LABOUR REFORM AND
PRIVATE PARTICIPATION
IN PUBLIC-SECTOR PORTS

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UNITED NATIONS
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ABSTRACT

For centuries, employment conditions for port labour were set unilaterally by maritime employers. For the last few decades, however, in Latin America and the Caribbean they have been determined by Governments (acting as employers) and unions. The existing labour regimes support port workers' desire for an adequate livelihood but also isolate them from market signals and thus give rise to inefficient and grossly overstaffed cargo-handling monopolies. In today's global economy, however, the elimination of such inefficiencies and costs is imperative.

International trade has transformed competition. Competition no longer takes place between final products but instead among all the inputs that go to make up those final products, and port labour is but one of those inputs, with its own demanding market requirements. The commercial objectives of maritime employers and users and the social goals of port labour have become complementary and interdependent, and cannot be attained without a collective, collaborative effort. Thus, there is a social base for commercial success which is important for users and employers as well as for port labour.

Market mechanisms and antitrust laws provide an independent, unbiased standard by which the commercial and social objectives of employers and labour can be brought into equilibrium. In a global economy, social equity is an opportunity-oriented phenomenon, and the workforce it engenders is highly motivated by its participation in profit-sharing schemes, ownership and management decisions and is backed up by training programmes, job placement services, compensation and early retirement schemes. In order to reform labour regimes successfully, Governments need to overcome their deep-seated tendency to resolve commercial problems by political means. For the design of market-based port labour regimes, Governments should form teams composed of persons from various ministries, users groups, port labour unions, maritime employers and port administrations and should remove regulatory impediments to the free interplay of market mechanisms decentralize the labour market, utilize antitrust laws to prevent the misuse of market mechanisms, and uphold the principles of opportunity-oriented
social equity in the award of worker benefits. They should not require maritime employers to pay for the political value of port labour services or to employ unnecessary workers. Maritime employers and users should regard port labour as a unique service delivery instrument, and port workers need to understand that their fate is bound up with the commercial viability of those employers and users. These regimes will require frequent updating to respond to changing market conditions and will need to be monitored to ensure compliance.
PREFACE

This book is the last in a trilogy. The first book presents an analysis of the principal changes taking place in port-related services, markets, technologies and legal provisions, as well as the essential role which ports play in determining the success of export-led growth policies (ECLAC, 1990). It sets forth guidelines for changes in the areas of market-responsive port institutions, modern technologies and infrastructures that must be made in order to place exporters, importers and carriers in a better position to compete in today’s global economy. Some of the many recommendations it makes focus on the need to identify and define new roles for the public and private sectors in relation to ports and their place within the global trade environment. This focus eventually led to the preparation of the second book, which deals with the participation of the private sector in public-sector ports (ECLAC, 1992a). The major contribution made by this second book is the formulation of an institutional framework for the involvement of private investors in public-sector ports capable of warding off the four spectres of privatization: transferring a monopoly from the public-sector to private interests; permitting the socialization of losses and privatization of profits; surrendering a nation’s sovereignty to private interests within it or, worse yet, to those of another nation; and eliminating unions and losing dock-workers’ hard-won benefits. Both books were presented at numerous country-level seminars throughout Latin America and the Caribbean.

In the discussions held among the participants in those seminars, port labour was identified as the most formidable obstacle to the privatization of port services and facilities. This third and final book is an outgrowth of their concern about the excessive social costs generally associated with privatization. It seeks to pave the way for needed commercial changes in public-sector ports by presenting an institutional framework for a market-oriented reform of port labour regimes, collective agreements and work practices. A four-part analysis is offered in order to lay the groundwork for reaching that objective. The first part sets up a conceptual frame of reference consisting of an outline of the evolving roles of port labour organizations and an overview of a hypothetical, composite port;
the aim here is to make it possible for all the principal challenges facing ECLAC member Governments—such as the competitive structure of a globalized economy; the commercial objectives of exporters, importers, carriers and maritime employers; job and benefit security, retraining programmes, compensation schemes and new job assignments—to be understood as interdependent factors which can motivate both employers and labour to work to make a nation's goods more competitive in international markets. The second part presents analyses of market, operational and institutional factors which make commercial reform a necessity if we are to create a dynamic, market-responsive work environment for port labour.

These analyses demonstrate that the demand for cargo-handling services can no longer be satisfied within a monopolistic structure, that the principle of social equity for dock workers has shifted from a social-political base to a commercial one, that expanding dock workers' decision-making authority to include areas normally reserved for maritime employers can contribute to the achievement of commercial goals, and that the utilization of informal dispute-settlement procedures can enhance productivity and cost-effectiveness as well as strengthening labour-management relations. The third part evaluates the economic, political and social implications of labour reform in the ports in an effort to illustrate the gains Governments, dock workers and shipping-sector employers can enjoy if they do away with labour-government and employer-government alliances, switch from a confrontational style of labour relations to one based on shared goals, change collective negotiations over from the national level to a port-by-port basis, share information, adopt market-oriented institutional regimes for port labour, and motivate workers by addressing the social aspects of the labour market. The fourth and final part draws conclusions and offers recommendations that Governments may wish to take into consideration when Formulating plans for the commercial reform of port labour regimes, collective agreements and work practices.
I. HISTORICAL SETTING

In the sixteenth century, the tasks of loading and unloading ships and warehousing the goods they carried were largely performed by the ships' crews, persons employed by the owners of the cargo, and informal or casual workers hired by ship's captains and cargo owners. Most casual port workers were fishermen, farmers, local shopkeepers and onlookers who were willing to accept temporary jobs as stevedores when they had time off from their customary occupations. Almost all such workers engaged in a variety of activities depending on the season, demand and potential remuneration. The only qualification required of such workers was strength; they needed no special skills or problem-solving abilities. Cargo handling and stowing were labour-intensive services and, because of the temporary nature of port employment, dock workers could be hired and discharged as variations in the demand for their services dictated. (For the purposes of this book, the term “dock workers” includes all persons employed in handling and stowing cargo in ports and on board ships.) These operations were supervised by ship's captains and cargo owners. Employment conditions at that time, and for many centuries thereafter, were determined unilaterally by employers. Dock workers had to accept the conditions they laid down or seek employment elsewhere.

Dock workers carried out their tasks in an environment which can only be described as insecure, hazardous and unsanitary. They were treated as mere instruments for the personal enrichment of employers and were hired and discharged on a job-by-job and day-to-day basis. In an era in which safe working conditions simply did not exist and in which both health care and social security insurance for workers were lacking, a broken bone could turn into a lifetime disability, lacerations were often fatal and rat-infested cargo holds exposed dock workers to deadly plagues. They needed no training and could easily be replaced if they tired, were unable to work, were unwilling to take risks, or were injured or sick. Dock workers were compensated on a barter basis with whatever captains and cargo owners might have available, which was generally the goods that were unfit for sale. Lacking any form of job security or entitlement to compensation for injury or illness (since only the actual cargo-handling
costs were assumed by carriers and cargo owners) the costs of all the social components of employment—such as health care, disability insurance and retirement benefits—had to be borne by the workers themselves. Dock workers were hired because of what maritime employers did not have to pay them, i.e., the social costs of their employment. These conditions laid the groundwork for the centuries-old belief that cargo-handling was only fit for those who could not find work elsewhere.

As time passed, casual labour slowly began to replace ships’ crews in loading and unloading operations. Warehouses were constructed in the port area to store goods and to provide a place for their inspection and purchase. Housing was built for dock workers in the immediate vicinity of the ports since, given the unpredictable timing of ship arrivals and the lack of adequate public transportation and communications systems, stevedores had to live within a short walking and hailing distance from their place of work. Later on, these warehouses and residential areas would come to impede efforts to expand port facilities and would hamper access for road and rail carriers. Many newspapers in port cities got their start by publishing information on ship arrivals and departures, along with notices regarding the sale of goods and employment opportunities in ports. By the late nineteenth century, ports and ships had begun to be outfitted with steam winches, and dramatic increases in cargo-handling productivity were seen. Dock workers reacted to such gains in productivity and to the abusive nature of casual port employment by forming mutual aid societies that would later become powerful and dominant unions.

With the establishment of unions, dock workers began to present their claims for better wages and benefits and, gradually, to lay the groundwork for a new social system in the name of the working class (Rial, 1988, pp. 511-591; Morris, 1966, pp. 93-95; Payne, 1965, pp. 13 and 36-37). In 1903, for instance, the port city of Valparaíso, Chile, was paralyzed by a strike. Dock workers burned one of the principal maritime buildings in the centre of the city and untold numbers were killed and wounded in clashes with the police and with a naval detachment (Ramírez Necochea, 1956). In 1913, the Government of Peru, for its part, adopted regulations concerning collective negotiations, strikes and mandatory arbitration and established a labour office in the Ministry of the Interior to deal with strike activity. This office, which was later transferred to the Ministry of Labour, was given the authority to resolve labour disputes by decree and instructed police officers to dictate settlements on the spot if they found themselves in situations that were becoming too violent. By 1920, the Constitution of Peru required mandatory arbitration of labour disputes and delegated their settlement to the Ministry of Labour (Matos Mar, 1988, pp. 309-352; Gonzales Rosales, 1953, pp. 15 and 16). The absence of a permanent or contractual relationship between workers and employers impeded
collective negotiations and the settlement of disputes. As a result, labour disputes were usually resolved at the political level through the intervention of government bodies.

In the late nineteenth and early twentieth centuries the labour movement began to adopt a more aggressive approach to the task of organizing workers and began to turn its attention to a wide range of business activities, including mining, railroads, new commercial and banking ventures, shipping, and small shops and factories. This was a period during which many scholars were authoring studies on the "social question" or the "worker question" and "worker problems". The traditional inputs of labour and capital were regarded as irreconcilable opponents that were locked in a destructive conflict. As a result of this combination of factors, this was a time of extreme social tension, worker protest and ideological ferment (Iguriñiz, 1988, pp. 353-409; Payne, 1965, pp. 34, 35 and 202). The Great Depression of the 1930s played an extremely important role in promoting widespread acceptance of the thesis, originally proposed by John Maynard Keynes, that in a slack economy with idle workers, Governments should lower interest rates and expand deficit spending in order to reduce unemployment (Keynes, 1936). ¹These elements fostered the widely-held belief that an interventionist Government was essential to economic stability and full employment, and it was this belief that led many Governments of the ECLAC region to adopt ambitious, paternalistic labour regimes in the 1930s (LatinFinance: Corporate Finance in Latin America, 1993, pp. 32, 33 and 36; Edwards, R., 1993, p. 13; Banuri, 1990, pp. 51-61).

This paternalistic model has enabled the labour movement to slowly usurp Governments' regulatory authority over ports and has provided dock workers with the means to escalate their wage and benefit demands. Port labour unions have at times established mutually advantageous alliances with Governments, political parties and national labour federations (Gazeta Mercantil, 29 June 1993, p. 4; ElMercurio, 30 April 1993, pp. A1 and A24; Tironi, 1988, pp. 45-74; Burns, 1972, pp. 200 and 201; Payne, 1965, p. 92). For example, stevedores and office workers at the port of Santo Tomás de Castilla, Guatemala, have used political pressure to obtain a 25% share of port earnings, while the Government receives 50% and the public-sector port enterprise must utilize the remaining 25% to pay for wages, benefits and investments. Similarly, in Mexico, the Federal Labour Act requires companies to share 10% of their pre-tax profits with their employees.²Shipping companies and manufacturers have also established trade associations to represent management's interests in dealings with

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¹ For the relevance of Keynesian economics today, see The Washington Post, 15 June 1994.
labour and Governments. Political alliances, labour federations and trade associations are utilized to buttress their participants' efforts to persuade Governments to fashion regulatory regimes that allow them to achieve various non-market goals, but the value of such goals is determined by commercial factors which function within a global economic setting and are thus simply beyond the control of political forces.

A recent ECLAC study cautioned that such federations, alliances and associations make it extremely difficult to bring about labour reform (ECLAC, 1990, p. 48). 4 None the less, labour reform in the ports is not impossible. For example, for over 40 years the United Kingdom's ports were controlled by labour, but in 1983 the ports began to be sold to private investors, and six years later the regime which granted monopoly control of cargo-handling services to unions, the Registered Dock Labour Scheme, was repealed (The Journal of Commerce, 16 September 1994, p. 18; ECLAC, 1990, pp. 43-44). Market-based port labour regimes should do away with cargo-handling monopolies, put an end to direct government participation in collective negotiations, stop the fragmentation of cargo-handling activities into an ever-greater number of small tasks as a means of creating more jobs, eliminate government subsidies that absorb the cost of inefficient labour practices, discontinue port labour registration systems which limit the pool of available labour to a limited roster of workers, and generate competition by creating a platform for private participation. These kinds of changes would be neither superficial nor cosmetic and would bring into question the validity of the assumptions underlying existing port labour regimes.

Since the 1930s, Latin American and Caribbean port labour regimes have been based upon the following assumptions:

1. Governments must intervene in the area of labour relations because the interests of unions and employers are irreconcilably opposed and are locked in a destructive conflict.

2. The services provided by dock workers who hold cargo-handling monopolies can be just as efficient and productive as those provided by the private sector within a competitive environment.

3. Neither Governments nor the port labour movement need respond to market mechanisms.

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3 For a commentary on such associations from the perspective of anti-union activities rather than from the standpoint of failing to balance labour-management relations, see Goldfield (1987, pp. 190-193).

4 As was noted by Machiavelli (1961, p. 51) some 400 years ago:

"It must be considered that there is nothing more difficult to carry out, nor more doubtful of success, nor more dangerous to handle, than to initiate a new order of things. For the reformer has enemies in all those who profit by the old order, and only lukewarm defenders in all those who would profit by the new."
4. It is socially irresponsible for maritime employers to utilize labour-saving technologies.

5. Dock workers will not make an effort to improve port efficiency unless they are given monetary incentives to do so.

6. The existence of port labour monopolies, registration systems, political alliances and government subsidies will not give rise to an excess supply of dock workers nor to the receipt of unearned gains.

7. The social costs of port labour reform are so high that Governments must refrain from incorporating market mechanisms into labour regimes as a means of striking a commercial balance among the interests of exporters, importers, carriers, dock workers and employers.

These assumptions held sway for over five decades (1930-1980) and paved the way for Governments to alter market outcomes through the use of dock-worker registration systems, cargo-handling and warehousing monopolies, and direct and cross subsidies. Now, however, they have lost much of their legitimacy with the advent of a global economy and the introduction of export-led growth policies. No longer can capital and labour be considered in terms of means and ends—and, hence, as being irreconcilably and destructively opposed to one another—because they are two measures of the same reality. Each is both a means and an end that can only be attained within an environment subject to market mechanisms because these mechanisms are what provide an independent, unbiased standard by which the commercial and social objectives of capital and labour can be reconciled. The commercial objectives of exporters, importers, carriers and employers and the social goals of port labour have become complementary and interdependent, and cannot be achieved without a collective effort. None the less, each of these assumptions is championed by a number of powerful interest groups which seek to persuade Governments to continue operating on the basis of those assumptions—their spurious nature notwithstanding—so that they may preserve their non-commercial privileges.

One of the principal means used to expose dock workers to market mechanisms and competition is to create a basis for the involvement of the private sector in port services. Neither manufacturers nor ports are impoverished by competition. On the contrary, competition contributes to wealth creation through investments, the scaling of the labour force to commercial proportions and the upgrading of professional workers through training courses. The labour movement, however, considers the involvement of private actors to be a serious threat to its members’ job security and benefit entitlements, and claims that it amounts to “social dumping”, i.e., that Governments are sacrificing the social gains made by labour for the sake of the commercial goals of capital (Fairplay International Shipping Weekly, 2 September 1993, p. 4; The Journal of Commerce, 25 June
1993, pp. 1A, 2A and 12B). Just as the problems of a democracy can be resolved through greater participation on the part of the citizenry, the recovery of displaced workers' social benefits and the creation of new jobs for them can be achieved by meeting the challenges posed by competition (Linde, 1995, pp. 2-5; Ámbito financiero, 8 September 1994, pp. 40 and 29). Such a response will enable a market economy to draw upon its tremendous adaptive power to create a basis for economic growth and social progress. Each of the individual components of commercial objectives and goals of social equity in a global economy are constantly changing in order to respond to the new challenges facing Governments, the new needs of dock workers, and the new opportunities opening up for the private sector. To resolve these issues and thus arrive at a consensus for port labour reform, Governments need to seek out and listen to what exporters, importers and carriers have to say, rather than confining their attention to the views of unions and maritime employers.

The basic elements of such a consensus already exist. The labour movement no longer has the characteristics of an ideological creed bent on bringing about a revolutionary transformation of society, nor does it receive the protection of a paternalistic public sector; furthermore, many maritime employers no longer consider dock workers to be plentiful, inexpensive or wholly interchangeable. These conditions do not suffice, however, for the creation of market-responsive labour regimes. Many questions have been answered in order for such regimes to be established. For example, what were the economic and social factors underlying the adoption of the labour regimes that are now in place and do they still exist today? Have the components of social equity for port labour changed? What role should be assigned to the commercial goals of exporters, importers, carriers and maritime employers in an institutional framework that ensures social equity for port workers? Can Governments ignore market mechanisms in their formulation of labour regimes? Which groups are responsible for designing, enforcing and modifying that framework? And, finally, how will the port labour movement react to these initiatives? The answers to these and other questions will help Governments devise suitable policies regarding port labour which will permit the reconciliation and achievement of both commercial objectives and the goal of social equity.

Social equity is not an absolutely equal distribution of wealth, benefits, earnings and privileges. A recent ECLAC study suggests that its objectives are the following:

"The first of these is to minimize the proportion of persons and households whose living conditions are below those which society considers acceptable, not only economically but also socially and politically. The second is to promote the development of the latent
skills existing in all groups of society, progressively doing away with legally established privileges and forms of discrimination, as well as any other forms of inequality of opportunity, including those associated with social, ethnic or geographical origin or gender. The third is to do everything possible to ensure that neither power, wealth, nor the fruits of progress are concentrated in such a manner as to restrict the freedom of present or future generations” (ECLAC, 1992b, p. 15).

This approach provides a good point of departure for defining social equity as it relates to port labour.

For purposes of this study, social equity is opportunity-oriented and commercial in nature. It no longer conforms to the paternalistic, market-distorting, bureaucratic parameters of yesteryear simply because it does not guarantee jobs or a given level of income, benefits or purchasing power to dock workers (Apolo, 1994, pp. 40 and 41). The elimination of such guarantees requires a shift in the focus of social equity away from the numerous, varied and often conflicting personal desires of dock workers and towards their professional needs as machine operators and cargo handlers. This means that social equity has a commercial dimension and can no longer be invoked to compel maritime employers to pay for dock workers’ haircuts, to provide buses to transport dock workers between their homes and the port, to accept employment systems whereby sons of dock workers must be hired when their fathers retire, to grant scholarships to all children of port workers, to provide recreation facilities for dock workers, and to pay the travel expenses and subsistence allowances of dock workers who are on athletic teams so that they may participate in national and international sporting events (Apolo, 1994, p. 43; The Journal of Commerce, 30 September 1994, p. 12B; Fairplay International Shipping Weekly, 29 September 1994, p. 32; 3 June 1993, p. 35; El tiempo, 14 June 1993, p. 8B; Couper, 1986, pp. 83, 93 and 113; Evans, 1996, p. 48). Thus, an opportunity-oriented and commercial definition of social equity would provide port labour with numerous opportunities, render their trade-depressing privileges unnecessary, and allow them to support the commercial goals of exporters, importers, carriers and employers.

The adoption of an opportunity-oriented, commercial focus for social equity should be coupled with measures to guarantee the availability of training and retraining programmes for port workers, together with new job assignments so that they may rejoin the national workforce without delay, compensatory payments for early retirement, fair compensation for the relinquishment of acquired rights and privileges, and an institutional structure which ensures that benefits and privileges given up by these workers will not be appropriated by some other group within the port or trade community. This type of approach would ensure that port workers
would be able to improve their professional capabilities as well as the material, cultural, ethical and spiritual quality of their lives (Vidal, 1981, pp. 105-106). Hence, the concept of social equity is no longer divorced from the commercial objectives of exporters, importers, carriers and maritime employers because it contributes to the creation of a dynamic work environment which promotes the progressive advancement of dock workers' skills, pay levels and degree of job satisfaction. It also requires Governments to expose dock workers to market mechanisms while, at the same time, minimizing the burdens that labour must shoulder in making the transition from a monopoly to a market-based institutional framework. Thus, the goals of this more modern concept of social equity are to create a dynamic, skilled and well-paid labour force for ports and to permit those ports to operate as unprotected business entities within a globally competitive environment.
II. A COMPOSITE PORT LABOUR MOVEMENT

A number of Latin American and Caribbean Governments have sought to improve the productivity of public-sector ports and reduce their costs. The provision of cargo-handling and storage services by private interests has been central to such efforts. Most labour regimes have been structured to respond to the desires of port labour and to alter market outcomes in order to achieve various social goals and, as a result, have created a costly, inflexible and highly inefficient workforce. Port labour leaders assert that Governments, not labour, are the fundamental problem and have prepared studies which show that administrative employees at public-sector ports outnumber dock workers by as much as 8 to 1. The majority of administrative positions are awarded as a means of paying off political debts, as is demonstrated by the fact that in some cases such employees are replaced en masse following each national election.

If we are to judge from newspaper articles regarding the conflicting positions of exporters, importers, carriers, port labour and the port administration, there appears to be no common ground for either private participation or the commercial reformulation of labour regimes. With the advent of a global economy and the introduction of export-led growth policies, however, cargo owners, carriers and maritime employers are demanding that dock workers increase their productivity and control costs in order to improve the competitiveness of their products and services in domestic and foreign markets, and that Governments overhaul the institutional framework for port labour to reflect changing circumstances in the economic environment. An increasing number of Governments have taken up these challenges, and port labour is therefore in the process of making the transition from a monopolistic to a commercial structure.

The composite Latin American and Caribbean port labour movement to be described in this chapter illustrates the obstacles to such a transition. The purpose of this discussion is to lay the foundations for an understanding of the changes that need to be made in port labour regimes, unions and Governments in order to meet the requirements of a global
economy. The risks entailed by a failure to reform port labour regimes for Governments and the entire port community are evident: a port that is commercially unattractive to cargo owners and carriers; a complex framework for labour relations which is geared to political influence rather than to market signals; an inadequate commercial base for the funding of infrastructure investments; potential corruption of government officials; reduced competitiveness of exports in international markets; and higher-priced imports for domestic consumers. To reform port labour regimes and institutions, some of the more important considerations relate to i) collective bargaining, ii) the need for port labour reform and iii) a point of departure.

A. COLLECTIVE BARGAINING

A port is usually defined as an anchorage, bay, inlet or harbour where facilities have been constructed for the loading and unloading of ships, the storage of cargo, customs inspections of goods, and cargo transfers between maritime and overland modes of transport (ECLAC, 1990, p. 24). It might also be described as a commercial centre that combines natural resources, labour and capital to provide the aforementioned services to exporters, importers and carriers. From the human side of the equation, it is a place where employees spend a large part of their working lives, realize successes and cope with failures, receive training, gain experience and belong to unions, earn money with which to educate their children and feed their families, and make payments into health and pension plans. Of these three perspectives (physical, commercial and human), Governments have strongly emphasized the latter, to the detriment of the ports’ physical facilities and commercial goals. This has led to the creation of cargo-handling and storage monopolies, dock-worker registration systems, labour-government alliances, subsidies, tripartite (government, management and labour) collective negotiations, the subcontracting of dock workers’ tasks to informal, unregistered workers, and the rejection of labour-saving technologies that could displace workers.

In the late 1850s, the political environment of our hypothetical Latin American and Caribbean nation came to be overshadowed by a polarization of political-economic ideologies which ultimately led to the creation of a wide range of different political parties. At that time, the country’s gross domestic product was largely based on agriculture, and landholders wished to preserve their dominant position in national affairs so as to maintain an inflationary monetary policy which permitted them to pay off locally-contracted debts with a steadily depreciating national currency while at the same time earning hard currencies, whose value was
on the rise, from their exports. For workers, this created an untenable situation, and the steady decline in their purchasing power (since employers did not increase their wages to compensate for inflation) fueled discontent among the workforce and acted as a justification for union representation. Workers' efforts to find a way out of their plight were supported by certain political parties, professionals, university professors and clerics, but none were willing to go as far as to alter the existing political-economic order. Labour unions soon mounted social crusades for the establishment of a new political and economic order in the name of the working class. Upon finding this to be an impossible undertaking, however, they shifted their focus to obtaining higher wages and more benefits for workers within the existing system.

Following legal recognition of the port labour movement, union leaders slowly began to take over many of the regulatory functions of the ministries of public works, transport and labour. Over the years, these labour leaders came to have a dominant voice in determining aspects of their own regulatory framework, in specifying appropriate technologies, in persuading the Government to provide subsidies, and in compelling the public-sector port administration to respond to their demands regarding wages and benefits and to their desire for monopoly control of cargo-handling services. These demands were granted without reference to the skills possessed by dock workers, the value of the services provided or their impact on the competitiveness of the goods in question because port labour leaders exerted a dominant influence over government processes through mutually-advantageous alliances with political parties and with elected and appointed officials. A series of government administrations have utilized the ports to provide jobs for the unemployed and to award executive positions to loyal party members. Such measures have raised port costs unnecessarily and strengthened cargo-handling monopolies, since the persons responsible for running the ports are inexperienced and thus yield to dock workers' demands.

Given these circumstances, dock workers' demands have distorted the commercial environment at the nation's ports. Collective bargaining is viewed by labour, political parties and the Government as a means of redistributing the wealth of the nation—a task usually reserved for taxes—rather than as a means of responding promptly to the needs of exporters, importers and carriers. Dock workers feel that their dominant negotiating position vis-à-vis the Government and the public-sector port administration, high wages and generous benefits are justified, and categorically assume that any changes proposed by exporters, importers and carriers to raise productivity will mark the beginning of a process whose underlying aim is to eliminate jobs. As an employer of dock labour and an administrator of public-sector ports, the Government occupies an
unenviable position. Since the Government needs the foreign exchange that exports bring into the country, it chooses to support the trade and port community, but it none the less harbours the political ambition of remaining in power and is well aware of the fact that the national federation of unions could instruct its members to vote for an opposition candidate if any component of the existing port labour regime is changed.

To say that port labour unions are opposed to a market-oriented reform of the regulatory structure governing their activities would be misleading because such a statement alludes to a clarity of policy which does not exist. What does exist is a general resistance to any alteration—whether political, commercial, technical, institutional or social in nature—of the status quo because changes in each of these areas have dramatically reduced the demand for dock workers’ services (The Economist Intelligence Unit, 1994a, p. 25). Dock workers express a fear that:

“If we are more productive, there will be less work; if the earnings of exporters and importers improve through lower cargo-handling costs, our wages and benefits will be reduced; and if private employers become prosperous, we will be driven into poverty.”

This fear is based on a mistaken belief that earnings and jobs for one group within the port community are obtained at the expense of another. It has little to do with the market’s capacity for creating wealth in an open economy. Growth in open-market economies is largely represented by mutual progress and by shifts of labour between one sector and another, rather than the redistribution of a fixed amount of wealth and work (The Economist, 10 October 1984, p. 15).

Port labour unions negotiate collective agreements with the Government (port administration), have disputes with the Government (maritime employers) and turn to the Government (the Ministry of Labour and the courts) to resolve conflicts. The port is a government agency, dock workers are government employees and collective negotiations are bipartite (government-labour), not tripartite (government-labour-employers). Disputes arise usually because exporters, importers and carriers demand that the Government (port administrations and employers) compel dock workers to accept modern technologies and institutional arrangements which enhance productivity and lower costs. Meanwhile, the unions demand that the Government protect their wages, benefits and jobs. To settle such disputes, the Government (Ministry of Labour) steps in and, for the most part, decides that modern equipment will not be purchased or, if its acquisition is unavoidable, that it will be utilized in a labour-intensive manner. Most illegal strikes—i.e., those which are called before all dispute-settlement procedures have been exhausted or which violate a no-strike agreement—are neither prosecuted nor punished by the Government (port administrations and the courts). In view of the
bipartite nature of port labour relations and the marginal attention accorded to commercial factors, one cannot help but ask whether such a broad role for the Government is appropriate.

In collective negotiations, unions deal with the more immediate types of issues, such as gang size, working hours, vacation leave and health benefits, while the two federations—one for registered and another for casual workers—serve as umbrella organizations for calling industry-wide strikes and for political bargaining at the ministerial level. A number of manufacturers' associations, which are organized by type of activity, also take part, but none of them acts as a national voice in dealings with the Government and labour (Matos Mar, 1988, pp. 309-352). The Government disbanded the monopolies that used to control on-board and dockside cargo-handling activities (as well as putting an end to the distinction between the two) over a decade ago, and since then the 15 unions that existed at that time have splintered into more than 100. The unions are members of one or the other of the national federations. The activities of each federation are governed by seven-member executive committees who are elected by their respective boards of directors for two-year terms. The biennial assembly of delegates from member unions elect the board of directors. This formal organizational structure appears to represent workers' interests, but this is not actually the case. Registered and casual dock-worker unions at the nation's principal port have a disproportionate voice and voting strength in federation matters, and several times they have threatened to withdraw if their specific demands are not met.

The existing institutional framework for port labour does not expose either port administrations (maritime employers) or dock labour to the influence of market mechanisms, so they have no reason to negotiate market-responsive collective agreements that would meet the needs of exporters, importers and carriers. It is not an overstatement to suggest that the peaceful conclusion of such negotiations largely depends on the continuance of government subsidies and cargo-handling monopolies. Each trade union carefully observes the task boundaries of the other unions in order to avoid demarcation disputes. When a port labour union goes out on strike, the other unions usually support its demands so that their own bargaining position will be similarly strengthened. These factors have created an inherently weak institutional configuration that has become rigidly legalistic and is thus in constant need of time-consuming, costly interpretations and clarifications of regulations and collective agreements, all of which has the effect of disrupting the flow of trade. Thus, the existing

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5 On the role played by the National Council of Dockers’ Unions of Japan, see The Journal of Commerce (8 April 1993, p. 1B).
port labour regime has led to both the institutional and operational stagnation of the nation's ports, as dock workers invariably seek to maintain the status quo so as to protect their jobs and benefits, rather than facing up to outside competition.

In summary, the port labour movement started out as a social crusade, with labour leaders proclaiming their intention to establish a new order in the name of the working class. When the unions were given legal recognition, however, the port labour movement was transformed into a political force. Quite early on, port unions and political parties realized how useful alliances would be as a means of obtaining support for their own ends. The alliance between political parties and the port labour movement proved to be very effective in motivating the Government to adopt legislation and Constitutional amendments setting forth the social needs of workers. In addition, as collective bargaining began to be conducted on a bipartite (government-labour) basis, disputes started to be settled at the political level. The role of ports in determining the competitiveness of goods in international markets has become a strategic consideration with the introduction of export-led growth policies. The open trading environment into which exporters, importers and carriers have been thrust by the global economy, export-led growth policies and modern technologies is generating ever-greater competitive pressures for the entire port community, and labour unions are struggling to maintain their dominant position in the ports.

B. THE NEED FOR MARKET-BASED PORT LABOUR REFORM

The major problems facing the country's port administrations are a less than optimal location in relation to major trade flows, a lack of modern infrastructure and equipment, harbours that are too shallow for deep-draught vessels, and the dock workers' monopoly control of cargo-handling and storage activities. It is generally agreed that these factors have given rise to inefficient work practices, unsatisfactory industrial relations, ineffective supervision and management, high costs and overstaffing as well as having nullified most of the benefits that might be derived from the existence of competition. Dock worker's maintain such a firm control over port activities that the port administration does not have sufficient autonomy to purchase labour-saving technologies in the face of union resistance. These shortcomings and weaknesses have led the port administration to offer night and weekend services at punitive overtime rates, to spend twice what it earns each month on labour and to run up a
debt of approximately US$ 50 million with the central government. The new port director recently remarked that,

"...even if the port had all the cargoes handled by its competitors, it would not solve our financial and operational problems" (Fairplay International Shipping Weekly, 25 February 1993, p. 28; BIMCO Bulletin, January/February 1993, p. 55).

Port directors are generally appointed to their posts as a means of repaying a political debt or in recognition of a social relationship. The current director is a retired admiral who, immediately after assuming his new position, requested an automobile, driver and 15 jobs for his friends. As political appointees, port directors often fail to enforce collective agreements because they want to avoid labour disputes that might tarnish their otherwise unblemished careers or undermine their political aspirations, or both. For example, the collective agreement provides for 21 hours of work per day, but dock labourers actually work a total of just 14 hours each day. To be fair, some of this loss of time is caused by the recurrent unavailability of needed cargo-handling equipment, but the major part is due to port labourers’ own late arrivals, early departures, excessive rest periods and extended meal breaks, as well as to the constant interruptions in operations occasioned by the fact that one or more tasks cannot be completed because they are reserved, under the terms of collective agreements, for other workers who are unavailable at that moment, thereby setting off a chain reaction of costly and unnecessary delays throughout the port.

