

## Labor at the Ports: A Comparison of the ILA and ILWU

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### **ABSTRACT**

While longshore workers retain their wage premium over other workers in blue collar occupations, there are marked differences in the wages and work rules of longshoremen on the West Coast, East Coast, and Gulf ports. This paper examines these differences by, first, analyzing the different evolutions of labor-management relations in the two unions and, second, using micro data on wages to measure the advent of and extent of divergence between the two groups since 1984. We conclude with an explanation of the sources of this divergence and the likely future trends.

## **1. INTRODUCTION**

With declining rates of unionization and blue collar wages in the United States, longshore employment is often used as an example of one of the few remaining avenues for blue-collar workers to earn high incomes. Indeed, longshore jobs are the few in the country where an individual without a college degree can earn annual income over \$90,000. Much like other blue collar occupations, technology has largely transformed the nature of work in the industry, however the power of the union, particularly on the West Coast, has resulted in technology phase-ins that displace as few workers as possible and keep wages high. Longshore workers have also benefited from the movement of manufacturing overseas, which has increased trade volumes at the ports, resulting in substantial hiring of new longshoremen at California ports over the last year.

Though the wages of longshoremen are above the national mean, it is not the case that longshoremen have homogeneous wages. In fact, the two unions, which split in the 1930s had markedly different strategies for dealing with technology, as well as different experiences in trade volumes and types and employer-employee bargaining, which has led to substantial wage advantages for those working at West Coast ports over those at East Coast and Gulf ports.

The purpose of this study is to provide a contrast of the evolution of the ILA and ILWU, briefly outlining the differences in their evolution, and quantifying the current differences in pay and working conditions. While there is an abundance of analysis of these unions before 1980, including comprehensive wage chronologies conducted by the Department of Labor, there has been little written on longshoremen wages and hours in academic journals since the mid 1980s (though there is a topical body of research on longshore safety), particularly in economics and industrial relations journals. Thus the

basis for this research post 1980 relies heavily on the unions' memoranda of understanding and articles in the trade press. This paper provides a brief history of the two unions, empirical assessment of the trends in wages between the two groups of longshoremen, and an analysis of the different factors that cause the experience of the workers in these two unions to diverge, particularly over the last 20 years.

## **2. EVOLUTION OF THE ILA and ILWU**

### *The ILA*

The union that would become the International Longshoremen's Association (ILA) was founded in 1877 when Dan Keefe formed the Association of Lumber Handlers at Great Lakes ports. In 1892 longshoremen from eleven ports gathered at a longshore convention in Detroit called by Keefe, adopted the by-laws of the longshoremen's Chicago local, and became the National Longshoremen's Association of The United States. In 1895 the name was changed to the International Longshoremen's Association as the number of Canadian members grew, and the ILA joined the American Federation of Labor (AFL). At the turn of the century, the membership was 50,000 —most of that number in the Great Lakes area.

Conflict between the Pacific Coast longshoremen, lead by Harry Bridges, and the leadership of the ILA began with the strike of 1934 and grew through 1936 when the San Francisco local stopped paying dues and the locals in San Pedro, Seattle, and Portland followed suit. The West Coast longshoremen finally split from the ILA in August 1937 when the newly formed CIO issued a charter to the Bridges group as the International Longshoremen's and Warehousemen's Union (ILWU). In 1938 the National Labor Relations Board (NLRB) approved the new union as the bargaining agent for the entire Pacific Coast (Russell 1966).

World War II created a commercial boom. The use of sling loads increased, resulting in more dangerous working conditions for longshoremen. Thanks to a 1945 strike, longshoremen had gained some control over their wages since they only needed to “shape up” twice rather than three times per day. The “shape-up” was a process by which available labor would appear at the port when work was available. Employers chose workers from this labor pool. The ILA and employers agreed in 1916 that union workers would have priority in the shape-up, however, this came at the expense of requiring that the union maintain an excess supply of labor (Herod 2004). During this period, longshore work remained casual, not surprising, given that ships did not arrive at the ports at regular, scheduled intervals.

In October of 1951 the ILA was in the midst of an intra-union fight between those who sided with President Joseph Ryan approving a new contract versus those who opposed the contract, who were led by Thomas “Teddy” Gleason. A work stoppage resulted, lasting 25 days, halting only when State Industrial Commissioner, Edward Corsi, appointed a Board of Inquiry to investigate. The Board determined that the contract voting had been fraudulent and found that the union was run in an unprofessional manner.

Soon afterward, the New York State Crime Commission (NYSCC) found that the ILA was a criminal union led to the establishment of the Waterfront Commission of the New York Harbor in 1953. The powers of the Waterfront Commission were vast, being granted by the New York and New Jersey legislatures and confirmed by Congress. They included the control of the shape-up and the requirement that workers register with the Commission, which screened them for criminal records (DiFazio 1985).

During this period regional collective bargaining was prevalent. The New York employers wanted to extend the contract period from two to three years and the ILA agreed to this as long as the bargaining was centralized. Though no master agreement resulted, there was a regional agreement of the North Atlantic ports led by the New York Shippers Association (Herod 1997).

