# Employment trends in all sectors related to the sea or using sea resources

Lithuania

European Commission
DG Fisheries and Maritime Affairs

# An exhaustive analysis of employment trends in all sectors related to sea or using sea resources

Country report – Lithuania

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# 1.0    Summary[I]

The coastal area of Lithuania is only 90 kilometres but the coast includes the third largest city Sea Port Klaipeda, a newly constructed Marine Oil Terminal at Butinge and a number of coastal recreation areas. According to unofficial estimates there are around 20,000 people involved in sea related activities in Lithuania.

This study found that in 2005 there were 31,000 persons employed in the sea related sectors. Without coastal tourism the maritime activity related employment nearly reaches 27,000 however, unlike in most other EU member states coastal tourism is not the largest sector in terms of employment. In Lithuania shipping is the largest sector with 11,832 registered seafarers. They represent 39% of all employees in sea related sectors. Shipbuilding is the second largest sector with 16% of all maritime related jobs (nearly 6,300), followed by coastal tourism (13%) and offshore supply (11%).

**Figure 1.1   Share (%) of employment by different sub-sectors**



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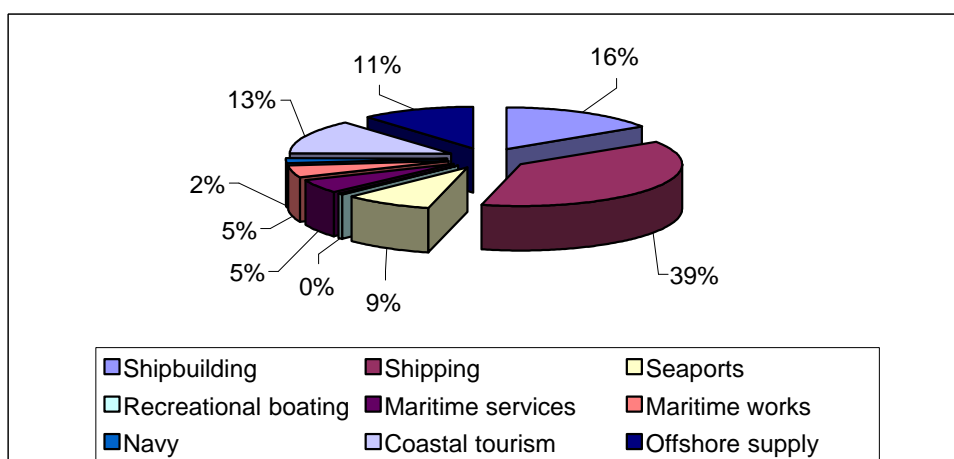
[I] This report excludes employment related to fishing.

**Table 1.1  Employment in the Lithuanian sea related sectors, 1995 - 2005**

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Shipbuilding | - | - | - | - | - | - | - | - | - | - | 4,902 |
| Shipping | - | - | - | - | - | - | - | - | - | - | 11,832 |
| Seaports | - | - | - | - | - | - | - | - | - | - | 2,730 |
| Recreational boating | - | - | - | - | - | - | - | - | - | 130 | - |
| Maritime services | - | - | - | - | - | - | - | - | - | - | 1,738 |
| Maritime works | - | - | - | - | - | - | - | - | - | - | 1,426 |
| Navy | - | - | - | - | - | - | - | - | - | - | 644 |
| Coastal tourism | 2,379 | 2,793 | 3,850 | 3,949 | 3,701 | 3,901 | 4,163 | 4,337 | 4,131 | 4,105 | - |
| Offshore supply | - | - | - | - | - | - | - | - | - | - | 3,514 |

*Source: ECOTEC Research & Consulting*

# 2.0    Shipbuilding

Shipbuilding provides even more employment that port activities in Klaipeda. This can be explained by the presence of several larger shipyards and a constant demand for comparatively cheap ship repair services in Klaipeda Port. The biggest company in this field is Vakarų laivų gamykla, AB with annual turnover of the 166 million Lt in 2004, and 90 million Lt in 2003. Dry cargo carriers, tankers, cement carriers, icebreakers, ferries, reefer vessels, special vessels are repaired at the yard. The company provides services to large shipping companies such as Athena Marine, Intership from Cyprus, Seatrade Groningen from Holland, Torvald Klaveness Group from Norway, Norbulk UK and Northern Marine Management from England, Diamar from Italy, MSCO from Russia and LISCO Baltic Service and Limarko from Lithuania.