The port administration recently sought to improve productivity and control costs by reducing the workforce from 3,000 to 1,600 registered dock workers (actually, however, a mere one-third of the remaining 1,600 workers would have been sufficient). These redundancies were carried out through mutually-agreed layoffs and early retirements for which workers received compensation payments that averaged US$ 11,000 per worker but totalled as much as US$ 28,000 in one case. The cost of these compensation payments was shared between the Government and the private-sector, with two-thirds of the funds coming from the Government and one-third from exporters, importers and carriers. The total compensation package to be received by dock workers was originally estimated at US$ 22 million, but the Supreme Court is in the process of evaluating numerous claims presented by labour unions charging that various benefits were not included. The current Government alleges that the Supreme Court is acting in the interests of an alliance formed among dock labour, the country’s preceding President and his political party. The national treasury has indicated that it cannot accept responsibility for a compensation package for redundant workers that does not have a maximum absolute value. As a result, private enterprises that had shown interest in offering
cargo-handling and storage services have begun to withdraw their proposals for investments in specific terminals.

The director of labour relations at the port says that labour disputes take up one-half of all management time and resulted in a loss of 91 days of work last year. The leaders of port labour unions believe that an economic strike – i.e., a strike that would simply involve withdrawing workers from the port – would be doomed to failure because of the low skill levels required of dock workers and the ease with which striking workers could be replaced out of the large pool of unemployed manpower in the surrounding city. Exporters, importers and carriers say the port is expensive because the cost of investments in new infrastructure and equipment are added to the financial burden of an unnecessarily large and inefficient workforce. Ironically, the skill requirements for dock workers would increase dramatically if they would accept modern cargo-handling technologies. They would also, however, produce redundancies, and dock workers have rejected this possibility. Many of the resulting port labour disputes have led to property damage and violent confrontations between striking dock workers and the police over proposals to change work practices and bring in modern technologies. Thus, a successful strike for union leaders and dock workers lies not in the economic coercion of employers, but rather in political bargaining at the highest possible level of government and in the threat of civil disturbances and violence if their demands are not met.

Dock workers' response to proposals for altering applicable labour regimes, collective agreements and work practices in order to boost cargo-handling productivity and reduce costs has been to halt work for two hours one day a week or simply to hamper operations by means of "go-slow" procedures which adhere strictly to existing collective agreements. Government officials implicitly accept labour's assumption that capital is monopolistic per se and therefore adopt regulations that either sanction or acquiesce to monopolies and privileges for labour based on the argument that they are necessary to counterbalance capital, rather than creating a commercial environment subject to market forces (Fairplay International Shipping Weekly, 11 February 1993, p. 6; The Journal of Commerce, 25 January 1993, p. 18). In other instances, union leaders have placed their last hopes in a promise secured during an audience with the Minister of Labour, or even the President, to maintain the current pro-labour regulatory balance in any future institutional structure governing relations between dock workers and port administrations (maritime employers). Unless dock workers are exposed to the influence of market mechanisms and without their participation in operational decisions at the ports, however, such regulations and promises will prove
to be very expensive for the country in terms of the reduced competitiveness of its exports in international markets.

The situation in relation to other support services is equally unresponsive to market signals. Many years ago, tug operators and pilots formed associations which are, in effect, monopolies. Ship operators complain that pilots simply do not show up at the pilot station at the times requested. There are two high tides daily, so ships have two times per day during which they can use the entrance channel. When pilots are unavailable, ships have to wait another 12 hours for the next high tide. To avoid such waiting periods, ship’s captains have begun to make gifts of expensive binoculars to pilots who will take their ships into port first (Fairplay International Shipping Weekly, 10 March 1994, p. 40). Indeed, the pilots’ monopoly is so powerful that carriers end up paying a similar amount for a ten-minute pilotage into another port of the nation, even though there are no waiting periods or five-hour pilotage requirements (Fairplay International Shipping Weekly, 9 June 1994, pp. 32 and 33). Any suggestions for altering this monopolistic and corrupt practice by expanding the supply of such services—by, for instance, permitting captains to qualify as pilots for their own vessels if they have entered and departed the port a number of times and passed all required examinations—have been vehemently rejected. The current director of the port believes that there are very few sources of employment for former ship’s captains and that, with certain changes to ensure the availability of pilots, current practices should be allowed to continue.

In 1992, a survey of container ship operators using the port was carried out. The average impact of delays in obtaining pilotage services was analysed in terms of decreased productivity, higher costs and longer stays in port for ship operators. The following table summarizes that analysis.

In order to translate these times and productivity levels into costs, let us consider the case of a ship that called at the port to off-load 110 containers and to take on another 50, for a total of 160 units having an average weight of 10 tons each. The ship took a total of 46 hours to deploy these 160 containers instead of 23 hours because another 23 hours were lost either at the dock or waiting for pilots or for the tide. This means that 23 hours—or 50% of the total—was lost or wasted. As an illustration of the financial consequences of such factors for ship operators, if we assume that the ship was chartered at a daily rate of US$ 7,000.00, then the actual cost to the charterer for 46 hours would be US$ 13,416.74, or US$ 83.85 per container or US$ 8.39 per ton of cargo. If the 23 hours of wasted time were eliminated, the payment made by the charterer would have been cut in half, to US$ 6,708.34. Since the ship calls at the port every 18 days—i.e., 20 times each year—the charterer incurs an unnecessary expense of US$ 134,166.80
Table 1

AVERAGE PORT PRODUCTIVITY
(In hours and containers, as indicated)

<table>
<thead>
<tr>
<th></th>
<th>Time (in hours)</th>
<th>Productivity</th>
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<tbody>
<tr>
<td></td>
<td>Waiting for pilot/tide</td>
<td>Navigating to dock/open sea</td>
</tr>
<tr>
<td>Ship arrival:</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Ship departure:</td>
<td>6</td>
<td>5</td>
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Source: ECLAC, on the basis of official information provided by port administrations in Latin America.

annually, which is equivalent to the charter rate for 19.2 days, or slightly more than one entire round trip.

If port labourers were actually working the required 21 hours per day, instead of 14 hours, the container-handling rate would increase from approximately 8 units per hour to 10. The reasons for the lower handling rate are that labour laws adopted in 1934 prohibit the dismissal of dock workers (so it doesn’t matter whether they do a good or bad job) and that foremen (the stevedores’ bosses) are paid nearly the same wage as the labourers who they supervise, and foremen therefore see no reason to complicate their lives by demanding an end to absenteeism and malingering or by urging the stevedores to work harder in order to boost productivity. The national association of exporters has estimated that, as an average for all cargo loaded and unloaded, cargo handling at the port costs US$ 40 per ton, while cargo-handling charges at European ports range from US$ 6 to US$ 8 per ton (Seatrade Review, March 1993, pp. 47, 49 and 51). The total cost to the charterer for the movement of the 160 containers would thus be US$ 77,416.74 (1,600 X 40 = 64,000 + 13,416.74), which amounts to US$ 483.85 per container or US$ 48.39 per ton of cargo.

If the 23 hours of non-productive ship time were eliminated, if port labourers were actually to work 21 hours per day and if handling charges for containers were in line with the European standard of US$ 8 per ton, then the cost structure at the port would change dramatically. First, the payment to be made by the charterer would be cut in half (US$ 13,416.74/2)
to US$ 6,708.34. Second, the charge for cargo-handling services would be reduced from US$ 64,000 to US$ 12,800 (US$ 8 X 1,600). The total charter and cargo-handling cost would thus be lowered to US$ 19,508.34, as opposed to US$ 77,416.74, or US$ 121.93 per container or US$ 12.19 per ton of cargo, which is nearly four times less than the actual amounts paid. Due to the existing cost structure, the nation’s exporters ultimately receive only 40% of the CIF value of their products, whereas exporters in developed countries obtain 60%. The national trade association estimates that these operational inefficiencies at the port cost the nation some US$ 1 billion annually in lost exports.

Legislation was passed to deregulate labour –i.e., to remove the bureaucratic obstacles to the interplay of market forces in the port’s labour market. The elimination of an institutional framework, or any part thereof, will create a regulatory vacuum, however, unless it is balanced out by other regulations governing the roles of public and private interests. In this case, the deregulation of port labour was not accompanied by any such measures. Consequently, the entire port community has been drawn into just such a regulatory vacuum, and all its members are struggling to retain their dominant positions and monopoly rents. Dock workers continue to pressure the Government to preserve the existing port labour regime, which shelters them from the competitive forces faced by exporters, importers and carriers, and to ignore these groups’ warnings that they will switch to other ports unless labour costs are reduced and productivity improves. Indeed, importers of steel coil have threatened to use the ports of a neighbouring country unless the labour unions agree to make these changes, even though the overall transport distance would be greater, and exporters of fresh fruit have begun to make investments in countries closer to northern-hemisphere markets in anticipation of a failure to restructure the country’s domestic port labour regimes.

The Government has submitted a bill to Congress to decentralize public-sector ports. The legislation in question is flawed, however, in that it does not specify what would be decentralized (the ownership, administration or operations of the port, or some combination thereof) or at what level (state governments, municipal authorities, private interests or a mixed public-private body). No effort has been made to extend the scope of the antitrust regime beyond the restrictive practices of exporters, importers and carriers to cover equally harmful labour monopolies or to use it to protect market mechanisms from monopolistic abuses so that port labour unions and maritime employers might be able to refer to an independent, unbiased parameter as a basis for harmonizing their respective demands. The Constitution lays down a general rule whereby monopolies are prohibited, but then goes on to authorize them in numerous public-sector activities. The cargo-handling monopoly of dock workers has
inflated labour costs so much that they represent an estimated 80% of total expenses, while, at the same time, the efficiency of cargo-handling services has decreased. Port unions ignore the commercial needs of exporters, importers and carriers because they are not subject to market mechanisms, use a variety of arguments concerning national defence and economic security to support their claims that decentralization of the nation's ports would be unconstitutional, and have amassed a substantial political following to back up their position.

A proposal has also been made to replace the national port administration with a board of directors composed of governmental representatives from the national, state and local levels and of persons representing the interests of exporters, importers, carriers and labour groups. This board would have a wide range of responsibilities which would include determining when changes need to be made in the laws governing commercial ports, directing the bidding process for potential franchises, overseeing port operations to prevent monopolistic abuses, conducting studies to determine the port requirements of the entire nation and setting port charges. Exporters, importers and carriers fear that government participation in such a board would perpetuate the ports' traditional pro-labour bias and create obstacles to needed private investments because the cost of port labour would be higher than its market price. As examples of this bias, these groups point to provisions in the Constitution, federal labour laws and collective agreements which entitle workers to year-end bonuses, vacation premiums, profit-sharing arrangements, low levels of productivity, shorter night shifts and exorbitant overtime rates.

Existing port labour regimes, collective agreements and work practices have created a privileged class of workers who are the political beneficiaries of wage and social gains which were won without it becoming necessary to generate offsetting commercial advantages for exporters, importers and carriers (Apolo, 1994, p. 44). The Government has very little incentive to control the cost of dock labour because it bases its approval of collective agreements on social-political criteria, while the port administration, which is also the employer in this case, has a quite limited commercial motivation because it operates on the basis of the same criteria and has ready access to the public treasury to cover any extra costs. The Government has responded to port labour's desire to maintain the status quo by allowing the proposed law, which would permit private-sector participation in State-owned ports, to become bogged down in committee debates and has drawn up a marketing programme for the nation's ports based upon infrastructure investments. These investments are seen by government officials and legislators as a non-political, low-cost social answer to the need for greater productivity and cost-effectiveness which is
thus preferable to the option of making changes in the institutional framework for port labour.

C. A BASIS FOR CHANGE

Perhaps the highest price which the Government has paid for its obsession with satisfying the social-political demands of dominant groups, especially labour, is to have created a distorted commercial environment in its ports. This can be seen in two areas: first, the access of ports to the public treasury has lessened—if not entirely destroyed—their desire to compete; and second, as ports are government agencies, they do not have to earn a profit or face the risk of bankruptcy. The link between the free interplay of market mechanisms and the commercial attractiveness of ports for exporters, importers and carriers is readily apparent, since a signal from the former elicits changes which lead to innovations, improvements in productivity and greater cost-effectiveness. The capacity of port labour to react to such signals is impeded—if not blocked altogether—by political alliances, worker registration systems, cargo-handling monopolies and government subsidies. In a globalized economy, the competitiveness of goods and of ports are interdependent, even though governed by different factors, and when the Government undermines one, it harms the other.

After decades of government administration and operation of ports, the evidence is clear: public-sector officials and union leaders cannot negotiate competitive wage levels, do a better job of setting port charges or make more discerning investments in infrastructure and cargo-handling equipment than the private sector can in response to market signals. It is also evident that without a market-oriented port labour regime, a commercial basis for private-sector involvement will not be created. Dock workers’ opposition to the reform of their institutional framework is so intense that many legislative initiatives have perished as a result of the pressure that unions have brought to bear on elected and appointed officials. However, the goals of port administrations, dock workers, exporters, importers and carriers do not necessarily have to conflict; all that is needed is for their relationship to be governed by market mechanisms. Governments can utilize market mechanisms to transform unions from social-political entities having substantial regulatory influence over work practices, job security and pay levels to market-led institutions where customer service, commercial objectives and opportunity-oriented social equity predominate.

A changeover from central government control of the ports—with all its attendant benefits of bureaucratic largess and an out-of-date, hard-to-modify regulatory framework—to a decentralized, deregulated
commercial environment dominated by the private sector is nothing short
of overwhelming for dock workers. Highly centralized, inflexible labour
regimes permit unions to dominate the Government and give priority to
social-political goals. Under inward-looking development policies,
productivity and cost control were marginal considerations because high
port costs merely increased the prices of imports in the domestic market,
so hard work on the part of dock workers was an unnecessary virtue. This
led to the institutionalization of inefficient labour practices and high port
costs. With the introduction of export-led growth policies, however, port
labour has now begun to be seen as a cost-increasing impediment to a
successful response to international competition. The current institutional
framework for the port labour movement is an outgrowth of efforts to
create a semi-autonomous national economy as well as being a victim of
export-led strategies. Thus, the basis for change lies in a market-oriented
reform of the port labour regime designed to create a commercial
environment for exporters, importers and carriers as well as professional,
better-paid and commercially secure employment conditions for dock
workers.
III. THE MARKET PARAMETERS OF PORT LABOUR REFORM

In order to understand the port labour movement in Latin America and the Caribbean, it is necessary to grasp the political, commercial and social significance of ports in the region. With very few exceptions, ports are not simply a marginal phenomenon that can be explained in terms of physical facilities or economic theories because they are so heavily influenced by political events, trade and monetary flows, and factors affecting the welfare of workers. Many Governments of the Latin American and Caribbean region have sought to restructure their public-sector ports in order to create a basis for private-sector involvement, but port workers have underscored the high social costs of laying off employees, the difficulties which displaced workers have in finding alternative employment and the possibility of civil disturbances, and have sown seeds of doubt as to whether dock workers and their families may not vote for the candidates of another political party in forthcoming elections if port activities are restructured on the basis of purely commercial criteria (Port Development International, October 1994, pp. 34-37; The Economist Intelligence Unit, 1994b, pp. 23 and 24). There appears to be no way to allay such social-political concerns or to prevail over the influence exerted by dock workers, who dominate port activities. This is not actually the case, however.

Dock workers, like air-traffic controllers, occupy well-located centres of political power and have taken advantage of government efforts to create sources of employment and maintain industrial peace in order to improve their own wages and benefits. In a globalized economy, however, Governments need to ensure that dock workers (the largest cost factor for ports) are exposed to market mechanisms in order to ensure that they will help make ports commercially attractive and will contribute to the competitiveness of a nation's goods in international and domestic markets. Yet port labour can be placed within a market-responsive institutional framework only if legislators are shielded from the coercion of dock labour and are authorized to formulate port labour regimes which respond to
market signals and to the opportunity-oriented dictates of social equity (Ámbito financiero, 21 April 1993, p. 4). The competitive influence of market mechanisms will force maritime employers and dock labour to collaborate in order to achieve their commercial and social goals. In fashioning a port labour regime that responds to these challenges, Governments should take into account numerous factors. Some of the more important are: i) macroeconomic policies, ii) the port labour market, iii) labour disputes, iv) job security, and v) the re-entry of redundant port labour into the workforce.

A. MACROECONOMIC POLICIES

Latin American and Caribbean Governments have utilized a wide range of macroeconomic policies—including laissez faire, industrialization through import substitution, investment-led and export-oriented approaches—since the beginning of this century (Silva, 1988, pp. 3-44). In the 1950s, for instance, it was widely assumed that advanced nations controlled the terms of world trade thanks to their earlier industrialization and establishment of multinational corporations, and that developing countries were destined to continue exporting raw materials and other commodities having a low processing content (Burns, 1972, pp. 134 and 135). To break out of this vicious circle of economic dependence, Governments introduced import-substitution policies in an effort to promote industrialization and reduce their reliance on the external demand for their exports, set up State-run investment banks as well as many public-sector enterprises, and passed legislation to protect infant industries so that they could compete against multinational corporations (Golbert and Tenti, 1993, pp. 179-219; The Economist, 13 November 1993, p. 6; Franco Montero, 1993, pp. 12-14). Governments also granted monopolies to domestic industries, limited the access of national firms to foreign suppliers, and generally sought to avoid any negative impacts from such policies through the use of import duties, devaluations, subsidies and exchange rate restrictions (Ocampo Siguenza, 1993, pp. 731-742). 6

6 In July 1970, for instance, President Velasco of Peru stated: "We are aware that what is at stake here is nothing less than the nature and direction of Peru's future. Our dependency, our underdevelopment, our poverty and our backwardness are the consequences of an economic, political and social system whose continuation clearly makes it impossible to overcome these serious problems plaguing our country." See Iguíñiz (1988, pp. 353-409). The use of import-substitution policies is not confined to Latin America and the Caribbean. On their use in Asia, see International Bulk Journal (December 1993, pp. 15, 17 and 19).
The commercial needs of many domestic industries were sacrificed for the sake of these import-substitution policies. For example, national ocean carriers were required to purchase vessels from domestic shipbuilders. To subsidize loss-making shipyards, the charges at many ports were raised by 50% for exports and 100% for imports. With an assured demand for vessels and source of subsidies, domestic shipbuilders had little incentive to innovate or reduce costs, and continued to build technologically obsolete vessels long after they had been supplanted by more modern tonnage. These policies created structural inefficiencies which impaired the competitiveness not only of shipbuilders and ocean carriers but also of the goods transported by those carriers. Thus, the existing system of market protection, paternalism and privileges encourages the pursuit of what are, in a globalized economy, untenable social-political goals.

The regulatory regimes that provided a foundation for import-substitution policies isolated many national industries and workers from international competition (Edwards, S., 1993, p. 47; Marshall and Tucker, 1992, p. 7; Heldman, Bennett and Johnson, 1981, pp. 6 and 7). Many port labour practices—such as cargo-handling monopolies and inefficient two-shift operations—which were institutionalized during this import-substitution phase continue to raise the cost of the relevant nations' goods in international markets. The wage and task rigidities inherent in the collective agreements entered into by dock workers have blocked planned improvements in productivity and cost reductions that would be made possible by the introduction of new cargo-handling equipment. The commercial impact of such practices was of little relevance, however, as they merely reinforced import-substitution policies by making imports more expensive in domestic markets. Nevertheless, by the early 1960s there was a growing recognition that the limits of such policies had been reached, and Governments began to make an effort to increase foreign exchange receipts through the promotion of exports. The focus on export promotion was strengthened by the debt crises of the early 1980s, when Latin American and Caribbean Governments began to open up their economies through the adoption of export-led growth policies (Edwards, S., 1993, pp. 1358-1393).

These policies have brought into sharp relief the pivotal role played by ports in commercial activity and have enormously increased their strategic importance in the achievement of trade objectives (The Journal of Commerce, 28 October 1993, 1B). None the less, the ports have failed to back up such policies in the sense that they have been inefficient, grossly overstaffed, under the monopoly control of port labour unions and unnecessarily expensive (Apolo, 1994, pp. 47 and 57-59; Couper, 1986,
Nations that have adopted export-led growth policies have found that such costs and inefficiencies have had a negative impact on the prices of both exports and imports. Ports have always been instrumental in the achievement of macroeconomic policies, and most Governments have therefore begun to reform the institutional arrangements governing port labour in order to reflect the changes in the economic environment brought about by the shift from inward-looking development to export-led growth. Competing with the rest of the world is new for dock workers of the Latin American and Caribbean region because they have been isolated from the competitive influence of international trade for so many years by laws and regulations designed to support import-substitution policies. Yet the commercial challenges facing exporters, importers and carriers cannot be met unless port labour is exposed to the competitive influence of market mechanisms.

The changeover from import-substitution to export-led policies appears simple, but it actually represents a profound shift which leads to a restructuring of almost all economic activities. The monopolies that many domestic manufacturers used to enjoy have been eliminated as customs duties have been rolled back in order to permit goods from other countries to compete in local markets. The resulting competition has compelled domestic producers to meet the demands of international markets locally and has prepared them to compete beyond their national borders (The Economist Intelligence Unit, 1993a, p. 15). The parallel measure which would encourage dock workers to provide greater support for export-led policies would be the adoption of port labour regimes that expose them to market mechanisms (Business Latin America, 7 November 1994, pp. 2 and 3; 22 November 1993, p. 8; 4 October 1993, pp. 2 and 3). Such exposure would ensure that dock workers would be operating in a competitive environment which could be ignored only at great risk to the commercial viability of exporters, importers and carriers and to those workers’ own needs in terms of benefits and job security. Export-led growth policies have motivated manufacturers to abandon the idea of advancing their activities through a reliance on various protective measures accorded them by Governments, and port labour is destined to react in the same way.

7 As a recent example of overstaffing, in a dispute between the International Longshoremen’s and Warehousemen’s Union (ILWU), which represents port labour on the west coast of the United States, and Peavey Grain Terminal concerning the 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 bear no relation to the volumes of cargo being handled or to the cargo-handling equipment being utilized. See The Journal of Commerce (5 January 1994, p. 8B and 16 November 1993, p. 5B).
The ability to compare, purchase and employ raw-material, labour and service inputs at a worldwide level means that the traditional distinction between domestic and international markets has lost much of its relevance and needs to be recast as a global requirement of unprotected competitive specialization. Within this context, Governments of the Latin American and Caribbean region have begun to pass legislation which lays a foundation for the participation of private investors in public-sector ports. This also involves exposing dock workers to market mechanisms through a reformulation of labour regimes to reflect the changed commercial setting created by their incorporation into the international labour market (The Journal of Commerce, 3 October 1994, p. 1B). An illustration of this point is provided by the competition generated among the individual distribution networks that supply fresh fruit from Argentina, Chile, New Zealand and South Africa to buyers in Chicago; excessive port labour costs or low productivity in any one of these countries could result in its loss of that market, even though its growing and harvesting costs might be lower. Since in this case similar goods are competing in the same market, dock workers are exposed to the competition of the international labour market. Thus, the traditional concept of competition between comparable finished goods has been transformed into competition all along the line, from the first input to the final product, with each input and final product having its own demanding market requirements.

Such a transition requires that the trade and port community understand how the repercussions of political, technological, economic and human developments can strengthen or weaken export-led growth policies. For example, the Government of Japan and domestic manufacturers joined forces to focus their activities on producing a wide range of high quality goods, enhancing worker productivity and controlling factory and input costs, but they disregarded the costs which workers must defray that are external to such enterprises (The Nikkei Weekly, 6 December 1993, p. 3). Since foreign access to domestic Japanese markets is quite limited, housing and rice –two basic non-factory expenses for workers– are many times more expensive than they are in other countries and need to be taken into account when determining a living wage for workers and, ultimately, the price of the goods produced (The Nikkei Weekly, 20 June 1994, p. 10; Gazeta mercantil, 17 November 1993, p. 32; The Wall Street Journal, 9 November 1993; The Journal of Commerce, 4 November 1993; The Economist, 30 October 1993, p. 70). Thus, once other countries with lower non-factory costs reached the same levels of product quality and diversity, worker productivity and business cost control, many Japanese products—such as ships and
Box 1

JAPANESE RICE IMPORTS

Since the end of the Second World War, the Government of Japan has followed a strict policy against rice imports, preferring to subsidize farmers in order to maintain self-sufficiency in this crop. Under the Uruguay Round trade agreement, Japan is required to end its ban on rice imports and to use tariffs instead. Moreover, due to bad weather, which destroyed at least 25% of the domestic harvest, and pressures from foreign rice producers, the self-sufficiency policy has been relaxed. The Government is to import a total of 1,070,000 tons from China, 750,000 tons from Thailand, 540,000 tons from the United States and 180,000 tons from Australia. In response to these decisions, thousands of farmers protested at the Japanese parliament and demanded the resignation of the prime minister.

Rice production in Japan is labour intensive and employs inefficient manual processes such as leveling paddies and transplanting seedlings. Labour productivity in Japan is 1/30th of what it is in the United States, where rice seeds are sown from small airplanes. Japanese consumers pay six to eight times the world price for rice. The Fuji Research Institute estimates that if imports reach 1.5 million tons, the Government will realize a windfall profit of US$3.4 billion (the difference between the world price and the price set in Japan). However, the Government will not allow rice imports to be transported in traditional low-cost bulk vessels but is instead requiring that they be placed in 50-pound sacks and carried in refrigerator ships. The use of these vessels apparently has more to do with a surplus of Japanese reefer tonnage and with a desire to raise the price of imported rice to match the price of domestically-grown rice in order to protect farmers than it does with ensuring the highest quality and freshness.

automobiles—became less price competitive. The Government of Japan is aware that a wide range of costs incurred outside factories influence the price of its exports in international markets and has therefore begun to import lower-cost rice and plans to deregulate the housing industry (The Economist, 20 August 1994, pp. 52 and 53; The Nikkei Weekly, January 1994, pp. 1 and 27; The New York Times, 21 December 1993; Business Week, 13 December 1993, p. 128). Indeed, prices reflect the cumulative effect of every decision made by Governments, manufacturers, service providers, suppliers of inputs and even by society at large.

The impact of export-led growth policies on port labour has taken the form of self-defeating, trade-depressing conflicts between dock workers, port administrations in their capacity as employers and other government agencies. The needs of exporters, importers and carriers usually receive only marginal attention in such conflicts, even though they are the raison d'être for the ports as well as leading actors in the international trade system. Just as a democracy which protects the interests of a class of inefficient, leisureed landowners is not “functional” in economic terms and often leads to civil disorder, a port labour regime which does not expose dock workers to market mechanisms is equally inoperative and leads to many commercial and social problems. The goals of such trade policies cannot be attained and ports cannot modernize if dock workers are isolated from the competitive rigours of the marketplace, accorded monopolies over the supply of cargo-handling services, and permitted to reject advanced cargo-handling equipment and institutional arrangements which will lead to greater efficiency. Thus, market-oriented port labour regimes are needed to eliminate monopolies and practices which push dock workers’ wages above market-clearing or equilibrium levels because all Latin American and Caribbean countries are exposed to the competitive forces of easily substitutable goods and services.

B. THE PORT LABOUR MARKET

The exceptional provisions regarding wages, benefits and job security that most Latin American and Caribbean dock workers enjoy are a consequence
of the economic and political position which ports occupy in national affairs and of the capacity of port labour unions to translate that position into cargo-handling and storage monopolies, government subsidies, registration systems and labour-intensive work practices. Such measures constitute powerful impediments to the efficient operation of market mechanisms in relation to the supply and demand for dock workers. With the advent of instant, real-time electronic data processing and communications systems and the capacity to compare the cost of everything from raw materials to labour and from customs formalities to land transport services, it has become impossible to isolate a nation’s workers from the competitive requirements of the global economy. The ability to compare input costs has created a powerful incentive to improve the quality of both goods and services, raise output and lower costs to an extent that was inconceivable even a decade ago. The impact of these forces on the commercial activities of ports has raised some fundamental questions as to the validity of existing port labour regimes.

Labour specialization has been in vogue ever since Adam Smith described how productivity and quality increased and costs decreased when the tasks involved in pin-making were separated and assigned to lesser-skilled, one-function employees, and it has served as the principal industrial model for nearly two centuries (Hammer and Champy, 1993, pp. 11-17; Smith, 1776).9

With the advent of multi-activity technologies and intelligent or expert systems which compensate for gaps in education or skills, however, the assignment of individual tasks to single-function workers has increasingly come under scrutiny (Bluestone and Bluestone, 1992, pp. 10-12). Expert systems actually help workers make decisions, if management encourages them to do so. For example, a shortage of workers with the advanced skills needed to produce reinforcing rods in Japan led a manufacturer of that nation to develop a hand-held tool which incorporates an expert system. Using this system, an unskilled worker merely has to observe some simple application parameters to perform the required tasks in a professional manner (The Nikkei Weekly, 27 September 1993, p. 12). Just as the discontinuities between production, marketing and distribution functions must be eliminated before nations can enjoy the full benefits of participating in the global economy, sophisticated technologies are beginning to integrate many distinct skills that previously were provided by a large number of workers and are thus starting to eliminate

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9 Less widely quoted is his warning regarding business practices, which, in paraphrased form, was:

"If two businessmen get together, you can be sure that the type of collusion contemplated is against the public interest".
mind-deadening activities that were once carried out by single-function workers.

The dominant force in the improvement of the productivity and cost-effectiveness of cargo-handling activities in ports will thus no longer be the single-function specialization of labour activities but instead a multi-skilled workforce capable of operating and maintaining modern technologies within a market-oriented institutional framework. Within this kind of framework, workers will have a more professional working environment, greater job satisfaction and more rewarding occupations, and will therefore make a more effective contribution to the competitiveness of the goods they produce in demanding, zero-defect international markets. In making the shift from single-function specialization to multi-skill operations, Governments, port administrations as employers and unions must be aware that such a system entails a work setting governed by the free interplay of market mechanisms which not only eliminate inefficient enterprises but also require workers to accept technological innovations and the institutional framework that supports them. Some of the most important factors to be considered in making this shift are: i) the supply of port labour, and ii) the demand for port labour.

1. The supply of port labour

Governments of the Latin American and Caribbean region have responded to pressure from political parties, port labour unions and major lending institutions to eliminate casual port labour by limiting the supply of dock workers through registration systems. Such systems create a basis for cargo-handling and storage monopolies and provide a mandate for the use of government subsidies to cover any inefficiencies or extra costs involved (Evans, 1966, p. 55). These systems have enabled port labour unions to garner de facto control of port operations, and in certain instances Governments have given serious consideration to handing over de jure control to them as well. However, whereas it was possible to justify dock-worker registration systems, cargo-handling monopolies and government subsidies in semi-autonomous economies facing limited international competition, with the advent of a global economy and the introduction of export-led growth policies, the supply of dock workers, as well as their cost and productivity need to be structured to reflect the competitive requirements of the international labour market. Most Governments have come to find that registers, monopolies and subsidies promote inefficiencies and unnecessarily increase the cost of cargo-handling services, all of which depresses trade competitiveness. Only by exposing dock workers to market forces will the supply of port labour reflect such requirements and, at the same time, improve the
competitiveness of a nation's exports in international markets (Ámbito financiero, 2 November 1993, p. 39).

It is generally agreed that any agreement between two or more commercial entities to limit the supply of goods or services, to increase prices, or to reduce competition constitutes a monopoly. The existence of monopolies is usually authorized by Latin American and Caribbean Governments through statutory provisions and regulations. A review of port labour regimes and collective agreements in the Latin American and Caribbean region reveals numerous provisions which limit competition in the supply of dock workers. Most include provisions such as a) persons may be hired as dock workers only if they are union members, but they cannot become union members without first having been hired, and they can neither be hired nor become union members without having relevant experience; b) dock workers are entitled to benefits such as health insurance, paid vacation leave and unemployment insurance only if they are union members and their names are entered in the national register; and c) a reduced level of unemployment benefits are paid to registered dock workers when there is no cargo to be loaded or unloaded. In many countries there is an additional rule which requires that any new employees to be hired must belong to the families of registered dock workers. Such measures eliminate the need for dock workers to respond to market forces.

Labour unions have successfully dominated Latin American and Caribbean ports for many decades because of the control they exert over the supply of port labour. Registers, monopolies and subsidies used to be, and to some extent still are, the tools utilized by unions to maintain and expand the supply of port labour, while import-substitution policies implicitly provided them with a commercial justification for any cost increases (it was expected that imports would be more expensive in domestic markets). Exporters, importers and carriers have been cast in an unpatriotic light if they criticize or disapprove of higher port costs, and they have therefore often assumed a passive, almost non-entrepreneurial stance. Port administrations, in their capacity as employers, have frequently adopted a social view of their functions – i.e., the reduction of unemployment – in order to avoid being thrust into the same disparaging light. Since unions have such a strong influence over port administrations, Governments are limited in terms of what steps they may take to reform port labour regimes. Nevertheless, dock workers must no longer be allowed to distort the cost-effectiveness of cargo-handling services through their control of the supply of port labour. Many port labour unions in Latin America and the Caribbean want to maintain public-sector involvement, but greater access for persons possessing the requisite skills and experience would greatly assist maritime employers to respond to the ever-changing needs of exporters, importers and carriers rather than to some mistaken
Box 2

CASUAL WORKERS AT THE PORT OF ROTTERDAM

In 1907, maritime employers at the Port of Rotterdam established the Shipping Association (SVZ), which still exists today. At that time employers controlled the dock workers' register, and men were hired from the union pool on a casual basis. However, when the port began to burgeon following the Second World War, employers initiated a policy designed to put an end to the casual, irregular nature of dock work. As a result of this policy, which was adopted in response to repeated labour shortages, by the early 1960s well over 60% of dock workers had permanent positions with individual employers. Those dock workers who remain in the labour pool are also employed on a permanent basis, but with the SVZ. The Government provides a 45% wage subsidy for workers in the labour pool, but has recently indicated its desire to end this arrangement. The collective agreement signed in 1990 significantly restructures employer-employee relations in that port unions and employers now exercise joint control over the hiring agency for dock workers.


