

Diversification in the Postal Sector



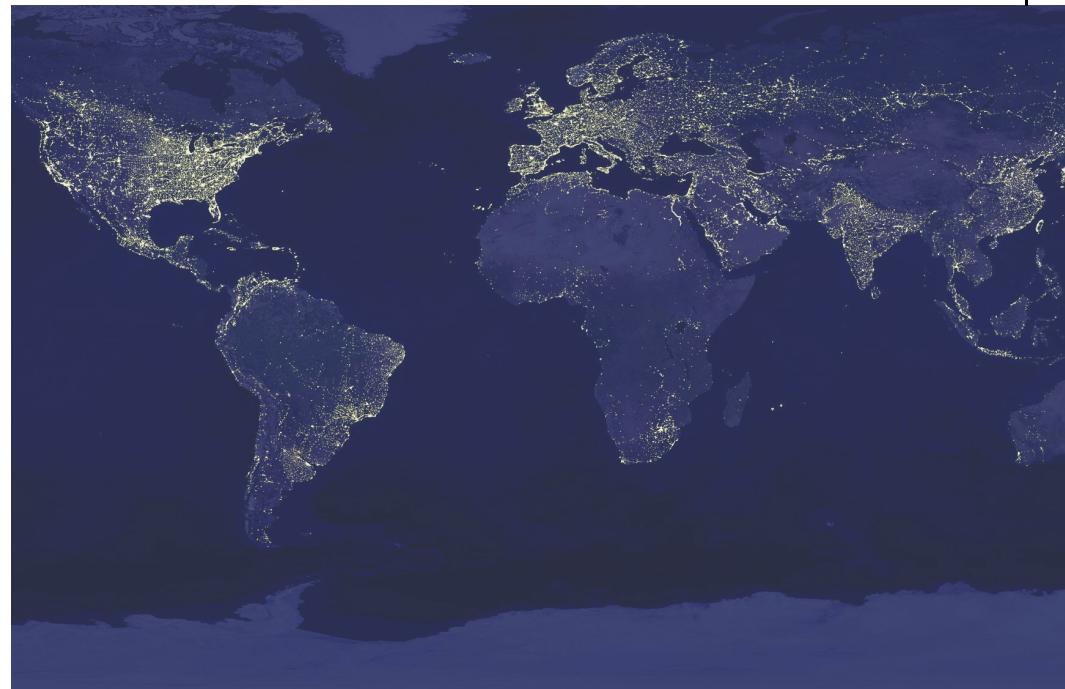
INTRODUCTION

As a result of e-substitution, loss of letter volume, competition and the booming e-commerce market, postal companies have started to diversify into other services in order to remain successful.

Diversification assumes many forms and requires different labour skills, the restructuring of business models and answers from postal unions.

UNI Post&Logistics decided in June 2018 to carry out an internal survey on diversification in post and a questionnaire was sent out to UNI affiliates throughout the world. Answers from 28 postal unions in 26 countries in all 4 regions have been received. The 26 countries cover more than half of all postal workers and give a good overview of the impact of diversification on postal workers.

The analysis provided in this survey should support unions understand global developments in the postal sector and enable them to build networks around new services and challenges.



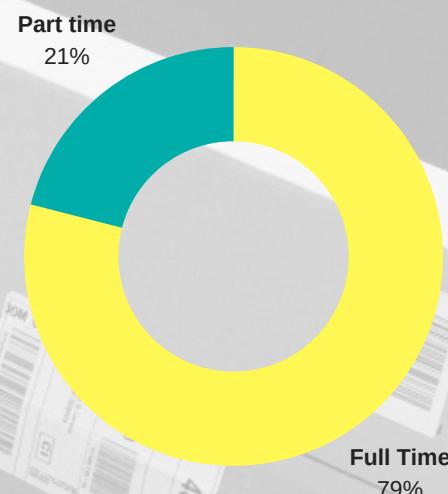
GENERAL OVERVIEW

According to the UPU Postal Economic Outlook 2018, the revenue generated worldwide by letters has shrunk by 10% over the last 10 years. Copenhagen Economics observed in their recent publication "Main Development in the Postal Sector (2013-2016)" that there is an annual loss in letter volume of 5% within the EU. This loss has to be compensated by restructuring measures in the postal network and by diversifying into other services.

