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Report to William F. Bolger, Postmaster General, Postal Service; by Victor L. Lowe, Director, General Government Div.

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The cost of providing postal services in rural and suburban areas was about \$885 million during fiscal year 1977. Compensation methods used for rural carriers are the Heavy Duty Schedule, the Rural Carrier Schedule, and hourly rates for carriers serving auxiliary and special compensation routes. Findings/Conclusions: Under the Heavy Duty Schedule, salaries are based on evaluated hours that are computed by applying time standards to the various carrier workload functions. This gives carriers an incentive to complete work in less than the evaluated time since they are then free to leave. While this method is sound, the time standards used to compute evaluated times have not kept pace with changes. On the average, rural carriers need only about 94% of evaluated time to service their routes. This results in excessive salary payments of \$23.6 million annually. The Rural Carrier Schedule, based on route miles without regard to workload, is inequitable and results in salaries that are not commensurate with hours worked and which are much higher than those received by other employees in the same pay grade. Carriers serving routes not designated according to these schedules, classified as auxiliary rural routes, are paid on an hourly rate basis. This method discourages efficient service. Heavy Duty Schedule carriers on routes evaluated as requiring over 44 hours for delivery receive relief time by using substitute carriers. They often have the option of choosing the amount of relief time they desire. The requiring of carriers to take the maximum relief time option would reduce salary costs. Recommendations: The Postal Service should negotiate with the National Rural Letter Carriers Association to establish a pay system for Rural Carrier Schedule and auxiliary rural carriers that is similar to the Heavy Duty Schedule method and change the heavy duty relief option provision to require

that all Heavy Duty Schedule carriers take the maximum relief time possible. The Service should work with the Association to update Heavy Duty Schedule time standards so that they more closely approximate average actual work hours. (HTW)

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REPORT BY THE U.S.

# General Accounting Office

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## Changes Needed In The United States Postal Service's Rural Carrier Pay Systems

The three methods used to compensate rural carriers were established prior to 1946 under conditions that no longer exist and may be resulting in excessive salary costs of up to \$54.9 million annually.

The U.S. Postal Service should work together with the National Rural Letter Carriers Association to establish a method of compensation that more accurately reflects today's delivery environment and conditions.



GGD-78-84  
JULY 14, 1978



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

GENERAL GOVERNMENT  
DIVISION

B-114874

The Honorable William F. Bolger  
Postmaster General  
United States Postal Service

Dear Mr. Bolger:

We have just completed a review of the U.S. Postal Service's rural carrier pay systems. This report discusses why we believe the compensation methods used, which were established prior to 1946 in a delivery environment that no longer exists today, may be resulting in excessive salary costs of up to \$54.9 million annually.

We recognize that under the terms of the National Agreement, the Service cannot take unilateral action to change the rural carrier compensation structures. Therefore, we recommend that the Postal Service negotiate with the National Rural Letter Carriers Association to:

- Establish a pay system for the Rural Carrier Schedule and auxiliary rural carriers that is similar to the Heavy Duty Schedule method.
- Change the heavy duty relief option provision to require that all Heavy Duty Schedule carriers take the maximum relief time possible.

In addition, we recommend that the Service work with the National Rural Letter Carriers Association to update the Heavy Duty Schedule time standards to more closely approximate average actual workhours.

This report contains recommendations to you on pages 10, 16 and 21. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate

B-114874

Committee on Governmental Affairs and the House Committee on Government Operations 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.

Copies of this report are being sent to the Chairman, House Committee on Post Office and Civil Service; Chairman, Subcommittee on Energy, Nuclear Proliferation, and Federal Services, Senate Committee on Governmental Affairs; and to the Chairmen of the appropriate subcommittees of the House and Senate Committees on Appropriations.

Sincerely yours,

A handwritten signature in cursive script that reads "Victor L. Lowe". The signature is written in black ink and is positioned above the typed name and title.

Victor L. Lowe  
Director

D I G E S T

Rural letter carriers perform an important function in the Postal Service. About 48,000 rural letter carriers provide mail delivery and other postal services to millions of families and business firms in rural and suburban America. The cost of providing these services during fiscal year 1977 was about \$835 million.

The compensation methods used today for rural carriers are outdated and may be resulting in excessive salary costs of up to \$54.9 million annually. These methods are the Heavy Duty Schedule, Rural Carrier Schedule, and hourly rates for carriers serving auxiliary and special compensation routes.

HEAVY DUTY COMPENSATION METHOD MOST  
EFFICIENT BUT STANDARDS NEED UPDATING

The Heavy Duty Schedule recognizes that many routes have a relatively high mail volume in relation to miles served. Salaries under this schedule are based on evaluated hours that are computed by applying time standards to the various carrier workload functions. Carriers have an incentive to complete their work in less than the evaluated time since they are free to leave even though actual workhours are less than evaluated hours.

