

The other reform concerning seafarers' payment is related to the structure of seafarers' wages since 2003. Studying western HRM, the head office tried to link the wages of seafarers to their performance through the reform.

In 2003, the fixed wage system - composed of a basic position wage and a sailing allowance - was replaced with a new system, composed of a fixed wage and a performance wage. The performance wage represented 30-35% of the wages of seafarers and was composed of two parts, the fixed performance wage (80% of the basic performance wage) and flexible performance wage (20% of the basic performance wage). The basic performance wage of seafarers was based on the condition of the ships and the sailing passage. The larger the ships and the further the sailing passage that seafarers worked onboard, the higher the basic performance wages they would receive. For example, the basic performance wage of seafarers working onboard a 160,000 tonnage ship sailing on an American and European lane can be two to three times higher than that of a 59,000 tonnage ship sailing within China or around the Asia area. The following chart shows the difference of the basic performance wages of seafarers at different ranks working onboard new, big ships sailing on the American and European lane and working onboard old, small ships calling at Chinese ports (Chart 6.2).

Chart 6.2 The performance wages of seafarers of each rank working onboard two types of ships (yuan)



Source: Comprehensive Statistics of Ag1 (2008)

In 2005, a specific method to evaluate the performance of seafarers was created, called the “ship ranking management method”. Every six months, a group of managers went onboard ships and assessed the management of the ships and seafarers’ working performance. Indicators included maritime accidents and the results of maritime inspections, safety management, repair and maintenance of the ship, cost control and comprehensive management. Based on these assessments, ships were given different indexes¹³. In addition, the performance wage was divided into three parts: fixed performance wage (60% of the basic performance wage), crew-performance wage (35% of the basic performance wage multiplied by the indexes that were the results of the ship ranking management method) and individual special awards (5% of the basic performance wage).

¹³ The assessment and indexes

Class/rank (from high to low)	1	2	3	4	5
Index	1.6	1.2	1.0	0.8	0

In 2007, another two parts, overtime wage and leave pay, were added to the payment system. In addition, the three components' proportions of the performance wage were changed, with proportion of the fixed performance wage being reduced to 45% and the proportion of the crew-performance wage being increased to 50% of the basic performance wage.

By 2008, the wages of seafarers in Ag1 included 1) fixed wage, representing 45% and including the basic position wage, sailing allowance, onboard overtime wage and leave pay; 2) performance wage, representing 55% of the wage of seafarers and including the fixed performance wage (45%), crew-performance wage (50%) and the individual special award (5%).

6.3.2 The impacts on seafarers

6.3.2.1 Fixed ships, fixed wage

Despite the reform, seafarers' wages were much more closely related to the condition of the ships that they were assigned to due to the FSFC policy than to their performance. The seafarers assigned onboard ships in poor condition received lower wages than did those onboard ships in good condition. This can be seen from the analysis of each part of the fixed wage and the performance wage, as follows.

Concerning the fixed wage, the leave pay and sailing allowance were the same for all seafarers. The basic position salaries and overtime pay were multiplied by different indexes that were influenced by the types, tonnages and sailing passages of the ships that seafarers worked onboard (Table 6.4).

Table 6.4 The indexes of different ships

Tonnage	Types of ships		
	Type A	Type B	Type C
10,000 to 59,000	1.00	0.9	0.8
60,000 to 99,000	1.05	1.00	0.9
100,000 to 160,000	1.20	1.05	1.00
Over 160,000	1.30	1.10	1.05

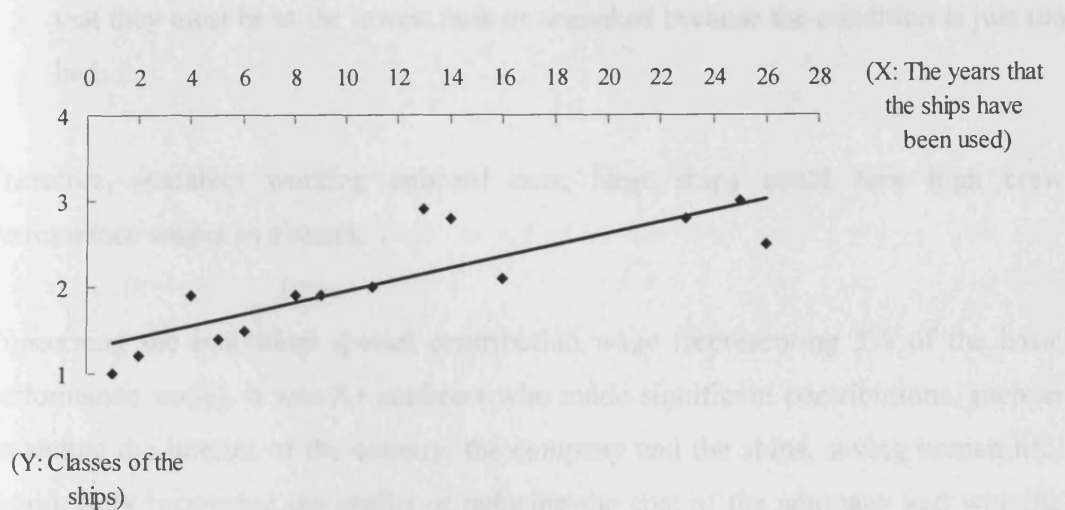
Source: Comprehensive Statistics of Ag1 (2008)

Therefore, seafarers who were assigned to work onboard new and large ships had higher positions and overtime pay, and hence higher fixed wages, than those onboard small ships.

As for the performance wage, 45% of this component was the fixed performance wage, which was equal to 45% of the basic performance wage that was set based on the condition of the ships, as discussed above. Therefore, seafarers working onboard large, new ships had higher basic performance wages and hence higher fixed performance wages.

The crew-performance wage was equal to 50% of the basic performance wage multiplied by the index that was the result of the ship ranking management method. Therefore, the higher the ranks to which ships were evaluated, the higher the crew-performance wage seafarers would get. However, by looking at the results of the nine assessments of twenty-eight ships made between 2003 and 2007, it was found that new, large ships in good condition were given high ranks, but old ships and those in poor condition were at low ranks (Chart 6.3, Table 6.5).

Chart 6.3 The average ranks of the ships that have been used for different years



Source: Ag1's Annual Work Report (2003-2007)

Table 6.5 The assessments of the managers on the ships from 2003 to 2007

	Years that the ships have been used till 2008															
	1	2	4	5	6	8	9	11	13	14	16	23	25	26	X	
Number of the ships	2	2	5	3	1	2	2	1	5	1	1	1	1	1		
Total times being assessed between 2003-2007	4	7	29	23	8	16	16	7	38	8	7	6	4	3		
Average ranks from 2003 to 2007	1	1.2	1.9	1.4	1.5	1.9	1.9	2	2.9	2.8	2.1	2.8	3	2.5	Y	

Note: The assessment of the ships was implemented from July 2003, twice a year. Therefore from July 2003 to July 2007, 9 assessments were carried out by the company in total. But every time, not all of the 28 ships were assessed because of different reasons, such as the ship was not used in that year or the ship could not call at the port for evaluation.

Source: Ag1's Annual Work Report (2003-2007)

This point was also reflected by interviewed seafarers. A first engineer had this to say when talking about the management of the wages:

The condition of ships that you work onboard decides your wages directly. For the new ships, there are fewer problems and fewer repairs needed, and you could improve the condition of the ship without doing as much work as is required onboard ships of poor condition. With old ships and those with many problems, no matter how hard we work it is still difficult to meet the requirements. There are just too many problems, too much repair and maintenance work, and you

could not make everything perfect. For some old ships, even a layman could tell that they must be at the lowest rank or unranked because the condition is just too bad.

Therefore, seafarers working onboard new, large ships could earn high crew performance wages as a result.

Concerning the individual special contribution wage (representing 5% of the basic performance wage), it was for seafarers who made significant contributions, such as protecting the interest of the country, the company and the ships, saving human life, significantly increasing the profits or reducing the cost of the company and winning prestigious awards at the national level for the company. Because of the high standards, only 10 to 20 seafarers won this award each year. For most of the seafarers, this part of the wage was unavailable. Because of this, individual special contribution wage did not reflect the performance of seafarers in their daily work.

Therefore, seafarers who were assigned to work onboard new and large ships could have higher performance wages than those onboard small ships. It is suggested that seafarers' wages were not related to their performance, but to the condition of the ships. The President of the TU said:

Despite the reform of the wage structure, the wage is much less influenced by the performance of seafarers than the condition of the ships that they work onboard. When seafarers are assigned to work onboard certain ships, their wages have almost been fixed already.

Because of this management, the seafarers fixed onboard small ships and those of poor condition as a result of the FSFC policy suffered from lower wages no matter how hard they worked. When combining all the parts of the wages together, the differences of the wages between seafarers working onboard big, new ships and small, old ships could be significant. For instance, the payment of a 2nd deck/engineer officer working onboard a 50,000 tonnage ship was not as high as the wages of an AB working onboard a 300,000 tonnage ship. And the salary of a captain onboard 50,000 tonnage ship was only 50% of the payment of a captain working onboard large ships.

Seafarers thought the management of the payment was very unfair. For instance, a 2nd engineer said:

You know, no matter what kind of ship you work onboard, you do almost the same kinds of jobs. But onboard the bad ships, you could work very hard but earn very little. It is very unfair.

6.3.2.2 Hiding problems from the management and extra workload and pressure

The management of seafarers' payments also caused other problems to seafarers. Based on the "ship ranking management method", when managers assessed the management of the ships, the work injuries of seafarers during their work at sea were taken into consideration. As a result, some seafarers concealed problems that occurred onboard ship and reported as few injuries as they could. A 2nd engineer told his story:

A sailor fell from the bridge of the ship and broke his legs. The injured seafarer should have been sent to hospital immediately. But if the managers know this, the crew-performance wages of the whole crew would have been deducted. In addition, the injured seafarer would receive a double punishment because he had made the mistake. So everyone onboard wanted to conceal this from the management. The senior officers explained that this was because they wanted to save money for the ship-owners. We know that was not the reason. It is because the leaders were afraid the company would find out about the injury and decrease the rank of the ship.

In fact, many problems are hidden onboard ship due to such management. There were more and more problems that could not be reported to the management and we felt more and more miserable about working onboard ship. It is just like the case of the injured seafarer. Because he broke his leg, the performance wages of the whole crew were cut. If you were his workmates, you would not be happy with the management because it is nonsense that part of your wages was deducted due to other people's accidents. No one wants to see other people hurt or in trouble. In addition, it is more unreasonable to deduct double the amount of

the crew-performance wage from the injured seafarer's wage. He has been unlucky enough.

In addition, some seafarers resented the "ship ranking management method" because they felt that the managers' inspections added to their workload and pressure. A rating said:

In fact, the inspection of the international maritime organizations is more than enough. But the PSC inspections are more critical and detailed than those of the international organizations. The PSC inspection team is composed of managers who are not very important to the company, so they have a lot of time to stay onboard ship. Every time, the inspection lasts for a whole day. When the leaders are onboard, we have to accompany them and provide them with good services in every way. It is very tiring. We cannot do other work. When they leave, we have to face other inspections from maritime institutions. After this, we have to do a lot of preparation for the coming sailing. As a result, when we get only three days at ports after 42 days' continual sailing at sea, we really want to go on land and have some rest. But we are unable to do so when the inspection teams come. We are very disappointed. We are human beings and we need to buy food and touch the earth...

Seafarers' disaffection with the way that Ag1 managed their wages also contributed to the fact that some seafarers looked for jobs in other domestic shipping companies, which negatively influenced the development of the foreign manning business of Ag1.

6.4 Summary

This chapter initially discusses the fact that the wages of officer seafarers in Ag1 were generally lower than those in the domestic seafarer labour market. It seems that the reasons for the low wages are related to the following four aspects. Firstly, because of head office control over the input for the material support of the seafarers and managers, Ag1 could not be flexible in adjusting the material support of seafarers. This contributed to the low wages of officer seafarers in Ag1 when the wages in the labour market increased rapidly in the 2000s. Secondly, the managers in Ag1 enjoyed good material support. In addition, there were a large number of managers, due to the

reform's failure to streamline the institution. Consequently, the large number of managers and their good material support had a negative impact on the material support of officer seafarers. Thirdly, a large proportion of the input for the material support of seafarers was spent on the welfare of seafarers, which consequently reduced the wages of currently employed seafarers. Fourthly, the ratings in Ag1 received much higher wages than ratings in the labour market, which also contributed to the low wages of officer seafarers. These four aspects reflected the limitation of the reform of Ag1's management, as a result of which the officer seafarers, especially the peasant officer seafarers, received lower wages than the officer seafarers who worked in other domestic shipping companies. Because of this, some seafarers in Ag1 worked temporarily in the domestic shipping industry and were thus not available for dispatch by Ag1, which consequently constrained the development of the seafarer export.

This chapter also considers the impacts on seafarers of the reforms of seafarers' payment, which was intended to motivate seafarers by linking their wages to their performance. However, the reform failed to achieve this because the wages of seafarers were much more strongly influenced by the condition of the ships to which they were bound by the FSFC policy than by their performance. As a result, seafarers working onboard ships in poor condition suffered from low wages no matter how hard they worked. In addition, seafarers considered this form of management to be an obstacle to the reporting of problems and managers' inspections added more pressure to seafarers' already demanding workload. This adds further explanations as to why some seafarers in Ag1 worked for other domestic shipping companies, which resulted in the shortfall of seafarers and the decrease of the foreign manning business.

In all, the wages of the Chinese seafarers dispatched onboard foreign ships through Ag1 are no longer necessarily higher than those of seafarers working in the domestic seafarer labour market. Seafarers in Ag1, especially officer seafarers, were dissatisfied with their low wages and with Ag1's management of their payment. Consequently, some seafarers looked for jobs in other domestic shipping companies that offered higher wages than they would get in Ag1. This negatively influenced the development of the foreign manning business.

The next chapter continues to explore the reasons why the seafarers in Ag1 worked in the domestic shipping industry and thereby were not available for dispatch by Ag1, which constrained the supply of seafarers for the international market. This is done by looking at how the managers treated the seafarers and how the TU represented seafarers' interests. Finally, it discusses the decline of the manning business with foreign ship-owners in Ag1 in detail.

Chapter 7:

The relationship between managers and seafarers, the role of the Trade Union and the manning business

This chapter adds further explanations as to why many seafarers who remained on the agency's books worked temporarily in other domestic shipping companies, which resulted in a shortage of seafarers in Ag1 and consequently constrained the development of the foreign manning business. It firstly discusses seafarers' dissatisfaction with the way in which managers treated them and analyses the reasons for managers' behaviours in Section 7.1. It then considers the role of the TU in representing the interests of seafarers in Section 7.2. The discussion explains that the TU failed to protect seafarers' interests and to improve their position, which contributed to the lack of work incentives for seafarers in Ag1 and resulted that some seafarers looked for job opportunities in the domestic seafarer labour market. At the end of the chapter, the shortage of seafarers in Ag1 and the decline of the foreign manning business are considered in Section 7.3 and 7.4, respectively.

7.1 The relationship between managers and seafarers and the management of managers' employment

Seafarers talked about their dissatisfaction with the way that managers treated them. A first engineer said:

The business of Ag1 belongs to the state, not to a person. The profits are for the state; the company cannot go bankrupt. Managers do not care about how well seafarers work, whether ship-owners are satisfied or whether the company has high profits, because these are not related to their personal interests. They think about themselves. Although the seafarers make profits for the agency, managers still feel that they are not important and have to please and bribe them. I have a relative who has just graduated and intended to work in this company. But I stopped him because if he worked here, he would only dawdle everyday like the managers and this is very harmful for a young person.

A 3rd officer said:

There were only twenty-two people in the agency when it was established. However, now there are more than fifty because so many idle people are recruited. The material support for the managers is very good. There should be no problem. However, the problem is whether the managers are qualified to have this treatment, whether they have done something good for seafarers or think about the interests of seafarers and whether they have done their duties. If they had done well, I think they would have deserved better treatment. However, the thing is that they do not care about seafarers or the development of the company. When the managers take bribes, they only think about themselves.

Some seafarers complained about the managers' bad attitude towards them. A captain said:

The managers were in strongly hierarchical positions and there was no equality between managers and seafarers. The managers, especially the young ones without seafaring experiences, feel that they are in a privileged position and they can order us about. Often, they seem arrogant, without much respect for us. So the relationship between managers and seafarers is very bad now.

The behaviour of the managers can be understood to some extent if we look at the issues of the employment of the managers.

Managers at the same rank in Ag1 had similar salaries. At each rank, there were five grades. The longer the managers worked for the company, the higher the grades and salaries they were offered. The payment of the managers was rather fixed. Although the structure of the salaries of managers included the basic salary (60%) and performance salary (40%), the performance salary was influenced not by the performance of the individuals but the annual economic result of the PSC's shipping business, which, according to the managers, was related to factors such as the state of the shipping market and global economy, government policy, currency exchange rates and safe sailing at sea rather than their own efforts.

The managers' annual bonus was also related to the economic results of the shipping business. If the PSC made less profit than required by the head office, the managers'

bonus would be low. However, even if the PSC earned more profits than required by the head office, managers could not get a higher bonus than the amount regulated by the head office because the PSC was not allowed to use the surplus profit itself.

In Ag1, there was no method to systematically supervise or evaluate managers' performance. Managers worked in a relaxed and enjoyable environment. I could still remember how shocked I was on visiting Ag1 when I saw how relaxed the managers' work was. Most of the time, they chatted with each other, made jokes or surfed the internet. Their lunch was free, in a modern, luxury restaurant. After this, some collective activities were organized, such as rope skipping, hiking, playing Ping Pong and dancing. As seafarers described it: "the managers seem have nothing to do, just chatting or reading newspapers, drinking tea. Unlike us, the managers have no pressure from work. The company is like an old people's home."

Therefore, it seemed that managers' performance was not effectively evaluated or supervised and their wages were rather fixed, and were not closely related to their contributions. When talking about the reform of the material support of managers, the President of the TU said: "it is still the traditional 'communal pot'. There is no incentive, no reform."

In addition, managers' recruitment retained the old practices, influenced greatly by personal ties. Newly recruited managers were given eight-year contracts and the rest were entitled to permanent working status. Because of the importance of personal relationships in the managers' recruitment, an interesting phenomenon occurred in Ag1 in that whenever a new director was appointed, some managers in important positions were then assigned to other jobs; some seafarers who were helping with managerial work on a temporary basis were fired. In the meanwhile, a batch of new managers who were related to the new director was recruited. For instance, in January 2007, Ag1 changed its director. As a result, by August 2007, around 40% of the managers had gradually been changed. A motorman who lost his job in this process told his story:

Every new sovereign brings his own courtiers. The seafarers like me and those who do not have strong social backgrounds were fired when the new director

came. The explanation given by the new managers was that there were too many people in my department. In fact, the work in my department was not easy and there were only three people there. As a result, I was fired first. Two months later, the other two guys were fired. However, now there are three newly recruited people working in that department. I heard from a seafarer weeks ago that the person who replaced me made a big mistake, cancelling some important company data. But he can still work there. And he can earn a much higher salary than me. When we worked there, the salaries were only 1,000 *yuan* per month because we were not registered workers. But now the new workers get 3,000 *yuan* per month...If I was connected to someone powerful, I would still have been working in the company and earning more than them. Actually, as far as working capability is concerned, I am no worse than them.

A chief officer seafarer who had previously done manning work was also fired in this process. He told his story:

I don't want to go back to the agency now because I feel very disappointed. In fact, I could leave the agency, but I just need a good explanation. When I was leaving, the reason given by the new managers was that there was a lack of seafarers onboard ship and that the company needed to streamline the personnel so seafarers in managerial positions should work onboard ship. I could have accepted that arrangement. However, I found that it was not the case. The man who replaced me was still a seafarer, graduating from the same maritime university as me, and he did not have to work onboard ship. He could sit there and scold my classmates. In this circumstance, why should I return to the company? I feel as long as you are connected to someone powerful, you can have a good life and you do not have to work hard, but there is no hope in the agency for me.

Because of the important role of personal relationships in the management of managers' recruitment, some recruited managers did not have seafaring or maritime-related experience. In 2008, this represented almost half of the managers and many of them were young graduates. Some seafarers complained that these managers lacked professional knowledge and communication skills. A chief engineer said:

Due to the change of the director, many previous managers were replaced by new people. After doing some work with them, I found that many of the new managers knew little about their work or about the work at sea. Some young ladies had just graduated from university and had never been onboard ship. They know nothing about the work on the deck or in the engine room, but they are required to manage manning. How can they manage the work?

Furthermore, the management of managers' promotions was not based on a systematic evaluation system, but largely depended on the impression of the leaders. The director of the PSC said when introducing the promotion management of managers:

We have an evaluation system, but there are just too many teams and nobody can remember them. So we just follow the traditional method and make decisions according to our impressions of their daily performance. If you like the guy, then you promote him.

Moreover, sufficient professional training was not provided to the managers. The training plan was developed by the agency and approved by the head office annually. According to interviewed managers, the training regularly organized included moral education, lessons on the spirit of the Party and some training concerning basic computer operation. Little training was organized with regard to improving the professional knowledge of managers or their skills at work. According to the interviewed Manning manager, newly recruited managers learnt their skills and knowledge from the elder managers through personal teaching, helping and guidance (*chuan, bang, dai* in Chinese) during their everyday work.

The lack of reform concerning the management of managers may partly explain seafarers' dissatisfaction with the behaviour and treatment of managers. Such dissatisfaction contributed to the fact that many seafarers who remained on the books of Ag1 worked temporarily in the domestic shipping industry, which resulted in the shortage of seafaring labour in Ag1 and the decline of the foreign manning business.

The next section considers the role of the TU in representing seafarers' interests to continue to explain some of the reasons for the shortage in seafarer supply in Ag1 and the decline of the foreign manning business.

7.2 The trade union in Ag1

According to the Trade Union Law in the PRC, all trade unions in China must belong to the All China Federation of Trade Unions (ACFTU) and under its leadership. The ACFTU is the only national trade union federation in China, under the strict control of the Chinese Communist Party (CCP). The role of the ACFTU has been researched by a number of scholars. Evidence has shown that the ACFTU is not successful in representing workers' interests due to the given political framework. This section initially considers this issue, before discussing the specific case of the trade union in Ag1.

7.2.1 Preface Research on the All China Federation of Trade Unions

Metcalf and Li (2005) argue that despite the large number of members and the activation of laws to promote collective contracts, these laws are hollow and the ACFTU is nugatory, for the following reasons. Initially, it is difficult to develop collective interests among workers. This is associated with the separation of the ACFTU and the Chinese trade unions at different levels from workers and the unions' scant regard for workers' interests. This is also associated with the exploitation of workers and income inequality among workers and with the failure of the Party-state to recognize the conflict between labour and capital. Secondly, it is related to the inferior position of the unions in the enterprises and the relative unimportance of collective contracts and tripartite institutions. Thirdly, the ACFTU and the Chinese unions merely function as a transmission belt to convey government policies to workers and promote the implementation of the policies by enforcing labour disciplines. Without the autonomy or the ability to organise collective actions, it is therefore hard for the ACFTU and the Chinese unions at different levels to represent workers (2005, p7-8).

Taylor and Li (2007) argue that the Chinese ACFTU is not a union, but a state organ, for the following three reasons. Firstly, the definition of the role of the ACFTU in China is to protect worker's interests and also the interests of the nation state.

Therefore, when the development of the market economy and the promotion of capital's interests to accelerate economic growth become the target of the state, the ACFTU is in a difficult position and it puts worker interests second to the national interest. Secondly, there is no effective electoral system for union officials, who are more often than not appointed by the enterprises. Thirdly, the ACFTU is the only legal union in China, which is completely controlled by and depends on the single party - the CCP. The ACFTU works for the party to maintain social stability and displace conflicts (2007, p707-708). Therefore, the ACFTU is a political organization, rather than a union of workers.

In the study of Chinese trade union, Warner (2008) sees that China's ACFTU is a union, but without bargaining power or autonomy. It is suggested that although the ACFTU has been reformed to a limited extent due to the increased interactions of Chinese institutions with international organizations as a consequence of the open-door policy, divergence from western unionism remains more characteristic of the ACFTU than convergence (2008, p153). In China, workers have no right to strike; the independent union is suppressed; internal union dissent is not encouraged. This is related to the structure of the system, in which the CCP dominates Chinese industry and the ACFTU, which is the only one legal union in China. In such a context, when the building of a harmonious society is emphasized by the state, the ACFTU works hard for social integration instead of looking after the interests of workers (2008, p148-150).

These studies are valuable in terms of understanding the nature of the ACFTU. However, they neglect the issue of how workers regard the union. In the latest study of the ACFTU, Nichols and Zhao (2010) focus on workers' views of the union by studying three SOEs in the Chinese auto industry. The authors see that although workers are dissatisfied with the ACFTU, they perceive that unionism is necessary. Workers' disaffection with the unions is not limited to the lack of social activities and welfare support offered by the unions, but also related to the fact that workers have little opportunity to be involved in decisions about companies' management. The fact that management has different interests from workers is an important driver of workers' disaffection with the union.

By reviewing the literature, it is evident that the ACFTU is not successful in representing workers' interests due to the political framework in China. The following contents focus on the trade union (TU) in Ag1, explain why the TU has failed to perform adequately and discuss seafarers' views about their union. This contributed to the explanations as to why seafarers sought jobs with domestic shipping companies and consequently were not available for Ag1 to supply to the international market.

7.2.2 The TU of Ag1 and its structure

The TU of Ag1 has existed since the establishment of the agency. It was under the direct management of the PSC's TU. The cooperation mechanism between the two TUs was like this: the TU of the PSC initiated the activity, controlled the whole process and provided funding; then the TU of Ag1 did most of the operational work, including organizing seafarers, renting venues and reporting progress.

The TU of Ag1 was also under the management of the managing director within Ag1. The status and treatment of the President of the TU was the same as that of the vice director of Ag1, higher than other senior managers, such as the heads of the departments of manning and training.

The union still maintained its traditional structure. There were seven full-time workers: a chair and six members of staff. However, the union election was not held in accordance with the Chinese TU Law. According to the law, the process should be as follows: the representatives of the Trade Union Congress (TUC) should be elected by the workers and staff from different work units. The number of representatives should be equivalent to 8-10 per cent of the total number of workers in each unit. The representatives from each unit form a group and a candidate is elected from each group for membership of the TU committee. The Chair and Vice Chair are elected by members of the TU committee.

However, in Ag1, the workers' representatives of the TUC were not elected by seafarers, but selected casually by the Manning managers from the seafarers who were on leave. A retired Manning manager said:

The chair and the representatives of the TUC should have been elected by seafarers, but in this agency, it is not the case. Many people who attend the TUC are not representatives, but are selected by the managers from the seafarers who are on leave. According to the TU, the selected seafarers are expected to be tame and clever, understanding exactly what they should and shouldn't say. They should agree with the management, without expressing any different opinions.

The members of the TU committee were not elected either, but were appointed by the director. Therefore, the union committee was formed by the Heads of the Departments of Finance, HRM, Manning, Party Branch onboard ship, Training and Equipment management. The Chair was the Head of the Seafarers' Management Department. However, in order to make the union appear legal, a TUC was held anyway. A seafarer who attended the congress described the situation:

Managers sit on the stage. They read out the names of the candidates and ask us if there is any disagreement. In five seconds, when nobody answers, the members of the TU are decided.

In addition to the land-based TU, there were union teams onboard each ship, which were under the leadership of the commissar. Before the economic reform, when massive motivation and ideology were important in China, the commissar, who was responsible for the moral and political work, held a very high status. At that time, it was the commissar who took charge of the ship, rather than the captain. Currently, however, since the Chinese government has transferred its focus to the development of the economy, few shipping companies employ commissars, with the exception of several large SOEs.

In Ag1, there were still fifty-six commissars. Although the captain took over the absolute power of managing the ship, commissars still had the high status they had held thirty years ago. For instance, commissars had great power to influence seafarers' promotion. In addition, commissars received high wages, three to four times those of ratings and lower only than those of captains and chief engineers. The commissars onboard ships were responsible for the TU, organizing activities onboard

ships, protecting the property of the company and reflecting seafarers' views and problems to the TU, according to the Chair of the Union.

Concerning the member density of the TU in Ag1, 540 registered managers and 2200 registered seafarers were included, but around 900 peasant seafarers were excluded. This contradicts the demand raised by the ACFTU, which requires TUs to include as large a number of workers as possible. The President of the TU did not give any explanation for this.

7.2.3 The role of the TU in Ag1

The TU still retained its traditional role of organizing entertainment activities and providing welfare for workers. The President of the TU believed that the ultimate aim of his job was to facilitate management. He said: "the function of the TU does not change. We perform a 'logistics service' for the management".

The main activities organized for seafarers by the TU included trips to thermal springs, physical examinations, sports matches and labour-skill competitions. In addition, with the help of the TU, a seafarers' library was established in 2004. Furthermore, visiting seafarers and their families on certain traditional festivals was an important work of the TU. Whenever the Traditional Spring Festival comes, the President of the TU and staff visited around 50 seafarers' families, giving gifts and money to poor families (on the Spring Festival 2008, 800 *yuan* were given to each of the visited families). They also went to the local ports and visited the seafarers who were working onboard ships, bringing them books and food. The funding for these activities came from the PSC, representing as much as 2% of its input for the material support of workers. The President of the TU said:

We can organize such activities because of the support of the PSC. I don't think any other company in this city can invest so much money or organize so many activities as us. So you can see how great it is for seafarers to work in the SOE.

Concerning representing the interests of seafarers, the TU achieved little. When some seafarers were assigned onboard ships in poor condition and suffered from low wages, and when some could not get promotion for years, the President of the TU expressed

his disagreement with the management strategy, but he made no effort to improve matters.

Over and above this, the President of the TU and the members of the union committee worked out methods to control seafarers. In 2006, when the agency found that some seafarers were working for other agencies, the President of the TU suggested the strategy of detaining the performance wage of seafarers (55% of their total wage) to prevent them from doing so. According to his suggestion, if any seafarer was found to be working for other agencies or intended to leave the agency, his previous year's performance wage would be deducted from his wages. However, as a result of the consequent dissatisfaction of seafarers and the possible social instability, this suggestion of the president was not adopted.

When talking about the duty of representing the interests of seafarers, the president explained:

In China, the TU can only endeavour to organize entertainment activities and improve the welfare of workers. It's impossible for the TU to fight against the company. The workers cannot spend their money to support the TU. The workers cannot pay for the salaries of the TU members. All the money comes from the company. So we cannot fight against it.

In addition, the right of seafarers to participate in discussions about the company's management was not protected by the TU. It is regulated that the making of policies that are closely associated with the interests of workers should require the agreement of the representatives on the TUC before the policies can be put into action. Since 80% of the union members were seafarers, the large majority of the representatives on the congress should have been seafarers. However, according to the president, such meetings were mainly attended by managers, with very few seafarers. He explained:

Around 20 people attend each meeting. They are mainly managers. Seafarers are in the minority because it is not convenient for them to attend. According to the regulations, the people who attend the meeting should have been representatives elected by seafarers and managers. In fact, we invite the members of the TU

committee and a few more managers of the company to attend. Such meetings are not taken very seriously.

7.2.4 The assessment of the TU

The President of the TU was very satisfied with his work because he thought he had managed to help with the work of the managers. He said:

Sometimes when the families of seafarers fall sick and ask the seafarers to come home, several other managers and myself go to see the patient and take them fruit and flowers, and sometimes money. If they live outside the city, I ask seafarers in the local area to visit the patient as my representatives. The families of the seafarers, especially peasant seafarers, are very moved and consequently stop asking the seafarers to return home. So the task of the TU is like this - keeping the stability of the seafarers' team and helping managers to solve problems. And I think we have done a good job.

The other managers' assessments of the work of the TU were also positive. Like the President of the TU, other managers thought the union helped with their work and provided good support to seafarers. The HRM manager said:

The TU has been engaged in the provision of support to seafarers and their families. This is very important for our work. I think the TU has been doing well.

Seafarers' assessment of the TU was not so positive. They felt that they were almost unconnected to the TU and that it meant little to them. A third engineer said:

The function of the TU is to organize entertainment, convey condolences to injured seafarers and visit some seafarers' families on special occasions. However, these are for only a small group of privileged seafarers. For most of the seafarers, we are not related to the TU in any way. Twenty years ago, on traditional festivals, we were given food by the TU, like rice, flour and eggs. But now, these benefits are only available to the managers, not seafarers. The TU's function today is only to buy us a few books and visual products when we work

onboard ship. There is not much difference between the existence and non-existence of the TU.

