



Report to the Chairman, Committee on
Oversight and Government Reform,
House of Representatives

November 2014

U.S. POSTAL SERVICE

Status of Workforce Reductions and Related Planning Efforts

GAO Highlights

Highlights of [GAO-15-43](#), a report to the Chairman, Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

USPS has insufficient revenues to cover its expenses, has reached its statutory borrowing limit, and has projected unsustainable losses through fiscal year 2020. In its April 2013 5-Year Business Plan, USPS reported that it needs to save up to \$20 billion annually through fiscal year 2017 to help regain financial self sufficiency. A key area for potential cost savings is managing personnel-related costs, which account for about 78 percent of its expenses.

GAO was asked to examine USPS's plans to manage the size and cost of its workforce. This report discusses (1) actions USPS has taken since 2006 to reduce the size and cost of its workforce and the results of those actions, (2) the status of other options USPS has identified to reduce workforce costs, and (3) steps that USPS has taken to implement workforce planning. GAO reviewed reports from USPS and the Postal Regulatory Commission on actions USPS has taken to manage the size and cost of its workforce; GAO interviewed USPS officials and stakeholders, including postal labor organizations and management associations and mailing industry organizations, to obtain views on planned initiatives. GAO also identified key principles for workforce planning from prior GAO work and obtained documentation to identify steps USPS is taking to implement these principles.

GAO is not making any recommendations in this report. USPS reviewed a draft of this report and provided technical comments, which GAO incorporated as appropriate.

View [GAO-15-43](#). For more information, contact Lori Rectanus at (202) 512-2834 or rectanusl@gao.gov.

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What GAO Found

From fiscal years 2006 through 2013, the U.S. Postal Service (USPS) decreased the size of its workforce and the number of employee work hours through retirements, attrition, and initiatives to streamline its operations. According to USPS's data, its workforce declined during this period from approximately 796,000 to 618,000 employees, or by about 22 percent. The total number of work hours also decreased by approximately 24 percent, from 1.5-billion hours in fiscal year 2006 to 1.1-billion hours in fiscal year 2013. However, despite the decrease in employees and work hours, USPS's total expenses over this same time period did not decline. This is because average hourly wage and benefits costs have increased due to (1) cost-of-living allowances, (2) rising health benefit costs, and (3) wage increases negotiated in collective-bargaining agreements. Also, USPS was required to prefund retiree health benefits through 2016, and other non-personnel expenses, such as those for transportation, increased. According to USPS officials, personnel costs will continue to rise and are estimated to be \$2 billion more in fiscal year 2015 compared to fiscal year 2014.

USPS has considered requiring customers to change to less costly delivery modes and is seeking legislative changes for other initiatives to reduce workforce costs. USPS estimates that mandating large-scale conversions from door delivery to other less costly modes, such as delivery to a curbside or centralized mailbox, has the potential to generate \$2 billion in annual savings. However, although USPS has the authority to mandate such conversions, it has not done so because it anticipates that such a change would face resistance from customers, employees, postal labor organizations, and mailing-industry stakeholders. USPS is seeking legislative authorization for several other initiatives that would potentially reduce workforce costs, such as implementing 6-day package and 5-day mail delivery, for an estimated annual savings of \$2 billion. According to USPS officials, such legislative changes are needed because initiatives that have been or could be undertaken within its current authority will be insufficient to ensure immediate and long-term financial stability.

USPS has also developed initiatives to implement some of the key principles for workforce planning, principles that can help it identify future workforce needs and develop appropriate strategies. According to USPS officials, USPS has incorporated these key principles into its workforce-planning efforts, including its 5-Year Business Plan and its management process, called Delivering Results, Innovation, Value, and Efficiency (DRIVE). During GAO's review, USPS developed a DRIVE initiative called Building the Workforce of the Future, which according to USPS officials, addresses workforce planning in a comprehensive and coordinated manner. Because the initiative has not been completely implemented, GAO did not fully assess the extent to which it incorporates key principles for workforce planning. Incorporating key principles for workforce planning, such as communicating plans to stakeholders and monitoring progress toward meeting goals, is important for USPS to demonstrate to Congress and other stakeholders how USPS's current, planned, and proposed workforce initiatives will achieve their targets and goals, and to help USPS move toward a point where it can be self-sustaining.

Contents

Letter		1
	Background	3
	USPS Has Reduced the Size of Its Workforce through Retirements, Attrition, and Initiatives	7
	USPS Has Chosen Not to Implement One Other Option It Identified to Reduce Workforce Costs and Seeks Congressional Action for Others	19
	USPS Has Developed Various Initiatives to Implement Workforce Planning	22
	Concluding Observations	30
	Agency Comments	30
Appendix I	Objectives, Scope, and Methodology	31
Appendix II	GAO Contact and Staff Acknowledgments	33
Tables		
	Table 1: U.S. Postal Service Separation Incentives Offered to Employees (Fiscal Years 2010–2013)	12
	Table 2: Selected U.S. Postal Service (USPS) Initiatives with USPS’s Current and Projected Cost Savings, Fiscal Year 2012 through Fiscal Year 2017	13
	Table 3: 5 Key Principles of Strategic Workforce Planning	23
	Table 4. Selected Objectives, Measures, and Targets for USPS’s Workforce of the Future Initiative for Fiscal Years 2013–2014	29
Figures		
	Figure 1: U.S. Postal Service Mail Volume in Billions of Pieces for Fiscal Years 2006–2013	4
	Figure 2: U.S. Postal Service Revenue in Billions of Dollars for Fiscal Years 2006–2013	5
	Figure 3: Number of U.S. Postal Service Career and Non-Career Employees (Fiscal Years 2006–2013)	8

Figure 4: Total U.S. Postal Service Annual Work Hours in Billions (Fiscal Years 2006–2013)	9
Figure 5: USPS's Annual Total Expenses in Billions (Fiscal Years 2006–2013)	10

Abbreviations

APWU	American Postal Workers Union
DRIVE	Delivering Results, Innovation, Value and Efficiency
DUO	Delivery Unit Optimization
FEHBP	Federal Employee Health Benefits Program
FERS	Federal Employees Retirement System
NALC	National Association of Letter Carriers
NAPS	National Association of Postal Supervisors
NAPUS	National Association of Postmasters of the United States
NLPM	National League of Postmasters of the United States
NPMHU	National Postal Mail Handlers Union
NRLCA	National Rural Letter Carriers' Association
OPM	Office of Personnel and Management
PRC	Postal Regulatory Commission
USPS	U.S. Postal Service

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November 13, 2014

The Honorable Darrell Issa
Chairman
Committee on Oversight and Government Reform
House of Representatives

Dear Mr. Chairman:

The U.S. Postal Service's (USPS) ability to meet its mission—providing prompt, reliable, and efficient universal service to the public¹ while remaining financially self-sustaining—continues to be at risk. According to USPS data from fiscal year 2013, USPS delivered mail to about 153-million delivery points.² As we previously reported, USPS has insufficient revenues to cover its expenses and financial obligations³ including wage and health care costs—its largest cost category—that continue to rise by approximately \$2.0 billion per year or more. USPS has also reached its statutory borrowing limit of \$15 billion, and it has projected unsustainable losses through fiscal year 2020. Since 2009, USPS's financial condition has been on our High Risk list.⁴

In late 2013, USPS requested and the Postal Regulatory Commission (PRC) approved a rate increase to fully offset an estimated \$2.8-billion loss in net revenue from 2008 through 2011 that was attributed to effects from the recession.⁵ The rate increase provides USPS additional financial security and cash to operate in the short-term; but it is not a long-term solution. To remain viable, USPS must realize opportunities to reduce

¹39 U.S.C. § 101(a).

²USPS maintains data on the number of delivery points rather than addresses. A delivery point can include multiple addresses. According to USPS data, delivery points have increased from about 150 million in 2009 to about 153 million in 2013.

³GAO, *U.S. Postal Service: Action Needed to Address Unfunded Benefit Liabilities*, [GAO-14-398T](#) (Washington, D.C.: Mar. 13, 2014).

⁴GAO, *High Risk Series: An Update*, [GAO-13-283](#) (Washington, D.C.: Feb. 14, 2013).

⁵The PRC is an independent agency that has exercised regulatory oversight over the Postal Service since its creation by the Postal Reorganization Act of 1970. Among other duties, the PRC is required to develop and maintain regulations for a modern system of rate regulation.

costs and/or increase revenues. In its 5-Year Business Plan issued in April 2013, USPS stated that it needs to save up to \$20 billion annually through fiscal year 2017 to help it regain financial self-sufficiency.