## 2.1    Employment trends

On the basis of statistics of the Klaipeida port and the Ministry of Transport and Communications, there are 39 companies falling into the sub-sector of shipbuilding, repair and technical services. These companies current provide 4,902 permanent jobs. This figure is likely to encompass not only employment in shipyards but also in the marine equipment sector as many of these companies supply parts to the shipyards. The following table provides a more detailed breakdown provided by company.

**Table 2.1  Employment in the shipbuilding, ship repair and marine equipment sector**

| Companies Classified under Ship Repair, Building and Technical services[ii] | Number of Staff |
|---|---|
| Agesina, UAB | 26 |
| Alex Naval, UAB | 15 |
| Baltic master, UAB | 195 |
| Baltic Premator Klaipėda, UAB | 70 |
| Baltija Shipbuilding Yard, AB | 1470 |
| Baltnautic Shipping Ltd. | 11 |
| EVTRASTA S.Januška enterprise | 10 |
| Feliūga, UAB | 76 |
| Inland Waterways Direction, State Enterprise | 156 |
| Intalka, UAB | 16 |
| Iremas filialas Kelmerta, UAB | 167 |

| Companies Classified under Ship Repair, Building and Technical services[II] | Number of Staff |
|---|---|
| ISTB Group Ltd. | 1 |
| YIT Technika, UAB | 85 |
| Jursera, UAB | 5 |
| Jūrų elektronikos įrengimai, UAB | 1 |
| Jūrų prekybos linija , UAB | 7 |
| Klaipėdos laivų remontas, AB | 140 |
| Klaipėdos radaras, UAB | 7 |
| Laivite, AB | 257 |
| Laivyno technikos priežiūros bazė, UAB | 65 |
| Laivų techninis aprūpinimas, UAB | 4 |
| Mariteksa, UAB | 6 |
| MK laivyba, UAB | 9 |
| N. Mamčenko IĮ Predikatas | 1 |
| N. Petrovos I.Į. | 1 |
| Persolita, UAB | 74 |
| Polski rejestr statkow Klaipėda, UAB | 5 |
| RSB Novikontas, UAB | 15 |
| Saulės labirintai, UAB | 21 |
| Techmaris, UAB | 6 |
| Termomontažas, UAB | 144 |
| Undoris, UAB | 130 |
| Unimars, UAB | 12 |
| Uniteam Marine Baltic Ltd. (previously known as Uniteam Marine Ltd./ Bonamy Shipping Co. Ltd. Representative Office) | 4 |
| Vakarų laivų gamykla, AB | 1275 |
| Vakarų laivų remontas, UAB | 415 |
| **Total employment[III]** | **4,902** |

The sector is experiencing a shortage of qualified shipbuilders and welders – partly because the most skilled shipbuilders have been leaving for better paid jobs elsewhere in the EU. Bigger companies used to invite guest workers from the Ukraine and Russia but now the shortage has become so strong and acute that shipyards are having difficulties even in recruiting sufficient number of qualified guest workers form the CIS too.

[III] Some companies engage in multiple activities and appear under several subsectors

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Sustainable growth in this sector can only be maintained if sufficient number of qualified workforce can be found.

## 3.0    Shipping

In Lithuania, cargo transportation by sea carried out by national fleet takes up about 3-4% of the overall goods transport. Passenger traffic by sea is very small compared to total passenger flows. Nevertheless, cruise traffic is significant for tourism businesses in the costal area.

Over the last ten years the Lithuanian fleet has undergone considerable qualitative and quantitative changes. The privatisation of the State owned fleet started in 1998 and the number of vessels in the Lithuanian Ship Register is decreasing. From 1994 the Lithuanian sea fleet decreased from 308 to 175 vessels and 77 vessel owners at the end of 2005. The gross tonnage has also reduced from 647,000 gross register tonnes in 1994 to 479,254 tonnes at the end of 2005. In 2005, there were 94 fishing and 78 trade vessels, among them 6 ro-ro and 1 rail-ferry, 8 bulk carriers, 3 tankers, 21 transport refrigerator, and 37 dry cargo vessels. The owners of the flags of convenience are able to save up to one million dollars every year because of low taxes and maintenance costs. Already in 1992, 20% of the merchant vessels registered in the Lithuanian Ship Register were flying flags of convenience. The Lithuanian merchant fleet is also getting older, average age reaches 20-22 years, and maintenance costs are rising. It has been reported that if these trends are going to intensify the Lithuanian flag may completely disappear from the sea.

