

Liberalisation and Precarisation - Employment Conditions of the New Letter Service Providers in Germany

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Liberalisation and regulation of the letter sector in Germany

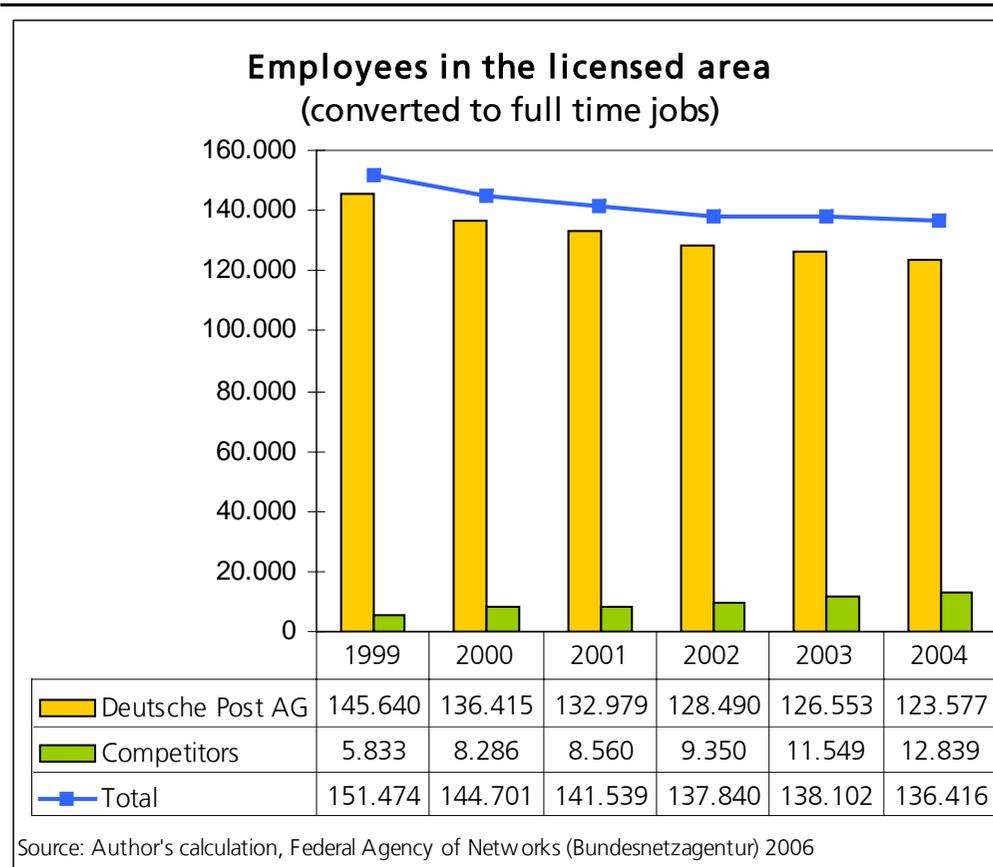
- In 1997 the gradual liberalisation of the letter market in Germany was introduced with the adoption of the Postal Law.
- A transition from monopoly to competition flanked by social safeguards had and has highest priority for the trade unions
 - no competition by means of wage dumping and low-wage jobs
- After an intense political controversy and substantial trade union campaigns, provisions were made in the Postal Law (PostG) against the spread of precarious employment
 - “The objectives of the regulation are ... the consideration of social concerns.” (Art. 2 Sec. 2 PostG)
 - “The license shall be denied when ... facts justify the assumption that the applicant substantially falls below the crucial labour conditions common in the licensed area.” (Art. 6 Sec. 3 PostG)

Framework conditions – market development and competition

- The letter market is a stagnating market; in Germany its volume has for years been approximately €10 billion, 50% of which is already in the hands of the competition.
- Competition in the letter market is primarily cutthroat and price-implemented.
- The new letter service providers (950 active „licensees“) hold a 16.8% share of the liberalised section of the letter market, and 6.9% of the total market (2005).
- Germany is already among the EU countries with the greatest intensity of competition in the letter market.

