

# The digital transformation of the postal sector is creating new social and governance issues

December 2022

Ian Streule

Analysys Mason has observed that new digital technologies and practices are entering the postal and parcel sector. Indeed, postal companies are now able to monitor delivery rates, redirect employees while en route and use data to estimate the number of staff needed per day in real time, among other activities. However, these new technologies may bring about social and governance issues that could lead to negative consequences for business performance, quality of service and profitability, such as management challenges and dissatisfaction in the workforce.

## Greater levels of performance monitoring can cause employees to feel stressed and under pressure or to take more risks

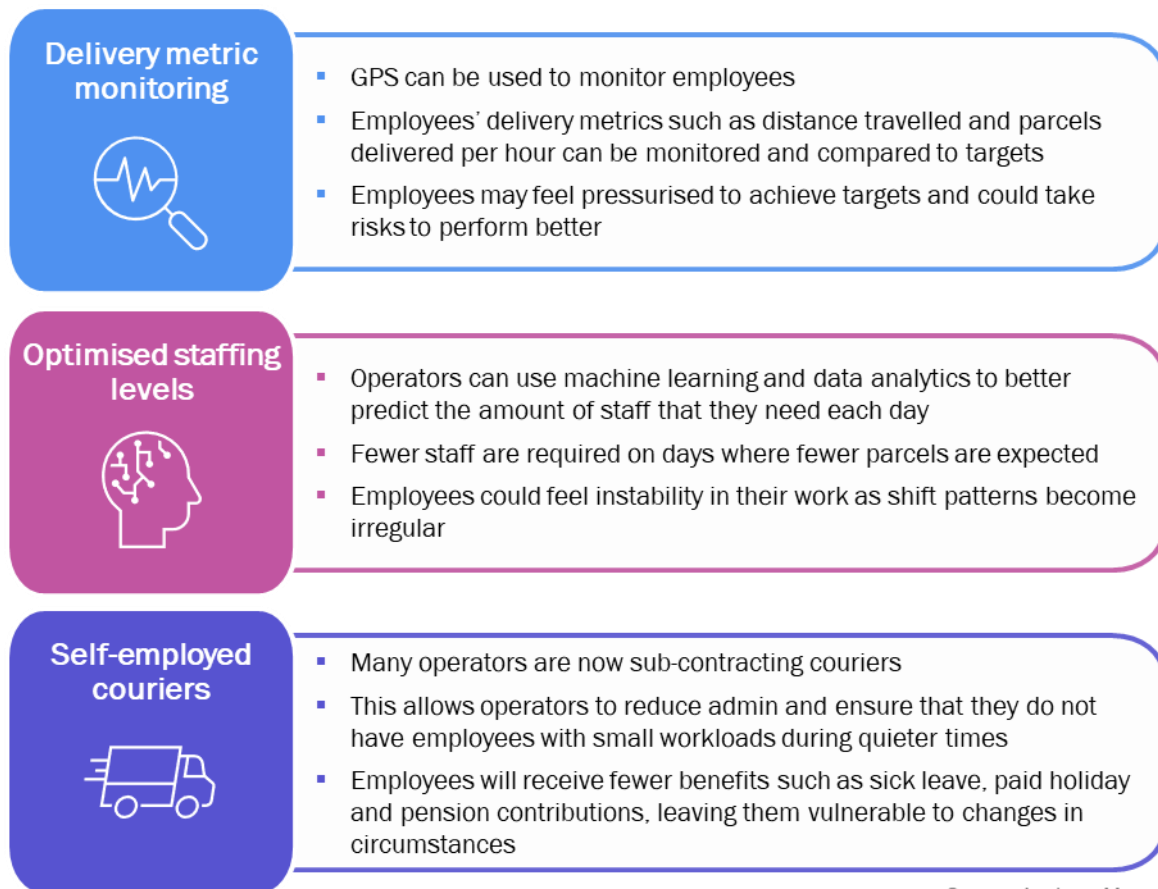
New technologies have made the postal and parcel sector more efficient, thereby allowing operators to achieve next-day delivery for the majority of products and same-day delivery for residents who live sufficiently close to distribution centres. Parcel delivery can be planned, programmed and tracked so that the route from the distribution centre to the destination can be optimised.

