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Mail Processing Productivity Measurement Is Inadequate.
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Report to Rep. Charles H. Wilson, Chairman, House Committee on Post Office and Civil Service: Postal Personnel and Modernization Subcommittee; by Robert F. Keller, Acting Comptroller General.

Issue Area: National Productivity: Evaluation cf Productivity impact of Federal Personnel Policies, Procedures, and Controls (2904).
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Organization Concerned: Postal Service.
Congressional Relevance: House Committee cn Post Office and Civil Service: Postal Personnel and Modernization Subcommittee.
Authority: National Productivity and Quality of Working Life Act (P.L. 94-136).

The Management Operating Data System is currently being used by the U.S. Postal Service to measure productivity in its mail processing operations. Findings/Conclusions: The Postal Service is not realizing the full benefits of a productivity measurement system because its system generally dces not meet the information needs of local managers for whca the system was designed; is producing reports which are not being reviewed by upper level management to determine the relative efficiency of the various offices and to make necessary budget changes and cost reductions more equitable; and does nct provide hard statistical data to measure the effectiveness of its Manpower Scheduling and Staffing Program which was designed tc increase productivity in individual offices. Recommendations: The Postal Service should reexamine its productivity measurement system to be sure it meets the needs of local managers. At larger facilities the measurement system should provide precise data on each operation for each 8-hour tour, day, and accounting period. At smaller facilities the data do not need to be as precise as that gathered at large facilities, but it should be more detailed than that provided by the Management Operating Data System. The data should reflect the efficiency of each 8-hour tour. For both large and small facilities, the data should be used to set goals for particular operations by those responsible for the operations. Upper level managers should also use the data to determine the relative efficiencies of particular operations and of entire postal facilities. This comparison should allow managers to establish equitable budgets and identify those operations needing management improvement. (Author/SC)

REPORT OF THE
COMPTROLLER GENERAL
OF THE UNITED STATES

Mail Processing Productivity Measurement Is Inadequate

A productivity–measurement system ideally
will provide management with useful infor-
mation for setting goals, justifying budgets,
and controlling operations. The Management
Operating Data System used by the United
States Postal Service in mail processing oper-
ations is inadequate because it

--generally does not meet the informa-
tion needs of local managers for
whom the system was designed,

--is producing reports that are not being
reviewed by upper level management,
and

--does not provide good statistical data
to measure the effectiveness of the Ser-
vice's Manpower Scheduling and Staff-
ing Program.

Although the Postal Service's efforts to im-
prove productivity through the Manpower
Scheduling and Staffing Program are based
on sound concepts, its results to date have
been disappointing.

GGD-77-83

OCTOBER 27, 1977

B-114874

The Honorable Charles H. Wilson
Chairman, Subcommittee on Postal
    Personnel and Modernization
Committee on Post Office and
    Civil Service
House of Representatives

Dear Mr. Chairman:

Your letter of September 9, 1976, requested that we
identify all productivity measurement systems in use at the
United States Postal Service and evaluate the adequacy of
these systems. In addition, you asked for an overview of
the Postal Service's Productivity Improvement Program and
the results it has achieved thus far. It was subsequently
agreed with your office to report separately on (1) pro-
ductivity measurement in the mail processing area, including
an overview of the Productivity Improvement Program, and
(2) productivity measurement in other major operations
in the Postal Service.

This report contains our findings relating to the mail
processing area and to the Productivity Improvement Program.
We briefed your office on our work in other areas of postal
operations on May 13, 1977, and as agreed we will examine
in detail the productivity measurement system at selected
bulk mail centers as part of our overall assessment of the
National Bulk Mail System.

As you know, section 236 of the Legislative Reorgani-
zation Act of 1970 requires the head of a Federal agency
to submit a written statement on actions taken on our
recommendations to the House Committee on Government Opera-
tions and the Senate Committee on Governmental Affairs
not later than 60 days after the date of the report and to

the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report. We will be in touch with your office in the near future to arrange for release of the report so that the requirements of section 236 can be set in motion.

Sincerely yours,

ACTING Comptroller General
Of the United States

COMPTROLLER GENERAL'S REPORT
TO THE SUBCOMMITTEE ON POSTAL
PERSONNEL AND MODERNIZATION
COMMITTEE ON POST OFFICE AND
CIVIL SERVICE
HOUSE OF REPRESENTATIVES

MAIL PROCESSING PRODUCTIVITY
MEASUREMENT IS INADEQUATE

D I G E S T

In recent years, increased attention has been
given to the use of productivity information
as a management tool. Management can use
productivity information to

--gauge the efficiency of operations,

--aid in setting goals,

--formulate budgets, and

--effectively motivate subordinate managers
  by pinpointing responsibility.

