

# Longshore Settlement May Bring 3 Years of Labor Peace

Some 14,500 dockworkers along the West Coast settled contract differences with employers, holding out the possibility of 3 years of labor peace after almost 2 years of walkouts and slowdowns.

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On July 15, 1999, negotiators for the Pacific Maritime Association and the International Longshore and Warehouse Union tentatively agreed on a new 3-year contract covering some 14,500 dockworkers in ports along the West Coast. The settlement called for increased pension benefits for retired and current workers, improved health care benefits, wage increases, and improved safety regulations.

A lot was riding on these negotiations, because West Coast ports have a significant impact on local, national, and international economies. Some \$266 billion worth of cargo, including more than 50 percent of all ocean-borne containerized cargo in the United States, flowed through these ports in 1998.<sup>1</sup>

## Parties to the negotiations

**Pacific Maritime Association.** The Pacific Maritime Association (PMA) is an employer organization representing some 90 ocean vessel and barge operators and stevedore and terminal companies involved in moving waterborne cargo through 30 ports in California, Oregon, and Washington. PMA member companies transport and handle nearly all ocean-going cargo on the West Coast with the exception of crude oil, bulk petroleum products, and bulk liquid chemicals.

The PMA negotiates and administers maritime labor agreements with the International Longshore and Warehouse Union (ILWU). It also processes weekly payrolls for shoreside workers and collects assessments on workhours,

revenue tonnage, and other units of cargo to fund employee benefit plans established under PMA-ILWU agreements.

**International Longshore and Warehouse Union.** Formed in 1937, the ILWU represents some 70,000 workers in the United States and Canada. Its Longshore Division represents waterfront employees on the U.S. and Canadian Pacific coasts. The division is broken into four regions—Washington Coast and Puget Sound, Oregon and Columbia River, Northern California, and Southern California. Each region has locals that are defined along occupational lines—several for longshore employees, one for clerks, and one for foremen or walking bosses (supervisors). Longshore employees load and unload ships and barges, stuff and unstuff containers, handle lines, maintain stevedoring gear, and perform other related duties. Clerks inspect cargo, record the type and amount of cargo, and report any cargo damage. Foremen or walking bosses supervise loading and unloading operations.

## Profile of negotiations

Even before negotiations started, the parties' relationship was strained. Negotiations in 1996 resulted in an agreement that was one of the most profitable ones for the union, but also was one of the most controversial. It provided for a 14-percent boost in base wage rates over the term, greatly increased skill differentials for crane operators and marine clerks, and expanded the union's jurisdiction into intra-harbour trucking. But it was unpopular among many dockworkers. It led to pay cuts for the highest-skilled workers because it banned side agreements that allowed individual PMA members to grant bonuses to their best employees to

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keep them working at their facilities. Angry and frustrated with the settlement, union members conducted a series of work slowdowns and strikes that lasted nearly 2 years. Because of these job actions, individual companies agreed to side deals, and the PMA and the ILWU were forced to amend the contract, resulting in costly changes in job classifications that lessened the productivity and cost-saving efficiencies built into the agreement.<sup>2</sup>

The tide began to turn somewhat 6 to 7 months before contract talks began, after the parties held discussions on a variety of issues, which apparently fostered trust between the two sides. At around the same time, a Federal court dismissed a lawsuit filed by the PMA in September 1998 against the union, in which the Association sought an injunction because of alleged illegal union job actions over the previous 3 years. The PMA stance angered many dockworkers, but it seemed to clear the air.

The PMA expected that negotiations would last about 6 weeks, and it was cautiously optimistic that contract talks could be concluded without a work stoppage.<sup>3</sup> The Association also expected that negotiations would follow the traditional pattern in which contract talks extend beyond the expiration date of the old contract but workers continue to work.<sup>4</sup> At least publicly, union leaders were less sure where the contract talks would take them.<sup>5</sup> Outsiders were less sanguine. Industry analysts expected a tough round of bargaining, and many of the industry's customers were not confident that the upcoming negotiations would be settled without a strike or slowdown.<sup>6</sup>

On May 18, 1999, the PMA and ILWU began contract talks to replace their 3-year agreement that was set to expire on July 1. The ILWU brought 104 issues to the bargaining table: Health care benefits, pensions, and union jurisdiction over work headed that list.<sup>7</sup> To reverse a membership decline caused by the introduction of automation, the ILWU sought to: Expand its jurisdiction to harbor trucking when the cargo remained under the control of a PMA employer, solidify its control over equipment and maintenance work, and expand its jurisdiction to vessel planning and container yard and rail yard planning jobs. In the area of pensions, the union wanted to increase the level of all benefits, to eliminate the two-tiered benefit scheme in which recent retirees receive greater benefits than those who retired years ago, and to increase survivors' benefits for both spouses and dependent children. Under health care benefits, the ILWU sought to maintain or improve medical, dental, optical, and mental health benefits.

