

1. EXECUTIVE SUMMARY

The current state of logistics in Europe, as outlined in the report Top 100 in European Transport and Logistics Services 2021 / 2022, reveals a sector significantly impacted by the COVID-19 pandemic, with freight volumes declining by 4.9% in 2020 to 17.95 billion tons, despite rising operational costs. As companies look to recover, with the market projected to grow by 3% in 2021 to pre-pandemic levels of €1,150 billion, many are turning to outsourcing to manage increasing complexities and cost pressures. Contract logistics, representing 25% of the logistics market, plays a key role as businesses outsource non-core logistics functions to third-party providers. This trend allows companies to focus on core competencies while leveraging external expertise for operational flexibility, scalability, and digital transformation. However, the reliance on outsourcing also brings challenges, such as potential cost escalation, loss of internal logistical expertise, and concerns about precarious employment structures in subcontracting. As the industry evolves, balancing the benefits of outsourcing with the need for sustainability and workforce stability will be critical.



Figure 1. Strategic reasons for logistics outsourcing.

Logistics (management) is here defined as that part of supply chain management that plans, implements, and controls the efficient, effective forward and reverses flow and storage of goods, services and related information between the point of origin and the point of consumption to meet customers' requirements according to the CSCMP (Kukovič et al., 2014, p.113). This wide range of tasks can be outsourced to specialized third-party providers, leading to various effects depending on the specific function outsourced. For example, outsourcing transportation can lead to cost savings and operational flexibility, while outsourcing warehousing can enhance scalability but may reduce control over inventory. Similarly, outsourcing customer service logistics or reverse logistics can improve service quality but may introduce complexities in managing third-party relationships. Each outsourced function carries its own set of potential benefits, such as increased efficiency and focus on core competencies,

as well as challenges like reduced control and potential misalignment with the company's strategic goals. In this context, companies must pay special attention to how logistics outsourcing impacts their Corporate Social Responsibility (CSR), specifically in terms of employment conditions.

Against this background, ReSchape's task 3.4 suggests a list of Key Performance Indicators (KPIs) aiming to analyse the likely social impact of outsourcing practices. In particular, five groups of KPIs are suggested to be validated by stakeholders: (i) Working conditions, (ii) wages, (iii) bargaining power, (iv) regulatory and sustainability issues, and (v) operational and financial performance. It is worth noting that the KPIs are built from different sources such as scientific papers, reports, newspapers, etc.

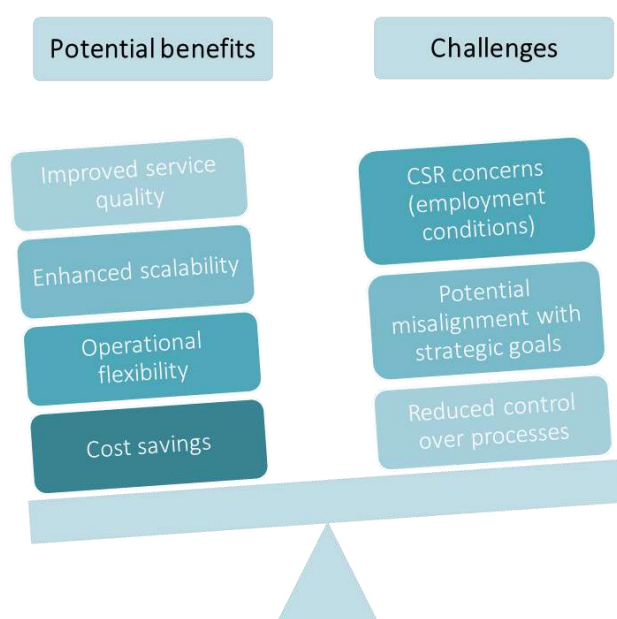


Figure 2. Potential benefits and challenges of logistics outsourcing.

According to the **main finding from the literature review**, the outsourcing penalty is pervasive across various job types and industries. It is independent of part-time arrangements, the repetitive nature of the job, or the employment sector. The outsourcing wage penalty arises from differences in job status and time-invariant characteristics between workers rather than changes in individual characteristics over time. Ultimately, it indicates a structural issue within the practice of outsourcing itself.