The Management Operating Data System is cur-
rently being used by the United States Postal
Service to measure productivity in its mail
processing operations. The system is the
offspring of a more complex measurement
system that was abandoned because errors,
incorrect procedures, arbitrary adjustments,
falsification, and inadequate equipment
resulted·in inflated productivity data.

The Management Operating Data System was
intended to provide managers with basic
productivity information. It was not to
be used by managers for comparing the rela-
tive efficiencies of operations or post
offices because of a fear that such com-
parisons would foster the same kind of
competition and resulting fabrication
that ruined the earlier system.

GAO's review showed that the Postal Service
is not realizing the full benefits of a pro-
ductivity measurement system because its
system

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cover date should be noted hereon.

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--generally does not meet the information
  needs of local managers for whom the
  system was designed;

--is producing reports which are not being
  reviewed by upper level management to
  determine the relative efficiency of
  the various offices and to make neces-
  sary budget changes and cost reductions
  more equitable; and

--does not provide hard statistical data to
  measure the effectiveness of its Manpower
  Scheduling and Staffing Program, which was
  designed to increase productivity in
  individual offices.

GAO also noted that the results of the Man-
power Scheduling and Staffing Program,
formerly known as the Productivity Improve-
ment Program, have been disappointing to
date. The concepts employed by the program
are sound, and the Postal Service's current
efforts to improve line managers' confidence
and commitment to this program should make
it work effectively.

RECOMMENDATIONS TO
THE POSTMASTER GENERAL

The Postal Service should reexamine its pro-
ductivity measurement system to be sure it
meets the needs of local managers. At larger
facilities where accountability and opera-
tional efficiency are most important and yet
most difficult to achieve, the measurement
system should provide precise data on each
operation for each 8-hour tour, day, and
accounting period.

At smaller facilities where operations are
more easily controlled, the data does not
need to be as precise as that gathered at
large facilities, but it should be more
detailed than that provided by the Manage-
ment Operating Data System. The data
should reflect the efficiency of each
8-hour tour.

For both large and small facilities, the
data should be used to set goals for partic-
ular operations by those responsible for the
operations. Upper level managers should
also use the data to determine the relative
efficiencies of particular operations and
of entire postal facilities. This compari-
son should allow managers to establish
equitable budgets and identify those
operations needing management improvement.

AGENCY ACTIONS

The Postmaster General agreed with GAO's
recommendations. He stated that the Postal
Service has initiated corrective actions to
help overcome the inadequacies cited in
this report.

The Postal Service has begun reexamining
its productivity measurement system.
Plans have been made to reinstitute tour
reports in the large facilities beginning
in March 1978. A computer time-sharing
system now being field tested will provide
mail volume and productivity data for the
smaller offices presently using the Manage-
ment Operating Data System. Beginning in
August 1977, management summary reports
are being made available to upper level
managers, and increasing emphasis is
being placed on using productivity data
in establishing budgets and assessing
performance.

These actions should help the Postal
Service improve its productivity measure-
ment system.

Contents

APPENDIX

ABBREVIATIONS

GAO   General Accounting Office

MOD   Management Operating Data System

CHAPTER 1

INTRODUCTION

In 1976 about 226,000 postal clerks and mailhandlers processed about 90 billion pieces of mail. Increasing the productivity of these employees, as well as the productivity of all Federal and non-Federal employees, became part of a national goal created by the Congress through The National Productivity and Quality of Working Life Act, Public Law 94-136, dated November 1975.

WHY PRODUCTIVITY MEASUREMENT?

Measuring productivity is necessary as a first step in any program directed at increasing productivity. Actions taken to improve productivity after a formal program is established should be quantified so their effects can be demonstrated. The usefulness of productivity data as a management tool can then be demonstrated.

An effective productivity measurement system should provide a regular periodic report on the efficiency of the organization. It will bring to the attention of managers departures from past trends, from planned goals, or from similar operations in comparable organizations.

The timeliness of the data provided by the system depends, of course, on how frequently the measures are compiled. To be most useful, however, the system should provide the data managers use to gauge operations when they need it. The system should serve the managers, not vice versa.

A productivity measurement system can aid in the setting of management goals. Most agencies are accustomed to establishing goals for their current and future operations. Too often these goals are overly general, however, making it difficult for managers to assess efficiency. A properly designed productivity measurement system can assist in making goals more specific and meaningful by showing the progress made toward attaining these goals.

Experience has shown that a direct way of getting managers' attention focused on the use of productivity data is to relate it to the budget formulation and review process.

Since the budget represents the most visible incentive for managers, they will pay attention to those goals that will help them the most in the budget allocation exercise. Productivity data provides a powerful tool for projecting staffing requirements and justifying capital expenditures for equipment. It also provides a means for projecting the effect of planned improvements on resource requirements.

