Commodification, casualisation and intensification of work in liberalised European postal markets

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ABSTRACT
This article argues that liberalisation and privatisation of public services have led to a commodification of public sector work and labour relations. Using the example of European postal services it describes the process of liberalisation, privatisation and the resulting changes in company strategies and organisation. It argues that commercialisation has not only changed the nature of service provision, but has also caused a far-reaching intensification and casualisation of employment in the European postal sector.

The public employment system

There have always been significant national differences in Europe in the size, scope and organisation of the public sector, as well as the various subsectors and activities that are commonly subsumed under public services. These differences have all influenced the development of labour relations. But there have also been a number of common features and characteristics that could be found in almost all (western) European countries and that have created a distinctive labour relations regime in the public sector (Atzmüller & Hermann, 2004; Schulten, Brandt & Hermann, 2008). Among these characteristics were the long-term nature of the employment relationship and, consequently, an extraordinary degree of employment stability. Other important characteristics were comparatively uniform employment and working conditions including a much lower degree of wage inequality among public sector workers than among private sector employees (Ghinetti & Lucifera, 2008). The high degree of security and equality can be attributed to two important factors: strong public sector unions with high membership rates and bargaining structures that encompass a broad range of issues and workers, and the absence of markets and competition. Workplaces were governed by a set of rules defined through social and political processes rather than in response to market pressures and the need for profit maximisation (Hermann & Atzmüller, 2008).
The high degree of security and equality, in turn, meant that the commodity character of labour power was severely constrained in public sector labour relations. Workers could not be fired at the employers’ discretion; wages were based on educational credentials and seniority rather than on the demand and supply of specific qualifications; bonuses were attached to workplaces rather than depending on individual performance; and public employers hired additional staff rather than using temporary workers or ordering overtime hours to cope with fluctuating demand. In some cases workers could not be moved to new workplaces within the same organisation without their consent or the consent of a works council representative. In sum, the expansion of public sector employment not only helped to achieve full employment during the post-war decades but was also an important factor in establishing an unprecedented degree of decommodification of labour power. In general, decommodification means that citizens are not solely dependent on the income generated by the sale of their labour power and the subsequent exchange of money for goods and services in order to exist (Esping-Andersen 1990). With respect to labour power it means that workers do not have to sell their labour power at any (market) price and under any circumstances. Instead, the exchange of labour power for money is determined by a set of rules and procedures that offset labour market forces. The higher the standards granted by these rules and procedures, the less commodified the labour power can be said to be.

Liberalisation and privatisation of public services has reversed this trend and led to a recommodification of public sector labour. We will describe this process by analysing the liberalisation and privatisation of European postal services. The formerly state-owned and publicly operated postal services were not only among the largest employers in the various European countries; before liberalisation and privatisation, postal sector employment regulations and bargaining structures were also frequently directly or indirectly linked to the public sector system (Brandt & Schulten, 2007:22). In several countries, postal workers enjoyed civil servant status or an equivalent employment status (ibid). Although wages may have been lower than those paid by private employers at the height of the post-war expansion, the postal sector nevertheless offered comparatively decent and socially rewarding jobs for low-skilled workers and the possibility of making a career with a minimum of education and without specific qualifications (the relative stability and security of these jobs, also, however, meant that in some countries women and immigrants were underrepresented in the postal sector workforce). Since liberalisation and privatisation this is no longer the case and the postal sector has, in parts, become a reservoir of low-paid and highly insecure jobs.

This article starts with a summary of the main liberalisation and privatisation processes and the resulting commercialisation of postal services. Then we present the different strategies pursued by the former monopoly providers and their new competitors following the stepwise introduction of competition into postal markets. We go on to describe the impact of liberalisation and privatisation on postal sector work and employment. The article ends with a brief conclusion. The empirical findings on which the analysis is based are mainly drawn from research carried out in Germany.
and Austria in the form of four company case studies. Occasionally references are also made to other countries including the Netherlands, where the trade union FNV (Federatie Nederlandse Vakbeweging) recently published a comprehensive study on working conditions in the liberalised and privatised Dutch postal sector.