In 2016, the UPU estimated the number of post offices at 677.347 globally.

Designated operators employed 5.32 million workers in the sector. Half of the global postal workers, i.e. 2.52 million, are employed in the 26 countries covered by this study. Therefore, the results can be assumed to be representative on a global level, even though some regions are represented more strongly than others.

This study is intended to provide an overview of recent developments and their impact on postal unions and postal companies in terms of diversification. Other developments relating to the universal service obligation or the postal network have not been considered. The questionnaire was also designed to collect general data about the postal sector in order to be able to place certain developments in an overall context. Other research studies have also been included in the analysis so as to provide a more complete picture.



DIVERSIFICATION TRENDS

Logistics

The majority of postal companies covered by the study have already diversified into logistics (88%) using their existing network to provide logistics services. Diversifying into logistics depends on retaining a combined letter and parcel delivery network or developing a separate one for parcels based on demand from e-retailers and national/international competition.

Some postal companies have chosen to acquire an existing logistics company. This was the case in Japan, where the company recently bought TOLL, an Australian logistics company. Others like La Poste established their own logistics brands with Chronopost and Geopost which relies on the extensive use of franchising and sub-contracting activities, the use of start-ups to support their international activities.

Poste Italiane signed an exclusive contract with Amazon to deliver customers' purchases. Singapore Post decided to cooperate directly with an e-retailer providing warehouse services including storage, packaging and the shipping of goods. Deutsche Post DHL offers supply chain solutions for big customers like Volkswagen.

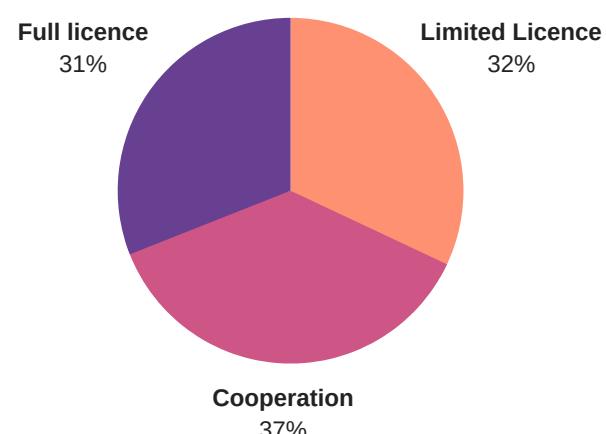


Financial services

In second place, we observe that 73% of postal companies provide financial services.

Post offices usually provide financial services in three different ways: in cooperation with banks or other financial service providers like Western Union; or they have full or limited banking licences. These different cooperation models define which range of financial services can be provided by the postal companies. While some postal companies include the payment of pensions, others like Canada are providing basic financial services in rural areas and therefore cover a niche market. In France, the provision of financial services has been included in the national universal service obligation for post.

The inclusion of financial services requires other skills from postal employees, in addition to having to adapt post offices to meet security standards. The example of Austria shows the importance of good working regulation for postal employees. The cooperation between Austrian Post and the BAWAG bank was terminated at the end of 2017 after a dispute regarding the sales and advisory service performance of postal employees.



OTHER SERVICES

In third place we have approximately 55% of postal companies that provide insurance or retail services through their post office branches. There is a wide range of insurance products that are offered by postal companies either in cooperation, like Pakistan Post (life insurance), or as a licensee, like in Japan.

Postal employees have the same challenges selling insurance products as in selling financial products, but without the security risks as they don't have to handle any cash. Here it is important to have strong regulations to limit sales and advisory services.

Post offices not only sell stamps and envelopes but also general office supplies, mobile phones, gift cards, etc. In terms of the post office branch network, we have identified two trends. In some countries the postal network has been completely shut down and instead the postal companies work with petrol (gas) stations, grocery stores, and tobacco shops etc. to create postal points with a limited range of services.