In the face of increasing use of containers, the goal of the ILA was to preserve jobs for their members, though they acknowledged that firms had “the right to use any and all types of containers without restriction.” (Ross, 1970, p. 401). The ILA strategy was to keep union wages safe by assessing fees on shippers who loaded or unloaded containers outside of the port. These fees would accrue to longshore workers who worked at container facilities (a relatively small number of workers in the 1950s). Since there was relatively little containerization at this time, as late as the mid-1960s the ILA denied that containerization had hurt longshore employment (Ross 1970).

Automation was at the heart of the strike of 1964. Employers wanted the right to set gang sizes, but the ILA wanted the size of the gang fixed by written contract. The 1964 strike began on October 1 and lasted 39 days, though, with an 80-day injunction plus a 20-day extension, it did not end until February 13, 1965. The result was a new four-year contract retroactive to October 1964.

The most important feature of the new agreement was the introduction of Guaranteed Annual Income (GAI). Up to this point had been casual, not surprising since containerization spurred regularity in ocean shipping (Turnbull and Sapsford, 2001). GAI guaranteed 1,600 hours of work or pay after April 1966 for every man who had worked at least 700 hours between April 1, 1965 and March 31, 1966 (Russell 1966). From 1964 to 1977 not a single longshoreman was hired.

Before the next round of bargaining, the ILA was pressing for a master contract. Prior to this period, employers negotiated separately at the different ports, with the North Atlantic ports allowing the New York Shippers to bargain on their behalf. The move to a master agreement was stalled in the mid-1960s as the Gulf ports perceived that their contract was being held up over issues that were most relevant to New York longshoremen. The increased threat of job losses from containerization also became an issue, with the ILA pressing for substantial increases in wages and benefits as well as guaranteed income. The ILA also moved away from fees for loading and unloading containers at the port and towards requiring that longshore workers be allowed to perform these tasks (Ross 1970).

After strike activity, the New York Shippers agreed to substantial wage increases (\$1.60 per hour) as well as guarantees of 2080 hours of work per year for longshoremen. The key component of the agreement, however, was the implementation of the 50 mile rule, where all containers of consolidated freight must be loaded and unloaded by ILA members if they originate from or are destined for a point within 50 miles of the port (Ross 1970).

In 1970 the North Atlantic port employers formed a bargaining group (CONASA) and the South Atlantic employers formed the SAENC. These employers agreed to consider GAI and container rules as part of the master agreement. The Gulf port longshoremen gained a GAI of 2080 hours per year (identical to the North Atlantic longshoremen) while the South Atlantic longshoremen had a GAI of 1000 hours per year. The first master agreement stemmed from the 1977 Job Security Program which covered all Atlantic and Gulf ports. This advantage of the ILA was short-lived as Gulf ILA locals accepted concessions during bargaining in 1986. The Job Security Program was

eliminated and longshore work stoppages at one East Coast port were no longer mimicked at all ILA ports (Herod 1997).

In October 1977 a partial strike was launched against container carriers (not break bulk). The union called for a master contract for all Atlantic and Gulf Coast ports that would eliminate variations in rates paid for GAI benefits. In 1975 the fifty mile rule was declared a violation of the Taft-Hartley Act by the National Labor Relations Board (NLRB) and in 1977 the Supreme Court upheld the decision. Out of these decisions grew the Job Security Program (JSP) negotiated in the settlement of the 1977 strike to guarantee pension and welfare benefits (DiFazio 1985). In 1985 the Supreme Court ruled that the 50 mile rule was no longer off-limits as a bargaining provision (Schlein et al 1986). In 1987 the Federal Maritime Administration ordered that the fee associated with this rule be removed from tariffs (Davis et al 1989).

The 1986 contract abandoned the concept of standardized wages at all ports and allowed for variable wages, typically lower at Gulf ports. In April 1986, the ILA workers at Gulf ports accepted pay cuts totaling \$3-\$5 per hour depending on cargo type. They also agreed to eliminate the GAI program. Wage cuts also were accepted by ILA workers at South Atlantic Ports. Workers at Northern ports fared better in this round of contract negotiations, with workers in NY and Boston receiving wage freezes for 2 years of the contract and a \$1 per hour raise in the third year (Davis et al 1989).

In 1989 employers pushed for a 5 year contract, significantly longer than the 18 month contract term proposed by the ILA (Davis et al 1989). The ultimate decision was to establish a fund, paid by shippers, to pay the wages of ILA members who would lose their jobs over the abandonment of the 50 mile rule.

On October 2, 1996 the ILA rank and file approved a new five-year contract. It

was anticipated that this would successfully increase Asian shipping traffic on the East Coast as cargo due to elimination in differential cargo handling costs between the East and West Coasts (Machalaba and Mathews 1996). Although the master contract was approved, individual port issues such as manning levels, wages, fringe benefits and work rules for ships carrying noncontainerized cargo were negotiated locally (“East Coast Dockworkers Approve Master Contract” 1996). In contrast to past practices, the pay schedule was bifurcated into wages for veteran longshoremen versus new hires. Under this contract, the base pay of experienced longshoremen would rise to \$25 per hour in 2000, versus \$15 per hour for new longshoremen (Bowers and Tolan 2000). The 1996 negotiations were characterized by the employers presenting a unified front. In 1997 this unity was formalized by the creation of the U.S. Maritime Alliance (USMX), comprised of representatives from terminals, shipping lines, and stevedore companies.

