SODIPER Research Report
Precariousness and Informality – Work and Employment in the German Parcel and Delivery Industry
Work Package 2

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A report for the project „Social Dialogue and Participation Strategies in the Global Delivery industry: Challenging Precarious Employment relations“ (SODIPER), funded by the European Commission’s DG Employment, VS/2010/0731

October 2011

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SODIPER is funded by the European Commission’s DG Employment. The reports and publications of the project reflect the views of their authors and not necessarily those of the European Commission.
## CONTENTS

### INTRODUCTION AND RESEARCH METHOD ................................................................. 1

1. **DE-STANDARDIZATION OF EMPLOYMENT AND WORK** ................................................. 3
   1.1. The German Institutional Framework of Employment and Work – Labour Relations and Labour Market Regulation .................................................................................. 3
   1.2. Standardization of Employment and Work in the Post-War Decades .......................... 4
   1.3. De-Standardization of Employment and Work since the 1980s .................................. 6

2. **THE GERMAN MARKET OF PARCEL DELIVERY AND EXPRESS SERVICE Provision** ................................................................................................................................. 9
   2.1. Cost-Centred Competition for Market Shares .......................................................... 10
   2.3. The Provision of New Services ............................................................................... 12
   2.4. New technology ...................................................................................................... 12

3. **VERTICAL FRAGMENTATION – BUSINESS MODELS IN THE GERMAN DELIVERY INDUSTRY** ........................................................................................................... 15
   3.1. Case Study 1 – Deutsche Post DHL ........................................................................ 15
       3.1.1. Introduction: historical and background information ......................................... 16
       3.1.2. Industrial Relations Traditions ......................................................................... 18
       3.1.3. Current Structure ............................................................................................. 19
       3.1.4. Governance and Control .................................................................................. 22
       3.1.5. Employment ................................................................................................... 23
   3.2. Case Study 2 – HERMES ....................................................................................... 25
       3.2.1. Historical and background information ............................................................ 26
       3.2.2. Hermes’ current structure: multi-layered sub-contacting .................................. 27
       3.2.3. The situation of Hermes’ couriers .................................................................... 29
       3.2.4. Industrial relations and workplace representation .............................................. 31
   3.3. Case Study 3 – DPD (Dynamic Parcel Distribution) ................................................. 32
       3.3.1. Historical and background information ............................................................ 34
LIST OF FIGURES

Figure 1 .................................................................................................................................................. 21
Figure 2 Employment and Labour Relations in a sample DHL depot .................................................. 24
Figure 3 .................................................................................................................................................. 28
Figure 4 Employment and Labour Relations in a sample Hermes depot ............................................. 30
Figure 5 DPD’ business model ............................................................................................................... 33
Figure 6 Employment and Labour Relations in a sample DPD depot .................................................. 37
Figure 7 The three segments of couriers in the German parcel delivery industry ............................... 53
INTRODUCTION AND RESEARCH METHOD

In September 2011, the faction of the Green Party in the German Parliament (Deutscher Bundestag) put forward a minor interpellation to the German federal government (Deutscher Bundestag Drucksache 17/6957). Green Members of Parliament enquired about work and employment practices in one of Germany’s main service providers in parcel delivery, Hermes. The interpellation followed a range of media reports about conditions in the sector that had caused some public concern. Employment practices, remuneration, as well as labour law violations and working time regulation all had come under public scrutiny. Recent years have seen a debate about the spread of non-standard forms of employment, not just in Germany’s rapidly expanding low-pay service sector, but also beyond, i.e. in the core sectors of German industry, such as automobiles. Until recently however, parcel delivery has attracted relatively little attention, even though growing numbers of the public make increasing use of the services of parcel delivery companies on a frequent basis.

This report hopes to expand knowledge about the sector and the work, couriers are performing. The focus of what follows is on those people who are working the “last mile” of service provision in parcel delivery, i.e. on the contractual and employment conditions and on the daily work “routines” of parcel couriers. In order to better understand employment in this sector and its dynamics we deem it necessary to offer some contextual information. For this reason, this report is structured as follows: We start off with a discussion about major developments in the regulation of employment and labour markets in post-war Germany and changes to the German system of industrial relations, with special attendance being paid to the postal sector (Chapter 1). We then outline major developments in the market for parcel delivery (Chapter 2) and then turn to a detailed investigation of the business models of three major providers in Germany. As operators in the field have distinct histories we describe their structures one by one (Chapter 3). In Chapter 4 we are building on the results of the previous chapter: as service production increasingly relies on a multi-tiered system of subcontracting, we are turning our attention to the role of subcontractors as increasingly important actors in the field. This section is followed by a closer examination of courier’s conditions of work and employment (Chapter 5). We are aggregating information from the three main case studies conducted in order to generate a model which uses courier’s employment status to define three main segments of courier work. Final conclusions are being offered in Chapter 7 after an examination of courier’s perceptions of work (Chapter 6).

Method

In order to obtain a multi-faceted picture of work in parcel delivery we used a wide array of qualitative methods. Our main sources of information were semi-structured interviews with couriers (7), management representatives (3) and subcontractors (2). Works councillors representing workers at different levels were interviewed face to face.
(5) and over the phone (2). Experts representing the ver.di union were interviewed as well as experts representing employer associations (2). Interviews lasted between 90 minutes and 210 minutes. We also were able to use focus groups with couriers (8 participants) and subcontractors (8 participants). Preliminary findings were presented at a ver.di union workshop of works councillors, representing all the main providers in the field. A conference organized by that same union offered possibilities for invaluable exchange with various actors, including representatives of an association representing the interests of subcontractors. Documentary analyses (such as company reports, newspaper articles) as well as the existing academic literature fed into our work.

Field access was gained via the centre of the trade union active in the field (ver.di). The union established contact with works councillors, who helped to establish contact with management, subcontractors and couriers. We would like to express our gratitude to all those who participated in the research process for giving up time for us and for openly sharing their knowledge with us.
1. DE-STANDARDIZATION OF EMPLOYMENT AND WORK

Post-war German capitalism was characterized by a high level of standardization of work and employment. Labour relations displayed an extraordinarily high level of inclusiveness, statutory labour law provisions reduced employers’ arbitrariness and labour market regulation safeguarded the dominance of the standard employment relationship (SER). Since the 1980s however, employment and work have been subject to de-standardization processes. Step by step, labour relations have lost inclusiveness, labour law has been hollowed out and non-standard employment has proliferated.

This first chapter is structured in the following way. Subsequent to a brief outline of the institutional framework of labour regulation, post-war standardization of work and employment is analyzed. This is followed by an investigation into the processes leading to de-standardization as have been detectably since the 1980s, followed by a closer look on the development with postal and telecommunication services.

1.1. The German Institutional Framework of Employment and Work – Labour Relations and Labour Market Regulation

The regulation of work and employment in Germany rests on two primary cornerstones, namely labour relations and labour market regulation. Both spheres are traditionally characterized by a high level of codification by law (Jacobi et al. 1998).

German labour relations are characterized by the “dual system” of interest representation which is characterized by the co-existence of two independent institutionalized arenas of bargaining and negotiation (Ferner & Hyman, 1998). By law, collective agreements regulating pay and working time are the exclusive domain of unions (Collective Bargaining Agreements Act). Works councils (in the case of public sector: staff councils) who represent workers’ interests on the level of the individual firm or corporation are not allowed to sign collective agreements. Their rights and duties are likewise regulated by law (Works/Staff Council Constitution Act). In international comparison, German works councils enjoy far-reaching formal codetermination rights in employment decisions. In addition, employers are obliged to consult workers’ representatives on the implementation of new technology and changes in work organization. Though formally independent bodies of interest representation unions and works councils are in practice closely interconnected. The large majority of works councils are unionized, and concurrently, works councils play an important role in intra-union decision-making (Schmidt & Trinczek, 1999).

The regulation of work and employment is not only the product of the norms and rules of labour relations in a narrow sense; it is embedded in the political and legal regulation of the labour market. Statutory labour law has played – and continues to play – an important role in the regulation of work and employment in Germany. Dismissal protection, sick pay leave and holiday remuneration are only three examples for the large range of obligatory legal norms framing employment relationships. Health and
safety provisions limit the arbitrariness of the employer in terms of the use of labour power in the labour process (Jacobi et al. 1998). In addition, labour market policy plays an important role in the regulation of work and employment. The regulatory framework of labour markets, in terms of the contractual construction of employment relations and the political regulations relevant for the utilization of labour, represents an important factor both for the standardization of work and employment characteristic for the post-war decades and the present-day de-standardization. In addition to legally defined boundaries for the deployment of employment deviating from standard forms, product market regulations influence firms’ business models and employment strategies (Bosch et al. 2009).

1.2. Standardization of Employment and Work in the Post-War Decades

Up to the early 1980s, employment and work in Germany was characterized by high levels of standardization. The standard employment relationship (SER), i.e. full-time work based on infinite contracts and covered by collective agreement and workplace codetermination, represented both the quantitatively dominant form of employment and the normative point of reference for social and labour market policy. However, standardization effects were not limited to the sphere of employment in the narrow sense. In several sectors, the concrete use of labour power on the shop floor was highly standardized as well.

Throughout the post-war period labour relations were characterized by a high level of inclusiveness. The core institutions – collective agreements and works/staff councils’ co-determination rights – covered, with a few notable exceptions, virtually the entire workforce:

- Bargaining coverage was nearly all encompassing. Until the early 1990s, almost 90 percent of the workforce was covered by collective agreements; sectoral agreements covering the vast majority of workers in any given industry represented the dominant form (Bispinck/Schulten, 2010). In industries such as export oriented manufacturing and the public sector, collective agreements did not only define basic pay and working time but extended also qualitative issues such as performance control, further education or job rotation (Thelen, 1995).

- Particularly in the core sectors of the German economy, export-oriented manufacturing, banking and public services, workplace co-determination was virtually omnipresent and works councils enjoyed strong bargaining power (Turner 1993). In public services, staff councils had an even higher influence on work organization on the shop floor than works councils in the private sector.

Labour relations’ core institutions thus exhibited a high level of inclusiveness. Therefore, these institutions not only had a stabilizing effect on labour markets; through firms’ market strategies, they had a strong influence on the major product markets as well. In retrospect, post-war capitalism was characterized by an overarching stability. However, standardization was not simply constructed at a certain point in time and to be then preserved. In a highly dynamic capitalist environment standardization of work and
employment had to be reproduced permanently. New workplaces and new firms had to be included in labour relations’ institutions. High union density in both the key sectors of the German export-oriented economy and the public sector functioned as a stabilizer for labour relations’ inclusiveness. Even large and powerful firms were in no position to easily bypass the existing institutions, which had taken on a compulsive character.

The far-reaching standardization of employment and work in the post-war period must not only be attributed to the inclusiveness of labour relations but also to labour market regulation. Standard employment served as a role model for German labour market policy, reducing the scope of deviating forms of employment. Due to the dominance of the SER, the loop holes employers could use to bypass statutory labour law were relatively small.

- Based on a broad political consensus, the use of non-standard employment was heavily restricted. The leasing out of workers by way of temporary agency work was banned; employers’ reasons to use temporary contracts were strictly limited by law. As consequence, standard employment was dominant among wage workers. Even before the major re-regulation had taken place in 2003-2006, the SER had lost some of its universal character. In 1970, 84% of employees fell into the category of SER, by the mid 1990s the number had declined to 68% (Kommission für Zukunftsfragen der Freistaaten Bayern und Sachsen, 1996/97: 64).

- Due to the high share of standard employment, dismissal protection, holiday remuneration, sick pay leave and other labour law provisions covered the vast majority of the workforce. Non-standard employment was marginal in the 1960s and 1970s, concentrated on the fringes of the labour market, where female and migrant workers were overrepresented (Dörre 2009).

In accordance with the core institutions of labour relations, the basic provisions of labour law displayed a high level of inclusiveness. Non standard forms of employment were marginal- both in terms of quantitative proliferation and in terms of public awareness (Beck et al. 2004, Mückenberger 1985). Similar to high union density in labour relations, the legal restrictions on the use of non-standard employment functioned as a built-in-stabilizer, safeguarding the reproduction of a high level of standardization characteristic for employment and work in post-war Germany.

To sum up, due to high institutional inclusiveness, collective bargaining, workplace co-determination, labour market policy and labour law had a standardizing effect not only on the contractual basis of the employment relationship but also on the organization and regulation of work on the shop floor. Working-time and pay were widely standardized, and wage differentials were comparatively low. In well unionized sectors such as metal manufacturing and the public sector, qualitative issues such as work content and performance control were subject to standardization efforts as well. As a consequence, the zone of standardized work and employment was encompassing. Precarious and informal work was marginal and confined to the fringes of the labour market. However, in retrospect, it is obvious that amongst specific groups such as migrants, low und unskilled workers and the female workforce, de-standardized and informal forms of employment and work was more prevalent than on average (Aulenbacher 2010).
1.3. **De-Standardization of Employment and Work since the 1980s**

Since the late 1970s, the institutions facilitating high levels of standardization of employment and work have been hollowed out step by step. The result is a much more variegated landscape of work and employment. Non-standard employment has been proliferating rapidly since the 1980s, and at the same time the regulation of work on firm-level is getting more and more diverse. Employment relations and the regulation of work thus exhibit a level of heterogeneity unknown in the period of post-war capitalism.

One important feature of the various processes leading to de-standardization is the hollowing-out of the built-in-stabilizers characteristic for post-war capitalism. Firstly, union density is in rapid decline; German unions have had little success in responding to the economic transformations since the 1970s. Secondly, the use of non-standard employment has been deregulated since the 1980s, this has enabled employers to bypass the formally still statutory norms and provisions of labour relations and labour market regulation.

De-standardization is particularly visible in the field of *labour relations*. The core institutions of labour relations – collective agreements and co-determination – are losing the influence on the regulation of employment and work.

Since the 1990s, bargaining coverage has declined dramatically; fewer than 60 percent of employees remain covered (Bispinck & Schulten 2010). The impact of industry-wide sector agreements on product markets has been undermined, as a growing number of company agreements and firm-level pacts have been struck. Also, employers frequently use of “opening clauses”, allowing firms to temporarily undercut sectoral agreements (Haipeter 2010). In addition, unions have had difficulties including qualitative issues such as performance control and work intensification into collective bargaining.

- Simultaneously, the scope of workplace codetermination continues to decline as the number of small and medium sized companies (SMEs) is expanding. In the past, workplaces without interest representation were predominantly to be found private services and crafts, in recent years workplaces without institutionalised interest representation have become more widespread in manufacturing and the privatized public services as well (Artus et al. 2006).

- The erosion of labour relations both on industry- and on firm-level is underpinned by a significant decrease of union membership since the 1970s. Union’s present-day membership structure still reflects the structure of the German economy of the late 1960s. More precisely, German unions did not succeed to respond adequately to the shift towards the service sector and the emergence of new industries dominated by new technologies. The hollowing-out of the former built-in-stabilizer is one reason for the non-reproduction of encompassing standardization of work and employment.

The erosion of labour relations has been fuelled by changes in the *regulation of the labour market*. Responding to employers’ demands for increasing flexibility and cost reduction, the German government step-wise dismantled the tight regulation of the German labour market which in the past served as a built-in-stabilizer for the high level of standardization.
While being the dominant form of employment in the post-war period, the share of standard employment dropped below 60 percent of total employment. As a consequence, wages returned to the centre of competition. The regulatory frame and the institutions of labour regulation no longer serve as a barrier to employers’ trying to find competitive advantage by resorting to low-wage strategies (Dörre 2010). Already in the 1980s, the restrictions on the use of temporary contracts were significantly eased. The externalization of entrepreneurial risks to employees, which had been explicitly outruled in post-war decades, was legalized (Bode et al. 1994). In addition, temporary agency work and mini-jobs were liberalized (Bosch et al. 2009).

Though formally stable, the institutions of labour law are subject to a simultaneous development. Employers use various forms of non-standard employment, including temporary and part-time contracts, temporary agency work and so called mini-jobs as well as internal outsourcing to circumvent statutory labour law provisions (Doellgast/Greer 2008, Holst et al. 2010). Note that labour law formally applies to all forms of dependent employment, but in the case of non-standard employment enforcement often is problematic. User firms can ignore certain regulations and transfer employer obligations to other firms (Bosch et al. 2009).

Thus, the de-standardization of work and employment resulting from the erosion of labour relations was reinforced by the deregulation of the labour market. Employers use various forms of non-standard employment as well as outsourcing to bypass the legally still binding institutions of collective bargaining, workplace codetermination and labour law (Doellgast/Greer 2008, Holst et al. 2010). In addition, privatization and deregulation of various public services such as railways, electricity and postal services have contributed greatly to the process of de-standardization. These privatized services, former union strongholds dominated by standard employment, have seen the rapid spread non-standard and informal employment as well as precarious work conditions (Flecker/Herrmann 2010, Brandt/Schulten 2008).

To sum up, employment and work have become increasingly heterogeneous since the 1980s. The institutions of collective bargaining, workplace codetermination and labour law have gradually lost inclusiveness. Both built-in-stabilizers of standardization in post-war capitalism have been dismantled. Union density is shrinking and regulation restricting the use of non-standard employment has been weakened. Various studies have shown that de-standardization does not only result in an increase of the institutional variety of employment forms, it also significantly impacts the quality of work and employment. De-standardization results in work intensification, growing wage disparities, the erosion of traditional temporal and organizational boundaries (Kratzer, 2003) and increasing demands on employees’ flexibility and mobility (Moldaschl & Voß, 2003). As a consequence, labour market disparities are increasing. While highly qualified segments of the labour market are able to economize on their market position, the lower strata of the labour force suffer from the resulting re-commodification.

Though formally covered by the statutory norms and rules of German labour regulation, non-standard forms of employment such as part-time, temporary agency work, freelance
work, temporary contracts, mini-jobs and solo self-employment are associated with a high risk of precariousness. Numerous studies have shown that holders of non-standard contracts suffer from discrimination in terms of wages, benefits, working-time, social integration, interest representation and social security (Brinkmann et al. 2008, Holst et al. 2010, Vogel 2009). However, the precarization of employment and work is not only confined to holders of non-standard employment. It has tangible effects on groups of workers who formally still find themselves in secure jobs: regular workers are put under pressure by temporary agency workers or external contractors who do the same job but are paid significantly less or are willing to work (paid and unpaid) overtime. This disciplining effect of precarious work and employment conditions has been shown to operate in a variety of industries (Dörre et al. 2004, Holst et al. 2010, Pelizzari 2009). Precarization thus signals a transformation of the mode of labour market integration, from status-oriented institutionalized rights stabilizing positions towards a continuum of fluid and instable positions. To paint with a broad brush: labour market integration in post-war capitalism rested on accumulated – and therewith past – merits safeguarded by institutionalized rights. In current capitalism, integration increasingly depends on the individual’s instantaneous market value.
2. **THE GERMAN MARKET OF PARCEL DELIVERY AND EXPRESS SERVICE PROVISION**

In contrast to other areas of service provision, the DBP as a state agency never held a monopoly in parcel distribution but had to compete with providers such as DPD or UPS in some market segments way before privatization of postal services gained momentum in Germany. Thus, a market for parcel delivery has existed for a long time. The effects of privatization on work, employment condition, industrial relations and governance will be discussed in more detail in the case study section that deals with DHL Deutsche Post, i.e. the offspring of Deutsche Bundespost in parcel delivery. We will now give a more detailed account of the current market for parcel delivery in Germany.