Productivity measurement, resulting in productivity improvements, is a direct way of achieving the goals of a cost reduction program. The use of productivity data and specific goals can contribute to better projections of resource needs. Productivity data provides a history of what actually happened to productivity under a variety of conditions. This information can provide a basis for determining how well the goals for productivity improvements are being achieved.

A sound productivity measurement system must have the commitment of the managers involved to use this data to motivate subordinate managers. The managers must realize, however, that the system will pinpoint responsibility. Therefore, some managers may be reluctant to use the data.

A productivity measurement system will show changes in the efficiency of a program's operations and these changes will become visible to higher level managers in the form of specific numbers and productivity rates. Such information forces managers to explain poor performance and provides a vehicle for documenting good performance. With this kind of evaluative tool, upper level managers have a method for evaluating performance in meeting desired productivity levels.

EVOLUTION OF THE MANAGEMENT
OPERATING DATA SYSTEM

The Management Operating Data System (MOD) is the newest in a long line of systems the Postal Service has used for collecting mail volume and staff-hour data. Many earlier systems have been abandoned in searching for the ultimate method of providing operating data. The system which immediately preceded MOD was the Work Load Recording System.

Basically, the Work Load Recording System provided detailed mail volume, hours, and cost relationship data for 70 major mail processing operations and work-hour and cost data for 130 other operations in 117 large offices. In addition, it provided abbreviated data for 370 smaller offices.

The Work Load Recording System employed an automated mail weight measurement system tied to the Postal Source Data System, a computerized data system used primarily to record employees' time and attendance. The resulting operating reports were provided by 8-hour tours for each day, week, and accounting period. These "tour reports" contained standardized descriptions of each particular mail processing, support, and administrative operation showing the actual mail volume processed and the work-hours used for each operation. The data was intended for line supervisors and managers to

--evaluate and control productivity,

--improve mail processing methods,

--improve staff scheduling, and

--evaluate changes in mail processing.

Competition among post offices grew because the system compared productivity by office.

In September 1974, the Postal Inspection Service reported that the benefits of the Work Load Recording System were not worth the cost. It advised the Postmaster General that errors, incorrect procedures, arbitrary adjustments, falsification, and inadequate equipment had resulted in inflated volumes at almost every office that used the Work Load Recording System. The report recommended that the system be changed to minimize motivation and opportunity for false entries and other errors resulting in incorrect volumes.

A task force, created to study the system's problems, reported that the system was complicated, costly, misunderstood, and misused. Through discussions with field and headquarters personnel, the task force developed several alternative replacements to the system, including MOD, which the Postal Service ultimately adopted.

MOD is intended to provide managers with basic information on the relationship between mail volume and staff-hours.

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A typical MOD report identifies both actual and projected mail volumes and hours used each day for several identifiable processing operations.

Appendix III is an example of a MOD report. The first line shows that operation 030 (the primary letter sort) handled 455,000 pieces of mail compared to a projected volume of 460,000 pieces. Each clerk handled an average of 1,391 pieces of mail per hour as compared to a projected 1,406 pieces per hour. Clerks spent 327 hours performing primary sort compared to a planned 284 projected hours to perform the function. Finally, the line shows the actual versus planned hours to date during the accounting period.

The MOD report also shows planned and used hours for several miscellaneous support functions. Appendix III shows this at the bottom of the page.

Under MOD mail volume is recorded only when it enters the operation where it will receive its first distribution handling in that facility. It does not record mail volume for subsequent or downstream distribution as was the case under the Work Load Recording System. The downstream effects of mail volume are based on statistical projections. These projections are updated at least twice yearly to assure that they accurately reflect local mail-flow densities. Significant savings were expected at all post offices due to the streamlined collection procedures.

At one time, management at the Postal Service's headquarters, regional, and district levels received summary reports. This practice was eliminated for fear it would foster the same kind of competition and resulting fabrication that ruined the Work Load Recording System. According to a headquarters official, this was also the reason the Postal Service decided to produce daily volume reports rather than volumes by 8-hour tours as was done under the Work Load Recording System.

A post office is classified as either a MOD I office or a MOD II office, depending upon its size. In the 111 largest post offices, known as MOD I offices, productivity data is collected on automated equipment. The smaller MOD II offices collect this data manually. In MOD I offices, the collection of this data is facilitated, as was the Work Load Recording System, through the use of the Postal Source Data System.

MANPOWER SCHEDULING AND
STAFFING PROGRAM

In August 1974 the Postal Service initiated·a struc-
tured cost reduction program for mail processing functions
called the Productivity Improvement Program. This program
was to be implemented in 107 major post offices employing
more than 60 percent of the Postal Service's mail processing
employees.