The size and cost of USPS's workforce is a key area for potential cost savings because total personnel-related costs comprised about 78 percent of its expenses in fiscal year 2013,⁶ totaling about \$56 billion out of about \$72 billion for a workforce of approximately 618,000 career and non-career employees. However, any reduction in the size of the USPS workforce to gain cost savings may be offset by inflationary pressure on compensation and benefits. In prior work, we have determined that an organization can use workforce-planning principles to determine the appropriate size and composition of its workforce to meet its mission and programmatic goals.⁷ You asked us to examine USPS's efforts to manage the size and cost of its workforce. This report discusses (1) actions USPS has taken since 2006 to reduce the size and cost of its workforce and the results of those actions, (2) the status of other options USPS has identified to reduce workforce costs, and (3) the steps that USPS has taken to implement workforce planning.

To describe the actions that USPS has taken since 2006 to reduce the size and cost of its workforce and the result of those actions, we reviewed USPS testimonies and documents including its annual reports to Congress and PRC from fiscal year 2006 through fiscal year 2013—the latest year for which data were available—and the 2013 5-Year Business Plan. We also reviewed PRC proceedings, reports, and advisory opinions on proposed USPS actions. We discussed the reliability of the data on mail revenue, volume, number of employees, and financial savings with USPS and PRC officials and determined that these data were sufficiently reliable to discuss historical and future trends of the postal workforce. To describe the status of other options USPS identified to manage workforce costs, we reviewed USPS documentation and testimonies, and PRC advisory opinions on USPS's projected cost-savings from workforce initiatives. We reviewed relevant laws, regulations, and USPS policies as

⁶USPS's personnel-related costs included in its financial reports are compensation and benefits, retiree health- benefit premiums, the legally mandated prefunding of retiree health benefits, and workers' compensation.

⁷GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, [GAO-04-39](#) (Washington, D.C. Dec. 11, 2003).

well as its collective bargaining agreements to understand the limitations and challenges in making workforce reductions to manage costs. We interviewed officials from stakeholder organizations—including four postal labor organizations, two management associations, and three mailing-industry organizations—to discuss their viewpoints on USPS initiatives, options, and associated challenges. To describe the steps that USPS has taken to implement workforce planning, we reviewed key principles related to strategic workforce planning and effective strategic human-capital management identified in previous GAO reports and the Office of Personnel and Management’s (OPM) Human Capital Assessment and Accountability Framework. We interviewed USPS officials and obtained documentation to understand the steps that the Postal Service has taken to address strategic workforce planning and how workforce planning was incorporated into its fiscal year 2013 5-Year Business Plan. We also reviewed other documentation including USPS’s Delivering Results, Innovation, Value and Efficiency (DRIVE) initiatives, PRC and the USPS Office of Inspector General reports to understand recent work on USPS’s workforce performance measures in relation to workforce initiatives and its progress toward meeting established goals.⁸ Further details about our scope and methodology can be found in appendix I.

We conducted this performance audit from November 2013 to November 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

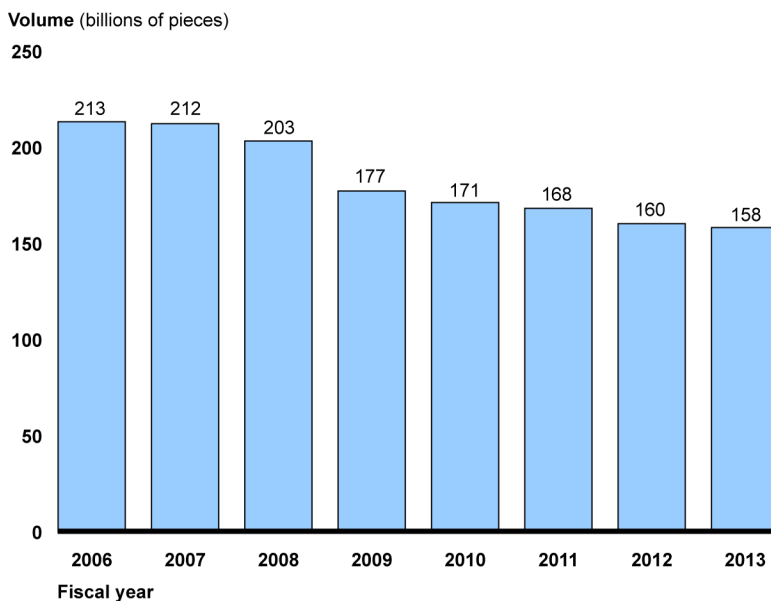
Background

USPS mail volume has decreased since fiscal year 2006 and is expected to decline further. Total mail volume for all classes of mail—including First-Class, Standard, Shipping and Packages, International, Periodicals, and Other—has declined by about 26 percent since fiscal year 2006 (see fig.1). USPS projects that total mail volume will continue to decline through fiscal year 2017, although some types of mail, such as

⁸We could not fully assess the extent to which USPS’s workforce planning efforts aligned to the strategic workforce-planning principles because parts of the DRIVE initiative for workforce planning are still being developed.

“competitive products,”⁹ are expected to increase in volume. First Class Mail—the most profitable type of mail—volume has declined by about 33 percent since fiscal year 2006, and USPS projects a continued decline through fiscal year 2017. Standard Mail volume has also declined by about 21 percent since it peaked in fiscal year 2007, and USPS projects it will remain roughly flat through fiscal year 2017. USPS expects mail volume to continue decreasing as the migration of mail from traditional postal services to electronic media continues.

Figure 1: U.S. Postal Service Mail Volume in Billions of Pieces for Fiscal Years 2006—2013



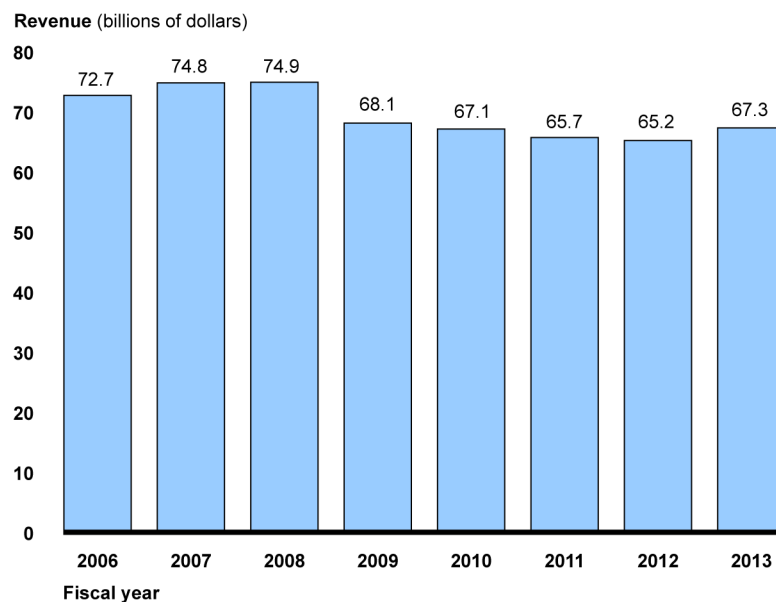
Source: USPS. | GAO-15-43

USPS revenue has fluctuated since fiscal year 2006 but, overall, generally decreased (see fig. 2). In fiscal year 2006, total USPS revenue was \$72.7 billion, and in fiscal year 2013, it was \$67.3 billion, a decrease of 7 percent. However, revenue recently increased by about 3 percent in fiscal year 2013 compared to the prior fiscal year from \$65.2 billion to

⁹“Competitive products”, which USPS refers to as Shipping and Packages, mainly includes Priority Mail Express (formerly Express Mail), Priority Mail, First-Class Package Service, Parcel Select, Standard Post, Parcel Return Service, and some types of International Mail.

\$67.3 billion. This increase was mainly the result of a change in an accounting practice and increased growth from Shipping and Packages and Standard Mail.¹⁰ Without the accounting change, revenue would have grown by \$779 million or 1.2 percent. USPS expects revenue to remain relatively flat through fiscal year 2017.

Figure 2: U.S. Postal Service Revenue in Billions of Dollars for Fiscal Years 2006—2013



Source: USPS. | GAO-15-43

At the end of fiscal year 2013, USPS’s workforce was comprised of about 618,000 career and non-career employees. Career positions—which are generally full-time but also may be part time—are eligible for annual and sick leave, health insurance, life insurance, and retirement benefits. According to USPS officials, non-career employees supplement the career workforce and provide USPS more flexibility. Non-career

¹⁰In 2013, USPS updated the estimation technique it uses to determine the amount of deferred revenue resulting from postage that has been sold but not yet used by customers. Specifically, USPS used new information on the life cycle of stamps to update the “breakage” rate, which is a provision for stamps that are sold but may never be used due to loss, damage, or collecting activity. As a result of this change, USPS made an accounting adjustment of \$1.3 billion in increased revenue.

employees are not eligible for life insurance or retirement benefits, and receive lower wages. Some non-career employees are eligible for specified types of health insurance upon hiring, while others are eligible after serving at least one year.

