



The Liberalisation of European Postal Markets and the Impact on Employment and Working Conditions

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EXECUTIVE SUMMARY

In 2013, the final member states lifted the remaining barriers to competition in the European postal markets. After decades of postal monopolies, the European Union now has a fully liberalised postal market. However, the outcome of the liberalisation process is far from satisfactory. As the latest report on ‘Main Developments in the Postal Sector (2010-2013)’ shows, former monopolists are increasingly under pressure due to declining letter volumes while the new competitors struggle to get a hold in the letter markets. Only in a few countries have the new market entrants in letter markets gained a significant market share. While letter volumes are falling, the volume of express mail and parcel services is growing, but here a few global players dominate the international market.

Supporters of the liberalisation, including the European Commission, have promised better services at lower prices in a liberalised postal sector. This is hardly the case. Instead, the liberalisation of European postal markets has resulted in an increasingly complex and persistently changing market with different providers pursuing different business strategies. In the letter market, former monopolists have invested heavily in technological innovation in the areas of sorting and delivery infrastructures while at the same time closing down post offices and outsourcing the respective services to local stores or other businesses. The new competitors do not even bother creating country-wide infrastructures and instead focus on large business customers whose mail can be picked up at the company premises and delivered in highly populated areas two or three times a week by a highly flexible workforce. This has put increasing pressure on the former monopolists, who as universal service providers are required to maintain a country-wide network. However, it is important to note that the same former monopolists who are complaining about unfair competition and cream skimming are pursuing the same strategy with their own foreign subsidiaries. In the express mail and parcel industry, the main business model is based on the creation of global delivery chains in which the dominant corporations provide a common infrastructure and (air) transport between different logistic centres, while most of the delivery is actually done by independent subcontractors.

While the effect of the various strategies on the quality and efficiency of postal services is debatable – depending on the operator and the price, some mail arrives faster than before liberalisation while other mail takes longer to be delivered – the consequences for employment and working conditions are rather clear. For postal-sector workers, the changes have been overwhelmingly negative. Liberalisation, together with technological innovations, has led to a reduction in staff levels, an increase of atypical employment and a deterioration of pay and working conditions. The combination of low wages and low employment security means that an increasing percentage of postal-sector work qualifies as precarious employment. The following paragraphs summarise the main effects on employment and working conditions.

Employment numbers: In 2002, the European Commission predicted that the liberalisation of postal markets would result in net job gains. This is clearly not the case. In the 2010-13 report on ‘Main Developments in the Postal Sector’, the authors note a slight drop of jobs numbers during the last decade. Even though there is a lack of consistent data covering the entire postal-service sector for the period of liberalisation, available information suggests that this is a gross underestimation. With very few exceptions (Slovenia, Luxembourg and Iceland), former monopolists have cut back employment since 1998. In some cases, the job cuts amount to as much as 40% to 50%, typically they account for between 20% and 30%. Contrary to the Commission’s expectations, these job cuts were not offset by the resulting growth in employment among new market entrants – not even in the few countries where the new competitors have acquired market shares of more than 10%.

In the Netherlands, 34,000 near-full-time jobs lost at Dutch Post compare to 22,000 part-time jobs created by the new competitors. In Germany, the former monopolist has cut 38,000 mostly full-time jobs in the letter market since 1999, while the new market entrants have created 16,308 full-time equivalent employment opportunities. In Sweden, 1,740 full-time equivalent jobs created by the new competitors compare to 12,000 jobs eliminated at Swedish Post between 1998 and 2008. In Spain, 4,000 job losses at the former monopolist are offset by an equal number of jobs created by the new competitors. However, most of the newly created jobs are part-time. As described below, new competitors use part-time jobs as part of their flexible low-cost business strategy.

This analysis is based on data from company reports. Unfortunately, Eurostat does not provide consistent data for the entire liberalisation period. However, according to data from the European Labour Force Survey (which needs to be treated with caution due to a change in the classification system), employment in postal and courier activities (in the 18 countries for which data is available) fell by 85,000 jobs or 5% of employment between 2003 and 2012. Longer-term data from national sources for Austria, Belgium, Germany and Sweden found an even larger drop in employment.

Forms of employment: Liberalisation has not only resulted in a decline in employment, but also in a far-reaching deterioration of employment relations. What the authors of ‘Main Developments in the Postal Sector (2010-2013)’ describe as a flexibilisation of employment relations is actually a substantial increase in atypical forms of employment and a far-reaching precarisation of postal-sector work. The main forms of atypical employment include part-time work, self-employment and temporary contracts.

Part-time work: Most former monopolists have increased the number of part-time workers since the start of the liberalisation process. However, some incumbents, including Dutch Post, have shifted to a mail delivery model that almost exclusively relies on with part-time staff. 85% of the workforce at Dutch Post is employed on part-time contracts. In Cyprus and Lithuania, nearly 60% of the workers employed at the former monopolists work part-time and in Latvia and Luxembourg about 40%. In the Dutch case, the shift to part-time was part of a reorganisation of the delivery system and

a shortening of delivery routes. However, part-time is even more widespread among the new competitors. In Germany and Spain, the new market entrants mainly operate with part-time staff, who often work in less than half-time jobs. In Germany less than 20% of the workforce at the new competitors are employed on full-time contracts. Almost 25% work normal part-time, whereas a majority of almost 60% work very short part-time, or what in Germany is called 'mini jobs' (jobs that pay less than 400 euro per month). In the Netherlands, workers at the new market entrants also work for just a few hours per week but they do not count as part-time workers as until recently they were mainly self-employed.

Self-employment: While in some countries the new competitors mainly rely on part-time staff, in others they predominantly deploy self-employed postal deliverers. In both cases, the use of atypical employment is part of the competitors' low-cost strategy. As mentioned before, in the Netherlands the vast majority of mail deliverers at the new competitors were self-employed until government regulations forced the companies to transform at least 80% of the contracts into regular employment relationships. In Austria, too, new market entrants almost exclusively operate with self-employed mail deliverers, whereas in Poland self-employed workers account for slightly more than 50% of the new competitors' workforce. As described below, self-employed deliverers not only suffer from a lack of employment protection and social security, but are also paid extremely low, piece-rate-based wages.

Self-employment is particularly widespread in the parcel and express service industry. Even though there is a lack of country-wide data, case studies suggest that a large part of the delivery activities are carried out by self-employed drivers paid by piece rates. Here self-employment is the result of an outsourcing chain in which the global players, and increasingly also the former monopolists, contract so-called service partners for delivery activities who, in turn, hire self-employed drivers to carry out the delivery tasks. In 2010, 85% of the parcels sent through Dutch Post were delivered by subcontractors.

Temporary work: Some former monopolists also use temporary employment. Malta stands out as 32% of the workforce of the country's former monopolist are employed on a temporary basis. While Malta is an outlier, in Estonia the proportion is still 21%, in Greece 18%, in Poland and Ireland 14%, in the Czech Republic 13%, in Finland 12% and in Portugal 9%. While former monopolists argue that they need temporary workers to cope with peaks in letter and parcel volumes, Polish Post offers temporary contracts to many newly hired workers before management decides to hire them on a permanent basis.

Wages: Liberalisation has put increasing pressure on postal-sector wages and in many cases resulted in a reduction of wage levels. Information from a number of selected countries shows that former monopolists have either reduced wages for workers that were hired after a certain date in the liberalisation process (in Germany minus 30% after 2001, in Austria minus 25% after 2008) while in others wage cuts were the result of the introduction of new job categories, such as assistant or auxiliary mail deliverers (in the

Netherlands minus 40%, in Belgium minus 5%). In Greece, a 35% wage cut for workers employed by Greek Post is the result of the government's austerity programme.

However, the wages paid by the new competitors are usually still lower than the reduced wages of the former monopolists. In Germany and Austria, the wage difference between the respective former monopolist and new competitors is about 30%, while in Spain it was 35% until the crisis but since then may have risen to 50% (due to the competitors use of subs-standard contracts introduced as part of a new labour-market reform). In the Netherlands, until recently the difference was also 35%, but with the transformation of self-employed into regular jobs and a new collective agreement they now come close to the reduced wage levels at the former monopolist, and as such close to the Dutch minimum wage.

The hourly wages earned by self-employed deliverers in the parcel and express service industry also tend to be below minimum standards. According to a German case study, piece rates of between 70 and 90 cents per delivered item amount to an average hourly wage of 5 euro. As described below, self-employed deliverers in the parcel and express services partly compensate for low hourly wages by putting in extremely long working hours.

Working conditions: Liberalisation, together with the introduction of new surveillance technology, has led to a far-reaching deterioration of working conditions. In a series of company case studies carried out for the EC funded PIQUE project, very few interview partners did not mention the increasingly stressful nature of work, caused by an extension of delivery routes, or by under-staffing in post offices and sorting centres. In the Austrian case, the length of average delivery routes has almost doubled in the past 15 years. Even managers confirmed that workloads have been increasing, even though, in their view, working conditions were too lax in the old system. Especially older workers suffer from the changes. However, they not only complain about increasing workloads and decreasing autonomy. They also suffer from a loss of positive identification with their job, as being a post(wo)man increasingly feels like having any other low-wage service-sector job. Deteriorating working conditions and weakening job identification have fuelled labour turnover rates.

Working conditions are even worse in the parcel and express service industry: Here self-employed deliverers not only suffer from permanent work pressure and the need to cope with unforeseen difficulties but also from long working hours of up to 15 hours per day.

Industrial relations: The deterioration of postal-sector employment and working conditions has been underpinned by a fragmentation of industrial relations. With few exceptions, the former monopolists are covered by a company-based collective agreement whereas the new competitors operate without collective labour regulations (other than those imposed by law) or with an agreement offering worse conditions than those granted by the incumbent. The fragmentation of industrial relations has, in turn, facilitated the emergence of two-tier labour relations. However, there are important differences between countries depending on the resilience of the national industrial

relation system. Furthermore, with the growth of self-employment an increasing proportion of the postal-sector workforce is formally excluded from trade-union and works-council representation.