The PMA said its initial proposals related to "maintaining a productive, reliable, dependable, accountable, safe, and customer focused workforce."<sup>8</sup> The Association was concerned about low productivity and high labor costs, which it attributed to sporadic work stoppages, slow downs, and inefficiencies.<sup>9</sup> Specifically, the PMA sought to introduce new technology and work practices and to make better use of existing technology and work practices to increase productivity.<sup>10</sup> The Association also wanted to gain protection

against union work stoppages and slowdowns. As part of this latter effort, the PMA wanted the union to "return to the original intent of the historic 1960 Mechanization and Modernization Agreement, which cleared the way for waterfront automation on the West Coast."<sup>11</sup> The underlying principle behind that agreement was that an employee would continue to work while awaiting an arbitrator's ruling on a grievance, unless that grievance clearly involved a safety hazard. By returning to the intent of that agreement, PMA hoped to end what they considered to be illegal strikes and frivolous charges of safety and health violations.

A PMA spokesperson expressed the productivity problem as follows:

For many years, we saw an average annualized increase of about 5 percent in our productivity, brought about by mechanization, capital investment in new terminals and processes, and the improving skills of our workforce. Unfortunately, we have not seen any meaningful productivity improvements in several years, while we have seen a substantial increase in labor costs. We must begin the process with the union to adapt technology to address the productivity issue, and this process must begin with this upcoming contract.<sup>12</sup>

The ILWU refuted the carriers' claim, saying that the "industry's measure of productivity was misleading." The union pointed out that their members were actually processing more containers; but, because of Asian economic problems, many of the containers came into the United States full, but left empty. It was for this reason, the ILWU claimed, that tonnage decreased.<sup>13</sup>

According to press reports, under the 1996-99 contract, labor costs jumped by more than 13 percent, and the average hourly base rate rose to \$25.68. Given a 5-day workweek and shift differentials, average earnings ranged from \$99,016 for longshore workers to \$156,251 for walking bosses. In addition, there were more than 150 work interruptions since 1996, many over political issues.<sup>14</sup>

The parties held "big table" (main) contract talks during the week of May 18, at which time they began discussing the details of their initial proposals.<sup>15</sup> According to a PMA source, the negotiators focused on understanding each other's terminology and positions. They recessed contract talks on May 21, so that negotiation committees could meet independently. Bargaining sessions resumed on May 24, and continued through May 26, when the parties recessed for the Memorial Day Weekend. Again, negotiation committees met separately to discuss their proposals and positions. They resumed contract talks on June 3, at which time the parties began to focus on more specific topics. They met on June 4, June 7-8, June 10, June 14-18, and June 21-July 2, in full committees or subcommittees to discuss details of their proposals and to review the movement made on those proposals. Although the contract expired at 5:00 p.m. on July 1, the PMA and IWU continued negotiations under an hour-to-hour extension of the contract.

On July 3, just before the parties broke for the July 4 holiday weekend, the PMA presented the union with another

proposal. According to the Association, the 3-year contract included, among other terms, a 32-percent increase in pension benefits for future retirees and a 15-percent increase for current retirees (the union had been asking for a 40-percent increase), as well as several proposals that would have made the “West Coast ports more productive and competitive.”<sup>16</sup>

At that point, negotiations hit a snag, as union members sought to put pressure on the PMA. Dockworkers shut down the port of Oakland on July 6, for 2 days, over what they said was a safety issue, and marine clerks at the ports of Los Angeles and Long Beach refused to work overtime during lunch and before and after their shifts as they normally had done. One day later, their counterparts at all other major West Coast ports also refused to work overtime.<sup>17</sup>

Reacting to the walkouts at the port of Oakland, the PMA threatened to file an unfair labor practice complaint against the union with the San Francisco office of the National Labor Relations Board, the Federal agency established under U.S. labor law to hear such cases. The union responded by saying that the walkout was a local matter prompted by the companies’ refusal to give crane operators an additional “signalman” (spotter) to guide them as they lowered containers into vessels. The union also claimed that all the port protests were actions taken solely by the rank-and-file, and were not part of the international union’s bargaining strategy.<sup>18</sup>

On July 7, union negotiators met to prepare a response to the PMA’s offer of July 3, which they eventually rejected. Two days later, the parties reconvened negotiations, and bargained each day through July 14.