Market share of competitors	Countries
> 6%	DE, ES, NL, SE, UK
3 – 6 %	AT, DK
< 3%	BE, FI, FR, IE, IT, PL, PT, HU

Quantitative development of employment in the German letter market



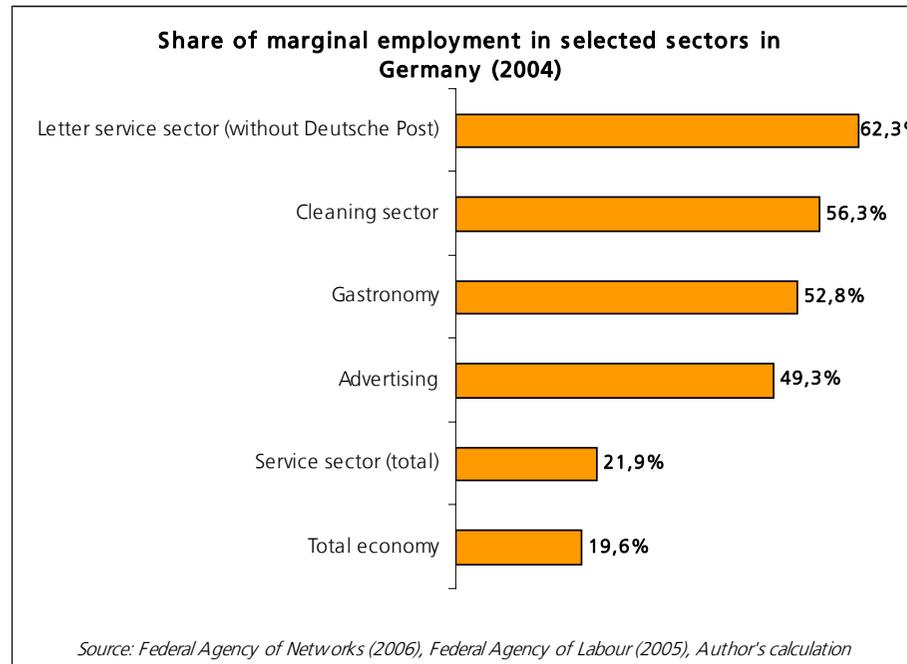
- 34,410 worker were employed by the licences in 2004, 16,760 of these jobs were newly created since 1999
- 28,908 jobs cut in the letter sector of Deutsche Post AG since 1999
- Altogether, the number of jobs in the German letter market dropped by 6.2% or 12,148 jobs (number of heads), converted into full-time jobs (FTE) the number dropped by 9.9% or 15,057 jobs.

Qualitative development of employment in the German letter market

- The percentage of jobs subject to social insurance contributions in the German letter market has been in decline since 1999; the percentage of marginal employment more than doubled between 1999 and 2004.
- Employment subject to social insurance contributions and marginal employment are entirely asymmetrically distributed in the letter market:
 - While the Deutsche Post AG almost exclusively employs social insurance-contributing employees or civil servants in the letter sector,
 - almost two-thirds of the employees of the new letter post services hold “mini-jobs” (i.e. regular monthly income not exceeding € 400.00, exempting the employee from social security contributions and income tax).

Employment conditions among the new letter service providers

- At 62.3%, the share of mini-jobs in the total number of employees is now higher among the licensees on the letter market than in trades traditionally characterised by marginal employment in Germany such as the cleaning sector (56.3%) or gastronomy (52.8%).



Employment income among the new letter service providers

- Average hourly wage (median) paid by the new letter service providers
 - Western Germany 7.00 Euro
 - Eastern Germany 5.90 Euro
- Average attainable monthly gross wage (median; 38.5 hours work week) paid by the new letter service providers
 - Western Germany 1169 Euro
 - Eastern Germany 985 Euro
- Average attainable monthly net wage (unmarried person) in case of full time occupation
 - Western Germany 866 €
 - Eastern Germany 757 €

In comparison (I): Employment income among the new letter service providers

An Overview of incomes in the letter sector				
	Western Germany		Eastern Germany	
	Monthly wage	Hourly wage	Monthly wage	Hourly wage
Deutsche Post AG ¹⁾	1.978 €	11.84 €	1.978 €	11.84 €
Low wage threshold ²⁾	1.707 €	10.22 €	1.229 €	7.36 €
Collective wage agreement for the forwarding industry ³⁾	1.551 €	9.29 €	1.419 €	8.50 €
Wage covering requirement of Social Code ⁴⁾	1.314 €	7,87 €	1.183 €	7.08 €
New letter service providers ⁵⁾	1.169 €	7.00 €	985 €	5.90 €
<p>¹⁾ Starting wage for a letter carrier (incl. 13th monthly wage and holiday pay and the basic sum of variable remuneration) with fulltime 38.5 hours per week, annualised to 12 monthly salaries, as per November 2006</p> <p>²⁾ 2/3 of average income (median) in 2004</p> <p>³⁾ Western Germany: collective wage agreement for the forwarding trade in Hamburg, starting wage for deliverers per month; eastern Germany: collective wage agreement for the forwarding trade in Brandenburg, monthly wage for deliverers</p> <p>⁴⁾ Limit of the gross wage, under which a single person is in need of social assistance under Social Code and is entitled to supplementary stage II unemployment benefits in addition to the employment income</p> <p>⁵⁾ Surveys by the authors, hourly wages converted to monthly income at 38.5 hours per week, average sums (median)</p>				

