CEPAL

REVIEW

NUMBER 57
DECEMBER 1995
SANTIAGO, CHILE

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UNITED NATIONS

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Port privatization, *labour reform* and social equity

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Governments of the ECLAC region have promulgated labour regimes which support port workers' desire for stable wages and job security, isolate them from market signals and create cargo-handling monopolies. The advent of a global economy, the introduction of export-led growth policies, the acquisition of advanced cargo-handling equipment and electronic information systems, and the participation of private interests in the offer of port services permit enterprises to compare, purchase and employ raw materials, labour and service inputs worldwide, and have transformed the traditional concept of competition between comparable finished goods into input-to-final product competition. Port labour is only one of the inputs in the distribution process and must be organized on a commercial basis in order to make possible competition with other ports in the world. The free play of market mechanisms offers an external standard to control the size of the workforce, harmonize the desires of dockworkers and maritime employers, and compel each to progressively improve productivity, reduce costs, innovate and make needed investments. Reforms of port labour regimes should remove regulatory impediments to the free play of market mechanisms; decentralize and deregulate the labour market; utilize antimonopoly laws which are applicable to maritime employers and labour unions to avoid misuse of market mechanisms; eliminate direct government participation in port operations, collective negotiations and informal dispute resolution, and promote opportunity-oriented social equity in the award of worker benefits. With a commercial port labour regime, maritime transport employers would come to recognize that their commercial objectives and the social goals of port labour are intertwined, and cannot be attained independently.

I

Background

For many centuries, the loading and discharge of vessels and the attendant storage of goods were carried out by informal, casual labourers in an extremely hazardous and insanitary setting. The only requirement for hiring such workers was strength, not skills or problem solving abilities. They needed no training, and were easily replaced if tired, unable to perform their work, unwilling to take risks, injured or sick. These conditions laid the groundwork for the centuries-held belief that port work was only for those who could not find employment elsewhere. Dockworkers reacted to the abusive nature of their employment and labour-displacing cargo-handling equipment by forming mutual assistance societies which would later become powerful union forces. These factors and the Great Depression of the 1930s led to a broadly held belief that government intervention was essential to economic stability, full employment and social equity in this field. This encouraged the adoption of paternalistic labour regimes by governments of the ECLAC region, many of which are still in force (Segura, 1993, pp. 32, 33 and 36; Edwards, 1993, p. 13; Banuri, 1990, pp. 51-61).

Paternalistic port labour regimes strongly support the social goals of dockworkers, create an unattractive investment setting for private interests, and have led governments to expand their role in ports from regulators to owners, investors, employers and administrators. These regimes were based upon a number of assumptions, such as: capital and labour are locked in an irreconcilable and destructive conflict; the services provided by cargo-handling monopolies can be just as cost-effective as those furnished by the private sector; neither governments nor port labour need respond to market signals; labour-saving technologies are socially irresponsible; only monetary incentives will induce dockworkers to make an effort to improve productivity and lower costs; the social costs of port labour reform are so high that governments cannot incorporate market mechanisms into labour regimes so as to commercially balance the interests of exporters, importers, carriers, dockworkers and maritime employers; and port labour monopolies, political alliances and gov-

ernment subsidies will not lead to grossly overstaffed, inefficient and expensive port services (Apolo, 1994, pp. 47, 57-59; Couper, 1986, p. 55).¹

Such assumptions have lost their legitimacy with the advent of a global economy, export-led growth policies and private participation in public-sector ports. No longer can capital and labour, for instance, be considered in terms of means and ends, and, therefore, in irreconcilable and destructive conflict, since they are in fact two measures of the same reality. They are both means and ends, and can only be attained in a setting subject to market mechanisms, because such mechanisms provide the only common, invariably unbiased standards by which the commercial objectives and social goals of capital and labour can be reconciled. Likewise, investments in labour-saving technologies have become socially responsible because improvements in productivity and cost-effectiveness make a port more attractive to users, generate new sources of employment in a port's hinterland and create a more secure work environment for dockworkers. The commercial objectives of exporters, importers, carriers and maritime employers, and the social goals of port labour, have become complementary and interdependent, and cannot be obtained without a joint, collaborative effort.

In a highly competitive global economy, social equity is opportunity-oriented and commercial. It no longer conforms to the paternalistic, market distorting, bureaucratic standards of yesteryear, because it does not guarantee jobs or a stated level of income, benefits and purchasing power to dockworkers

¹ As a recent example of overstaffing, in a dispute between the International Longshoremen's & Warehousemen's Union (ILWU), which represents port labour on the U.S. West Coast, and Peavey Grain Terminal over dismissal of redundant workers, the court held that

"The evidence reveals that for several years, the duties of a supercargo (a clerk who checks the cargo) were similar to those already being performed by the load master (the most experienced loader)".

Thus, the supply of port labour and its assignment often has no relation to the volumes of cargoes being handled nor to the cargo-handling equipment utilized. See Mongelluzzo, 1994, p. 8B, and Davies, 1993a, p. 5B.

(Apolo, 1994, pp. 40-41. It should, however, provide them with training and retraining programmes; new job assignments so that they may be rapidly reincorporated into the national workforce; early retirement benefits; fair compensation for the relinquishment of acquired rights and privileges, and an institutional framework which ensures that non-commercial bene-

fits and privileges given up by them will not be captured by another group in the port or trade community. The goals of opportunity-oriented social equity are to create a dynamic, skilled and well-paid port labour force, and to permit ports to function as unprotected business entities within a globally competitive environment.

II

Commercial mandates

Many port labour practices such as cargo-handling monopolies and inefficient two-shift operations were institutionalized during the paternalistic era. For nations which adopt export-led growth policies, such costs and inefficiencies have a negative impact on the prices of both exports and imports. Nowadays, dockworkers face an open commercial environment in which the cost and productivity of their services compete not only with nearby ports serving the same hinterland but also those an ocean away which handle similar goods bound for the same markets. As an illustration of this point, the distribution networks for fresh fruit from Argentina, Chile, New Zealand and South Africa to buyers in Chicago (U.S.A.) compete with each other, and if port labour costs are excessive or productivity is low for any one of them, this could result in loss of that market, even though cultivation and harvesting costs might be lower. Thus, the traditional concept of competition between comparable finished goods has been transformed into input-to-final product competition where each input and final product has its own demanding market requirements.