Other countries decided to redesign their post offices and to offer a wide range of products to their customers, transforming post offices into a kind of office supply and grocery store. Additionally, 50% of postal companies allow external service providers to offer services in the post offices. Many post offices have a cooperation agreement with mobile phone companies, electricity companies, TV service providers, etc. Usually these companies rent a separate space and have their own staff in the post offices.

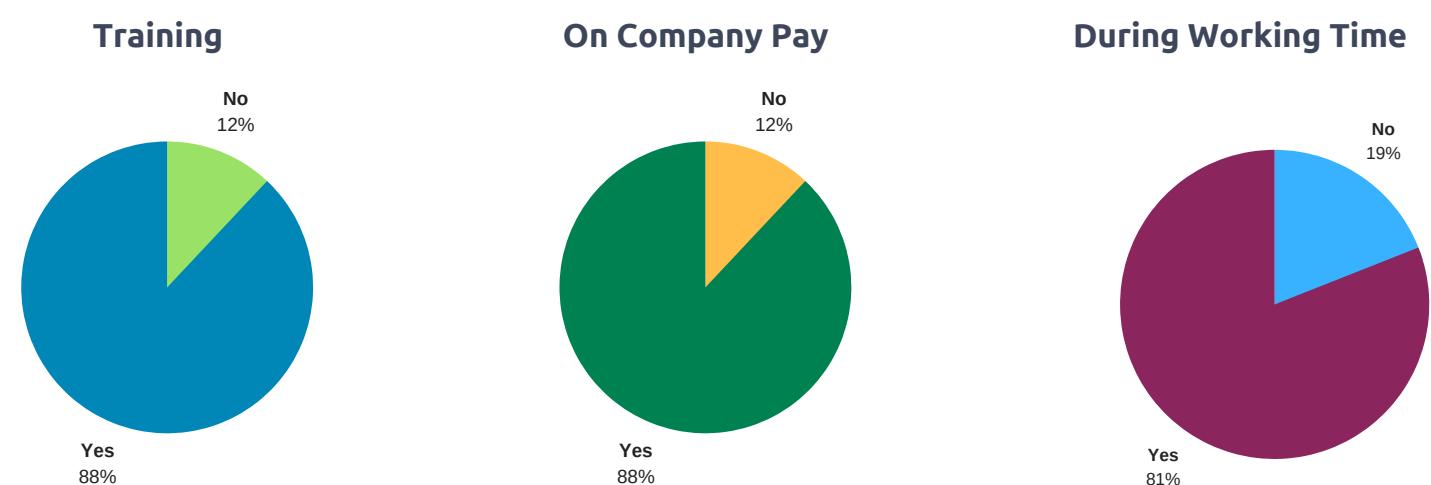
The range of new services provided by the postal companies is relatively broad and covers social services (France, Finland, Japan and Kenya), security services (Poland), food delivery (Finland, France and Switzerland), electricity services (Greece), electricity/gas meter services (Portugal), recycling services (Singapore) or real estate (Japan), etc. The companies try to use existing networks and/or employees for these services.

TRAINING

89% of the postal unions indicated that postal companies provided special training for new services. The training is paid by the company and organised during working hours. The number of training days differs from country to country. The vast majority of postal companies, around 81%, provide training during working hours and even more postal companies, almost 90% or 23 out of 26, pay for employees' training.

Postal companies clearly recognise the need for employee re-skilling and training, and

are also ready to invest in that training. This real issue here, and one that is not covered in the survey, is the content of training programmes and the selection of participants. In some cases, the purpose is to provide employees with a new skill-set so that they can be employed in different activities in the event of redundancies. PostNL used this model as part of the social plan negotiated with the unions when they wanted to reduced their workforce.



COLLECTIVE BARGAINING

Due to new technologies, diversification and outsourcing, there is a need for unions to integrate new needs and demands in their collective bargaining strategies. UNI Global Union covered some ideas and recommendations in their policy papers on Workers' Data Protection and Principles for Ethical Use of Artificial Intelligence.