For various reasons, reliable statistics detailing with the developments in the KEP sector are hard to come by (MRU GmbH, 2009) This is partly due to the fact that KEP is an umbrella category, under which different kinds of similar services are being subsumed. This report does not deal with those operating in messenger or express services (Kurier- und Expressdienste). Parcel delivery can be differentiated from express services by the fact that it mainly deals with standardized products, i.e. there are limits to size and weight of goods suitable for parcel delivery. Parcel delivery is spatially inclusive and comprehensive, it is characterised by high levels of regularity (MRU GmbH, 2009: 15). According to a recent study (KE-CONSULT Kurte & Esser GbR, 2010: 9) standard deliveries hold accountable for roughly 80% of the market, while the share of courier and express services stands at roughly 20%. It is being projected that standard service provision will grow quicker than markets for courier and express services until 2014 and that non-domestic deliveries will increase in relevance (KE-CONSULT Kurte & Esser GbR, 2010: 10 pp).

The market for parcel delivery has been described as being highly centralized (Kille & Nehm, 2011: 3-4), the ten biggest providers take 80-90% share of the market. It has to be noted though that turnover of the 10th biggest provider is only about three percent of that generated by the market leader DHL. Barriers for market entry of new competitors are high as networks are expensive to establish and capital investment is high. Apart from the US provider UPS and Hermes Logistik-Gruppe Deutschland GmbH there is a strong involvement of former national postal services: Deutsche Post DHL is an offspring of the former Deutsche Bundespost. In 1999 the British Royal Mail acquired German Parcel, which, until then, had operated as an association of German hauliers and established GLS (General Logistics Systems). DPD (Dynamic Parcel Distribution) is mainly owned by the Geoposte S.A., itself a wholly owned subsidiary of the French La Poste. Even though business is dominated by five big players, i.e. DHL, Hermes, UPS, GLS and DPD, the German Monopoly commission has evaluated the competitive situation in KEP positively. It praises job creation, points at increased business volumes in spite of decreasing prices and suggests similar positive effects if other postal services were to follow the KEP-model (Monopolkommission, 2009).
A closer look at market trends reveals that the KEP market has in fact been a dynamic one over a relevant time span. Some figures might help to illustrate this development:

- Between 2000 and 2010, the number of shipments rose by 29% to 2, 18 billion shipments in 2009 (KE-CONSULT Kurte & Esser GbR, 2010: 13). According to recent research (MRU GmbH, 2011), of the approximately 2,25 Billion shipments processed in 2010, nearly 80% were fell into the parcel category.
- Business turnover increased by 32% over that same time period; in 2009 it stood at 13, 3 billion €. (KE-CONSULT Kurte & Esser GbR, 2010: 13)

Whilst all of the “big five” have grown considerably in recent years, research points to an uneven development. Whilst DHL’s turnover remains roughly twice that of DPD and UPS the gap has been slowly reduced as DHL’s average annual growth has been lower (albeit from a higher starting point) than that of its main competitors. The market’s upstart is Hermes, which managed yearly increases in turnover of 9.57% in 1999-2010, compared to just 4.10% increases on DHL’s side. (MRU GmbH, 2011: 9)

Though market has grown for more than a decade, the world economic crisis of 2008/09 has been a reminder of market volatility. Turnover decreased markedly in 2008/09, with DPD (-6%), GLS (-9.2%) and UPS (-17, 2%) being hit particularly hard. However, business picked up quickly in 2009/10, with UPS’s turnover growing at a rate of an estimated 10.5 percent. Obviously, providers required high levels of flexibility in order to deal with marked fluctuations. It can be argued that those providers who traditionally focus on B2B shipments and have strong tradition in haulage for industry have felt the impact of the crisis much more intensely as the downturn hit the value chains of industrial production. As private consumption remained relatively stable throughout the crisis, it was those with a strong foothold in the B2C and C2C segment that fared well throughout. Whilst DHL’s turnover remained relatively stable, Hermes’ turnover even continued to grow throughout the crisis, at a rate of 6.6%. (all figures in previous paragraph from: MRU GmbH, 2011) Arguably, the crisis further supports strategies that seek to diversify risks by turning businesses into full-service-operators, suited for all lines of business, be it B2C, B2B, C2C (see below).

A closer look at the market reveals that there are four major trends which structure completion and influence business models, employment strategies and the regulation of work in the industry. These trends are the intensification of cost-competition, the merging of the previously demarcated market segments B2C and B2B, the provision of new services, and the introduction of new technology.

2.1. Cost-Centred Competition for Market Shares

Though the market has been expanding for a considerable period of time this does not tell us much about the profitability of the service providers. During our field research, we were confronted with a grievance aired not just by management, but also by sub-contractors, works councillors and even couriers. These grievances concerned diminishing results as costs (wages, fuel, insurance) had increased but intense
competition meant parcel prices could not be increased accordingly. Elsewhere, however, return rates were reported to be “relatively high”, reaching around five percent prior to the world economic crisis of 2008/09. The market currently seems to grow strongly enough to prevent individual providers from going out of business, in fact recent media coverage on the sector has been mainly about positive business reports (e.g. Hermes, UPS and DHL) as well as new investment in infrastructure.

As in many other areas of service provision (e.g. banking, travel) organisations are transferring parts of the original labour process/ costs to the customer. Again, online services play an important role here. The “Big Five” have established forms of “Online-Shopping” which enable the private customer to find out about tariffs for shipments, produce parcel labels/packing slips on home computers and pay for services in advance and online. Customers can then post shipments at local “Paket-Shops” or arrange a date for the parcel to be picked up by couriers. In order to reduce personnel and material costs, these systems need to be popularized. DHL rewards customers by charging less for small packets (0.20€) and parcels (1€) that have been franked by customers themselves than for those given up a post offices.

It can thus be argued that price competition in the area of standard services in B2C and C2C is main characteristic of the German market. Apart from price competition, quality of service and innovative products and forms of distribution also play a role. According to some interviewees, organisations are thinking/experimenting with systems that attune service provision even closer to customer’s needs. Services that in the past were only available to those prepared to pay for express services seem to partly become part of standard services available to private customers. These services include “next day delivery”, second and third delivery attempts at times and to places determined by the customer, and scheduled delivery, agreed via SMS on the day of delivery.

### 2.2. Merging B2C and B2B

A closer examination of Germany’s big five in parcel distribution shows that they all strive to become full service operators. This basically means that they try to widen their operations, overcome historical limitations and business foci and offer a wide range of services to both business as well as private customers. When asked for the main changes in the market over recent years all our interview partners referred to the seemingly “endless” growth of the B2C and C2C markets. E-commerce has grown at the expense of many high-street outlets, meanwhile not just books but a wide array of goods, from food, to drugs, clothing and electronic goods are widely available on the internet and the main businesses providing these goods are prime customers targeted of KEP service providers. At the same time platforms such as eBay have contributed to the development of a vibrant C2C business. To claim a share of this expanding market companies such as GLS and DPD, originating from associations of hauliers with a strong focus on serving the business customer, have ventured into new terrain and try to offer services to the private customer as well. Even though these companies have not given up on their traditional business clientele, they have realized that a viable strategy
requires the attraction of B2C and C2C customers. This development is also closely related to the fact that many retailers now make use of new distribution channels. Leading retailers do no longer simply rely on their chain store networks but try to widen their customer base by offering additional e-commerce. Often they urge their traditional providers, whose sole responsibility lay in the distribution of goods to individual depots, also to serve to private (internet-) customer in order to achieve an integrated provision of all their shipment needs.

2.3. The Provision of New Services

Increased competition has led businesses to efforts at developing innovative distribution channels and new services. To offer private customers easy access to their services has been of prime importance to Hermes, GLS and DPD. To achieve this aim these providers are co-operating with firms outside the industry. Many travel agencies, food stores or gas stations have been integrated into the service provision chain of parcel distribution. Private customers can use these shops to post parcels as well as claim parcels that could not be successfully delivered “on the door” by couriers.

Hermes for example relies on a dense network of “Paket-Shops” in order to provide easy customer access to its services. Hermes claims around 14,000 of these shops in Germany, partly with opening times beyond those of traditional post offices. DPD currently has 4,000 of these shops, GLS 5,000. It is not unusual to find more than a dozen of these shops in cities where only a single post-office is operating. DHL meanwhile co-operates with outlets such as newsagents to offer a limited range of its services to the customer. DHL are also operating more than 2,500 machines that can process parcels. Customers can use these machines (Packstationen) to post and pick up parcel any time day or night.

The main service providers these days provide possibilities for customers to trace the progress of parcel distribution by online tracking systems. These systems increase transparency of the shipment’s actual status for the private customer. It is hoped that the “informed customer” will actually be at home to receive parcels at times predicted by tracking systems and the number of costly, unsuccessful delivery attempts can be reduced. The complexity of drivers’ work has been increased by the provision of various new services, including cash on delivery, identification services, exchange goods and scheduled deliveries. Drivers thus have to collect money and deposit it at the local depot, check the identification cards of customers, transport and deliver exchange goods and plan the tours according to pre-scheduled deliveries.

2.4. New technology

All main service providers have long replaced analogue documentation by electronic tracking methods. The movement of shipments through the system can now easily be traced from despatch to delivery in real time. The broad range of real time information available to service providers includes details on transit times, volumes currently in the
system, courier’s working times and a detailed measurement of quality criteria (e.g. quota of successful “first attempt deliveries”, adherence to schedules for scheduled delivery and collection). As service production becomes increasingly fragmented, involving a diverse, geographically dispersed, set of “independent” actors, more direct, traditional forms of hierarchical controls are no longer applicable. On-line technology arguably becomes a crucial means of control for the core service providers, as it allows the identification of further possibilities for rationalization. Electronic means allow for a high transparency of the whole process and its constituting parts and help to produce “hard facts” which form the basis of benchmarking exercises and serve as an important resource for management’s negotiations with subcontractors. The use of scanning equipment also increases the transparency of courier’s work. Whilst in the past this line of work contained some autonomy for drivers who had some discretion concerning the organization of their daily routes or breaks, scanners and mobile phones these days permanently feed information on courier’s work into electronic systems. Each and every step/stop can be traced, electronic control allows employers to closely monitor employee’s work and counter employees’ explanations for delivery problems (e.g. delayed delivery or collection of parcels, lost parcels).

The use of up to date technology is considered to constitute a major factor for generating competitive advantage. It is not quite clear if competitors can match DHL’s initiatives in this respect. DHL strive to further automate processes, for example in the unloading of vehicles. New technology is set to speed up transit and double the volumes that can be processed in centres and reduce the number of damaged parcels as well as misdirected shipments. For this purpose, sorting scanners capable of processing information on all six sides of parcels are being introduced. These technological innovations are seen to be crucial for offering next day delivery a reliable service, a precondition for extending the market for food and drug delivery to private customers.
• The German market for parcel delivery has been growing considerably in recent years.
• This is mainly due to increased volumes in the B2C and C2C segment of the market, driven by the growth in e-commerce.
• The market shows high levels of concentration, five main operators are taking the lion’s share of the business (i.e. Deutsche Post DHL, Hermes, DPD, UPS, GLS).
• While the offspring of the former state agency Deutsche Post (DBP), DHL, remains market leader, others have managed to increase their market share in recent years.
• Providers are competing on price, putting a squeeze on profit margins.
• All providers feel the need to offer a broad range of services, providers that used to cater predominantly for the B2B segment are trying to make inroads into the B2C and C2C segments in order to profit from the dynamics in this line of business.
• Providers are using innovative ways of distribution and try to attune their services more finely to customer’s needs. In some instances this can be said to have led to improved services (repeated attempts to deliver goods, increased number of outlets for customers to pick up/ give up parcels).
• Volumes have risen to an extent that tends to overburden operators’ infrastructure. Some have announced major investment in order to cope.
Chapter 3

3. VERTICAL FRAGMENTATION – BUSINESS MODELS IN THE GERMAN DELIVERY INDUSTRY

This section contains case studies of three of the five main service providers in Germany. The rationale for choosing a case study approach is as follows: the main actors in the field of parcel delivery each have distinct histories. These histories include orientations towards the market, i.e. a focus on specific segments, specific services and customer relations established in the past. Histories also include specific orientations and practices in the field of industrial relations and personnel management. To put it bluntly: to compete successfully in the B2C or C2C field means something different for a provider such as DPD, traditionally strongly involved in the B2B segment of the business than it does for DHL, a former state agency firmly rooted in this market segment. It is to be expected that the room of manoeuvre to construct employment and employee relations clearly differs in organizations with robust employee representation, high union density and collective bargaining structures such as DHL and in virtually “union free” organizations, with distinct company cultures of unilateralism and rigorously and centrally defined approaches to personnel issues. Inherited histories and structures thus can clearly serve as enabling or limiting factors, they partly explain divergent practices and (business) models to be detected in the field. Case studies thus seem well suited to detect these specifics. However, while we suggest that variation can be easily detected, we also find that commonalities are striking and general trends concerning business strategies and work situations can and must be identified. We will distil these from the more concrete case study findings and present more generalized and contextualized findings in a special section following the case study presentation. The focus of the report is on the working conditions of couriers in the German parcel and delivery industry. Before turning to the contractual situations and to the work experience of couriers, the business models and structures of the major players in the market need to be discussed.

3.1. Case Study 1 – Deutsche Post DHL

Our findings presented in this case study are based on data collected at one Niederlassung (branch) in a major town in the former Federal Republic (City A). Locally, there is one major hub (Frachzentrum) which distributes and collects shipments from four smaller depots (Zustellbasen). In City A there are around 240 couriers directly employed by DHL.

Additional information was gathered by interviewing a courier in a large metropolitan area (City B), also situated in the former FRG. Interviews were conducted with drivers and local works councillors, as well as a representative of the joint works council. It should be held in mind when reading this case study that all those interviewed locally shared some characteristics. All were male and employed full-time on open ended contracts. They all had a long tenure (between 14 and 21 years) and as such were very well placed to describe change in parcel delivery. Accordingly, all our respondents were
older than 40 years, and it was claimed that the average age of couriers was well beyond 40. In this respect, the local workforce clearly differs from that found at other operators scrutinized in this report (such as DPD), where couriers were very young by comparison. Also, all interviewees were born in Germany and are thus not representative of a diverse workforce. In short, this case study is thus mainly based on information given to us by “the old guard”. We also were also able to make use of documents, newspaper articles and the (small) existing body of academic literature concerned with the issue.

3.1.1. Introduction: historical and background information

To this day, DHL Deutsche Post remains the main provider in parcel services in Germany. Its historical roots can be traced back to the Deutsche Bundespost (founded in 1947 as Deutsche Post, renamed Deutsche Bundespost in 1950). The Deutsche Bundespost (DBP) was a state agency, headed by the Federal Department of Postal and Telecommunication Services (Bundesministerium für das Post- und Fernmeldewesen). The DBP had an elaborated three tier structure, with the Federal Ministry at the top, regional directorates in between and local post offices at the bottom. Tasks and responsibilities were clearly defined by law, the Postverwaltungsgesetz. The services provided were mainly in the areas of postal services (distribution of parcels and letters), telecommunications, and financial services. In many areas, such letter distribution or in telephone services, the state claimed a full monopoly, a practice stretching back hundreds of years in the case of letter distribution. There has, however, not been a state monopoly in parcel distribution. While the DBP was expected to operate self-sufficiently, these economic aims were often superseded by political ones. The overwhelming interests of German economy and society had to be considered. The law compelled DBP to provide universal services all across West-Germany, irrespective of cost considerations. This included the provision of accessible postal services at uniform prices. By the mid 1980s, the DBP employed more than half a million people and was West Germany’s biggest employer, in this respect only surpassed in this respect by the German railway.

In the 1980s discussion about the liberalization of German postal services gained some momentum. While there was union resistance to liberalization there was also considerable public backing, as DBP was portrayed as slow, inefficient and lacking customer orientation. Liberalization/reform of DBP proceeded in various stages well described and analyzed elsewhere (Brandt, Drews & Schulten, 2007; Teuscher, 2008; Wehner, 2005). For our purposes it is sufficient to state that the second stage of reform (1994) established three limited companies in the areas of postal services (Deutsche

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1 This demographic profile might result from not including non-standard employees. Average age across the post is more than 46 years (interview info). While the letter/parcel segment is often referred to as the yellow post (Die “Gelbe Post”) it is not uncommon to hear people speak of the “Grey Post”, referring to the demographics of the enterprise.
Post AG), telecommunications (Deutsche Telekom AG) and financial services (Deutsche Postbank AG).

Since privatization, Deutsche Post AG has acquired companies such as DHL (2002), Danzas and Exel. It merged these operations and has managed to establish DHL Deutsche Post as one of the world’s leading companies in logistics. DHL currently employs 470,000 worldwide and reported a turnover of 51 Billion € in 2010. The enterprise has four divisions: mail, express, global forwarding/freight and supply chain. Parcel services in Germany are running under the DHL brand and are part of the mail (Brief) division. In respect to parcel delivery, Deutsche Post AG’s inheritance from the pre-privatisation period was a rather difficult one. This is because parcel delivery has traditionally been considered to be the Bundespost’s least efficient segment. As Hager (1985:109) reports, cost coverage in parcel services was only 60% in 1981 and 66% in 1984 while profits were generated in telecommunications and letter delivery. Even at that time some authors spoke of cutthroat competition with private competitors in the field (such as DPD) who were accused of cherry picking, i.e. not offering comprehensive services across Germany but only restricted services on profitable routes to selected groups of customers only (Heinrich, Meyer, Peglow & Peter, 1985: 95).

Today, profitability of the parcel segment is hard to assess. Even employee representatives on the joint works council (Gesamtbetriebsrat), with good access to a wide range of financial information concerning the business as a whole, are not able to come up with exact figures, as the company is not obliged to produce figures referring specifically to parcel distribution. According to our interviewee however parcel delivery only became profitable in 2008 and margins continue to be small. Even by 2009 business magazines reported a rather bleak situation:

“For years now the Post has been fighting deficits in this division of business, characterized by high labour and fixed costs. Three years ago competition forced the post to cut prices by 30%.” (OT, Wirtschaftswoche, 18.02.2009)

The business situation has improved mainly because rapidly increasing volumes allow for a better utilization of fixed capital, i.e. DHL’s capacious infrastructural network. DHL have initiated cost-cutting programs each year; technical equipment has been modernized, more voluminous vehicles are now being used.

