TEAM HUB!
Delivering sustainability to the e-commerce supply chain

Country Fiche ITALY

Author: Sofia Gualandi
(Fondazione Giacomo Brodolini)

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Introduction

The *Team Hub!* project is a two-year project supported by the European Commission, Directorate-General for Employment, Social Affairs, and Inclusion, receiving funding under the call for proposals SOCPL-2021-IND-REL aimed at improving expertise in the field of industrial relations. Running for 24 months (August 2022 – July 2024), *Team Hub!* combines desk and empirical research, as well as mutual learning and networking activities, in order to analyse features and challenges of the e-commerce supply chain in a set of selected countries, namely Belgium, Estonia, France, Finland, Germany, Greece, Italy, Poland, Spain.

The *Team Hub!* Project brings together a consortium of universities, research institutes and trade unions from nine EU countries to jointly address the complexities and challenges of e-commerce supply chains, especially with regard to storage and delivery activities. The aim of *Team Hub!* is to analyse the implications of the e-commerce boom, following the COVID-19 pandemic, and to equip trade unions with the knowledge and skills necessary to propose a sustainable reshaping of business models and work organization in the supply chain, also in view of the digital revolution and environmental sustainability objectives.

The first phase (Study) of the *Team Hub!* project consists of a preliminary literature review aimed at producing country-level analysis of the e-commerce and logistics national panorama. The goal is to identify and assess existing information and data about key trends and features in the e-commerce supply chains at national level, with a particular focus on key market players and dominant business models, working and employment conditions, social partners activities, and the geography of the supply chains in the covered countries.

The present Country Fiche, part of a series of nine similar papers, contains the results of the national-level analysis. The Country Fiches are aimed at feeding an EU-level comparative analysis to be included in the Background Report, which will equip the consortium with adequate background information for the following phases of the project.

Country Fiches are based on a common methodology agreed and shared in advance with the project's consortium. The research was realised by national experts appointed by the project partners. Experts developed their research on the basis of a common template, whose structure shapes the Country Fiche below. With a view to guaranteeing homogeneity and comparability of results, guidelines were shared with regard to sources and references to be used for the completion of the country fiches' template. In particular, the following categories were designated: scientific literature, administrative data, surveys, general press, interviews with relevant stakeholders.

Country Fiche

Macro-analysis on trends and developments in the e-commerce sector

Sales, use of online channels by consumers and shops, market shares and presence of dominant players, employment and wage trends in the supply chain

"E-commerce" can be defined as the Internet-based purchase and sale of products and services. Depending on the nature of the parties involved, a distinction is made between business-to-business (B2B, commercial relationship between companies) and business-to-consumer (B2C, relationship between company and consumer) e-commerce.

B2C e-commerce in Italy (79% of the total of e-commerce) marked a decisive increase in 2020, equal to about +33% compared to 2019 (ISTAT July 2020). Before the pandemic, only 12% of companies were operating in the sector, compared to the EU average of 18%. The trend, which in lockdown weeks has more than doubled, consolidated in the following months, with an increase in the field of sales of products. B2C e-commerce demand in Italy kept on increasing in 2021, according to the following percentages: 2021/2019: +25.6%; 2021/2020: +21.3% (Source: 2022 B2c eCommerce Observatory).

Looking at the **website visits**, the most frequented marketplaces in Italy in 2021 were: Amazon.it (180.5 million monthly visits), eBay Italia (76.9), Mediaworld (11.3), Unieuro (10.4), AliExpress (8.65), Zalando Italia (8.1), IBS (6.3), Decathlon (5.9), ePrice (5.15) and Esselunga (5.1) (source: Statista 2021).

The analysis of **online purchases** shows how the average annual spending per e-shopper in Italy become significant, equal to € 1.608 in 2021. Almost all of them bought through marketplaces: 95% on Amazon, 46% on eBay (-52% compared to 2020) and 45% on Zalando (source: Postnord 2022).