In 2000 ILA workers extended the 1996 contract through September 2004. The contract contained provisions to increase wages by \$1 per hour in 2001 and 2002. The wages, however, applied for workers handling containerized freight. Wages for those working in break bulk were considerably lower, due primarily to the large numbers of nonunion jobs in this segment of the market. In Gulf ports, especially, the ILA faces a great deal of non-union and “ILA lite” competition. As the ILA contract does not cover bulk and breakbulk cargo, over time other stevedore companies have entered this market. Some ILA stevedore companies have purchased non-ILA stevedoring companies and run the operations using a model called “ILA lite,” which pays workers a wage comparable to the low end of the ILA wage distribution (Plume 2004). This is not unlike some trucking companies’ double-breasting operations by running both union and nonunion subsidiaries side by side.

On June 9, 2004 the ILA rank-and-file on the Atlantic and Gulf Coasts voted to accept a six-year Master Contract, effective October 1, 2004. However, not all locals approved the new contract, objecting to its preservation of a two-tiered wage system, which prevented newer longshoremen from ever earning as much per hour as veteran longshoremen. The contract, which runs from October 2004 to September 30, 2010 covers 15,000 workers. It reduces the bifurcation in the wage structure somewhat. Workers earning more than \$21 per hour are scheduled to receive \$1 per hour wage increases in 2004, 2006, 2008, and 2009. Workers earning less than \$21 per hour will receive \$2 per hour wage increases in 2004 and 2006 and \$1.50 per hour wage increases in 2008 and 2009.

### *ILWU*

The local unions of the West Coast joined forces in 1933 and obtained a charter from the ILA as a single unit. Negotiations ensued between the Pacific Coast ILA and the employers (Waterfront Employers' Union--WEU), with the ILA demanding a coast-wide agreement, recognition of the Longshoremen's union, and ILA-run hiring halls in each port. The union also wanted to reduce the work day to six hours, partly to spread available work to more workers. (Pilcher 1972)

By the spring of 1934, negotiations between the San Francisco longshoremen and the Waterfront Employers' Union broke down when an agreement could not be reached on who would run the dispatch halls. The WEU rejected the ILA's demand for union controlled dispatch halls on the grounds that allocating workers to jobs was strictly an administrative problem that should be handled by the companies alone (Fuller 1939). The Pacific Coast District of the ILA went on strike May 9, 1934. The strike lasted for 81 days. ("Longshoremen's Strike of 1934" 2004)

On June 26, President Roosevelt appointed the National Longshoremen's Board to arbitrate the conflict. On July 5, 1934 (“Bloody Thursday”) two workers were shot and killed. In October 1934 the Board handed down its award which was generally regarded to be “an overwhelming Union victory” (Fairley 1979).

The NLB award had several key provisions. The length of the work day was reduced to six hours at a basic wage of \$0.95 per hour (an increase of 10 cents) with work beyond this period earning an overtime rate of \$1.40 per hour. Hiring and dispatching of all longshoremen was to take place at a joint union-employer operated hiring hall at each port, however, the dispatcher of each hall was to be selected by the union. In addition, a Labor Relations Committee was to be established at each port with the purpose of supervising the operation of the hiring hall, making up the list of registered longshoremen entitled to regular work, deciding on a system for allocating workers to jobs, and resolving grievances and disputes (Finlay 1988).

After settling the 1934 dispute, the practice of “low-man-out” dispatching was adopted. This was the practice of giving the worker with the fewest accumulated hours of work the first opportunity at a job, which he could then take or reject. Low-man-out dispatching reversed the traditional roles of employer and worker, since workers now selected their employers (Finlay 1988). This practice was intended to provide an adequate and regular income for all longshoremen, and it succeeded. Kahn (1980) reported data from a sample of 1,172 San Francisco longshoremen in January 1938 which indicated that 88 percent of the workers earned more than \$1,235 annually and that nearly 70 percent earned more than \$1,710 annually, well above the \$1180 earned by manufacturing workers. The effect was that by 1937 “casuals” (workers who were not full-time) were a supplementary workforce.

The Pacific Coast District of the ILA became the ILWU in 1937 when members voted to disaffiliate from the ILA and AFL and consequently reaffiliate with the CIO. Harry Bridges became its first president and presided over the ILWU from its inception in 1937 until his retirement in 1977 (Finlay 1988).