Nevertheless, it can be argued that in this case a state agency has been successfully transformed into a major global operation, well placed to defend its position in a highly competitive market. Even though DHL does share profitability problems with its competitors, it is growing at considerable speed in a vibrant market. While the number of letters distributed has decreased at a rate of two to four percent in recent years, parcel distribution has seen an average yearly growth in turnover of 3.5% since 2007. In 2010, the parcel segment generated a turnover of 2.732 Million €, a 6.1% increase from 2009’s figures. Parcel delivery now contributes a fifth to Mail division’s turnover. According to

2 The Mail divisions Ebit margin was reported to stand at 8.1% in 2010 (http://www.dp-dhl.com/de/investoren/segmente/brief.html).
latest figures, DHL still caters for 39% of the market and clearly remains the sector’s “dominant player”.

DHL’s recent announcement of a major structural investment programme (750 m. €) is a clear indication that parcel delivery is considered to be of major future importance for DHL Deutsche Post. Investment is based on the projection of further growth, and the need for technical modernization (much of the equipment is more than 20 years old). It also is a major threat to operators such as DPD as it will shorten transit times (next day delivery as a standard service). According to interviewees, DPD will not find it easy to keep up as its equipment is quite often outdated. DHL sees the need to increase capacity, as even of today the system is running at full capacity. Volumes have increased at a rate that overstrained capacities in some localities. Where this happens, parcels have to be redirected, which results in delayed deliveries.

3.1.2. **Industrial Relations Traditions**

Traditionally workers in the *Deutsche Bundespost* have been represented by the *Deutsche Postgewerkschaft* (DPG). Union density in German postal services has traditionally been high. While this held true for other areas of the public sector, union success in the Post can be at least partly be explained by the fact that DPG’s organizational structure differed from the common German principle. The term *Betriebsgewerkschaft* does not capture DPG’s structure accurately, but it hints in the right direction. DPG’s structure was not based on geographical entities but on the workplace as the basic unit. Unionists regard this structure to be beneficial as it brought the union close to workers. Workplace representatives were traditionally highly “unionate”, in many instances workers regarded them to be the union. While the number of full-time officers was low by German union’s standards, lay workplace structures were strong. As a specialist union organizing exclusively in the DBP, the DPG had a strong identity that fitted that of postal employees (“Postler”) and could provide members with highly relevant, specific information. The different levels of worker representation are said to have been well articulated. Industrial conflict in the DBP has been rare even by German standards, postal workers however were part to the major public sector conflict in 1974; in 1994 a six week strike was lead against dismissal in the privatization period.

In 2001 DPG merged with other unions to form ver.di. Within parcel delivery union density remains high and stands between 80% and 90% in most areas. There are some *Zustellbasen* where all employees are unionized. The situation among staff in parcel sorting and handling is virtually the same. According to interviewees, the DPG tradition of an easily accessible union “on site” has been continued in ver.di. In many instances the union presence is regarded to be a matter of course and new employees are recruited at the point of induction. Fixed term employees at times show some reluctance to join, but at least in City A they were made aware of the need to join in not too fine terms by works councillors.
3.1.3. **Current Structure**

DHL’s 40,000-50,000 couriers deliver on average 2.6 Million parcels each working day.\(^3\) Much higher volumes (five million parcels) have to be handled during peak times around Christmas. DHL currently operates 33 freight centres or hubs across Germany. All of these are directly interlinked. From these hubs parcels are then distributed to local distribution centres (Zustellbasen) of which there currently are 256 (interview info). Sorting jobs in depots are practically all part-time, six hours per shift jobs. There are some agency workers, but the usage of this kind of work is comparatively low, across Germany there are just around 400 temps.

In rural areas, parcel and letter delivery have been merged (Verbundzustellung), a reorganization that has contributed to the business’ increased efficiency. After fine-sorting has taken place in these Zustellbasen couriers are delivering shipments in 7,500 geographical entities (Zustellbezirke). As will be described in more detail in the following sections, main competitors in the field have fully subcontracted the operational business of parcel delivery. By comparison, DHL remains a highly integrated business. The great majority of Zustellbezirke are still being served by couriers directly employed by DHL, of the 7,500 Zustellbezirke 990 can currently be subcontracted. Note that where this is the case, the couriers working for DHL’s subcontractor (Servicepartner) are working side by side with DHL’s standard workforce, as DHL does not subcontract regions but rather some Bezirke, i.e. a number of streets. Decisions which Zustellbezirke to subcontract are being taken at the centre in Bonn, but local branches then enter a contractual relation with subcontractors. Management discretion on this issue is limited by agreements with the union that contains strong protection of DHL’s core workforce against dismissal.

Trade unions have long criticized subcontracting; their view has been echoed in the German broadsheet *Die Zeit* (02.09.2004). It reported complaints by major large customers about a decline in the quality of service provision, which manifested itself in a rising number of lost parcels, appointed delivery times not being met, high turnover of drivers, often displaying a lack of fluency in German. Subcontracting, the article argued, could thus have a detrimental effect on business: “The Post does not seem to care about the fact that DHL’s good reputation partly stems from its long-standing employees, their know-how, their knowledge of the customer and their openly displayed enthusiasm for their enterprise.” (own translation). In 2010 there were reports of management intentions to fully sub-contract parcel delivery and thus to follow suit the example set elsewhere in the business (*Frankfurter Allgemeine Zeitung*, 25.08.2010). According to this report, fully subcontracting parcel delivery would yield 140 million € per year. The economic rationale behind DHL’s attempts to subcontract was openly spelt out by the head of DHL’s mail division, who argued that high wage costs were responsible for insufficient returns and constituted the company’s main competitive disadvantage. The

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\(^3\) This figure is partly misleading: there a 8,000 couriers who deliver parcels only. These are serving Germany’s metropolitan areas. In rural areas DHL operates a system termed Verbundzustellung, i.e. joint delivery. Here, about 40,000 are delivering both letters and parcels.
report, drawn up by senior management representatives, states that each district serviced by personnel directly employed by DHL cost 73,000 € per year, 65,000 € of which were wage costs. Typically, sub-contracting one district would cost about 56,000 € a year. The 2011 collective agreement however renewed a previous settlement. The number of Zustellbezirke that can be outsourced remains limited to 990 out of around 7,500 (factually about 960 Zustellbezirke are currently served by subcontractors). Ver.di argued for a full retraction from subcontracting but could not come out on top. It is difficult to establish the extent of management determination on this matter. Unionist’s impression is that management are not exactly content with the quality of service subcontractors provide. DHL has recently terminated contracts with eleven providers due to poor quality standards. Nevertheless, as one national union representative states, the mere threat of subcontracting remains an important bargaining chip for management.

On the ground, the issue was perceived differently by our interview partners. Works councillors and drivers in City A did not regard subcontracting to be a major threat, to the contrary, they held that scarce labour power, instable subcontractors (labelled “Servicepartner”) and quality problems might even lead to a reversal of subcontracting policies. There was not much cogency in management’s “nightmare scenario”, as “we know, how good we are. And we know the numbers of parcels we have to deliver each day.” In this well organized workplace with its well articulated representational structures, workers’ confidence was thus based on the seemingly endless expansion of business, scarcity on labour markets and knowledge about the problems that subcontracting generated for management. Elsewhere, however, perceptions were very different (City B). A long standing driver said:

“The plans made in Bonn, the final aim of the Oberste Heeresleitung (Supreme Army Command), is to completely part with delivery, to transfer this work to subcontractors and pay a poverty wage. That’s the final aim. Just like it is in the other firms.”

He has witnessed the “sale” of districts not deemed sufficiently profitable and the effect on work and employment. The “Servicepartner” who had acquired the districts operated a system akin to that in many other operators in the sector. He used self-employed drivers, paid per parcel delivered and used a vehicle leasing system. The business was not viable:

“They just left shipments on letterboxes or acknowledged receipt themselves. They were not trained at all. Parcels vanished. (...) They ruined themselves and stopped working for that Servicepartner, heavily indebted.”
According to this interviewee, the subcontracting option adds a threatening dimension to the sophisticated benchmarking measures established in DHL, as it is those districts that score badly on targets such as delivery times, full documentation or the number of customer complaints that are targeted for outsourcing. He describes these processes as blackmailing and says:

"Figures (i.e targets, HH and IS) are set in Bonn. If we don’t pull our weight, we’re being sold. The works council knows that (...) There’s nothing they can do about it, their hands are tied."

Figure 1
3.1.4. Governance and Control

The sub-contracting systems that have now become firmly established in the sector hold a major advantage for service providers: the transformation of labour power into actually performed labour is no longer of immediate concern to these organizations. Piece rates and self-employment force couriers to work efficiently, in their own and immediate interest. DHL is trying to achieve the same aim by different means. As DHL’s workers are still being paid an hourly wage, management tries to advance efficiency by intensifying work, i.e. increase the number of parcels delivered per hour. This is mainly achieved by a near continuous re-design of the geographical area to be served by any particular driver. The central re-assessment of Zustellbezirke (Bemessung) is done at least three times a year. From a union perspective an improvement lies in the fact that DHL is currently incorporating projected growth figures into its calculations. According to couriers is a lot of local room for manoeuvre for local managements to adjust Zustellbezirke flexibly. The aim is to make full use of driver’s capacities to work each day by reacting flexibly to fluctuations in volume. That means that couriers are assigned extra streets to be served when business is comparatively slow, i.e. on Saturdays, Mondays or during holiday periods. Couriers explain management’s rationale:

“We are becoming ever more flexible. The employer strives to utilize workers and cars to the full, keep it at 110% or 120%. When business is slow, some Zustellbezirke are being closed and we are being assigned extra streets. That means we’re always working to full capacity, which means we have to work for eight or nine hours each day.”

According to workers, the rising number of shipments to be delivered in each Zustellbezirk needs the scaling down of Zustellbezirke in order to stabilize workloads at a certain level. As this form of adaptation is rarely agreed to by management, workers are being confronted with rising numbers of shipments. Productivity gains are thus envisaged by increasing workloads.

DHL Deutsche Post use other means of governance to increase cost awareness and efficiency in the localities. For this purpose local management is being assigned certain budgets by the centre. It must not go beyond, except given the case that volumes are increasing above projected growth. Budgets have been established in the mid1990s. They include productivity targets and define the means by which these targets are to be achieved. Works councillors report to have absolutely no influence on this issue. With budgets being tight, local managements are being pushed into attempts to increase worker’s efficiency by intensifying work. Part of local management’s income is dependent on local performance of the business, adding further incentive to increase efficiency. According to the interviewee in City B “a lot of fiddling” is taking place locally to keep expenditure low. Centrally, wide arrays of tools that measure local performance are now available. Information technology allows the centre to tightly monitor all core processes of service provision. Performance is measured by various indicators, such as transit times, the quota of successful first attempt deliveries, the number of incorrectly documented processes and lost parcels, worker’s attendance
times, customer complaints as well as financial figures. Performance indictors form the basis of internal benchmarking initiatives and “league tables” are being used to rank local operations and urge local management to strive for further gains in efficiency and quality. Workers informed us that these figures we used internally to justify rationalization and formed the basis of calls for performance improvement. Whether there is a positive impact of these methods on worker’s motivation seems doubtful. Constant appeals for improvement and constant change rather seem to fall on deaf ears in City A. Workers have the impression that management is never content, that demands on them are continuing to grow and they can’t do much more than what they are already doing- i.e. giving their best. There is a general mistrust of figures being produced far away in the centre by people with no idea of what’s happening on the ground. While the interviewee in City B shared the scepticism about performance figures as they did not take into account the specifics of local conditions, he nevertheless held the view that these figures were relevant to management’s decisions when it comes to the issue of sub-contracting.

3.1.5. Employment

When discussing employment in DHL one needs to keep in mind that some of DHL’s volume is currently being handled by couriers who have no contractual relationship with DHL itself but with DHL’s subcontractors. Works councillors estimate is that there are 1,200-1,300 couriers working for DHL’s Servicepartners/subcontractors. All indicators are that employment conditions for these couriers match those of precarious couriers described elsewhere in this report.

When discussing work and employment of DHL’s employees we are talking about conditions that fit notions of what is frequently being described as standard employment (Normalarbeitsverhältnis). Overwhelmingly, DHL’s drivers are employed full-time, on open ended contracts. Their conditions are being defined by collective bargaining agreements, workplace representation is universal.

To increase numerical flexibility, DHL resorts to the use of “Tagesaushilfen”, i.e. temps hired on a daily basis. These on-call workers quite often are students or people on mini jobs. “They’ve got nothing”, one long established courier commented, referring to the insecurity of their situation. Flexibility is also gained by using fixed term employees. Works councillors reported people being employed on four consecutive contracts and then being dropped. The exact percentage of non-standard employment in DHL is difficult to assess. A well informed representative on the joint works council states that fixed term employment is well below ten percent across Germany. He acknowledges some local variation, but according to this interviewee DHL is not currently attempting to save costs by extending non-standard forms of employment. However, works councillors in City A were saying that only 70% of couriers locally were on full-time, open-ended contracts. Employer and union have recently agreed to offer open-ended contracts to 1,500 fixed term employees. It might well be argued that management policies concerning employment reflect tightening labour markets in some localities.
Couriers as well as works councillors unanimously report recruitment problems. Only around a quarter or a third of newly hired couriers last for a year, the majority quits the job quickly as they can neither stand the physical demands of the job nor the fact that they are frequently being pressurized by management for not keeping up with more experienced drivers. Even experienced couriers recruited from providers such as DPD frequently quit after a short time, as work in DHL is regarded to be more intense (this can be put down to high stoppage rates which in DHL are 1.2-1.3 due to the high percentage of B2C and C2C business).

Even though employment in DHL is overwhelmingly standard employment, this does not mean that the workforce is fully homogenous. The use of fixed term contracts and part time employment has a long tradition in the German Public Sector; as in the private sector there was a marked segmentation of labour markets (Keller & Henneberger, 1999). In the “old days” of the Bundespost, increased volumes were often met by employing part-time workers. In addition, students functioned as a flexible workforce for DBP, which was considered to offer good conditions.

Figure 2  Employment and Labour Relations in a sample DHL depot

Figure: Note: The exact number of warehouse workers is not known, couriers themselves have to do jobs that are elsewhere done by separate staff (loading, unloading, sorting), numbers with * are estimates based on interview information that states that locally 10% of Zustellbezirke are being served by (sub-)subcontractors
Today, a broad variety of employment status can be detected within DHL. Firstly, DHL has “inherited” those employees still protected by the (privileged) civil servant status common in the state agency Bundespost. These today make up roughly 40% of the workforce in Deutsche Post AG, in parcel delivery the percentage is lower (around 30%). Secondly, it was agreed in 2001, that long standing employees’ rights and conditions were to be maintained. Traditional fringe benefits these employees enjoyed were also to be safeguarded. However, newly hired employees were to accept wages 30% lower wages. This gap is still being felt and can mean wage differentials of several hundred €. Remuneration for people doing the same jobs thus differs greatly. New recruits to DHL currently earn 1791.16 € per month, or 10,70 € per hour. After 12 years of service they can earn 2338,48 €.

Accordingly, workers doing essentially the same job experience different levels of employment security and payment. Best conditions are those for Beamten, followed by those on old contracts (Besitzstandsregelung guaranteed the former conditions were still applicable). Additionally, there are employees in new contracts and the insecure workforce, consisting of fixed-term employees and “on call workers”. While interviewees all stressed the high level of colleagueship irrespective of status, it was also quite clear that all of them were quite aware of workforce segmentation and their own status. Some hinted at the fact that non-standard workers were less assertive in contact with management. Experienced couriers also described how they “worked management”, i.e. how to use their position to extract concessions from management in rather informal processes (i.e. concerning the assignment of Zustellbezirke, timing of holidays). While we gained some information that hinted at efforts of the weaker segments to improve their situation by working harder, there is no evidence that the old guard feel see their conditions threatened by over-eager non-standard workers. Long standing couriers claim a specialist expertise and experience as a foundation for good performance. In their view this cannot be compensated for by any effort fixed term workers might make.

### 3.2. Case Study 2 – HERMES

The case of Hermes is highly relevant one. This is due to the fact that Herms can be described as an upstart in the field, with growth rates in turnover exceeding those of the competition for considerable time spans. Hermes has gained important contracts from much courted customers such as Amazon. Hermes is also of high importance as it might be considered to be an extreme case: it seems to be a pioneer (and a role model) for contracting out large parts of the operational business. Hermes recently attracted much media and public attention as several TV programs critically investigated employment relations and working conditions of (self-employed) couriers working for Hermes’ subcontractors. Hermes epitomizes the “cheap model”, it is not rare for drivers in firms like DHL to describe Hermes’ drivers to be “the lowest of the low”, driving sub-standard cars and being paid poorly in comparison.
3.2.1. **Historical and background information**

In 1972 the “Hermes Versandservice” was founded as subsidiary of the Otto Group. The Otto Group originates from a mail order business founded by Werner Otto in 1949. Today, the Otto group operates internationally mainly in retail (clothes) and financial services and employs nearly 50,000 people. The Otto group established its own service in order to distribute its products to consumers independently of the *Deutsche Bundespost*. For this purpose it established depots all across Germany. By the end of 1972 Hermes had already managed to post 50% of Otto’s shipments. We are concerned here with the Hermes Logistik-Gruppe Deutschland GmbH (HLGD) which, as part of the Hermes Europe GmbH, is responsible for parcel delivery, referred to in what follows simply as Hermes.

Whilst Hermes previously catered exclusively for mail order Otto-Versand it extended its services to other “non-Otto-group” customers in 2003. Hermes quickly managed to attract customers. Only a few years after having entered the market less than 50% of Hermes turnover was generated by transporting Otto’s shipments. Between 2003 and 2006 Hermes nearly doubled its turnover (Wirtschaft und Weiterbildung 6/2007:18) It seems that price was an important factor in Hermes’ early success: it offered shipment of parcels including insurance for 3, 90 € in 2006 while DHL charged 4,30€.

Already in 1995 Hermes started piloting a system labelled “Hermes Boten System” which has since then developed into a fully-fledged, multidimensional sub-contracting system. At its inception this *Boten* System meant that deliveries were no longer solely distributed by directly by Hermes’ couriers (then referred to as *Kundenbetreuer*) but increasing use was made of independent couriers and marginally employed staff (earning up to 630 DM at that time), servicing just a small number of customers in a given neighbourhood. In the beginning, Hermes’ bigger lorries delivered goods to the base of the marginally employed courier, quite often not much more than a private garage or a cellar. The self-employed or marginally employed couriers then distributed goods to Otto group’s customers, using their own private vehicles. According to one of our interviewees, this form of marginal employment was quite attractive for some people, for example housewives or elderly people, looking for an additional income. They could exercise some discretion concerning working time, fitting dispatch into their daily routines. Control was not very intense, sometimes couriers were able to delay shipments for a certain geographical area and start dispatch only when sufficient numbers of parcels had accumulated and made delivery seem worthwhile. Naturally, the number and size of parcels that could be distributed in this way was limited, problems arose as the number of shipments increased. Also, Hermes still had to use its own trucks as bigger and/or heavier items could not be processed by couriers. In effect that meant that one geographical area was served by couriers and their private cars as well as Hermes’s trucks- the economic disadvantages were obvious. Hermes’ management concluded that a more viable option was to completely sub-contract parcel delivery. Of

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5 [https://www.hermesworld.com/de/ueber_uns/historie/90er_jahre/90er-jahre.html](https://www.hermesworld.com/de/ueber_uns/historie/90er_jahre/90er-jahre.html)
course that meant that Hermes’ own couriers became superfluous. There were, however, no compulsory redundancies. For those accepting voluntary redundancies financial compensation was offered. Others were transferred to work in the storehouse, be it as ordinary workers sorting parcels, as supervisors or as “carers”, keeping in touch with the growing number of subcontractors. These transfers seemed to be possible in a situation where business was expanding, works councillors however also hint to the high social standards, that the company and the Otto family prided themselves of. As the company’s website states, Hermes currently directly employs 3.680 people (less than five percent of those are couriers). It subcontracts work to 400 small to medium-sized entrepreneurs, all in all there currently are 13.000 couriers’ delivering Hermes’ shipments. We now turn to the current structure of service provision.