While this method is sound, the time standards used to compute the evaluated times have not kept pace with changes in carrier equipment or the delivery environment.

Generally accepted industrial engineering techniques suggest time standards should be based on the time needed for the average employee to complete the job. Rural carriers under the Heavy Duty Schedule only need about 94 percent of evaluated time on the average to service their routes. As a result, the Service may be paying excessive salaries by as much as \$23.6 million annually.

GGD-78-84

OTHER RURAL CARRIER COMPENSATION  
METHODS ARE INEQUITABLE AND COSTLY

The Rural Carrier Schedule is based on route miles without regard to workload or hours worked. This method is inequitable and results in salaries that are not commensurate with hours worked, and which are much higher than those received by other postal employees in the same pay grade. Paying rural carriers serving these routes under a pay system that more closely reflects actual workhours could save the Service about \$26.8 million annually. Rural routes that are evaluated at less than 35 hours a week, and not previously designated as Rural Carrier Schedule or Heavy Duty Schedule routes, are classified as auxiliary rural routes. Carriers serving these routes are paid on an hourly rate basis. This compensation method discourages efficient service because auxiliary carriers can maximize their salaries by stretching out the workday.

Auxiliary carriers needed 106.2 percent of evaluated time to service their routes, compared to Heavy Duty Schedule carriers who use only 94 percent. By paying auxiliary carriers under a system based on evaluated time, the Service could reduce salary costs by \$255,000 annually.

PROVIDING MORE RELIEF ON HEAVY DUTY  
ROUTES WILL REDUCE RURAL DELIVERY COST

Generally, Heavy Duty Schedule carriers are responsible for delivering a route six days a week. However, carriers on routes evaluated as requiring over 44 hours for delivery receive certain amounts of relief time by using substitute rural carriers.

In many cases, Heavy Duty Schedule carriers have the option to select the amount of relief time they desire. Usually, they select the option which provides the least amount of relief time. The more frequent use of substitute carriers could reduce delivery costs by reducing salary and fringe benefits for regular carriers. By requiring these carriers to take the maximum relief time option, the Service could reduce salary costs by about \$4.2 million annually.

## RECOMMENDATIONS

GAO recognizes that under the terms of the National Agreement, the Service cannot take unilateral action to change the rural carrier compensation structures. Therefore, GAO recommends that the Service negotiate with the National Rural Letter Carriers Association to:

- Establish a pay system for Rural Carrier Schedule and auxiliary rural carriers that is similar to the Heavy Duty Schedule method.
- Change the heavy duty relief option provision to require that all Heavy Duty Schedule carriers take the maximum relief time possible.

In addition, GAO recommends that the Service work with the National Rural Letter Carriers Association to update the Heavy Duty Schedule time standards to more closely approximate carriers average actual workhours.

## AGENCY COMMENTS

In commenting on our report, the Postal Service agreed that the rural carrier compensation methods may be resulting in excessive salary costs. The Service stated that while it could not unilaterally revise compensation methods, it intended to pursue changes in the Rural Carrier Schedule and examine the concept of compensating auxiliary carriers by a method similar to the Heavy Duty Schedule. The Service stated it would also explore the changes GAO recommended regarding relief time options and revisions to Heavy Duty Schedule time standards. It pointed out, however, that the present option system was part of a negotiated agreement to conform with the Fair Labor Standards Act.

Since collective bargaining negotiations involve many considerations and some confidentiality, the Service could not commit itself as to what its negotiating proposals and positions would be in discussions with the National Rural Carriers Association. (See appendix III.)



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DIGEST

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## CHAPTER 1

### INTRODUCTION

Rural delivery service was established in 1896. Today, rural delivery provides postal service to millions of families and business firms in rural and suburban America. During fiscal year 1977 about 48,000 rural carriers provided services on 33,732 routes at a cost of \$885 million. Rural carriers not only deliver and collect mail from postal customers but they also perform services not provided by city carriers including the sale of postage stamps and money orders; and the collection of insured, certified, and registered parcels and letters.

### LEGISLATIVE BACKGROUND

The basic Rural Carrier Salary Schedule is based in part on fixed compensation and in part on specified rates for each route mile. In 1902, the Post Office Department first established a compensation schedule relating rural carrier pay to route length. On July 1, 1915, Public Resolution 73 (38 Stat. 1227) established an annual salary for rural routes of 24 miles or more in length with a graduated reduction in salary for routes shorter than 24 miles. Effective July 1, 1945, Public Law 134 (59 Stat. 455) provided that rural carriers' salaries would be based on annual rates for each mile plus a fixed annual compensation according to years of service.