As for the breakdown by **sector** in **2021**, online purchases of **products** (2021 turnover: € 30,5 billion) have reached and surpassed **service** purchases (2021 turnover: € 8,9 billion). Among the products, the main sectors are IT and Electronics (25%), Clothing (17%), Food & Grocery (13%), Furniture & Home Living (11%), Publishing (5%), other (29%). In services, the main sector is Tourism and Transport (73%), which is the most mature and largest e-commerce sector in Italy, driven by the booking of tickets and overnight stays, whose growth has been slowed down only in 2020 due to the pandemic. The insurance sector (18%) ranks second in the ranking of services sold online, from which 8% remains (Source: 2021 B2c eCommerce Observatory). In **2022**, e-commerce of **products** continues its run, albeit at a slower rhythm compared to 2021 (+8%), reaching a **turnover** of € 33.2 billion. Online purchases of **services**, on the other hand, complete the recovery (+59%) and reach a **turnover** of € 14.9 billion (Source: 2022 B2c eCommerce Observatory).

As for the **shipping** market in particular, it is above all Amazon and Poste Italiane that manage the standard shipments in Italy, covering together the 86% of the market, while express shipments mainly involve Amazon, Poste and Bartolini, for a total of 64%.

Despite the growth of e-commerce in Italy, less than 15% of companies earn more than 1% from online sales (Eurostat 2020), against an EU average of 20%. In a country with an industrial landscape made up of 70% SMEs, the use of digital devices is growing but still few of them sell online: in 2021, only 60.3% of Italian SMEs reached at least a basic level of digital intensity (ISTAT 2021, Imprese e ITC). Italian e-commerce represents less of a share of total purchases than in other countries, partly due to the technological handicap and lack of Internet access: in 2019, almost 25% of households in Italy did not have Internet access (ISTAT 2019, Cittadini e ITC).

Qualitative analysis on the different types of existing business models

Overview of the existing types, in particular concerning the relationships with workers and in the supply chain

The management of online businesses requires the integration of several activities in the **supply chain**: the design and management of an online marketplace; the use of one or more online payment systems; the customer service; the logistics activities. It is therefore possible to distinguish between an intangible part, that of the marketplace and software, where the sale agreement is finalised, and a material part, that of "integrated logistics", i.e., that wide range of activities related to organisation, storage, shipping, transport, and distribution of goods.

The **digitalization** of the B2C commerce sector, i.e., "the integration of internet-related digital technologies that connect retailers and consumers" (Hagberg, Sundstrom e Egels-Zandén, 2016), is radically transforming the logistics sector in Italy.

Until recently, logistics and freight transport constituted a service to be outsourced by manufacturing companies, as it was considered of low added value thus to be delegated to commercial/contractual integration with third-party companies, which gave rise to a very fragmented sector consisting of chains of subcontracting, according to organizational models of the lower part of the supply chain (***lean production***). This evolution has called into question the form of vertical and unitary organization of work that characterized the Fordist enterprise. Nowadays, thanks to the impetus given by the e-commerce boom, logistics acquires a strategic role in its supply chain, resulting in a renovated market concentration. Big logistics companies tend to deal with complex services and functions, such as warehouse management, integrated supply chain management, data analysis and strategy development (so-called ***contract logistics***, or "verticalization" of the supply chain). The players are converging towards the so-called ***digital freight forwarders* business model**, combining typical functions of marketplaces and software companies for the integration of information of the various partners in the supply chain.

With regard to the storage/shipping process, the logistics sector in Italy implies the presence of a few "**hubs**", i.e., infrastructure and service clusters aimed at exchanging goods between different modes of transport, and integrating processing and storage activities with the support of Warehouse Management Systems, and of the so-called "**Last Mile Logistics**" system, which connects numerous **delivery stations,** located in industrial areas of cities, with customers receiving goods at home or at collection points. While hubs are supplied for 90% by **trucks**, **vans** ensure delivery from the delivery stations to the consumer.

