



# The Bottom Line

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## U.K. & U.S. WEST COAST PORT LABOR NEGOTIATIONS FALTER

### Summary

Negotiations between ports and workers are breaking down in the U.K. and U.S. as workers take advantage of their extraordinary leverage.

### Background

Into the 1950s, most goods transported over the sea were shipped loose or packaged in boxes, bags, barrels, and other relatively small containers. As a result, a significant contributor to the cost of shipping was the time and labor spent loading and unloading ships. One analysis in the late 1950s concluded that 60–75% of the cost of transporting cargo by sea consisted of port costs, including time loss and damage (including theft) to freight waiting to be loaded. Typically, a cargo ship would spend as much time in port being loaded and unloaded as at sea.

In the 1960s, cargo shipping experienced a paradigm shift with the introduction of standardized containers. The impact of containers was immediately felt by port workers, where the ease of loading and unloading meant that fewer workers were required. Studies found that using containers made nineteen in every twenty men redundant. The ultimate result was a considerable drop in the number of dock workers—with the number of registered longshoremen on the U.S. East Coast falling by over two-thirds from 1952 to 1972. These changes occurred despite worldwide shipping increasing more than 600% from 1950 to 1973.

As with the introduction of standard containers, port automation has been a point of contention in labor negotiations for more than twenty years. This disagreement began in 2002 when the Pacific Maritime Association (PMA) fought for the general computerization of port operations. Part of a 2008 ILWU labor deal provided employers with the right to deploy fully mechanized and robotic-operated marine terminals, a provision that remains in place.

### Current Status

The central disagreement in the U.K. negotiations is over wages. Labor union Unite said at the time of the initial Felixstowe strike that members rejected the 8% increased pay offer from the Felixstowe Dock and Railway Company because the wage offered was lower than the inflation rate. Unions in both Felixstowe and Liverpool have called for workers to strike again. The port said in a statement last week that it was "very disappointed that Unite has announced this further strike action. The collective bargaining process has been exhausted, and there is no prospect of an agreement being reached with the union."

On the U.S. west coast, the disagreement centers on the issue of automation. U.S. ports are already strained due to supply chain disruptions over the past two years of the pandemic. Los Angeles and Long Beach ports have been rated among the world's least efficient in the World Bank and S&P Global Market Intelligence's 2021 Container Port Performance Index. Two automated ports exist on the U.S. West Coast in the San Pedro Bay Complex: the Trans-Pacific Container Service Corporation (TraPac) at the Port of Los Angeles and the Long Beach Container Terminal (LBCT) at the Port of Long Beach.



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Terminal operators and ocean carriers claim that automated technology at the ports is necessary to keep the United States competitive. Yet the dock workers' union argues that while automated ports are killing jobs and stripping worker power, they are not even leading to an increase in productivity. Employers are insistent that automation will not kill jobs. The Pacific Maritime Association (PMA) commissioned a report showing that the West Coast's two automated port terminals saw a 31.5% increase in paid hours for dock workers and container processing twice the speed of nonautomated ports.

Workers and labor researchers dispute both findings. For example, Patrick Burns, a senior researcher at the Los Angeles-based nonprofit Economics Roundtable, reports that the influx of shipping volume over the past two years masked the job loss at both terminals. Accounting for the job hours per container that went through the ports, Burns and his colleague Daniel Flaming found in their report "Someone Else's Ocean" that automation reduced employment by 37% at LBCT and by 34% at TraPac. As a result, nearly 580 jobs were eliminated at the ports in 2020 and 2021, "a huge, kind of staggering amount of job loss," according to Burns.

## Impact

In both cases, the parties remain firm in their positions, and no significant process is being made. Workers in the U.K. are in the midst of the second round of strikes that will have far-reaching effects on the flow of cargo through Northern Europe.

"On average, export containers wait about seven days at Felixstowe before being loaded onto a vessel," said Josh Brazil, vice president of supply chain insights for Project44. "Last month's strike caused export containers to wait up to 21 days in port."

"This time, it's more likely that supply chains will be under pressure and trade could be affected by the overlapping Liverpool strike," warned Brazil. "Shipping wasn't at its peak at

its peak at the time of the strikes last month, so the impact was significant but manageable. However, with Christmas fast approaching, the prospect of two ports closing at once won't help the U.K.'s already troubled supply chain," he said.

In the U.S., container volumes have been redirected to the East and Gulf Coasts due to fears of California congestion and West Coast port labor strife. As a result, East and Gulf coast ports now boast significantly more imports than West Coast ports. The shift to the East and Gulf Coasts has led to new congestion problems that have kept some companies away during the past year, but Norfolk's port has become the most efficient in the U.S. for handling containers, according to World Bank estimates.

### RESOURCES:

[Looking Ahead ILWU 2022 Labor Negotiations](#) (ICC Logistics)  
[History and Impact of the Intermodal Shipping Container](#) (Pratt Institute)  
[The Future of Automated Ports](#) (McKinsey & Company)  
[Port Automation is Hot-Button Issue in West Coast Labor Talks](#) (SCB)  
[Twin Strikes Hit UK Ports Amid Holiday Shipping](#) (CNBC)  
[U.S. Labor Dispute: Dock Workers Say 'No' to Port Automation](#) (DW)  
[East Coast, Texas Ports Gain as Retailers Skirt Pacific Gridlock](#) (SCB)