The role of new technology: The introduction of new technology, no doubt, plays a crucial role in the restructuring of European postal sectors and the transformation of postal-sector work. Automated mail sorting has reduced the need for workers while the invention of GPS devices has made it possible to deploy inexperienced employees for mail delivery. However, technology is not responsible for the massive closure of post offices and the intensification of postal-sector work. In fact, new technology could also be used to improve working conditions and reduce workloads. However, there is little evidence that it is put to this purpose in the liberalised postal sector. Much rather, the transformation of postal-sector work is the result of a combination of new technology and the search for cost savings induced by liberalisation and in some cases privatisation processes.

1. INTRODUCTION

The following report is an update and extension of an earlier study carried out as part of the European-Commission-funded research project, ‘Privatisation of Public Services and Impacts on Quality, Employment and Productivity’ (PIQUE).¹ In this project we investigated the impact of liberalisation and privatisation of public services on employment and working conditions as well as on productivity and service quality. Postal services were among the sectors that were covered by the research. The research was carried out between 2006 and 2009 and not only included an analysis of regulatory and market changes but also a series of company case studies for which we conducted interviews with managers, trade unionists and workers to gain a fuller understanding of the responses to liberalisation and, in some cases, privatisation. In the postal sector we conducted eight case studies in five countries, including five former monopolists and three new competitors. Especially the case studies on new competitors provided us with important insights of how liberalisation affected employment and working conditions. One finding of the PIQUE research was that among the four sectors covered by the research (electricity, local public transport, health care/hospitals, postal services), postal-sector work was the one that was most severely affected by the changes.

For this report, we have updated four of the initial reports (for Austria, Belgium, Germany and Poland) and have produced two additional reports in countries that were not covered by the PIQUE research (Greece and the Netherlands). In addition, we have also made use of a more recent research project coordinated by FORBA, ‘Social Dialogue and Participation Strategies in the Global Delivery Industry: Challenging Precarious Employment Relations’ (SODIPER), which looked at employment conditions in the parcel and express service sector in four countries (Austria, Czech Republic, Germany and Hungary).² Similar to the PIQUE project, it found quite problematic employment and working conditions in the sector it investigated.

We have also used any other available information, including data sets provided by Eurostat and the recent WIK report on ‘Main Developments in the Postal Sector (2000-2013)’, which for the first time included a serious analysis of postal-sector employment.

The report starts with a brief summary of the liberalisation process, followed by an analysis of company responses and the various business strategies adopted in the liberalised European postal markets. It then presents an analysis of the changes in employment numbers. This is followed by an analysis of the consequences of liberalisation for forms of employment, wages and working conditions. The report ends with a discussion of the challenges for collective bargaining and brief conclusion.

¹ www.pique.at.

² www.sodiper.forba.at.

2. THE PROCESS OF LIBERALISATION

The debate about a single European Market for postal services picked up in the late 1980s, resulting in the circulation of the European Commission's 'Green Paper on the Development of the Single Market for Postal Services' in 1991 (European Commission 1991). Therein the Commission criticised the fragmentation of postal markets in Europe along national standards and regulations. In the late 1980s, the handling and delivery of mail (as opposed to heavy parcels and express services) were still organised as national postal monopolies held by state departments or public enterprises. The Commission expected the introduction of competition not only to establish similar standards across Europe, but also to improve service quality and efficiency. The European Council shared the Commission's view and the Green Paper resulted in a Council Resolution, followed by a draft directive in 1995 and the First Postal Directive in 1997 (EC Directive 97/67/EC). This long discussion process was due to sustained concerns about the consequences of liberalisation for the public nature of postal services as well as about the future of the national monopolists. The resulting compromise included a gradual opening of the market and the introduction of a universal service obligation.

According to the First Postal Directive, member states were required to reduce the postal monopoly to mail items weighing 350 grams and less or costing less than five times the basic tariff from 1998 onwards. At the same time, governments had to appoint one provider – to this day exclusively the former monopolists – to provide a universal postal service in each member state to ensure that all households have access to postal services. The scope and quality of the universal service was left to the member states. Governments typically imposed standards with regard to the density of postal outlets and letterboxes, the number of delivery days as well as the speed of delivery (Input Consulting 2006). While the directive did not require member states to privatise postal operators, it demanded for the creation of financially independent organisations no longer subsidised by the state.

Following the strategy of a gradual market opening, the Second Postal Directive of 2002 (EC Directive 2002/39/EC) further reduced the reserved (monopoly) area. From 2003 onwards, this was limited to items weighing 100 grams and less or costing less than three times the basic tariff in 2003 and, from 2006 on, to items weighing 50 grams and less or costing less than 2.5 times the basic tariff. The second directive also included a plan for full liberalisation, but the date had to be postponed due to the resistance of some member states. The Third Postal Directive adopted in 2008 set a new date for full liberalisation. According to the new plan, all remaining postal monopolies were to be eliminated by 2011, with 11 member states receiving a two-year extension until 1 January 2013.³ The third directive also responded to mounting criticism of the

³ The 2013 deadline applies to Cyprus, Czech Republic, Greece, Hungary, Latvia, Lithuania, Luxembourg, Malta, Poland, Romania and Slovakia.

employment effects of liberalisation and encouraged member states to take ‘social considerations into account when preparing the opening up of postal markets’.

Some member states opened their postal markets earlier and to a larger extent than required by the European regulations and some privatised parts of the former monopolists. As a result, there are ‘forerunners’ and ‘latecomers’ in the liberalisation process. Among the forerunners are Finland and Sweden, which fully liberalised postal markets in 1991 and 1992 respectively but kept their former monopolists in public ownership. By contrast, the Dutch government early on embarked on a process of privatisation and from 1994 on admitted private shareholders to the newly created joint stock company, which then paved the way for the takeover of the international express service TNT in 1996. Initially, full market opening in the Netherlands was planned for 2007 but had to be postponed to 2009 mainly due to rising concerns about negative consequences for wages and working conditions (Van Klaveren 2013). Germany is also among the forerunners since the German government went beyond the EU standards and in 1998 reduced the reserved area to 200 instead of 350 grams and fully liberalised the postal market in 2008, ahead of the 2011 deadline. At this stage, the majority of German Post shares were already in private hands, after the government had started a divestment process in 2000. The United Kingdom abandoned the remaining parts of its postal monopoly in 2006 but only recently started to privatise its former monopolist.

The majority of countries followed the schedule of the liberalisation process as laid out in the European postal directives. However, 11 countries were granted an extension to 2013 instead of 2011, to allow them to lift the remaining barriers for new market entrants. As a result of the different speeds of market opening in European postal markets, some countries are still catching up in comparison to the early movers. These catching-up processes include, for example, ongoing employment cuts at former monopolists or market consolidation after an initial phase with many competing providers.

Despite full market opening, competition in the European letter market is still limited. The former monopolists still dominate the letter markets with market shares of more than 95%, and in a number of countries even more than 98%. Only in Germany, the Netherlands, Sweden, Spain and Italy the new competitors have acquired market shares of more than 10% (Dieke et al. 2013: 182-3). However, market dominance has not prevented former monopolists from adopting cost-saving strategies. Furthermore, there is considerable competition in some sub-segments, such as the distribution of advertising material, and there is strong competition in the parcel and express service sector.

In most countries, the parcel and express services never fell under the monopoly regulation but with the liberalisation of postal markets former monopolists and international courier services are now competing for market shares. The parcel and express-service market is particularly interesting because the business is growing, mainly due to the surge of online shopping. According to Dieke et al. (2013: 163), parcel and express revenues meanwhile account for more than half of total postal-sector

revenues. While parcel and express volumes are increasing, letter mail is on the decrease. Here, the Internet can be held responsible: letter mail is increasingly substituted by emails and other forms of electronic communication. For some former monopolists, including the Dutch and the Danish Post, the decline in letter volumes is quite a challenge (ibid.: 163, 169). For others, such as German Post, the situation is less dramatic because the drop in letter mail is compensated for by the growth in parcel and express services – which in the Dutch case is no longer possible after the separation between letter mail and parcel and express services.

3. COMPANY RESPONSES TO LIBERALISATION

3.1. *Internationalisation and diversification*

Faced with potential competition and the likely loss of market shares in the former monopoly areas, the incumbent postal companies adopted internationalisation and diversification strategies to maintain or increase revenues (Brandt and Hermann 2012: 58-59). As mentioned before, Dutch Post early on pushed for internationalisation and already in the 1990s acquired the Australian parcel and express service TNT. Shortly after 2000, German Post adopted a similar strategy and took over the American parcel and express service DHL. By now, both TNT and DHL have become global players in the international parcel and express service industry. With some delay the French and British ex-monopolists have also created separate express services that are increasingly active on international markets (Dieke et al. 2013: 234-235).

A number of former monopolists have also expanded into the logistics sector with a series of new acquisitions. German Post acquired one of the largest German haulage companies, while the Austrian Post has invested in a specialised haulage company for thermo-sensitive goods (Hermann 2011: 258). It is important to note in this context that most former monopolists were diversified companies before the start of the liberalisation process. As state enterprises, they not only provided mail but also telephone services and in some countries they also operated post banks. However, during the liberalisation process most governments split off the different business segments and transformed them into independent companies, usually to sell off the more lucrative telephone and bank businesses to private investors. However, some former monopolists, such as the Italian Post, have held on to their banking business and, as a result, can now use the revenues from the post banks to support the ailing mail segment (Dieke et al. 2013: 201 and 204).

In addition to expanding into the international parcel and express service industry, former monopolists have also internationalised by setting up subsidiaries in foreign mail markets. German Post, until recently, operated mail subsidiaries in Spain (Unipost) and the Netherlands (Selekt Mail) while Dutch Post did the same in Germany, the UK, Italy (all TNT Post) and Austria (Redmail). Even smaller ex-monopolists have expanded into other countries: after several ownership changes since its foundation in 1991, the Swedish competitor Bring Citymail is meanwhile owned by the Norwegian Post while the Austrian Post, through its low-cost subsidiary Feibra, has expanded to Hungary, Slovakia and a number of other Central and Eastern European countries (Hermann 2011: 258).