**Liberalisation and privatisation of postal services**

European postal services have undergone far-reaching changes in the last three decades. In some countries the liberalisation process started in the early 1990s. Sweden and Finland were the first countries to liberalise their postal services. In Sweden, all formal restrictions on market access were lifted in 1993 (Thörnqvist, 2008; Schalauske & Streb, 2007:232-3, Dieke & Niederprüm, 2007:8). Yet while competitors were admitted to the postal market, the post incumbent remained in public ownership. The Netherlands, by contrast, had transformed its national post and telecom provider into a public limited company in 1989 and started to sell company shares to private investors in 1994, although the Dutch postal market was still sheltered from competition (van Damme, 2006:310-11; Spieker, 2007:110). Germany, after having established separate business units for its telecoms and postal services in the late 1980s, transformed the national telecom and post provider into a public limited company in the mid 1990s (Drews, 2006:4-8; Deckwirth, 2008:48-9). For most European member states, however, the starting signal for the initiation of the restructuring process was the adoption of the First European Postal Directive in 1997.

The adoption of the First Postal Directive was the result of a discussion that had started in the late 1980s, following the revival of the Single Market Project in the mid 1980s. In 1991 the Commission circulated a Green Paper on the Development of a Single Market for Post Services. This was followed by a Resolution of the European Council on the development of Community postal services in 1994 and a draft directive in 1995. According to this directive, the reserved area in which the national post operator continued to have a monopoly was to be restricted to items weighing 350 grams and less or costing less than five times the basic tariff. In practical terms this meant that the parcel and express service market was opened up for competition. Fierce competition instantly emerged in the field of express services, where international companies with plenty of experience and the newest technology quickly appeared on the market. While promoting competition, the directive at the same time stipulated the need for a universal postal service that grants all citizens access to mail services of a specified and equal quality no matter where they are located on the national territory. To meet the universal service obligation each member state was required to admit at least one universal provider, which was able to profit from the monopoly in the reserved area. Up to now, these universal service obligations have been met exclusively by the former monopoly providers, while the new competitors typically focus on lucrative market segments and on highly populated urban areas. However, as we will...
describe further below, universal service providers also pursue the same strategy outside their home markets.

The European Council continued to open up the postal market by the adoption of a Second Postal Directive in 2002. This directive reduced the reserved area in which the universal service provider continues to enjoy a monopoly to items weighing 100 grams and less or costing less than three times the basic tariff in 2003. At the same time the directive set out a timetable for further liberalisation including a further reduction of the reserved area to mail weighing 50 grams or less or costing less than 2.5 times of the basic tariff in 2006 as well as the full liberalisation of European postal markets in 2009. After resistance from some member states, the Third Postal Directive, adopted in February 2008, postponed the date for full liberalisation until 2011, and for some countries even until 2013. Other countries have not waited for new instructions from Brussels and have fully opened their national postal markets. As already mentioned, Sweden did so in the early 1990s. The UK followed, eliminating the remaining market barriers in 2006, while Germany did the same in 2008. Independently of the degree of liberalisation, in most countries the bulk of the postal market is still held by the former monopoly providers. In Germany and the Netherlands the monopolist incumbents account for about 90 per cent of the letter market. In Austria this is even higher, at about 98 per cent. However, Germany and the Netherlands (alongside Spain and Sweden) are among those member states where substantial, and in some subsectors even very fierce competition exists (Teuscher, 2008:108).

Regardless of the intensity of competition, liberalisation of postal services in many countries has led to a change in ownership structures and to the sale of state-owned company assets to private investors. In the Netherlands the privatisation process started even before liberalisation. At the end of 2006 the Netherlands became the first country in Europe where the incumbent was completely privatised, with 96 per cent of its shares in the hands of institutional investors (Schulten, 2008: 251). In Germany privatisation lagged somewhat behind liberalisation, with the first public offering of German Post shares occurring in 2000 (Brandt, Drews & Schulten, 2007:266). Since 2003 the majority of shares have been held by private investors, many of them international institutional investors, while the state has reduced its holdings to about a third of the total assets (Drews, 2006:17). In Austria the sale of company shares through the stock market took place in 2006, almost ten years after the start of the liberalisation process, and the Austrian government still owns 51 per cent of the shares, and is therefore still the majority holder (Hofbauer, 2006:10-11). In Sweden, where the liberalisation process first began, the state currently owns 100 per cent of the universal service provider (Schalauske & Streb, 2007:233). This may, however, change in the near future following talks about a merger between Posten AB and the partly privatised Danish post (discussed further below).