3.2.2. Hermes’ current structure: multi-layered sub-contacting

As of today, the number of drivers employed directly by Hermes is negligible, even though works councilors report a slightly growing management resonance for their calls to increase the number of drivers on Hermes’ payroll out of considerations for quality and stability. The Hermes model makes consistent use of sub-contracting and is a multi-layered system in which the actual delivery process has been fully devolved to independent service providers.

Hermes is divided into four regional areas and currently operates five main distribution centres (HUB, Hauptumschlagsbasen) across Germany. From here, shipments are processed to 59 depots (Niederlassungen), where fine sorting for regional distribution takes place. Up to this point, the work involved is mainly done by Hermes employees. Many jobs in the storehouses require little formal qualification and are physically very demanding. However, works councillors do report quite long tenures and high levels of identification (Blaues Blut, “blue blood”) with the employing organisation among staff. Hermes is by many regarded to be a good employer, i.e. a company that pays comparatively well and acts in a socially responsible way.

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6 https://zusteller.hermesworld.com/hermes, retrieved 01.11.2011
All further work is then contracted out. Hermes’ depots cooperate with independent service providers, who take on full responsibility for the collection and deliverance of parcels in a defined geographical area. These subcontracting firms are commonly referred to as satellites (*Satelliten*). There currently are around 500 of these satellites across Germany. Usually, both partners are free to terminate contracts on very short notice. There is a lot of local discretion when it comes to contract specifications. Local Hermes management for example have to assess subcontractor’s reliability and robustness, and can negotiate termination procedures accordingly, offering a three months termination period. Sub-contractors are remunerated flexibly according to the number and categories of shipments they actually process. Shipments are categorized into different classes, ranging from catalogue delivery to scheduled delivery of sensitive goods. While some service standards (delivery times, documentation) are clearly contractually defined and standardized across Germany, the relationship remains one between independent economic actors. Hermes seem to have established the most far reaching form of externalisation and devolution of operational responsibility. For subcontractors this means that they have to provide storage facilities themselves. Additionally they have to provide transportation facilities in order to pick up and deliver...
shipments from and to depots and organize the final sorting in order to channel shipments for delivery by couriers. In contrast with other operators, Hermes’ subcontractors do not operate from the original providers’ depots but from a geographical distance. At any one time regional Hermes depots co-operate with several satellites. In the case more closely looked at during our research the local depot had contracts with four satellite-subcontractors. As interviewees told us, there are efforts to increase this number in order to spread risk and be able to compensate for non-reliable satellites or satellites going out of business.

### 3.2.3. The situation of Hermes’ couriers

While Hermes (HLGD) currently employs about 3,680 people (in administration, warehouse etc.), there are an additional 13,000 couriers processing Hermes’ shipments each day, adding up to more than 300 million consignments per year. However, most of these hardly enter the “physical realm” of Hermes, as courier’s employment/contractual relationship as well as daily personal contact is with the operators of satellites, i.e. subcontractors. As entrepreneurs in their own right, subcontractors are free to design employment/contractual relations with couriers. Confronted with criticism concerning the working conditions of couriers Hermes regularly deny any responsibility with reference to the fact that there is no contractual relationship between Hermes and couriers. Hermes also frequently refers to a code of conduct (Verhaltenskodex) which not only states its own ethical and moral standards, its devotion to sustainability and ecological responsibility but also gives an orientation as how to drivers ought to be treated by sub-contractors:

> “Hermes assumes that its contractual partners extend the values and norms specified here to its own contractual partners”. (Personalbereich der Hermes Logistik Gruppe Deutschland GmbH, 2011: 4)

All employees had to be treated with “dignity and respect” (ibid: 5) and violations of laws (e.g. on working time, holiday, sickness pay) could result in immediate termination of contracts. Concerning pay, Hermes distances itself from wage dumping and immorally low wages. It stresses that pay should follow statutory provisions and not fall below the level commonly paid in the sector. Social standards as defined by the ILO and OECD were to be adhered to. While Hermes accepts full responsibility for the realization of the Kodex when its own employees are concerned, the responsibility putting the Kodex into effect in the areas of sub-contracted employment clearly lies with sub-contractors themselves. (ibid.: 7).

Investigating employment status, working conditions and pay of couriers processing Hermes’ goods thus requires the researcher to move along the multi-layered system of service provision and take a closer look at the situation as it manifests itself in satellite operations. The following chart contains additional information on local structure and employment:
As is to be expected, one finds a broad variety of contractual situations, personnel policies, as well as employment and remuneration practices at this level. We had access to one of Hermes’ subcontractors, who, according to the works council of the depot, was considered to be a good and stable partner for Hermes. This subcontractor claimed qualities to himself which are clearly not universal in the field. He came to the business with a solid entrepreneurial background and a lot of economic expertise. He had experience with the Hermes Boten System as depicted above and has since established a long-standing relationship with Hermes. He started by processing 250 parcels a day, meanwhile this number has risen to about 2,500-3,000 per day.

The subcontractor is not solely dependent on Hermes’ as he has other haulage business. However, nearly 50 people are currently involved in administrating Hermes’ business and parcel delivery. Looking back on the development of Hermes’ system he states that “The main difference to the old days is that Hermes, and the Post (i.e. DHL) are beginning to do this as well, has sub-contracted all its delivery work.” The underlying rationale is an economic one: “The nice effect for Hermes is that, and one should not fool oneself about this, that this saves Hermes social insurance. It also has the nice effect to save sick pay and so on.” He gives a detailed description about intense, even “brutal”, price competition in the sector. Under given circumstances it is economically not viable and or even possible to provide this service employing people in standard employment.
(i.e. full-time) relationships. As a result, this particular sub-contractor has partially replicated Hermes’ strategy:

“When we began, we directly employed our couriers, given two or three exceptions, ourselves. They were either marginally employed (...) or had part-time contracts. [...] Meanwhile I directly employ nine or ten couriers, on mini or midi contracts. The rest of the drivers are self-employed people (...) For me the enjoyable advantage of working with self-employed people is that I do not have any problems concerning sick pay (Lohnfortzahung im Krankheitsfall), holidays and so on.”

He argues that even if self-employed drivers were to extend working time and deliver 160 shipments a day, this would not yield sufficient income.

While this sub-contractor is fully aware of the negative effects of minor employment on Germany’s systems of social security, to him there seems to be no other way to handle his business. He echoes the impression of works councilors in the local Hermes depot: to try and compete in the business relying on standard employment relations would be futile. To organize work differently and offer “good” jobs would require Hermes to raise the Schnittvergütung, i.e. the amount of money paid to the sub-contractor per shipment. The Schnittvergütung stands at 1.28 € and 1.32 €. Little remains however as soon as costs for the warehouse, trucks, employees, contractual partners, insurance and many others are deducted. Rising fuel prices are eating into profits, which have declined by 10-15% between 2009 and 2011.

However, not all the drivers working for this specific employer are actually employed directly by him or have a direct contractual relation with him. There are three sub-subcontractors, responsible for specific geographical areas, processing around 300 parcels a day. The main subcontractor claims to exercise some control over his sub-subcontractors. He takes care that drivers employed by sub-sub contractors (who employ others but usually work as couriers themselves) do not work for a pittance.

3.2.4. Industrial relations and workplace representation

Workplace representation exists in Hermes but of course this does not extend to self-employed couriers driving on Hermes’ behalf. Many of the sub-contractors certainly employ sufficient numbers of people to qualify for the establishment of workplace institutional representation; however, we have not come across any works councils in Hermes’ subcontracting partners. Employment situations as are to be typically found in sub-contracting are not a fertile ground for the establishment of councils: business are small in size, for many couriers their work is only of secondary importance only as it generates an additional income, turn-over in many instances is high and daily work routines limit contact between workers. Naturally, collective agreements in the sector do not include couriers given their employment status. Trade union membership can be regarded to be very exceptional indeed.
3.3. Case Study 3 – DPD (Dynamic Parcel Distribution)

DPD is not only the market leader in the B2B segment of parcel delivery, it is one of the most traditional service providers as well. Already in 1976, eighteen independent transport and logistical companies founded DPD (Deutscher Paketdienst) in order to compete with Deutsche Post in the segment of standardized small and medium-sized parcels (up to 31.5 kg). Contrasting to DHL and Hermes, DPD started off in the B2B segment, which until today represents its stronghold, the retail sector being the biggest and most stable customer. However, already by the 1990s DPD’s management decided to intensify its activities on the B2C-market by cooperating with patrol stations, tobacco shops and other small businesses in order to establish a net of local parcel shops (Wirtschaftswoche, 19.11.1993). After accelerated expansion around the mid-2000s, DPD now operates around 4,000 parcel shops. DPD competes with UPS and Hermes for the runner-up position on the market for parcel delivery (DHL still is and will continue to be the biggest player in the near future). Since DPD was not hit as hard by the crisis in 2007/08 than its main competitors, it climbed to position two with a market share of around 15%. New statistics, however, suggest that UPS has increased its market share and has again surpassed DPD. Due to DPD’s legal form as a private limited company (GmbH) management is not obliged to publish data on its profitability and its revenues. Numbers are only available on the development of business volume and parcel volume. However, since its key shareholder, French Geopost, is a stock market corporation, whose corporate governance is strictly shareholder-value oriented (FAZ, 13.4.2011), financial returns assumingly play a primary role within DPD’s corporate governance as well.

The most striking feature of DPD’s business model is the franchise-structure forming the organizational core of service provision. From the start in 1976, DPD was organized as a specific franchise-network in which the eighteen partners were both shareholders of the umbrella organizations and franchisees responsible for parcel transport in a certain territory. The shareholding partners were – and continue to be – both franchisors (collectively) and franchisees (individually). As a consequence of the franchise-structure, DPD’s organization is horizontally segmented. The realms of the three shareholders, including local depots and their headquarters, constitute relatively independent units with distinct organizational structures, corporate governance and labour relations. However, the use of subcontracting is a universal phenomenon transcending the boundaries of the three shareholders. Similar to Hermes and other large players on the market such as trans-o-flex and GLS, DPD does not employ any courier directly. Parcel delivery to customers as well as the picking-up of parcels is completely outsourced to contractors (Systempartner), the majority of them being small enterprises with less than 20 employees. Contracts are based on precise codifications of duties and obligations: They include an extensive list of penalties in cases of violation of contract and serve to establish a high level of control over subcontractors’ behavior. In contrast to Hermes, DPD’s delivery system is spatially integrated. The Systempartner are obliged to use DPD’s centralized facilities for parcel handling and vehicle loading.
Employment and labour relations are highly fragmented due to the network structure of DPD’s service delivery, based on franchising and extensive contracting. The workforce involved in DPD’s parcel delivery consists of at least three distinct segments characterized by different employment standards and different levels of inclusion in institutionalized labour relations. DPD’s directly employed core, or first tier, workforce consists of 7,500, mostly full-time, regular employees working in 75 local depots operated by the current shareholders, the seven main hubs and the umbrella organization. With only few exceptions, members of the core workforce are covered by the regional industry agreement for transport and shipment and are covered by interest representation through works councils. The second tier workforce consists of temporary agency workers deployed for simple manual jobs in hubs and numerous depots as well as the direct employees of the franchised Systempartner, the large majority of them being couriers. While the temp workers are covered by one of the industry agreements for temporary work agencies, the vast majority of couriers working for Systempartners are not covered by any collective agreement. In addition, workplace codetermination seems to be extremely rare in these firms. Apparently, numerous Systempartner couriers do not only work with directly employed couriers but contract self-employed couriers as well. These mostly solo-self-employed couriers comprise the third (and lowest) tier of labour involved in parcel delivery for DPD. Needless to say, self-employed couriers are not covered by any collective agreement, nor are they included in institutionalized
workplace codetermination or protected by the main provisions of labour law. Note that in some cases, intermediary actors exist between the 2nd and the 3rd tier. Subcontracted couriers might outsource tour operations to other contractors which are not connected to DPD’s local depots by a franchise-contract but to one of the franchisees by a piecemeal service contract. In order to reduce complexity, these segments of the workforce are subsumed under the second tier.

3.3.1. Historical and background information

In 1976, Deutscher Paketdienst (DPD) was founded as a consortium of eighteen transport and shipping companies which previously had concentrated their activities on long-distance transport of predominantly large goods. By founding DPD as network, the partners attempt to enter the B2B market for every-day shipment of standardised small and medium-sized parcels, at that time dominated by Deutsche Bundespost and Deutsche Bahn (German railway). In order to facilitate regular everyday delivery, the partners developed a complex franchise system in which each of them performed the double role of franchisor and franchisee. Individually, each of the partners acted as a franchisee in a regional market, while collectively, they acted as franchisors. The franchise system was intended to solve control problems resulting from the mutual dependencies inherent in the loose network structure of DPD. Since each of the partners is exclusively responsible for direct customer interactions and local transport (both pick-up and delivery) in its particular region, the quality of service provision is in most cases dependent on the performance of two or more partners. By way of a standardized and periodic auditing-system, the partners are able to exercise a high level of collective control over each individual franchisee (and thus themselves).

3.3.2. Origins of current structure

Despite considerable growth in terms of transportation and business volume as well as employment, the current structure of DPD is in many ways identical with the original structure of 1976. Up to today, DPD’s core organization is based on a franchise-system in which the partners and shareholders act both as franchisors (collectively) and as franchisees (individually). Despite encompassing outsourcing parcel handling and distribution as well as vehicle loading are spatially integrated. The subcontracted couriers are obliged to rent bays in DPD’s local depots including the link to the central belt and conveyor system and to load and unload delivery vehicles in these bays. Systempartner and their couriers, whether they are directly employed or self-employed, are obliged to use DPD’s facilities for parcel handling and vehicle loading. Despite an equally high level of outsourcing, DPD’s subcontracting system thus differs remarkably from Hermes’ system in its spatial dimension. Most of Hermes’ contracted couriers operate their own decentralized distribution centres. Due to spatial integration, DPD’s system facilitates a higher level of control over couriers’ work, but also requires higher investments. The highly standardized contracts with subcontractors contain a complex mix of benefits and penalties, aiming at controlling subcontractors’ and couriers’
behaviour. By paying extra benefits and collecting penalties, DPD’s local depots are able to indirectly regulate the use of vehicles, couriers’ clothing and customer interactions, without assuming the economic risks associated with regular employment. Not surprisingly, these features of the subcontracting relationship have a distinct impact on the situation of DPD’s Systempartner and their employees.

Despite overarching continuity with respect to its basic organizational topography, DPD’s structure changed in one important aspect, namely the ownership structure. Since 2001, the number of partners acting both as shareholders and franchisees of the umbrella organization has been reduced to three, with French Geopost holding the majority of shares (84%). In the wake of EU-driven liberalization of postal services, privatized public postal companies such as British Royal Mail, French La Poste, Dutch TNT, Austrian Post and – last, but not least – Deutsche Post entered the predominantly national markets for parcel delivery. Geopost, a full subsidiary of La Poste, attempted to take over DPD in 2001 in order enter the German market. Though sixteen of the originally eighteen partners sold their shares to Geopost, two partners kept their shares or sold them to other actors, thus blocking a complete takeover of DPD and a reorganization of its franchise-structure. However, the reduction of the numbers of partners and the unequal distribution of shares has an impact on intra-DPD decision-making since it results in horizontal organizational segmentation. Today, the important decisions are made by Geopost, a globally operating corporation listed at the stock-market.

### 3.3.3. DPD’s current structure: multi-level network

Today, DPD in Germany operates seven regional distribution hubs (Hauptumschlagsbasen) and 75 local depots. Due to the complete outsourcing of driving jobs and tour operation, the number of employees is relatively small compared to parcel volume and market position; total direct employment stands at 7,500. The local depot under scrutiny employs around 200 people, including 60 administrative and commercial staff, a handful so called “tour consultants” (Tourenbetreuer), and almost 150 full-time parcel handlers. In contrast to subcontracting based on service or piecemeal sales contracts, the franchise system allows DPD (the franchisor) to directly interact with couriers formally employed or contracted by the independent couriers (the franchisees) and issue formal work instructions. The main function of tour consultants is to make sure that DPD’s quality criteria concerning customer interaction (promptitude, friendliness, appearance), parcel handling (“do not throw”, appropriate storage in the car) and vehicle movement (inconspicuousness, vehicle condition) are being met. However, about three quarters of the local core workforce is employed in parcel handling. Despite the use of advanced technology including a complex network of interconnected conveyor belts and an intelligent sorting system, parcel handling is still a labour-intensive process. Shipments from and to the redistribution bases and other local depots are loaded and unloaded mostly by hand.
Due to the fact that the DPD’ umbrella organization is a consortium of three shareholders which simultaneously own the local depots, corporate governance is not entirely unitary. Financially, each partner has established its own objectives and governance mode. Geopost, the subsidiary of La Poste, governs its depots as most capital-market oriented corporations do, namely by budgets and key performance indicators including ROI (return on investment). For local management, indicators for cost efficiency play an important role, including average costs and the ratio between man hours and parcel volume. Concerning the operational side of parcel delivery, all local depots are permanently benchmarked against each other, using a set of mandatory indicators, including average transit times (Laufzeit), share of successfully delivered parcels, correct addresses on parcels, damaged parcels. Intra-DPD benchmarking is of particular importance to local managements.