1. The port labour market

Labour unions have successfully dominated the ports of the ECLAC region for many decades because of the control they exercise over the supply of port labour through political measures such as registration systems, cargo-handling and storage monopolies and government subsidies. The capacity to compare the costs of everything from raw material inputs to labour, and from finished goods to land transport services, creates a powerful incentive to end the isolation of dockworkers from the competitive in-

fluence of the international labour market, and to improve productivity and lower costs: something that was inconceivable even a decade ago. Such registers, monopolies and subsidies have been obtained through political alliances between unions, port administrations and central governments, and they restrict labour supply, guarantee job security and provide many non-market benefits.

In the past, exporters, importers and carriers were cast in an unpatriotic light if they criticized or disapproved of excessive port costs and needless inefficiencies, and they therefore often assumed a passive, almost non-entrepreneurial posture. Port administrations, in their capacity as maritime employers, adopted a social view of their functions in order to avoid being viewed in the same disparaging light. In export-led economies, registers, monopolies and subsidies are nothing more than inefficiencies that must be eliminated in order to enhance the competitiveness of a nation's goods in very demanding international markets and, hence, the job security of port labour. The supply of dockworkers, as well as their wages and benefits, are best regulated by the requirements of exporters, importers and carriers, which is another way of saying that port labour should be exposed to market mechanisms.

The port labour movement has utilized its strategic position in ports to pressure governments to adopt political measures which lessen the impact of both exogenous (the competitive environment facing exporters, importers and carriers, and the transport systems available to cargo owners) and endogenous (productivity and cost-effectiveness of cargo-handling and storage services) factors on the demand for port labour. The introduction of export-led growth policies, however, makes it clear that the demand for

dockworkers' services depends on the demand for and competitiveness of the goods they handle, and governments can no longer avoid that reality by isolating them from market mechanisms.² The respective systems of port labour demand management favoured by the unions or by the employers create costly privileges and benefits, and ignore the commercial realities of competition faced by exporters, importers and carriers. Instead of measures to stabilize the demand for port workers, it might be more beneficial to stabilize their wages by withholding sufficient funds from their earnings to pay them wages during the customary periods of unemployment, and by creating special classes of seasonal workers.

2. The resolution of labour disputes

It has been calculated that the indirect costs of resolving labour disputes in court proceedings are 100 times greater than the direct costs of jury awards, settlements and attorneys' fees (Edwards, 1993, p. 193). The informal resolution of port labour disputes between the parties is eminently more acceptable and modifiable than one imposed by an arbitrator or judge (Schwieger, 1988, pp. 344-349). The resolution of disputes between port labour and maritime transport employers should begin with a review of the problem by a joint labour-management committee.³ In order to provide additional encouragement to use informal procedures, exporters, importers and carriers who can demonstrate that they were financially harmed between the time committee processes were abandoned and the final decision was rendered by a court or arbitration body should be permitted to recover damages from both parties in equal amounts. The informal resolution of labour disputes would then become a value-added component of port services, because the costs of management lockouts, labour strikes and go-slow movements would fall on the parties in dispute themselves.

² The United Nations Conference on Trade and Development (UNCTAD, 1993, p. 2) notes that

"... the demand by these (specific) markets for port services is derived from a demand for door-to-door logistics services which is itself derived from the demand for the products being transported."

³ See, for example, *Compañía Guatemalteca de Terminales a Granel, S. A.*, 1988, pp. 28-30.

The right to strike was profusely utilized by port labour during the paternalistic era, when there were few alternative sources of products, few substitutes for desired products and trade interruptions were customary. However, the global economy, export-led growth policies, capital-intensive cargo-handling equipment, and private participation in public-sector ports have transformed dockworkers and maritime employers into partners in a joint venture with port users—exporters, importers and carriers—where an interruption of cargo-handling operations is harmful to everyone, and the resolution of disputes requires the best efforts, mutual confidence and good will of all to maintain a basis for ongoing collaboration (Di Benedetto, 1994, p. 1B; Cantwell, 1994, p. 7B; Davidow and Malone, 1992, p. 205; Cabot, 1986, pp. 112-127). The right to strike intensifies the keenly contested market facing entrepreneurs, as there are large numbers of potential entrants who would like to satisfy users' needs, so this right should be used in a manner which allows dockworkers to obtain the wages and benefits desired while safeguarding the commercial viability of users and maritime employers.

3. Job security

Regulations which prohibit discharging dockworkers substantially lessen their desire to accept work restructuring proposals, to comply with the service needs of users, and to utilize new technologies. To create job security for dockworkers, governments should adopt port labour regimes which utilize market mechanisms to achieve a commercial equilibrium between the social goals of port labour and the commercial objectives of maritime employers, as well as to insulate governments from political pressures of both groups. A market-oriented reform of port labour regimes entails the acceptance of private participation in port services, but it does not mean a return to employer-controlled job-by-job and day-by-day employment practices. The competitive pressures of a global economy mandate that job security provisions should also safeguard the commercial viability of employers. In an open, competitive port environment dockworkers will come to accept that job security depends on the success of users and maritime employers, not on guarantees laid down in constitutions and regulations.

Dockworkers made redundant by efforts to respond to the global economy through private-sector participation and the utilization of labour-saving technologies can be more easily reinserted into the national workforce if training courses are supported by job placement services, and if such courses are jointly paid for by maritime employers, governments and displaced workers. The payments by the latter could come from the legal settlements and compensation benefits they receive. Modern technologies have also shifted skill requirements for port labour from single-function activities to the need for multiskilled workers to

operate and maintain complex equipment which integrates a large number of different functions. Training programmes must give remaining dockworkers an insight into how greater productivity enhances the competitiveness of exports in international markets, as well as how it attracts exporters, importers and carriers and generates new job opportunities both inside and outside the port.⁴ At the Port of Tilbury (London, U. K.), for instance, dockworkers visit the premises of exporters and importers to observe how costly and inconvenient it is for them if goods are damaged, pilfered or delayed (Finney, 1993, p. 4).