The political nature of registers, monopolies and subsidies can be seen from the fact that such systems have not been applied to dock workers who handle dry and liquid bulk cargo at specialized terminals or to labourers in the construction industry, where there is also an abundant supply of replacement workers and fluctuating demand. The reason for the distinction between general cargo ports and specialized terminals in regard to the use of registers, monopolies and subsidies is that workers at specialized terminals are full-time, skilled employees who perform multiple functions within a broader industrial setting and who therefore are not in competition with the "anyone-with-brawn" labour supply. With the construction of specialized container terminals and the need for highly skilled equipment operators, maritime employers in other regions have begun to employ such personnel on a full-time basis, whether or not there is cargo to be handled, and to provide them with training programmes to create a multi-skilled workforce. None the less, any effort to eliminate
registers, monopolies and subsidies or to extend employment opportunities in ports to all persons possessing the requisite age, physical ability and experience will probably be viewed by dock workers as a threat to their jobs and wages and will therefore be difficult to implement.

The major weakness of efforts to regulate the supply of port labour is that legislation cannot stabilize factors such as ever-varying exchange rates, unbalanced trade flows, uncertain ship arrival schedules, unpredictable weather, impulsive consumer preferences or aggressive competition from other ports. Market mechanisms cannot stabilize such ever-varying factors either, but they can create a basis for ensuring that the supply of port labour more closely reflects demand and does not ignore the commercial realities facing exporters, importers and carriers. The use of a registration system to restrict the supply of dock workers and of monopolies to ensure that any available work is given to persons whose names are on those rolls are unwarranted in economies which offer alternative sources of employment, and subsidies are unnecessary where compensation and retraining programmes are available. Put another way, in export-led economies, registers, monopolies and subsidies merely signal the presence of inefficiencies that need to be eliminated in order to enhance the competitiveness of a nation’s goods in today’s very demanding international markets and to create commercial job security for port labour. The supply of dock workers is 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.

Registers, monopolies and subsidies have created an opportunistic mentality among dock workers which fosters low productivity, high costs and cargo pilferage (The Journal of Commerce, 21 February 1995, p. 8B; 2 March 1995, p. 8B; 19 October 1994, p. 7B; Seatrade Week Newsfront, March 1995, p. 12). This attitude has also led many registered dock workers at public-sector ports in Latin America and the Caribbean to become independent entrepreneurs and subcontract out their work to casual labourers (ECLAC, 1990, pp. 45-46). As early as 1966, the International Labour Organization recommended that:

"It should be made an offence to use another man's card or to pass one's card to another person ... In many places precautions are necessary against corruption in the issue of cards and against fraud and forgery" (Evans, 1966, p. 48).

A recent study of Ecuadorian ports found that the wages paid to registered dock workers were so greatly in excess of market-clearing or equilibrium levels that the work could have been subcontracted out four times over and that ending this practice would yield an annual savings of US$ 9 million (Lloyd's List, 12 July 1993, p. 3).
There are a number of options for averting such problems. First, Governments can design commercial labour regimes which link the supply of port labour to skills, experience and training (Cargo Systems International, March 1993, pp. 28-31). Second, maritime employers can meet with unions to explain what sort of competition they face, the situation with regard to their firms’ earnings and the need to face up to the competition. Port labour unions often agree to such requests if employers can demonstrate that the commercial attractiveness of the port for exporters, importers and carriers will be enhanced and that dock workers will share equitably in any ensuing benefits. Third, unions and port administrations, in their capacity as employers, can jointly define the rights of different categories of port workers (i.e., persons for whom port work is their occupation and persons who occasionally work on the docks to supplement the income they receive from other sources). For example, employees in the first category could be defined as those who work more than 1,000 hours per year, while casual workers would work less than that. In this case, the benefits furnished to the former would be substantially greater than those received by the latter.

Another alternative would be for port administrations, maritime employers and labour unions to jointly determine what the normal working period is for handling seasonal cargoes such as perishable fruits and Christmas merchandise and then to establish a special category of seasonal port workers. Just as tax preparation services in the United States have, in addition to their permanent employees, persons who work only during the tax season and for whom they provide special training programmes, ports could do much the same thing for their seasonal workers. For example, the export season for fresh fruit from Chile runs from late November to early May, and during that period the volume of perishable cargo increases substantially. To create a pool of trained seasonal port workers, fruit exporters and port labour unions could analyse various options—summer employment for high school and college students, use of the mass media to inform the public about the opportunity for seasonal employment at the port, and incentives for persons employed in other fields to take their vacations during the export season so that they can earn extra income by working at the ports—to ensure that an adequate supply of dock workers is available for the required period without generating the added social costs that would be associated with a pool of unemployed dock workers during the remainder of the year.

2. The demand for port labour

Following the Second World War, the heavy demand for manufactured goods to rebuild war-torn nations and for food for their populations
engendered a widely-held belief in Latin America and the Caribbean that those markets were insatiable vacuums and that the region's ports would require countless berths, cranes, warehouses and dock workers to handle ever-expanding volumes of goods. Strengthened by import-substitution policies and a labour-intensive work environment, port labour unions occupied a dominant position and were able to obtain wages and benefits that exceeded their contribution to productivity and to influence the decisions of port administrations. If the demand for port labour was insufficient to provide work for all the stevedores, port administrations yielded to union requests for the establishment of registration systems, cargo-handling monopolies and subsidies, a reduction in working hours and sling-load sizes, the introduction of narrower sub-specialties, the avoidance of labour-displacing technologies, the expansion of labour-gang sizes and an increase in unemployment benefits.²⁰ The introduction of export-led growth policies, however, has demonstrated that the demand for dock workers' services is derived from the demand for and competitiveness of the goods they handle, and Governments can no longer ignore that reality by isolating them from market mechanisms.¹¹

During the golden age of general cargo vessels (1890-1960), when labour-intensive methods required that each item be handled individually, dock work was largely an unskilled occupation. With the exception of the stowage of cargo to withstand the rigours of an ocean voyage, the tasks involved in dock work could be carried out by almost anybody. Towards the end of that period, registration systems and monopolies were created to ensure that cargo-handling, stowage and storage activities would be reserved for members of labour unions. With the shift to capital-intensive systems, such measures have become intolerably expensive, but in many countries they remain in place. Today, special skills, training and experience are required for the operation of sophisticated cargo-handling equipment. No employer would think of hiring a person to operate a US$8 million gantry crane simply because he is available, physically capable of doing the job and willing to work for lower wages. Maritime employers are much more discriminating now and look for professional machine operators with specific skills, training and experience.

²⁰ An author of a study on tripartite labour relations in Argentina stated that:

"The tripartite agreement played a central role in the Peronist government's concept of a democratic system: it was essential to its tradition of a 'wisely-governed form of capitalism' capable of 'withstanding the blows dealt it by social conflict'" (Cavarozzi, De Riz and Feldman, 1988, p. 182).

¹¹ United Nations Conference on Trade and Development (UNCTAD, 1993, p. 2) provides that:

"... the demand by these (specific) markets for port services are derived from a demand for door-to-door logistics services which is itself derived from the demand for the products being transported."
Governments adopted such measures as a way of artificially stabilizing the demand for dock workers and these workers’ earnings; however, labour-saving technologies, export-led growth policies and private-sector participation have accelerated a trend in the opposite direction, i.e., towards the cost-effective handling of cargo using fewer workers (Fairplay International Shipping Weekly, 16 June 1994, pp. 38 and 40; The Journal of Commerce, 7 September 1993, p. 8B). The basic difference between using political forces and market forces to determine the demand for dock workers’ services is the rejection of market mechanisms versus their acceptance. If Governments expose port labour to market forces, the demand for dock workers will be influenced by a number of exogenous factors over which they have little or no control (the competitive environment confronting exporters, importers and carriers; location; space; port facilities and water depths; the nature of areas inland from the port; and the transport systems available to cargo owners) as well as by endogenous factors over which they do have control (productivity and cost-effectiveness of cargo-handling and storage services). The evidence is quite clear, however: the port labour movement has utilized its strategic position in the ports to pressure Governments to adopt political measures which cushion the demand for port labour from the impact of both exogenous and endogenous factors.

The structure of port employment has changed from the employer-dominated system of hiring workers out of a common pool to the union controlled “rotation-quota” system, where dock workers with the least number of accumulated hours are given preference in hiring (also known as “low-man-out” of the hiring hall). This latter system ensures that the demand for port labour is directed towards a specific group of workers. Maritime employers prefer the ready availability of replacement workers in a common pool and would like to provide the lowest wages and benefits possible. Unions correctly believe that the common-pool system is unfair, but the union controlled rotation-quota system has lent itself to similar abuses by providing dock workers with an implicit incentive to carry out their activities slowly so as to ensure that those having few accumulated hours would be able to work or to create a need for overtime work, which substantially increases their earnings. At the port of Hamburg in Germany, for instance, it became necessary to adopt legislation to regulate the employment situation in order to resolve the impasse that arose when employers demanded that the least-cost advantages of the common-pool system be maintained while the union demanded its elimination (Turnbull and Weston, 1992, pp. 385-404). Thus, both union- and employer-controlled systems create costly privileges and benefits, and both disregard the commercial realities of competition faced by exporters, importers and carriers.
The purpose of efforts to stabilize the demand for port labour is to stabilize earnings. For ports with sufficiently large volumes of cargo to generate a stable demand for labour, a system of permanent or company employment has come to be utilized (Evans, 1966, p. 145). Ports without such stability have developed a stratified system of employment under which dock workers may be employed on a permanent, contractual or casual basis. The latter system provides employers with sufficient flexibility to fill certain positions with permanent highly-skilled employees, who work whether or not there is a ship in port, as well as to have a source of non-permanent workers to absorb variations in demand (ECLAC, 1990, pp. 40-42). This allows employers to divide their labour costs into fixed and variable components by making the port labour market less rigid. As one example, just as many teachers in the United States choose to be paid on an annual basis even though they only work nine months out of the year, the Ministry of Labour or maritime employers could, with the aid of computers, calculate the average annual earnings of dock workers and then withhold sufficient funds to pay their wages during periods when they are customarily without work.

A stratified employment system that is responsive to market mechanisms could lead to a reduction in the demand for dock workers, but inefficiencies inherent in the common-pool and rotation-quota systems could have an even more serious effect by making other ports more attractive for users in terms of productivity and cost-effectiveness.

Many trade-depressing practices are utilized to expand the demand for dock workers. These measures include restrictions on who can offer cargo-handling services, limitations on working hours and days, exorbitant overtime wage rates, overly large work crews, continuity rules which prevent dock workers from moving between ships and hatches on the same shift, the hiring of port labour through the unions and the use of experts even when their services are not actually needed (Apolo, 1994, pp. 40 and 41; Port Development International, October 1994, p. 3). These rules isolate port labour from market mechanisms, promote inefficiencies, generate unnecessary costs and create an ongoing demand for government subsidies. With the advent of global input sourcing, highly competitive international markets and the transformation of port work from a labour- to a capital-intensive activity, the unnecessary cost increases inherent in measures designed to boost the demand for dock workers can no longer be tolerated. The principal lesson to be learned from such practices is that unsubsidized, unprotected economic growth is brought about by responding to market mechanisms, not by isolating enterprises and workers from them, and that it is based on a willingness to offer new products and services, change production systems, retrain workers, and utilize modern technologies and institutional regimes.
In a global economy, exporters, importers and carriers have a tendency to reposition themselves in order to generate competitive advantages.\(^{12}\) Ports, however, cannot. Public and private sectors may join forces to construct the most modern port facilities in the world, train dock workers in the latest cargo-handling techniques, simplify documentation requirements, offer electronic data interchange (EDI) services and charge as little as possible, but ships will still not call at the port and there will thus be no demand for dock workers’ services unless exporters, importers and carriers find that these factors make a greater contribution to the competitiveness of their goods and services than do those of other ports (Lloyd’s List, 11 August 1993, p. 3). To enhance the commercial attractiveness of their port and generate a demand for their services, dock workers need to change their focus; rather than seeing themselves as cargo-handlers within the port area, they should make an effort to serve as trade promoters and facilitators. Dock workers should think of themselves as providing a global, standardized service which subjects them to the competitive requirements of the global economy. The changed commercial environment of ports makes it necessary for dock workers to observe a basic economic principle: unit labour costs cannot rise unless there are corresponding increases in productivity and cost competitiveness.

Just as modern technologies reduce the demand for port labour, it is a foregone conclusion that a commercially oriented port labour regime will do so as well, since it permits those technologies to be utilized more effectively (South North Development Monitor, 8 March 1994, pp. 5-7). In 1981, for example, the Government of Chile adopted Act 18,032, which deregulated the commercial activities of ports and put an end to on-board and dockside cargo-handling monopolies as well as to the distinction between them.\(^{13}\) The Maritime Association of Chile has estimated that following the adoption of this law, and without any major additional infrastructure investments having been made, the cargo-handling rate jumped from 800 to 2,000 tons per day per berth. In 1992, 1.15 million tons of cargo were handled at nine berths; 23 berths would have been needed to move the same amount of cargo if handling rates had still been at their 1981 levels (Cámara Marítima de Chile, 1992, p. 28). If we were to assume that a linear relationship existed between 1981 cargo-handling rates and the demand for port labour, then the 3,200 registered dock workers employed at the country’s 10 general cargo ports in 1981 would have had to been supplemented with an additional 4,800 men – for a total of 8,000 dock

\(^{12}\) American Airlines has informed its stewards and stewardesses that a wage reduction of 20% is required or they will begin to hire non-domestic flight attendants at a lower wage. See Business Week (1 November 1993, p. 40).

\(^{13}\) Regarding a similar effort in India, see The Journal of Commerce (21 October 1994, p. 7B).
workers— to handle the volume of cargo moved in 1992. Instead, today those same ports employ an estimated 1,400 workers. Thus, Governments have the choice of either developing compensation programmes for displaced workers and enjoying increased trade volumes or maintaining a swollen demand for port labour and resigning themselves to a lower volume of trade.

C. LABOUR DISPUTES

Latin American and Caribbean Governments granted legal authority to their countries’ labour movements in the 1930s, but labour leaders could still be incarcerated for interfering with the rights of others to work. Labour leaders were not always prosecuted, but they were often dismissed as part of the process of re-establishing “harmony” in the workplace. Mutually advantageous alliances were formed between port labour unions and government officials, candidates and political parties, and each used the other to achieve its or their own social and political objectives. Each political party—Socialists, Communists, Radicals, Liberals and Conservatives—represented a totally different view of society, definition of property and idea about workers’ roles, with each claiming to espouse society’s most fundamental rights and asserting that, in the event of any conflict, those rights should prevail over all others, which were considered to be less basic in nature. For example, political parties opposing the Socialist government of Salvador Allende (1970-1973) encouraged the truckers’ union in Chile to take part in a political labour dispute in October 1972 in order to destabilize that administration. Governments have sought to overcome the political aspects of such disputes by establishing specialized labour courts within their legal systems. Even today, most strikes are couched in economic terms, but political overtones remain (Matos Mar, 1988, pp. 309-352). Only through greater collaboration between port labour and maritime employers in the resolution of labour disputes can such overtones be eliminated.

Efforts to settle disputes between port labour and maritime employers should begin with a review of the existing problems by joint labour-management committees. The American Arbitration Association has found that such committees are able to resolve 99% of all labour-employer conflicts in the United States. The purpose of such committees is to establish a mechanism that will permit port unions and

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14 See, for example, Compañía Guatemalteca de Terminales a Granel, S.A. (1988, pp. 28-30).
Box 3
THE DEMAND FOR DOCK WORKER SERVICES AND WATER DEPTHS

The dredging of berths at the main container terminal at the Port of New York/New Jersey has been delayed because the sediment is contaminated with dioxin and a dispute has arisen over a plan to bury the spoil in the Atlantic Ocean. Liner ship operators needing greater water depths have had to divert their vessels to other United States and Canadian east coast ports. This has created a vicious circle: the volumes of cargo at the port are declining because a permit to carry out maintenance dredging has not been granted and liner operators have therefore begun to use the facilities of nearby ports; the decrease in cargo volumes has made it necessary to increase the assessments so as to generate sufficient funds to pay unemployed dock workers belonging to the International Longshoremen's Association (ILA) for their 1,900 (originally 1,600) guaranteed hours per year; cargo assessments –US$65 per container plus either US$4.50 per ton for shipments moving inside a 260-mile radius of the port or US$1.85 per ton outside that radius – are being used to pay the wages and benefits of unemployed ILA members; and an increase in the assessment will make the port more expensive and uncompetitive. The impact of the delay has been estimated by the ILA at a loss of more than 100,000 hours of work just over the last six months.

maritime employers to avoid disputes as well as to settle those that do arise. These committees should divide their time between evaluating the implications of plans and programmes for both dock workers and employers (e.g., changes in port operations, investments in new cargo-handling equipment, computer applications and training programmes) and redressing their complaints. Dock workers should outnumber employers on these committees—preferably by a two-to-one ratio—in order to counterbalance the natural leadership position and dominant role of employers. As a group, most of the workers sitting on such committees should be senior employees who constitute a cross-section of all shifts, major departments and age groups. These committees should encourage maritime employers to take into account dock workers' ideas and suggestions for improving productivity and cost-effectiveness before any major decisions, programmes or policies are implemented and to strive to settle disputes before more formal proceedings become necessary.

The jurisdiction of labour-management committees can be handled in a number of ways. One possibility is to leave this question to the discretion of the parties to a dispute, which would mean that they would have to agree beforehand on what types of matters were to be subject to committee decisions. Often such jurisdictional foresight is lacking, however, and the parties involved simply adopt whatever legal position is the most advantageous for them. To avoid this situation, Governments might go to the other extreme and include measures in their labour regimes that establish a jurisdictional requirement encompassing all port labour disputes. Such a broad mandate would create numerous conflicts with arbitration and court proceedings, however. For example, should disputes between port labour and maritime employers first be submitted to committees, with a right of appeal to formal arbitrators and then to the courts, or should the decision handed down following the original hearing be considered final? It would appear that the best choice would be a phased enlargement of the jurisdiction of such committees over a five-year period, starting with the enforcement of statutory rights such as minimum wages and occupational safety, and then moving on to retirement pensions, health insurance, paid vacation leave and job security, and, finally, wages.

The informal settlement of port labour disputes is eminently more acceptable and modifiable than a settlement imposed by an arbitrator or judge (Schwieger, 1988, pp. 344-349). When informal procedures fail, however, disputes may be resolved by a third party. Arbitration involves the voluntary referral of disputes, by agreement among the relevant parties, to an impartial third party for determination on the basis of evidence and arguments presented by the parties to the dispute,
who agree to abide by the arbitrator's decision. This practice began almost by accident in the Latin American and Caribbean region, where it is customary for a person of recognized stature in the community to be called upon by both parties to settle a labour dispute that has reached a point where neither party will yield and where violence has already or is about to break out. One example is the case referred to in the introduction to this book, in which a retired admiral was called upon to resolve a labour dispute that arose at the port of Valparaiso, Chile, in 1903 (Ramírez Necochea, 1956, pp. 282-289). This independent, third-party type of proceeding has been utilized with increasing frequency and most countries have passed laws to institutionalize it.

Arbitration ought to offer a rapid, commercially-sound, least-cost method of settling disputes, but many persons involved in such conflicts have distorted this mechanism to achieve their own ends. For example, parties to a dispute sometimes withhold information from arbitrators, use arbitration proceedings and their costs as a harassment technique, and demand much more than either is willing to accept because arbitrators often "split the difference" between conflicting positions (The Journal of Commerce, 18 February 1994, p. 12B; Fairplay International Shipping Weekly, 11 November 1993, p. 3). To counter such practices, arbitrators should either accept or reject the most reasonable and objective proposals advanced by disputants. If both proposals are rejected, the parties should have to reformulate their positions and submit further proposals until the arbitrators are satisfied. To ensure that neither party takes advantage of the other, arbitrators should have the right to request the courts to issue restraining orders. This approach places the responsibility for finding a

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15 A decision to use arbitration to settle labour-management conflicts is usually formalized through a clause in collective agreements. For example, the following is an arbitration clause proposed by the American Arbitration Association:

"Any dispute, claim or grievance arising from or relating to interpretation or application of this agreement shall be submitted to arbitration administered by the American Arbitration Association under its Labor Arbitration Rules. The parties further agree to accept the arbitrator's award as final and binding on them."


16 Canadian law requires port labour unions and employers to select an arbitrator. If they cannot agree, the Government takes into consideration which persons the disputants would reject and then nominates an arbitrator to resolve the labour dispute. Each disputant must submit a final offer to the arbitrator with arguments as to why its position should be supported. The arbitrator then endorses one of the two positions; he is prohibited from formulating his own response. As an illustration of the effectiveness of this procedure, in the course of collective negotiations with the British Columbia Maritime Employers Association, the President of the ILWU in Canada, Gordon Westrand, commented that the dock workers' union would probably modify its proposal in an attempt to win the support of the arbitrator. See The Journal of Commerce (17 February 1994, p. 18 and 14 February 1994, p. 86).
Box 4
ROYAL ARBITRATION

The Dutch-speaking Flemings and the French-speaking Walloons are divided by language, vocation and culture. Government positions are awarded on the basis of population at a ratio of 6:4 in favour of the Flemish. Flemings dominate industry and want little to do with the Walloons to the south. King Baudouin of Belgium spoke both languages and for many years had been the trusted arbiter of their disputes. However, on 31 July 1993 he died at the age of 62, only a month after a new federal structure had been adopted which split up the country into Dutch-speaking Flanders, French-speaking Wallonia and bilingual Brussels. Despite the King's limited powers, his influence was considered essential to a smooth transition to the federal system because the Flemings and Walloons placed great confidence in him as the final arbiter of their disputes. King Baudouin's brother, Albert, has since taken over his role. At first it was greatly feared that the Flemings would push for outright separation and the creation of a sovereign State, but King Albert has demonstrated the same capacity for resolving problems as his late brother.


solution for the problem at hand directly on the parties involved (Piñera, 1990, p. 113). For example, in the collective negotiations between the Maritime Employers Association of British Columbia and the International Longshoremen’s and Warehousemen’s Union (ILWU), the President of the ILWU, Gordon Westrand, has stated that the union will probably modify its proposal in order to win the arbitrator’s support (The Journal of Commerce, 17 February 1994, p. 1B; 14 February 1994, p. 8B).17 Either the decisions of arbitrators should be final or the parties should be able to agree that they are final (Fairplay International Shipping Weekly, 14 April 1994, p. 3).

It has been estimated that the indirect cost of resolving labour disputes via court proceedings is 100 times greater than the direct cost of jury awards, settlements and attorney’s fees (Edwards, R., 1993, p. 193). The elimination of such costs should be the major incentive for establishing joint

17 On 30 July 1994, Brian McWilliams became President of the ILWU. See Pacific Maritime Association (1994, p. 5).
labour-management committees, but experience has proven that this incentive does not suffice. To provide additional encouragement, exporters, importers and carriers who can demonstrate that they suffered financial harm between the time the committee process was abandoned and a final decision was rendered by a court or arbitration proceeding should be permitted to recover damages from both parties in equal amounts. This award of damages, regardless of who wins or loses in a labour dispute, would motivate port labour and employers to settle their problems in a manner that does not harm exporters, importers or carriers so as to avoid having to pay them potentially large sums of money. Just as the antitrust laws of the United States permit a winning party to recover from the loser three times the sum of the damages the winning party actually sustained, thereby motivating disputants to negotiate out-of-court settlements, the possibility of both port labour and employers being required to compensate exporters, importers and carriers who are harmed by a labour dispute should lead to a similar result.

The idea of having disputants settle their own conflicts is not new. What is new is the assimilation of labour-management committee processes into the commercial fabric of port activities. Direct, informal processes are a least-cost option because the settlement of disputes in the courts or through formal arbitration is an expensive process in which there are winners and losers, and disputants often come to view the entire procedure as a battle and to seek retaliation through various legal and extra-legal means. (Edwards, R., 1993, pp. 191-193 and 216). Moreover, such a procedure also constitutes a value-added component of port services because the costs are borne by the disputants themselves. The advent of a global economy, introduction of export-led growth policies and exposure of port administrations and workers to market mechanisms have transformed dock workers into entrepreneurs engaged in joint ventures with exporters, importers and carriers; within this framework, strikes are 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 (The Journal of Commerce, 31 October 1994, p. 1B; 11 October 1994, p. 7B; Davidow and Malone, 1992, p. 205; Cabot, 1986, pp. 112-127). Thus, such committees should encourage port employers and labour to constantly redefine their relationship so that they may better respond to commercial and social challenges through the joint resolution of conflicts.

In an ever-expanding, highly competitive global economy, Governments, labour and employers need to take another look at the right to strike (The Journal of Commerce, 22 February 1994, p. 8B). This right is usually enshrined in a nation’s legislation as a basic tenet of labour law and is justified as a means of balancing out employers’ power to lock out their employees. There is general agreement among the port community that not
only has this right been abused and wielded as a political tool, but also that the absence of strikes and lock-outs can enhance a producer’s reputation as being a reliable supplier (The Journal of Commerce, 22 February 1994, p. 7B; 4 February 1994, p. 12B; 2 February 1994, p. 8B). In an open economy it is incorrect—and, some would say, impossible—to isolate workers from intense product and service competition. The worldwide sourcing of inputs has made it easy to compare and substitute goods and services. Port labour has become part of the distribution system for manufacturers’ goods and is subject to the same competitive forces as they are. The right to strike should be viewed as a means of intensifying the contested market facing employers, as there are potential entrants who stand ready to meet cargo owners’ needs, and should be utilized in a manner which allows workers to obtain the wages and benefits they desire while at the same time safeguarding the commercial viability of exporters, importers, carriers and maritime employers.

In 1988, for instance, the Japanese tire manufacturer, Bridgestone Corporation, purchased Firestone, Inc., a United States company. Since the wages and benefits received by Firestone workers were far in excess of the industry norm in the United States, Bridgestone sought to restructure Firestone’s labour agreements. Management met with labour leaders and explained that Bridgestone had made substantial investments in Firestone and that the United States company’s survival depended on the renegotiation of its labour agreements. Bridgestone then outlined its expansion plans for the factory and pointed out that no near-term layoffs were anticipated. Management sought a seven-year no-strike agreement, but the United States Government joined forces with the union, United Rubber Workers, in an effort to obtain contract concessions from Bridgestone. The tire manufacturer resisted and had to endure an eight-month strike. Bridgestone hired replacement workers, and the President of the United States responded by issuing an executive order barring employers who engage in that practice from doing business with the United States Government (Business Week, 10 April 1995, p. 66; 27 March 1995, p. 42; The Nikkei Weekly, 12 April 1993, p. 10; 23 January 1995, p. 6). In contrast, Chilean copper workers, who also compete in highly contested international market, have come to prefer management-labour negotiations to work stoppages (Gazeta Mercantil, 29 June 1993, p. 7).

The question as to whether or not Governments should permit employers to hire permanent replacements for striking workers is a topic whose appropriate treatment is beyond the scope of this book (The Journal

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18 For an example of a no-strike clause which is supported by a no-lockout clause, see the Agreement between Lynchburg Foundry Company, Archer Creek Plant and United Steelworkers of America, Local Union #8270.
of Commerce, 13 July 1994, p. 2B; Fortune, 12 July 1993, pp. 11 and 12; The Washington Times, 5 May 1993, pp. C1 and C10). None the less, the criteria to be used in resolving this debate should be based on contract law, public necessity and the extent to which the Government provides subsidies or preferential assistance to employers. If a collective agreement contains a no-strike clause and employees take union action, it constitutes a breach of contract and clearly employers should be able to hire other workers (The Economist, 9 July 1994, p. 30; The Journal of Commerce, 16 June 1994, p. 8B; Maurice Sellier and Silvestre, 1986, p. 147). Where there is no such clause and employees strike, employers should not be able to hire other workers unless the work stoppage is of an indefinite duration – i.e., it continues beyond a stipulated period of time – or the workers are directly involved in areas such as health or public safety. Under such circumstances, the firm in question should be allowed to hire new employees, unless it is the recipient of a government subsidy or other privilege (World Wide Shipping, September 1993, pp. 4 and 5). Such support provides employers with a means of withstanding the financial rigours of a strike, and they should therefore not be allowed to replace striking workers in such cases. In sum, employers should be able to hire replacement workers if their employees go out on strike and their collective agreement contains a no-strike clause, if the strike is of an indefinite duration, or if the firm is engaged in an activity of public necessity, but they should not be allowed to hire replacements if the firm is receiving any preferential sort of government assistance.

D. JOB SECURITY

Job security involves a number of factors, but it is often considered synonymous with income stability for workers and the inability of employers to dismiss them. These goals are relatively easy to achieve so long as their commercial implications are not taken into account. After all, Governments could simply instruct port administrations to pay wages whether or not there is any cargo to be handled, restrict their right to dismiss workers to cases of blatant misconduct, and provide subsidies to cover additional costs. This would send a message to workers that efforts to acquire new skills, improve productivity or reduce costs are unnecessary and would discourage private investors (The Economist, 11 June 1994, p. 59). When dock workers receive wages and benefits that exceed the value of the contribution they make to a port or terminal, they seriously compromise job creation processes, jeopardize the commercial viability of exporters, importers and carriers, and generate inflationary pressures in the national economy (Cooper and Clarke, 1982, pp. 87, 105-106 and 130-138).
To create job security for dock workers, Governments should develop port labour regimes which isolate the social goals of port labour and the commercial objectives of exporters, importers and carriers from governmental political processes and should use market mechanisms to strike a commercial balance between them.

Exporters, importers and carriers have to absorb the costs of job security provisions, and they have begun to express dissatisfaction with those that are based on the continued use of out-of-date equipment and labour-intensive work practices. The adjustments in employment opportunities at the ports in terms of skills, experience and number of workers which should have been made at the time that capital-intensive cargo-handling equipment was introduced were successfully resisted by port workers with the support of their countries' Governments (ministries of economic affairs, transport and labour, and port administrations) because this was a way of strengthening the latter's political popularity. A market-oriented reform of port labour regimes entails the acceptance of private-sector participation in port services, but it does not herald a return to employer-controlled job-by-job and day-by-day employment practices. Instead, what it means is that wages, benefits and job-security provisions for dock workers can be obtained only through the adoption of measures that promote trade. Thus, the political control of the commercial activities of ports in an export-led economy poses a common risk to the commercial survival of exporters, importers and carriers and to the job security of dock labour.

Regulatory requirements which prohibit the dismissal of dock workers in order to safeguard their jobs create a false sense of security in a sector that continues to register a large number of redundancies as it changes over from labour-intensive to capital-intensive cargo-handling systems and from being a protected domestic service to a globally competitive one. Such measures isolate dock workers from market mechanisms and eliminate their desire to accept work restructuring proposals, to meet the service needs of exporters, importers and carriers, and to make use of new technologies. For countries that have introduced export-led growth policies, however, the job-security arrangements desired by dock workers can no longer be obtained through registration systems, cargo-handling monopolies, inefficient work practices, and the rejection of advanced cargo-handling technologies and private-sector participation in the provision of port services. The competitive pressures of a global economy move in the opposite direction and make it necessary for job-security provisions to be designed to contribute to the commercial viability of maritime employers. This will increase the demand for hard-working, highly motivated, well-trained dock workers (International Transport Journal, 13 May 1994, p. 1443; Edwards, R., 1993, p. 189). Thus,
market-based port labour regimes may engender uncertainty among dock workers in the short run, but over the long term it will give them greater security if they respond to market signals by providing productive, cost-effective services.

Maritime employers and port labour unions should identify job-security measures for dock workers that do not depress the competitiveness of exporters, importers or carriers. A recent ECLAC study (ECLAC, 1992a, p. 30) noted that:

"Job security in the private sector depends on performance and not on union pressures or government regulations which limit the capacity of public port administrations to respond to market forces. Such a change requires that workers respond not to political pressures, but, rather, to market signals."

In addition to a willingness on the part of dock workers to respond to market mechanisms, job security is afforded by expertise in the operation of sophisticated equipment, multi-task capabilities, a willingness to control costs and shared decision-making authority. Governments can also respond to dock labour’s fears regarding job uncertainty by establishing notice periods for dismissals, drawing up compensation schemes that set the level of severance payments and requiring government approval for large-scale layoffs (Edwards, R., 1993, pp. 69 and 70). These provisions should help motivate port labour to provide cost-effective services which will attract and retain the patronage of exporters, importers and carriers.

The training of dock workers to perform more than one type of task ought to contribute to job security as well, since it would enable them to engage in remunerative activities on a steady basis. It would also permit the implementation of a broad range of compensation, incentive and promotion plans for dock workers. The successful completion of courses approved by the relevant authority (port administrations or maritime employers or both) should be rewarded by the payment of a small additional monthly sum, and these dock workers should also be given priority in terms of promotions (The Nikkei Weekly, 6 September 1993, p. 13; Business Week, 13 May 1991). If promotions are awarded strictly on the basis of seniority, then the completion of such courses could be factored into the calculation of accrued time in service using, for example, a ratio of 4:1 (i.e., four days of seniority could be awarded to dock workers for each course day completed). In addition, if redundancies are also determined on the basis of seniority, then this same procedure could be used to ensure a greater degree of job security for motivated workers who have completed training courses. The adoption of "once hired, cannot be fired" job-security measures in Peru led to an increased use of temporary workers and hampered economic liberalization efforts by reducing labour mobility (Suárez, 1987). Thus, job-security provisions should be designed to
Box 5

JOB SECURITY IN BRAZIL

Brazil's 1988 Constitution (the seventh since the country declared its independence in 1822) provides employees of public-sector enterprises with numerous social guarantees, including lifetime employment. Amendments to the Constitution were envisaged in the charter itself, which calls for a reassessment five years after its promulgation. One of the principal reasons why the Workers' Party and the Democratic Labour Party are opposed to such a review is that it represents a threat to the social ground that has been gained by workers and, in particular, the rights which workers are guaranteed in the Constitution. Advocates of reform argue that these guarantees have prevented the Government from solving many of the nation's major economic problems and have hindered its efforts to create a basis for private-sector participation in State-owned enterprises. In June 1994, the constitutional review committee, formed by members of both houses of the national legislature, approved only two substantive changes, neither of which addressed economic or social policies. Charges of corruption, as well as the country's year-end legislative and presidential elections, also played a role in limiting the committee's achievements.


promote commercial activity and to encourage the utilization and promotion of trained, competent persons.

