

# BARRON'S

## ECONOMICS

### **Dockworkers Set to Resume Contract Talks. Why a Strike Could Lead to Higher Prices.**

**By Emily Dattilo**

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U.S. dockworkers and their employers have agreed to resume formal talks on Jan. 7, a week ahead of a possible strike that could trigger supply chain snags, delivery delays, and higher prices.

If this sounds familiar, it should.

In October, U.S. dockworkers ended a three-day strike after port operators offered a tentative 62% increase in wages over six years. The agreement between the International Longshoremen's Association, which represents 47,000 workers that load and unload cargo containers, and United States Maritime Alliance, which represents the port operators, extended the prior contract through Jan. 15, 2025.

And now here we are, with that deadline looming.

Dockworkers can resume their strike as early as Jan. 16, and should that occur, it won't take long for troubles to begin, argued **Bernard Baumohl**, chief global economist at the Economic Outlook Group.

"This work stoppage will affect nearly all East and Gulf Coast ports, facilities that handle about 60% of the nation's container traffic," he wrote. "Factories would soon be forced to wind down production, lay off workers and bid up the price of scarce goods."

"Estimates are such a strike would cost the economy at least \$1 billion a day," **Baumohl** wrote. During a strike, as goods pile up on U.S. docks, American producers and retailers would have to deal with additional warehousing or demurrage fees, which in turn would disrupt supply chains and factory output and weigh on inflation, he added.

Though the wages issue was tackled last year, questions over future job security for longshoremen remain, especially as port operators rely more heavily on automation.

“These companies firmly view technology and robotics as a way to move goods more efficiently and cheaply, and claim they have a right to modernize as does any business,” he wrote. “But dockworkers fear such investments in automation pose a threat to future employment, and they are demanding guarantees against layoffs.”

A strike is the last thing the economy needs, and a lengthy walkout could create product shortages and lead to an increase in prices. A strike also could be one of the first things that President-elect Donald Trump—whose inauguration is Jan. 20—may have to deal with in his second term.

Trump indicated he supports the International Longshoreman Association’s opposition to automation to boost port efficiency because it would cost jobs, wrote Clifford Winston, a senior fellow at the Brookings Institution, last month.

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