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BY THE COMPTROLLER GENERAL

Report To The Congress

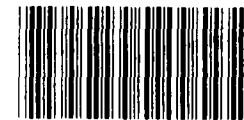
OF THE UNITED STATES

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Comparative Growth In Compensation For Postal And Other Federal Employees Since 1970

Since the Postal Service Reorganization Act of 1970, postal employees whose pay is determined through collective bargaining have achieved higher pay rates than many of their counterparts in other Federal pay systems and in some parts of the private sector. ~~Certain~~ limitations on bargaining that exist for other private and public sector employee groups do not pertain to the Postal Service and may have contributed to high Postal compensation costs. In view of the Postal Service's experience, the Congress may want to consider the need for, and appropriateness of, budgetary controls or constraints when bargaining for wages for other Federal employee groups is considered.

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To the President of the Senate and the
Speaker of the House of Representatives

This report "Comparative Growth in Compensation For Postal and Other Federal Employees Since 1970," discusses the effect that collective bargaining has had on U.S. Postal Service employees' salaries and wages. It also discusses the differences in wages received by Postal Service employees since the Postal Reorganization Act of 1970 and to wages received by other Federal white-collar and blue-collar employees. We initiated this review because of our concern about rising Federal payroll costs and the effect that negotiation of wages could have on other Federal employee groups.

Copies of this report are being sent to the Director, Office of Management and Budget.

Thomas B. Stites
Comptroller General
of the United States



D I G E S T

Since the Postal Service Reorganization Act of 1970, postal employees whose pay is determined through collective bargaining have received higher wage increases than other Federal employees and employees in some parts of the private sector. For example, average salary for postal employees has increased from \$7,594 in fiscal year 1970 to \$14,747 in fiscal year 1977 (94 percent). In contrast, the average basic pay for Federal white-collar employees increased only 47 percent during the same period. Postal employees also receive certain benefits--Health and life insurance--at less cost than other Federal employees. (See pp. 15 and 17.)

The major causes for the increase in Postal Service bargaining employees salary have been rapid in-grade advancements and substantial increases in the pay schedules. Since the Reorganization Act, postal employees are able to advance to the maximum salary in their respective grades within 8 years, compared to 21 years before reorganization. In contrast, it takes 18 years for Federal white-collar employees and 6 years for Federal blue-collar employees to advance as far.

In addition, certain other postal employees--first-line supervisors, secretaries, and clerical employees--have received higher pay increases because of their direct relationship to employees covered by collective bargaining. (See p. 21.)

Some postal employees in professional and management positions, however, are not involved in such a work relationship and have not received higher pay increases. More of these postal employees are now attempting to organize. (See p. 26.)

Also, Postal Service employees' real compensation--an index for comparison of wage increases with inflation--has exceeded that of other Government civilian employees and private sector employees. (See p. 34.)

While comparability is the legislated standard for determining pay for most Federal employees, the methods for determining comparability vary. Comparability for white- and blue-collar employees is determined through annual pay surveys of the private sector. In contrast, while the law states the Postal Service shall achieve and maintain compensation for its employees comparable to the rates paid in the private sector, it also states that wages will be negotiated through collective bargaining. Thus, the results of collective bargaining reflect Postal employees' "comparability" with the private sector. (See p. 6.)

Certain factors have influenced postal negotiations and may have helped in the high pay increases. Public and political pressure to reach bargaining agreements can be intense because of the effect a postal strike could have on the economy. In addition, certain limits on bargaining that exist in the private sector and in other government units do not pertain to the Postal Service. Profit and loss considerations generally influence pay increases in private business. State Governments that negotiate employees' wages usually restrict any agreed on pay increases to budgeted amounts, or subject them to ratification by the State's legislature. (See p. 35.)

Furthermore, even though the Service has a monopoly on first class mail, it does not have as much freedom as private companies have in passing the costs of contract settlements on to consumers. This is because its decisions to raise postal rates or alter services are subject to an independent review and possible modification by the Postal Rate Commission. Also the Congress is getting more and more involved in influencing the Service's decisions on setting postal rates and changing services. (See p. 39.)

The Postal Service differs from most Federal agencies in that it is an independent Government entity that generates most of its own operating revenues. Most Federal employees are employed by agencies whose operations are financed through appropriated funds. The Congressional Budget Office, in evaluating alternatives to the present pay-setting process, estimated that negotiating salaries through collective bargaining for employees under the General Schedule would cost the Government about \$9 billion a year more than the present process by 1981.

MATTERS FOR CONSIDERATION
BY THE CONGRESS

In view of the experience of the Postal Service, GAO believes that when collective bargaining for wages for other Federal employee groups is proposed, the Congress should:

- Recognize that collective bargaining for wages can result in higher wage increases.
- Recognize that comparability and bargaining for wages may not be compatible or practical. The results of collective bargaining may be determined to reflect comparability regardless of private sector rates, and management may also agree to higher pay rates to obtain certain concessions.
- Consider the need for, and appropriateness of budgetary controls or constraints similar to those that exist for bargaining groups in the private sector and at other levels of government.

AGENCIES' AND UNIONS' COMMENTS

The Postal Service agreed that wage negotiations have increased most postal employees compensation compared to other Federal non-postal employees. The Service, however, disagreed that their collective bargaining process may lack budgetary controls or constraints. (See app. V.) The Office of

Management and Budget agreed that the effects of collective bargaining on wages should be carefully considered when it is proposed for other Federal employee groups. (See app. VI.)

The Council on Wage and Price Stability pointed out that the report contained useful information but voiced concern that the report did not examine the links between collective bargaining, the postal monopoly, and postal rate regulation. The Council felt that these factors combined may have been responsible for the rapid increases in postal wages during the 1970s. (See app. VII.) The American Postal Workers Union expressed concerns about comparing pay with other Federal employees rather than the private sector. (See app. VIII.)

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ABBREVIATIONS

EAS	Executive and administrative schedule
GS	General Schedule
NCD	Non-city delivery salary
PES	Postal executive salary
PMS	Postal management salary
PTAC	Postal technical, administrative, and clerical salary



CHAPTER 1

INTRODUCTION

Compensation provided to the Federal work force is a topic of increasing public awareness and concern. The Federal civilian work force numbers about 2.8 million with an annual payroll cost of about \$59 billion. These employees are in a broad spectrum of occupations and are located in many geographic areas.

The major civilian Federal employee groups consist of over 1.4 million white-collar employees, about 520,000 blue-collar employees, and approximately 655,000 Postal Service employees. About 573,000 of the 655,000 Postal personnel are covered by collective bargaining agreements. Each of the pay systems for the major Federal employee groups are legislatively designed to achieve comparability with the private sector.

Recently, there have been numerous criticisms of the major Federal pay-setting processes. American taxpayers, the Congress, and Government officials are concerned about significant rising employee compensation costs. They want to know what can be done to reverse this trend or, at least, to slow it down. Federal employees on the other hand, are concerned that their compensation is not keeping pace with their counterparts in the non-Federal sector.

Since 1960, there has been a rapid growth of labor unions in the Federal and other public work forces. There has also been an increase in employees' demands to bargain with management for pay and other aspects of their employment. Some Federal employee unions consider collective bargaining to be a viable alternative to the present comparability pay adjustment systems used for Federal white-collar and blue-collar nonpostal employees.

A comparison of compensation received by Postal Service employees since the Postal Reorganization Act of 1970 with compensation received by other Federal white-collar and blue-collar employees over the same time period reveals a number of differences. This report discusses these differences and shows the effect that collective bargaining has had on postal employees' salaries and wages.

GENERAL SCHEDULE

The Federal Salary Reform Act of 1962 established the principle that Federal salary rates for white-collar employees under the General Schedule (GS) should be comparable with private enterprise rates for the same levels of work. The law, as amended, prescribes a method for an annual review and an adjustment of these employees' salaries by the President.

Before the comparability principle was adopted in 1962, there was no established framework in which the Federal white-collar salary determination could be considered. Pay adjustments were based on many factors, such as the changing purchasing power of the dollar, rates paid and wage trends elsewhere in the economy, special concern for lower grade employees' standards of living, increases in productivity, and budgetary and economic effects of Federal pay raises. The resultant pay rates severely curtailed pay distinctions in keeping with work and performance distinctions and permitted general deterioration of the pay structure. Also, the pay rates placed the Government at a disadvantage in recruiting competent employees, especially those with professional, scientific, and managerial talent.

Therefore, in 1962, the President transmitted to the Congress draft legislation on Federal salary reform for white-collar employees which recommended the comparability principle. The resultant legislation stated that salary rates for white-collar employees would be based on the principle that such rates would be comparable with private enterprise rates for the same levels of work. The legislation also restated the principles in earlier legislation that there would be equal pay for substantially equal work and that pay distinctions would be maintained in keeping with work and performance distinctions.

FEDERAL WAGE SYSTEM

The Federal Wage System was established in 1972 (5 U.S.C. 5341 et seq.) and enacted into law principles, policies and processes, which previously had been handled administratively. The law sets forth the policy that pay

rates for blue-collar employees 1/ be fixed and adjusted from time to time to be consistent with local prevailing rates. The law provides that pay rates be based on the principles that:

- There will be equal pay for substantially equal work within the same local wage area.
- There will be relative differences in pay within a local wage area when there are substantial or recognizable differences in duties, responsibilities, and qualification requirements among positions.
- The pay levels will be maintained in line with prevailing levels for comparable work within a local wage area.
- The pay levels will be maintained to attract and retain qualified employees.

Federal blue-collar employees generally include (1) workers in a recognized trade or craft, or other skilled mechanical craft, or in a manual labor occupation and (2) foremen or supervisors in positions having trade, craft, or labor experience and knowledge as their paramount requirements.

POSTAL SERVICE

The Postal Reorganization Act of 1970 requires the Postal Service to achieve and maintain compensation for its officers and employees comparable to the rates and types of compensation paid in the private sector. Before the Postal Reorganization Act, postal employees' pay increases were linked to GS increases provided to white-collar employees. The act basically stated that the service shall

- achieve and maintain compensation for employees comparable to the rates and types paid in the private sector,

1/Not including employees of (1) Government controlled corporations, (2) the Tennessee Valley Authority, (3) the Alaska Railroad, (4) the Virgin Islands Corporation, (5) the Atomic Energy Commission, (6) the Central Intelligence Agency, (7) the Panama Canal Company, (8) the National Security Agency, or (9) the Bureau of Engraving and Printing.

- negotiate wages with recognized labor organizations,
and
- provide adequate and reasonable pay differentials,
between craft employees and supervisory management
employees.

Most postal bargaining employees are covered under the Postal Service Salary Schedule. Compensation for these employees is set through collective bargaining between postal unions and service management. Some technical and professional employees also have their pay set through collective bargaining. Executive level compensation as well as postal supervisors, management employees, and some technical, administrative, and clerical employees pay is set by postal management by monitoring private sector data and consulting with appropriate supervisory organizations.

OTHER PUBLIC SECTOR WORK FORCE

Executive Orders 10988 and 11491 issued in 1962 and 1969 respectively, extended union recognition and collective bargaining rights to Federal employees. These orders served as a vehicle for union organizing in the Federal sector. In recent years, there has been an increase in collective bargaining agreements for State and local employees. There is presently a wide variation in the scope and nature of the various State collective bargaining systems. Some States only authorize employee groups to consult or meet and confer with management, often over a restricted range of issues, and provide a limited administrative framework to carry out negotiations. Other States have comprehensive laws that require collective bargaining over wages, hours, and working conditions.

SCOPE OF REVIEW

We made our review at the Civil Service Commission headquarters 1/ and the Postal Service headquarters in Washington, D.C. The review included examination of legislation, documents, records, and reports relating to pay-setting processes in the Federal and non-Federal sector.

1/The Civil Service Reform Act of 1978, enacted October 13, 1978, transferred the pay policy functions of the Federal Government from the Civil Service Commission to the Office of Personnel Management.

We provided copies of our draft report for review and comment to the U.S. Postal Service, the Office of Management and Budget, the Civil Service Commission, the Council on Wage and Price Stability and the appropriate Postal Unions.

The Postal Service, Office of Management and Budget, the Council on Wage and Price Stability, and the American Postal Workers Union provided written comments on the report and their views have been incorporated into the report where appropriate. The contents of the report were discussed with Civil Service Commission officials and their comments were also incorporated into the report.

CHAPTER 2

COMPARISON OF THE MAJOR FEDERAL PAY-SETTING PROCESSES

The methods for obtaining comparability vary for the major Federal pay systems. For example, comparability for Federal white-collar employees is determined through an annual nationwide survey. Federal blue-collar employees have their comparability maintained and adjusted with private industry from time to time according to local prevailing rates. Postal Service bargaining employees--clerks, mailhandlers, letter carriers--have their pay comparability determined through collective bargaining negotiations. Comparability for the Service's nonbargaining employees--e.g., supervisors, managers, administrative, and technical employees--is basically monitored from certain private sector salary data and adjusted as needed after consulting with supervisory and management organizations where appropriate.

Executive and legislative controls exist whereby actions can be taken, if necessary, to adjust Federal white-collar employees pay rates according to economic or other conditions. Postal bargaining employees, however, are only subject to third-party adjustments if the parties involved in the bargaining process fail to reach an agreement. If this happens the dispute is submitted to fact finding, mediation, or third-party binding arbitration.

DIFFERING METHODS FOR ACHIEVING COMPARABILITY

White-collar employees

To achieve comparability for Federal white-collar employees, the Bureau of Labor Statistics undertakes an annual survey known as the National Survey of Professional, Administrative, Technical, and Clerical Pay to evaluate wages paid in the private sector, for comparison with Federal employee salaries at comparable levels and occupations. The Bureau's role is limited to conducting the survey and advising on the feasibility of proposed survey changes. The survey covers all areas of the United States except Alaska and Hawaii. Federal employees in these two States are paid added cost-of-living differentials.