A significant impact of outsourcing is seen in long-term earnings, often resulting in a **wage penalty** for workers. For example, workers employed by the outsourcing firm experience a long-run earnings increase of approximately 6%, suggesting they receive additional rents from the firm's increased profits or a reduced number of workers sharing these profits. Conversely, outsourced workers face long-term earnings losses of about 5% (Dorn, 2018). The wage cuts for outsourced workers start with an initial drop of about 2.5%, growing to around 10% over 5–10 years. The result is a wage inequality between the firm and outsourced workers. For example, the increase in outsourcing activity, particularly in logistics services, accounts for around 10% of the rise in German wage inequality since the 1980s. Moreover, the wage penalty was higher for female workers than male workers, amplifying existing disparities and thus becoming a significant policy issue.

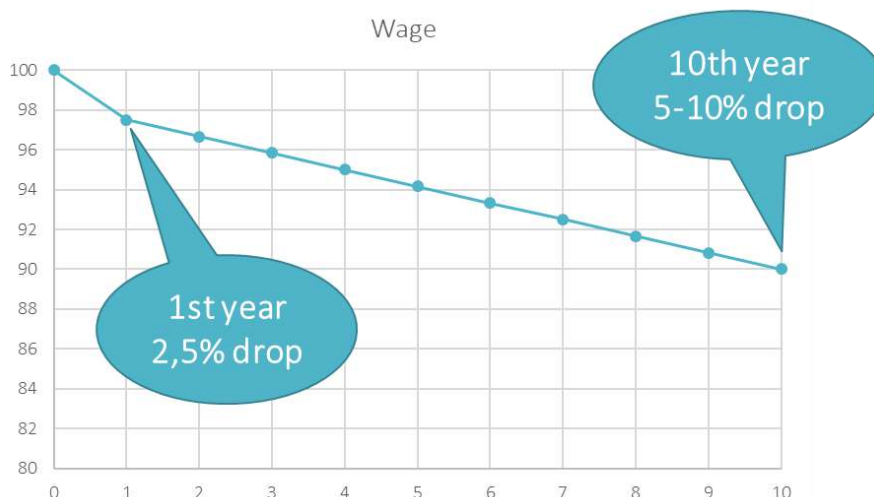


Figure 3. Example of wage cuts for outsourced workers from Dorn (2018) starting with an initial drop of about 2.5%, growing to around 10% over 5–10 years.

The potential for **worker exploitation and poor work conditions** in outsourced jobs is a pressing ethical concern that underscores the need for policy intervention. Outsourced jobs typically exhibit lower job quality, including benefits and job security, than in-house positions. Additionally, the growing trend in online outsourcing platforms also impacts workers, especially low-skilled and vulnerable groups (e.g., youth, minorities, migrants). While high-skilled workers generally see salary gains when outsourced, their low-skilled counterparts face wage decreases, exacerbating existing wage disparities and contributing to broader issues of income inequality. Therefore, technological developments may potentially lead to occupational segregation depending on workers' skills.

The role of **trade unions** in defending the rights of outsourced workers is a crucial aspect of potential solutions to the issues raised. For example, trade unions play a crucial role in organizing outsourced workers and defending their rights through innovative strategies, despite encountering obstacles (Godino, 2019). Also, collective bargaining agreements (CBAs) significantly influence the impact of outsourcing on workers' earnings. In this regard, Deibler (2021) suggests that firms with CBAs see an increase in workers' long-term earnings by 6%, while firms without CBAs experience a short-term earnings decrease of 3%. However, the transformation of the employer-employee relationship through outsourcing has substantial implications for job security, worker representation, and union coverage (Goldschmidt, 2017). Godino (2019) signals that outsourcing and subcontracting significantly affect collective bargaining institutions, potentially leading to coverage gaps or conflicts. Likewise, these gaps impact the inclusivity and social sustainability of recovery efforts. Furthermore, the atomization of companies and the dispersion of workers following outsourcing present significant challenges to the capacity of unions to organize and represent members effectively (Mori, 2017). Against this background, intense collective bargaining and higher union density are desirable to improve the conditions of outsourced workers. Potential actions might include extending collective bargaining agreements, implementing higher statutory minimum wages, and incorporating labor clauses in public contracts (Johnson, 2021). These strategies will support workers' bargaining power, but also may limit the extent of outsourcing (Zwysen, 2024).