In comparison (II): Employment income among the new letter service providers

- The average pay attainable from the licensees lies
 - 40.9% below the starting salary for deliverers of Deutsche Post AG in western Germany and 50.2% in eastern Germany;
 - 24.6% below the collective agreed salary for deliverers in the forwarding industry in western Germany and 30.6% below in eastern Germany;
 - 31.5% below the respective regional low wage threshold (two-thirds of the median wage) in western Germany and 19.9% below in eastern Germany;
 - 11.0% lower for western Germany and 16.7% lower for eastern Germany than a working wage with which the minimum requirement can be covered for a single person according to the provisions of Social Code II ("Sozialgesetzbuch II" – SGB II).
- The average wages among the licensees, even in cases of full-time work, are individually below the subsistence level. For many employees this results in entitlement to supplementary social benefits (stage II unemployment benefits).

Collective interest representation

- Only 3.5% of the licensees capable of forming works councils (businesses with at least 5 employees) have in-company representation of employee interests; the reason for this lies in part in the often vigorous resistance of management.
- Working conditions have yet to be regulated with arrangements in a collective agreement.
- Due to a lack of sufficient “primary power,” employees have extremely marginal individual and informal opportunities to influence their working conditions.
- Therefore, the large majority of employees of the licensees lack possibilities to represent their vocational interests through the use of institutionally safeguarded participation options or to shape their own working conditions through collective activities.

Precarisation – negative consequences

- The spread of precarious employment has negative consequences for
 - many of the affected employees, who often live in permanent uncertainty and concern for their livelihood;
 - the social security systems, which come under increasing pressure with regard to both funding and costs,
 - the quality of the competition, which is less aligned to competition based on innovation, productivity and good service, and more based on wage and social dumping.
- In view of the licensees' immense personnel cost advantages compared with the market leader, in the medium term additional negative "feedback effects" threaten the number and quality of jobs at the Deutsche Post AG.

Liberalisation and precarisation - conclusions

- The employment conditions among the new letter service providers exhibit marked precarious potential.
- The employment conditions within the labour market segment of the letter service providers is characterised by extreme asymmetry between the incumbent and its competitors.
- The majority of licensees follow a business model that is based chiefly on the cost advantages of precarious employment.
- In spite of legal precautions, relevant regulation approaches have remained as yet without effect in Germany.
- ➔ With the liberalisation of the letter market, a sector formerly dominated by socially safeguarded employment and income conditions is on the verge of regressing to a precarious low-wage segment.

Action options

- The negative implications of precarious employment give rise to the need for suitable countermeasures.
- In the letter market sector, the following action options appear fundamentally possible and potentially effective:
 1. Suspension or deceleration of the planned market opening;
 2. Accompanying further liberalisation with effective application of the regulatory instrument of social licensing obligations;
 3. Increased consideration of social standards in the awarding of contracts by public authorities through wage loyalty clauses;
 4. Wage agreement regulation of the employment conditions of the new letter service providers;
 5. Enforcement of a general or sector-specific minimum wage.

Schwere Brieffaschen, aber fast nichts in der Lohntüte

Post-Konkurrenten tragen Verdrängungswettbewerb auf dem Rücken ihrer Beschäftigten aus
Süddeutsche Zeitung, 27.01.2007

Verdi kündigt Widerstand gegen neue Briefdienste an

Gewerkschaft fordert soziale Mindeststandards und Tariftreue bei fortschreitender Post-Liberalisierung
Frankfurter Rundschau, 27.01.2007

Briefträger mit Armutslöhnen

Ver.di-Studie zur Liberalisierung des Briefmarktes zeigt: Private Zusteller setzen auf prekäre Beschäftigung. Mindestlöhne und verbindliche Standards gefordert
Taz, 27.01.2007

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Deutsche Post warnt vor Lohndumping

Bundesnetzagentur weist Vorwürfe zurück

Müntefering und Steinbrück kämpfen für die Post

SPD hält vorerst an Briefmonopol fest

Minister möchten Billiganbieter aus anderen EU-Ländern stoppen / Mindestlohn für Zusteller

Süddeutsche Zeitung, 31.01.2007

Handelsblatt, 07.02.2007

Müntefering treibt Mindestlohn voran

In einem ersten Schritt will Müntefering heute allerdings dem Koalitionsausschuss eine Liste von Branchen vorlegen, die er neu ins Entsendegesetz aufnehmen will. Sie reicht von Arzthelferinnen und Friseuren über die Entsorgungswirtschaft und das Bewachungsgewerbe bis zur Zeitarbeit. Bei der Postzustellung sieht Müntefering ebenfalls ein „Lohndumping“ durch Wettbewerber der Deutschen Post AG, das er mit branchenweiten Standards bekämpfen will.

Handelsblatt vom 29.01.2007