Approximately 90 percent of career employees are covered by collective-bargaining agreements and most are represented through four major unions: the American Postal Workers Union (APWU), the National Association of Letter Carriers (NALC), the National Postal Mail Handlers Union (NPMHU), and the National Rural Letter Carriers' Association (NRLCA).¹¹ Among other provisions, these collective bargaining agreements specify caps for the percentage of non-career employees that USPS may use in positions covered by the agreements. For example, the number of non-career Mail Handler Assistants employed can be up to 15 percent of the number of career Mail Handlers for each district and up to 20 percent for each installation. These agreements also contain clauses that prohibit USPS from laying off career employees who have worked for USPS for a certain period of time.¹²

USPS is required to consult with the following management organizations on the planning, development and implementation of certain programs and policies that affect them: the National Association of Postal Supervisors (NAPS), representing supervisory and managerial employees, and the National Association of Postmasters of the United States (NAPUS) and the National League of Postmasters of the United States (NLPM), representing postmasters.¹³ According to USPS, these

¹¹The APWU represents clerks, maintenance employees, motor vehicle operators, and non-mail processing professional employees. The NALC represents city delivery carriers. The NPMHU represents mail handlers who load, unload, prepare, sort and containerize mail for delivery. The NRLCA represents rural letter carriers.

¹²The specific provisions of the no layoff clause vary under the different collective bargaining agreements. For example, the collective bargaining agreement for the NALC specifies that the no layoff clause covers full-time and part-time employees in the regular work force who have had at least 6 years of continuous service while the no layoff clause for the NRLCA covers all employees in the career workforce.

¹³39 U.S.C. § 1004(b). A postmaster is the manager in charge of a post office.

associations represent most of the employees not covered by collective bargaining agreements.¹⁴

USPS Has Reduced the Size of Its Workforce through Retirements, Attrition, and Initiatives

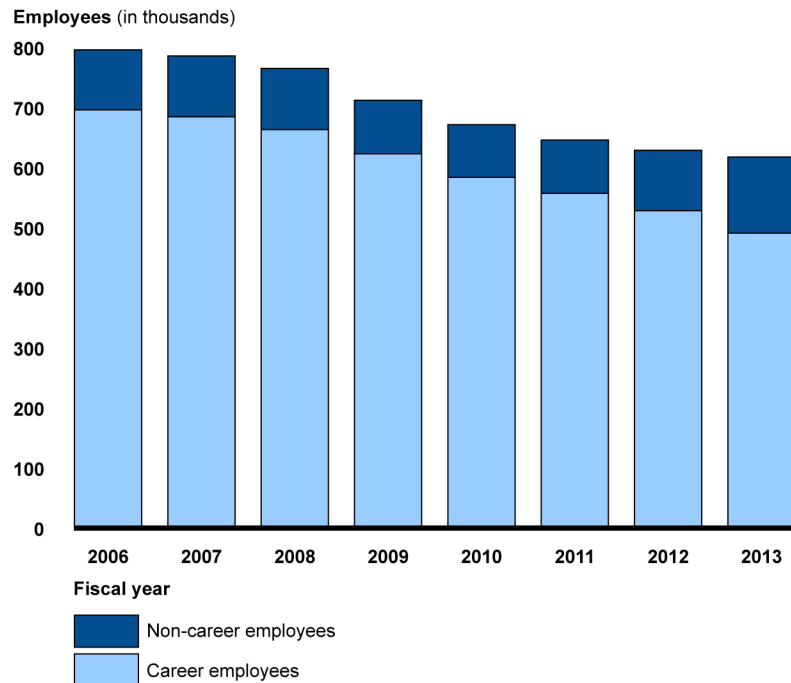
Since 2006, USPS Has Reduced the Size of Its Workforce and Number of Work Hours by Nearly a Quarter, but Expenses Have Remained Stable

From the end of fiscal year 2006 through fiscal year 2013, USPS decreased the size of its workforce, increased its percentage of non-career employees, and decreased its employee work hours. Specifically, according to USPS data, USPS reduced its workforce from approximately 796,000 employees to 618,000 employees, or by about 22 percent. During the same time, both the number and percentage of non-career employees increased from approximately 100,000 employees (13 percent of the total workforce) in fiscal year 2006 to approximately 127,000 (21 percent of the total workforce) in fiscal year 2013 (see fig. 3).¹⁵

¹⁴United States Postal Service, *2013 Report on Form 10-K* (Washington, D.C: Nov. 15, 2013).

¹⁵We discuss non-career employees in more detail later in the report.

Figure 3: Number of U.S. Postal Service Career and Non-Career Employees (Fiscal Years 2006–2013)

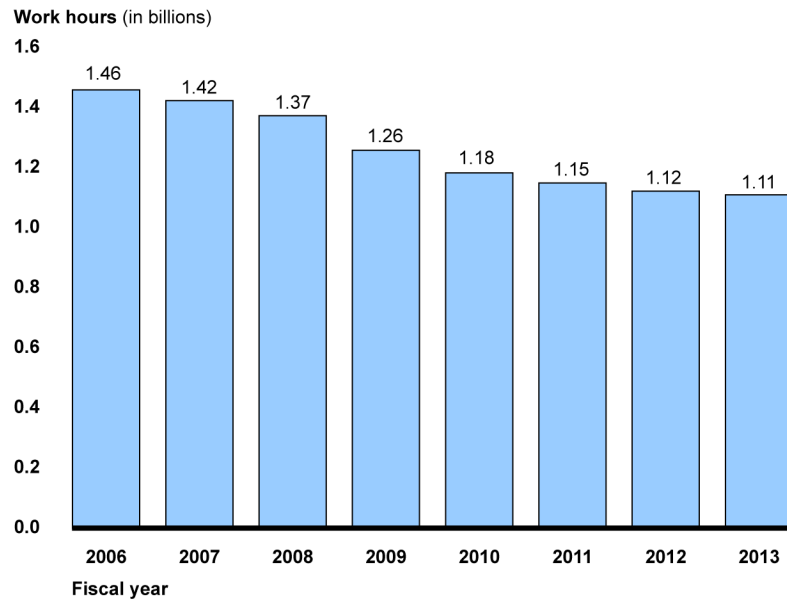


Source: USPS. | GAO-15-43

The total number of work hours decreased by approximately 24 percent over this time, from 1.46-billion hours in fiscal year 2006 to 1.11-billion hours in fiscal year 2013 (see fig. 4). USPS communicates work hour reduction targets for the upcoming year through its Integrated Financial Plan.¹⁶ The annual decrease in work hours peaked at approximately 115 million in fiscal year 2009 and has diminished in each of the following fiscal years through fiscal year 2013.

¹⁶The *Integrated Financial Plan* describes USPS's plans and projections for the upcoming fiscal year.

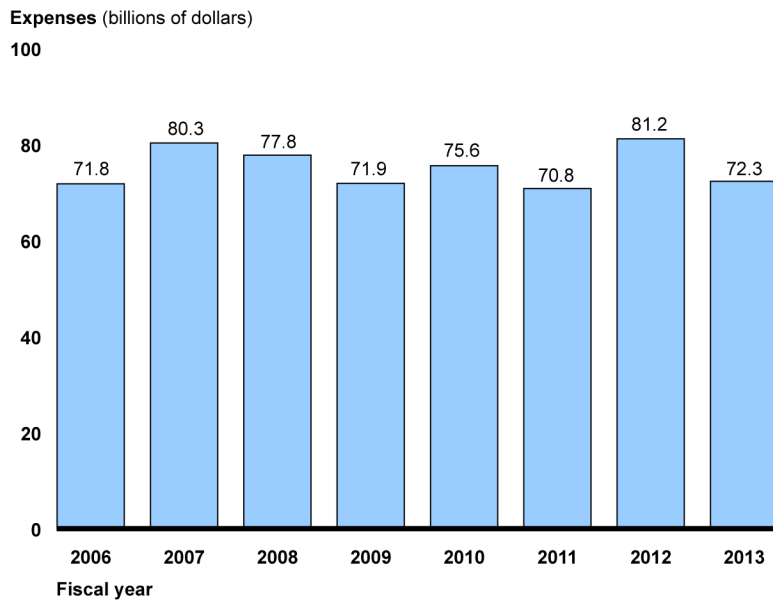
Figure 4: Total U.S. Postal Service Annual Work Hours in Billions (Fiscal Years 2006–2013)



Source: USPS. | GAO-15-43

Despite USPS's reductions in the numbers of employees and work hours from fiscal year 2006 to fiscal year 2013, its total expenses have not decreased over this same time period. As shown in figure 5, total expenses were \$71.8 billion in fiscal year 2006 and \$72.3 billion in fiscal year 2013.