In addition to basic salary, rural carriers serving heavily patronized routes are paid heavy duty allowances. Heavy duty allowances were first authorized in 1938 by Public Law 749 (52 Stat. 1206). The purpose of this legislation was to provide additional compensation to carriers who were required to work an excessive number of hours in relation to the length of their routes.

Generally, rural carriers use their own vehicles to service their routes. Beginning in January 1925, Public Law 506 (43 Stat. 1064) authorized payment of the equipment maintenance allowance to cover the rural carriers' vehicle costs.

Although subsequent legislation has changed the levels of rural carrier salaries, the basic concept of paying rural carriers according to route length with additional allowances for heavy duty routes still exists today.

POSTAL SERVICE GUIDELINES  
AND INSTRUCTIONS GOVERNING  
RURAL DELIVERY SERVICE

The guidelines and instructions governing rural delivery service are embodied in a wide variety of official and unofficial documents. These include: (1) Regional Instruction 332-1; (2) the Postal Service Manual; (3) various Postal Bulletins; (4) Rural Carriers Handbook, Series M-37; (5) the 1975 National Agreement; (6) Amended Article XLII, Rural Carrier Craft; (7) Regional Instruction 334; and (8) various memorandums of understanding between the Service and the National Rural Letter Carriers Association.

Several regional headquarters and district offices have also developed unofficial handbooks to be used by local postal officials to manage rural delivery services. In addition, some local officials supplement all of these instructions and guidelines with the National Rural Letter Carriers Association bulletin.

During our audit, we found that the guidelines governing the rural carrier program were fragmented, inconsistent, outdated, and frequently not distributed to local managers responsible for rural delivery. As a result, managers of the program spent excessive time researching applicable guidelines and in some cases management actions were inconsistent.

After completion of our audit, postal headquarters officials advised us that they recognized these problems and were in the process of consolidating and updating rural carrier program instructions.

RURAL CARRIER COMPENSATION

Rural carriers are paid under one of the three salary structures: (1) the Rural Carrier Schedule; (2) the Heavy Duty Schedule; and (3) hourly rates for rural carriers serving auxiliary and special compensation routes. Rural carriers also receive compensation for using their vehicles to service their routes.

Rural carrier salaries

Once a year all rural routes are evaluated to determine the appropriate pay scale for each route. All routes are measured to determine the Rural Carrier Schedule mileage pay rate, and evaluated to determine the Heavy Duty Schedule time standard pay rate. According to postal guidelines, a rural carrier is paid under the scale that affords the highest salary. Generally, the rural carrier's salary remains

fixed for the following year regardless of actual workhours. At the end of fiscal 1977, the Postal Service had 12,305 Rural Carrier Schedule routes, 19,736 Heavy Duty Schedule routes, and 1,691 auxiliary routes.

The Rural Carrier Schedule is based on the number of miles in a route without regard to the number of hours worked. The principle behind the Rural Carrier Schedule is that working a 42-mile route is equal to a PS Level-5 postal employee working 40 hours a week. For every mile in excess of 42, the carrier receives additional pay.

Because many shorter routes have heavier workloads, rural carriers serving these routes are paid under the Heavy Duty Schedule. The Heavy Duty Schedule is based on evaluated hours (the time the Service determines it should take an average carrier to complete his/her duties) computed by applying time standards to carrier functions such as mail sorted, miles driven, mail boxes serviced, and other workload indicators. For each evaluated hour over 40, rural carriers under the Heavy Duty Schedule receive 150 percent of the hourly rate for a PS Level-5 postal employee.

Some rural routes, however, do not meet the criteria for regular rural routes. These routes are designated as auxiliary routes because they are evaluated at under 35 hours a week. Rural carriers serving auxiliary routes are paid for actual workhours at an hourly rate for a PS Level-5 postal employee.

On November 20, 1976, the Postal Service adopted certain changes in the rural carrier pay system to comply with the Fair Labor Standards Act. A new Special Route Schedule for vacant Rural Carrier Schedule and Heavy Duty Schedule routes evaluated at under 35 hours was established. A newly appointed carrier assigned to one of these routes is paid on an hourly rate basis, in much the same manner as carriers servicing auxiliary routes. The difference between auxiliary carriers and rural carriers servicing Special Compensation Routes is that the latter receive fringe benefits. About 4,400 routes now meet the criteria for special route compensation, but, according to postal officials, very few routes have actually been converted due to the "grandfather clause" which allows incumbent carriers to retain their present compensation system.

Rural carriers are responsible for servicing their routes six days a week. However, substitute carriers are used to relieve the regular carriers on Heavy Duty Schedule routes that exceed 44 hours a week. The regular carrier's

relief time depends on the number of hours the route exceeds 44. Postal policy limits the Heavy Duty Schedule routes to a maximum of 57:36 evaluated hours a week.