Intensified competition for market shares among the “big five” of service providers puts pressure on the depot under scrutiny: “It’s cutthroat competition.” (DPD KL 151) Facing increased cost-pressures, local management resorted to internal rationalization, new sales concepts and externalization strategies. Firstly, the reorganization of internal parcel handling through new technology and organizational reforms decreased lead times and reduced labour input. In addition, flexible working time arrangements including working-time accounts reduced labour costs by coupling working time closer to instantaneous business needs. However, according to the CEO there is very little room for additional technical and organizational rationalization. Secondly, in order to capture new customers and to increase DPD’s market share, sales and distribution are reorganized in the direction of a “proactive approach”. While DPD’s business in past relied heavily on stable relationships with long-term customers from the B2B-market, the expansion of B2C and the merging of the previously demarked segments requires a more proactive approach towards potential customers. The effects of these activities are uncertain, however; DPD is apparently a laggard, particularly in comparison to UPS. Thirdly, cost-pressure is being passed on to the franchised Systempartners, whose compensation has not been raised significantly over the last years – despite rapidly increasing transportation and labour costs (fuel, insurance, vehicles, wages). A few years ago, DPD’s local management attempted even to reduce contractor’s compensation as a response to stagnating parcel prices and increasing costs. However, the contractors collectively protested against the announced reduction. In fact, the couriers stopped parcel delivery until management withdrew the reduction. While resisting any reductions of compensations, couriers have been largely unsuccessful in achieving any increases compensating for increased costs of service production (in particular fuel, vehicle acquisition costs and insurance).
3.3.4. **Employment and Labour Relations**

Employment standards and labour relations within DPD’s network structure are highly fragmented, the workforce actively involved in service production in the name of DPD is composed of at least three segments. Table 1 summarizes the three tiers.

**Figure 6** Employment and Labour Relations in a sample DPD depot

The first tier, DPD’s directly employed core workforce, comprises the direct employees of the local depots, the regional hubs and central administration (in total 7,500). The dominant form of employment is the standard employment relationship (SER); our interviews suggest that the share of part-time and temporary contracts is relatively small. Concerning labour relations, the vast majority of the core workforce is covered by the industry agreements of transport and shipping, only very few depots do not deploy any collective agreement. Workplace co-determination exists in a minority of depots, a joint works council for the umbrella organization has been established only recently. Due to horizontal segmentation of corporate structures, works councils’ influence differs remarkably as shareholder’s attitude and policies towards representation differ. In line with the bulk of research on German codetermination practice (Kotthoff 1981, 1986), the specific organizational structures of the three shareholders highly influence the works councils’ position in decision-making and their access to information. The difference between the local depot under scrutiny which
belongs to a traditional medium-sized family enterprise, and the depots owned by GeoPost, a large cooperation listed at the stock-market and directed by professional management, are striking. While formalized influence in the large cooperation is considerably higher, direct personalized influence on the owner-CEO is bigger in the family enterprise. Due to their status as direct employees of DPD, the core workforce is protected by statutory labour law provisions including dismissal protection, sick pay leave and holiday remuneration.

However, despite high bargaining coverage, more or less influential works councils and enforcement of labour law, direct employment at DPD is far from free of risk of precariousness. Despite the physical strains of parcel handling and highly flexible work times, wages for blue-collar workers are low. Interviewees report that monthly wages are about 1.100 Euro, corresponding to an hourly wage of around 6.50 Euro which is well below the risk-of-poverty threshold (Bosch et al. 2009). Low wages apparently are a cornerstone of DPD’s business model and market strategies, as exemplified by the CEO’s critique of a minimum wage for postal services.

Despite low wages, high workloads and physical strain, turnover among DPD’s parcel handlers is relatively low. According to the works council, tenure of 15 and 20 years are far from exceptional. Evidence suggests that employment security is an important factor for explaining low turnover. Due to constant growth rates (with the notable exception of the crisis 2007/08) DPD’s employment has grown steadily over almost three decades. In this particular labour market segment – low- and unqualified workers – employment security is a rare phenomenon.

The second tier of workers is made up of two distinct groups who, at first glance, have very little in common. These are temporary agency workers deployed by DPD and those couriers employed by system partners. Both groups decree employment contracts, but are only indirectly linked to DPD. Their formal employer is an intermediary actor, namely the temporary work agency in the case of the temp workers, who are deployed by DPD in large numbers in parcel handling, or the franchised system partners in the case of couriers, who pick-up and deliver parcels in the name of DPD. Although concrete numbers are lacking, temporary agency work is apparently widespread in the main field of blue-collar employment, i.e. strenuous parcel handling both in regional hubs and local depots. Akin to other industries such as metalworking, call centres or health care (Holst et al. 2010, Promberger et al. 2008), indirect employment through work agencies such as Manpower, Adecco oder randstad is used by DPD to cope with swings in delivery volume as well as to reduce labour costs by bypassing collective agreements and certain labour law provisions. The number of workers employed by franchise system partners, the majority of them couriers, is equally unknown. According to estimations of our interviewees, locally around 260 couriers are working in the name of DPD, half of them formally employed by subcontractors as wage labourers, the other half having a service contract with the service partner.

Concerning labour relations, the two main groups of the second tier workforce exhibit both commonalities and differences. With a view on formal bargaining structures, significant differences exist. Bargaining coverage of temp workers is- due to the
peculiarities of the regulation of the temp sector- almost encompassing. In the case of franchised couriers it is extremely low. In terms of workplace co-determination, both groups are at best partially integrated in the institutionalized structures characterizing the German model of interest representation. Although some minor reforms equipped works councils with some competencies for representing the interests of temp workers deployed in their firm, research shows that temp workers only rarely are accepted as fully-fledged members of the client firm’s workforce. Since the vast majority of franchised system partners are small companies without formalized interest representation, the second group of workers is not protected by workplace codetermination either. Last but not least, labour law coverage is only partial as well. Temporary agency work is explicitly deployed to “neutralize” provisions such as dismissal protection, sick pay leave and holiday remuneration. In addition, interviewees report that in the case of franchised couriers severe non-enforcement of formally statutory norms and regulations is frequent. It is obvious that – not at least due to the absence of formal grievance structures – formally compulsory and universal labour law is not fully enforced in the segment of franchised couriers.

The third tier of the workforce involved in DPD’s service production is comprised by self-employed couriers contracted by the franchised system partner. Though no reliable data on the extent of self-employment within DPD’s network exists, interviews as well as publicly available information suggest that contracting out is far from a marginal phenomenon (Spiewak/Uchatius 1999). Note that DPD does not directly contract self-employed couriers, franchised couriers are responsible for more than one tour. In the case of self-employed couriers, risks of insolvency and sudden breakdown are too big. Though in reality highly dependent, both economically and organizational, on DPD, there is no formal employment relationship between them and the umbrella organization. Instead, self-employed couriers are connected with DPD by a multi-tiered contractual relationship. Very little is known about this group. In terms of labour relations, it is obvious that they are not included in the German “dual” system of interest representation. Collective bargaining and workplace codetermination apply only to dependent employment; in addition, self-employed are not liable to the most important labour law provisions protecting employed labour. Note that the process chain between DPD as the focal company and self-employed couriers might include more than one intermediary actor; several franchised couriers do not only operate tours with directly employed or self-employed couriers, but use contractors to outsource several tours to a third company. In order to reduce complexity, these firms and their employment are subsumed under the second tier.

3.3.5. The Subcontracting Relationship

Subcontracted system partners are mostly very small firms. The depot under scrutiny had contracts with 40 subcontractors, responsible for operating 260 tours. The average subcontractor thus operates less than seven tours. Employment figures are not available but since most entrepreneurs are themselves working as drivers and employ only few staff for parcel handling and office work, the average courier does not employ more
than 10 persons. Competition between subcontractors is fierce and predominantly cost-oriented, since DPD’s local management frequently plays the couriers off against each other to reduce costs. However, cost pressures are not intended to squeeze single subcontractors out of the market, as cooperation with a set of long-standing subcontractors facilitates required stability in service production. Locally, incidents of system partners going out of business are rare\(^7\). If they occur, DPD’s local management attempts to redistribute the tours among the experienced. Recruiting new contractors is perceived as a “risky business” since stability problems are likely to occur; established subcontractors have a track record of being “able to calculate” and deliver services according to defined quality standards. However, there is high fluctuation among the couriers of system partners.

The subcontracting relationship between DPD and the independent subcontractors is based on a standardized contract regulating service provision, including subcontractors’ duties and obligations, the compensation scheme as well as benefits and penalties. The cancellation period is short, regularly not more than three months. Couriers are paid per delivered and picked-up parcel, with rates differing according to the customer's location. The Systemvertrag defines a territory (Zustellgebiet) in which the franchisee is responsible for parcel delivery. The couriers are obliged to deliver or attempt to deliver the parcels at the very day they arrive at the local depots. Working time of the couriers appears to be contingent on parcel volume as well as the number of fixed dates of delivery and express parcels. Average daily working time is between 10 and 12 hours. DPD thus does not only utilize outsourcing by franchising to reduce the costs of service production but to externalizes the economic risks resulting from the need of synchronizing unconnected, sometimes contradictory, temporal structures. The fact that compensation is limited to successful deliveries forces the franchisees and their subcontractors to anticipate the temporalities of their customers, whether there are business or private customers. Due to cost pressures and the rigidities of the subcontracting relationship, the subcontractors put pressure on their couriers to subjugate their working time to the economic interests of DPD.

However, by way of outsourcing all driving activities DPD do not only externalize cost and flexibility pressures and responsibility for working time but a considerable share of total investment. A small van (e.g. MB Sprinter) costs about € 28,000. For the depot under investigation with its 260 regular tours operated on a daily base, total investment in vehicles amounts to € 7,500,000. As subcontractors are under extreme cost pressures, the focal service provider increases its own the return on investment by externalizing vehicle investment.

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\(^7\) In other localities situations might be different, as press reports indicate. See for example [http://www.ksta.de/html/artikel/1137402841181.shtml](http://www.ksta.de/html/artikel/1137402841181.shtml)
Despite differences between the various providers, vertical fragmentation is a major trend in parcel delivery. DPD and Hermes have both fully outsourced the operational side of parcel delivery. GLS, trans-o-flex and DHL EXPRESS, not scrutinized in this report, pursue similar business models. Deutsche Post DHL appears to be an exception. However, even DHL have a track record of outsourcing and have currently outsourced a tenth of its Zustellbezirke.

The logic behind fragmentation is the same in all cases: The large providers use subcontracting to externalize flexibility and cost pressures as well as vehicle investment and responsibilities for work standards. The first two aspects are well known from research on outsourcing. Subcontracted couriers are paid only for successful delivery, transferring the economic risks of swings in delivery volume to them. Similarly, the service providers are able to pass on costs to subcontractors. The third and fourth aspect have, however, not yet been discussed in much detail. In case of outsourcing, the subcontracted couriers undertake the purchase of the vehicle. With a view on a local depot as an entity, a considerable part of the total investment is thus transferred to the subcontractor, improving the return on investment for the service provider. Last but not least, the subcontractors are responsible for work and pay conditions of couriers.
4. **PRECARIOUS ENTREPRENEURS – SUBCONTRACTING COURIERS IN PARCEL DELIVERY**

The previous analysis of business models and strategies has shown that subcontracting is a major trend in German parcel delivery. The vast majority of couriers are not directly employed by service providers themselves but by subcontractors. DPD, Hermes, GLS, and trans-o-flex have nearly fully partied from the operational side of parcel delivery and pick-up, UPS and DHL to a significant degree. Regarding employment and work of parcel couriers subcontractors thus play an important role. Since all large providers compensate their contractors only for successful parcel delivery, it is to be expected that these small firms are generally under strong cost and flexibility pressures. Despite the power asymmetries inherent in the subcontracting relationship, subcontractors are far from passive transmission belts, passing on pressure from the focal service providers to their own employees and their sub-subcontractors. Instead, subcontracted service providers respond strategically to challenges from “above” and “below”, co-producing the field of parcel delivery and its fundamental dynamics. Concerning the average size of service contractors, the parcel delivery industry is segmented. DHL, DPD, Hermes, GLS and trans-o-flex predominantly cooperate with small-sized contractors operating a small number of tours; the majority of them employing less than 10 persons. UPS, in contrast, contracts larger firms who are capable of taking over a whole local branch. The following investigation into the world of service contractors concentrates on the first segment, the small- and mini-sized firms running on average no more than a handful tours. Despite their smaller size, these businesses employ together more couriers than the large ones working for UPS.

The main findings of this chapter can be summarized as follows: in the segment of small service contractors, entrepreneurship is associated with significant risks of precariousness. Due to a high level of contractual, economic and social control, the large service providers are able to externalize cost and flexibility pressures downward. As a consequence, many subcontracted entrepreneurs contractors face severe economic problems. The analysis shows that main service providers actively manipulate the market for courier services. In fact, business owners are “recruited” into entrepreneurship by the local management. By doing so, service providers both create a reservoir of service contractors and cultivate a certain social type of entrepreneur. Most business owners stem from the ranks of experienced couriers. This standard path into entrepreneurship impacts the social composition of the group of business owners, the power dynamics of the subcontracting relationship, the structure of competition on the market for courier services and regulation of work and employment. (1) As inner-organizational opportunities for promotion are scarce for couriers, a start-up is perceived to be an opportunity for occupational advancement, and less as a step into entrepreneurship in the narrow sense of economic textbooks. Rather than resulting in a multi-layered network of profit-driven organizations, vertical fragmentation thus leads to differentiation and segmentation within the working class. (2) Due to the lack of financial resources, most new businesses start off with significant debts. Albeit formally
independent business units, service contractors in practice resemble highly dependent “external departments” of service providers. (3) Indebtedness is used by providers to both discipline single contractors and to put downward pressure on market prices. (4) In terms of work and employment, various forms of informalization can be observed. Working time regulations are frequently violated, payments are partly unreported, family work is prevalent, and, in extreme cases, the social security system is exploited. As business owners and their couriers stem from the same socio-economic class, informalization predominantly takes the form of “complicity”, rather than direct exploitation or pure competition (for a classification of different forms of informalization, see Capacchi 1998).

4.1. Social Background of Entrepreneurs – Self-Employment as Occupational Promotion

In the segment of small-sized contractors, business owners’ regular path into entrepreneurship deviates clearly from the stylized portraits of entrepreneurs as given in economic text books. Academic and public discourses stress the innovative capacities of entrepreneurs building on strategic foresight and rational calculation. Schumpeter’s innovative entrepreneur, constantly undermining established equilibriums and searching for innovative solutions and new factor combinations, is probably the most prominent figure. According to economic theory, entrepreneurs invest financial, personal and material resources in order to realize profits in the future. The owners of service contractors do not resemble this ideal type. Our research suggests that a business start-up is seen primarily as an opportunity for occupational promotion, rather than as an intentional step into profit-oriented entrepreneurship. Courier jobs in the German parcel delivery industry do not require any formal qualification besides the standard driving license. The majority of service contractors operate with small vans (up to 3.5 t) which do not require specific occupational training. In addition, due to their size most contractors are unable to offer their employees any inner-organizational opportunities for promotion. Thus, courier’s chances for pay raises, increased autonomy and professional development are small. All interviewed business-owners entered the business as couriers employed by other contractors, and went into business themselves in order to realize higher income and to escape the long working hours and physical stains of front-line courier jobs.

External market entrance, whether by larger haulage operators (Speditionen) or businesses from other industries, appear to be an exception in the segment under investigation. The vast majority of service contractors are intra-industry start-ups by couriers who have an expertise in the technological and organizational aspects of parcel delivery, though not necessarily in the commercial side of the business. As we will see further down, this dominant path into self-employment and entrepreneurship has significant consequences for the structure of competition and the dynamics of work and employment in the industry.
The dominance of internal market entrances is not only the outcome of occupational ambitions of couriers; it is actively supported by the focal service providers. DPD, GLS, trans-o-flex as well as Hermes encourage experienced couriers to move into self-employment and start-up as an independent subcontractor. Several interviewees reported that service providers’ supervisors and local management actively engaged in “the making” of service contractors. Service providers approach couriers and invite them to start-up their own contracting business. They thus reinforce drivers’ perception that entrepreneurship is a reward for performing well as a courier. The active role of service providers “in the making of” is interesting from a sociological perspective. Supply and demand are far from independent variables; instead, the service providers representing the demand-side attempt to actively manipulate the supply-side in order to influence market outcomes in their favour. By “recruiting” entrepreneurs, service providers attempt to permanently create a large enough reservoir of service contractors, fuelling competition and facilitating short-term substitutability. In addition to extensive contractual control anchored in the in-depth definition of obligations and financial penalties, service providers can thus exercise a high level of economic control over their contracted courier businesses. In addition, by recruiting entrepreneurs from the ranks of couriers, service providers tap into a certain social milieu. The standard recruitment path involves a specific selectivity in terms of education, occupational training and labour market experience – with distinct consequences, as we will see further down.

4.2. Subcontractors under Cost Pressure – Economic and Social Control in Fragmented Value Chains

As analyzed in the previous chapter, service contracts between providers and their contractors contain a short cancellation period; couriers are compensated exclusively for successful deliveries and pick-ups. Since the focal service providers use outsourcing of the courier activities as a means to externalize cost and flexibility pressures, service contractors are under strong economic pressure. Several business owners report that their revenues have been significantly reduced in the last decade; some even state that they are currently operating the business below the threshold of profitability. Piecemeal compensation for parcel delivery has not been raised as consumer prices have remained stable, while at the same time costs have increased rapidly. Vehicle prices, fuel, insurance and tax rose significantly, putting a squeeze on subcontractors’ profits.

Our findings suggest that the small-sized service contractors have to pay dearly for intensified competition among service providers in recent years (chapter 3, market trends). In line with findings from other industries (Doelschal et al., 1987, Doellgast/Greer 2008, Holst 2011), focal service providers apparently use subcontracting as a means to safeguard profits against the rising costs of parcel delivery including vehicle operation and labour costs.

However, the question arises why individual business owners are not actively resisting service providers’ price-cutting strategies? From the view point of neoclassical economic theory, the service contractors are independent actors. They should thus be on
an equal footing with focal service providers when it comes to negotiating the basic terms of the subcontracting relationship, including compensation, obligations, benefits and penalties with the service providers. However, a closer look at real-life interactions between the focal service providers, all of them large corporate groups, and the predominantly small-sized contractors, shows a picture very different from the one presented in economic text books. Key to understanding the pronounced power asymmetries inherent in the subcontracting relationship is the standard path into entrepreneurship as described above. In short: Service providers use the indebtedness of couriers resulting from the standard path into entrepreneurship as a disciplinary tool to manipulate the market price. Due to the fact that subcontractors a predominanatly recruited internally, the vast majority of new businesses start with significant debts which, in conjunction with the profit squeeze-out resulting from low compensation, results in structural power asymmetries and dependency. The original price for an average van for parcel delivery is around € 28,000, a major investment for drivers who in general do not have an entrepreneurial background or high qualifications. All of our interviewees moved into self-employment out of the position of a wage labourer. Indebtedness creates dependency in the subcontracting relationship; firm-owners cannot easily choose the exit option since the loans have to be paid back. Indebtedness is, however, not solely an individual problem of the firms directly affected; it constitutes a collective problem for the segment of service contractors. In order to stay in business and generate income, indebted couriers seemingly accept compensation-levels close to, or even below, the profitability threshold. High debt thus tends to block the “exit-option”. Without regular income, neither interests nor regular allowances can be paid. This statement is universally valid; however, due to the social background of business owners, it is of particular weight in the segment of subcontractors. In most cases these only obtained went primary education levels and no or devalued occupational training. These small entrepreneurs lack alternatives on the labour market. Indebtedness thus “locks” them practically into the business. For service providers, indebted contractors provide a crucial function for controlling market development. Indebted actors are virtually forced to accept minimum compensation; by doing so, they indirectly put price-pressure on those actors bargaining for increased compensation levels. Highly dependent contractors are undercutting bids of competing contractors and thus contribute to the perpetuation of a disciplinary regime. The original service providers thus have acquired a powerful instrument to manipulate market prices. As a consequence, compensation levels remain low. By actively influencing the supply-side (supporting new start-ups by drivers previously employed by subcontractors) and economizing on the resulting indebtedness, the service providers successfully prevent price increases.