When talking about the role of the TU in representing workers' interests, seafarers complained a lot. Here is an example from a 2nd officer:

The role of the TU? I can tell you two stories that happened to seafarers and almost everyone in this agency knows; then you will see the answer. One seafarer's mother got cancer and asked the TU for help, but the TU did not help much and the mother of that seafarer died. Another story is that because two buildings built by the government blocked the road out of a seafarers' house, they complained to the corresponding government department, which ordered the TU to deal with this problem. As a result, the TU did not help the seafarers, but asked them to stop complaining.

So you see the TU did not represent the interest of workers. It actually helped the government and the management to resolve their problems. It is not a workers' union but the party's. The president is not elected by workers but appointed by the management; the money for the TU is not raised by seafarers, but given by the company. The TU is not independent but depends on the management. I think that's an explanation.

A 3rd engineer said:

In 2005, the news came out that the wages of seafarers were going to increase. However, this did not happen until 2007 and the actual increase was much smaller than we expected - our wages were still lower than that in the labour market. However, the wage increase scheme was actually approved by the TUC. Many seafarers want to know: when the scheme was set up, where was our TU? Where were our representatives? During the negotiation between capital and labour, what did the TU do for seafarers?

In addition, seafarers thought that they could not influence the policy-making of the company. A chief officer said:

The making of the policies is not the business of seafarers. Nobody asks our opinions... The TUC is just formalistic. No one cares about the opinions of seafarers.

In fact, even if seafarers had different opinions from the management, they dare not tell them, because this could bring very serious consequences. A rating said:

The managers do not listen to seafarers. If you tell the truth, they will probably refuse to assign you to work onboard ship for years. Because of the welfare you have to pay, which is more than the wages when you are on leave, you will not have any income, but will actually owe the company several hundred *yuan* at the end of each month. In this case, how do you survive and which family can bear this? So you can only bear with the management. Normally, when we are angry or have different opinions, we just joke about it at parties with seafarer friends and they do not take it seriously, because even if you say it, you can change nothing.

A 2nd engineer said:

No seafarer reflects their opinions to the managers as long as they still want to work here, keep their rice bowl and have a place to rely on when they retire. If they told managers their opinions, they would probably make them angry and would not be given working opportunities. So it is huge harm without any benefit.

Several seafarers joked about a seafarer who had made suggestions to the TUC and received bad treatment from the managers as a result. They thought that seafarer was stupid.

Unlike the various activities organized for the managers, as mentioned in section 6.1.2.1, the TU did not organize many activities for seafarers. The most common activity held for seafarers was the free trip to the thermal spring. Seafarers were bored with it. A third officer said, "It is the only activity held regularly by the TU for

seafarers. The accommodation there is not good; the food is not delicious. So when you've been twice or three times, you do not want to go any more." The President of the TU also said, "Seafarers are tired of going on the tour because they have been too many times".

When talking about the union teams onboard ships that were under commissars' leadership, seafarers did not think that the commissar could really help them. Under the pressure of coping with maritime inspections and hard work at sea, seafarers thought the commissars who still kept the traditional role were useless and were surplus onboard ships. In addition, because of the power of the commissar, seafarers had to work hard to maintain good relationships with them in order to have good career prospects. This made the work at sea even harder. A 2nd engineer said:

The role of the commissars has not changed. They do political work and spread the spirit of the party. They have high status and high salaries. Although they do not know anything about seafaring work, they still supervise and manage us. And you must maintain a good relationship with them, or else you will have trouble when you want to be promoted. I know a first engineer who wanted to take the promotion training and examination to become a chief engineer. However, because he did not have a good relationship with the commissar, he was not allowed to apply for the promotion. Such stories are not unusual.

A 2nd officer said:

The commissars do not do any work onboard ship. They are very relaxed. They do not care about seafarers or help us. When they are happy, they may help to clean the ship or help the cook. If they are not happy, they just sit in their cabin and write short articles, spreading some new spirit of the government, or reporting how seafarers positively respond to the new policies and advocate government decisions. These articles are to be published in the company's internal journal.

Seafarers with different types of contracts showed different evaluations of the TU. Comparatively, peasant seafarers were less satisfied with the TU than were the

registered seafarers because they were not the members of the TU and consequently could not enjoy its benefits. A peasant seafarer complained:

I have less wages and welfare than the registered workers. I cannot join in the activities organized by the TU, such as thermal spring tours or sports matches. I wish I were a member of the TU. At least that would make me feel that I am treated equally to the urban people in some way. But we are excluded by the TU. Peasant seafarers are at the lowest level of society. Nobody cares about us.

In addition, seafarers at different ranks gave different comments on the TU. Comparatively, registered ratings were more satisfied with the TU than were the registered officer seafarers because the ratings in Ag1 were generally satisfied with their material support and job security, considering the condition of redundant ratings in the labour market (Han 2008; Huang and Ning 2008; Huang 2008; Yin et al 2008).

Therefore, it is suggested that the TU played little role in representing workers' interests due to the political framework in China. Seafarers were dissatisfied with the limited help of the TU. Due to the lack of work incentives and in the absence of a mechanism for improving their position, many seafarers worked temporarily for other domestic shipping companies, which caused the shortage of seafarers in Ag1 and consequently impeded the development of seafarer export. The following sections firstly discuss the shortage of seafarers as a result of the management of Ag1 in detail and then consider the consequent changes to seafarers' employment relationships and the foreign manning business since 2006.

7.3 The shortage of seafarers in Ag1

In Ag1, the loss rates of seafarers were apparently as low as around 3% from 2004 to 2008. However, the real loss was much greater because although many seafarers remained on the books of Ag1, they actually worked temporarily in other domestic shipping companies when they were on leave and therefore were not available for dispatch by Ag1¹⁴. The reason for this can be related to seafarers' dissatisfaction with the management, such as little promotion opportunity, low training quality, low wages

¹⁴ The reason why they did not resign from Ag1 will be explained in Chapter 11.

and problems with the management of payments, poor treatment from managers and also the limited role played by the TU in representing seafarers, as explored in this and the previous chapters.

With respect to the seafarers who quit, most of them were young officer seafarers with higher education who had been working in Ag1 for less than ten years, according to the HRM Manager. As well as the reasons that we will see in Chapter 13, the resignation of Ag1's young seafarers is related to the particular management of the agency.

Initially, cadets in Ag1 had to wait a long time for training opportunities. Each year, Ag1 recruited more than a hundred maritime graduates. However, the training opportunity for cadets was not sufficient. A Manning manager said, "new graduates normally have to wait for at least half a year to get a training opportunity in our company." When talking about the training opportunities for cadets, a chief engineer said:

In 1987, when I was recruited, I waited eight months at home for a training opportunity onboard ship. The situation is still the same. Getting a training opportunity is still difficult for the young cadets.

The Vice Director of the Head Office analysed the reason as follows:

Providing maritime graduates with training has been a big problem for a long time in China. This should have been the duty of maritime educational institutions, but because these institutions do not have ships, the responsibility is shifted to the shipping companies. Based on the ship-building regulations in China, ships lack cabins, life-saving facilities and spare space for cadets. Therefore, the training of cadets is difficult to implement. The normal way is to let cadets replace current sailors.

Concerning cadets' training at sea, Ag1 still retained the traditional management applied by the PSC in the 1990s. According to the CMB's 2008 regulations, cadets were required to do twelve months' training onboard ships and complete the required

training tasks. However, in Ag1, they were assigned to do ratings' jobs due to the lack of space for cadets onboard ships, as the vice director of the head office said. Normally, a cadet was assigned by Ag1 to work at sea for three months as a cadet, nine months as an ordinary seaman and several years as an able seaman before being promoted to the role of officer seafarer.

Such management resulted in several problems. Initially, cadets could not be trained well at sea when they were assigned to do ratings' jobs. A captain said:

In this company, recruited graduates are not given the opportunity to learn the knowledge that helps them to become good officers, but are set to work as ratings. As a result, even after two or three years' training at sea, many cadets still do not know the work of officer seafarers. This is really a big waste of human resources. It also seriously reduces the enthusiasm of young graduates for the seafaring career.

A 3rd officer said:

The company always says that young people should be trained to do very low-skilled work so as to develop solid skills. But you know, when you are asked to do the ratings' jobs, knocking off the rust, mixing and applying paint, repetitively and every day, you forget bit by bit what you learnt at school about the work of officers on the bridge. So such training is completely meaningless.

In addition, it took a very long time for cadets to be promoted to 3rd officer/engineer. A chief engineer said:

In our company, after the training period, cadets are arranged to work as ordinary seamen if there is a vacancy. Then they are assigned to do the work of able seamen, normally for three to four years. As a consequence, they have to work as sailors for at least five years before becoming officers. It is too long.

Last but not the least, cadets were offered low wages. In the first three months of training, they earned half as much as an ordinary seaman. For the following nine

months, the wage of cadets was equal to that of an ordinary seaman. After this period, when they were doing the work of able seamen, they earned the wage for that position. This was still less than half of the wages of 3rd officer/engineer.

Young officer seafarers were very unhappy with this management, and as a result, the young seafarers represented the vast majority of those who resigned from Ag1. A 29-year-old third officer said:

In 2003, twenty of my classmates were employed by Ag1. So far, 60-70% of them have resigned. They do not work for Ag1 because there are no good opportunities. Some young seafarers who were employed by Ag1 several years before and after me work for other agencies as well.

Cadets' management in Ag1 also resulted in difficulty with recruiting graduates from local maritime institutions. According to the HRM manager of Ag1, in the 1990s, the company recruited seventy to eighty seafarers from local maritime institutions each year. In the early 2000s, the number fell to fifty to sixty. In 2006, it recruited only eleven graduates and in 2007 the number decreased to six. The HRM manager said:

Students at the local maritime college know all about the management of our company, so very few of them want to work here. Every year, it is difficult for us to go to the local maritime schools to recruit graduates. Our recruited graduates mainly come from other cities because they do not know the management of our company as clearly as the students from the local schools and recruitment is easier.

This point was confirmed by the TU President. He said:

With the disappearance of the work assignment by the central government in the planned economy, it has become very hard for us to recruit graduates from local schools. Recruited seafarers are mainly from maritime universities in other cities.

Therefore, many young seafarers were unhappy with the management in Ag1. Many of them resigned as a result. Although the rate of resignation was relatively low (3%)

in Ag1, the hidden loss was significant due to the fact that many seafarers who were on the books actually worked in domestic companies. As a result, Ag1 faced a shortage of seafarers and its foreign manning business was negatively influenced. The following section discusses this in detail.

7.4 The changes of seafarers' employment relationships and the foreign manning business

To deal with the labour shortage, the PSC ordered Ag1 to stop its foreign manning business and called the dispatched seafarers back to serve onboard PSC's ships. Blamed for dispatching too many seafarers onboard foreign ships, the ex-director of Ag1 was assigned to work in another department by the PSC. This resulted in great changes of seafarers' employment relationships and the foreign manning business after 2006.

7.4.1 The changes of the seafarers' employment relationships

7.4.1.1 The management of seafarers' employment relationships before 2006

Before 2006, seafarers could be categorized into three types based on their contracts, as discussed in Chapter 4. The registered seafarers recruited before 2003 were contracted to the PSC, mainly entitled to permanent workers' status; registered seafarers recruited after 2003 were registered on the books of Ag1, with eight-year fixed-term contracts. In addition, from 1995, some peasant seafarers were recruited. They signed fixed-term contracts with local labour bureaus (Table 7.1).

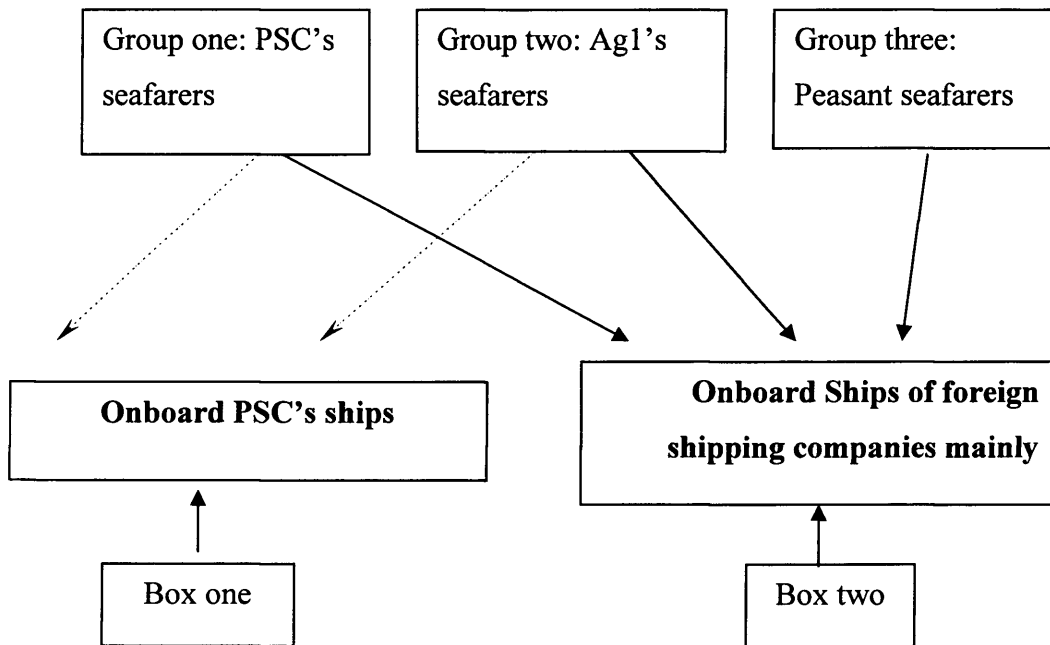
Table 7.1 Three Groups of seafarers before 2006 (categorized according to the types of contract)

	Group one: PSC's seafarers	Group two: Ag1's seafarers	Group three: Peasant seafarers
Time of recruitment	Recruited before 2003	Recruited between 2003 and 2006	Since 1995
Employer	Contract with <u>PSC</u>	Contract with <u>Ag1</u>	Contract with <u>Local labour bureau</u>
Number of seafarers in 2006	1513	829	661

Source: Ag1's Department of HRM

The working locations of the three groups of seafarers are shown in Chart 7.1

Chart 7.1 Working locations of three groups of seafarers before 2006



Source: Ag1's HRM Department

7.4.1.2 The management of the seafarers' employment relationships after 2006

At the end of 2006, due to the labour shortage, the seafarers previously working onboard ships of foreign shipping companies (Box Two) were called back to work onboard PSC's ships (transferred to Box One). In addition, many of the peasant officer seafarers were offered eight-year contracts in 2007 and became registered workers of the PSC, working onboard PSC's ships.

In July 2007, the Seafarers' Statute 2007 was implemented, which requires that seafarers must sign contracts with the shipping company that they actually work for. As a result, the PSC offered the seafarers in Group Two (who had previously signed contracts with Ag1: see Table 7.1) contracts with the PSC. As a result, few seafarers

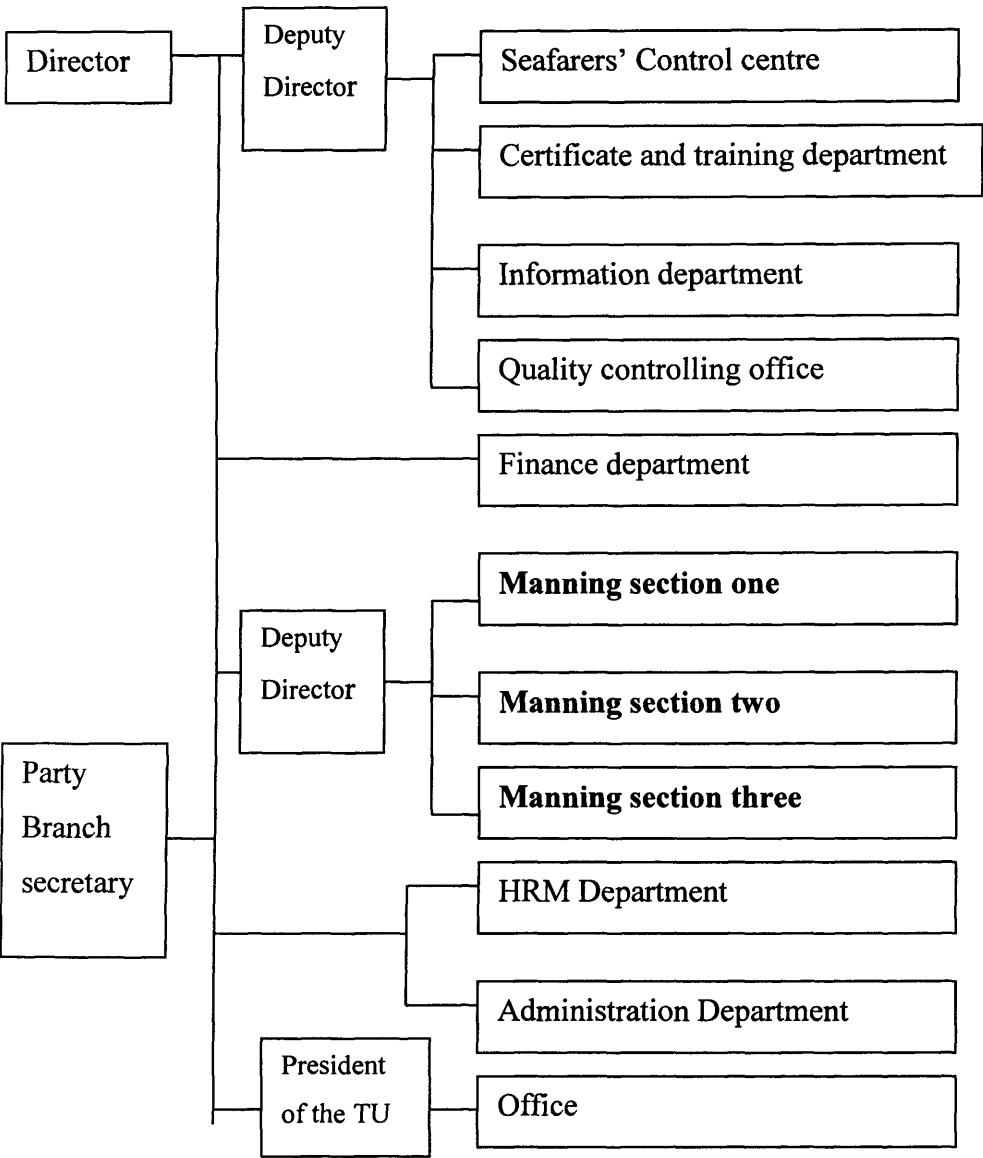
registered on Ag1’s books. This has brought great changes to the manning business with foreign shipping companies since 2006.

7.4.2 The shrinking of the manning business with foreign ship-owners

7.4.2.1 The manning business before 2006

Before 2006, there were three sections in the Department of Manning (Chart 7.2). Each of them was responsible for a group of clients.

Chart 7.2 The organizational structure of Ag1 before 2006



Source: Ag1’s Department of HRM

Manning Section One was responsible for manning the ships of the PSC. Seafarers attached to this section were the registered workers only. As more and more long-term cooperation with large European and American shipping companies was established from 2000 onwards, Manning Section Two was set up specifically to serve these large foreign shipping companies.

Manning Section Three, a very small section, focused on assigning seafarers onboard the ships of small national shipping companies. Such cooperation was short-term; the condition of most of the ships was not good; the salaries offered were low and the management of the ship-owners was unprofessional to say the least. One manager called this section an 'asylum'. This is because the seafarers in this section were those who had been rejected by other sections - for instance because of seafarers' bad tempers, low skills or poor sailing records. Sometimes the managers in Ag1 did not provide information about working opportunities and seafarers had to look for ships themselves. Ag1 charged 10% of seafarers' monthly wage for permission to work onboard ships.

In general, comparing the three sections, some key features are concluded below (Table 7.2).

Table 7.2: Some general features of the three manning sections before 2006

	Manning Section One	Manning Section Two	Manning Section Three
Clients	The PSC	Long-term cooperation with large foreign shipping companies	Short-term cooperation with small national shipping companies
Manning style	Whole crew	Whole crew	Half set of crews or individuals
Agent fees	None	High	Low or average
Cooperation period	N/a	Long (can be as long as 10 years)	Short-term (sometimes per voyage)
Condition of ships	Normal	Good	Bad
Rationale and discipline	Normal	High	Low

Concerning the three sections' contributions to the profit of the agency, Manning Section One contributed nothing, since Ag1 did not charge fees for manning the PSC's ships because there was no market relationship between Ag1 and its PSC. Similarly, Manning Section Three contributed very little profit, since there was not much cooperation with small national shipping companies before 2006.

Manning Section Two was therefore the main source of Ag1's profit (Table 7.3). For example, in 2006, twenty-four ships from thirteen large foreign companies were manned and 606 seafarers were outsourced by Manning Section Two. Additionally, it dispatched 244 seafarers to work onboard twelve joint-venture ships. In all, 850 seafarers were employed to work onboard 36 ships and 25,000,000 *yuan* was earned by Manning Section Two, which was more than double the profit in 1995 (12,140,000 *yuan*).

Table 7.3: Profits earned by each of the three Manning Sections in 2006

	Section one	Section two	Section three
Profits (<i>yuan</i>)	0	25,000,000	Very little, not recorded

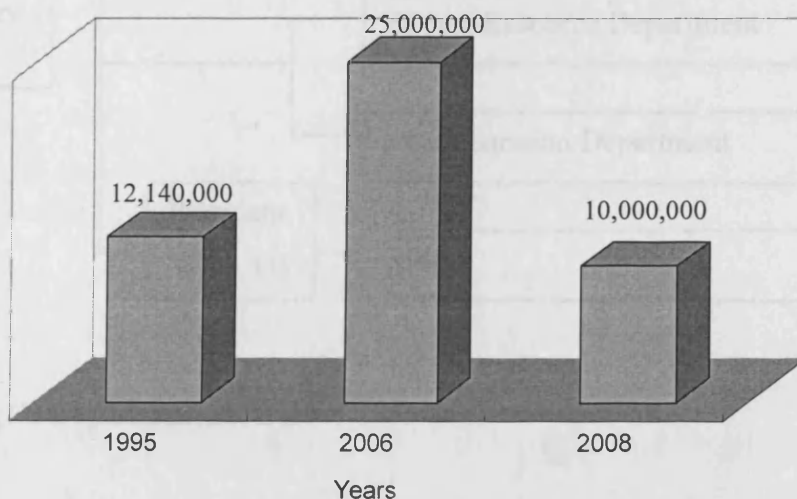
Source: Director's work report 2006

7.4.2.2 The manning business after 2006

At the end of 2006, due to the lack of seafarers, Ag1 terminated more than 75% of its cooperation with large foreign shipping companies by order of the PSC. The number of ships manned by Manning Section Two dropped from twenty-four in 2006 to five in 2007 and ten in 2008 (please refer to Chart 4.3 on Page 91).

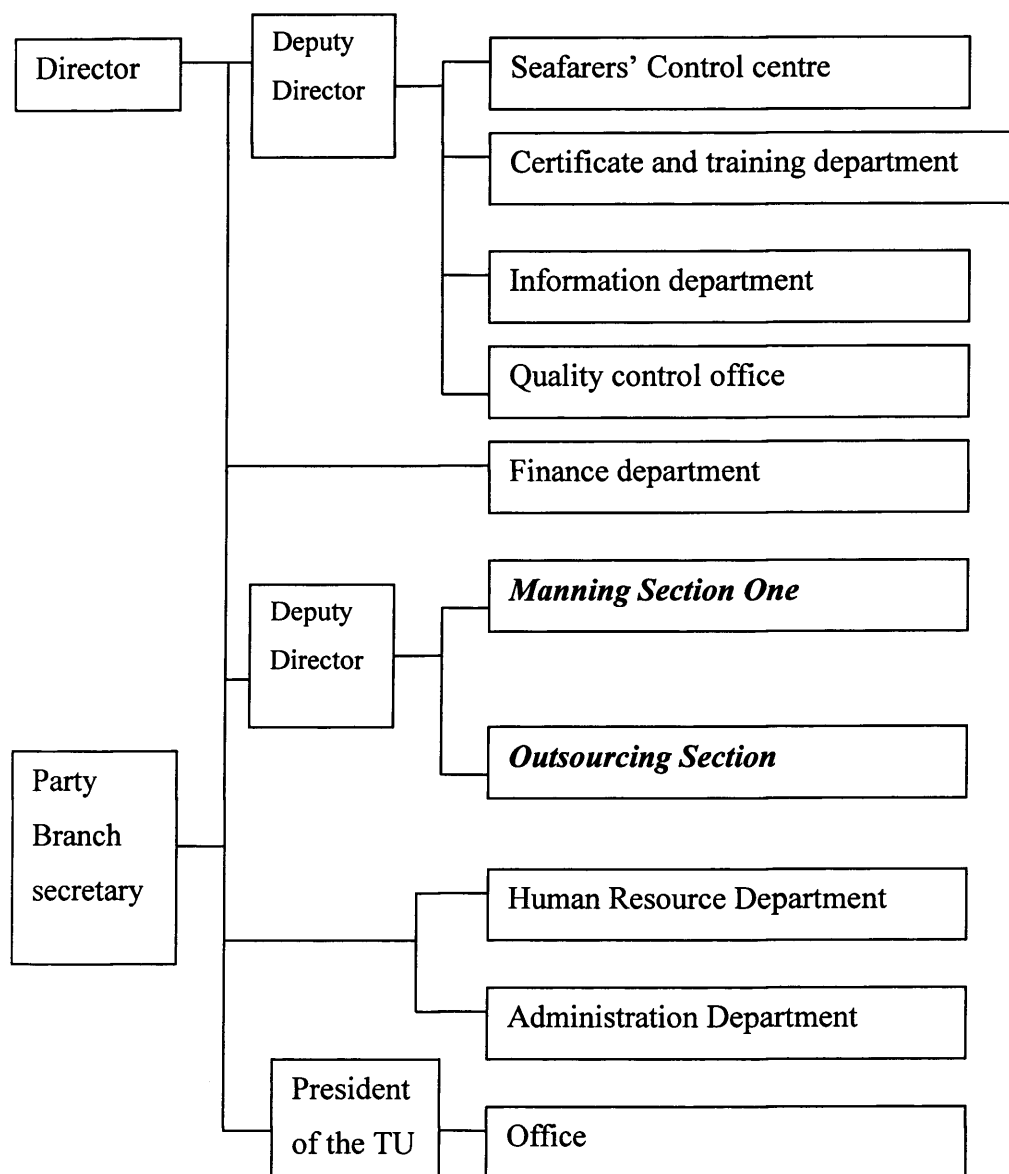
On giving up the business with big foreign ship-owners, Ag1's profit in 2008 decreased by 60% of that in 2006, falling to less than the profit in 1995 (Chart 7.3). In 2007, Manning Section Two ceased to exist, merging with Section Three to become the Outsourcing Section (Chart 7.4).

Chart 7.3 Profits of the foreign manning business in 1995, 2006 and 2008 (*yuan*)



Source: Ag1's Annual Report (2006, 2007 and 2008)

Chart 7.4 The organizational structure of Ag1 after 2006



Source: Ag1's Department of HRM

After 2006, the function of Ag1 was to provide training and practicing opportunities for seafarers working onboard PSC's ships, instead of developing the foreign manning business. To serve PSC better, Ag1 moved back to the PSC office under the management of the HRM department. If we look at the development process of Ag1, it seems that after fourteen years' restructuring reform, it did not become an independent, market-oriented economic entity, but went back to what it had been

before registering as a company in 1995. The reform regarding Ag1 failed and its foreign manning business did not grow, but shrank.

7.5 Summary

This chapter adds further explanations as to why many seafarers in Ag1 worked for other domestic shipping companies, which resulted in the shortage of seafarers in Ag1 and consequently impeded the development of the foreign manning business. It was seen that seafarers were not satisfied with the way in which managers treated them. The reason for this could be related to the limited reform of the management of the managers' employment due to the support from the PSC and the head office, as we have seen in Chapter 4. Specifically, managers' salary was rather fixed, influenced by age and the economic condition of the company. Like the situation during the 'communal pot' period, without a supervision or evaluation system in Ag1, the contribution and performance of managers was not examined and was consequently very unclear. In addition, the recruitment of managers was influenced greatly by personal ties / *Guanxi*. Managers' promotion and rewards were based on the personal impressions of the leaders. Furthermore, systematic professional training was not provided to the managers. The lack of reform of the management in these aspects may partly explain seafarers' dissatisfaction with the managers' unprofessional behaviour towards them, which contributed to the explanations as to why seafarers sought jobs with domestic shipping companies and consequently were not available for Ag1 to supply to the international market.

The failure of the TU in terms of protecting seafarers' interests and improving the work incentives also contributed to the fact that many seafarers on the agency's books worked in the domestic shipping industry, which constrained the development of the seafarer export in Ag1. It is suggested that the union officials who also undertook managerial work in the agency did nothing to protect the workers' interests, help seafarers to contribute to policy-making or improve their working opportunities, promotion opportunities and wages - factors that affected seafarers' interests directly. Even worse, they developed strategies to help the management to control seafarers. It might be true that the TU of Ag1 spent more money than the unions of other agencies to improve the welfare of seafarers and to organize entertainment activities. However, most of the seafarers did not benefit much from this spending.

Therefore, in spite of remaining on the books of the PSC and Ag1, many seafarers worked temporarily for other domestic shipping companies due to their dissatisfaction with Ag1's management, as discussed in this and the previous two chapters. In addition, many young seafarers resigned from Ag1 because they were confronted with problems due to the management of cadets, such as limited training opportunities, slow promotion and low wages. Because of the reasons, there was actually a shortfall in available labour in Ag1.

To secure a supply of high-quality seafarers for the PSC's ships, the PSC ordered Ag1 to stop its foreign manning business and call the dispatched seafarers back to serve onboard the PSC's ships. This brought changes to the seafarers' employment relationship - many of the seafarers who had registered on Ag1's books and had been dispatched by Ag1 onboard foreign ships were assigned to work onboard PSC's ships. As a result, Ag1 had few seafarers to export and its cooperation with large foreign shipping companies dropped by 75%. Ag1 was no longer engaged in developing its foreign manning business but was instead responsible for the training and apprenticeship of the seafarers working onboard PSC's ships.

As we saw earlier, however, the root cause of the failure to develop the foreign manning business was that despite the reform of Ag1 since 1993, the agency was still supported and constrained by the PSC, instead of becoming an independent, market-oriented economic entity. It did not significantly reform its management and thereby failed to retain seafarers to work for it. When there were not enough seafarers at the end of 2006, Ag1 terminated its cooperation with many large foreign shipping companies by order of the PSC. Consequently, Ag1's foreign manning business did not develop on a large scale. In other words, the nature of Ag1 as a subsidiary seems to have been an important reason for the decrease of labour export. What, then, about independent state-owned crewing agencies? Part Three will describe another SOCA, Ag2 – an independent state-owned crewing agency (ISCA) with 26 years' history – and analyse its operation and the consequences for labour export.

PART THREE

CASE STUDY TWO: AG2

Introduction

Part three focuses on the management of an independent state-owned crewing agency (Ag2) that is not affiliated to or under the control of any shipping company. It seeks to examine how this agency operates its foreign manning business and what the consequences are for the business and for seafarers. From this case, we can see that the reform of Chinese SOCAs has given rise to a more complex situation than people have expected, which may add further reasons for the limited rate of increase of China's seafarer export.

There are three chapters in Part Three. Chapter Eight provides a background of Ag2. It introduces Ag2's history and considers the reform of the management strategies regarding labour contracts and material support and their impacts on seafarers. Since the resignation of officer seafarers severely impeded the development of the foreign manning business in Ag2 since the mid-2000s, Chapter Nine and Ten aim to analyse the reasons for the limited increase of the labour export by discussing why many officer seafarers resigned in Ag2. Specifically, Chapter Nine focuses on the management of seafarers' material support and explains why seafarers in Ag2 received low wages, which resulted in their resignation. Chapter Ten adds further explanations to the reasons for the resignation of seafarers by considering how seafarers were treated by the management; how the TU in Ag2 protected seafarers' interests and contributed to the improvement of the employment conditions and work incentives of seafarers.

Chapter 8:

A brief history of Ag2 and its management of labour contract and material support

This chapter aims to provide the background to Ag2. It looks at its history, introduces the basic situation of its seafaring labour and considers how Ag2, as an independent state-owned crewing agency, has reformed its management strategies to develop its foreign manning business by discussing the management strategies regarding labour contracts and material support, respectively.

8.1 Brief history of the Ag2

8.1.1 Initial stage: 1985-1990

Ag2 was set up in the autumn of 1985 by the municipal government. At that time, the seafarer manning business was completely new and there were only a handful of crewing agencies in China, all of which were state-owned. On the government's initiative, Ag2 was established with members of the boards of five local institutions. The Deputy Mayor of the city at that time was elected as the first chairman. Since its establishment, Ag2 has provided a professional manning service to foreign clients, operating its business independently.