### Equipment maintenance allowance

Rural carriers generally furnish their own vehicles to service their routes. To defer vehicle costs, rural carriers are paid an equipment maintenance allowance at the rate of \$0.18 a mile or \$7.20 a day, whichever is greater. Rural routes having a large number of stops in relation to route length are provided additional allowances under a special equipment maintenance allowance schedule.

On January 3, 1977, the Postal Service began a nationwide study to determine the feasibility of using postal vehicles on rural routes over continuing the equipment maintenance allowance. The results of this study were pending at the completion of our audit.

### PREVICUS AUDITS

We have issued three audit reports on the rural carrier program between 1962 and 1968 but have not made a comprehensive study of the program since then. The Postal Inspection Service has issued three reports on the rural carrier program since July 1975. These six reports are listed in appendix I and their principal findings are as follows:

- The basic rural carrier compensation system results in wide variances in hourly earnings both among rural carriers and between rural carriers and other postal employees in the same pay grade.
- Administration of the rural route consolidation program needs improvement.
- Paying rural carriers the equipment maintenance allowance in metropolitan areas results in excessive delivery costs.
- Rural carriers serving certain heavy duty routes could be relieved more often.
- Rural delivery guidelines and instructions are fragmented and outdated.

To correct some of these problems the Postal Service:

- Has adopted the Special Route Schedule which is supposed to reduce some of the salary variances that resulted from the rural carriers' basic compensation system.
- Implemented procedures to consolidate routes evaluated at less than 32 hours to improve the administration of route consolidations.
- Is currently studying the feasibility of using Government vehicles on rural routes.
- Is developing comprehensive and up-to-date guidelines for managing rural delivery.

At the time of our audit, however, the Service had not taken action to relieve heavy duty routes more often.

#### SCOPE OF REVIEW

Our review focused on the rural carrier compensation structures. We did not analyze the equipment maintenance allowance program because it was under study by the Service at the time of our audit. We conducted our review at the Postal Service Headquarters, the Central, Eastern, Southern, and Western Region Headquarters, and 16 sectional center facilities in the Eastern, Southern, and Western Regions.

We reviewed rural carrier policies and instructions and discussed rural carrier compensation practices with postal officials at all of the locations visited. We also collected and analyzed data on route mileage, evaluated times, actual workhours, and rural carrier salaries for 418 Rural Carrier Schedule routes, 1,148 Heavy Duty Schedule routes, and 146 auxiliary rural routes in the 16 sectional centers (see appendix II). We selected the sectional centers to reflect geographic differences in rural delivery territory including suburban, mountainous, and open farm areas (see appendix II).

In January 1978 we discussed the preliminary results of our review with senior postal officials and national officers of the National Rural Letter Carriers Association to obtain their comments on our findings and to alert them to our findings prior to their undertaking negotiations for the 1978 National Agreement.

## CHAPTER 2

### HEAVY DUTY COMPENSATION METHOD MOST EFFICIENT BUT STANDARDS NEED UPDATING

Many rural routes have a heavy mail volume with relatively low mileage. Carriers serving these routes, known as heavy-duty routes, are paid under the Heavy Duty Schedule based upon the routes' evaluated time. Evaluated time is basically the time required to complete a route based on "time standards," i.e., the time the Service determines it should take an average carrier to complete his/her duties. At the end of fiscal year 1977 the Service had 19,756 heavy duty routes.

We believe that the Heavy Duty Schedule compensation method is good because it provides an incentive for carriers to complete their work at or below evaluated time. Efficient carriers are rewarded by being free to leave at the completion of their workday, while less efficient carriers must spend additional time to complete their duties. While the concept is sound, we believe that the time standards are outdated and no longer reflect the time it should take Heavy Duty Schedule carriers to complete their duties.

### MOST CARRIERS BEAT EVALUATED TIMES

The Service's failure to periodically update heavy duty time standards is resulting in most Heavy Duty Schedule carriers regularly beating their evaluated times which is producing excessive carrier salaries.

Once a year the Service determines each route's evaluated time by applying certain time standards to the carriers' various functions. The carriers' salaries are determined by matching the evaluated times to the Heavy Duty Schedule. These salaries generally remain fixed for the ensuing year regardless of the number of hours the carriers spend on their routes.

According to generally accepted industrial engineering techniques, time standards should be based on the time needed for the "average employee" to complete the job. We analyzed 1,148 Heavy Duty Schedule routes in the Eastern, Southern, and Western Regions and found that on 870 or 76 percent of the routes, the carriers' actual workhours were under their evaluated times. Heavy Duty Schedule carriers exceeded evaluated times on only 278 or 24 percent of the routes. On the average, it took only 94 percent of evaluated time for carriers to service the 1,148 routes.



