

GAO Highlights

Highlights of [GAO-20-140](#), a report to congressional requesters

Why GAO Did This Study

USPS faces major financial challenges. In the last 11 years it has lost over \$69 billion; an issue for an organization that is to be self-sufficient. Significant USPS expenses are concentrated in employee compensation—72 percent of its costs in fiscal year 2018—and USPS has taken actions to decrease these costs. GAO was asked to review issues related to USPS's employee compensation.

This report examines: (1) recent trends in postal employee compensation, (2) the results of recent USPS efforts to manage compensation and (3) potential effects of proposed changes to employee compensation that would require legislative change. GAO analyzed USPS employee payroll data from fiscal years 2009 through 2018 to determine compensation trends and impacts of management efforts to manage compensation. GAO reviewed relevant legal documents, USPS policy documents and collective bargaining agreements. GAO assessed four broad reviews of USPS including recommendations for legislative change related to pay, benefits and required work hours. GAO also interviewed USPS officials, officials representing USPS employee unions, and industry and mailer stakeholders.

What GAO Recommends

GAO recommends that USPS develop guidance that specifies that cost estimates include important factors, such as turnover. USPS accepted this recommendation stating it would formally articulate internal guidance to ensure appropriate factors are taken into account when developing cost estimates and evaluating outcomes.

View [GAO-20-140](#). For more information, contact Lori Rectanus at (202) 512-2834 or rectanusl@gao.gov.

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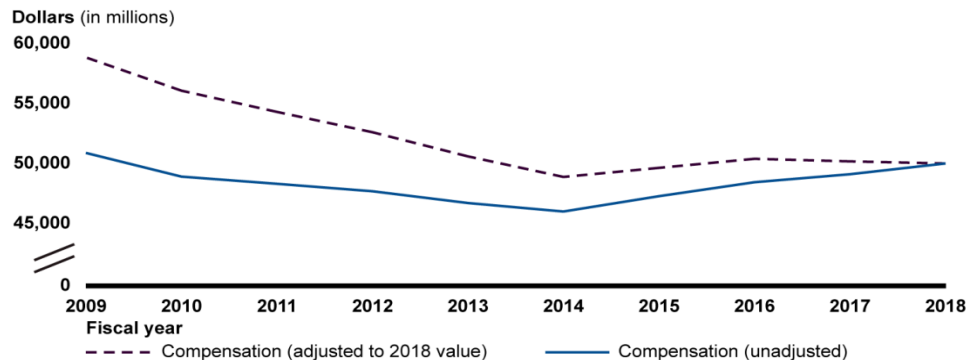
U.S. POSTAL SERVICE

Additional Guidance Needed to Assess Effect of Changes to Employee Compensation

What GAO Found

Compensation costs for current United States Postal Service (USPS) employees are \$9 billion lower than 10 years ago, when adjusted for inflation (see fig). Most of the decline happened in fiscal years 2009 through 2014 as a result of reductions in the number of USPS employees and the hours they worked. While compensation costs have increased in recent years, USPS reports that more work hours were necessary to handle growth in delivery points and labor intensive packages. In recent years, USPS has also failed to make required payments for retiree health and pension benefits—a total unfunded liability of about \$110 billion.

Compensation Costs for Current USPS Employees for Fiscal Years 2009 through 2018



Source: GAO analysis of USPS annual reports to Congress. | GAO-20-140

USPS estimates a savings of about \$9.7 billion from fiscal years 2016 through 2018 as a result of paying new employees less, among other efforts. GAO substantiated about \$8 billion in savings, and found that USPS's cost savings estimates are likely overstated because they do not fully account for changes in work hours or tenure of employees. Also, USPS did not account for other costs such as increased turnover rates among lower-paid employees. USPS lacks guidance on what factors to consider in its cost savings estimates, and as a result may make future changes to employee compensation based on incomplete information.

Changes to employee compensation that would require legislative change could save USPS billions, but the amount saved is dependent on USPS overcoming implementation challenges. If USPS could reduce delivery frequency and associated work hours, GAO estimated USPS could save billions a year. However, other recent USPS reductions in service have not fully achieved planned work hour reductions due to, among other things, issues with management of work hours and lack of union agreement. Changing employee pay and benefit requirements could also achieve significant long-term savings, but saving depends on USPS overcoming challenges, such as potential increases in turnover and reduced productivity resulting from decreases in pay and benefits.