Here are three examples where workers are faced with new challenges and need union protection: the use of google glasses to measure performance in warehouses based on algorithms; GPS based route optimisation programmes; and outsourcing of delivery to crowd-sourced delivery models like Uber.

The three examples mentioned above have a massive impact on the daily lives of postal workers. Therefore, we used the survey to ask if unions have special regulations in place which go beyond the normal coverage of the collective

agreement to protect workers and to address health & safety issues in connection with the new services or technologies, stress and data protection.

The great majority of postal workers worldwide, 64%, are represented by one or more postal unions in the countries covered in the survey. This power ensures a good representation within collective bargaining and stable working conditions for regular and traditional postal employees.

The challenge for postal unions is to cover needs raised by new services, address issues relating to new technologies and ensure workers enjoy full data protection. We discovered that only 23% of postal unions have special mechanisms in place to guarantee data protection, and only 27% regulate the use of new technologies in their collective agreements.



Meet the UPS chatbot

About the UPS chatbot

Available through Facebook Messenger, Skype, Alexa and the Google Assistant

UPS Invests \$1 billion a year in technology

How it can help you:

- Assists with tracking packages, getting shipping quotes and finding UPS® locations
- Now accessible through AI assistants the Google Assistant and Amazon's Echo devices.
- Responds immediately in conversational language

Chatbot Is Integrated With UPS My Choice®

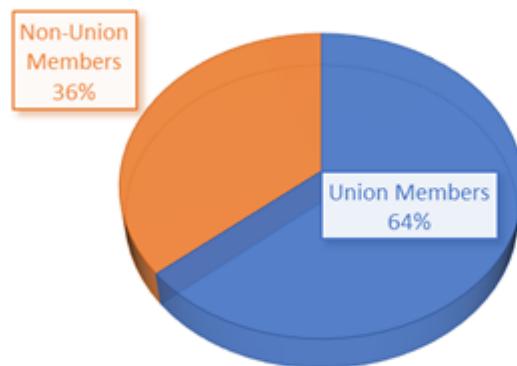
UPS My Choice® service members can obtain information on incoming and recently delivered packages via the UPS chatbot without providing a tracking number.

UPS My Choice® has more than 43 million members

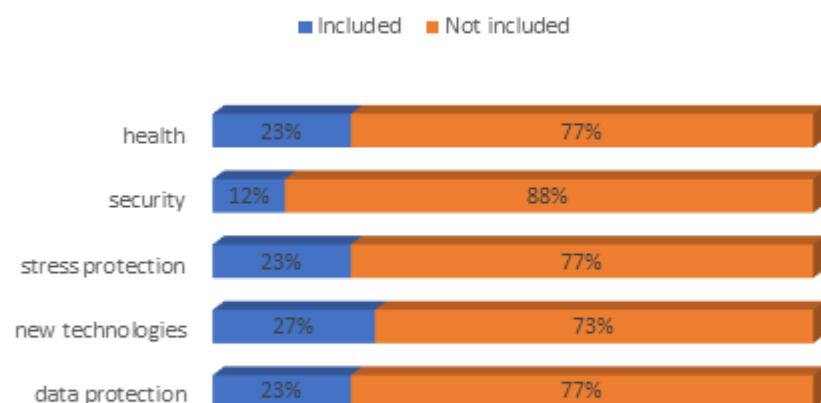


Countries that have fully integrated these aspects in their collective bargaining strategies on new services and new technologies are: Pakistan and France. Some of the issues have been partially reflected in Bangladesh, the UK, the US, India, Ireland and Germany.

UNION AFFILIATION



COLLECTIVE AGREEMENTS



Outsourcing

The survey showed that 100% of the postal companies have diversified into other services. 70% of postal companies outsource parts of their business and all national postal sectors are facing competition in the CEP business which is growing due to the growth of e-commerce. Outsourcing takes place in all activities within the postal company, especially in post offices via the creation of postal access points, in delivery by sub-contractors and in sorting during peak-times by temporary agency workers. The UPU postal economic outlook 2018 states that 239,163 post offices or 35% have been outsourced globally.