**The commercialisation of a public service**

Notwithstanding their public service obligation, the creation of profits and dividends for their shareholders has become the main purpose and *raison d’être* of the incumbent.

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national post companies. Yet, as former monopoly suppliers, they have not found it easy to increase their revenues from their national postal markets. To address this problem, these companies have pursued two major strategies: internationalisation by expansion to other countries (either through the establishment of subsidiaries or the acquisition of existing companies); and expansion into related business activities or sectors. German Post, or, more accurately, German Post World Net, has done both and prides itself on being the leading post and logistics company in Europe if not in the world (Deckwirth, 2008:50). Through its ownership of DHL, German Post has one of the leading international express courier services and, through its ownership of Danzas, a major European haulage company. In terms of size, the main competitor of German Post is the TNT Post Group from the Netherlands which itself is the result of a merger between the Australian logistics enterprise Thomas Nationwide Transport and Dutch Koninklijke PTT Nederland (Schulten, 2008:250). However, smaller companies like Austrian Post, while themselves being possible takeover candidates, have also invested heavily outside their national borders. Whilst only three per cent of Austrian Post's total turnover was generated outside Austria before privatisation, by 2007 the proportion had increased to 27 per cent. More recently privatised post incumbents have not only invested in their competitors but have started to buy shares in the former monopoly providers of other countries. In 2006 Post Denmark, together with its private shareholder CVC Capital, acquired 50 per cent minus one share of the Belgian postal service. In spring 2008, the Swedish and Danish governments signed a letter of intent regarding a planned merger between Posten AB and Post Danmark. Under this plan, the two national states will remain majority shareholders, but the private equity fund CVC will have a major stake in the new company which will employ approximately 50,000 employees (CVC Capital, 2008).

In addition to internationalisation and diversification, liberalisation and privatisation have also had a lasting impact on the relationship between postal service providers and their customers. As the example of Austrian Post shows, one of the first changes introduced to prepare the company for competition was the creation of special departments for dealing with large customers like mail-order retail services or banks and insurance companies (so-called 'key account management structures'). This enabled these large customers to negotiate favourable price discounts, while the majority of post service users were confronted with steep increases in standard post tariffs after liberalisation. As a former Austrian post manager told us, private customers are important for politicians and for the public discourse, but for the company they are almost negligible. Non-corporate clients account for less than five per cent of that company's total turnover. For similar reasons, as another ex-manager pointed out, the universal service obligation is more of an economic burden than a business opportunity. While the universal service provider has to maintain a nationwide, and therefore costly, network, competitors can concentrate their activities on specific, mostly urban, areas.

Preparing for competition
In the run-up to liberalisation, the management of the incumbent national post companies introduced a number of reforms in order to prepare the former monopoly
providers for competition, or at least to reduce production costs. In a first step, the state enterprises were transformed into public limited companies before, in a second step, the telecommunication branches were hived off. In subsequent steps non-essential activities, such as post office banking, were separated from the general mail service and sold to private investors (often private banks and insurance companies) before several of the incumbent national post companies themselves were partly or fully privatised. At the same time incumbents invested large amounts in the modernisation of their infrastructures. New sorting centres were built with fully automated sorting processes. While in some countries, final sorting (the sorting of mail for the individual delivery routes) is still done by postmen in local distribution centres, in others fully sorted mail is delivered to local depots. This, as we will describe further below, not only has important consequences for the nature of the jobs but also for working conditions and employment status. The introduction of new technology was not limited to the sorting centres. Special software programs were adopted to rearrange and optimise delivery routes, to create universal post office counters with employees able to accomplish a variety of tasks (replacing the previous system where there were different counters for different services), while portable communication devices were introduced to establish track-and-trace systems for parcels, express service and registered letters (following the example of the international express courier services). New information and communication technologies were also used to step up control and to introduce new monitoring and reporting systems.

At the same time the distribution networks were subjected to radical concentration processes. In Germany the number of sorting centres was cut down from 700 to 59 and, while previously these had been located near railway stations, now most of them are on green field sites near major motorways. In Austria, where sorting was partly carried out while mail was in transit, in special railway cars, the number of sorting centres was reduced from 36 to six, while the number of distribution bases was cut from 1,880 to 320.3 In both countries, furthermore, the number of post office has been reduced by as much as 40 per cent since the start of the liberalisation process, despite the universal access requirement laid down in the universal service obligations. The concentration process was complemented by a number of outsourcing measures. In both countries transport of mail between sorting and local distribution centres was partially outsourced to private haulage companies. In Germany, the emptying of letter boxes is handled by local taxi drivers who then drive the mail to the nearest post office. In all, German Post deployed more than 1,800 subcontractors in 2005 (Bundesnetzagentur 2007:122). In several countries the operation of post offices has been outsourced to private partners. In Sweden the incumbent Posten AB operates 436 post offices while 2,039 offices are operated by private partners in supermarkets and petrol stations (Input Consulting, 2006:137).