As the foregone analysis has demonstrated, the standard path into entrepreneurship is the result of both “push” and “pull” factors. Due to the fact that a business start-up is subjectively rather seen as a chance for occupational promotion than as an intentional stepping-stone into profit-oriented entrepreneurship, commercial competence is not a necessary precondition for a business start-up. Albeit formally independent business units, most service contractors in practice resemble “external departments” of service
providers. Actually “recruited” into entrepreneurship by their main and often only client, the interactions between service provider’s local management and the business owners take the form of inner-organizational hierarchical relationships. Several business owners complained that local management of service providers treats them as if they were employees.

“Promoted” from the ranks of experienced drivers, the majority of business owners have a social background not typical for entrepreneurs: mostly no more than primary education, no or unspecific occupational training and lack of financial resources. Most of them thus stem from subaltern groups of the working-class (Vester et al. 2001). In many cases, their orientations and perceptions reproduce hierarchies typical for inner-organizational relationships between supervisors and inferior employees. Despite their formal framing as market interactions, negotiations for compensations frequently take a form typical for inner-organizational order and obedience. Notwithstanding single owners “maturing” into independent entrepreneurs, aiming at increasing profits based on economic calculations, a significant number of them apparently retain their role as “de-facto subaltern employees”. Entrepreneurship is seen as a reward for good work as a courier, not as a discrete societal and economic position. Thus, in addition to the economic control by way of actively influencing the number of subcontracted couriers, focal service providers are able to exercise a certain level of social control. The standard path into business ownership entrepreneurship cultivates a particular social type of entrepreneur: often indebted and equipped with orientations formed by hierarchical subordination and socialized by wage labour.

4.3. *Informalization of Work and Employment – Sub-Subcontracting, Extension of Working-Time and Re-Declaration of Wages*

As a strategic response to the growing pressures and the high level of contractual, economic and social control exercised by the service providers, contractors resort to various practices fostering the de-standardization of work and employment. The vast majority of small contractors are not covered by any collective agreement; works councils hardly exist. In addition, several basic provisions of labour law are bypassed. According to our research, legal working-time regulations are frequently bypassed, undocumented payments are widespread, unpaid family work proliferates, sub-subcontracting grows and, in some cases, the social security system is used in “creative combinations” with formal paid labour. In terms of the analysis of work and employment, these practices thus document an informalization of work and employment among couriers in the German parcel delivery industry. Informal work and employment refers to “those actions of economic agents that fail to adhere to the established institutional rules or are denied their protection.” (Feige 1990: 990) Contrary to the debate on standardization and de-standardization which focuses strongly on changes in the institutional forms, “informalization” attempts to analyze the rationales behind these activities, the interests of the actors and the interplay between formal and informal practices (Portes/Haller 2005).
With respect to service contractors’ internal workforces, violations of the German legal working-time regulation (Arbeitszeitgesetz) appear to be very widespread within service contractors. Basically all interviewed couriers report unpaid extensions of working-time: As an interviewed driver puts it: “Overtime does not exist. You have to get your tour done.” Employment contracts often do not contain a limit on the weekly working hours, and if they do so, it appears to be a sheer formality. Interviewees report that there is an implicit agreement in the industry which says that couriers take over responsibility for the operation of a certain tour, comprising both parcel delivery and pick-up in a certain territory. In order to meet customers’ demands in terms of time critical delivery and pick-up, couriers are expected to work 10 to 12 hours, even 14 hour-shifts seem to be pretty normal – without any recording of overtime. Neglecting their own active role in the informalization of working-time, business owners represent this practice as a direct consequence of service providers’ strategies.

A closer look reveals that the informalization of working-time is more than a mere extension of working-time. Employers do not only reduce labour costs by informally extending working-hours without increasing payments; instead, the employment contract is informally transformed into a service contract. Despite their status as wage labourers, couriers take aboard parts of the entrepreneurial risks of subcontractors. From this perspective, the contractually agreed wage – formally a compensation for a defined number of working hours – is turned into a compensation for a distinct service. It is important to note that most couriers’ gross pay is above the level of the industry agreement for logistics; however, due to frequent unpaid overtime, hourly wages are effectively much lower than those set in the collective agreements.

In addition, undocumented payments appear to be widespread within employment relationships in the segment of small-sized service contractors. According to our interviewees, undocumented payments in the form of undeclared money are not widespread; however, the re-declaration of wages as allowances (Spesen) appears to be a prevalent practice. Taxes on allowances are significantly lower than taxes on wages. Allowances are not subject to social security taxes (health insurance, unemployment insurance, pensions). Consequently, the re-declaration of waged income into allowances reduces tax deductions and increases the disposable income of drivers. By re-declaring part of the monthly wage as allowances, subcontracting couriers effectively reduce their tax load. In many cases, allowances are used on a daily basis, accumulating up to € 300 per month. Drivers actively collaborate in these practices because they increase their disposable present income. However, re-declaration does not only reduce state revenue and contributions to social security systems, by bypassing the pension system, it impairs the future income of drivers as well. Wages, not the net income, serve as the basis for the calculation of unemployment benefits, disability payments and pensions. As a consequence, the practices of re-declaring payments as non-taxable allowances results in a temporal redistribution of drivers’ incomes, namely from future to present-day incomes.

The last form of informalization concerns the employment relationship itself. Several business owners acknowledged that, due to the growing financial pressures, regular
employment contracts are too cost-extensive: “You cannot uphold business using standard employees.” Besides the informalization of work and certain dimensions within an employment contract (working-time, wage), service contractors thus frequently reside to an informalization of the employment contract. With very few exceptions, contractors cooperate with formally self-employed couriers who contract one or two tours. In the two case studies of Hermes and DPD, the share of self-employed couriers was as high as 50 percent. Whether this number is representative for the entire industry or not, it is obvious that self-employment is a widespread phenomenon among couriers in the German parcel industry. The motives underlying contractor’s outsourcing of courier work are the same that bring service providers to outsource courier work to contractors: the externalization of risks and reduction of labour costs. In addition, sub-subcontracting simplifies the economic calculations underlying service production: the service contractors are able to pass on the rules governing the subcontracting relationship to the self-employed couriers, including the obligations and compensation schemes (minus their own surplus). In the segment of self-employed couriers, the boundary between real self-employment (the new firm has at least two clients) and pseudo self-employment (the new firm only operates services for one client) is rather diffuse.

Independent from its legal classification as pseudo-self-employment or real self-employment, the diffusion of formally entrepreneurial positions is another example for the increasing informalization of work and employment among couriers. Evidence suggests that wage labour is crowded out by various forms of self-employment and entrepreneurship. The service contractors, in practice, function as external divisions of the service providers, with business owners’ positions resembling those of supervisors. In addition, courier work is increasingly executed on the basis of self-employment.

However, one aspect of the various forms of informalization is striking. They do not take the form of direct exploitation or could be classified as the effects of pure competition. Instead, social interactions between couriers and the owners of service contractors can be characterized as “complicity” (for a classification the different forms of informalization, Capecchi 1989). Our interviewees do not report that they are forced into informal work and employment practices by their bosses. Instead, informalization is framed as a necessary adjustment to external pressures originating from various actors including the service providers, the state, the public and, sometimes even, the customers. Most interviewees assume that business owners and drivers are in the same boat, suffering from the same external unsusceptible developments. According to this widespread “integrating narrative”, the “big five” push contractors in ruinous competition, the state formulates unreasonable traffic rules, other drivers exhibit no understanding for the specific difficulties of driving in parcel delivery, and customers formulate unsatisfiable expectations. An important factor enabling the apparent fraternization of business owners and couriers is their common social background. Since most business owners were actively “recruited” from the rank of experienced couriers, both groups share a similar background in terms of education, occupational training and labour market experience. Furthermore, the “integrative narrative” effectively deflects – and thus externalizes – all potential grievances and conflicts; it is not the business
owners’ profit interests which are made responsible for working conditions and the informalization of work and employment. As a consequence, couriers do hardly openly resist the informalization of work and employment. The informal extension of working-time and the re-declaration of wages into allowances are rather presented as direct and inevitable consequences of the actions of other actors, particularly by the service providers and the state. On the one hand, this perspective reflects the power relation within the fragmented network of service provisions. On the other hand, it neglects the role of service contractors as strategic actors in the field – and thus contributes to the reproduction of the very power asymmetries.

- In the segment of small-sized service contractors, the social meaning of entrepreneurship differs remarkably from the one discussed in economic textbooks. As service providers frequently “recruit” business owners from the ranks of experienced couriers start-ups are seen as an occupational promotion rather than as a stepping-stone into profit-driven economic activities.
- By recruiting business owners service providers aim at both creating a reservoir of subcontractors and cultivating a certain type of entrepreneur. Thus, in addition to contractual control depot management is able to exercise a certain level of economic and social control over its contractors.
- Debts are a key element of the control regime established by the providers as they tend to block the “exit-option” for business owners. Indebtedness creates structural dependency and functions as a disciplining instrument for focal service providers.
- As a consequence, entrepreneurship in the segment of service contractors is associated with high risks of precariousness. Intensified cost-competition results in severe financial problems for many firms.
5. **INFORMALIZATION OF WORK AND EMPLOYMENT – COURIERS IN PARCEL DELIVERY**

This section pulls together results from the three case studies presented above and offers a conceptual framework to further understand major developments in courier’s employment and work. We are suggesting that couriers’ daily work experience generates shared perceptions about the character of work in parcel delivery (physical and psychic stress, increased pressure and control, long hours). At the same time courier’s work and employment conditions of are heterogeneous, with a marked trend towards individualized risk and informality.

5.1. **The Hidden Complexity of Courier Work – Multiple Demands, Multiple Obstacles**

On the face of it, courier’s work is intellectually not very demanding. Those not intimately familiar with the sector might concede this type of work to be physically demanding, but apart from that it seems pretty plain sailing: anybody with a driver’s license, basic numerical and reading skills should be well placed to transport a parcel from A to B. And it is true that this work requires little formal training (one subcontractor stated that new recruits got an induction of a few hours to do the job) and barriers to entry are low. However, when couriers were asked to describe their daily work routine, they quite frequently referred to the high levels of psychic stress they were experiencing. Further inquiries made clear that these sentiments were based on being confronted by multiple pressures and conflicting demands placed on workers each day. Demands are stemming from a broad variety of sources and actors.

Employer’s demands on drivers are manifold and contradictory. One main interest of employers is to minimize transit times. Fast delivery of shipments is identified as a main target across all service providers in our research sample as parcel service’s customers, such as Amazon, press for speedy deliverance. Managements thus exert pressure on couriers to deliver all parcels assigned for delivery on a specific day and not to return any parcels to the hub for second delivery attempts. Couriers have to manage high volumes, in case they are paid by piece their hourly income is determined to a large extent by the number of parcels they can deliver per hour. As a result, workers have to minimize the amount of time required for each parcel delivered, a process of self-rationalization takes place. In order to speed up the process couriers are tempted (or even forced) to permanently calculate risks and benefits of certain practices. Without being able to go into too much detail here we offer some illustration about what these calculations entail:

- Some couriers reported that it is rather common not to try to deliver parcels personally where they expected customers not to be at home. As waiting for customer’s response was eating into time, couriers just left notes informing the customer about unsuccessful delivery attempts.
Some couriers feel the need to compromise the rules of parcel delivery in order to manage workloads. In extreme cases hard to quantify couriers forge signatures of recipients and just leave parcels on stairs or letterboxes. Quite often, the identity of neighbours signing for parcels in lieu of the original recipient is not adequately examined. Again, couriers need to evaluate time considerations against threats of dismissal or loss of shipments that can result practices described above.

Practically every driver reports the need to calculate the risks and benefits of compliance/non-compliance with traffic regulations. Speeding and parking offences are often regarded to be unavoidable where schedules are to be kept and the rate of parcels delivered per hour (and in the case of drivers paid by parcel delivered the hourly income) is to be maximized. The risk of being fined or losing one’s license has to be set against the need for speedy delivery. Courier’s also report frequent and irksome conflict with other road users and residents, complaining about unlawful or unsafe driving. Courier’s security concerns about the overloading of vehicles, the proper securing of cargo, or the use of insufficiently maintained cars also have to be evaluated against employer demands for speed and efficiency.

Couriers are aware of the risks of unsafe practices (not using belts, not taking breaks, being on the phone whilst driving) but often feel the need to eclipse these issues in order to increase performance.

In sum, management’s / subcontractor’s demands for speedy delivery frequently conflict with the demand for high-quality service provision. But there are other actors who make demands on couriers: customers demand speed, reliability and friendliness. State actors such as the police or customs require adherence to the law. Road users demand sensible driving. Being confronted with broad and contradictory demands, couriers have to constantly prioritize. Whilst couriers in segment one are to a certain extent safeguarded by contractual status and traditional forms of interest representation and have some means to articulate their own interests, this hardly holds true for the workers and self-employed in segments two and three. These couriers find themselves in precarious conditions they have hardly any means of influencing. We argue that the complexities of courier work are rarely adequately acknowledged- this not only holds true for employers but also to wide sections of the public, who undervalue the tasks couriers are confronted with on a daily basis.

5.2. The Three Segments of Couriers in the Parcel Delivery Industry

In what follows we are describing three segments of courier’s work as currently to be found in Germany. Our criterion for differentiation is the contractual status of the worker:

Couriers holding an employment contract with the original service provider (Paketdienstleister) fall into segment one.

In the second segment we find those couriers who are in an intermediary position. These couriers are not directly employed by the Paketdienstleister. Instead, their employment contract is with a subcontractor.
The third segment is made up of self-employed couriers. These solo-entrepreneurs enter a contractual relationship with subcontractors; usually they hold responsibility for picking up and delivering parcel in a specified geographical entity.

Figure 7  The three segments of couriers in the German parcel delivery industry

Note that boundaries between the three segments are sometimes blurred. The first segment continues to be highly regulated: conditions and norms of employment continue be defined by the traditional German industrial relations actors. The provisions of German labour law (employment protection law, working time legislation, dismissal legislation) continue to exert a strong influence on working conditions in this segment. Then there is a second, intermediate, segment, where traditional regulative mechanisms are only partially operative. Collective agreements are mostly missing, as is workplace representation. There are strong tendencies of circumventing the law. We argue that a trend towards informalization can be detected here. Couriers in the third segment are working beyond those forms of regulation that are still prevalent in segment one. We will describe conditions in more detail below and thus further illustrate our understanding of the term “informal”. We are fully aware of the fact that every labour process necessarily contains elements of the informal, as even dense forms of regulation and highly specified contracts cannot fully eliminate ad-hoc regulation of the wage-effort bargain, subterranean forms of exchange between management and worker. Informal practices not only are impossible to fully overcome, in many instances they are also functional to the capitalist labour process as they can contribute to flexibility and
informal forms compensate for the gaps that any form of regulation must entail (Ackroyd & Thompson, 1999; Burawoy, 1982; Weltz, 1988). We claiming however that this is a matter of degree and that situations as observed in segment two and three do present conditions that strongly deviate from those to be found in segment one. On the basis of our own research we do not think that ILO’s 1972 dualist definition of the informal economy as being separated from the formal economy holds much relevance for today. The structuralist view which investigates the relation between the formal and the informal and points to the fact that powerful capital units are able to subordinate weaker market actors seems a more promising approach (Castells & Portes, 1989).

5.2.1. Couriers in Segment One – Formalized Work and Employment

Taking a strictly formalist approach, employment conditions in segment one still are those defined in the ideal type of the German post war Normalarbeitsverhältnis (SER). The contractual relation is a direct one- i.e. one between the employing Paketdienstleister and the employed courier. Employment contracts are predominantly full-time and open-ended. These forms of traditional employment are now mainly confined to DHL-Deutsche Post. The other providers discussed in more detail in this report as well as other important enterprises such as GLS and trans-o-flex do not rely on standard, direct employment. In these cases, workers are employed by intermediates (segment two) or are self-employed persons (segment three). In these cases, relations that could be described as exemptions from the norm or abnormal have in fact become standard.

In segment one, i.e. DHL, major terms of employment such as pay and working time are being negotiated centrally by employer and union in encompassing collective bargaining agreements. In this core area of traditional regulation, works councilors are present on site, joint works councils as well as a groups council do exist. The ver.di union has a presence on the supervisory board. Works councilors supervise the local implementation of central bargaining arrangements as well as management’s adherence to labour law. Works councilors have consultation and bargaining rights on a broad range of issues, as defined in the works constitution (Betriebsverfassungsgesetz). Unquestionably, relations between management and union has been under some strain in recent years, which is of little surprise given that some management initiatives such as sub-contracting tend to diminish union influence significantly. Cooperative relations still seem strong and there is sufficient ground for joint regulation (as the latest bargaining round has demonstrated). Union’s strong grip on the norms of employment in the core segment does not mean however that we are dealing with uniform employment conditions in this segment, which in the main can be equated with DHL. As already stated, even within DHL conditions are heterogenous, with Beamte and couriers with long tenure commanding not only greater levels of security than recent colleagues or fixed term workers but also significantly higher pay. It has to be kept in mind that even the continuity of union’s influence does not change the fact that new recruit’s monthly remuneration is close to that being defined as low-wage, currently
around 1.800€/ month. As new recruits’ wages have been cut by four percent in 2011 bargaining round (from 11,13 € to 10,70 €) workforce heterogeneity rather increases.

Outside DHL, direct employment of couriers by the original service providers is rare. Hermes have retained a small number of couriers (less than five percent) in direct employment, UPS’s have not fully subcontracted delivery and have a relevant proportion of couriers on their own payroll. Where standard employment still plays a role, couriers are in some instances covered by the collective agreement for the haulage industry (Tarifvertrag Speditionsgewerbe). However, in the case of UPS, regular employment does not automatically include collective bargaining coverage or access to workplace representation. UPS have taken a rather pragmatic approach towards collective regulation. There is a lot of variation in local management practice when it comes to this issue. In some instances local managements are part to collective agreements whilst they might decide not to partake in other localities. Employers need and can react flexibly to local and regional labour market conditions. This results in further fragmentation; the substantive content of agreements differs greatly between regions: While we did not have access to more recent figures, in 2007 the hourly wage as defined for couriers was 14.56€/ hr.in Baden-Württemberg (and thus exceeded the national figure for Deutsche Post stood at 10.40€/hr.). However, in Thuringia the hourly wage was only 7.97€/hr., with collectively agreed working time being 40 hrs. and thus two hours in excess of times agreed in most other Länder (Teuscher, 2007). While formally, some regulatory structures do exist, they do not actually function according to the way described in the ideal type of German industrial relations. Union’s capacity to standardize conditions of employment in order to limit inter worker competition seems to be very limited and the fact that workplace representation is weak or absent means that it is difficult to control management’s adherence to agreements.