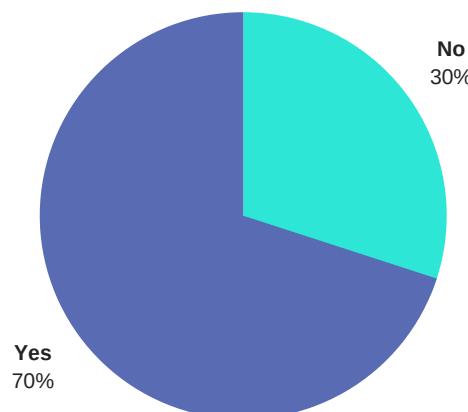
In Germany, Deutsche Post uses sub-contracted transport to shift mail between sorting and delivery centres, to collect mail from letter boxes and for parcel delivery. In their current negotiations for a new collective agreement, Canada Post has asked to be able to recruit additional temporary employees during the periods from November to January. These temporary employees would be utilized as part-time relief letter carriers.

This implies that many new workers and new forms of employment are emerging in the sector, and

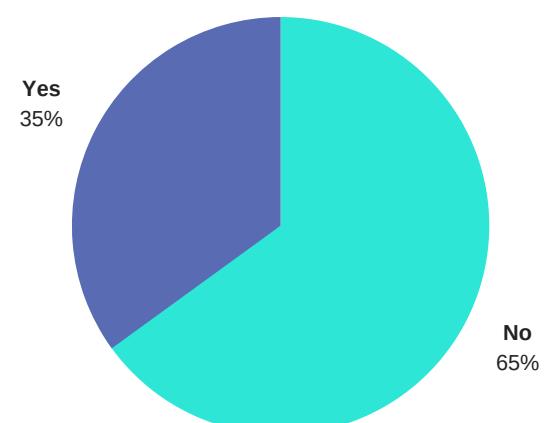
traditional postal workers are being partially replaced by new service workers, delivery workers, sales staff, financial advisers, etc. As a result, trade unions must prepare for these changes. It also means that employees working in the same office, doing the same jobs or carrying out traditional postal activities may be subject to different working conditions. In many cases they are not even represented by the same union. This may cause social dumping or a split within the workforce. And in cases of disputes do arise, such situations could weaken the whole of the labour movement. Some companies – this is particularly true in Germany - like to make the differences visible by getting their employees to wear different uniforms.

Our analysis of the survey shows that many unions haven't totally adapted to the new situation yet. While 70% of postal companies outsource parts of their activities, only 35% of the trade unions indicated that they organise outsourced workers. The figures are in line with the European trend as the Main Development study found that 69% of USPs use sub-contracted and/or self-employed workers to perform some of their activities.

**COMPANY
OUTSOURCED
ACTIVITIES**



**UNION ORGANISING
OUTSOURCED
WORKERS**



It is important to know how activities are outsourced and to whom. Essentially, postal companies outsource in three ways; by using sub-contractors, by using self-employed persons or by using time agency workers. The Study on Main Developments in the Postal Sector 2013-2016 shows that in Europe 69% of the USPs use one of the three options.

The issue of outsourcing can be found in USPs as well as in CEP activities. In both cases unions try to exert pressure by demanding that only contracted workers be used. Some companies have offered their sub-contracted drivers full-time unlimited contracts, but often under worse the conditions, as in the case of PostNL in the Netherlands.