With the passage of the Taft-Hartley Labor Act in 1947 the WEA (Waterfront Employers Association of the Pacific Coast) gained power relative to the ILWU. Provisions of Taft-Hartley Act outlawed the hiring hall, preferential hiring for union members, secondary boycotts, and strikes over jurisdictional issues. (Findlay 1979)

On September 2, 1948 a strike between the ILWU and employers broke out and lasted for 95 days. The ILWU was supported by the CIO, all the other maritime unions, and by overseas longshore unions. The strike finally ended after the WEA agreed to accept the union-controlled dispatch hall and low-man-out dispatching in return for the union's acceptance of a no-strike, no lock-out, no-work-stoppage clause, except when health and safety were at risk. It should be noted that the contract period was 2.5 years, longer than previous contracts (Killingsworth 1962). The Waterfront Employers' Association changed its name to the Pacific Maritime Association (PMA).

The advent of containerization in ocean shipping led to increased friction between the ILWU and PMA. In 1956 the Longshore Caucus created a committee to examine potential problems for labor stemming from accelerated technological changes in cargo-handling methods, employer frustration over work rules, and the conflict between the union and the employer over these issues. The result was the Coast Committee Report (October 1957) which advocated union flexibility in negotiations with the PMA, since “acting otherwise could provoke an already frustrated employer into a fight the union might find difficult to win.” (Fairley 1979)

Informal discussions between the ILWU and the PMA began November 19, 1957. Discussions between the two groups continued, off and on, until July 3, 1958 when the Memorandum of Understanding was signed by both parties. The document contained two significant provisions: (1) an interim agreement of the mechanization issue which recognized the ILWU's right to share in savings through a fund into which individual employers would contribute and (2) union workers who started a shift were guaranteed eight hours of work or wages (Fairley 1979). The contract also reduced the 9 hour shift to 8 hours (with two hours paid at overtime rates) (Dept of Labor 1977).

Negotiations between the two parties concerning technology were finalized on October 18, 1960. The Agreement can be summarized on two fronts: Mechanization (employers could introduce new technology and the Union's right to savings) and Modernization (refining the specifications of work rules). With the 1960 Agreement came the resolution of the amount of the fund (\$29 million--\$5 million per year for the five and a half years of the contract plus the original \$1.5 million already contributed) which was to be used to guarantee longshoremen at least 35 hours of work or pay per week and provide pensions for voluntary early retirement for those longshoremen who reached 25 years of service between the ages of 62 and 65 (Fairley 1979). The fund would pay a pension after age 62 until age 65 when the retiree would qualify for Social Security.

It is important to note that in the 1950s the PMA's approach to mechanization was to share the productivity gains with the union, with the understanding that gains would be split 50-50. By the 1966 this model had changed to a model where the PMA "bought out" work rules to ensure increased productivity, which undoubtedly saved them considerably as the amount of containerized freight increased substantially

(Killingsworth 1962). In fact, the payout total for early retirement and loss of hours was \$29 million, while the estimated productivity gains were estimated at \$120 million (Martin 1970).

With containerization, West Coast longshoring was transformed from a labor-intensive industry to a capital-intensive industry. As a result, between 1960 and 1980, the number of registered longshore workers dropped from 14,500 to 8,400 (Finlay 1988). During the same period, productivity, measured in tons per hour, increased from 0.837 to 5.498, and the cost per ton decreased from \$4.94 to \$3.60 despite a fourfold increase in the longshore hourly wage rate (Pacific Maritime Association, Annual Report 1980). The 1993 contract contained provisions for phasing in new technology at the ports (Cimini 1994). The structure of the wage rate was further changed in 1993 when skill rate differentials were structured not as a predetermined addition to the appropriate hourly rate, but as a proportion of the longshore basic straight time rate. For example, where the old skill rate was an extra 28 cents per hour, the new corresponding skill rate was 1.75 percent of the prevailing longshore straight time rate, which in 1993 was \$22.68, yielding a 40 cent per hour differential for longshoremen with 4001 or more

Finally, in 1999 employers raised the issue of a computerized dispatch at the ports of Los Angeles and Long Beach, which was overwhelmingly defeated. This proposal was overwhelmingly defeated by the workers (1173 to 400). Workers were dispatched at the union hall twice daily, with the jobs issued to workers on paper. The PMA estimated that this form of dispatch reduced productivity 7 percent per annum due to workers reaching the job site late (Leung 12/15/1999).

ILWU efforts in the past two decades have largely focused on jurisdictional issues. These efforts have included shutting down all of the ports in Washington and

Oregon in 1989 when ITT-Rayonier corporation tried to use non-union operations to barge and ship logs for export, fighting Peavey, a ConAgra subsidiary on contract proposals, and fighting their employers to maintain jurisdiction at Southern Pacific's Intermodal Container Transfer Facility in Southern California.

At least seven months before the 1999 contract would expire on July 1, 2002, newspapers began reporting on the frictions between the ILWU and the PMA. The PMA wanted to automate operations by introducing optical scanners that would read codes from the sides of containers as part of an electric cargo-tracking system. The current practice was for a clerk to manually key data. Consequently, looking for a container could mean someone had to drive around in a pick-up truck to search for a particular container (Swoboda 2002). In addition to electronic cargo-tracking systems, the PMA also wanted to institute new communication systems that would automate union dispatch halls and minimize gate check-in times for truckers, whose average waiting time was two and a half hours, as well as implementing identification systems to increase security (Cleeland and Sahagun 2002).