**Table 3.1  Number of Ships Registered at the Lithuanian Registry of Seagoing Ships**

| 2003 | 2004 | 2005 |
|------|------|------|
| 202  | 198  | 175  |

In terms of cargo traffic, even if the oil product transit has been on decrease it still makes the main share of cargo in the port of Klaipeda. The positive balance of the Klaipeda port cargo is mainly due to increases in container handling. The port of Klaipeda is competing with other Baltic ports in transit cargo traffic. The main reason of the decrease of transit cargo – is the Russian policy of diverting its cargo to Russian ports and applying different railway tariffs for the cargo transported to Russian ports and to the ports of other countries. As Russian cargo decreases, Lithuanian cargo only partially compensates for the loss of transit.

Cruise passenger traffic is new for Klaipeda city. In 2004 there were 49 cruise calls, in 2005 there were 59 stops and already 54 calls have been planned for 2006. Sea-ferries offering passenger services operate to and from Baltic ports of Germany, Sweden and

Denmark. Ferries are more oriented towards cargo transportation and are not speedy as passenger ferries. Travelling usually lasts more than 8 hours; rest cabins for ferry drivers and passengers are necessary. Nevertheless, the passenger flows have been growing rapidly over the past 3 years[IV]:

- 135,035 in 2003
- 146,233 in 2004
- 214,730 in 2005

Lithuanian shipping sector suffers from some weakness and threats, namely, the approaching manpower cost competitiveness, high average age of merchant fleet and declining number of merchant vessels under Lithuanian flag.

## 3.1　Employment

In 2005, there were 11,823 seafarers registered in the Lithuanian Seafarers Register – whilst the figure quoted by the Lithuanian Maritime Safety Administration for 2004 is 6,567. Only about 2.000 work on Lithuanian ships; the rest work on foreign ships and have been employed by crewing agencies. Annually transportation sector generates over 8.0 % of the national GDP and employs about 4.0% of its total labour force.

One of the key factors affecting employment has been Lithuania joining EU in 2004. Due to the fact that Lithuania joined the EU, Lithuanian seafarers became "more expensive" because of social contribution taxes, which European shipowners have to pay. Many Lithuanian seafarers were replaced by labour force from third countries.

## 3.2　Employment projections[V]

At the end of 2004 the Governmental Strategic Committee proposed a set of measures to improve competitiveness of maritime transport in Lithuania. There are two main fiscal measures: to impose of tonnage tax system and reduction of social contribution taxes. It was concluded that a Modern Shipping Policy would have significant positive impact on Lithuanian shipping sector and the Lithuanian economy as a whole. In 2005 year Lithuanian Government and stakeholders came to a mutual agreement, suggesting to reduce Social contribution taxes. The endorsement of European Commission has been received. Now the last step is to be taken by Lithuanian Parliament. Furthermore, the Lithuanian government submitted State notification for European Commission's consideration to introduce Tonnage Tax system.

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[IV] Ministry of Transport and Communications
[V] Ministry of Transport and Communications

It is expected that these fiscal measures will come into force in 2007 and can potentially have a positive impact on employment in the sector.

### 3.3 Skills and Training

There area 5 accredited maritime training schools in Lithuania providing theoretical and practical training for maritime diploma and qualification certificates. The most important schools are the Lithuanian Marine College of the higher education status, the Maritime Institute and at the Marine Technology Faculty of Klaipeda University. Proficiency studies under the requirements of STCW-95 of the International Convention are provided by two training centres. The academic programmes for seafarers training have to be accredited by the Maritime Administration.

# 4.0 Recreational boating

Sea related recreational boating (manufacturing, repair and operation of marinas) is very small in Lithuania. There are three boating associations in Lithuania but employment in this sector is very limited. The largest part of the business is likely to come from AB Laivite[VI] that is engaged in serial and custom production of leisure boats for both domestic and foreign clients. Overall, the number of jobs in this industry is not less that 100. The British Marine Federation study on marine leisure sector quotes a figure 130 for 2004.

Leisure boating industry is not expected to witness major growth in the short or medium term future in Lithuania.

