

Prospects of Pakistan Origin Seafarers Employment

-a potential to increase foreign
remittances



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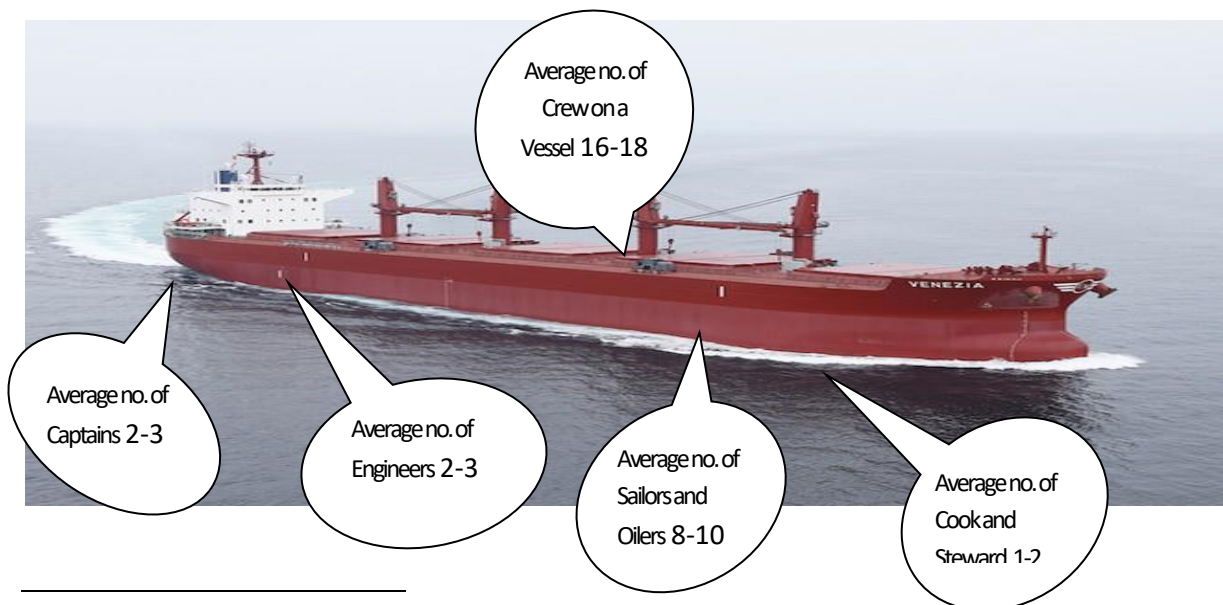
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Background and Introduction

A maritime off-shore labour also known as sailor, seaman, mariner, or most commonly seafarer is: *a person who works aboard (off shore) on a watercraft as part of its crew, and may work in any one in a number of different fields that are related to the operation and maintenance of a ship.* Major positions under the said categories are classified into two broad categories Officers and Ratings. Officer class comprises: Captains, Engineers and other personnel holding a certificate, whereas ratings refers to all other seafarers like sailors and oilers, cook / stewards etc. All the positions are relatively high paid as compared to similar job descriptions for on-shore employments / labours opportunities. Salaries of oil tankers crew are relatively higher because of the risk/hardships of the tasks, their operational loading/unloading carries out in sea so they spent months without touching the shores. Besides, seafarers receive very substantial amount of overtime and other allowances. Due to this the rate of savings of seafarers are relatively higher.

Seafarers are the integral part of shipping service sector, wholly belongs to the offshore component of the services by the sector. The global shipping sector as consistently been growing with the increase in global trade, however, Pakistan has seen its share in international shipping professions gradually decline over the last decades. Despite incentives to seafarers in Pakistan Merchant Marine Policy 2001¹, Pakistan was unable to grasp the potentiality of its seafarers through employment at foreign flag vessels.



¹The incentive as stated in Pakistan Merchant Marine Policy 2001

“Pakistani seafarers earning salary on foreign flag vessels shall be exempted from payment of Income Tax up to the amount repatriated through banking channel”.