III

Operational mandates

Governments and unions have much in common. Both are socio-political institutions which have an enormous impact on the commercial goals of users. With governments acting as owners and operators of ports, as employers of dock labour, and as direct participants in collective negotiations, unions have a ready ally because such negotiations are bipartite (government-labour), not tripartite (government, employers and labour). Disputes usually arise because users demand that governments (port administrations and maritime employers) compel dockworkers to accept modern technologies and institutional arrangements which enhance productivity and lower costs, while the unions demand that governments (port administrations and maritime employers) protect their wages, benefits and sources of employment. To resolve conflicts, governments (Ministries of Labour) intervene and usually decide that modern equipment will not be purchased or, if acquisition is unavoidable, that it will be utilized in a labour-intensive manner. In this context, dock labour often does not respond to global competition and export-led growth goals, and rejects users' requests to acquire modern equipment, improve productivity, lower costs and utilize flexible work demarcation.

1. Port users' requirements

In a highly competitive, market-driven commercial world, port labour unions can only impoverish them-

selves and users by ignoring users' requirements. Collective negotiations very rarely have anything to do with improving productivity and cost-effectiveness. Most commonly, governments (port administrations) yield to the demands of port labour unions and neither seek to determine nor respond to the commercial needs of users, while Ministries of Labour merely request larger subsidies from governments (Treasuries) to cover greater expenses. This cost-increasing spiral was broken with the emergence of a global economy, the introduction of export-led growth policies, the participation of private interests in public-sector ports and the utilization of advanced technologies. Dockworkers were isolated from competition because ports were viewed by governments as having a strategic role in national defence and economic security, but both ports and dockworkers are now emerging from that political equation and forming part of a global market in which users' needs are paramount.

Port users require progressive improvements in productivity and cost-effectiveness in cargo-handling and storage services to enhance the competitiveness of their goods and services in international markets. Most of these improvements come from advanced technologies and modern institutional arrangements

⁴ *Fairplay International Shipping Weekly*, 1994, p. 8. For a similar situation in the British coal industry, see *The Economist*, 1993a, pp. 39-40.

which can render certain skills and jobs superfluous. The port labour movement can no longer utilize its political alliances and threats of civil disturbances to preserve a historical demand for dockworkers' services and to ensure that skill requirements remain largely unchanged. The speed with which port labour regimes, collective agreements and work practices translate market signals into responses from dockworkers is the key to commercial success in a global marketplace. Attempts to guarantee job security and income for dock labour cannot make ports attractive, even as social entities, unless they enhance the commercial viability of users in world markets.

2. Dockworker participation

The knowledge, experience and intelligence of those who actually provide cargo-handling and storage services is a resource that can make a major contribution to the earnings and competitiveness of ports and private terminal operators, but efforts to take greater advantage of these qualities are often viewed by maritime employers as an encroachment on management prerogatives and by port labour leaders as an effort to undermine union solidarity (ILO, 1981, pp. 29-35). It is often suggested that management prerogatives are derived from the principle of ownership and that dockworkers will have such power only if they are also proprietors. It is also asserted that dockworker participation in earnings and management decisions is a natural consequence of those workers' investment of their labour in the enterprise, just as other people invest capital (ILO, 1981, pp. 14 and 20). Each of these arguments seeks to justify dockworker participation in earnings and workplace decisions on the basis of an initial attribute (ownership or

investment), but the basis for this does not lie in some syllogism or circular argument. Rather, it lies in an understanding that dockworkers have a wealth of useful experience that can be utilized to improve productivity, lower costs, enhance the earnings of users and maritime employers, and satisfy their own opportunity-oriented social goals.

3. Modern technologies and dockworker skills

For dockworkers to properly serve users, to enhance the competitiveness of exports in international markets and to preserve their own jobs, it has become essential that they respond to market signals, utilize advanced technologies and accept training programmes. These changes create a stressful situation for port labour. To create a basis for their acceptance, port labour must be offered a counterbalancing human response, which has been referred to earlier as opportunity-oriented social equity. The main limits to the acquisition of new skills are likely to lie in the capabilities of each individual to cope with enlarged work requirements and responsibilities. Unions were very strong when port labour was an undifferentiated mass of workers in need of representation, but today a much smaller group of highly skilled employees carries out the same operations with very sophisticated equipment. This can lead to a weakening of the port labour movement if dockworkers reject new technologies and are unwilling to negotiate collective agreements which permit their efficient utilization. Modern technologies permit the expansion of dockworkers' skills and knowledge from the capacity to operate one type of machine to an understanding of port operations, and then to an awareness of how port services fit within a broader perspective of trade requirements.

TABLE 1

United States (West Coast ports): Impact of containers on dockworker productivity

Year	Man-hours worked (millions)	Tons of cargo handled (millions)	Productivity (tons/man-hour)
1960	29.1	28.5	0.98
1980	18.5	113.7	6.15
1987	17.1	157.8	9.23
1993	15.7	183.6	11.69
1994	17.0	199.0	11.71

Source: Pacific Maritime Association.

As an illustration of the decrease in the demand for dockworkers due to modern technologies, the handling of dry-bulk cargoes in the early 1950s at U.K. ports required 20 men for each cargo hold of a vessel. Today, the loading of grain is carried out by three men, even though the technology utilized would permit one man to execute all operations (Davies, 1993b, p. 8B; *The Journal of Commerce*, 1993a). With regard to marine containers, table 1 demonstrates the experience of container handling systems at U. S. West Coast ports.

As can be seen from this table, container handling systems allowed the number of dockworker man-hours required to be reduced by 41.6% (from 29.1 to 17.0 million) between 1960 and 1994 although the volume of cargo handled increased 6.98 times (from 28.5 to 199 million).