The results of the survey are forwarded to the Chairman, Civil Service Commission; the Director, Office of Management and Budget; and the Secretary of Labor. These officials jointly serve as the President's Pay Agent for the purpose of setting and adjusting pay for Federal white-collar employees. They also determine the industries, locations, establishment size, and occupational coverage of the survey.

Under the Federal Pay Comparability Act, other organizations are also empowered to advise on Federal pay. These include the Federal Employees Pay Council, comprised of five representatives of Federal employee unions and the Advisory Committee on Federal Pay, comprised of three members appointed by the President who are not otherwise employed by the Federal Government.

The Federal Employees Pay Council must be consulted by the President's Pay Agent concerning both the criteria for comparability and development of annual rate proposals. The Advisory Committee provides the President with independent third-party advice on the pay proposals, taking into consideration the recommendations of the President's Pay Agent and the Federal Pay Council.

After considering the findings and recommendations of his agent, employee representatives, and the Advisory Committee, the President must either agree to a comparability pay adjustment to take effect as of October 1 or submit an alternative plan to the Congress which would go into effect unless disapproved by either House. If the alternative plan is disapproved, the President is required to make the comparability adjustment.

Blue-collar employees

Under the Federal Wage System for blue-collar employees, wage rates are established in 135 geographic areas, called wage areas, in the continental United States, Alaska, and Hawaii. Within each wage area, the Commission has designated survey areas in which annual surveys are made of wage rates paid by private sector establishments for selected jobs which are common to both industry and Government. The Bureau of Labor Statistics provides a statistical sample of establishments for each wage survey.

The organizations responsible for administering the Federal Wage System for Federal blue-collar employees include (1) the Civil Service Commission, (2) the designated lead agencies, and (3) the host activities. The

Commission, with the advice of the Federal Prevailing Rate Advisory Committee and other executive agencies and labor organizations, prescribes the necessary policies, practices, and procedures. The designated lead agency is generally the agency having the largest number of Federal blue-collar employees in an area; and the host activity, which is responsible for conducting the local wage survey, is an installation of the lead agency which usually has the largest number of Federal blue-collar employees in the wage area.

The Federal Prevailing Rate Advisory Committee is responsible for studying the Federal Wage System and other pertinent matters and advising the Civil Service Commission on related matters. The Committee is required to make an annual report to the Commission and the President, that is to be transmitted to the Congress and is to include recommendations and other appropriate information. The Committee consists of 11 members, 10 are designated by the Commission Chairman, and 1 is designated by the Secretary of Defense.

Postal Service Employees

The Postal Reorganization Act requires the Postal Service to maintain comparability for all its employees. The Congress, however, has given no specific direction as to how comparability is to be determined. The act does not state whether collective bargaining should form the basis for comparability, although the Congress clearly intended to have compensation for craft employees established through collective bargaining.

The Postal Service therefore uses different methods for achieving pay comparability for its different groups of employees. For employees in bargaining units, the Service negotiates wages with recognized unions and assumes that the results of collective bargaining reflect comparability. Four labor agreements, covering about 600,000 postal employees, have been negotiated by the Service since reorganization.

The Postal Reorganization Act is not specific on how compensation for nonbargaining employees should be determined. It states only that there shall be a differential between the pay of bargaining employees and supervisors and managers. As of July 1977, the Service had 77,885 non-bargaining employees.

USE OF WAGE SURVEYS
VARIES FOR THE PAY SYSTEMS

Under the comparability pay-setting process for Federal white-collar employees, the President's Pay Agent makes its pay recommendations based on an annual survey of private sector salaries. Blue-collar pay rates are established on information obtained from local wage surveys.

To evaluate how comparable postal wages are, the Service conducts a wage survey before craft employee negotiations and monitors wage agreements made in several industries. According to postal officials, however, the surveys conducted in 1975 and 1978 were not intended to be the basis of negotiations, but were available as information to Postal Service negotiators and to third parties if the settlement reached an impasse and went to arbitration, as it did in 1978. The study was not formally used in the negotiation process because postal officials felt too much time would be spent discussing the study, thereby detracting from serious negotiations.

While the Service does not conduct a wage survey for nonbargaining employees as it does for bargaining employees, it does monitor private sector wages for nonbargaining positions.

To determine the comparability of Federal employees' pay rates, the following industries are included in the wage surveys:

<u>White-collar</u>	<u>Blue-collar</u>	<u>Postal</u> <u>(note a)</u>
Manufacturing	Manufacturing	Manufacturing
Transportation	Transportation	Transportation
Communication	Communication	Communication
Public utilities	Public utilities	Public utilities
Wholesale trade	Wholesale trade	Insurance
Retail trade		Mail order houses
Insurance		Banking
Finance		
Real estate		
Engineering		
Architectural service		
Mining		
Construction		
Advertising		
Consumer credit and merchandise reporting agencies		
Computer and data processing services		
Management, consulting, and public relations services		
Noncommercial educa- tional, scientific, and research organi- zations		

a/See p. 12 for the companies chosen from the selected industries.

White-collar pay surveys

The minimum sizes of establishments surveyed in the Federal white-collar surveys up through 1976 were 250 employees in the manufacturing and retail trade and 100 employees in other industry divisions. However, in its efforts to more adequately reflect occupational representation for the survey, the President's Pay Agent has continuously broadened the types and sizes of establishments surveyed as well as the number of job matches performed. The scope of the annual white-collar pay survey was expanded in 1977 to include additional industries. In the 1977 survey, the minimum establishment size requirement for certain manufacturing industries was also lowered from 250 to 100.

The white-collar survey estimates salary rates in the private sector to assess and adjust salary rates of Federal

white-collar employees. A critical aspect in this determination is the development of salary reference points for Federal employees at grades GS-1 through GS-15. These reference points are calculated by using an average salary basis--the total dollars paid employees in a given grade divided by the total number of employees in that grade. These reference points are compared to the corresponding weighted averages developed for the private sector pay lines. This method recognizes that the mean (or average) step at a given grade reflects differences in the rate of career progression among employees.

Blue-collar pay surveys

Federal Wage System legislation provides that blue-collar wages are to be set on a locality basis. Civil Service Commission regulations specify that in addition to the industries shown on page 10, other industry classes, e.g., petroleum, mining, forestry, etc., may be added in wage surveys when such industries account for significant proportions of local private employment and are similar to the kinds and levels of employment found in local Federal employment. The establishments surveyed generally must have 50 or more employees, and may not be State and local governments which are excluded from wage surveys by law.

Pay surveys for Postal Service bargaining employees

The criteria used by the Postal Service for selecting the industries and companies surveyed in its comparability studies were:

- An equal number of manufacturing and nonmanufacturing industries should be studied.
- Within the manufacturing sector, at least one-half of the industries selected should have national type collective bargaining agreements, with the remaining industries being selected from among those with area or local type collective bargaining agreements.
- Within the nonmanufacturing sector, at least one-half of the industries should be in the regulatory industries and selected from among those with area or local type collective bargaining agreements.
- Only major companies (5,000 or more employees) within each industry should be included in the survey since the Postal Service is among the largest employers in the country.

Based on these criteria the Service selected companies from seven manufacturing industries--including automobile, basic steel, brewery, metal can, paper and allied products, tire, and printing--and companies from seven service industries--including trucking, airline, telephone and telegraph, electric and gas utilities, mail order houses, banking, and insurance. For its 1978 study, the Service sent inquiries to 118 companies and received responses from 91.

Limited pay surveys used
for pay adjustments for
nonbargaining employees

In 1971 the Postal Service undertook a job evaluation program which involved conducting a detailed analysis of all nonbargaining postal jobs, converting the content of each into measurable factors for which points were assigned, and ranking all jobs in order of assigned points. After completing the job evaluation program in 1973, the Service developed a salary structure which placed all jobs into groupings or grades and assigned salary ranges to each grade level.

The job evaluation resulted in the establishment of a Postal executive salary (PES) schedule with 31 grades and a Postal management salary (PMS) schedule with 17 grades and assigned a salary based on its job worth, disregarding previous grade levels. The PES schedule basically covered professional and managerial positions including postmasters for medium and large post offices. The PMS schedule basically covered the remaining postmasters and supervisory, technical, administrative, and clerical positions.

When establishing a new position, the Service performs a job evaluation for the position and places it in the appropriate salary structure. The Service sets the salaries in the pay schedules by monitoring private sector pay and consulting with supervisory and management associations as appropriate.

In developing the salary structure under the job evaluation program, the Service selected 53 benchmark jobs and studied comparative salaries for each job by using American Management Association data for upper level jobs and Bureau of Labor Statistics data for lower level jobs. The Service used this salary data to develop salary curves for the private sector and set the midpoint of its salary ranges to equal the upper third quartile of the private sector salary curves. The Service set its salaries at this higher level to raise postal salaries rapidly since postal compensation was considered as lagging behind private sector compensation.

To comply with the craft-supervisory pay differential requirement of the Reorganization Act, the Service generally adjusts the PMS pay schedule each year as a result of bargaining employee pay adjustments. It also periodically checks the pay status of positions by using American Management Association and other specialized wage data in the private sector, such as banking, medical, and legal data to make appropriate adjustments to salary schedules. However, before adjustments can be made to supervisor and postmaster salaries, the Service is required by the Postal Reorganization Act to consult with associations representing these employees.

In 1975, the Service found that postmasters' and supervisors' pay had exceeded private sector pay for comparable work. The Service created a non-city delivery salary (NCD) schedule for non-city delivery postmasters and slowed down their pay increases. It also eliminated cost-of-living adjustments for supervisors. In 1976, the Service determined that the salaries for technical, administrative, and clerical positions had become excessive in comparison with the private sector, and established the postal technical, administrative, and clerical (PTAC) schedule for these employees to slow down pay increases. Salaries for these positions had become excessive because of the yearly increases in the PMS schedule necessary to maintain the craft-supervisory pay differentials.

These changes, however, have caused considerable dissatisfaction among the employees and several pay suits were filed against the Service. As a result of these suits, over half of the employees originally placed in the PTAC category were restored to other pay groups, primarily PMS.

On October 7, 1978, the PTAC and PES schedules were combined under a new executive and administrative schedule (EAS). The new EAS category places the former PTAC employees in the merit evaluation program and gives them more incentive for advancement. It also gives the former PES employees who were near the top of their pay range more room to grow.

While in theory the job evaluation program with periodic salary adjustments should accomplish pay comparability, it has not done so because in actual practice there are many other factors which affect compensation setting, such as the labor market, the Service's economic condition, and the salary compression. As pointed out earlier, the results of collective bargaining have influenced the pay status of non-bargaining employees. For example, since the Service is required by law to provide pay differentials between bargaining

and supervisory employees, whenever bargaining employees receive pay increases, the Service may have to increase the salary of certain supervisory salaries regardless of the effect on comparability.

Salary compression also has an effect on the salaries of middle and upper level positions. This occurs because the Service tries to maintain salary differentials for the different position levels. Thus, when the salary for the Service's top position is not increased, salaries for other positions are also limited.

CONCLUSIONS

Each of the pay systems for the three major Federal employee groups are legislatively designed to achieve comparability with the private sector. Controls exist within the administration of the comparability pay setting processes for white-collar employees, whereby actions can be taken by the President, if necessary, to adjust pay rates according to economic or other conditions. Blue-collar employees, however, are not subject to Presidential determination. 1/

Pay increases for Postal bargaining employees are only subject to third-party adjustments if the parties involved in the bargaining process fail to reach an agreement. When a dispute does occur, the dispute may be submitted to fact finding, mediation or third party-binding arbitration. Postal nonbargaining employees, on the other hand, are provided pay increases at the discretion of management.

1/For fiscal year 1979, Congress established a pay cap of 5.5 percent for Federal blue-collar employees (P.L. 95-429).

CHAPTER 3

COLLECTIVE BARGAINING HAS INCREASED

COMPENSATION IN THE POSTAL SERVICE

Collective bargaining has increased the compensation of postal employees--both in terms of pay and benefits. Through direct negotiation those covered by collective bargaining have achieved higher pay increases than employees in other Federal pay systems, in some parts of the private sector, as well as fellow employees in the Postal Service. In addition, some postal supervisors and other lower level white-collar employees--through direct relationships with bargaining units--have received more rapid pay raises than fellow employees covered under the General Schedule.

This difference in compensation is an issue with those in the Postal Service who have not been in a position to profit from the collective bargaining process. Increasingly, these employees have considered unionization.

Since its establishment in 1971, the Service has not balanced its budget, partly because of wage increases resulting from collective bargaining. Personnel costs as a percent of total operating costs have risen from 83 to 86 percent, even though total employment has dropped.

RAPID PAY INCREASES FOR BARGAINING EMPLOYEES

At the end of fiscal year 1977, the Postal Service had about 573,000 bargaining employees. Their average basic salary has increased from \$7,594 in fiscal year 1970 to \$14,747 in fiscal year 1977 (94 percent). During the same period, average salary including benefits has increased from \$8,513 to \$17,331 (104 percent). In contrast, the average basic salary for the GS white-collar employees increased from \$11,065 in fiscal year 1970 to \$16,230 in fiscal year 1977 (47 percent).

The major causes for the increase in Postal Service bargaining employees salary have been rapid in-grade advancements and substantial increases in the pay schedules. Since the Reorganization Act, postal employees are able to advance to the maximum salary in their respective grades within 8 years, compared to 21 years before reorganization. In contrast, it takes 18 years for Federal white-collar employees and 6 years for Federal blue-collar employees to advance as far.

