



# Introduction

Logistics outsourcing has become a key strategy for companies aiming to optimize operations, cut costs, and improve flexibility. While this approach offers undeniable business advantages, it also raises critical social and economic concerns, particularly regarding employment conditions, job security, and corporate social responsibility (CSR).

The transition to third-party logistics providers (3PLs) has significantly reshaped labor market structures, influencing wage distribution, job stability, and working conditions. As businesses increasingly rely on outsourcing, it is crucial to assess its broader implications—ensuring that economic efficiency does not come at the cost of social equity.



## **This industrial brief presents key findings from the ReSChape project,**

which investigates the social impact of logistics outsourcing. It highlights major trends in employment shifts, wage disparities, and workforce precarity and introduces a structured approach to measuring outsourcing's effects through Key Performance Indicators (KPIs).

This KPI framework is primarily designed for companies that outsource logistics operations to third-party providers, helping them assess and monitor social risks along their supply chains. However, logistics providers and sub-contractors may also benefit from adopting these KPIs to improve transparency and working conditions.

# The Growing Role of Outsourcing in Logistics

## Market Dynamics and Structural Shifts

The European logistics sector, significantly impacted by COVID-19, has increasingly turned to outsourcing as a recovery strategy. Contract logistics now represents 25% of the market, with businesses leveraging third-party providers for transportation, warehousing, and customer service operations. This shift enhances operational efficiency but raises concerns about cost escalation, loss of internal expertise, and employment instability.



**Figure 1.** Strategic Reasons for Logistics Outsourcing

# Workforce Fragmentation and the Two-Tier Labor Market

Outsourcing has contributed to a segmented labor market where in-house employees enjoy higher job security, stable wages, and career growth opportunities, while outsourced workers often face temporary contracts, lower wages, and irregular working hours.

- **Job Security:** In-house positions, especially in management and engineering, offer permanent contracts, while outsourced roles (e.g., warehouse staff, forklift operators) are typically temporary.
- **Wages:** In-house logistics managers earn up to 56% more than outsourced employees. The gap widens in engineering roles, where in-house staff earn over 100% more on average compared to their outsourced counterparts (salaries in Spain from analysed job offers).
- **Working Conditions:** Outsourced workers face greater risks of precarious employment, often working under subcontracting arrangements that provide fewer benefits and weaker legal protections.

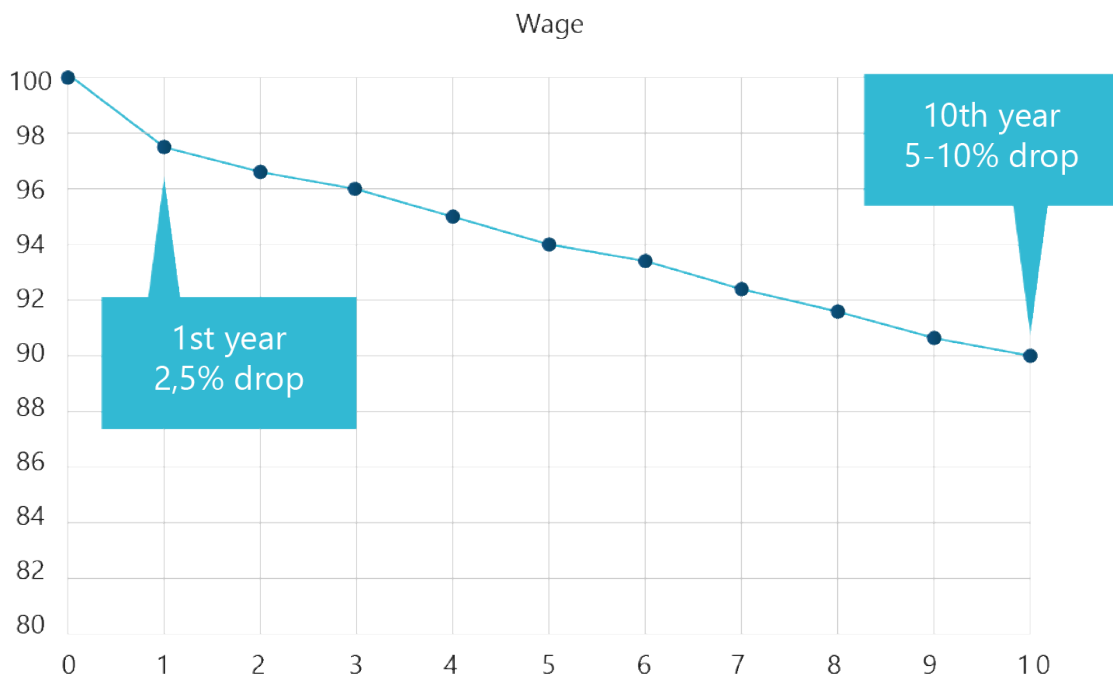


**Figure 2.** Wage Disparities Between In-House and Outsourced Logistics Workers

# Wage Penalties and Long-Term Earnings Decline

One of the most significant findings is the “outsourcing wage penalty.” Research shows that outsourced workers experience an immediate 2.5% wage drop, which grows to 10% over 5–10 years. Meanwhile, in-house workers see a 6% increase in long-term earnings.