4. Efficiency

This concept is usually defined in vague terms, such as the satisfaction of wants within resource and technological constraints (Eatwell, Milgate and Newman (eds.), 1987, pp. 107-108). For the purposes of this article, port efficiency refers to the provision of cargo-handling and storage services which satisfy users' needs in the most productive and cost-effective manner possible. This suggests that the wage and benefit gains of dockworkers would be considered efficient if they are based on productivity increases, and do not restrict or negatively influence the commercial activities of users and maritime employers. Put another way, port efficiency depends on price competition among maritime employers and productivity competition among dockworkers. Governments can contribute to the improvement of port efficiency by formulating an institutional framework which permits the unimpeded interplay of market mechanisms to balance their own interests, the social goals of labour and the commercial objectives of users.

As an illustration of this point, the International Longshoremen's Association (ILA) at the U. S. East Coast port of Philadelphia has agreed to utilize fewer dockworkers in shifts of nine hours without any additional pay when unloading vessels carrying Chilean fruit and has formulated a plan to continue such operations during labour disputes so that shippers would not utilize other ports (*The Journal of Commerce*, 1993b, p. 1B; *América Economía*, 1993, p. 36; Di

Benedetto, 1991, p. 8B; Knox, 1991, pp. 1B and 8B; Benedict, 1990, pp. 28-29). Nevertheless, the port has been losing Chilean fruit to the neighbouring port of Wilmington (Delaware), where charges are 40% less even though dockworkers are members of the same union (Monk, 1995, p. 10B; Holcomb, 1994b, p. 7B; *The Journal of Commerce*, 1993c, p. 1B; Holcomb, 1993b, p. 5B; Johnston, 1993, p. 8B; *Fairplay International Shipping Weekly*, 1993, p. 27). ILA dockworkers at the port of Philadelphia responded to this competition by accepting a reduction in their wages from US\$21 per hour to US\$18.50 for breakbulk cargoes, and to US\$16.50 for Chilean fruit. Members of a road hauliers' union, the Teamsters' Union, perform the same work for only US\$11 an hour, however.⁵ To the extent that dockworkers are exposed to inter-port, intra-port, inter-union, intra-union and non-union competition, it is all the more likely that users' efficiency needs will be met.

Latin American port union leaders frequently assert that dockworkers' wages are insignificant and do not permit them to meet their basic needs, while users and maritime employers disagree, declaring that they greatly exceed those of some other regions. Both statements are true. This would suggest that an efficient allocation of resources has not been achieved because labour and port costs do not respond to market signals. For example, port workers at Callao (Peru) made important concessions regarding their remuneration. The big mistake was that the reduction in dockworkers' wages was not subject to the competitive influence of market mechanisms. The benefits of the reduction in wages were, instead, allowed to fall into the hands of ships' agents, thereby maintaining the same cost structure which requires that port charges and ocean freight rates remain the same. Once such politically obtained advantages are freed from the control of one group, they should be subjected to the open, competitive pressures of the marketplace. This will ensure that the unimpeded interplay of market mechanisms on relinquished concessions and rights will contribute to progressive improvements in port efficiency.

⁵ Holcomb, 1993a, p. 5B and 1994b, p. 1B; Abrams, 1994a, pp. 3C and 4C and 1994b, p. 8B. For details of inter-union competition at U.S. West Coast ports, see Mongelluzzo, 1995, p. 1B.

IV

Institutional mandates

The age-old procedure whereby a master and his apprentices accepted responsibility for the cost and quality of goods ended with the mass production of standardized goods as a result of the Industrial Revolution. This permitted employers to reserve all decisions for themselves and labour was simply required to follow their instructions. With the advent of worldwide sourcing of inputs and manufacturing, automated production processes, electronic information systems and the competition of a global economy without frontiers, however, workers have come full circle and returned to the point where they started: individual responsibility for the cost and quality of goods and services. A reformed institutional framework for port labour which reflects this change does not mean that dockworkers will be denied any of their traditional rights, but that such rights are neither superior nor inferior to those of users and maritime employers. The foremost problem in reformulating the institutional framework for port labour is, quite succinctly, that the port labour movement lacks vision when it comes to identifying and defining appropriate roles for its members in a commercial environment which does not permit registration systems, cargo-handling monopolies and government subsidies.

1. Market mechanisms

Market mechanisms –supply and demand, profit and loss, economies of scale, customer likes and dislikes, and the threat of bankruptcy– offer external standards to control the size of the workforce which balance the desire of dockworkers and maritime employers for monopoly privileges and compel each to progressively improve productivity, reduce costs, innovate and make needed investments. The worldwide sourcing of inputs and manufacturing has been engendered by the advent of a global economy and the introduction of open-market growth policies, and it represents a separation of national production and consumption functions. Mass production is based on mass consumption, and factory owners' prosperity was therefore tied to that of

their workers. Today, however, enterprises combine labour, capital and material inputs from numerous nations and sell their products in yet other nations (Handy, 1994, pp. 200-201; Reich, 1992, pp. 110-118 and 263-265; Marshall and Tucker, 1992, pp. 32-33; Porter, 1991, pp. 14-15). They ensure their goods are competitive in very demanding international markets by controlling the cost of each input and maintaining high productivity, both of which directly influence the job security and compensation of labour.

The multiple –political, social, commercial, technical, operational, legal and environmental– realities of ports are unavoidable, but the importance given each and their relevance will be distinct in a global economy. Dockworkers can no longer be isolated from the competition facing users and maritime employers and the risk of bankruptcy facing them. Such challenges can only be met by exposing dockworkers to the competitive influence of market mechanisms. Governments must deregulate the port labour market to remove regulatory obstacles to the free play of market mechanisms as they affect supply and demand, and they must decentralize collective negotiations to ensure that they are subject to the commercial influence of local markets. The essential goal of port labour reform is to enhance the attractiveness of ports for users and the competitiveness of the goods handled in international markets, while creating a social-commercial basis for dockworkers to obtain wages and benefits. By subjecting dockworkers to the influence of market mechanisms, they will come to see that their future lies not in government largesse but in fulfilling users' needs.