Although we did not analyze any Central Region rural routes, Central Region officials concurred with our observation that the Heavy Duty Schedule time standards overstate the time necessary to perform carrier delivery functions.

The following table shows that most Heavy Duty Schedule carriers' actual workhours are well below evaluated times.

Stratification Of Heavy Duty Schedule Rural Carriers  
By Percentage Deviation From Evaluated Time

<u>Percent of actual to evaluated time</u>	<u>Regions</u>				<u>Percent</u>
	<u>Eastern</u>	<u>Southern</u>	<u>Western</u>	<u>Total</u>	
121 and above	13	1	0	14	1.2
116 to 120	23	0	0	23	2.0
111 to 115	31	4	0	35	3.0
106 to 110	53	9	7	69	6.0
101 to 105	74	38	25	137	12.0
<u>Total over evaluated time</u>	<u>194</u>	<u>52</u>	<u>32</u>	<u>278</u>	<u>24.2</u>
96 to 100	146	112	86	344	30.0
91 to 95	87	79	100	266	23.2
86 to 90	39	43	71	153	13.3
81 to 85	13	20	34	67	6.0
76 to 80	7	7	11	25	2.0
75 and below	3	9	3	15	1.3
<u>Total under evaluated times</u>	<u>295</u>	<u>270</u>	<u>305</u>	<u>870</u>	<u>75.8</u>
<u>Grand Total</u>	<u>489</u>	<u>322</u>	<u>337</u>	<u>1,148</u>	<u>100</u>

We believe that the inadequacy of the time standards is further demonstrated by the fact that rural carriers are able to absorb additional workloads without reporting these increases. On June 14, 1977, the Western Region directed all sectional center facilities to inspect their rural routes and to validate route mileage and mail box counts because of their significance in determining rural carrier compensation. On routes examined as of October 12, 1977, Western Region management found that while heavy duty carriers had overstated total route mileage by 662 miles, they had not reported 16,983 boxes.

The mileage overstatement resulted in overstating evaluated time by 132 hours weekly, while the unreported boxes resulted in understating evaluated time by 566 hours weekly. A rural carrier on 1 route actually absorbed 222 boxes. On October 13, 1977, a similar study performed in the Southern Region's Carolina District identified a net mileage overstatement of 1,825 miles and 9,927 unreported boxes.

According to postal officials, rural carriers are willing to absorb additional boxes rather than report them and risk salary cuts by having their route size reduced. Under the terms of the 1975 National Agreement, a route will be reduced, with a concurrent reduction in salary, when:

- the evaluated time of a route exceeds 57:36 hours a week or
- the carrier will probably exceed 2,080 workhours during the year.

Under postal policy, a route exceeding the above criteria will normally be reduced to between 42 and 44 evaluated hours a week.

We computed the salaries that would have been paid for the 1,148 Heavy Duty Schedule routes based on the actual time carriers took to complete their routes and found these salaries averaged \$1,198 a year less than the salaries paid based on evaluated time. By adjusting the Heavy Duty Schedule time standards to more accurately reflect actual workhours, each 1 percent reduction in the difference between evaluated and actual hours could result in a \$3.94 million annual savings. If these savings could be achieved in the Service's 19,736 heavy duty routes, it could save up to \$23.64 million annually, as shown in the following table.

Potential Savings By Reducing  
Difference Between Evaluated And Actual Time

<u>Actual time as a percent of evaluated time</u>	<u>Potential savings -----millions-----</u>
94	\$ .00
95	3.94
96	7.88
97	11.82
98	15.76
99	19.70
100	23.64

## TIME STANDARDS MAY BE OUTDATED

Industrial engineering techniques recommend updating time standards every 2 to 3 years to compensate for changes in work methods and workload mix. From the inception of the Heavy Duty Schedule in 1938, until August 22, 1968, the Service occasionally updated time standards. However, no changes have been made in almost 10 years. As a result, the Heavy Duty Schedule time standards no longer reflect the carriers' actual workhours because they have not kept pace with changes in the rural delivery environment.

While rural carriers working in high population density areas were the exception rather than the rule in 1960, by the end of fiscal year 1977, they were the rule rather than the exception. The number of routes qualifying for the Heavy Duty Schedule expanded from 7 percent (2,207) of the Service's 31,379 rural routes in 1960, to 59 percent (19,736) of the Service's 33,732 routes by 1977.

From the time the standards were last updated, the complexion of rural delivery territory has continued to change. Housing developments, apartment buildings, and industrial complexes have been built in rural areas. Also, roads have improved. For example, between 1964 and 1972, hard surfaced roads increased by 185,945 miles while unimproved, soil, slag, and gravel roads decreased by 162,235 miles.