Before 1970, most postal employee salaries were linked to the GS salaries for white-collar Federal employees. In 1969, the Postal Field Schedule grade 5 was linked to the GS grade 5, with a salary of \$7,202 for both at step 4, near midpoint level. As part of the reorganization, postal employees were authorized an 8-percent salary increase effective April 1970, because the Congress felt postal salaries were too low. Since 1969 the Postal Schedule grade 5 salary has increased 99 percent, compared to a 52-percent increase for the GS grade 5. As of December 1977, the Postal Schedule grade 5, step 4, was \$14,309, while the GS grade 5, step 4, was \$10,955. A comparison of pay increases for the two schedules is shown in the following table.

Comparison of Postal Pay with GS Pay
from 1969 through 1977

<u>Year</u> <u>(note a)</u>	<u>Linkage (grade 5, step 4)</u>		<u>Cumulative rate</u> <u>of increase</u>	
	<u>Postal</u> <u>Service</u>	<u>GS</u>	<u>Postal</u> <u>Service</u>	<u>GS</u>
1969	7,202	7,202	-	-
1970	7,777	7,202	b/8.0	-
1971	8,277	7,631	14.9	6.0
1972	8,943	8,051	24.2	11.8
1973	10,039	8,859	39.4	23.0
1974	11,291	9,349	56.8	29.8
1975	12,149	9,819	68.7	36.3
1976	13,127	10,233	82.3	42.1
1977	14,309	10,955	98.7	52.1

a/As of December of the year shown.

b/Increase authorized by the Congress as part of postal reorganization.

Since postal reorganization, the Postal Service and the major postal unions have negotiated compensation in four national labor agreements. As shown on the following page, these agreements have included specific base salary increases as well as annual cost-of-living adjustments which are based on changes in the Consumer Price Index.

<u>Term of contract</u>	<u>Increase per contract</u>		
	<u>Base salary</u>	<u>Cost-of-living adjustments</u>	<u>Total</u>
7/21/71 to 7/20/73	1,250	166	1,416
7/21/73 to 7/20/75	1,100	1,310	2,410
7/21/75 to 7/20/78	1,500	1,518	3,018
7/21/78 to 7/20/81	1,497	a/1,914	3,411

a/Based on a 6.5 percent inflation rate.

The first agreement also included a \$300 one-time payment which was not made part of the base salary.

In commenting on the draft report, the American Postal Workers Union pointed out that a valid consideration is the lack of opportunity for promotion for Postal employees. They stated that over 90 percent of them start and end their careers in the same pay level, and therefore, periodic and adequate pay increases are needed to sustain morale and a viable postal employee work force.

Postal workers have also done better than other Federal workers in terms of fringe benefits. Under the current contract, the Postal Service pays 100 percent of employee life insurance costs and 75 percent of health insurance costs, while the Federal Government pays 33-1/3 percent and about 60 percent, respectively, for these benefits. Retirement and paid leave for holidays, vacations, and sickness are the same for both postal and Federal employees.

Pay for postal jobs is higher than pay for comparable Federal and private sector jobs

The Service attempts to achieve compensation comparability for its bargaining employees through collective bargaining. Before negotiating the 1975 labor agreement, the Postal Service did a study comparing the pay for its bargaining employees with that of nonsupervisory workers in 14 top industries and found that compensation for postal workers was averaging \$8.05 per hour versus \$8.04 per hour for the industrial workers. The average postal compensation included a base wage of \$6.02 and fringe benefits of \$2.03, compared to \$5.55 and \$2.49 respectively for the private sector. This survey data would indicate that although Postal Service employees' pay was greater, their benefits were less than the private sector's--private sector's benefits exceeds the postal employees' by \$0.46 an hour. This benefit data, however, is in contrast with Bureau of

Labor Statistics information, which shows that Federal employees' benefits as a part of total compensation is larger than in the private sector.

Comparison of Pay and
Benefit Expenditures as a
Percent of Total Compensation

	<u>Private</u> <u>Jan.-Dec.</u> <u>1972</u>	<u>Federal</u> <u>July 1972-</u> <u>June 1973</u>	<u>Private</u> <u>Jan.-Dec.</u> <u>1974</u>	<u>Federal</u> <u>July 1974-</u> <u>June 1975</u>
	------(percent)-----			
Total compensation	100.0	100.0	100.0	100.0
Pay (straight time and premium)	77.4	73.7	75.2	68.9
Benefits	22.6	26.3	24.8	31.1

The Postal Service's study of the 14 top industries showed that for 34 of 36 comparable occupations, the base postal wages were higher than those of the average hourly rates in the surveyed companies, with differences ranging from \$0.08 to \$2.12 an hour. The Labor agreement signed by the Service and unions in September 1975 included a \$0.19 per hour wage increase effective July 21, 1975, three additional base wage increases, and six cost-of-living allowance increases during the 3-year agreement. With 10 adjustments made through May 1978, the average hourly rate (excluding fringes) increased from \$6.02 in February 1975 to \$7.73.

Before negotiating the 1978 labor agreement the Postal Service did another study comparing the pay for its bargaining employees with that of nonsupervisory workers in 14 top industries. It found that as of November 1977, postal compensation averaged \$11.45 per hour versus \$10.77 per hour for industrial workers. The average postal compensation included a base wage of \$7.58 and fringe benefits of \$3.87, compared to \$7.26 and \$3.51, respectively, for the private sector. The study showed that for 30 of 36 comparable occupations, average hourly postal base wages were higher than the surveyed companies.

Although postal pay is not required to be comparable with Federal pay, many postal bargaining jobs' duties are similar to other Federal white-collar and blue-collar jobs. We asked the Civil Service Commission to provide us with

technical assistance in comparing the 36 postal occupations--used in the Service's comparability study--with applicable Federal white-collar and blue-collar occupations. This analysis involved a comparison of written duties rather than an actual onsite job review of specific job characteristics. This analysis showed that for all 36 postal jobs (applicable to 15 white-collar and 21 blue-collar jobs) postal pay was higher than Federal pay. (See app. I.)

In commenting on the report, the American Postal Workers Union took exception to the comparison of the 36 postal occupations with other Federal occupations. They stated that jobs cannot be validly "matched" from written descriptions and that 32 of these jobs represented less than 5 percent of the bargaining unit work force. We agree that an actual on-site review of job characteristics would have been more valid than a comparison of written duties; however, we feel this type of analysis does provide a good indication of how postal employees' pay compares with other Federal employees. We also used these 36 occupations because they were the ones used by the Postal Service in the 1975 comparability study.

While postal bargaining employees receive wage increases through nationwide labor agreements, Federal blue-collar employees' pay is determined through local wage surveys. A comparison of rates paid to Postal Service and Federal blue-collar employees in various parts of the country shows that the postal workers' standard of living varies depending on the location.

For example, we compared compensation at six representative wage areas from across the country--two high wage areas (Sacramento, CA, and Columbus, OH); two medium wage areas (Lake Charles, LA, and Albuquerque, NM); and two low wage areas (Narragansett Bay, RI, and Central, NC). We compared wages received by a postal service employee (PS-1) and a Federal blue-collar employee (WG-5) because, according to their applicable wage schedules, these grades receive comparable wages in the Washington, D.C., area.

As indicated on the following page, the wage rates paid to these employees in various parts of the country show that Postal bargaining employees compensation status varies from Federal blue-collar employees depending on the location.

Comparison of Pay Rates of Postal Service (PS-1)
With Federal Blue-Collar (WG-5)
(as of December 1977)

<u>Locality</u>	<u>Minimum</u>		<u>Difference over/(under) Federal</u>	<u>Maximum</u>		<u>Difference over/(under) Federal</u>
	<u>Postal</u>	<u>Federal</u>		<u>Postal</u>	<u>Federal</u>	
Washington, DC	11,710	11,773	(63)	13,613	13,749	(136)
Sacramento, CA	11,710	12,626	(916)	13,613	14,726	(1,113)
Columbus, OH	11,710	11,232	478	13,613	13,125	488
Lake Charles, LA	11,710	11,814	(104)	13,613	13,790	(177)
Alburquerque, NM	11,710	10,420	1,290	13,613	12,168	1,445
Narragansett Bay, RI	11,710	9,672	2,038	13,613	11,274	2,339
Central, NC	11,710	9,422	2,288	13,613	11,003	2,610
National average	11,710	11,128	582	13,613	12,979	634

For example, in Sacramento, California, a high cost-of-living area, the wages received by the Postal employees are \$916 a year less than the wages received by the Federal blue-collar employees.

In contrast, in Narragansett Bay, Rhode Island, and Central, North Carolina, which are low cost-of-living areas, the postal employees compensation is higher than the Federal blue-collar employees by as much as \$2,038 and \$2,288, respectively.

EFFECT OF COLLECTIVE BARGAINING
ON COMPENSATION FOR NONBARGAINING
EMPLOYEES HAS BEEN MIXED

The Postal Service had 1/ four pay schedules for its employees who are not covered by collective bargaining. The following table shows the number of employees compensated under each schedule at the end of fiscal year 1977.

<u>Pay Schedule</u>	<u>Salary range</u>	<u>Number of em- ployees</u>
Postal management salary (PMS)	\$11,622 to \$20,121	24,551
Postal technical, administrative and clerical salary (PTAC)	10,793 to \$18,861	7,533
Non-city delivery salary (NCD)	2,972 to \$19,412	23,014
Postal executive salary (PES)	16,300 to \$66,000	<u>22,787</u>
Total		<u>77,885</u>

Since 1970, salaries for these employees have increased 67 percent. Collective bargaining has also affected their compensation somewhat even though they are not covered by it. Supervisors have received substantial pay hikes to maintain pay differentials between supervisors and bargaining employees. PTAC employees have also benefited from collective bargaining mainly because of their inclusion in the supervisors' pay schedule. As a result, the pay for these PTAC employees and supervisors has exceeded the pay for comparable work elsewhere in the Federal Government and in the private sector. On the other hand, some professional and many management personnel in the PES schedule have not done as well as their co-workers in the Service, and their salaries may lag behind their Federal counterpart.

1/On October 7, 1978, the PTAC and PES schedules were combined into the executive and administrative schedule. Before that date, over half of the PTAC employees had been restored to other pay groups, primarily PMS, as a result of some law suits. (See p. 13.)

Supervisor pay increases tied
to pay increases of employees
covered by collective bargaining

Before 1975, the Service gave supervisors under the PMS schedule pay raises and cost-of-living adjustments whenever bargaining employees received increases. However, in 1975 the Service found that supervisors' pay exceeded that paid for comparable work in the private sector and decided to slow down pay raises by eliminating cost-of-living adjustments. This change has narrowed the pay difference between supervisors and bargaining employees. In some cases, the pay of bargaining employees, including cost-of-living adjustments, and/or premium pay for night shifts or holidays, exceeds the pay of their supervisors. In fact, some bargaining employees have turned down temporary appointments and promotions to higher level positions because they would have to take a pay cut.

The supervisor and postmaster organizations filed a suit against the Service in 1975 demanding that the Service maintain a 25-percent pay differential between supervisors and their highest paid bargaining employees. In May 1977 the U.S. District Court for the District of Columbia ruled that the Service must grant immediate salary increases of 6 to 8 percent a year to postmasters and supervisors that are of the same percentages as those granted to bargaining employees. The Service has appealed the ruling to the U.S. Court of Appeals for the District of Columbia Circuit because it feels that the District Court ruling goes beyond the requirements in the Postal Reorganization Act. The ruling would take away the Service's authority to set salaries for its supervisors and managers since their salaries would be based on salaries negotiated for bargaining employees. The Service estimates that the District Court ruling could cost about \$1 million a week if its decision is upheld.

The Service, with the pay suit filed by the supervisor and postmaster organizations, compared the pay for 10 first-line supervisory positions with salaries for similar jobs in private industry as published by the American Management Association. As shown in the following table, as of January 1976, postal salaries for all 10 jobs were higher than the average salary in the private sector. The difference in pay ranged from \$700 to \$5,000 annually.

Comparison Between Postal and Private Pay
as of January 1976

<u>Position</u>	<u>Average Salary</u>		<u>Difference</u>
	<u>postal</u>	<u>private</u>	
Foreman, Vehicle Dispatching	\$16,253	\$15,336	\$ 917
Foreman, Automotive	17,271	16,092	1,179
Accounting Assistant	16,066	15,336	730
Foreman, Platform Operation	17,063	14,904	2,159
Foreman, Mails	16,814	12,852	3,962
Foreman, Building Service	14,610	11,556	3,054
Superintendent Window Services	18,094	13,068	5,026
Foreman, Maintenance Mail Processing	17,936	16,524	1,412
Postal Systems Examiner	15,614	14,148	1,466
Personnel Assistant	14,971	12,852	2,119

We traced the growth in salaries for three key postal supervisory positions from December 1969 to July 1977, and as shown below, the average salary for these positions increased from 63 to 85 percent.

Growth in Average Salaries for Three
Key Supervisory Positions
From 1969 through 1977

<u>Position</u>	<u>Grade</u>	<u>Average salary</u>		<u>Percent increase</u>
		<u>Dec. 1969</u>	<u>July 1977</u>	
Supervisor	PMS-15 (note a)	\$10,090	\$18,646	85
Postmaster	PES-18 (note b)	11,738	20,606	76
Postmaster	NCD-12 (note c)	9,308	15,212	63

a/The majority of first-line supervisors are classified and paid at the PMS-15 level.

b/Postmaster salary and grade levels vary depending on the size of the post offices. However, a typical postmaster at a small city post office is classified and paid at the PES-18 level.

c/A typical postmaster of a small non-city delivery post office is paid at the NCD-12 level.