This policy was implemented as

- (a) a Pakistani seafarer, working on Pakistan flag vessels for one hundred and eighty three days or more during a tax year; or

Implemented through Income Tax Ordinance 2001 Amendment in 2006

SRO 1119(I)/2006, dated 01.11.2006

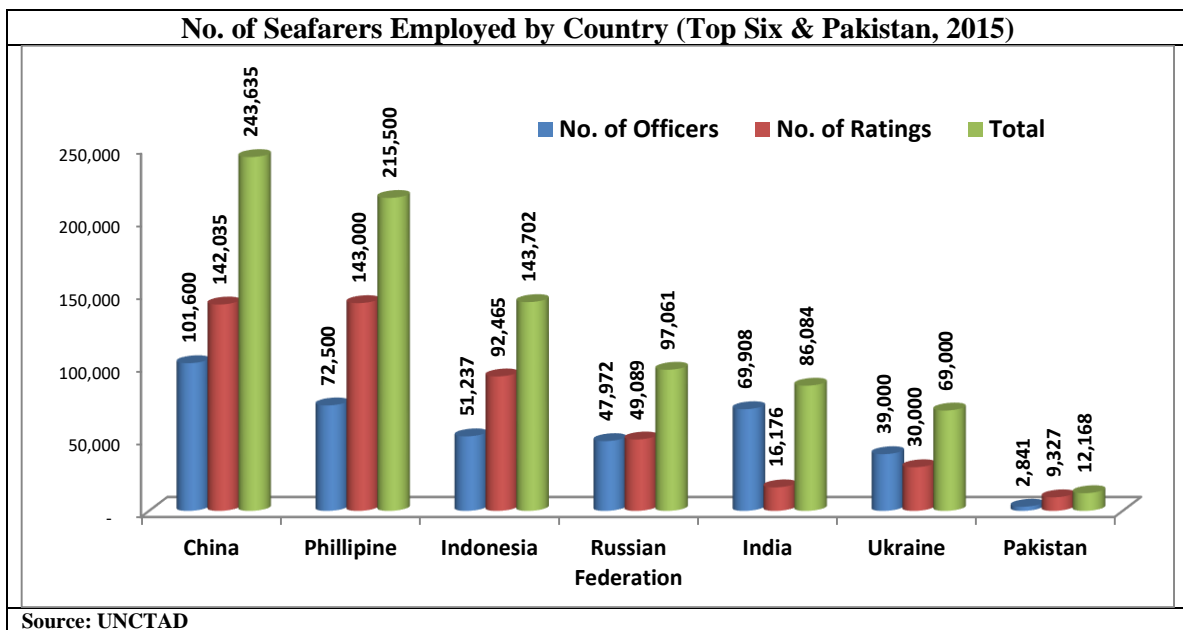
<http://download1.fbr.gov.pk/Docs/2017831181435412IncomeTaxOrdinance2001updatedupto30.06.2017.pdf>

- (b) a Pakistani seafarer working on a foreign vessel provided that such income is remitted to Pakistan, not later than two months of the relevant 3 [tax year], through normal banking channels.

Implemented through Income Tax Ordinance 2001 in 2001

Ref: <https://www.ma-law.org.pk/pdf/law/ITO%202001.pdf>

The off-shore employment (both officers and ratings) stands at around 1.6 million across the globe as of year 2015.² Chinese and Filipinos have the largest employment share which stands at 14.7 percent and 13.1 percent, respectively of the total employment. This is followed by Indonesia with 8.7 percent share, Russian Federation 5.9 percent share, India 5.3 percent share and Ukraine 4.2 percent share. The top six countries accounts for more than half of the employment share (51.9 percent) in the total employment. There are about 152 countries that has share in the seafarers employment (officers and ratings) in the world. The share of Pakistan is 0.7 percent (12,168 seafarers) in the total world's employment, accordingly stood at 27th position in terms of employment share.



Philippine as indicated above, a major supplier for seafarers globally, as per Philippine Overseas Employment Administration (POEA) there are 367,166 (0.37% of total population) Filipino seafarers with POEA approved contract deployed in 2013. In 2014, the deployed seafarers brought in **5.57 billion US dollar** remittances (22% of the total dollar remittances of Overseas Filipino Worker)³. Reason behind this hold in industry is the modern and updated education system of Filipino seafarers where around 80-100 marine schools train seafarers under various degree and diploma courses. Similarly, the seafarers of **India** remitted approximately **1 billion US dollar** during the year 2013/2014. Realizing the importance of training and courses impacted by Marine Academies/schools based on IMO standards, it is much possible that if trained; Pakistan can also earn significant revenue in remittances sent by its seafarers.

