<u>Industry report - couriers' services - Paris</u>

People interviewed:

- PA_DEL_1 : researcher
- PA_DEL_2 : food delivery riders union activist

Employment situation and working conditions

[How would you assess the employment situation and working conditions of traditional couriers and delivery riders, i.e. in postal/courier services or food delivery riders directly employed / working for at restaurants? How has the market entrance of online platforms (such as Deliveroo or glovo) affected the business of established providers (esp. in courier services)? If you do not see any disruption of incumbent courier companies so far, do you expect more direct competition between online platform providers and established providers for the future?]

With regards to the employment situation and working conditions in the traditional delivery industry in France, a major distinction must be made between 1) <u>drivers</u> who work for traditional postal/courier services (such as FedEx, DHL, Geodis, ...), and 2) <u>delivery riders</u>, who work for small bicycle courier companies, or are directly employed by the restaurants.

1) <u>Employment situation and working conditions of drivers in traditional postal/courier services.</u>

Since the end of the transport license quota and regulatory pricing (liberalization of the sector in the late 1980s), the subcontracting of delivery in the sector has grown steadily. In Paris, it is estimated to account for more than 80% of freight volumes. Subcontracting is used by big companies to reduce labor costs (employer's benefits and redundancy costs) as well as to circumvent the 35-hour working week set by the national collective agreement: illegal employment (whether undeclared or partially declared) is estimated to concern around one third of light transport companies[1]. Even when work is not illegal, as a consequence of the subcontracting cascade and the high turnover of small companies, the employment situation of drivers is highly precarious.

[1] Rème-Harnay Pétronille, « Comment les plateformes numériques accroissent la dépendance dans les relations de sous-traitance : le cas de la livraison à vélo », Revue Française de Socio-Économie, 2020/2 (n° 25), p. 175-198.

This segment of the sector has not been affected by the entrance of delivery platforms such as Deliveroo. However, in recent years, and especially since 2017-2018, the impressive expansion of the e-commerce and of Amazon in particular, is radically changing the business of established providers. Whereas until 2017 Amazon subcontracted the deliveries to traditional courier companies (such as FedEx, DHL, Geodis, ...), during the last few years the company decided to take over the entire transport chain opening "Amazon transport", which operates using multiple layers of subcontracting[2] and imposes to its subcontractors a *forfait* (flat rate) of 8h45. The labor process has been radically transformed: at the subcontractor's warehouse, the team working on the so-called "Amazon contract" has a tablet with a real time monitoring of the delivery: when the driver crosses the "red line" (in case of delays) an alarm sounds and a supervisor must call the driver. If he doesn't, an Amazon employee calls the subcontractor. In this new model, control by geolocation is highly enforced, drivers' shifts are more irregular and the workload is gradually increasing: "In 2015, for a driver the average workload was between 80 and 120 packages per day, with some exceptions on Christmas. Today Amazon is forcing to deliver up to 160-170 parcels per day and there is no longer any seasonality. The problem is that Amazon is so powerful that now everyone is doing the same thing, they are changing the whole sector" (PA_DEL_ 1).

2) <u>Employment situation and working conditions of delivery riders</u>.

Before the arrival of food delivery platforms like Deliveroo, there were two main types of delivery riders: a) those who worked directly for the restaurants, generally hired on fixed-term contracts, and b) those who worked for traditional bicycle courier companies. These companies are usually small size and hire workers directly, as employees. Two examples in Paris are Urban cycle or Coursier.fr. These companies can sometimes work as subcontractors for traditional couriers (such as FedEx, DHL, Geodis, ...) for deliveries in city centers, but the most often they focus on specialized market niches.

[2] Unlike other countries, in France parcel delivery drivers do not work as independent contractors. To be self-employed, drivers need to obtain a "transport capacity", a license that costs between 2000 and 3000 euros.

With regard to the former, i.e. those who worked directly for the restaurants, although we do not have precise data, their number has probably decreased significantly with the expansion of food delivery platforms.

On the contrary, traditional cycle courier companies, which are much less numerous and constitute a niche of skilled work, have been little or not at all affected by the entry of the delivery platforms into the market. As an expert stated: "The impact on this old sector, on the traditional players, is negligible, practically nothing has happened, whereas the food delivery platforms have had an impact on the restaurant industry, on the restaurant owners" (PA_DEL_1), The impact of food delivery planforms on restaurants is primarily related to the high commissions (on average 30% of the order price) [3] that are charged by the platforms (see above, "Changing strategies of incumbent companies" section).

With regards to the processes of formalization/informalization of food delivery riders' employment situation, in France the entry of platforms like Deliveroo into the food delivery pushes the informalization of the employment. This is mainly linked to the phenomenon of "subletting accounts", which is expanding rapidly especially in big cities like Paris. Indeed, with the decline of fares and the massive arrival in the sector of undocumented migrants and asylum seekers who do not have access to the self-employed status, some riders have started to rent their accounts (in some extreme cases taking up to 50% of the profits) to one or several riders who do not have access the status and therefore cannot open their own account[4]. The user accounts are rented mostly on an informal online market via Facebook Groups[5]. The growth of these intermediaries might suggest a gradual process of "hybridization" between the platform economy and the grey economy in large urban contexts (see "Paris report WP2").

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[3] In the case of certain privileged partnerships with large chains such as MacDo, the commission can however be greatly reduced.

[4] A. Aguiléra, L. Dablanc, A. Rallet, « L'envers et l'endroit des plateformes de livraison instantanée, enquête sur les livreurs micro entrepreneurs à Paris », *Réseaux*, 6, 2018.