To assess how postal supervisors' pay compares with Federal employees' pay, we also had the Civil Service Commission provide us with technical assistance for determining the Federal white-collar and blue-collar occupations that were comparable to 10 jobs used in the Postal Service study. This analysis again involved a comparison of written duties rather than an actual onsite review of the specific job characteristics. The Commission was able to find substantial similarities between characteristics and grade level criteria in Civil Service classification standards and guides in 7 of the 10 jobs. In five of the seven jobs postal salaries are higher, ranging from about \$500 to about \$4,000.

We also updated the private sector salary data to April 1977 and found that even with the loss in cost-of-living adjustments in 1975, pay for postal supervisors is in most instances, still higher than that of their counterparts elsewhere in the Federal Government and in the private sector. (See app. II.)

Technical, administrative
and clerical employees'
pay is also high

Before June 1976, technical, administrative, and clerical employees were included in the same pay schedule as supervisors and many postmasters. Even though they have no supervisory functions, technical, administrative, and clerical employees benefited from raises given supervisors to provide pay differentials. As a result, low-level white-collar postal employees are paid salaries that surpass those of comparable positions elsewhere in the Federal Government and in the private sectors.

To correct this situation, the Postal Service established the PTAC, pay schedule in 1976, intending to slow down pay increases. However, it resulted in dissatisfaction among these employees, and the supervisors' association filed a law suit against the Service demanding that these employees be reincluded in the supervisor schedule. The suit was resolved in May 1978 when the Postal Service agreed to reinstate 25 PTAC positions involving 3,700 employees back into the PMS schedule. Total back pay will cost the Postal Service about \$3.5 million.

To support the establishment of the PTAC schedule, the Service matched 27 PTAC positions with private sector jobs. Using the midpoint salary for comparison, the Service's study showed that for 23 of the 27 jobs the postal salary was \$111 to \$6,609 higher than the private salary as of July 1976. (See app. III.)

The Civil Service Commission assisted in comparing these 27 positions with Federal white- and blue-collar occupational standards for us to compare postal and Federal salaries. We were able to determine the approximate grade levels for 15 of the positions. The postal salary was \$883 to \$4,697 higher for 14 of the 15 positions. (See app. III.)

On October 7, 1978, employees in the PTAC pay schedule were placed into a new executive and administrative schedule. Because of this change, these employees received a 3-percent pay increase and were placed under the merit evaluation program.

Collective bargaining can be expected to continue to influence the minimum wages for PTAC employees. For example, as of December 1977 the lowest negotiated annual pay for a postal janitor was \$11,710, while the minimum pay for lower level postal white-collar employees, such as clerk typists

and telephone operators, was about \$12,000 a year. As the pay for bargaining employees goes up, adjustments will probably be made to salaries of PTAC employees.

Some postal salaries may be falling behind comparability

Because they have no direct tie to bargaining employee salary increases, some postal professionals and managers have not received as many pay increases as their subordinates. While it is desirable to maintain reasonable pay differentials between managers and their subordinates, the Service has greater leeway in deciding the timing and amount of pay raises for managers. This is particularly evident for higher level employees of the PES schedule, as they have received fewer pay increases and, as a result, their salaries lag behind their Federal counterparts.

Before postal reorganization, postal professionals and managers in headquarters were paid under the GS. Since reorganization, the Service has changed the salary schedules for these employees several times, with the major change occurring in 1973 when the 42-level PES schedule was established.

The Service could not tell us how many of these postal positions have been upgraded, downgraded, or converted to equivalent grades as a result of the 1973 change. Assuming that on the average, these postal positions were converted to equivalent grades, a comparison of PES and GS salaries indicates that GS salaries for higher level positions have increased more than PES salaries. As shown in the following table, the postal pay for levels below PES-24 is higher than related GS grades. However, the postal pay for the PES levels 24 and above is lower than that for related GS grades, with higher grades subject to the larger differences.

Salary Schedule Comparison for
Postal and Federal Higher Level Grades
as of December 1977

<u>Grade equivalent</u>		-----Midpoint salary-----					
		1969 GS pay (5th step) (note a)	1977 pay		Difference over/under(-)	Percent increase	
GS	PES		Postal (4th step)	Federal (5th step)			Postal
9	17	\$11,197	\$19,550	\$17,102	\$2,448	74.6	52.7
10	18	12,317	20,650	18,834	1,816	67.7	52.9
11	20	13,493	23,000	20,694	2,306	70.7	53.4
12	22	16,084	25,550	24,799	751	58.9	54.2
13	24	18,996	28,450	29,490	-1,040	49.8	55.2
14	26	22,263	31,950	34,850	-2,900	43.5	56.5
15	27	25,937	33,900	40,955	-7,095	30.7	58.1
16	29	30,087	38,050	b/47,500	-9,450	26.5	57.9
17	30	34,810	40,000	b/47,000	-7,500	14.9	36.5
18	32	35,505	45,150	b/47,500	-5,350	18.7	33.8

a/Immediately before postal reorganization, both Postal and Federal employees were under the same General Schedule.

b/Limited by statute.

At our request, the Postal Service randomly identified 41 professional and managerial positions which were similar to positions that existed before the postal reorganization and traced their current grades under the PES schedule back to their previous GS grades. We compared the pay for the PES grade positions with the pay for the related GS grade and found that pay under GS is higher for almost all of the positions, especially those above PES-24. (See app. IV for details.) This comparison further indicates that GS pay for upper-level professionals and managers has increased more than pay for upper-level postal employees.

On October 7, 1978, PES employees were converted to a new EAS. This change was accomplished by moving the employees laterally from PES to EAS levels, e.g., a PES 17 moved to an EAS 17. This may have resulted in some employees' salaries being raised if they fell below the minimum of the new schedule and some being frozen if they were above the new schedule.

RESULTS OF COLLECTIVE
BARGAINING MAY BE ENCOURAGING
GREATER UNIONIZATION

As stated before, bargaining employees have gained greater pay increases than employees not covered by the bargaining process. In addition, nonbargaining employees whose pay has a relationship to collective bargaining have received more pay increases than those without such a relationship. This may have resulted in more postal employees wanting to unionize. For example, professional and technical employees, such as system analysts, computer operators and accountants, at four postal data centers gained their bargaining rights and negotiated their own contract in 1974. This has resulted in organized employees at the data centers receiving higher pay than employees with the same job classifications at postal headquarters or other nonunionized locations. As of December 1977, the difference in pay could be as much as as \$1,600 a year for a computer operator. In 1977, employees from two other automatic data processing centers and the research and development department elected to unionize.

As discussed previously, technical, administrative, and clerical employees who were removed from the supervisor schedule because they have no supervisory functions filed and won a suit against the Service demanding to be included in the schedule. In addition, the supervisory employee association has been lobbying for its arbitration rights.

If the trend continues, all eligible employees could become organized and postal management could be faced with more complicated labor management negotiations.

PERSONNEL COSTS ARE INCREASING
WHILE EMPLOYMENT IS DECREASING

Since its establishment in July 1971, the Service's total operating expenses have exceeded its total income each year, with operating losses ranging from \$102 million in 1973 to \$1,079 million in fiscal year 1976. At the end of fiscal year 1977, the accumulated net loss had exhausted the Service's equity and the Postal Service had incurred a \$588 million deficit. The Congress appropriated an additional \$1 billion in 1976 to retire some of the Service's indebtedness.

Many factors, such as inflation, energy price increases, and the Service's inability to change services or raise postal rates as quickly as desired have worked against the

Service's financial stability. However, with personnel costs constituting 86 percent of the total operating costs, it is obvious that the continuously rising labor cost has contributed to the Service's poor financial position.

Since postal reorganization, the Service has endeavored to improve productivity and to cut labor costs by moving toward more mechanization. However, despite the fact that total employment has declined over the last few years, personnel costs, both in terms of dollars and as a percent of total operating costs, have steadily increased. As shown in the table below, the number of employees decreased 12 percent from 1970 to 1977, yet personnel costs increased 101 percent.

Employment Level and Personnel Costs
From 1970 to 1977

<u>Fiscal year</u>	<u>Employment level</u> (note a)		<u>Personnel costs</u>		
	<u>Number of employees</u>	<u>Percent index</u> (note b)	<u>Amount</u>	<u>Percent index</u> (note b)	<u>Percent of total costs</u>
			(millions)		
1970	741,216	100.0	\$ 6,525	100.0	82.9
1971	728,911	98.3	7,467	114.4	83.4
1972	706,400	95.3	8,146	124.8	85.0
1973	701,051	94.6	8,451	129.5	85.1
1974	710,433	95.8	9,642	147.8	85.3
1975	402,257	94.7	10,805	165.6	85.9
1976	678,949	91.6	11,986	183.7	86.1
1977	655,097	88.4	13,124	201.1	85.7

a/Employees on payroll at the end of each fiscal year.

b/Use 1970 as the base year.

CONCLUSIONS

Since reorganization, wage negotiations have brought about higher pay increases for postal employees covered by collective bargaining. These increases have exceeded pay increases for other Federal workers and brought greater compensation for some bargaining jobs than compensation for comparable work in the Federal sector and certain sections of the private sectors. Because of the nationwide wage rates for postal employees, however, their compensation status (standard of living) can vary depending on their locations.

Certain other postal employees--first-line supervisors and other lower-level white-collar postal employees--that have a direct relationship with postal bargaining employees have also received higher pay increases. Salaries for postal employees in some professional and management positions, however, have not done as well because they do not have a direct relationship with bargaining employees. Therefore, not all postal employees have benefited from collective bargaining, which may result in more postal employees being encouraged to unionize.

The Postal Service's operating expenses have exceeded its revenues each year since its establishment in 1971. Personnel costs, as a percent of total operating costs, have increased even though total employment has declined. In fiscal year 1977, personnel costs constituted 86 percent of the Postal Service's operating costs. Thus, rising labor costs can be expected to continue to increase personnel costs and contribute to the Postal Service's poor financial position.

CHAPTER 4

POSTAL SERVICE PRODUCTIVITY

Since reorganization, the average annual productivity increases for the Postal Service have been somewhat less than the civilian Federal Sector (excluding Department of Defense) and the average annual rates for the private business sector. Also, while employees' wages in other segments of Government have not kept up with the rate of inflation, Postal employees' wage increases have outpaced the rate of inflation since 1972.

The Postal Service has endeavored to improve productivity and reduce labor costs through mechanization. However, the Service has been somewhat restricted in its productivity gains due to the no layoff clause included in its negotiated contract and therefore, can only reduce the work force through attrition. From fiscal years 1972 to 1977, the Postal Service reduced its work force by about 51,000. The Service has also been somewhat restricted in reassigning employees since the contract with postal unions states that the Service must consult with the affected unions, to establish whether a need exists, when reassignments are over 100 miles from their previous installations.

COMPARISON OF POSTAL SERVICE PRODUCTIVITY WITH THAT OF OTHER SECTORS OF THE ECONOMY

According to information obtained from the Bureau of Labor Statistics, the private business sector's productivity increase from 1972 to 1977 resulted mainly from a large productivity increase for fiscal year 1976. Similarly, the Postal Service's productivity average increase was affected by major increases achieved in 1973 and 1977. (See p. 33.)

The Bureau develops and publishes Federal Government productivity measures for use as a general indicator and also for various functional groupings. The number of employees covered by productivity indexes represented 66 percent of the total Federal civilian work force in 1976 in 307 Government organizations. Productivity data is aggregated into three major organizational categories--Postal Service, Department of Defense, and all other civilian organizations. Each of these categories represents about one-third of the employee years in the overall sample. The Department of Defense productivity data was not used in our comparisons because most of their productivity measurement is based on activities similar to manufacturing--aircraft repairs, shipbuilding, etc.

Productivity for the Government's civilian work force (exclusive of Department of Defense) has increased at an average annual rate of 1.8 percent between fiscal years 1972 and 1977--in contrast with 0.9 percent for the Postal Service. These productivity increases were based on products or services which are grouped into major functional categories, such as communications, library services, personnel investigations, etc.

In commenting on our report, the Postal Service stated that there was a lack of true comparability in matching the productivity of the "blue-collar" Postal Service against a primarily "white-collar" Federal sector. However, we believe it is more appropriate to contrast the Postal Service with claims processors in the Social Security Administration and income tax processors in the Internal Revenue Service than it is to contrast them with such blue-collar activities as aircraft rework facilities--which constitute a major part of blue-collar productivity measurement.

Productivity for the private business sector of the economy increased about 1.2 percent annually for fiscal years 1972-77, greater than the Postal Service's (0.9 percent) but less than the Government's civilian work force (1.8 percent). ^{1/} Productivity trends for the 1972-77 period are shown on p. 33.

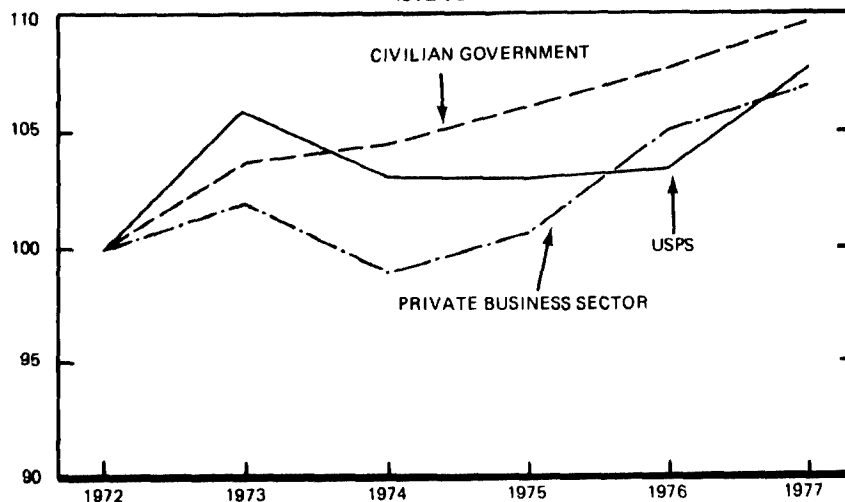
These productivity figures differ from productivity trends developed by the Postal Service which show a higher average annual rate of increase. In determining productivity, however, the Postal Service divides total mail volume by total man-years regardless of the different physical characteristics of the various classes of mail. The Bureau provides productivity information for the Federal Government, and uses a weighted output measure which reflects cost differences among services.