On May 13, 2002, the PMA and ILWU began contract negotiations for the new coast-wide contract. However, as of the July 1 deadline, no agreement had been reached. The union extended the contract on a day-by-day basis. On July 16, 2002 the ILWU submitted a proposal that would allow the PMA to use technology that would collect cargo information instantaneously. The union estimated that introducing this technology would eliminate 600 union jobs. In exchange for these concessions, the union would require dock operators to create “terminal control centers” staffed by union members and submit any plans for new technology to the union for review. Additionally, the union wanted increased worker pensions. The PMA rejected this proposal saying that it was

inadequate and made a counter proposal (Kim and Machalaba 2002). The union, in turn, rejected the counter proposal saying that it failed to ban outsourcing of union jobs to nonunion workers and to provide a satisfactory health-benefit package (“Dockworkers Aim to Reject Contract” 2002).

During this time and for the next few months customers who used the West Coast docks, realizing the potential for great economic loss in the case of a strike or lockout, lobbied the Bush administration to use federal power, namely the Taft-Hartley act, in the case of a port shutdown (Machalaba and Kim 2002). The Administration responded by saying it would intervene in a strike or lockout if it failed to produce a new contract (Sarkar 2002).

The union allowed the labor contract to expire September 1st at 5pm when negotiations failed to reach any compromises. Finally, saying that the union had staged slowdowns to gain leverage, the PMA ordered a 36-hour lockout on the evening of September 27th. The PMA ordered a second lockout on September 29 stating that it would continue the lockout until the union agreed to extend the labor contract. The lockout came to an end on October 9th after a federal judge granted President Bush's request to end the 10-day lockout.

With talks mediated by AFL-CIO secretary-treasurer Richard Trumka, a tentative agreement was reached between the ILWU and the PMA, which was ratified on January 22, 2003. The new six-year contract went into effect February 1, 2003. Port management won the right to use optical scanners and other labor-saving devices, eliminating approximately 400 marine clerk positions, but not unemploying them, since they would be retrained for new positions. The union won significant pension plan improvement and a modest wage hike (Raine 2003).

In Fall 2004 the ports of Los Angeles and Long Beach were backlogged with freight due to a severe labor shortage, attributable to both the lack of available workers and increased freight volumes. Though the problems of the labor shortage have been mitigated, the ILWU has suggested that more longshoremen must be promoted from casual to full time status. In addition, they maintain that providing guaranteed hours and better benefits for casuals would make them more likely to work on a regular basis. Finally, they have proposed having “container gangs,” where the group is dispatched for work the previous night (Mongeluzzo, 10/20/2004). These proposals have met with opposition from the employers, though the PMA opposition to the final proposal is due to disagreement over the size of the gang.

### **3. THE DIVERGENCE OF WAGES WITHIN LONGSHORING**

What is clear in the description of both unions’ collective bargaining outcomes is that ILWU have generally fared better than ILA workers. In this section, we examine the trends in the wages of workers in the water transportation sector, using data from the Current Population Survey. The purpose is to measure the wage premium that West Coast workers hold over those at other ports, and also examine the point at which this divergence occurred.

The data source for our analysis is the Outgoing Rotations Group (ORG) files of the Current Population Survey (CPS) from 1984-1999. We construct a data set for those employed in water transportation. This includes all those who report employment in Census Industry Code 420 (water) as well as all individuals who report employment as longshoremen and stevedores, regardless of their industry code.

We omit all observations in agricultural, fishing, or forestry occupations. We

further limit our data set to individuals who work full-time (more than 30 hours per week) and are employed in the private sector. Finally, as individuals are sampled in the ORGs twice, we omit the second observation for all individuals (with the exception of the first year). This leaves us with 1898 observations for the time period 1984-99.

Average real hourly wages for workers in water transportation are presented in Table 1, which also presents the same statistic for unionized workers only and for West Coast and non-West Coast unionized workers. The purpose of this is to distinguish between what has happened to overall wages and wages of workers in the union.

Year	All Workers	Unionized Workers		
		All	West Coast	Non-West Coast
1984	\$17.12	\$19.68	\$21.31	\$18.35
1985	\$16.76	\$18.70	\$18.40	\$18.87
1986	\$18.01	\$20.69	\$22.92	\$19.42
1987	\$17.17	\$20.77	\$23.14	\$20.05
1988	\$16.87	\$18.56	\$19.75	\$18.18
1989	\$17.62	\$21.12	\$25.35	\$20.19
1990	\$17.97	\$20.41	\$25.95	\$17.10
1991	\$16.65	\$18.52	\$22.05	\$16.58
1992	\$17.11	\$20.69	\$27.26	\$18.25
1993	\$16.06	\$19.38	\$21.28	\$18.39
1994	\$15.92	\$17.19	\$19.68	\$16.02
1995	\$16.28	\$18.92	\$22.31	\$16.35
1996	\$15.46	\$15.92	\$19.37	\$13.15
1997	\$16.92	\$19.18	\$21.49	\$16.70
1998	\$18.00	\$18.51	\$22.89	\$16.58
1999	\$17.00	\$20.07	\$25.56	\$14.22
Source: Calculations from the Current Population Survey Outgoing Rotation Files, 1984-1999				

What is notable in this table is that wages for all workers and all unionized workers have remained relatively stable over the sixteen year period. This, however, obscures the fact

that the West Coast workers have substantial wage premia over other workers (East Coast and Gulf workers) and this has been increasing over time.