Furthermore, improvements in rural carrier equipment have not been reflected in improved time standards. For example, rural carriers were permitted 1 minute each to sort 16 letters, a standard developed when they used an 8-tier case. Although rural carriers have since switched to a 7-tier case, the Service has retained the previous 1 minute for every 16 letters standard. City carriers, on the other hand, using a 7-tier case are allowed only 1 minute to sort every 18 letters. The effect of the differences in sorting standards is reflected in the following example.

The number of letters per carrier sorted by the San Jose sectional center Heavy Duty Schedule carriers during the 1976 annual mail count ranged from 1,404 to 3,858 a week. Under the rural standards, the time allotted for sorting letters was from 1.46 to 4.02 hours a week. Applying the city carrier standard to the same workload, however, results in a range of 1.30 to 3.57 hours a week or a reduction in sorting time of .16 to .45 hours a week.

The inadequacies of the standards are further highlighted by the differing standards between rural and city carriers for sorting flats. Both rural and city carriers are allowed one minute to sort eight flats. But, for rural carriers, a flat is a letter larger than 5 inches wide; while for city carriers, flats are letters larger than 6-1/8 inches wide. Consequently, the Service estimates that city carriers use about 10 to 12 minutes less daily by sorting 5-inch to 6-1/8 inch-wide letters at a rate of 18 letters per minute.

Mail bundling presents another example of the need to reevaluate Heavy Duty Schedule time standards. While city carriers are allowed 1 minute to tie 70 pieces of mail into bundles, rural carriers are allowed 1 minute to bundle 60 pieces.

### CONCLUSIONS

While the concept of paying rural carriers under the Heavy Duty Schedule is sound, we believe the way it is being administered is resulting in increased salary costs because the out of date standards do not accurately represent the time required to perform the work.

Under the Heavy Duty Schedule, efficient carriers who complete their routes below their evaluated times are free to leave at the end of the workday, less efficient carriers, on the other hand, must spend more time in completing their duties. Yet this incentive is compromised by the fact that most rural carriers regularly beat their evaluated times, a result of the time standards which have not kept pace with the changes in carrier equipment or the delivery environment.

We believe that updating the Heavy Duty Schedule time standards to more closely reflect actual work will continue to reward efficient rural carriers while reducing the Service's rural carrier salary costs.

### RECOMMENDATION

We recommend that the Service work with the National Rural Letter Carriers Association to update Heavy Duty Schedule time standards to more closely approximate the time required by the average carrier.

## CHAPTER 3

### OTHER RURAL CARRIER COMPENSATION METHODS

#### ARE INEQUITABLE AND OVERLY COSTLY

The Rural Carrier Schedule and the auxiliary carrier hourly rate compensation methods are not as sound as the Heavy Duty Schedule method. The Rural Carrier Schedule does not adequately recognize workload while the auxiliary method discourages efficient performance. Both systems result in excessive salaries. We estimate that if the Service paid carriers on the 10,770 Rural Carrier Schedule routes and 1,950 auxiliary routes in existence during the September 1977 mail count, under a Heavy Duty Schedule-type system, it could save up to \$27.1 million annually.

#### PAY BASED ON MILEAGE HAS LITTLE RELATIONSHIP TO WORKLOAD

Rural carrier salaries under the Rural Carriers Schedule are based primarily on route length, plus a fixed amount according to years of service. Basing compensation primarily on route length, however, ignores such critical workload factors as the number of route deliveries and mail volume. As a result, there is a wide disparity in hourly earnings not only among Rural Carrier Schedule carriers, but also between these carriers and other postal employees in the same pay grade.

#### The 42-mile route is no longer equivalent to a 40-hour week

The formula upon which the Rural Carrier Schedule operates is that a 42-mile route is equal to a 40-hour workweek. For every mile over 42, the rural carrier receives additional compensation. According to Regional Letter 6-152, issued before August 1960, the notion that a 42-mile route is equal to a 40-hour workweek was first advanced when the average route length was 42 miles.

We found that the average route now exceeds 42 miles, but the carriers are still completing their routes in less than 40 hours a week. Our analysis of 418 Rural Carrier Schedule routes located in the Western, Southern, and Eastern Postal Regions showed that the average route length was 68.7 miles. Further, the average time it took to service these routes weekly was only 33:31 hours. Based on our analysis, on the average, a rural carrier working a 40-hour week would be able to service an 81.99-mile route. In July 1975, the Postal Inspection

Service reported that Central Region rural carriers averaging a 40-hour workweek did not serve a 42-mile route, but one whose average length was 82.28 miles.