Nevertheless, despite automation and outsourcing, labour costs still make up between 60 and 70 per cent of the incumbents’ total production costs. The former monopoly providers have therefore not only invested in new technology but have also

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3 As these examples show liberalisation and privatisation and the shift to profit-maximisation as major goal can also have negative impacts on the environment.
introduced a series of measures to step up the intensity of work. This was primarily achieved by reorganising delivery routes. In Austria the number of delivery points served in an average delivery route has doubled since the start of the liberalisation process. Interestingly this reorganisation was accompanied by a fragmentation of work, with management assigning individual time values to each task involved in the labour process and the introduction of teamwork, with delivery teams becoming responsible for covering the routes of absent colleagues (in the past, although routes were much shorter, the company would have paid overtime to an employee for taking over an additional route). In Germany, where work has also been intensified, postal workers employed by German Post now deliver between 3,000 and 6,000 letters a day. In terms of labour productivity (number of mail items per employee) they are about twice as productive as their counterparts working for competitors.  

A former Austrian post manager we interviewed conceded that, given the average age and health condition of Austrian postal workers, intensification of delivery work has reached its physical limit. However, the workers do not only complain about intensification; for them it is equally important that they no longer have any time left to talk to customers. As one interviewee told us:

*Mail delivery has certainly become faster. But the customer contact … is increasingly lacking, because the postal worker actually no longer has any time for it.*

This, as another interviewee stressed, has a negative impact on the motivation and identity of postal workers as public service providers and as part of a local community, as well as on their working conditions.

**Challenging market power**

While the incumbent former monopolists have invested heavily in new and labour-saving technology, their new competitors in the liberalised letter markets typically pursue a low-tech, low-cost business strategy. Instead of creating an efficient but costly nationwide infrastructure, competitors rely on flexible relationships and networks, focussing on densely populated areas and on customers who send large amounts of mail and, above all, on the exploitation of cheap labour (discussed further below). Banks and insurance companies, public administration units and other large customers can feed pre-sorted mail directly into the competitor’s distribution network, thus avoiding the cost of maintaining a comprehensive network of post offices and letter boxes. Unaddressed mail and promotional leaflets are particularly lucrative in this respect because they do not need prior sorting and their volume is expected to increase in the future (while the amount of addressed mail is predicted to stagnate or even decrease). It is, furthermore, not by coincidence that several of the new competitors are partly or fully owned by newspaper publishers since the distribution of newspapers makes sure that there is sufficient and permanent demand that will pay for the maintenance of a minimum distribution network, while additional mail can be handled on top of this. Without the newspaper delivery business, as a manager of an Austrian

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4 Of course the lower productivity of the competitors is also the result of a smaller volume of mail. Because of the substantial cost of maintaining a distribution network which exists independently of the volume of mail that is processed, economies of scale play a crucial role in postal services.
competitor told us, it would be very difficult if not impossible to sustain a large enough
network to attract other customers. The same manager also explained that for the time
being his company was not planning to create a nationwide network but was, instead,
planning to use the universal service provider for any mail that needed to be delivered
outside its existing area of operation.

One of German Post’s main competitors, Pin AG, has gone even further. Founded
in 1999, the company experienced a steep increase in growth after 2005 and attracted
substantial investments from some of Germany’s leading newspaper publishers. By 2007
it had set up its own stamps, post offices and letter boxes in Berlin and its distribution
network had been expanded to cover the whole country. The network was based on
the co-operation of a large number of local partners, resulting in a complex web of
subcontractors and partnerships, which even the trade union officials trying to organise
the company found it difficult to disentangle. Only after economic problems had forced
several subsidiaries to file for insolvency did it become clear that the Pin AG holding was
made up of a total of 91 subsidiaries. Presumably the company had grown too fast and
extended itself too far. The maintenance of a nationwide network would have required
additional investments which the existing shareholders were not willing to supply, given
the shaky market prospects for the company after the introduction of a sector-wide
minimum wage (see further below). At the time of writing, the insolvency process was
still underway and the management was looking for new investors. At the end of this
process the company may refocus its activities.