# 5.0 Seaports

In Lithuania, the port territory, the port waters, the hydrotechnical equipment, the quay-walls, navigation channels and routes, aids to navigation and other port infrastructure belong to the state. The Klaipeda State Sea Port Authority is responsible for managing the state owned objects that are within the territory of the port and the Port Authority is responsible for the reconstruction and modernisation of the infrastructure.

The capacities of the Klaipeda Port to handle cargo have increased over the past decade. Since 2003 the port has been handling more 20 million tons.

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[VI] A large ship repair company according to Lithuanian standards

**Table 5.1  Cargo handling in the Port of Klaipeda 1995-2005**
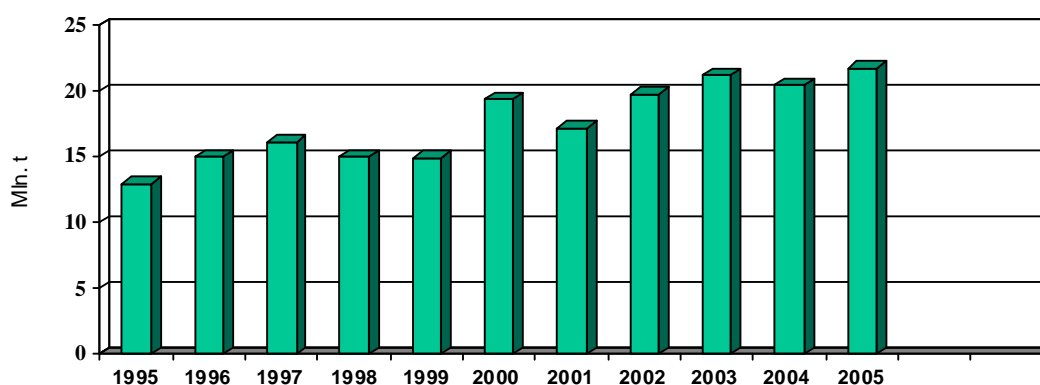


Source: Klaipeda State Seaport

### 5.1      Employment

Independent stevedoring companies, shipyards and other private companies operate within the port area, on the basis of land lease contract agreements concluded with the Port Authority. Stevedoring activities and other shipping related activities (storage, agency, logistics and expedition) are carried out by many companies, also by large shipping companies, and therefore it is challenging to establish the exact number of employees in this sector.

The following table provides information on employment in different ship agents based in the Port of Klaipeida. It shows that ship agencies currently employ 99 individuals.

**Table 5.2  Employment in ship agencies**

| Travel Agent | - Number of cruise vessels serviced in 2005<br>- Business operations | Number of Staff |
|---|---|---|
| Wm H. Muller & Co., UAB | - 2<br>- agency and forwarding services | 12 |
| Jūrų agentūra Forsa, UAB | - 6<br>- Ship agency, operator and forwarding services; freightage. | 11 |
| Limarko jūrų agentūra, UAB | - 21<br>- Agency and forwarding services, carriage of containers and bulky cargo, agency of shipping lines. | 27 |
| Klaipeda shipping Ltd. | - 13<br>- Vessel agency and cargo forwarding | 6 |
| Ocean container services, UAB | - 7<br>- Agency and forwarding services. | 9 |
| Litagent, UAB | - 2<br>- shipping agency, freight forwarding | 7 |
| UAB "SKELME" | - 4 | 18 |

| Travel Agent | - Number of cruise vessels serviced in 2005<br>- Business operations | Number of Staff |
|---|---|---|
| UAB "Litma" | - 3<br>- ship agency services, cargo carriage by containers, cargo forwarding | 9 |
| **Total** | **Total number of cruise ships 60 in 2005** | **99** |

*Source: Statistics on Port of Klapeida*

According to the statistics on cargo turnover in 2003 there were seven companies handling almost all cargo and passenger transit operations at the Port of Klaipeda. They employ 2,159 workers. There are a further 10 companies active in the port with a total employment in the Lithuanian seaport sector reaching 2,730.