As a newly established agency, Ag2 experienced some difficulties at first. At that time, Ag2 had no seafarers. To develop its business, it had to borrow trained seafarers from other state-owned shipping companies. In addition, because foreign ship-owners had no knowledge about Chinese seafarers, seafarers dispatched by Ag2 were arranged to do jobs in lower positions. For instance, many junior officer seafarers worked as ratings and some captains were assigned second officers' jobs. Furthermore, foreign ship-owners would not accept an entire Chinese crew because they had not earned a good reputation. Consequently, Ag2 dispatched only a few dozen seafarers a year during the 1980s, who worked onboard the same ships with seafarers from other countries such as Britain, Holland, Australia, New Zealand, the Philippines and Indonesia. In the process, they learnt from the western management and culture and improved their skills in English and professional operations.

Nowadays, some of these seafarers have become senior officers, the backbone of the agency, while others have become the senior managing staff of Ag2.

Despite the small numbers of seafarers dispatched in the early years, the manning business's profits were extremely high. The director recalled that in the 1980s, the agency could take at least 80% of the wages paid to seafarers by foreign companies. One 63-year-old chief engineer who joined the agency when it was established said:

In the 1980s, like 1985-6, people who did land-based jobs could earn only 30-40 *yuan* per month, but because we worked onboard foreign ships, we could earn hundreds. I remember my first wage was 220 *yuan* in 1985; then I got 145 dollars and then 400 dollars in the following years. So seafaring was rather a good job at that time. However, our high wages were only a very small proportion of the wages provided by foreign ship-owners. Take my position, for example: A chief engineer was offered more than 2000 dollars by a foreign ship-owner per month, but I only got 1% of that the first time and then less than 20% afterwards. All the rest of the money went into the agency's pocket.

Consequently, despite the difficulties, Ag2 was profitable at first.

8.1.2 Growth stage: 1991-2001

In accordance with the orders of the local government, Ag2 merged with a SOE in 1991 and became a branch of it. Although Ag2 still operated its business independently, Ag2's management was supervised by the head office for the local government and some of the agency's major issues were controlled by the head office, such as the appointment of the director, the distribution of the profits and the year-end bonus of the senior and junior managers.

During this second stage, the business of Ag2 was experiencing rapid growth and it had become one of the best crewing agencies in China by the end of the 1990s. The main reason for this might be related to the management strategies of the agency in the following aspects.

Firstly, Ag2 focused on improving the quantity and quality of seafarers. From 1992, Ag2 started to recruit new graduates to build up its own pool of seafarers. Annually, 70-100 graduates of maritime universities and colleges were recruited. In addition, it provided good training to these seafarers. Five ocean-going vessels from the head company were used as training and practice bases for seafarers. Furthermore, a training system was designed to offer registered seafarers' comprehensive and practical training so as to maintain a high standard of competence in the English language, navigational skills and professionalism. This training was carried out in Ag2's 'training centre'. There were modern classrooms and advanced training facilities. Registered seafarers could attend a series of lectures free of charge.

Secondly, Ag2 adopted relatively advanced methods to manage the employment of seafarers. At a time when the economic reform in 1992 was not deep in China and most Chinese workers were provided with the 'iron rice bowl', it was remarkable that Ag2 had established a relatively market-oriented employment relationship with its workers by signing fixed-term contracts, evaluating their performance and sacking individual seafarers¹⁵ for bad behaviour. The HRM manager of Ag2 said, "From the beginning, our agency did not offer the 'iron rice bowl'. If a seafarer did not work well, he would be fired."

With growing cooperation with foreign ship-owners and an increasing reputation, since 1993, Ag2 was trusted by these owners to dispatch an entire crew. In the meantime, Ag2 started to expand its business by serving more types of ships and by cooperating with clients from more countries than before. By 2001, it had supplied hundreds of thousands of officer and rating seafarers onboard over two hundred vessels from more than ten countries, with types of vessel served including general cargo ships, bulkers, log carriers, Ro-Ros, container ships, woodchip carriers, cruisers and oil tankers.

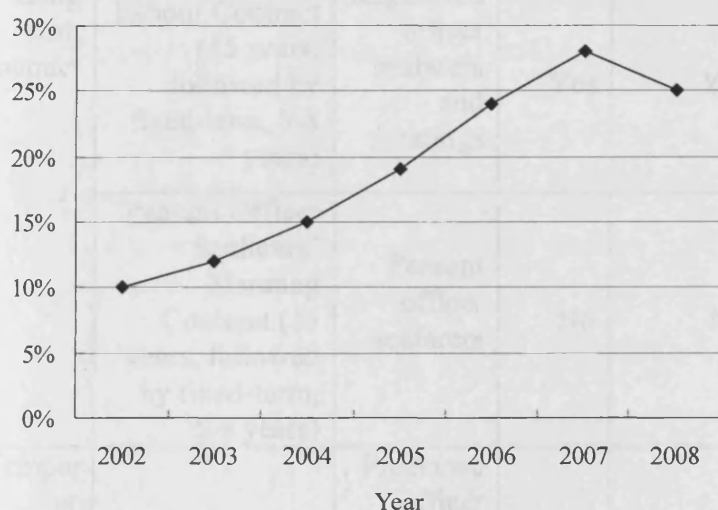
8.1.3 Stagnant stage: 2002-2008

In this stage, which began in 2002, Ag2's business development reached a plateau and its supply of seafarers to the international seafaring labour market showed a limited

¹⁵ Sacking a large number of seafarers was still not allowed by the government.

increase since the mid-2000s. According to the director, the reason was related to the serious resignation of officer seafarers (Chart 8.1) and hence a shortage of them.

Chart 8.1 The Loss Rates of Officer Seafarers in Ag2 (from 2002 to 2008)



Source: Ag2's Department of HRM

To explain the limited increase of seafarer export since 2002, the study seeks to discuss some of the reasons for the resignation of officer seafarers by considering the impacts on them of the management. Before this, it initially discusses how Ag2 reformed its management strategies and operated the foreign manning business by looking at the management regarding seafarers' contracts and material support. It argues that Ag2, as an independent state-owned crewing agency, reformed its management and kept it market-oriented; the management strategies made the employment system flexible and successfully strengthened Ag2's control over seafarers. Here it starts with the discussion of issues of labour contract.

8.2 Four categories of seafarers in terms of their types of contracts

The labour contract system was implemented in Ag2 in 1992. The management of the labour contract divides seafarers into four categories in terms of their types of contracts (Table 8.1).

Table 8.1 Categories of seafarers and some of their features in Ag2

Contract types		Categories of seafarers	City <i>hukou</i>	Non-wage benefits	Free to choose employers	Number in 2008
Long term contract	Labour Contract (15 years, followed by fixed-term, 5-8 years)	Registered officer seafarers and ratings	Yes	Yes	No	373 (282 officer and 91 ratings)
	Peasant Officer Seafarers' Manning Contract (15 years, followed by fixed-term, 5-8 years)	Peasant officer seafarers	No	No	No	327
Temporary contract	Per-voyage contract	Freelance officer seafarers and ratings	Yes & no	No	Yes	979 (of whom the large majority were ratings)
		Officer seafarers borrowed from other crewing agencies	Yes & no	Not from Ag2, but from the original agency	No	
No contact	Not offered contract	Peasant ratings	No	No	No	Around 100-200 ¹⁶

8.2.1 The first type of seafarers: registered seafarers

Firstly, registered officer seafarers and registered ratings with urban *hukou* were offered a labour contract that was regulated by the Ministry of Human Resources and Social Security of the People's Republic of China.

¹⁶ The company refused to provide the number. This number was estimated by interviewed seafarers.

Among registered seafarers, registered officer seafarers represented a large proportion of this group (87% in 2008). Some of them were assigned to Ag2 through the government's employment plan in the 1980s; some joined in Ag2 because they had left their former shipping companies for various reasons, such as resignation and the bankruptcy of the companies. There were also some graduates who were directly recruited from maritime universities and colleges.

Registered ratings represented a small proportion (13% in 2008). Most of these ratings were over 45 years old, and were recruited in the 1980s. They had various backgrounds, such as soldiers, unemployed workers and fishermen. Since 1990, the agency had reduced the number of registered ratings recruited each year because of the redundant ratings in the labour market. After 2000, it no longer recruited regular ratings.

All registered seafarers registered *hukou* in the city. Ag2 set up social insurance accounts for them in the city and paid part of their social insurance regularly. In addition, the registered workers were offered other benefits, such as home heating allowance, maternity/paternity pay, gifts and subsidies on national holidays, reimbursement of examination costs, training and TU membership.

Ag2 regulated that all registered seafarers were forbidden to sail without its dispatching order. The agency also offered registered workers long-term contracts so as to retain them. Ag2 asked registered seafarers to sign fifteen-year contracts when they were initially employed. According to the New Labour Contract Law in 2008, these seafarers were entitled to permanent status. However, after fifteen years, the agency still asked seafarers to sign new fixed-term contracts of five to eight years, otherwise Ag2 would refuse to issue their books. Consequently, the seafarers only worked for Ag2 on a long-term basis.

8.2.2 The second type of seafarers: peasant officer seafarers

A second group of seafarers was peasant officer seafarers who signed a "Peasant Officer Seafarers' Manning Contract" with the agency. Peasant officer seafarers were recruited when they finished high school; then Ag2 paid their tuition fees so that they

could attain officers' certificates in maritime colleges and universities (this sort of recruitment is called "*daipei*" in Chinese).

Ag2 controlled the peasant seafarers by asking them to sign a fifteen-year contract, called the "Peasant Officer Seafarers' Manning Contract", when they were recruited. This contract required that after these seafarers graduated and became officer seafarers, they must work for Ag2 for at least fifteen years and return all training fees to the agency. This fifteen-year contract was different from the one offered to registered seafarers because the "Peasant Officer Seafarers' Manning Contract" was designed by Ag2 without the supervision of the government. Consequently, peasant officer seafarers did not register at the local labour bureau and their employment was not known or protected by any government department.

Without urban *hukou*, Ag2 did not set up social insurance accounts for peasant officer seafarers or provide them with any of the benefits offered to registered workers. To further control the peasant officer seafarers, Ag2 promised that when they became senior officer seafarers (gained their chief officer or 1st engineer competency certificates), the agency would help them to convert the rural *hukou* to an urban one and the peasant officer seafarers could become registered officer seafarers, being offered formal contracts, social insurance and other benefits. However, transferring *hukou* was not easy and Ag2 had only transferred seafarers' *hukou* twice since its establishment, in 2004 and 2008 respectively, and only 50 peasant officer seafarers had been granted their urban *hukou*. Consequently, a large percentage of the peasant officer seafarers were still unable to sign a formal contract or enjoy any of the benefits that were offered to registered workers. Despite this, many of the peasant officer seafarers were working loyally in Ag2 and waiting for an opportunity (this will be specified in Chapter 11). This is because no other agency in the city could help them with transferring *hukou* and because having urban *hukou* was very important for the peasant seafarers and their families. Without urban *hukou*, the peasant officer seafarers and their families were confronted with many problems. A peasant chief officer who was recruited by Ag2 in 1994 talked about his experiences.

Without urban *hukou*, like other peasant seafarers, Ag2 did not offer him a formal contract, social insurance or other non-wage benefits from 1993 to 2008. In 2004, he

attained his certificate of competency as chief officer. However, in 2008, when he was interviewed, his *hukou* had still not been transferred. This not only reduced his material benefits but also brought problems for his family. For instance, his daughter was accepted by a primary school in the city on condition that the family paid tuition fees that were ten times higher than those of students with urban *hukou*; despite these high tuition fees, she could not be recruited as a registered student (in Chinese, this is called *jiedu sheng*). She would be confronted with the same problem in the future, in middle school and high school education. In addition, without urban *hukou*, his wife was unable to work in the city because her job could not be transferred from the countryside to the city. Furthermore, none of his family members could use the medical services provided by the government under the social insurance project; retirement pensions would also be a problem for them in the future.

8.2.3 The third type of seafarers: temporary seafarers

The third group of seafarers in Ag2 were temporary seafarers, including freelance ratings, freelance officer seafarers and some officer seafarers borrowed from other large state-owned crewing agencies. The contracts of the seafarers were issued on a per-voyage basis, and were drawn up by the agency in the name of the ship-owner.

Seafarers of this category were not offered employment contracts or non-wage benefits. However, to reflect the price in the domestic labour market, the temporarily employed officer seafarers were given several hundred dollars more wages than the regular workers (registered and peasant officer seafarers) because of the shortage of officer seafarers in the labour market. In addition, the higher the rank, the larger the gap. For instance, freelance and ‘borrowed’ captains could receive 300-400 dollars more per month than captains in the first two groups. In contrast, because of a surplus number of ratings in the market, temporary ratings received lower wages than registered ratings.

8.2.4 The fourth type of seafarers: peasant ratings

The fourth group of seafarers in Ag2 were peasant ratings, who were faced with many problems. Due to the peasant identity, peasant ratings, like peasant officer seafarers, were not offered social insurance or any non-wage benefits. Worse than the peasant officer seafarers, peasant ratings were not given contracts of any form or promised

that they would become registered workers under certain conditions. In addition, worse than the temporary seafarers, peasant ratings were not given the freedom to choose other employers. As a consequence, peasant ratings worked for the agency for indefinite periods without non-wage benefits or contracts. In addition, the wages of peasant ratings were lower than those of temporarily employed ratings, which in turn were lower than the wages of registered ratings.

During the interviews, one migrant rating told me his experiences. He was 38 years old and had been born in a village. After he graduated from high school in 1995, he was enrolled by Ag2 with the help of his brother, who was a friend of the HRM manager. After six months' maritime study, he attained all the necessary seafaring documents, which were processed by Ag2. In 1997, when he was assigned to work onboard ship for the first time, he was informed verbally by the manning manager that he had become a peasant seafarer of the agency. Since this was just verbal information, he was not given any employment contract by the agency. He had worked for the agency for eleven years, but it had not set up a social insurance account for him or provided him with any benefits beyond his sailing wage. He just knew that he had become a migrant seafarer for Ag2 in 1997; he was not allowed the freedom to choose other employers; he needed to work for the agency for an indefinite number of years. But he knew that when the agency did not need him anymore, he would be fired immediately.

In order to develop the foreign manning business, Ag2, an independent state-owned crewing agency, implemented the labour contract system to increase the flexibility of management and to lower the costs. Seafarers in Ag2 were categorized into four types based on the categories of their contracts. Unlike the situation under the planned economy, the seafarers were no longer treated equally and the peasant ratings were in the poorest condition compared with seafarers of other types.

In addition, Ag2 reformed the management of seafarers' material support, which strengthened management control over seafarers. The following section discusses this.

8.3 The management of sailing wages

The material support of seafarers encompassed their sailing wages and welfare. As mentioned in the last section, welfare was only offered to registered seafarers, and included the social insurance and the other non-wage benefits, such as pay while on leave, processing and updating seafarers' certificates, home heating allowances and the reimbursement of part of medical fees and kindergarten fees for seafarers' children, work-related travel expenses within China, training and interview fees, physical examination fees and 50% of working uniform fees.

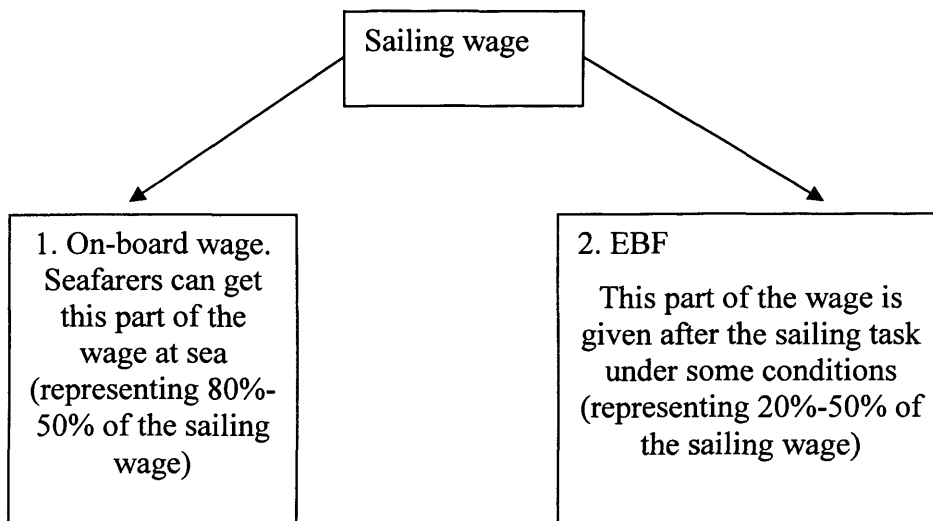
This section focuses on the sailing wages of seafarers. It discusses the structure of the sailing wages, to see how the management linked pay to the performances of seafarers and consequently strengthened its control over the workers.

The structure of the sailing wages of seafarers was designed in 1985 when Ag2 was established. It has still not changed much. The sailing wage comprised the basic wage and overtime pay. The basic wage represented a large percentage, 95% of the sailing wage of the officer seafarers and 90% of that of the ratings.

The basic wage of seafarers was regulated by Ag2 after taking a certain amount of money out of the wages paid by ship-owners for the labour of seafarers. Seafarers of the same rank were given the same basic wages, except for temporarily employed officer seafarers, who earned several hundred dollars more than registered and peasant officer seafarers. Unlike basic wages, overtime pay was influenced by complex factors, such as the amount of work that seafarers actually did onboard ships, the cargo transported, the type of ship and the management of the shipping companies. For example, transporting wood might earn more overtime pay than working on a bulk ship due to the extra colligation fees found on wood carriers. In addition, the overtime pay could be greatly impacted by the agreement between the agency and the ship-owner. On some occasions, Ag2 allowed the ship-owners not to pay seafarers overtime. As a consequence, some seafarers complained in the interviews that they were paid less than seafarers dispatched by other agencies, though they did the same job.

However, it is not the case that all of the sailing wage will definitely be paid to the seafarers. In terms of the way wages were paid, the sailing wage was divided into two parts (Chart 8.2).

Chart 8.2 Structure of the sailing wage of seafarers



Source: Ag2’s Department of HRM

One part was called the ‘On-board Wage’. Seafarers could get this part of wage when they worked onboard ship. The other part was called the ‘Ensuring Behaviour’ fee (EBF). The proportion of the EBF in the sailing wage increased with rank because seafarers at higher ranks were more skilful, having more opportunities in the labour market and requiring more time to cultivate than those at lower ranks. For example, the EBF of a rating represented less than 20% of his total sailing wage. But for captains, the EBF could be as high as 50%. The EBF was retained by the agency when seafarers were working at sea and returned after they had finished a trip on fulfilment of two conditions.

The first condition was that seafarers must successfully finish the sailing task, without being fired by the ship-owner. Since Ag2 was responsible for preparing the air tickets for seafarers, it paid for their airfares in advance. If a seafarer was fired at sea, the ship-owners would not reimburse the agency for the travel expenses of that seafarer

and consequently Ag2 would have to pay seafarers' travel fares itself. To guarantee its profits and also to control seafarers, if seafarers were fired at sea, the EBF was detained by the agency to compensate for the travel fees. Therefore, seafarers were compelled to work hard onboard ship.

Another condition was that seafarers must submit all their documents to the agency as soon as they finished their work at sea. This was intended to prevent seafarers from working for other crewing agencies and strengthen the dependence of seafarers on the agency (the impacts on seafarers of the management will be specified in Chapter 12).

Therefore, to develop the foreign manning business, Ag2 reformed the management of material support, which successfully linked pay to the performances of seafarers and consequently strengthened its control over the seafarers. With the deepening of the reform of the Chinese shipping industry, great changes happened in the Chinese seafaring labour market after 2000. In response to this, Ag2 adjusted its management of material support of seafarers. The next section will look at this change and the consequent impacts on seafarers of different ranks and backgrounds.

8.4 Improving material support in the 2000s

The wages of officer seafarers in the Chinese seafaring labour market have increased continuously since 2000 because of their shortage in labour market.

In the 2000s, especially since 2005, the domestic shipping market has flourished. Thousands of non-state-owned shipping companies emerged. Many of them had only one or two old ships, operating business as "single-ship owners" (Zhao, 2002, P2). They did not employ stable seafarers due to the small scale of their business but depended on freelance seafarers in the market. However, many small shipping companies struggled to employ officer seafarers due to the poor condition of their ships and a shortage of officer seafarers in the labour market. To deal with this problem, the small non-state-owned shipping companies continuously increased their wages to attract officer seafarers to work onboard their ships. When talking about how small ship-owners had managed to increase the wages of officer seafarers in the Chinese labour market, the Manning manager of Ag2 said:

The small ship-owners, who have emerged in recent years while the shipping market is good, initiated the increase of officer seafarers' wages. To save money, many of them bought old ships in poor condition, which made it difficult to find seafarers to work for them. Because of this, the small ship-owners increased their wages a lot so as to attract seafarers to work for them.

In addition to the operation of the small ship-owners, medium and large Chinese shipping companies expanded the scale of their business in the 2000s and hence increased the demands for seafaring labour. Therefore, these companies increased the wages of seafarers as well. Consequently, it was reported that the wage of Chinese officer seafarers has almost doubled since 2005 in the Chinese domestic seafaring labour market (Han 2008, p26; Ma and Xu 2008, p117). The director of Ag2 said, "The wage of officer seafarers in the national seafaring labour market has increased monthly or even weekly. In the previous four months [from January to April 2008], captains' wages have increased by 300 dollars. It increased too fast."

To respond to the changes in the market, the sailing wages of registered and peasant officer seafarers in Ag2 have increased since 2002 at an average rate of more than 20% each year. The higher the rank, the faster the increase. For instance, in 2003, a third registered officer with Ag2 was given 800 dollars, but by 2008 this figure had increased to 1700 dollars. In 2003, a captain was given 1800 dollars by Ag2; by 2008 the wage had jumped to 4300 dollars, increasing around 2.5 times.

In addition to the increase of sailing wages, some non-wage benefits offered to registered officer seafarers have increased as well. For instance, the leave wage has increased from 280 to 350 *yuan* per month since 2008. The housing accumulation fund has also improved by around 50 *yuan*.

One of the consequences of the increase of officer seafarers' material support is the sacrificing of the interests of ratings and cadets.

By using limited sums of money to increase the material support of officer seafarers to the greatest possible extent, the increase in the wages of ratings was severely limited. The business manager of Ag2 said:

Sometimes when manning officer seafarers, we lose money. The higher the rank, the more we lose. For instance, sometimes when the ship-owner promises to give a captain 3,500 dollars, the captain asks for 3,600 dollars. It is worse when using freelance seafarers who request wages according to the market price, 300-400 dollars higher than what we give to registered workers. So we cut ratings' wages to bridge this gap. Because there are surplus ratings in the labour market, we can reduce their wages a lot.

Consequently, the wages of registered ratings of different ranks have only increased by 20 to 60 dollars since 2000. The wages of freelance ratings and peasant rating remain almost unchanged. Ratings were very unhappy with this. A motorman said:

You know, it is unfair. When we ratings earn 500 dollars monthly onboard ship, they [the officers] earn at least 1500 dollars. When our wage increased by 50 dollars last November, the wages of 3rd officers increased by at least 500 dollars and other officer seafarers have even bigger increases, of what is more than a month's wage of us.

In order to find more money to increase the wages of officer seafarers, the non-wage benefits of ratings were also reduced. A sailor said:

Reimbursement is harder to get now than before. For instance, in the past, if we had to take a visa to Beijing, the agency could reimburse our train fare and also pay us 10 *yuan* allowance per day. Though that was not much, at least we did not have to pay all the expenses ourselves. But now, we can't get any reimbursement if we have to take a visa to Beijing. It is the same with the physical examination fees, which we also have to pay ourselves.

In addition to decreasing the material support of ratings, to further reduce the cost of ratings, ordinary sailors (OS) were replaced by cadets, who were assigned to do OSs' jobs but without paying cadets wages. The Training manager said:

OSs' jobs were cut, and they have been replaced with cadets, who are not paid wages. We only give them 50 dollars per month as an allowance, which is the same as no wage. But the cadets have no other choice. If they do not accept these arrangements, they won't be able to gain their certificates of competency as officers.

Therefore, Ag2 has made great efforts to increase officer seafarers' wages to keep pace with the changes in the market since 2002. In the process, however, the benefits of ratings and cadets have been greatly impaired.

8.5 Summary

This chapter provides a background of Ag2. Initially, it describes its history. It is seen that after the foreign manning business experienced a slow increase in the 1980s and rapid growth in the 1990s and the beginning of the 21st century, the business showed only small increase as a result of the resignation of a number of officer seafarers since 2002.

With respect to Ag2's management regarding seafarer export, it is seen that Ag2, as an independent state-owned crewing agency, reformed its management and kept it market-oriented. To reduce labour costs and increase the flexibility of management, Ag2 implemented the labour contract system. Seafarers were divided into four types based on the types of contracts and were treated differently by the management in terms of material support, leaving the seafarers, especially peasant seafarers, in a weak position.

The management of material support in Ag2 successfully linked payment to performance. With the implementation of the EBF, seafarers had to work hard onboard ship and submit all their certificates to the company when they came ashore, otherwise they would lose part of their wages. This also strengthened management control over seafarers.

In addition, the management of material support was market-oriented and flexible. With the rapid improvement of the wages of the officer seafarers in the labour market since 2002, Ag2 responsively increased the material support of the officer seafarers.

In order to keep up with the changes in the labour market, the interests of ratings and cadets were greatly impaired.

The analysis in this chapter may suggest that Ag2, as an independent state-owned crewing agency, implemented reformed management strategies and developed its foreign manning business in a market-oriented way. This might give the impression that this independent agency is no different from liberalized companies in the west. However, it is too early to reach such a conclusion. As introduced in Section 8.1, the foreign manning business in Ag2 showed limited increase since 2002 due to the serious resignation of officer seafarers. So why did many officer seafarers resign from Ag2, which consequently impeded the development of the seafarer export? What were the consequences for seafarers of Ag2's operation of the foreign manning business? In order to explain the limited increase of the seafarer export in Ag2, the following chapters consider these questions.

Chapter 9: Poor material supports and its reasons

This chapter looks at the management of seafarers' material support and explains why officer seafarers in Ag2 received poor support. It aims to analyse some of the reasons why many officer seafarers resigned in Ag2, which consequently impeded the development of the labour export. It starts by describing the low material support of officer seafarers in Ag2 and the perceptions of seafarers in this regard, and then focuses on the reasons for this poor support. Through this discussion, it considers the extent of the reform of this independent state-owned crewing agency.

9.1 Low material support and seafarers' assessment

9.1.1 Low sailing wages

Although Ag2 has made great efforts to increase officer seafarers' wages to keep pace with the changes in the market as seen in section 8.4, the wages of Ag2's officer seafarers were still lower than the average rate in the international and national labour market.

Compared with the wages in the international seafaring labour market, the Manning manager of Ag2 thought the wages of the officer seafarers in Ag2 were very low (see also Zhao 2000b; Yin et al 2008, p199; Zhao and Amante 2003). He exemplified that while the European and American captains earned 8,000 to 10,000 dollars per month, the wage of a Chinese captain in Ag2 working onboard the same type and size of ship, sailing on the same route, was under 5,000 dollars. As for officer seafarers at other ranks, the wage gaps between foreign officer seafarers and those in Ag2 were even larger. In many cases, the wages of the officer seafarers in Ag2 represented only one third or one quarter of the wages of the foreign officer seafarers, according to the Manning manager.

One of the reasons for this might be that unlike the TUs in many of the foreign countries, the ACFTU has not signed any collective contracts with international organizations such as the ITF. This means that when Chinese seafarers work in the international labour market, they are not protected by any international organizations or unions. Consequently, they cannot receive wages of a proper standard.

Ag2's seafarers' wages were lower than the rate in the Chinese seafaring labour market. The gaps can be seen from Table 9.1 (under the condition that seafarers were working onboard ships of the same type and size and sailing on the same route). When talking about the wage of the officer seafarers in Ag2, the Manning manager said, "the wage of our officer seafarers is not high: it is equal to or lower than the average rate in the domestic market."

Table 9.1 The wages of seafarers at each rank in Ag2 and those offered in the national seafaring labour market (dollars/per month)

	Wage offered by Ag2		Market wage	Gap between market and Ag2
	January 2007	May 2008	May 2008	May 2008
Captain	3300	Around 4300	Around 4900	600
Chief engineer	3200	Around 4200	Around 4800	400
Chief officer/ first engineer	2150	Around 3100	Around 3600	500
Second officer/engineer	1800	Around 2500	Around 2900	400
Third officer/engineer	1300	Around 1800	Around 2300	500
Rating	540	Around 600	Around 800	200

Source: Ag2's Department of HRM and the interview with the Manning manager

9.1.2 Low non-wage benefits

In addition to low wages, the non-wage benefits provided by Ag2 to registered seafarers were also relatively low. For instance, item 29 of the Seafarers' Administration Statutes 2007 requires that seafarers on leave should be paid more than the average social wage. However, when the average wage was 700 *yuan* in 2008, Ag2 paid registered seafarers only 350 *yuan* per month.

In addition, Ag2 paid less money than the regulated amount for seafarers' social insurance. According to the regulations, the monthly social insurance of seafarers should be equal to the previous year's average wage in each month multiplied by the

accumulation of the percentages. If this average wage is higher than the highest standard that is set by the government, the standard will be used to calculate the insurance. Senior officer seafarers' wages were normally higher than the standard. However, Ag2 paid social insurance based on the local lowest social average wage, which was as little as only 10% of the highest standard. As a result, seafarers received low social insurance.

Peasant ratings and peasant officer seafarers were in a worse position than the registered seafarers: while being offered the same sailing wages as registered seafarers, peasant seafarers were not given any of these non-wage benefits.

9.1.3. Seafarers' assessments of the material support

Seafarers were very unhappy with their material support. A registered 2nd engineer said:

My wage is 500 dollars less than the wage in the domestic shipping market. My social insurance paid by this agency is also small. I have never checked the insurance card or expected that such a small amount could give me any help.

A peasant rating said:

I am not satisfied with my wage. It should be higher. As a rating, my wage is now 600 dollars, only half that of other ratings who earn 1200 dollars working for other domestic shipping companies. Though my wage was increased last November, the increase was tiny: just 60 dollars. You know, I felt very upset when I found out that other ratings were offered twice as much money by their companies when we are doing the same job.

Some registered officer seafarers expressed special concern about their non-wage benefits, especially their social insurance. A captain said:

We captains will receive only 800 *yuan* per month after we retire. But in COSCO, a rating can earn 3000 *yuan* per month after retirement. The social insurance fee paid by this agency is too small.

A chief officer said:

I never expect to use the housing accumulation funds to buy any house, as I can only accumulate 6000 *yuan* after working for 10 years. Such a small amount of money is just enough for one square meter of a cheap house in the city.

Therefore, seafarers were dissatisfied with their material support. This is likely to be one of the reasons for the accelerated growth of the loss rates of officer seafarers since 2002 (see Chart 8.1), which led to the shortage of seafaring labour in Ag2 and the limited increase of the foreign manning business (this will be explained in more detail in Chapter 10).

So why could Ag2 not offer competitive wages and benefits to officer seafarers, which led to the resignation of officer seafarers and eventually the limited increase of the foreign manning business? The main reason is related to the requirement of the head office on the profits that Ag2 has to submit, which forced Ag2 to take a sum of money out of the seafarers' wages and consequently restrained Ag2 from paying seafarers a market rate. In addition, the reduced quality of seafarers due to the changes of the management strategies since the mid-2000s made it difficult to increase seafarers' wages by foreign ship-owners. The following sections specify the two reasons, respectively.

9.2 Reason one: wage deduction

The foremost reason for the low material support of officer seafarers can be that Ag2 took a sum of money out of the seafarers' wages in order to increase its profits.

Deducting part of seafarers' wages to achieve high profits was a tradition in Ag2, which made the manning business very profitable. With the increasing wages of Chinese seafarers in the domestic market since 2000, Ag2 has reduced these deductions in order to adapt to the market rates. The director explained:

In the 1980s, when we negotiated crew's wages with foreign ship-owners, at least 80% of the wage could be detained by the agency as profit. In the 1990s,

the proportion fell to 50%. In the first half of the 2000s, it fell again, to 30%; now, only 15% of seafarers' wages can be taken by the agency. All of the remaining 85% is given to seafarers as wages. Our net profits have decreased in recent years.

Despite this concession, in the current market condition that officer seafarers are in short supply and their wages are increasing fast, the traditional operation of Ag2 – deducting part of seafarers' wages – has left the agency unable to pay competitive wages. The Manning manager of Ag2 said:

Some small private crewing agencies in the domestic market are different from us. They are more flexible. They give seafarers the full wages that the ship-owners have paid during the period of labour shortage. They try their best to satisfy the seafarers' needs. As long as those agencies ultimately make profit, they can bear with low profits. They are more flexible, more market-oriented.