For example, the Bureau uses 17 different output indicators or classifications for the Postal Service; some of which include regular mail, registered mail, certified mail,

^{1/}The average annual productivity increases were computed by the least squares method. This method nullifies the effect of significant increases or decreases in any one year on the overall average. Thus, even though the Postal Service index for 1977 was greater than the private sector's (107.8 to 106.5), its average annual increase was less (0.9 to 1.2).

special delivery mail, and parcel post. Some of these services such as parcel post, are given greater consideration in determining output than other classes of mail because it reflects a greater cost per man-hour to process. Also, if the higher weighted categories decrease in volume, it will have more effect on the overall productivity than would changes to lower cost services. For example, if the higher weighted categories decrease in volume it would show a decrease in productivity by the Postal Service even though they could have handled more mail with fewer employees than the previous years. In contrast, the Postal Service's productivity measurement method would show a productivity increase as long as the overall volume of mail increased, regardless of the type or cost of service that increased.

PRODUCTIVITY
CIVILIAN GOVERNMENT: U.S. POSTAL SERVICE AND
THE PRIVATE BUSINESS SECTOR
1972-76



	Civilian Government	U.S. Postal Service	Private business sector
1972	100.0	100.0	100.0
1973	103.8	105.9	101.7
1974	104.4	103.1	98.9
1975	106.0	103.0	101.0
1976	107.7	103.3	104.7
1977	110.0	107.8	106.5

REAL COMPENSATION

Real compensation provides an indication of how wage increases compare with price changes or the rate of inflation in the economy. It provides a measure of whether workers in

specific industries or segments of the economy are receiving wage increases sufficient to maintain their standard of living. An increase in this index indicates that workers' wages exceed inflation in prices, while a decrease indicates that wage gains are not increasing as fast as inflation.

In this connection, certain postal workers' wages have been gaining on inflation faster than their counterparts in the Government's civilian work force and the total private business sector.

Because of their previous link for comparability, we compared the real compensation for grades 5 step 4 levels of pay in both the Postal Service and General Schedules. As shown below, at the end of 1977, these Postal Service employees' real compensation was 9.4 percent higher than the 1972 level, reflecting an increase in their wages during this period from \$8,943 in 1972 to \$14,309 in 1977.

In contrast, wages for the Federal civilian (GS-5 step 4) work force has not kept up with inflation. In 1977, their real compensation was 11.5 percent below the 1972 level which represents a wage increase of \$2,490 since 1972 (\$8,465 to \$10,955).

Real Compensation Comparisons--
U.S. Postal Service, Civilian
Government, and Private Sector

	<u>U.S.</u> <u>Postal Service</u>	<u>Civilian</u> <u>Government</u>	<u>Private Sector</u>
1972	100.0	100.0	100.0
1973	103.2	96.2	101.8
1974	103.4	90.5	100.2
1975	104.0	88.8	100.9
1976	107.2	88.3	103.9
1977	109.4	88.5	105.9

According to the Bureau, the real compensation for the total private business sector of the economy has increased 5.9 percent for the same period.

CHAPTER 5

COLLECTIVE BARGAINING FOR PUBLIC EMPLOYEES

There has been an increase in the number of collective bargaining agreements for public employees in recent years. While labor organizations have existed in the Federal sector since the 19th century, it was not until 1924 that collective bargaining was used as a method for determining wages for a Government agency. In 1924 the Government Printing Office established collective bargaining as its wage-determining method and in 1933 the Tennessee Valley Authority implemented collective bargaining as part of its wage determination process.

The Postal Reorganization Act of 1970 granted collective bargaining for wages for most Postal Service employees, thus enhancing these postal employees' compensation status. In addition, postal employees not previously covered by collective bargaining now have their wages set through bargaining agreements.

There has also been an increase in collective bargaining agreements for State and local employees. Until 1958, there was only one State which permitted employees to bargain for wages, working hours, and other conditions of employment. In 1976, as many as 26 States provided or permitted collective bargaining agreements with their employees.

Usually employers in the private sector are limited in their bargaining agreements by their profit or loss margin, and any increases granted in employee wages and benefits can generally be passed on to consumers. Most of the States' collective bargaining agreements provide for legislative oversight with the authority to adjust or rescind wage increases. In contrast, the Postal Service does not have to justify wage increases to the Congress nor does it appear that it has been severely restricted by operating losses. Also, to pass increases on to its consumers the Postal Service must obtain the approval of the Postal Rate Commission.

Since the Federal labor-management relations program was formally established in 1962, there have been numerous bills introduced in the Congress regarding Federal labor-management relations. Some of the bills would provide employees with the right to set pay through collective bargaining.

UNIONIZATION AND COLLECTIVE
BARGAINING IN THE FEDERAL GOVERNMENT

Union activity among Federal employees dates back to the early 1800s. Although there was little collective bargaining in those years, unions of Federal employees pressed for improvements by establishing lobbies in Congress and making direct appeals to Presidents.

Throughout the 19th century, Federal labor organizations--mainly craft unions--were instrumental in gaining numerous benefits for their members. As a result of the successful development of Federal craft unions, the general union came into being which appealed to all types of Government employees.

Although no general labor relations program was developed for Federal agencies until 1962, the Congress did include labor management related provisions in legislation dealing with individual Government agencies. For example, the Government Printing Office (1924) and the Tennessee Valley Authority (1933) both established wage-setting procedures which included aspects of collective bargaining.

From 1949 to 1961, labor organizations of Federal employees pressed for enactment of various legislation to provide for union recognition and collective bargaining for Federal employees. This led to the 1962 issuance of Executive Order 10988 which recognized the right of Federal employees to join unions and bargain collectively. This was followed by Executive Order 11491, issued in 1969 and amended in 1971 and 1975, which brought a uniform Government-wide labor relations program. 1/ The table on the following page characterizes union recognition among Federal postal and nonpostal employees since 1969.

Limited bargaining for
most Federal employees

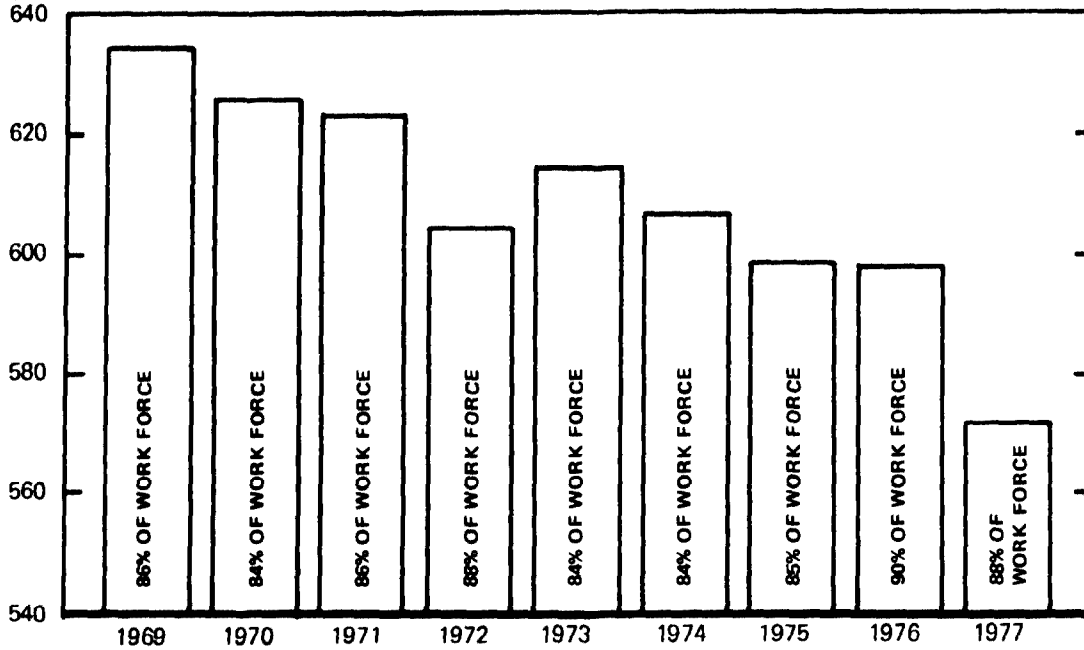
Negotiations are limited to personnel policies and practices as well as matters affecting working conditions. Salaries or money related benefits such as annual leave, retirement benefits, or insurance plans are set in law and therefore are not negotiable. In addition, every negotiated agreement must contain a grievance system for the orderly resolution of complaints. Areas that have generally been negotiated include:

1/Title VII of the Civil Service Act Reform codifies the Government's labor relations program.

UNION RECOGNITION IN THE FEDERAL GOVERNMENT (1969-1977)

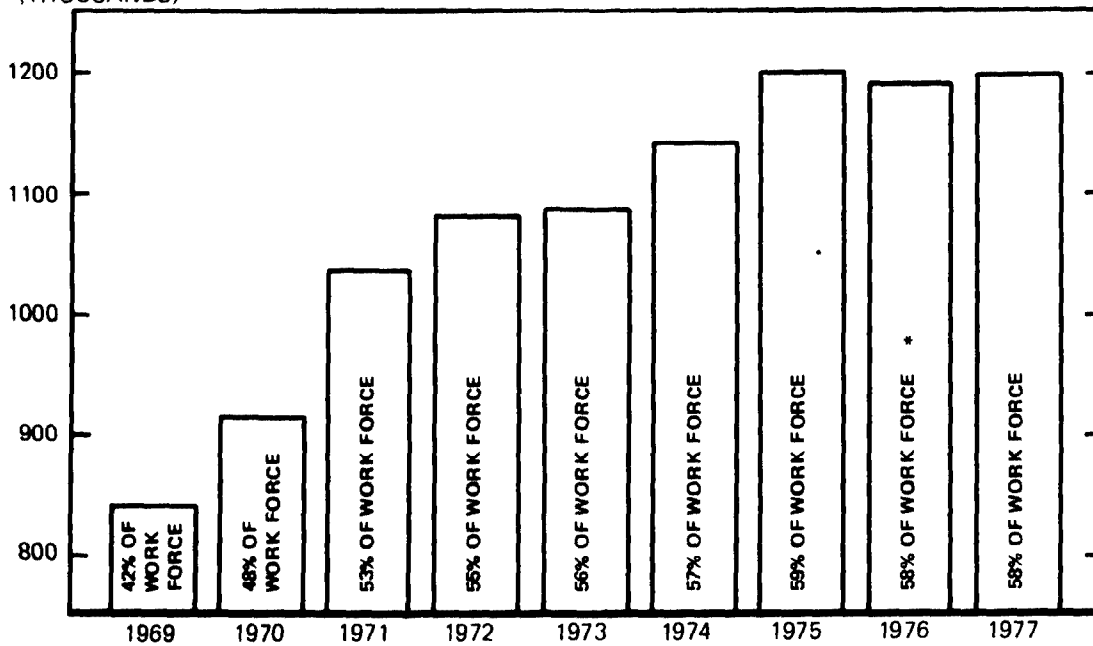
**EMPLOYEES COVERED BY EXCLUSIVE RECOGNITION
POSTAL SERVICE**

NUMBER OF EMPLOYEES
(THOUSANDS)



**EMPLOYEES COVERED BY EXCLUSIVE RECOGNITION
NON-POSTAL**

NUMBER OF EMPLOYEES
(THOUSANDS)



* TVA WAS EXCLUDED BEGINNING THIS YEAR PER EXECUTIVE ORDER.

- Wage and salary administration; implementation of pay rates and scales (overtime distribution, call-in and call-back pay, differential pay).
- Implementation of personnel policies, practices and procedures, promotion and career mobility plans, training, apprenticeship, reduction in force, and disciplinary practices and procedures.
- Working conditions and environment; light, heat, ventilation, sanitation, safety, special clothing (uniforms), labor and washroom facilities, space, noise, maintenance, hazardous work, safety, and health sanitation.
- Design and scheduling of work; schedules or work-shifts, rotation, meal periods, scheduling holidays, and vacations.
- Employee benefits and services; provision or use of lunch rooms, snack bars, coffee breaks, banking and check-cashing services, recreation facilities, transportation, and parking arrangements.
- Services provided to the union; bulletin boards, use of intraoffice distribution system, official newspapers, and onsite meeting facilities.
- Relationships with unions; negotiation procedures, stewards, dues check-off, purposes and meetings of committees, and time allowances.

Collective bargaining in the Postal Service is more extensive

The Postal Reorganization Act of 1970 required the Postal Service to negotiate wages and other working conditions with recognized postal labor organizations. Before this act, postal wages had been linked with GS. As discussed in chapters 2 and 3, wage negotiations have brought rapid pay increases for postal bargaining employees and some nonbargaining employees. More of these nonbargaining postal employee groups are now attempting to form or join unions.

When conducting negotiations with recognized unions, the Postal Service is in a unique situation compared to other Federal agencies and private companies. Unlike other Federal agencies, the Service is generally subject to the provisions of the National Labor Relations Act. Thus, it is required to bargain collectively with labor unions representing

majorities of employees in appropriate units concerning wages, hours, and other terms and conditions of employment. The Service may not unilaterally establish or alter those employees' concerns.