In early 90s, the seafarers from Pakistan stood around 18,000 (including officers and ratings) serving on foreign vessels, however, over the time, the share of Pakistan has reduced considerably to 12,168 (2,841 officers, 9,327 ratings) in 2015. This is on the back of several reasons, the most important is the post 9/11 scenario, where international employment for Pakistan origin seafarers become more difficult and delays due to more scrutiny required for issuance of visa to Pakistani seafarers⁴. During the period of 1990, the share of Pakistan Origin Seafarers in the country's overall remittances is

²UNCTAD quinquennial stats, Seafarer supply, quinquennial, 2015
<https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=157422>

³<http://sapalovelez.com/v2/pinoy-seafarers-rights/>

⁴<https://fp.brecorder.com/2008/05/20080525748261/>

around 25 percent⁵ (amount **500** million US dollar, author estimates, based on recorded total remittance), however, with the reduction in number of employment over the last two and half decade vis-à-vis increase of number of overseas in other sectors, this share significantly declined to 3% percent (amount **576** million US dollar – see appendix for detailed calculations, author estimates based on recorded total remittance of 18.4 billion US dollar) in **2015**.

The current document is to understand the potentiality of Pakistan Origin Seafarers for bringing foreign remittances in to the country. Beside this, the document also mentions some policy level hurdles and procedural bottlenecks for the increase of employment of Pakistani Origin Seafarers in foreign flag vessels.

Potentiality of Pakistani Origin Seafarers

The potentiality estimates are based on following assumptions:

- Total number of crew on average size ship (60000 DWT) = 16-18
- Oil tankers contain 2-4 additional crews (Additional engineer and sailors/marine oilers)
- With increase in tenure/off shore experience, the salary increases and the projection balance out this with average 7.5 percent increment. In 2018, international bodies reached an agreement on an overall increase of 4.5 percent of minimum wage for an able seafarer.⁶
- Pakistan Marine Academy inducts 170 candidates and passes out 150 (75 Deck side/75 Engineering side) on an average. Currently, an educated guess reveals that out of these 75, 20 Individuals lands job on foreign vessels and other chooses different onshore options.
- If government creates opportunities for these yearly passed out cadets, along with sufficient sailors/oilers and cook /stewards annually they can contribute substantial amount of remittances. This remittance source would be very stable and long lasting. An estimated remittance calculated on 200 Ratings strength is given below to comprehend the amount of remittance.

Current Seafarers Potential to Join the Profession& Average Domestic and International Remunerations					
Category		Average Pay Pakistani Vessel	Average No. of People employed in a mid-size vessel (60000 DWT)	Average Pay International	Passing out candidates from PMA
Captain (Officers)	Chief Officer	\$80,000	2 to 3	\$120,000	75
	Mates				
Chief Engineer(Officers)	2nd Engineer	\$75,000	2 to 3	\$115,000	75
	3rd Engineer				
Sailor and oilers Cook / Stewards (Ratings)		\$14,000	9 to 12	\$26,000	200
Total Employment Prospects per annum:			13 to 18		350

⁵<https://www.dawn.com/news/1429448/economy-seafarers-and-remittances>

⁶<https://worldmaritimeneews.com/archives/265239/deal-reached-on-higher-seafarer-wages/>