The Government of Barbados, representatives of organized labour and private-sector employers recently agreed upon a national income policy which mandates a two-year wage freeze and the creation of a National Productivity Board. The policy allows for pay increases only if they can be justified on the grounds of the relevant employees' contributions to a firm's productivity and only if they are in the interests of the firm, workers and the Government. The Board is to be given the authority to manage income policy in its entirety. Specifically, it is to develop ways to measure productivity both in the private and public
sectors, devise a productivity-linked payment scheme, monitor all aspects of productivity, assist with the implementation of methods to boost productivity, and design education programmes that will stimulate public awareness and understanding of the need to raise and maintain productivity standards. Although initially reluctant to accept these proposals, dock workers altered their work practices to attract transshipment cargoes once provisions were included to protect them from price increases and to guarantee their job security (Fairplay International Shipping Weekly, 10 November 1994, p. 60; Caribbean and Central America Report, 30 September 1993, p. 7; 22 July 1993, p. 3). Thus, only when job security depends on progressive gains in productivity and cost-effectiveness will there be any serious effort on the part of workers to make improvements in those areas.

The current spectre of job uncertainty for port labour in many Latin American and Caribbean countries has its origin in the failure of Governments to modify paternalistic labour regimes in the light of global economic changes, the absence of training programmes for dock workers, the continued utilization of labour-intensive work practices and the maintenance of policies requiring ports to provide work for the unemployed. In an open, competitive port environment, dock workers will come to accept the fact that job security depends on the success of exporters, importers and carriers, rather than on constitutional and legislative provisions, and that they must assume a greater share of the responsibility for coming up with ideas to improve productivity, reduce port charges and foster innovations which ultimately constitute, to a large extent, the source of that security. No longer should ideas for solving problems come solely from exporters, importers, carriers, consultants, equipment manufacturers and government officials. To encourage dock workers' participation in this process, maritime employers should collaborate with dock workers and provide them with information concerning the port's productivity, earnings and competitive standing vis-à-vis other ports serving the same hinterland (Kassalow, 1988, pp. 573-592).

E. THE RE-ENTRY OF REDUNDANT PORT LABOUR INTO THE WORKFORCE

A reduction in the demand for port labour is a consequence of the competition generated not only by modern cargo-handling and communications technologies but also by the emergence of a global economy, the introduction of export-led growth policies and private-sector participation in the provision of services. Contrary to popular belief, dock workers are not ignoring these sweeping changes;
they simply are interpreting them within the all-too-familiar political framework that was described in chapter II and believe that their functions will somehow remain the same. These changes have shifted skill requirements for port labour; before, only a limited degree of specialization was required to operate and maintain single-function lifting and transport equipment, whereas now ever-more highly-trained, multi-skilled workers are required to operate and maintain sophisticated equipment which integrates a large number of distinct functions. The re-entry of redundant port labour into the national workforce thus requires a willingness on the part of dock workers to acquire new skills, to participate in compensation and early retirement schemes, and to set up port-related businesses; for their part, Governments need to offer job placement and counselling services, pay part of the cost of retraining programmes and award bonuses to employers for hiring out-of-work job seekers (The Nikkei Weekly, 27 March 1995, pp. 1 and 8).

Governments should compensate dock workers who are laid off as a consequence of market-oriented reforms of labour regimes. The purpose of compensation schemes is to avoid strikes and civil disturbances and to reduce the costs to workers of moving from one job to another. As was noted earlier, in 1981 the Government of Chile eliminated on-board and dockside cargo-handling monopolies and compensated dock workers with a package amounting to around US$ 30 million (ECLAC, 1992a, p. 29). In 1991, the Government of Colombia allocated US$ 50 million to compensate 8,000 Colombian dock workers for the loss of acquired rights, while Ecuador has estimated that US$ 40 million is needed for this purpose. (Fairplay International Shipping Weekly, 7 July 1994, p. 40; 30 June 1994, p. 28; 9 June 1994, pp. 32 and 33; 24 June 1993, p. 44; 29 April 1993, p. 4; 28 February 1991, p. 29; The Journal of Commerce, 5 April 1991, p. 12B). The Government of Mexico spent an estimated US$ 30 million in 1994 to liquidate collective agreements which granted dock workers exclusive cargo-handling rights at 10 ports. Port labour unions have been disbanded, but they will be permitted to reorganize as profit-making enterprises and to compete with private terminal operators (The Journal of Commerce, 14 February 1994, pp. 1A and 10A; 4 February 1994). Finally, the restructuring of Venezuelan ports in 1991 led to the dismissal of 10,279 dock workers and all 2,000 of the National Port Institute’s (IUP) staff. The Government of Venezuela paid double indemnization to

workers amounting to a total of US$ 182 million.\textsuperscript{20} The sharp differences between the levels of compensation paid out by the Governments of Chile, Colombia, Mexico and Venezuela are accounted for by the fact that they were separated by over a decade and were undertaken in response to different needs.

 Ideally, training and compensation programmes for displaced dock workers should be supported by job placement and counselling services to enhance their awareness of employment opportunities and to increase the efficiency of the labour market (Fairplay International Shipping Weekly, 16 June 1994, pp. 38 and 40; Adnett, 1987, pp. 183-196). It would appear at first glance that such services would be needed only to deal with redundancies produced by market-based reforms of port labour regimes, but this is not the case. Ports, as places of employment, have been greatly changed by the major economic, technical and institutional developments evaluated earlier. The level of uncertainty existing in relation to employment has been raised by the ever-increasing sophistication of skill requirements, by the shift from labour-intensive to capital-intensive technologies and by the competitive requirements of the private investors operating port terminals in today’s global economy. Job placement and counselling services should therefore be provided on an ongoing basis in order to locate appropriately skilled persons for jobs at the ports as well as to find jobs outside the ports for displaced dock workers. In order to ensure the rapid re-entry of redundant port labour into the workforce, compensation packages, training programmes and placement services should all form part of an integral programme whose principal objective is to avert social problems.

 It may be possible to encourage dock workers with entrepreneurial abilities to accept early retirement benefits together with a wage package covering an agreed period of time so that they can set up port-related businesses. Such businesses should be jointly financed by dock workers and the Government and could involve such activities as container repair and maintenance, the loading and unloading of containers, the repair and maintenance of cargo-handling equipment, electronic data processing and transmission, the cleaning of warehouses and office buildings, and the provision of food services (The Journal of Commerce, 6 December 1994, p. 9A). To provide an additional incentive, dock workers could be granted one- to two-year contracts to provide such services before concessions are

\textsuperscript{20} By way of comparison, the Government of France began restructuring its ports in 1992, and the costs of retraining, compensation and early retirement benefits for some 4,200 redundant dock workers have been estimated at somewhere between US$ 684 and US$ 740 million; half of this sum is to be paid by the State and the remainder by ship operators and maritime employers. See Seastate Review (October 1994, p. 55) and The Journal of Commerce (3 August 1993, p. 8B).
Box 6

ECUADOR: PUBLIC-SECTOR MODERNIZATION

Legislation to modernize public-sector enterprises in Ecuador has been incorporated into the State Modernization, Privatization and Provision of Public Services by Private Enterprise Act, which was published in Official Register No. 349 of 31 December 1993, and the accompanying statute, which was promulgated by Executive Decree No. 1623 and published in Official Register No. 411 of 31 March 1994. The legislation and decree seek to carry forward the reorganization of public-sector enterprises in order to promote greater efficiency by rationalizing, deregulating and streamlining administrative and economic structures. These laws contain provisions for the sale, transformation, liquidation and merger of public-sector and public-private enterprises. They facilitate and reinforce private-sector participation and community or self-management mechanisms in areas once reserved for the State in accordance with Ecuadorian administrative law. Monopolies are prohibited in any form whatsoever and third parties are authorized to intervene in such matters.

In the case of worker redundancies, employees who voluntarily resign will be paid compensation in an amount equal to twice the employee's last monthly salary multiplied by the number of years of service, up to a maximum of 400 minimum-wage salaries. The same compensation scheme will be applicable to senior management if they have worked in the same public-sector enterprise for at least four years without interruption and 15 years in the public sector. Employees who have received such compensation may return to the public sector only in senior positions, such as ministers, under-secretaries, judges, presidents and general managers of public enterprises, ambassadors, university professors and elected officials.


put out for public tender. This scheme has been used quite successfully by Argentina’s State-owned oil company, Yacimientos Petrolíferos Fiscales (YPF) (LatinFinance, January/February 1994, pp. 20-22 and 24-26). Some 9,000 former YPF workers and members of the Federation of United Petroleum Workers (FSUPE) purchased needed equipment at reduced prices in order to establish businesses offering services in such areas as repair, exploration and transport (Fairplay International Shipping Weekly, 23 June 1994, p. 11; América economía, November 1993, pp. 36, 38 and 40). Along
similar lines, computer manufacturer IBM has used redundant staff in Japan to create affiliated companies that offer needed services at a much lower cost than would be possible if IBM provided them itself.21

To promote the re-entry of members of the labour force into economically viable activities, some Governments offer bonuses to employers for hiring persons who are out-of-work and are actively seeking employment. For example, the Government of Japan recently increased the number of sectors eligible for employment-adjustment grants from two to 10. Under this system, if industries in specified sectors experience a 5% decrease in output and have not increased the number of employees during the preceding three months, they may use public funds to lay off, retrain and temporarily transfer redundant workers (The Nikkei Weekly, 8 August 1994, p. 2; 22 March 1993, p. 4). The benefits of such programmes notwithstanding, Governments should retain the right to withdraw benefits from unemployed workers who refuse a job or a retraining programme in order to avoid creating a cadre of persons who have little incentive to work. Governments should also refrain from subsidizing jobs in the private sector because, when such subsidies are available, employers often replace their high-cost employees with workers receiving those benefits (The Economist, 20 August 1994, p. 55; 20 March 1993, p. 38; The Nikkei Weekly, 20 June 1994, p. 7; Lloyd’s List, 5 July 1993, p. 3).22

21 For example, one company which was established to service computer hardware and software was capitalized at approximately US$ 300,000. IBM of Japan owns 70% of the stock. The firm entered into operation in June 1993 with a staff of 210. See The Nikkei Weekly (7 June 1993, p. 10 and 5 April 1993, p. 11).
22 Regarding the United Kingdom’s experience with government payments to private-sector workers, see Deakin and Pratten (1982).
IV. THE OPERATIONAL PARAMETERS OF PORT LABOUR REFORM

The diversity marking the interests of Governments, port labour, exporters, importers and carriers creates conflicts which, in many cases, nullify the effects of any plan, programme or effort that is undertaken to improve productivity and control costs. Without an independent basis for reconciling port-related political, economic and social questions, Governments have resigned themselves to the existence of ever-smaller task demarcations, the use of dock-worker registration systems, the presence of cargo-handling monopolies and the need for subsidies. The chairman of the maritime employers’ organization of Marseilles-Fos Sur Mer, Jean-Pierre Jarre, unsuccessfully sought to use his influential position to help reconcile such issues when he asked dock workers to halt their campaign to boycott the new commercial port labour regime (Lloyd’s List, 7 July 1993, p. 3). The incorporation of market mechanisms into a reformed institutional framework should make it necessary not only for dock workers to respond to market mechanisms in the provision of cargo-handling services, but also for them to employ those same mechanisms in order to reconcile political, economic and social issues. The utilization of market mechanisms in this manner is not optional; it is made imperative by the need to eliminate unnecessary intermediaries—in most cases government officials and attorneys, among others—whose services are usually sought to interpret varying degrees of regulatory complexity so as to maintain dock workers’ privileges.

The worldwide sourcing, assembly, distribution and sale of goods have generated a commercial configuration which is incompatible with the existence of a semi-autonomous nation-state, a captive hinterland and monopoly control of cargo-handling services by dock workers. Today, use of the port nearest to a given factory is not as crucial as it once was; the most important factors now are product quality, cost and manufacturing and delivery times. With Governments acting as port owners, operators and employers and participating directly in collective negotiations, dock workers have a ready ally and have little or no incentive to respond to the
needs of international and domestic markets. Unless they meet those requirements, however, ports may become unattractive to exporters, importers and carriers, potential investors may be discouraged and some ports may even eventually be abandoned (The Journal of Commerce, 14 October 1994, p. 1B). Thus, an assessment is required in order to determine how port labour might make a more valuable contribution in terms of: i) meeting the commercial requirements of exporters, importers and carriers, ii) laying the foundations for dock workers’ participation in workplace decisions, iii) promoting the acquisition of new technologies and dock-worker skills, and iv) improving port efficiency.

A. THE REQUIREMENTS OF PORT USERS

The term “port users” could conceivably encompass all those that rely on port activities or that must coordinate their own actions with port activities. For the purposes of this book, however, the term is limited to exporters, importers and carriers, or the principal groups that utilize the cargo-handling and storage services provided by dock workers. With the advent of worldwide manufacturing and assembly, and just-in-time deliveries, the needs of users are not ruled by the clock, the calendar or even weather conditions, and users have become sensitive to the cost and productivity of ports located an ocean away which handle competing goods destined for the same markets (Marinha mercante, 25 May 1994, p. 1). The competitiveness of today’s global market makes it necessary to invest in larger vessels and advanced cargo-handling technologies in order to reduce distribution costs. This means that the demand for cargo-handling services at minor ports may be reduced or may even evaporate altogether, since major east-west carriers have begun to call at a limited number of ports and to use long-distance overland transport services, feeder ships and inland centres to receive and distribute their cargoes. All that Governments can do is to ensure that redundant dock workers are compensated and retrained for other jobs; they can no longer sacrifice the commercial goals of users and maritime employers or the incomes, career aspirations and job satisfaction of the remaining dock workers.

The organizational environment of ports should be such as to permit dock workers to develop their own innovative responses to users’ needs. Export-led economies’ emphasis on trade promotion and the increasing consideration being given to the improvement of port labour productivity and cost-effectiveness have brought to the forefront the urgent need to expose inflexible, monopolistic port services to the same competitive
pressures as those faced by users. Dock workers would then function in a commercial environment bounded by the service needs—cost and productivity—of users. Implicitly, there is a desire on the part of Governments (ministries of transport and labour as well as port administrations) to see dock workers abandon their old uncooperative attitudes. Since users’ requirements are constantly evolving, an institutional framework for port labour is needed that will give maritime employers sufficient flexibility in the assignment of tasks and working hours, for instance, to respond to those requirements; otherwise, conflicts are bound to arise between them and dock workers. For example, the Maritime Union of Australia fined nine dock workers for agreeing to a maritime employer’s request to increase productivity (Fairplay International Shipping Weekly, 3 February 1994, p. 28). The wages and benefits of dock workers should rise and fall with the commercial success of ports, maritime employers and users—i.e., the environment in which they work and those for whom they work—because none of these actors can prosper independently of the others.

The input-to-final-product continuum of competition in a global economy compels users to look beyond traditional markets and suppliers. Manufacturers will be competitive only if they make and sell their products worldwide. No component supplier or service provider can be viewed in isolation, as each contributes to or takes away from the competitiveness of users’ goods and services in global markets. For ports, modern facilities, capital-intensive cargo-handling equipment, good locations in relation to major trade flows, and frequent, cost-effective inland and ocean-feeder transport services create an incentive for exporters to penetrate new markets and encourage importers to take advantage of other product sources. This incentive may disappear, however, unless users, dock workers and maritime employers join forces to improve productivity, cost-effectiveness and service quality. Workers who respond to market signals by demonstrating the capacity and motivation to learn new skills, operate advanced technologies and accept new institutional arrangements are normally the ones who are selected to receive additional training and are then reassigned to more specialized jobs. This is interpreted by unions as an attack on worker solidarity, but port labour unions cannot strengthen their position by ignoring user requirements.

Progressive improvements in the productivity and cost-effectiveness of cargo-handling and storage services are required in order to enhance the competitiveness of port users’ goods and services in international markets. Most of these improvements are made possible by advanced technologies and modern institutional arrangements which may render certain skills and jobs superfluous. The port labour movement can no longer rely on its political alliances and threats of civil disturbances to preserve a historical...
level of demand for dock workers' services or 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 dock workers is the key to commercial success in a global marketplace. For example, the director of the Port of Dunkirk, Hubert Dumesnil, remarked that prior to the commercial reform of French ports in 1992,

"...clients [users] were not there to be served but rather to be exploited ...
We were suddenly plunged into the rules of market economics and are discovering how to treat clients" (The Journal of Commerce, 5 April 1993, p. 5B).

The economic concept of utility may be employed to explain the value of goods with reference to specific circumstances. Place utility assigns a value to goods depending on their present and future locations, so the availability, speed and cost of related carrier, port and storage services exert an enormous influence. Highly reliable transport services and electronic information systems appear to have given rise to a new facet of place utility: flow utility. Such services and systems allow importers to substitute information on the location of goods and on arrival dates for actual physical possession. This permits them to record goods in transit as part of their inventory, even though they have not, as yet, arrived (Containerisation International, June 1994, pp. 61-63). The productivity and cost-effectiveness of dock workers' services are an essential factor which influences the place and flow utility of users' goods. Market-oriented port labour regimes should encourage dock workers to improve the place and flow utility –or the value– of their services to users. Just as the prices of goods and services are signalling devices which facilitate the allocation of resources, place and flow utility should guide dock workers' efforts to satisfy users' needs in a more commercially viable and timely manner. Thus, any port that can create greater utility or value for its users can be expected to have an immediate competitive advantage.

Many port administrations believe that dock labour will not respond to users' needs regarding productivity and cost unless they are provided with monetary incentives to do so (Evans, 1966, pp. 167-171). A competitive institutional framework ought to provide port workers with the most compelling incentive to satisfy users' needs: the preservation of their jobs and benefits. The demand for port services is derived from the demand for the goods being handled, and it is usually manifest in efforts to lure users away from other terminal operators at the same port and from other ports serving the same hinterland, as well as to attract new users. In an open competitive setting, port labour will realize that there are no captive hinterlands and that, for instance, fruit imports for the south of France do not pass through the nearby port of Marseilles-Fos Sur Mer, but instead
Box 7

A COMPREHENSIVE, QUALITY CHARTER FOR THE PORT OF BARCELONA

Faced with growing competition from neighboring ports in both the Mediterranean and North Atlantic, as well as the results of a market survey which indicated that users view ports as a closed world that is largely insensitive to their needs, the Port of Barcelona signed a letter of commitment with users, shipping agents, customs officials, shippers' councils, the chamber of commerce, dock workers and freight forwarders which obligates it to comply with a quality-of-service plan.

The plan requires the payment of compensation if guaranteed service levels are not met. Its main service standards are as follows: a) Containers discharged from vessels at the main terminal will be fitted with a seal; if this seal is not intact, a payment of US$ 70 per unit will be required; b) If containers in transit are not cleared by customs on the day of presentation or the following working day, the cargo owner will be compensated with a payment of US$ 70 per unit; c) If containers carrying imports that do not require inspection have not been cleared by customs within two working days after presentation, cargo owners will be paid US$ 106 per clearance; d) If containers carrying imports which do require inspection have not been cleared by customs within three working days after presentation, cargo owners will be compensated with a payment of US$ 106 per clearance; e) All containers requiring inspection will be moved to the inspection yard only once; any additional moves will be compensated for by a payment of US$ 106.


through Algeciras, Spain. Exposing port labour to market mechanisms creates competition in a wide range of areas, such as the number of workers in a gang, skill requirements, hours of work, productivity and costs, and this commercial process contributes to the commercial satisfaction of users' needs (Ámbito financiero, 12 January 1944, pp. 14 and 15). Governments have protected dock workers from competition because ports have been regarded as playing a strategic role in national defense and economic security, but both ports and dock workers are now emerging from that political equation and are now part of a global market in which users' needs have become paramount.
Governments and port labour in Latin America and the Caribbean have not given enough thought to the commercial viability of users. Labour regimes, collective agreements and work practices have very little to do with improving productivity and cost-effectiveness. Most commonly, port administrations (Governments) have yielded to the demands of port labour unions and have neither sought to determine nor responded to the commercial needs of users, while ministries of labour (Governments) have merely requested larger subsidies from the treasury (Government) to cover greater expenses. This upward cost spiral has broken, however, 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. To meet the needs of users, Governments must develop commercial port labour regimes which ensure that all members of the port and trade community are subject to market mechanisms. Social measures such as the award of compensation to redundant workers, job reassignments and retraining programmes cannot make ports attractive, even as social entities, unless they enhance the commercial viability of users in world markets. Thus, the port labour movement can no longer ignore users' requirements.

B. DOCK-WORKER PARTICIPATION IN EARNINGS, WORKPLACE DECISIONS AND OWNERSHIP

There is a growing awareness of the fact that the knowledge, experience and intelligence of the persons who actually do the work are resources that can make a major contribution to the competitiveness of a commercial enterprise, but these resources have not been fully utilized. Participation by dock workers can take many forms, but the overall objective of each of those forms is to give dock workers a feeling of control over their own fates and thus to create a dynamic, innovative workforce which will make steady improvements in the level of productivity and cost-effectiveness. At present, dock workers participate in maritime employers' decision-making processes only to the extent that authorization to do so is specifically granted to them under the terms of the relevant regulatory regimes or collective agreements. The adoption of institutional arrangements for dock-worker participation in workplace decisions is viewed by maritime employers as an encroachment on their management prerogatives and is regarded by port labour leaders as an effort to undermine the solidarity of the union movement through the reduction or elimination of arm's-length bargaining (ILO, 1981, pp. 29-35). Without such participation, however, maritime employers and dock workers will continue to be troubled by
misunderstandings, opposition, low morale, and mutual suspicions of each other's proposals and decisions.

A dichotomy between those who give orders (Governments, port administrations and maritime employers) and those who carry them out (dock workers) is inefficient and costly, and can no longer be tolerated in a highly competitive global economy. Efforts to eliminate this dichotomy in other industries have led to the establishment of "quality circles" which allow workers to assume certain managerial functions relating to production; the creation of works councils to ensure that due consideration is given to the opinions of employees regarding the organization of work, production techniques, and economic and financial policies; the formulation of employee stock-option plans; and the utilization of consensus decision-making arrangements which are based on commitments made by employers to workers regarding wages and job security and on commitments made by workers to employers regarding costs, productivity, task flexibility and loyalty (Gould IV, 1993, pp. 131-136). To support such activities, workers are usually offered a wide range of training programmes in economics, finance, and product and service quality control. These types of arrangements should reduce the frequency and intensity of disputes between maritime employers and port unions, as well as encouraging dock workers to accept changes in cargo-handling practices and technologies (International Herald Tribune, 31 May 1994, p. 11).

The decision-making authority of management is said to be derived from the principle of ownership; therefore, dock workers will have such power only if they are also proprietors of the enterprise in question. It is also asserted that dock-worker participation in earnings and management decisions is a natural consequence of workers' investment of their labour —just as other persons invest capital— in an enterprise (ILO, 1981, pp. 14 and 20). Each of these arguments seeks to justify dock workers' participation in earnings and workplace decisions on the basis of an initial attribute (ownership or investment); the basis for their participation does not lie in some syllogism or circular argument, however. Instead, it lies in an understanding of the fact that dock workers possess a wealth of useful experience that can be utilized to improve productivity, lower costs, enhance the earnings of users and maritime employers, and achieve their own opportunity-oriented social goals. For maritime employers to remain competitive in a demanding global economy, they must actively seek to open up multiple areas of activity for participation by dock labour. This might take the form of the provision of managerial information by maritime employers to dock workers, the incorporation of joint-management clauses in collective agreements, labour-management committees, labour
Box 8

LABOUR-MANAGEMENT DECISIONS IN GERMANY

In 1952 the Government of Germany adopted the Works Constitution Act, which was later amended by the Co-determination Act of 1976. These laws provide that all corporations and limited partnerships having more than 2,000 employees are to be run by supervisory boards composed of an equal number of representatives of employers and employees. This provides workers with a role equal to that of management in making crucial decisions affecting large firms. A key counterpart to co-determination at the firm level is the works council, an institution dating back to 1848. Works councils, made up exclusively of employees, are given advisory and collective-bargaining functions in regard to working hours, grievance procedures, the introduction of new technologies, the abandonment of industrial plants, and the determination of performance-related compensation. They have, in addition, the right to participate with management in the design and redesign of operations, manpower planning and training. Works councils can also reject the dismissal of any employee unless they are overruled by a court of law.


membership on boards of directors and the provision to dock workers of opportunities for self-management.

As an illustration of this point, as late as 1988, the Port of Baltimore in Maryland, United States, was known as a port that did not work in the rain. Today, this port, its labour unions and maritime employers are all working together to make it attractive to users. To this end, the International Longshoremen’s Association (ILA) is now included in the work of planning what changes are to be made at the port, and the Atlantic Coast District Vice-President of the ILA, Richard Hughes Jr., is the Vice-Chairman of the port’s Private-Sector Port Committee (The Journal of Commerce, 12 August 1993, p. 1B; 11 August 1993, pp. 3 and 9). The teamwork between dock labour and maritime employers required to achieve this goal cannot be obtained through confrontation or by legislative fiat (World Wide Shipping, September 1993, p. 71). Governments must ensure that neither port labour nor maritime employers use market mechanisms to create monopolies that will limit users’ choices or increase port charges but rather that such mechanisms are used to help them work together to devise imaginative solutions for common problems. To create
Box 9

LABOUR-MANAGEMENT COLLABORATION

In 1986, National Steel Corporation (NSC) of the United States decided to give labour a greater voice in management activities. This move entailed giving the union—the United Steel Workers (USW)—job guarantees, a non-dismissal agreement for workers with one year’s seniority and decision-making powers (including seats on the board of directors). Workers are permitted to act as foremen and provide inputs for decisions, and USW officers receive information on everything from earnings to market conditions. In exchange, the USW assented to a commercial restructuring of work rules and agreed to permit the establishment of work teams and to reduce the threat of strikes by signing a six-year collective agreement. The change was not without its difficulties, however. Indeed, the USW reports that 20% of National’s 9,500 workers still do not like the arrangement.

Nevertheless, at 2.95 labour hours per ton of steel, productivity at NSC’s main plant is now among the industry’s highest. The most dramatic benefits came in 1991, when the recession created a loss of US$ 101 million in the first six months of the year and NSC was close to bankruptcy. When NSC asked workers for help, hundreds of ideas were submitted. For example, workers identified rental equipment that was not being used and could be returned. Operating costs for NSC dropped by US$ 100 million and productivity increased by 11% in one year. Thanks to these measures, NSC became the only major steel manufacturer to make a profit during the second half of 1991.


an environment in which dock labour and maritime employers can respond to ever-changing market signals, Governments may wish to give consideration to the development of market-oriented labour regimes in which a spirit of teamwork can evolve and mature through such ongoing collaboration and in which these collective efforts will foster dock labourers’ participation in workplace decisions.

Many believe that worker ownership of production facilities will create a dynamic workforce willing to meet demanding commercial goals, but the experience of the now-defunct Eastern Airlines demonstrates only
A LABOUR-MANAGEMENT JOINT VENTURE

In 1982, General Motors (GM) and the United Automobile Workers (UAW) initiated a joint venture to conceive, design and build a new automobile called the Saturn. The clause concerning management prerogatives or decision-making authority that figures in the collective agreement between GM and the UAW was not included in the agreement signed with Saturn workers. The partnership concept at Saturn is reinforced by consensus-based decision-making, annual salaries for workers and the absence of time clocks. Labour representatives are involved at every level, from selecting suppliers, production methods, technologies and new employees to new product development, training programmes and advertising campaigns. The enthusiasm this generated among the initial group of 3,200 UAW members was considered a determining factor in making the Saturn one of the highest-quality automobiles built in the United States. However, with increasing sales, Saturn management and labour accepted an additional 1,800 workers who had been laid off at other GM plants, and when a referendum was held on 13 January 1993 to determine whether or not to maintain the company’s innovative labour arrangement, 29% of the 5,000 workers voted to return to the traditional adversarial form of arm’s-length management-labour bargaining because they felt that elected union officers were not representing their interests.


too clearly that stock ownership alone is not enough. The corporate policies and anti-union stance of the President of Eastern Airlines, Frank Lorenzo, were so repugnant to employees that they fought against his efforts in spite of an impending bankruptcy and the prospect of such ownership (Kassalow, 1988, pp. 573-592). In contrast, Saturn automobile workers had developed a distinct culture because workers were directly involved in the design of the plant, determination of work practices, selection of

23 Concerning a similar situation that arose between Caterpillar Inc., and the United Automobile Workers (UAW), see Business Week (3 October 1994, p. 57 and 4 July 1994, pp. 34 and 36).
Box 11

“SHIFTING” AT THE PORTS OF ISRAEL

The Israel Ports and Railways Authority (IPA) adopted an incentive scheme for port workers known as "shifting". The objectives of this programme are to raise productivity, and thereby reduce unit costs, by motivating dock workers with the help of salary increments based on the savings they help generate.

The wages of dock labor are generally related to cargo-handling throughput. Production standards per work shift are set, and premiums are paid for output in excess of those norms. Shifting divides cost savings between the IPA and the workforce. When dock workers are idle, the IPA is permitted to shift them between functions and to offer monetary compensation to those workers who accept early retirement. Over time, shifting provides the IPA with an opportunity to provide more efficient cargo-handling services. For example, a regular third or night shift might be established and retraining programmes offered. Thus, shifting encourages port labour to improve port productivity and cost-effectiveness.


suppliers and formulation of advertising strategies. When additional workers were hired, however, Saturn merely incorporated them into the plant's workforce without taking any steps to ensure that they would embrace a work setting whose hallmark was the pursuit by workers and their employer of a common goal. The error made by both Eastern Airlines and Saturn was that they failed to offer training programmes designed to create and maintain a collaborative attitude on the part of workers and management. Consequently, dock workers' participation as part-owners of port properties and their involvement in maritime employers' decision-making processes are powerful incentives, but to be fruitful they need to be supported by training programmes which will foster worker-management collaboration (The Economist, 11 June 1994, pp. 61-63).

It is also believed that dock workers will have an incentive to increase productivity and reduce costs if their wages are indexed for inflation and they are provided with job security. These types of measures began to be applied to civil service employees in Latin America and were extended to public-sector enterprises and then to many private businesses during the era of inward-looking development policies. Profit-sharing arrangements
for port labour are justified only if maritime employers and dock workers are both subject to market mechanisms and if port labour has a voice in workplace decisions, however. Dock workers should be allowed to share in the savings or cost reductions which result from changes in work practices through an increase in their wages and benefits. Just as dock workers are employees of terminal operators, the latter are employees of shipping lines. Terminal operators can provide job security to their employees (dock workers) only if they themselves enjoy a secure employment relationship with their employers (ocean-going carriers). The question is not whether port labour should share in earnings, workplace decisions and property ownership but rather whether such measures will result in greater productivity and cost-effectiveness.

Profit-sharing and other monetary incentives can improve productivity and cost-effectiveness only if payments are related to individual efforts. Dock workers will have no incentive to increase the productivity or limit the cost of activities over which they have no control. Monetary incentives will not work if labourers are carrying out boring tasks, either. Accordingly, the content of such tasks is often changed and workers are rotated to avoid monotony. Dock workers must understand that their individual efforts can affect overall terminal performance goals and that these efforts are directly related to incentive payments. Team-based compensation works well where individual efforts form part of a clearly-defined whole. To be effective, then, incentive payments are needed at the lowest service-production level, i.e., the cargo-handling gang. Once dock workers feel they have some sort of control over the incentive programme and the sums they are to receive, major improvements in productivity and cost-effectiveness become possible. The incentive programme should be based on a number of commercial criteria, such as user satisfaction, dock-worker productivity and wealth creation for maritime employers. Such criteria might also include the completion of training courses by dock workers (Business Week, 14 November 1994, pp. 62-64).

C. THE ACQUISITION OF MODERN TECHNOLOGIES AND DOCK-WORKER SKILLS

Modern technologies and dock workers’ skills provide the basic parameters which determine the services that can be offered, the markets that can be reached, the costs to be incurred, the training programmes required and the institutional framework needed. Indeed, such factors make a pivotal contribution to the shift from specialty services, or the handling and storage of individual units with varying dimensions and weights, to process
services in which large volumes of homogeneous goods or standard cargo-grouping units are handled in an identical fashion. The acquisition of modern technologies is most likely where cargo volumes are sufficiently large and stable to justify investments, where labour costs are a significant factor in overall port expenses and where such technologies are not rejected by dock workers. To avoid such rejection, maritime employers must offer a counterbalancing human response to port labour; this response has been referred to as "opportunity-oriented social equity" throughout this book. For dock workers to serve users properly, 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 modern technologies and accept training programmes.