The business model of the new competitors has come under heavy criticism from
national incumbents and, to some extent, also from national politicians and union
leaders, for its cream-skimming approach and undercutting of wages of the regular
postal workers employed by the national universal providers. However many of
the new competitors are in fact subsidiaries of foreign former monopoly providers.
Outside their home markets they pursue exactly the same strategies they accuse their
competitors of following on their home territories (Schulten, 2008:249). They also argue
that paying lower wages is the only possible way to challenge the market power of the
former monopoly suppliers. German Post does this with its subsidiary, Selekt Mail, in
the Netherlands, while the Dutch TNT applies the same practices with its TNT Post in
Germany and Redmail in Austria. In Austria and the Netherlands the former monopoly
providers have gone one step further by creating their own low-cost competitors in
their own home markets. This allows them to hold the other competitors at bay while
at the same time increasing pressure on their original workforces. Austrian Post recently
announced that its low-cost subsidiary, Feibra, which until now has only been active in
the distribution of unaddressed mail, will in the future also deliver addressed letters.

The impact on work and employment
Increases in productivity at the former monopoly providers have not only been
associated with an intensification of work but also with a substantial reduction in

5 Conversely, it can become very difficult for the incumbent to sustain its costly network if it loses a
number of large customers.
6 Such mail is put into new envelopes and posted at one of the universal provider’s outlets.
employment. In Austria the total number of workers employed by Austrian Post has decreased by 37 per cent since the start of the liberalisation process (1998-2007); in Germany the letter division shrank by 16 per cent (1999-2006). Other incumbent post companies have experienced similar reductions in employment numbers. In countries with high union membership rates and strong social partnership traditions these reductions have mainly taken place through the non-replacement of workers after retirement. In addition management has used early retirement schemes and buyouts to induce workers to leave the company voluntarily – although the genuinely voluntary character of such measures must be questioned in the light of the intensification and relocation of work resulting from concentration processes. In Austria redundant employees, that is employees whose jobs fell victim to reorganisation or who could not keep up with the new pace of work, were shifted into an internal employment organisation. Although it is officially called a ‘career and development centre’, the workers who have ended up in this part of the company mostly feel deprived of any prospects and are forced to do nothing while waiting for retirement. As a works council representative pointed out to us, this can be extremely frustrating. At German Post, the management agreed an employment pact with the General Service Workers Trade Union, Verdi in 2003 ruling out mass lay-offs until 2008. To achieve this agreement, the union made several concession, including accepting longer working hours, more part-time jobs and some dismissals with the option of re-employment under worse conditions (Brandt, Drews & Schulten, 2007:270).

In the past, postal workers were employed as civil servants or had a similar employment status, but since liberalisation they have usually been hired as regular private sector workers. In Austria about 60 per cent of the incumbent’s staff still have civil servant status (Hermann, 2008:224). Here, the main difference between ‘old’ and ‘new’ employees is that the latter can theoretically be dismissed, but in Germany ‘new’ employees are faced with a number of additional disadvantages (Brandt, Drews & Schulten, 2007:270). Following the adoption of new collective agreements in 2001 (for blue-collar workers) and 2003 (for white-collar staff), ‘new’ employees at German Post are paid up to 30 per cent less for the same job than their colleagues who are paid according to the old agreement (ibid.). In addition to cutting jobs and increasing pressure on wages, incumbents have also systematically transformed permanent jobs into temporary ones and full-time positions into part-time ones. At German Post, new employees as a rule only receive a temporary contract while about a third of all employees are employed as part-time workers (ibid. 269). At the Dutch incumbent, TNT, the proportion of part-time workers has reached an astonishing 70 per cent (WIK Consult 2006:183).