In 1977 the name of this program was changed to the
Manpower Scheduling and Staffing Program. This program
continued to operate under its original design using indus-
trial engineering techniques to increase productivity without
degrading mail service. Potential cost savings nationwide
were estimated at $225 million. These improvements were to
be accomplished by (1) computerized personnel scheduling,
(2) methods improvement that might result from time and
motion studies, and (3) maximized mail processing operations
through mechanization.

These plans were to be implemented in two steps. The
first step was to employ a team approach to provide comput-
erized employee scheduling and staffing techniques to local
offices. The second step currently in the testing cycle will
incorporate localized engineered work standards.

SCOPE OF REVIEW

Our review of the Postal Service's program to measure
productivity in the mail processing area was conducted at
Postal Service Headquarters, regional offices, and selected
sectional center facilities and post offices.

We reviewed pertinent directives, methods handbooks,
and operating reports and interviewed postal officials
throughout the various management levels. The interviews
were designed to obtain postal officials' reactions to
MOD and to solicit opinions on the possibilities for
improving the Postal Service's techniques for collecting
and communicating management information.

CHAPTER 2

MOD DOES NOT HELP IN MANAGING

MAIL PROCESSING OPERATIONS

MOD is intended to be a productivity measurement system, but it falls short. It is not designed to provide operations managers with information they need to control mail processing operations. Although MOD provides some information that middle and upper level managers could use to justify budgets, enhance motivation, or establish accountability at lower levels, they do not use it for these purposes.

MOD DOES NOT PROVIDE FOR
CONTROL IN OPERATIONS

Under the Work Load Recording System, productivity reports were generated on an 8-hour tour basis. With the implementation of MOD, however, the reporting frequency was changed to once each 24-hour period.

According to many facility managers, the absence of tour volume statistics is a serious drawback. Without this kind of data, proper tracking of productivity and evaluation of supervisors at the larger offices were very imprecise and of little value to the managers. They said that without this information, proper management was impossible at large facilities with thousands of employees because problem areas cannot be isolated nor responsibility fixed. A good productivity measurement system, the managers believe, is vital for increasing efficiency, especially at these large facilities.

Ironically, the scope section of chapter 1 of the Management Operating Data System Manual states that the system is designed to provide local management with the information they need for planning and control. In most locations that we visited, we found the information that MOD provided was not the kind of information that local managers had wanted or needed.

In discussions with lower level managers, especially at one large postal facility, this loss of information was repeatedly brought up during discussions of the usefulness of MOD information. These managers found that the data provided by MOD lacked sufficient detail. The volume

of mail processed in the individual operations and the
staff-hours used were not identified by each 8-hour tour.
Consequently, it was difficult for the managers to evaluate
the performance of their subordinates and for employees
to judge their own performances.

Under the old Work Load Recording System, a sense of
competition among the tours existed, with employees of each
tour wanting to be a member of the most productive tour.
It is also difficult to identify and hold individual super-
visors responsible for low productivity when you cannot show
them where they have failed. In several instances we found
facility managers gathering supplemental mail volume informa-
tion to keep track of the volume of mail their operations
and tours were processing. They believed that they needed
this kind of information to do their jobs.

MOD IS NOT USED
TO SET GOALS

At the postal facilities we visited, we found no
instance in which MOD data was being used to set goals for
mail processing operations or to create work standards.
Several postal officials stated that their management
technique had been to establish productivity goals for the
mail processing operations and hold supervisors responsible
for achieving the necessary performance to meet these goals.
They said this approach is not practical under MOD, because
they are now forced to rely on a comparison of actual to
planned (budgeted) staff-hours to evaluate the performance
of various mail processing units.

Managers believe this method is unsatisfactory because
the planned staff-hours are prepared during budget formula-
tion and are not goals based on productivity data that has
- been analyzed to assure operational efficiency. These
planned staff-hours represent only estimates based on past
trends, such as for the same period last year. An obvious
shortcoming of this approach occurs, for example, if an
operation had an inflated budget last year and was ineffi-
cient. The data for this year will provide little meaningful
comparison.

An alternative to establishing goals using a producti-
vity measurement system would be to develop work standards
for the mail processing operations. Such standards are
currently being developed and are more than a year from
being finalized.

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According to several postal officials these standards will not be the ideal output for particular operations, but rather will be the average productivity level attained. Officials believe the standards will be influenced by less efficient, larger offices and, therefore, be somewhat lower than expected performance.

A second problem with establishing work standards at the national level could be the difficulty in updating them to reflect technological advancements in particular mail processing operations. If the standards are not current, their value diminishes as a management tool, and accurate performance assessment will be impossible.

