Centre for FutureWork

FIGHTING FOR STABLE AND FAIR LONGSHORE JOBS:

The Shocking Economic Facts Behind the BC Ports Labour Dispute

By Jim Stanford

Economist and Director, Centre for Future Work

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Introduction

The work stoppage at BC ports has sparked predictable rhetoric from employer groups and pro-business commentators and politicians. They claim longshore workers are greedy and resistant to change, and must be forced back to work through legislation, in order to protect the national economy.

This argument has it exactly backwards. It is the shipping companies and terminal operators whose greed has disrupted Canada's economy, including by contributing to the worst inflation in decades. And it is their resistance to change – in particular, opposing more stable and efficient ways to support training, skills, and stability in longshore work – that is the only barrier to a quick settlement.

A Cozy, Powerful Club

The 6 biggest global shipping lines control 70% of world shipping, giving them powerful control over prices and practices. All 6 are members of the powerful BC Maritime Employers Association (BCMEA), which is stonewalling progress in the current negotiations. Public financial information is available for five of those companies. Together, these five companies alone made over $100 billion in profit in 2022 – up 1500% since 2019. Meanwhile, longshore wages in BC grew less than 10% over the same three years.

> "In the three years from 2020 to 2022, the [shipping] industry generated as much profit as it had during the previous six decades combined."
> ***Financial Times***, June 22, 2023.

The shipping industry took advantage of the pandemic to generate some of the biggest profits in economic history. Yet now their employers' association is demanding continued power to outsource longshore work to cut labour costs.

Astounding Shipping Profits

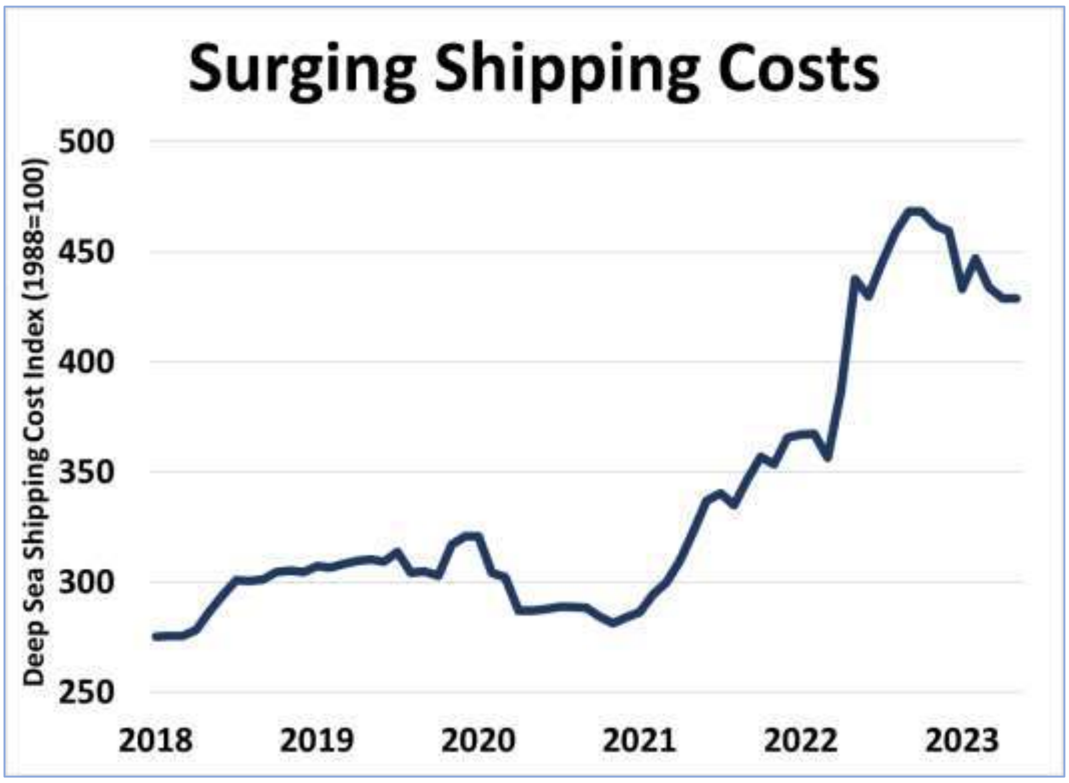
	BCMEA Member	World Market Share	2019	2022	Change
Shippers' Profits ($bil US)					
MSC	✔	18.7%	na	na	
Maersk	✔	15.2%	$0.5	$29.3	5760%
CMA CGM	✔	12.8%	$2.3	$24.9	983%
Cosco	✔	10.8%	$1.1	$19.0	1627%
Hapag-Lloyd	✔	6.8%	$2.2	$18.5	741%
Evergreen	✔	6.1%	$0.1	$11.6	11500%
Total		**70.4%**	**$6.2**[1]	**$103.3**[1]	**1566%**
Workers' Wages ($/h)					
ILWU Base Wage			$43.92	$48.23	9.8%

Source: Company and media reports; ILWU collective agreement.