While management argues that part-time work increases flexibility, the increase in part-time employment is closely connected with the reorganisation of the delivery system. With final sorted mail deposited in local depots and the deployment of GPS (Global Positioning Systems) to follow delivery routes, the job of a postal delivery worker can be done by less experienced part-time workers. As a consequence, the collective agreement for the postal sector in the Netherlands differentiates between ‘regular postal delivery worker’ (Postbode) and ‘mail deliverers’ (Postbezorger). Mail
deliverers earn about 30 per cent less than regular postal delivery workers (Schulten, 2008: 251-2). TNT, where the majority of the workforce is still employed as regular postal delivery workers, has eliminated more than 9,000 of these workers in recent years, while over the same period their new competitors have created 20,000 jobs for mail deliverers. However, calculated in full-time equivalents, these jobs amount to hardly more than 4,000 new positions (ibid.).

In Germany, too, the new competitors mainly use part-time employees, frequently employed for no more than a few hours per week. In 2005, 60 per cent of the competitors’ workforce were employed on marginal part-time contracts or ‘mini jobs’7 while only four per cent of the incumbent’s employees had such a contract (Brandt, Drews & Schulten 2007:269). Not only do competitors employ more ‘mini jobbers’, they also pay lower hourly pay rates than the incumbent. Without bonuses the basic hourly rate for a 35-year-old postal worker at German Post is almost twice as high as the rate offered by the new competitors. In addition, German Post employees have shorter working hours and longer vacations (ibid, 271).

In the Netherlands, only the incumbent monopolist is covered by a collective agreement while the new competitors have so far rejected collective bargaining, arguing that most of their staff are self-employed workers (Schulten, 2008:252). As self-employed workers they are paid by piece rates and are not covered by the collective agreement or protected by employment legislation (although it is currently disputed whether they are subject to minimum wage legislation). According to the Dutch Trade Union, FNV, self-employed workers with the new competitors are paid between 60 and 75 per cent less than the regular postal delivery workers employed by TNT if their wages are calculated as an hourly rate. As a result, the average labour costs of the competitors are between 30 and 50 per cent lower than the costs of the incumbent (FNV et al., 2007:3). According to a survey carried out by the union, the majority of these workers see their job as a source of supplementary income whilst also employed in another job, studying, receiving some form of social benefits or managing the household (FNV Bondgenoten, 2007:6).

In Austria self-employed workers make up more than 90 per cent of the workforce of the new competitors in the letter market. They also earn little more than half of the income paid to the incumbent’s postal workers (Hermann, 2008:225). Because of these very low wages, in Vienna and other urban centres the new competitors rely either on foreign workers from nearby Slovakia, the Czech Republic and Hungary who commute to Vienna on a daily basis, or asylum seekers from South East Asia or Africa. Because of their unclear residence status – many are awaiting the results of an appeal to the High Court against the rejection of their asylum application – those in the latter group are particularly vulnerable. They lack any form of insurance and are often the target of verbal and some times even physical assaults by Austrian racists. However, although they are the victims of such actions, they face dismissal if they ask for support from their employers, who interpret any complaints as troublemaking. Some works council representatives

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7 ‘Mini jobs’ were introduced in Germany in 2003 as a result of a government initiative to create work incentives for people with low earnings. Under this scheme, earnings up to 400 euros per month are exempted from social security contributions but, because this income is below the poverty line, these workers are still eligible for some additional social benefits.
are aware of this situation and try to help but they have no legal mandate to represent self-employed workers. In addition to legal problems, works council members and trade union representatives find it difficult to overcome language and cultural barriers, in a situation where many of these workers do not speak English, let alone German.

Table 1: Hourly wages\textsuperscript{8} paid in liberalised letter markets

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<tr>
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<th>Lowest hourly wage - incumbent (in euros)</th>
<th>Hourly wage - competitor (in euros)</th>
</tr>
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<tbody>
<tr>
<td>Germany</td>
<td>11.43</td>
<td>Dependent employees 5-6</td>
</tr>
<tr>
<td>Austria</td>
<td>9.50</td>
<td>Self-employed 4-6</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Postal delivery workers 14-15 mail</td>
<td>Self-employed 6-8</td>
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<td></td>
<td>deliverers 9</td>
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Trade union responses

The commodification and casualisation of postal sector employment is closely linked with, and partly caused by, a fragmentation and erosion of the previously highly centralised but firm-centred bargaining structures and the absence of any efficient branch-level employee representation.\textsuperscript{9} Union membership rates are, as a rule, much lower among the new competitors’ workforces than among the traditional postal workers employed by the incumbent. In Germany about 80 per cent of German Post’s employees are unionised, while hardly more than ten per cent of the competitors’, mainly precarious, workers are union members. Fragmentation and erosion have in turn facilitated the emergence of two-tier labour relation regimes with different regulations applying to the same kind of jobs within the incumbents and even more importantly between the incumbents and the new competitors (Brandt & Schulten, 2007:27). In Germany, as already noted, there are different agreements for ‘old’ and ‘new’ workers at German Post. However in Austria there are at least six collective agreements applying to workers in the broader postal sector and these are negotiated by three different unions. In Germany most of the new competitors are not even covered by a collective agreement and have no legal works council representation, while in Austria the majority of the competitors’ workforce, being self-employed, are excluded from any form of employment regulation and works council representation (Hermann 2008:225).

