

Chapter 12

Postal Service

Section 1

Postal Organization

The U.S. Postal Service, with headquarters in Washington, DC, and with facilities throughout the country, is an independent agency of the Executive Branch. It does not receive tax dollars for operations but rather uses the revenue from the sale of postage, products and services to pay expenses.

The Postal Service operates about 200 processing and distribution centers and some 31,300 post offices, stations and branches. USPS also provides postal retail services such as stamp sales through commercial locations including contract postal units, community post offices and Village Post Offices, as well as approved shipper locations.

The Postal Service is overseen by a Board of Governors, which operates similarly to the board of directors of a publicly traded company; it directs and controls expenditures, reviews practices, conducts long-range planning and sets policies on postal matters. Nine governing members are appointed by the President, subject to Senate confirmation, for overlapping terms; no more than five of the nine may belong to the same political party. They, in turn, appoint the Postmaster General, who also serves on the Board. Then these ten appoint a Deputy Postmaster General who also becomes a member of the Board.

The Postal Regulatory Commission is a separate independent entity of five members also appointed by the President and subject to Senate confirmation. It regulates rates, consults with the Postal Service on delivery service standards and performance measures, and conducts general oversight including the Postal Service's compliance with applicable laws, its accounting practices, and other matters.

Postal Act of 2006

The Postal Accountability and Enhancement Act of 2006 represented the most sweeping revision to the postal system since the Postal Reorganization Act of 1970 that changed the old Post Office Department into the government-corporate hybrid USPS. The 2006 law revised rate regulation and service standards, increased the authority of the Postal Regulatory Commission, and required pre-funding for Postal Service retiree health benefits, among other changes.

In revising rate regulation, the law separated postal products and services into two general categories, market-dominant and competitive, and provided increased pricing flexibility for both. The market-dominant category, generally referred to as Mailing Services, includes First-Class Mail, Periodicals, and Standard Mail. For Mailing Services, the law capped price increases at the class level to the growth in the Consumer Price Index.

The competitive product category, generally referred to as Shipping Services, includes Priority Mail and Express Mail and bulk parcels. For Shipping Services, the Postal Service is free to set prices so long as products cover their costs, are not subsidized by mailing services, and make an appropriate contribution to institutional costs.

Separate accounting is required for the Mailing and Shipping Services categories. Additionally, the Postal Service is required to comply with Securities and Exchange Commission rules that implement the financial internal controls under Section 404 of the Sarbanes-Oxley Act of 2002.

For Postal Service retirement and health benefits, the law replaced a previous escrow requirement with a requirement that the Postal Service pre-fund its portion of future retiree health benefits. The Postal Service was required to make annual payments ranging up to \$5.8 billion over a decade starting in 2007. However, USPS was unable to make those payments after the first several years, causing it to carry the defaulted payments as obligations on its books.

Business Climate and Strategy

USPS has been hampered in recent years by a decline in the demand for its products and services as consumers and businesses migrate transactions from paper-based to electronic form. This resulted in decreases in mail volume and its associated revenue, offset partially by growth in package delivery—which increased further in 2020 due to the coronavirus disease (covid-19) pandemic—and in certain other traditional services.

The decline in volume made it difficult for the Postal Service to sustain its overhead structure of facilities and employees—labor costs constitute the majority of its expenses—that had built up in a time of higher demand. USPS also operates within contractual, statutory, regulatory and political restrictions that limit its ability to react quickly to changes in economic and industry conditions in updating its existing products, expanding into new markets and setting prices.

Cash flow problems also have been a hindrance. Lack of funds to replace aging processing equipment and vehicles in its large fleet has, for example, resulted in higher maintenance and repair costs. In addition, some facility maintenance has been deferred, creating a backlog of needed repairs, and USPS has had limited ability to replace outdated facilities and equipment or to make investments in technology or infrastructure to take advantage of business opportunities.

In recent years postal employment has steadied at about 500,000 career employees and about 130,000 non-career employees, after a period that included a shift of some positions from the former category to the latter amid several rounds of early retirement and buyout offers. After a round of closings of mail processing facilities, their number similarly has stabilized; an intended further round was delayed indefinitely to help ease the way for legislative changes. The USPS meanwhile stopped advocating for a reduction in mail delivery days for the same reason.

Those legislative reforms have not materialized, however, despite proposals being introduced in Congress over many years. Those bills for example have sought to allow the USPS to: raise rates on certain mail categories; phase in centralized delivery to certain business addresses to replace door-to-door delivery; provide nonpostal services to state and local governments; reamortize the pre-funding requirement over 40 years; and create its own health insurance program within the Federal Employees Health Benefits program and require its retirees to enroll in Medicare Part B, shifting some costs onto that program.