Addressing and mitigating the **social impacts** of logistics outsourcing is critical to reducing associated risks that can affect business relationships, particularly in the context of apparel wholesalers (Tsai, 2012). Apart from reshaping trade union representation and CBA's power, logistics outsourcing could be affected by three interrelated aspects. First, macroeconomic and

institutional influences. Sectors with more significant technological innovation, lower union density, and worker representation are more likely to engage in outsourcing, leading to greater inequality (Zwysen, 2024). This trend highlights the broader socioeconomic impact of outsourcing, particularly in rapidly evolving sectors with weak labor protections. Second, **criminal activities** and worker vulnerability. The logistics sector, particularly warehousing, has become a target for criminal entities due to its massive use of low-skilled, precarious, and migrant workers (Villani, 2018). These workers are highly vulnerable to exploitation and abuse, given their precarious employment status. Criminal activities within logistics underscore the need for stringent regulatory measures to protect workers and ensure fair labor practices. Third, the onset of shadow management systems. In this regard, Villani (2018) signals how, in northeastern Italy's logistics firms, a "shadow management system" has been documented, where atypical cooperatives and social dumping contracts contribute to systematic rule violations and worker exploitation. Characterized by the coexistence of formal and illegal workers, the former are often underpaid and overworked, while the latter face even worse conditions.

All these challenges posed by the growing trend of outsourcing force to regulatory bodies to develop and implement robust and stricter institutional **responses**. Developing strategies such as revisiting existing labor laws to address unique challenges of outsourced workers is seen as key (Bernhardt, 2015). This should be complemented with more rigorous inspections, especially concerning mechanisms like self-employment that can be misused for workers' exploitation (Godino, 2019). Besides, strengthening union membership and collective bargaining would provide workers with a stronger capacity to negotiate better labor conditions for outsourced employees. In this regard, Drahoukoupil (2017) suggests that establishing transnational trade unions would cross-border protection, reducing the negative impacts of outsourcing globally. Finally, implementing effective regulatory frameworks requires successful coordinated action among stakeholders. This is an essential issue for regulating industrial relations (especially in fragmented sectors) and promoting fair labor practices.

The **news media analysis** brought to light key insights that reinforce the broader findings from the literature review: outsourcing logistics activities has a profound social impact, affecting job security, wages, and working conditions.

The analysis reveals that outsourcing often leads to job precarity and wage suppression, with numerous cases highlighting job losses, salary cuts, and reduced benefits—fueling worker dissatisfaction and protests. It also exposes legal and ethical risks, as companies may face legal and reputational consequences when outsourcing practices undermine workers' rights, as seen in high-profile cases like Qantas.

Furthermore, the rise of e-commerce has introduced new logistics roles, but these positions are frequently tied to temporary or outsourced contracts, exacerbating job insecurity.

The media analysis also sheds light on the response from trade unions and legal entities, which continue to push for stronger labor laws and protections for outsourced workers, challenging exploitative practices.

Ultimately, the findings underscore the complex trade-off between cost efficiency and social responsibility in logistics outsourcing. While outsourcing can enhance operational flexibility, it often comes at the cost of worker rights.

To foster sustainable business models, companies must embrace balanced outsourcing strategies, ensuring that economic gains do not overshadow employee welfare.

The **analysis of job offers** in the logistics sector reveals a clear division in employment conditions shaped by outsourcing practices. In-house roles consistently provide greater job security, with permanent contracts and higher salaries, particularly for management, coordination, and engineering positions. In contrast, outsourced roles — mainly in operational tasks like forklift operation and warehouse work — often come with temporary contracts, lower wages, and more variable working hours, including night and rotating shifts.