[5] https://radioparleur.net/2018/10/30/livreurs-sous-location-compte/

Changing strategies of incumbent companies

[Horizontal/vertical expansion: As a result of increased competition (or new COVID-19 related demand), is there a horizontal and/or vertical expansion of services? For instance, food delivery companies extend their services and also offer the delivery of other goods (horizontally), or delivery companies also engage in production processes, such as pop-up-kitchens (vertically).

COVID-19 impact: Can you see an impact of COVID-19 on the workforce, on the demand for services, or can you identify a shift in demand (e.g. covid-19 toolkits to be delivered)?]

1. <u>Dark kitchens (restaurants)</u>

One of the main strategies adopted by the incumbent companies, i.e. by restaurants, in the context of the expansion of food delivery platforms (but also in the context of the health crisis linked to the Covid-19), consists in the development of an activity within a dark kitchen.

In dark kitchens, the commission charged by platforms such as Deliveroo to restaurants can be extremely high: if normally the commission is around 30%, in the case of a dark kitchens it can sometimes be as high as 50% of the order price.
However, the high commissions charged by platforms are compensated by two main factors. Firstly, developing an activity inside a dark kitchen allows the restaurant owners not to pay rent (in a city like Paris this is can be a considerable saving, especially in times of the lockdown). Secondly, this strategy also aims, as one expert underlined, to “make their brand known” and attract a wider clientele that they would not have access to through the classic restaurant business outside platforms. In recent times, and particularly in the context of the health crisis and the subsequent lockdowns, “there are more and more cooks who specialize in this area and who no longer have their own restaurant but only work in these dark kitchens. Sometimes they manage, depending on their reputation, to negotiate a contract closer to the classic commission of around 30%” (PA_DEL_2).

Therefore, during the health crisis, the number of dark kitchens seems to have increased in Paris. In addition to those belonging to the largest platforms (Deliveroo for instance has three dark kitchens in Paris) “now there are a whole bunch of people who will open virtual, dark, kitchens. Either smaller platforms or small companies. Most of them are people who couldn't work during the crisis, it's really linked to the economic situation. So, we can see how a business model, which is very Anglo-Saxon, has imposed itself and set an example. As Amazon is doing with couriers" (PA_DEL_1).

2. Cooperatives and "ethical" delivery platforms

Another strategy that some incumbent actors of the sector are developing, sometimes supported by local institutions, is the development of food delivery cooperatives (often founded by former platforms' riders), and, more recently, the development of alternative (or "ethical") delivery platforms. However, this model, although growing in the context of the Covid-19 health crisis, still constitutes a small niche of the food delivery market.

One very recent example of an alternative (or "ethical") delivery platform in Paris, is Resto.Paris[6] launched in September 2020 by the cooperative Olvo (a delivery cooperative founded in 2015 by some former Take Eat Easy, Foodora, Deliveroo and Uber Eats riders) together with the delivery cooperatives federation CoopCycle and the association Écotable. The riders of this platform drive cargo bikes and are for the most part directly employed by the delivery cooperative Olvo (however, the latter also employs between 10 and 20% of self-employed workers). In addition to the employment status, Resto.Paris differs from traditional delivery platforms such as Deliveroo in such a way that the riders are paid by the hour (from 16 to 18 euros per hour) and the commission charged to the restaurants is lower.

This platform has been financed (30,000 euros) by the Paris City Council. About 50 restaurants have joined the Resto.Paris.

Table with the rates applied by Resto.Paris:

Price of the order to be delivered	**Type of offer**	**% of the price order collected by the restaurant**	**% of the price of the order collected by the rider**
100 €	Cold (1h)	82%	18%

[6] https://resto.paris/fr/a-propos

Price of the order to be delivered	Type of offer	% of the price order collected by the restaurant	% of the price of the order collected by the rider
100 €	Hot (30min)	76%	24%

New aspects of industry regulation.

[How did cities and/or state legislators react to the entrance of the new platform-based business models and new forms of employment?]

National level:

Following a decision of the Court of Cassation of March 2020, which reclassified the status of a self-employed Uber driver as an employee, the government asked Jean-Yves Frouin, former president of the social chamber of the Court of Cassation, to draft a report and make proposals on "the status, the social dialogue and the social rights related to digital work platforms". On December 2020, Jean-Yves Frouin submitted the report intitled "Regulating digital work platforms" to the government[7]. The so-called "Frouin mission" rejects in the report the possibility of a "third status" (between "self-employees" et "employees") for platform workers, as it is the case in other European countries (see for instance the "worker" status in the UK) and recommends that workers of ride hailing and food delivery platforms, after 6 to 12 months of activity and a certain level of turnover, should be obliged to affiliate with a third party to secure them. This third party, freely chosen between "activity and employment cooperatives" (CAE), holding companies or other forms should "give workers an employee status and all the protections of salaried employment, without jeopardizing their autonomy".

However, this solution is contested by the great majority of labor unions and riders' organizations since it exempts platforms from all their responsibilities as employers, while leaving them in control of working conditions.

[7] https://www.vie-publique.fr/rapport/277504-reguler-les-plateformes-numeriques-de-travail-rapport-frouin

City level:

At a local level, besides the support of some local administrators to the development of alternative models such as Resto.Paris, some representatives have recently proposed to create “rest rooms” for platform’s food delivery workers: the city of Nancy is the first to have open a room in the city center, where workers can rest, warm up and go to the toilet. In Paris, communist elected councilors of the 18th *arrondissement* have a similar project of a “courier house” that will be managed on a day-to-day basis by CoopCycle, the federation of delivery cooperatives, which is not at all linked to Deliveroo Uber Eats, or any other platform.