Port operations should be reorganized to ensure the proper utilization of modern technologies. The reorganization of ports’ physical or cargo-handling and storage activities is quite straightforward; what it requires is for all service providers and recipients to ensure that facilities and equipment are being utilized in a manner which permits the rapid, uninterrupted movement of goods between ships and cargo owners, without any intermediate storage. A reform of the institutional framework governing port labour should reflect the needs of users, encourage dock workers to resolve problems, develop a multi-skilled labour force, permit the rotation of functions, and define social equity in terms of creating opportunities for users, dock workers and maritime employers (The Journal of Commerce, 11 August 1994, p. 7B). From the human point of view, the main limits on training are likely to lie in the capabilities of each individual to cope with greater skill requirements and responsibilities. Multi-skilling integrates many port functions and leads to the elimination of rigid task demarcations and job-preservation practices. Thus, the demarcations and distinctions between many dock-worker functions could eventually become unimportant and disappear.

The term “skill” is most commonly defined as knowledge of the means or methods to accomplish a given task (Real Academia Española, 1992, p. 175). This definition has been expanded in today’s global economy because workers’ problem-solving abilities have been found to play an indispensable role in the design and redesign of work processes, as well as in the formulation of business policies and training programmes which give terminal operators a competitive advantage. Most ports in the Latin American and Caribbean region train workers by means of on-the-job methods which are often pejoratively referred to as “follow, watch and imitate” or “leave your brains at the port gate” methods; there are no well-developed apprenticeship systems or emphasis on multi-task training (Fairplay International Shipping Weekly, 7 July 1994, p. 40). These training methods are a legacy of the labour-intensive era when port work was
Box 12
MULTI-SKILLING AT THE PORT OF ROTTERDAM

The European Container Terminus has a collective agreement with port labour unions which stipulates that crane operators may also run straddle carriers and terminal tractors. It is the practice for men who are trained and employed as an integrated crew to be stuffing or stripping containers, driving a fork lift truck, tallying, providing data for internal administration, counting and stacking goods, making the cargo seaworthy, closing and sealing containers and keeping their work area clean. Moreover, crane operators often avoid boredom by working four hours of their shift on a crane and then transferring to a straddle carrier for an additional three-and-a-half hours.


viewed as a temporary source of employment requiring no more than a minimal degree of technical competence. Today, however, dock workers operate complex equipment, and they need the insight and ability to understand how skills and the demand for greater productivity enhance the competitiveness of exports in international markets, as well as how such competitiveness attracts exporters, importers and carriers and how it generates new job opportunities both within and outside the port (Fairplay International Shipping Weekly, 7 July 1994, p. 40).

Modern technologies promote the extension of dock workers’ skills and knowledge from those required to operate a single 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. Labour unions, maritime employers and users have an opportunity to collaborate in the acquisition of sophisticated equipment and in the identification of functions and activities which already are or will later become inefficient or unnecessary. The handling of greater volumes of cargo with an ever-smaller number of dock workers is one of the realities of the capital-intensive era of port operations. For many years, labour-intensive systems have been portrayed in Latin America and the Caribbean as a more socially responsible method of creating and preserving jobs. Governments,

24 Regarding a similar situation in the British coal industry, see The Economist (27 March 1993, pp. 39 and 40).
in their capacity as port administrations and maritime employers, can no longer be considered socially irresponsible when they acquire labour-saving technologies, however, because these technologies boost the competitiveness of goods in international markets and provide dock workers with greater job and benefit security in an open economy (Ámbito financiero, 3 November 1993, p. 1). Thus, adopting a labour regime which exposes port labour to market mechanisms will help dock workers to see investment in modern technologies as a form of job security, at least for some, and the absence of such investment as a threat to all.

These equipment and skill changes create a stressful situation for port labour. Dock workers readily admit to everything from anxiety to fear of being unable to master new job requirements. Dock workers usually express such misgivings by stating, “I will not learn a new job with greater responsibilities for the same pay”, and “I don’t know anything about computer-controlled equipment and am too old to learn”. The utilization of modern technologies in many industries has led to claims of worker “de-skilling”, but it is actually only during the last four decades that dock workers’ activities have become skilled (Marshall and Tucker, 1992, pp. 36 and 37; Burnes and Fitter, 1987, pp. 83-99). Unions were quite strong when port labour was an undifferentiated mass of persons in need of representation, but today a much smaller group of highly skilled workers carries out the same operations using very sophisticated equipment. This could lead to a weakening of the port labour movement if dock workers are unwilling to accept new technologies and to negotiate collective agreements which permit their efficient utilization. As a consequence, Governments might consider dealing with labour’s concerns about redundancy by putting together a package of retraining and compensation programmes for displaced workers which will ensure the acceptance of modern technologies.

As an illustration of how the demand for dock workers has declined, it is interesting to observe that the handling of dry-bulk cargoes in the early 1950s at ports in the United Kingdom required 20 men for each cargo hold. By the mid-1970s, however, such cargoes were being handled at specialized terminals, and entire—and much larger—bulk carriers were being unloaded by a total of six men. Twenty years later, the loading of grain is carried out by three men, and the technology now being used makes it possible for one man to perform all the operations involved (The Journal of Commerce, 10 September 1993, p. 8B; 31 August 1993, p. 1B). With regard to marine containers, the following table summarizes the trend in container-handling systems at ports on the west coast of the United States.

As can be seen from the above table, container-handling systems allowed the man-hours required of dock workers to be reduced by 41.6% (29.1-17/29.1) between 1960 and 1994 despite the fact that cargo volumes
<table>
<thead>
<tr>
<th>Year</th>
<th>Man-hours worked (millions)</th>
<th>Tons of cargo handled (millions)</th>
<th>Productivity (tons/mh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>29.1</td>
<td>28.5</td>
<td>0.98</td>
</tr>
<tr>
<td>1980</td>
<td>18.5</td>
<td>113.7</td>
<td>6.15</td>
</tr>
<tr>
<td>1987</td>
<td>17.1</td>
<td>157.8</td>
<td>9.23</td>
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<td>1993</td>
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<td>1994</td>
<td>17.0</td>
<td>199.0</td>
<td>11.71</td>
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Source: Pacific Maritime Association.

increased by a factor of 6.98 (199/28.5). The utilization of modern cargo-handling equipment does not end with attaining or exceeding design capacity as measured in tons or units of cargo per hour with the help of highly trained workers; it also encompasses a never-ending effort to increase the productivity and quality of each input —operators, repair and maintenance— so that the activity's output will become more and more cost-effective.

Modern technologies have an enormous potential for creating a profitable basis for certain industries and contributing to the establishment of new ones far removed from ports, but none of this can come about without a properly trained and motivated workforce. In fact, the utilization of such technologies by a well-trained labour force has become the essential component of port and user competitiveness. If port labour regimes do not shelter dock workers from competition, they will have an incentive to utilize modern technologies efficiently and to respond to users' needs (Winston 1993, pp. 1263-1289; The Economist, 6 November 1993, p. 98). Dock workers no longer improve productivity and control costs only by what they do with their hands; they also must call upon a broader understanding of problems and make use of their intellect to meet users' requirements. Many believe that dock workers who are in need of literacy training cannot learn to operate electronic data processing and transmission systems, but nothing could be further from the truth. Some 30 years ago, for instance, efforts were undertaken at the Port of Tampico in Mexico to begin the transition to knowledge workers, and extensive training programmes were offered. Today, dock workers at the port operate computers and classify cargoes according to the requirements of the Customs Administration.
To a large extent, modern technologies establish the boundaries for the wages and benefits, skill requirements and career goals of dock workers. Because new technologies decisively alter those boundaries, they should be introduced in a manner which motivates workers and prepares them for unavoidable future changes. Port labour needs to participate in each step of the process of changing over from one technology to another in order to ensure that older equipment will be phased out as soon as more advanced models can be employed in a cost-effective manner. For example, IBM, the world's largest computer manufacturer, committed the fatal commercial error of trying to phase out old technologies as slowly as possible so as not to disrupt sales (Business Week, 17 October 1994, pp. 88-90; The Economist, 18 September 1983, p. 99). This ill-advised practice is commonly seen in Latin America and the Caribbean when port administrations accept labour's rejection of new technologies to maintain industrial peace or, when that is not possible, permit dock workers to utilize them in labour-intensive ways (El Mercurio, 9 August 1995, p. A5). The responsibility for acquiring new technologies remains with management, but labour unions, users and maritime employers should ensure that training programmes and compensation schemes are made available when wages, benefits, skill requirements and career aspirations are going to be altered.

Experience in industry after industry has demonstrated that modern technologies create a basis for task integration, productivity improvements, cost reductions, decreases in the demand for unskilled workers, and an increase in the demand for highly skilled operators and maintenance crews (Rush and Ferraz, 1993, pp. 253-273). If labour regimes, collective agreements and work practices are unsuited to such technologies, the existing institutional framework will not support their cost-effective utilization. Put another way, investments in new technologies are necessary conditions for making ports attractive to users in terms of productivity and cost-effectiveness, but in order for them to be sufficient for that purpose, they require the support of market-responsive port labour regimes and highly skilled workers. The competitive environment created by such regimes will encourage maritime employers and port labour to adopt a sufficiently flexible attitude to accept inevitable future changes. This amounts to a change in port culture --attitudes and beliefs-- and can be successfully attained only if port labour and maritime employers are subject to the same standards of commercial efficiency, which are those dictated by market mechanisms (Port Development International, January/February 1995, pp. 29 and 30; Fairplay International Shipping Weekly, 14 July 1994, p. 35; Containerisation International, April 1994, pp. 43-47; Ports and Harbors, April 1994, p. 25).
D. THE IMPROVEMENT OF PORT EFFICIENCY

The concept of efficiency is usually defined in vague terms relating to the satisfaction of wants within certain resource and technological constraints (Eatwell, 1987, pp. 107 and 108). For the purposes of this book, the term "port efficiency" refers to the provision of cargo-handling and storage services which meet users' needs in the most productive and cost-effective manner possible. It is influenced by the skill and productivity of dock workers, the equipment and facilities used, and the degree to which such factors are integrated. Because the needs of port users are physically dispersed, vary widely and are constantly evolving, they can only be met by coordinating the responses to those needs both within and outside ports. In fact, much of the time spent handling cargoes is wasted because ports' operational structures do not integrate diverse cargo-handling functions so as to create a true system; instead, these functions are simply carried out one after another, so each succeeding function cannot be performed until those that come before it have been completed. This translates into costs which are normally recovered through port tariffs, government subsidies or both.

Efficiency also means that no other allocations of production factors—land, labour and capital—can be found which would improve the situation of one person without causing that of another to deteriorate. This suggests that the wages, benefits and work practices of dock workers may be considered efficient if they do not restrict or negatively influence the commercial activities of users or maritime employers. Wage and benefit increases have to be financed by improvements in productivity and reductions in costs which either maintain or improve the competitiveness of goods, transport services and port facilities. Port labour is often not the only cause of low port productivity, however. For example, in order to avoid renting expensive cargo storage space outside the port of Montevideo, Uruguay, shipping agents want stevedores to work slowly when unloading ships. Wage and benefit increases that are achieved through the exercise of monopoly power, the restriction of productivity and the limitation of user choices distort prices and misallocate resources. Governments can contribute to the improvement of port efficiency by formulating port labour regimes which allow the unimpeded interplay of market mechanisms to balance their own interests, the social objectives of labour and the commercial goals of the private sector.

The labour movement is well aware that the participation of private interests and the free interplay of market mechanisms will eliminate job-protecting inefficiencies and compel them to accept modern
technologies and supporting institutions. The "social question" mentioned earlier provided easily definable parameters, such as wage increases to maintain purchasing power, profit-sharing and job security; today, however, social equity is an opportunity-oriented concept that encompasses new job assignments, compensation schemes and training programmes, as well as the competitive position and commercial viability of users and maritime employers. For nations that have introduced export-led growth policies, port efficiency can be enhanced by inter-port and intra-port competition, as well as by inter-union, intra-union and non-union competition. Put another way, the governmental allocation of resources and privileges among contending groups is based on a social-political approach which has not contributed to the efficiency of ports in the Latin American and Caribbean region. This five-part competitive paradigm will serve users' needs in terms of efficiency, since expanding volumes of goods cannot continue to be handled by a labour-intensive, costly, slow and damage-prone system.

As an illustration of this point, it is interesting to note that the ILA at the Port of Philadelphia on the east coast of the United States has agreed to utilize fewer dock workers and to have them work nine-hour shifts without any overtime pay when unloading ships carrying Chilean fruit; in addition, it has formulated a plan to keep such unloading operations running during labour disputes so that shippers will not switch to other ports (The Journal of Commerce, 4 October 1993, p. 1B; 6 March 1991, p. 8B; 4 February 1991, pp. 1B and 8B; América economia, March 1993, p. 36; Benedict, 1990, pp. 28 and 29). Nevertheless, the port has been losing Chilean fruit cargoes to the neighboring Port of Wilmington, Delaware, where charges are 40% lower even though its dock workers belong to the same union (The Journal of Commerce, 18 January 1995, p. 10B; 5 December 1984, p. 7B; 21 October 1993, p. 1B; 27 September 1993, p. 5B; 10 June 1993, p. 8B; Fairplay International Shipping Weekly, 10 June 1993, p. 27). ILA dock workers 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 shipments. For their part, the Teamsters (a truckers' union) perform the same work for only US$ 11 an hour (The Journal of Commerce, 23 December 1994, p. 1B; 12 September 1984, pp. 3C and 4C; 12 January 1994; p. 8B; 27 October 1993, p. 5B). The employment of Teamsters to load and unload vessels at a nearby United States east-coast port in New Jersey was actively resisted by the ILA, but a court order supported the Teamsters' position and has set a precedent for inter-union competition (The Journal of Commerce, 9 January 1995, p. 8B; 29 April 1994, p. 1B; 3 January 1994, p. 1B; 15 December 1993, p. 8B; 1 December 1993, p. 1B;
30 November 1993, p. 1B; 2 September 1993, p. 5B). Thus, the more that dock workers are exposed to inter-port, intra-port, inter-union, intra-union and non-union competition, the more likely it is that users’ efficiency needs will be met.

Port union leaders frequently state that dock workers’ wages are so low that dock workers do not earn enough to meet their basic needs; users and maritime employers disagree, however, and argue that cargo-handling charges greatly exceed those of other regions. Both statements are true. This would seem to indicate that labour and cargo-handling costs are not responding to market signals, thus creating a situation that precludes an efficient allocation of resources. Distortions in the allocation of such resources usually stem from the labour-intensive utilization of modern technologies, cargo-handling monopolies, overstaffing, and the payment of wages and benefits to compensate dock workers for long periods of unemployment. To correct these distortions, labour regimes should be reformed in such a way as to expose the supply and demand for port labour to market signals, which will then bring them into equilibrium, and the workforce needs to be trained and employed on permanent, contractual and casual bases. This kind of system would not only lead to an increase in dock workers’ wages and benefits, but would also boost the competitiveness of the nation’s exports in international markets, the total amount of foreign exchange received and the level of savings realized on the cost of imports purchased by domestic consumers. Thus, the unimpeded interplay of market forces affecting the supply and demand for dock workers will contribute to progressive gains in port efficiency.

Efforts to improve port efficiency meet with failure when privileges that have been given up by one group are seized by—or allowed to fall into the hands of—another. This is what occurred at the Port of Callao, Peru, when port labour made major wage concessions. The most serious error committed in this case was that the reductions made in dock workers’ wages were not exposed to the competitive influence of market mechanisms but were instead allowed to fall into the hands of shipping agents, while port charges and ocean freight rates remained the same. If the decrease in dock workers’ wages had been subject to market mechanisms, it would have been apportioned among all the members of the port community according to their individual competitive structures and would have benefited users. Thus, once advantages that have been won by political means are freed from the control of one group, they should be exposed to the open, competitive pressures of the marketplace. If dock

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workers are to contribute to the improvement of port efficiency, the port labour regime has to utilize market mechanisms to balance the bargaining power of maritime employers and unions. This will ensure that such mechanisms are the ultimate arbiter of commercial objectives for users and maritime employers and of social goals for port labour.
V. THE INSTITUTIONAL FRAMEWORK OF PORT LABOUR REFORM

The industrial revolution put an end to the age-old process whereby a master and his apprentices carried out all necessary production functions and accepted responsibility for the cost and quality of the goods they made. Thereafter, product knowledge and task flexibility on the part of workers became unneeded traits, since workers were trained to carry out just one task. This permitted management to reserve all decision-making powers for itself, while labour was simply required to follow instructions. With the advent of worldwide production techniques, electronic information systems and the competition inherent in a borderless global economy, however, workers have come full circle and have returned to the point where they started: individual responsibility for the cost and quality of goods and services. Most Governments recognize the need to reform labour regimes so as to reflect this changed commercial setting, but the social and political pressures which are at work are so great that, unless properly dealt with, they could preclude the achievement of a commercially viable regime. As a consequence, Governments need to ensure that unions, maritime employers and users wield no control over legislators, public-sector officials or political parties other than the power exercised by all citizens through their votes.

A reformed institutional framework for port labour which reflects this change would not mean that dock workers would be denied any of their traditional rights, but merely that those rights would be neither superior nor inferior to those of others. For example, the Government of Argentina recently deregulated health services, but it allowed the unions to retain their monopolies in that area. Accordingly, union members may only select a health plan from among those made available by labour organizations. These plans are the basis of organized labour's financial power (Business Latin America, 17 April 1995, p. 3; Ámbito financiero, 8 January 1993,
In other words, the health services provided to union members do not compete with those furnished to the general public, and could easily become less efficient and more expensive in this separate, protected market. A market-responsive port labour regime should ensure that all entities which provide services and facilities will operate within a single commercial environment bounded by the same laws of supply and demand, profit and loss, freedom of entry and exit, scale economies, customer likes and dislikes, and perils of bankruptcy. Under such a system, maritime employers and port labour would have equal bargaining power, unimpeded access to market mechanisms, and joint responsibility for service cost and quality.

The foremost problem in reformulating the institutional framework for port labour is, quite succinctly, that port labour unions have no strategy and lack vision when it comes to identifying and defining appropriate roles for dock workers in a commercial environment which does not permit registration systems, cargo-handling monopolies or government subsidies. It would be easier to overcome this problem if the demand for dock workers' services were growing, since then redundant workers could be retrained and reassigned to other functions within the ports; instead, however, dock workers face a diminishing demand for their services even though the volumes of cargo being handled are on the rise (Handy, 1994, pp. 24-27). Port labour reform will help to create new sources of employment both within and outside the ports by ensuring that dock workers will enhance the competitive positions of the users they seek to serve, of the maritime employers who hire them and of the ports in which they work. To achieve this objective, an evaluation is required of the roles of: i) market mechanisms, ii) Governments, iii) port labour regimes, iv) collective agreements, v) the port labour movement, and vi) maritime employers.

A. THE ROLE OF MARKET MECHANISMS

Market mechanisms involve such factors as supply and demand, profit and loss, freedom of entry and exit, scale economies, customer likes and dislikes, and the threat of bankruptcy. These factors play a pivotal role in

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26 Whether workers will be allowed to choose between union-provided pensions and the newly privatized retirement funds is also unknown. See América Economía (November 1993, p. 13) and Business Latin America (22 November 1993, p. 3).
27 Regarding a similar situation in the automobile industry, see The Economist (26 March 1994, p. 82).
laying the foundations for innovations in cargo-handling services and for improvements in port efficiency. Entrepreneurs responding to market mechanisms initiate interactive competitive processes that lead to advances in technologies, products, services and skill requirements. The supply and demand for port labour is strongly influenced by government policies, but market mechanisms are the most effective means of bringing them into commercial equilibrium. The balancing of labour supply and demand through market mechanisms and antitrust laws offers an independent, unbiased standard applicable to both dock workers and maritime employers for controlling the size of the workforce without expanding public expenditure or the role of Governments, except in the form of initial retraining and compensation expenses. The competitive stimulus of market mechanisms balances the natural desire of dock workers and maritime employers for non-market privileges and compels each to make progressive improvements in terms of productivity, cost reductions, innovation and needed investments. The essential factor is the avoidance of monopoly control of any port service—whether by port labour, maritime employers or Governments—in order to preserve an open, competitive environment.

The worldwide influence of market mechanisms and the incorporation of national economies into a global competitive structure are viewed as a long-term source of commercial growth and security, but they also represent a separation of national production and consumption functions. The linking of production and consumption, whether within a city, state or nation, has been prevalent throughout history. Henry Ford, for instance, paid no one in his automobile factories less than US$ 5.00 a day so that they could buy his famous Model T (Piore, 1990, pp. 35-49). He knew that mass production is based on mass consumption and that his prosperity was tied to theirs. Ford sought to push back the boundaries of the national automobile market through wage increases for workers. Today, however, business enterprises combine labour, capital and material inputs from numerous nations and sell their products in yet other nations (Handy, 1994, pp. 200 and 201; Reich, 1992, pp. 110-118; Marshall and Tucker, 1992, pp. 32 and 33, Porter, 1991). They ensure that their goods are competitive in very demanding international markets by controlling the cost of each input and maintaining high levels of productivity, and both of

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28 For an opposing view, see Srinivasan (1990, pp. 63-70).
29 Wage-led growth is related to Say's Law, which states that supply creates its own demand. The wages paid to workers as they produce goods and provide services and the earnings paid to stockholders in the form of dividends give workers and stockholders the means to purchase the very goods and services that were produced in the first place. Price reductions are another way to extend market boundaries. See Reich (1992, pp. 43-45 and 304) and The Nikkei Weekly (14 February 1994, p. 18).
these factors directly influence job security and remunerations for labour. This would seem to place business above the well being of surrounding markets and above workers’ needs, since their fates are now tied to international consumers located many time zones away. This situation has led to efforts to create links between labour standards and trade (Seatrade Week Newsfront, 17-23 June 1994, p. 13; South-North Development Monitor, 21 June 1994, pp. 2-5; 10 June 1994, pp. 4 and 5; 8 June 1994, pp. 2 and 3; The Economist, 16 April 1994, pp. 79 and 80).

The exposure of dock workers to market mechanisms creates powerful incentives for them to enhance their earnings and job security through new ideas and innovations which improve cargo-handling productivity and the overall competitive position of maritime employers and users. For example, in 1987 Goodyear of Chile, upon finding itself heavily indebted and facing strong international competition, requested assistance from its workers. After employees attended workshops of one week in duration, they were given the authority to innovate and solve problems. With a guiding principle of “just do it”, productivity has increased 50% since 1991 without practically any capital investment (América Economía, 1993, p. 72). By the same token, the intense competition created by a global economy will be felt by dock workers through the deregulation of the supply and demand for port labour, the decentralization of all commercial endeavours, participation by private investors, and collaboration with maritime employers to improve productivity and reduce costs (El Mercurio, 10 July 1994, p. A3; The Journal of Commerce, 5 July 1994). This will avoid the centralized, common-denominator, social-political approach to labour relations which has traditionally left the commercial needs of users’ unsatisfied (International Herald Tribune, 28 and 29 May 1994, p. 11). Thus, the commercial challenges facing users cannot be met without exposing dock workers to the competitive influence of market mechanisms.

In 1980, for instance, the ILA began negotiating a master contract for dock workers at all Atlantic and Gulf coast ports in the United States (Ruben, 1980, p. 57). Six years later, ports on the Gulf coast reacted to an increasing loss of cargoes to non-union and competing union facilities by terminating that agreement and giving up the contractual provision that guaranteed them a specified annual income (The Journal of Commerce, 28 January 1994, p. 7B; 4 December 1990, p. 8B; Brubaker, 1986, pp. 66 and 67). These initiatives prompted the ILA to accept a two-year extension of its existing four-year collective agreement without any wage increase.

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30 For an in-depth evaluation of similar experiences in connection with Xerox Corporation, Harrison Radiator and Trico Products Corporation, see Klingel and Martin (1988).

"We want to make you happy because you can go to a non-union port and I don't want you there" (The Journal of Commerce, 28 October 1993, p. 1B; 13 August 1993, p. 8B).

The ILWU on the west coast of the United States is following the ILA's lead in its local labour negotiations, as is the Southern Pacific Rail Corporation (The Journal of Commerce, 21 January 1994, p. 1B; 20 January 1994, p. 8B; 24 November 1993, p. 2B; 3 November 1993, p. 2B; 2 November 1993, pp. 1A and 2A; International Transport Journal, 8 October 1993, pp. 3467 and 3468). The competitive structure of a global economy requires Governments to decentralize collective negotiations in order to ensure that they are subject to the commercial influence of local markets (The Journal of Commerce, 19 April 1995, p. 1B).

It is almost meaningless to state that the objective of port labour reform is to ensure that dock workers respond to the competition faced by users. This is because such a statement is, in essence, a conclusion that lacks any obvious parameters to make it operational. Such parameters would include the following: first, Governments cannot carry out a commercial reform of port labour regimes, collective agreements and work practices without understanding that the demand for dock workers' services is derived from the demand for the goods they handle; second, Governments can no longer permit port labour unions to utilize registration systems, cargo-handling monopolies and subsidies to avoid the competitive influences facing users. These factors will competitively restructure port labour inputs, support users in their efforts to survive as commercial enterprises, create new sources of employment and help nations to grow. If these steps are not taken, the price of exports and imports will be excessive and producers from other countries and regions will capture the markets that appear to be on their way to being abandoned. For example, the director of the Japan Shippers' Council asserts that Japanese ports are not internationally competitive because of regulations that forbid work on Sundays (except for the Port of Shimizu and two piers in Yokohama), prohibit carrier discretion in the selection of terminal operators, impose expensive weight and measurement charges, and restrict the use of private cranes (Fairplay International Shipping weekly, 17 November 1994, p. 36; The Journal of Commerce, 28 October 1993, p. 1B).

Users face a wide range of different factors which influence their individual supply and demand curves, profit and loss prospects, and considerations relating to economies of scale. For example, exporters and importers may find that the goods they are trying to sell face fierce competition from others which give consumers greater satisfaction; carriers
may find that the technologies they are using are not competitive with those of other routes carrying competing goods to the same markets due to smaller cargo volumes; and ports may be turning a profit while maritime employers at some of their terminals are going bankrupt. However, market signals create a basis for collaboration between maritime employers and port labour so that they may jointly formulate commercial responses to problems such as those posed by continual shifts in consumer preferences, the need for trade promotion and a bankruptcy in the midst of profitable operations. A commercial port labour regime would encourage this process not only by exposing dock workers to the stimulus of market mechanisms and authorizing them to innovate and solve problems but also by safeguarding jobs and worker benefits through changes which lead to improvements in port efficiency (The Economist, 28 January 1994, p. 69).

Ports face certain unavoidable political, social, commercial, technical, operational, legal and environmental realities, but the importance ascribed to each and their relevance will be different in a global economy. Dock workers can no longer be isolated from the competition confronting users and maritime employers or from the risk of bankruptcy that they run. Port directors can no longer act as if they were the head of an extended family and be open to special pleadings for wages, benefits and promotions. Private participation in public-sector ports should not only eliminate inefficient enterprises but should also ensure that port labour accepts technological innovations and the institutional framework which supports them. For example, the supreme court of Argentina recently upheld a decree issued by the President of that nation in 1992 to deregulate port services. The decree angered labour unions because it did away with the hiring of dock labour on a daily basis, created permanent employment for such workers and nullified portions of collective agreements upon which maritime employers and port labour unions had agreed (The Journal of Commerce, 14 December 1993, p. 7B). Thus, the essential goal of port labour reform is to enhance the attractiveness of ports for users and the competitiveness of exporters' and importers' goods while at the same time laying a social-commercial foundation for dock workers' wages and benefits.

Market mechanisms touch everyone, and the concept of a national economy is becoming increasingly unclear in a globally competitive world (Reich, 1992, p. 8). Genuine, unsubsidized, unprotected economic growth is brought about by responding to competition, not by isolating enterprises and workers from it, and such responses are based upon a willingness to offer new products and services, transform production systems, retrain workers and utilize modern technologies. Unimpeded
flows of goods, funds, labour, services, technology and information are what create globalized competitive markets (The Wall Street Journal, 28 September 1993, pp. C1 and C20; The New York Times, 28 September 1993). For example, market mechanisms set in motion a series of interactive commercial processes which place limits on how much manufacturers can charge for goods, limits on how much ocean carriers can charge for transport services and limits on how much dock workers can charge for cargo-handling services. Port users are customers (since they are purchasing inputs of labour and materials) who in turn have their own customers (purchasers of their goods and services), and this means that any unnecessary labour costs or work stoppages will affect them all (The Journal of Commerce, 10 January 1994, p. 21). When dock workers are exposed to the influence of market mechanisms, however, they will come to see that their future lies in fulfilling users’ needs rather than in government largesse.

B. THE ROLE OF GOVERNMENTS

The rationale most Governments of the Latin American and Caribbean region have employed to justify their decidedly interventionist role in the ownership, operation and administration of ports has been based on import-substitution policies, national defense requirements, economic security, and the need to achieve industrial and social goals. Most Governments have established dock-worker registers, have acquiesced to cargo-handling monopolies, have subsidized loss-making activities and have often awarded executive positions to loyal party members, all of which has led to inefficient, expensive, overmanned ports (Business Week, 21 March 1994, pp. 2 and 3). The situation has begun to change, however, with the emergence of a global economy, the introduction of export-led growth policies, the participation of private investors and the acquisition of modern technologies. In this new competitive setting, the inefficiencies and costs inherent in earlier port labour regimes have suddenly become visible “like the hulls of sunken vessels at low tide” (Apolo, 1994, p. 39). In order for Governments to take corrective action, they must cease to isolate dock workers from the competitive requirements of the international labour market because export-led policies have thrust them into the global economy; by the same token, Governments must cease to employ dock workers under bureaucratic arrangements which demotivate them because their knowledge and problem-solving abilities are needed in order to achieve commercial and social goals.
Most port directors in Latin America and the Caribbean are government employees who have abdicated their operational and planning responsibilities and handed them over to the unions in order to avoid labour problems. Such a surrender of authority is deceptively logical, inasmuch as port labour is presumably knowledgeable about which cargo-handling practices might be modified, eliminated or adopted to improve productivity and reduce costs, ministries of labour have legislative and regulatory authority to control any excessive demands on the part of dock workers, and port administrations are supposedly manned by specialists in planning and operations capable of ensuring that cargo-handling and storage activities are productive and cost-effective. Probably the most persuasive rebuttal to this specious line of reasoning is that, unlike users and maritime employers, port unions and government officials do not respond to market mechanisms, which means that their demands and regulations usually lack a commercial orientation. Seldom are port labour unions and port administrations in the Latin American and Caribbean region staffed with persons who understand the fundamental market-based, service, legal and technical factors underlying port operations and the ongoing evolution of the forces that are changing them. Thus, Governments should designate port directors who are professionals in their field and who have sufficient experience to ensure that the port will offer productive, cost-effective and competitive service.

When the first labour codes were adopted in the mid-1920s, most Latin American and Caribbean Governments viewed port workers as being in need of representation. This laudable attitude has been distorted, however, to the point where port workers are now seen by political candidates and their parties as a useful force for winning elections and dominating port activities—an area of enormous commercial, political and social importance. In this context, port-labour monopolies, registration systems and subsidies were created, through both commission and omission, in Latin America and the Caribbean over a period of many decades by Governments covering the entire political spectrum, and those currently in power are generally reluctant to risk their popularity with voters by undertaking the reformulation of port labour regimes on their own. In an export-led economy there is no more certain means of undermining the competitive position of users, as well as the economic growth potential of a nation, than to isolate some or all of those in the production and distribution chain from the competitive influence of market mechanisms. Meanwhile, Governments can enhance their standing with voters by formulating compensation and early retirement schemes and by providing training programmes.
for redundant dock workers, provided that they do not exceed the commercial bounds of opportunity-oriented social equity.

Governments are actually a type of contract between elected officials and citizens under whose terms the former listen and react to the stronger and better-organized groups of the latter. Labour unions are a dominant force in port-related matters, and their alliances with elected and appointed government officials and political parties provide labour leaders with a substantial degree of influence over legislative, regulatory and policy-making processes. This has a negative impact on port productivity and costs. For example, labour costs at many public-sector ports in Latin America and the Caribbean exceed 80% of total operating expenses. At British ports, such costs average 60%–70%, and at those of the Netherlands, around 60% (The Journal of Commerce, 21 October 1994, p. 7B; Turnbull and Weston, 1992, pp. 385-404; Risenbrij, 1983, p. 11). High port labour costs lessen the competitiveness of goods in domestic and international markets, reduce foreign exchange receipts, and limit private investments. Governments have to guard against creating a package of benefits for dock workers which will nullify market mechanisms, ensure that dock workers have the freedom to establish unions, or even to form a number of different unions in the same workplace for similar functions, and give the greatest weight to the needs of users when decisions are being made concerning port labour reform. In the electronically-linked, high-performance, fully integrated commercial world of the 1990s, Governments have no alternative but to adopt labour regimes which expose dock workers to market mechanisms.

The changing role played by Governments in the ports of today's global economy—as they make the switch from being owners, investors, regulators, operators, employers and administrators to being owners and regulators with limited investment and operational roles—calls for commercial, rather than social-political, responses to market signals and sets the stage for struggles of overwhelming emotional intensity among users, Governments and port labour unions. For example, users demand that ports use advanced equipment and facilities, but port administrations claim they are unable to compete against priority sectors—health, education, energy and agriculture—for the public-sector funds needed to make such investments and cannot use port labour in a flexible enough manner to respond to users' needs. Within this context, Governments are often held responsible for everything from an inability to resolve labour disputes or set port charges at appropriate levels to a lack of suitable equipment and facilities. Each port group, depending on its point of view, considers its Government to be correct or incorrect, competent or incompetent, blameless or omni-responsible. To avert
such antagonism, Governments need to overcome their deep-seated tendency to resolve commercial problems by political means, to assume that national policies and legislation take precedence over market mechanisms, and to utilize port labour as a political instrument.