As wage differentials may be caused by differences in skills, we next use regression analysis to measure the West Coast wage premium, holding all other factors constant. The dependent variable is the natural log of the real hourly wage. Explanatory variables include potential experience (age-education-6) and its square, dummy variables for race and ethnicity (black, other race, and Hispanic, with white as the base group), a dummy variable for gender (males as the base group), dummy variables for education (high school, some college, and bachelor's degree, with less than a high school diploma as the omitted group), dummy variables for region (Northeast, Midwest, and South, with West as the base group), and a dummy variable for union membership. The focus of this estimation is on coefficients on union membership and region of residence. This tells us something about the wage disadvantage of those workers in water transport who do not belong to the union, as well as measuring the wage premium of West Coast water transport workers over comparable workers in other regions. The results from this estimation are provided in the first column of Table 2.

Table 2: Estimation Results		
	Model 1 (all workers)	Model 2 (unionized workers)
Variable		
Black	-0.0016 (-0.04)	0.0178 (0.34)
Other Race	0.0435 (0.97)	0.0305 (0.47)
Hispanic	-0.0353 (-0.87)	-0.0550 (-0.84)
High School Diploma	0.1242 *** (3.82)	0.0642 (1.28)
Some College	0.2346 *** (6.52)	0.1210 ** (2.07)
College Degree or Higher	0.4547 *** (11.78)	0.1134 (1.62)
Experience	0.0302 ***	0.0226***

	(9.99)	(4.04)
Experience-squared	-0.0004 *** (-7.94)	-0.0003*** (-3.26)
Married	0.1400 *** (4.62)	0.0281 (0.50)
Separated, Divorced, Widowed	0.0605 (1.47)	0.0637 (0.89)
Female	-0.1075 *** (-3.77)	-0.3052*** (-3.59)
Northeast	-0.0857 *** (-2.72)	-0.1556*** (-3.17)
Midwest	-0.2294 *** (-5.38)	-0.3359*** (-4.27)
South	-0.2290 *** (-7.92)	-0.2900*** (-5.96)
Union	0.1659 *** (6.59)	-----
n	1898	632
R-squared	0.258	0.128
*** - significant at 1%; ** - significant at 5%		
Note: constant terms and annual dummies are included in both models, but not reported; t-statistics in parentheses.		

Though not the focus of this paper, it is notable that the coefficients on education are positive and significant, indicating that there is a wage premium present for educated workers in water transport. These returns to education are likely picking up wage increases associated with professional and managerial positions in water transport, however, not returns to education for the production jobs in water transport, which would be unlikely to exist. The union premium is large, 18.05 percent (due to the functional form of the coefficient, the percentage wage differential is obtained by the formula  $e^{\beta} - 1$ ). The regional dummies capture the wage disadvantage of workers in these regions relative to their West Coast counterparts: 8.21% in the Northeast, 20.5% in the Midwest, and 20.46% in the South. It is important to note that Texas is contained in the

Midwest region, which means that this region, as well as the Southern region, is capturing the wage disadvantage of gulf port workers. The wage differential is lowest in the Northeast, which is more likely to have ports that service containers, rather than the break bulk of the south and gulf ports.

These regional wage differences, however, may be collinear with the union dummy – we know from the history of the ILA that nonunion water transport jobs have grown in the gulf ports in the past 15 years. We next estimate the wage equation separately for union workers only. The coefficients on regions in this model will largely compare the wage gaps between ILWU members on the West Coast and ILA members of the East Coast and Gulf ports. Results from this estimation are presented in the second column of Table 2.

Again, though the returns to education are not the focus of this study, it is notable that these coefficients for union members are not significant; as we would expect there are not significant returns to education in this job. The coefficients on region are larger in magnitude than the previous model: 14.41% for the Northeast, 28.5% for the Midwest, and 25.2% for the South. These indicate that the wage concessions of the ILA break bulk workers as well as the opening of “ILA lite” operations in the Gulf ports resulted in substantial wage decreases relative to ILWU members.

Finally, we are interested in the timing of the wage divergence of West Coast workers and workers in other regions. To examine this we use a model akin to a switching regression. Rather than running the model separately for individual years (due to sample size considerations), we limit the end point of the sample in one year increments and examine the magnitude and statistical significance of the regional dummies. The equation estimated is identical to Model 2 (unionized workers in water

transport with fixed effects for time). Table 4 presents the percentage wage differential by region.