## Settlement

On July 15, negotiators for the PMA and the ILWU reached a tentative settlement. The ILWU Longshore Division’s Caucus, comprised of 140 local delegates, began reviewing the tentative agreement on July 19, and approved it on July 23. The rank-and file ratified the pact in voting conducted from August 4 through August 18. On September 2, PMA member companies also ratified the agreement.

The economic terms of the 3-year contract include a 7.8-percent boost in the basic straight-time hourly rate over the term of the agreement, to \$27.68 an hour. The wage increases translate into a \$1 an hour raise retroactive to July 3, 1999, and increases of 50 cents an hour on both July 1, 2000 and June 30, 2001. The pact also provides increases in skill differentials with greater increases going to lower-paid workers.

The settlement calls for substantial increases in pension benefits for both current and future retirees. For employees retiring on or after July 1, 1999, the monthly benefit will equal \$80 (was \$72) a month for each year of credited service, up to a maximum of \$2,800 a month. Effective July 1, 2000, the monthly benefit will increase to \$90 per month for each year of credited service, up to a maximum of \$3,150 per month. One year later, the monthly pension rate will increase to \$95 for each year of credited service, up to a maximum of \$3,325 per month. Employees who retired before July 1, 1993 will receive supplemental pension payments equal to \$2 per month for each year of credited service effective in 1999, \$5 per month for each year of credited service effective in 2000, and \$10 per month for each year of credited service effective in 2001.

In the health insurance area, the parties agreed to combine the indemnity portions of their two current plans into a single indemnity plan that is expected to provide enhanced economic and administrative efficiencies and improved benefits. They also agreed to maintain the level of all present benefits under the ILWU-PMA Welfare Plan, fully funded by employers, over the term of the contract.

Other terms include contract language calling for training that could potentially expand the union’s jurisdiction in vessel planning, maintenance and repair work, and harbor drayage; an agreement to establish a new joint-committee to discuss the introduction of new technology as well as how to make better use of existing technology; the use of side agreements on the local level if they are approved by the ILWU Coast Committee; and improved safety regulations. One of the biggest gains, particularly for employers, is the potential for 3 years of labor peace on the West Coast docks. ■

<sup>1</sup> *Daily Journal of Commerce*, May 19, 1999, p. 5; and Pacific Maritime Association, “President’s Message,” accessed September 7, 1999.

<sup>2</sup> *Daily Labor Report*, July 19, 1999, p. A-2; and *Journal of Commerce*, July 1, 1999, p. 6.

<sup>3</sup> *Daily Journal of Commerce*, May 19, 1999, pp. 1 and 5.

<sup>4</sup> *Pacific Shipper*, August 2, 1999, p. 10.

<sup>5</sup> *Sunday Oregonian*, May 23, 1999.

<sup>6</sup> *Wall Street Journal*, May 12, 1999, p. A2.

<sup>7</sup> In March 1999, the Longshore Division conducted its annual caucus, at which time representatives from all its locals formulated their bargaining demands.

<sup>8</sup> Pacific Maritime Association, *Negotiations Update*, May 18, 1999, accessed September 7, 1999.

<sup>9</sup> According to the PMA, productivity declined 6 percent in the 1996-

98 period. (*Wall Street Journal*, May 12, 1999, p. A2.)

<sup>10</sup> Pacific Maritime Association, *Negotiations Update*, May 24, 1999, accessed September 7, 1999.

<sup>11</sup> *Wall Street Journal*, June 18, 1999, p. 5.

<sup>12</sup> *Pacific Shipper*, April 5, 1999, p. 10.

<sup>13</sup> *Wall Street Journal*, May 12, 1999, p. A2.

<sup>14</sup> *Ibid.*, pp. A2 and A8.

<sup>15</sup> Separate contract talks were held for safety issues; they basically followed the format and schedule for the big table talks. In addition, negotiations for the formen/walking bosses agreement ran concurrently with the big table talks—on May 25, May 27, June 9, June 11, and July 2.

<sup>16</sup> *Seattle Post-Intelligencer*, July 8, 1999, p. 1.

<sup>17</sup> Dockworkers are not required under their contract to work these extra hours.

<sup>18</sup> *Pacific Shipper*, July 12, 1999, accessed September 8, 1999.