Outsourcing in the urban parcel and express delivery industry

Petronille REME-HARNAY, Cecilia CRUZ, Laetitia DABLANC

Main report (in French): Reme-Harnay, P., Cruz, C., Dablanc, L. (2014) La sous-traitance de la messagerie urbaine: logiques économiques et rapports de dépendance? Economies et Sociétés, 36(9), pp. 1473-1512.

Houée and Guilbault, 1988 and 2004, find that "the reduction in the size of the lot and the decrease in the volumetric weight of the goods transported in Europe result in a decrease in the unit weights of shipments" (2009, pp. 50-51). This is undoubtedly one of the reasons justifying the strong expansion of parcel deliveries in Europe. This has been reinforced since the fast development of e-commerce deliveries.

Parcel delivery transport corresponds, according to the French national statistics agency, to "the collection of multiple consignments of less than three tons grouped on cross docking terminals to constitute complete loads capable of filling transport vehicles for unbundling at the receiving center and delivery to the addressee's home."

This general definition omits elements of importance such as:

- a time constraint: parcels are carried out in reduced delays (up to less than 24 hours for express deliveries),

- a network operation: parcel and express transport are based on a network of terminals and/- or agencies linked together to reach maximum consolidation of freight transport,

- and the need to carry out a wide variety of operations, from transport (pick-up and delivery tours from agencies and traction between two cross dock terminals), handling and sorting (such as grouping and unbundling) but also tasks related to operations (such as order preparation, organization of touring plans etc.).

Each of these operations may be subcontracted or carried out in its own right. We chose here to restrict the analysis to the subcontracting of urban delivery tours that involve deliveries and/or pickups. **Outsourcing is all the more developed in cities** as the cost of making parcel transport deliveries in urban areas is high. Sub-contracting some segments of the parcel/express transport supply chain, especially the urban ones, allows the parcel transport company to reduce the total cost of transport and to focus resources on more profitable activities such as transport organization, consolidation/unbundling and logistics services.

We can see here one of the economic rationales that governs the use of outsourcing among prime contractors, but what benefit does a company have in acting as a subcontractor? Acting as a subcontractor is often the most obvious possibility for new companies for **accessing the freight market** and starting in urban distribution. It can also be a way of moving from being an employee to being a self-employed person, to have the feeling of mastering the production process. But **is not this gain of autonomy illusory?** Does not the use of subcontracting by very large companies also open the door to the possible economic dependence of subcontractors as well as increased risks of overwork and accidents, illegal employment and a high degree of precariousness?

To give some answers to these questions, in the main report we first delineate the contours of subcontracting in road freight transport (Section 1). Then, we try to specify the economic characteristics and logics of the parcel/express transport industry (Section 2) and the subcontractors (Section 3) before determining the social relationships that frame their relationships (Section 4).

To do this, we use the results of **several series of interviews** (Raia, 2005, Da Silva, 2006, Jouffe 2008, Rème-Harnay, 2012-2013) with representatives of parcel/express companies, independent companies, and Parisian delivery drivers making it possible to better define the working conditions of the latter.

We also rely on **several quantitative surveys**:

- We processed data from the 2004 shippers' survey from Ifsttar (called ECHO), which gives quantified results on urban subcontracting.

- We processed data from a survey of carriers in Ile-de-France carried out by the Paris Region in 2011 (which we refer to as the "Paris region survey" in the report).

The main results are the following:

- The case of subcontracting of urban parcel delivery services is governed by specific constraints related to driving, stopping, delivery and pick-up in the city. The **working conditions** of subcontracting freight companies are particularly difficult, leading to multiple disappearances of companies. Yet every year new companies are created.

- The Paris region survey, part of which is devoted to these companies, shows several worrying signs of **economic dependence**. From a quantitative point of view, it reveals a dependence on transport intermediaries in general, highly concentrated exchange flows with their main client, a limited number of clients, often exclusive, and little opportunity to replace them with another client in view of the conditions of competition and the structure of the sector. As the survey includes a bias in favor of larger firms, it also hides the economic risks incurred by the former self-employed workers who are more numerous than appears in the Paris region survey.

- Investigations into subcontracting initiated in the 1980s by the ministry of transport led in particular to a **series of requalification** (from freelancer to employee) that continued in the 1990s in a series of lawsuits involving large companies. The observation remains identical thirty years later.

- This process does not begin with the transport companies themselves, whose logics have been analyzed in this article, but also the **responsibility of shippers** who dominate the market. More concentrated, and free to carry out the transport themselves or have it done, they could, especially the largest, frame these practices in the contracts that they establish with the transport companies.