- **Gender Wage Gap:** Outsourced female workers face higher wage penalties than their male counterparts, exacerbating income inequality.
- **Income Inequality:** Outsourcing accounts for nearly 10% of the rise in wage inequality in Germany since the 1980s<sup>1</sup>.



**Figure 3.** Long-Term Wage Penalty for Outsourced Workers <sup>2</sup>

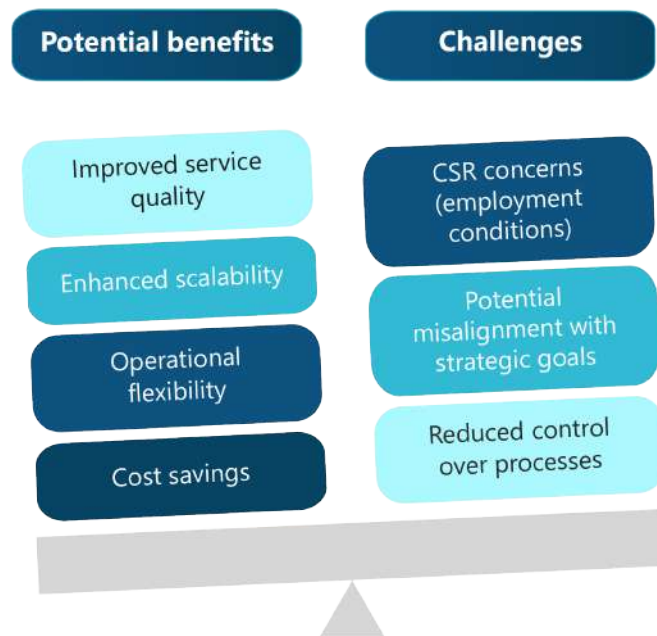
<sup>1</sup> Goldschmidt, D. & Schmieder, J.F. (2015). *The Rise of Domestic Outsourcing and the Evolution of the German Wage Structure*. IZA DP No94. 9194.

<sup>2</sup> Dorn, D., Autor, D., Katz, L. F., Patterson, C., & Van Reenen, J. (2018). *Domestic outsourcing in the United States*. *The Quarterly Journal of Economics*.

## Labor Rights, Worker Representation, and Social Sustainability

The shift toward outsourced employment reduces worker bargaining power and weakens collective representation:

- **Unionization Challenges:** Outsourcing disperses workers across multiple subcontractors, making union organization and collective bargaining more difficult.
- **Regulatory Gaps:** In sectors with weak labor protections, outsourced workers face higher risks of exploitation, particularly in low-skilled logistics roles.
- **Ethical Risks:** The rise of “shadow management systems” and subcontracting networks has increased cases of labor law violations and worker exploitation.



**Figure 4.** Potential benefits and challenges of logistics outsourcing

## The Role of Policy and Industry Action

Addressing the social risks of logistics outsourcing requires a combination of regulatory measures and industry-led initiatives. Key recommendations include:

- ✓ Strengthening **collective bargaining agreements** to ensure fair wages and job security.
- ✓ Introducing **minimum wage standards** for outsourced workers.
- ✓ Increasing **transparency in subcontracting** to prevent labor exploitation.
- ✓ Implementing **stronger regulatory oversight** in high-risk sectors like warehousing and last-mile delivery.

# Measuring the Social Impact of Logistics Outsourcing:

## A KPI-based framework for assessing employment risks and opportunities

A KPI-based framework for assessing employment risks and opportunities

### Why do social KPIs matter?

Logistics outsourcing can bring flexibility and cost benefits—but also risks like precarious work, wage gaps, and weakened labor rights. To mitigate these, ReSChape introduces a KPI framework focused on **social sustainability** in outsourced logistics operations.

The ReSChape KPI framework provides outsourcing companies with tools to monitor employment risks and align subcontracting practices with social sustainability goals.