So why is it that Ag2 cannot act like the small agencies but has to deduct part of the wages of seafarers to pursue high profit? The reason can be directly related to the requirement of the head office on the profits that Ag2 has to submit each year. As explained in the previous chapter, the head office of Ag2 was in charge of major issues, including the distribution of the profits. It was regulated by the head office that Ag2 must manage its own costs, including the seafarers' wages and managers' wages (which are set by the head office). In addition, it must hand over almost all net profits, which cannot be lower than a certain amount set by the head office annually. To accomplish this task, Ag2 had to take some money out of seafarers' wages.

Seafarers were very unhappy with Ag2 deducting part of their wages. A 3rd engineer said:

The director only thinks about how much profit he can submit to the group and of the development of his career. He takes away a large amount of our wage. If he could make smaller wage deductions, our lives would be greatly improved. No matter how high the agency's profit, the lives of us seafarers cannot be bettered a little.

A 2nd officer said:

The agency is not satisfied with the agency service fees offered by the ship-owner. So it takes a lot out of our wage. Consequently, many seafarers are angry and eventually leave. I think the agency needs to reform the management to give seafarers the whole wage offered by the ship-owner, as some private agencies have been doing. Our agency cannot be too greedy.

When talking about deducting part of seafarers' wages, the managers seemed rather helpless. They also made some complaints. The director of Ag2 said:

Each year, 80% to 90% of the net profit of the agency is submitted to the head office. If we did not have to submit the profits or had more profit left, there would not be a problem with increasing the wages of seafarers or reducing the loss rate of officer seafarers.

The Manning manager of Ag2 said:

We know the low wage is one of the reasons why many seafarers leave the agency. We also want to increase seafarers' wages. However, the head office will not allow this. If we were to give more money to seafarers, the agency's profits would fall. In this case, how can we reach the required standard? In fact, the managers of the head office do not consider the condition of the labour market or adjust the requirements accordingly. Ten years ago, when there was no labour shortage in the labour market and the wages of officer seafarers were not so high, we could manage to balance the wages of seafarers and the required profits and attract high quality seafarers to work for us and maintain the increase of the business. But now, the cost of seafarers is high but the requirements of the head office are also still high. So we are under a lot of pressure. If we did not have to submit profits and were completely independent, all the managers' and seafarers' wages and benefits would be improved a lot, without any doubt. But the head office does not allow us to become independent, as it would lose the profit that we submit. So we are stuck here.

Due to head office control over Ag2's profit, Ag2 cannot invest its profits into the running of the business to pay seafarers a market rate. The low wages contributed to the resignation of officer seafarers since 2002, which caused a shortage in labour supply and consequently constrained the development of the foreign manning business.

To adjust to the loss of officer seafarers and the increasing demand of foreign ship-owners in terms of the seafaring labour, Ag2's management strategies have been changing since 2004. However, such changes resulted in the reduced quality of seafarers, which made it difficult to increase salaries by foreign ship-owners. This contributed to the low wages of officer seafarers in Ag2 and thereby resulted in the resignation of seafarers. The next section will specify this.

9.3 Reason two: the changes of management and the lesser quality of seafarers

Because of the shortage of officer seafarers, changes have taken place in the management of Ag2, which include the lowered requirement of the ship-owners on the quality of seafarers, insufficient training, excessively fast promotion, loose manning and lax disciplinary management. This section discusses these changes to explain some of the reasons for the reduced quality of seafarers, which limited wage increases by foreign ship-owners and thereby contributed to seafarers' resignation. It seeks to add further reasons for the shortage of officer seafarers in Ag2, which constrained the increase of labour export.

Since many of the changes stemmed from the ship-owners relaxing their requirements in terms of the quality of seafarers, this issue will be addressed first.

9.3.1 The lowered requirement of the foreign ship-owners on the quality of seafarers

Some foreign ship-owners have lowered their requirements in terms of the quality of seafarers to cope with the loss of officer seafarers since 2004.

Prior to 2004, foreign ship-owners had stringent requirements in terms of seafarers' sailing experiences. The Manning managers explained that only the seafarers with more than two years of working experience in their posts were eligible to become

candidates at that time. The size of the ship where the seafarers had worked was another important criterion. For instance, when a ship-owner selected seafarers to work onboard a 50,000 tonnage ship before 2004, he would only recruit those who had worked onboard 70,000 tonnage or even larger ships for at least 2 years.

Since 2004, however, when seafarers with even one year's working experience have been hard to find, it was not unusual for some ship-owners to employ seafarers without any experience in their rank. The size of the ships on which candidates had previously worked was no longer considered either.

In addition, before 2004, the onboard evaluation forms and the documents that recorded seafarers' previous work performance and training were important references when the foreign ship-owners selected seafarers. However, these documents were no longer considered by ship-owners after 2004. The Manning manager said:

Currently ship-owners have no time to check the forms carefully. As long as there is a seafarer available, he will be employed very quickly after a brief interview and a cursory check of his previous working experience.

Therefore, it is suggested that ship-owners have decreased their requirements regarding the quality of seafarers to deal with the labour shortage. The Manning manager explained this in more detail by giving some specific examples:

Before 2000, when a ship-owner wanted to employ a 3rd officer, we could find five candidates. If these five were not good enough, we could find more. And we were unable to help seafarers to get employed if they did not pass their interviews. But in recent years, it is completely different. If a seafarer is not good enough, we can negotiate with the ship-owner and finally he has to compromise. Sometimes, we just tell the ship-owner directly that no matter whether they think he is qualified or not, they have to employ him because nobody else can be found. Ship-owners have complained about the low quality, but they can do nothing. They know that there is a serious shortage of officer seafarers. But a ship cannot just stay there without a crew. Five years ago, the

ship-owners looked for seafarers' weaknesses and tried to challenge them so as to employ the best; but currently ship-owners look for their advantages and think about how they can be used.

Because ship-owners lowered their requirements in terms of the quality of seafarers, some changes happened in the management of training, which led to the reduced quality of seafarers. The next section explains this.

9.3.2 Weakened training management

9.3.2.1 Weakened land-based training

With the loss of seafarers and the lowered requirements of the ship-owners, the training management of Ag2 has become looser since 2004, which contributes negatively to the improvement of the quality of seafarers.

The training organized in Ag2 can be categorized into two types: land-based training and training at sea. Ag2 was mainly responsible for the land-based training. The land-based training focused on improving the quality of seafarers in the following five aspects: onboard working skills, international conventions, English language, emergency responses and moral quality, according to the training document. The land-based training consisted of three kinds of training as follows:

1. On-leave/stand-by training, mainly organized by Ag2 for seafarers during leave
2. Pre-joining training for seafarers who had already passed ship-owners' interviews and were going to work onboard ship in a couple of weeks
3. Training for newly-recruited seafarers

Before 2004, the land-based training of seafarers was strictly managed by the agency. The performance of seafarers in this training was directly related to their promotion, material support and work opportunities. For instance, it was stipulated by the agency that if their training record was good, which included the requirement that seafarers should attend the organized training on time, they could be promoted smoothly, and consequently had better material support. If seafarers did not take part in organized land-based training (such as the pre-joining training), they would not be given onboard working opportunities. Such regulation was implemented well before 2004.

After 2004, however, the agency no longer adhered to these regulations and land-based training was no longer compulsory. The reason for this could be fundamentally linked to the lack of officer seafarers. The Manning manager explained:

The director does not support the training. The training department exists because of the requirements of previous ship-owners. Now, because of the lack of seafarers, ship-owners no longer requires much on training or the quality of seafarers; the agency does not take training seriously... We are too busy looking for seafarers, so no one thinks about the training.

In addition to the loose management of the land-based training, Ag2 developed a new type of training program in order to improve seafarers' interview performance in 2006, called pre-interview training. This sort of training was completely oriented towards passing ship-owners' interviews, comprising anticipating interview questions, preparing the answers to these questions, and explaining interview skills. With the help of this pre-interview training, seafarers seemed to have more reasons not to participate in the regular land-based training. A chief officer said:

The interview is not very useful to check the real capability of seafarers, as the answers to interview questions can be prepared by the agency and as long as the candidates remember them, there won't be a problem with passing the interviews.

Because of the shortage of officer seafarers, foreign ship-owners lowered their requirements in terms of the quality of seafarers and Ag2 loosened its management of land-based training. Consequently, few seafarers took part in land-based training regularly. The Training managers said:

Seafarers are in short supply. Ship-owners can't be too selective. So seafarers have no pressure, no sense of urgency, because they will be employed anyway. This is a very important reason why they do not participate in training when they are on leave.

Even when we offered accommodation and food, and even when they did not have to spend any money, few seafarers enrolled for the training. Sometimes there was free training organized by foreign ship-owners and the agency compelled seafarers to join; still, very few seafarers went on the courses. Currently, only some senior officers have taken part in training when they have encountered problems at work.

As a result, since 2004, land-based training is not as well organized as it had been in the past. For instance, the on-leave/stand-by training organized for seafarers on leave was held four to five times a year before 2004, for two months each time. After 2004, however, according to the Training manager, there was no on-leave training organized in some years when few seafarers joined.

With regard to pre-joining training, it was organized before every voyage prior to 2004, normally lasting for seven days, longer than the required length in the training plan (three days). In addition, the regulation was strictly implemented, as seafarers had to join or they would lose the onboard working opportunity. However, after 2004, the pre-joining training was less than three days, when it was held at all, and seafarers who did not attend were still able to work onboard. The Training manager said:

Current pre-joining training is at most two to three days; in most cases it lasts only half a day or one day. Many of the seafarers who have taken part in the training were those who came to the agency to get their seafaring documents and were prompted by us to enroll in training... Sometimes when there were very few trainees, the training was cut short or cancelled.

Furthermore, the pre-employment training for newly recruited seafarers, which lasted for four to six weeks before 2004, decreased in duration to three weeks after 2004. According to the Training manager, this type of training has become the only sort of land-based training to be organized with any certainty since 2004.

Therefore, seafarers were not trained regularly when they were on leave. This impeded the improvement of the quality of seafarers, which made the increase in

wages difficult to achieve. The low wages led to the resignation of officer seafarers in Ag2 and consequently constrained the growth of the foreign manning business.

In addition, the ocean training management of Ag2 has become looser since 2004 due to the shortage of officer seafarers. The following section explains this change and considers its implications to the quality of seafarers.

9.3.2.2 Weakened ocean training

Seafarers' ocean training was managed by the senior officers onboard ships, especially captains, who were responsible for the ship-owners. It was requested that on-board training must be implemented strictly in accordance with the requirement of the ship's SMS manual and all the training activities should be well recorded. Ag2 took the responsibility of recoding and supervising the ocean training that was required by the CMB.

Seafarers complained that the quality of the training at sea had declined, and the reason for this can be related to the irresponsibility of freelancers. When reflecting on the ocean training before 2004, a 2nd officer said:

For the whole working year, the training was very tiring, but it was very helpful. It was compulsory, according to the training plans of the ship-owners and the agency. The training was organized at the weekend by the captain and chief engineer. They were the registered seafarers of the agency and were very responsible.

When talking about training after 2004, however, he continued as follows:

But current training at sea, including some very basic but very important training - like firefighting and life saving skills, which are directly related to the life of seafarers - are far from adequate because many officer seafarers, including many captains and chief engineers, are freelance seafarers, and they seldom train us. They just think about their wages; they are not responsible. In addition, some freelance senior officers do not train us at sea because they are confused by many problems. If they do not understand them, how can they help

us? I think the conditions will improve when the agency's shortage of officer seafarers is no longer so serious and the agency does not employ freelance officer seafarers.

This view was expressed repeatedly by the interviewed seafarers. Therefore, it seems clear that the quality of the training at sea had indeed decreased. When seafarers were not having regular, high quality training, their quality decreased. This limited wage increases by foreign ship-owners and consequently contributed to the resignation of seafarers in Ag2. The shortage of labour as a result of seafarers' resignation constrained the development of the seafarer export.

The following sections continue to examine the changes to the other management strategies of Ag2 in response to the labour shortage and the influence of these changes on the quality of seafarers. This helps to understand why it is difficult to improve seafarers' wages and why many seafarers resigned in Ag2, which consequently constrained the growth of the foreign manning business since the mid-2000s.

9.3.3 Changes of the manning management

Because of the shortage of officer seafarers, the Manning managers dispatched seafarers at a higher frequency and prolonged their time at sea. This section initially discusses this change and considers how it resulted in the reduced quality of seafarers.

When talking about the changes in manning management since 2004, the Manning manager explained:

The labour shortage has become serious since 2004. Many of our senior officers are called to work onboard after less than one month's holiday...In addition, they work onboard very hard, under very heavy pressure and for long time periods, often around nine months now.

Seafarers complained about the short periods of leave and the heavy workload onboard ships since 2004 during the interviews. A chief officer said:

Five years ago, we did not have to work as intensely as we do now, and we had longer leave - four to six months or even longer if we wanted - because there were enough officer seafarers. So I could have plenty of time to undertake training and to do other things. But in the past few years, I have normally had to work for nine or ten months at sea and only had two to four months' break before working onboard again because there were not enough officer seafarers... I always felt very tired whenever I finished working onboard. In addition, because the work at sea is very stressful, I often get sick when I get off the ship. So every time I need at least 2 months to recover from the tiredness and illness. But now, I do not feel that I have enough time to recover before I am called back to work again. It is also very hard for me to participate in training or do other things.

A 2nd officer said:

... [because of the shortage of officer seafarers], the size of the crew is usually the smallest permitted by international conventions onboard ship. Because of the smaller numbers of people onboard than before, working at sea is very hard and we are always working to the utmost of our ability. Also, because of the shortage of officers available, we do not have enough time to rest when we are on holiday on shore. The Manning manager often calls me to work onboard ship when I have had less than two months' holiday. So I feel tired.

Data suggest that seafarers had very short holidays but very hard work at sea due to changes of the manning management in response to the shortage of officer seafarers. Therefore, in addition to the lack of enforcement of training requirements and the corresponding neglect of quality monitoring of seafarers by the foreign ship-owners as discussed in the previous sections, the manning management that resulted in seafarers' short holidays and their need to recover from the hard work at sea contributed to the poor participation of seafarers in training. This adds further explanations as to why seafarers did not participate in the land-based training during shore leave and why their quality decreased.

In addition to cutting holidays and prolonging the length of time spent at sea, Manning managers changed the method of dispatching seafarers in order to cope with the shortage of officer seafarers, which also contributed to the reduced quality of seafarers.

Before 2004, the manning management was based on a 'panel mode'. That is, Manning managers selected a number of ships which were owned by shipping companies of similar scales, then selected a number of seafarers and put the selected ships and seafarers within a panel. Then seafarers were dispatched to work onboard different ships within the panel¹⁷. This strategy gave seafarers opportunities not only to work onboard the same ships repeatedly so as to consolidate their knowledge and skills, but also to work onboard different ships, so that they could experience different kinds of management and training and their ability and experiences could be improved. When talking about the influence of the manning management before 2004, the Manning manager said:

The previous 'panel mode' management was good. This was very helpful for us to expand our clients. If seafarers were restricted to one ship-owner, they could learn very little...

When talking about previous manning management, a captain said:

In the 1990s, the manning management was good. Seafarers were assigned onboard different ships. For instance, I worked onboard general cargo ships, bulk ships and log ships for different ship-owners. I learnt a lot from these experiences and they were very important for the development of my career; ship-owners like to employ me because of my rich experiences.

A rating said:

¹⁷ For instance, Manning managers may have asked a seafarer to work onboard Ship A of the panel for the first voyage, then Ship B for the second voyage, and then to return to Ship A for the third voyage, then to ship B or a new ship C for the fourth voyage, or to return to Ship A or B for the fifth voyage.

The previous management gave me many chances to work onboard different ships; I learned a lot. I felt that work was challenging and interesting.

However, since 2004, the previous 'panel mode' manning strategy has been abandoned due to the shortage of seafarers. When talking about the current method of manning management, the Manning manager said:

Unlike before, the current manning management is in a mess; the dispatching decisions of seafarers are not based on any systematic plan. Sometimes when a ship-owner needs a seafarer, we call seafarers who are on holiday to ask whether they are able to work onboard ship or not; as long as we can find a seafarer, we will dispatch him. We have no other choice because seafarers are in short supply.

When talking about the impacts of this management on the quality of seafarers, the Manning manager continued:

Because of the shortage of officer seafarers, we are unable to guarantee that seafarers can be dispatched onboard different ships according to a designed plan to consolidate their knowledge, or to systematically enlarge and enrich their skills and experiences. The quality of seafarers is negatively influenced as a result.

Therefore, data suggest that the manning management of Ag2 has become less systematic than before since 2004. To cope with the shortage of officer seafarers, the manning managers dispatched seafarers at a higher frequency and prolonged their time at sea. This contributed to the poor participation of seafarers in land-based training. In addition, the previous 'panel mode' manning strategy has been abandoned due to the shortage of seafarers. This also constrained the improvement of the quality of seafarers. As a consequence, it is difficult to realize wage increases by foreign ship-owners and many seafarers resigned due to the low wages, which limited the increase of the foreign manning business as a result.

The following section examines the changes to the management of promotion in response to the labour shortage and the influences of these changes on the quality of seafarers. It seeks to add further reasons for the low wages of seafarers and their resignation.

9.3.4 Changes to the management of promotion

The promotion management in Ag2 has also become looser since 2004 as a result of the shortage of seafarers. This contributed to the reduced quality of seafarers in Ag2.

Before 2004, Ag2 had higher requirements than the CMB¹⁸ regarding the quality of seafarers applying to sit the national examination for promotion. Table 9.2 compares the requirements of the CMB and Ag2 regarding the sailing months required at the original rank before applying to take promotion examinations.

Table 9.2 Sailing time at the original rank required by CMB and Ag2 (before 2004)

Ranks	Sailing time at sea regulated by CMB	Sailing time at sea regulated by Ag2
Cadet promoted to third officer/engineer	18 months	24 months
Third officer/engineer promoted to second officer/engineer	18 months	24 months
Second officer/engineer promoted to chief officer/ first engineer	12 months	More than 12 months, depending on practical need of Ag2
Chief officer/ first engineer promoted to captain/chief engineer	18 months	More than 18 months, depending on practical need of Ag2

Source: Ag2's Department of Training

In addition, seafarers were required to submit a written application to the Certificate Department of Ag2 before 2004 for promotion. The department examined the qualifications and performance of the seafarers. It also considered the demand of the agency for seafarers at each rank and collected the opinions of managers in other

¹⁸ The Regulation on Examination, Assessment and Certificate for Competence of Seafarers of the People's Republic of China, published by the Ministry of Communication of China on 1st August 2004, is one of the main regulations standardizing seafarers' examination, assessment and certification educational background, professional training and sailing experience.

departments. If a seafarer was about to be dispatched to work onboard ship, he would not be allowed to apply for promotion training organized by the CMB. Finally, all the documents were handed over to the senior managers, who made the final list of candidates for promotion.

Furthermore, before 2004, once seafarers had passed the examinations and been awarded their COC, they had to undergo a period of apprenticeship. After this, they would first be promoted by the agency before they were recommended to attend interviews with ship-owners. Finally, only those who could pass the strict interviews of the ship-owners could work at a higher rank and enjoy better material support.

When seafarers recalled this strict management, many of them perceived that it was good for the improvement of their skills and safety at sea. A 1st engineer said:

Despite the strict management and stringent requirements of the agency when considering our promotion before 2004, we were promoted at quite a sensible speed. Strict management is necessary, I think. Our promotion was not delayed or negatively influenced because of its strictness. The management of the agency told seafarers that as long as they were good, they could be promoted, and in fact it did so. We seafarers called the agency a good 'cradle' because its management let seafarers grow quickly and healthily.

However, due to the shortage of officer seafarers, especially senior officer seafarers, since 2004, fast promotion was badly needed by Ag2. Consequently, the promotion of seafarers in Ag2 was no longer systematically managed.

Specifically, after 2004, Ag2 did not have any additional requirements to the conditions set up by the CMB. It no longer controlled seafarers' applications to sit examinations. Instead, as long as seafarers reached the requirements of the CMB, the agency encouraged them to take promotion examinations by refunding their examination fees. In addition, as long as seafarers passed the examination and got their COC, apprenticeships would be arranged and then they would be promoted immediately by the agency. Different from before, the apprenticeship was no longer important. In some cases, interviews with ship-owners were arranged before seafarers

had received any apprenticeship. It was not rare for seafarers without apprenticeship to be promoted by ship-owners directly.

When talking about current promotion management, the Manning managers thought that it was very loose and the promotion of seafarers was too fast. He said:

The agency's promotion management has become very weak in recent years. Before 2004, seafarers had to have at least one year's apprenticeship before they could be promoted... Now, promotion is too fast because of the labour shortage. In fact, some seafarers are not adequately qualified for promotion. This is not right. There should be some management to provide a process to allow seafarers to learn and grow gradually.

To deal with the shortage of officer seafarers, since 2004, Ag2's promotion management has become more lenient in its requirements and the speed of promotion has become faster than before. This contributes to the reduced quality of seafarers in Ag2. Before specifying how the lesser quality of seafarers made it difficult to increase salaries by foreign ship-owners in section 9.3.6, the next sub-section briefly examines the changes of the discipline of the agency on seafarers and the implications to seafarers' quality so as to add further reasons for the low wages of seafarers and their resignation, which negatively influenced the development of the foreign manning business since the mid-2000s.

9.3.5 The changes of the discipline of the agency on seafarers

Before 2004, the agency was strict about discipline. The regulations specified different kinds of mistakes and corresponding punishments. Since 2004, however, discipline has not been enforced by Ag2. When talking about the discipline of the agency, the President of the TU said:

In previous times, registered seafarers would be fired if ship-owners sacked them twice consecutively from jobs at sea; as for other seafarers, they only had one chance. But we cannot do this now because of the lack of officer seafarers. Currently, when a seafarer makes a mistake at sea or is fired by the ship-owner, we won't apply strict discipline or punishment, but will just dispatch him to

another ship where he has not made a mistake before. So the self-discipline of seafarers is poor.

Seafarers' performance was negatively influenced by this loose discipline. When talking about the professional performance of seafarers at sea, the director said:

Seafarers are not managed as strictly as before. When there have been problems onboard ships, as long as ship-owners did not investigate the problems in any depth, the agency has turned a blind eye, and seafarers who should have been made to take responsibility for their laziness or wrongdoings have not been punished. So the workers' discipline is loose and seafarers present weakness and laxity at work.

The quality of seafarers in Ag2 decreased due to the changes of the management strategies, such as insufficient training, excessively fast promotion, loose manning and lax disciplinary management. The lowered quality of seafarers and their poor performances consequently constrained the increase of their wages by foreign ship-owners.

9.3.6 The reduced quality of seafarers and their low wages

Some senior officer seafarers complained about the lesser quality of seafarers. A chief engineer mentioned his experiences as follows:

The quality of Ag2's seafarers was once the best in this city. But now it is far from good. I have strong feelings about this from my last sailing. Many seafarers, including officers, knew little about their work. They could not undertake their duty. For example, when our Japanese ship-owner asked one 3rd engineer to examine the water in the boiler, he did not know he should get rid of the backwater first and then take the inside water, but gave the backwater directly to the ship-owner. Then that Japanese manager asked me 'Are you sure this is the water I wanted, or is it your Chinese tea?' I was very angry, since the 3rd engineer did not know a very basic operation.

Another example is when we called at a Spanish port, and an officer of the port state control examined our dynamotor, checking whether it could be stopped automatically if a problem occurred. However, when the officer turned down the oil pressure to a very low level, the dynamotor could not stop automatically. The officer said that if we had not tackled the problem when he came back the next day, our ship would be detained. I began to investigate the problem with three other engineering officers. Whatever I asked them, none of them could answer clearly. Finally, I found and solved the problem by myself. Those engineer officers did not understand the theory or the elements of how each engine works. So they could not tackle any problem if it happened at sea, but asked me for help. I felt very tired.

A captain said:

Some officers do not even know how to set down a lifeboat. The quality of officer seafarers and ratings is not as good as before. I think this situation will improve when the shipping market goes down and the lack of officer seafarers is not so serious.

The director said:

Because the management of the agency has not been as strict in recent years as it was before, seafarers do not build a solid foundation for their skills. There are many complaints from ship-owners and the reputation of the agency has suffered.

The reduced quality of the seafarers made it difficult to increase their wages by foreign ship-owners. The Business manager said:

Now, because our management and the quality of our seafarers are not as good as they used to be, it is difficult to negotiate with foreign ship-owners to increase their wages. In fact, it is because of the low wages that the foreign ship-owners are bearing with the low quality of our seafarers. They have increased their wages, but only to a limited extent.

In addition, the reduced quality of seafarers has resulted in an increase in the number of accidents at sea in recent years and some large ship-owners have ceased to work with Ag2. This made it even more difficult to increase seafarers' wages. When talking about the reduced quality of seafarers and the impact on the business, the director said:

The number of accidents within the past three years has increased noticeably because of the problem with the quality of seafarers. Last week, ship X, navigated by the seafarers of our agency, collided into the rear of another ship; water came into ship X through its nose cabin. As a result, ship X stopped and the ship-owner lost 70,000-80,000 dollars every day. That ship-owner was angry and discontinued its contract with us. Some other big ship-owners have also stopped doing business with us due to their dissatisfaction with the performance of our seafarers. These years, we have more cooperation with smaller ship-owners who had lower requirements in terms of the quality of seafarers.

It was easier to negotiate increases to seafarers' wages with previous ship-owners than it is with the current smaller ship-owners. Although the smaller ship-owners have increased the wages of seafarers to some extent in recent years, this increase is still very limited. We have been under more pressure because wages have increased fast in the market and the gaps between the wages given by Ag2 and the rates in the market have been enlarging year by year.

Therefore, the quality of Ag2's seafarers has decreased since 2004 due to the changes of the management to cope with the shortage of seafarers. This has made it difficult to increase salaries by ship-owners and thereby contributed to the low wages of seafarers.

9.4 Summary

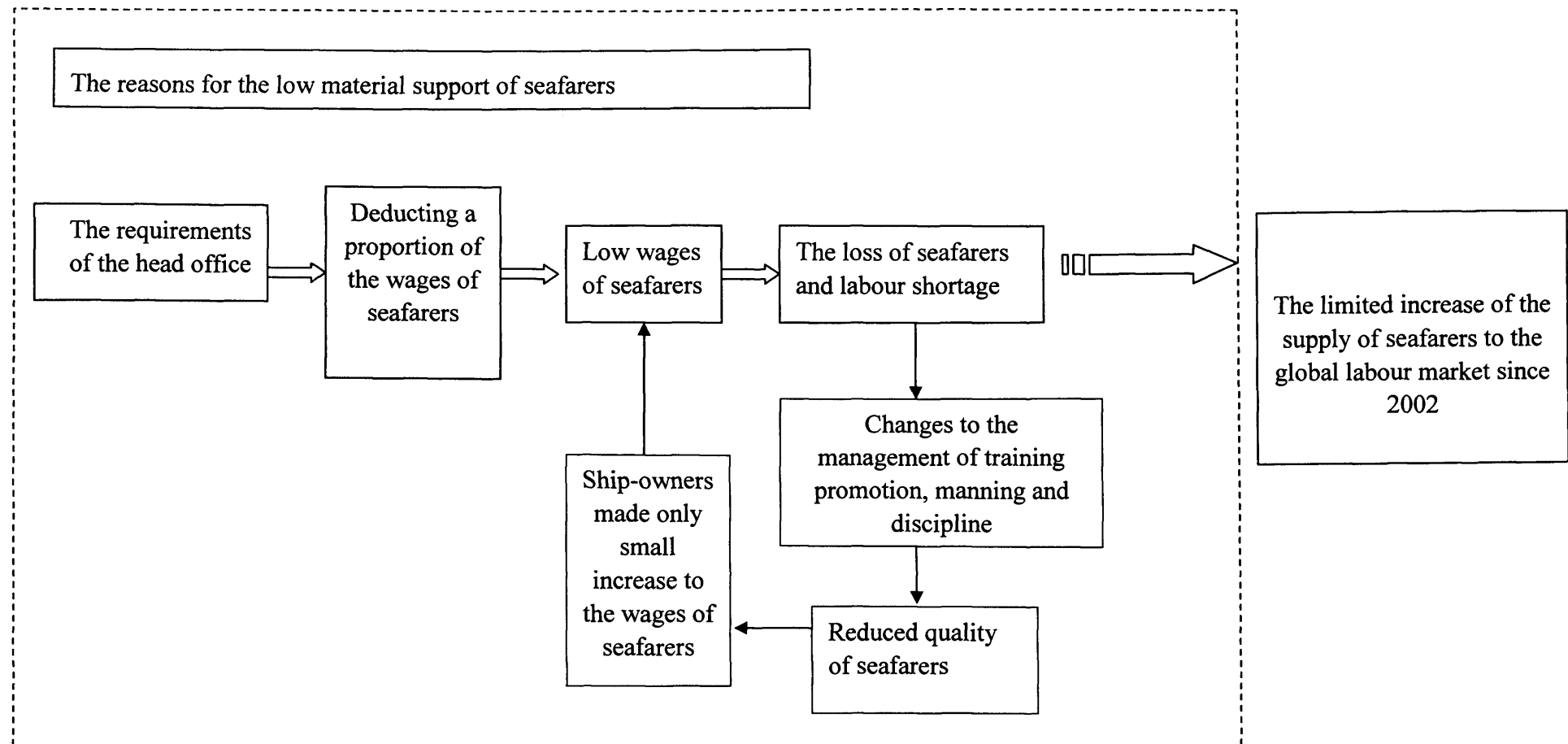
This chapter mainly analyses the reasons why seafarers in Ag2 received poor material support. It seeks to provide some explanations to the reasons for the resignation of officer seafarers in Ag2, which caused a shortfall in labour supply and consequently constrained the development of the foreign manning business since the mid-2000s.

It is initially analysed in Chapter 9 that the wages of Ag2's seafarers are lower than those in both the national and international seafarers' labour markets. The main reason for this, as analysed, is the interference of the head office, which means that Ag2 has no ability to manage its profits but had to return 80-90% of its net profit to the head office. Therefore, the discussion suggests that this independent agency was not really independent in terms of the control that it had over its profits. The independence of Ag2 was still quite circumscribed by the relationship with the head office.

According to the managers of Ag2, the intervention of the head office made Ag2 impossible to pay seafarers a competitive market rate and resulted in mass of officer seafarers leaving the agency. In response to the loss of officer seafarers and the consequent shortage of labour, Ag2 had to change its management strategies and hence the quality of seafarers declined, which made the increase in wages even more difficult to achieve and contributed to the loss of officer seafarers from 2002 (this logic can be seen in Chart 9.1).

The shortage of seafaring labour consequently constrained the development of Ag2's manning business with foreign ship-owners, as we will see in the next chapter. Before discussing this, Chapter 10 will consider the management strategies of Ag2 to cope with the resignation of seafarers and the consequences for seafarers and for the foreign manning business. The discussion seeks to add further explanations as to why many seafarers resigned in Ag2, which contributed to the shortage of seafaring labour and thereby limited the increase of the foreign manning business.

Chart 9.1 The low material support and its impacts on the foreign manning business of Ag2



Chapter 10:

Strategies for labour retention, the role of the TU and the foreign manning business

This chapter continues to explain some of the reasons why many officer seafarers resigned from Ag2, which impeded the development of the foreign manning business. Specifically, it describes the ways in which Ag2 seeks to channel the conflicts between the management and seafarers to reduce resignation rates, but in practice, how managers treated seafarers and why seafarers were dissatisfied with the management, which led to their resignation. In addition, it discusses how the TU in Ag2 failed to protect the interests of seafarers and because of this, seafarers can not get any help to improve employment conditions or work incentives, which also contributed to seafarers' resignation.

It initially discusses two management strategies – the 'two service' strategy and 'traditional ideological mobilization', both of which are designed to reduce the resignation rates of officer seafarers. Before looking at the foreign manning business after 2002 as a result of the shortage of seafarers, the chapter considers the role of the TU in Ag2.

10.1 The 'two service' strategy and the relationship between managers and seafarers

To reduce the loss of seafarers, a strategy was implemented in 2003, called 'two services: serving the ship-owners and serving seafarers'. The director learned this strategy from western HRM. This policy encouraged managers to change their conception from managing seafarers to serving seafarers, treating seafarers fairly, improving communication with seafarers and involving them in management. It emphasized humanized and personalized management in order to stabilize the seafarers' team and turn the company into a cohesive community.

Managers commonly thought that a good relationship between seafarers and managers had been built up through managers' frequent initiation of communication with seafarers and the help that they have offered to deal with seafarers' problems. However, many seafarers felt that this strategy was just a token effort and they had not felt any improvement in their relationship with the management. Some of the

seafarers even said they had never heard of this strategy and they thought that the relationship between the management and labour was still very unpleasant. The following sections explain seafarers' perceptions in detail.