However, more recently this trend has partly been reversed. German Post decided in 2010 to leave the Dutch market and in 2011 sold its shares in Selekt Mail to the only remaining competitor, Sandd. Both Sandd and Dutch Post had repeatedly accused Selekt Mail for price dumping. The exit of German Post was widely perceived as a relief as it is expected to end a four-year price war in the Dutch postal market (Van

Klaveren 2013). According to trade union sources, German Post is also planning to withdraw from its Spanish subsidiary Unipost in order to focus on its parcel business.⁴ The Dutch Post, in turn, has dissolved its own low-cost subsidiary in the Netherlands and terminated its joint venture with an Austrian publishing company. While these activities can be seen as part of market consolidation problems, they are also a sign of the continuous difficulties to establish a profitable competitor in a shrinking market. In the Netherlands, the withdrawal is also part of market consolidation processes that have left one major competitor as the main challenger of the former monopolist (Dieke 2013: 205-206).

3.2. Focus on business clients

Apart from internationalisation and diversification, a third major strategy applied by former monopolists as well as new competitors in liberalised postal markets is the focus on business clients, including mail-order businesses, insurance companies, banks and telephone companies, for whom they send monthly bills to their customers. In the UK, the 50 largest customers are responsible for 40% of the mail volume (Hooper et al. 2008: 25). Given the importance of large customers, management makes every possible effort to hold on to them, including offering them individual rebates (Hermann 2011: 259). Not surprisingly, Copenhagen Economics (2012: 14) has found that the prices of single-piece mail have risen significantly faster than those for business mail products.

New competitors in liberalised postal markets have an even stronger focus on business clients. Large customers produce large amounts of mail that they can either deliver to local sorting centres, sometimes even pre-sorted, or have it picked up by the postal service provider. In contrast to the universal service providers, the new competitors have the additional advantage that picking up the post at the customers' premises allows them to avoid establishing a costly network of post offices and letterboxes (Brandt and Hermann 2012: 60-61). So far, as Dieke et al. (2013: 193) note, only German competitors have set up a noticeable number of access points and street letterboxes. In other countries new market entrants exclusively target larger business customers (ibid.).

However, new competitors not only focus their businesses on large customers but also on highly populated areas. The Austrian competitor, for example, has no intention to deliver mail to the many remote villages in the Austrian Alps, where it can take several hours to deliver one letter. Should they have to deliver a letter to such an address, they would put in a new envelop and send it with the universal service provider (Hermann 2009: 243). In Germany, the Pin Group had established a nationwide delivery network, but only to go bankrupt soon afterwards. TNT in Germany has now started to abandon regional offices after claiming it reached 90% of German households. Sandd continues to maintain a nationwide network in the Netherlands, yet, from an Austrian or Swedish perspective, the entire Dutch territory counts as a highly populated area (Hermann 2011: 259-260).

⁴ Interview Montserrat Mir, Confederación Sindical de Comisiones Obreras, 20 November 2013.

The focus on lucrative business clients and highly populated areas has been criticised as ‘cream skimming’ by the former monopolists, who as universal service providers are obliged to deliver mail in regions where it is not possible to make a profit. In some member states, universal service providers are compensated by the government for the economic burden of maintaining the universal service through tax exemptions and/or fees paid by the new competitors into a special universal service fund. However, the same companies who criticise the competitors in their home countries apply the very same strategies with their own foreign subsidiaries. Furthermore, in several countries former monopolists have reduced the scope of their universal service obligation by closing down post offices and reducing the number of public letterboxes (Brandt and Hermann 2012: 61-62).

3.3. Automation, streamlining and outsourcing

Since liberalisation, former state monopolists have invested large amounts of money in the modernisation of their infrastructures. New sorting centres were built with fully-automated sorting processes. While in some countries final sorting (that is, the sorting of mail for the individual delivery routes) is still done by postal workers in local distribution centres, in others fully sorted mail is delivered to local depots (Hermann 2011: 260-1). This, as described below, not only has important consequences for the nature of jobs in the sector, but also for working conditions and employment status.

While sorting has been automated, the distribution networks have been subjected to a streamlining process in which the number of distribution bases has been reduced. Together, the automation of sorting centres and the streamlining of distribution networks helped to increase the speed of delivery and to meet the next-day delivery targets imposed as part of the universal service obligations (ibid.). However, while the speed of mail delivery has been increased, former monopolists have cut back their post office networks. German and Dutch Post no longer operate post offices, while the Swedish post has closed down all but a few offices (Dieke et al. 2013: 191). Polish Post has actually increased the number of post offices in recent years, but only in urban areas. In rural areas, the number of post offices is also decreasing (Kubisa 2013: 6).

The concentration of distribution networks has been complemented by a range of outsourcing measures (Brandt and Hermann 2012: 61-62). According to the German postal regulator, German Post deployed a total of more than 1,800 subcontractors in 2005, including taxi drivers who were hired to empty letterboxes and drive the mail to the next post office (Bundesnetzagentur 2007: 122). In a number of countries, former monopolists have outsourced the delivery of parcels and express mail to so-called service partners, which themselves outsource the tasks to self-employed deliverers (Haidinger 2012).

Another major area of outsourcing is the range of services offered by post offices. As mentioned before, the German and Dutch Post no longer operate their own postal outlets. Instead, they contract postal agencies to provide some of the former post-office services, including posting and pick-up services. The contractors include shops,

supermarkets, petrol stations and, in Austria, even municipalities that have taken over the local post office after it was closed down by the former monopolist. In Germany and Austria, the contractors also include local branches of the former post banks that were sold off by the ex-monopolists in the course of the liberalisation process (Dieke et al. 191-192).

The restructuring of the distribution networks was complemented by a reorganisation of the delivery routes. Here, two opposite trends have emerged: While Austrian Post has extended the length of average delivery routes, in the Netherlands delivery routes were shortened. The shortening has become possible since final sorting has been relocated from local offices to regional sorting centres. Instead of sorting mail before starting their tours, post deliverers pick up the fully sorted mail at a storage near to their delivery routes (Hermann 2011: 261). As described below, the shortening of delivery routes allowed for the transformation of full-time jobs into part-time positions.

3.4. *Low-tech, low labour costs and flexible structures*

While the former monopolists have invested heavily in new and labour-saving technology, new competitors in the liberalised letter markets typically pursue a low-tech, low-cost business strategy (Hermann 2011: 261-262). As described below, this strategy is highly dependent on the use of cheap labour. While the former monopolists are constrained by the need to utilise their costly infrastructures and to fulfil their universal service obligations, new competitors are eager to maintain a high level of flexibility and they do so by keeping fixed costs low.

One way of keeping fixed costs low is to grow through the cooperation with local providers rather than establishing a country-wide network. The insolvency of a German competitor has shown that the company was actually made up of almost 90 independent firms which cooperated under the umbrella of the PIN AG (Brandt and Hermann 2012: 63). The Spanish Unipost, itself a subsidiary of German Post, is pursuing a similar strategy and is growing by offering franchising agreements to local operators (Comisión Nacional de la Competencia 2011: 21). Another strategy is to deliver mail only two or three times a week instead of the five or six times expected from the universal service provider. This leaves more room for adaptation. The limitation of delivery days is possible because the mail can be delivered not only in the morning but also in the afternoon and some of it even at the weekend. In sum, the combination of low fixed costs and greater flexibility allows the competitors to compete with the former monopolists despite a much less technologically advanced delivery network (Hermann 2011: 261-262).

In Austria, Germany and the Netherlands, the former monopolists have emulated the competitors' advanced flexibility by setting up their own low-cost subsidiaries. The low-cost subsidiaries consequently allow them to keep competitors at bay. However, while the German and Dutch ex-monopolists have, in the meantime, terminated their low-cost subsidiaries as part of market consolidation processes, Austrian Post continues using its own low-cost provider in order to put pressure on its core workforces to accept

wage cuts and work intensification. Some former monopolists have also introduced cheaper mail categories to confront the business model of the new competitors (after massive investments in automation to reach the next-day delivery target). The Dutch Post, for example, offers a basic service for business customers that includes longer delivery times (48 or 72 hours instead of 24 hours) and delivery is restricted to three days a week (Dieke et al. 2013: 209).

However, despite the low-tech and low-labour costs strategy, many new competitors still struggle to generate sufficient revenues. According Dieke et al. (2013: 205), competitors tend to be significantly less profitable than former monopolists in the respective national letter markets. The insolvency of the German Pin Group has shown that competitors can expand too extensively and too fast. The recent exits of German Post from the Dutch letter market and of Dutch Post from the Austrian and other markets are also an indication of the economic difficulties faced by new competitors on shrinking letter markets.