Table 4: Wage Disadvantage Relative to West Region

period	Northeast	Midwest	South
1984-1985	--	--	--
1984-1986	--	-31.4%	--
1984-1987	--	-31.1%	-12.2%
1984-1988	--	-22.9%	-17.0%
1984-1989	--	-24.2%	-15.5%
1984-1990	--	-25.9%	-19.1%
1984-1991	--	-26.4%	-19.7%
1984-1992	-11.1%	-26.0%	-20.9%
1984-1993	-10.5%	-26.9%	-19.8%
1984-1994	-10.6%	-26.1%	-21.9%
1984-1995	-11.7%	-29.0%	-22.7%
1984-1996	-11.2%	-28.9%	-23.0%
1984-1997	-11.8%	-27.4%	-23.0%
1984-1998	-11.6%	-27.0%	-24.0%
1984-1999	-14.4%	-28.5%	-25.2%

Note: "--": not significant at the 10 % level

The wage gap between the West and Midwest regions exists from the start of the period (1984-1986) and declines slightly over the entire period (from 31% to 28.5%) with a general decline over the 1980s that was largely reversed in the 1990s. The gap between the West and South grows over the entire period studied, nearly doubling from its 1984-1987 level. A similar trend is evident in the Northeast/West wage gap, though a statistically significant gap does not emerge prior to the 1984-1992 period. The West/Northeast and West/South union wage gaps illustrate that the wages of the ILA workers declined with the eroding power of the ILA in the late 1980s and early 1990s and show no signs of shrinking.

#### **4. EXAMINING THE CAUSES OF WAGE DIVERGENCE**

Though we can isolate the timing of the wage divergence between the ILA and ILWU members using the CPS, the cause of this divergence is a point that merits attention. Though poor governance and strategy of the ILA has been cited for its eroding power, it is also the case that external forces (the macroeconomy, changes in trade partners, and changing U.S. labor force demographics) caused the ILWU to profit relative to the ILA over the last 20 years. These two forces are conflated in the data and clearly they are conflated: “poor” strategies of the ILA made the impact of external forces more substantial than they otherwise would have been. We first focus on the different strategies of the ILWU and ILA as the source of divergence and then turn to the external forces that favored the ILWU.

##### *The Union Strategy Explanation*

As is clear from the sections on the evolutions of both unions, the ILA and ILWU followed different strategies in terms of presenting a unified front in bargaining, the strategies with respect to hiring halls and labor supply, and reactions to implementing technology. Though the ILWU stemmed from the ILA, it is notable that they chartered with the ILA in 1933 as a single unit, setting the precedent for the West Coast longshoremen to bargain for wages and work rules as one unit, reducing the potential for employers to gain concessions from forcing workers at one port to compete with workers at another port. The ILWU has also been able to protect its workers through a master agreement with the PMA that covers most aspects of wages and work rules. The master contract for the ILA covers wages, hours, and benefits, while work rules are decided on a local level (Cimini 1991), leaving room for employers to encourage competition between longshoremen at different ports. This was particularly evident in break bulk; once

demand for break bulk work declined, workers competed with their counterparts at other ports resulting in significant wage concessions at Gulf ports in the mid-1980s.

The ILWU also fought for the right to control the hiring hall. In 1934 they reached a settlement with the WEU to have a union-employer hiring hall with the dispatcher selected by the union. By 1937 few ILWU workers could be considered casual. This stands in marked contrast to the ILA, who gained union priority in the shape-up, but only at the expense of keeping excess labor (in marked contrast to the ILWU which had a priority of keeping wages high by restricting labor supply). The ILA was dominated by casual workers until the era of containerization in the early 1960s. In addition, corruption among the ILA leadership led to the Waterfront Commission taking over the hiring hall, further disadvantaging the union relative to the ILWU.

It is also notable that the ILA used a strategy of seniority assignments, effectively the opposite of the ILWU's "low man out" dispatching (Turnbull and Sapsford 2001). By ensuring that the lowest paid ILWU workers were dispatched first, the ILWU ensured that wages would be more homogenous among its membership. The ILA's dispatch system ensured that workers with seniority would earn more, leading to more heterogeneous wages, which persist today in terms of new workers hired in at base wages much lower than workers with seniority. The other disadvantage of this precedent of favoring senior workers is that it effectively kept labor supply high, as older workers had little incentive to retire.

The two unions had different approaches to the adoption of technology, with many at the time believing that the ILWU had not adopted the correct strategy. Waters (1993) contends that the ILWU implemented the wiser strategy once long-term gains and losses are considered. The ILA has seen larger reductions in hours, employment, and

wages.

On the West Coast, the 1960 and 1966 agreements contained provisions for older workers to retire. The work rules also required that workers be available regularly and work at least 50 percent of mean hours in order to be eligible for GAI (Turnbull and Sapsford 2001). Given the inevitable decrease in labor demand due to modernization, the ILWU pursued the successful strategy of decreasing labor supply to keep wages high. In contrast, the ILA had historically maintained a surplus of labor. With modernization, the union was unable to encourage retirements successfully, leading to GAI that disproportionately accrued to older workers. The cost of GAI was roughly twice as high on the East Coast as the West Coast (Turnbull and Sapsford 2001). Between 1952 and 2000 ILWU membership decreased nearly 50% while nominal wages increased 1300 percent (from \$2.10 in 1952 to \$27.18 in 2000) (“Report Underscores Containerization’s Impact on ILWU” 2000).