Conversely, the Service is subject to certain civil service laws that somewhat restrict its bargaining authority compared to private companies. These laws cover such areas as retirement, paid leave, holidays, injury compensation, pay allowances outside the continental United States, and employment status preferences for veterans. For example, while the Service can negotiate changes in areas such as paid leave and holidays, the Reorganization Act requires that no variation, addition, or substitution to fringe benefits shall result in a program which on the whole is less favorable to the officers and employees than the benefits in effect on the effective date of the reorganization.

During negotiations, postal management is also under public and political pressure to reach an agreement with unions because of the effect a strike by postal employees may have on the economy. Even though postal employees by law are not permitted to strike, the threat of a postal work stoppage exists, as evidenced by employee walkouts in the past. If the Service and a union are unable to reach a collective bargaining agreement or if they have a dispute under an existing agreement which they cannot resolve, the dispute is submitted to fact finding mediation or binding third-party arbitration. In private industry, unresolved disputes can result in strikes.

In addition, even though the Service has a monopoly on first class mail, it does not have as much freedom as private companies have in passing the costs of contract settlements on to consumers, either through increased prices or altered services. The Service's decisions to raise postal rates or alter services are subject to an independent review and possible modification by the Postal Rate Commission. The Congress is also getting more and more involved in influencing the Service's decisions on setting postal rates and changing services.

COLLECTIVE BARGAINING FOR STATE AND LOCAL EMPLOYEES

In recent years there has been an increase in collective bargaining as a pay-setting mechanism for public employees. Until 1958, there was only one State which permitted State employees to bargain with their employers for wages, hours, and conditions of employment. In 1976 as many as 26 State

governments had provided similar collective bargaining agreements with their employees. Each State establishes its own labor-management relations programs for State and local government employees. Accordingly, the nature of such programs differ in scope and magnitude from one State to another as well as the numbers and types of employees within each State. According to information developed from the Labor-Management Services Administration of the U.S. Department of Labor, 5 States have placed complete prohibitions on collective bargaining for public employees; 17 States have chosen to enact minor forms of bargaining such as "meet and confer" legislation; 12 States have enacted separate laws for certain selected groups of public employees--10 of these 12 States provide comprehensive labor laws; and 16 States have enacted comprehensive labor relation laws that permit State employees to bargain with their employers for wages, hours, and conditions of employment.

Of the five States that prohibit collective bargaining, one State permits public employees to organize and join labor unions, and two States permit public employees to establish grievance procedures; while the other two States have not enacted any legislative or policy guidelines for public employee bargaining.

"Meet and confer" laws for 17 of the States provide for negotiations in which the public employer may consent to discuss labor relation matters with representatives of the employee organization. If the negotiating parties come to an agreement, it is written in the form of a memorandum of understanding. However, the employer (State) is not legally bound to enter into these discussions, nor to abide by any resulting memorandum of understanding.

In 12 States, laws providing some form of collective bargaining have been enacted for selected groups of public employees such as teachers, police officers, and firefighters. The scope of these agreements varies among the applicable States as well as for the groups of employees covered. For example, one State has enacted only "meet and confer" legislation for firefighters and teachers, while another State has only "meet and confer" legislation for teachers. Two other States have enacted "meet and confer" as well as comprehensive labor laws for certain selected groups of public employees. Eight States have comprehensive bargaining negotiations regarding wages, hours, and conditions of employment for these selected groups.

Sixteen States have comprehensive collective bargaining agreements that permit State employees to bargain for wages, hours, and conditions of employment. All of these States, however, provide for legislative or budgetary controls over the provisions of the bargaining agreement. For example, one State requires its Governor, in his annual budget request, to request the legislative body to appropriate amounts sufficient to fund provisions of the collective bargaining agreement. The State law requires:

"If less than the requested amount is appropriated, the collective bargaining agreement shall be administered by the Chief executive officer on the basis of the amounts appropriated by the legislative body. The failure of the legislative body to appropriate funds sufficient to fund the collective bargaining agreement shall not constitute, nor be evidence of, any unfair labor practice."

In another State, any written agreement between a public employer and an employee organization determining the terms and conditions of employment--salaries, wages, and hours--of public employees contains the following notice.

"It is agreed by and between the parties that any provision of this agreement requiring legislative action to permit its implementation by amendment of law or by providing the additional funds therefor shall not become effective until the appropriate legislative body has given approval."

POSSIBLE EFFECTS OF
EXTENDING COLLECTIVE
BARGAINING FOR WAGES

In the private sector, collective bargaining is a major force in influencing employee wages and benefits. In this regard, in its report on the 1977 budget, the Congressional Budget Office cited collective bargaining as one of several pay-setting alternatives for nonpostal Federal civilian employees. The Congressional Budget Office stated:

"Extending collective bargaining in the Federal government beyond conditions of employment would facilitate comprehensive consideration of salary and 'fringe' benefits through the customary processes followed in collective bargaining. This would result in a 'total compensation'

approach and would move the Federal government closer to practices observed in the private and nonfederal public sectors of the economy."

The Congressional Budget Office also estimated that if collective bargaining for wages and benefits were adopted for these Federal employees, by 1981 it would cost \$9 billion a year more than the present processes.

LEGISLATIVE PROPOSALS AFFECTING FEDERAL LABOR-MANAGEMENT RELATIONS

Numerous bills affecting the Federal employees labor-management relations program have been introduced in the Congress during the past several years. Many of the bills would establish a statutory base for a labor-management relations system for Federal employees. Since 1962, labor-management relations in the executive branch of the Federal service have been governed primarily by a series of executive orders promulgated by the President. The Postal Service, however, obtained legislative authority for its labor-management system in 1970 when chapter 12 of Title 39, United States Code, was enacted into law.

The Civil Service Reform Act provided for a Federal Labor Relations Authority that will

- consolidate the third-party functions in the Federal labor-management relations program by assuming the functions of the Federal Labor Relations Council and certain responsibilities of the Assistant Secretary of Labor for Labor-Management Relations;
- provide for a General Counsel with responsibility to investigate and prosecute alleged unfair labor practices before the Authority; and
- provide for a Federal Service impasses panel to provide assistance in resolving negotiation impasses.

Labor-management bills for Federal employees have been introduced in the Congress in the past that would broaden the scope of bargaining to include pay and related fringe benefits.

Bills have been introduced that would

- provide for the establishment of Federal Employee Pay and Benefits Council which negotiates pay and other

major money-related fringe benefits with the President's agent, and provides for Presidential alternatives and congressional disapproval of recommendations; and

--provide for the resolution of negotiation impasses through binding arbitration.

CONCLUSIONS

The rapid pay increases received by Postal bargaining employees and some nonbargaining employees, coupled with the growth of union activity in the Federal, State, and local sectors could prompt other Federal employee groups to regard collective bargaining for wages as a preferred alternative to the present pay adjustment systems. Furthermore, a number of the labor-management relations bills introduced in the Congress in recent years have been structured to increase the scope of bargaining for Federal employees to include wages.

Certain controls and constraints that exist for private and public sector bargaining do not exist for the Postal Service. Private sector employees are usually restricted in their bargaining process by the employers competitive position as well as profit and loss margins, and negotiated increases in wages can be passed on to the consumer. State governments that provide collective bargaining for pay and benefits to their employees usually provide the State's legislature the authority to adjust or rescind wage increases.

MATTERS FOR CONSIDERATION BY THE CONGRESS

In view of the experience of the Postal Service, we believe that when collective bargaining for wages for other Federal employee groups is proposed, the Congress should:

- Recognize that collective bargaining can result in higher wage increases.
- Recognize that comparability and bargaining for wages may not be compatible or practical. The results of collective bargaining may be determined to reflect comparability regardless of private sector rates, and also management may agree to higher pay rates in order to obtain certain concessions.
- Consider the need for, and appropriateness, of budgetary controls or constraints similar to those

that exist for bargaining groups in the private sector and other levels of government.

AGENCY COMMENTS AND
OUR EVALUATION

The Postal Service agreed that postal employees have gained greater compensation increases than Federal non-postal employees. It pointed out, however, that high inflation and an uncapped cost-of-living adjustment in the 1973 and 1975 agreements had combined to produce bargaining unit salaries which in its view were higher than the rates of pay existing in the majority of comparable American industry as of 1978. It further stated that one of its main objectives was to cap the cost-of-living adjustment at a rate not to exceed the previous agreement, and felt that it had achieved this objective in the tentative agreement reached with the Postal unions on July 20, 1978. (Note: The arbitrator removed the cap for cost-of-living adjustment in his decision of September 15, 1978.)

The Postal Service stated that it has adequate budgetary controls and clear-cut constraints and that a major objective of the Postal Service has been to achieve wage settlements which would promote rate stability. It also stated that injecting statutory budgetary controls into the collective bargaining process would inevitably cause the latter to deteriorate into a combination of lobbying and bargaining which is highly undesirable.

We recognize that it may not be practicable to inject budgetary controls or constraints into the Postal bargaining process. We believe that when, or if, bargaining for wages is provided for other Federal employees--especially where wage increases are provided from appropriated funds--that appropriate controls or constraints should be considered in the development of the enacting legislation.

The Council on Wage and Price Stability commented that the report fails to examine the links between collective bargaining, the postal monopoly, and postal rate regulation which together may be responsible for the rapid increase in postal wages during the 1970s. We recognize that these factors combined may have impacted on postal wages significantly. However, the objective of this report was to show the effects of the bargaining process on postal wages; it was not an analysis of the bargaining process.

The American Postal Workers Union commented that the report did not contain information from the unions involved in the negotiations described in the report and that it also contained misunderstandings and invalid comparisons of postal employee wages (comparing postal employee pay to that of Federal employees).

As previously stated, the objective of this report was to show the effect on wages and not to analyze or critique the bargaining process at the Postal Service. Also, the comparisons of postal employee wages with Federal employees was to show the effect on postal wages since the Postal reorganization. We recognize that collective bargaining is the determining factor for postal employees comparability; however, we believe it is important to point out the differences that have resulted from bargaining for comparability.

In their comments, the Office of Management and Budget agreed that the views expressed in this report should receive careful consideration when collective bargaining is considered for nonpostal employee groups.

POSTAL AND FEDERAL SALARY COMPARISON--

36 CRAFT OCCUPATIONS--AS OF DECEMBER 1977

Position	Grade level		Minimum salary		Difference over/under Federal	Maximum salary		Difference over/under Federal
	Postal	Federal	Postal	Federal (note a)		Postal	Federal (note a)	
Cleaner	PS-1	WG-1	11,710	8,923	2,787	13,613	10,421	3,192
Custodian	PS-2	WG-1	12,129	8,923	3,206	14,186	10,421	3,765
Elevator operator	PS-3	WG-1	12,582	8,923	3,659	14,804	10,421	4,383
Laborer custodian	PS-3	WG-2	12,582	9,464	3,118	14,804	11,045	3,759
Material handling equipment operator	PS-4	WG-6	13,072	11,690	1,382	15,470	13,624	1,846
Warehouseman	PS-4	WG-4	13,072	10,566	2,506	15,470	12,314	3,156
Helper, maintenance trade	PS-4	WG-5	13,072	11,128	1,944	15,470	12,979	2,491
Mail handler	PS-4	WG-4	13,072	10,566	2,506	15,470	12,314	3,156
Garageman	PS-4	WG-5	13,072	11,128	1,944	15,470	12,979	2,491
Tools and parts clerk	PS-5	WG-4	13,604	10,566	3,038	16,189	12,314	3,875
General mechanic	PS-5	WG-8	13,604	12,792	812	16,189	14,934	1,255
Auto mechanic, Jr.	PS-5	WG-8	13,604	12,792	812	16,189	14,934	1,255
Motor vehicle operator	PS-5	WG-7	13,604	12,230	1,374	16,189	14,290	1,899
Carpenter	PS-6	WG-9	14,175	13,354	821	16,980	15,579	1,401
Engineman	PS-6	WG-10	14,175	13,915	260	16,980	16,245	735
Maintenance electrician	PS-6	WG-10	14,175	13,915	260	16,980	16,245	735
Auto mechanic	PS-6	WG-10	14,175	13,915	260	16,980	16,245	735
Tractor trailer operator	PS-6	WG-8	14,175	12,792	1,383	16,980	14,934	2,046
Storekeeper, Auto parts	PS-6	WG-4	14,175	10,566	3,609	17,819	12,314	5,505
Body and fender repairman	PS-7	WG-10	14,794	13,915	879	17,819	16,245	1,574
Machinist	PS-7	WG-10	14,794	13,915	879	17,819	16,245	1,574
Clerk typist	PS-4	GS-3	13,072	7,930	5,142	15,470	10,306	5,164
Telephone operator	PS-4	GS-3	13,072	7,930	5,142	15,470	10,306	5,164
Card punch operator	PS-4	GS-3	13,072	7,930	5,142	15,470	10,306	5,164
Time and attendance clerk	PS-5	GS-2	13,604	7,035	6,569	16,189	9,150	7,039
Clerk-stenographer	PS-5	GS-4	13,604	8,902	4,702	16,189	11,575	4,614
Personnel clerk	PS-5	GS-4	13,604	8,902	4,702	16,189	11,575	4,614
Window clerk	PS-5	GS-4	13,604	8,902	4,702	16,189	11,575	4,614
Distribution clerk	PS-5	GS-4	13,604	8,902	4,702	16,189	11,575	4,614
City letter carrier	PS-5	GS-4	13,604	8,902	4,702	16,189	11,575	4,614
Claims and inquiry clerk	PS-5	GS-7	13,604	12,336	1,268	16,189	16,035	154
Accounting clerk, Intr.	PS-5	GS-7	13,604	12,336	1,268	16,189	16,035	154
Vehicle dispatcher	PS-6, 7	GS-7,8	14,175	12,336	1,839	17,819	17,757	62
Electronic technician I	PS-8	GS-5	15,463	9,959	5,504	18,443	12,947	5,496
Electronic technician II	PS-9	GS-7	16,187	12,336	3,851	19,085	16,035	3,050
Electronic technician III	PS-10	GS-9	16,949	15,090	1,859	20,081	19,617	464

a/Salary for Federal WG grades is taken from Federal Wage System National Average Schedule which represents a simple average for 135 area Wage Schedules.