The major objective of Governments in restructuring the institutional apparatus governing port labour is to create a market-oriented environment in which people and groups who need to cooperate with each other, despite conflicting or incompatible interests, can forge credible and enforceable agreements. To achieve this 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. These factors require a regulatory framework which permits dock workers to organize one or more unions in the same workplace, to obtain certification by relevant government agencies as lawful bargaining agents when an agreed minimum—say 10%—of dock workers so desire, to join and quit unions, and to engage in ongoing collective negotiations (Piñera, 1990, pp. 101-103; Schwieger, 1988, pp. 344-349). Under these circumstances, no port labour regime is definitive but must instead be continuously modified as new technologies come into use, as new user needs come to light and as new cargo-handling practices are introduced. It is therefore incumbent upon Governments to ensure that market-oriented port labour regimes are established that will create a shared basis for collaboration between users, unions and maritime employers.

Governments can neither make port services competitive by decree nor isolate port labour from market mechanisms at a reasonable cost in an open economy, but they can adopt laws which give maritime employers and port labour an opportunity to become competitive by eliminating measures which impede their responses to market signals. For example, a decision by the Government of Trinidad and Tobago to reduce the number of workers by 2,600 at the public-sector Port Authority, the Water and Sewerage Authority, and the Public Transport Service was certainly laudable, but its success largely depended on the steps taken the Government beforehand to explain to workers why changes were needed and what measures had been adopted to protect their rights (The Economist Intelligence Unit, 1984a, p. 26). Governments should prepare studies, hold seminars and utilize the mass media to demonstrate to the labour movement that market-oriented labour reform is inevitable, that workers will be compensated and that it will ultimately benefit the nation. They need to design compensation, early retirement, retraining and rights
settlement programmes and then explain the provisions contained in those programmes. When the Minister of Labour in Chile was engaged in this process, he found television to be an extremely useful tool because it permitted him to present the elements of the new labour regime directly to union members, instead of indirectly via labour leaders.

Governments can no longer espouse export-led growth objectives while at the same time supporting monopolistic labour regimes, collective agreements and work practices which increase costs for users. The existing structure of labour relations needs to be questioned in view of the fact that it has become difficult to reconcile, at a commercial level, the position of Governments (port administrations and maritime employers), the goals of labour and the commercial requirements of users within the framework of bipartite (government-labour) collective negotiations (ILO, 1994, pp. 4, 33-40 and 104). Government efforts to create a commercial labour structure for ports will succeed only if Governments remove themselves from direct involvement in labour relations. This will not, of course, affect their responsibilities regarding the formulation of a market-responsive institutional structure which outlines the necessary requirements in relation to workplace safety, minimum wages, dispute settlement procedures, compensation for displaced workers and training (Ruiz-Tagle, 1991, pp. 98-124). Thus, the absence of direct government involvement in the area of labour relations ought to forestall situations in which wage, technical and institutional proposals are rejected out of hand for political reasons and should encourage dock workers to professionalize their activities and to provide firmer support for the achievement of trade goals.

C. THE ROLE OF LABOUR REGIMES

The capacity of manufacturers to utilize inputs and to engage in production and assembly operations worldwide means that they have the capacity to orchestrate these factors in a fashion which creates competitive advantages (i.e., by stabilizing their supply of raw materials, employing lower-cost labour or gaining access to needed skills, reducing production and distribution costs, improving efficiency and positioning themselves for entry into final markets) (Business Week, 7 November 1994, pp. 106 and 108). Cargo-handling services are an inescapable part of these constantly evolving and highly competitive factors, and port labour regimes should encourage dock workers to transform their activities on an ongoing basis so as to mirror the ever-changing needs of users. If this is to be accomplished, however, labour regimes cannot isolate dock workers from
the competitive atmosphere of the international labour market.\textsuperscript{31} The exposure of dock labour to the requirements of that market will strengthen the competitive positions of users who have to work within a profit-and-loss structure in order to fulfill their commercial goals. Unfortunately, port labour regimes in most Latin American and Caribbean countries are political creatures which utilize registration systems, cargo-handling monopolies and government subsidies to eliminate any need to rely on natural advantage, hard-driven efficiency and cost-effectiveness.

The main question facing Governments is to determine what components a labour regime needs to include in order to motivate dock workers to satisfy users' needs. The Secretary of Labor for the United States Government, Robert Reich, partially answered that question when he announced plans to establish a commission to study the need for labour law reform with a view to fostering 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 (The Washington Post, 17 March 1993, p. C3; Bluestone and Bluestone, 1992, pp. 5-8 and 17-19). There are many political obstacles to the achievement of that goal, however. For example, the Government of Argentina drafted a law to reform its labour regime so as to reduce the distribution costs and improve the competitive position of its goods in international markets. This bill would permit multiple unions in the same activity, allow workers to be hired for six-month, 18-month and two-year periods at a reduced level of compensation in the event of

\textsuperscript{31} The competitive atmosphere of the international labour market is heightened by cross-country comparisons of labour costs and worker productivity. For example, the October 1993 issue of International Investment Research, published by Morgan Stanley, New York, indicated that such costs range from a high of \textsterling 24.85 per hour in Germany to a low of \textsterling 0.02 in Russia, with Brazil at \textsterling 2.68 and Mexico at \textsterling 2.41. For similar labour cost comparisons, see The Economist (1 October 1994, pp. 16-22; 30 July 1994, p. 63; and 25 September 1993, p. 31). With regard to productivity, an article entitled “Workers of the world unite” (The Economist, 23 October 1993, p. 88) reviewed a study entitled “Manufacturing Productivity” prepared by the McKinsey Global Institute (October 1993) and pointed out that in 1990 Japanese workers were 83\% as productive as those of the United States while the figure for German workers was only 79\%. Due to an elaborate web of protectionist measures, the Japanese steel, electronic and automobile industries are losing their world leadership position. In an article entitled “Death of an oxymoron” (The Economist, 25 June 1994, p. 77-78), which reviewed a follow-up study prepared by the McKinsey Global Institute entitled “Latin American Productivity”, it was suggested that low productivity in the Latin American and Caribbean region is the result of a lack of competition. It appears that, over the long term, Adam Smith’s insight remains valid: competition improves productivity and protection worsens it. Eventually, a protected economy loses its commercial vitality. See Business Week (27 June 1994, p. 44).
dismissals as a means of providing business enterprises with the necessary flexibility to adapt to changes in production requirements, remove the Government from employer-employee dispute settlement processes and restructure wages to authorize the payment of a base salary and incentives for productivity.\textsuperscript{32}

Before this bill was sent to the legislature, pressure from labour resulted in the elimination of approximately 240 of its original 344 articles and then in the reduction of the remaining articles to 18 labour standards, all of which strengthened the already dominant position of the unions (Ámbito financiero, 25 July 1994, pp. 5 and 12; 15 February 1994, p. 8; 17 August 1993, pp. 3 and 5; 12 August 1993, p. 4; 15 May 1993, p. 1; 12 April 1993, p. 5; 24 February 1993, pp. 1 and 2; América economía, November 1993, pp. 36, 38 and 40; Latin American Regional Report - Southern Cone, 27 March 1993, p. 5; Business Latin America, 3 March 1993, p. 8). However, legislators were faced with an urgent need to encourage employers to increase hiring in order to lower the unemployment rate among the economically active population, which had reached 12%. As a consequence, additional modifications were introduced to make it possible to hire new employees for periods of up to three months, workers for less than two-thirds of a normal working day, men over 40 years old and women of all ages for periods of from six months to two years with union approval and persons between 14 and 25 years of age in apprentice positions, all at reduced rates of compensation, with partial or total exemption for employers from retirement and social security payments, and without any mandatory severance pay. Thus, the changes suggested by unions were rejected by the Government, even though in most cases employers’ contributions to union health plans were maintained (Business Latin America, 17 April 1995, p. 3).

Another part of the answer lies in a decision on the part of each Government as to whether to continue using a system which utilizes registration systems, subsidies and monopolies to control dock-worker activities or to develop an institutional framework which utilizes market mechanisms to ensure the productivity and cost-effectiveness of dock workers’ services. As an illustration of this choice, let us consider the fact that there are two ways in which a port can specify what is needed for the construction of a new wharf. The first is to give bidders the design specifications with detailed drawings that indicate the requirements of individual components, the materials which are to be utilized, etc. The second way is to provide performance standards for the completed pier;

\textsuperscript{32} Proposals have also been made to eliminate government intervention in the settlement of commercial disputes between shipping lines and shippers. See The Journal of Commerce (7 December 1993, p. 8B).
that is, the types and sizes of ships and the peak volumes of cargo to be handled, point-load requirements and the pier's required service life. Whereas the former creates an incentive for builders to comply with specifications in a minimal fashion so as to reduce their costs, the latter encourages them to develop innovative designs which will meet performance standards in a cost-effective manner. Accordingly, Governments should devise commercially-oriented port labour regimes which utilize the market signals arising from users' needs to provide performance standards for dock workers.

A market-based port labour regime should place limits on both port labour and maritime employers, but such restrictions are jural opposites. That is, the obligations of maritime employers are the rights of port labour, and the rights of maritime employers are the obligations of port labour. Port labour should not be allowed to disrupt cargo-handling activities, work slowly, cease working while a collective agreement is in effect, fail to comply with provisions of national labour regimes which require a suspension of strikes, limit the establishment of other unions in the same workplace or exercise monopoly control over cargo-handling and storage services. On the other side of the coin, maritime employers should not be allowed to dismiss workers without cause, ignore provisions of labour regimes and collective agreements, or enter into an arrangement with other employers to refrain from hiring discharged workers or to limit wage and benefit increases. For example, certain employers in the Latin American and Caribbean region have developed the practice of simply not responding to the demands of workers for collective negotiations within stipulated time periods in order to create an image of indifference and inflexibility on their part (The Journal of Commerce, 2 September 1994, p. 1B; De Paula, 1993, pp. 94-103; Bluestone and Bluestone, 1992, p. 202; Piñera, 1990, p. 134).

In order for a reformed institutional framework to be viable, it needs to be coherent and simple to understand. This attribute is an essential one because it will ensure that dock workers—i.e., the people who actually operate equipment and handle cargo—will, in fact, apply these new provisions to their daily activities. This kind of reformulation also entails laying a foundation for the participation of private interests in port services and facilities. At the practical, cargo-handling level of port operations, it means that dock workers will have to acquire new skills and accept new operational practices. The risks inherent in the reformulation of labour regimes stem from the fact that each member of the port and trade community will support and resist different aspects of every change. That is, maritime employers might oppose the creation of an open, competitive environment because it would eliminate a guaranteed return on their investments and they would be called upon
Box 13

LABOUR REFORM IN CHILE

In 1978 the military government of Chile adopted Decree-Law 2,200 and then, the following year, went on to promulgate Decree-Laws 2,756 and 2,758. These statutes modified the 1931 labour regime in such a way as to transform employer-employee relations. The new regime has provided workers with many new and far-reaching freedoms and has dramatically altered the Government's role. Workers can now organize one or more unions in the same workplace for the same functions, with government recognition being a mere documentary formality. In addition, collective bargaining is held at each factory instead of nationally, and workers have the freedom to agree to non-strike clauses, go on strike, vote by secret ballot on all union matters and conduct negotiations without government involvement. Decree-Law 18,032 of 1981 extended the coverage of this regime to include port workers.

The rationale for these changes was based on a desire to neutralize the political pressure which, for decades, had been transmitted from labour to the Government and from there to employers in an effort to persuade employers to accept certain demands. Another objective was to eliminate "side-agreements" between the Government and employers under which subsidies, tariffs or other forms of protection were granted in order to isolate employers from competition so that they might have sufficient income to pay for increased wages and benefits. The transmission of political pressures and the award of privileges have a cost for the entire national economy, however, in the form of higher prices for goods and services as a way of paying for wages and benefits in excess of productivity gains, a decline in the international competitiveness of a nation's goods and services, lower fiscal revenues and a slower rate of job creation.


...to help pay for training programmes; dock workers might be equally reluctant because of the uncertainty they would face with regard to job security, wages and benefits; and Governments might view market-oriented port labour reform as a cause of voter disenchanted. Thus, any reformulation of the regime governing port labour should address the doubts and problems of dock workers in order that they might respond to the needs of users in an industrious, resourceful and imaginative manner.
D. THE ROLE OF COLLECTIVE NEGOTIATIONS

Before port labour unions were accorded legal recognition, the prevailing tendency was to give both dock workers and employers a great deal of freedom in concluding and dissolving employment contracts. Dock workers could enter into and terminate employment contracts without being penalized, while maritime employers could hire and fire dock labourers "at will". The low level of skills required of port workers meant that they were easily replaced, however, and this created an imbalance in terms of the strength of workers' and employers' bargaining positions (Edwards, R., 1993, pp. 13-14; Matos Mar, 1988, pp. 309-352; Brezzo and Vispo, 1988, pp. 423-442). Governments began participating in such negotiations in order to balance out these two groups' bargaining power, administer and validate the agreements they reached, and resolve controversies (Díaz Corvalán, 1993, pp. 114-121; Solimano, 1988, pp. 135-158). They also adopted labour regimes which isolated dock workers from market mechanisms and then resorted to registration systems, cargo-handling monopolies and subsidies to correct the resulting distortions.

Collective negotiations are undertaken for the purpose of formulating agreements that will govern the relationship between maritime employers and port labour for a specified period of time. The absence of a common yardstick against which to gauge the demands of port labour and the offers made by maritime employers sets the stage for confrontations in these negotiations, however, because labour views issues from a social perspective while employers see them from a commercial one.

The difficulties involved in harmonizing commercial and social goals without the help of market mechanisms can be seen from the different types of pressure exerted by labour unions and maritime employers on Governments. Maritime employers focus on the commercial goals of productivity, cost-effectiveness and profitability, while port labour unions seek to obtain wage, benefit and job-security concessions within a social-political context. Governments treat such negotiations not only as a commercial undertaking but also as a means of redistributing national wealth and fulfilling their own political aspirations. Cargo-handling monopolies, dock-worker registration systems and government subsidies have been used for decades to bridge the gap between commercial and social goals, but these mechanisms also isolate port labour from competition and cause port services to be inefficient and costly. When sheltered from

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33 This also reflects one of the International Labour Organization's oldest and most basic tenets, which calls for the adoption of various conventions and recommendations to establish international labour standards at tripartite -government, management and labour- international labour conferences. See ILO (1983, p. 1).
the influence of market forces, port labour uses collective negotiations and agreements to institutionalize practices which inflate wages and benefits and exaggerate the demand for workers. A market-based reform of port labour regimes ought to make dock workers more receptive to change and make it possible to deal, within the framework of collective negotiations, with questions which may lead to the commercial modification of work practices, the creation of multi-task capabilities and a reduction in the supply of dock workers to bring it more closely into line with demand.

Collective negotiations should balance social-political and commercial goals, permit the use of modern technologies and motivate dock workers, but the collaboration needed to achieve such objectives is not readily forthcoming because of misunderstandings between maritime employers and dock workers and between union officers and members. Discord between employers and dock workers stems from the belief that in order for one party to get something, the other has to give something up, and this has contributed to their adversarial relationship. By the same token, friction arises between union officers and members when members start to feel that their leaders have begun to embrace the commercial goals of users or the aspirations of political parties, or both. Union members believe that such relationships have a negative influence on their officers’ effectiveness in negotiating for wages, benefits and job security arrangements (The Economist, 2 October 1993, pp. 74 and 75). Dock workers are also wary of labour leaders because, once such leaders leave the union movement, it becomes apparent that many of them have been harbouring non-labour career ambitions, as very few of them resume their original jobs if they are not re-elected (El Mercurio, 30 April 1993, pp. A1 and A24; Piñera, 1990, pp. 34 and 68; Goldfield, 1987, pp. 71 and 111; Payne, 1965, pp. 198 and 215). Another factor which widens the breach between employers and dock workers is foreign labour organizations’ practice of providing monetary subsidies to domestic unions.34 This is because labour

34 The American Federation of Labor—Congress of Industrial Organizations (AFL-CIO) of the United States was established in 1955 with a membership of 15.2 million workers from 95 different unions. It currently has only 13.3 million members from 86 unions. Membership losses have occurred in manufacturing while gains have been made in the service sector. For example, the United Steelworkers (USW) had more than one million members in 1975, but that number has since fallen to 421,000. Similarly, from a peak figure of 12 steels companies bargaining jointly with the USW in 1956, their number had dropped to six by 1983. In 1985-1986, the remaining companies dissolved their joint negotiations, and all are now bargaining with the USW separately, on a company-by-company basis, with significant variations from one to the next. In the service sector, the Service Employees International Union currently has 919,000 members, up from 881,000 in 1991. See Business Week (23 May 1994, pp. 70-82 and 20 December 1993, pp. 34 and 35); The Wall Street Journal (7 December 1993); Bluestone and Bluestone (1992, pp. 65-66, 102 and 142); and Kassalow (1988, pp. 573-592).
Box 14

UNION SUBSIDIES FROM FOREIGN ORGANIZATIONS

The American Federation of Labor-Congress of Industrial Organizations (AFL-CIO) of the United States supports the activities of unions outside that country through its American Institute for Free Labor Development (AIFLD). The AFL-CIO finances activities of the AIFLD, but the Institute has also received substantial funding from the United States Agency for International Development. The AFL-CIO has accused the Governments of Costa Rica, the Dominican Republic, El Salvador, Guatemala, Haiti, Paraguay and Peru, among others, of abusing workers' rights that are protected by various international labour laws and of suppressing the union movement by means of such mechanisms as labour-management quality circles and works councils. If such allegations are corroborated by the United States Department of Commerce, the offending country may be suspended from the Generalized System of Preferences (GSP) contained in the General Agreement on Tariffs and Trade (GATT). Most of the above countries have taken steps to safeguard their GSP benefits and are modifying their labour codes. For example, after the complaint against Costa Rica was found to be valid by the Department of Commerce, in order to forestall the loss of its preferential trade status (as more than 55% of its exports go to the United States), the country passed a law which declared that management-worker associations are not unions. The question as to whether or not the United States and any of the nations under investigation have acceded to the relevant international labour laws and are therefore subject to their provisions, as well as whether the AFL-CIO has taken this initiative in an effort to protect the jobs of its members in the United States, would seem to be pivotal issues in this connection. However, the most crucial factors here appear to be the political influence which the AFL-CIO enjoys with the United States Government and a ruling handed down by the United States National Labor Relations Board (NLRB) which held that joint labour-management committees in the United States hinder and undermine normal union activities and must be disbanded.

leaders who receive such subsidies cease to be wholly dependent on contributions from members and thus often lose contact with them.

Collective negotiations between port labour and maritime employers are more complicated than such negotiations are in other industries because ports represent a confluence of trade flows, funds and employment opportunities and are heavily influenced by political alliances. In the Latin American and Caribbean region, Governments are also maritime employers and port administrators, and such a structure provides unions with a unique opportunity to use their influence with public officials at the ministerial, administrative and employer levels to obtain wage and benefit concessions. What is more, the resulting collective agreements often create obstacles which impede other members of the port community—users, maritime employers, freight forwarders, customs brokers, banks and insurance companies—from attaining their commercial objectives. Labour leaders in an export-led economy can no longer be permitted the luxury of focusing exclusively on wages and benefits, but instead have to consider productivity, costs and the technological requirements of users. The greatest fear of maritime employers and port labour unions involved in collective negotiations should not have to do with each other, but rather with the possibility that they might create a port which is commercially unattractive to users and is therefore unable to compete in a global economy.

Direct government involvement in collective negotiations has become unworkable because the kind of competition found in a global economy heightens the differences existing among commercial, political and social goals and limits the means available to Governments for harmonizing them. Dock workers want to keep their wages and benefits isolated from the competitive pressures facing maritime employers and users; maritime employers often obtain a commitment from their Government to guarantee a return on their investments; and Governments wish to strengthen their political following so as to be returned to office in future elections. This leads Governments and political parties to support labour’s demand for monopolies, registration systems and subsidies, all of which leads to overstaffing, inefficient operations and benefits that are out of line with the contribution made by dock workers in terms of productivity. Neither port labour unions nor Governments can ignore the negative impact such measures have on the commercial viability of users because dock workers provide an essential input for product distribution systems which are now in worldwide competition. In the early 1980s, for instance, the Government of the Republic of Korea revised its labour code and banned all third-party interference in collective negotiations and strikes (You, 1990, pp. 97-124).
Governments may wish to consider alternatives which could reduce their exposure to forces that cancel out market signals. For example, tripartite collective negotiations were originally seen as a means of balancing the interests of maritime employers and labour unions through direct public-sector participation. Nevertheless, this objective was seldom achieved because Governments constitute a form of social contract and must respond to the desires of the people they represent. With the emergence of a global economy, however, there are more effective means of warding off the economic, political and social pressures exerted by dominant groups, motivating dock workers and balancing such interests. These goals—to balance the interests of negotiating parties, motivate dock workers and avoid political pressure—can be attained with the help of a regulatory framework which makes negotiating parties subject to market mechanisms and antitrust laws which ensure that such mechanisms will be utilized only to compete. A reformed labour regime would remove Governments from their position as direct participants in collective negotiations and install market mechanisms in their place. Governments would continue to take part in collective negotiations indirectly in their capacity as regulators and owners, but there would be much less of a possibility of their introducing an element of partiality or bias.

Most collective agreements only contain provisions relating to the terms and conditions of employment—hiring, wages, grievance procedures, vacation and sick-leave benefits, and procedures for dismissal—while unemployment benefits are usually dealt with in a nation’s general labour code (Business Week, 19 April 1993, p. 87). Ports constitute a unique case in this respect, in that many collective agreements deal not only with the employment of dock workers but also with the possibility of a lack of gainful employment for them. The reason for this is that the demand for dock workers is highly uncertain because it is influenced by growing seasons, production cycles, shifts in consumer preferences, delays in the arrival of goods and modifications in shipping schedules and routes, as well as by the weather, labour disputes and technological changes. The uncertain nature of the demand for dock labour is responsible, more than any other single reason, for the pressure which the port labour movement brings to bear on Governments to legislate stability in the demand for port workers’ services and special compensation programmes for underemployed and unemployed dock workers. For example, for many years dock workers in the United Kingdom were entitled to three days of unemployment compensation for every three days of continuous work—“three days on the book, three days on the hook” (Turnbull and Weston, 1992, pp. 385-404).

Without a collective agreement which exposes port labour to market mechanisms and, hence, competition, dock workers have no reason to
improve productivity or reduce costs. For example, General Motors Corporation (GM) recently announced plans to shift the production of 70,000 to 100,000 Chevrolet Cavaliers from its plant in Ramos Arizpe, Mexico, to Lansing, Michigan, in the United States. The basis for this move was not the greater productivity and lower cost of United States workers versus their Mexican counterparts, but rather the fact that the latest collective agreement between GM and the United Automobile Workers (UAW) contains specific provisions which permit the Lansing facility to match the labour productivity and costs of its rivals in Japan (The Wall Street Journal, 22 June 1993). Of equal importance is what this means for GM workers in Ramos Arizpe: in order to win back the opportunity to produce Chevrolet Cavaliers, they will have to surpass the productivity rates and quality levels of both their United States and their Japanese counterparts. For its part, Germany's most important union, I.G. Metall, which represents 3.3 million motor, engineering, electrical and steel workers, has been asked by the largest employers' federation, Gesamtmetall, to institute a wage freeze and to provide fewer benefits because labour costs are 25% higher in Germany than they are in the United States and 35% higher than in Japan (The Journal of Commerce, 2 March 1994; The Economist, 19 February 1994, pp. 11 and 12; 23 October 1993, pp. 18, 20 and 81; The Wall Street Journal, 16 February 1994; Business Week, 18 October 1993, pp. 46 and 47). This illustrates how collective negotiations can make a positive contribution to the productivity and cost-effectiveness of labour if the demands of an increasingly competitive global market are taken into account.

E. THE ROLE OF THE PORT LABOUR MOVEMENT

In many countries, the history of the labour movement has paralleled the history of the main political parties. One case in point is that of the former British colony of Trinidad and Tobago, whose conversion into a sovereign nation in 1962 led to the rise of many politicians. One of these figures, Dr. Eric Williams, addressed the needs of the labour movement (including those of its members employed at the port facilities of Port of Spain), which assisted him and his political party in maintaining a role in national politics. Dr. Williams became Chief Minister in 1956 and then, following the nation's declaration of independence, became Prime Minister. Virtually any request made by dock workers during that time period, and particularly during the years following the oil price increase of 1973, was granted. This led to overstaffing and to wage levels and working conditions which did not reflect actual market conditions. After Dr. Williams' death in 1981, however, the country lapsed into recession due to the drop in oil prices seen
in 1983, and this, together with the general population's growing awareness of government excesses, contributed to his political party's failure to be returned to office in 1986. 35

The port labour movement gained ascendancy by providing low-skill dock workers with a common voice and by ensuring that they would all be treated in an identical manner (Gould IV, 1993, p. 18). However, with the shift to capital-intensive systems, which require dock workers to have sophisticated skills and functions, these workers have become technical specialists and should be dealt with on a more individual basis. The earlier approach permitted dock workers to disregard their shared responsibility for inefficient, cost-increasing work practices, but in a relentlessly competitive, input-to-final-product commercial world, there is no room for cargo damage, pilferage, late deliveries, overmanning, working slow to save work for the next shift, inferior maintenance of equipment or unsafe practices by dock workers. Port labour leaders should seriously question their collectivist approach in today's changed commercial setting. Instead, they should seek to treat union members on an individual basis as regards salary, pensions, health benefits, life insurance, training programmes, career objectives and vacation leave in order to provide each worker with an incentive to improve himself and his contribution to port efficiency (The Nikkei Weekly, 28 November 1994, p. 12; Heldman, Bennett and Johnson, 1981, pp. 135 and 136).

Export-led policies have made port services a part of the global economy, and dock workers and maritime employers can no longer isolate themselves from the international competition faced by users. The fundamental challenge facing the port labour movement at this juncture is to plot out its strategic direction. One might well ask whether the decline in the labour unions' membership in Chile from 33.7% of the workforce in

35 Another example of an alliance between a politician and labour is provided by the case of Juan Domingo Perón (1895-1974), who supported the Argentine labour movement and rose from the rank of General in the Army to Minister of Labour (1943-1945) and, ultimately, to President of the Argentine Republic (1946-1955 and 1973-1974). The labour party in Argentina was founded by Perón and is referred to as the Partido Justicialista. His name became the label for a political doctrine, Peronismo, and is synonymous with a populist government. During his final term as President, unions were given the right to “co-manage” State-owned enterprises. A large part of the existing labour code was promulgated and a majority of Argentina's unions were established during his terms as Minister of Labour and President, and together they created one of the most expensive and inflexible labour markets in Latin America. Despite the adoption of numerous measures to modernize the national economy during the presidency of Carlos Menem, labour costs in Argentina are 70% higher than in Brazil or Mexico for the same sectors. Gross salary cuts of up to 25%, which constitute an unprecedented move in that country, were introduced in December 1993 by a number of manufacturers. See América Economia (January 1994, pp. 18-24 and November 1993, p. 38); Business Latin America (13 December 1993, p. 8); and Sebrelli (1992).
1973 to 11.2% in 1985 and 13.7% in 1994 is a sign of what is in store for the labour movement in Latin America and the Caribbean (ILADES, 1995, pp. 1-4). The following table indicates that a similar decline in union membership has occurred among private-sector non-agricultural workers in the United States, while the increase in union membership among public-sector workers may be a reaction to the long-term effort of the state and federal governments to reduce their numbers. Does the decrease in union membership indicate that the role of the port labour movement should change? Should labour regimes permit the public sector and the port labour movement to specialize in those activities in which each has inherent advantages?

The port labour movement in Latin America and the Caribbean is now concerned about its survival (The Journal of Commerce, 15 April 1994, p. 12B; Glassman, Berger and Cummings, 1988, pp. 35-69). If the port labour movement is to survive in today's global economy, it will have to strengthen its voice in its dialogue with maritime employers concerning commercial matters in order to safeguard its own wages and benefits (The Economist, 2 October 1993, pp. 37, 38, 40 and 102). For example, in October 1991, when the Port of New Orleans, Louisiana, was trying to recapture the business of the United States Steel Corporation, the ILA assured the port authority that they would out-produce competing ports and match the contract price of any other port (Port of New Orleans Record, November 1992, pp. 4 and 6). Similarly, a year later the port of Seattle, Washington, and American President Lines (APL) executed an agreement which paved the way for an investment of US$ 200 million to expand the APL's 83-acre terminal to 160 acres by 1996, with an option for an additional 190 acres, and to construct an on-dock rail terminal. The contract between the port and APL was finalized only after Local 19 of the ILWU agreed to reduce its manning table and alter existing work rules for the on-dock rail facility.

36 The following factors are usually cited as possible explanations for the declining importance of unions in the United States: unions seem to direct themselves towards industries which have a high concentration of workers; the legal environment has become increasingly hostile to union organizing; employers have begun to hire consultants to create an environment which is unfriendly to union organizing; and many workers do not see unions as effective agents on their behalf. For example, in 1977, approximately 61% of persons working at firms with 1,000 or more employees were protected by cost-of-living escalator clauses, but a decade later only 38% were. In Japan, 33.9% of all workers were union members in 1974 but by 1992 this figure had fallen to 24.4%, and it is estimated that fewer than one in five Japanese workers will belong to unions by the year 2000. See The Nikkei Weekly (20 December 1993, pp. 1 and 8); The Journal of Commerce, 5 December 1994, p. 3B and 8 July 1993, p. 5B; Business Week (23 May 1994, pp. 70-82 and 12 April 1993, p. 45); Edwards (1993, pp. 89-90 and 215); World Wide Shipping (September 1993, pp. 4-5); The Economist (May 1993, p. 69); Gould IV (1993, pp. 2-3); Reich (1992, pp. 6, 212 and 294); Marshall and Tucker (1992, p. 8) Matos Mar (1988, pp. 309-352); Kassalow (1988, pp. 373-392); Goldfiel (1987, p. xiv); and Cabot (1986, pp. 79-82).
Table 3
UNION MEMBERSHIP IN THE UNITED STATES

<table>
<thead>
<tr>
<th>Year</th>
<th>Private sector a</th>
<th>Public sector</th>
</tr>
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<tr>
<td></td>
<td>Level (000)</td>
<td>Percentage of employment</td>
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<tr>
<td>1984</td>
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</tr>
<tr>
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</tr>
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<td>1988</td>
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</tr>
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<td>1989</td>
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</tr>
<tr>
<td>1991</td>
<td>9,909</td>
<td>11.9</td>
</tr>
<tr>
<td>1992</td>
<td>9,703</td>
<td>11.5</td>
</tr>
<tr>
<td>1993</td>
<td>9,557</td>
<td>11.2</td>
</tr>
<tr>
<td>1994</td>
<td>9,620</td>
<td>10.9</td>
</tr>
</tbody>
</table>

Source: Bureau of Labour Statistics, CPS.
* Private-sector non-agricultural workers.

(Fairplay International Shipping Weekly, 30 June 1994, p. 22; Seatrade Week Newsfront, 17-23 June 1994, p. 5; Cargoware International, March 1994, p. 19; Cargo Systems International, December 1992, pp. 13 and 14). Thus, we may question the social collectivism of the port labour movement as an organizational rationale for workers in a highly individualistic work setting, but there can be no doubt as to the need for a focal point to aid labour and maritime employers in formulating means of responding to the competition of other ports and terminals (Bluestone and Bluestone, 1992, pp. 150-152).

The port labour movement, Governments and political parties in Latin America and the Caribbean are social-political institutions that do not have commercial goals, and they represent the major sources of opposition to the adoption of market-oriented port labour regimes. The shift from inward-looking development to export-led growth policies would generate a commercial focus if it were supported by the elimination of registration systems, cargo-handling monopolies and government subsidies. The unnecessary cost and inefficiencies inherent in such measures constitute
clear evidence that the port labour movement needs to be more responsive to user requirements. The relationship existing among the competitiveness of a global economy, the port labour movement and modern technologies remains a little-understood grey area because these factors fall within the separate areas of specialization of economists, attorneys and engineers. This separation hampers efforts to discern broader causes, consequences and relationships among users, maritime employers, port labour and Governments. By exposing dock workers to market mechanisms and by eliminating demand-management schemes such as registration systems and monopolies, however, port labour should come to understand the wider issues presented by the shift in economic policies and will be encouraged to formulate commercial responses to users' needs.

Governments should be active in such areas as export promotion; the formulation of regulations which lay a foundation for private participation in port services, facilities and equipment; interdiction of contraband; and protection of the marine environment. With regard to the port labour movement, a recent ECLAC study pointed out that:

"Port labour representatives will have to expand their activities from those concerning wages, working conditions, and retirement and medical benefits, to include the capacity to bring about a concerted effort among union members to raise productivity and lower costs through the adoption of new cargo-handling technologies and work rules" (ECLAC, 1990, pp. 120-121).

The activities of maritime employers and port labour unions are interdependent, inasmuch as both influence productivity, cost control and innovations, and should enable them to overcome their respective misgivings and jointly accept responsibility for improving the commercial attractiveness of the port and for creating a broader basis for industrial peace.