The need for using the productivity measurement data available through a MOD-type system to establish goals for the mail processing operations should not be ignored. When this data is generally accepted by the participants, then at least a frame of reference is established for the productive efficiency of the organization. And, many of the answers to questions asked managers become clearer.

MOD IS NOT USED TO JUSTIFY
BUDGET REQUESTS

The Postal Service's budgeting process calls for headquarters to apportion funds to the region and for the region, in turn, to apportion funds to the districts. It is each district's responsibility to apportion its share of the funds to the management sectional centers under its jurisdiction. The apportionment to the districts is based on prior budget performance and plans submitted by the districts, but generally operational data is not considered.

A regional official told us that his goal is to eliminate the waste within the post offices and that budgeted hours have to be well justified. Precise evaluation of an office's efficiency, however, is not possible. The inability to identify which locations are operating efficiently becomes more critical as managers try to carry on their operations in the face of cost reduction programs. The Postal Service's system for apportioning funds does not reward self-imposed productivity improvements.

Some regions have taken more extensive cost reduction actions than others. One region, for example, fully implemented a reduction plan, reducing deliveries in business areas to one per day. Another region has done little to

reduce these delivery costs. Consequently, officials of
the first region believe that additional budget cuts should
be directly tied to a region's commitment and success in
meeting the targets of ongoing cost reduction programs.

In some facilities, productivity data has been used
to formulate plans to meet the Postal Service's budget cuts.
According to one district manager, his system of productivity
measurement, which involves measuring staff-hours and mail
volume processed by tour, has improved efficiency by 15 per-
cent over what it was under MOD only. If his district
continues to be hit with arbitrary budget cuts from head-
quarters, however, he feels it will soon reach the point
of no return--where budget cuts will be met by corresponding
cuts in service.

MANAGEMENT DOES NOT USE
MOD TO ENHANCE MOTIVATION
NOR ESTABLISH ACCOUNTABILITY

Within the Postal Service, we found few instances in
which MOD reports were received or used above the local
level. At one time managers at the headquarters, regional,
and district offices received summary reports. Due to
a headquarters staff decision, however, the report distri-
bution was stopped. The staff feared a headquarters review
would foster the same kind of competition and resulting
fabrication that ruined the Work Load Recording System.

With the decision by upper level managers not to monitor
the data provided by MOD, postal officials have given up a
valuable means of measuring productivity and assessing the
efficiency of the various offices. Knowing that their
performance is not being scrutinized and compared against
similar offices or locations, managers will not be as
strongly motivated to get their tours and operations to
perform as efficiently as possible. Management accounta-
bility at all levels would require districts to monitor the
data supplied from their offices, regions to monitor the
districts, and headquarters to monitor the regions.

Several postal officials maintained that the reluctance
of upper level managers to receive and use productivity
data resulted from MOD being an overreaction to the corrup-
tion that developed under the Work Load Recording System.
These officals suggest that perhaps the pendulum has swung
too far away from the concept of accountability, causing
decreased motivation and less emphasis on productivity.

CHAPTER 3

WEAKNESSES IN PRODUCTIVITY MEASUREMENT HINDER

MANPOWER SCHEDULING AND STAFFING PROGRAM

The Postal Service's Manpower Scheduling and Staffing Program, formerly called the Productivity Improvement Program, was designed to increase productivity. The progress to date has been disappointing and its future impact is questionable. The data needed to show areas where productivity improvements could be made and to show the effects of recommended changes has been weakened with the advent of MOD. The concepts employed by the program, nevertheless, are sound, and the Postal Service's efforts to improve line managers' confidence and commitment to the program should make it more effective.

THE PROGRESS OF THE MANPOWER SCHEDULING
AND STAFFING PROGRAM IS DISAPPOINTING

The Manpower Scheduling and Staffing Program was designed to improve productivity through

--computer personnel scheduling,

--methods improvements that might result from time and motion studies, and

--maximizing mail processing operations through mechanization

Plans for implementing this program required two phases. The goal of phase I was to provide computerized employee work scheduling at 107 post offices, which was to be accomplished through the use of a computer staffing model. This model, known as the Interactive Postal Simulator, simulates mail processing operations, mail availability, and service and transportation constraints and develops the staffing requirements, by operation, for each day of the week. Once the basic information is developed for a specific post office, managers should be able to evaluate the mail processing staffing requirements and make adjustments as conditions dictate.

Phase I was to be accomplished by teams of 7 to 12 members. Membership was composed of headquarters, regional, district, and local post office representatives and finance officers. The teams were to undergo 2 weeks of training and then spend approximately 16 weeks developing and installing cost reduction projects in their offices.

Phase I was to be implemented by a series of rounds with round I teams fielded at 10 post offices in September 1974.