POSTAL, PRIVATE, AND FEDERAL SALARY COMPARISON--FIRST LINE SUPERVISORY POSITIONS--AS OF APRIL 1977

<u>Position</u>	<u>Midpoint salary (note a)</u>			<u>Difference over/under</u>	
	<u>Postal (note b)</u>	<u>Private</u>	<u>Federal</u>	<u>Private</u>	<u>Federal</u>
Foreman, Vehicle dispatching	\$15,723	\$14,850	\$15,977	873	(254)
Foreman, Automotive	16,398	15,450	16,411	948	(13)
Accounting Assistant	15,723	16,000	13,059	(277)	2,664
Foreman, Platform operation	16,398	14,850	14,144	1,548	2,254
Foreman, Mails	16,398	14,500	-	1,898	-
Foreman, Building service	14,168	14,200	13,582	(32)	586
Superintendent window services	17,153	14,200	-	2,953	-
Foreman, Maintenance mail processing	17,153	15,950	16,973	1,203	180
Supervisor, Building equipment and maintenance	16,398	16,850	-	(452)	-
Personnel assistant	15,723	14,850	11,754	873	3,969

a/The best comparison would be to use average salaries. However, the data is not available. Therefore, we used midpoint salaries for comparison. The true midpoint salary falls between Step 4 and 5 of PMS and Step 5 and 6 of the Federal GS. Since no employee is paid at the true midpoint, we used Step 4 of PMS and Step 5 of the Federal GS.

b/It should be noted that the postal average salaries in January 1976 (see page 23) were higher than the midpoint salaries shown here. Therefore, it can be expected that average postal salaries for these supervisory positions as of April 1977 would be higher than the midpoint salaries shown in this table.

POSTAL, PRIVATE, AND FEDERAL SALARY COMPARISON--

LOWER LEVEL WHITE-COLLAR POSITIONS--

AS OF JULY 1976

<u>Position</u>	<u>Midpoint salary (note a)</u>			<u>Difference over/(under)</u>	
	<u>Postal</u>	<u>Private</u>	<u>Federal</u>	<u>Private</u>	<u>Federal</u>
Postal system examiner	15,449	15,000	13,850	449	1,599
Industrial engineer, Jr.	14,814	14,950	10,117	(136)	4,697
Quality control officer	16,161	16,050	15,278	111	883
Quality control analyst	15,449	15,100	-	349	-
Draftsman	13,348	11,500	10,117	1,848	3,231
Personnel assistant (A)	13,348	11,700	10,117	1,648	3,231
Personnel assistant (B)	14,814	13,550	11,274	1,264	3,540
Nurse	14,243	12,000	15,278	2,243	(1,035)
Stenographer, Sr.	12,703	9,204	-	3,499	-
Stenographer, Jr.	12,225	8,268	-	3,957	-
Computer systems operator	13,348	10,322	-	3,026	-
Computer systems operator, Sr.	14,814	11,726	-	3,088	-
Industrial engineer (associate)	16,161	15,950	-	211	-
Safety specialist (A)	14,814	15,850	-	(1,036)	-
Safety specialist (B)	16,161	17,200	-	(1,039)	-
Post Office accountant	16,161	14,850	-	1,311	-
Buyer	14,243	13,500	-	743	-
Contracts and procurement Assistant	15,449	14,900	-	549	-
Labor relations assistant	16,161	18,200	15,278	(2,039)	883
Secretary(A)	13,001	9,334	9,040	3,667	3,961
Secretary(B)	13,348	10,322	10,117	3,026	3,231
Secretary(C)	14,243	13,026	11,274	1,217	2,969
Secretary(PDC)	13,348	10,322	-	3,026	-
Office administrator	13,770	10,322	10,117	3,448	3,653
Budget and cost analyst(A)	14,814	8,840	10,117	5,974	4,697
Budget and cost analyst(B)	16,161	10,556	12,518	5,605	3,643
Budget assistant	15,449	8,840	12,518	6,609	2,931

a/The best comparison would be to use average salaries. However, the data is not available, therefore, we used midpoint salaries for comparison. The true midpoint salary falls between Step 4 and 5 of PMS and Step 5 and 6 of the Federal GS. Since no employee is paid at the true midpoint, we use PMS Step 4 and GS Step 5.

POSTAL AND FEDERAL SALARY COMPARISON --
MANAGERIAL POSITIONS--AS OF DECEMBER 1977

<u>Current title</u>	<u>Current PES grade</u>	<u>PS grade 3/2/73 (note a)</u>	<u>GS grade 12/27/69 (note b)</u>	<u>Postal</u>	<u>Federal (note c)</u>	<u>Difference over/(under)</u>
Assistant chief inspector - criminal investigations	32	22	17	42,150	47,500	(5,350)
Deputy General Counsel	32	23	18	42,150	47,500	(5,350)
Director, Postal Service technical and development institute	30	20	16	40,000	47,500	(7,500)
Judicial officer	30	21	17	40,000	47,500	(7,500)
General manager, revenue and cost analysis division	29	18	15	38,050	40,995	(2,945)
Assistant General Counsel legislative affairs	28	18	16	35,900	47,500	(11,600)
Assistant General Counsel opinions	28	20	16	35,900	47,500	(11,600)
Medical director, headquarters medical division	28	18	16	35,900	47,500	(11,600)
Supervisory attorney	27	17-18	14-15	33,900	34,850/40,995	(950)/(7,095)
Director, office of headquarters services	27	17	15	33,900	40,995	(7,095)
Senior Attorney (B)	26	17	14	31,950	34,850	(2,900)
Manager, benefits and services branch	26	17	15	31,950	40,995	(9,045)
Senior management analyst	25	15-17	13-14	30,150	29,490/34,850	(660)/(4,700)
Program manager, operations research	25	17	14	30,150	34,850	(4,700)
General engineer, program manager	25	17	14	30,150	34,850	(4,700)
Accounting officer	25	17-18	14-15	30,150	34,850/40,995	(4,700)/(10,845)
Manager, library division	25	17	14	30,150	34,850	(4,700)
Mechanical engineer, program manager	24	17	14	28,450	34,850	(6,400)
Budget Analyst, Principal	24	17	14	28,450	34,850	(6,400)
Industrial engineer, program manager	24	17-18	14-15	28,450	34,850/40,995	(6,400)/(12,545)
News information officer	24	17	14	28,450	34,850	(6,400)
Economist	23	15	13	27,000	29,490	(2,490)
Computer systems analyst senior	23	15	13	27,000	29,490	(2,490)
Contract specialist	23	15	13	27,000	29,490	(2,490)
Senior accountant	22	14-15	12-13	25,550	24,799/29,490	(751)/(3,940)
Computer systems analyst	22	14	12	25,550	24,799	751
Senior statistician	22	14-15	12-13	25,550	24,799/29,490	(751)/(3,940)
Distribution procedures specialist	22	15	13	25,550	29,490	(3,940)
Computer programmer senior	21	14	12	24,250	24,799	(549)
Electronic technician, senior	21	14	12	24,250	24,799	(549)
Mail classification specialist	21	14	12	24,250	24,799	(549)
Accountant	20	12	11	23,000	20,694	2,306
Program analyst	20	12	11	23,000	20,694	2,306
Electrical engineer	20	14	12	23,000	24,799	(1,799)
Budget analyst	19	12	11	21,800	20,694	1,106
Audio visual production specialist	19	12	11	21,800	20,694	1,106
Editor	19	12	11	21,800	20,694	1,106
Personnel management specialist, inspection service	18	12	11	20,650	20,694	(44)
Mechanical engineering technician	18	12	11	20,650	20,694	(44)
Electrical engineering technician	18	14	12	20,650	24,799	(4,149)
Computer systems operator, lead	17	12	11	19,550	20,694	(1,144)

a/Postal Schedules Immediately before 1973 Job Evaluation.

b/General Service Schedules before Postal Reorganization.

c/The true midpoint salary falls between Step 5 and 6 of the Federal General Schedule. Since no employee is paid at the true midpoint we used Step 5.



THE POSTMASTER GENERAL
 Washington, DC 20260

July 31, 1978

Mr. Victor L. Lowe
 Director, General Government
 Division
 U. S. General Accounting Office
 Washington, D. C. 20548

Dear Mr. Lowe:

This is in response to your draft report entitled "Negotiation of Wages in the Postal Service--Implications for Other Federal Employee Groups."

We do not disagree with the report's conclusion that most postal employees have gained greater compensation increases than other federal non-postal employees. The negotiated wage increases of the 1971-73-75 National Agreements were equitable in the light of comparable wages and wage settlements in the private sector. However, the impact of high inflation and an uncapped COLA in the 1973 and 1975 Agreements combined to produce bargaining unit salaries which were, in our view, higher than the rates of pay existing in the majority of comparable American industry as of 1978.

Therefore, three of our primary objectives in the 1978 bargaining with the postal unions were:

- . To slow down the upward progression of direct wage rates in the bargaining units.
- . To achieve a three year agreement which would produce comparability over the life of the Agreement in the light of existing wage rates and anticipated settlements in the private sector during that period.
- . To cap COLA at a rate not to exceed the cost of living adjustments of the 1975 Agreement, to wit: 73¢ an hour or \$1,518, over the three year term of the new Agreement.

These objectives we feel were achieved in the tentative agreement reached with the postal unions on July 20, 1978, which is now in the ratification process and represents a sensitive matter until such process is concluded.

[See GAO note 2, p. 67.]

We disagree with the report's implication that the collective bargaining process in the Postal Service is somehow devoid of budgetary constraints, or pricing constraints. The fact is that a major objective of the Postal Service has been to achieve wage settlements which would promote rate stability. The Postal Service took very strong positions in the 1978 negotiations to achieve an agreement which would insure rate stability, and protect the Postal Service from the competitive pressures of alternate forms of delivery, as well as customer options in the first, second, third, and fourth class mail markets. Collateral objectives in the bargaining included maintenance of work rules and other so-called non-economic articles of the National Agreement so as not to inhibit cost reduction programs and improvements in operating systems.

In summary, it is our view that the Postal Service has adequate budgetary controls and clear-cut constraints relating to rates and services which bear on the collective bargaining process directly in terms of the future financial health and reliability of the Postal Service. Moreover, injecting statutory budgetary controls, for example, into the collective bargaining process would inevitably cause the latter to deteriorate into a combination of lobbying and bargaining which we suggest is highly undesirable.

[See GAO note 2, p. 67.]

One final point, the Bureau of Labor Statistics 'weighted' productivity index, which shows lower gains for postal productivity than the Service's own index, is based on FY 1972 data. Much additional information has been developed since 1972 affecting the attribution of costs by category of mail or service. Using 1972 weightings results in potential lack of comparability from year-to-year, especially for more recent years. There is also a lack of true comparability in matching the productivity of the "blue collar" Postal Service against a primarily "white collar" Federal Civilian Sector.

Sincerely,



William F. Bolger



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

AUG 21 1978

Mr. H.L. Krieger
Director
Federal Personnel and
Government Division
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Krieger:

This refers to your request for review and comment on your draft report entitled, "Negotiation of Wages in the Postal Service--Implications for Other Federal Employee Groups."

The report provides a rather complete review of the negotiation of wages in the Postal Service, the major Federal pay-setting processes and current state of collective bargaining for public sector employees. The draft report suggests that when Congress is considering collective bargaining for wages for other (non-Postal) Federal employee groups the following matters should be taken into consideration:

[See GAO note 2, p. 67.]

Insuring that the bargaining process includes adequate budgetary controls or constraints similar to those that exist for bargaining groups in the private sector and at other levels of government.

[See GAO note 2, p. 67.]

We agree that these views should receive careful consideration.

Further, we believe that the consideration of collective bargaining for wages for other Federal employee groups should be governed by the paramount interests of the public and special requirements and needs of the Federal government to provide for uninterrupted government, and for economical and efficient operations.

We thank you for the opportunity you have afforded us to comment on the draft report.

Sincerely,



Harrison Wellford
Executive Associate Director
for Reorganization & Management

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON WAGE AND PRICE STABILITY
726 JACKSON PLACE, N.W.
WASHINGTON, D.C. 20506

JUN 9 1979

Mr. H.L. Krieger
Director
Federal Personnel & Compensation Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Krieger:

We have reviewed a copy of the draft report entitled "Negotiations of Wages in the Postal Service -- Implications for Other Federal Employee Groups." In our judgment the report contains useful data on postal and federal wages. However, certain comments appear to us to be incomplete or in error. In addition, the report fails to examine the links between collective bargaining, the postal monopoly and postal rate regulation which together may be responsible for the rapid increase in postal wages during the 1970s.

The following comments are keyed to the appropriate page in the draft report.

Page 23 -- The statement that postal workers covered by collective bargaining have achieved higher pay rates than in some parts of the private sector could be supplemented by comparing the average hourly earnings of postal workers with those in the private nonfarm economy. The Council has made such a comparison which is attached as Attachment 1 to this letter.

[See GAO notes 1 and 2, p. 67.]

[See GAO note 2, p. 67.]

Page 26 -- The second paragraph, second sentence, indicates that Postal Service benefits are greater than benefits in the federal government. It would be helpful to assess the extent of the difference in benefits and their value to employees. What is it worth on average to have a 100 percent of life insurance paid? What is the value of the employer covering seventy-five percent of health insurance cost versus 60 percent?

[See GAO note 2, p. 67.]

