

9-1-1999

## Maritime unions and the U.S. merchant marine

Richard L. Clarke  
*Clemson University*

Follow this and additional works at: <https://digitalcommons.wayne.edu/jotm>



Part of the [Operations and Supply Chain Management Commons](#), and the [Transportation Commons](#)

### Recommended Citation

Clarke, Richard L. (1999). Maritime unions and the U.S. merchant marine. *Journal of Transportation Management*, 11(2), 16-24. doi: 10.22237/jotm/936144180

This Article is brought to you for free and open access by the Open Access Journals at DigitalCommons@WayneState. It has been accepted for inclusion in *Journal of Transportation Management* by an authorized editor of DigitalCommons@WayneState.

# MARITIME UNIONS AND THE U.S. MERCHANT MARINE

Richard L. Clarke  
Clemson University

U.S. maritime unions have played a vital historical role in both the defense and the economic development of the United States. The economic and the political forces that helped shape and promote the growth of U.S. seafaring labor unions changed dramatically in the 1990s. Maritime union membership in the United States has fallen by more than 80 per cent since 1950. Inflexible union work rules and high union wage scales have contributed to this decline. Recent regulatory and industry changes require a new union approach if U. S. maritime unions are to survive the next decade.

## INTRODUCTION

In 1994, America's two largest ocean carriers, Sea-Land and American President Line (APL) applied to the Maritime Administration (MARAD) for permission to change the country of registry of several of their largest and newest container ships from the United States to foreign, so-called flag of convenience countries. The CEOs of these two companies joined forces to argue that unless the federal government took immediate action to create significant new operating subsidies, their companies would be unable to continue to compete with foreign-flag carriers whose crew costs per month are about one-third that of U.S. flag carriers.

Organized maritime labor vigorously opposed the reflagging proposal because it would have eliminated several hundred union jobs. Since passage of the Merchant Marine Act of 1936, ship owners registering their ships in the United States have been required to crew their ships with U.S. citizens who are union members. U.S.

maritime labor is organized and controlled by 12 major AFL-CIO chartered unions and 18 company-sponsored unions. Over the past 60 years, maritime unions have in large part controlled crew size and crew costs on vessels of U.S. registry. The gauntlet laid down by APL and Sea-Land posed a serious threat to U.S. maritime labor unions, whose membership has shrunk significantly from post-WWII levels. Fortunately for organized labor, the situation was resolved in their favor when the Clinton Administration persuaded Sea-Land and APL to maintain U.S. registry for the ships at issue by offering a new operating subsidy bill.

In 1996, after years of intensive lobbying by several different maritime interest groups, Congress passed the Maritime Security Act of 1996. Under this plan, Sea-Land and APL as well as smaller operators of U.S.-registered deep-sea vessels (U.S. flagships) will receive significant subsidy payments for designated ships. In exchange, the carriers must pledge to provide the subsidized ships to the Department

of Defense upon request to support emergency military sealift needs. The primary beneficiaries of this law, Sea-Land and APL, subsequently dropped their request to change the country of registry for their ships to foreign countries where ship operating costs are much lower (called reflagging or flagging out). Sea-land and APLs' response to the passage of this new maritime subsidy program preserves what remains of the U.S. flag deep-sea fleet. The real underlying issue that motivated their request for reflagging was not addressed. The real issue is the continuing high cost of unionized U.S. maritime labor relative to the rest of the global shipping industry.

The purpose of this paper is to analyze the impact maritime unions have had on the growth and development of the U.S. Merchant Marine through their strikes, lobbying efforts and more recent cooperation with carrier management. The development and influence of maritime unions is traced from the Maritime Security Act of 1915 to the present. The paper briefly reviews the history of maritime unions then examines the impact maritime unions have had on the formation of national policy regarding the U.S. Merchant Marine. The paper concludes by considering the implications of the Ocean Shipping Reform Act of 1998 (OSRA) and recent ocean carrier mergers.