Figure 5: USPS's Annual Total Expenses in Billions (Fiscal Years 2006–2013)



Source: USPS. | GAO-15-43

Although total expenses were similar in fiscal years 2006 and 2013, they ranged from a low of \$70.8 billion in fiscal year 2011 to a high of \$81.2 billion in fiscal year 2012. These fluctuations were primarily due to changes in payments USPS was required by statute to make in order to prefund retiree health benefits. Specifically, in 2006, the Postal Accountability and Enhancement Act established requirements for USPS to begin prefunding its retiree health benefits and required USPS to make prefunding payments at pre-established amounts ranging from \$5.4 billion to \$5.8 billion per year, due each fiscal year from 2007 through 2016.¹⁷ As shown in figure 5 above, total expenses increased in fiscal year 2012 and decreased in fiscal year 2013. This increase was primarily because the payment schedule for prefunding retiree health benefits changed. USPS was required to pay \$11.1 billion in fiscal year 2012 and \$5.6 billion in

¹⁷Pub. L. No. 109-435, § 803 121 Stat. 3251 (2006). Before 2007, USPS had funded its retiree health benefit on a pay-as-you-go basis—an approach in which USPS paid its share of premiums for existing retirees, without setting aside funds for current employees.

fiscal year 2013.¹⁸ However, USPS did not make these retiree health-benefit prefunding payments totaling \$16.7 billion because it did not have sufficient cash on hand or borrowing capacity to do so, according to USPS officials.

Without including these required prefunding payments, USPS expenses declined by \$5.1 billion from fiscal years 2006 to 2013—a 7.1 percent decline. This is a smaller decline than the 24 percent decline in USPS work hours over the same period. According to USPS, three primary reasons explain why total expenses have declined to a lesser extent than work hours. First, the average hourly wage and benefits costs have increased due to factors such as cost-of-living allowances, increased health-benefits costs, and wage increases from collective-bargaining agreements. Second, some other non-personnel related USPS expenses have risen, such as transportation expenses that have increased from \$6.0 billion in fiscal year 2006 to \$6.7 billion in fiscal year 2013. Finally, many of USPS's expenses are fixed and, therefore, do not vary with changes in mail volume.

Looking forward, according to USPS officials, despite taking cost-cutting measures, USPS continues to face rising cost pressures. If there were no change in the workload, number of employees, or composition of the workforce, USPS estimates its personnel costs to be approximately \$2 billion higher in fiscal year 2015 compared to fiscal year 2014.¹⁹

Retirements, Attrition, and Initiatives Have Contributed to the Decline in Workforce Size and Cost

USPS has reduced the size of its workforce largely through retirements and attrition instead of laying off employees. In the context of decreased workload from reduced mail volume, as well as USPS initiatives to streamline its operations, USPS generally has not replaced employees who have left because of retirement or attrition. USPS is prohibited by collective bargaining agreements with labor organizations from laying off certain employees. In addition, according to USPS officials, a sufficient number of employees have separated or retired from the Postal Service,

¹⁸Pub..L. No.112-74 § 632, 126 Stat. 786 (2011) changed the due date of the scheduled payment for prefunding retiree health benefits from September 30, 2011, to August 1, 2012, resulting in two payments in fiscal year 2012.

¹⁹Personnel costs included in these figures include wages and salary, health care premiums for employees and retirees, retiree health benefit prefunding, other benefits, and workers' compensation.

thereby alleviating the need for layoffs. In May 2014, however, USPS announced a planned reduction in force for postmasters who are not covered by collective-bargaining agreements; this reduction in force would take effect in January 2015 as part of the POSTPlan initiative,²⁰ which we discuss later in this report.

To encourage retirements among certain classes of employees, USPS has offered voluntary separation incentives at various times from fiscal year 2010 to fiscal year 2013 (see table 1). During this period, approximately 122,000 USPS career employees retired, with almost 53,000 taking advantage of a separation incentive. The monetary incentives require upfront costs for USPS; however, they result in long-term savings from fewer employees receiving wages and benefits.

Table 1: U.S. Postal Service Separation Incentives Offered to Employees (Fiscal Years 2010–2013)

Fiscal year initiated	Employees affected	Monetary incentive per employee	Number of employees accepted	Total one time expense
2010	APWU Members and Mail Handlers	\$15,000	20,800	\$312 million
2011	Administrative	\$20,000	2,055	\$41.1 million
	Administrative	\$20,000	189	\$3.8 million
2012	Postmasters	\$20,000	4,192	\$83.8 million
	Mail Handlers	\$15,000	3,025	\$45.4 million
2013	APWU Members	\$15,000	22,609	\$339.1 million
TOTAL			52,870	\$825.2 million

Source: USPS. | GAO-15-43

On June 27, 2014, the Postal Service announced a \$10,000 separation incentive for 3,817 postmasters affected by the POSTPlan. As of September 30, 2014, 1,380 employees had accepted the incentive. USPS estimates the cost of this incentive to be approximately \$14 million.

In addition to offering separation incentives, USPS has reduced its workforce costs since fiscal year 2006 through various initiatives, which will be described in greater detail later in this report. One major source of

²⁰POSTPlan is an initiative to reduce costs at retail facilities.

cost savings was downsizing the workforce through attrition as mail volume and workload declined. In addition, USPS consolidated mail-processing operations and realigned its transportation network. Thus, from fiscal years 2006 through 2013, USPS's workforce declined by about 178,000 employees. According to USPS, the reduction in the workforce and work hours saved approximately 349 million work hours and \$15 billion.²¹

In April 2013, USPS released a 5-Year Business Plan that included a goal of reducing the workforce by 146,000 employees from the fiscal year 2012 level through fiscal year 2017.²² The 5-Year Business Plan includes various ongoing and planned initiatives (see table 2). As will be discussed below, these initiatives have been aimed at streamlining operations, reducing work hours, and reducing costs. The business plan also included proposed actions that require congressional action. (These proposed actions will be discussed in the following section.) The goal of reducing the workforce by 146,000 was based on assumptions about USPS's workload and certain proposed actions, such as the transition to 6-day package /5-day mail delivery service, that have not been adopted as of September 2014.

Table 2: Selected U.S. Postal Service (USPS) Initiatives with USPS's Current and Projected Cost Savings, Fiscal Year 2012 through Fiscal Year 2017

Initiative	Fiscal year 2012 savings	Fiscal year 2013 savings	Fiscal year 2014 projected savings	Fiscal year 2015 projected savings	Fiscal year 2016 projected savings	Fiscal year 2017 projected savings
Phase 1 Network Consolidation ^a	\$17 million	\$552 million	\$272 million	\$24 million	No additional savings	No additional savings
Phase 2 Network Consolidation ^a	N/A	N/A	N/A	TBD	TBD	No additional savings
POStPlan ^b	\$25.4 million	\$167.9 million	\$47.2 million	\$291 million	\$9.0 million	No additional savings
Voluntary delivery conversions ^c	N/A	N/A	\$27 million	\$24 million	\$24 million	\$24 million

²¹To determine cost savings, USPS multiplied the number of work hours saved by the average wage and benefit hourly rate and then added an additional \$500 million in savings from substituting new non-career employees for career employees in 2013.

²²During the time of our review, an update of the 5-Year Business Plan was not available.

Initiative	Fiscal year 2012 savings	Fiscal year 2013 savings	Fiscal year 2014 projected savings	Fiscal year 2015 projected savings	Fiscal year 2016 projected savings	Fiscal year 2017 projected savings
Delivery Unit Optimization ^d	\$69 million	\$40.5 million	No additional savings	No additional savings	No additional savings	No additional savings
Increased use of non-career workforce	\$459 million	\$536 million	\$1,361 million	Uncertain	Uncertain	Uncertain
New wage rates	N/A	\$32 million	\$121 million	Uncertain	Uncertain	Uncertain
Load leveling ^e	N/A	N/A	\$88 million	\$134 million	No additional savings	No additional savings

Source: USPS. | GAO-15-43

Note: Savings figures are USPS estimates. USPS calculated these savings using the prior fiscal year's costs as a baseline.

^aNetwork Consolidation is a two-phased initiative to streamline USPS's mail processing network.

^bPOSTPlan is an initiative to reduce costs at retail facilities.

^cVoluntary delivery conversions shift door deliveries to less costly delivery modes, such as curbside or delivery to a central location.