Page 40 -- Five lines from the bottom, delete the word "steadily." (See comments re: page 23.)

Page 41 -- Please check the data regarding the reduction in postal work force. Our data shows a decline in postal employment from over 725,000 in 1971 to 655,000 in 1977.

[See GAO note 2, p. 67.]

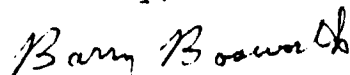
[See GAO note 2, p. 67.]

Page 53 -- You state without amplification that the Postal Service does not have as much freedom as private companies in passing the cost of wage settlements on to consumers because its rates requests must be reviewed by the Postal Rate Commission. This is incorrect and misses the basic economics at issue. Whether cost increases can be passed on generally depends on the competitiveness of the industry and particularly the elasticity of demand for the final product. In the Postal Service, a large portion of postal revenues are protected by the postal monopoly. This results in largely inelastic demand and allows the Postal Service to easily pass on higher costs. Furthermore, the regulation to which the Postal Service has been subject is largely regulation of who pays for increased postal costs rather than a review of the level of postal costs. For example, in none of the rate proceedings to date has there been a successful challenge of wage portion of postal costs (85-86 percent). The full cost pass through allowed by the Postal Rate Commission plus the permission increase in accumulated deficit has lead in the past to soft bargaining by Postal Management. (A similar analysis for labor costs in motor carrier industry is attached. See Testimony of the Council on Wage and Price Stability before the Interstate Commerce Commission in Southern Motor Carriers Rate Conference, particularly pages 6-13 and 23-31.)

Page 60 -- First full paragraph. Again, a draft report implies that the Postal Rate Commission has effectively limited increases in postal rates. This is not correct. The Postal Rate Commission makes only minor adjustments to the Postal Service's revenues requirements (and does not examine at all the wage rates that influence the level of the revenue requirement). In addition, any accumulated deficit is made up through appropriations or merely allowed to accumulate. Moreover, regulatory lag which arguably creates some downward pressure on costs in other regulated industries is likely ineffective here for two reasons. First, a largely future test year is used; and second the lag which had been as high as 23 months has moderated to around 10 months.

We hope that these comments assist in the preparation of your Report.

Sincerely,



Barry P. Bosworth
Director

TABLE 4

Average Hourly Earnings

	<u>Feb. 1971</u>	<u>Feb. 1978</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Postal Workers	\$4.28	\$8.00	\$3.72	86.9%
Private Nonfarm	3.36	5.51	2.15	64.0
Ratio of Postal Workers' Earnings to Private Nonfarm Earnings	1.27	1.45		

SOURCE: Bureau of Labor Statistics and the U.S. Postal Service.



American Postal Workers Union, AFL-CIO

817 14TH STREET, N. W., WASHINGTON, D. C. 20005

September 22, 1978

Mr. H. L. Krieger, Director
Federal Personnel and Compensation Division
United States General Accounting Office
Washington, D.C.

Dear Mr. Krieger:

We are herewith responding to your interest in our views and comments about your draft report entitled "Negotiation of Wages in the Postal Service - Implications For Other Federal Employee Groups," sent July 11 to unions having bargaining rights for postal employees and the Postal Service, with copies to Administration Special Counselor on Inflation Robert Strauss, Council on Wage and Price Stability Director Barry Bosworth, the Office of Management and Budget, and the Civil Service Commission.

The release of the preliminary draft of the report, which we find contains errors, misunderstandings and invalid comparisons of postal employee wages, during the final stages of union-Postal Service negotiations (April 21-July 20), was not proper, we believe. Sending copies of the draft in any form to persons who had no basis for reviewing its contents but who were assuming Administration oversight roles of the postal negotiations was also not proper, we maintain.

Although we attempted to "defuse" the draft report by characterizing it as above, the report was used directly by the Postal Service at one point in the recently concluded negotiations in its arguments for holding down employee wages.

Work on the report began August 1977, we understand. However, unions which have occupied one side of the bargaining table in the negotiations being described were not contacted during its development. Your submission of the draft report

to the unions for "review and comment by those having responsibilities concerning the subjects discussed" is self-recognition of the significance of the failure to contact the postal employee unions in the development of the report.

Because the report considers in detail the General Schedule, the Federal Wage System, the state and local government work force, and implications of wage negotiations in the Postal Service for other Federal employee groups, we contacted employee unions having jurisdiction in these areas to learn if they had been contacted for information, review or comment. They had not, which reflects an incomplete search in the development of the study for information, review and comment.

The report has been thus far sheltered from employee union input.

Because the document we received is a draft of a proposed report, we recommend that any further report of what has been developed thus far not be made until the postal employee unions, at least, and, preferably, all unions affected, are asked to provide information for the body of the report. We believe that printing our letter at the end of the report and selected attributed comments at the end of chapters (your method of using submitted review and comment) does not properly put them in context or perspective, and, thereby, continues to shelter the report from "input" from one side of the bargaining table conducting the negotiations you undertake to describe.

Our input is critically important because there is an erroneous concept of postal employee wage comparability throughout the report, which consistently compares postal employee pay to that of Federal employees in its appraisal of comparability. The Postal Reorganization Act (Public Law 91-375; August 12, 1970) removed comparability with non-postal Federal employees as a factor in determining postal employee pay when it prescribed collective bargaining. Section 1003 of the Act explicitly states that comparability shall be with the private sector. More basically, Section 101, Postal Policy, says that the Postal Service shall "achieve and maintain compensation for its officers and employees comparable to the rates and types of compensation paid in the private sector of the economy of the United States."

Any argument that non-postal Federal pay can be used to link postal pay to "comparable" pay in the private sector is invalid because postal employees have few precise counterparts in the Federal and private sectors, and, of eight so-called comparability General Schedule Federal pay increases 1971-1978, six of them were less than the average pay increase received by private sector Professional, Administrative, Technical and Clerical employees (as surveyed by the Department of Labor's Bureau of Labor Statistics), which is the standard prescribed by law.

It is true that the October 1977 General Schedule pay increase was supposed to give G.S. employees full comparability. However, the "comparable" 6.9% private sector average pay increase as surveyed was for March 1976-March 1977. A straight-line projection of that annual rate from the midpoint of that time period would have made another 6.9% of comparability due September 1977, 12 months after the first 6.9% was due on a timely, though only conceptual, basis. Further, the Department of Labor's Consumer Price Index increased 6.9% (coincidentally) from the midpoint of the survey period to the October effective date of the 1977 G.S. increase, so the 6.9% pay increase was offset by inflation since the midpoint of the survey reference period, to eliminate any "real" increase, and left employees with no comparability increase. Further, still, the March 1977-March 1978 PATC survey prescribes an 8.4% G.S. pay increase (with the same time-lag problem and another 6.9% CPI increase - again, coincidentally - for the 10-month period September 1977-July 1978). However, the President has recommended only 5.5% effective in October, and there is no prospect of Congress prescribing more.

Comparing postal employee pay to private sector pay, the draft report follows its heading stating that pay for postal jobs is higher than pay for comparable private sector jobs (p. 26) with a comparison of compensation. The text relates that a 1975 Postal Service study showed that in 14 "top" industries, nonsupervisory employee compensation averaged \$8.04 per hour compared with \$8.05 per hour for postal workers. True, the postal worker compensation average determined by that study was one cent higher than the 14-industry average, but statistical deviations would cause overlap either way. In addition, we know that three of the industries covered in the study, the results of which were given to us by the Postal Service, were Banking, Insurance and Mail Order Houses, all encompassing predominantly nonunion, low-paying employers.

The paragraph subsequently does divide the compensation average amounts into base wage and benefits, \$6.02 and \$2.03 for postal workers and \$5.55 and \$2.49 for the industry workers.

After thus reflecting that a deficiency in postal worker benefits is offset by a wage advantage, the report goes on to state that the Postal Service 14-industry study showed that for 34 of 36 comparable occupations, base postal wages were higher than average hourly rates in the surveyed companies, something which would almost necessarily have to be so. None of the 36 occupations characterized as comparable is identified. A table of comparison for each of the identified occupations assumed to be comparable would be appropriate. We do not know what the average hourly rates for those occupations are, but we do know that the industry average hourly earnings data cover small firms as well as large, nonunion as well as union, and local and area wage determinations as well as national, all features which are distinct from the Postal Service as a large, national-wage-scale, unionized employer.

We maintain that the only specific jobs in the private sector which are comparable to postal worker jobs are those within the United Parcel Service, a major direct competitor of the Postal Service. UPS pays higher wages for comparable jobs in all parts of the country, as documented by photocopies of UPS wage contracts in our Attachment I to this letter.

We agree with the report's statement (p.7, p.28) that Postal Service bargaining employees have their pay comparability determined through collective bargaining negotiations. While we do not believe that postal workers have gained full comparability with the private sector in negotiations, we do believe that between negotiations postal workers have fallen further behind. Throughout their 1975-1978 contract, postal workers received annual pay increases averaging 7.3%, compared to 11.1% in major collective bargaining settlements also having escalator clauses, also negotiated in 1975, as they were reported by the Department of Labor. (See our Attachment II)

It has been argued by the Postal Service and maintained by others that postal employee pay should be compared to that of other regulated industries, such as public utilities. As shown in our Attachment III, Average Earnings Under Major Settlements, postal employee average earnings of \$8.13 per hour compare with \$8.25 for AT&T Operating Companies, \$10.48 for Railroad Operating Crafts and Crew and \$9.38 for Trucking, Central States Local Cartage. Other major settlement average earnings shown in the table are \$9.80 per hour for Steel Industry and \$9.92 for Automobile Industry.

We take exception to the report's Appendix I, Postal and Federal Salary Comparison, 36 Craft Occupations, As Of December 1977, which purports to show that postal employee pay was higher in all cases. The Civil Service Commission selected what it determined to be comparable positions based on a comparison of written duties rather than on an actual on-site job review of job characteristics. A basic principle of job evaluation as a technique is that on-site review is necessary because many times jobs as they are performed differ, sometimes substantially and significantly, from what their written descriptions relate them to be. Therefore, jobs cannot be validly "matched" from written descriptions. Thirty-two of the 36 jobs tabulated represent a total of less than five per cent of the bargaining unit workforce, in most cases each of them far less than one per cent. The positions of window clerk, distribution clerk, letter carrier and mailhandler, which constitute the vast majority of bargaining unit employees, have no counterparts in the Federal sector which reflect their uniqueness.

Another valid consideration is the postal worker's lack of opportunity for promotion. Section 101, Postal Policy, of the Postal Reorganization Act states that the Postal Service "shall place particular emphasis upon opportunities for career advancement of all officers and employees and the achievement of worthwhile and satisfying careers." Postal workers have virtually no chance for promotion. Well over ninety per cent of them start and end their postal careers in the same pay level (grade). Therefore, periodic and adequate pay increases are needed to sustain morale and a viable postal employee work force.

[See GAO note 2, p. 67.]

[See GAO note 2, p. 67.]

Within this same framework of the inability to adequately measure government employee productivity, the report's statement that "productivity increases for postal employees have been less than those of the Government's civilian work force" attempts to definitively state something as fact when it is specious, suspect and probably not true. The report recognizes that Postal Service productivity figures released to the public are derived for each of its fiscal years by dividing total pieces of originating mail, unweighted by type, by total manyears to achieve pieces per manyear. This is a very rudimentary and basically superficial method, but it is the one the Postal Service prefers to use and publish.

A more valid measurement of Postal Service productivity, in terms of pieces of mail per workhour, is developed by the Service's Office of Planning and Operations. Our Attachment IV shows that by this measure Postal Service productivity through eight of the 13 accounting periods in Fiscal Year 1978 is running 7.2 per cent ahead of Fiscal Year 1977. Page 2 of the attachment shows that productivity increased 3.5% in Postal Service Fiscal Year 1977; in calendar year 1977 Private Business Sector productivity, as well as it could be measured, increased 2.4% (reflecting a 6.0 per cent increase in putout and a 3.6 per cent rise in hours).

[See GAO note 2, p. 67.]

Unfair and unrelated to the Postal Reorganization Act's requirements is the report's statement, "Since its establishment in 1971, the Service has not balanced its budget, partly because of wage increases resulting from collective bargaining." (p.23) The Act does not require balancing the budget. It authorizes appropriations "for each of the fiscal years 1972 through 1979, an amount equal to 10 percent of the sum appropriated to the former Post Office Department. . . in fiscal year 1971". (Section 2401) After 1979 the authorization declines by one per cent per year through fiscal year 1984, and "for each fiscal year thereafter an amount equal to 5 percent of such sum for fiscal year 1971."

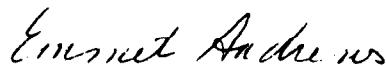
Because employee compensation costs represent about 86% of the total budget (70% bargaining unit, 16% managerial, supervisory and other nonbargaining), wage increases would have contributed toward the deficits even if they had been decreed by Congress.

We trust that the critique of the report provided by this letter will make it clear to you that the report is not ready for release, for reasons including those revealed in this letter, and that the report should not be advanced further until the deficiencies noted, especially the lack of information from the unions involved in the negotiations being described and affected by the subjective implications formulated, and including errors in the standards used to evaluate the results and effects of negotiation of wages in the Postal Service, are corrected.

If the report is to be advanced further we trust we will be provided a copy of a revised draft developed in consideration of our critique contained herein, and be given opportunity to give you our general views and comments, and more specific comments to be printed at the end of chapters.

We are available and would appreciate the opportunity to discuss the current draft report generally, and our views and comments specifically.

Sincerely yours,



Emmet Andrews
General President

Attachments (4)

EA:mr
opeiu #2
afl-cio

- GAO notes:
1. Page references in this appendix refer to our draft and may not correspond to the pages of this final report.
 2. Material deleted related to matters which were revised in final report.

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