## **HISTORY OF U.S. MARITIME UNIONS**

To understand the impact that maritime unions have had on the U.S. flag shipping industry, it is necessary to understand the pervasive nature of U.S. maritime unions in the industry. U.S. maritime unions include both licensed and unlicensed seamen on U.S. flag oceangoing vessels, Great Lakes ships and inland waterway tugs and barges. There are two longshoremen's unions, five unions for shipyard workers, twelve primary seagoing unions and nineteen independent labor unions who do business with individual oil companies (Heine, 1976). Over the years these unions became very powerful because they have had the legal right to

determine crew size and composition for different classes of ships. More importantly, U.S. maritime unions are empowered to assign only union members to crew U.S. flag vessels, determine what they will be paid and how long they may be at sea. These powers have enabled the unions to control the variable cost of oceangoing labor for U.S. flag shipping.

## **The Strengthening of Maritime Unions**

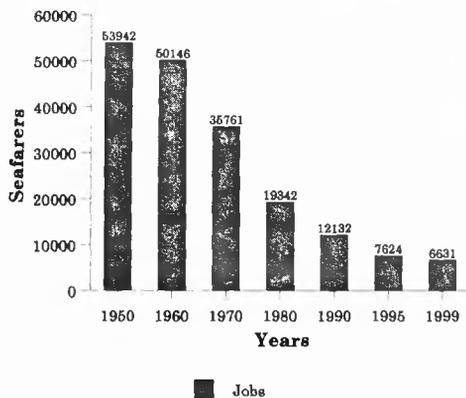
The genesis of U.S. maritime unions can be traced back to the Seamen's Act of 1915. This act established the legal right of maritime workers to form unions and create standard work rules for all their members. This act also ended imprisonment for deserting one's ship and established standards for food and quarters aboard U.S.-flag ships. There is little doubt the Seamen's Act of 1915 was vitally needed to protect crew members from human rights abuses by powerful shipping companies and shipmasters.

The rights of maritime workers were further strengthened by the Merchant Marine Act of 1936. This law, best known for its creation of operating (ODS) and construction differential (CDS) subsidies, improved living and working conditions for maritime labor. It also empowered labor unions to select only select union members for crew duty. A year later in 1937, a federal commission completed a comprehensive review of the operation practices of U.S.-flag carriers and maritime labor union management.

This commission found several problems. The main problems identified by the commission included interunion friction, union-shipper conflict, crew inefficiencies and a general lack of discipline and order aboard ship (Quartel, 1992). The commission attempted to solve these problems through a program that included subsidies to improve onboard living conditions, a minimum wage for each rating and manning scales. Federal guidelines were also enacted to cover overtime pay, maximum time at sea and vacation time for union members.

During the 1930s, maritime unions played a significant role in improving safety, living conditions, training, pay and compensation of labor and made the U.S. maritime industry a much more desirable place to work. As a result, there was constant supply of skilled seamen available to operate an increasing number of U.S. flag vessels and make the U.S. Merchant Marine a powerful force as the United States prepared to enter World War II. Following the conclusion of World War II, the U.S. Merchant Marine began a long and steady decline in its size and strength. As shown from U.S. Maritime Administration data in Table 1, the number of U.S. seamen sailing aboard U.S. deep-sea vessels declined more than 80 per cent from 1950 to 1999 (Marad, 1999). This steep decline closely paralleled the decline in the size of the U. S. Deep Sea Fleet from 1100 vessels in 1950 to 283 at the beginning of 1999.

**TABLE 1**  
**UNION WORKFORCE, 1950-1999**



Source: *Maritime Administration*, Office of Maritime Labor, Training, and Safety

This decline can be attributed to several external factors including (1) intense competition from state-owned and state subsidized foreign carriers, (2) lack of consistent U.S. maritime promotion policy, (3) growth of container

shipping and container handling technology and (4) large seasonal and annual swings in the demand for ocean transportation. These and other factors have led U.S. shipowners to reflag more and more of their ships to reduce operating cost and be more competitive with low cost shipping offered by foreign lines. These factors have combined to put increasing pressure on the already strained relationship between organized maritime labor and U.S. carriers. The unions have consistently strived to raise labor rates and maintain crew sizes while the owners have continued to eliminate high-cost union jobs by registering more vessels in foreign countries like Panama, Liberia, Honduras, and more recently the Marshall Islands. In 1970, the Nixon Administration tried to resolve some of these nagging union-management disputes and revitalize the U.S. maritime industry.