However, none have reached enactment, due largely to concerns about the potential impact on employees and customers, including the potential for decreasing delivery standards, for privatizing some of the work, and for closing post offices or restricting their operating hours. However, as part of a pandemic relief measure in early 2020, Congress did authorize a \$10 billion loan from the Treasury to address immediate cash flow problems.

In the absence of legislative reforms, in mid-2020 newly installed Postmaster General Louis DeJoy ordered a series of steps designed to reduce overtime and certain other costs. These included adhering more closely to stated schedules when carriers would start making deliveries, restrictions on continued processing and on additional trips after schedule even at the cost of accepting some delays in delivery, and idling some older processing equipment. Those steps quickly became controversial, however, especially given concerns about on-time delivery of mailed ballots in the November elections. Both political and legal challenges arose and those changes were largely set aside, at least temporarily.

Section 2 Unions and Employee Organizations

The large majority of postal employees belong either to a labor union or a management or supervisory organization. The 1970 Postal Reorganization Act authorized collective bargaining on wages and working conditions generally under laws applying to the private sector and provided for binding arbitration if an impasse persists 180 days after the start of bargaining.

The ability of many postal employees to bargain over their pay rates, as well as over the employer contribution to health and life insurance, is a right not enjoyed by most other

Chapter 12—Postal Service

federal employees. However, postal workers, like other federal employees, are barred from striking.

The largest unions are:

- American Postal Workers Union (APWU), AFL-CIO, representing workers primarily in the clerk, maintenance, and motor vehicle crafts.
- National Association of Letter Carriers (NALC), AFL-CIO, representing primarily city delivery letter carriers.
- National Rural Letter Carriers' Association (NRLCA), representing carriers who deliver mail to residences and businesses on rural delivery routes.
- National Postal Mail Handlers Union (NPMHU), AFL-CIO, representing employees engaged in bulk transfer, loading and unloading of mail.

In addition, there are smaller unions representing postal police officers and nurses.

USPS also is required to consult, although not bargain, with associations of supervisory and managerial employees and postmasters prior to making final decisions concerning changes to pay, benefits and working conditions for such employees. The major management associations are the National Association of Postal Supervisors and the United Postmasters and Managers of America.

Section 3 Postal Pay

There are multiple pay structures within the Postal Service. Each bargaining unit has its own pay schedule as well as administrative rules for personnel action processing. There is also a separate pay schedule, as well as administrative rules, for non-bargaining employees including postmasters, supervisors and managers. Executives and officers have their own pay schedule and rules which include a general pay cap of the Executive Level I rate and a cap on total compensation, including bonuses, of the Vice President's salary; that limit can be exceeded for small numbers of executives whose skills are deemed critical. Also, there are a variety of on-call, temporary and leave replacement employees (considered non-career employees) who have multiple ranges of hourly pay rates, depending on their occupation.

Typical occupations, or "crafts," include city carriers, rural carriers, mail handlers, clerks, maintenance employees, custodians, computer programmers and payroll specialists. The pay schedule that covers postmasters, supervisors and staff managers is called the Executive and Administrative Schedule (EAS), which has 26 pay grades. Attorneys have a pay schedule with a single pay grade. The pay schedule for executives and officers has two pay grades.

Employees are paid every two weeks, generally 26 times each year. A pay period cycle begins on a Saturday and covers a two-week period ending on a Friday (in contrast to the cycle for most other federal employees that runs from a Sunday through the second following Saturday).

Pay for bargaining unit employees typically is raised several times a year, depending on the bargaining unit and contract language. For all other employees, raises typically are paid once a year, the first full pay period in January.

Current salary schedules are on USPS's intranet site, <https://liteblue.usps.gov>, and on postal employee organization sites (see Chapter 13, Section 3).

Computing Postal Pay

Full-Time Employees—Annual salary is divided by 26. The pay for anything less than a full biweekly pay period (80 hours), or specifically the hourly rate, is computed by dividing the annual salary by 2,080 hours.

Part-Time, Regular Schedule Employees—The equivalent annual salary rate for most of these employees can be computed by multiplying the hourly rate by 2,080.

Part-Time, Flexible Schedule Employees—The equivalent annual salary rate for these employees is computed by multiplying the hourly rate by 2,000, the number of working hours in 52 weeks less holidays.