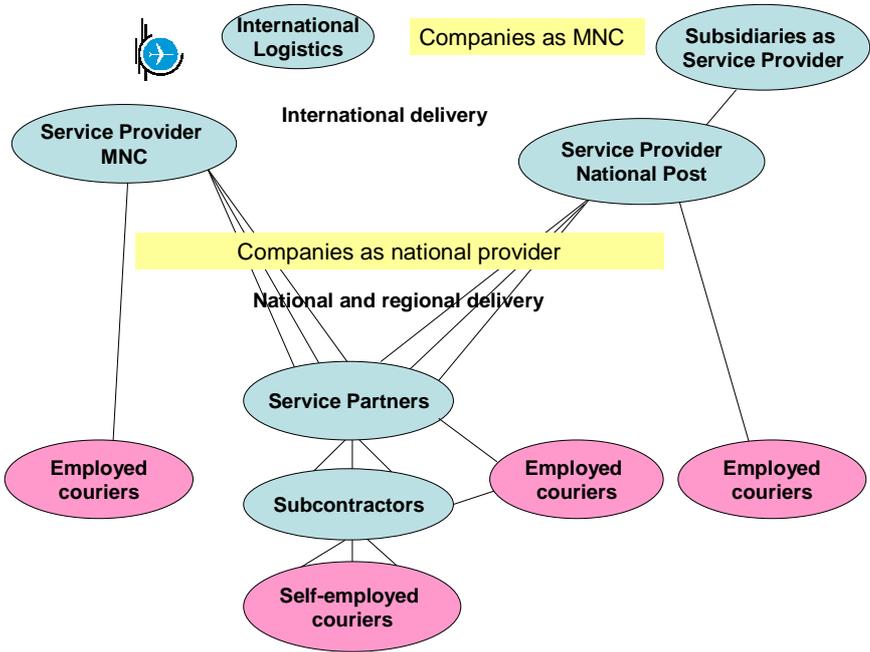
3.5. Global delivery chains and local subcontractors

Although not directly affected by the liberalisation process, the parcel and express service sector also underwent major changes in the past decades and with repercussions for the entire postal service sector. While in the letter market competition is limited, in the parcel and express delivery sector it is rather intensive with a number of different providers fighting for market shares. There are four global providers on the European markets, two from the United States (UPS and FedEx) and two from Europe (DHL and TNT). As mentioned before, the two European players are closely linked to the German and Dutch former monopolists (in the Dutch case until recently). In addition, the French and British monopolists have created European-wide and a number of other incumbents regional delivery networks (Dieke et al. 2013: 234). However, these companies are merely more than the backbone of the industry, providing the IT infrastructure and transport between different logistics centres (including air transport). Most of the manual work involved is outsourced to subcontractors and self-employed workers.

Bettina Haidinger (2012: 51-52) identifies four different segments in the global parcel and express service value chain: First, at the top end of the delivery chain, transnational corporations including former monopolists. Few of them still employ couriers themselves. Instead, they award contracts to so-called service partners. The second link in the chain, these service partners are small or medium-sized firms that in turn directly negotiate contracts with drivers or subcontractors stipulating the areas, prices, fines, appearance of vehicles and drivers for delivery and collection. While 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 transnational corporations. The third link in the delivery chain is either the self-employed driver, the employed driver, or, again, a smaller subcontracting entity hiring a few (self-)employed drivers for the delivery of the parcels.

Haidinger (ibid.) also notes that the business structures are not only vertically fragmented but that the working conditions and employment relations found within a single chain link can also differ substantially: they are different for postal workers and persons employed by the former incumbent postal service providers; couriers directly employed by a competing service provider; couriers employed by a subcontractor of the service provider; and self-employed drivers without employment contracts. As described below, the last group suffer from particularly poor employment and working conditions.

Figure 1: Global parcel and express delivery chains



Source: Haidinger 2012: 15.

4. CHANGES IN EMPLOYMENT AND WORKING CONDITIONS

4.1. Employment numbers

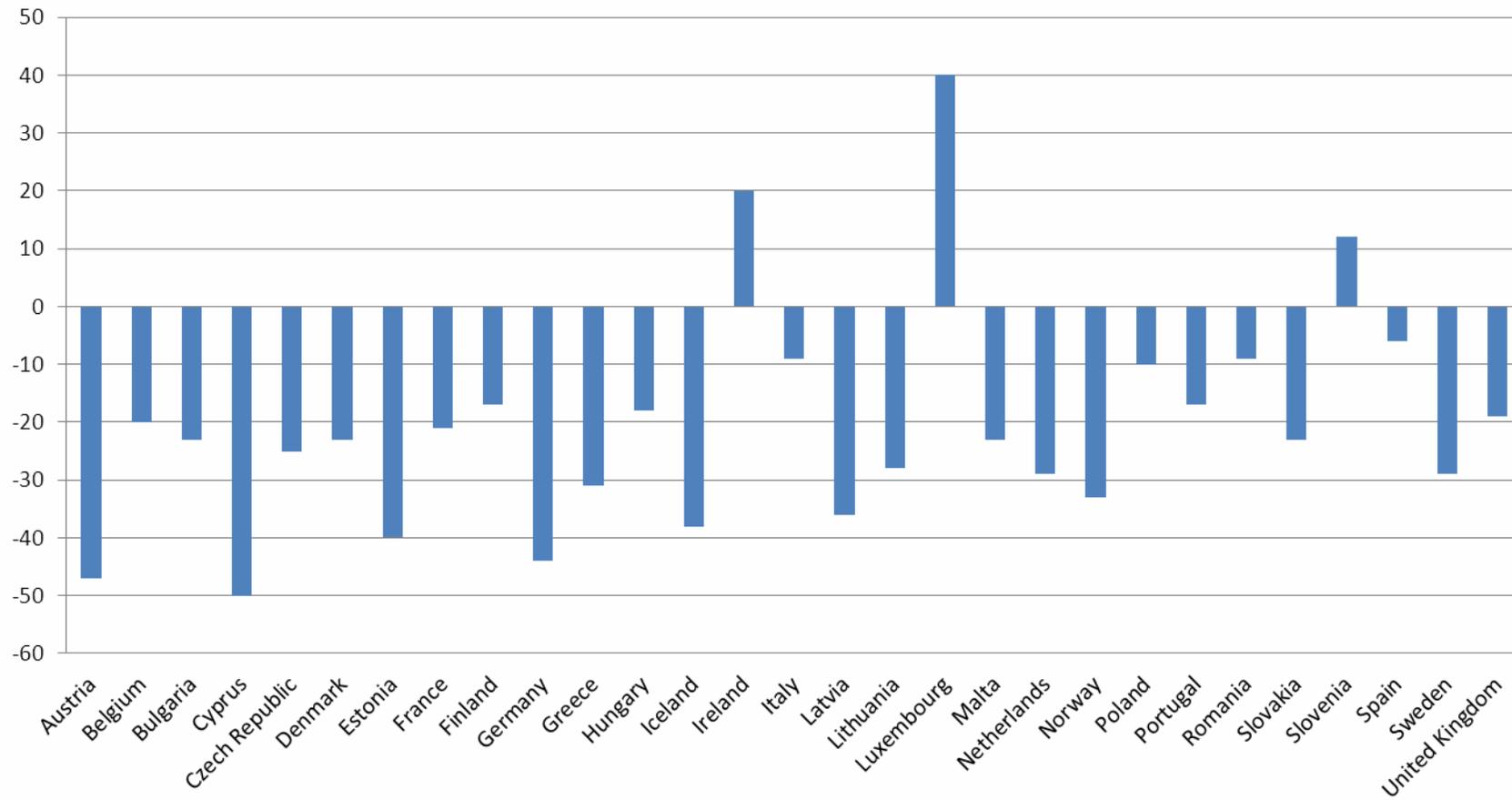
The assessment of the impact of liberalisation on European postal sector employment is not an easy task, for two reasons: First, there is a lack of comparable employment data in the postal sector and, second, employment changes are typically the result of an interplay of different forces and it is difficult to discern the effect of liberalisation from other developments, such as technological innovation.

However, the European Commission was not particularly cautious when it predicted in 2002 that the liberalisation of postal markets (as of other network industries) will result in net job gains: 'Market opening will help to expand the overall size of the postal markets, and any reductions in staff levels among the universal service providers due to such measures (or their anticipation) are likely to be offset by the resulting growth in employment among private operators and new market entrants.' (EC 2002) In their 2010-13 report on 'Main Developments in the Postal Sector', Dieke et al. (2013: 255) note that '[o]verall, the letters business ... has witnessed a slight reduction in the number of jobs in the last decade.' While this is a remarkable change from earlier assessments, which still assumed an increase in employment, it very likely is still an underestimation of the drop in employment numbers that has occurred since the start of the liberalisation process.

The lack of comparable data makes it necessary to use different sources to explore the employment changes that have taken place since the start of the liberalisation process. One such source is employment data from former monopolists, published by WIK Consulting in various reports on postal sector developments (especially 2009 and 2013). A comparison of the figures for 1998 and 2012 shows a clear picture: Former monopolists have drastically cut employment since the start of the liberalisation process. Of 33 companies overall, only three increased job levels, and all three (Ireland, Slovenia and Luxembourg) are from particularly small countries.⁵ 11 former monopolists cut employment by between 20 and 29%, 3 by between 30 and 39% and another 3 by 40% or more. The British former monopolist reduced job numbers by 19% between 2003 and 2012.

⁵ In Luxembourg, the growth in job numbers may partly be the result of an increase in part-time employment. Almost 40% of the staff there are employed on part-time contracts (Dieke et al. 266).

Figure 2: Changes in employment numbers former monopolists 1998-2012



However, these figures may even underestimate the real extent of changes in job numbers, as during the same period a number of former monopolists increased the share of part-time workers as part of the restructuring process (see below).⁶ In some cases, the 2012 figures may also include new employment created at foreign subsidiaries.⁷

While former monopolists have cut employment, new market entrants have created new jobs since the start of liberalisation. However, given the rather small market shares that have been acquired by the competitors since the start of the liberalisation process, they can hardly make up for the employment losses incurred at the former monopolists (see Figure 2 and Table 2). While only two countries have competitors with a total market share of 20% or above 16 countries have former monopolists with employment losses of more than 20%.

Dieke et al. (2013: 259) note that in most member states the new market entrants are of low significance for employment due to a low level of competition. In countries with substantial competition, however, 'the share of new entrants in sector employment corresponds approximately to their market share' (ibid.). This conclusion only holds if headcounts are compared. As described below, it is far too optimistic if the changes are counted in full-time equivalents. However, it is also worth noting that the reverse conclusion – countries with the deepest employment cuts at former monopolists are those with the largest amount of competition – does not hold at all. Austrian Post, for example, enjoys a market share of more than 98% but still eliminated 47% of jobs between 1999 and 2012. In Greece, Norway and Iceland the former monopolists have a similar dominant market position and reduced employment by between 31% and 38%. In Belgium, Denmark and Malta the former monopolists hold on to 95% of the market share and still cut employment by between 20% and 23% (see Table 1).