10.1.1 The problems between labour and management

The 'two service' strategy emphasized a more humanised management, encouraging managers to care about seafarers and provide friendly management. However, seafarers were dissatisfied with the managers' attitudes and behaviour towards them. They complained about the following problems that they were confronted with.

Ratings and peasant seafarers felt that managers did not show them respect. They complained about the bad attitudes and arrogance of managers, as illustrated in this example:

The managers treat seafarers according to their ranks. If you are a peasant, will they take you seriously? Definitely not. If your rank is low, it is not a question of whether their attitude towards you is good or bad; but of whether they will give you enough respect as a human. When you come to the agency, they shout at you "Leave! Leave! Go back home! Don't stand in front of me. Wait at home!" ... When the managers meet an important person, they will be very polite; but when facing us, the ratings, most of them will turn very arrogant or even cruel. So if you are a rating, you feel that you are inferior.

In contrast to the ratings, who were low in rank and redundant in the labour market, officer seafarers felt that they were treated with respect by their managers. However, they were still unhappy with the managers' attitude. Some officer seafarers, especially the elders, were angry about their inferior status. A 63-year-old chief engineer commented:

The attitude of the managers towards me is not bad. But I feel that the officer seafarers are not as important for our agency as we once were. In 1981, when the agency was established, it depended on us a lot and the managers were very nice to us, as there were only a handful of registered officer seafarers then.

At that time, when officer seafarers were leaving for a certain ship or coming back after a trip, the managers of the agency would go to the airport to see us off or welcome us back. Additionally, managers looked in and even nursed us when we were ill in hospital. Sometime they also helped us to change the gas jars in our houses. They did these things because they had to depend on us to make money.

But now, it is different. There are almost 700 registered seafarers in the company. When there are more seafarers and when the agency has earned more money, managers pay less attention to us. Now when I come to the agency, nobody takes the initiative to talk to me. They all seem to be very busy. Around 1995, I remember a chief engineer complained to me that when he was ill in hospital, nobody from the agency went to see him. He felt very angry. But now, this situation is too common. It is very strange if a manager visits a seafarer when he is ill now.

Some officer seafarers were also dissatisfied with the managers because they offered lip service only. For instance, although the agency promised to transfer the *hukou* of peasant officer seafarers when they became senior officers, many peasant senior officers had to wait for several years after reaching this position. In addition, some allowances that should be paid to seafarers were not paid in time. A 2nd engineer told his story about unpaid housing allowance:

While my manager has promised to give me the money, they asked me to wait without specifying how long it would take. So I don't know how long I still have to wait for the money.

The 'two service' strategy also highlighted the communication between the managers and seafarers and the involvement of the seafarers in management. However, seafarers told a different story.

Both officers and ratings said they seldom came to the agency and there was little communication between seafarers and managers. Some seafarers thought their ideas were not important to the agency and consequently they seldom mentioned them.

They gave many similar complaints, as illustrated in the following two examples. A rating seafarer said:

I never come to the agency unless I have to. I rarely communicate with the managers or suggest anything, as they don't care about us or change anything for us. Everything has been decided by the managers to guarantee their high profits.

A 1st engineer said:

Though I am a registered seafarer, I think I am an outsider to the agency and they will not listen to me. Even if I tell them my ideas, nothing will change.

Some seafarers regarded the gap in the economic conditions and social status between managers and seafarers as one of the reasons for the poor communication. A 2nd engineer said:

In fact, it is not very pleasant to talk with the managers. While their attitude is not as bad as it is towards ratings, the managers are still rich and powerful people, unlike us seafarers. They never talk to me or care about my life or work. I feel, you know, the managers are far from me. In this situation, how can I communicate with the managers or tell them my true ideas?

A chief officer said:

...This [little communication] is because the director and the managers are of a much higher status than me. I am afraid the director or manager will have a bad impression of me if I tell them what they need to improve and what they need to do. Given all the negative consequences for me, why should I say anything?

Some seafarers did not communicate with managers because they were unhappy with the payment offered by the agency. A captain said:

I will not communicate with them [managers], as the development of the agency is not related to my interests at all. I signed a fifteen-year contract from 1998. During the last ten years, although the agency's profits have been high, the salaries of our seafarers have been low. Although the shipping market is growing so fast now, my salary is still lower than the salaries of seafarers in other domestic companies.

Therefore, the management has not become friendly or considerate, according to seafarers; the communication between the management and seafarers has not improved. The 'two service' strategy that is intended to stabilise the seafarers' team and turn the company into a cohesive community seems to have had little effect.

Seafarers' dissatisfaction with the management's treatment was not limited to managers' attitudes or lack of concern. Over and above this, seafarers felt that the management was unfair and unprofessional, because some managers took advantage of seafarers, expecting bribes from them. The next section will look at this.

10.1.2 Personal relationships/*Guanxi*

As explored by Walder (1986), the personal relationships/*Guanxi* was one of the institutional cultures in traditional Chinese factories. In Ag2, as we saw in the case in Ag1, *Guanxi* is evident in the shipping industry.

To eradicate this historical disadvantage of the Chinese institutions and to improve management, the 'two service' strategy implemented in Ag2 required managers to promote equal and fair management. However, according to seafarers, personal relationships/*Guanxi* were still strongly influential in management decisions and the management was unfair in many ways. So why were personal relationships still important in Ag2 after almost thirty years of economic reform, and what were the impacts on seafarers? The following sub-sections discuss the questions.

10.1.2.1 The power of managers and the importance of personal relationships

The personal decisions of managers can greatly influence the interests of seafarers, which means that seafarers' personal relationships with managers are very important. The power of managers is illustrated in the following examples.

Working opportunities

Manning managers could influence the working opportunities of seafarers. According to the seafarers, a good personal relationship with managers led to better opportunities to work onboard ships. A 3rd officer said:

If I want to work onboard, the most important thing for me is to be recommended by the Manning manager to be interviewed by the ship-owner. If there are ten 3rd officer seafarers, the manager will not ask all of them to prepare for the interview, but will select several seafarers who are close or important to him. Then the rest of the 3rd officers have to wait for other chances. So you can get great opportunities if you have a good relationship with the managers.

Promotion

The Manning managers also influenced the promotion of seafarers. By developing a good relationship with the managers, seafarers thought they could work at a favourable rank at sea. A 2nd officer told me:

Without a connection with the Manning managers, if you hold a 2nd officer's certificate, they can ask you to be 3rd officer onboard, giving you the wages of a 3rd officer. They will say that this is because, 'there is a shortage of 3rd officers'. In this case, you have no other choice but to work as a 3rd officer, receiving 500 dollars less per month than a 2nd officer. I had such an experience.

A motorman said:

Before I started to work as a motorman, I worked as a steward for three years. I accumulated no experience as an engineer as a result of the management. It was very unfair to me. I then talked about my condition to other elder seafarers. They told me the reason was my failure to cultivate connections with the Manning managers. Following their instructions, I built good personal ties with the Manning managers and consequently worked as a motorman on my third trip.

Working onboard 'good ships'

According to seafarers, 'good ships' are not only ships of good condition, but also included ships sailing on good sailing routes and those associated with high salaries because of the generous overtime pay from foreign shipping companies. In addition, when working onboard 'good ships', fewer jobs were required and safety at sea could be better secured. A ship owned by a famous shipping company could be a 'good ship' as well because working aboard such a ship could be a valuable experience for seafarers' records.

Seafarers were very concerned about the conditions of the ships on which they worked. "Every seafarer wants to work onboard good ships", a chief engineer told me. Having a good relationship with managers, according to seafarers, meant that they could have better opportunities to work onboard good ships. An AB said: "Manning managers will deliberately choose a good ship for the seafarers who are close to them. This is the reality and very common."

A 1st officer said:

Now, we are assigned by the Manning managers onboard ships of different conditions. Who will be called to work on good ships and who will be called to work on bad ships depends on the decision of the Manning managers. With good personal ties with the manager, we can be called to work onboard good ships. With bad ties, we will only go aboard bad ships.

Working for a good period at sea

Some seafarers also suggested that the relationship with managers could influence the duration of work at sea, which sometimes did not strictly follow the terms in the sailing contract, but depended on the decisions of Manning managers. A 2nd engineer said:

Without good personal ties with the Manning managers, they will not arrange a seafarer to replace you when you finish your working period. They won't feel guilty because they can use the excuse that 'no other seafarer can be found to

replace you'. Adversely, they can blame you for using the satellite phone onboard to call them several times to ask for a holiday. I experienced this.

When I was told that I had to work for several extra months, I felt desperately frustrated and disappointed. As you know, the work onboard is very hard and every seafarer looks forward to the coming holiday and returning home. So the work during the additional months was much harder.

But now that I have cultivated a good personal tie with the manager, I can go on holiday on time or even earlier than the time stipulated in the contract and also enjoy a good return trip.

Due to the power of the Manning managers, seafarers took their relationships with these managers seriously. In my fieldwork, many seafarers I chose to interview were called by the Manning managers to come to the agency immediately. When I asked them how they were able to come so quickly without advanced appointments, most of them, including captains and chief engineers, answered that they had come by taxi because they wanted to perform well in front of the managers. One 3rd engineer also told me that:

I have to satisfy the requests of the Manning managers; or else they will be angry with me and have a bad impression of me. Then, next time they intend to recommend me to the ship-owner, they will remember that I once refused them. So they will not give me the opportunity, or will force me to work aboard bad ships.

In addition, when Manning managers asked seafarers to go aboard a ship in bad condition, even if the seafarers did not want to follow the order, some of them had to compromise in order to maintain their relationships with the managers. A 2nd officer said:

But if the condition of the ship is not good, I will not tell the managers that I don't like the ship or I don't want to go. Even if I spoke up, they would not

change their minds, but my personal tie with the managers would probably be impaired.

A chief officer told me:

I hope to work aboard good ships, but I have no choice. Without exception, I accept the orders of the Manning manager every time. If the state of the ship is bad, I just don't think about the dangers.

Even if some seafarers did not follow the orders of managers, they declined in a very implicit, prudent way. A Bosun said:

If I don't want to work onboard a ship, I will not go onboard. I will tell the managers that I am seriously ill or that something bad has happened at home and I cannot leave. I cannot ask the Manning managers to arrange another ship for me, because if I did so, they would be angry with me and probably blame me, saying, 'If you don't go, tell me who will!' So I need to be very careful with my attitude and words. I need to find an irrefutable excuse. I have to let them know I really want to go but I am just unable to do so. I cannot offend them. I dare not.

Therefore, managers possessed significant power that could influence the interests of seafarers directly. As a result, seafarers took their relationships with the managers very seriously.

However, showing deference alone seemed not to be enough to develop and maintain good relationships with managers. The next part discusses the ways in which seafarers built up connections/*Guanxi* with managers.

10.1.2.2 The bribery behaviour of seafarers

Due to the great power of managers, seafarers had to develop and maintain good relationships with managers. According to seafarers, bribing was the most effective and common way.

The most common bribe, according to seafarers, was money. Seafarers thought bribing through money was effective. A rating said:

I was recruited in 1995. I waited at home for two years for an opportunity. In 1997 I got my first onboard working opportunity because I bribed one manager with 2000 *yuan*. It was so useful that I got the opportunity just two weeks after I had bribed him. For my second opportunity, I bribed two managers with 1000 *yuan* each. One week later, they called me and told me to prepare to go. It was 100% effective. Now I bribe them every time I finish a voyage, giving them between 1000 and 5000 *yuan* to maintain a long-term relationship. You know, too many seafarers bribe the managers. If I hadn't heard the experiences of others, I would not bribe. If others bribe but I don't, they will get the good working opportunities.

In addition, some seafarers chose other ways to bribe. However, they had to be very careful with the bribes that they prepared. A 3rd engineer said:

Today, just before this interview, I bribed a Manning manager by giving him two packs of cigarettes. I was also told that the two packs of cigarettes must be the same to show my respect. Otherwise, the manager would think that I had not prepared carefully. I think it is a common view among seafarers that bribing managers is a good way to cultivate a connection with them and create better opportunities for ourselves.

However, not everyone was able to bribe managers. According to seafarers, managers did not accept bribes casually from people with whom they were not familiar. Therefore, seafarers who wanted to bribe managers had to find a good 'broker'. A chief engineer said:

But not every seafarer has the chance to bribe. Around 1990, I remembered a 3rd engineer who had had a long holiday for 24 months and hoped to bribe a Manning manager to get a working opportunity. But that Manning manager did not accept, because he did not know the seafarer. Then the seafarer came to me for help. I knew that he desperately needed a chance. It was also clear that

without bribing the manager, he would not get any onboard opportunity. So I helped him by asking the manager out to dinner with the seafarer and myself. Finally, the seafarer managed to bribe the manager with a pack of cigarettes after dinner. As a result, one week later, he was given an onboard working opportunity.

Consequently, through bribing, seafarers built up relationships with managers so as to further their personal interests. However, successful bribery did not come naturally. Seafarers had to find a good 'broker' and to carefully prepare the bribes. When personal relationships were so dominant within the agency, how did they influence seafarers and how did seafarers perceive this? The following section will focus on this issue.

10.1.2.3 Seafarers' assessments of the particularism

Some seafarers were angry with the management. Initially, the importance of personal relationships made the management seem very unfair. This can be seen from the previous quotes, exemplifying that seafarers who were personally connected to managers were given good working opportunities. As a result, some seafarers felt disappointed with the management. A 2nd officer said:

Sometimes, managers' encouragement and promotion of responsible and experienced seafarers can bring these seafarers a sense of success and satisfaction, which is more useful than money to unite the seafarers to the company. However, no matter how hard I work, I rarely get any positive feedback from the managers. I don't think they really care about hard-working seafarers. I feel that the distance between the managers and myself is getting larger and larger.

In addition, in order to build up personal relationships, bribing managers resulted in economic pressure on seafarers. Seafarers commonly reflected that in recent years, bribery had become harder because the requirements of the managers had become higher. A chief engineer who joined the agency in 1985 said:

Nowadays, with the increase in the salary of seafarers and the improvements to material life, bribes have become much more expensive than they were ten and twenty years ago. Ten years ago, treating managers to dinner or bribing them with a pack of cigarettes was a common way to build up personal ties. But nowadays, if you bribe them with less than 2000 *yuan*, you will still not get a good onboard opportunity.

Furthermore, due to the dominant position of personal relationships in the agency, many low-skilled seafarers were given working opportunities, which caused problems at sea. A chief officer said:

This approach of management is problematic. It is not only unfair, impairing the interests of seafarers, but brings many problems at sea. This is very obvious when considering the employment of ratings.

Bribing Manning managers is more common and serious among ratings than officer seafarers because they are redundant in the labour market. It could be said that ratings have to bribe to get onboard working opportunities. Consequently, some of the ratings assigned onboard don't work hard at all. They are very difficult to manage. They think that even if they don't work hard, they can still get opportunities as long as they bribe the managers. So they are very irresponsible and unprofessional... In this agency, I have worked with some very responsible and hard-working ratings, but because they don't know any powerful people and can not afford expensive bribes, they hardly get any opportunities even though they are very good ratings.

A 1st engineer said:

I know a steward, who is the son of the ex-judge of the urban Maritime Court. He didn't work hard onboard ship. Many times the captain called the agency to find somebody to replace him. But the agency did not do so, because he is the son of the ex-judge. When I worked onboard the same ship as him from Singapore, seafarers asked me to 'save their lives', as the rice prepared by the steward was never properly cooked. I talked to the steward and told him I would

like to help him to prepare rice, but he found me some rotten rice to cook to humiliate me. I was very angry. Since the seafarers also became angry when they could not have good food, I fired the steward by threatening the agency that if the steward did not leave the ship, I would leave. There are many incidents like this.

Although seafarers could further their personal interests by bribing the managers, the best opportunities were not prepared for them. There was a group of seafarers who were given the best working opportunities and material support. They did not have to bribe and they were not the most skilled or experienced seafarers, but they were connected closely to people in positions of power, such as relatives or close friends of government officials and the managers of the agency. As a result, a majority of interviewees agreed with the “dispatching sequence” or a “manning rule” that a senior seafarer generalized after he had “observed” the work of Manning managers for 22 years:

Seafarers enjoying the best onboard opportunities and arrangements are those who are related to somebody powerful, such as the relatives of the managers. Following this are the people who bribe the managers through their own efforts. Those who do not bribe but are very skilful and experienced come third. Sometimes, these seafarers are needed to work with those in the first and second categories so as to accomplish the sailing task.

Therefore, the management in Ag2 deviated from the spirit of the ‘two service’ strategy. The strategy, which was intended to reduce the loss of seafarers, failed as a result. So why were the managers unable to implement the strategy in their daily work?

10.1.3 The management of the managers in Ag2

The first reason why managers did not implement the strategy is related to their benefits, which are secured by the head office. That is, even if the manning business is not profitable, the managers will not get sacked. Instead, the head office will find them other jobs because of their strong social background. In Ag2, with the exception of the several senior managers who had been working in the agency since the 1980s,

most of the managers, especially the young managers, were recruited through their social relationships and social background. A 63-year-old chief engineer said:

Without connection with a particular manager or with powerful people, nobody can be employed by Ag2 as managers. When Ag2 was established in 1985, I was the agency's only chief engineer. I trained the current managers, who were engineers when they worked at sea. I know the skills and capability of each of them clearly. They were not distinguished seafarers. I am sure that 90% of the managers would be confused if they were asked to go onboard to tackle engine problems. When I lectured them about the automatic control of the boiler, none of the current managers understood. So those who were not good at seafaring were promoted to do office management work just because of their social background.

One captain said:

Some seafarers were promoted to do management work not because of their capability but because of their social connections with powerful people ...I am confident to say that most of them were not skillful seafarers when they worked aboard ship, as I worked with most of them.

Secondly, the poor implementation of the 'two service' strategy is related to the fact that there is little incentive for the managers. Since the head office takes most of the net profits away, there is very little money left for Ag2's managers' bonus. Therefore, no matter how hard the managers work or how well they treat seafarers, their material support can not be improved much.

Thirdly, managers' poor treatment of seafarers is associated with their weak supervision and limited accountability in Ag2.

In all, due to the lack of reform concerning the management of managers, the managers did not carry out the 'two service' strategy effectively. They did not serve the seafarers or carry out friendly management, but asked for bribes from seafarers. Seafarers were consequently dissatisfied with the management. This contributes to the

explanations as to why many seafarers resigned from Ag2, which impeded the growth of the foreign manning business after the mid-2000s.

In addition to the 'two service' strategy, Ag2 implemented another strategy to stabilize the seafarers' team and turn the company into a cohesive community. The following section considers this strategy and its effects.

10.2 Traditional ideological mobilization

Under the requirements of the head office, Ag2 still remained some traditional activities that were organized by the SOEs in the 1970s and 1980s. These activities were intended to channel the conflicts between labour and management and improve seafarers' loyalty by propagandising the care and love of the leaders to seafarers.

One of the main activities was that several senior managers visited the families of seafarers working onboard ships on the agricultural spring festival. This task was very important: the director claimed that, "Such visiting was required by the head office. It is an important political task". The aim of these visits was to publicize several key meanings to seafarers through the year-end reports.

One aim was to show that the managers loved and cared about the seafarers. For instance, the following paragraph in a 2007 report put it like this:

...the activity of visiting the families of the seafarers was encouraged and supported by the head office. During the spring festival holidays in 2007, three senior managers of the company participated in this activity. To avoid visiting seafarers' families during working hours, the managers sacrificed their leisure time and visited the families in the evenings. They had no time to have dinner, but just had some dry bread. Despite this, none of the managers complained. They commonly believed that this visiting has significant meaning and their own interests should not be counted.

Another purpose was to publicize 'good examples' and ask seafarers to learn from them. The 2005 report said:

...The managers were also moved by the families of seafarers. For instance, the managers found that some seafarers' parents were ill but seafarers could not go home and take care of them; some seafarers' wives were ill but they still had to take care of children; some seafarers' wives could only afford instant noodles for every meal, but they did not complain to their husbands who were working at sea.

One family member told the managers, 'It was wonderful to see you. I will definitely be a good wife so as to reduce his worries about us and let him work well at sea. I won't tell him about any problems at home. Although I am not well, if the agency asks my husband to work onboard, we will support the company's decision.'

Another seafarer's wife said, 'Since I am married to a seafarer, no matter what difficulties arise, I will handle them by myself. When my husband was working at sea, my mother-in-law was ill and my parents were ill as well. I had to take care of them and it was a very heavy burden. However, I did not ask my husband to stop working or return home to deal with the problems. As a wife of a seafarer, I should be brave and cope with any problems.

The ultimate intention of the reports was to propagandise the seafarers' and their families' love of the management and mobilize seafarers to work loyally for the agency. A paragraph in the report 2006 reported:

The parents of another seafarer said, 'We really appreciate your visit. When I see you, I feel that I have seen my own son.' Because of the mutual appreciation, the hearts of the managers and the families of the seafarers were closely connected. We will become a more solid community, overcoming all the difficulties in front of us. Because of the good seafarers and their families, we will not be afraid of any difficulty.

In addition to the visits and the propaganda, the agency organized other activities in order to improve the loyalty of seafarers. For instance, activities celebrating the New Year were organized in the agency's meeting room each year and some seafarers and their families were invited to attend; following this, free dinners were offered and

New Year presents, like food, towels and toothpaste, were given to seafarers. In 2007, for the first time, some officer seafarers received boxes of moon-cake sent by the agency on Mid-Autumn Day. Moral lessons were organized to publicise the notion that seafarers who resigned from the agency were selfish, irresponsible and immature, and that everyone should look down upon them.

The head office required Ag2 to organize these activities. In China, such activities and political propaganda are organized by the central government to unite Chinese people. The main media in China often report, for example, good examples of workers who 'like their factory as much as their homes' or 'sacrifice their own interests for the interests of the factory or the country'. In addition, some live entertainment performances are organized for the people in poor rural areas, which are meant to 'send the care and love of the central government to the local brothers and sisters', and other Chinese people can also watch these performances on TV. In the large SOEs, some collective activities, such as Labourers' Sports Meetings, spring and winter trips and performances to celebrate special days and festivals are organized every year, which are also meant to propagandise the idea of solidarity and mobilize workers to work hard.

However, the activities organized by Ag2 that were intended to stabilise the seafarers' team and transform the company into a cohesive community had little effect. Seafarers did not show much appreciation because they thought the activities were just formalistic and did not address their problems, such as low material support. A captain from Ag2 said:

Actually, you can feel the care of the company. On the last mid-autumn day, the company sent me a pack of moon-cake. It had never happened before. Also, at the end of every year, my family is invited to the New Year celebrations organized by the company, which is normally a collective dinner. But my family and I have never attended. It is meaningless for us; we are suffering from low salaries and the pressure of life. Additionally, the agency did not mind or even notice whether my family and I were there or not, so we did not bother to waste our time and money.

A 2nd officer said:

I attended the New Year celebration in 2006. At the end of the activity, every family was given a box of frozen steamed-bread, worth less than 100 *yuan*. I joked with my wife that I thought it would give us a woollen blanket to celebrate the fact that we had moved into our new house. I don't think such activities can bring the hearts of seafarers closer to the management because seafarers are confronted with realistic problems, such as low wages and the managers' bad treatment of them.

Therefore, the traditional mobilization that aimed at channelling the conflicts between the management and seafarers and reducing resignation rates had little effect. Although the traditional strategies proved useless, Ag2 had to repeat them year-by-year so as to fulfil the 'political' task assigned by the head office. The rate of the loss of seafarers did not decrease despite these activities, which consequently impeded the increase of the foreign manning business in the 2000s, as we will see at the end of this chapter.

The next section adds further explanations to the reasons for the resignation of seafarers. It considers how the TU in Ag2 has reacted to the poor treatment that seafarers received from the management and protected seafarers' interests and rights.

10.3 The trade union in Ag2

10.3.1 The TU and its structure

The TU has been almost forgotten by the seafarers in Ag2. Seafarers claimed that they had not had any connection with the TU for many years. A senior seafarer said:

I am not sure whether there is still a TU in Ag2 or not. I guess it should have one. Ten years ago, the TU organized some entertainment and sports activities for us. However, it has stopped doing this. I do not even know the current Chair of the TU. I am sure many seafarers don't know either.

The TU of Ag2 was established when Ag2 merged with the head office in 1991. It was a branch of the head office's TU and was under its leadership. Instead of

associating with the TU of the head office to organize activities and being supported by it financially, the TU of Ag2 worked independently. The funding of the TU, according to its president, came from Ag2's profits.

In Ag2, the TU was under the management of the Party Branch. The status and treatment of the chair of the TU was the same as that of the senior managers, such as the Head of the Department of Finance.

The structure of the TU was quite simple, consisting of a part-time president and part-time heads of the union teams onboard each ship. The election of the president was not in accordance with the Chinese TU Law. The chair was the full-time director of the manning department. He was appointed by the Director of Ag2 as the president of the TU. The monthly working hours of the chair of the TU were not clearly regulated. As the chair said, "whenever there is a need for me to work as the chair, that is my working time". In addition, he was not paid an extra salary for his job in the TU. When talking about such arrangement, the director of Ag2 said:

We appointed a Manning manager as the President of the TU because we consider that the Manning managers work with seafarers directly. If there is any problem, seafarers can look to the Manning managers for help. It is convenient.

All the part-time heads of the union teams onboard each ship were captains. When a crew onboard each ship was taken as a team, the captain organized the work of the TU at sea and was responsible for the president of the TU.

In 2008, 600 out of 700 registered seafarers, including peasant seafarers, were members of the TU. Consequently, membership was less than 100%. The reason given by the President of the TU was that the 100 seafarers were peasant seafarers who were recruited in 2008 and late 2007. These seafarers would be included next year if the managers were satisfied with their performance. In law, however, these peasant seafarers had the right to be unionized irrespective of managers' views.

10.3.2 The role of the TU

As in Ag1, the union played no significant part in advancing workers' interest. At Ag2, the main responsibility of the TU, according to the Chair, was to coordinate the relationship between the seafarers and the company. In addition, the TU's work included expressing the sympathy and solicitude of the community to seafarers who were in poor health and organizing donations to help them. However, organizing entertainment and sports activities was no longer the work of the TU. The President of the TU explained:

Few entertainment activities are organized for seafarers because it is difficult to organize seafarers on holiday. In addition, I am occupied by my work in manning management.

Another aspect of the TU's work was helping the secretary of the Party Branch to cultivate Party members. The president of the TU stated that in the first half of 2008, two seafarers became members of the Party and another two seafarers became candidates. Normally four to five seafarers became members of the Party each year. In addition, the TU president was also responsible for the moral education of members.

With regard to issues connected with the workers' vital interests, such as fair payment and equal treatment, the TU seemed to pay no attention. There was no collective bargaining in Ag2, according to the President of the TU. He explained:

I am the Manning manager. The vice secretary of the Party Branch is the Vice managing director and the secretary of the Party Branch is the managing director. So the management of the agency is actually decided by us, by considering the interests of the enterprise and the interests of seafarers together. Therefore, there is no need for collective bargaining. Although problems arise, such as the low salary of seafarers, we have already tried our best to make the management optimize the benefits of the company and the seafarers. We have no better choice.

If there is a major problem with serious consequences, we will try to adjust our management method. We won't organize seafarers to fight against us and there is no collective bargaining organized by the TU.

In Ag2, there was no channel to reflect workers' opinions. This might have been because the TU's president was too busy with manning management or because seafarers did not talk to the managers much, as discussed in the first section of this chapter. When asked about how he learned about seafarers' grievances, the President of the TU said:

Most of the seafarers have no problem. I am only concerned with seafarers who are ill and unable to work onboard ships and those who lose their working ability completely. They need my attention.

Therefore, the role of the union was limited to helping a small number of seafarers who were ill or unable to work. The needs and grievance of most of the seafarers were simply overlooked.

10.3.3 The Assessment of the TU

Managers found the TU helpful. The director of Ag2 said:

I am satisfied with the work of the TU. It takes care of both the benefits of the enterprise and the interests of the seafarers, especially those who need our help.

The Training manager said:

The TU persuades seafarers to work loyally and work hard in Ag2. This is an important achievement.

The business manager saw the role of the TU as providing help to seafarers who were seriously ill. He explained the role of the TU as follows:

The TU in China is different from foreign ones. The Chinese TU is established by the Party and is under its leadership. The TU is not an independent

organization. So it has to work for the Party to unionize the ordinary workers and support the leadership of the Party.

When the secretary of the Party Branch is the managing director of the company and the Chair of the TU is employed by the company, how can the union fight against the management for the interests of workers? So the TU just needs to do what it can do in current circumstances, for instance, organizing donations and raising money for poor and ill seafarers. That is the role of the union in reality.

Seafarers' assessment of the TU was not positive. They felt that they had no support from the TU to engage with the discussion of the company's management. The following quotes illustrate this point.

"We don't participate in discussion about the company's management. Managers discuss this internally." (A 3rd officer)

"I have never participated in policy making. No one has asked my opinion." (A 2nd engineer)

"There is nothing for us to discuss. The company just gives you a contract and tells you the rules. If you think it is ok, you sign the contract. If you are not happy, you just do not sign and have no job." (A 3rd engineer)

"The company decides everything to maximize its profits. It never asks about the opinions of seafarers. They retain as much of our salaries as they can for profit. Unless all seafarers resist the management together, the company will not concede." (A chief officer)

Seafarers also complained that the TU did not organize entertaining activities for seafarers on leave. A 2nd engineer who joined the agency in 2003 said:

Many TUs of SOEs in China at least organize entertainment and sports activities for their workers and take care of their welfare. However, the TU in Ag2 has not

organized any activity for seafarers for a long time. I can't remember the last one.

A captain said:

While we are on leave, no trips or activities are organized by the TU. I am not sure whether the TU exists. It does not play any role. I have almost forgotten about it.

When talking about the union teams onboard each ship, the captains who were the heads of the teams could not name any job related to the unions that they had done.

As one captain put it:

I once heard that captains were the heads of the union teams onboard ships. Actually there is little work for us in this regard and we have little connection to the union.

Therefore, the TU failed to protect the interests and rights of seafarers. The lack of work incentives and the absence of a mechanism for improving their position contributed to the fact that many seafarers resigned from Ag2, which led to the shortage of seafarers and thereby constrained the growth of the foreign manning business after the mid-2000s.

10.4 The loss of officer seafarers and its influence on the foreign manning business

Many officer seafarers resigned in Ag2 as a result of the management, such as low material support and the failure of strategies to bond the workers to the agency, as explained in this and the previous chapter (Where the seafarers who resigned from Ag2 went will be explained in Chapter 13).

The decline in the number of officer seafarers in Ag2 can be seen from Table 10.1. In 2002, Ag2 recruited around 150 graduates. In that year, Ag2 possessed the largest number of officer seafarers in its history. Despite the consistent recruitment of officer seafarers afterwards (around 70-100 graduates annually were recruited from maritime universities and colleges), the numbers of officer seafarers have decreased since 2002,

as resigned seafarers outnumber those recruited. Consequently, the average loss rate of officer seafarers from 2002 to 2008 was around 18%. The loss rate illustrated an accelerated increase from 2002 to 2008 (Table 10.1; Chart 8.1).

Table 10.1: The decreasing number of officer seafarers from 2002 to 2008

Year (Y)	Recruited(R)	Number of officer seafarers (N) *	Loss (L)	Loss rate
2002	150	904	89	10%
2003	75	890	105	12%
2004	87	872	134	15%
2005	85	823	157	19%
2006	97	763	182	24%
2007	105	686	192	28%
2008	115	609	150	25%
Average				18%

* $N_{(Y)} = N_{(Y-1)} - L_{(Y-1)} + R_Y$.

For instance, the number of officer seafarers in 2005 ($Y=2005$) = $872 - 134 + 85 = 823$

Source: Ag2 Department of HRM

Due to the large number of resigned officer seafarers, Ag2 was unable to dispatch enough seafarers onboard foreign ships. Since there were not enough freelance officer seafarers in the market (for reasons discussed in Chapter 3), Ag2 was restrained from increasing the supply of seafarers onboard foreign ships and the number of the ships manned by Ag2 has remained at around 40 since 2002. When talking about the limited increase of the foreign manning business, the business managers of Ag2 said:

We have a business website. Some ship-owners take the initiative to cooperate with us. Sometimes they start this cooperation by visiting us. So the expansion of the business is not a problem at all. However, we don't have enough officer seafarers. This constrains the development of the manning business. It is our biggest problem.

Therefore, the shortage of officer seafarers limited the increase of labour export by Ag2.

10.5 Summary

This chapter seeks to add further reasons for the resignation of officer seafarers in Ag2, which resulted in the shortage of seafarers and consequently constrained the development of the foreign manning business. Specifically, it considers the following issues.