1. Excludes MSC (profits not publicly reported).

Profiting from a Pandemic

It's no secret why shipping industry profits reached such incredible heights: they took advantage of the chaos and disruption associated with the COVID pandemic to dramatically raise shipping charges. That created an unprecedented surge in profits – paid for by consumers and workers around the world.



Source: Federal Reserve Bank of St. Louis, FRED database.

Container shipping costs rose fivefold as the global economy reopened. For example, container freight costs from Asia to North America's West Coast surged from $2000 (US) per unit to over $10,000 at peak in 2022. That helped spark the inflation which has roiled the global economy ever since.[1] Container charges have since moderated, but overall shipping costs (including terminal fees) remain high. The U.S. Federal Reserve's index of deep sea shipping costs remains over 50% higher than before the pandemic.

The greed of companies in marine transportation significantly worsened the inflation Canadians have faced since the pandemic. The federal government would not intervene to impose contract terms on the companies, protecting Canadians from cost and disruption. It is sheer hypocrisy to now argue that government should force longshore workers (trying to protect themselves against the same greed) back to work.

Terminals: Getting in on the Action

Fees collected by terminal operators have also increased quickly since the pandemic, as they took advantage of the disruption to jack up their own charges. Most terminals are owned by private equity groups and hence do not disclose normal financial reports; the ILWU asked to review them prior to bargaining, but the employers refused. There is no doubt, however, that terminal revenues and profits have swelled in recent years.

[1] The International Monetary Fund estimates that the rise in global shipping costs increased global inflation rates by two full percentage points in 2021. See Jonathan D. Ostry, "The Costs of Misreading Inflation," Finance and Development Analytical Series (Washington: International Monetary Fund), January 2023, https://www.imf.org/en/Publications/fandd/issues/2023/03/the-costs-of-misreading-inflation-jonathan-ostry#:~:text=Our%20analysis%20suggests%20that%20a,few%20central%20banks%20would%20dismiss.

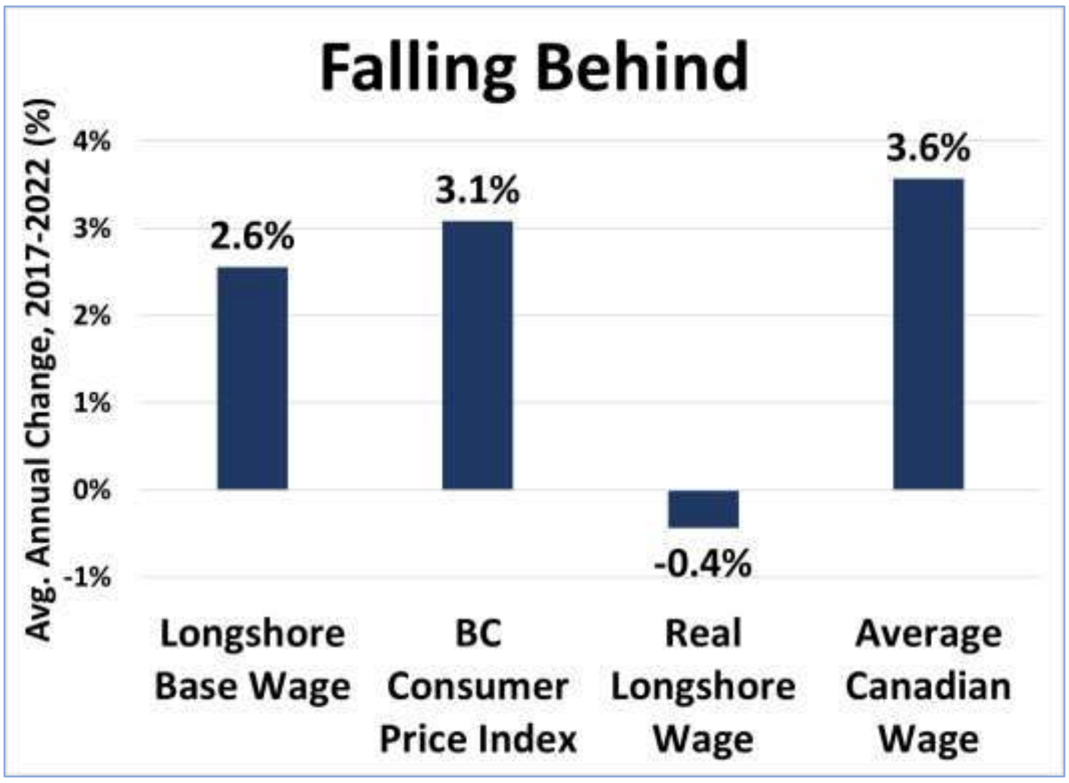
Source: Calculations from ILWU collective agreement, Statistics Canada data, and GCT Canada terminal tariff sheets.