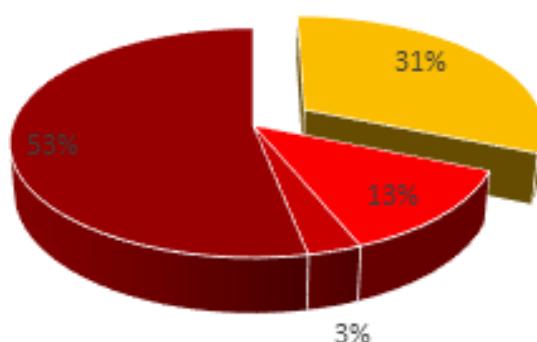
In the UK, DPD recently created its own hybrid employment/self-employed model, which it called "owner-driver-worker" model. The company sells the idea to drivers by telling them that they are getting some of the advantages of contracted workers plus the flexibility of self-employed drivers. In reality, the number of drivers switching to the new model is quite low and the unions see it as a risk as drivers earn less but they also do not have the same

insurance cover or social benefits. However, it does give unions the opportunity to start organising self-employed drivers as the new model allows them to officially represent these workers as a union.

50% of post offices provide external services through external companies. In 62% of the postal companies, postal workers perform combined traditional postal work activities and new services, but only 5 unions out of 28 could specify how the work is exactly split.

The pressure on postal workers' salaries and working conditions is increasing due to outsourcing, social dumping and non-unionised workers employed by competitors.

Outsourcing in Europe



- Use non of those employment types
- Use both self-employment and sub-contracted workers
- use only self-employment
- use only sub-contracted workers

Competitors

Since liberalisation, there is virtually no end-to-end competition for Universal Service Providers in the letter market. The licences for providing postal services in deregulated countries such as within the EU may have reached quite a high number, but the effective market share of alternative postal operators is stable at around 10% and highly concentrated in urban and profitable areas with a high density. In some example we see a competition in up-stream or down-stream activities depending on existing legislation and regulations.



In the parcel market, which has never been a reserved area in post, competition has been traditionally high. As the market grows in response to the e-commerce boom, competition is growing as well. Globally, an average 23% of USP's revenue is generated by parcel & logistics services. International parcel post represents 1.3% of the total parcel volume.

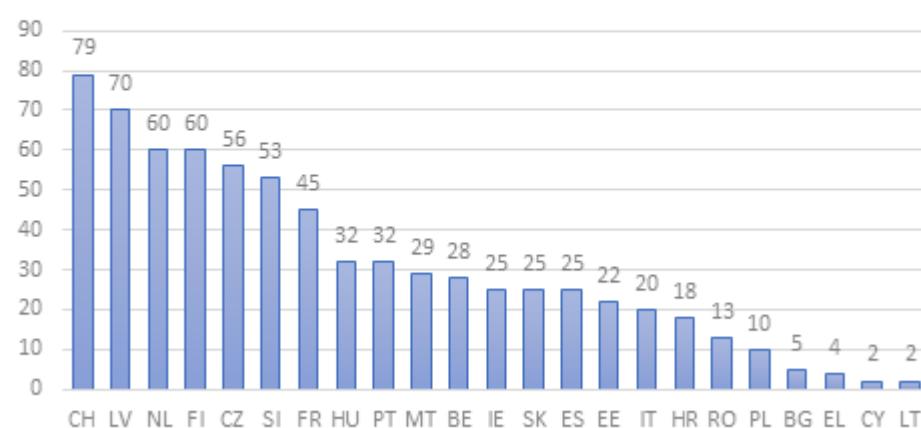
Domestic parcels increased globally by 12.5% between 2015 and 2016. International parcels increased globally by 4.5% in 2017 after an average growth of over 8% between 2011 and 2014. The competition is composed of regional or national enterprises, but also multinational companies.

In Europe, the study on Main Developments in the Postal Sector 2013-2016 shows that the average market share of the USPs in the parcel & express market stands at 31%.

UNI Global Union together with the International Transport Workers Federation (ITF) created the Global Delivery Network to bring together unions from the postal, logistics and transport sector to share experiences and coordinate their strategy in multinational companies. Globally, courier services not provided by DHL, FedEx, UPS or TNT have a combined market share of only 11%. DHL as well as DPD-Geoposte claim to be active in 220 countries and territories worldwide. DHL as the biggest global courier company currently employs around 350,000 employees.

