



# The Bottom Line

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## Labor is the Key to Smooth Transport Logistics

### Summary

With the second half of 2022 underway, there may yet be another culprit for supply stress—labor unrest.

### Background

Each wave of supply shock to hit the global economy during the pandemic seems to produce a different scapegoat. First came the shipping container shortage of late 2020, primarily caused by American consumers stocking up on everything from backyard games to home-office equipment. Then, in 2021, companies over-ordered parts and products to avoid running out. Next, a series of freak accidents — like the blocking of the Suez Canal — helped shake the global economy close to paralysis. Now it seems that a wave of labor disruptions on top of long-felt shortages is the cause of the next crisis.

Labor is still getting sick in the literal sense and needing to take time off to recover. Ports in northern Europe are among the world's most congested partly because of Covid outbreaks and sporadic cases of labor stoppages. Airlines have been forced to cancel flights due to understaffed cabin crews. Railroads, trucking companies, and warehouses are all desperately searching for workers to fill open positions.

### Current Status

Brian Whitlock, Senior Director Analyst with Gartner's Supply Chain practice, said that over the past year, the balance of power has shifted to labor in all sectors.

The airline industry has been battling a string of challenges sparked by airport chaos ahead of a busy summer holiday season. Strikes and staff shortages have forced airlines to cancel thousands of flights, resulting in long queues at major airports. The airline industry imposed sweeping job and pay cuts as the Covid crisis brought worldwide mobility to a standstill. However, the lifting of restrictions has seen a sharp uptick in passenger demand. London Heathrow airport recently took the unprecedented step of requesting airlines limit ticket sales through the hub. Staff are pushing for improved working conditions and better pay amid soaring inflation.

Railroads are grappling with a weird phenomenon that is a combination of "labor shortages" and 12.6 million people still claiming some form of unemployment compensation amid stimulus-fueled demand. This crisis comes after railroads had spent six years shedding employees to tickle

Wall Street analysts and pump up stock prices.

According to an estimate from the American Trucking Associations, the United States is experiencing a shortage of more than 80,000 truck drivers. The ATA also estimates that about 72 percent of America's freight transport moves by trucks, which shows just how dependent consumers are on them. However, this is not just an American problem. Trucks haul comparable amounts of freight in places like the European Union and China, and countries and regions around the world are experiencing driver shortages. Sea port facilities are facing significant challenges as well. Negotiations continue on the US West coast between the MPA and ILWU over a contract that expired July 1. Dockworkers at the biggest ports in Germany have staged walkouts to put pressure on negotiations, and the port of Charleston has a new terminal sitting unused because of a disagreement with the labor union.

### Impact

When it looked like freight rates were falling back towards reasonable, this newest complication has the potential to limit capacity and drive rates higher again. The Airline Pilots Association was threatening a strike in May. Dock workers in Germany have already staged work stoppages. The Biden administration said it would appoint a three-person commission to stave off until September what would be the first strike by freight rail workers in 30 years. Each interruption creates more congestion in the system already stretched to the breaking point.

### RESOURCES

[Labor Unrest Disrupts Supply Chains from Sea to Sky \(gcaptain.com\)](#)

[Labor shortage for railroads that have slashed workforce by 33% - Works in Progress \(olywip.org\)](#)

[Farnborough air show: Aviation leaders to gather for major trade event \(cnbc.com\)](#)

[A truck driver shortage is adding to the world's supply chain woes - Vox](#)  
[South Carolina's Port Has a Serious Union Problem at Its New Terminal - FITSNews](#)

[The Labor Shortage is Why Supply Chains Are Disrupted \(forbes.com\)](#)

[London's Heathrow tells airlines to stop ticket sales as it caps passengers | Reuters](#)

[Rail workers push to strike. Here's why they're angry. \(msn.com\)](#)