Over the last two years alone, major BC terminal operators increased charges for standard services by up to 25%, far faster than general inflation. They cannot blame longshore workers for higher costs: base wages grew just 6.6% in the same time, and wages make up only a small portion of total costs in the shipping sector.

Incredibly, terminal operators charge shippers for longshore labour twice or even more what they pay the actual workers. And their labour charge-out rates have increased much faster than actual wages. From 2021 through 2023, base longshore wages grew less than $3 per hour. But the labour charge-out rate collected by a typical terminal operator was increased by over $10 per hour. The terminals pocket the difference.

Longshore Workers: Not Fat Cats

Clearly, labour is ***not*** the source of rising costs in marine shipping, and the resulting inflation. The greed of shippers and terminal operators, who took advantage of an economic and health emergency to fatten their bottom lines, is the source of the problem. Yet now business groups blame workers for disrupted shipping.



Source: ILWU collective agreement and Statistics Canada data.

Hourly wages for longshore workers are similar to wages for other skilled industrial jobs. Under the current dispatch system, they face great insecurity in working schedules (often receiving no work at all), and must wait several years to qualify for benefits. In recent years, wages lagged well behind BC's sky-high cost of living: the real purchasing power of longshore wages has fallen 2.5% since 2017. And longshore wages have grown slower than wages in the overall Canadian economy.

Technology, Skills, Stability

The key dispute in this strike is the employers' demand to continue outsourcing maintenance work at the ports to outside, mostly non-union contractors. This damages the longshore industry's ability to support decent jobs and strong communities.

The outsourcing issue is tied to the rapid pace of technological change at the ports. All sides recognize new technologies have dramatically changed how cargo is handled at terminals – that is not in dispute in the current negotiations. New technology has also changed labour requirements: reducing the total amount of employment, while changing the types of skills required.[2]

In past years, a few terminals have manipulated skill classifications, dispatch practices, and technology to bypass ILWU bargaining units – avoiding union wages, benefits, and protections. If this continues, the ports will cease to be a major source of good jobs for BC coastal communities. During bargaining, the union and the BCMEA discussed a modernized system to give longshore workers the chance to acquire training on new technology, without turning to outside contractors. This system would also provide the terminals with a more stable and consistent workforce – vital at a time of widespread labour shortages.

During negotiations important progress was made on this new system, which could benefit both workers and the companies. But employers held firm to their demand that the new system must

[2] For more evidence on the impact of technological change on employment patterns in Canadian industry, and the importance of collective bargaining in managing that change in more balanced and fair ways, see Jim Stanford and Kathy Bennett, *Bargaining Tech: Strategies for Shaping Technological Change to Benefit Workers* (Vancouver: Centre for Future Work, 2021), https://centreforfuturework.ca/wp-content/uploads/2021/06/Bargaining-Tech.pdf.

not limit their power to outsource future jobs. Yet that is largely the idea of the reforms: to give existing longshore workers a chance to train for the new jobs created with new technology, rather than shifting that work to contractors.

Without doubt, this issue can be resolved through practical, constructive negotiation. But the employers are hoping for back-to-work legislation to impose a new contract without any of these reforms. And loud calls by business groups for back-to-work legislation only encourage the operators to dig in their heels.

Great Ports, Great Jobs, A Great Province

BC's ports are a vital part of the economy, society, and environment of the province, and the whole country. ILWU members performed their duties with courage through a pandemic that threatened their own health and well-being, and that of the whole community – yet which became a unique chance for shippers to pocket record profits. ILWU members are fighting for a longshore system that is efficient, sustainable, and fair. That requires a force that can counter-balance the power and greed of the shipping companies and terminal operators. Collective bargaining is a crucial tool in pushing those companies to accept a fairer vision for BC's ports. Allowing collective bargaining to proceed normally is vital to attaining a balanced and lasting outcome.

This report was commissioned by ILWU Canada.