This gives them a dominant position within the sector in terms of services but also working conditions and salaries.

Market share of USPs in the domestic parcel & express segment, 2016



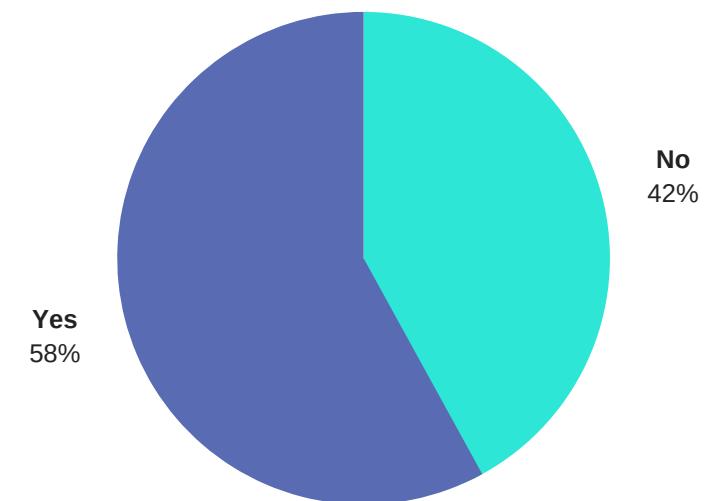
Due to diversification, postal companies also compete with other financial institutes, insurance companies, retailers and social organisations. Hence the need to cooperate with other sectoral unions and to organise employees working in the competitor companies so as to avoid social dumping and resist downward pressure on working conditions and salaries.

The survey showed that for the moment only 42% of the postal unions are also active in the competitor companies.

This could weaken the position of postal unions as competition in some segments of postal companies' activities is increasing.

Finally, we have identified another trend in the postal sector. After Amazon took the lead by introducing its own delivery model in the US, some companies started to create their own crowd-sourced delivery models using platform workers for parcel delivery who are paid per piece delivered and are registered in a kind of Uber model.

POSTAL UNIONS ORGANISING WORKERS EMPLOYED BY COMPETITOR COMPANIES



As the business model is based on private persons registered on an online platform, it will be a challenge for trade unions to represent them and avoid the undermining of working conditions in the postal sector. Political solutions will have to be found in order to regulate terms and conditions for delivery services.





CONCLUSIONS

Vast changes are sweeping through the postal sector as a result of e-substitution, diversification, new technologies and the growth of e-commerce. Postal companies are developing different strategies to make up for the loss in letter volume and to be competitive in the parcel sector. This development comes in combination with structural change within the companies regarding outsourcing, sub-contracting and the downsizing of the network and employment.

Prepare better for market changes

Trade unions must lead the discussions and have a say in the future structure of postal companies.

This requires strong unions within the postal companies who are seen as an equal partner. Unions must also carry out lobby activities at the political level.

The definition of the universal service obligation must change in the future as the needs and demands of citizens have changed due to digitalisation.

New technologies must serve people and not be introduced for the sole purpose of generating a profit. Unions should be involved in the introduction of new technologies and make risk assessments in order to negotiate collective agreements which include protection and safeguard measures for workers.

Competition must be controlled and regulated to avoid social dumping in post, but also in financial services. Therefore, we need strong unions in all the sectors with better cooperation and information exchange.

Better knowledge of the employment structure for the whole sector

Employment structures are changing. Different employment models are being developed alongside traditional postal activities. To represent all workers in the sector, unions must have information about working contracts, working times, salaries, forms of employment, gender balance, etc on a regional, national and



global level. Mapping the whole sector, including outsourced companies and new competitors, is the only way to prepare for future challenges.

Training content and participant selection

Most postal companies provide training to prepare their employees for the new technologies and the changes they bring. Unions must be involved in the whole process, from the design of the training programme which must meet workers' needs, to the selection of trainees so as to avoid people who are vulnerable or living in remote regions being left behind.