The Rural Carrier Schedule  
results in inequitable salaries

Our analysis of salaries on 418 Rural Carrier Schedule routes indicates that the Rural Carrier Schedule compensation method results in salary inequities both among the rural carriers and between Rural Carrier Schedule carriers and other postal employees in the same pay grade. For example, one rural carrier in the Tulsa, Oklahoma, sectional center, who worked a 50:40 hour workweek, earned \$17,181 annually 1/, or \$6.72 an hour. But in the Great Falls, Montana, sectional center, another rural carrier working only 5:30 hours a week was paid \$13,159 annually 1/ or \$55.86 an hour.

The salary variances among Rural Carrier Schedule carriers are further demonstrated by comparing pay differences for routes with the same workloads. For example, 32 Rural Carrier Schedule routes ranging from 31 to 136 miles were all evaluated at 39 hours a week. Yet the salaries ranged from \$15,350 to \$18,342 or a variance of \$2,992.

The following table shows the salary variances for 211 similar Rural Carrier Schedule routes. As shown, not only were there large differences in salaries among Rural Carrier Schedule carriers with the same evaluated time, but in every case a carrier paid under the Heavy Duty Schedule for the evaluated time would receive a smaller salary.

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1/Based on salaries in effect July 21, 1977.

Salary Variances Among Rural Carrier Schedule Carriers  
(note a)

<u>Evaluated</u> <u>hours</u>	<u>Number</u> <u>of</u> <u>routes</u>	<u>Range of</u> <u>miles</u>		<u>Range of annual</u> <u>salary</u>		<u>Salary</u> <u>variance</u>	<u>Salary</u> <u>based on</u> <u>evaluated</u> <u>hours</u>
		<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>		
35	40	33	116	\$15,407	\$17,772	\$2,365	\$13,706
36	37	36	116	15,492	17,772	2,280	14,097
37	36	34	121	15,435	17,915	2,480	14,489
38	33	32	122	15,378	17,943	2,565	14,880
39	32	31	136	15,350	18,342	2,992	15,271
40	<u>33</u>	45	116	15,749	17,772	2,023	15,663

Total routes 211

a/Based on salaries in effect July 21, 1977, at step 11 which was the average step of all carriers serving these routes.

Furthermore, salaries paid to Rural Carrier Schedule carriers are not commensurate with salaries paid to other postal employees in the same pay grade. The average hourly rate for the rural carriers serving the 418 Rural Carrier Schedule routes was \$10.31 while the rate for other postal employees averaged only \$7.59. Thus, these carriers received salaries that were 35.8 percent higher than those received by other postal employees in the same pay grade.

We estimate that if carriers on the 418 Rural Carrier Schedule routes were paid based on actual hours under the Heavy Duty Schedule, the Service could save an average of \$3,297 per route. In May 1978, the Postal Service estimated that it could save \$26.8 million if the carriers on the 10,770 Rural Carrier Schedule routes, in existence during the September 1977 mail count, were paid based on actual hours under the Heavy Duty Schedule.

THE AUXILIARY COMPENSATION METHOD  
DISCOURAGES EFFICIENT ROUTE SERVICING

Rural carriers serving auxiliary routes--those evaluated at less than 35 hours a week--are paid for actual workhours without regard to workload. This method of payment discourages efficient route servicing and results in excessive salary costs.

Delivery economy not achieved  
with auxiliary pay system

Rural carriers compensated under the Rural Carrier Schedule and Heavy Duty Schedule are paid either according to mileage or time standards. These carriers are free to leave work when they complete their duties. However, auxiliary rural carriers are paid on an actual hour basis regardless of workload. Postal officials acknowledged that this system results in excessive costs because it encourages carriers to stretch out the workday.

Our analysis of 146 auxiliary routes showed that auxiliary carriers took more time than Rural Carrier Schedule and Heavy Duty Schedule carriers to service their routes. On the average, we found that auxiliary carriers took 106.4 percent of the evaluated time to serve their routes. In contrast, Heavy Duty Schedule carriers used 94 percent and Rural Carrier Schedule carriers used 101.7 percent of evaluated time. As the following table shows, most of the carriers on the 146 auxiliary routes exceed evaluated time.

Stratification of Rural Carriers  
Serving Auxiliary Routes

Percent of actual to evaluated time	Rural carriers by region				
	Eastern	Southern	Western	Total	Percent
121 and above	13	3	5	21	14.4
116 to 120	6	4	5	15	10.3
111 to 115	8	6	1	15	10.3
106 to 110	12	5	3	20	13.7
101 to 105	12	11	9	32	21.9
Total over evaluated time	51	29	23	103	70
96 to 100	4	7	11	22	15.0
91 to 95	4	2	4	10	6.8
86 to 90	2	0	3	5	3.4
81 to 85	1	1	1	3	2.1
76 to 80	0	0	0	0	0
75 and below	0	0	3	3	2.1
Total under evaluated time	11	10	22	43	29.4
Grand total	<u>62</u>	<u>39</u>	<u>45</u>	<u>146</u>	<u>100</u>



We estimate that if auxiliary carriers were paid according to evaluated time, the Service could save an average of \$477 a year on each of the 146 auxiliary routes. In April 1978, the Postal Service estimated that if auxiliary carriers were paid according to evaluated time, it could save about \$255,000 annually on the 1,950 auxiliary routes nationwide.