\textsuperscript{8} Basic (gross) hourly wage including holiday and vacation pay but without bonus payments.

\textsuperscript{9} Bargaining structures were limited to the national post companies and were therefore firm-centred but at the same time the former monopoly providers covered the whole postal sector.
In Germany, Verdi nevertheless succeeded in creating public awareness by organising a public campaign to draw attention to the working conditions faced by the new competitors’ workers. As a result some of the public administrations that had started to use the cheaper competitors for sending out administrative mail reconsidered their business relationships. The Senate of Berlin announced that it would only use mail services whose workers were covered by a collective agreement. Pin AG subsequently started negotiations with the union but never signed an agreement. However, the issue was on the table and hotly debated, especially in relation to a provision included in the German 1998 Postal Act that was designed precisely to prevent the emergence of these widely publicised wage-dumping practices (Teuscher, 2008:111). According to this provision, new competitors applying for a license for postal services should offer the same working conditions as those commonly applied in the sector. Since German Post was by far the largest employer, this could only mean conditions similar to those offered by the former monopoly provider. However in practice this has had little effect. Despite obvious discrepancies, the German post regulator has not once denied an application on the grounds that it does not conform with common labour standards (ibid).

Because this erupting public debate threatened to jeopardise the last step of the liberalisation project – the German postal market was set to be fully liberalised in 2008 – the government decided to combine the elimination of the remaining barriers to competition with the introduction of a sector-wide minimum wage. According to a plan presented in summer 2007, this minimum wage would be based on a collective agreement which would subsequently be extended to the whole sector via the German Postal Workers Act. German Post, together with some smaller companies but without the participation of its main competitors, quickly founded a postal service employers’ organisation which subsequently signed a minimum wage agreement with Verdi. According to this agreement, the minimum wage for the letter market varies between 8 and 9.80 euro per hour depending on job content and region (whether it is in West or East Germany). The minimum wage was, therefore, clearly set above the average wages paid by the competitors (5 to 6 euros) but below the lowest wages paid by the incumbent (which start at 11.43 in West Germany and 16.78 euro in East Germany). The main competitors in turn initiated the foundation of a new ‘yellow’ trade union with which they signed their own agreement with significantly lower wages (7.5 euro per hour for West Germany and 6.5 euro for East Germany). The competitors received considerable publicity and support through their shareholders, including the publisher of the largest German tabloid newspaper, but the German parliament extended the initial agreement. As already noted, some competitors subsequently argued that they could not afford to pay the minimum wage and instead filed for insolvency.

In the Netherlands, too, the FNV trade union used public attention in the run-up to the 2007 amendment of the Postal Act to publicise the poor working conditions offered by the new competitors. Initially the amendment was meant to regulate the full liberalisation envisaged for 2008, but after the announcement of a German minimum wage the Dutch government postponed the plan because it felt that TNT was strongly disadvantaged by the German government. The FNV campaigned for a provision in the law granting the same employment contract for all postal sector workers and thereby
banning the use of self-employed workers (Schulten, 2008:256). While this proposition was rejected by the Christian Democratic Party that led the governing coalition, the majority of the Dutch parliament at least voted for the inclusion of an article requiring socially responsible working conditions which, according to the law, have to be agreed by the social partners. Only if the social partners fail to agree can the government impose sector-wide standards by decree (ibid). The unions have called for a sector-wide collective agreement for all new postal companies. The latter have agreed to enter negotiations with the unions but the outcome of this process is still unclear.