During the period May through August 1975, the Postal Inspection Service reviewed round I activities at all 10 offices. They reported that program objectives had not been achieved, projected savings were misleading, and the program's cost tracking system was inadequate.

Specific findings of the Inspection Service were that:

--Seven of the 10 offices had not implemented the team scheduling and staffing recommendations.

--Implementing methods improvements had been limited to proposals comprising about 40 percent of the projected annual cost savings.

--Maximum possible cost savings for fiscal year 1975 budgets were $720,000, rather than the reported $3.1 million, with the differences consisting mostly of local office cost reduction programs erroneously attributed to the program.

--Local office costs amounting to $200,000 and several areas of headquarters costs were not included in published reports.

The Inspection Service report listed several reasons why the local offices failed to fully implement these projects. The first reason was the lack of confidence managers had in scheduling changes and cost savings based on productivity increases in the absence of illustrated examples. Second, changes in mail-flow patterns from implementing the Bulk Mail System and the Service Improvement Program 1/ were expected to affect the data upon which the staffing model was to operate.

1/The Service Improvement Program was implemented on a test basis in October 1975. It eliminated domestic airmail as a class of service by upgrading first-class mail service to meet airmail delivery performance.

The Inspection Service report indicated that corrective action had been or would be taken on the round I problems, and the program continued with round II, consisting of 20 offices.

We visited one office in the southern region included in round II. Team members at that office spent 5 months, at a cost of $118,000, identifying methods improvements and developing a scheduling and staffing plan. Savings of $588,000 were reported, but most of this resulted from local office cost reduction programs, leaving only $58,000 directly attributable to the Manpower Scheduling and Staffing Program.

Introduction of the Bulk Mail System and the Service Improvement Program made many of the scheduled staffing changes recommended by the team inoperative. In addition, due to this office's plans to move to a new facility in 1979, it was decided that scheduling and staffing will not be up-dated until after this move takes place. Since the Bulk Mail Program and the Service Improvement Program are nation-wide efforts, all offices in rounds ˜ and II may have been adversely effected.

During round III, the Postal Service decided to test the feasibility of fielding teams composed entirely of local post office personnel. This would provide local managers with total program ownership. Test results were encouraging, and the decision was made to field only local teams for succeeding rounds.

During our visit to another location in the southern region, round V reviews were in process. Officials spoke favorably of the program, especially the decision to use local office team members. These officials believed that local teams would suggest only improvements they could live with and that faster implementation would be possible. These work methods improvement projects accounted for savings of $1.2 million. In addition, use of the Interactive Postal Simulator model was underway. It will be used to analyze staffing in individual operations and should enable managers to determine the effects an operational change, such as adding a letter sorting machine, will have on staffing plans.

A headquarters official said that data from rounds IV
and V was more reliable. He believed that more managers
knew how the program operated and were willing to accept
cost reduction recommendations made by the teams to meet
reductions in the budget imposed by headquarters.

THE LACK OF GOOD PRODUCTIVITY
DATA IS HAMPERING PROGRESS

Although it seems that progress could be made under
the Manpower Scheduling and Staffing Program, a serious
problem developed with the basic data (provided by MOD)
upon which it operates. According to officials at both
headquarters and regional levels, this program has been
seriously weakened since the introduction of MOD. The
Manpower Scheduling and Staffing Program and its Inter-
active Postal Simulator model were designed to use Work Load
Recording System data which was much more detailed than that
provided through MOD.

Modifications have been made in the model to enable
it to use MOD data, and improved manual data gathering
techniques have been employed. Without hard data as support,
however, verifying the accuracy of the data gathering is
difficult. If the data gatherings are not accurate re-
flections of the mail processing work volume, the basic
input data for the staffing model will produce faulty opera-
tional data.

The true magnitude of this problem arises when a manager
begins to achieve a high degree of efficiency in the opera-
tion and reduces staff levels to the minimum needed to
meet budget constraints and still process the workload on
hand. Because of inaccuracies in the work sample, changes
in mailer's habits (such as the quantities mailed and the
times of the month when the mail is deposited) could be
missed or go unnoticed. Since these volumes would not be
detected in the staffing model, the peak workload and
staffing periods would not always coincide. This would
create mail volumes that could not be processed and thus
would be delivered late, resulting in a lower quality of
service.

One postal official summarized the situation of the
Manpower Scheduling and Staffing Program. He said that
the program could have progressed much more in the same
amount of time if it had operated under a system in
which Work Load Recording System type data was provided
rather than the data provided by the current system.

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CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

The Postal Service's system for measuring productivity of the work force in the mail processing area

--generally does not meet the information needs of local managers for whom the system was designed;

--is producing reports that are not being reviewed by upper level management to determine relative efficiency of the various offices and to make necessary budget changes and cost reductions more equitable; and

--does not provide the hard statistical data needed to measure the effectiveness of the Manpower Scheduling and Staffing Program ard its staffing model (the Interactive Postal Simulator).

