

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

Austria, Czech Republic,
Hungary, Luxembourg and
Slovakia



European Commission
DG Fisheries and Maritime Affairs

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

Country reports – Landlocked EU countries:
Austria, Czech Republic, Hungary, Luxembourg
and Slovakia

C3135 / July 2006

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1.0 Summary

There are five landlocked EU Member States; Austria, the Czech Republic, Hungary, Luxembourg and Slovakia. Due to the lack of coastline and easy access to the sea, maritime employment in these countries is limited. As a result, they are analysed together in this document. The following was found:

- Total direct employment in the Austrian sea related cluster, as defined in this study, stood at 9,341 in 2004/2005¹.
- In the Czech Republic the sea related sectors provided 1,618 jobs.
- The maritime cluster of Luxembourg employed 1,836 individuals in 2000.
- Total direct employment in the Hungarian sea related cluster was 605 in 2004/2005.
- The Slovakian maritime related cluster employment reached 1,520 in 2004.

Table 1.1 Sea related employment in landlocked EU Member States, 2004/2005

| Table header | 2004/2005 (latest year available) |
|--|--------------------------------------|
| Austria | |
| Shipbuilding | 325 |
| Marine equipment | 7,000 |
| Shipping | 1,056 |
| Recreational boating | 960 |
| Czech Republic | |
| Shipbuilding | 501 |
| Recreational boating | 150 |
| Shipping | 967 |
| Luxembourg^{II} | |
| Maritime employment on land (shipping agencies etc.) | 136 |
| Shipping | 1,700 |
| Hungary | |
| Shipbuilding | 355 |
| Shipping | 250 |
| Slovakia | |
| Shipbuilding | 950 |
| Shipping | 505 |

^I Statistics for the latest year available have been used.

^{II} The figures relate to year 2000.

| | |
|----------------------|----|
| Recreational boating | 65 |
|----------------------|----|

Source: ECOTEC Research & Consulting, 2006

2.0 Austria

According to Eurostat data on employment in the sector of 'building and repairing ships and boats', shipbuilding/repair activities in Austria employed 754 people in 2001 but this had declined to just 325 by 2005^I. The biggest job losses were encountered between 2004/2005.

Table 2.1 Employment in the shipbuilding/repair sector, 2001-2005

| 2001 | 2002 | 2003 | 2004 | 2005 |
|------|------|------|------|------|
| 754 | 878 | 919 | 832 | 325 |

Source: Special Eurostat extraction, 2006

The Austrian marine equipment sector is estimated at 7,000 employees, which represents 10% of the German workforce in this sector^{II}. As such, the Austrian marine equipment sector has been reported to account for 2% of the world market share. The major characteristic of the sector in Austria is the fact that it is almost exclusively composed of SMEs. These companies do not envisage a substantial increase of their workforce despite their plans to increase production. This increase is planned to be achieved by better efficiency and increased productivity rather by an increase in workforce. The existing vacancies in the sector are rarely an evidence of the increasing opportunities in the sector but are rather a signal of replacement of existing personnel^{III}. The sector is experiencing some skill shortages, especially among skilled workers which so far have been the backbone of the industry (high technology and IT specialists).

The Austrian EEA registered fleet of 8 vessels employed 1,056 seafarers in 2005^{IV}.

The Austrian leisure boating sector employed 960 staff in 2004^V of which 60 were employed in boat building, 265 in marine equipment manufacturing and 635 in related trade and service jobs.

^I This information is based on a small LFS sample and therefore should be regarded as indicative of employment in this sector.

^{II} Opinions of the representatives of EMEC and AMEM

^{III} An opinion of the representative of AMEM

^{IV} ETF, 2005

^V British Marine Federation (2004) Marine Leisure – European Overview 2004.

3.0 Czech Republic

Eurostat data show that employment in the sector of 'building and repairing ships and boats' stood at 809 in 2001 but heavy job cuts was made in 2003 leaving only 501 employees in 2005^I.

Table 3.1 Employment in the shipbuilding/ship repair sector, 2001-2005

| 2001 | 2002 | 2003 | 2004 | 2005 |
|------|-------|------|------|------|
| 809 | 1,132 | 496 | 303 | 501 |

Source: Special Eurostat extraction, 2006

The leisure marine sector provided 150 jobs in 2004 of which 10 were in boatbuilding, 25 in marine equipment manufacturing and 115 in trade and services^{II}.

Information from the Czech Ministry of Transport (Navigation and Waterways department) reveals that there are 967 certified seafarers in the Czech Republic. 349 are officers (69 masters) and 618 are active ratings. A large majority of seafarers are of Czech origin although a small minority of Slovak officers are also on the register.

^I This information is based on a small LFS sample and therefore should only be regarded as indicative of employment in this sector.

^{II} British Marine Federation

4.0 Luxembourg

During the eighties the Luxembourg inland navigation sector expanded towards the seas and the need arose to introduce maritime legislation. This was achieved through the 1990 Maritime Act.. A Luxembourg Public Maritime Register was created with the law of 9th November 1990. The same law established the Commissariat aux Affaires Maritimes directed by the Commissioner of Maritime Affairs and placed under the authority of the Ministry of Economy and External Trade since August 2004.