The **model player** for this revolution is **Amazon**, which gained a dominant role in the Italian market, on the one hand, thanks to its user-friendly marketplace, user profiling algorithms, and tailor-made customer service, and on the other hand, thanks to the control of the entire logistics chain, which allows Amazon winning trust and quickly satisfying consumers desire, although still relying on subcontracting chains. This model can be defined as **'omni-channel',** i.e., the synergic management of the various online and offline touchpoint between company and consumer to optimise the consumer experience.

In conclusion, if e-commerce is revolutionising the logistics sector in Italy, it is also true that the value of e-commerce does not lie in commercial activity itself, but in the efficiency of logistics, i.e., in the fast movement of goods. Indeed, if the immaterial part of the supply chain involves a few highly qualified workers (engineers, computer scientists, etc.) potentially geolocated anywhere in the world, the logistics part of the supply chain involves tens of thousands of workers necessarily geolocated in Italy.

Labour market and working conditions

Emerging issues in terms of employment, working conditions, and health and safety of workers involved in storage and delivery activities for e-commerce major players

The analysis of the e-commerce and logistics labour market in Italy shows that **employment is increasing**, but also that **employment relationships remain precarious**. The sector is predominantly male-employed, with a high rate of immigration. Workers are mainly employed through fixed-term, on-call or temporary contracts, due to frequent subcontract changes and seasonal peaks. It should be noted that the use of **subcontracting** for the **outsourcing** of services is still typical in the sector. The risk occurring in the sector, linked to this "contractual integration", is that of reduction in the protection of workers employed by the contractors compared to those reserved by the client company for its workers. Outsourcing allows the client to hold the organizational synergy arising from the concentration of production in a single "technostructure", without however suffering the effects resulting from subordination, with the effect that the workers of the contractors are not recognized the same economic, regulatory and union protections, increasing inequalities.

Experts describe the "Italian way to logistics" stressing the massive use of production and labour **cooperatives**, with phenomena of self-exploitation and the spread of 'spurious' cooperatives mainly operating in violation of pay, contribution, and OSH regulations. The related **job insecurity** brings with it a number of risks, well highlighted by the scientific literature, related to **lack of training**, **inadequate knowledge of the working environment**, **insufficient provision of personal protective equipment, and lack of OSH surveillance.**

Moreover, logistics sector in Italy is characterised by average **low wages** and **high turnover rate**. The work consists mainly of elementary and repetitive operations, facilitated by simple electronic devices. The greatest difficulties arise from the imposition of **intense work rhythms, low predictability of working time** ("benching" phenomenon), and **very long shifts**.

However, it was during the COVID-19 lockdown that, for the first time, logistics workers were recognised as essential. This has allowed them to get better working conditions thanks to the efforts of trade unions (see below), even if these jobs remain considered of low social status, especially with regard to warehouse workers and drivers. The most debated issues to date, subject to collective bargaining, are those of precarious work and stabilisations of non-permanent contracts, rhythms and workloads, OSH (high rate of accidents at work and occupational diseases of the musculoskeletal system).

Technological innovation, both in the warehouses and delivery process, generates continuity with very few breaks and considerable stress for the worker. The introduction of new technologies does not necessarily eliminate the OSH risks, but it certainly has the effect of modifying the risk factors for workers. Automation and control processes, which make the organization of warehouses robotic, does not correspond everywhere to reality, according to the unions. Rather, an extension of principles of Taylorism to logistics activities is observable, which are stretched from the factory to the entire supply chain.

Employment data of the sector (FILT-CGIL Trade Union estimations updated to December 2022):

- **E-commerce supply chain employment data in Italy**:
    - Online "intangible" occupation of the supply chain: approx. 7.000/8.000
    - Occupation of the logistics part of the supply chain (road freight transport, warehouse and delivery, excluding workers in the transport of goods by water, rail, air, and dockers): approx. 100.000[1]

- **Amazon Italia employment data:**
    - Employees: approx. 16.000
    - Temporary agency workers: approx. 12.000
    - Drivers under subcontracting: approx. 15.000
    - Logistics workers under subcontracting: approx. 1.500
    - Total: approx. 50,000, i.e., almost 50% of employment in the e-commerce sector in Italy.