A strong correlation emerges between job responsibility and outsourcing: lower-level roles are more frequently outsourced, while high-responsibility positions remain in-house. Middle management roles, for instance, were exclusively in-house, reflecting companies' preference to retain control over leadership positions. Even in logistics engineering, 90% of the analyzed roles were in-house.

Salaries also mirror this divide. In-house logistics management roles range from €25,000 to €39,000, while outsourced positions rarely exceed €25,000. Engineering roles show a similar pattern, with in-house offers reaching up to €50,000 compared to €24,000 for outsourced roles. Commercial and sales roles stand out as an exception, with a notable share being outsourced, aligning with the client-facing focus of many logistics service providers.

Overall, the findings highlight a two-tier workforce within logistics. In-house employees enjoy better job security, wages, and working conditions, while outsourced workers face more precarious employment. This divide disproportionately affects lower-level roles, reinforcing the need to balance operational flexibility with fair and responsible outsourcing practices.

The **Guide to Socially Responsible Outsourcing: KPIs for Impact and Performance** offers a clear framework for organizations to measure and enhance the social impact of their outsourcing strategies. It focuses on four key areas: Working Conditions, Wages and Bargaining Power, Regulatory and Sustainability Issues, and Operational and Financial Performance. The KPIs included in the Guide are presented below:

WORKING CONDITIONS

- *Health and Safety Compliance Rate (HSCR)*
- *Workload*
- *Workforce rotation*
- *Workplace well-being index*
- *Ethical compliance*

WAGES & BARGAINING POWER

- *Wage Parity Ratio*
- *Living Wage Benchmark*
- *Subcontractor profits*
- *Grievance Resolution Time*
- *Wage Growth Index*

REGULATORY AND SUSTAINABILITY ISSUES

- *Compliance Rate with Labor Laws*
- *Worker Misclassification*
- *Environmental Impact Metrics*
- *Gender and Minority Representation in Outsourced Workforce*

OPERATIONAL AND FINANCIAL PERFORMANCE, RISK MANAGEMENT, AND STRATEGIC ALIGNMENT

- *Operational Efficiency Index*
- *Percentage Reduction in Operational Costs*
- *Alignment with Business Goals*
- *Customer Impact Index*

The guide outlines how these Key Performance Indicators (KPIs) were developed through academic research, expert feedback, and HR insights. This rigorous process ensured each KPI was both relevant and feasible. For example, the Health and Safety Compliance Rate evolved to include workplace injury reports and audit outcomes, while the Workplace Wellbeing Index incorporates employee surveys and absenteeism data to reflect worker satisfaction.

A crucial part of the framework is the establishment of baselines and benchmarks. Historical data is used when available, but for newer KPIs like Worker Misclassification or Environmental Impact Metrics, pilot studies help gather initial insights. These baselines allow organizations to track trends over time, compare internal and external performance, and identify areas for improvement.

The guide emphasizes regular KPI reviews—monthly or quarterly for fast-changing metrics like incident rates, and biannual or annual for long-term goals like strategic alignment. It stresses the importance of transparent reporting, encouraging organizations to integrate social impact data into sustainability reports and management discussions. When KPIs reveal underperformance—such as rising workplace injuries or wage disparities—the guide advises a clear action plan: identify root causes, implement corrective measures, and adjust targets as needed.

Beyond measurement, the guide provides practical advice on embedding KPIs into organizational culture. Starting with a focused set of metrics, aligning data collection with existing processes, and fostering transparency help ensure KPIs drive meaningful change. It warns against over-relying on single metrics or applying uniform standards without considering local contexts, advocating for regular KPI reassessment to keep pace with evolving business goals.

Ultimately, the guide equips organizations with the tools to balance operational efficiency and social responsibility. By consistently tracking and refining KPIs, companies can ensure their outsourcing strategies not only reduce costs but also protect worker rights, promote fair wages, and support sustainable business practices.