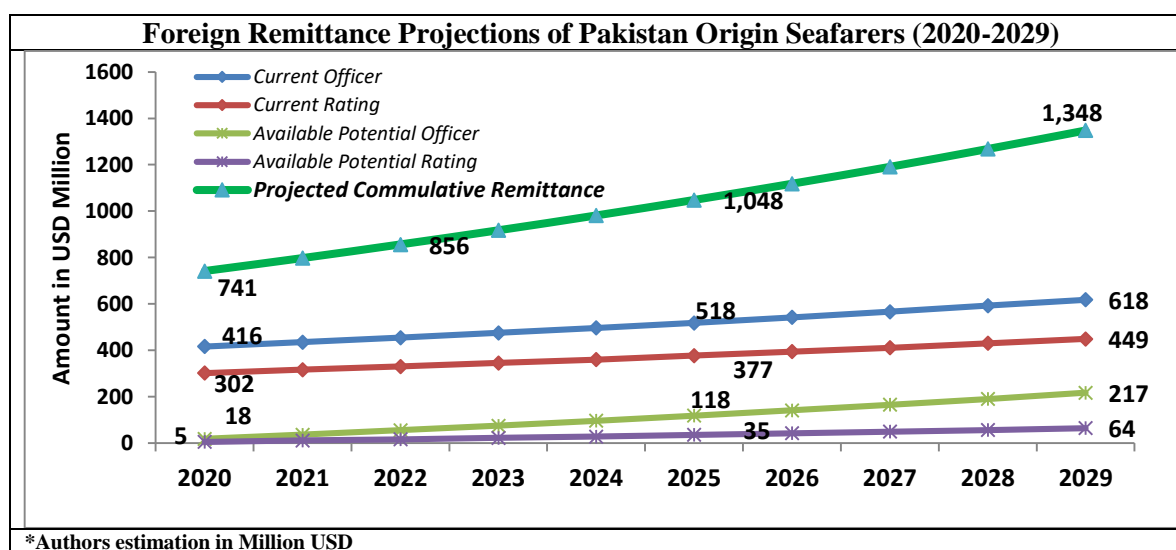
Employment Prospects of Seafarers

The employment prospects of seafarers can be gauged from the registered ships in the world over the years. During 2011-2018, the overall fleet has increased by about 1.5 percent (CAGR⁷). Of this, growth in Bulk carriers achieved a growth of 3.8 percent, other type of ships 2.8 percent and Container ships 0.5 percent. While the cumulative growth in Oil tankers and general cargo declined by 0.2 percent and 0.9 percent, respectively. Since, there is an overall increase in registered ships therefore there has been increase in demand of seafarers also. Based on seafarer's employment numbers in year 2015 and number of registered ships, the average seafarer's employment on per ship comes to approximately 18.

Registered Ships / Vessels by Different Types									
Category	2011	2012	2013	2014	2015	2016	2017	2018	CAGR (8 year)
<i>Oil tankers</i>	10,609	8,838	9,033	9,241	9,695	9,935	10,216	10,420	(0.2%)
<i>Bulk carriers</i>	8,228	9,001	9,568	10,162	10,509	10,747	10,892	11,125	3.8%
<i>General cargo</i>	21,090	20,309	20,282	19,664	19,566	19,698	19,716	19,613	(0.9%)
<i>Container ships</i>	4,966	5,096	5,107	5,101	5,111	5,227	5,158	5,164	0.5%
<i>Other types of ships</i>	38,390	41,465	42,494	43,786	45,589	46,467	47,280	47,847	2.8%
Total fleet	83,283	84,709	86,484	87,954	90,470	92,074	93,262	94,169	1.5%

Annual Remittance Projections

Subject to conditions and assumption, the potentiality is gauged for the annual remittance inflow projection is provided below. The seafarers contributed **0.57 billion US dollars** in 2015 which accounts for almost 3% of the remittances in respective year. In early 90's there were around 18000 Pakistani seafarers employed in foreign vessels and the share of seafarers in annual remittances inflow touched around 25% but this contribution is now shrinks to 12,168. However, Pakistan has a great potential of getting back that employment share resulting an increase in remittances, based on conservative approach of 4.5 percent per annum increment in remuneration for projection, a compound annual growth rate (CAGR) of 6.2 percent is expected in seafarers' remittances for ten years down the road from year 2020 to year 2029.



⁷Cumulative Aggregate Growth Rate (CAGR)

Pakistan seafarers can contribute up to **1.35 billion** US dollars by 2029 which is almost two-fold vis-à-vis remittance inflow by seafarers in 2018 and more than 6 percent of the total remittances (approx. **20 billion** US dollars) by Pakistani's overall expatriate working abroad in 2018. The detailed calculations are provided in the appendix tables⁸.

Epilogue

Pakistan's economy is sagging, particularly on the external front on account of rising imports and decreasing or stagnant exports. Although, the foreign remittances during the last one decade has increased impressively, and have had supported the trade deficit in a significant manner. Despite this, there is a need to do lot more to offset the trade imbalances, and the remittance by overseas Pakistanis is one of the avenues which needed to be explored further. Amongst other opportunities of increasing overseas remittance, the potential of seafarers is gauged in the current document. The findings revealed a significant potential of increasing foreign remittance by means of increasing efforts to employ seafarers of Pakistan origin on foreign vessels.