It initially discusses the ‘two service’ strategy. It was learnt by the director from western HRM, and its aims are to promote humanized management and channel conflicts between the management and labour so as to reduce the resignation rates of officer seafarers. However, the strategy was implemented by the managers weakly. Data suggest that both ratings and officer seafarers were dissatisfied with the managers’ attitudes and behaviour towards them, despite the strategy. As before, there was little communication between managers and seafarers. In addition, the personal relationships/*Guanxi* that were identified by Walder (1986) as a feature of the institutional culture of China’s traditional organizations were still dominant in Ag2. Although the ‘two service’ strategy was intended to correct this by promoting equal and fair management, this strategy ultimately failed. To cultivate and maintain good relationships, most of the seafarers had to bribe managers. This resulted in economic difficulties for seafarers and problems with work at sea. This informal and unfair management was related to the lack of reform concerning the management of managers. Seafarers’ dissatisfaction with the management contributed to their resignation.

In addition to the ‘two service’ strategy, some traditional activities were organized by the agency under the requirement of the head office to propagandise the care and love of the management to seafarers so as to improve seafarers’ loyalty to the agency. However, seafarers showed little appreciation, as they received low material support and poor treatment from the management, as seen in this and previous chapters. As a consequence, the resignation rates of officer seafarers were not reduced.

Furthermore, the role of the TU in Ag2 in representing the interests of seafarers was examined. It was found that the TU did not care about seafarers and did little, if anything, to protect their interests. Seafarers felt that the TU was actually very weak,

if it existed at all. The failure of the TU in terms of improving employment conditions and work incentives for seafarers contributed to their resignation.

Therefore, seafarers were confronted with problems such as low material support, poor treatment from managers and little protection from the TU due to the interventions of institutions at higher levels and the lack of relevant reforms as seen in this and the previous chapters. These problems contributed to the resignation of seafarers in Ag2. The shortage of officer seafarers consequently constrained the increase of labour export by Ag2 since 2002.

In both of these cases, then, there are factors that impede the development of seafarer export. In the case of Ag1, we saw that due to the various forms of support and constraints from the PSC and governmental departments, Ag1 reformed its management to a limited extent and the agency lacked market orientation. This resulted in a shortfall of seafarers, which consequently constrained the development of the foreign manning business. We can see here, in the case of Ag2, that although it is not a subsidiary of a state-owned shipping company, there are still factors that impede the expansion of the seafarer export in this independent state-owned crewing agency. This includes the intervention of the head office in the distribution of Ag2's profit, which resulted in the low wages of officer seafarers, and the lack of reform concerning the management of managers, which led to managers' poor treatment of seafarers and seafarers' dissatisfaction with the management. These problems resulted in the resignation of seafarers in Ag2. Due to this shortage of seafarers, the increase of the seafarer labour export was constrained. In addition, in both of the agencies, the TUs are nugatory. They played little role in protecting the interests of seafarers or improving their employment conditions. The absence of a mechanism for improving seafarers' positions contributed to the shortage of seafarers in Ag1 and Ag2 and the poor performance of the foreign manning business.

Ag1 and Ag2 have been two of the most influential foreign manning agencies in China. The study of these agencies suggests that despite the economic reform, the state-owned crewing agencies in China may not be as reformed or market-oriented as people have assumed (Li and Wonham, 1999; Sharma, 2002; Wu, et al 2007). This partly explains the overestimates of the likely progress of China's seafarer export.

With the economic reform in China, Chinese seafarers can choose their employers. In addition, with the fast growth of the domestic shipping industry and hence a huge demand for seafaring labour, many Chinese SOEs have been suffering from the loss of high-quality officer seafarers since the middle of the 2000s. In such a context, some researchers assume that Chinese seafarers are becoming freelancers and as such are more likely to choose to work for foreign shipping companies due to the attractiveness of working onboard foreign ships. This implies another route to a substantial increase of China's seafarer export (these studies are introduced later).

The following part, Part Four, discusses this assumption. In particular, it seeks to cast some light on the analysis of the following issues: 1) to what extent Chinese seafarers intend to leave their SOEs and become freelancers; 2) whether the movement of Chinese seafarers has been as free as some researchers have assumed; 3) whether the resignation of seafarers from state-owned shipping companies necessarily means that they become freelancers. This is done by drawing on the views of the managers and seafarers in the case studies.

PART FOUR

IMPEDIMENTS TO THE FREE MOVEMENT OF CHINESE SEAFARERS INTO THE GLOBAL LABOUR MARKET

Introduction

With the economic reform in China, Chinese seafarers can choose their employers, including the foreign shipping companies. Some researchers have assumed that due to the attractiveness of working onboard foreign ships, there is a trend for Chinese seafarers to become freelance seafarers working in foreign shipping companies, which brings about a substantial increase in the supply of Chinese seafarers to the global labour market (this will be referred to as ‘trend theory’ hereinafter) (Wu 2003; Wu 2004a; b; Wu 2005; Wu et al. 2006; Wu et al 2007). For instance, Wu said:

Alongside the change of recruitment pattern from the national to foreign fleets, we have witnessed a trend of the flow of Chinese seafarer from SOE employees to freemen (Wu 2004b, p14).

It is noted that the employment and working conditions are more complex today in general, and that there is a trend towards freemen working under foreign ship employment in particular (Wu et al. 2006, p37).

However, the analysis of the present study suggests that the assumption that market reform leads to freelance seafarers, which produces a substantial increase of seafarer export is too simplistic and that in fact Chinese seafarers are limited in their ability to leave their state-owned companies and become freelancers by a number of factors to do with seafarers’ dependency on their state-owned crewing agencies, institutional barriers and the diminishing popularity of seafaring as a career in China.

In Part Four we will explore these issues further. Chapter 11 examines seafarers’ dependency on their state-owned companies in the context of the Chinese socialist market economy. Chapter 12 explores the institutional barriers to the ability of seafarers to move towards the labour market. Chapter 13 considers the new jobs that the seafarers in the case studies choose in cases where they do leave the crewing agency and the reasons behind these choices. Drawing substantially on their own words, the analysis seeks to contribute a socio-economic explanation for what this thesis suggests is an overestimation of the likely progress of seafarer labour export in China.

Chapter 11:

Seafarers' dependency on their state-owned crewing agencies

This chapter explains seafarers' dependency on their state-owned companies in the context of the 'Chinese socialist market economy' by analysing seafarers' perceptions about issues regarding job security, welfare, certification of qualifications, wage security and working safety at sea. The discussion explains why Chinese seafarers are limited in their ability to become freelancers and why the 'trend theory', which argues that Chinese seafarers are becoming freelancers as a result of the economic reform and China's seafarer export will increase dramatically, is an oversimplification of a complex reality and fails to take account of social and economic and institutional factors in the working lives of seafarers that serve to militate against their free movement into global markets.

We begin with the question of job security.

11.1 Job security

This section discusses seafarers' perceptions about issues regarding job security in order to understand their dependency on their state-owned crewing agencies.

In Ag1 and Ag2, seafarers are not worried about losing their jobs by being laid off by their employers. As discussed in Chapter 4, Ag1 avoids firing seafarers in order to maintain societal stability. Even when there are surplus seafarers, Ag1 still recruits 100 to 200 seafarers each year to fulfil what its managers regard as its social responsibility. Supported by the parent shipping company, this additional manpower is also regarded as a kind of 'strategic reserve', according to the HRM manager.

Ag2 does not fire seafarers either. Even when Ag2 had around 200 surplus seafarers at the end of the 1990s, it did not fire any of them. Here too, managers perceive a social responsibility. As the director of Ag2 said, 'enlarging employment is the social responsibility of state-owned companies'.

If the seafarers of the SOCAs leave these agencies of their own accord, they will lose their job security. This seems to restrain many seafarers from resignation. The following subsections explain this in detail.

11.1.1 The loss of job security

When thinking about becoming freelancers, job security is perceived by seafarers to be a major issue. The insecurity they believe would ensue from becoming a freelance seafarer acts barrier and is therefore an obstacle to their flow into the labour market. A chief engineer of Ag2 said:

Whether or not to be a freelance seafarer is not the prime concern. What is important is to have a good and stable job. Even if I became a freelance seafarer, work opportunities would not be guaranteed... so I cannot quit my stable job in the SOCAs hastily.

A 2nd engineer of Ag2 said:

I dare not really resign from the company. This crewing agency is one of the most professional agencies. I can easily get onboard working opportunities here. I feel my job is secure. But in the market, nothing is secure for freelancers, especially job opportunities. So I won't quit.

Why do seafarers have such concerns about job insecurity in the labour market? Firstly, like other land-based freelancers, the working opportunities of freelance seafarers are inevitably influenced by complex factors, especially the fluctuation in the shipping economy. This increases the job insecurity of freelance seafarers. A chief officer from Ag1 said:

It is now a peak time for the shipping economy. This also happened in 1995. At this time, many small companies are buying ships and offering high wages to seafarers. Therefore, some seafarers work in the market for these companies. In several years' time, however, when the shipping market goes down, most of these small companies will collapse and the ships will be sold. Then the

freelancers will face the serious problems with unemployment. This happened in the late 1990s.

A 2nd officer of Ag1 said:

I have worked in the market for a year and a half because the wages are high at the moment. But I do not resign from Ag1. This is because if I cannot get working opportunities when the shipping market is no longer as good as it is now, or if I am confronted with other problems, I can still go back to the company. I need to leave myself some leeway.

Secondly, as Zhao and Amante (2003) found, in China, channels to provide seafarers with information about job opportunities were not set up. Consequently, it is not easy for freelancers to find such information, which contributes further to the perception of job insecurity as freelancer seafarers (2003, p82).

Therefore, the likelihood they will face job uncertainty as freelancers serves to discourage the seafarers with stable jobs in the SOCAs from taking steps to become freelancers.

Why are stable jobs in the SOCAs so important for Chinese seafarers? The following section seeks to explain this. Initially, we look at the perceptions of ratings. Then we focus on officer seafarers of different ages and backgrounds.

11.1.2 The importance of a stable job for ratings

In both of the SOCAs, registered ratings are offered stable jobs with permanent contracts. Considering the harsh conditions of the labour market for ratings (as discussed in section 6.1.4), the stability of jobs in the SOE is significant for them. A sailor 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 been redundant ratings already... At least I can earn 6,000 *yuan* per month now. What if I cannot find this sort of income after I quit my job in Ag1? Officers may have more opportunities, but not ratings. The

manager of Ag1 said the company would not increase the salaries of the ratings as much as that of the officer seafarers and that if ratings are not satisfied, we can go. The manager said this because he knows very well that ratings are very unlikely to quit because there have been few working opportunities and thus serious job insecurity for ratings in the labour market.

An OS said:

The jobs in the market are all temporary. There are just too many ratings, but no job security. I have never heard of any ratings resigning from the SOCAs.

Because of the condition of the labour market, with redundant ratings and hence few job opportunities, a stable job in the SOCAs is very important for the ratings. Because of this, they suggest that they would prefer the stability of SOEs than working in the market as freelancers.

In addition, the stability of the jobs in the SOCAs has significant meanings for officer seafarers of some ages and backgrounds. Firstly, we focus on the middle-aged and elder officer seafarers, and then the young officer seafarers.

11.1.3 The importance of stable jobs for middle-aged and elder seafarers

The job stability provided by Ag1 and Ag2 seems to have particular significance for elder seafarers and it appears very difficult for them to give up this security. A 2nd engineer said:

I do not want to lose this stable job. Chinese people of my age, or your parent's age, would like their children to marry people who work in government institutions, having a stable income, rather than doing temporary jobs, without any security... A stable job in a SOE is very important for the Chinese.

Why is it so important? Several reasons were explained by seafarers. Firstly, it is related to the age and the educational background of the elder seafarers and the intense competition in the labour market. A 50-year-old 2nd officer with high school qualification said:

...I never think about resigning. Working in the market is too complicated for me. Without high qualifications, in addition to my age, I have no advantage in the labour market. Having worked in the SOE for my whole life, I just want to wait for a safe retirement.

If we look at the educational backgrounds of these seafarers in their 40s and 50s, who were recruited in the 1980s, we find that they are mainly high school graduates, veterans from the army and 'educated youth' who were once assigned to work in rural areas by the Chinese government during the Great Cultural Revolution, as shown in the sample and introduced in Chapter 4. Not many of them have high educational qualifications. They regard this uncompetitive educational background, in addition to their age, as putting them at a disadvantage in the labour market, making the retention of their stable jobs in the SOE very important to them.

In addition, seafarers in this age group normally have the serious responsibility of taking care of a family, which makes it even more difficult to give up a stable job in the SOE. A 2nd engineer said:

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.

A 1st engineer said:

I want to leave the agency, but it is not easy. I am not young and I have family to take care of... If I were a bachelor and my parents were younger, I would possibly quit.

The family responsibilities of seafarers are again related to the weak welfare and security system in the Chinese society. Ordinary Chinese people face numerous problems in this regard, such as low pensions, expensive medical services and costly education (Saich 2009; Salditt et al 2007; Sander 2010; Shi 2008). Hence, in China, the middle-aged people of the family are obliged to take care of their elderly parents and support young children with their wages. This role therefore strengthens the

significance of the job stability provided by the SOEs and weakens the popularity of the unsecured jobs in the labour market as freelancers, as the previous quotes expressed.

When having a stable job is not only the business of the seafarers themselves but also concerns the livelihood of the family, the views of family members play some role in reinforcing the significance of job stability in the SOE as well. A 1st engineer said:

More importantly, I need to consider the extent to which my resignation from Ag1 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 lost a stable job.

Parents' concerns about job uncertainty are understandable if we look at the particular experiences of the seafarers' parents. These people were born in the 1930s and 1940s. They experienced the period of the planned economy before 1979 as workers. They were once the 'working class' and the 'masters of enterprises and the state', which were formed into SOEs in the planned economy. The socialist ideology still remains in their minds to a certain degree (Chen 2006). In addition, they have worked for the SOEs for their entire working lives, being taken care of during the period of the 'iron rice-bowl'. Without much experience of working in the new "market economy" that has become significant since the 1990s, when most of them had already retired, the notion of leaving the SOEs, losing a stable job and working for the capitalists (POCAs) without any job security is challenging for them (Chen, 2006). Therefore, the parents of the seafarers have worries about the loss of stable jobs in the SOE, which consequently discourages seafarers from becoming freelancers to some extent.

Thus, stable jobs are important for middle-aged and elder seafarers. Because of this, they prefer to stay in the SOCAs rather than becoming freelance seafarers.

11.1.4 Young officer seafarers' perceptions about job stability

The stability of jobs in the SOCAs seems less important for many young officer seafarers and the loss of young officer seafarers is therefore serious in Ag1 and Ag2. However, most of the seafarers who do resign are those with higher education. According to the HRM manager of Ag1, a large majority of the resigned officer

seafarers are less than thirty-five years old, with higher education and have worked in Ag1 for less than ten years. The Training manager in Ag2 also said that most of the young officer seafarers who resigned are those with higher education (As we will see they do not necessarily go into the international market as freelancers. Chapter 13 will explain this in detail).

In contrast, the young officer seafarers with low education prefer stable jobs in the SOCAs, rather than freelancers because it seems that they think the labour market does not offer many choices to seafarers with low education, which makes job security in the SOCAs very important. A young officer seafarer with secondary high school education in Ag2 said:

I have not accumulated good working experiences or possessed good skills. It would not be easy for me to find better working opportunities in the market. Without a very high educational background, I have limited choices in my career. So I think I need to cherish my secured job here and work well.

As a result of these differences, the recruitment strategies of the crewing agencies in recent years have tended to exhibit a preference for graduates from maritime colleges and secondary high schools over those from the top maritime universities because their loyalty to the company is perceived to be more reliable. The President of the TU of Ag1 explained:

So since 2006, we have been recruiting more seafarers from maritime colleges, rather than top maritime universities, and recruiting more peasant seafarers with high school education. Thus is because we want our labour resources to be more stable.

The Training manager of Ag2 said:

The loss of young officer seafarers with higher education is very serious. We have stopped recruiting graduates from the top maritime universities and shifted to recruiting graduates from maritime colleges and secondary schools. These students are relatively more stable than those from top maritime universities.

Therefore, although it is not unusual that many young officer seafarers are resigning from Ag1 and Ag2, the stability of jobs in the SOCA is still very important for those with lower educational background. As they are worried about their job opportunities if they become freelancers, they do not intend to leave the SOCAs but cherish their secured jobs. Since current recruitment strategies favour such seafarers over those with better and more marketable qualifications, this contributes to reduce the overall availability of seafarers from these agencies to the free labour market.

Overall then, section 11.1 shows that seafarers face insecurity when working as freelancers. Since the stability of jobs in the SOE is significant for many seafarers of different ages, ranks and backgrounds, the loss of a stable job discourages them from becoming freelancers.

11.2 The issue of welfare

Ag1 and Ag2 provided seafarers with welfare that is not available to the same degree to freelancers. This is perceived by some of the SOCAs' seafarers as a reason for not leaving their agencies. The case of Ag1 will be presented first.

11.2.1 The welfare and the perceptions of seafarers in Ag1

In China, the big, traditional SOEs normally pay good social insurance for their registered workers, who can therefore enjoy rather good support after retirement (Wu, 2007; Zhao and Amante, 2003). The PSC of Ag1 is an example of this. As mentioned in Chapter 6, the PSC pays the welfare of seafarers at the highest standard, representing as much as 47% of the cost of the wages of seafarers. Because of this big investment, registered seafarers of Ag1 receive good support after they retire, as mentioned earlier. However, if seafarers resign before the legal retirement age (55 years), they will not receive help at this highest standard. Consequently, they will lose 60-70% of the benefits that they would have received had they not resigned. The President of the TU of Ag1 gave an example:

Take the old-age insurance, for example. A seafarer who retires in June 2008 can get a pension of 4,000 *yuan* per month. But if he resigns even one month earlier, in May 2008, he will get less than 2,000 *yuan* per month, because when

he quits, the standard of his welfare benefits reduces a lot. So not being a registered worker of Ag1 means that seafarers can only receive welfare of a much lower standard. And most of the welfare previously paid by the Ag1 based on the high standard will simply be donated to the society, and is no longer related to the seafarers.

This discourages some seafarers from resigning from Ag1. A 2nd engineer said:

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

A chief officer said:

My major concern is the welfare that I have accumulated by working at Ag1 for more than eighteen years. If someday the welfare were no longer provided, I would probably resign. But as long as the welfare is still provided as it is now, I won't quit, since if I left, I would lose a large part of the welfare that has been accumulated at the expense of my low wages.

Bearing in mind the weakness of the social welfare and security system in China (Saich, 2009; Salditt, et al 2007; Sander, 2010; Shi, 2008), it is not difficult to understand why the high welfare provided by the SOCAs is important for the seafarers, as exemplified in the above quotes, and therefore restrains them from becoming freelancers.

The importance of welfare seems particularly significant for certain groups of seafarers. Particularly seafarers over 40 years old, especially those over 50, expressed the view that the welfare is very important for them. A 45-year-old chief officer of Ag1 said:

For seafarers of my age, or those over fifty, we are facing retirement in less than ten years. Welfare issues, such as old age pensions and medical insurance, are

realistic problems that we will soon have to confront. So many seafarers at my age do not quit because the welfare provided by Ag1 after retirement is going to be extremely important for our lives. We are currently working here for the welfare.

A 52-year-old 2nd engineer said:

I am now waiting for retirement. I have no other thinking. If I became freelance now, I would lose almost all of my pension. So I don't want to quit.

To retain more peasant officer seafarers, the management strategy has been implemented since 2005 that each year Ag1 offers larger proportions of the peasant seafarers fixed-term contracts. As introduced in Chapter 4, only two or three excellent peasant captains and chief engineers were offered contracts with the PSC in 2005. By 2007, 35% of peasant officer seafarers had become registered seafarers of the PSC. Because of this, they became entitled to the same welfare and benefits as their urban workmates. Since such treatment can only be offered by the large SOCAs, the loss rate of peasant officer seafarers in Ag1 has been decreasing annually since 2005, according to the HRM manager. Therefore the welfare provision made for peasant officer seafarers is one of the important reasons why they stay in Ag1 rather than becoming freelancers. A 3rd engineer of Ag1 said:

I don't want to quit now because I am waiting for the opportunity to contract with the PSC and become a registered worker so I can have better welfare, higher wages and other benefits, just like the registered seafarers. These are really important for me.

In addition, the welfare provided by the SOCA is one of the key reasons why ratings favour SOCAs. A motorman explained:

Ratings endeavour to become registered workers of the state-owned shipping companies or state-owned crewing agencies. One of the important reasons is the provision of the welfares by the SOEs.

A sailor said:

Ratings seldom resign. One of the main reasons is that Ag1 provides very good welfare for us registered workers.

Such an opinion appears repeatedly from interviewed ratings. The motorman continued:

If I worked as a freelancer in the labour market, there would be no hope of being paid welfare by the agencies in the market. In fact, those agencies rarely care about the welfare of the officer seafarers, let alone ratings. So working in the state-owned agencies is very desirable for us ratings.

Ratings believe that few freelance ratings who work outside the big SOEs are offered any welfare. The reason for this is related to their weak position in a labour market already flooded with redundant ratings. Han (2008, p 26) claims that 'Officer seafarers are in shortage in domestic shipping market... In contrast, there are a large number of redundant ratings'. Huang (2008, p 273) analysed that 'National training institutions have trained a large number of ratings since 2000; a significant number of redundant ratings have emerged in the national seafaring labour market.' An AB in Ag1 talked about rating's weak position in the labour market and explained why the freelance ratings had little opportunity to be offered any welfare:

Ratings have very few choices in the labour market. For us, the manual labour onboard ship, it is difficult to tell who knows the jobs more than others, since it is really a low-skilled job and all the ratings seem almost the same. So we cannot talk about welfare or other conditions because there are just too many of us and the managers can easily replace us with others if we pose any problem.

Consequently, ratings have little power to negotiate on employment issues, including welfare, with the private crewing agencies. Few freelance ratings are provided with welfare in China. If registered ratings resigned from the SOCAs, they would have no chance to benefit from welfare. This explains why the ratings value their jobs in the SOCA.

Therefore, Ag1 can offer registered seafarers good welfare support, which is important for many seafarers, including middle-aged and elder officer seafarers, ratings and peasant officer seafarers and helps to prevent them from leaving Ag1.

11.2.2 The welfare and the perceptions of seafarers in Ag2

As introduced in Chapter 9, Ag2 does not provide registered seafarers with high welfare because as an independent crewing agency, it does not have the support that Ag1 can get from its parent shipping company. However, ratings in Ag2 still appreciate the provision of welfare, which consequently strengthens their dependence on the agency. An AB said:

Although the social insurance is not very high in Ag2, we are still in a better position than the freelance ratings working in the market. They can get no welfare, in fact. So in this sense, I am still satisfied with Ag2.

If we consider the poor position of the ratings, as introduced in the last section, we can understand why the welfare provided by Ag2, although it is low, is still appreciated by the ratings and consequently discourages them from becoming freelancers, as the AB said.

As well as ratings, peasant officer seafarers of Ag2 are also reluctant to leave Ag2 because the agency can help them to achieve the status of urban residents, which is a special non-wage benefit provided by Ag2 in order to retain peasant officers. Peasant seafarers suggest that they are waiting for the opportunity to transfer their *hukou* to an urban one when they reach the rank of senior officer seafarers so that they and their families could have the status of urban residents, enjoying all the social welfare and support provided by the government to urban residents. To obtain these benefits, seafarers are not only required to continuously serve in Ag2 until they reach the rank of senior officers, but also have to sign an eight-year contract with Ag2 after their *hukou* are transferred. Given the significance of possessing urban *hukou* for peasant seafarers and their families, as mentioned in Chapter 7, the peasant officer seafarers are strongly dependent on Ag2, as no other agency can help them with this *hukou* transition.

In all, section 11.2 shows that seafarers have to lose some or all of their non-wage benefits when they leave the SOCAs. Since welfare has significant meaning for many seafarers of different ranks, ages and backgrounds, the loss of the welfare and non-wage benefits provided by the SOCAs hinders the seafarers from becoming freelancers.

11.3 Difficulties with applying for maritime certificates

In China, only a few large SOEs and state-owned institutions are authorized by the Chinese government to issue or process some of the seafarers' maritime certificates. In Ag1 and Ag2, seafarers' certificates are prepared and managed by the agencies and seafarers do not have to worry about this time consuming, difficult and sometimes costly procedure themselves. However, if seafarers resign, the crewing agencies will no longer prepare or manage their certificates. A 1st engineer of Ag1 said:

Ag1 is closely connected to the maritime department. So if I am assigned by Ag1 to work onboard foreign ships, I do not have to spend any money or worry about anything to get my working papers because Ag1 prepares everything for me. But if I do not work for Ag1, when I need these certificates, Ag1 will not issue the certificate for me, of course. I need to depend on myself.

However, it is difficult for seafarers to apply for the certificates by themselves (Shen, et al 2005, p175). In China, individual seafarers are not allowed to directly apply for some of these certificates, but have to depend on a qualified crewing agency. Consequently, freelancers have to depend on the POCAs and these agencies have to seek help from the state-owned certificate issuing institutions when applying for certificates. When the power is centralized, high payments are inevitable. When talking about applying for a departure certificate, a freelance officer said:

I have to ask the POCAs for help. The POCAs have to ask others for help [to apply for the certificates of seafarers]. As a result of repeated exploitation, I have to spend a large sum of money, normally 3,000 to 5,000 *yuan*, to get my departure certificate. In fact, it is just a piece of paper and it doesn't cost more

than 10 *yuan* to make it. However, since very few companies in the city have the right to issue the certificate, I have to pay the money anyway.

Therefore, if the seafarers of Ag1 and Ag2 leave their state-owned agencies, they will be confronted with the difficulty of the application for certificates. This is perceived by some seafarers as a barrier to their ability to leave their companies and become freelancers. A 2nd officer of Ag1 said:

If I leave Ag1, I have to deal with the application for my certificates myself. As far as I know, the application for some of the certificates is not easy at all....So without a stable job with high wages, I won't leave the agency, because no matter where you go, you are constrained and under control.

11.4 Wage security

Seafarers in Ag1 and Ag2 never have to worry about the agency paying their wages in arrears. However, some small private crewing agencies, especially those that are not registered at any governmental institutions, have a reputation of sometimes paying the wages of seafarers in arrears. When talking about working for the POCAs, some seafarers complained about the low credibility of some small POCAs and the bad experiences that they and their friends had had. A chief officer of Ag1 said:

The SOCAs won't pay the wages of seafarers in arrears. That is guaranteed. However, many POCAs often arrear the wages. When seafarers ask for their wages, some POCAs often only give them half or nothing at all. I know many seafarers who do not ever get their wages. Some of them have negotiated with the agencies for as long as two months or even five months, but they cannot get their wages.

A 3rd engineer of Ag2 said:

If I worked for the small agencies, it is likely that I would not get my whole wage. After those agencies are given the agent service fee by the ship-owner, some of them run away, taking some or all of the wages of seafarers. This happened to my friend. It was very frustrating.

A captain of Ag1 said:

I had a friend who just got his chief officer's certificate last year, so he didn't have any working experience as a chief officer. It was not easy for him to be recruited by large agencies, like Ag1, as a freelance seafarer. But many small agencies wanted to recommend him to ship-owners. After he was dispatched by a small agency and worked for three months, he received no salary. Every time he went to the agency to ask for his salary, the manager would ask him to wait. Finally, my friend gave up on his salary, since he could not go to the agency every day but had to do his own job.

Seafarers' distrust stems from the unregulated seafarer labour market in China (Shen et al 2005, p174; Zhao 2000b; Zhao and Amenta 2003, p 83). Due to the weak regulations on the labour market, many Chinese crewing agencies operate without registering with the governmental institutions. Many of the agencies operate without the consideration of the national and international labour and maritime rules. In addition to the lack of representation of the ACFTU, seafarers are vulnerable to exploitation (Zhao and Amante, 2003, p82-83). Within such a context, seafarers expressed their distrust of the crewing agencies and their concerns about wage security.

Some seafarers therefore suggested that they would not work as freelancers for some of the POCAs as a long-term plan, given the low credibility of the POCAs. A 3rd engineer of Ag1 said:

I once worked for the small crewing agencies. I know their credibility is low and I was very worried. Although the small agencies give higher wages than the big SOCAs, you never know whether you will actually get your wages or not. But the big SOCAs have good credibility and you can have peace of mind and a sense of security. So I don't want to work for the small agencies.

A chief engineer of Ag2 said:

If you work in the market as a freelancer, nothing is guaranteed. Because you know little about the crewing agencies or the ship-owners, the wages and the condition of the ships that you are going to work onboard are unsecured. I don't think working in the POCAs is as good as working in these SOCAs.

11.5 Safety at sea

Many of the clients of Ag1 and Ag2 are professional shipping companies and undertake systematic maintenance and management of their ships. Therefore, most of the ships are in relatively good condition. In addition, Ag1 and Ag2 employ and primarily dispatch a number of regular, professional seafarers. However, seafarers expressed concerns with the condition of the ships and the quality of workmates when talking about working for some POCAs as freelancers. The following two sections will explain these concerns.

11.5.1 Working conditions and safety at sea

Seafarers have concerns with the condition of the ships on which some POCAs are likely to dispatch freelancers. Concerns about safety at sea discourage them from becoming freelancers. A chief engineer of Ag1 said:

If you go to some small agencies for job opportunities, you are very likely to be arranged to work aboard smaller ships in poor condition, which are owned by small shipping companies. Normally, the formal, large shipping companies do not cooperate with these small agencies. When I worked onboard small 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 freelancer or depending on the small agencies is a long-term plan for me.

Another officer of Ag2 said:

The small crewing agencies mainly cooperate with small ship-owners, who often have one or two small, old ships. Working onboard such ships, my safety might be in danger. So I work for the large SOCAs, whose clients are mainly large shipping companies, and I am much more likely to work onboard ships in good condition.

Data suggest that the main reason why seafarers work onboard ships in poor condition is that many POCAs tend to cooperate with domestic small ship-owners. This is because, as mentioned in Chapter 3, most of the POCAs are unable to register their business at China's administrative institution because of the very high registry requirements. Consequently, they do not have foreign manning qualifications. In addition, without the support of the government, many POCAs do not have stable seafaring labour. The seafarers employed by the POCAs are often freelancers and their quality cannot be guaranteed, as we have seen in chapter 3. Therefore, it is difficult for many POCAs to cooperate with the big shipping companies. Instead, the small domestic shipping companies are the main clients of many POCAs in China (Zhao and Amante 2003).

As a result, problems with the poor condition of the ships on which the POCAs dispatch seafarers and the consequent implications for the seafarers' safety at sea restrain some SOCAs' seafarers from leaving their companies and becoming freelancers.

11.5.2 Quality of workmates and safety at sea

According to seafarers, some POCAs employ unqualified seafarers, and this consequently impacts on safety at sea in a negative way. A 1st engineer of Ag2 said:

If you work for the POCAs, you don't know anything about your workmates, such as their skills or their quality. This is very bad for work at sea, which is characterized as teamwork. I had the experience of being dispatched by a POCA and working at sea for four to five months. During these months, ten to fifteen seafarers were replaced with new seafarers and hence the turnover rate was as high as 50% to 70%. Many of these seafarers just worked for two or three months, without long-term intentions. I met some seafarers who worked onboard the ships for two months and then prepared to work as construction workers in the following two months. So the quality of the seafarers dispatched by the POCAs is often very poor and it can be very dangerous to work with these people at sea.

A chief officer of Ag2 said:

Big crewing agencies have relatively stable teams of seafarers and entire quality of all seafarers can be guaranteed. However, small crewing agencies recruit seafarers temporarily, who may have different backgrounds and show different quality at work. In fact, the POCAs do not care much about the quality of seafarers. I have a sense of insecurity when I work for the small crewing agencies.

A 3rd officer of Ag1 said:

They [the POCAs] supply some seafarers who are not qualified to work onboard. If I worked with these people at sea, my safety could be at stake.

The reasons why the POCAs cannot dispatch high-quality seafarers is again related to the small scale of their business due to the lack of support from the government, which makes it difficult for the POCAs to employ stable teams or provide regular training. In fact, sometimes, when POCAs are struggling to recruit sufficient numbers of seafarers, the quality of these seafarers is not much considered (Zhao and Amante 2003).

Repeated comments were identified from seafarer informants that the problem with the quality of workmates discouraged them from becoming freelancers. Here is an example from a chief officer:

Many of the seafarers employed by the POCAs are low-skilled. They are not trained properly. Some of them even use fraudulent certificates. Small ship-owners do not care much about the quality of seafarers and this is very bad for safety at sea. So as far as I know, few seafarers want to work for those agencies. I don't work for the POCAs either.