**Table 5.3  Employment in the seaport sector**

| Companies in the port of Klaipeida | Cargo (00's). tonnes | % | Number of Staff |
|---|---|---|---|
| AB "KLASCO " | 7661,4 | 38,8 | 967 |
| AB "Klaipėdos nafta" | 6630,7 | 33,6 | 316 |
| UAB "Bega" | 2164,8 | 11,0 | 300 |
| AB" Klaipėdos Smeltė" | 2084,1 | 10,6 | 285 |
| Klaipėdos terminalo konsorciumas | 1263,7 | 6,4 | 250 |
| UAB "Krovinių terminalas" | 362,6 | 1,8 | 21 |
| UAB "Malkų įlankos terminalas" | 294,9 | 1,5 | 20 |
| Other | 550,6 | 2,8 | na |
| **Total staff in cargo handling** | **21012,8** | | **2,159** |
| Achemarida, UAB | - | - | 105 |
| Green terminal, UAB | - | - | 20 |
| Klaipedos saldytuvu terminalas, JSC | - | - | 40 |
| Klaipėdos laivų remontas, AB | - | - | 134 |
| Lietuvisku durpiu krova, UAB | - | - | 25 |
| MK laivyba, UAB | - | - | 10 |
| Palgardo kranai, JSC | - | - | 21 |
| Stevedoring company Kabotažas, UAB | - | - | 2 |
| V. Paulius & Associates, UAB | - | - | 89 |
| Vakaru krova, UAB | - | - | 25 |
| **Sub-total** | **-** | **-** | **2,630** |
| Ship agents | - | - | 99 |
| **Total – port of Klaipeida** | **-** | **-** | **2,730** |

## 5.2　Employment projections

Employment trends closely follow trends in cargo handling. Job cuts may be possible due to the unstable situation with Russian transit market and due to technological improvements.

# 6.0　Maritime works

No official figures have been obtained on maritime work sector employment in Lithuania. For the purpose of this study employment information has been collected for construction companies situated in the port of Klaipeida – which are involved in water construction projects. However, this is likely to be an over-estimation of total employment in this sector as not all the employees of these companies are working on water based construction projects.

**Table 6.1　Employment in the maritime works sector**

| Companies involved in water construction projects | Employment |
| --- | --- |
| Hidrostatyba, JSC | 461 |
| ISTB Group Ltd. | 1 |
| Klaipėdos hidrotechnika, UAB | 250 |
| Klaipėdos inžinerinių tinklų statyba, UAB | 110 |
| Klaipėdos kranai, AB | 284 |
| Plungės Jonis, UAB | 250 |
| Šilutės melioracija, UAB | 70 |
| **Total** | **1,426** |

# 7.0　Maritime services

According to a study "*The economical and social input of the Klaipėda State Seaport to Klaipėda city, region and the country of Lithuania*" – prepared by Lithuanian Free Market Institute together with Klaipėda University and "Economical consultations and researches ltd" - the level of employment in 6 sub-sectors of the maritime service sector amounts to 1,738.

**Table 7.1 Employment in the maritime service sector, 2005**

|  | Employment |
|---|---|
| Classification and inspection | 250 |
| Support services (bunkering, crewing etc.) | 500 |
| Maritime education and training | 40-80 |
| Ship supply | 280 |
| Klaipėda Customs Office | 525 |
| Maritime Safety Administration | 123 |
| Total | 1,738 |

*Source: ECOTEC Research & Consulting, 2006 – based on estimations and interviews with Lithuanian stakeholders*

# 8.0     Navy

The Lithuanian navy employs 644 individuals.

# 9.0     Coastal tourism

Klaipėda County (Lithuanian: Klaipėdos apskritis) is one of the ten counties in Lithuania. It lies in the west of the country and is the only county in Lithuania with a coastline. On the other hand sea-related recreation activities do not account for a large business share in economic terms because of a short summer season, unpredictable weather trends and limited service capacities. Nevertheless, the coastal regions carry important cultural significance for Lithuanians. The oldest and the busiest resort town is Palanga. It is located 25 kilometres to the North from Klaipeda. Palanga centres at the 24 kilometre length of seacoast, including other five neighbouring towns Nemirseta, Vanagupe, Kunigiskiai, Manciskiai, and Sventoji. Neringa is a UNESCO World Heritage Site.

The accommodation indicators for this coastal region show an increase in the number of guests as well as an increase in the number of guests and guest nights in accommodation establishments. These statistics indicate that coastal tourism in Lithuania is a growth sector.