### Cooperation for Revitalization

The serious deterioration of the United States Merchant Marine between 1946 and 1969 caused in part by union-management disputes led to the passage of the Merchant Marine Act of 1970. The goal of this act was to revitalize the U.S. merchant marine by promoting the construction and use of American flag ships.

To accomplish this goal, the Act attempted to control the high cost of operating U.S. flag ships. Sea-going wages were indexed and crew size was to be decided in the ship design phase rather than negotiated by maritime unions. The act envisioned 300 new U.S. flag ships would be built in U.S. shipyards by 1980. Unfortunately, only 63 new U.S. merchant cargo ships were built and the Act fell far short of revitalizing the deteriorating U.S. maritime industry (Whitehurst, 1983).

In 1972, several maritime unions agreed to new rules aimed at increasing cooperation with U.S. ship owners. Six seagoing and shoreside unions agreed to rules aimed at increasing maritime labor stability and improving the image of the merchant marine. Irwin Heine (1976) lists the five major provisions of the agreement:

- No strike during the period of contract negotiations.
- Three to five year contracts to provide assurance with respect to continuity of operations.
- Uniform contract expiration dates.
- Provision for automatic wage adjustments annually.
- Establishment of mechanism or procedure for the resolution of disputes without stoppages.

These new cooperative policies were formulated by maritime union leadership to foster a spirit of cooperation with carrier management; however, the critical issues of crew sizes and ocean going pay rates were not addressed.

### **MARITIME UNIONS AND MERCHANT MARINE POLICY**

Maritime unions have been consistent in their position on merchant marine policy. Their main goal has always been to protect the American maritime labor from foreign competition by supporting policies and programs that promote the competitiveness of U.S. flag and U.S. manned vessel operations. These include support of the Jones Act and other policies and reform proposals, which would make it easier for U.S. operators to acquire new vessels and operate them under the U.S. flag.

Maritime unions tend to support policies which would level out the playing field of international shipping and reduce the need or desire for American vessel operators to expand their foreign flag operations. However, U.S. maritime unions have often been criticized for supporting protectionist trade policies. In addition, their lobbying efforts have raised some concern. The Seafarers International Union and International

Organization of Masters, Mates, and Pilots are represented by lobbying groups on Capital Hill—the Transportation Institute and the Maritime Institute for Research and Industry Development, respectively. While these “institutes” may appear to be research oriented organizations, they are primarily lobbying groups. The Transportation Department’s Maritime Administration reimburses subsidized ship companies for the dues, which are paid to these “institutes.” In essence, the lobbying efforts of these big groups are being supported by taxpayer’s money. Such reimbursement has been estimated at approximately \$2 million per year (Quartel, 1992).

### **Lobbying Activities of Maritime Unions**

Maritime unions also influence legislation by making PAC (Political Action Committee) contributions to members of Congress who have authority over maritime policy. In 1992, for example, maritime unions contributed nearly \$500,000 to members of the Merchant Marine and Fisheries Committee. In the same year, the Seafarers International Union and the National Marine Engineers Beneficial Association contributed roughly two million dollars to members of Congress (Quartel, 1992). Maritime labor unions lobbied hard to get the Maritime Policy Reform Act of 1992 passed and signed into law.

Union leaders laid the foundation for maritime reform with their support of HR1126 in 1991. The purpose of this legislation was to require foreign ships to comply with the National Labor Relations Act and Fair Labor Standards Act. The unions supported this proposal because they felt the extension of U.S. labor laws to foreign flag ships operating in the U.S. would benefit their interests. The proposal would help by keeping foreign flag operators from having the competitive advantage, which they gained, by not having to adhere to minimum wage levels and working conditions. U.S. maritime unions lost this battle when the bill was defeated in Congress.

## Erosion of Maritime Unions in the Early 1990's

In 1994, the union representing seagoing engineers, the Maritime Engineers Benefit Association (MEBA), agreed to a new labor contract that reduced union compensation in exchange for better job security. Under these new contracts most MEBA members starting receiving reduced benefits, including lower overtime pay rates. In 1995, there were several events that weakened organized maritime labor.