11.6 Summary

This chapter demonstrates seafarers' dependence on their state-owned companies due to the benefits, such as job security, welfare, application for certificates, wage security

and safe working environment at sea, that are offered by their state-owned companies in the context of the new Chinese socialist market economy. When taking seafaring as a long-term career and depending on it for their livelihood, seafarers in the SOCA may work temporarily for domestic shipping companies when they are on leave, but it is not easy for them to leave their companies (see also Shen et al 2005 p185; Zhao 2000b). In addition, as we have seen from the analysis, whether seafarers in the SOCAs resign to become freelancers is influenced by complex factors, not limited to the management of the agencies or simple factors such as wages, but is related to a wider set of issues, including the positions of seafarers in the labour market, seafarers' historical experience and their personal expectations. The 'trend theory', which concludes that Chinese seafarers are leaving their SOCAs and becoming freelancers as a result of the economic reform, therefore seems too simplistic. The assumption that market reform leads to freelance seafarers, which leads to a substantial increase of seafarer export, lacks rigour.

In addition, seafarers' concerns with job security, welfare, the difficulty of applying for documents and risks when working for some of the POCAs reflect the limitations of the reform of the Chinese seafarer labour market and Chinese society.

Even for those seafarers who intend to leave the SOCAs, it is still not straightforward, because the shortage of seafarers has led to SOCAs to set up barriers to prevent the resignation of seafarers. The next chapter will look at this issue.

Chapter 12: The institutional barriers to the flow of seafarers

Nichols (1980, p74-75) identifies an important dimension of the notion of free wage labour as being ‘free to choose and leave the employer’. This chapter continues examining the trend theory in the light of Nichols’ assertion. It analyses the constrained movement of seafarers as a result of the management strategies that were designed to prevent the resignation of seafarers. It demonstrates that it is hard to characterize Chinese seafarers as free wage labour and that the movement of Chinese seafarers is not as free as the ‘trend theory’ assumes. The discussion also assesses the extent of the reform of the crewing agencies examined in this study and the seafarer labour market in China. It starts with the discussion of the management strategies in Ag1, then considers the strategies in Ag2.

12.1 Retaining certificates while seafarers are on leave in Ag1

As discussed in Chapter 7, since many officer seafarers work in the market while they are on leave, managers complain about a shortage of high-quality seafarers. To solve the problem, from 2007, Ag1 started to exercise strict control over seafarers’ certificates. It requires captains to keep seafarers’ certificates while they are working at sea and to submit them to the company after the trip. The agency also restrains managers from giving seafarers their certificates when seafarers are on leave. A second engineer described the situation:

From 2007, the company started to retain our certificates during our leave. Before 2007, as long as we paid the company 10% of the first month’s wage onboard ship, we could get our certificates and work in the market. Now, this is not allowed. The company just wants to have stricter control over us.

To punish the seafarers who do not follow orders and fail to submit their certificates when they are on leave, their welfare and leaving salaries will be deducted. In addition, the travel fees between seafarers’ homes and the ports where they get onboard ship will not be refunded. Furthermore, seafarers’ future promotion can be delayed and they can be put to work onboard ships with low salaries when they return to the company. A seafarer who had worked in the market for one year said:

I got my certificates before the policy was implemented and I was working in the market for one year. The agency withheld my leaving salary and welfare for a long time. The managers of Ag1 called me to work onboard ships but it was my family, not me, who answered the phone. If I want to go back to Ag1, the first three ships will be ships with low wages. So in those three years, I will not be able to earn much money.

The HRM manager explained the practice of retaining seafarers' certificates in relation to better management of the certificates and a stricter control over seafarers. He said:

Yes, it is to better manage seafarers' certificates. We renew the certificates for seafarers. But sometimes, seafarers have no idea when their certificates should be updated. So we keep them - it is easier for our management. In addition, it allows better control of the movement of seafarers. If they sign contracts with us, they are our workers, so they are not supposed to work for any other company without the arrangement or permission of Ag1. When they work for other agencies, our manning management cannot be guaranteed.

Ag1's retaining seafarers' certificates prevents seafarers from taking alternative sailing opportunities in the market when they are on leave. A chief officer 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 or not. But my certificates have been retained by my company, so I cannot work for these companies.

When I asked seafarers what they do when they are on leave, some of them said they stayed at home. A second engineer said:

Few seafarers have alternative income beyond the wages from working for the company. Since the periods of leave are not very long, we usually help with the housework, cooking and shopping.

A rating said:

I do not do other jobs while I am on leave. I look after my child, update my knowledge and meet my friends. My holiday often lasts three to four months and that is not very long.

However, the effect of the management practice of retaining certificates is still limited because some seafarers still have means to obtain their certificates. The President of the TU said:

This method is not very practical. Some seafarers can get their certificates anyway and we can do nothing about it.

Although the president did not give a detailed explanation for this, some seafarers told me how they achieved this. The most common way, according to seafarers, is to bribe the managers. A second officer said:

Although the control over certificates is stricter, you can still get your certificates if your social relationship is strong enough. I know a seafarer who has just bribed a Manning manager with 1000 dollars and got his certificate. If you are connected with somebody powerful, you do not have to bribe at all. The nephew of the director never has to bribe any manager, and he is dispatched by the director personally. He never has to wait for a job opportunity. The rules and regulations are just for us ordinary workers.

A 3rd engineer said:

You can bribe the managers with money if you have an appropriate “broker”. Then you can get your certificates. The management of the certificate is not serious as long as you have proper personal connection. Even if they know you work in the market, you won’t be punished either.

This situation can be understood if we recall the loose management of the managers and the importance of personal relationships within Ag1, as introduced in Chapter 7.

Therefore, data suggest that the effect of the strategy of retaining seafarers' certificates is mediated by the significance of personal relationships in Ag1. Despite this, since the strategy was implemented in 2007 in order to cope with the shortage of seafarers, it has been more difficult for some seafarers to sail while on leave and consequently, they have less chance to have alternative working opportunity in the labour market than before.

Ag1 also prevents the loss of seafarers by the policy of financial penalties. The next section will look at this.

12.2 Financial penalties in Ag1

12.2.1 Preventing the loss of seafarers using financial penalties

In Ag1, if seafarers quit before the end of their contracts, they have to pay a financial penalty. This is perceived by seafarers as an obstacle to resigning from Ag1. A captain said:

Before the termination of the contract, we have to pay a financial penalty if we want to resign. If we do not pay the financial penalty, we either cannot get our certificates or can only use them for another five years at most.... So it is of prime importance that the company approves our resignation first and we must pay the financial penalty. We are stuck here.

A 3rd officer said:

If you do not pay the financial penalty and you don't follow the orders of the agency, then you will be blacklisted. In this case, if your certificates need to be renewed, the company will not renew them for you. Even if you lose your certificates, you cannot get replacements because the company will not help you. This is why the company is like thick legs and we are like thin arms, and why seafarers are afraid of the company. Retaining and controlling the certificates is the most important way for the company to control seafarers. For us, no certificates means no rice bowl and unemployment. So we must pay a financial penalty if we want to leave and this is a big obstacle to resignation.

Data suggest that the reason why Ag1 can successfully control seafarers' movement through financial penalties is related to the agency's control over seafarers' certificates. So why can Ag1 control the certificates of seafarers so directly? How are these certificates managed?

In China, only a few public institutions and SOEs can process a seaman's book. Ag1 is one of them. It processes all its seafarers' books. Ag1's reference number¹⁹ is at the beginning of the registration number of seafarers' certificates. Without the operation of Ag1, the books of seafarers cannot be changed in any way, including the requisite five-yearly renewal, replacing lost certificates or writing them off. In addition, with the number of Ag1 on the books, they are supposed to be used only by seafarers who are directly dispatched by Ag1 and for whose management Ag1 is responsible. If seafarers want to leave Ag1, their certificates need to be written off by Ag1 at the maritime bureau, which enables them to apply for new certificates in the future. To do this, seafarers have to pay a financial penalty to terminate the employment relationship with Ag1. Even if seafarers somehow manage to leave Ag1 with their certificates without paying the financial penalty, Ag1 will not renew or write off the current certificate at the maritime bureau. As a consequence, these certificates will expire in less than five years and it will be impossible for seafarers to apply for new certificates, which directly endangers their career. Therefore, Ag1 strictly controls seafarers' book and their certificates. Seafarers must pay a financial penalty if it is required, which, according to seafarers, has become a barrier to their ability to leave their agency and become freelancers.

12.2.2 Seafarers' views about the financial penalty

The penal sum is composed of the breach of contract fee, the fee for the administration of the certificates, the training fees, the fee that Ag1 paid to the maritime educational institutions for the recruitment of seafarers, cadet training fees and fees that seafarers need to repay to the company, including various allowances

¹⁹ Each of the institutions and companies that are authorized to issue/apply for seafarers' certificates is given a number by the Chinese Maritime Bureau.

and welfare and the money that seafarers owe to the company. Seafarers thought there were some problems with the penal sum.

The first problem, according to seafarers, is that some items in the contract are unreasonable and should not be charged. A 2nd officer said:

For instance, the fee for the administration of certificates is unreasonable. According to the requirement of the maritime bureau, seafarers should keep their certificates, except for the seaman's book. However, Ag1 compels us to submit all certificates and let it keep them. If we do not submit them, it will punish us. So it is the company itself that voluntarily undertakes the responsibility of keeping our certificates. The fee for the administration of certificates should not be included in the financial penalty.

In addition, the financial penalty includes the money that seafarers owe to the company, such as the welfare that Ag1 pays on behalf of seafarers. Some seafarers felt that returning this sum of money is unreasonable. A chief officer explained:

When I need to terminate my contract with the company, I need to make up the money for the welfare that is prepaid by the company. However, after resignation, I cannot enjoy the high welfare. In addition, I have already paid a lot of money for the welfare but I will not benefit from it if I resign. So it is not right that the company asks me to pay more.

The second problem that seafarers mentioned with the management of the financial penalty in Ag1 is that although Ag1 lists what seafarers should return to the company in general, it does not specify the way in which it calculates the amount. Without a standard, managers set the amount of the financial penalty according to their personal considerations. A 3rd officer said:

I would probably pay the financial penalty if the manager asked me to pay 13,000 *yuan* when I first discussed the penalty with him. But he originally asked me to pay 4,000. The second time I visited him, it was 6,000, then 13,000 the

third time. This is unacceptable. I remember asking Manager Liu how he had calculated the sum and why he changed the amount every time.

A rating said:

I have read the contract. The terms cannot be said to be clear and reasonable. There are many conditions, which all depend on the explanation of the company. In all, everything said by the managers is right.

A retired Manning manager said:

There is no explicit regulation. If the managers are happy with you or you have personal relationships with them, you can pay less; otherwise you will be asked to pay double. He just sets the penalty according to his mood. This is the fact.

The President of the TU explained the ambiguity. He said:

The contract is old and the terms are rather general and rough. There are no rules by which financial penalty is calculated. In addition, some penalties, such as training fees, should be based on receipts. But because our training centre is not qualified to issue receipts, many things are hard to clarify.

The third problem with the management of the financial penalty, according to the seafarers, is related to the fact that Ag1 had changed the terms of the contract without notifying them. Some seafarers complained that when they read their contracts, some of the terms had been changed. Some seafarers even mentioned that they had never signed the new contracts personally and that they had been signed by the managers instead. Therefore, they had no idea about the new terms or requirements. A chief officer said:

The contract in 1999 included terms about the housing allowance. However, after I signed a contract that year, the housing reform in China changed the policy. When I received my contract this year, I found that some terms

concerning the housing allowance had been changed by the company, but I was not informed of any of this.

The fourth problem is related to the financial penalty designed for peasant seafarers. As introduced in Chapter 4, peasant seafarers do not sign employment contracts with Ag1. They are employed by the local labour bureaus that supply labour force to the agencies so as to improve the local employment. However, even if peasant seafarers do not sign employment contracts with Ag1, they are still asked to pay the penalty if they quit. Peasant seafarers felt that this was unreasonable. A peasant officer said:

A financial penalty is charged based on a breach of contract. The existence of the contract is the condition. Without signing any contract with Ag1, we are not treated like registered workers: we are not given any non-wage benefits, social insurance, leave salary or annual bonus. But when we leave, the company asks for a financial penalty from us. This is very unreasonable.

The HRM manager explained that the penalty for peasant seafarers is based on an agreement, not a contract. He did not give any information about the agreement when I asked about it. When I asked to read the agreement, the manager refused. In fact, the agreement proved illegal, as we will see in the following paragraphs.

12.2.3 The different reactions of seafarers of different ages

Confronted with the problems with the management of the financial penalty in Ag1, seafarers of different ages showed different reactions.

Although the number was small, young officer seafarers brought several accusations against the company. One example is the story of a 3rd officer seafarer. He did not sign any contract with the agency when he was recruited. But he was charged a large sum of money when he wanted to quit. He did not think it was reasonable and he had no money to pay. At that time, his certificate was about to expire and needed to be renewed. So he had two choices, either continuing to work in Ag1 or paying the financial penalty and applying for new certificates. He did not know what to do. He sought help from his friend. He also consulted lawyers. One of the lawyers, Mr. Fang, was confident in his victory. A lawsuit was started. Ag1's lawyer argued that although

there was no contract between the seafarer and Ag1, the 3rd officer had signed a contract with the local bureau in the countryside which dispatched him to the company. However, the seafarer had never heard of that local bureau or signed any contract with it, and this was ultimately proved. According to the manager of Ag1, peasant seafarers also signed an agreement with the agency. However, because many of the terms in the agreement are illegal according to the seafarer's lawyer, Ag1's lawyer did not mention this agreement in court. Consequently, the case went in the seafarers' favour. Ag1 wrote off his certificates and the seafarer did not pay any financial penalty.

The seafarer also helped one of his friends who was confronted with similar problems with the high financial penalty required by Ag1. He said:

My friend wanted to resign. I found him a lawyer, Mr. Fang. Fang told my friend to take a copy of the agreement to see the manager and told him what to say there. My friend did so and the manager of Ag1 gave him his certificates without much penalty. But when seafarers know little about law, the managers just frighten them, retaining their certificates and asking for financial penalties. It is very cruel.

In contrast to young seafarers, middle-aged and older seafarers are rather conservative. Few of them looked for legal support or fought against the company in any way. One of the reasons for this, according to the seafarers, is that they feel they won't win anyway. A 1st engineer said:

Retaining seafarers' certificates or requiring high financial penalties to prevent them from resigning is illegal. The company does not have the right. If we bring this accusation, we will win. But everyone looks down upon seafarers. We are discriminated against. The legal institutions are well connected with the SOE. Individually, how can I have the power to fight against the company? Whom should I accuse? I have no way.

A chief engineer said:

The company retains seafarers' certificates and charges financial penalties. This is illegal. But seafarers are hard to unite. It is not easy for seafarers to rally to sue the company.

Another reason is related to the huge burden of supporting a family, which does not allow these seafarers much time or energy to fight for fairness. A 2nd officer said:

I cannot tangle with them for too long because I need money. I have no time or energy. The most important thing for me is to earn money. The second most important thing is to earn money. The third most important thing is still to earn money.

Therefore, Ag1 controls the seafarers' certificates and requires high financial penalties to prevent the loss of seafarers. As seafarers see it, there are problems with the management. However, when confronted with the problems, some young seafarers have resisted by seeking legal support while middle-aged and older seafarers chose to bear with the treatment. The financial penalty consequently makes it difficult in practical terms for seafarers to move freely and puts them in a passive position.

Like Ag1, Ag2 mainly uses high penalties and 'ensuring behaviour fees' (EBF) to control the resignation of seafarers. The next section will look at these strategies to see how they influenced the free movement of seafarers.

12.3 Financial penalties in Ag2

To prevent the resignation of seafarers, Ag2 added a regulation to the appendix of its contracts (both the formal contracts of registered workers and the Peasant Officer Seafarers' Manning Contract), that if seafarers resign before the end of the contract, they must pay a financial penalty.

The amount is related to the rank of seafarers. The higher the rank, the greater the financial penalty the seafarer has to pay. This is related to the lack of officer seafarers, which is more serious regarding senior officers than junior officers.

Table 12.1 lists the penalties for different ranks in 2007. The numbers underlined are the basic penalties required from seafarers of each rank. In addition, seafarers have to return an ‘agency fee’, which is related to how many times seafarers have been dispatched by the agency. The more times they have been dispatched, the higher the agency fee that will be charged. The numbers in brackets in Table 12.1 are the highest amount of the ‘agency fee’ required from seafarers of each rank.

Table 12.1 The penalty when resigning from the agency in 2007

Rank	Penalty (<i>yuan</i>)
Captain	<u>100,000</u> +(300,000)
Chief engineer	<u>80,000</u> +(280,000)
Chief officer/1 st engineer	<u>60,000</u> +(170,000)
2 nd officer/ engineer	<u>40,000</u> +(120,000)
3 rd officer/ engineer	<u>20,000</u> +(80,000)
Ratings	<u>10,000</u>

Source: Ag2’s Department of HRM

Some seafarers thought that such a high financial penalty made it difficult for them to resign. Here is an example from a 2nd officer:

The financial penalty is too high for me. It is difficult 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.

One captain said. “If you sign the contract, it may be difficult to leave the agency because of the high financial penalty”.

Seafarers complained that the financial penalties were very unreasonable. Firstly, some seafarers thought that they should not have to pay the agency fee because the foreign ship-owners had already paid an agency fee every time the agency dispatched seafarers for them. In addition, some seafarers found that the regulations in the appendix, which required high financial penalties and retained seafarers’ certificates,

were illegal. Item 25 of the New Labour Contract Law 2008 regulates that employers should not ask for any penalty when workers propose to leave the company unless workers are paid extra training fees outside the regulated amount by the company or are engaged in confidential management work. Nor should companies charge workers any management fees or retain any of their documents. Therefore, according to the New Labour Contract Law 2008, as long as they inform the agency one month before they resign, seafarers can leave without paying any penalty and the agency should return all the documents belonging to them. Therefore, seafarers thought Ag2's requiring a financial penalty and retaining seafarers' documents was illegal.

However, no information was collected from managers or seafarers to indicate that seafarers collectively resisted the management. Seafarers had to pay the financial penalty if they resigned, since Ag2 controlled their certificates directly. Although the measure cannot completely stop seafarers from leaving, the high financial penalty became an obstacle to some seafarers' desire to leave their company.

12.4 'Ensuring Behaviour Fees' (EBF) in Ag2

Ag2 also retains seafarers' certificates when they are on leave, in order to prevent them from looking for alternative working opportunities. To ensure that seafarers submit their certificates, the agency connects the submission of their certificates with seafarers' EBF. As discussed in Chapter 8, the sailing salaries of seafarers are divided into two parts. One part is paid to seafarers when they are working at sea. The other part is the EBF. The EBF is retained by the agency and returned to seafarers under two conditions: 1) that they complete the sailing task successfully; 2) that they submit all their documents to the agency as soon as they disembark.

If seafarers do not submit their documents in time, the EBF will not be paid. In addition, the social insurance and leave salaries of registered seafarers will not be paid either. During the interviews, a 2nd engineer officer said that he was deprived of the EBF, six months' social insurance fees and his leave salary because he did not submit his certificates in time but worked for another agency for four months.

Because of the EBF, it is difficult for seafarers to sail for other agencies when they are on leave. A 1st engineer said:

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.

Another 3rd engineer said when being asked what he did while on leave:

We normally relax at home and do not work. The company controls our certificates strictly so there is not much chance to work elsewhere.

Seafarers are of the view that the EBF is very unreasonable. One captain said:

In some foreign crew agencies, part of the seafarer's salary is paid on land, not directly at sea. But that money is saved in the seafarer's own accounts, not in the agency's account.

Seafarers were also dissatisfied with the EBF because of the ambiguity in calculating the amount. One seafarer said:

I think deducting part of our wage as the EBF is problematic. We don't know exactly how much the agency has paid for our travel and why the managers charge us that particular amount.

Another freelance seafarer, who had previously helped with the management of the agency for one year, explained this:

The amount of the EBF charged was always more than the actual expenses. The surplus was then retained by the agency.

In addition, requiring EBF is illegal according to the New Labour Contract Law 2008. Item 60 regulated that manning agencies should not withhold any part of the wage of the workers paid by the employer or charge workers any management fees.

Despite their dissatisfaction, in order to secure their wages, seafarers have to obey the management of the agency. Consequently, the EBF made it difficult for some seafarers to seek alternative working opportunities in the market.

12.5 Summary

As Nichols (1980) noted, one of the important dimensions of free wage labour is that workers can not only choose their employers, but also be free to leave. Discussion of the case studies, however, demonstrates that Ag1 and Ag2 use similar methods to prevent the resignation of seafarers, i.e. retaining seafarers' certificates when they are on leave and regulating financial penalties on resignation before the end of the contract. Though these measures cannot completely stop seafarers from leaving, they make it difficult. In this respect, the argument that market reform leads to freelance seafarers, which leads to a substantial increase of seafarer export is not convincing.

The 'trend theory', arguing that Chinese seafarers are becoming freelancers and the export of Chinese seafarers will increase dramatically, is also based on the phenomenon that many Chinese SOCAs have been experiencing the loss of high-quality officer seafarers since the middle of the 2000s. However, does the resignation of the seafarers mean that they become freelancers, as the trend theory assumes? Where do these seafarers go afterwards? Since these questions have not been considered by previous researchers, the next chapter will focus on them.

Chapter 13: The flow of seafarers to land-based jobs

This chapter considers whether the resignation of seafarers from state-owned shipping companies necessarily means that they become freelancers, as the trend theory suggests. This is done by looking at the reasons for the resignation of seafarers from Ag1 and Ag2 and their choices after resignation, drawing on the views of the managers and seafarers in the case studies. The discussion also explores the position of the Chinese seafarers in the context of the ‘socialist market economy’. In addition, Wu’s argument that ‘seafaring is still an attractive occupation in China’ (Wu et al, 2007, p9) is considered as well.

Specifically, Sections 13.1 and 13.2 explore some of the reasons for the resignation of young officer seafarers with higher education in Ag1 and Ag2 and some middle-aged and elder officer seafarers in Ag2, respectively. Section 13.3 analyses seafarers’ perceptions about seafaring as a career to explain why seafarers resign in favour of land-based jobs.

13.1 The resignation of young officer seafarers with higher education in Ag1 and Ag2
The loss of young officer seafarers with higher education is a serious problem in Ag1 and Ag2.

For instance, in Ag1, the loss rates were around 3% from 2004 to 2008. A majority are young seafarers, less than 35 years old, with higher education and working in Ag1 for less than ten years, according to the HRM Manager.

So why can these young seafarers give up their jobs in the SOCAs, which seems very difficult for some of the elder seafarers, as we have seen in Chapter 11?

Firstly, it seems that job security for young officer seafarers with higher education is not as important as it is for the elder seafarers. A 29-years-old seafarer said:

Job security is important. But it is not the prime concern. Sometimes payment and career prospects are more important for us. I think I would like to accept a

job with high payment and good career prospects but without good security, rather than the opposite.

The different attitudes between younger and elder seafarers towards job stability can be understood if we compare the situation and background of the young officer seafarers with that of the elder seafarers. Unlike the middle aged and elder seafarers, most of the young seafarers do not have to support their parents who may still be earning. Few of the young seafarers are married or have children. Furthermore, since the parents of the young seafarers have experienced changes during the economic reform as workers, their socialist ideology is not as strong as it is for the parents of the elder seafarer. Losing a stable job in the SOE or working for capitalists is not as unacceptable as it is for the parents of seafarers over 40 years old. Therefore, the importance of job stability for the young officer seafarers is not as significant as it is for the middle-aged and elder seafarers.

Secondly, concerning welfare, although it is important for the elder seafarers (as we have seen in Chapter 11), for the young officer seafarers, especially those with urban *hukou*, the social insurance and benefits of the SOCAs are not their prime concern. A 3rd officer said:

Welfare is not the main concern because my pension and some medical services are a long way off for me. Good work opportunities and career prospects are more realistic issues.

A 3rd engineer said:

I have not accumulated as much welfare as the middle aged and elder seafarers. So if I leave the agency, I won't lose a lot.

Over and above this, the third reason why young officer seafarers with higher education can give up their jobs in Ag1 and Ag2 is related to their good educational background, which allows them more choices in the labour market according to the interviewed seafarers. The President of the TU of Ag1 explained the situation in his agency:

Many young seafarers with higher education believe they have good work prospects onshore. I have seen that many young seafarers, especially those from the cities, are confident in finding a good land-based job and thus leave the agency. It is very hard for me to do moral work with these seafarers. They represented a large proportion of the seafarers who resigned. It is a big loss for the company.

The Training manager of Ag2 said:

It is not difficult for some young graduates with higher education to find new land-based jobs now. In fact, some young graduates have joined Ag2 while they were actually waiting for other land-based job opportunities. As soon as they got these new land-based jobs, they quit Ag2 immediately.

Therefore, their relative lack of concern about job security and welfare and their interest in land-based jobs explain to some extent the serious loss of young officer seafarers with higher education from Ag1 and Ag2. In addition to this, the resignation of middle-aged and elder seafarers in Ag2 is not insignificant. This is quite different from the situation in Ag1, in that although many middle-aged and elder seafarers work temporarily in the market while they are on leave, they do not quit. So why does the difference exist? The next section will look at this.

13.2 The resignation of middle-aged and elder officer seafarers in Ag2

The director and the HRM manager complained about the loss of middle-aged and elder officer seafarers. The director of Ag2 said:

The loss of some distinguished senior officer seafarers is serious. Last year [2007], 50 senior officers resigned altogether.

However, instead of becoming freelancers, many of them quit Ag2 for new, stable, land-based jobs. The Training manager of Ag2 said:

Many senior officer seafarers resign for land-based jobs. 70% to 80% of them have already found stable jobs before they quit, which are mainly land-based and provided by the ship-owners. In fact, 70-80% of our senior officer seafarers who resigned are 'stolen' by our clients.

A chief engineer of Ag2 said:

Many senior officer seafarers have resigned. In fact, they have found a better place, a stable job before they resigned. Now many of them have become the managers of the shipping companies for which they once worked. They were all excellent seafarers once.

The Manning manager of Ag2 explained why these seafarers are offered such opportunities by the ship-owners. He said:

They have worked onboard foreign ships since the first day they became seafarers. Over ten or twenty years, they get to know the management of the foreign shipping company very well. Because of their long working experiences, ship-owners also know some of these high-quality seafarers well. Many of our seafarers are of very high quality and thereby greatly appreciated by the ship-owners. When the ship-owners need to expand their business to take advantage of the good shipping market, these highly skilled seafarers are employed to do land-based managerial work and provided with very good salaries.

Therefore, many high-quality senior officer seafarers in Ag2 have resigned to take land-based jobs in shipping companies. However, considering the low resignation rates of middle-aged and elder seafarers in Ag1, we may want to ask whether they are offered the same working opportunities that are offered to resigned seafarers in Ag2? And why is it so?

In fact, many excellent, high-quality senior officer seafarers in Ag1 do not have the land-based working opportunities that are offered to the seafarers of Ag2 by the ship-owners. In Ag1, the ship-owner whom most officer seafarers serve is the PSC. As seen in Chapter 7, the recruitment of the managers in the PSC depends more on their

social backgrounds than on quality or skills. Therefore, even though many excellent seafarers have worked for the PSC for more than 20 years, very few of them have been promoted to managerial positions on the basis of their performance alone. As a consequence, seafarers in Ag1 do not have the land-based managerial working opportunities that are offered to those in Ag2. This might suggest that the management in the Chinese SOEs is not as flexible or fair as that in the foreign shipping companies, reinforcing the point that the reform of the Chinese SOEs is still limited in some ways.

Therefore, a difference exists - seafarers in Ag1 do not resign, while many seafarers in Ag2 resign because they are offered stable, land-based jobs beforehand. This reinforces the point that freelance work, which cannot provide security, is not a popular choice among middle-aged and elder seafarers.

By discussing seafarers' loss in Ag1 and Ag2, it is found in both of the agencies, many seafarers of different ages choose land-based jobs after resignation. Why did the seafarers give up seafaring for land-based jobs? To explain this further, the following section represents how the seafarers perceive being a seafarer.

13.3 Seafarers' views about their career

Seafarers in Ag1 and Ag2 gave many negative comments about work at sea. Firstly, seafarers seem dissatisfied with their wages, which have lost their absolute advantage compared to current land-based salaries. When recalling the advantage of seafarers' wages in the 1980s, a 2nd engineer said:

In 1988, an ordinary land-based worker, such as a 2nd rank worker in a factory, could earn 48.8 *yuan* monthly and an apprentice could earn 23 *yuan*. But ratings could earn 80 dollars [around 640 *yuan*] monthly. But today, many people doing land-based jobs earn more than us officer seafarers. The advantage of seafarers' wages is diminishing.

The director of Ag2 explained:

The absolute advantage of salaries at sea compared with land-based salaries has gone. Each year, a captain can earn around 30,000 dollars [the salary is 4,3000 dollars, working for 6-8 months]. Based on his experience and qualifications, it would not be difficult for him to earn the same amount at a land-based job.

In addition, seafarers have lost many of the privileges that they enjoyed before the 1990s. This has also made seafaring a less attractive career now than it was in the 1980s and seafarers' social status has been falling. The director of Ag2 said:

In the 1980s, very few people were able to go abroad because it was directly controlled by the government. Consequently, seafaring was an attractive career because seafarers could go around the world and visit different countries. In addition, without a market in China, the categories of the goods provided by the SOEs were very limited then. Many people had never even seen canned food or drinks. But seafarers had the opportunity to acquire these 'modern' goods. And many Chinese people had never seen dollars at that time. But seafarers could earn foreign money. Seafarers' social status was therefore very high and many people wanted to become seafarers rather than working in an office, doing land-based managerial work.

But now, going abroad is very easy. A travel agency can get all the documents the individual needs. In addition, the goods in the Chinese market are sufficient. Foreign foods and restaurants can be found in most of China's major cities. So seafarers' privileges have gone and seafaring is not an attractive career at all.

Furthermore, seafaring can be a tough and dangerous job, according to seafarers. Seafarers complained about the heavy workload onboard ship. A second officer said:

Seafaring is a very hard job. Seafarers always feel very tired. We have no weekend or fixed time to rest. Although some international laws restrict working hours, it is not unusual for us to work continuously for several days and nights.

A captain said:

The work onboard ship is very stressful. When the ship reaches port, it is even more stressful. You have to deal with various inspections and the fast discharge and loading of cargo. Sometimes we have to work continuously for two or three days, without rest. If you are young, you can bear with that. When you get to your 50s, you start to feel that you are unable to tolerate the heavy workload.

A chief engineer said:

Our working environment is bad, especially the deafening noise. The job is dirty and hard. Sometimes we have to work in this environment continuously for 20 hours. After this, even when you have some time to sleep, you cannot sleep well because the noise of the engine is still lingering in your head.

As mentioned in Chapter 9, since there is a shortage of officer seafarers in Ag2, their leave is rather short. The hard work at sea and insufficient holidays have resulted in ill health for many seafarers. A chief engineer said:

When working onboard ships, I am always very busy and stressed. This is mainly a result of my responsibilities at sea. I need to think and worry about many things, such as engine failure, the inspection of equipment when reaching ports and the supervision of other seafarers. When I go home, I cannot recover from the tiredness that results from the work onboard within two months. If I sail for seven or eight months, it will take at least three months for me to recover. In addition, when I take the heavy burden off my mind, I will be ill for a while. I have many diseases, such as adiposis hepatica, gallstones, cholecystitis, renal cyst, prolapse of the lumbar intervertebral disc, cervical spondylosis and migraine. Now I earn some money, but it eventually goes to the doctor. Very few seafarers live long. It is rare for seafarers to live to 80 years old. Many seafarers I knew died in their 60s.

Seafarers also complained about the bad food and the boring life onboard ship. A rating, when talking about the life at sea, said:

At sea, we eat few greens or fresh vegetables. The food is not good. We eat limited kinds of food, like seafood, potatoes, onions, cabbage and chicken, for almost a year, some of which are frozen for long periods. In addition, we do not eat well because many of the cooks are not good at cooking. They are employed because they are the relatives of the managers.

A 28-year-old 3rd engineer said:

When we work and live aboard ship, it feels like being stuck in a small cage, working endlessly. The life is very boring. There is a lack of entertainment and supporting facilities. For instance, it is very difficult for us to get access to the Internet because it is only used for captains. In addition, although there is a satellite phone, it is just too expensive for us. We only use it for the Traditional Spring Festival. Life onboard ship is very lonely and boring. I don't think I will stay long at sea.

In particular, seafarers at different ages showed special concern about the impacts of a career at sea on keeping a family or developing a relationship. Some young seafarers aged around 30 and below felt that finding a girlfriend and getting married might be a problem for them. A 29-year-old 3rd engineer said:

Seafarers' social status is currently low. We earn money through very hard work. Many people call us manual workers or equate us to migrant workers. In addition, we are often away from home for eight or ten months. Furthermore, we are not rich people and we cannot buy girls very expensive presents. Moreover, when we are onboard ship, it is virtually impossible to keep our minds active and catch up with the rapid changes in the society. So it is difficult for us to be smart and attractive: we are more like old peasants who know little about the modern world. Therefore, many girls and their families look down upon seafarers. Because of the nature of the job, some girls' parents forbid their daughters to develop relationships with seafarers. It is not easy for a seafarer to marry a good girl now.

