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Conflicting post-pandemic worldviews bring ILA, employers to historic strike

A dockworker strike would have a snowballing impact on the US economy, putting more pressure on both sides to reach a deal. Port Houston pictured. Brandon Bell / Getty Images

Peter Tirschwell | Sep 30, 2024, 2:33 PM EDT

How did nearly 50 years of labor peace on the US East and Gulf coasts, so consistent that it was a key factor in a multiyear erosion of West Coast market share, bring the industry to the eve of a strike?

Although the impasse may still see an 11th hour resolution, that appears increasingly unlikely given that the union has announced it will walk off the job at midnight. Even if averted, the threat of a strike has spurred importers to frontload shipments by two months or more to avoid having holiday season goods stuck outside an East or Gulf coast port.

What got the two sides to this place was two worldviews, both of which were heavily influenced by the COVID-19 pandemic and its impact on containerized shipping.

On one hand, the impasse in talks over a new coastwide contract is the result of a union and its powerful leader sensing a historic moment and seizing it, with a willingness over many months to drive the process down a road leading directly to a strike upon the end of the current contract, with no off-ramps or diversions.

On the other hand, the disagreement over "economic" terms — i.e., wages and benefits — and automation is the result of ocean carriers unafraid of the consequences of not conceding to union demands, as they had in many US longshore negotiations over the past 30 years. In their view, the chronically low productivity of US ports does not justify some of the highest port costs in the world and their inability to recoup those costs as they do elsewhere around the world.

Thus, beginning with a brief mention inside a Nov. 7, 2023, press release on an unrelated topic, the International Longshoremen's Association (ILA) and its president Harold Daggett have been increasingly vocal in statements, essays and videos in preparing their rank and file and the broader public, as well as policymakers, for a strike.

The union's logic, so far correct, is that the Biden administration will be too concerned about alienating union voters just weeks away from the presidential election to force workers back to work using the Taft-Hartley Act.

"I don't believe in Taft-Hartley," President Joe Biden told reporters Sunday.

In the absence of such a measure, because a dockworker strike would have a snowballing impact on the US economy, pressure will build on both sides as days turn into weeks, possibly such that the ILA could extract a deal it is happy with.

Efficiency in the spotlight

Although carriers, acting through multi-employer bargaining group the United States Maritime Alliance (USMX), are holding fast to a 32% wage increase, the union could extract other face-saving concessions. Those include further limits on technology and automation, and guarantees to represent dockworkers in the US Southeast, a long-sought goal on which the union has made progress in recent months via litigation.

But that carriers appear, at least so far, to be united in an unwillingness to reward the union for what they see as chronically low productivity, gaining such concessions may prove difficult even in the heat of a strike. Charleston is the highest-ranking US port on the 2023 Container Port Performance Index published by the World Bank and S&P

Global, parent company of the *Journal of Commerce*, at No. 52, meaning no US ports are in the top 50 in efficiency globally.

“The fact is that for the volumes that US ports handle, the cost-productivity relationship is among the lowest in the world,” said James Caradonna, executive vice president of the forwarder M&R Spedag Group. “A lack of productivity and high cost is the main reason why carriers have not introduced larger ships on the trans-Pacific trade into the West and East coasts, thereby depriving their shippers of the cost savings that come from the lower unit costs and higher economies of scale that larger ships provide.”

Furthermore, carriers have virtually no ability outside of a few small trade lanes to recoup US terminal operating costs, given that they are unable to collect terminal handling charges (THCs) as they do in almost all other ports around the world due to longstanding business practice in the US.

If the carriers could impose THCs in the US, they could be as high as $500 per FEU, which would be the highest in the world; costs that the carriers can only currently pass along to US shippers as part of the base freight rate. Thus, when freight rates are high, port costs — along with other costs such as detention and demurrage — can be wholly or partly recouped, but during down markets, the carriers eat those costs.

Shippers argue it is extreme carrier competition that led to their inability to recoup terminal handing fees. But from carriers’ points of view, the costs remain a sticking point within the context of these negotiations, as any concessions will come directly out of their pockets.

Nevertheless, some believe the responsibility to avoid a strike — or end it if it begins — rests with the ocean carriers that comprise the majority of the USMX board. If the carriers wanted to, the logic goes, they could simply agree to the ILA’s demands for a 77% pay increase over the course of a new six-year contract.

“I’m not asking for the world,” Daggett said in a video posted on social media. “They know what I want.”

Settle or not?

Settling with the union was the implicit suggestion of William Doyle, former US federal maritime commissioner and executive director of the Maryland Port Administration, who said it is the carriers who have the power to determine what happens next.

“The 5 people in the world who can stop the madness to either avert or end a job action if it begins are the following,” Doyle wrote, listing the global CEOs of CMA CGM, MSC, COSCO, Ocean Network Express and Maersk by name, in a Saturday LinkedIn post that has since been removed.

Daggett also believes the ball is in the carriers' court. In his view, his members deserve a share of the record profits earned by the carriers during the pandemic — estimated at a combined $400 billion — for showing up on the docks and keeping trade flowing during a historic national emergency.

"Everybody went to work during COVID," he said in the video. "Nobody stayed home. Well, I want to be compensated for that."

To those ends, the ILA has remained steadfast in advancing toward a strike. After saying repeatedly that it would not work beyond the expiration of the current contract on Sept. 30, the union suspended negotiations in June and has reportedly declined more than 10 overtures by USMX to restart negotiations. That led the employer group to petition the National Labor Relations Board to force the union back to the table on Sept. 26, citing the ILA's "repeated refusal to come to the table and bargain on a new Master Contract."

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