During 1995 several more U.S. owned ships were flagged out, old U.S. flag freighters were retired and the movement to repeal the Jones Act gained wider support. The unions also had their share of serious internal problems. Perhaps the most significant was the conviction of five officers of District I/MEBA for conspiracy mail fraud, extortion, racketeering, and the theft of \$6 million from union members (Shrock, 1995). This conviction gave the FBI and the Department of Labor the impetus to intensify investigations of maritime union activities and financing throughout the U.S.

Other maritime unions were also affected by internal problems and external economic pressures in 1995-1997. The National Maritime Union of America lost some of its member U.S. flag bulk carriers because of severe union-management conflicts. It is likely that union problems in the nineties are a result of the poor financial condition of many U.S. flag operators. As smaller U.S. flag carriers quit the shipping business, union membership further declined. Further problems arose when several union members under federal investigation filed charges against their own union president (Shrock, 1995).

The nagging problem of what to do about low cost foreign flag competition was not resolved during this period. The differential between U.S. union sea-going wages and those paid by competing foreign lines remained a major union-management issue as the decade came to a close.

## SEAGOING WAGES

The issue of U.S. Merchant Marine seagoing wages versus European, Asian, and flag-of-convenience crews has been hotly debated for several years. U.S. labor leaders claim U.S. seamen are not paid significantly higher wages than foreign seamen. As evidence they cite higher rates per ton paid by the Defense Department during the Persian Gulf war to move military freight on foreign ships versus the same cargo on U.S. flag ships (Boggs, 1999).

On the other hand, U.S. ships owners assert that U.S. crew costs are much higher for the same class and size ship. They claim U.S. crew costs average as much as 2.5 times more than flag-of-convenience crew costs making it economically infeasible to use U.S. registry without federal operating differential subsidies (Whitehurst, 1996). Two recent pay studies offer new evidence to support the agreement raised by U.S. ship owners.

Published sources from the U.S. Maritime Administration and the International Transport Workers Federation reported comparative average crew costs associated with operating an equivalent size container ship for one month (Whitehurst, 1996). These costs in U.S. dollars are compared in Table 2.

---

**TABLE 2**  
**COMPARATIVE CREW COST FOR A**  
**CONTAINERSHIP BY REGISTRY**  
**(U.S. \$)**

European	Asian	United States
\$80,000	\$95,000	\$340,000

Source: Whitehurst (1996). Original source cited in the article was the Maritime Administration, "Competitive Manning of U.S.-Flag Vessels," *Annual Report of the Maritime Administration*, 1995.

---

A recent breakdown by crew position done by Whitehurst also shows U.S. crew costs are significantly higher than European, Asian, or flag-of-convenience crew costs (1996) (See Table 3).

It should be noted that the International Transport Federation (ITF) wage scales apply to the highest paid 20 percent of flag-of-convenience vessels. Reliable data on the lowest paid foreign crews is unavailable, but it is widely believed that non-ITF crews are paid significantly less than ITF crews. U. S. maritime unions have dealt with the pay disparity by lobbying Congress to enact protectionist legislation that mandates the use of U. S. ships and U.S. seamen. The most recent such legislation is the Merchant Marine Act of 1996.

### IMPACT OF THE MARITIME SECURITY ACT OF 1996

As the need to deploy a very large U.S. military force to the Persian Gulf started to grow in early 1990, maritime labor found a strong ally in the Defense Department. When President Bush decided to send military forces to the Persian Gulf in August of 1990, the U.S. Merchant Marine was not capable of supplying enough ships or crewmen to get the job done. The administration was forced to request merchant shipping support from its NATO allies. Fortunately, several allies that

supported the policy of military intervention in the Persian Gulf had sufficient sealift capability to help and the will to do so. Foreign carriers like Maersk of Denmark made their ships available to the U.S. Defense Department. By the time the deployment (Operation DESERT SHIELD) was completed, more than 60% of the merchant sealift of U.S. military supplies and equipment to the Persian Gulf had been provided by foreign-flag ships (Pagonis, 1992). Operation DESERT SHIELD highlighted the shortage of U.S. cargo ships and U. S. civilian crewmen and greatly helped the unions put pressure on Congress to provide new operating subsidies to guarantee the future availability of U.S.-flag ships. Five years after Iraqi forces were removed from Kuwait, Congress passed the Maritime Security Act of 1996.