In concluding this section it is important to emphasize that though the ILWU has seemed to have implemented better strategy than the ILA, this is not to say the union has not made mistakes. The ILWU and PMA initially agreed to share the benefits from technological improvements in a 50-50 split, however, the PMA ultimately reversed this policy and “bought out” productivity improvements from ILWU members. Given the rapid increase in containerization and the implementation of information technology, the PMA has clearly gained significantly from the buy outs versus having to maintain a cost-savings split with the ILWU.

### *External Forces Driving Divergence*

Perhaps more important than the relative union strategies in explaining wage

divergence is the role of macroeconomic factors, especially the change in the U.S. trading partners over time. While Canada and Mexico continue to be the largest U.S. trading partners with respect to value of commodities imported and exported (<http://www.ita.doc.gov/td/industry/otea/usfth/tabcon.html>), the goods from these countries tend to travel via ground transport. While the value of U.S. exports to Europe grew five-fold over the period 1984-2003, and the value of U.S. imports from Europe grew four-fold, these figures pale in comparison to trade between the U.S and Asian countries. In 1984 the value of U.S. goods exported to China was \$3.004 billion and this increased to \$28.418 billion in 2003. Imports grew at a much faster rate; \$3.065 billion in 1984 to \$152.379 billion in 2003. This increased volume of trade with Asia naturally favored the West Coast ports, leading to increased demand for labor, and, naturally, increased wages. It is important to note that the favorable conditions for labor at West Coast ports would have prevailed independent of the longshoremen's union.

The value of foreign trade is significantly higher at the West Coast ports than East Coast or Gulf ports, reflecting both volumes of trade and value of the commodities handled (see Table 3).

Value of Foreign Trade by Port (in billions of dollars), Top 10 U.S. Ports, 2003		
Rank	Port	Value
1	Los Angeles	\$122.05
2	New York/New Jersey	\$101.176
3	Long Beach	\$95.863
4	Houston	\$49.893
5	Charleston	\$39.374
6	Hampton Roads	\$32.935
7	Tacoma	\$26.332
8	Baltimore	\$25.956
9	Oakland	\$25.144
10	Seattle	\$23.077
Source: <a href="http://www.marad.dot.gov/MARAD_statistics">www.marad.dot.gov/MARAD_statistics</a>		

Not only do the Ports of Los Angeles and Long Beach handle more containers than any other ports in the U.S., the fact that they specialize in containers means that the value of the commodities handled is higher than Gulf ports which tend to handle more break bulk freight. Using the Marginal Revenue Product approach to determining wages, the wages of workers (again, even absent the union) will be higher if the value of the good is higher, reinforcing the fact that container port wages would be higher than break bulk port wages. This is seemingly reflected in the wage estimations, which find a much larger wage disadvantage for union workers in Gulf and Southern regions than the Northeast region (which has more containerized traffic).

Given the wage disparities between the ILA and ILWU ports, the question arises of why shippers do not divert freight to East Coast ports, which would have lower labor costs than West Coast ports, thereby putting downward pressure on ILWU wages. This is not currently feasible on a large scale due to the inability of very large (post-Panamax) vessels to pass through the Panama Canal when traveling from Asia to the East Coast of the U.S. Using routes other than the Panama Canal would increase transit time enough to negate any possible labor cost savings. Also limiting freight diversion is the lack of capacity available at Gulf and Southern ports, which typically lack the capital equipment and infrastructure (including dredging levels) to handle a significant increase in container ships.

## **5. SUMMARY AND CONCLUSIONS**

While longshore workers retain their wage premium over other workers in blue collar occupations, there are marked differences in the wages and work rules of longshoremen on the West Coast, East Coast, and Gulf ports. This paper highlights these

differences by first documenting the markedly different histories of these two unions and analyzing how the unions have evolved over time.

We next use Current Populations Survey data to examine trends in hourly wages of workers in water transport over the period 1984-1999, with a particular focus on trends in the earnings of unionized workers, comparing wages of West Coast workers to their East Coast and Gulf port counterparts. We find that the West Coast workers earn a substantial wage premium, varying from 10% over Northeast dockworkers to over 20% for Gulf and Southeast workers. We also use the data to isolate the beginnings of wage divergence among unionized workers in water transport, which began in the late 1980s for Gulf workers and early 1990s for East Coast workers, relative to the West Coast.

Finally, some explanations for this wage divergence are examined. While many point to ineffective bargaining power of the ILA, particularly with respect to the lack of one cohesive master freight agreement, the competition among locals at different break bulk ports, and concessions made to “ILA lite” operations, it is clear that a great deal of the success of the ILWU has not been the result of superior union management (which is not to downplay the successes of the ILWU leadership. It is clear, however, that the wage premia on the West Coast and the resulting bargaining power of the ILWU has resulted from factors such as the changing composition of U.S. trade shifting demand to Asian-produced goods, as well as technological changes in terms of ship size that favor the larger West Coast ports. Given these trends and the current relative strength of the two unions, there is little doubt that the wage advantage of the ILWU will continue while the ILA struggles to maintain wages in their break bulk segment.

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