5.2.2. **Couriers in Segment Two – Partial Informalization of Work and Employment**

In this segment couriers still hold regular employment contracts, they are not self-employed drivers. This segment is made up of couriers working on behalf of DPD and Hermes. Couriers working for DHL’s subcontractors also fall into this category. Their contractual relationship is with subcontractors and not with the original service providers. We are using the term intermediate to illustrate the fact that these couriers are only indirectly linked to the focal Paketdienst.

Subcontractors in most cases are small employers, very few of them a part to collective bargaining. Generally, couriers have no access to workplace representation, which is a rare exception in this field of employment. Pay and conditions are predominantly individually “negotiated”. As the case studies described in more detail, employment conditions in many instances are harsh. Couriers are working at least ten hours per day to generate an income of 1.300 €, but there were also instances couriers working 14 hours reported to us. We had access to a fixed term employment contract (two years) that set a basic wage of 550€ before tax for new recruits and 650€ for more established drivers. Basic payment was to be supplemented by various bonus payments (e.g. for
punctuality, vehicle maintenance) and a gross payment for overtime (100€). Working time (six days a week) was only to be limited by the Arbeitszeitgesetz. The regulative impact of this law has to be regarded to be minimal. A courier would thus earn 1.302€ (new recruits) 1.452€ (experienced couriers) before tax if he were able to meet all the defined bonus criteria. Given long hours this amounts to an hourly wage of around six €.

Informal and unlawful practices were frequently hinted at by our interviewees. These included:

- one person working two mini-jobs, i.e. one person working a mini job another person is officially registered for
- propping up documented / regular income with un-registered payments in order to avoid tax and social security contributions
- avoidance or manipulation of working time documentation
- manipulation of working time in order to pay allowances, re-declaration of income
- pressurizing couriers to overload cars
- urging couriers to pay fines in case goods get damaged or in case of delayed delivery

Naturally, these practices are difficult to quantify, but some of our respondents claimed that parcel delivery was not a viable business if based on regular employment and adherence to the law. This much is also indicated by representatives of small and medium sized entrepreneurs in the segment, i.e. subcontractors themselves. The employer’s association BdKEP writes:

“Employment conditions in parcel delivery are generally precarious; sometimes more blatantly so and sometimes less, but rarely sufficient.” (KEP aktuell, 3/2011)

BdKEP’s call for stronger state regulation of market entry, of stronger state control of employment and working conditions is a clear indication that informal and unlawful practices are widespread and that those “honest employers” are feeling pressurized by competitors who prefer to turn a blind eye on regulation.

According to IsSiT e.v., an association of subcontractors, more than 90% of small and medium employers in parcel distribution are not capable of adhering to working time legislation (IsSiT Positionspapier 10, 2010) 8. In another publication, a letter to original service providers, IsSiT e.V. states:

“Sadly it is not possible for system-partners to limit courier’s working time to the confines defined by law. The financial situation of system partners is such that additional staff for work in depots cannot be hired in order to disburden couriers. Due to the fact that couriers have to load in the mornings and unload in the evening working times are sometimes up to 13 hours.” (IsSiT Positionspapier 9, 2010) 9

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9 http://www.issit.de/presse.html?task=download&cid%5B0%5D=20, retrieved 20.10.2011
The blame for the spread of precariousness and informality lies squarely with the main service providers, as subcontractor’s income is insufficient due to low rates paid by powerful providers on top of the system. There was a real possibility of the majority of subcontractors going out of business, IsSiT claimed. From this perspective, precariousness and informality originate from the policies of the leading service providers, themselves under pressure to cut cost and devolve risk in a highly competitive environment. State regulation and control are insufficient to guarantee “fair competition”, the result is a downward spiral of conditions, which makes it difficult for honest entrepreneurs not to follow the path towards de-standardization and informality. This is reminiscent of the processes that have recently been described by Streeck (2010: 5):

“From an action-theoretical point of view, rather than seeking social integration, capitalist actors are constantly eager to seize new opportunities or defend existing ones. In the process, collective institutions imposing social obligations are continually undermined, and wherever possible and necessary they are replaced with economically expedient contractual arrangements that are voluntary rather than obligatory.”

While we’d argue that it is accurate to argue that processes of informalization originate in original service provider’s policies it needs to be noted that informality is not only pushed through the system from above but there is also a trend of “informalization from below”. In our interviews with couriers these were quite often not only frank about their employer’s policies but also about their own involvement. Working a way round working time legislation, non-registered forms of payment, subverting means of state control, and dubious contractual arrangements were not only accepted as being part and parcel of working in the business but also advocated by couriers. Only by this means it was possible for them to earn sufficient incomes. When judging their work their frame of reference was not standard employment on “decent” wages. Employment in the realm of highly regulated, qualified industrial work was never mentioned as a personal aspiration. One got the impression that couriers were living exclusively in the here and now, fully occupied with making a living against all odds. They were concerned with reacting pragmatically to the everyday pressures they were put under, longer time horizons were not mentioned. Courier’s points of reference were conditions in Germany’s rapidly expanding low wage segment. They were well informed about conditions in this segment of work and employment: When comparing their own work to that in retail for example courier’s work fared favourably, exactly because the informality of the system and the bypassing of regulation allowed them to earn amounts in excess of those to be earned elsewhere. Their concern was not the hourly wage (which is not that much different in retail or security services) but rather absolute income. As they would not be able to survive on incomes generated even by eight hours work in low-wage service work they rather tried to make informality work for them. The detrimental effects not only on their physical condition but also on social security provision, i.e. unemployment benefits or retirement money were never mentioned. It was obvious courier drivers were largely unprotected when pressurized by management in informal exchanges. Courier’s complaints about long hours, erroneous payslips or
delayed payment, about overloading or fines could be repelled by management resorting to threats of redundancy. On the other hand, experienced and productive drivers could use informal exchange to improve their income or to get assigned “better” Zustellbezirke. Where these informal exchanges yield some benefits for workers, it is not uncommon for couriers to identify quite strongly with their employing subcontractor, who then is labeled “a good employer” whilst the original service providers are viewed negatively. While there have been a few incidents of collective action to improve conditions, trade union organization in general is not seen as means to improve conditions.

To sum up: due to the fragmentation of service production employment and the use of subcontractors as an intermediate layer, the original service providers no longer hold formal responsibility for the design of employment conditions. Instead, in this segment of courier work, contractual and substantive working conditions are designed by the multitude of small sized entrepreneurs, i.e. subcontractors. Conditions have been de-standardized to a large extent; couriers in segment two largely work beyond the traditional arenas of interest and employment regulation. There is a strong element of informality involved. As these drivers hold “regular” contracts, they are principally covered by laws governing dismissal, working time, and workplace interest representation. However, factually these provisions have little binding character in this field. Individually, workers’ have few resources to make use of the provisions of the law. The informal constitutes both a threat to individuals as it leaves them rather unprotected, at the same time it is exactly this informality which allows workers to earn amounts of money that are at least sufficient to survive at a level that was seen to be superior to that of employment in other low paid jobs. Arguably, we are dealing with workers who are quite skilfully muddling through on a daily basis. It requires some imagination to come up with forms in which trade unions could meaningful relate to this type of employee.

5.2.3. Couriers in Segment Three – Self-Employment and other Forms of Highly Informalized Work and Employment

In what follows we are describing the situation of couriers who are working as self-employed persons. These are an integral part of DPD’s and Hermes’ chain of service provision, but also play a role in DHL’s services, as many subcontractors in a contractual relationship with DHL resort to the use of self-employed couriers. It seems adequate to describe this third segment as the segment of sub-sub-contracting. Nationwide facts on the incident of self-employed couriers are not currently available due to the fragmentation of the (subcontracting) business. Without jumping into generalizations we think that two findings of our local case studies are indicative of wider sectoral developments. Firstly, subcontractors frequently use a mixture of employed (be it full-time, part time employment or workers on mini jobs), and self-employed couriers. Secondly, there seems to be a tendency amongst subcontractors to further increase the number of sub-subcontractors and reduce the number of waged
labourers. It follows from this that the system tends to fragment even further as additional layers of subcontracting are being added.\footnote{In our research, we found it difficult to establish any contact with the self-employed. What follows is mainly based on information we obtained from subcontractors and other interviewees, such as works councillors, waged couriers and unionists.}

For subcontractors, there is a strong economic argument for extending the subcontracting relationship and use self-employed people instead of employing couriers. As one of Hermes’ subcontractor explained to us:

“Meanwhile, I directly employ nine or ten couriers, on mini or midi contracts. The rest of the drivers are self-employed people (...) For me the enjoyable advantage of working with self-employed people is that I do not have any problems concerning sick pay (Lohnfortzahlung im Krankheitsfall), holidays and so on.”

Risks and costs are thus being passed on to self-employed couriers. The processes we detected in chapter four when discussing how Paketdienste used subcontractors’ dependency as a means of control are partially replicated in the relationship between subcontractor and sub-subcontractor. Working as a sub-subcontractor and thus formally gaining the status of being an independent entrepreneur is by some regarded to be a professional advancement. However, many have been “lured” into entering this line of work by subcontractors promising high incomes without hinting at costs involved. Many sub-subcontractors move into the business with a good knowledge about the operational side of work but without commanding the required economic-calculative competences. When entering a service contract with the subcontractor, many self-employed couriers are just not aware that they are themselves responsible for vehicle maintenance, for insuring cars and goods. They need to take out health insurance and think about old-age provision. They hardly bring the required book-keeping skills to the business and often are hardly familiar with tax law. Without blaming the individual, in many instances self-employed persons display a high level a naivety when entering the business. Even a superficial search on the internet generates many stories of failed self-employed couriers (and those who ridicule them for taking subcontractors gross payment as net income).

We gained more insight on self-employed drivers when interviewing one of Hermes’ subcontractors. “His” self-employed couriers are not necessarily people solely involved in transport, but come from different professions. Quite often they are freelancers such as lawyers or architects who rely on Hermes work to prop up their otherwise insufficient income. According to the subcontractor interviewed, self-employed drivers are being paid between 0.90 and 1.00 € per shipment. This is way above the amounts currently circulating in internet discussion boards or in the media, where figures between 0.60 € and 0.80 € are being mentioned. The use of private cars strictly limits that number of parcels an individual can deliver each day, typically to about 80. The subcontractor states that self-employed couriers working with him drivers deliver a maximum of 100 parcels per day, which amounts to five hours of work. He argues that an “average” courier can manage about 20 shipments per hour. However, this figure is clearly impacted by various factors. These include the stop ratio in a given geographical area,
the layout of buildings or the traffic situation. Generalizing from our own research we’d argue that a rate of 20 parcels per hour is possible but seems a rather ambitious target. If one tries to calculate driver’s incomes using the comparatively high figures given by this subcontractor, self-employed couriers incomes are very low indeed. In the calculation presented below, which includes operating costs, the hourly pre-tax income is way below five €. Where couriers are being paid less, for example 0.70€ per parcel, they effectively don’t generate any income at all. While this seems to be overstated, recent media coverage in fact presented cases of drivers working for virtually nothing and accumulating huge debt. Typically, these couriers’ entrepreneurial competence seems to be limited as they sometimes do not include insurance and maintenance costs or the cost of buying a vehicle into their calculations. If one does, hourly incomes of couriers are very small indeed, as the following calculation shows.

<table>
<thead>
<tr>
<th>Parcels/ day</th>
<th>€/Parcel</th>
<th>Hours/ day</th>
<th>Income/ day</th>
<th>Fuel costs for 75 km at 10 litres/ 100 km; 1.50 €/ litre</th>
<th>Daily operating costs for 75 km (at 0.50€/km)</th>
<th>Daily income after deduction of fuel/ operating cost</th>
<th>Hourly income, pre tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>70</td>
<td>0.70</td>
<td>5</td>
<td>49€</td>
<td>11.25</td>
<td>37.50</td>
<td>0.25</td>
<td>0.05</td>
</tr>
<tr>
<td>80</td>
<td>0.90</td>
<td>5</td>
<td>72€</td>
<td>11.25</td>
<td>37.50</td>
<td>23.25</td>
<td>4.65</td>
</tr>
<tr>
<td>100</td>
<td>0.85</td>
<td>6</td>
<td>85€</td>
<td>15 (100km)</td>
<td>50 (100km)</td>
<td>20</td>
<td>3.33</td>
</tr>
</tbody>
</table>

It follows from this, that it is hard, if not impossible, to earn a living by working as a self-employed courier in the Hermes world. Couriers need additional sources of income in order to make a living. Our interviewee has long recognized this fact; he does enter a contractual relation with people he deems would be fully dependent on income generated by their work for Hermes. He thus does not employ jobless people who are looking for a job to sustain themselves. The policies of other sub-contractors are less honest:

“I know many who tell them: ‘Listen, I don’t care about you being unemployed. Just get yourself registered as a self-employed person, here are your parcels and you will be able to make a good living out of this.’ This plainly does not work, it works nowhere. These days you cannot make a living by working solely as a parcel courier. Nowhere.”

As mentioned above, this particular subcontractor only cooperates with self-employed couriers that have additional sources of income, be it in transport or other lines of freelance work. Practices elsewhere are different. In DPD for example couriers are not using private cars but small transporters (e.g. sprinters) which allow for the delivery of about 200 parcels per day. Incomes thus exceed those of couriers described in our Hermes case, arguably the basic problem remains. Without wanting to argue that there is no possibility at all to earn sufficient as a self-employed courier, the situation is such that current compensation is in many cases inadequate. Financially, self-employed couriers are walking a tight rope. Any unforeseen incident such as a downturn in volume, illness, care responsibilities, accidents or the need for investment in new material, i.e. cars can push couriers into bankruptcy. Quite often, self-employed couriers only become aware of their precarious situation with some delay, i.e. when tax and
insurance are “suddenly” due. Many try to just work harder and longer, one sarcastic comment on an internet discussion board remarked:

“Of course we are not earning any money. It doesn’t matter though, we working so many hours we’d have no time to spend the money anyway.”

Many keep on in the hope of being awarded with more lucrative contracts for alternative Zustellbezirke.

All in all we think it legitimate to describe couriers in segment three as quasi-entrepreneurs. Factually, these are weakly resourced workers, who have to deal individually with the insecurities of the market without either being rewarded by the material gains nor the autonomy that are associated with the status of “the entrepreneur.” We assume that there are some informal/unlawful ways the self-employed resort to in order to sustain themselves. However, as we were not able to gain reliable information through our fieldwork, we are not currently able to further elaborate at this point.

5.3. **General Trends – Working Time Extension and Intensification of Work**

Irrespective of employment status, couriers describe their work as involving long hours as well as being highly intense. The intensity of work results from high workloads that have to be dealt with every day as well as the need to calculate and manage divergent demands as described above. There is a need to constantly observe traffic and react flexibly to traffic congestion, to look out for the police, to communicate with customers and other road users. There is the need to instantly reply to employer’s calls, to observe times for the pick-up of parcels, handle fragile shipments in a responsible way and document all processes as demanded by the employer. While many work processes in industrial production used to (and in many cases still do) contain down-times due to broken machinery or a lack of materials, these breaks and interruptions were rare in courier’s work. Most drivers report taking no breaks at all, most were consuming food whilst on the road and somehow tried to fit in personal obligations. One works councillor described each morning’s “stampede”: couriers on the edge already early in the morning, trying to get out of the depot as quickly as possible, working without interruption until late in the day.

Whilst courier’s descriptions of their everyday work experience have strong similar traits, their employment status greatly impacts on how experience is being judged and the way how workers are trying to cope. We argue that DHL’s core workforce still can resort to a normative framework and past experience against which they judge current demands and developments. There is a sense of what can legitimately be demanded of them and some idea about workplace representation and union as actors with a potency to influence conditions. In contrast, courier’s employed by subcontractors or self-employed couriers often regard long, stressful hours to be part and parcel of their work. Most of them have been socialized into the system as it currently stands, their aspirations and attitudes towards work have not been coined by what could be considered “normal” under Fordism. The normative frame of standard employment
(Normalarbeitsverhältnis) hardly features as frame against which to judge their own daily experience, there is practically no historical knowledge about the relevance of institutionalized interest representation and collective action. In what follows we will further expand on the differences between (DHL’s) couriers in standard employment and those couriers we have located in segments two and three.

5.3.1. Couriers in Segment One – Working Time and Intensification of Work

DHL’s more experienced drivers frequently judge current work situations by referring to past conditions in DBP. Looking back, working as a courier for the “old DBP” is overwhelmingly judged positively:

“It was all easy-going, very nice. (…) The old times, the Bundespost, compared to now, that was paradise.”

While long standing couriers are well aware of the fact that their own employment situation still compares very favourably to that of other couriers in the industry and also to those on non-standards contracts within DHL, there is a feeling of deterioration. In order to shed light on processes of change within Post/DHL we contrast the old days as experienced by our interviewees with work situations as currently held to be typical by DHL’s core workforce.

Without idealizing the past one can argue that the courier’s workloads used to be manageable, whilst today drivers are struggling each day to get work done. Work as a courier always involved the need to work flexibly. However, in the past temporal flexibility was such that it offered couriers possibilities to recreate and recover their capacity to work during periods of slow business. This is a far cry from today’s situation. “Every day is like Christmas” one driver remarked, illustrating his perception that the intensity of work experienced only during the busiest of past times has now in fact become standard, the daily norm. All couriers interviewed shared the impression that volumes had grown continuously in recent years and expected further growth, especially in the B2C and C2C segment. The growth of e-commerce, which allowed customers to order practically anything online “from pet food to floor tiles” had led to an increase in volumes while staffing levels had not been adjusted accordingly. Couriers complained that the efficiency demands put on them were infinite. One courier described how, in dreadful anticipation, he comes into work each day, scans all the parcels set for delivery and fears the moment the total number of parcel scheduled for delivery in his Zustellbezirk gets available. While the number of parcels to be delivered per day depends on the customer profile (i.e. business and/or private customers) of any given locality, figures of around 180-200 shipments per day were frequently reported-leaving less than three minutes for each delivery (including documentation, morning sorting, accounting). Even when considering the fact that batches of parcels can be delivered at some stoppage points (i.e. business customers, multiple deliveries in high rise buildings), couriers are frequently struggling to manage workloads. Both work intensification and the extension of working time are means by which couriers are trying to cope. We therefore now turn to the issue of work extension of working time in
this still highly regulated environment. The collective agreement defines a working week of 38.5 hrs. / week. In City A work commences at 6.30 am and is set to last until 3pm. However, couriers report that they frequently have to extend working time in order to get their daily cartload delivered. There is an agreement that “allows” workers to put in an extra hour (i.e. up to 4pm) in case they have not managed to fulfil their daily task until 3pm. This extra hour was conceptualized as a “buffer hour” but it has factually become the norm. As a result, couriers are accumulating extra time. Our interviewees reported to have accumulated between 30 and 88 hours overtime within six months. As respondents were active trade unionists and/or works councillors they had a bad conscience about the fact that they frequently levelled working time accounts by claiming financial compensation for extra hours worked. This practice stands in contrast to ver.di’s policies, which prefers extra time to be compensated for by allowing workers to take days off and argues for additional personnel in order to level working time accounts. Couriers however argue that taking days off is rather difficult due to staff shortage and are in need of extra income generated by overtime. Couriers are complaining about the long-hours culture in DHL, however they contrast their own experience with that of colleagues working for other providers. At least their working times were being recorded and compensated for. Maximum working times as defined by the law (10.45hrs.) were generally observed. According to DHL’s couriers this was not the case in other companies, where a proliferation of working time had occurred.