Gross pay is subject to payroll taxes, as well as withholding for federal and state income taxes. The Postal Service offers several pre-tax benefits programs including flexible spending

accounts for health and dependent care expenses as well as a commuter benefits program and payment of health insurance and vision-dental insurance premiums with pre-tax payroll withholding. Other deductions such as Thrift Savings Plan investments further affect net pay. See Chapter 1, Section 10.

Overtime and Premium Pay

The U.S. Postal Service complies with the Fair Labor Standards Act, and provides overtime compensation at a rate of time-and-a-half for employees in eligible job titles. Certain employees are also paid additional compensation due to night work, work performed on Sunday or December 25 (Christmas Day). Employees receive 10 paid holidays each year for a total of 80 paid hours. Premiums to basic compensation are paid to most employees according to the applicable labor contracts.

Pay Increases

Bargaining unit employees whose compensation is covered by a labor contract receive pay increases due to length of service (called “step increases”), cost of living adjustments (which adjust wages for inflation), and across-the-board “general” increases.

Non-bargaining employees receive increases in compensation under the pay for performance (PFP) system. PFP increases are received annually and reflect the employee’s individual contribution and the organization’s success.

Pay Upon Promotion

An employee promoted within the bargaining unit receives a pay increase determined by the appropriate bargaining unit agreement. A bargaining unit employee promoted to an EAS position normally receives at least a 5 percent increase in pay. A non-bargaining employee promoted within the EAS schedule normally receives an increase of 3 to 10 percent of pay.

Section 4 Postal Employee Benefits

Postal employees generally receive the same benefits as other federal employees with certain variations and also may be eligible for various forms of cash and non-cash awards. Detailed policies are in the Employee and Labor Relations Manual at <http://about.usps.com/manuals>.

Retirement—Postal Service career employees are covered by the Federal Employees Retirement System, the Civil Service Retirement System or CSRS Offset. CSRS is a defined benefit retirement system in which annuity benefits are based on an employee’s years of service and the average of the highest three consecutive years of salary. CSRS Offset is similar to CSRS but requires Social Security contributions. Upon reaching Social Security eligibility (at age 62 if retired before that age; on retirement if retiring after that age), the CSRS annuity is reduced by any Social Security benefit resulting from periods of CSRS Offset service, to produce a benefit equivalent to what would have been received under CSRS. Under FERS, employees receive retirement benefits from a federal retirement annuity, Social Security and the Thrift Savings Plan (all FERS employees have a TSP account; participation by CSRS and CSRS Offset employees is optional). The FERS annuity benefit, while based on an employee’s high-three average salary and years of service, produces a smaller benefit than CSRS does. See Chapter 3.

Insurance—The Postal Service participates in the Federal Employees Health Benefits program. While the employer share of premiums is set by law for most federal employees, the Postal Service share is subject to union bargaining, with the result that postal workers pay a lower amount than others. The higher employer contribution also applies to non-bargaining unit workers but does not apply to postal retirees or survivor beneficiaries. See Chapter 2, Section 1.

A separate USPS Health Benefits Plan with fixed dollar amount employee contributions is available to city carrier assistants, mail handler assistants, postal support employees (in their initial appointment) and most non-career rural carriers and most non-bargaining non-career employees. Coverage is provided through an insurance company under contract

Chapter 12—Postal Service

with the Postal Service. Enrollee premiums, which they may pay on a pretax basis, vary among self-only, self plus one and self and family enrollment options. The Postal Service pays the remainder. (Note: Non-career employees are eligible for FEHB with the standard postal employer contribution if they meet certain conditions, including that they have completed one year of continuous service and have a predetermined tour of duty.) See <https://liteblue.usps.gov/humanresources/benefits/insurance/benefits-noncareer.shtml>.

The Postal Service offers life insurance coverage through the Federal Employees' Group Life Insurance Program. However, while other federal employees must pay part of the cost of FEGLI Basic coverage, the Postal Service pays the entire premium amount for its active employees. Other terms, such as the cost of optional insurance, provisions for changing coverage, and coverage in retirement, are the same as for other federal employees. Also see Chapter 2, Section 2.

Postal employees and retirees are eligible for the Federal Long-Term Care Insurance Program and the Federal Dental and Vision Insurance Program under the same terms applying to non-postal workers and retirees. See Chapter 2, Sections 3 and 4.

Flexible Spending Accounts—Postal employees are eligible for the government-wide flexible spending account program as described in Chapter 1, Section 9.

Thrift Savings Plan—Postal employees participate in the Thrift Savings Plan on the same terms as other federal employees. See Chapter 6.

Leave—Postal Service employees are provided both sick and annual leave at the same rate as other federal employees as described in Chapter 5, Section 1, except that non-executive, non-bargaining career employees and non-career employees hired in October 2012 or later receive 10, 15, or 20 days of annual leave depending on years of service rather than 13, 20 and 26, respectively.

