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## Labor pinch

**RIISING GLOBAL INFLATION** and COVID-19 lockdowns have made unionized labor within containerized supply chains ripe for industrial action.

European transport unions in June kicked off the summer with a series of 24-hour “warning strikes” in Hamburg, Bremerhaven, and Lower Saxony amid collective wage agreement discussion. National strikes in Belgium shut down Brussels Airport and slowed cargo flow at the port of Antwerp, Europe’s second-busiest container gateway. Unions in Italy, Spain, France, and Malta have also announced strike actions. And although it will not impact cargo movement, a national UK rail strike over pay, the first in 27 years, has crippled the network, reminding Britons of the power of the Associated Society of Locomotive Engineers and Firemen.

Container shipping disruption tied to the pandemic made glaringly obvious how critical it is for goods — particularly personal protective equipment (PPE) — to keep moving.

“You’ve got a bit of a perfect storm for industrial unrest, and I’d go a step further, social unrest.”

That reminded organized labor how valuable it is to containerized trade, and dockworkers specifically that they’re downright indispensable.

Yet, for many freight workers, their pay hasn’t matched increases in prices of everything from fuel to food. Global consumer inflation is currently at 7 percent, according to S&P Global. IHS Markit, the parent company of *The Journal of Commerce*, is part of S&P Global.

“You’ve got a bit of a perfect storm for industrial unrest, and I’d go a step further, social unrest, without advocating for it,” said Stephen Cotton, general secretary of the International Transport Workers’ Federation (ITF). During the pandemic, transport workers have done “their bit,” and as such, “they deserve more than what’s in their pocket, because it doesn’t go as far,” he said.

### Beyond the docks

The ITF, a coalition of 664 trade unions with a membership of roughly 18 million workers, sees an opening to push for safer conditions, increased training, and higher wages across the supply chain. Recognizing the interconnectedness of supply chains and the importance of containerized trade to global economies, the ITF is pushing for better conditions beyond the ports, including in the more fragmented trucking and warehousing sectors.

“By necessity, we have gotten smarter — it’s about Point A to Point B. It’s not just a docker in Long Beach; it could be a warehouse worker in Berlin or a railway operator in China,” Cotton said July 1 on the sidelines of the Turkish Maritime Summit in Istanbul. Inflation in Turkey was up nearly 79 percent year over year in June, according to the Turkish Statistical Institute.

The Teamsters-backed effort to reclassify independent drayage operators in California scored a major victory June 30 when the US Supreme Court ruled to allow Assembly Bill (AB5) to take effect. By law, Teamsters can’t organize independent operators, only direct employees.

Closer to the water, the International Longshore and Warehouse Union (ILWU), an affiliate of the ITF that represents dockworkers on the US West Coast, is currently negotiating a new contract with its employers. Citing academics, the *Financial Times* reported July 3 that the ILWU is

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Mark Szakonyi

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# From the Editor

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seeking a 10 percent pay increase in those negotiations. ILWU work hours rose 19 percent between 2020 and 2021, and wages were 16 percent higher than before the pandemic due to increased overtime, according to data from the Pacific Maritime Association (PMA), which represents employers.

“I think the [PMA] is going to have to give [the ILWU] significant increases” in wages, Cotton said.

## Grappling with automation

If automation isn't being raised in labor talks, it is at least coloring negotiations. But this is where various longshore unions differ. The ILWU has allowed some automation of cargo-handling equipment, while their counterpart on the US East and Gulf coasts, the International Longshoremen's Association, has flatly rejected any automation beyond some of the limited automation at the ports of Virginia and Jacksonville.

The ITF is “not against incorporating technology into any mode of transport,” Cotton said. “The question is ‘how’ and to achieve what. Certainly, in the docker sector and in the global north, there is a perception that automation is to break union strength.”

In a subtle salvo amid contract talks, an ILWU-backed study released in late June proposed that the ports of Los Angeles and Long Beach create a “displaced worker impact fee” on new automation projects that eliminate longshore jobs. A PMA-backed study released May 2 stated that automation has boosted dockworker employment by expanding terminal capacity and improving cargo flow, creating more demand for labor.

Cotton rightly notes that there are also limits to what can be achieved via terminal automation. A recent survey of marine terminals found that while they aimed to cut labor costs and improve truck turn times by automating, the results were mixed in terms of whether

the investment was worthwhile given the efficiency gained.

## Corporate action

Although the risk of global transport actions is higher, Cotton doesn't necessarily think tough standoffs have to be the way. He is encouraged by multinationals' increased attention beyond just factory conditions to the labor conditions for those transporting the finished goods. Unilever and French food multinationals, for example, are trying to improve safety and conditions for transport workers supporting their supply chains, Cotton said.

“The reality is all corporates are recognizing reputation risk of [transport] incidents,” he said.

Encouragingly, Cotton pointed to how shipowners and seafarers came together to forge the Maritime Labor Convention in 2006, creating a minimum level of safety and work conditions for seafarers. That standard, in turn, helped shipowners enjoy more fair competition, as bad actors no longer had the same ability to tip the scales in their favor.

Worker conditions “will increasingly become more important to their share price,” Cotton said, pointing to how a European Union labor rule forcing the classification of Deliveroo drivers as company employees sent the online food delivery provider's share price plunging in mid-June. A more transparent industry will also help attract big banks and other investors to help the container shipping industry meet tough decarbonization mandates.

Deliveroo's share price has since recovered from the crash, while Unilever's focus on ethical sourcing and transport has drawn protest from some of its investors for deprioritizing the focus on profits. The path toward better union conditions won't be a single line of progression, but the balance of power has — for now — tilted toward labor. **JOC**

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# Spotlight



Alex M. Wilson / Flickr

## UP realigning Northern California network

Union Pacific Railroad is planning a multiyear capital project to increase terminal and container lift capacity in Lathrop, Calif., ahead of Schneider National bringing additional container volumes to UP when their new partnership begins in 2023. UP has been short on details about the project, other than to say it will increase Lathrop's capacity by 50 percent within the next two years. What is known is the construction work will force the railroad to temporarily shift its domestic traffic to and from the US Gulf Coast to its Oakland terminal. UP has been polling intermodal marketing companies (IMCs) about the switch and how it will affect their ability to secure drayage capacity, as intermodal loads now shipped between Lathrop and Dallas, Houston, and Shreveport, La., will move to UP's Oakland ramp in both directions. Construction in Lathrop is part of a system-wide effort by UP to increase its intermodal capacity and simplify its network. Realignment has already begun to simplify the railroad's intermodal network in Southern California. New capacity and realignment are necessary because Schneider officially leaves BNSF Railway to join UP in 2023, adding between 250,000 and 350,000 annual loads to the UP network, according to *Journal of Commerce* estimates. Schneider will become UP's second-largest asset-owning IMC with 26,000 containers.

## Biden urged to end Leatherman dispute

A member of the US Federal Maritime Commission wants President Joe Biden to intervene in the labor dispute that has kept the country's newest marine terminal from being fully utilized, saying the berthing capacity along the East Coast is urgently needed. Commissioner Louis Sola wrote a letter to Biden after a visit to the Port of Charleston's Hugh K. Leatherman Terminal. The “essential terminal,” as Sola called it, has been embroiled in a labor dispute involving the International Longshoremen's Association since early 2021,

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