Considerable marketing efforts need to be made by Pakistani mission abroad, particularly in the major seafarers' employment centres, such as *Greece, Cyprus and Singapore* etc. The employment opportunities in the sector are still widely open and Pakistan must increase the size of its pie, going forward. The efforts will not only increase the overseas employment of seafarers from Pakistan origin but also would help in increasing foreign remittance.

The government needs to view this as an industry source of high inward remittance potential. Currently, Pakistani seafarers are facing issues to secure employment in national and particularly international level because of many reasons such as:

- Non-existence of domestic shipping industry. PNSC is the only Pakistani flagship operating organisation and on its fleet of 9 vessels it can only provide limited number of employment opportunities.
- Hurdles faced at domestic level such as lack of appropriate training opportunities and cumbersome procedure for acquiring certificates of competencies. The Pakistan Marine Academy (PMA) is the only public institute in Pakistan to train the seafarers and is managed by DG Port and Shipping. Merchant Marine training standards at international level has modified its training curriculum by adopting technological changes and aligning its curriculum with standards given in Manila Amendments 2010, whereas the training curriculum for Merchant Marine Personnel of PMA remains very traditional with very little emphasis on updates and technological innovations. Several courses have been discontinued by the academy on account of paucity of funds, lack of trainers and non-availability of appropriate training instruments.
- The failure to address the requirements of modern trainings standards set under the IMO conventions.
- Post 9/11 Pakistani citizens are facing strict customs check at foreign borders, situation for seafarers is more deplorable because of non-updated / non technologically upgraded Seafarers Identity Documents (SID) as per ILO Convention 185) and e-Articles of Agreement. As a result Pakistani seafarers cannot join foreign flag vessels without proper visa of that country

⁸See appendix for details

where he has to join foreign flag ship, he is not allowed to avail shore leave or transit or transfer at foreign ports. This all hassle makes Pakistani seafarers as least desired employees by foreign vessel operators.

- Concerns over misuse of The Merchant Marine Ordinance 2001 (MSO – 2001), certain provisions of the MSO -2001 need revisit as its given provision (i.e. Sec 123 and 127) are being misinterpreted /misunderstood/misused by the concerned authorities and seafarers who find opportunities to get employment on foreign vessels faced lot of hurdles in getting their required medical/physical fitness certificates and agreements of engagements.

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Some Basic Description

- Sailors and oilers are of different grade, able sailor is the senior most position along with Class 2 and Class 3 sailors.
- Most of the Sailors and Oilers are trained with informal education and they generally possess basic diplomas. On job experiences and their skill sets makes them worthy of their position.

Appendix

Estimation of percentage share of remittances in 2014-15 by Seafarers <i>amount in Million USD</i>				
Remittance as per Employment (2015) (Employment number * average remuneration)		Total Seafarers Remittance (A)	Total Country Remittances (B)	Percentage share [(A / B)*100]
<i>Officer</i>	<i>Rating</i>			
334	243	576	18400	3.10%

Potential Employment Estimate

Average Salary		Current Employment		Available Seafarers (Per Year)	
<i>Officer</i>	<i>Rating</i>	<i>Officer</i>	<i>Rating</i>	<i>Officer</i>	<i>Rating</i>
117,500	26,000	2841	9327	150	200

- * 4.5% increment in annual salary per year
- * increased 150 (officers) passing out cadets to foreign vessel work force per year
- * increased 200 (rating) seafarers to foreign vessel work force per year

Foreign Remittance Projection

Estimated Annual Remittance Inflow from Seafarers <i>amount In Million USD</i>					
Year	Pre-2020 Seafarers		Post-2019 – Seafarers Inclusion		Projected Remittance
	Officer	Rating	Officer	Rating	
2020	416	302	18	5	741
2021	435	316	36	11	797
2022	454	330	55	16	856
2023	475	345	75	22	917
2024	496	360	96	28	981
2025	518	377	118	35	1048
2026	542	394	141	42	1118
2027	566	411	165	49	1191
2028	592	430	190	56	1268
2029	618	449	217	64	1348