**Figure 6.** Key Dimensions of Social Sustainability in Logistics Outsourcing

### The four pillars of the KPI framework

To capture the complexity of outsourcing’s social impacts, ReSChape organizes its KPI framework around four core dimensions. Each dimension reflects a critical area where outsourcing can affect worker wellbeing, corporate responsibility, and operational outcomes. The indicators within each pillar help organizations detect risks, benchmark supplier performance, and align outsourcing strategies with broader social and sustainability goals. The framework also encourages a proactive approach to monitoring changes in employment quality, particularly in subcontracted environments where visibility is often limited. By adopting these indicators, companies can strengthen due diligence processes, promote transparency across their value chains, and contribute to more equitable and resilient logistics systems.

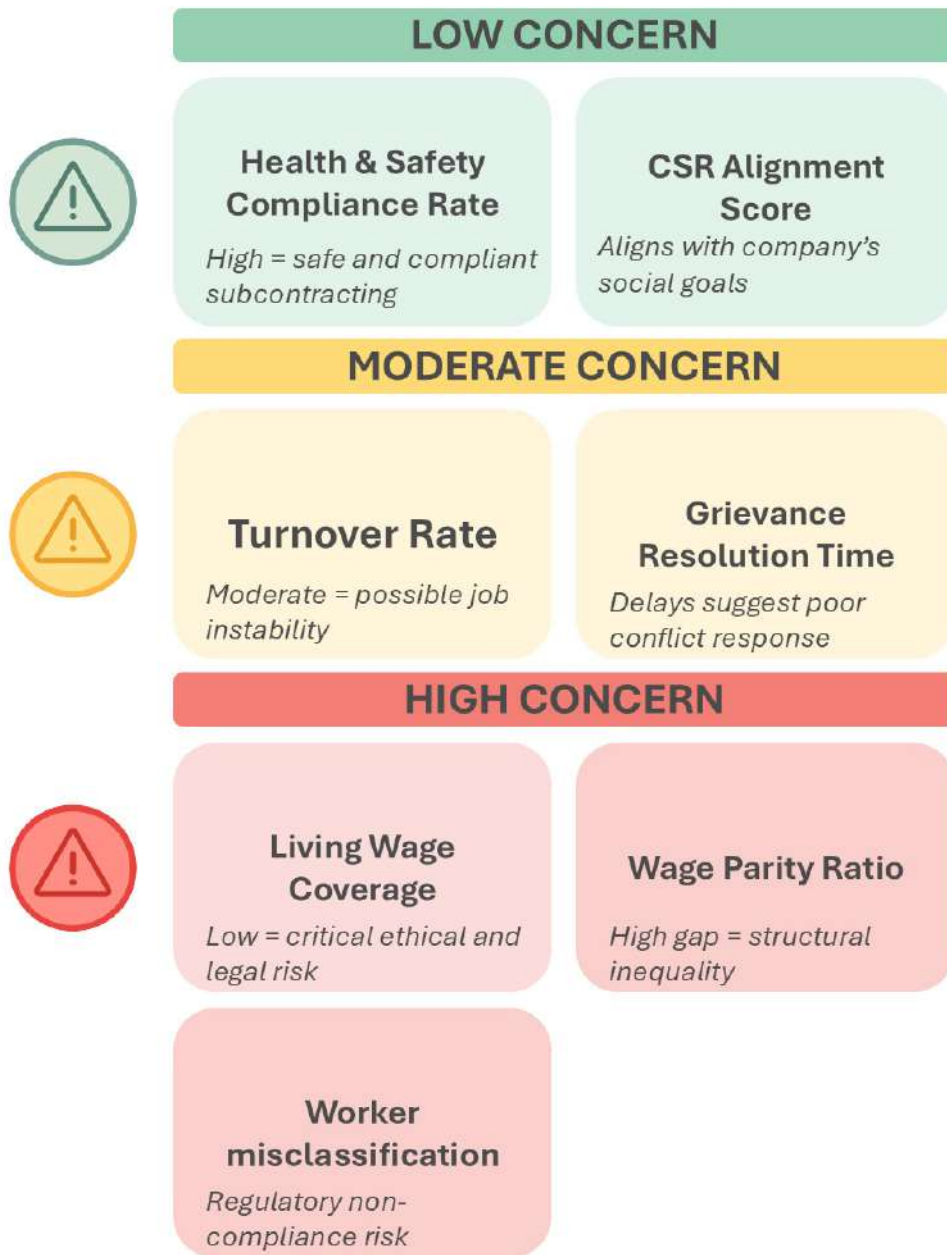


**Figure 7.** The Four Pillars of the ReSChape KPI Framework

## KPIs snapshot. What to watch for?

To illustrate the practical value of the ReSChape framework, this section highlights a curated set of **sentinel indicators**—KPIs selected for their ability to reveal early signs of social risk in outsourced logistics operations. These indicators span the four core dimensions and cover issues such as health and safety compliance, turnover, wage disparities, and worker misclassification. They are straightforward to interpret and highly actionable, making them ideal for integration into day-to-day monitoring systems. As sentinel indicators, they function as early warning tools, helping organizations detect hidden vulnerabilities in subcontracted workforces and take timely corrective action before risks escalate into legal, reputational, or operational failures.