Collective bargaining: include the challenges of new services and new technologies

Figures show that many unions still need to address the specific challenges posed by new technologies in their overall collective bargaining strategies. In particular, the need to focus on health & safety measures,

combating stress and data protection will be essential for the modernisation and diversification of the postal sector. Coordination with other unions from different sectors and the exchange of best practices is recommended to avoid workers suffering from the introduction of new services or technologies in the sector.

Organising strategies for outsourced workers and competitors

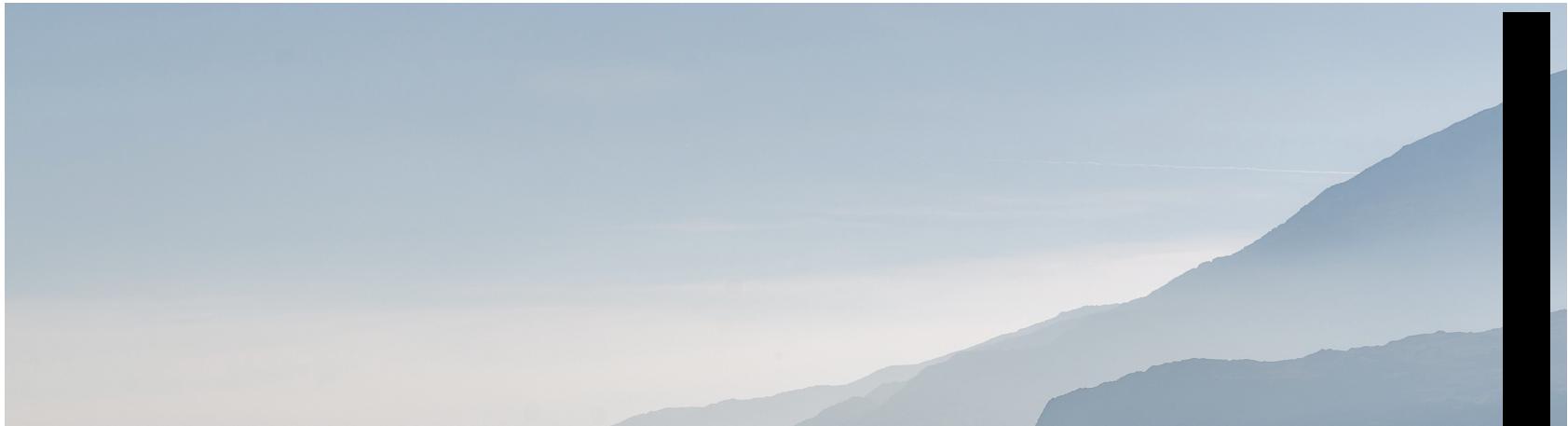
To avoid social dumping and to maintain union power in a shrinking environment in post, unions must develop organising strategies for outsourced workers and in the competitor companies. Outsourcing and competition are used as excuses to create pressure on salaries and working conditions. Solutions must also be found to combat bogus self-employment in the sector as well as to deal with crowd-sourced delivery models. Part of the answer will lie in strong regulations which can only be achieved if we have strong unions representing

the whole sector.

International work

UNI Global Union represents more than 160 postal unions globally. We support postal unions with global networks and alliances such as the Global Delivery Network and the Amazon, DHL or DPD-Geopost Alliances. Furthermore, UNI represents workers in Cleaning and Security, Commerce, Finance, Information, Communication, Technology and Services Industry (ICTS), Private Care and Social Insurance, Temp and Agency workers. We organise the exchange of best practices and information within and across sectors to ensure the best representation possible for workers.

UNI has negotiated 3 global agreements in the sector with DHL, DPD and the UPU to support the work of national unions. We are currently running training courses and organizing campaigns for post and logistic unions in more than 20 countries worldwide.



SOURCES

UNI POST&LOGISTICS SURVEY ON DIVERSIFICATION, AUGUST 2018

COPENHAGEN ECONOMICS, MAIN DEVELOPMENT IN THE POSTAL SECTOR
2013-2016

WIK, MAIN DEVELOPMENT IN THE POSTAL SECTOR 2010 - 2013

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