⁶ Employment data for Dutch Post refers to full-time equivalents.

⁷ Employment data for German Post refers to national employment (excluding employment in international subsidiaries).

Table 1: Changes in employment at former monopolists and market shares of new competitors

Employment losses at former monopolists (1998-2012)		Market shares of competitors in letter markets (2012)	
40% and more	Austria, Cyprus, Germany	20%	Netherlands, Romania
30-39%	Greece, Iceland, Norway	10%	Germany, Italy, Lithuania, Poland, Spain, Sweden
20-29%	Belgium, Bulgaria, Czech Republic, Denmark, Latvia, Lithuania, Malta, Netherlands, Slovakia, Sweden	5%	Bulgaria, Estonia, Slovakia, Slovenia
10-19%	Finland, Hungary, Italy, Poland, Portugal, United Kingdom	2%	Austria, Belgium, Cyprus, Denmark, Finland, France, Greece, Iceland, Hungary, Malta, Norway, Portugal, UK
10% and less	Spain; Romania		
Employment gains (1998-2012)	Ireland; Luxembourg; Slovenia		

Sources: Data from WIK Consulting 'Reports on Main Developments in the Postal Sector' and from additional sources; own calculation and compilation.

Germany is among those countries where new competitors have acquired a significant market share. However, if counted in full-time equivalents the employment created by the new market entrants can still not make up for the employment cuts at German Post. According to data from the German postal regulator, the former monopoly provider has cut employment in the letter segment by 38,000 workers since 1999 while employment at the new competitors amounted to 16,308 full-time equivalents in 2011 (Bundesnetzagentur 2013: 112). Even if some of the jobs that were made redundant at the former monopolist were part-time, which is rather unlikely given that the part-time rate at German Post has actually increased since 1999, there is still a significant gap between job losses and job gains in the consolidated German letter market.

In the Netherlands the situation is similar: Between 2002 and 2012, 34,000 near full-time jobs were lost at the former monopolist, while 22,000 jobs for post deliverers, mostly working half-time or less, were created by the new competitors (Van Klaveren 2013). In Spain, approximately 4,000 jobs lost at the former monopolist compare to an equal number of jobs created by the new competitors. But, here too, the majority of the newly created jobs are part-time.⁸ In Sweden, on the other hand, the 1,740 full-time equivalent jobs created by the main competitor by 2012 hardly compensate for the more than 12,000 jobs eliminated at the former monopolist between 1998 and 2008.

⁸ Interview Montserrat Mir, Confederación Sindical de Comisiones Obreras, 20 November 2013

Eurostat Labour Force Survey data does confirm the trend of decreasing employment in postal and courier activities but the evidence is much more inconclusive. Taken together, employment in the sector fell by almost 85,000 jobs, or 5%, between 2003 and 2012 in the 18 countries for which data is available.⁹ However, this overall reduction in employment has been due to quite diverse national experiences: Thus, in 9 countries employment in the sector declined, in 8 countries it increased and in one country it stagnated over the observation period. Furthermore, there is some insecurity as to the accuracy of the data set since Eurostat changed sector classifications in 2008.¹⁰ A division into sub-periods shows that employment tended to increase between 2003 and 2007 and tended to fall between 2008 and 2012 (see Table 2). Other data published by Eurostat shows an almost 30% fall in postal-sector employment between 2004 and 2010, but there is reason to believe that this data only covers the universal service providers (Dieke et al. 2013: 256). However, the 2003-2012 observation period may actually be too short to account for the full extent of change that has occurred since the start of the liberalisation process. The PIQUE project analysed postal sector employment data from national sources for the period between 1995 and 2005 for Austria, Belgium, Germany and Sweden and found a clear drop in employment numbers in all four countries (Kozek, Radzka and Hermann 2012: 131).

⁹ For some countries data was only available for a shorter time periods.

¹⁰ From NACE Rev.1 (641) to NACE Rev. 2 (53).

Table 2: Changes in employment numbers

Austria: Former monopolist 99-2012: -47%; LFS: 2003-12: -4% LFS 2003-7: -3% LFS 2008-12: -10%	Belgium: Former monopolist 98-2012: -20%	Bulgaria: Former monopolist 98-2010: -23%
Cyprus Former monopolist 98-2012: -50%	Czech Republic Former monopolist 98-2012: -25% LFS 2003-12: -3% LFS 2003-7: -12% LFS 2008-12: +7%	Denmark Former monopolist 99-2008: -23%
Estonia Former monopolist 98-2011: -40% LFS 2003-12: -53% LFS 2003-7: -25% LFS 2008-12: -24%	France Former monopolist 98-2012: -21% LFS 2003-12: -30% LFS 2003-7: -7% LFS 2008-12: -17%	Finland Former monopolist 98-2008: -17% LFS 2003-12: -9% LFS 2003-7: -4% LFS 2008-12: -2%
Germany Former monopolist 98-2012: -44% LFS: 2003-12: 0% LFS 2003-07: +8% LFS 2008-12: -4%	Greece Former monopolist 98-2011: -31% LFS: 2006-12: -36% LFS 2008-12: -17%	Hungary Former monopolist 98-2012: -18% LFS: 2003-12: 0% LFS 2003-2007: -2% LFS 2008-12: +17%
Iceland Former monopolist 98-2011: -38%	Ireland Former monopolist 98-2011: +20%	Italy Former monopolist 98-2012: -9% LFS: 2004-12: 0
Latvia Former monopolist 98-2010: -36%	Lithuania Former monopolist 98-2011: -28% LFS 2003-12: -10% LFS 2003-7: +24% LFS 2008-12: -4%	Luxembourg Former monopolist 98-2011: +40%
Malta Former monopolist 98-2012: -23%; LFS: 2003-12: 0%	Netherlands Former monopolist 98-2012: +7% FTE: 98-12: -29%	Norway Former monopolist 98-2012: -33%
Poland Former monopolist 98-2012: -10% LFS 2004-12: +20% LFS 2004-07: +16% LFS 2008-12: -1%	Portugal Former monopolist 98-2012: -17% LFS 2004-12: +9% LFS 2004-07: +3% LFS 2008-12: 0%	Romania Former monopolist 98-2012: -9% LFS 2004-12: +36% LFS 2004-7: +37%; LFS 2008-12: -2%
Slovakia Former monopolist 98-2012: -23% LFS 2003-12: +16% LFS 2003-07: +11% LFS 2008-12: -4%	Slovenia Former monopolist 98-2012: +12%	Spain Former monopolist 98-2012: -6% LFS 2003-12: +16% LFS 2003-07: +28% LFS 2008-12: -18%
Sweden Former monopolist 98-2008: -29% LFS 2006-12: -2%; 2008-12: -3%	United Kingdom Former monopolist 2003-12: -19% LFS 2009-12: -7%	

Sources: Data from WIK Consulting 'Reports on Main Developments in the Postal Sector' and from Eurostat Labour Force Survey; own calculation and compilation.

To which extent employment losses can be ascribed to liberalisation or other developments, such as technological innovation and decreasing mail volumes, is difficult to assess. However, from the PIQUE company case studies we know that competition and the pressure to increase profits played an important role in the restructuring processes at the former monopolists (Brandt and Hermann 2012).

New technology as such does not require postal companies to close down post offices and to outsource the related services to subcontractors, to the effect that some postal service providers no longer operate their own post office networks. In Austria, for example, employment in the post office network was reduced by 8,000 full-time equivalent jobs between 2002 and 2010 following the closure of 739 post offices during the same period (Rechnungshof 2011: 148). New technology is also not responsible for the reorganisation of delivery routes and the transformation of full-time into part-time jobs, even though new technology made these changes possible. Rather it is a combination of the availability of new technology and liberalisation-induced pressures to cut costs that led postal managers to make these decisions.

Furthermore, technological advancement not only helps companies to make do with less staff but could also be used to reduce work strains. Yet, the case studies carried out for the PIQUE project provide overwhelming evidence that work in postal services has become more intense and exhausting as a result of the changes introduced since the start of the liberalisation process – an observation that was not even disputed by management (Brandt and Hermann 2012: 70). In other words, even though liberalisation may not be the main cause of employment cuts, the pressures unleashed by the opening-up of postal markets certainly facilitated technological and organisational change, which allowed postal companies to pare down jobs, and consequently cut employment.

In some countries decreasing mail volumes also present a major challenge for former monopolists and for the maintenance of existing staff levels. In the Netherlands, for example, the mail volume declined by 26.5% between 2005 and 2012 (Van Klaveren 2013). However, liberalisation has further aggravated the problem as the loss of market shares to new market entrants has created additional stress for the former monopolist, who is dependent on high mail volumes to utilise its technologically advanced country-wide delivery network. Because of decreasing mail volumes and a loss of market shares, the former Dutch monopolist struggles with a 33% drop in letter post since 2005 (Van Klaveren 2013).

To some extent, decreasing mail volumes have been compensated for by increasing volumes in parcels and express services (causing some former monopolists to re-merge letter and parcel delivery after it had been separated in an earlier phase of the restructuring process). However, in the Netherlands the former monopolist can no longer profit from an expansion of the express services as in 2011 the mostly private shareholders succeeded to split the company into a Netherlands-only postal company and an internationally operating express service firm. The Dutch post has now only a minority share in TNT Express, the newly created company (Van Klaveren 2013). Hence the problems of the postal part of the former Dutch monopolist are not only the

result of falling mail volumes, but also of privatisation and the prevalence of private profit interests.

Other countries struggle with the effects of the financial crisis and its consequences. In Greece, for example, postal market revenues decreased by 26% between 2008 and 2012, employment declined by 25% at the former monopolist and by 17% in the entire postal sector. Greek GDP fell by 27% over the same period (Gavroglou 2013). Contrary to the trend in other countries, revenues from courier services also decreased during the crisis, even though to a lesser extent than in the universal service (*ibid.*).

