Unionized dockworkers and port ownership structure in an international oligopoly

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This paper investigates the role of unionization in affecting welfare outcomes under public and private port ownership structures. Specifically, an international duopoly is considered with two markets and two ports, where dockworkers are unionized. While private ports maximize profits, public ports maximize domestic welfare and face a budget constraint, which is binding when unions are suffciently wage-oriented and shipping costs are not too high. Consumer surplus, total wage bill and domestic welfare are generally
higher under public ownership, especially when unions are wage-oriented. The opposite holds true for firm profits, whilst privatization always increases port profits. Finally, relative to the endogenous choice by governments of the port ownership structures, all possible configurations can arise in equilibrium, including the asymmetric one with a state-owned port and a private port. However, state-owned ports appear as the most likely equilibrium result, especially when unions are strongly wage-oriented or shipping costs are su ciently high.