Some middle-aged seafarers missed their families, especially their children. One 36-year-old rating said:

At the last day of the seafaring, for many seafarers, it is not easy to keep a family or a close friend. Divorce is very common among seafarers because we spend little time with our families and because we are not those rich and powerful people but are doing hard and dirty jobs. We don't have much time to get together with friends either... I miss my family a lot, especially since I had my daughter two years ago. She always called 'daddy' 'daddy' when she saw me and held me and kissed me. So I regret being a seafarer when I think about this. But I still have to keep my job, since I don't know much about land-based work... When I am 50 and think about my work experiences, I will find that I have wasted 20 years at sea and I am no richer than ordinary people or happier than them. If I am lucky, I will still have my daughter and wife. If not, I will have nothing.

A 60-year-old seafarer felt sorry for his family. He said:

I spent my best years at sea. I owe my family a lot. Working onboard ship is hard. If I could find a land-based job and earn several thousand *yuan* monthly now, I would do so, because then I would be able to lead a normal life, spend time with my family and take care of them every day. And I would be far away from the risks at sea. It is very difficult for seafarers to have a complete family.

Therefore, seafarers perceived that theirs was not a pleasant job. They also suggested that they would not recommend others to become seafarers unless there was no other choice. A 1st engineer said:

I don't recommend other people to become seafarers because I don't want to hurt them, especially the people... The good opportunities are on land, not at sea. Especially considering ratings, who work just for money, their job involves little skill; they cannot accumulate good experiences.

After being a seafarer for almost 30 years, I have met very few people who love this job. Most seafarers do it for money or because they got into it when they were young and knew nothing about the job. Now, very few people from urban cities want to become seafarers.

A 2nd officer said:

The happiest time for seafarers is when we finish trip and return home, getting together with our families. I would not suggest becoming a seafarer to my child or friend because we have to pay too much for this career.

When talking about seafarers' views about seafaring, young seafarers' lack of interest in sailing was mentioned repeatedly by the managers and seafarers. The President of Ag1's TU said:

Many young seafarers do not like seafaring. As far as I know, studying navigation or becoming a seafarer was not their first choice. Some of them became seafarers because they had no other choice: for instance, if they didn't study navigation, they wouldn't have the opportunity to undertake higher education; others were just centrally assigned to study navigation by the educational bureau during the National Higher Educational Examination. Also, some seafarers, especially peasant seafarers, lacked money, so they had to study navigation due to the low tuition fees.

In fact, the problem that young seafarers lack interest in seafaring is not limited to the two crewing agencies studied here. A career at sea seems to lack attraction for young seafarers in China in general, and this is more obvious in urban cities than rural areas, and in coastal developed cities rather than remote, inland cities. According to the SIRC survey of active Chinese seafarers, the vast majority of the students in maritime training and education were registered with rural *hukou*. Dalian Maritime University recruited 746 new students, among whom 70 percent originated in inland provinces. In the same year, neither Dalian Maritime University nor Shanghai Maritime University was able to recruit any students from Dalian or Shanghai (Shen and Zhao 2001).

Even among the students who are taking navigation courses in maritime universities, many of them do not intend to follow a long-term career in seafaring, according to preliminary researches. A survey (Xu and Hu 2005) among the fourth year students of four top maritime universities²⁰ in China showed that a majority (53.1%) of the students did not want to become seafarers after they graduated, and would rather choose jobs onshore. Among the 46.9% of the students who did want to become seafarers after graduation, less than 20% indicated that they wished to take seafaring as a lifelong career. This finding is consistent with the conclusion of Huang (2005) that more than 50% of officer seafarers with bachelors' degrees move to land-based jobs after five years at sea, and 70-85% of them do so after ten years of work at sea.

The discussion suggests that seafarers, especially young officer seafarers, are not satisfied with their work at sea, (see also Shen et al, 2005, p185). They therefore leave their SOCAs and move to land-based jobs when there are good opportunities to do so.

13.4 Summary

This chapter analyses the reasons for the resignation of young officer seafarers in Ag1 and Ag2 and the resignation of middle-aged and elder officer seafarers in Ag2. It is seen that the resignation of seafarers from state-owned shipping companies does not necessarily mean that they become freelancers. It explains from another perspective that the trend theory is not convincing.

It is seen that in both of these agencies, many of those seafarers who resigned moved to land-based jobs. To explain this, this chapter analyses the views of the seafarers about seafaring as a career. It is suggested that the popularity of the seafaring career is diminishing. Seafarers suffer from problems such as low social status, poor working conditions and wages that show no advantage compared with the wages of some land-based workers. Therefore, for a group of seafarers, when they have good land-based opportunities, they leave their crewing agencies and leave the seafarer labour market for land-based jobs, rather than joining the seafaring labour market in a more

²⁰ The top four universities are Dalian Maritime University, Shanghai Maritime University, Wuhan University of Technology and Jimei Maritime University.

liberalized way as freelancers. This is similar to what has happened in the seafaring labour market in the advanced European countries where the maritime labour force decreased significantly as a result of the developed economy. This study does not indicate that China has experienced or will experience a huge decrease in the seafaring labour force. However, the analysis of the case studies indicates that due to economic reform and the emergence of land-based opportunities in China, the popularity of seafaring has declined. The resigned seafarers in the case studies are more likely to choose land-based jobs, rather than to become freelance seafarers to work in global markets.

CONCLUSION

From 1992 to 2006, the number of Chinese crewing agencies that were allowed to man foreign ships increased from less than ten to fifty-three and the number of Chinese seafarers working in the global labour market increased by 400 per cent. Despite this, the annual export of Chinese seafarers has not increased much since 2000, but has remained at around 40,000 each year (Bao and Liu, 2008, p380). By 2003, Chinese seafarers who worked in the international labour market represented only 6.1 per cent of the seafaring labour in the global labour market (Ellis and Sampson, 2008, p14). China's seafarer supply represented around one fourth / fifth of the seafarer export of the Philippines in the 2000s (Bao and Liu, 2008, p380; Philippine Overseas Employment Administration, 2007 a and b). China's seafarer export has been lower than the expectations of the international shipping industry and some academics (BIMCO/ISF, 1995; Li and Wonham, 1999; Sharma, 2002; Wu, et al 2007).

This thesis seeks to cast some light on the limited rate of increase of Chinese seafarer labour export. It is based on fieldwork conducted in 2008 in two state-owned crewing agencies that are two of the main operators of the foreign manning business in China. It examines the employment and labour supply strategies of the crewing agencies and the consequences for seafarers. Four points have been concluded, concerning respectively, 1) The lack of market orientation of the SOCAs in the case studies; 2) The lack of liberalization in China's seafarer labour market; 3) Impediments to the free movement of labour; 4) Little financial incentive to work in the global labour market because the differences in wages here and those in the national labour market for Chinese seafarers are small.

1. The lack of market orientation of the SOCAs in the case studies

To different extents, both of the agencies in the case studies lacked market orientation due to the intervention of institutions at higher levels. This resulted in a shortfall of seafarers and consequently constrained the development of seafarer export. Therefore, the Chinese SOCAs may not be as market-oriented as people have assumed, which to some extent explains the limited rate of increase of China's seafarer export.

One of the aims of China's economic reform is to decentralize the power of the government and grant enterprises full decision-making authority to let them become market-oriented economic entities. Given the thirty years of economic marketisation and privatisation in China, some researchers (Li and Wonham, 1999; Sharma, 2002; Wu, et al, 2007) assume that Chinese ship crewing agencies have reformed into market-oriented enterprises, but without strong evidence. This study reaches a different conclusion. It raises the questions of the government and the higher institutions' interventions in the SOCAs and the extent of their reforms in affecting the seafarers and the seafarer labour export. The crewing agencies in the case studies have reformed to different degrees and represent the largest examples of two types of Chinese crewing agencies dominating the seafarer labour export. The study of these agencies allows us to see the operations of the most important players in the Chinese seafaring labour market.

With regard to Ag1, although it was registered as an independent enterprise, it received various forms of support and constraints from the PSC and governmental departments. Being dependent on this support, Ag1 was not entirely responsible for the economic success of its business performance, which meant that managers did not need to worry unduly about their own job security and as a result were not especially concerned with reforming the organization to improve its market efficiency. This in turn meant that it lacked something of a market orientation in relation to its HRM policies. This resulted in a shortfall of the seafaring labour that is essential for the business of a ship crewing agency.

Specifically, as seen in Chapter 5, the management of seafarers' manning, training and promotion retained the methods that were applied in the 1980s. As a result, a group of seafarers had few working opportunities and the seafaring labour resource could not be used flexibly in ways that responded to the company's practical needs; furthermore, training was not managed in such a way as to effectively improve the quality of seafarers; and the methods employed did not enable seafarers to achieve timely promotion.

Ag1 was also unable to offer its officer seafarers market-oriented wages. This was for several reasons, including head office control over the investment of material support, the large number of managers due to the failure of the reform to streamline the institutions, the huge cost of seafarers' welfare and the high wages and non-wage benefits of the registered ratings, which reflected the limitation of the reform of Ag1's management, as analysed in Chapter 6. Chapter 6 also revealed that although the payment system was reformed for the purpose of motivating seafarers, the reform actually resulted in the unfair management of seafarers' wages.

As discussed in Chapter 7, due to the lack of reform concerning the management system of the managers, they treated seafarers badly.

Because of these problems, while remaining on Ag1's book, some seafarers worked temporarily for domestic shipping companies when they were on leave. As the shortage in seafarer supply emerged because seafarers were not prepared to answer calls from Ag1 when they were working temporarily elsewhere, Ag1 was required by the PSC to stop much of its foreign manning business: consequently, seafarer export dropped sharply.

It seems at first, when looking at Ag1, that the intervention that impeded the management reform and the increase of seafarer export resulted from Ag1's nature as a subsidiary of the PSC. When we examined the case of Ag2, it was seen that even if a SOCA was independent of a shipping company, its operation could still be constrained by the intervention of the related institutions at higher levels.

As seen in Chapter 8, Ag2 reformed its management strategies to develop its business. However, due to the intervention of the head office in the distribution of Ag2's profit, it was unable to pay seafarers competitive market rates and some officer seafarers resigned, as analysed in Chapter 9. Although Ag2 tried to reduce the resignation rates by implementing new strategies, the managers implemented these strategies weakly, as seen in chapter 10. Consequently, Ag2 was faced with the shortage of seafarers. This constrained the increase of the seafarer labour export in the 2000s.

Therefore, despite the economic reform, Ag1 and Ag2 lacked market-orientation to different degrees due to the intervention of the institutions at higher levels. Consequently, the agencies were confronted with a lack of officer seafarers and their foreign manning businesses were constrained. Ag1 and Ag2 have been two of the most influential foreign manning agencies in China. The study of these agencies demonstrates that crewing agencies in China may not be as reformed or market-oriented as people have assumed (Li and Wonham, 1999; Sharma, 2002; Wu, et al 2007). This also partly explains the limited rate of increase of China's seafarer export.

2. The lack of liberalization in China's seafarer labour market

The reform of the Human Resource sector of the shipping industry was slower than the other sectors of the shipping industry and other Chinese industries due to the intervention of the government. The limited liberalization of the Chinese seafarer labour market contributed to the slower increase of China's seafarer export than the predictions made in the world shipping industry and by some academics.

The reform of China's shipping industry has been dramatic in many ways, especially in terms of the improvement of shipping capacity and the construction of shipping infrastructure. However, the reform of the seafarer labour market seems relatively slow, as seen in Chapter 3. So far, foreign invested crewing agencies have not been allowed to establish themselves in China. Although privately owned crewing agencies were allowed to register in 2004, most of them have been unable to register to man foreign ships because of the high requirements on registry. In contrast, it has been the fewer than 60 state-owned crewing agencies that control the vast majority of the seafaring labour resources, monopolize foreign manning qualifications and dominate the foreign manning business due to the support of the government at different levels. Consequently, most of the private-owned crewing agencies have been unable to compete with the state-owned crewing agencies in seafarer export and remain marginalized from the main system.

Therefore, despite the economic reform, economic liberalization has done little more than eroded the edges of the static seafarer export market in China. What commentators have focused on is associated with the peripheral changes (such as the emergence of hundreds of privately owned crewing agencies and the new working opportunities onboard foreign ships for Chinese seafarers). In fact, due to the government protection of China's shipping industry, state-owned crewing agencies continue to dominate the foreign manning business and the seafaring labour market has not reformed into a liberalized market. This restriction on the private-owned crewing agency and foreign invested crewing agency's ability to man foreign ships is a significant factor limiting the export of Chinese seafarer labour.

3. Impediments to the free movement of labour

From the evidence presented in my case studies, it is hard to characterize Chinese seafarers as free wage labour. This study demonstrates that there are a host of social, economic and institutional constraints on the ability of seafarers to leave SOEs to become freelancers. Therefore the 'trend theory', which argues that Chinese seafarers are increasingly becoming freelancers and as such will constitute a major change in the composition of global seafarer market is not supported without considerable qualification by my findings.

With the economic reform in China, especially the reform of the employment system, Chinese seafarers can choose their employers. Some authors, in particular Wu, argue that there is a trend that Chinese seafarers are leaving their SOEs to become freelancers working in the global labour market and that China's seafarer export will increase substantially due to the attractiveness of working onboard foreign ships (Wu 2003, 2004a, b, 2005; Wu et al., 2007).

An important dimension of the notion of free wage labour is being free to choose and leave the employer. Chapter 12 demonstrates how Ag1 and Ag2 prevented the movement of seafarers towards the labour market and how these strategies strengthened management control over seafarers. Although the measures cannot completely stop seafarers from leaving, they nevertheless make it difficult for seafarers to move freely; and it is hard to characterize Chinese seafarers as free wage labour.

In addition, when seafarers considered leaving the SOEs, they were concerned with the loss of the benefits that were offered by SOEs, such as job security, good welfare, certificate application services, wage security and safe working conditions at sea, as seen in Chapter 11.

Therefore, giving up the benefits offered by the SOEs and working as independent freelancers is not an easy choice for seafarers. When discussing quitting the SOEs and

becoming freelancers, the seafarers of different ranks, ages, backgrounds and origins had different considerations, which were not limited to the consequences of the management of their agencies, but associated with a wide set of issues, such as the positions of the seafarers in the labour market, their historical experiences and their personal expectations.

For instance, the seafarers with *hukou* registered in the countryside were peasant seafarers. They received fewer benefits than the agencies' registered seafarers with urban *hukou*. When Ag1 and Ag2 offered the peasant seafarers the opportunity to become registered seafarers, they showed great interest and thus became strongly dependent on their agencies. In addition, unlike the officer seafarers, ratings are low-skilled workers and there are redundant freelance ratings in the national and international seafarer labour market. Therefore, when Ag1 and Ag2 offered the registered ratings stable jobs and welfare provisions, ratings felt quite satisfied and few of them resigned from their SOCAs. Furthermore, unless they were offered better working opportunities, middle-aged and elder seafarers depended on the SOCAs for good welfare provision and job security and few of them quit. Last but not least, few seafarers who had no higher education, including young seafarers, resigned from the agencies. They provided a very stable labour resource for the agencies and hence were well welcomed by their employers.

A further consideration is that many of those seafarers who did resign did not become freelance seafarers but rather shifted to land-based jobs due to dissatisfaction with seafaring as a career, as seen in Chapter 13. Trend theory suggests that seafarers who resign from state-owned shipping companies become freelancers. However, the present analysis suggests that the resignation of the seafarers does not necessarily mean that they will become freelancers. The trend theory therefore lacks rigor in arguing Chinese seafarers are becoming freelancers working in the global labour market and that China's seafarer export will increase substantially.

4. Little financial advantage in the global labour market over those in the national labour market

There is no big difference between the wages of Chinese seafarers working in the global labour market and those in the national labour market. In some cases, the wages of the seafarers in the former group are lower than those in the latter group. This also negatively influences the supply of Chinese seafarers to the global labour market.

The wages of the Chinese seafarers dispatched onboard foreign ships are no longer necessarily higher than those of seafarers working in the domestic seafarer labour market, at least in the agencies studied here, as seen in sections 6.1 and 9.1. Because of this, when freelance seafarers were employed by Ag2, they were paid based on the market rate, which was higher than the wages of the agency's registered seafarers, as seen in section 8.2.3.

The higher wages in the domestic labour market and their negative impact on seafarer export have been reported by other researchers. For instance, Shen et al (2003) argue that because the wages of the Chinese seafarers employed in the global labour market are not advantageous when compared with the wages in the national seafarer labour market, the seafarers in the SOCAs lack enthusiasm to work in foreign shipping companies. Some of the interview data collected by Wu concur with this:

The survey suggests that salaries onboard the foreign fleets are not necessarily higher than onboard national fleets, even if the foreign company paid well (Wu, 2004b, p77).

It seems that the reason for this is not that the Chinese domestic shipping companies can offer wages that are equal to or higher than the rates in the global labour market, but that Chinese agencies allow foreign shipping companies to pay lower rates than the international benchmark wages to the Chinese seafarers they employ. Consequently, the wages received by Chinese seafarers working in the global labour

market are lower than foreign seafarers' wages (Zhao 2000b; Yin, et al, 2008 p199). For instance, Zhao and Amante found that:

Data collected through our respective studies confirm that the total pay received by Chinese seafarers employed on ocean-going ships in big state shipping companies, on average, was 35.8 percent lower than that received by the Filipino seafarers (2003, p84).

In addition, it is not unusual for Chinese crewing agencies to deduct part of seafarers' wages, which are already lower than the international benchmark rates (Li, et al, 2008, p125; Yin, et al, 2008, p204; Huang and Ning, 2008, p250).

One significant reason why the foreign companies and Chinese agencies can keep seafarers' wages low is related to the lack of protection of Chinese seafarers. So far, the ACFTU has not signed any agreement with any international trade organizations. Chinese seafarers lack collective bargaining power to improve their employment conditions, especially considering the weakness of the TU in representing seafarers, as seen in sections 7.2 and 10.3.

In contrast to the payment of low wages by the foreign shipping companies and the Chinese crewing agencies, the domestic shipping companies have improved seafarers' wages rapidly since the 2000s due to their huge demand for seafaring labour as a result of their fast development, as analysed in section 8.4.

Consequently, compared with the wages of seafarers working in the national labour market, the wages of Chinese seafarers employed by foreign companies have no significant advantage, which impedes seafarer export.

The thesis suggests that one of the reasons for overestimates of the likely progress of China's seafarer export is related to the limited extent of the reform of the Chinese seafaring labour market, which is reflected by the following aspects: the impediments to the free movement of labour, the lack of market competition for foreign manning business and weak market-orientation of SOCAs, and the low payment of Chinese seafarers in the global seafaring labour market. What changes would be necessary to increase the supply?

As analysed previously, the impediments to the free movement of seafarers include seafarers' dependence on their agencies and state control of the SOCAs. The free movement of seafarers would be helped by reforms to the Chinese social security system, reduction of the role of the SOEs in welfare provision and publication and implementation of market regulations.

At present, the diminishing popularity of seafaring as a career and the consequent loss of seafarers from the seafarer labour market weakens the free movement of seafaring labour. To improve the attractiveness of the seafaring career, new reforms may also be important concerning the establishment of a social insurance system for seafarers (including old-age insurance, medical insurance, working injury insurance and unemployment insurance), the reduction of seafarers' payroll tax, connecting seafarers' wages to the international benchmark rates and simplifying the procedure of application for maritime certificates.

Regarding the SOCAs that are allowed to man foreign ships, the extent of their reform is still limited. Walder (1986), in the mid-1980s, argued that communist neo-traditionalism – workers' political dependence on the companies and worker's personal dependence on the managers – still remained and fettered the development of a free market. Even in the mid 2000s, the same sorts of practices can be seen at work in the shipping industry (more details can be seen in Chapters 5, 7, 10 and 12).

The lack of market competition and the weak market orientation of the SOCAs are related to the government's protection of the Chinese shipping industry. Although a new policy was published in 2009 (one year after the fieldwork) to enable POCAs to register as foreign manning businesses, there is little sign of this coming about. Consequently, the POCAs have been unable to cooperate with foreign shipping companies directly.

Therefore, to improve the market competition for foreign manning business and the market orientation of the Chinese state-owned crewing agencies, it may be important for the state to relax its control over the Chinese seafarer labour market. However, whether this is a good thing from the standpoint of the Chinese economy is another question.

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APPENDICES

Appendix A: Outline of Seafarers Interviews

1. Seafarers' background

- Age
- Your place of birth: Rural or urban area
- Current *hukou*
- Single or married
- How many children do you have?
- Education level
- Sailing years
- When did you get this job?
- What is your post?

2. Recruitment and Contract

- Would you briefly tell me your recruitment process and why you chose this agency?
- How did this method of recruitment affect you?
- What is your contract type?
- Compared with seafarers with other types of contract in your company, do you feel that you are treated differently?
- Do you sign sailing contracts with particular ship-owners when working aboard ship?
- Are you worried about losing your job in this company?
- Do you intend to leave this agency in the near future? What do you think of becoming a freelancer?

3. Manning and Promotion

- Would you tell me the types of ship you served on during the last five years and which type of ship do you most like to serve on?
- Are you worried about your job opportunities?
- How do you evaluate the manning management in this agency?
- Please tell me the posts that you were promoted to in this agency and in which years.
- How do you assess the promotion opportunities in this agency?
- Have you ever thought about being promoted to a managerial position?

4. Training

- Have you attended any training courses in the last twelve months?
- If yes, how long were these courses?
- Which courses did you attend?
- How useful were the land-based and ocean training that you experienced?

5. Material support and job satisfaction

- Please tell me the composition of your monthly income.
- Are you satisfied with your income when you are on leave and are working onboard ships? And why?
- Is it easy for you to get alternative income when you are on leave?
- Are you satisfied with the social insurances that the company set up for you?
- Do you think this is a good job?
- How do you describe your company? What is the difference between your company and other companies in the market?
- How do you feeling about working as a seafarer?
- Would you recommend a seafaring career to others?

6. Relations with managers

- In general, how would you describe the relationship between managers and seafarers?
- How do you get along with the managers?
- How do you assess the quality/ skills of the managers?

7. Trade unions

- Are you a TU member? If not, why? Do you want to join the trade union?
- If you had a grievance at work, would you take it to the trade union? If not, who would you go to in order to try and do something about it?
- What is your view on the trade union in the company?
- What should trade union be like?
- Has any change occurred in the role of the trade union?
- What do you think about the union?

Appendix B: Outline of Managers Interviews in Ag1

1. Vice director of Ag1's head office

- Please evaluate the reform of the management of seafaring labour in your company and the operation of the subsidiary crewing agencies.
- How do you explain the relationship between the company and branch shipping companies? To what extent can the company influence the branch's operation?
- What do you think about the business of seafarer export in your company? To what extent do you think it is important?
- What do you think of the prospect of the foreign manning business and what are the strategies to improve labour export?
- What do you think of the shortfall of seafarers and how to deal with it?
- Why are the wages of the seafarers in your company lower than the rates in the national shipping market?
- Why does the company provide seafarers with social insurance of the highest standards and with many other non-wage benefits, which negatively influenced seafarers' wages?
- When was the payroll tax implemented and what do you think of it?
- Why does the company recruit peasant seafarers and what is the cooperation mechanism between the company and the local labour bureau?
- What are the main problems with the management of seafarers and with the development of the foreign manning business now?

2. Director of Ag1's parent shipping company

- Please explain the relationship between the company and the head office.
- What are the main differences between the company and private shipping companies in the domestic shipping market?
- How do you evaluate the reform of the management of seafaring labour in your company?
- How would you describe the relationship between the company and the subsidiary crewing agency?
- What do you think about the business of seafarer export in your company? To what extent do you think it is important?
- What do you think of the prospects of the foreign manning business in your company and what are the strategies to improve labour export?
- What do you think of the shortfall of seafarers in your company and how to deal with it?
- Please explain why there are surplus seafarers on the books.
- Do you have any plan to improve the quality and quantity of seafarers? If so, please specify.
- Please explain the management of managers in your company, particularly regarding job security, promotion, recruitment, incentives, disciplines, training, wages, etc.
- What are the main problems with the management of seafarers and with the development of the foreign manning business currently?

3. Director of Ag1

- Please briefly describe the agency's history, including the sources of seafarers and your main clients.
- Please describe the relationship between the agency and the parent shipping company and government at local, provincial and national levels and how the relationships have influenced the foreign manning business.
- Please describe and evaluate the reform of the management of seafaring labour since the 1990s in your company.
- What are the main differences between the agency and other agencies in the market?
- Please introduce the development of the foreign manning business in your agency since 2005.
- Please show me your agency's organizational chart.
- Why are there surplus seafarers according to the books?
- What do you think of the shortfall of seafarers in your company and how to deal with it?
- Why do you employ peasant seafarers and what is the cooperation mechanism between the company and the local labour bureaus?
- Please explain the management of the managers in your company, particularly regarding job security, promotion, recruitment, incentives, disciplines, training, wages, etc.
- Please evaluate the role of the Trade Union in your agency.
- What are the main problems currently faced by the agency?
- What do you think of the prospect of the foreign manning business in your agency?

4. Director (or senior staff) of Department of Human Resource Management

- What does your job entail?
- Please introduce the changes to the recruitment policies for seafarers since the 1990s in your company.
- Please explain briefly the recruitment and management of peasant seafarers.
- Please analyse the seafarer supplying capability of your agency in terms of the practical demand. How do you manage the 'surplus' seafarers?
- Please explain the management of seafarers' contracts in your company.
- How do you manage seafarers with different types of contracts?
- What are the impacts on the agency of the implementation of the New Labour Contract Law 2008?
- What do you think about the shortfall of seafarers in the agency and how does the company deal with it?
- What do you think about the relationship between managers and seafarers?
- Please introduce the management of seafarers' payment, social insurance and other non-wage benefits when they are sailing and are on leave, respectively.
- How do you evaluate the level of wages in your company compared to the rates in the domestic shipping market? What are the reasons for this?
- What are the main differences between the HR management of this agency and the management in other agencies in the market?
- What do you think of the Trade Union?
- What has caused you the most problems in your work?

5. Director (or senior staff) of Manning Department

- Please introduce your main duty.
- Please explain the general strategy of the manning management in the agency and the changes in the past 5 years.
- Please introduce the manning procedure in your company and how the manning decisions are made. Is there any particular regulation to guide the managers' selection of seafarers?
- Does your agency prevent seafarers from sailing when they are on leave? How and why?
- How is seafarers' promotion managed in your company and what are the main factors that can influence seafarers' promotion?
- How many seafarers can pass the maritime examinations for promotion each year and how many of them can be promoted by the agency?
- How do you help seafarers to get promoted in a reasonable period of time?
- Regarding the management of manning and promotion in this agency, what are the main differences between the management in this agency and the management in other agencies in the market?
- What do you think of the Trade Union?
- What has caused you the most problems in your work?

6. Director (or senior staff) of Training Department

- What does your job mainly entail?
- Please introduce some basic information about the land-based training program in your agency.
- How is the ocean training managed?
- What are the main differences between the training management in this agency and the management in other agencies in the market?
- Where does the training funding come from in your company?
- How do you motivate seafarers to attend training programs?
- How do you control the quality of the training delivered to seafarers?
- How do you evaluate the effectiveness of training?
- How do you evaluate the general quality of the seafarers in your agency compared to other agencies?
- How can the training of seafarers be improved, in your opinion?
- What do you think of the Trade Union?
- What has caused you the most problems?

7. Basic information about the managers

- Where were you born? Was this an urban or rural area?
- What is your current *hukou*, urban or rural?
- How old are you?
- Please tell me your education level. What qualifications do you have?
- Do you have sailing experience? If so, how many years? Does such experience benefit your current work?
- When did you start work?
- Is this your first job? If not, how many firms have you worked for?
- How long have you been engaged in management in this company? And what is the type of your contract?
- Please describe briefly how you found the job opportunity in this company and how you were recruited?
- Have you taken any material training in the past two years? If yes, what was it?

Appendix C: Outline of Managers Interviews in Ag2

1. Director

- Please briefly describe the agency's history, including the sources of seafarers and your main clients.
- Please describe the relationship between the agency and the head office and how the relationship has influenced the foreign manning business.
- What are the main differences between the agency and other agencies in the market?
- Please introduce the development of the foreign manning business in your agency since 2005.
- Please show me your agency's organizational chart.
- What do you think of the shortfall of seafarers in your company and how are you going to deal with it?
- Why do you employ peasant seafarers and what is the cooperation mechanism between the company and the local labour bureaus?
- Please explain the management of the managers in your company, particularly regarding job security, promotion, recruitment, incentives, disciplines, training, wages, etc.
- Please evaluate the role of the Trade Union in your agency.
- What are the main problems currently faced by the agency?
- What do you think of the prospect of the foreign manning business in your agency?

**2. Director (or senior staff) of Department of Human Resource Management /
Department of Business Development**

- What does your job entail?
- Please introduce the changes to the recruitment policies for seafarers since the 1990s in your company.
- Please explain briefly the recruitment and management of peasant seafarers.
- Please analyse the seafarer supplying capability of your agency in terms of the practical demand.
- What do you think about the shortfall of seafarers in the agency and how does the company deal with it?
- Please explain the management of seafarers' contracts in your company.
- How do you manage seafarers with different types of contracts?
- What are the impacts on the agency of the implementation of the New Labour Contract Law 2008?
- What do you think about the relationship between managers and seafarers?
- Please introduce the management of seafarers' payment, social insurance and other non-wage benefits when they are sailing and are on leave, respectively.
- How do you evaluate the level of wages in your company compared to the rates in the domestic shipping market? What are the reasons for this?
- What are the main differences between the HR management of this agency and the management in other agencies in the market?
- What do you think of the Trade Union?
- What has caused you the most problems in your work?

3. Director (or senior staff) of Manning Department

- Please introduce your main duty.
- Please explain the general strategy of the manning management in the agency and the changes since 2000?
- Please introduce the manning procedure in your company and how the manning decisions are made.
- Does your agency prevent seafarers from sailing when they are on leave? How and why?
- How is seafarers' promotion managed in your company and what are the main changes in the recent ten years?
- How many seafarers can pass the maritime examinations for promotion each year and how many of them can be promoted by the agency?
- Regarding the management of manning and promotion in this agency, what are the main differences between the management in this agency and the management in other agencies in the market?
- What do you think of the Trade Union?
- What has caused you the most problems in your work?

4. Director (or senior staff) of Training Department

- What does your job mainly entail?
- Please introduce some basic information about the land-based training program in your agency.
- How is the ocean training managed?
- What are the main differences between the training management in this agency and the management in other agencies in the market?
- Where does the training funding come from in your company?
- How do you motivate seafarers to attend training programs?
- How do you control the quality of the training delivered to seafarers?
- How do you evaluate the effectiveness of training?
- How do you evaluate the general quality of the seafarers in your agency compared to other agencies?
- How can the training of seafarers be improved, in your opinion?
- What do you think of the Trade Union?
- What has caused you the most problems?

5. Basic information about the managers

- Where were you born? Was this an urban or rural area?
- What is your current *hukou*, urban or rural?
- How old are you?
- Please tell me your education level. What qualifications do you have?
- Do you have sailing experience? If so, how many years? Does such experience benefit your current work?
- When did you start work?
- Is this your first job? If not, how many firms have you worked for?
- How long have you been engaged in management in this company? And what is the type of your contract?
- Please describe briefly how you found the job opportunity in this company and how you were recruited?
- Have you taken any material training in the past two years? If yes, what was it?

Appendix D: Outline of Interviews with the Chairs of Trade Unions in Ag1 and

Ag2

- Please introduce the organizational structure of the trade union.
- How were the union officials elected/appointed?
- What other jobs do you do in the company?
- What is the density of the Trade Union?
- Where do you get funding?
- Is there a collective contract system in the company?
- Please assess the average wage levels of seafarers in this agency compared with the market rates.
- Please introduce the different types of labour contract in the company and the percentages of the seafarers under each type of contract.
- What do you think of the shortfall of seafarers?
- Have unions changed (form, focus, approach) between 1990s and now?
- Please introduce your daily work.
- What activities did the trade union develop in last 12 months?
- How do you know the workers' grievances?
- What are the key problems concerning establishing better relations with workers?
- How often do you meet with the managers and how does the trade union bargain with the management?
- What are the key problems concerning establishing better relations with government, enterprises and the Party?
- Do you have opportunities to participate in making decisions with respect to the workers' interests?
- Why does the union not allow some peasant workers to join the trade union?
- What do you think about the union?
- How could you reform this union?