Couriers have the right to take parcels back to the depot, i.e. abandon delivery, if after 4pm there are any left to be distributed. While long established couriers did abandon delivery in City A and did not seem to be fearful of any form of management repercussion, the picture was different in City B. Union density in City A was at 95% and workplace representation regarded to be effective. One interviewee stated “Management would not dare. If they tried, they’d have to deal with our Herrmann (the chair of the local works council).” Using its structure of lay activists the union, in cooperation with the works councils, defended the legitimacy of abandoning delivery. As management was highly sensitive to delays in delivery resulting from aborted delivery couriers thought this practice to be an efficient means by which to press for additional staff. In City B however, reported union density was much lower. It was standing at only 50% amongst the long serving core workforce, membership being distributed roughly evenly between ver.di and DPVKOM. The local works council was regarded ineffective and local management could effectively resort to informal blackmailing practices in order to prevent workers aborting delivery. It is hardly surprising that workers on fixed term contracts were vulnerable to management pressure. In this case however, an experienced and efficient courier with more than 15 years experience on the job was not prepared to abandon delivery: “Those who unload have to go and see the boss. It does not work.” This courier tried to get along somehow and was aware that management had various means by which to exert pressure on him. These included management capacity to assign him to a different Zustellbezirk, to refuse his quests for days off, to refuse support by auxiliary workers, or to burden him with the

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11 Name altered.
task of training new couriers. This interviewee held no belief in worker’s capacity to collectively improve working conditions even in DHL; in his view his only option was to show compliance in the hope that this might be rewarded:

“"We are all working 10.45 hours, eleven or twelve hours. Some are working twelve hours. These guys are completely insane. And there’s the crack, no one aborts delivery, the pressure is just too much. Everybody is just trying to keep up.”

Arguably, the formal existence of workplace representative institutions and collective agreements are not sufficient to safeguard worker’s interests. The two localities investigated point to the fact that the quality of representation is of crucial importance. Whilst in City A we found the regulatory grip of worker’s institutions largely intact, even though not sufficiently strong to forestall some degradation of standards and conditions, in City B we found processes of informalization and a marked deterioration of working conditions within a formally highly regulated environment.

5.3.2. Couriers in Segments Two and Three – Working Time and Work Intensification

As we have discussed above, the regulatory impact of collective agreements and labour law are very weak in segment two. We have detected and described a broad range of informal practices that render these regulatory mechanisms ineffective. Working times beyond the legally defined limit are effectively the norm in segment two. In effect even those workers holding a regular employment contract have to take on responsibility for full delivery of parcels in the assigned area. To put it bluntly- the job has to be done, working time is a secondary consideration at best. As there is a huge gap in power resources between the employing subcontractor and couriers in this segment, the geographical areas a particular courier has to serve are not really negotiable. Workers wanting to reduce the length of the working day in most instances only see one option, namely increase the work effort and / or take greater risks (i.e. compromise on the quality standards of delivery, violate health and safety, traffic rules). In many instances, working harder will remain a futile exercise, as volumes can be increased by the employer unilaterally. Without wanting to blame the victims or ignoring the fact that disturbing conditions are resulting from a competitive system we think it important to hint at the fact that these workers frequently conspire in their own subjugation. Not only are they being pushed into accepting informal arrangements, their short-termist orientation, the need to somehow generate sufficient income in the here and now, leads them into actively seeking informal arrangements. By many, these arrangements are seen as being legitimate as individuals do not have a strong alternative normative orientation. As actors who traditionally help to define, protect and defend normative orientations and standards (i.e. works councils, lay union workplace structures) are missing, couriers have no collective leverage. If situations are becoming unbearable, many thus “chose” the exit option. High turnover of couriers employed by subcontractors is a clear indication of the fact that this is seen by many as the only available response to bad conditions.
Turning to self-employed couriers, the roots of work intensification and long hours are easily detected. These couriers’ income entirely depends on the number of parcels they manage to deliver. Their livelihood depends on their everyday performance, all the risks involved (health, loss of the means of production, reduced volumes) have to be dealt with individually. The economic situation of these couriers is in most cases extremely precarious as rates are not keeping up with expenses for fuel or insurance for instance. Great effort and long hours are a pre-condition for even contemplating survival in the business. While being formally independent entrepreneurs, factually these self-employed couriers are not on par with main service providers. In many cases they are also deep in debt. While we argued before that each courier has to perform a range of calculations each day, weighing risks and benefits of certain behaviours, in the segment of self-employed drivers the economic dimension is constantly present. In the back of their minds couriers are constantly running the numbers, trying to define earnings and costs. We would argue that where the self-employed are not working in parcel delivery in order to supplement income generated elsewhere, they are forced to take great risks in order to survive. The risks involved in working long hours, overloading badly maintained vehicles or driving in a state of complete exhaustion are most likely to be taken in this segment. Rather than taking a strategic approach to their “business” these self-employed couriers seem to just react on the pressures they are confronted with. Many go out of business heavily indebted.
Work and employment conditions among couriers in the German parcel delivery industry are highly fragmented. Focusing on the contractual basis, three segments can be identified: couriers directly employed by a service provider, couriers employed by a subcontractors of the service provider and self-employed driver who do not hold an employment contract.

Concerning their integration into the traditional institution of work regulation, distinctive differences can be traced. The first segment belongs to the zone of highly standardized work and employment covered by collective agreements and protected by labour law; the second segment is characterized by partial informalization based on bypassing collective agreements and hollowing-out labour law provisions; and the third segment consists of highly informalized practices including self-employment and various unlawful practices.

Informalization is driven both “from above” and “from below”. Informalization from above refers to the strategies of focal service providers who deploy their contractual, economic and social power to externalize risks. Informalization from below refers to the active participation of the couriers in this process. As highly standardized work and employment in the first segment in many cases does not offer an income high enough to facilitate societal participation, couriers actively choose to move into an employment situation characterized by informality. The parcel delivery industry belongs to the low-wage sector, and collective agreements are characterized by relatively low pay levels.

Informalization from below poses a severe challenge for German trade unions. In this low-wage sector, the mere existence of collective agreements is seemingly not an incentive for the couriers. Thus, unions are in the need to develop new instruments and strategies to organized couriers.

Couriers’ work is more complex than commonly thought. It is only physically straining but also involves high levels of psychic stress. This is due to the fact that couriers have to evaluate and balance a broad range of sometimes conflicting demands made on them every day. Their daily “routine” involves the interaction with many different actors.

Long working hours and high work intensity have been described as pressing issues by all of our respondents, irrespective of employment/contract status. However, levels of insecurity, protection by workers representation and the law greatly differ and have a strong impact of how couriers cope with situations.
6. **CONCLUSIONS**

In this last chapter we offer a short summary of our main findings as well as some ideas about how courier’s situations might be improved. As each chapter ends with a short summary, we will only briefly repeat those findings here.

6.1. **Main Findings**

Work and employment in Germany have undergone substantive change in recent decades; the post war model has eroded to a significant extent. The institutions of collective bargaining, workplace codetermination and labour law have gradually lost the typically high level of inclusiveness they could claim during the post-war decades. Collective bargaining coverage as well as workplace representation are in decline. De-standardization of employment and work are not confined to low-pay service and to the fringes of the labour market, but can also be detected in the former strongholds of regulated capitalism. We have described the situation in German parcel delivery as being hardly fragmented. Parcel delivery arguably is an extreme case, however is indicative of broader developments in German work and employment. Fragmentation occurs on several dimensions:

- Value chains are becoming increasingly fragmented. Core providers rely on contractual relationships with a multitude of formally independent actors involved in service provision. New forms of control and relationships that do no longer follow the model of the hierarchically integrated corporation have been established.

- Employment conditions have fragmented as well. Standard employment is now largely confined to DHL’s core employees, but even here we found a variety of status and remuneration. Beyond the DHL workforce, we find a broad variety of contractual relations, including employment contracts. Courier’s income and working times greatly vary not just between different service providers but also amongst couriers driving on behalf of one and the same provider.

- Industrial relations have also fragmented. While union and workplace representatives in DHL still have a strong influence of conditions and have safeguarded national arrangements in other areas they can hardly claim to play a role. Social dialogue is virtually non-existent because there is no partner on the employers’ side. Employers have great discretion when it comes to constructing employee relations according to local circumstance.

Fragmentation is pushed by intense price competition and high flexibility demands. While the German market for parcel delivery has been growing considerably in recent years, it is marked by providers struggling for market shares. The price that can be offered to commercial and private customers continues to be key when seeking competitive advantage. The success of Hermes proves a case in point. Fragmentation in this industry mainly takes on the form of subcontracting. As we have described above, all providers have established subcontracting relationships with formally independent, small and micro-sized entrepreneurs in order to devolve risk, costs (infrastructure,
means of productions) and flexibility demands downwards along the chain of value production. Responsibility for the operational business has been transferred to small and micro sized haulage entrepreneurs. A closer look at these entrepreneurs has revealed that they lack the qualities commonly associated with an entrepreneur. Whilst they are formally independent actors they in fact remain heavily dependent on the original service provider and hardly enter negotiations on an equal footing with “big capital”. Paketdienstleister are interested in high levels of competition between weakly resourced subcontractors (they are weak not only when it comes to financial capital but also to in reference to other forms, such as social capital), and they actively fuel competition by “promoting” employed couriers to the ranks of subcontractors. Dependency (debt) and competition are used by core service providers to drive down subcontractor’s payments.

It is of little surprise that courier’s work should be impacted by strategies and business models implemented by corporate centres. However, courier’s conditions and resources are not the same all across the sector. We have thus proposed a concept that differentiates courier’s situation according to contractual status:

- In the first, highly regulated segment (i.e. DHL) standard contracts continue to dominate. Work intensity is high, long hours are a problem as well as psychic stress. Wages are collectively agreed but we are still talking about a low wage segment of employment.

- Couriers in segment two are not directly employed by the focal service providers but by subcontractors. They are waged employees but conditions are not determined by collective agreements and workplace representation is a rare exception. Work in this segment is characterized but strong trends towards informality. Working hours are regularly in excess of the limits defined by law, wages are partly not declared or a being re-declared in order to save contributions to social security, bonus payments are being used to prop up indecent wages, and factually couriers are in many cases not being paid by the hour but for serving a certain Zustellbezirk. In this sector of employment, rules and regulations are in many cases not followed as they are hardly being enforced by state authorities. We have described subcontractors’ rationale for turning towards informal practice, however, many couriers seem to go along or even demand these practices as only by resorting to the informal, sufficient income can be generated. Informalization thus is not just a process initiated from “above” but also from below.

- Couriers in segment three are predominantly self-employed drivers. We argued that these are adequately described as quasi-entrepreneurs who have to deal with market insecurities individually. They are neither being rewarded by the material gains nor the autonomy that are commonly associated with the status of “the entrepreneur.” They rather are weakly resourced workers who lack strategic competence and they certainly are not on par with subcontractors. It seems highly questionably if self-employment in parcel delivery can, under given circumstances generate levels of income to sustain couriers in the medium to long run. Illness, accidents, or the need to invest in new cars quite frequently break the back of these couriers, who regularly go out of business heavily indebted.
Turning to courier’s perception of work we have identified a general trend towards work intensification. It is, however, not just the physical demands the job holds that are being described as a main strain involved in working as a courier. In addition, there are high levels of psychic stress, stemming from the fact that couriers have to somehow cope with contradictory demands made of them each working day. “Getting the job done” in many instances requires workers to take risks and compromise on the quality of service production. State and /or employer repercussion frequently follow suit. Courier’s work in thus in many instances is precarious: levels of income and security are low, health hazards are widespread, psychic strain is a commonly articulated. The business models followed currently by main service providers are certainly transferring costs to the public and social security systems. As couriers’ income has to be propped up by state payments and courier’s contributions to social security are insufficient, the state has to step in at some point to at least secure basic health provision, unemployment benefits or pensions. Beyond the boundaries of standard employment (mainly DHL) the practices followed by many providers cannot be described as being sustainable.

6.2. Proposals

When it comes to proposing measures to improve courier’s situations, one has to re-think the context of courier’s work. Considering the situation within the industry, one has to be sceptical about the options. The main providers in parcel delivery are locked into cut throat competition. While we heard from various sides that the end of the line was reached, that price competition was ruinous and that the quality of service was to become the decisive factor, we think it more likely that cost-cutting strategies by means of subcontracting will not be easily reversed. Even if service providers feel the need to change course, fragmentation also means that employers do not have appropriate structures (associations) that could be used to initiate a change of course across the sector. While we have seen that DHL has currently no intention to further extend subcontracting and Hermes are seriously considering taking some delivery work back in house, this does not amount to a full strategic re-orientation.

However: while market mechanisms have contributed to the spread of precariousness, there are indicators that market developments in the future might – to some degree – work in the interest of workers. Many respondents reported difficulties recruiting labour. In some areas the effects of demographic change on labour markets are being felt. Focal service providers find it difficult to source sufficient numbers of people willing to enter a subcontracting relationship with them. As a result, it might become more difficult to uphold reliable services. Already high turnover poses a major problem for the system’s stability. (Small) employers constantly complain that they have to rely on the “lowest segment” of the labour market (at times with racist undertones, as they are complaining about migrants) with low morale, little loyalty and insufficient qualifications. Demographic development means that problems of labour shortage might increase in the future. As unions are virtually absent in segments two and three as described above and collective bargaining/ social dialogue does hardly exist, it is difficult to envisage a process of standardizing conditions and re-regulate work across
the sector. It is rather likely that those segments of couriers with some prospects on external labour markets will chose the exit-option and employers will selectively court some employees they need to retain, whilst not improving conditions generally. In short: while labour market developments and the ongoing growth in parcel delivery are currently working in favour of couriers, it is unlikely that collective regulation will result from this. Even if couriers were able to develop collective approaches they’d hardly find a partner for social dialogue, as employers (subcontractors) are highly fragmented.

In principle, couriers and subcontractors command good power resources that could be applied to improve their situation. All providers’ systems are currently running at full capacity and are extremely sensitive to any kind of disruption. Tight personnel policies and overburdened infrastructures do not allow for easy compensation where frictions occur. To put it bluntly: strike action would show immediate effects as parcels would pile up in depots and focal service providers would come under immediate pressure from clients. While there have been incidents of rather spontaneous forms of collective action (for example by subcontractors resisting cuts) we deem it unlikely that courier’s industrial muscle will be used in a more strategic and encompassing way. Individualized work situations, strong competition and lack of organization speak against the proliferation of co-ordinated action.

While trade unions are certainly an influential actor in the first segment of couriers, i.e. amongst DHL’s workforce, they have found hardly any resonance amongst workers in segment two and the self-employed in segment three. As works council are not present, union’s traditional ways of approaching workers via works councillors are hardly an option. There might be some demand for unions offering couriers support in conflicts that commonly occur (unpaid hours, non-payment or late payment of wages, penalties). However, we did not come across any couriers who were aware of potential union services that might be of value to them. As we described above, many couriers have come to some kind of informal arrangement with employing subcontractors. The original service provider features as the common enemy, clear cut conflicts of interest are hard to define, which makes traditional us vs. them approaches difficult. Certainly, unions would have to consider new ways of approaching couriers. Recruitment “on the ground” might be possible but would involve a significant investment of resources. However, the tangible trend towards “informalization from below” poses major challenges to the traditional strategies of German unions. The active involvement of couriers in the bypassing and “creative recombination” of institutionalized regulations shows that collective agreements, workplace codetermination and basic labour law provisions do not automatically represent incentives for workers. If these institutions – as it is the case in parcel delivery – are not able to supply workers with a satisfactory material standard of living, irrespective from bargaining coverage, parcel delivery – and thus the entire transport sector – belongs to the growing low-wage sector. Even in the industry agreements, wages for couriers and warehouse workers are low. As a consequence, collective agreements and the existence of a works council controlling the enforcement of labour law does not in itself constitute an incentive for union
membership. One option to overcome this dilemma might be publicity campaigns. As we argued above, courier’s work is not adequately valued. Campaigns that inform the public about conditions in the sector might find some resonance. Recent TV coverage and newspaper reports about working conditions generated a lot of public attention. Arguably, large sections of the public still hold normative orientations that make them judge employers’ behaviour in the sector negatively. At the same time, service providers are fearful of public criticism, efforts to deny responsibility and point towards subcontractors seemingly have little persuasive power. There might even be options for joint activities with subcontractors and their associations, first exchanges between ver.di and the associations of small sized contractors have already taken place. Until now, these have remained local initiatives, in order to exert more pressure on Paketdienste national campaigns would have to be launched; arguably these could be viewed positively by other actors in civic society.

The state must remain a main addresse when it comes to measures improving courier’s situation. The associations of small sized entrepreneurs in the field (such as BdKEP e.V. and IsSiT e.V.) have come up with a range of proposals and demands. Their main demand is for increased state control of the sector. Institutions such as customs, the Federal Office for Goods Transport (Bundesamt für Güterverkehr, BAG), the Federal Network Agency (Bundesnetzagentur) or the German Statutory Pension Insurance (Deutsche Rentenversicherung) need to control worker’s driving times, unregistered payment, unethical wages, adherence to labour law provisions, safe practice in transport (overloading) etc. One major idea is to restrict market entry for subcontractors. The rationale behind this follows from the processes we have described in the section dealing with subcontractors. As virtually anybody can become an entrepreneur in the field, focal service providers can rely on a large reservoir of to-be-sucontractors and profit from intense competition amongst them. Restricting access might entail that individuals need to pass some kind of test before being allowed to operate as an entrepreneur. They’d then need to prove certain skills and qualifications.

One core demand is the implementation of the minimum wage. Whilst ver.di and other unions have long argued for the minimum wage and the demand has found growing resonance in the political sphere, BdKEP e.V. and IsSiT e.V. are fearful that a lack of control would lead to serious enforcement problems. Some small sized employers however think that increased wage costs resulting from the minimum wage would not lead to the consequences wished for: focal service providers would not increase payment to sub-contractors and these would then need to further subcontract work.

All in all, we do not currently see actors willing and strong enough to (re-)establish industrial relations and standardized conditions akin to those of the “ideal type” described in the introductory sections. There definitely is pressure on the original service providers, resulting from tightening labour markets, problems of quality and control as well as publicity issues. It is rather likely that providers will react in a piecemeal and pragmatic fashion, and not in a strategic way. While the collective action of workers in the sector should not be ruled out, it is likely to be spontaneous, not built on union organization and localized.
LITERATURE / SOURCES