The concept of the Manpower Scheduling and Staffing Program remains sound despite the problems encountered with the composition of team members in earlier rounds and the inadequate information from MOD in later rounds. Greater staffing efficiency should be a priority of the mail processing operation with a productivity measurement system providing the necessary data for the Manpower Scheduling and Staffing Program to work effectively.

RECOMMENDATIONS TO
THE POSTMASTER GENERAL

The Postal Service should reexamine its productivity measurement system to be sure it meets the needs of the local managers at offices of varying size. At larger facilities where accountability and operational efficiency are most important and yet most difficult to achieve, the measurement system should provide precise data on each operation for each 8-hour tour, day, and accounting period.

At smaller facilities where operations are more easily controlled, the data does not need to be as precise as that gathered at large facilities, but it should be more detailed than that provided by MOD. The data should reflect the efficiency of each 8-hour tour.

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For both large and small facilities, the data should be used to set goals for particular operations by those managers responsible for the operations. Upper level managers should also use the data to determine the relative efficiencies of particular operations and of entire postal facilities. This comparison should allow the Postal Service to establish equitable budgets and identify those operations needing management improvements.

AGENCY ACTIONS

The Postmaster General agreed with our recommendations. He stated that the Postal Service has initiated corrective actions to help overcome the inadequacies cited in this report. (See Appendix II.)

The Postal Service has begun reexamining its productivity measurement system. Plans have been made to reinstitute tour reports in the large facilities beginning in March 1978. A computer time-sharing system now being field tested will provide mail volume and productivity data for the smaller offices presently using MCD. Beginning in August 1977, MOD management summary reports are being made available to upper level managers, and increasing emphasis is being placed on using productivity data in establishing budgets and assessing performance.

We believe these actions should help the Postal Service improve its productivity measurement system.

Ninety-fourth Congress

CHARLES H. WILSON, CALIF., CHAIRMAN
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U.S. House of Representatives
SUBCOMMITTEE ON POSTAL FACILITIES, MAIL, AND LABOR MANAGEMENT
OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
122 CANNON HOUSE OFFICE BUILDING
Washington, D.C.   20515

September 9, 1976

The Honorable Elmer B. Staats
Comptroller General
U. S. General Accounting Office
441 G Street N.W.
Washington, D.C. 20543

Dear Mr. Staats:

The U. S. Postal Service is a labor intensive
organization with personnel costs accounting for about
85 percent of postal expenses. In the long-run the
solution to the Service's financial problems and the
problem of ever increasing postage rates lies in increased
productivity.

During recent hearings before the Subcommittee on
Postal Facilities, Mail, and Labor Management serious
questions were raised concerning the ability of the
Service to measure productivity in postal facilities.
GAO representatives testified on the problems with the
old Work Load Recording System and the falsification of
records that occurred while WLRS was in effect. Allega-
tions have been made that the successor system-Management
Operating Data does not provide management with the
information it needs to insure postal operations are
efficient.

I am aware that the General Accounting Office
currently has a survey of the MOD system. I would like
to request that this study be expanded to include:

-- the identification of all productivity measure-
   ment systems in use in the Postal Service and

-- an evaluation of the adequacy of these systems.

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I would hope that as part of this study GAO could also provide the Subcommittee with an overview of the Service's Productivity Improvement Program and the results it has achieved thus far, especially the progress that has been made in developing fair and reasonable work standards for mail processing operations.

If you should have any questions please contact Mr. George Gould of the subcommittee staff.

Very truly yours,

CHARLES H. WILSON
Chairman

CHW:ggp

THE POSTMASTER GENERAL
Washington, DC 20260

August 26, 1977

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

Dear Mr. Lowe:

Thank you for inviting our comments on your draft report entitled,
"Mail Processing Productivity Measurement Is Inadequate."

The report's principal findings are that the Service's Management
Operating Data System (MOD), which is used to measure pro-
ductivity in mail processing operations, (1) does not adequately meet
the needs of local management, (2) is not being used by upper manage-
ment to determine the efficiency of offices or to adjust budgets, and
(3) does not provide adequate data to measure the effectiveness of the
Service's program to increase productivity in individual offices.

The report recommends: (1) that the Service reexamine its produc-
tivity measurement system, (2) that larger facilities receive productivity
data by operation and by tour, (3) that smaller facilities receive infor-
mation by tour, and (4) that the data be used by upper management to
determine the relative efficiency of entire postal facilities, to adjust
budgets and to identify operations where management improvements
are needed.