2. Governments

Governments are socio-political contracts between elected officials and citizens, in which the former listen and react to the stronger and better organized groups of the latter. Labour unions are a dominant force in port matters, and their alliances with elected and appointed government officials and political parties provide labour leaders with substantial influence

over legislative, regulatory and policy-making processes. Port-labour monopolies, registers and subsidies in the ECLAC region were created through a process of commission and omission over many decades by governments of the entire political spectrum. Governments need to abandon their deep-seated tendencies to resolve commercial problems with political means, to assume that national policies and legislation are above the market mechanisms, and to utilize port labour as a political instrument. Governments can no longer isolate dockworkers from the competitive requirements of the international labour market, because export-led policies have thrust them into the global economy; they can no longer engage in commercial activities unless they have the profit motive and the requisite skills; and they can no longer employ dockworkers under bureaucratic arrangements which demotivate them.

The prime objective of governments in restructuring the institutional framework governing port labour should be to create a market-oriented environment in which people and groups who need to co-operate with each other, despite conflicting or incompatible interests, utilize the common external standard of market mechanisms to forge credible and enforceable agreements. To achieve that objective, maritime employers must be able to respond to market signals, port labour should have access to managerial information and the right to participate in workplace decisions, and both need to be free from the influence of non-labour, non-management groups in collective negotiations. Government efforts to create a commercial labour framework for ports will succeed only if they remove themselves from direct involvement in labour relations. This will not affect their responsibility to formulate a market-responsive institutional framework which outlines the requirements for workplace safety, minimum wage levels, settlement of disputes, compensation for displaced workers and training (Ruiz-Tagle, 1991, pp. 99-124).

3. Port labour regimes

The capacity of manufacturers to utilize inputs, factories and assembly installations worldwide means that they can create competitive advantages by controlling the supply, cost and quality of raw materials, decreasing labour costs, obtaining needed worker skills, improving production and distribution efficiency, and positioning themselves for admittance

into final markets (Baker, 1994, pp. 106 and 108). This means that port labour is an input into production processes, just as are raw materials and factory labour, and it is exposed to the competition and performance standards of the international labour market. Governments should ensure that such standards for dockworkers do not arise from measures such as registration systems, cargo-handling monopolies and government subsidies, but from responses to market signals reflecting users' needs. Market-based reform of port labour regimes should foster a new era of labour-management relations based on mutual respect, open communications, shared decision-making and joint obligations in the areas of productivity, cost control and innovation (Swoboda, 1993, p. C3; Bluestone and Bluestone, 1992, pp. 5-8 and 17-19).

Maritime employers should not be allowed to dismiss workers without cause, ignore provisions of labour regimes and collective agreements, or enter into arrangements with other employers to refrain from hiring discharged workers or to limit wage and benefit increases. For example, certain employers in the ECLAC region have developed the practice of simply not responding to the demands of workers to negotiate collectively within stipulated time periods, in order to create an image of indifference and inflexibility on their part (Abrams and Trischwell, 1994, p. 1B; De Paula Leite, 1993, pp. 94-103; Bluestone and Bluestone, 1992, p. 202; Piñera, 1990, p. 134). Port labour should not be allowed to disrupt cargo-handling activities, work slow, cease working during the validity of a collective agreement, avoid compliance with provisions of national labour regimes which require a suspension of strikes, limit the establishment of other unions in the same workplace, sidestep direct and secret elections for officers, exercise monopoly control over cargo-handling and storage services, or place limits on the utilization of advanced cargo-handling technologies or on the selection of dockworkers.

At the practical cargo-handling level of port operations, port labour reform means that dockworkers have to acquire new skills and accept new operational practices. The risks inherent in the reformulation of labour regimes are that each member of the port and trade community will resist different aspects of every change. Maritime employers might oppose an open competitive environment because it would eliminate a guaranteed return on their

investments and they would have to make contributions to training programmes, while dock labour could be equally reluctant because it faces uncertainty with regard to job security, wages and benefits, and governments could view such reforms as provoking voter disenchantment. The balancing of these factors with the external standards of market mechanisms should ensure that users have a commercial opportunity to achieve their goals. Due to the comprehensive nature of such changes, only if governments are able to isolate legislators from the influence of port labour and maritime employers, and *vice versa*, will these factors become part of market-based port labour regimes.

4. Collective negotiations

Agreements which control the relationship of maritime employers and port labour for a specified period of time are formulated through collective negotiations. In the past, the low skills required of port workers meant that they were easily replaced and created an imbalance in bargaining strength between them and their employers (Edwards, 1993, pp. 13-14; Matos Mar, 1988, pp. 309-352; Brezzo and Vispo, 1988, pp. 413-443).⁶ Governments began participating in such negotiations in order to make them more balanced, administer and validate the resulting agreements, and resolve controversies (Díaz Corvalán, 1993, pp. 114-121; Solimano, 1988, pp. 135-158). However, the absence of an unbiased basis from which to judge the demands of port labour and the position of maritime employers leads to confrontation in collective negotiations because labour regards the issues from a social standpoint, employers see them in their commercial dimension, and governments consider them as a means to redistribute national wealth as well as to fulfill their own political aspirations. Dockworker registration systems, cargo-handling monopolies and government subsidies have been utilized for decades to bridge the gap between commercial, social and political goals, but the competitiveness of a global

economy requires that they be replaced by market mechanisms.

Direct government involvement in collective negotiations has become unworkable because the competition in a global economy intensifies the differences between commercial, political and social goals, and limits the means governments might utilize to harmonize them. The reformed labour regime would remove the public sector as a direct participant in collective negotiations and replace it with market mechanisms. The goals of balancing negotiating interests, motivating dockworkers and avoiding political pressures can be reached through a regulatory framework which exposes the negotiating parties to market mechanisms and ensures that they can utilize such mechanisms only to compete. In this context, collective negotiations can make a positive contribution to the productivity and cost-effectiveness of port labour. The major fear of governments, maritime employers and port labour unions in collective negotiations should not be of each other or of the possible failure to achieve their respective goals, but of the danger that they might create a port which is commercially unattractive to users and which cannot compete in a global economy.