Postal employees have a higher annual leave carryover limit. The maximum carryover for bargaining unit employees is 440 hours. They can receive a terminal leave payment for accumulated annual leave carried over from the previous year and accrued annual leave for the year in which they separate, up to the carryover maximum for their bargaining unit. The maximum carryover for Executive and Administrative Schedule employees is 560 hours. They can receive a terminal leave payment for accumulated annual leave carried over from the previous year plus accrued annual leave for the year in which they separate.

Earned annual leave may be donated to other career or transitional Postal Service employees who have exhausted their own leave and have a serious health problem.

Note: Some bargaining agreements provide a leave exchange program for covered full-time and part-time regular employees; this also applies to most non-bargaining unit career employees. Under this program, these employees may exchange a certain amount of unused annual leave for cash. See Lump Sum Payments in Chapter 5, Section 1.

Postal employees are covered by the 1993 Family and Medical Leave Act, which provides up to 12 workweeks of unpaid leave within a Postal Service leave year for the following: birth or adoption of a child, taking in a child for foster care, caring for a family member with a serious health condition, or dealing with the employee's own serious health condition. Time taken for family and medical leave can be taken as annual leave, sick leave, leave without pay or a combination. Also see Family and Medical Leave Act in Chapter 5, Section 4.

However, postal employees are not eligible to receive paid leave, rather than unpaid leave, for purposes related to the birth, adoption or foster placement of a child under the FMLA, as described in Parental Leave in Chapter 5, Section 1. At the USPS, such a benefit would have to be implemented through negotiations.

Holidays—The Postal Service observes the designated federal holidays; see Holidays in Chapter 5, Section 1.

Section 5 Workplace Policies

Debt Collection

For non-bargaining unit employees who owe money to USPS, the Postal Service generally may withhold a maximum of 15 percent of an employee's disposable pay each pay

period. For bargaining unit employees, the deduction may be up to that amount or 20 percent of the employee's biweekly gross pay, whichever is lower. In both cases, a greater percentage may be deducted with the written consent of the worker.

Certain due process rights apply to both categories; bargaining unit employees additionally can initiate a grievance concerning a debt.

Employee Claims

It is Postal Service policy to reimburse employees for loss or damage to personal property when the property is damaged in their employment while they are on duty or on postal property. Non-bargaining unit employees should file PS Form 2146, Employee's Claim for Personal Property, within 90 days of the loss. The Postal Service also will accept any written documentation within the prescribed time limit if it contains substantiating information.

Depending on where employees work, the claim should be filed at the field office, area office, headquarters or with the deputy chief inspector of administration for inspection service personnel. If the claim is denied it can be appealed.

Bargaining unit employees are covered by terms of their collective bargaining agreement.

Workers' Compensation

The Postal Service is self-insured for workers' compensation costs under the Federal Employees' Compensation Act (see Chapter 5, Section 4). The Postal Service works with the Department of Labor, Office of Workers' Compensation Programs to place injured employees who cannot be accommodated within the Postal Service into private sector employment.

Training Centers

The Postal Service operates two national training and development centers:

William F. Bolger Center for Leadership Development, 9600 Newbridge Dr., Potomac, MD 20854-4436; (301) 983-7000; www.bolgercenter.com.

National Center for Employee Development, 2701 E. Imhoff Rd., Norman, OK 73071-1198; (405) 366-4300; www.nced.com.

Adverse Action and EEO Complaints

Postal employees who are represented by a union generally are entitled to file a grievance over adverse management decisions or actions under the grievance-arbitration procedure specified in their collective bargaining agreement. Certain postal employees may have additional (or alternative) rights to file an appeal with the Merit Systems Protection Board (see Chapter 10, Section 3) if they are affected by adverse personnel decisions or actions, such as a removal or suspension that exceeds 14 days.

To be eligible for MSPB appeal rights, postal workers generally must have served with USPS for at least one year and fall into one of three categories: managers and supervisors; employees engaged in personnel work (except those in non-confidential clerical positions); or employees with veterans' preference eligibility. Bargaining unit workers who have MSPB appeal rights generally must choose between the Board's process and the contractual grievance procedure; in limited cases, they have the right to submit their dispute to both channels.

All postal employees are covered by laws enforced by the Equal Employment Opportunity Commission (see Chapter 10, Section 2). Bargaining unit employees are entitled to pursue discrimination complaints through the EEOC process as well as the contractual grievance procedure, although action on an EEOC complaint may be deferred pending resolution of a grievance.