4.2. Forms of employment

While the effect of liberalisation on employment is disputable, the consequences for employment conditions are rather clear. As evidence found in the PIQUE project has shown, liberalisation of the European postal sectors has resulted in an increase of atypical and, in part, precarious forms of employment (Brand and Hermann 2012: 65-66). This finding is largely confirmed by Dieke et al. (2013: 265), who, however, phrase it differently when they note that they have found increasing flexibility in employment contracts. The main forms of flexible employment used in the liberalised postal sectors are part-time contracts, temporary work and self-employment. While most companies have increased atypical employment, the specific types of contracts differ from country to country, between former monopolists and new competitors, as well as between different segments of the postal service sector.

Most former monopolists have increased the number of part-time workers since the start of the liberalisation process. However, the extent of part-time work differs considerably between countries. Some former monopolists have radically changed employment patterns and now mainly operate with part-time staff. The most radical example is the Dutch Post, where, meanwhile, nearly 80% of the workforce are employed on part-time contracts (Dieke et al. 2013: 266). In Cyprus and Lithuania, nearly 60% of the workers employed by the former monopolists work part-time and in Latvia and Luxembourg about 40%. In most of the other countries, the part-time rate is close or slightly above 20%, meaning that it is more or less the same as for the rest of the economy (*ibid.*). However, a part-time rate of 20% is still remarkable given that many former monopolists started from a comparably low level. Austrian Post, for example, almost doubled the part-time rate between 1998 and 2012 (Hermann 2009: 244-245).

The increase in part-time employment is closely linked to the reorganisation of the delivery network. As described before, some former monopolists have systematically shortened the delivery routes. As a result, near all part-time deliverers in the Netherlands work less than 20 hours a week (Van Klaveren 2013). As described below, the shift from full-time to part-time deliverers was accompanied by a re-definition of the deliverer job and significant wage losses. German Post has also reduced delivery routes and increased the proportion of part-time jobs in the urban areas but continued to

operate with full-time deliverers in the countryside (not least because deliverers in rural areas carry parcels as well as letters).¹¹ The Belgian Post also briefly experimented with the Dutch system of part-time deliverers in 2008 but had to abandon the plan after massive trade union protests (Vermandere and Van Gyes 2013). While some former monopolists have shortened delivery routes and use part-time staff, the Austrian and, more recently, the Belgian Post have extended the delivery routes of their full-time deliverers. In the Austrian case, the new delivery routes are up to twice as long as before liberalisation (Hermann 2009: 245; Vermandere and Van Gyes 2013).

Part-time work is even more widespread at the new competitors. The use of part-time staff is part of their flexible low-cost strategy with which new market entrants try to challenge the market dominance of the former monopolists (see above). According to 2006 figures from the German postal regulator, the part-time rate at German Post was 37.6% compared to 82.1% at the new competitors (Bundesnetzagentur 2007: 40-41). However, new market entrants not only rely on part-time contracts, they frequently use what in Germany is called ‘mini jobs’. Mini jobs are a form of very short part-time, amounting to an income of less than 400 euro a month. From an employer perspective, these jobs are particularly attractive because they do not require social security contributions. In 2006, 58% of jobs created by the new market entrants in Germany were mini jobs, compared to 3.8% at the former monopolist (ibid.). The Spanish competitors, too, operate mainly with part-time deliverers.¹² However, since the crisis they have also increasingly resorted to using a new form of labour contract that allows them to pay rates below minimum wages (Hermann 2013: 9).

Table 3: Employees in the German letter market (annual average 2006)

	German Post		Competitors		Total	
Full-time	92,413	62.4 %	8,618	17.9%	101,031	51.5 %
Part-time	50,116	33.8%	11,625	24.1%	61,741	31.5 %
Mini jobs	5,566	3.8 %	27,928	58.0%	33,494	17.0 %
In total	148,095	100%	48,171	100%	196,266	100%

Source: Bundesnetzagentur; published in Brandt and Hermann 2012.

While German competitors in the letter market mainly operate with mini jobs, new market entrants in other countries use self-employed deliverers. In these cases, deliverers lack the basic employment rights and social security coverage that comes with a regular employment contract. Until recently, most deliverers employed by the new competitors in the Netherlands were self-employed, and if they worked only for one company they rarely put in more than 8 hours per week (Van Klaveren 2013). They

¹¹ Interview Stephan Teuscher, ver.di, 5 July 2013.

¹² Interview Montserrat Mir, Confederación Sindical de Comisiones Obreras, 20 November 2013.

signed a so-called assignment agreement with their employer (*overeenkomst van opdracht*) and were paid according to a piece-rate system. After the trade unions had documented the low earnings of self-employed mail deliverers in the Dutch postal market, the government adopted legislation requiring the new competitors to limit the share of self-employed staff to 20% (ibid.). In Poland and Austria, the new competitors also operate with self-employed mail deliverers. However, while in Poland the proportion of self-employed workers is somewhat higher than 50%, in Austria it is even more than 90% (Kubisa 2013; Hermann 2009: 246-247).

Table 4: Employment at the new competitors in Poland (2012)

	Number	Percentage
Regular employment contracts	12,228	38
Self-employment and others	17,629	54
Agency workers	2,687	8

Source: Data collected by the Polish Office of Electronic Communication; published in Kubisa 2013.

Self-employment is particularly widespread in parcel delivery. As described above, the sector has undergone far-reaching changes in the past ten years. Following the example of UPS and Fedex which mainly use subcontractors and self-employed deliverers in Europe, European providers also started to outsource services. In the Netherlands, for example, 85% of the parcels sent through Dutch Post in 2010 were actually delivered by subcontractors, mainly using self-employed deliverers (Van Klaveren 2013). The self-employed deliverers not only suffer from comparably low hourly wages but also from long working hours. As Jörg Flecker, Bettina Haidinger and Annika Schönauer (2013: 15) note, for self-employed deliverers the working day “lasts from the first to the last parcel”. This, in practice, means “long working days of 10 to 15 hours, irrespective of regulations on working time, resting time, overtime and benefits”. Furthermore, as self-employed workers they “often bear the additional burdens and risks related to business fluctuation, vehicle maintenance and business administration” (ibid.).

In Greece, too, the working conditions and labour relations in the core companies are under the increasing pressure from subcontractors and self-employed deliverer (Gavroglou 2013). According to 2012 figures, Greek postal companies deployed 1,580 micro companies or contractors in parcel and express mail delivery. These so-called network associates accounted for approximately 10% of the workforce of the former monopolist and 60% of the staff of licensed courier services. This trend continued during the crisis. Hence, while Greek courier services dismissed 786 regular employees between 2011 and 2012, their affiliated networks hired 329 self-employed workers. ‘This type of outsourcing of postal activities from companies with established systems of industrial relations and regulated working conditions to independent contractors or agents with completely unregulated (and even... illegal) industrial relations and working conditions, is not utilized only by courier companies or private companies, but

extends to the former public monopolist. It is a process that is eroding the very foundations of labour regulation' (ibid.).

In some countries liberalisation have also resulted in an increase in temporary employment (Dieke et al. 2013: 267). Malta stands out, as here 32% of the workforce at the former monopolist are employed on a temporary basis. While Malta is an outlier, in Estonia the proportion is still 21%, in Greece 18%, in Poland and Ireland 14%, in the Czech Republic 13%, in Finland 12% and in Portugal 9%. In other countries for which data is available, the proportion of temporary workers is close to 5% (ibid.). The Belgian Post also used to have high levels of temporary staff, mainly to cover peak periods in its sorting centres but since 2009 has reduced the proportion to less than 1% (Vermandere and Van Gyes 2013). By contrast, the Polish Post mainly uses temporary contracts for newly hired workers. After a one-year 'trial' period on a temporary contract, the new employees are usually offered a permanent position (Kozek 2008).

In addition to the rise in atypical forms of employment, the postal sectors have also seen a decline in the number of postal workers with civil servant status. With the transformation of state enterprises into public limited companies, new workers were no longer hired as civil servants. As a result, civil servants have gradually been replaced by employees with private sector contracts and significantly less job security. An exception from this trend is Cyprus, where all workers at the former postal monopolist still enjoy civil servant status. In Belgium, civil servants make up for 59% and in France and Luxemburg for 50% of the former monopolist workforce. In Spain, the proportion is 41%, in Austria 40% and in Ireland 19%, whereas in the Czech Republic it has decreased to 10% and in Germany to 9% (Dieke et al. 2013). Because civil servants cannot be laid off except for special circumstances, former monopolists have widely used voluntary schemes, such as early retirement programmes and golden handshakes, to reduce employment (Brandt and Hermann 2012: 69).

Polish Post, for example, plans to cut employment by 12,000 persons by 2015. Workers who are leaving voluntarily are offered between 2 and 8 months of salary (Kubisa 2013: 15). While older workers are offered incentives to leave Polish Post, the company is hiring new staff, preferably aged between 30 and 40, with management skills and experience in private logistics companies (ibid.). The Austrian Post had a similar redundancy programme in the 1990s. In 1998, almost 2,000 employees opted for early retirement, while more than 300 took a golden handshake. In the latter case, it was predominately young and highly skilled workers who hoped for a second career in the then booming New Economy (Hermann 2011: 244). In addition, employees who did not leave voluntarily but were no longer needed were shifted into a special department where they had to show up every day for work without being given any work to do. The works council suspects that management hoped that some workers would rather quit than sit there and wait for retirement (ibid.).

4.3. Wages

Employment conditions also deteriorated with regard to the wages paid in the postal sector. As described above, the new competitors have usually adopted a flexible low-cost strategy. In this strategy, labour costs play a key role. Many competitors pay considerably lower wages than those offered by the former monopolist. This gave the former monopolists an argument to reduce the wages of its workforces. German post cut wages for newly hired workers by 30% in 2001; at Austrian Post employees receive 25% less pay if they were hired after 2008 (Brandt und Hermann 2012: 67-68). While the German trade union received an employment guarantee in exchange for the wage cut, i.e. management agreed to refrain from forced layoffs until 2005, in Austrian Post, the management in turn abandoned its plans to outsource parts of the delivery activities to its own low-cost subsidiary, which mainly operates with self-employed deliverers (ibid.).