The ILWU of the United States and the National Council of Dockers' Unions of Japan recently convened the first All Pacific Rim Dockers' Conference to discuss common problems. The principal theme of the conference was that the labour movement can no longer confine its efforts to the domestic front because port employers are becoming internationalized. For its part, the public-sector National Federation of Port Workers of Chile (FNTP) is planning a meeting similar to that held by

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37 See also The Journal of Commerce (21 September 1994, p. 1B).
38 The conference was attended by labour leaders from 16 nations: Australia, Brazil, Canada, Chile, Fiji, Honduras, Indonesia, Japan, Mexico, New Zealand, Nicaragua, Panama, Singapore, Tahiti, the United States and Vietnam. See The Journal of Commerce (20 April 1994, p. 7B; 15 April 1994, p. 1B; 14 April 1994, p. 8B; 26 April 1993, p. 1B; and 30 March 1993, p. 5B) and Business Week (4 April 1994, p. 30).
the ILWU for all labour unions of public-sector port administrations in South America. It should be noted, however, that, as occurs in cases where Governments respond to political pressure by adopting trade-depressing measures for the benefit of dominant groups, inter-union collaboration can have similarly adverse consequences. For example, the United States National Labor Relations Board recently issued a cease and desist order in the case of a secondary boycott in which the ILWU had persuaded its Japanese counterpart to threaten to refuse to unload grapefruit from ships at Japanese ports which had been loaded by non-union dock workers at Port Canaveral, Florida, in the United States. The threat prompted grapefruit exporters to abandon Port Canaveral for the nearby Port of Tampa, and cargo volumes at Port Canaveral dropped from 19,895 tons in fiscal 1991 to some 4,260 tons the following year (The Journal of Commerce, 26 April 1994, p. 1B; 15 December 1993, p. 1B; 3 December 1993, p. 5B; 16 November 1993, p. 5B; 5 October 1993, p. 8B).

Labour leaders are faced with the formidable task of transforming unions from social-political alliances into social-commercial joint ventures. 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 in Guatemala that a theft surcharge of US$ 200 might be imposed if it did not put a stop to the frequent occurrences of cargo theft at the port (International Transport Journal, 9 September 1994, p. 2837). Labour leaders at that port found they had no backing when they suggested to members that there were those among them who should not be supported because they were malingering and pilfering cargo. Union leaders must not be reluctant to enforce commercial discipline among their members when it will lead to increases in productivity and cost reductions or to expose groups of workers who are utilizing ports for their personal enrichment. There is no more valid role for union leaders than as agents of change, but in practice they often end up defending the status quo in order to ensure their own re-election (Port Development International, October 1994, pp. 34-37). Both tend to shy away from vote-losing decisions and try to gain a political advantage by criticizing unpopular, but sensible, innovations. The port labour movement could be in for a long period of decline if this tendency is not successfully resisted since, under such circumstances, its leaders will be unable to generate new ideas which would demonstrate to users that their commercial future lies with them.

F. THE ROLE OF MARITIME EMPLOYERS

Maritime employers can benefit users the most when their actions are guided by an in-depth understanding or strategic vision of the
market-based, service-related, technological and legal forces which are transforming the ports. This will permit them to make timely investments; negotiate collective agreements that benefit users, themselves and port labour; and contribute to the formulation of socially responsible regulatory regimes. Such factors are necessary conditions for commercial success, but they are not sufficient in and of themselves. In order to make them so, maritime employers need a motivated, skilled, highly productive workforce. Such a workforce can be created only if port labour regimes expose dock workers to market mechanisms. Governments have to ensure that labour regimes permit maritime employers to employ and train the dock workers of their choice, as well as to eliminate inflexible and costly requirements arising out of job-preserving demarcations, cargo-handling monopolies, registration systems and subsidies. The capacity to anticipate the needs of users, to adjust to change, to invest, and to select, train and motivate dock workers will clearly be the mark of successful maritime employers in a highly competitive global economy.

Maritime employers often find themselves faced with contradictory political and market signals. They usually heed the former and turn to the Government for greater protection and subsidies to compensate them for inefficiencies and additional costs. Existing legal regimes and the uniform system of job classifications for public-sector ports have actually helped to depersonalize the relationship between port labour and maritime employers by establishing an inflexible, overregulated system of work categories which gives dock workers no incentive to improve cost-effectiveness or broaden their skills. Maritime employers and port labour will find that they are quite unfamiliar with the concepts of customer-orientation, commercialization and decision-sharing as they strive to put behind them so many decades of working within monopolistic, subsidized, inflexible public-sector enterprises (The Journal of Commerce, 17 October 1994, pp. 7A and 11A). Dock workers will respond best when they feel that they and maritime employers have reciprocal obligations and benefits. In other words, maritime employers need to value skilled workers, stand ready to share workplace decision-making authority with them, and be willing to make sacrifices in order to keep and train them, while dock workers need to offer innovative, productive, cost-effective services and be willing to accept changes in their functions in response to the needs of users (Watts, 1984, p. 34).

Market-oriented port labour regimes should provide maritime employers with sufficient flexibility to deal with the realities of a decreasing demand for dock workers, the need for multi-skilled workers and the highly variable nature of the demand for cargo-handling services. The regime should permit them to hire the number of workers they actually need for specified periods, instead of an excessive number for an indefinite
period of time. As an illustration of this point, for many years Northwest Airlines and Eastman Kodak in Japan acted in accordance with the corporate culture of that country and offered recruits lifetime employment status. Recently, however, they have begun hiring new employees on the basis of one-year contracts. The reason for this is that Northwest Airlines had to absorb a 1992 operating loss of US$ 339 million and will post a total deficit of approximately US$ 1 billion once the penalties for its cancellation of aircraft purchase contracts are figured in. Eastman Kodak, for its part, has paid nearly US$ 150 million in compensation for the cancellation of employment pledges made in 1992. This is an entirely new step for both companies and attests to their current efforts to restructure their operations completely (The Journal of Commerce, 17 March 1993; The Nikkei Weekly, 29 March 1993, p. 11). Thus, maritime employers need a flexible employment structure for dock workers so that they may achieve both commercial and opportunity-oriented social goals.

The commercial reform of port labour regimes will create a setting in which maritime employers will compete aggressively and without any hope of receiving government protection, subsidies or bailouts. For those who do survive, this apparent drawback could become a competitive advantage: maritime employers will waste less time and money because they have less of both upon which to draw in making investments, in training dock labour and in providing cost-effective services. After having used inefficient, cost-escalating registration systems, monopolies and subsidies for decades, Governments need to be aware of the fact that the wages and job-security arrangements provided to dock workers have to reflect the competitive position of the port and terminal in which they work. Any privileges granted to maritime employers and port labour which are not subject to market mechanisms will only create obstacles to improvements in productivity and cost control. Dock workers will come to accept the need for them to play a central role in boosting productivity and cutting costs, since improvements in these two areas will lay the foundations for commercially-based, rather than politically-based, wage gains and job security. Maritime employers will come to realize that trained, motivated and well-paid dock workers are the key to a commercially attractive port, international competitiveness and their own earnings.

No longer can Governments (port administrations and maritime employers) accede to the demands of port labour by providing subsidies to cover additional costs; nor should government ministries be allowed to compel maritime employers to hire an excessive number of workers. Ports are commercial ventures, and maritime employers therefore need to respond to market mechanisms in order to forestall a monopolistic upward spiral in port costs. A legal foundation should be established for private
participation in cargo-handling and storage services, and reformed port labour regimes should shield maritime employers from political influences which can constrain their efforts to improve productivity and cost-effectiveness. In such a setting, maritime employers should be able to negotiate collective agreements which reflect the commercial realities facing users. For example, a recently negotiated collective agreement at the Port of Ghent in Belgium permits maritime employers to reduce the workforce from 700 to 550 over the next 30 months, alter gang sizes according to the requirements of the cargo being handled and limit bonuses for night work in return for guaranteeing the job security of the remaining dock workers (Fairplay International Shipping Weekly, 20 January 1994, p. 10). Whether public or private, maritime employers cannot function as though they were part of a government bureaucracy and isolate themselves from the commercial realities confronting users (The Journal of Commerce, 11 July 1994, p. 3B).

The most important change which maritime employers can bring about in the ports of Latin America and the Caribbean is to encourage dock workers to develop a predisposition to improve productivity and control costs. In an export-led economy, ports are internationally competitive ventures, not protected domestic activities. Maritime employers can no longer respond to demands that are processed through political systems. The competitive requirements of a global economy will force maritime employers to invest in advanced technologies and train workers so that they can cut costs and raise productivity levels. The diminishing demand for the services of port labour is a long-term trend which has its origin in the fact that the productivity of cargo-handling equipment is rising at far too fast a rate to be counterbalanced by the growth in cargo volumes. The most obvious way of coping with this downturn in demand is to offer training courses and compensation schemes to redundant workers. Accordingly, maritime employers should work with Governments and port labour unions to implement programmes that will resolve the social problems created by export-led growth policies, private participation, modern equipment and facilities, and market-oriented port labour regimes.
VI. THE IMPLICATIONS OF PORT LABOUR REFORM

Political, economic, social and technological changes have forced the port labour movement in Latin America and the Caribbean to demand that Governments adopt measures to protect their wages, benefits and privileges; the issue of safeguarding such prerogatives is hardly new, however. The port labour movement's utilization of registration systems, monopolies, subsidies, political alliances and a "hostage" strategy in dealings with users in order to win and uphold such rights has become increasingly ineffective, costly, and even counterproductive. No longer should measures be adopted which grant rights to labour if they harm the longer-term career and job-security interests of dock workers, impair the commercial attractiveness of a port, reduce the competitiveness of users' goods and services in international markets or lead to the creation of monopolies. Even though it may seem paradoxical, what Governments need to do is to adopt market-based port labour regimes to eliminate the political measures used to protect wages and benefits so that dock workers, users and maritime employers may jointly create commercial safeguards for them. Indeed, political rigidities and outmoded institutional and technological attachments can negate the need to understand global competition and block real progress towards port labour reform.

Ports utilize a wide range of globally available inputs in their service processes, such as cargo-handling equipment and computer systems, but only recently have port administrators and maritime employers in Latin America and the Caribbean begun to grasp the fact that labour is also a global input with its own international market structure (Marshall and Tucker, 1992, p. 63). With the advent of a highly competitive global economy, the exposure of dock workers to market mechanisms and private participation in public-sector ports, dock workers have become part of the international labour market and thus can no longer utilize political alliances to obtain their social goals. Users have an incentive to seek alternative sources of goods and to switch to other ports, while manufacturers have begun to move their production facilities from one country to another in
order to lower the cost of the materials and labour they need or to employ workers who are more productive and more highly skilled. This market-driven global search for less-costly, more productive inputs encourages dock workers to stand up to the competition by contributing to the commercial transformation of existing labour regimes, collective agreements and work practices.

The challenges currently facing Governments in terms of the need to keep pace with today’s competitive global economy, private participation in port services, utilization of advanced technologies and market-based port labour reform are unavoidable. For the foreseeable future, then, dock workers’ lives will be caught up in a turbulent transition from monopolistic labour regimes, registration systems and government subsidies, which allow them to ignore market mechanisms, create gross overemployment and reject new technologies, to regimes which expose them to market mechanisms. For example, the port users’ association of Ecuador recently reported that the inefficiency of the nation’s ports, due to union control of labour and the overuse of informal workers, adds an unnecessary 18%, or US$ 38 million, to annual freight charges (The Economist Intelligence Unit, 1993b, p. 20). If they are to meet such challenges, maritime employers must cease to view dock workers as undifferentiated, interchangeable, easily-replaceable inputs for their service processes, because port workers’ knowledge and experience allows them to innovate, improve productivity and ensure the cost-effectiveness of services. Some of the more important implications of this transition relate to economic, political and social considerations.

A. ECONOMIC IMPLICATIONS

The incorporation of domestic commercial activities into demanding international markets and the shift from final-product to input-to-final-product competition have disrupted the politically orchestrated balance of power among port labour unions, maritime employers, users and Governments. The adoption of market-based port labour regimes will create a new commercial equilibrium in which dock workers will be subject to the borderless competition of a global economy and the demand for their services will be derived from the demand for the goods being handled (The Journal of Commerce, 17 October 1994, p. 10B). Dock workers will be recognized as the most valuable tool that maritime employers have to create an attractive commercial environment for users, and they will enjoy real authority to influence a wide range of investment and operational decisions. In this setting, collective negotiations and strikes will become less important and may even be replaced by ongoing
collaboration and informal dispute settlement procedures, while work practices will be continuously altered to reflect the demands of users, new technologies and a much broader inter-port, intra-port, inter-union, intra-union and non-union competitive framework (The Journal of Commerce, 22 July 1994, p. 12B). Thus, the adoption of market-oriented labour regimes will ensure that dock workers' demands take into account the export-led growth goals of the nation, the competition faced by users, and the cost and productivity standards of the international labour market.

In a capital-intensive service industry – such as ports – which produces a standard output that competes in a global economy, the elimination of politically-obtained job and market protection will compel service providers to ensure the commercial attractiveness of those services. Dock workers will be faced with vigorous competition for cargoes and will thus be motivated to respond to the needs of users in order to preserve their own jobs (Vernon-Wortzel and Wortzel, 1988, pp. 27-35). If dock workers and maritime employers are to achieve this objective – and it is a question of joint success or joint failure – they will need to work together to ensure that cargo-handling services satisfy the needs of users at a price they can afford to pay and that ports and maritime employers generate sufficient income for continued investment. This will also put a stop to the endless problems caused by the belief that cargo-handling services are simply an expense that should be minimized and that labour unions cannot be called upon to make a valid contribution to cost-effective operations. Governments will no longer have to apply measures that modify market outcomes in order to absorb the effects of dock workers' low productivity and failure to control costs. Thus, ports will be transformed from a place where Governments give priority to dock workers' wage and benefit needs to a place where port labour will give preference to users' commercial goals.

A reformed port labour regime which eliminates subsidies, monopolies and registration systems and which limits government participation to regulatory, promotional and formal dispute settlement functions will negate the types of measures that isolate dock workers from market mechanisms. Dock workers may occupy a monopoly position at a specific port or hinterland, but they are none the less part of the global economy; they have been inexorably drawn into the international labour market, where 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). Governments should view the competition faced by users as a phenomenon that sets the parameters for a market-based reform of port labour regimes. Many Governments fear the social and political costs involved in a commercial reformation of port labour regimes, however. It is a foregone conclusion that some Governments will yield to pressures from port labour unions and hold back from reforming these
regimes, but those nations will lose key opportunities to gain a competitive advantage for their goods in international markets. Indeed, the wages, benefits and job-security arrangements that dock workers can earn for themselves within the confines of market mechanisms will strengthen the competitiveness of a nation’s goods in international markets.

The emergence of a global economy, the introduction of export-led growth policies and private participation in port services have contributed to the weakening of conventional political-economic boundaries. National markets, national producers, national labour goals and national strategic objectives no longer occupy the paramount position they once did because they have begun to emerge from the “we produce what we consume” closed-loop premises of a political economy. With the adoption of market-oriented port labour regimes, dock workers will be exposed to the 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 marked-determined wages: no more, no less (El Mercurio, 10 July 1994, p. A2; Standing, 1992, pp. 327-354). Market mechanisms will also preclude the utilization of influence-ridden government formulae which, for instance, limit wage raises to a maximum percentage that maritime employers can transfer to users via price increases (Brezzo and Vispo, 1988, pp. 413-443; Rial, 1988, pp. 511-591). This will encourage maritime employers and port labour to satisfy users’ needs through greater productivity, instead of through market protection and subsidies. The free interplay of market mechanisms and antitrust laws will ensure that the savings generated by such regimes will be apportioned among the participants in the corresponding production and distribution chains according to their relative levels of competitiveness. Any port that can pass on such savings to users will be more attractive to them and will therefore gain an immediate commercial advantage.

In 1981, the Government of Chile extended its labour reform programme to include the nation’s ports. These reforms put an end to cargo-handling and storage monopolies and fostered competition for such services within each port. An ECLAC study of that experience 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 (ECLAC, 1989, pp. 39 and 40). Even though the data for that study were not disaggregated, the following table demonstrates that the actual savings enjoyed by users has been substantial.

With the exposure of dock workers to the competition of the international labour market, the scope of collective negotiations should be

39 With regard to French ports, see Containerisation International (December 1993, p. 25).
Table 4
ESTIMATED DISTRIBUTION OF SAVINGS FOLLOWING DEREGULATION OF THE COMMERCIAL PORT ENVIRONMENT IN CHILE

<table>
<thead>
<tr>
<th>Product</th>
<th>Unit</th>
<th>Cargo owner or shipowner</th>
<th>EMPORCHI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fruit</td>
<td>US$/box</td>
<td>0.14</td>
<td>0.14</td>
<td>0.28</td>
</tr>
<tr>
<td>Copper bars</td>
<td>US$/ton</td>
<td>6.70</td>
<td>-4.05</td>
<td>2.66</td>
</tr>
<tr>
<td>Fish meal in sacks</td>
<td>US$/ton</td>
<td>4.61</td>
<td>1.57</td>
<td>6.18</td>
</tr>
<tr>
<td>Sawn lumber</td>
<td>US$/m³</td>
<td>2.81</td>
<td>1.63</td>
<td>4.44</td>
</tr>
<tr>
<td>Logs</td>
<td>US$/m³</td>
<td>2.73</td>
<td>0.63</td>
<td>3.36</td>
</tr>
<tr>
<td>Imported breakbulk</td>
<td>US$/ton</td>
<td>3.55</td>
<td>3.22</td>
<td>6.77</td>
</tr>
</tbody>
</table>

Source: Ingenieros y Economistas Consultores Ltda. (INECON).
* A minus sign indicates a loss.

extended beyond the traditional matters of wages, benefits, workplace safety and training. The reason for this is not only that such negotiations will need to be geared to the inter-port, intra-port, inter-union, intra-union and non-union competitive framework but also that the amount of time which elapses between when an order is placed with a manufacturer and its final delivery is getting shorter and shorter. Many products that were made-for-inventory are now being made-to-order, and reliable electronic data transmission systems allow importers to substitute information for the actual possession of goods and to consider them part of their inventory (Containerisation International, June 1994, pp. 61-63). Maritime employers and port labour will jointly consider users' needs for cargo-handling services, for modern technologies and facilities, and for changes in work practices which eliminate delays and ensure prompt delivery. Employers and labour will also 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 that each adds or subtracts. Factors such as these will help to harmonize the commercial and social goals of users, maritime employers and dock workers, and will compel port labour to respond rapidly to market signals.

A market-responsive institutional regime for dock workers does not mean that the port labour movement will lose negotiating strength, but that
the source of that strength will change. The bargaining power of port labour has been derived from its political alliances and its position at the confluence of trade flows, funds and employment opportunities, but with the adoption of such a labour regime it will instead originate in the commercial sphere. In other words, port labour will be viewed by maritime employers and users as a unique service delivery instrument that can enhance their earnings and competitive positions. Port labour will see its fortunes bound up with those of maritime employers and users and will work to ensure their, as well as its own, success. In this context, port labour reform will lead to a more efficient industrial structure and considerable savings for users. For example, thanks to Chile’s 1981 labour reforms, users of that nation’s ports saved US$ 40 million in 1982, and by 1993, their annual savings amounted to over US$ 118 million, down from US$ 121 million a year earlier (Cámara Maritime de Chile, 1994). Thus, dock workers and maritime employers will jointly seek to improve the efficiency of cargo-handling services and to improve the wages, benefits and job security of port labour because they have the same economic goal: making the port commercially attractive to users.

B. POLITICAL IMPLICATIONS

If we were to characterize the nineteenth century’s trade environment as one of unregulated activity in which labour and capital were locked in an irreconcilable and destructive conflict, while describing the twentieth century’s as a highly regulated system whose purpose was to contain that conflict, then perhaps the defining attribute of our global economy as we stand on the threshold of the twenty-first century is that of labour and capital joining together in a collaborative effort to achieve both commercial and social goals. An undertaking of this nature does not mean that port labour and maritime employers will not make use of political processes, but simply that Governments will join forces with all relevant commercial parties to devise an institutional framework that permits them to harmonize commercial and social goals for the benefit of users. Such efforts will be successful only if that framework employs market mechanisms to balance labour’s goals with those of users and maritime employers and to promote the correction of structural distortions caused by dominant groups that use political processes for their own ends. Thus, the adoption of market-based port labour regimes will shift the part played by Governments from one of direct participation in port labour relations to a regulatory, dispute-settlement and catalytic role, while at the same time creating a need for collaboration between dock labour and maritime employers so that they will be able to stand up to the competition they face.
Many attempts have been made by Governments of the Latin American and Caribbean region to create a basis for collaboration between labour and capital. Probably the most ambitious initiative of this sort was the programme undertaken by the Government of Peru in 1970. This programme called for the national economy to be restructured into public, private and social sectors in which workers, organized into "labour communities", would share in the management, earnings and property of the enterprises which employed them. In the case of the mining community, for instance, the system provided for the distribution of 10% of net corporate earnings to workers –4% directly to the workers and 6% for the purchase of stock. Each firm’s stock was to be held in common for all workers until 50% had been shifted to them. Once that percentage had been reached, the stock would be transferred to individual workers. By the end of 1977, there were 3,801 of these communities with 207,543 members. Entrepreneurs were opposed to such communities because they were unwilling to share management prerogatives and ownership of their commercial activities with workers, while labour leaders condemned them as a ploy to sap the unions’ strength. The failure of these communities was inevitable because both employers and labour were engaged in politically sheltered commercial activities (so they were able to disregard the independent basis which market mechanisms provide for joint decision-making) and each was pursuing their own particular goals.

Many decisions made by Governments are politically balanced at the time they are taken but leave little room for the achievement of commercial goals. For example, the peace and friendship treaty signed by Chile and Bolivia in 1904 allows Bolivian imports to remain in the Port of Arica in Chile for one year and exports to be left there for 45 days, but it makes no mention of the payment of storage charges. The Government of Chile pays those charges to its port enterprise (EMPORCHI). Bolivian exporters and importers are encouraged to utilize the port for storage, instead of as a transfer platform for goods moving between ocean and overland transport modes. As was noted earlier, in 1981 the Government of Chile deregulated port labour to create a more commercial environment, but the storage of goods under the above conditions prevents this goal from being achieved in its entirety. The lack of cargo-handling facilities and equipment could be rectified through investments, but an alternative to the existing storage arrangements has to be found in order to create an attractive commercial setting for private investors. With the shift from protected markets in semi-autonomous economies to the input-to-final-product competition of open economies, Governments must evaluate the long-term consequences

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of their political arrangements in terms of the commercial objectives of users and maritime employers and the social goals of port labour.

Traditionally, commercial success has been based on the ownership of manufacturing processes and the control of domestic markets, but today it is not so much a result of those factors themselves as it is of the ability to mobilize them on a worldwide basis to create a viable product-service combination that can compete in demanding international markets. Political boundaries no longer demarcate the competitive limits and earnings potential of producers (Reich, 1992, pp. 3-9). A market-oriented port labour regime would lay a foundation from which dock workers and maritime employers could respond to market mechanisms, but Governments would have to shield legislators from the pressures of dominant groups and limit their functions to the establishment, reinforcement and protection of competition and formal dispute settlement. Such a framework would transform unions from political actors that use government processes for the exclusive benefit of their members into innovative labour-management “joint venturers” which help to improve their own wages, benefits and job security while also helping users to achieve their commercial goals.

Thus, market-based port labour regimes will unite maritime employers and port labour and provide them with a common position from which they may better aid Governments to understand the commercial and social implications of their political decisions.

Dock workers will seek to establish and preserve monopoly privileges in a global economy by means of alliances with elected and appointed government officials and with political parties. To limit the influence of such alliances, Governments should adopt regulations which control their activities based on the following considerations. First, such alliances allow labour leaders to exert an enormous influence over legislators by resorting to the twin threats of civil disturbances and the loss of labour’s vote at forthcoming elections, despite the fact that these leaders have not been given any legislative authority by the electorate (El Mercurio, 10 July 1994, pp. C2 and A3). Second, these alliances distort the normal operation of market mechanisms through the use of such mechanisms as dock-worker registration systems, cargo-handling monopolies and government subsidies. Third, alliances of this sort make dock workers vulnerable to manipulation by political parties, politicians and Governments, and vice versa. Fourth, these alliances acquire funds, make expenditures and undertake activities which are not subject to public scrutiny and thus set the scene for corrupt activities. Regulations therefore need to be established that will prevent such alliances from distorting commercial or political processes to maintain the position of certain politicians and their parties in
Box 15
MEDICAL BENEFITS

The number of injuries suffered by casual port workers in Chilean ports increases by about 40% during the latter part of the fruit export season (November to May).

Many casual port workers are employed for a short period of time each year to handle perishable exports. Some of these workers seek to extend their employment benefits by either injuring themselves or helping other workers to injure themselves so that they will receive medical care and unemployment income and, perhaps, disability payments as well. This practice has become a yearly occurrence and is so patently evident that social workers who deal with port workers have begun to discuss ways of removing the incentive for dock workers to harm themselves. One proposal is that port workers would be precluded from receiving any form of monetary compensation unless they can demonstrate that the accident and resulting injury could not have been prevented by the exercise of reasonable care.

Source: On the basis of information provided by the Occupational Safety Institute (STI) of Chile.

national affairs, to award wage and benefit increases to dock workers or to expand the number of positions.

The number of ports in Latin America and the Caribbean which are operated by the public sector should decrease as the competition associated with a global economy begins to challenge the commercial viability of users. As users find high-cost, inefficient ports to be unattractive, port administrations and maritime employers—functions generally carried out by the same government agency—will probably join with port labour organizations in petitioning legislators to create a regulatory basis for the participation of private investors in cargo-handling and storage services and to undertake a commercial reform of the legal regimes governing port labour. These reforms should eliminate political benefits such as cargo-handling monopolies, dock- worker registration systems and government subsidies, use training programmes and compensation schemes to create a more professional workforce, and strengthen the policy-making and regulatory functions of the Government. Conflicts between the port labour movement and maritime employers ought to
decline because the major resources upon which both of them will draw in order to resolve issues will no longer be political, but rather social and commercial in nature. The objectives of the port labour movement and maritime employers are subject to market mechanisms, and their prosperity is intertwined in the global, export-led world of private enterprise.

The input-to-final-product competition inherent in a global economy, the competitive focus of export-led growth policies, inter-port, intra-port, inter-union, intra-union and non-union competition in the provision of cargo-handling and port labour services, and the exposure of dock workers to the competitive influence of market mechanisms under commercially-oriented port labour regimes will all help to put an end to the use of political influence as a means of resolving labour disputes. With ever-fewer political restrictions on market access, competition will become the principal means of fulfilling commercial and social goals. This commercial setting will foster collaboration and trust between port labour unions and maritime employers, and Governments will put aside their political alliances with port labour unions. For example, the Government of Singapore requires union members and maritime employers to renounce their ties with the port industry when seeking election to public office (El Diario, 30 June 1994, p. 8; Lim, 1990, pp. 73-95; Arriagada, 1988, pp. 75-115; Reich, 1988, pp. 511-591). In 1990, the General Workers' Union of Spain formally dissolved its links with the Socialist Party, and in 1992 the Social Democrats of Sweden severed relations with their country's unions (The Economist, 16 October 1993, pp. 30 and 33; 11 September 1993, pp. 32 and 33).

C. SOCIAL IMPLICATIONS

Social equity for port labour is often erroneously equated with paternalistic gifts from the Government in the form of purchasing-power safeguards, job-security arrangements, medical benefits and retirement programmes which are paid for out of public coffers and which are justified as an equitable and humane redistribution of a nation's wealth. With the introduction of export-led growth policies, the ports of the Latin American and Caribbean region have been thrust into a highly competitive global economy which no longer permits Governments to impose such programmes on maritime employers without regard to the commercial conditions facing users and maritime employers; nor does it permit Governments to distort market mechanisms by assuming the financial burdens associated with the granting of such privileges to port labour.
Instead, it requires that port administrations, maritime employers and users be freed from social-political obligations and that the market system of penalties and rewards be applied to both commercial and social goals. Otherwise, the cost of satisfying the social requirements of labour groups can become a burden for even the strongest ports.

Market-responsive institutions, advanced technologies and modern facilities are a necessary condition for reaching commercial and social goals, but they are insufficient unless coupled with a well-trained, highly productive and cost-effective labour force. The Executive Director of the Georgia Ports Authority in the United States, Douglas Marchand, once remarked that modern technologies are available to every port, but it is the way in which labour utilizes them that determines the winners and the losers. Due to the overwhelming importance of human resources in port services, maritime employers should recognize that it is to their benefit to create a skilled and motivated labour force, that improvements in efficiency require collaboration between labour and management, and that their commercial success is intimately linked with the hard work, loyalty and well-being of dock workers. Thus, there is a social foundation for commercial success which obliges maritime employers to go beyond considerations of corporate efficiency and earnings in order to train and motivate employees, promote loyalty, establish a basis for collaboration, and provide a task and career structure that engenders job satisfaction.

The opportunity-oriented definition of social equity that was presented in the introduction to this book goes beyond traditional debates concerning compensation formulae and amounts in an effort to ensure the development of human resources through training programmes and new job assignments. Paternalistic labour regimes give virtually unrestricted priority to social goals and isolate dock workers from market mechanisms, while those with a market base seek to utilize such mechanisms to reconcile corporate and social objectives. This creates a much more progressive concept of social equity whereby Governments would ensure that all groups providing and receiving services are on an equal institutional footing, that compensation and early retirement programmes neither unjustly reward redundant workers nor unjustly deprive them of acquired rights, that collective negotiations are free of political influence and that redundant workers are offered training programmes so that they may be rapidly reincorporated into the national workforce. Thus, market-based port labour reform need not lead to hardship for dock workers.

The longer-term implications of the interdependence of commercial and social goals are that maritime employers and port labour will try to avoid exacerbating their disputes within the confrontational framework of court and arbitration systems because they must work together to reach consensus-oriented objectives whose attainment requires such intangibles...
as the dynamic best efforts and goodwill of both (Cabot, 1986, pp. 14 and 15). As occurred when the Catholic Church was called upon to settle a territorial dispute between Argentina and Chile after a decision of the International Court of Justice was rejected and when the Government of Venezuela offered to mediate a dispute between Caribbean and Latin American banana producers regarding access to European markets, the utilization of informal procedures could become the preferred means of settling disputes (The Journal of Commerce, 19 October 1993). Governments should promote the establishment of committees composed of labour unions and maritime employers and should gradually enlarge their jurisdiction over informal dispute-resolution procedures (The Journal of Commerce, 18 May 1994, p. 76; Fairplay International Shipping Weekly, 21 April 1994, p. 3). Only the legal profession seriously suggests that formal procedures, including specialized labour courts, are the best venue for dispute settlement.42

Social equity is a broad concept which includes public-purpose objectives that go beyond market mechanisms in an effort to achieve the greatest well-being possible.

Market forces encourage users to select cost-effective ports and prompt maritime employers to invest in modern equipment and training programmes for dock workers, but they do not automatically create an incentive for public-purpose programmes that would protect the environment, result in the establishment of a safe workplace or lead to the adoption of laws banning the use of child labour, setting minimum wages and prohibiting discriminatory hiring practices. In fact, the history of the labour movement clearly demonstrates that business enterprises will indeed engage in such activities unless they are specifically prohibited from doing so by the regulatory regimes governing their endeavours. For example, Governments could adopt regulations which provide an incentive—such as joint penalty avoidance—for collaboration among port labour, maritime employers and users to detect contraband and provide

41 There are many other instances of non-institutional arbitration by the Catholic church as well. For example, a Roman Catholic Cardinal, Miguel Obando y Bravo, agreed to arbitrate a hostage conflict between the Contras and Sandinistas in Nicaragua. See The Washington Post (24 August 1993) and The Economist Intelligence Unit (fourth quarter 1993, p. 12). In addition, the Haitian military leader General Raoul Cédras requested Vatican mediation in a dispute between the President, Jean-Bertrand Aristide, and the military. See The New York Times International (28 October 1993).

42 Ocean carriers and shippers are coming to the same conclusion, and the Free Trade Agreement between the United States and Canada has created a mechanism for settling disputes which can take the place of a judicial review in some cases in either country. See Fairplay International Shipping Weekly (2 June 1994, p. 19); The Washington Post (7 March 1994, p. 9); The Journal of Commerce (5 November 1993, p. 1B); and Richardson (1993, pp. 42-48).
greater protection for the marine environment. Such undertakings would allow them to have a much more shared or teamwork-based view of their activities and would contribute to the harmonization of commercial and social goals.

Commercial and social objectives in collective negotiations will no longer be viewed as an “either we get it or they will” struggle, since neither maritime employers nor dock workers can be isolated from the competition of a global economy at a reasonable cost (Business Week, 2 August 1993, p. 30). When Governments adopt market-based port labour regimes, maritime employers and dock workers will respond to such competition because commercial and social issues be will resolved within the same framework (Fairplay International Shipping Weekly, 2 September 1993, p. 4). Maritime employers and dock workers need each other to respond adequately to such competition. The social well-being of dock workers and the commercial well-being of maritime employers and users are so intimately related that one cannot be obtained without the other, and any injury done to one will ultimately be transmitted to the other. A shift in the focus of labour negotiations from confrontation to common objectives will lead to a greater commercial awareness on the part of port labour and a greater social awareness on the part of maritime employers. Collaboration between maritime employers and dock labour will also be heightened through the sharing of information and joint decision-making. Hence, the “social question” for dock workers that was debated at the beginning of this century has become a “competitive question” for maritime employers and port labour.