In principle, trade unions have three strategic options for responding to liberalisation and privatisation (Schulten, Brandt & Hermann 2008:305-9). Before liberalisation and privatisation take place they can launch political campaigns against liberalisation and privatisation, while afterwards they can push for social regulation or promote alternative policies to strengthen the public sector, including the return of certain privatised activities to public ownership. The recent strikes against the privatisation of La Poste in France are an example of the first strategy, but in most EU members states unions have already lost this battle. The struggle for a postal sector minimum wage in Germany and the Netherlands is an example of the second strategy. The third strategy has been tried by some unions at the municipal level, but so far has not played a significant role in the postal sector.

However, given the changes in the postal sector, co-operation between national trade union organisations is a key to any strategy that aims to defend jobs and working conditions. Dutch trade unions have supported German trade unions in their fight for enforcement of the sector-wide minimum wage against TNT by staging a protest in the border town of Gronau in April 2008. Cooperation and cross-border solidarity is important, because the affected companies use the European level to defend their interests. TNT, for example, has filed a complaint with the European Commission (EC) claiming that Germany’s minimum wage for postal workers is too high. The complaint was well received by the Directorate General for the Internal Market and the Commission has asked the German Government to state its position. This contradicts the more employee-friendly approach adopted elsewhere by the Commission, which has agreed to include a clause in the 2008 Postal Directive stating that member states can make the granting of postal licences conditional on the employer’s adherence to certain minimum standards in relation to working conditions. Despite this, if the EC considers the German Government’s response to be unsatisfactory it could take Germany to the European Court of Justice (EJC) to overturn the minimum wage agreement.

**Conclusion**

Of course labour power will always be a commodity as long as there is capitalism. In fact if labour power is no longer a commodity then capitalism ceases to exist. The commodity character and the degree of commodification can, however, vary over time, between workplaces and between countries depending on the constraints labour market actors are subjected to. There is a huge difference between an eighteenth century day-labourer who had to find work anew each day and a twentieth century
civil servant with life-long employment protection and generous social protection. Following Karl Polanyi (1957) and Gøsta Esping-Andersen (1990) we can therefore conclude that although its commodity character has never been fully transcended, a relative decommodification of labour power has nevertheless taken place. In this sense the public sector labour relations regime of the second half of the twentieth century provided for a particularly advanced level of decommodification, not only for highly qualified staff but also for unskilled blue-collar workers, due to de facto lifetime job guarantees, politically defined working conditions and other characteristics. In times of full employment, this high degree of decommodification was also imparted to private sector labour relations, where private employers hiring additional staff to cope with growing demand during the post-war expansion also had to offer better employment and social security.

Neo-liberal proponents of liberalisation and privatisation of public services in Europe criticised the inflexibility of public service organisations caused, among other things, by the inflexibility of public sector labour resources, and promised that competition and private ownership would reduce costs while improving efficiency and service quality. As the example of the European postal sector shows, liberalisation and privatisation were not so much about improving flexibility – the processing of mail is still based on largely routine jobs – as about the recommodification and casualisation of previously stable and decent employment opportunities. The introduction of profit maximisation and competition without a simultaneous establishment of strong and sector-wide labour regulation meant that postal companies predominantly competed by cutting wages and lowering working conditions. While workers at the former monopoly providers mainly suffer from increasing workloads and time pressure, the workforce of the competitors is either employed on marginal contracts or self-employed. In neither case do these jobs now pay for a decent living and they offer little or no employment security or social protection. It is not an accident that a large number of these jobs are held by women and immigrants. The new competitors in postal markets have argued that there is no way to challenging the market power of the incumbents if they are not allowed to pay substantially lower wages. In fact one of the few examples where the unions have succeeded in imposing similar conditions on both the incumbent and its competitors, in Sweden, shows that 15 years after the liberalisation of the Swedish postal market the main competitor, City Mail, has gained hardly more than seven per cent of the market share.

The question then is: why liberalise and privatise postal services in the first place? The reason is that liberalisation, but even more so privatisation, has led to a redistribution of wealth: while workers bear the costs of liberalisation and privatisation, shareholders and management earn the profits. In the case of German Post, newly employed workers receive 30 per cent lower wages than their longer-serving colleagues, while the total compensation of the company board tripled between 2000 and 2007 (Input Consulting 2008). Mounting inequality can not only be seen in the restructuring of postal companies’ pay structures, but also between those employed by the former monopoly suppliers and those working for the new competitors. In terms of accessibility and prices there are also growing differences between large and small...
customers and between those living in the city and those residing in the countryside. By eroding the cohesive character of postal services, commercialisation threatens to undermine their public nature.  
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