5. The port labour movement

The labour movement in the ECLAC region has been losing members and is now concerned about its survival: for example, union membership in Chile declined from 33.7% of the workforce in 1973 to 11.2% in 1985, although it recently recovered to 13.7% in 1994 (ILADES, 1995, pp. 1-4). As this mirrors a trend in many other countries, the port labour movement must generate ideas to improve productivity and control costs which demonstrate to users and maritime employers that their commercial future lies with unionized dockworkers. No longer can union demands be made outside of the commercial framework facing users and maritime employers. The social collectivism of the port labour movement as an organizing rationale for workers will be ever-increasingly questioned in the highly individualistic work setting of modern ports, but the need for a focal point for labour and maritime employers to formulate responses to the competition of other ports and terminals will remain beyond doubt (Bluestone and Bluestone, 1992, pp. 150-152). If the port labour movement is to reconceptualize its role in the global

⁶ This also reflects one of the International Labour Organisation's oldest and most basic tenets: the adoption of various conventions and recommendations which establish international labour standards at tripartite – governments, management and labour – international labour conferences. See ILO, 1983, p. 10.

economy, it has to strengthen its voice in commercial matters with maritime employers in order to safeguard its own jobs, earnings and benefits (*The Economist*, 1993b, pp. 37-38; 1993d, p. 40, and 1993c, p. 102).

The vested interests of the port labour movement, governments and political parties in existing port labour regimes represent the sources of resistance to their market-based revision. The competitive pressures arising from the emergence of a global economy, introduction of export-led growth goals, and utilization of modern cargo-handling and information technologies should be able to eliminate such resistance if registration systems, cargo-handling monopolies and government subsidies are replaced by market mechanisms, if collective negotiations and the port labour market are deregulated and decentralized, if private interests are allowed to invest in and operate public-sector ports, and if port labour and maritime employers collaborate to improve productivity and reduce costs. With the shift to capital-intensive systems, dockworkers have become highly skilled specialists and the port labour movement should propose that dockworkers be treated on an individual basis as regards salary, pension, health benefits, life insurance, training programmes, career objectives and vacations, in order to provide each worker with an incentive to improve his contribution to port efficiency (*The Nikkei Weekly*, 1994, p. 12; Heldman, Bennett and Johnson, 1981, pp. 135-136).

Labour leaders must have the confidence of their members to carry out the formidable task of transforming unions from socio-political into socio-commercial institutions. For example, the Latin American Shipping Services Association, a liner conference, informed the port administration at the Central American port of Santo Tomás de Castilla (Guatemala) that a theft surcharge of US\$200 would be imposed if the high rate of cargo theft is not stopped (*International Transport Journal*, 1994, p. 2837). Labour leaders at that port found themselves without support, however, when they suggested to members at a meeting that there were those among them who should not be ac-

cepted, because they were malingering and pilfering cargoes. Just as legislators are elected to be agents of change, so also are union leaders, but they often have to act as advocates of the *status quo* in order to ensure their reelection (Curtis, 1994, pp. 34, 35 and 37). Both groups tend to shy away from vote-losing decisions and try to score political credits by criticizing unpopular but sensible innovations. Union leaders must not be reluctant to enforce commercial discipline on their members if it leads to increases in productivity and cost reductions, or to expose those groups of workers who are utilizing the ports for their personal enrichment.

6. Maritime employers

Maritime employers can provide the greatest benefit to users when guided by an in-depth understanding or strategic vision of the market, service, technological and legal forces which are continuously transforming the ports. This will permit them to anticipate the needs of users, to adjust to change, to invest, and to select, train and motivate dockworkers, and it will be the characteristic quality of successful maritime employers in a highly competitive global economy. In other words, maritime employers have to value skilled workers, be willing to share workplace decision authority, and make sacrifices to retain and retrain such staff, while dockworkers have to offer services which are innovative, productive and cost-effective, and they must be willing to accept changes in their functions that respond to the needs of users (Watts, 1984, p. 34). Maritime employers cannot function as though they were part of a government bureaucracy and isolate themselves from the commercial realities facing users. As they are facing a globally competitive market, they should make better use of their time and money because they have less of both for making investments, training dock labour and providing cost-effective services. Finally, maritime employers should seek to encourage dockworkers to develop a predisposition to progressively improve productivity and control costs.

V

The implications of port labour reform

A global economy limits a government's capacity to adopt measures which grant rights to labour if they harm the commercial attractiveness of a port, reduce the competitiveness of users' goods and services in international markets or lead to the creation of monopolies. Just as capital and labour are two measures of the same reality, so also are private participation in public-sector ports and market-based port labour reform. Private participation in public-sector ports brings to light the need for market-based port labour reform, and market-based port labour reform ensures that the goals of private entrepreneurs can be met. Without a market-oriented port labour regime, it will not be possible to establish a commercial basis for private participation; without private participation, the port labour movement will have little incentive to accept a market-based reform of their regulatory regime.

1. Economic implications

The adoption of market-oriented labour regimes will ensure that dockworkers' demands take into account the export-led growth goals of the nation, the competition faced by users, and the cost and productivity requirements of the international labour market. Dockworkers might be in a monopoly position at a specific port, but they are part of the global economy and have been ineluctably pulled into the international labour market, since they are forced to compete with their counterparts an ocean away if they are loading comparable goods for the same markets (Reich, 1992, pp. 120-122). Dockworkers will be motivated to respond to the needs of users if they can see that this is necessary in order to preserve their own earnings and jobs (Vernon-Wortzel and Wortzel, 1988, pp. 27-35). This will transform ports from places where dockworkers' wage and benefit needs are given priority by governments to places where the labour force will give preference to users' commercial goals. Those nations which yield to pressures from port labour and do not reform labour regimes will lose key opportunities to gain competitive advantages for their goods in international markets.