In the Netherlands and in Belgium, wage cuts at the former monopolists were linked to the creation of a new job category, auxiliary or assistant deliverers (who are no longer expected to sort mail but to only deliver it with the help of GPS devices). In the Dutch case, these new *postbestellers* earn (per hour) about 40% less than the former *postbodes*, in Belgium the difference amounts to 5% (Van Klaveren 2013; Vermandere and Van Guys 2013). Since 2007, all newly hired deliverers at Dutch Post have been employed as *postbestellers*, to the effect that in 2012 80% of the delivery staff received the lower wage rate (Van Klaveren 2013). In Greece, workers at the former monopolist also had to take a 35% wage cut in 2009 as part of the country-wide austerity measures. However, here too, critics argued that the wages of postal sector workers were too high and needed to be adjusted to the salaries of private sector firms (Gavroglou 2013).

Table 5: Wage cuts at former monopolists

Austria	Belgium	Germany	Greece	Netherlands
-25% for newly hired workers (since 2009)	-5% for auxiliary deliverers (since 2012)	-30% for newly hired workers (since 2001)	-35% for all employees (since 2009)	-40% for auxiliary deliverers (since 2007)

Source: own compilation from various reports.

Some have argued that wage cuts at former monopolists are little more than an elimination of public sector wage premiums and an adjustment to market-based incomes (Copenhagen Economics 2010: 12-13). While it is debatable if this assumption is a sufficient justification for wage reductions, there is evidence that average postal sector wages are actually lower than average national or sector-wide wages. According to Dieke et al. (2013: 268), average wages at former monopolists are between 20 and 30% lower than national average wages. And with the exception of Poland and Slovenia, former postal monopolists also pay lower average wages than the wider transport and storage sector. Part of the wage gap can be explained by skill differences. Postal services are a sector with comparably low skill levels. However, these differences are

likely to increase in the years to come as workers on old wage schemes retire and are replaced by new staff with significantly lower salaries (ibid.).

While regular workers were confronted with wage cuts, management profited from higher wages and additional benefits, such as stock options. In Poland, a newspaper revealed that the newly appointed board at Polish Post are paid more than twenty times the average national wage with the approval of the government in spite of a public sector wage cap that limits maximum salaries to six times the average national wage. According to trade union sources, the board members also negotiated a ‘golden parachute’, which grants them 24 months of salary in the case that their contracts are terminated (Kubisa 2013).

Table 6: Average wages at former monopolists compared to other wages (2012)

Country	Average wage former monopolist, in euro	Average wage industry and service, in euro	Average wage transportation and storage, in euro	Former monopolist wage as % of industry and service	Former monopolist wage as % of transportation and storage
CZ	856		951		90
EE	540		832		65
FR	2,279	2,905		78	
HU	673	822		82	
IE	3,000	3,842	3,360	78	89
IT	2,233		2,309		97
LT	411		714		58
NL	2,700	3,816	3,453	71	78
PL	761		739		103
RO	384	489	512	78	75
SI	1,530		1,460		105
SK	638	899	796	71	80
NO	4,501		4,758		95

Source: Dieke et al. 2013: 268.

Despite the wage cuts, there are still significant wage differences between the former monopolists and the new competitors. In Germany and Austria, there still is a 30% gap between the lowest wages paid by the former monopolist and the wages paid by the new competitors. In Spain, the gap was about 35% before the outbreak of the crisis but may have increased to as much as 50% since the introduction of a major labour market reform that allows the new competitors to pay below minimum wages.¹³ Before the adoption of a new collective agreement, the difference in the Dutch mail market

¹³ Interview Montserrat Mir, Confederación Sindical de Comisiones Obreras, 20 November 2013.

accounted for almost 40%. However, the comparison of wages still underestimates the difference in labour costs as employees at former monopolists usually have shorter working hours, longer vacations and special leave arrangements, collectively agreed wage increases and additional benefits.

Table 7: Wage differentials between former monopolists and new competitors

	Hourly wage former monopolist – old regulation (lowest level, in euro)	Hourly wage former monopolist – new regulation (lowest level, in euro)	Hourly wage new competitors (average, in euro)
Germany	16.78	11.60	7.60-8.30
Netherlands	13.05	9.00	~ 6* (8.60)
Austria	10.85	8.68	~ 7*

*Average salary based on piece rates.

Source: Hermann 2011 updated.

Self-employed deliverers are paid by piece rate and in many cases the resulting hourly wages are below national or sectoral minimum wages. As described above, the low pay and poor working conditions of the self-employed deliverers in the Netherlands led to a public outcry, followed by a government initiative to regulate working conditions. As a result, the government forced the main competitor to transform 80% of the jobs into regular employment relations. With a regular employment relation, the post deliverers fall under the new collective agreement which in 2013 granted its delivery staff a 40% wage increase (Van Klaveren 2013). The new wage rate will be close to what the former monopolist pays its auxiliary deliverers. Employees at Dutch Post still enjoy a number of additional benefits, such as, for example, payments into a company pension fund but in general the liberalisation of the Dutch postal market has led to a convergence of postal sector wages to the national minimum wage (ibid.).

In Germany, by contrast, an attempt to introduce a sector-wide minimum wage failed in 2008. The service workers' union, ver.di, had concluded an agreement with German Post, which was then extended by the government to cover the entire sector. The agreement established a minimum rate of 8 euro per hour in East Germany and 9.80 euro in West Germany. At the time, competitors were still paying between 5 and 6 euro per hour and the former monopolist between 11.43 and 16.78 euro (Hermann 2009: 266). However, the new competitors have challenged the minimum wage at the administrative court, which subsequently suspended the measure (ibid.).

Self-employed deliverers in German parcel services are also far from earning a minimum wage. According to a study by Hajo Holst and Ingo Singe (2011: 60), piece rates of between 70 and 90 cent per delivered item amount to an average hourly wage of 5 euro. These workers can only survive by working 15-hour working days. However, the authors note that “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” (ibid.: 60).

4.4. Working conditions

Employment cuts, electronic surveillance and the promotion of piece-rate based wages or wage components have resulted in a widespread intensification of postal sector work. In the PIQUE case studies, very few interview partners did not mention the increasingly stressful nature of work, caused by an extension of delivery routes, or by under-staffing in post offices and sorting centres. Even managers confirmed that workloads have been increasing, even though, in their view, working conditions were too lax in the old system (Brandt and Hermann 2012: 70; Hermann 2009: 246).

Furthermore, the widespread elimination of staff reserves – based on the permanent monitoring and analysis of mail volumes – leads, in e.g. the case of sick leaves, to additional work for the remaining staff members, who are already struggling to cope with their workloads (Hermann 2009: 245-246). According to an Austrian trade union representative, the combination of wage cuts and deteriorating working conditions has made the job increasingly unattractive and has already led to problems in finding new workers.¹⁴ In some countries, the automation of final sorting, previously done by deliverers for their individual routes, has made the job more physically strenuous (Brandt and Hermann 2012: 69).

Especially older workers, who knew the system before liberalisation, experience the changes as a major deterioration of working and living conditions. They not only complain about increasing workloads and decreasing autonomy; they also suffer from a loss of positive identification with their job (Tschernitz, forthcoming). For many post(wo)men, the contact with local residents used to be an important part of the job. They not only delivered the mail but helped older people with small errands or talked to them about their problems. It was these extra services that made sure that post(wo)men were held in high esteem by local populations. The positive reputation, in turn, was an important element in the professional identity of many post(wo)men. With liberalisation and work intensification, there is no longer time for contact with residents and without the contact little is left that is enjoyable about the job. Similar changes took place within post offices. Through work intensification there is little time left to talk to customers and advise them on different options. The task is to limit the conversation to what is absolutely necessary. As an Austrian postal deliverer notes in an interview with a researcher, ‘all that counts is that the company makes money’. And a post office worker adds, ‘we are all numbers... we’re only here to sell’ (ibid.).

However, working conditions at new competitors can still be significantly worse. Here deliverers are partly self-employed and paid by piece rates. Hence the more mail they

¹⁴ Interview Martin Palensky, works council representative, Austrian Post, 11 July 2013.

deliver, the higher their wages. As one deliverer noted in an interview for the SODIPER research project: “We are all working 10.45 hours, eleven or 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” (quoted in Holst and Singe 2011: 64). The resulting stress levels are aggravated by a lack of social security and the lack of income in case of illness (ibid.: 70). Based on a series of case studies in four countries, Haidinger (2012: 53) states that ‘[h]igh work intensity has been described as a pressing issue everywhere, irrespective of employment/contract status.’ As a result, ‘[w]ork overload, physical and psychic stress are the little surprising consequences of this demanding and multifaceted work’ (ibid.).

4.5. Collective bargaining

The differences in wages and working conditions are the result of a lack of sector-wide regulations and the existence of two-tier labour relations regimes (Schulden and Brandt 2012: 140). The former monopoly providers typically have company-level collective agreements, which before liberalisation were, at the same time, also sector-wide agreements. However, as company agreements they did not cover the new competitors that emerged on the liberalised postal markets. As a result, only in 7 out of 21 EU member states on which data is available the market entrants are covered by a collective agreement (Dieke et al. 2013: 274).¹⁵ In Germany, one competitor has negotiated a company agreement with a small employer-friendly trade union, with wages that are significantly below the proposed postal-sector minimum wage. The agreement is strongly contested by ver.di, the largest trade union in the sector and the second-largest union in Germany.