^dDelivery Unit Optimization refers to a process that includes relocating letter carriers from some local postal offices to centralized delivery offices.

^eLoad leveling is an initiative to revise delivery times and reduce overtime hours.

Some Initiatives Are Focused on Streamlining Operations and Reducing Work Hours

Mail-Processing Networks

USPS announced its Network Consolidation²³ initiative in 2011, noting that its aim is to increase the efficiency of the mail-processing network and reduce costs. According to USPS, this initiative addresses excess capacity resulting from decreased mail volume by reducing the number of mail-processing and distribution plants and rescheduling transportation routes. USPS's original plan was to reduce the number of processing facilities from 461 to less than 250 and the workforce by up to 35,000 employees.

In May 2012, USPS changed the original Network Consolidation initiative into a two-phased plan. As part of the Phase 1 plan to modernize its mail-processing network, USPS made changes to its delivery standards that

²³USPS also refers to this initiative as Network Rationalization.

became effective in July 2012.²⁴ USPS reported that, as a result of the new delivery standards, it closed 141 mail-processing plants in 2012 and 2013 and reduced mail-processing work hours by over 6 million in 2013. According to USPS, Phase 1 resulted in \$17 million in cost savings in fiscal year 2012 and an additional \$552 million in cost savings in fiscal year 2013. For fiscal years 2014 and 2015, USPS estimates that Phase 1 will result in an additional \$272 million and \$24 million, respectively.²⁵

Phase 2 of the Network Consolidation initiative was originally scheduled to begin in February 2014. In January 2014, USPS delayed Phase 2, but recently—in June 2014—announced plans to resume it beginning in January 2015. Plans for Phase 2 involve making more changes to delivery standards—including eliminating 1-day (overnight) delivery of single-piece First-Class Mail—that would enable USPS to consolidate up to an additional 82 mail-processing facilities. According to USPS, Phase 2 will result in a more flexible operating schedule, allowing for higher efficiency and lower costs. Phase 2 is expected to result in workforce reductions of approximately 15,000 full-time equivalent positions.²⁶ USPS projects that Network Consolidation will result in \$2.1 billion in annualized savings when both phases are fully implemented.

Stakeholder views are mixed on USPS pursuing Phase 2 Network Consolidation. Some mailers reportedly expect not to notice any negative impact on the quality of service. For example, one mailing association official said that USPS did a good job implementing Phase 1 and that he does not expect Phase 2 to affect the quality of service for advertising mail. On the other hand, officials from all four major postal labor organizations and one major mailing-industry organization expressed concern about USPS pursuing Phase 2 because they believe it will further decrease USPS's capacity to process mail. In their view, USPS is decreasing mail-processing capacity too quickly and aggressively and by

²⁴USPS has established standards for the timely delivery of each type of mail; these specify the maximum number of days for "on-time" delivery based on the time of day, location at which USPS receives the mail, and mail's final destination.

²⁵According to USPS, cost savings were calculated using the previous fiscal year's costs as a baseline.

²⁶During the time of this review, USPS had not completed estimates of Phase 2 savings to be captured in fiscal years 2015 and 2016.

doing so, may hinder the ability to meet current delivery standards and may miss potential opportunities for future revenue growth.

Retail

In July 2011, USPS announced a strategy to reduce costs, called POSTPlan, that reduces retail hours at selected post offices to 2, 4, or 6 hours per day; replaces postmasters with career and non-career clerks; and expands self-service kiosks. As of May 2014, USPS has adjusted retail hours at 9,089 of the 12,802 facilities that are planned to be adjusted. In addition, USPS has placed 2,882 self-service kiosks in postal retail facilities, such as post offices, and other facilities. USPS has further decreased the number of postmasters and other career retail positions while increasing the number of non-career employees. USPS officials expect that POSTPlan will be fully implemented in fiscal year 2015. After that point, post offices will be reviewed annually and targets will be adjusted based on workload to capture additional efficiencies, according to USPS officials.

POSTPlan has produced work hour savings. In fiscal year 2013—the first year of work hour savings—USPS estimated that it saved 3.1-million hours. USPS predicts further work hour savings in fiscal years 2014, 2015, and 2016 of 4.4-million work hours, 4.0-million work hours, and 0.5-million work hours, respectively.

Delivery

USPS has developed two initiatives associated with delivery. First, USPS has taken some actions to shift door deliveries to less costly delivery modes, such as curbside or delivery to a central location. USPS revised its regulations in April 2012 specifying that USPS will determine the mode of delivery for new addresses and that those new addresses must receive less costly modes, such as centralized delivery, unless USPS approves an exception.²⁷ Additionally, USPS implemented voluntary business conversions to less costly delivery modes in fiscal year 2013. As we reported in May 2014, USPS reported that 43,333 out of about 5.6-million business door delivery points—or about 0.8 percent—were voluntarily

²⁷According to USPS officials, USPS used to provide for customer preferences as a factor in deciding on the mode of delivery.

converted in fiscal year 2013.²⁸ USPS has set a goal of about 35,000 additional voluntary business conversions for fiscal year 2014. USPS also converted about 36,302 out of about 32.2-million residential door delivery points—or about 0.1 percent—to centralized delivery on a voluntary basis in fiscal year 2013. As will be discussed in the next section, USPS has not implemented mandatory delivery conversions. According to USPS, voluntary delivery conversions have resulted in an estimated \$13.1 million in savings for the first two quarters of fiscal year 2014 and are projected to reach a total of \$27 million by the end of fiscal year 2014. USPS projects additional cost savings of \$24 million for each fiscal year from 2015 through 2017 from voluntary delivery conversions.

The second delivery initiative, Delivery Unit Optimization (DUO), refers to a process that includes relocating letter carriers from some local postal offices to centralized delivery offices. The retail portion of those local post offices would remain open, while the carriers would report to the centralized locations to pick up their mail for delivery. This initiative is designed to increase operational efficiency and save space, thereby producing cost savings. Through DUO, USPS plans to consolidate 1,500 delivery (non-retail) offices by 2015. In fiscal years 2012 and 2013, USPS said it realized \$69 million and \$40.5 million, respectively, in cost savings from DUO implementation. USPS does not project any additional savings from DUO for fiscal years 2014 to 2017.

Load Leveling

USPS implemented Load Leveling in April 2014 to revise delivery expectations for some Standard Mail to help balance the distribution of mail through the week. It is expected to reduce overtime hours on heavy load days, such as Mondays. According to USPS, Load Leveling will increase efficiency and would also benefit customers since a smaller number of pieces will be delivered each day and therefore there will be less competition for the recipient's attention.²⁹ While savings vary among sites because of local conditions, the Postal Service has estimated that Load Leveling will save \$88 million in fiscal year 2014 and \$134 million in fiscal year 2015.

²⁸See GAO, *U.S. Postal Service: Delivery Mode Conversions Could Yield Large Savings, but More Current Data Are Needed*, [GAO-14-444](#), (Washington, D.C.: May 12, 2014).

²⁹The mailers that we interviewed did not offer opinions on this aspect of Load Leveling.

In March 2014, PRC issued an advisory opinion stating that Load Leveling had potential benefits, but limited testing was inconclusive regarding the effects of the plan on a nationwide basis. Therefore, PRC recommended that USPS conduct additional testing before rolling out Load Leveling nationwide. According to one PRC official, USPS has made many changes to reduce costs over the last few years, and PRC officials were concerned that it is difficult for USPS to maintain service when making so many changes. An official from one of the major mailing organizations whom we interviewed also expressed concern about this initiative because of the impact on mailers' plans based on current delivery schedules. However, USPS moved to national implementation in April 2014 and completed implementation in May 2014.

Other Initiatives Focus
Primarily on Reducing Costs

Increased Use of Non-Career Workforce

As previously mentioned, USPS has created lower cost non-career positions to replace certain career positions. According to USPS, using non-career employees increases USPS's workforce flexibility and provides cost savings through lower wages and reduced benefits. For example, non-career City Carrier Assistants have replaced some career City Letter Carriers. The average hourly salary including overtime for a non-career City Carrier Assistant is \$17.05 per hour compared to \$28.87 per hour for a full-time career City Letter Carrier. When considering the full cost per hour including salary and benefits, the difference increases even more. The average hourly salary and benefits rate including overtime for a City Carrier Assistant is \$19.35 per hour compared to \$46.11 for a City Letter Carrier.³⁰

The most recent round of collective-bargaining agreements expanded USPS's ability to use non-career employees but placed caps on the percentage of non-career employees as compared to career employees. For example, the number of non-career Mail Handler Assistants employed can be up to 15 percent of the number of career Mail Handlers for each district and up to 20 percent for each installation. According to USPS officials, USPS is near the cap for all categories of non-career employees.