Conventional commercial boundaries will expand in a global economy. National markets, national producers, national labour goals and national strategic objec-

tives no longer occupy the paramount position they once did, because they have now begun to emerge from the closed-loop premises of a political economy. With the adoption of market-oriented port labour regimes, dockworkers will be exposed to the market forces of the international labour market and maritime employers will not have to pay them for the political value of their services. They will pay market-determined wages: no more, no less (Suárez, 1994, p. A2; Standing, 1992, pp. 327-354). This will allow maritime employers and port labour to satisfy users' needs through greater productivity, instead of trying to evade the problem through market protection and subsidies. An ECLAC study of the port labour reform process carried out in Chile has estimated the distribution of savings among users and the public-sector port authority, based on a comparison of the resources employed in 1980 and 1986.⁷ Table 2 demonstrates that the actual savings enjoyed by users are substantial.

Maritime transport employers and port labour will be concerned with the cost and productivity of each other's activities because their commercial viability in a global economy is related to the value added or taken away by each of them. For example, the annual savings which users of Chilean ports enjoyed as a result of the 1981 labour reform were US\$40 million in 1982, and by 1993 they exceeded US\$118 million, which was a little less than the US\$121 million recorded the year before (Cámara Marítima de Chile, A. G., 1993, p. 26, and 1992, p. 28). This will lead to closer integration of users, maritime employers and dockworkers, and will compel the providers of port services to respond rapidly to changes in the demand for goods, routes and technologies. Dockworkers and maritime employers will jointly seek not only to increase the efficiency of cargo-handling services but also to improve the wages, benefits and job security of port labour, because they have the same economic goal: to make the port more commercially attractive to users.

⁷ ECLAC, 1989, pp. 36-41. With regard to French ports, see *Containerisation International*, 1993, p. 25: "...as Marseilles pacifies".

TABLE 2

**Chile: Estimated distribution of savings following
deregulation of the port commercial environment**

Product	Unit	Saving ^a		
		Owner of vessel or cargo	EMPORCHI	Total
Fruit	US\$ per case	0.14	0.14	0.28
Copper ingots	US\$ per ton	6.70	-4.05	2.66
Fishmeal (in bags)	US\$ per ton	4.61	1.57	6.18
Sawnwood	US\$ per m ³	2.81	1.63	4.44
Roundwood	US\$ per m ³	2.73	0.63	3.36
Imported breakbulk cargo	US\$ per ton	3.55	3.22	6.77

Source: Ingenieros y Economistas Consultores Ltda. (INECON).

^a Minus sign indicates a loss.

2. Political implications

The most salient political consequence of labour reform would be the withdrawal of governments from direct participation in port labour relations, except as regulators, owners and promotional investors. This should not lead to abuses, because the common external standard of market mechanisms would take the place of the governments. Regulatory functions would be limited to the establishment, reinforcement and protection of competition, and to formal dispute resolution. Commercial success will no longer arise from political alliances or from dockworker registration systems, cargo-handling monopolies and government subsidies, but from the possibility of mobilizing factors of production on a worldwide basis to assemble a viable product-service combination that can compete in demanding international markets. Market-oriented port labour regimes require governments to be aware of market mechanisms, to understand what they mean for dockworkers and maritime employers, and to shield legislators from the pressures of dominant groups. Such a framework will transform unions from political actors who utilize government processes for the exclusive benefit of their members into innovative "joint venturers" with maritime employers who practice self-help in order to improve their wages, benefits and job security, while at the same time helping users to achieve commercial goals.

3. Social implications

The highly competitive global economy into which ports have been plunged does not permit governments to impose social programmes on maritime employers without regard to the commercial environment facing

users. Private sector participation in services and state-of-the-art facilities are a necessary condition to reach commercial objectives, but they are insufficient without a labour force that is well-trained, highly productive and cost-effective. As the commercial success of maritime employers is intimately linked with the hard work, loyalty and skills of dockworkers, human resources have a decisive role in creating port services which are attractive to users. Maritime employers should recognize that commercial objectives are intertwined with the social goals of dockworkers, and that neither can be achieved independently. Thus, there is a social base to commercial success and it compels maritime employers to go beyond enterprise efficiency and earnings to train and motivate employees, promote loyalty, collaborate with them and ensure their well-being.

The longer-term implications of the interdependence between commercial and social goals mean that maritime employers and port labour must seek to avoid intensifying their disputes in the confrontational court and arbitration systems because they will have to work together to reach consensus-oriented objectives which require intangibles such as the dynamic best efforts and goodwill of both sides (Cabot, 1986, pp. 14-15). A shift in labour relations from confrontation to common objectives will lead to a greater commercial awareness on the part of port labour and a greater social consciousness on the part of maritime employers. The "social question" voiced at the beginning of this century for dockworkers will expand to encompass a "competitive question". Whether port labour unions and maritime employers accept and respond to the competitive question and shared values depends not so much on their goodwill as on the political resources available to governments for formulating an institutional framework which en-

tures that both parties are subject to market mechanisms. Dockworkers will have to pledge their loyalty to users and maritime employers rather than to

elected and appointed officials, if they are to make the port and terminal commercially attractive and enhance their own wages and benefits.

VI

Conclusions and recommendations

It is hard to imagine the port labour movement in a more difficult situation: it has been unable to come up with a plan which would help dockworkers shift from a monopolistic to a competitive work setting; technical advances are reducing the demand for dockworkers, making them more productive and compelling those that remain to update their skills; export-led growth policies have exposed them to the borderless competition of a global economy; the effectiveness of political alliances, dockworker registration systems, cargo-handling and storage monopolies and government subsidies have declined; there is a growing disenchantment with the labour movement, as workers seem to be moving away from a collectivist approach towards some form of protected autonomy; and governments have begun to take the first steps towards creating a basis for private participation in port services and port installations.