Eight major unions that fought hard for this new subsidy bill were the International Longshoremen's and Warehousemen's Union, International Organization of Masters, Mates and Pilots, Maritime Firemen's Union, Sailors' Union, Sailors' Union of Pacific, National Marine Engineers Beneficial Association, Seafarers International Union, and American Maritime Officers. Union leaders emphasized the benefits of this act on the U.S. economy, employment rate, and national defense capabilities.

**TABLE 3  
MONTHLY SEAGOING WAGES (U.S. \$)**

Position	U.S. Flag	European	Asian	ITF
Master	\$32,653	\$9,697	\$4,331	\$2,884
2 <sup>nd</sup> Officer	18,727	7,036	1,979	1,491
Radio Officer	15,142	5,475	2,874	1,491
1 <sup>st</sup> Engineer	23,229	8,425	2,796	1,862
2 <sup>nd</sup> Engineer	18,848	7,845	1,979	1,491
Chief Steward	9,053	7,619	2,118	1,491
Able Seaman	6,022	4,510	1,610	856

Source: Whitehurst (1996). Original source cited in the article was the Maritime Administration, "Competitive Manning of U.S.-Flag Vessels," Annual Report of the Maritime Administration, 1995.

The new law answers the challenge laid down by Sea-land and American President Lines, at least for the near-term. It established the Maritime Security Program (MSP) with new operating subsidies for 47 militarily-useful U.S. flag ships over a 10-year period (1996-2005). The owners of each ship will receive approximately \$2.1 million per ship per year. In return the owners pledge to maintain U.S. registry and, of course, U.S. crews on these designated ships. The Maritime Security Act of 1996 provides the ship owners and the labor unions with the first significant maritime subsidy program since the Merchant Marine Act of 1970. This Act is designed to protect U.S. merchant marine jobs, improve national defense sealift capability and insure a U.S. flag presence in international shipping through 2005. However, recent U.S. ocean shipping regulatory reform and industry consolidation may have already diluted the beneficial impact unions hoped for.

### **Recent Ocean Carrier Consolidation**

In 1999, Denmark's A.P. Moller, the parent company of Maersk, purchased the international division of Sea-Land Services, Inc. This recent takeover of the largest U.S.-flag carrier follows the 1997 takeover of American President Line (APL) by Neptune Orient Lines (NOL) of Singapore and the 1997 CP Ships (Canadian) takeover of Lykes, the third largest U.S. ocean carrier (Beargie, 1999). These mergers have placed 31 (3 Lykes ships, 9 APL ships and 19 Sea-Land/Maersk ships) of the 47 total MSP vessels under foreign control (Damas, 1999).

For the time being these 31 vessels continue to be manned by U.S. union seamen. When the MSP comes up for renewal in 2005, the issue of foreign ownership may force Congress to find other alternatives for defense sealift. While it is too soon to identify all the likely alternatives, it seems clear the protection of U. S. seafaring jobs provided by the 1996 Maritime Security Act will cease in six years or less. Recent U.S. ocean shipping reform also appears to be having a detrimental impact on U.S. seafaring labor.

### **Impact of U.S. Ocean Shipping Regulatory Reform**

On May 1, 1999, the U.S. Ocean Shipping Reform Act (ORSA) became effective. This new law significantly reduces regulatory control of ocean transportation by the U.S. and encourages carriers to become more competitive. A major provision of the new law allows carriers to negotiate confidential service agreements with U.S. shippers and importers. Many foreign carriers have already taken steps to reduce their operating costs so they can attract new business by offering lower rates. The general impact on most sectors of the U.S. economy should be positive since increased competition usually fosters better service and lower transportation cost, which in turn can lower the price of consumer goods. One sector, which will likely feel a negative impact, is organized maritime labor. A less regulated carrier industry will likely force U.S. ship owners to rely even more heavily on lower cost foreign crews resulting in a further decline in U.S. seagoing union labor.