³⁰Not all City Carrier Assistants receive health benefits. City Carrier Assistants may receive some health benefits if they have been employed by USPS for more than 360 days.

New Wage Rates

The most recent round of collective bargaining agreements also resulted in lower starting salary rates for certain categories of employees newly hired or converted from non-career employees to career employees. For example, the starting wage for a career City Letter Carrier that began working for USPS in 2014 is \$16.71 per hour compared to \$22.15 per hour for a career City Letter Carrier who began working for USPS prior to 2014. To stay below the caps for non-career employees as agreed to in its collective-bargaining agreements, USPS converted approximately 17,200 non-career employees to career employees from October 2012 through May 2014. These employees received the new lower starting salary rates, resulting in approximately \$155 million in cost savings. USPS officials told us that future cost savings from lower starting salary rates are uncertain because it depends on the composition of USPS's workforce, attrition rates, and workload.

USPS Has Chosen Not to Implement One Other Option It Identified to Reduce Workforce Costs and Seeks Congressional Action for Others

USPS Has Chosen Not to Implement Mandatory Delivery Conversion

USPS has the flexibility to revise its regulations to convert delivery points from more costly to less costly modes of delivery. While, as discussed, USPS has converted some delivery points to less costly modes on a voluntary basis, USPS has not used its authority to require changes to delivery modes, known as mandatory delivery conversions. This is an option that USPS estimates has the potential to generate more than \$2.0 billion in annual savings. In May 2014, we issued a report on delivery mode conversions.³¹ Specifically, we found that:

³¹[GAO-14-444](#).

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- USPS's estimates of delivery mode costs, and its potential savings from converting to less costly modes, show that door-to-door delivery is much costlier than delivery to a curbside or centralized mailbox. USPS could achieve large savings by mandating large-scale conversions from door delivery to other modes. USPS estimates potential ongoing savings of over \$2 billion annually from mandating conversions of about one-third of door delivery to other modes. However, USPS's estimates of these savings have limitations, in part because they rely on data from a 1994 USPS study.
 - USPS is reluctant to mandate conversions. There is some evidence that USPS would face resistance from customers, USPS employees, postal unions, and mailing-industry stakeholders if it were to implement mandatory conversion of delivery to less costly modes. USPS officials and several mailing-industry stakeholders noted that many postal customers would resist service changes, especially those that might inconvenience them, but USPS officials told us that some of the concerns could be addressed through hardship exceptions to continue door delivery, although any exceptions would increase costs. Stakeholders have also raised concerns about the mandatory delivery conversions pertaining to personal safety, mail security, and locations of curbside or centralized location delivery points.

USPS Is Seeking Congressional Action to Implement Other Cost-Saving Options

USPS is seeking legislative changes to implement several additional initiatives that would potentially reduce the size and cost of the workforce. According to USPS officials, initiatives undertaken by USPS management that do not require congressional action will not be sufficient to ensure both immediate and long-term financial stability, and therefore, congressional action is needed. The key initiatives that USPS described in its April 2013 5-Year Business Plan that would require congressional action include:

- *Implementing 6-day package / 5-day mail delivery:* USPS has proposed transitioning to a new delivery schedule that would change the current schedule of mail and package delivery from Monday through Saturday to package delivery to street addresses Monday through Saturday and mail delivery Monday through Friday. USPS expects this change to generate cost savings of approximately \$2 billion annually, when fully implemented. However, Congress has included language in appropriation acts since fiscal year 1987, which

requires USPS to continue 6-day delivery at not less than the 1983 level.³² All four major postal labor organizations have strongly opposed 5-day delivery.

- *Establishing its own health care plan within the Federal Employee Health Benefits Program (FEHBP) Program:* USPS has proposed creating a unique health care program within the FEHBP for postal employees and eligible annuitants. This program would integrate Medicare within the structure of FEHBP and make Medicare the primary payer for health care benefits for eligible annuitants and covered family members, unlike the current plan where Medicare-eligible retirees are not required to enroll in Medicare.³³ Also, USPS Medicare-eligible annuitants and covered family members would be required to enroll in Medicare Parts A and B, and the carriers would provide prescription drug benefits to Medicare-eligible individuals through Medicare Part D Employer Group Waiver Plans. According to USPS's March 2014 testimony before the House Subcommittee on Federal Workforce, U.S. Postal Service, and the Census, requiring annuitants to enroll in Medicare would lower USPS's health care costs, almost completely eliminate the unfunded liability associated with these benefits,³⁴ and make future payments manageable. Because these changes would result in additional costs to Medicare, we have previously recommended that Congress weigh the impact on Medicare when considering changes to USPS's health care plan.³⁵
- *Eliminating a projected surplus in USPS obligations for the Federal Employees Retirement System (FERS):* USPS has also proposed that it receive a refund of the amount of its projected FERS surplus.³⁶ The

³²Most recently in Pub. L. No. 113-78, 126 Stat. 5 (2014)

³³We testified on USPS's proposal for a separate health plan outside of FEHBP in 2013 ([GAO-13-872T](#)). USPS has modified the proposal since then and now proposes a unique plan within FEHBP.

³⁴As previously discussed, USPS is currently required to prefund retiree health benefits. As of September 30, 2014, OPM calculated USPS's unfunded retiree health benefit liability to be \$48.3 billion.

³⁵GAO, *U.S. Postal Service: Proposed Health Plan Could Improve Financial Condition, but Impact on Medicare and Other Issues Should Be Weighed before Approval*, [GAO-13-658](#) (Washington, D.C., July 18, 2013).

³⁶We commented on issues and options related to the USPS FERS surplus in GAO, *U.S. Postal Service: Allocation of Responsibility for Pension Benefits between the Postal Service and the Federal Government*, [GAO-12-146](#) (Washington, D.C.: Oct. 13, 2011).

most recent OPM estimate shows a relatively small FERS surplus for USPS—an estimated \$2.4 billion. As we noted in a March 2014 testimony, legislation would be needed to return to USPS any FERS surplus.³⁷ We also noted that we support the use of the most accurate actuarial assumptions available and that if USPS-specific assumptions are used, they continue to be recommended by an independent body.

In addition, USPS has identified the following additional options, among others, that would require congressional action but that have the potential for less cost savings than the initiatives previously mentioned:

- granting USPS authority to expand products and services, such as by providing nonpostal services;
- requiring a defined contribution system—where employees save for their own retirement and employers can match some or all of employees’ savings—for future USPS employees instead of the current defined benefit plan (pension) that bases retirement benefits on salary and length of service; and
- reforming workers’ compensation by, for example, allowing USPS to settle cases.³⁸

USPS Has Developed Various Initiatives to Implement Workforce Planning

³⁷[GAO-14-398T](#).

³⁸Additional initiatives that USPS has identified that would require Congressional action include: (1) streamlining USPS’s governance model by eliminating duplicative oversight from the Postal Service Board of Governors and PRC, (2) requiring arbitrators to consider USPS’s financial condition when rendering decisions, and (3) granting USPS the right to appeal class action Equal Employment Opportunity Commission decisions. USPS has not estimated cost savings from these initiatives.

Key Principles for Effective Strategic Workforce Planning

Agencies can use workforce planning that is linked to their strategic goals to systematically identify the current and future workforce that they need and develop strategies for shaping their workforce. We have previously determined that successful strategic workforce planning includes the five key principles listed in Table 3.³⁹

Table 3: 5 Key Principles of Strategic Workforce Planning

Principle	Description
Principle 1: Involve top management, employees, and other stakeholders in developing, communicating, and implementing the strategic workforce plan	Included in this principle are the setting of the overall direction, pace, tone, and goals of the effort, and involving employees and other stakeholders in establishing a communication strategy that creates shared expectations, transparency, and reporting the outcome of the process.
Principle 2: Determine the critical skills and competencies that will be needed to achieve current and future programmatic results	Included in this principle are reshaping critical skills and competencies needed in a changing operational environment and linking those needs to the agency mission and strategic goals.
Principle 3: Develop workforce strategies that are tailored to address gaps in number, deployment, and alignment of human capital approaches for enabling and sustaining the contributions of all critical skills and competencies	Included in this principle are developing programs, policies and processes that build and manage an agency's workforce tailored to its unique needs by using flexibilities such as early separation and retirement incentives and recruitment of employees with critical skills.
Principle 4: Build the capability needed to address administrative, educational, and other requirements important to support workforce strategies	Included in this principle are the education of managers and employees, and building transparency and accountability into the system to effectively take advantage of existing and new human capital authorities and ensuring the use of flexibilities in an open, fair, and effective manner.
Principle 5: Monitor and evaluate the agency's progress toward its human capital goals and the contribution that workforce strategy results have made toward achieving programmatic goals	Included in this principle are developing meaningful outcome-oriented performance goals, identifying performance measures, and collecting performance data to measure achievement of these goals.