In searching for answers to the “competitive question”, maritime employers, dock workers and users will have to work together. A wide range of shared values will be created whereby each will view the other as a source of innovation, productivity improvements and cost reductions. Dock workers are linked to users because the demand for port workers’ services is derived from the demand for the goods they are handling, and they are linked to maritime employers because their wages and benefits depend on the commercial success of the cargo-handling enterprise. Only through joint action and common sacrifices will maritime employers and port labour survive in a highly competitive global economy. Whether port labour unions and maritime employers accept and respond to these shared values depends not on their goodwill, but rather on the political resources upon which Governments can draw in formulating an institutional framework that ensures they are both subject to market mechanisms. A reformulation of

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43 Regarding a similar situation in the ocean transport industry, see The Journal of Commerce (15 August 1994, p. 1B).
the institutional framework governing port labour will eliminate numerous social-political impediments to efficient operations and, ultimately, permit them to share the benefits which result from greater productivity and cost-effectiveness. Given these realities, port labour unions and maritime employers will put aside their traditional social-political rivalries and will steer a course which permits them to play a joint and mutually-supportive role in the ports.

The importance of the “competitive question” notwithstanding, efforts to answer the “social question” by defining minimum wages and employment conditions have been elevated to the international level. For example, at a meeting of the contracting parties to the General Agreement on Tariffs and Trade (GATT), held in Marrakesh, Morocco, in April 1994, the Governments of France and the United States refused to sign the final agreement to approve the conclusions reached at the Uruguay Round unless the World Trade Organization (WTO) —a newly constituted and more ambitious institution designed to take the place of GATT— were required to examine the links between labour standards and trade. The United States Secretary of Labour, Robert B. Reich, argued that, in a global economy, minimum labour standards are no longer an internal affair for each nation and that they should be included in international trade agreements. In contrast, Governments of numerous developing nations view the proposal as a protectionist measure whose objective is to preserve the jobs of overpriced workers in industrial countries. The link between minimum labour standards and trade was accepted as a future work programme item of the WTO, but the pivotal issue of whether such a link would improve the contribution made by workers to the competitiveness of goods and services has yet to be considered (Seatrade Week Newsfront, 17-23 June 1994, p. 13; South-North Development Monitor, 21 June 1994, pp. 2-5; 10 June 1994, pp. 4 and 5; 8 June 1994, pp. 2 and 3; The Economist, 16 April 1994, pp. 79 and 80).

With the adoption of market-based port labour regimes, the port labour movement in Latin America and the Caribbean will shed many of its members’ privileges that depress trade flows and, hence, the demand for port services. Dock workers will then pledge their loyalty to users and maritime employers, rather than to elected and appointed officials, with a view to making their port and terminal commercially attractive and, hence, enhancing their own wages and benefits. Without ties to government officials, port labour unions will no longer have the political resources to create fictitious jobs for dock workers, require the payment of unearned benefits or create classes of privileged (registered) and disadvantaged (all other) workers. Ports will become more efficient, and the formation of political alliances to achieve social goals will be minimal because
commercial objectives will no longer be treated nonchalantly (The Journal of Commerce, 7 November 1994). Dock workers will recognize that the cost of social benefits must not exceed those offered at competing ports nor reduce the competitiveness of users' goods and services in international markets, and that they must not seek job security arrangements greater than those possessed by maritime employers.

44 For an evaluation of the colonial, sociological and moral factors which gave rise to the widespread avoidance of legal norms in Argentina, see Nino (1992).
VII. 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 dock workers shift from a monopolistic to a competitive framework; technical advances are reducing the demand for dock workers, making them more productive and compelling those that remain to update their skills through training courses; and export-led growth policies have exposed them to the borderless competition of a global economy. The effectiveness of political alliances, dock-worker registration systems, cargo-handling and storage monopolies, and government subsidies as means of achieving social goals has declined, but they remain a significant threat to the commercial objectives of users. There is a growing disenchantment with the labour movement, as dock workers seem to be moving away from a collectivist approach towards some form of protected autonomy. Governments recognize that, as social-political institutions, they lack the requisite skills and profit motive to operate ports and have begun to take the first steps to create a basis for private participation in port services and port installations. Finally, privatization and market-oriented labour reform are the first choice for users and maritime employers, but the last choice for Governments and the port labour movement because of their presumed social and political costs.

It is remarkable how the fundamental issues confronting port labour have been transformed between the 1930s and the 1990s. Instead of facing a social question, port labour must respond to a competitive question; instead of being isolated from market mechanisms, port labour must react to them; instead of pledging their loyalty to elected and appointed officials, port workers must safeguard the commercial viability of users and maritime employers; instead of labour-intensive technologies being considered an appropriate means of creating jobs, workers must embrace capital-intensive technologies to attract users; instead of redundant workers facing a jobless future, Governments and maritime employers must create compensation schemes, set up training programmes and offer placement services to locate jobs for them in other sectors; instead of engaging in irreconcilable and destructive conflicts, port labour and
maritime employers must collaborate to achieve commercial and social goals; and instead of monetary incentives being the principal means of raising productivity, port labour must be allowed to participate in workplace decisions. Only with a commercial resolution of these issues will ports enjoy a sustained period of growth and will dock workers enjoy satisfying employment and career development opportunities.

These factors would seem to create insurmountable conflicts and obstacles to port labour reform, but it should be remembered that commercial evolution, like its biological counterpart, is an ongoing, synergetic, innovative process that influences not only users and maritime employers but also port administrators, legislators and unions and encourages them to take decisions which will lead to progressive improvements in port efficiency. In a highly competitive global economy, there will be an ongoing quest for commercial survival as users and maritime employers continuously seek to upgrade their products and services, thereby making the port labour market and its skill requirements anything but static. To deal with a dynamic labour market, Governments have to recover the policy-making, regulatory and decision-making processes they surrendered to labour, and they must subject the goals of port labour and maritime employers to market mechanisms so as to create a common ground for the harmonization of social and commercial goals. The considerations most relevant to such an undertaking are: i) new roles for Governments, ii) the process of port labour reform, iii) the development of a market-responsive institutional framework, and iv) an implementation strategy.

A. NEW ROLES FOR GOVERNMENTS

For many decades, the Governments of Latin America and the Caribbean have based their port labour regimes, collective agreements and work practices on the spurious assumptions discussed in the introduction to this book. These assumptions provided a basis for Governments to establish cargo-handling monopolies, provide subsidies and restrict the supply of dock workers through registration systems. These assumptions have lost much, if not all, of their validity, however, with the advent of a global economy and input-to-final-product competition and the introduction of export-led growth policies. Nevertheless, each assumption has the backing of a number of powerful interest groups which will try to persuade Governments not to make any changes so as to preserve their privileges. Probably the most important issue in any effort to deal with this situation is the impact which the disavowal of such assumptions will have on the role of Governments in ports. A corollary issue is related to dock labour's
position as the principal supplier of an essential input into port services and as a dominant force in the formulation of its own regulatory regime. In order to resist port labour's efforts to strengthen existing labour regimes, Governments need to be aware of the underlying economic, technical and policy changes that have invalidated these assumptions so that they may identify the components of market-sensitive port labour regimes which will permit the achievement of commercial objectives and opportunity-oriented social goals.

Existing port labour regimes have institutionalized many cost-boosting practices and have created the need for port labour to maintain close political ties with the Government in order to protect its privileges. Government regulations cannot eliminate unemployment in port cities or the ever-present variability of the demand for port labour's services, but this does not mean that there are not other ways to limit the impact of these factors. With the introduction of export-led growth policies, the measures that Governments might introduce to lessen their impact have shifted from the political realm—registration systems, monopolies and subsidies—to the commercial sphere. For example, dock-worker training activities, when combined with compensation programmes for redundant port labour, would raise productivity and lower costs, all of which should attract users and lead to an expansion in the volume of cargo to be handled. Governments should therefore assume a catalytic role and utilize opportunity-oriented forms of social equity to encourage dock workers to accept the reform of port labour regimes that marginalize commercial objectives, isolate dock workers and maritime employers from market mechanisms, restrict maritime employers' control over cargo-handling operations and limit the export potential of national producers.

Governments should forswear direct involvement on their own part—as well as on that of political parties, international organizations, foreign labour unions, universities, the military and the families of dock workers—in labour relations in order to avert pressures to modify market outcomes. They 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 dock workers. The task Governments face is not just to eliminate registration systems, monopolies, subsidies and alliances (for some way can always be found to re-establish such mechanisms), but also to create an institutional framework which utilizes market mechanisms to reconcile the interests of maritime employers and port workers for the benefit of users and which employs the intelligence and problem-solving capabilities of dock workers to enhance corporate competitiveness. This will promote inter-port and intra-port, as well as inter-union, intra-union and non-union, competition for markets, cargoes and jobs, and will
encourage dock workers to make progressive improvements in port efficiency. Although Governments are not subject to market mechanisms, neither are they isolated from the commercial realities facing users and maritime employers or the fiscal revenues which their commercial activities generate.

Export-led growth strategies assign to Governments a predominant policy-making and regulatory role in regard to commercial enterprises. Many Governments of the Latin American and Caribbean region have formulated such policies and regulations, but none the less continue to act as owners, investors, administrators, operators and employers. The pervasive functions and influence of Governments and labour unions in ports, the lack of a common basis for the determination of commercial objectives by those receiving and providing services, and the absence of private participation in ports have permitted out-of-date technologies and institutions to survive even though they lack coherence and pursue conflicting objectives. The choice that Governments face is either to embrace policy and regulatory reform or to maintain the trade-depressing status quo. To avoid the latter option, Governments should reform port labour regimes to remove limits on competition so that the demands of users, maritime employers and dock workers will be counterbalanced and reconciled by the influence of market mechanisms. The formulation, implementation and administration of market-oriented port labour regimes is almost entirely a political undertaking, but it is incumbent upon Governments to ensure that commercial and social goals are paramount and that political processes do not impede their realization.

There is a direct link among the introduction of export-led growth policies, private participation in port services, market-responsive port labour reform, and the fulfilment of commercial and social objectives. A Government may refrain from restructuring its port labour regime in the ways demanded by today’s global economy only if it is willing to run the risk of allowing its nation’s goods to become commercially inviable in international markets and making imports more expensive than necessary for domestic consumers. Regardless of whether one is on a small Caribbean island or in the Amazon basin, it is impossible to escape the consequences of input-to-final-product competition in a global economy. If any of the inputs into port service processes is excessively expensive or inefficient, the port could become commercially unattractive to users, and this would neither promote commercial opportunities for private investors nor contribute to new job creation. The measures devised by Governments to isolate port labour from competition and stabilize these workers’ wages have dampened productivity and generated artificial sources of employment; consequently, these measures also serve to identify the sources of inefficiencies and costs that should be eliminated by
market-based port labour regimes. Thus, the obligation to change the social-political atmosphere at ports rests with the Government.

The worldwide sourcing of inputs will be mirrored in coming years by the utilization of institutional arrangements for labour which will permit a more balanced relationship between the supply and demand for labour, between corporate flexibility and job security, and between commercial objectives and social equity. An essential component of such arrangements is that Governments have an obligation to define a negotiating framework for port labour and maritime employers which specifies their respective rights and duties. For example, port unions should have a right to: a) be free from the influence of government officials and political parties, b) strike or negotiate no-strike and mandatory arbitration agreements, c) organize multiple unions in the same workplace, d) be recognized as lawful bargaining agents by relevant government departments, and e) participate in the modification of labour regimes and policies. At the same time, port unions should have a duty to: a) abstain from work stoppages while collective agreements are in effect, b) accept work assignments and training programmes which are specified by maritime employers, and c) comply with work hours in a responsible manner.

With the incorporation of national factors of production into global markets, the trend towards collaboration between maritime employers and port labour will become the basis for their commercial viability and job security. Collaboration is a slow, cumulative process which builds upon itself. It does not decree the resolution of disputes and disagreements no matter what the outcome might be, but instead utilizes market mechanisms as an independent tool for the sharing of costs and benefits on a commercial basis. Collaboration will expose dock workers to cost and productivity differences between their ports and those of major competitors. For example, to enhance their prospects of attracting additional cargoes at the Port of Houston, Texas, the ILA recently agreed to a package of cost-cutting measures which includes reductions in minimum work guarantees and in the minimum basic wage rate and the elimination of certain recognized holidays (Port of Houston Authority, 1993, pp. 9 and 16). Governments should therefore ensure that their reformed port labour regimes unite the interests of port labour and maritime employers through the definition of joint obligations with a view to enhancing productivity, cost control, training and career opportunities and fostering collaboration.

Governments possess substantial expertise in the formulation of policies, the development and administration of legal regimes, and the settlement of disputes, but they do not have a profit motive or face a threat of bankruptcy which might guide their decisions in relation to commercial matters. This means that Governments should become involved in such ventures only if private interests cannot or will not do so. Policy and
regulatory regimes should utilize market mechanisms to strengthen the competitive position of users, maritime employers and ports and to improve the general welfare of the entire port community. For example, Governments could join forces with maritime employers, dock workers and users to ensure that the port has the necessary reception facilities for garbage, oily wastes and other harmful substances. Dock workers could take advantage of their proximity to cargoes and their knowledge of port operations to assist customs officials and police in their efforts to seize contraband and other illicit materials. Commercial success, social equity and the public good are the fundamental bonding mechanisms for users, dock workers, maritime employers and the surrounding port city. Thus, Governments should ensure that not only commercial and social but also broader public goals can be achieved within the reformed port labour framework (The Nikkei Weekly, 8 March 1993, p. 18).

In summary, Governments occupy a leadership position in the development of market-oriented labour regimes for ports. Just as the competition of a global economy places severe limits on the political measures Governments can adopt to solve commercial problems, the free interplay of market mechanisms places equally rigorous competitive limits on what measures they can take to safeguard the wages and benefits of port labour. Dock workers’ wages and benefits should be based on their diligence in carrying out cargo-handling operations, in meeting new situations in innovative ways and in gearing work practices to the requirements of advanced cargo-handling technologies, instead of relying on political alliances, monopoly controls and government largess. Market-oriented port labour regimes should support the needs of users, but they should also ensure that there are no impediments to the satisfaction of maritime employers’ commercial goals or to the exigencies of opportunity-oriented social equity for port labour. More than port engineers and economists, Governments need politicians who understand ports and recognize that the market-based reform of port labour regimes is essential to the trade competitiveness of their nations. Accordingly, Governments can provide fundamentally important support for export-led growth goals by assuming a leadership role in the market-based reform of port labour regimes.

B. THE PROCESS OF PORT LABOUR REFORM

Time and time again, the labour reform process has been initiated by one of three forces, or a combination thereof: competition from other ports, a Government’s political platform or a public outcry concerning labour practices. First, competition is the strongest incentive for port labour reform
because it is usually a long-term phenomenon that becomes progressively more potent in a global economy. When the Port of Point Lisas, Trinidad and Tobago, began to handle general cargo, it created competition for the port facilities at Port of Spain, thereby prompting the latter to negotiate a new collective agreement with port labour unions which altered manning scales and wage rates for dock workers. Both ports negotiate with the same dock labour unions and comply with the same government regulations, but competition has led each to use that common framework to create totally distinct commercial settings (ECLAC, 1990, pp. 34 and 35). Second, compliance with political platforms is not compulsory, and such platforms can be weakened relatively easily. For example, on 25 February 1993, the President of Brazil, Itamar Franco, carried forward the policy of his predecessor and signed a law intended to modernize that nation’s ports. This law required unions, administrators and cargo owners to negotiate new collective agreements within 90 days (América economia, May 1993, p. 42). This and subsequent deadlines were allowed to pass, however, and the law has subsequently been challenged in the Supreme Federal Court of Justice (Gazeta mercantil, 27 August 1993, p. 10). With numerous constitutional changes under study, it appears that no additional measures will be taken until such time as they are resolved.

Third, a public outcry is a short-term initiative and is easily diverted when the symptoms of the complaint (but not necessarily its underlying causes) are treated. In 1981, the Government of Chile responded to a public outcry against continuing labour disputes which had all but paralysed cargo-handling operations by passing Act 18,032, which put an end to the cargo-handling monopolies of shipboard and landside workers, consolidated these two groups of workers, put a stop to registered dock workers’ practice of subcontracting work out to casual labour, and sped up the loading and unloading of vessels. These changes have permitted the port and trade community of Chile to enjoy a decade of continuous trade growth, but that success and the above-mentioned regulatory vacuum have created obstacles to a continuation of the reform process, while the root causes of the problems which led to the adoption of Act 18,032 remain (ECLAC, 1990, pp. 36-41). These causes include the predominant roles played by labour and the Government in the nation’s ports, a lack of private investments, the centralization of commercial and labour decisions, cross-subsidization, government participation in collective negotiations, the absence of antitrust laws that would apply equally to private investors and port labour, the assumption that private and government terminal operators can compete, and the need to transform the public-sector port enterprise (EMPORCHI) into a regulatory agency (El Mercurio, 23 April 1995, p. D14).
If the emergence of a global economy and the introduction of export-led growth policies have proven anything, it is that political platforms and government responses to public outrages have hindered the achievement of both social and commercial objectives. While it may not be readily apparent, the fact remains that social objectives have not been attained because government support for port labour has fostered increases in the supply of dock workers in excess of demand, elevated the total wages and benefits of dock workers beyond their contribution to productivity, and created a work environment which is inefficient and highly political. Labour leaders have had no incentive to understand the relationship among trade competitiveness, the supply and demand for labour, productivity, cost-effectiveness and social goals. Users respond to this non-commercial environment by seeking alternative sources of goods, thereby reducing the demand for dock workers; this, in turn, leads dock workers to demand a guaranteed number of days of work per month and larger subsidies to stabilize their earnings. Most of the benefits awarded to port labour under these circumstances have been of no help at all in improving efficiency and have proved to be unsustainable in the long run. To ensure that labour agreements will have a commercial base, the process of port labour reform therefore requires that a detailed analysis be undertaken of how much each benefit to be granted to dock workers would cost and what kind of contribution it would make to port productivity and cost-effectiveness.

Given the need to respond to the competition encountered in a global economy, Governments can no longer utilize ports as a source of work for the unemployed, a response to social problems or a basis for political patronage (Blackburn, Bloom and Freeman, 1990, pp. 31-76). Except for requirements of a technical and physical nature, such as training, experience, health and age, the port labour market should be subject to unrestricted competition. The port labour market should not be isolated from the commercial realities facing users, and port labour organizations should not control the selection of workers or bar maritime employers from hiring permanent, contract and casual employees. Professional, career-oriented dock workers should welcome these changes because they would make it relatively easy for persons possessing the requisite skills and experience to obtain work and to retrain for new jobs when those skills were no longer needed. Governments should ensure that market mechanisms—not registration systems, monopolies or subsidies—allocate port labour resources.

The process of port labour reform requires Governments to eliminate provisions from existing labour regimes, collective agreements and work practices which limit or restrict the supply and demand for labour, its freedom of entry and exit, the impact of users’ likes and dislikes,
restrictions on productivity and measures which lead to the creation of monopolies.

Governments will need to identify ways of fulfilling the social and career aspirations of dock workers. If both social goals and commercial objectives are subject to market mechanisms, neither will impede the achievement of the other. Market signals will assist port labour and maritime employers to rearrange their commercial and social priorities and will either eliminate politically-obtained wage, benefit and job-security arrangements or, if those arrangements have a commercial basis, will strengthen them. Port labour, users and maritime employers cannot achieve their own commercial and social goals unless they ensure that the others are free of any restrictions on the fulfillment of theirs. This does not mean that they will achieve all of their commercial and social goals, but it does mean that market mechanisms, rather than political influence, will determine which goals are most relevant, what the trade-offs between them will be, and which ones should prevail at any given moment. Market-oriented port labour regimes should encourage the joint utilization of market mechanisms by port labour and maritime employers so that they may help each other to compete for markets, cargoes and jobs. The process of port labour reform therefore has two guiding principles: the creation of a skilled, motivated workforce, and the commercial utilization of facilities and equipment.

The process of port labour reform can be strengthened by political platforms and public outrages, but only competition will create a basis for collaboration, shared workplace decisions, and training programmes that will motivate dock workers and maritime employers to carry out new and broader tasks. The major obstacle to the process of port labour reform is that dock workers have to make the change from taking orders to being self-motivated professionals and from avoiding workplace responsibilities to accepting greater obligations for innovation, productivity and cost-effectiveness. This should create joint obligations and benefits for port labour and maritime employers, while a continuing reliance on adversarial labour relations would impede improvements in productivity and cost-effectiveness, deter the resolution of problems, and encourage the establishment of monopolies and political alliances. Many Governments ignore such risks because they are concentrating on lowering unemployment rather than on creating the largest number of highly skilled jobs which will, in turn, generate other jobs, both within and outside the ports. Without a focus on market mechanisms, social equity, collaboration, compensation, retraining and antitrust laws in the port labour reform process, existing facilities and equipment can easily be utilized in a suboptimal manner at a considerably higher cost than necessary.
C. DEVELOPMENT OF A MARKET-RESPONSIVE INSTITUTIONAL FRAMEWORK

Labour practices, institutions and agreements can neither be comprehended nor intelligently reformed without an in-depth understanding of the origins of existing systems. Historically, maritime employers sought to avoid collective agreements with port labour organizations because unions could simply cease to exist if compliance was not in their interest and because new workers could become union members without having any legal obligation to comply with existing agreements and could end their employment with equal impunity. With the adoption of legislation granting legal authority to the organizational activities and representational rights of the port labour movement, dock workers and labour leaders found that Governments and political parties were very sympathetic to their demands because they wished to gain the support of workers for non-labour causes. At that time, port labour unions had a social-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 dock workers to add value to users’ goods and services and to increase the profitability of 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 dock-worker registration systems, government subsidies, guaranteed work weeks, unemployment benefits, or retirement and health programmes; the problem lies in the fact that the port labour movement largely obtained them outside the bounds of market mechanisms. A market-oriented port labour regime should take into account the experience gained from the use of such measures. First, from a commercial viewpoint: a) any legislative invalidation of market mechanisms is only temporary, and the social gains created by distorting their operation will ultimately cost the entire nation far more than the benefits received by port labour are worth, b) the negative effects of market mechanisms are largely due to interference by public and private interests rather than to any inherent defects, and c) market mechanisms are supra-national in nature and are paramount to Governments, constitutions, labour regimes, maritime employers, port labour and collective agreements. Second, from a human or social perspective, maritime employers and port labour frequently: a) resist any change in the status quo, b) attempt to establish monopolies, and c) demand government subsidies to cover the costs of any resulting inefficiencies.
If these lessons are taken into account in the design of port labour regimes, the resulting environment will be one that discourages direct government involvement, monopolies and politically-awarded privileges while creating a basis for collaboration. The only valid way to ensure their incorporation is to broaden the sphere of participation and responsibility for formulating such regimes to include users, port labour and maritime employers. The participation of such groups does not guarantee that market-oriented port labour regimes will be perfect, but they should have a more commercial focus and provide dock workers with more training, employment opportunities and job satisfaction than in the past. This will also prevent a situation from arising in which excluded groups find it impossible to gain consideration for their needs when such regimes are being designed, in which case the only practical alternative is their complete elimination. Port labour unions will allege that the proposed reforms 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 dock workers. Nothing could be further from the truth, however, so long as both port labour and maritime employers are subject to equally deregulated and decentralized regimes and to antitrust laws, as well as being supported by compensation and retraining programmes.

Compensation and retraining programmes not only benefit dock workers but also create a loyal, skilled and motivated workforce which supports the commercial goals of users and maritime employers. If it were not for potential dock-worker redundancies and the uncertainty of finding new sources of employment, the sharing of benefits in this manner should create an incentive for reformulating port labour regimes, collective agreements and work practices, permitting private investments, modernizing facilities and using advanced cargo-handling technologies. The resistance of dock workers to such changes, which is a worldwide phenomenon, has a concrete basis in a perception of ports as a domestic activity, political job-security arrangements, the earlier unskilled nature of the work itself and the abundant supply of unemployed workers. Given the increasing technical sophistication of cargo-handling operations, and providing that compensation and retraining programmes are offered, there is no legitimate reason for Governments to delay their efforts to develop market-oriented port labour regimes. However, Governments make changes based on a consensus of opinion, and without such a consensus, the possibility of losing the votes of dock workers who become disenchanted with the labour-displacing aspects of port labour reform could easily overshadow desirable commercial and social objectives.

Consequently, in order to develop market-oriented port labour regimes, Governments need to act in an impartial fashion, to possess the
capacity to filter out utopian dreams and monopolistic habits so that commercial and social goals might be reached, and to organize the entire port community to participate in the process. The following diagrammatic summary of a suggested institutional framework for port labour reform utilizes market mechanisms—rather than political alliances, monopolies, registration systems and subsidies—to establish the boundaries for labour’s demands and for maritime employers’ responses. A properly focused framework requires Governments to adopt legislation which deregulates the labour market or eliminates all the bureaucratic obstacles to the free interplay of market mechanisms affecting the supply and demand for dock workers, as well as impediments to the establishment of additional unions and to the right of persons to work without being union members. The decentralization of the port labour market ensures that dock workers will respond to local market signals and that there will be no cross-subsidization of earnings or cost transfers between ports. These measures have only one purpose: to create a port labour environment which responds to market signals.

### THE INSTITUTIONAL FRAMEWORK FOR PORT LABOUR REFORM

<table>
<thead>
<tr>
<th>Deregulation and decentralization (inter-port, intra-port, inter-union, intra-union and non-union competition)</th>
<th>Redundancy compensation, early retirement and retraining programmes for dock workers</th>
<th>Elimination of direct government participation in collective negotiations and in informal dispute settlement</th>
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<tr>
<td>Antitrust laws (applicable to users, maritime employers and dock labour)</td>
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The elimination of government involvement in collective negotiations and dispute settlement procedures will not create a regulatory vacuum because market mechanisms will take its place and antitrust laws will ensure that these mechanisms are utilized in a commercial manner. In addition, the informal dispute settlement guidelines drawn up by Governments provide port labour leaders and maritime employers with an opportunity to move beyond the bounds of wage and benefit bargaining in order to collaborate with each other concerning alternative organizational structures, work practices and technologies that might be used to achieve commercial and social goals. For a reformed institutional framework to be viable, it should provide maritime employers with
sufficient flexibility to select 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 will need to be monitored to ensure compliance with its provisions. This can be most easily accomplished by creating a commission within the ministry of labour which is required to consult with the port administration, users, port labour organizations and maritime employers regarding any changes that might be made in that framework to improve port productivity and cost-effectiveness.

D. AN IMPLEMENTATION STRATEGY

For many decades, dock workers have refused to accept any changes in labour regimes which would reduce or eliminate their politically-obtained privileges and benefits. For example, they realize that users and maritime employers respond to market mechanisms, but they reject any measures which would subject their wages, benefits and job-security arrangements to such forces; they realize that ships, trucks and railway wagons have to be unloaded and reloaded rapidly, but they reject measures which would enhance port productivity if they might reduce the demand for labour; they realize that Governments can no longer isolate them from the competitive environment in which users function, but they reject any suggestion that compensation, retraining and early retirement programmes can resolve their fears of unemployment; they realize that overstaffing will reduce the competitiveness of the goods they handle and allow nearby ports to capture the markets they appear to be surrendering, but they reject any measures that might lead to redundancies. To overcome these and other objections, Governments should formulate implementation strategies which give dock workers a feeling of mutual support, an understanding that change is inevitable, an idea of the roles they will play during and after the changes in question, and confidence that investments will be made in their welfare.

There are two major factors which distinguish port services in the 1990s from those of earlier decades: first, the demand for dock workers’ services can no longer be isolated from the demand for and competitiveness of the goods they handle; and, second, dock workers can protect their own jobs only by contributing to such competitiveness by providing services on a productive and cost-effective basis. How users, port labour unions, maritime employers and Governments perceive these two factors vis-à-vis their own interests is crucial in determining whether they will accept or reject market-oriented port labour reforms. Port labour unions will seek to preserve jobs and to safeguard the wages and benefits of their members through social-political measures. Maritime employers will attempt to
obtain the flexibility to hire and dismiss workers, change task
demarcations, and vary wages and benefits according to worker experience
and productivity, as well as the completion of training courses, so as to
ensure that port facilities will be commercially attractive to users. To
reconcile these conflicting objectives, Governments should form teams
composed of persons from the ministries of finance, trade, transport, public
works and labour, together with representatives of users groups, port
labour unions, maritime employers and port administrations, to devise a
market-based port labour regime.

Many social-political interest groups would be immediately
appeased if it were possible for such teams to preserve the privileges
granted to port labour under existing port labour regimes, but this would
mean that national economies would have to tolerate slower growth rates,
less job creation, lower levels of private investment and higher product
prices. A market-based port labour regime presupposes unrestricted
competition and, with the support of antitrust laws, should preclude the
creation of monopolies, market restrictions and non-commercial privileges.
For port labour, an opportunity-oriented definition of social equity would
encourage the commercial reform of labour regimes in order to improve
port efficiency, enhance repair and maintenance functions, create an
attractive business environment for users and private investors, facilitate
the informal resolution of labour disputes and achieve a commercial
balance between the supply and demand for dock workers. The loss of jobs
and privileges will not be easily accepted by port labour, so Governments
should publicize the criteria to be used in selecting the persons who will be
made redundant and those who will be allowed to enter retraining
programmes, as well as a simplified scheme which permits dock workers
to calculate their compensation and retirement benefits.

These teams’ efforts to develop market-oriented port labour regimes
will create uncertainty among dock workers and will prompt unions to
claim that their social costs are prohibitive. In response to this assertion,
these teams should join forces with users and maritime employers to
prepare studies which demonstrate that such reforms are not being
demanded by them, but rather by the global economy, that commercial and
social objectives can be harmonized by subjecting them to the independent,
unbiased standard of market mechanisms and antitrust laws, and that they
are willing to share the burdens and benefits of these new labour regimes
with port workers via compensation, retraining and retirement
programmes. Such measures are not a way of discharging some “moral
obligation” on the part of Governments, as is often claimed, but instead
constitute a response to the need to create a basis for the achievement of
commercial objectives by users and maritime employers, the informal
settlement of labour disputes, joint decision-making by dock workers and
maritime employers, and the fulfillment of the opportunity-oriented social goals of port labour. These measures, which are the counterbalancing human response or social-equity component of an implementation strategy for port labour reform, should refute any claims that the new regimes have high social costs, that dock workers are the ones who will have to bear the entire burden of the adjustment and that port labour problems have not been resolved but merely transferred to another sector of the economy.

As an illustration of the ways in which benefits and burdens may be shared, port labour training programmes can provide maritime employers with a more skilled workforce, give dock workers a means of justifying their demands for wage and benefit increases, and supply Governments with additional fiscal revenues. Each group that benefits from such programmes should help to finance them. The amounts to be contributed by each, the utilization of funds and the duration of benefits should be subject to joint decisions. Once the labour problems created by existing port administrations in terms of rigid task demarcations, excessive wages and benefits, overstaffing and a lack of skills have been resolved, Governments should stop making contributions to the corresponding fund and withdraw from the committee to avoid influencing maritime employers and dock labour. The scope of such programmes should extend beyond the technical skills needed for cargo-handling operations and include those related to the commercial requirements of users. At the Port of Tilbury, London, for instance, dock workers visit the premises of exporters and importers to observe how costly and inconvenient it is for them if goods are damaged, pilfered or delayed. (Lloyd’s List, 7 July 1993, p. 4). An implementation strategy that includes measures such as these will provide ample evidence to dock labour that it has the support of Governments and maritime employers in the transition process.

An implementation strategy has to address the problems involved in finding alternative employment for redundant dock workers, ensuring the security of retirement and health benefits, and setting up retraining programmes. If private-sector participation is anticipated, potential investors should prepare feasibility studies to analyse such areas as investments, rates and charges, earnings, the demand for services, skill requirements and employment opportunities. If this were done, private investors would gain an understanding of the needs of dock workers, as would maritime employers, dock workers would more readily accept progressive changes in cargo-handling operations based on technological and institutional advances (thanks to the possibility of job reassignments, training for other functions and assistance in finding employment outside the port), and users, port labour and maritime employers could work together to establish the ground rules for change. The objective of such rules would be to ensure that maritime employers and dock workers would
collaborate in the resolution of operational and labour problems, that the
determination of port workers’ wages and benefits would be free of
political influence and that they all would respond jointly and in a timely
manner to market signals. Clearly, port labour reform cannot be brought
about independently, on an ad hoc basis or through confrontation.

Finally, an implementation strategy should provide dock workers
with a feeling of control over their own destinies and of job satisfaction. To
achieve these goals, the reform team has to conduct its activities in a totally
open, transparent manner and should take into account the comments,
suggestions and opinions of not only dock workers but also users, port
administrators and maritime employers. The strategy should also provide
the reform team with a clear outline of its overall goals and of what each
step is meant to accomplish together with a precise time frame for the
completion of all activities. As in the case of private participation in
public-sector ports, the port labour reform process should be begun and
completed within the term of a single Administration. The reason for this
is that any changes to existing labour regimes which are considered
“objective” by one Administration could be judged to be “biased” by
others, and this creates a receptivity to pressure from dominant groups
within the ports to modify or discontinue the reform process. For example,
the programme to privatize the ports of El Salvador was prudently
postponed until after the presidential election in March 1993, but the newly
elected Administration has not, as yet, adopted an institutional framework
which would allow this programme to be set in motion.
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