Real-time GPS updates can be used to amend the courier's route based on current traffic levels; a revised schedule for deliveries helps to ensure that parcels are delivered on time. However, these time optimisations can sometimes be overly optimistic, and instances such as the recipient being slow to answer the door or unexpected levels of road traffic can result in couriers running behind schedule. This in turn can cause couriers to feel stressed because they may struggle to make their deliveries at the targeted time or may fail to achieve performance bonuses.

Operators can use tracking to predict the number of parcels that a delivery centre will have to process and deliver each day, thereby enabling them to adapt staffing levels accordingly. This can lead to more employees either working freelance as gig-economy workers or having zero-hours contracts, both of which provide little stability and can leave employees vulnerable to changes in circumstances.

Figure 1 summarises the social issues that can arise as a result of the digital transformation in the postal and parcel sector.

**Figure 1: New digital technologies and practices in the postal and parcel sector and the social issues that they could cause**



Source: Analysys Mason

## Differences between the objectives of board members and those of front-line workers could lead to governance issues

Board members and front-line workers often have contrasting objectives; board members are aiming to maximise business performance and/or profits, while workers want higher wages and/or good working conditions. New digital technologies can put a further strain on the relationships between these two sets of stakeholders. Operators must therefore ensure that there are excellent lines of communication between management and employees in order to enable a digital transformation and agree working solutions between board members and front-line workers.

Postal operators can, in many instances, be kept under close scrutiny by national governments/regulators due to universal service obligations (USOs) and other regulation such as quality of service standards. The benefits of technological advancements may be limited by the larger distances between communities in rural areas who are the main benefactors of these regulations, which makes better delivery services harder to provide and can require fixed staffing levels regardless of the number of letters and parcels. This governmental interest, along with many operators' histories of being state-owned, can turn the governance challenges and operational impacts of digital transformation into a political issue. As a result, it is likely that extensive and wide-ranging discussions about priorities such as (re-)nationalisation, changes to the USOs, working conditions and the diversity of board members will occur.

## These social and governance issues could lead to significant management problems, including strikes

The Communications Workers Union (CWU) in the UK (the union representing Royal Mail workers) announced that its Royal Mail members would be striking on key dates in the lead up to Christmas 2022. This was agreed after 98% of union members voted to strike over a below-inflation pay rise and 71% of union members voted to strike over Royal Mail's actions with regards to the 2021 Pathway to Change agreement.<sup>1</sup>

The Pathway to Change document agreed between Royal Mail and the CWU discusses issues such as company culture, maintaining stability and continuity for drivers, controlling the number of external resources (such as self-employed couriers) and job security. This highlights the importance of planning and managing expectations during a digital transformation.

## A well-managed digital transformation should include both a digital strategy and engagement with workers regarding social and governance impacts

Developing a digital strategy for the postal sector requires a substantial amount of work, including identifying wide-ranging objectives and outcomes, selecting technology, planning and redesigning networks, considering human resources and developing a comprehensive digital transformation roadmap. Key social and governance activities can be undertaken and monitored alongside this as the business transforms. Such activities could include regular strategy consultations across the workforce, the gathering of feedback from digital pilot projects, employee surveys and the measurement of workplace indicators such as job satisfaction, workdays lost due to injury/stress, pay scale indicators and pay gaps.

Digital progression and technological improvements offer postal operators significant opportunities to increase their efficiency, improve their quality of service and increase/maintain their revenue. However, operators must consider the social and governance effects of any improvements in order to ensure acceptance and satisfaction among both front-line workers and government stakeholders. Analysys Mason can help you to consider these issues and devise strategies that work with all parties. For more information, contact [Ian Streule](#), Partner.

---

<sup>1</sup> CWU (2021), [Key principles framework agreement - the pathway to change 2021](#).