The Service agrees that its productivity measurement system needs
reexamination and it has such a review underway. Instructions have
been issued to reinstate tour reports at our larger facilities. A com-
puter timesharing system to provide better data for the smaller offices

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that use MOD is now undergoing feasibility testing. MOD Summary
and Operating Reports are now being made available to upper manage-
ment and increasing emphasis is being placed on productivity data in
establishing budgets and assessing performance.

We believe these steps will overcome the inadequacies cited in your
report and will improve the Service's productivity measurement
systems.

Sincerely,
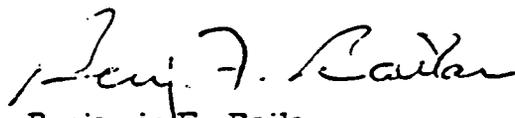
Benjamin F. Bailar

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                    MAIL PROCESSING  OPERATING REPORT
                        FRI DAY 07 A/P 13 FY 75
    DISTRIBUTION                    FMP/  PTPN                    A/P TO DATE
    LETTERS      FMP    PTPN       CMMM  /CMM   CLK/MM  PLANNED   ACTUAL   PLANNED
    030         455.0   460.0      1391  1400    327     284     1502     1866
    040         368.0   368.0      1368  1368    273     252     1302     1462
    043         137.0   137.0      1427  1427     76      96      517      528
    081         370.0   372.0      1713  1722    216     288     1144     1480
    085         539.0   539.0      1585  1585    340     299     1645     1858
    080C        911.0   911.0      1635  1638    554     587     2789     3058
    090          68.0    68.0      1619  1619     42      66      220      631
    090C         68.0    68.0      1619  1619     42      66      220      631
    TOTAL LETTERS
               1937.0  1944.0      1490  1502   1294    1178     6480     7103

    FLATS
    060          63.0    65.0       875   903     72      64      366      360
    078          35.0    30.0       854   870     41      37      200      205
    073          33.0    33.0       866   861     38      36      184      135
    170/175     116.0   187.0       639   705    264     236     1274     1320
    TOTAL FLATS
                247.0   320.0       545   771    415     371     2004     2075

    PARCELS
    180          15.0    15.0       395   395     38      34      158      172
    188          30.0    30.0       566   551     65      64      344      363
    200          37.0    37.0       354   385     96      90      432      460
    TOTAL PARCELS
                 85.0    84.0       467   442    199     191      930      975

    MIXED OPERATIONS
    029         101.0   101.0      5941  5941     17      15       83
    050         125.0   125.0      830  1115    130     141      886
    055         100.0   102.0       554   831    199     181      995
    100/169      40.0    50.0       667   806     72      65      357
    TOTAL MIXED OPER
                360.0   360.0       841  1120    416     426     2321     2330
    TOTAL DISTRIBUTION
               2809.0  2818.0      1120  1210   2323    2162    11235    12503

    MAIL PREPARATION
    010         503.0              4572    118     99      355      403
    020         158.0              5852     27      25      127      150
    020 BY-PASS 342.0
    TOTAL MAIL PREPARATION
               1003.0                      137    129      482      553

                                                           A/P TO DATE
    MISC MAIL PROCESSING     CRAFT   SUPV   PLANNED       ACTUAL   PLANNED
    111 OUTGOING OPENING UNIT   24            21          110       128
    112 OUTGOING OPENING UNIT  248           318         1198      1388
    180 INCOMING OPENING UNIT  100           168          770       840
    210 PLATFORM ACTIVITIES    200           170          968      1056
    554 OFFICE WORK-RECORDS    240           211         1160      1200

                                                 PAGE NO      2

    508 MISC ACTIVITY-MAIL PROC   66           58          319      348
    585 REGISTRY SECTION         102           89          449      534
    701 SUPV - MAIL DISTRIBUTION        200   220         1185     1000
    705 SUPV - MISC MAIL PROC            50    50          300      350
    TOTAL MISC MAIL PROCESSING
                               1044   250    1183         6506     6638

    MAINTENANCE
    745 ADMINISTRATION           55            50          265      302
    746 SUPV - REG - ACTING             66     68          307      288
    747 BUILDING SERVICES        80            80          473      440
    750 POSTAL OPERATING EQUIP  140           125          770      687
    TOTAL MAINTENANCE
                                281    66     315         1815     1717

                           WORK HOURS                    WORK HOURS
    MAIL PROCESSING          TODAY                       A/P TO DATE
                        ACTUAL  PLANNED  DIFF        ACTUAL  PLANNED  DIFF
    NON-SUPV            3780    3454     9.4        18747   19923   - 5.9
    SUPERVISOR           320     330    - 3.0        1791    1738     3.1
    TOTAL               4100    3784     8.4        20538   21661   - 5.2

    OVERTIME CRAFT       63                          156
             SUPVR        2                           10
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