### **CONCLUSION**

Maritime unions have had significant influence on the United States Merchant Marine. From the Seamen's Act of 1915 to the Maritime Security Act of 1996, maritime unions have helped shape U.S. maritime policy and have provided high paying jobs for their members. Maritime unions have also supplied the manpower necessary for the sealift of military supplies and equipment in times of war and national emergency. Most recently, U.S. merchants ships and U.S. merchant seamen contributed significantly to the success of Operation Desert Storm / Shield. However, there is legitimate concern for the vitality of the U.S. Merchant Marine in the future.

The recent trend in the global ocean carrier industry toward consolidation and rationalization will likely continue. As large foreign carriers like Maersk and Neptune Orient Lines gain control of an increasing number of U.S. registered ships, more union jobs will be lost. Ocean shipping has become more competitive and shipowners must

operate as efficiently as possible. When the subsidies guaranteed by the Maritime Security Act of 1996 expire in 2005, ship owners will find it difficult to justify the continued use of U.S. union seamen. While Congress and the maritime special interests groups debate future political options to find another temporary fix, it seems a permanent solution may rest on what the unions do.

It is clear that owners/operators of U.S. flag ships want maritime unions to reduce wage rates, crew

sizes, and change other union work rules to lower operating cost. The renewal of operating subsidies for national defense sealift provided by the Maritime Security Act of 1996 offers U.S. flag operators and American maritime unions a small window for finding a permanent solution to operating cost issues. Perhaps, if both sides now focus on their mutual interests rather than on long-held positions over pay and crew size issues, a lasting solution can be found before the new subsidy program terminates in 2005.

## REFERENCES

- Beargie, Tony, "Looking Beyond Subsidy?" *American Shipper*, September 1999, pp. 11-12.
- Boggs, Richard S. "Breach of Contract," <http://www.pacifier.com>, 8 February 1999.
- Damas, Phillip, "Maersk, Sea-Land Finalize Deal," *American Shipper*, September 1999, pp. 6-9.
- Heine, Irwin M., *The United States Merchant Marine—A National Asset*, Washington D.C: National Maritime Council, 1976.
- Lane, Carl, *What the Citizen Should Know About the Merchant Marine*, New York: W.W Norton and Company, 1941.
- Pagonis, Lt. General William G., *Moving Mountains—Lessons in Leadership and Logistics from the Persian Gulf War*, Boston, MA: Harvard Business School Press, 1992.
- Quartel, Rob, "Reform Congress Too," *The Washington Post*, 15 December 1992, Sec A, p.23.
- "Shippers and Unions Rowing the Same Boat," *The National Journal*, 23(1991), 990.
- Shrock, Tim, "Ship Unions on the Alert for Full-Scale Investigation," *Journal of Commerce*, 405, No. 2856 (14 July), 1995, p/A.
- Whitehurst, Clinton H. Jr., *The U.S. Merchant Marine: In Search of An Enduring Maritime Policy*, U. S. Naval Institute Press, Annapolis, MD, 1983.
- Whitehurst, Clinton H. Jr., "The Last Chance for an Enduring Maritime Policy," *A Special Report of the Strom Thurmand Institute*, February 1996.

## AUTHOR BIOGRAPHY

Dr. Richard (Rick) Clarke is a faculty member in the College of Business and Public Affairs at Clemson University. He is the director of logistics education programs at Clemson University and an active researcher in the field of logistics. He has published over twenty referred scholarly articles in top logistics and transportation journals including the *Transportation Journal*, the *Journal of Business Logistics*, *Journal of Transportation Management*, *Transportation Quarterly* and the *International Journal of Physical Distribution and Logistics Management*. He has also published in *Decision Sciences* and *The European Journal of Operational Research*. He received his Ph.D. in 1988 from the University of Texas at Austin, an M.S. (with distinction) from the Air Force Institute of Technology and a B.S. from Hobart College. His research interests include transportation policy and the assessment of productivity in non-profit organizations.