**Table 9.1   Indicators on the number of nights spent in Klaipėdos, the coastal region of Lithuania**

| Indicators of accommodation establishments | | |
|---|---|---|
|  | Number of guests, total | Nights spent, total |
| 2000 | 20220 | 9297 |
| 2001 | 22260 | 10329 |

| Indicators of accommodation establishments | | |
|---|---|---|
| 2002 | 22430 | 10042 |
| 2003 | 24700 | 10069 |
| 2004 | 30640 | 11616 |

*Source: Statistics Lithuania*

## 9.1    Employment trends

The total level of coastal tourism related jobs has not been assessed in Lithuania. For the purpose of this study, national statistics on hotel and restaurant sector employment in the county of Klaipėdos have been used. Between 1995 and 2005 the hotel and restaurant employment increased from 2,379 to 4,105. This demonstrates a growth of 73% over a tend-year period.

**Table 9.2  Coastal tourism employment, 1995-2004**

| Year | |
|---|---|
| 1995 | 2,379 |
| 1996 | 2,793 |
| 1997 | 3,850 |
| 1998 | 3,949 |
| 1999 | 3,701 |
| 2000 | 3,901 |
| 2001 | 4,163 |
| 2002 | 4,337 |
| 2003 | 4,131 |
| 2004 | 4,105 |

*Source: Statistics Lithuania*

According to interviews with tourism sector representative the number of jobs in hotel businesses show an increase whilst employment related to health and well being has experienced some decline. The number of jobs in the tour operator sector is growing.

## 9.2    Employment projections

Some evidence suggests that with growing income many Lithuanians choose to spend their holidays abroad, and coastal tourism has to focus on overnight visitors rather than longer term stays – as well as on growth in international arrivals, particularly cruise tourists. The trend in employment is that of strong growth but some reservations do exist about its growth potential in the longer term future. For example, the volumes of tourist

activities in Neringa municipality by the coast can not be expanded because of its protected status.

Tourism Satellite Accounting predicts a growth of 14% in the number of travel and tourism industry jobs in Lithuania.

# 10.0 Offshore supply

The Butinge marine oil terminal is a part of the only oil refinery in the Baltic States, the Mazeikiu Nafta. The Butinge project was started both for economic and security reasons in 1995 after the Russian energy block in the beginning of nineties. The Butinge Terminal complex consists of a crude oil pipeline, which connects the facility with the Mazeikiai Refinery, onshore terminal equipment and tanks at Butinge, offshore pipeline, and a single point mooring buoy.

The Terminal can export up to 14 million tons of crude oil a year. It also can serve as an import terminal. The developments of the oil refinery and the marine terminal have since been at the centre of geopolitical interest. Currently, the Mazeikiu Nafta sales negotiations are taking place. The Government of Lithuania is negotiating with the major investor YUKOS in order to re-buy the shares and attract to oil business other reliable oil supplying company.

At the end of 2005 the Mazeikiu Nafta employed 3,514 persons, out of which 133 service Birzai pipelines and 60 are employed within the Butinge Terminal. Mazeikiu Nafta is the biggest tax payer in Lithuania.

# 11.0 Methodological issues

Employment data collected for this study is circumstantial. No official statistics for maritime industries is collected by the Statistics Lithuania or by the Ministry of Transport and Communications that is in charge of the Lithuanian Maritime Policy Issues. However, because the maritime sector in Lithuanian is so very small, all maritime companies are required to file short information sheets at the Klaipeda State Sea Port. This information sheet, inter alia, includes information on staff. Thus, knowing the companies in maritime business, it has been possible to provide fairly accurate figures for employment in the study sectors - by adding up staff numbers in each company.

This Port Company Registry is the best publicly available source on information about maritime companies, however, the information in the registry is not updated regularly and the data accuracy of data is not tested. For instance, the figures of employments could be

compared against records of the State Social Security Insurance Board's files or the State Revenue Office files. In fact, the actual figures of those working in the sector may not be fully reflected as the figures are likely to only include those working under a full time contract of employment. Though the issue can be legally challenged, it is a common practice in Lithuania to hire individuals under service contracts to save on social security, income tax and labour safety costs. Therefore not all individuals may be shown in these records. There could be also other alternative schemes for regular outsourcing of jobs in order to save company costs because labour taxation is much higher that capital taxation. For instance, following information of Port's Company Registry Sheet, it is unlikely that a company engaging in vessel agency, cargo forwarding and also working in travel agency business for cruise ships (tourists of 13 cruise ships serviced during 2005) was staffed with 5 people only, company administration included.