Geography of the e-commerce supply chain and presence of nodal points

The **geography of the logistics supply chain** in Italy consists of a few large hubs and numerous small delivery stations. The post COVID-19 revolutionized the geography of Italian logistics, increasing the load breaking points and bringing delivery stations closer to industrial and manufacturing production areas, through so-called processes of "regional globalization" and "relocation". The **measurement of logistics flows** made it possible to detect 578 million shipments in Italy in 2021, with a breakdown of 57% in the north, 23% in the centre, and 20% in the south (source: 2022 eCommerce Observatory).

The following **logistics epicentres** can be identified in practice: Milano Zone (Lombardy, northern Emilia-Romagna, eastern Veneto; it is estimated that this area collects about 40% of Italian logistics in aggregate terms of volumes, employment, GDP, transport, e-commerce, etc.); "Via Emilia – Padua" Zone (Parma Interport, Reggio Emilia, Modena, Bologna Interport, Forlì intermodal area, Cesena "Cold District", Rimini); Nord-West Zone (Alessandria, Rivalta, Genoa retroport and port); Prato and Firenze Interport Zone; Lazio Zone (Colleferro, Rieti, Rome district); Napoli-Caserta Zone; Bari Zone; Cagliari Zone; Palermo-Caltanissetta Zone.

Italian legislation (art. 1 co. 61-65 L. 205/2017) provides for the establishment of the so-called "**Simplified Logistic Zones**" (ZLS), i.e., geographical areas of limited size where benefits and incentives for companies are provided. Companies established or deciding to settle in ZLSs benefit from national and regional facilitations, such as administrative and customs simplifications, economic incentives and tax relief, with positive effects on the entrepreneurial network and employment rates.

1 Logistics sector in Italy employs a total of about 1 million workers (union estimations updated to December 2022).

As for the **epicentres of the intangible part of the e-commerce supply chain**, Italy suffers from a lack of data. However, looking at the dominant player Amazon, it emerges that the Customer Service Centre is located in Sardinia, measuring about 5000m, and employing almost two thousand people. Here multiple activities are carried out, from price list management to online invoicing, from marketplace maintenance to pre and post-sales customer service (via phone, chat and e-mail), up to technical assistance for the digital store.

Social partners positions and main actions

The comparatively most representative trade unions (CGIL, CISL, UIL) have been dealing with regulating working conditions and minimum wages of the e-commerce and logistics supply chain workers in Italy since its start. The workers of Amazon's first Italian hub, located in Piacenza, benefit from the application of the **Tertiary, Distribution and Services National Collective Bargaining Agreement** (NCBA). However, with the development of the sector and the employment increase, it was decided to apply to the workers of the new hubs the **Logistics, Freight Transport and Shipping NCBA**, where there is still no express reference to e-commerce. This NCBA applies to all logistics workers, not only to Amazon ones. On the other hand, workers in the first part of the supply chain (call centres, customer services, marketplace management, etc.) are subject to the **Telecommunications NCBA**.

In addition to the above-mentioned first-level NCBAs, two second-level national supplementary agreements have been signed between unions and **Amazon**, fixing rules on industrial relations and the improvement of working and economic conditions, with respect to the minimums set by NCBAs. These agreements, considered very advanced in EU, were reached thanks to the **strike** of the entire Amazon supply chain on the 22nd of March 2021 held in Italy and generating global attention. As for e-commerce workers not operating in Amazon, no second-level national supplementary agreements were signed, but only few second-level agreements with individual warehouse (e.g., Fiege di Stradella/Zalando-FILT; Stradella/H&M-FILT agreements). As for **couriers** in particular, it is worth mentioning the very advanced second-level national supplementary agreement signed by union and **Assoespressi (**employers' organisation representing about 100 delivery companies operating in in subcontracting the "last mile" distribution of the Amazon supply chain, including few historical delivery companies and the numerous ones born on Amazon's stimulus, or survived thanks to their integration into Amazon's supply chain).

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