Each sentinel KPI is assessed using a three-level risk concern scale—low, moderate, or high—based on available data trends, expert judgement, and literature benchmarks. These concern levels reflect the urgency and severity of social risks associated with each indicator (e.g., wage disparity, misclassification, etc.). A ‘high concern’ level suggests significant vulnerabilities requiring immediate attention, while ‘low concern’ indicates a more stable or acceptable situation. Examples or thresholds are noted in the boxes where available.



**Figure 8.** Sentinel KPIs Across the Four Pillars

## From indicators to action

The value of social KPIs lies not just in measurement—but in their ability to inform better decisions. Once risks and disparities are identified through sentinel indicators, companies can act strategically to enhance transparency, reduce vulnerabilities, and foster more responsible outsourcing practices. This section outlines how KPI insights can be embedded into procurement, risk management, and sustainability efforts to drive meaningful change across the logistics value chain.

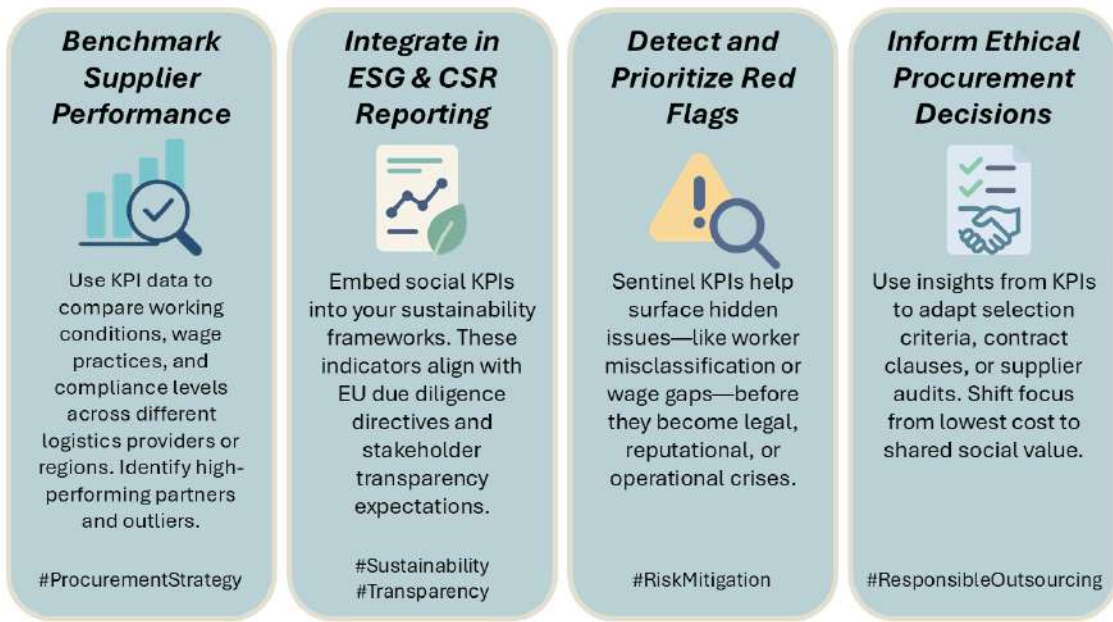


Figure 9. From KPIs to Action: Embedding Indicators into Strategy

## Implementation tips: How to operationalize social KPIs in real-world outsourcing practices

Translating social KPIs into actionable practices requires more than just measurement—it demands integration into everyday business processes. For companies seeking to strengthen their governance of outsourced logistics, implementation begins with clarity, prioritization, and cross-functional collaboration. This section outlines practical steps to embed the ReSChape KPI framework into supplier management, internal reporting, and strategic decision-making, enabling organizations to turn insights into meaningful improvements on the ground.



### IMPLEMENTATION TIPS

How to operationalize social KPIs in real-world outsourcing practices



Figure 10. Operationalizing the KPI Framework



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## Follow us



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