Source: GAO | GAO-15-43

³⁹ [GAO-04-39](#).

USPS Has Implemented Some Workforce-Planning Efforts

According to USPS officials, although USPS does not have a separate comprehensive strategic workforce plan,⁴⁰ it has taken steps to implement workforce-planning initiatives and incorporated workforce planning efforts into its 5-Year Business Plan⁴¹ and its management process called Delivering Results, Innovation, Value, and Efficiency (DRIVE).⁴² In June 2011, USPS created DRIVE, a portfolio of initiatives that are linked to the strategic initiatives in its business plan and intended to improve on its business strategy development and execution. For fiscal year 2014, DRIVE consists of 19 initiatives, all of which are active.⁴³ USPS began developing a new DRIVE initiative—45. Building the Workforce of the Future Initiative—in October 2013 to address workforce planning in a comprehensive and coordinated manner across the Postal Service, according to USPS officials. The initiative is partly comprised of workforce related initiatives that USPS has implemented in previous fiscal years. The senior Postal Service official responsible for workforce planning told us that through this initiative USPS has taken a holistic approach towards workforce planning, addressing 11 workforce areas such as developing future union negotiation strategies, contract compliance and cost, health care solutions for career employees, and employee development, retention, recruitment, and safety. USPS did not specify when the DRIVE

⁴⁰While federal agencies are required to maintain a human capital plan and submit to OPM an annual human capital accountability report, USPS is an independent establishment of the executive branch of government and therefore is not required to adhere to certain requirements such as these. See 5 C.F.R. § 250.203, 39 U.S.C. § 201, and 39 U.S.C. § 410.

⁴¹USPS refers to its 5-Year Business Plan as its strategic plan. However, USPS's business plan focuses on the agency's financial condition while a traditional strategic plan is more comprehensive and is intended to address the agency's overall mission, including human capital issues.

⁴²In 2007, the USPS Office of Inspector General recommended that USPS develop guidance and procedures for creating a comprehensive strategic workforce plan to address current and future workforce requirements. At that time, USPS officials acknowledged the value of a comprehensive strategic workforce plan and also indicated that they had a workforce process represented in their organizational design and human resources job structure. Further, USPS officials noted that it is not feasible to have a comprehensive strategic workforce plan due to the bargaining workforce, mail volume fluctuations, and other contractual obligations that must be considered. See USPS Office of Inspector General, *The Postal Service's Comprehensive Strategic Workforce Plan*, HM-AR-07-004 (Arlington, VA: Sept. 26, 2007).

⁴³USPS has reported that the portfolio of DRIVE initiatives is dynamic and changes as priorities and resources require, and as programs are completed or adjusted based on external events. United States Postal Service, *United States Postal Service 2013 Annual Report to Congress*, (Washington, D.C.: Jan. 28, 2013).

45 initiative would be fully implemented but did confirm that targets are through 2017. Because parts of the DRIVE initiative for workforce planning were still being developed, we could not fully assess the extent to which USPS's workforce planning efforts aligned with the strategic workforce planning principles described above. However, as discussed below, we did find that USPS's workforce planning efforts to date, including its DRIVE initiative, have incorporated these principles to some extent.

Involvement of Stakeholders in the Strategic Workforce-Planning Process

According to USPS officials, USPS took some steps to involve management and employee unions in workforce planning and communicate the efforts to external stakeholders. USPS officials told us the executive leadership team and other officers were engaged in developing, communicating, and implementing strategic workforce planning through the DRIVE process and meetings with human resources, finance, and operations staff to discuss and monitor major operational initiatives, such as network consolidation. According to USPS officials they consulted with labor organizations and management associations in an effort to obtain some insight and input on workforce planning. For example, in April 2011, a USPS official testified that the recently negotiated collective bargaining agreement with APWU advanced USPS's human capital goals by providing immediate cost control, greater workforce flexibility, and long-term structural changes that offered the most significant potential for lowering total labor costs.⁴⁴ In addition, USPS officials provided documentation that showed its executives regularly communicate with members of Congress and their staff on workforce initiatives through mailings, presentations, informational handouts, congressional testimonies and meetings about workforce planning and impacts. USPS also provides summary information about some of its workforce initiatives to external stakeholders in multiple reports including its Annual Report to Congress and Comprehensive Statements and annual 10-K reports.⁴⁵ USPS officials said management will continue to be involved in developing and implementing workforce initiatives associated with the new DRIVE 45 Building the Workforce of the Future Initiative.

⁴⁴ *Are Postal Workforce Costs Sustainable? Hearing before the House Comm. on Oversight and Government Reform, 112th Cong., (2011)* (Statement of Louis Giuliano, Chairman, Board of Governors, U.S. Postal Service).

⁴⁵ A Form 10-K is an annual report required by the U.S. Securities Exchange Commission that gives a comprehensive summary of an organization's financial performance. .

Identification of Critical Skills and Competencies to Achieve Results

USPS officials identified some steps USPS took to determine the critical skills and competencies needed to achieve its current and future programmatic goals. As previously discussed, USPS developed new non-career positions to help address its changing operational environment and reduce costs. USPS also developed competency models and position descriptions that reflect the knowledge, skills, abilities, and other characteristics required for its current and future employees at all levels of the organization. According to USPS officials, USPS also built a learning curriculum that is linked to its competencies and position descriptions. They told us that this enables USPS to deliver training to employees based on their specific needs and role in the organization. Finally, as part of its DRIVE 45. Building the Workforce of the Future Initiative, USPS included an objective to attract, acquire, and retain diverse talent for emerging skill needs and hard-to fill positions that support critical business functions.

Development of Workforce Strategies

USPS identified some strategies it has used to build and manage a workforce tailored to its needs. USPS has leveraged the collective bargaining agreements with its unions to manage workforce flexibility in terms of employee category (career or non-career), work rules, and the ability to adjust duty assignments as needed to support operational changes. As previously discussed, USPS also obtained authority from OPM to offer voluntary early retirement to eligible employees in each year from 2010 through 2013. According to USPS officials, voluntary early retirements, in conjunction with limited area of consideration postings⁴⁶ to impacted employees, are strategies to avoid reduction-in-force to minimize the impact to employees. USPS also had an employee development strategy as part of the fiscal year 2013 DRIVE initiatives, which included its corporate succession-planning program to identify and

⁴⁶A limited area of consideration is a method used by the Postal Service to make organizational changes by targeting specific areas that are considered for job postings. For example, the consideration may be limited by one or more of the following: impacted and non-impacted employee status, geographic boundaries, functional areas or specific jobs.

develop top performing employees for new or expanded executive roles.⁴⁷ According to USPS officials, the DRIVE 45. Building the Workforce of the Future Initiative builds on USPS's employee development and includes objectives related to succession planning and training and developmental training.

Development of Capabilities to Support Workforce Strategies

USPS officials told us that USPS developed a strategic workforce planning and human resources team to carry out efforts addressing administrative, educational, and other requirements important to support workforce strategies. According to USPS officials, as they plan for the future operational structure of USPS, they will continue efforts to:

- assess USPS's future workforce requirements to support expected operational and market place needs;
- develop tools and techniques to ensure that USPS's transactional human resource functions –such as recruitment, hiring and retention of employees– are efficient, effective in the labor marketplace, and meet the needs of hiring managers;
- identify tools and training needed by its workforce to enable them to safely, efficiently, and effectively perform their duties; and
- enhance employee development and succession-planning programs to ensure that staff has the skills to successfully undertake new roles.

More recently, in the DRIVE 45. Building the Workforce of the Future Initiative, USPS has focused on using human resource analytical information to drive decision-making and in adjusting the workforce size and mix, according to USPS officials.