1. New roles for governments

Governments have to utilize the components of market-sensitive port labour regimes in order to achieve commercial objectives and opportunity-oriented social goals. They should eliminate their own direct participation, as well as that of political parties, international organizations, foreign labour unions, universities, the military and the families of dockworkers from port labour relations, so as to avoid pressures which seek to modify market outcomes. Governments should ensure that reformed labour regimes permit market mechanisms to generate commercial opportunities for users and maritime employers, as well as more satisfying and flexible work assignments and greater benefits for dockworkers. The task governments face is not just to abolish registers, monopolies, subsidies and alliances, for some means can always be found for their reestablishment, but to create an institutional framework which utilizes market mechanisms to reconcile the interests of maritime

employers and port workers for the benefit of users, while using the intelligence and problem-solving capacities of dockworkers to enhance enterprise competitiveness. Governments themselves are not subject to market mechanisms, but they are not isolated from the commercial realities facing users and maritime employers.

Governments should adopt a port labour regime which deregulates the supply and demand of port labour, decentralizes collective negotiations to the level of individual maritime employers, and utilizes anti-monopoly laws to remove limits to competition so that the demands of users, maritime employers and dockworkers will be balanced and reconciled by market mechanisms. These tasks are almost entirely a political undertaking, but governments must ensure that commercial and social goals are treated equally and that political processes are not utilized to impede or distort their realization. With the incorporation of national factors of production into global markets, collaboration between maritime employers and port labour will become essential for commercial viability and job security. Governments should ensure that reformed port labour regimes unite the interests of port labour and maritime employers through the establishment of joint obligations in the areas of productivity, cost-control, training and career growth, thereby fomenting collaboration and creating a basis for reconciling commercial and social goals. Governments are responsible for the socio-political atmosphere in ports, and the obligation to help dockworkers shift from a monopolistic to a competitive work setting rests with them.

2. A market-based port labour regime

During the era of paternalistic port labour regimes, unions had a socio-political orientation based on the doctrine of "social betterment through labour" and were a major force in national politics. The strength

of the port labour movement today, however, increasingly depends on the capacity of dockworkers to add value to users' goods and services, and profitability to their employer's activities. A "social betterment through trade" doctrine will be no more successful than its earlier counterpart unless port labour and maritime employers are exposed to market mechanisms. There is nothing inherently wrong with barbers cutting dockworkers' hair free, provision of free buses to transport dockworkers between their homes and the ports, requirements that maritime employers must hire the sons of dockworkers when their fathers retire, provision of recreation facilities for dockworkers, dockworker registers, government subsidies, minimum wages and guaranteed work weeks, unemployment benefits, and retirement and health programmes: the only problem is that they were obtained by the port labour movement outside the commercial boundaries established by market mechanisms.

Port labour unions will allege that subjecting these social conquests to market mechanisms will have grave consequences such as creating massive redundancies and permitting maritime employers to utilize the new emphasis on commercial goals to increase their earnings at the expense of dockworkers. Nothing could be further from the truth, however, if both port labour and maritime employers are equally deregulated and decentralized, subject to antimonopoly laws, and supported in the case of workers by compensation and retraining programmes. With the increasing technical sophistication of cargo-handling operations, and the utilization of opportunity-oriented social equity to provide redundant dockworkers with compensation and retraining programmes, there is no legitimate reason for governments to delay their efforts to formulate market-oriented port labour regimes. However, governments normally make changes based on a consensus, and without it the possibility of losing the votes of dockworkers who become disenchanted with them could easily overshadow desirable commercial and social goals.

The formulation of market-based port labour regimes requires governments to act in a transparent, impartial fashion, to possess the capacity to filter out utopian dreams and monopolistic habits so that commercial and social goals may be exposed to market mechanisms, and to organize the entire port community to participate in the process. Informal dispute resolution guidelines prepared by governments can provide port labour leaders and maritime employers

with an opportunity to go beyond wage and benefit bargaining and collaborate with each other concerning alternative organizational structures, work practices and technologies that might be utilized to achieve commercial and social goals. For the reformed institutional framework to be viable, it should provide maritime employers with sufficient flexibility to select the most skilled workers, assign tasks and offer needed training programmes so that users' needs may be met. Such a framework will require frequent updating to respond to changing market conditions and constant monitoring to ensure compliance with its provisions. This can most easily be accomplished by creating a commission within the Ministry of Labour which is required to consult with the port community regarding changes to the framework that might improve productivity and cost-effectiveness.

3. An implementation strategy

Port labour unions will seek to preserve jobs and safeguard the wages and benefits of their members through socio-political measures. Maritime employers, for their part, will attempt to obtain flexibility in hiring and discharging workers, changing task demarcations, and varying wages and benefits according to worker experience, productivity and the completion of training courses, so as to ensure the commercial attractiveness of port installations to users. To reconcile these conflicting objectives, governments should formulate implementation strategies which give dockworkers a feeling of mutual support, an understanding that change is inevitable, an outline of the roles they will play during and after changes, and confidence that investments will be made in their welfare. The loss of jobs and privileges will not be easily accepted by port labour, so governments should publish criteria for selecting the persons who will be made redundant and those who can undertake retraining programmes, together with a simplified scheme which will permit dockworkers to calculate their compensation and retirement benefits.

Governments should form teams composed of persons from the Ministries of Finance, Trade, Transport, Public Works and Labour, as well as from users' groups, port labour unions, maritime employers and port administrations, to work out market-based port labour regimes and implementation strategies. The efforts of such teams will naturally give rise to uncertainty among dockworkers and lead unions to claim

that the social costs are prohibitive. In response to this assertion, the teams, users and maritime employers should join forces to prepare studies which demonstrate that such reform is mandated by the global economy, that commercial and social objectives can be harmonized by subjecting them to the common external standard of market mechanisms, and that they are willing to share the burdens and benefits of the new labour regimes with port labour through compensation, retraining and retirement

programmes. These measures are the counterbalancing human response –the social equity dimension– of an implementation strategy for port labour reform and should set at rest the fears that the new regimes will have high social costs, that dockworkers are the ones who will bear the entire adjustment burden, and that port labour problems have not been resolved but merely transferred to another sector of the economy.

(Original: English)

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