For a landlocked country like Luxembourg, the main purpose of introducing the legislation was to develop the existing business and to encourage the development of spin-off activities related to the maritime sector. The shipping register gained international attention when Belgian owners transferred their fleet to Luxembourg. The International Transport Worker's Federation regarded the Luxembourg register as a genuine Belgian second register which, in fact, has created some obstacles to expanding the register beyond the Belgian context.

All or a significant part of the management of the ship must be carried on from Luxembourg. This significant part of the management is not defined in the law, which means that the fulfilment of this requirement is left to the Minister's appreciation. This is for one of the reasons why it is not that easy to calculate the impact and the relevance of the sector. Many ships take the Luxembourg flag mainly attracted by the liberal tax policy, hence in practice; few companies have set up the necessary structures in Luxembourg whilst others have signed management contracts with accredited shipping management companies.

4.1 Employment trends

Employment in the maritime sector in Luxembourg in 2000 stood at 136 employees on land and an estimated 1,700 on board ships¹.

¹ PriceWaterhouseCoopers, Etude sur le secteur maritime luxembourgeois, Commissariat aux Affaires Maritimes, Rapport final, juin 2001

5.0 Hungary

5.1 Summary

Hungary is one of the four landlocked EU Member States so maritime employment in the country is limited. Currently the shipbuilding sector provides 355 jobs and the shipping industry 250 jobs (down from 551 in 2004) and therefore total direct employment in the Hungarian sea related cluster is 605. The shipbuilding industry witnessed a decline of 95% in employment in the 1990s.

Table 5.1 Employment in the Hungarian sea related cluster, 2004/2005

| Sub-sector | 2004 | 2005 |
|--------------|------|------|
| Shipbuilding | - | 355 |
| Shipping | 551 | 250 |

Source: ECOTEC Research & Consulting, 2006

Information has also been obtained and included on employment in inland navigation and river ports but they do not come under this study definition and consequently are not included in total figures.

5.2 Shipbuilding

The shipbuilding industry has not recovered from the recession that took place in Hungary in 1990-92 as well as other sectors of the economy have. As with other Eastern European countries, the industry depended largely on COMECON trade, which was affected by the collapse of the USSR. This meant that output and employment dropped significantly. The drop in output between 1989 and 1993 was over 50%. The sector responded by reducing excess employment, increasing productivity and closing the majority of the shipyards. During 1989-1999, employment was cut by about 95%.

Wages, however, increased from €200 in 1993 to €350 in 1999. Measures taken to counteract these increased labour costs were the stabilisation programme of 1995-96, and a cautious exchange rate policy thereafter. This meant that the unit of labour costs decreased by 15% in euro terms between 1993 and 1999.

Table 5.2 The following table provides a brief SWOT analysis of the sector.

| STRENGTHS | WEAKNESSES | OPPORTUNITIES | THREATS |
|--|--|---|---|
| <ul style="list-style-type: none">- price competitiveness- cost competitiveness | <ul style="list-style-type: none">- Landlocked country- decapitalised production assets- low level of research | <ul style="list-style-type: none">- low labour costs- state-owned company (Mahart) ensures long-term contracts | <ul style="list-style-type: none">- delay of the privatisation process- increased labour costs- unfavourable inland |

| STRENGTHS | WEAKNESSES | OPPORTUNITIES | THREATS |
|-----------|--|--|--|
| | <ul style="list-style-type: none"> and development projects - no special government support for reconstruction - lack of private capital interest - negligible share in the global market - low work productivity | <ul style="list-style-type: none"> - monopolistic position in the domestic market | <ul style="list-style-type: none"> location - no need for additional ship repair resources - poor access to financial and capital markets |

5.2.1 Economic impact

The shipbuilding industry currently employs around 0.1% of total employment in manufacturing, and provides less than 0.1% of exports, mainly to other EU Member States. The shipbuilding industry can be said to be of little or no importance to the labour market either nationally or regionally. It also plays a negligible role in the national economy, especially since the downsizing period from 1989 to 1992.

5.2.2 Employment trends

Today the Hungarian shipbuilding and ship repair industry comprises of three shipyards controlled by the state-owned Mahart enterprise, with a total of 255 employees, and seven or eight smaller firms (fewer than 20 employees each) that work directly in the ship repair industry. Consequently a total of 355 employees work directly in the shipbuilding sector in Hungary.

Table 5.3 Shipbuilding employment, 2005

| SHIPYARD | Direct employees | Orientation | Focus |
|--------------------------|------------------|-------------|--------|
| Mahart Budapest | 150 | River | Repair |
| Mahart Tiszayacht | 45 | River | Repair |
| Mahart Balaton | 60 | River | Repair |
| Ship repair (estimation) | 100 | - | - |
| Total | 355 | - | - |

Source: Mahart Enterprise

As already mentioned, there has been a sharp decrease in employment in the shipbuilding and repair industry. In addition to the recession of the early 1990s, this has been brought about by reduced shipping activity on the River Danube because of the long-term Yugoslavian crises. These factors, combined with the lack of government support for the sector, had a detrimental impact on the sector Hungarian ship repair industry. To that could be added the competitive situation of other landlocked Eastern European countries.