Monitoring and Evaluating Progress and Results

USPS officials reported monitoring progress and results of some workforce initiatives. For example, USPS uses two performance

⁴⁷USPS OIG has reported that USPS's corporate succession planning program included many best practices such as receiving active support from top leadership, linking initiatives to strategic planning, identifying talent from multiple organizational levels, early in careers or with critical skills and addressing specific human capital challenges like diversity, leadership, and retention. However, it recommended USPS improve the program by enhancing controls to ensure potential successors' developmental activities are approved in a timely manner. USPS OIG, *Corporate Succession Planning Program: Management Advisory Report*, report number HR-MA-14-006 (Arlington, VA: Apr. 23, 2014).

indicators to evaluate progress in meeting its workplace environment goal.⁴⁸ One indicator is the Occupational Safety and Health Administration⁴⁹ Injuries and Illness rate, which measures improvements in safety. The second indicator is an employee survey that measures employee engagement and offers employees an opportunity to provide feedback on various areas of job satisfaction. USPS also included performance measures and targets for the objectives in its DRIVE 45. Building the Workforce of the Future Initiative (see table 4 for selected measures and targets). However, in its review of USPS's performance goals and measures,⁵⁰ the PRC noted that USPS's documentation of its performance measures for DRIVE initiatives could be made more useful by providing consistency year-to-year, as all performance measures are not comparable across multiple fiscal years.⁵¹

⁴⁸The Workplace Environment goal is one of four organizational Postal Service goals that centers around creating a motivated, productive and inclusive workforce that improves employee and workforce safety.

⁴⁹The Occupational Safety and Health Administration is the main federal agency charged with the enforcement of safety and health legislation. Its mission is to ensure a safe and healthy workplace for employees by setting and enforcing standards and by providing training, outreach, education and assistance.

⁵⁰See Postal Regulatory Commission, Review of Postal Service Fiscal Year 2013 Performance Report and Fiscal Year 2014 Performance Plan (Washington, D.C.: July 7, 2014). The PRC is responsible for annually evaluating the Postal Service's performance goals and may provide recommendations to the Postal Service related to protecting or promoting public policy objectives described in title 39 of the United States Code. 39 U.S.C. § 3653(d).

⁵¹39 U.S.C. § 2804(c) states, in part, that: "all subsequent reports shall include actual results for the three preceding fiscal years."

Table 4. Selected Objectives, Measures, and Targets for USPS’s Workforce of the Future Initiative for Fiscal Years 2013–2014

Objectives	Performance measures	Fiscal year 2013 actual	Fiscal year 2014 targets^a
Execute a cost-effective training and development program to make USPS learning more accessible to employees and aligned with future skill needs of the workforce	Average training hours per employee	12	8
Attract, acquire, and retain diverse talent for emerging skill needs and hard-to-fill positions that support critical business functions	Average annual turnover rate for non-career employees	14%	14%
	Average annual turnover rate of external hires	16%	14%

Source: USPS. | GAO-15-43

^aUSPS did not provide targets beyond fiscal year 2014. We did not assess the reasonableness of the measures and targets.

According to USPS, the DRIVE 45. Building the Workforce of the Future Initiative aims to achieve, among other things, the following goals by 2017:

- fully implement health care plan for non-career employees in compliance with the Affordable Care Act,
- obtain legislation that addresses USPS’s unfunded retiree health-benefits liability by integrating postal health care plans with Medicare,
- reduce the total workforce from fiscal year 2012 by 184,000 full-time equivalents.⁵²

⁵²The Postal Service indicated in the 2013 5-Year Business Plan that its goal was to reduce the total career and non-career full-time equivalent employees by about 146,000 through fiscal year 2017. During the time of this review, an update of the 5-Year Business Plan was not provided, however other current documentation indicated that the Postal Service projected a total workforce reduction of 184,000 by fiscal year 2017.

Concluding Observations

USPS has been able to reduce the size of its workforce to meet decreasing mail volumes largely without having to lay off its employees. However, USPS has increasingly limited options to achieve substantial reductions in the size and cost of its workforce over the next few years without congressional action, while still fulfilling its important role of delivering the mail to 153 million households and businesses. USPS has implemented some key principles for workforce planning by, for example, communicating its plans to stakeholders through various reports and briefings, and, more recently, by developing performance measures for workforce planning. USPS is in an unsustainable financial position and is requesting congressional action for several initiatives related to its workforce to be implemented. Therefore, the efforts USPS has begun to link its workforce initiatives with near-term goals and measure progress in meeting these goals could benefit the agency. As PRC recently reported, USPS has changed some initiatives and performance measures from year to year, making it difficult to track and evaluate what progress it has achieved over time. Incorporating key principles for workforce planning, such as developing performance measures, is important for USPS to demonstrate to Congress and other stakeholders how USPS's current, planned, and proposed workforce initiatives will achieve its targets and goals, and to help it move toward a point where it can be self-sustaining.

Agency Comments

We provided a draft of this report to USPS for review and comment. USPS had no formal comments, but provided technical clarifications, which we incorporated into the report as appropriate.

If you or your staff have any questions about this report, please contact me at 202-512-2834 or rectanusr@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff making key contributions to this report are listed in appendix II.

Sincerely yours,



Lori Rectanus
Director
Physical Infrastructure Issues

Appendix I: Objectives, Scope, and Methodology

This report addresses (1) the actions USPS has taken since 2006 to reduce the size and cost of its workforce, (2) the status of other options USPS identified to reduce workforce costs, and (3) the steps that USPS has taken to implement workforce planning.

To describe the actions that the U.S. Postal Service (USPS) has taken since 2006 to reduce the size and cost of its workforce and the result of those actions, we interviewed USPS officials and reviewed USPS testimonies and documents including its Annual 10-K reports, Annual Reports to Congress, and the 2013 5-Year Business Plan. We also reviewed Postal Regulatory Commission (PRC) documents including, reports and its advisory opinions on proposed USPS actions. To determine the historical trends and future projections of USPS workforce levels, we obtained relevant USPS data and documentation. For our analysis of historical trends, we reviewed USPS data that included fiscal year 2006 through fiscal year 2013, and, for our analysis of future projections, we examined USPS documents projecting results for fiscal year 2014 through fiscal year 2017. We discussed the reliability of the data on mail revenue, volume, number of employees, and financial savings with USPS and PRC officials and determined that these data were sufficiently reliable to discuss historical and future trends of the postal workforce. We interviewed USPS officials to identify their assumptions and methodology for past, current, and planned actions to manage the size and cost of the workforce, specifically on projected changes in the number of employees, work hours, composition of career and non-career employees, key initiatives, and potential cost-savings for fiscal years 2014 through 2017. We did not validate USPS's projections. We reviewed postal labor agreements and testimonies from postal stakeholders to obtain their views on USPS workforce reductions, actions taken, costs, and savings. We interviewed officials or received written responses from four major postal labor organizations, including the American Postal Workers Union, the National Association of Letter Carriers, the National Rural Letter Carriers Association, the National Postal Mail Handlers Union, and two postal management associations including the National Association of Postal Supervisors and the National League of Postmasters of the United States to discuss their viewpoints on USPS initiatives, options, and associated challenges. We also interviewed representatives from three mailing industry organizations including the Association of Postal Commerce, the National Postal Policy Council, and the Parcel Shippers Association to obtain their views on these subjects.

To describe the status of other options USPS identified to reduce workforce costs, we reviewed USPS documentation and testimonies, and PRC advisory opinions on USPS's projected cost-savings from workforce initiatives. We did not assess the validity of USPS cost-savings estimates. We reviewed relevant laws and collective-bargaining agreements to understand the limitations and challenges in making workforce reductions to manage costs. We interviewed officials from USPS, postal labor organizations and management associations, and mailing industry organizations to discuss their viewpoints on USPS initiatives, options, and associated challenges.

To describe the steps that USPS has taken to implement workforce planning, we reviewed key principles related to strategic workforce planning and effective strategic human-capital management identified in previous GAO reports and the Office of Personnel and Management's Human Capital Assessment and Accountability Framework. We reviewed past reports from GAO, Congressional Research Service, and the USPS's Office of Inspector General to understand USPS human capital and workforce planning challenges. We interviewed USPS officials and obtained documentation to understand the steps that the Postal Service has taken to address strategic workforce planning to meet workforce reduction goals and how USPS incorporated workforce planning into its fiscal year 2013 5-Year Business Plan. We reviewed recent USPS workforce-planning documentation on the Delivering Results, Innovation, Value and Efficiency (DRIVE) initiatives related to workforce planning and how it addressed performance measures and tracked progress towards meeting strategic goals. We could not fully assess the extent to which USPS's workforce-planning efforts aligned to the strategic workforce-planning principles because parts of the DRIVE initiative for workforce planning are still being developed. We also reviewed a PRC report on USPS performance and USPS Office of Inspector General reports on DRIVE that addressed Postal Service priorities and performance measures.

We conducted this performance audit from November 2013 to November 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: GAO Contact and Staff Acknowledgments

GAO Contact

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Staff Acknowledgments

In addition to the individual named above, key contributors to this report were Lorelei St. James (Director); Derrick Collins (Assistant Director); Ken Bombara; Aisha Cabrer; Colin Fallon; Tom Gilbert; Kenneth John; Cheryl Peterson; Stephanie Purcell; and Kelly Rubin.

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