Sweden is one of the few exceptions where the existence of strong collective regulations prevented a race to the bottom (Brandt and Hermann 2012: 66-67; Schulden and Brandt 2012: 143-144). Even though Sweden was one of the first countries in Europe to abandon its postal monopoly, Swedish trade unions quickly started to organise the workers at the new competitor and reached a collective agreement in the company’s second year of operation. Furthermore, the collective agreements at the former monopolist and the new market entrant are negotiated by the same trade union and employer organisation. The result was an upward adjustment process, with working conditions at the new competitor gradually improved to reach the standards of those at the former monopolist (Copenhagen Economics 2010: 12).

In the Netherlands the trade unions recently also reached an agreement that increases the wages at the main competitor to approximately the level paid for newly hired workers at the former monopolist. However, in the Dutch case the outcome was not an extension of the conditions in place at Dutch Post before the start of the liberalisation process. Instead the convergence of employment conditions in the Dutch postal market has involved an upward adjustment at the new competitors and a downward adjustment

¹⁵ CY, ES, FI, NL, SE, SI and NO.

at the former monopolist. In the first case, wages were increased by 40%, while in the second case they declined by 40%. The result is a convergence of postal sector wages to the national minimum wage (Van Klaveren 2013). The difference, perhaps, is that in Sweden sector-wide labour regulations shaped the liberalisation process, whereas in the Netherlands the liberalisation process shaped the new labour regulations.

However, the problem is not only the difference between former monopolists and new competitors, but also the increasingly diffuse boundaries of the postal sector. With the expansion of parcels and express services, transport sector companies have also become active in the distribution of postal items. In Belgium, parcel and express services are covered by the Joint Committee Transport, while the former monopolist is covered by the company based Joint Committee Bpost (Vermandere and Van Guys 2013). In Austria the situation is even more confusing. Here workers in the parcel and express mail sector are covered by six different collective agreements, with different employment and working conditions. Even Austrian Post's own subsidiary is covered by a different agreement than the parent company (Haidinger and Hermann 2008). In other countries the situation is even worse: In 13 out of 21 countries for which information is available subsidiaries of former monopolists operate without a collective agreement (Dieke et al. 2013: 275). Hence with few exceptions, liberalisation has resulted in a complex fragmentation of postal sector employment conditions. This fragmentation has facilitated the downward pressure on wages and working conditions at former monopolists and makes the improvement of the situation at the new competitors extremely difficult (Brand and Hermann 2012: 66-68; Schulten and Brandt 2012: 143-144).

Table 8: Collective bargaining in the postal sector (letter market)

	Austria	Belgium	Germany	Poland	Sweden	UK
Former monopolist	Company agreement	Company agreement	Company agreement	Company agreement	Company agreement	Company agreement
New competitors	Various sectoral and company agreements. No bargaining for self-employed deliverers	Agreement for parcel delivery	One contested agreement, other agreements are being negotiated	No agreements	Company agreement	No agreements

Source: Schulten and Brandt 2012; updated.

The growing fragmentation of postal sector bargaining systems is underpinned by considerable differences in trade union membership and, consequently, in bargaining power (Brandt and Hermann 2012: 68). Even though trade union membership at the former monopolists has often seen a decrease since the start of the liberalisation process, it is still considerably higher than the national average (except for France) and much higher than at the new competitors, which often lack any trade union representation. In 8 out of 23 countries for which data is available 80% or more of the

workforce at the former monopolists are unionised and in 6 countries the proportion is between 60 and 79% (Dieke et al. 2013: 281). At the new competitors unionisation rates are usually considerably lower. In Austria, for example, the unionisation rate among new competitors' regular staff is less than 10%. If the self-employed workers are taken into account, it is minuscule (Brandt and Hermann: 68; Hermann 2009: 249).

Part of the problem is that workers at new competitors often work part-time, many only for a few hours per week, or they are self-employed. They see their job as a temporary commitment or as an additional source of income as students, housewives or pensioners. As a result, they are reluctant to struggle for long-term improvements, which they may not benefit from or which may not be relevant for their personal living conditions (Hermann 2011: 264). Trade unions, therefore, have had a hard time to organise workers at the new work sites and, despite some successes, have mostly failed to overcome the divide between former monopolists and new competitors (Hermann, Kubisa and Schulten 2012: 154-155). A notable exception is Sweden, where more than 50% of the mostly young workers at the main competitor have joined the trade union. It is not by chance that in Sweden employment and working conditions have remained comparably stable since liberalisation, whereas in many other countries competition led to a significant deterioration of postal sector labour standards and to the emergence of two-tier or three-tier labour relations systems (Brandt and Hermann 2012: 68).

CONCLUSIONS

Supporters of the liberalisation of European postal markets, including the European Commission, have promised better services at lower prices and the creation of more employment. Fourteen years after the start of the liberalisation process the outcome of liberalisation and, in some countries, privatisation is rather sobering. Prices may have gone down for large customers who can negotiate individual rebates, but not necessarily for regular users who pay according to standard tariffs. Quality increased in some respects, including the shortening of delivery times for mail sent with the former monopolists, but deteriorated in others, such as longer waiting times at post offices. Furthermore, liberalisation also resulted in the establishment of a series of new competitors who mainly focus on lucrative clients and highly populated areas while pursuing a low-cost, low-quality business strategy. Interestingly, it is often the former monopolists complaining about the low-cost competition in their own countries who apply the same strategy with their foreign subsidiaries.

However, despite the low-cost strategy, it has proven rather difficult for the new competitors to establish a profit-making business in a shrinking mail market (only in a few countries, the competitors in the mail market have acquired a significant market share). For the former monopolists, the new competitors further aggravate the problem of decreasing mail volumes, which renders their highly automated infrastructures increasingly unprofitable. While letter volumes are decreasing, the parcel and express service business is booming. However, here the former monopolists are competing with global companies who have outsourced large parts of the delivery activities to subcontractors and self-employed deliverers.

While the general outcome of the liberalisation process is debatable, from the workers' point of view the changes are rather disastrous. Investments in new technology and the pressure to reduce labour costs have caused the former monopolists to drastically cut back employment numbers. It is true that the new market entrants have created new jobs but, counted as full-time equivalents, these jobs cannot compensate for the job losses incurred at the former monopolists. Hence, the European Commission was wrong to predict that liberalisation will create more jobs than those existing under monopoly conditions.

However, what is even more important is that regular full-time jobs have increasingly been replaced by atypical employment relations that not only provide less employment security, but also pay significantly lower wages. In connection with their low-cost strategy, new competitors either employ workers on short part-time contracts or as self-employed deliverers. The latter are not only paid by piece rates, but also lack basic employment and social security. In both cases the income is clearly not enough to cover minimum living expenses. Competition and the pursuit of higher profits have also encouraged the former monopolists to cut wages for newly hired workers or workers employed as assistant mail deliverers. In the parcel and express service industry the situation is even worse: Here the former monopolists and the global express service providers increasingly rely on subcontractors and on self-employed deliverers who are

paid sub-standard hourly wages. Yet while self-employed deliverers in the mail segment typically work for between 8 and 12 hours per week, self-employed parcel deliverers work up to 15 hours per day.

In sum, liberalisation has profoundly changed what used to be a reservoir of stable and decent-paying jobs for low-skilled workers. Increasing parts of the postal sector are becoming low-wage segments that barely pay more than the national minimum wage. In the case of self-employed workers, wages often do not even reach the minimum. However, postal sector jobs have not only become increasingly precarious; they are also increasingly intense. Reduced staff numbers, together with the application of new control and planning measures, have meant that individual workloads have risen in recent years. Working conditions are particularly strenuous for the self-employed deliverers of parcels and express mail. Paid by per delivered item, they are under permanent stress to finish their routes while struggling with traffic congestions and other unexpected problems. However, post(wo)men not only complain about increasing workloads; they also complain about a more profound change in the nature of their job. Whereas previously the job involved extensive customer contact, especially with residents who usually knew their local post(wo)men, now workers are expected to limit contact to what is absolutely necessary – in the Polish case deliverers who were paid bonuses according to delivered items even avoided contact by leaving parcel delivery notes in the mailboxes rather than checking if somebody was at home.

Deteriorating employment and working conditions, as well as the replacement of civil servants with workers with private sector employment status, has made the job less attractive and increased staff turnover. In the case of the new competitors, the workers are likely to stay on for little more than a few months until they find a better job. For many workers, delivering mail also is just an additional source of income, to pay for student expenses or to improve their pensions or family income. The decreasing identification with the job has made it difficult for union organisers to convince workers at the new competitors to join a trade union.

To some extent, the changes are also a result of the introduction of new technologies. Automated mail sorting has reduced the need for workers while the automation of final sorting and the invention of GPS devices has made it possible to significantly shorten delivery routes and to deploy inexperienced workers. However, technology is hardly the sole cause of the changes in the sector. Much rather, it is a combination of new technology and the search for cost savings that has resulted in continuous job cuts, dequalification and tighter monitoring. Even though technology could also be used to improve working conditions and reduce workloads, there is little evidence that it is put to this purpose in the liberalised postal sector.

The growing fragmentation of postal-sector employment relations is underpinned by similar divisions in the collective bargaining systems. Usually the former monopolists are covered by a company agreement whereas the new competitors mostly operate without collective labour standards (other than those imposed by law). In the few cases where they are covered by an agreement the employment standards are typically lower than those provided at the former monopolists. There are only a few cases where labour

regulations have prevented the emergence of two-tier labour relations systems. In Sweden, the fact that the new competitor adopted a collective agreement similar to that in place at the former monopolist has taken wages out of competition and prevented a race to the bottom. In the Netherlands, the former monopolist and the new competitor also have similar wage levels for newly hired workers. However, in the Dutch case the common wage floor was the result of the liberalisation process rather than a condition under which competition could develop (as in the Swedish case). Competition created massive pressure for the wages at the former monopolist, while a public campaign and government intervention forced the new competitors to transform self-employed worker into regular employees and increase their salaries. As a result, wages in the Dutch postal sector converged to the national minimum wage, whereas in Sweden postal sector wage levels were largely upheld during the liberalisation process.

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