5.2.3 Employment projections

The Hungarian ship repair yards intend to increase their production capabilities in the next three to six years, but this depends largely on the actual demand for ship repair in the Central European sector. The forecast for 2006 includes a 15% increase in production (compared with 1999). How these production-level forecasts might impact on employment in the sector is not evident, mainly because information is not available regarding the steps taken to realise these plans. Furthermore, strong competition from countries like Slovakia could divert foreign investments away from Hungary and hence affect the employment market negatively.

5.2.4 Skills and training

There is insufficient local demand and knowledge about employment in the sector. Working conditions are poor, due in particular to the lack of investment in the sector during the 1990s. No replacement, modernisation, new capacity, ecological or work safety investments were made because of large tax liabilities and lack of financial resources.

5.3 Shipping

Information both from the Hungarian trade unions and from the State report that there were 551 certified seafarers in Hungary in 2004 – of which 331 are officers and 220 are active ratings. Of all the officers 105 are masters, 60 chief/deck officers, 140 engineers and 26 electricians.

However, recent publications from the Hungarian government state that the Hungarian maritime shipping industry has undergone major changes in the last decade: the last ship under the Hungarian flag was sold in 2004, and since then all the seafarers have been employed by ships navigating under foreign flags. At the same time the number of seafarers has gone now, an estimated number was 250 for the year 2005.

5.4 Recreational boating

According to the Hungarian government the recreational boating industry provides only a 'handful' of jobs – no more detailed information was available.

5.5 Ports

Hungary does not have any seaports but river ports currently provide 600-700 jobs. The Port Industry was privatized in the nineties, which has increased effectiveness by reducing the number of employees. The same production capacity has been achieved since the

privatization with 600-700 employees, as during the late 1980s with 11,300-11,400 employees.

5.6 Inland navigation

In inland waterway navigation, the opening of the Danube-Main canal in 1992 has enhanced the business opportunities by providing access to the Central European markets. About 2,500 certified employees serve onboard inland ships, mostly under a foreign flag. The Hungarian Shipping Company's inland navigation section was privatized as late as 2004.

6.0 Slovakia

Currently the maritime cluster of Slovakia creates some 1,520 jobs. The country's shipbuilding industry generates some 950 jobs and the sector has experienced a deep decline over the past decade. In addition to the shipbuilding sector, the country has 505 active seafarers.

Table 6.1 Employment in the Slovakian maritime sector

| Sector | 1998 | 2004 |
|----------------------|-------|--------------|
| Shipbuilding | 5,500 | 950 |
| Shipping | - | 505 |
| Recreational boating | - | 65 |
| Total | - | 1,520 |

Source: ECOTEC Research & Consulting, 2006

6.1 Shipbuilding

Since the opening of the Rhine-Main-Danube channel Bratislava has had a waterway connection with the North Sea as well as with the Black Sea and lies in the middle of this most important European waterway. Bratislava is also the crossing point of the railways from all directions with the connection to the Bratislava's Danubian harbour.

In spite of this, the shipbuilding industry in Slovakia is small comprising of only two enterprises: the Komarno shipyard (new buildings) and one in Bratislava (ship repair). However, the only active one is the one in Komarno. Slovenske Lodenice Komarno, a.s. is the only Slovak shipyard specialising in the design and construction of multi-purpose river and sea-going vessels of up to 8,000 dwt. The company is strategically located on the Danube in the southwestern Slovak city of Komarno, offering access to Black Sea and North Sea ports and beyond.

The Komarno shipbuilding tradition dates back to the end of the 19th century, when the first local shipyard was founded to offer simple repairs of river ships and barges. Since then, generations of shipbuilders have constructed more than 1,900 sea and river-going vessels of various types, including passenger ships, tankers, bucket-dredgers, multi-purpose cargo ships, tug boats and barges. The shipyard is a joint-stock company with foreign capital and the only producer of new build vessels in Slovakia. It specialises in building river- and sea-going cargo vessels that are delivered to western European markets.

6.1.1 Employment

Traditionally the economy of city of Komarno has been based around the shipyard. But in the late 1990s the company cut its workforce from 5,500 employees to about 950 in 2004.

6.2 Shipping

According to the maritime office at the Slovakian Ministry of Transport, there were 505 certified seafarers in Latvia in 2004. Of these 505 seafarers 175 were officers and 330 active ratings.

In addition, 1,100 Slovaks have passed safety courses to serve on passenger ships.

6.3 Recreational boating

According to the study conducted by the British Marine Federation on employment in recreational boating industry in 2004, the sector provided 65 jobs in Slovakia in 2004. No boatbuilding activities take place in Slovakia but according to the data, 10 individuals are engaged in marine equipment manufacturing and 55 are employed in duties related to trade and services in the recreational boating industry.