Local postal managers are not monitoring efficiency

Postal instructions require local managers to take corrective action when a rural carrier consistently exceeds evaluated time by 3 hours a week. We found several instances, however, where local managers were unaware that auxiliary carriers were consistently exceeding evaluated time by 3 hours a week, and consequently, no corrective action was taken.

Our analysis of the 146 auxiliary routes showed that evaluated times were consistently exceeded by a majority of the auxiliary carriers as shown below.

Auxiliary Carriers Exceeding Evaluated Time

<u>Auxiliary Carriers</u>	<u>Number of Carriers</u>	<u>Percent</u>
Exceeded evaluated time by 3 or more hours	44	30.1
Exceeded evaluated time by less than 3 hours	62	42.5
Under evaluated time	<u>40</u>	<u>27.4</u>
Total	<u>146</u>	<u>100</u>

This further indicates that paying carriers on the basis of hours worked without regard to workload discourages an efficient and economical service.

CONCLUSIONS

The present Rural Carrier Schedule compensation method results in a wide disparity of salaries among rural carriers, and between rural carriers and other

postal employees in the same pay grade. Paying auxiliary carriers on an hourly rate basis discourages efficient service because it encourages carriers to maximize salaries by stretching out the workday. Both compensation methods result in excessive salary costs.

We believe that paying Rural Carrier Schedule and auxiliary carriers under a pay system similar to the Heavy Duty Schedule will provide sufficient incentives to encourage efficient route servicing while eliminating the wide disparity in salaries among rural carriers and between rural carriers and other postal employees.

#### RECOMMENDATION

We recommend that the Postal Service negotiate with the National Rural Letter Carriers Association to establish a pay system for Rural Carrier Schedule and auxiliary rural carriers that is similar to the Heavy Duty Schedule method.

## CHAPTER 4

### PROVIDING MORE RELIEF ON HEAVY DUTY ROUTES

#### WILL REDUCE RURAL DELIVERY COST

Rural carriers servicing certain heavy duty routes are not receiving the maximum amount of relief time possible. As a result, the Postal Service is incurring unnecessary salary costs of about \$4.2 million for rural carriers. In addition, the Service is incurring higher costs for unemployment benefits, "free Saturdays" <sup>1/</sup>, and life insurance premium liabilities.

#### HIGHER SALARIES ARE PAID TO CARRIERS SELECTING LOW RELIEF OPTION

Rural carriers are responsible for servicing their routes 6 days a week. However, rural carriers on Heavy Duty Schedule routes evaluated at over 44 hours a week can work less than 6 days a week by receiving some relief time from substitute rural carriers. The amount of relief time depends on the number of hours the route exceeds 44 evaluated hours a week. The following chart shows the amount of relief time granted to these rural carriers.

<u>Route</u> <u>classification</u>	<u>Evaluated times</u>	<u>Relief time granted</u>
H	40:30-46:29 hours	None
J	44:11-50:43 hours	1 day every other week
K	47:24-57:36 hours	1 day each week

Under the terms of the 1975 National Agreement, the rural carriers, not postal management, select the relief option for their routes. As shown on the preceding chart, carriers with routes evaluated between 44:11 and 46:29 hours can choose to receive no relief time under the H route, or 1 day of relief time every other week under the J route. Carriers on those routes evaluated between 47:24 and 50:43 hours can choose to receive 1 day of relief time every other week under the J route or 1 day of relief time each week under the K route.

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<sup>1/</sup>Under the provisions of the 1975 National Agreement, certain rural carriers taking five days annual or sick leave between Saturdays or covering a Saturday, are not charged leave for these Saturdays.

A substitute carrier's pay is based on the regular carrier's basic salary. The regular carrier's basic salary includes straight time pay for 40 hours plus 150 percent of straight time pay for each hour over 40 a week. On J routes, substitutes receive one-eleventh of the regular carrier's 2-week salary for servicing the route on the relief day. On K routes, a substitute receives one-tenth of the regular carrier's 2-week salary for each delivery day.

Many rural carriers serving Heavy Duty Schedule routes evaluated between 44:11 and 46:29 hours a week and between 47:24 and 50:43 hours a week are selecting the lowest possible relief time option. This results in excessive salary costs to the Service, as demonstrated in the following example identified during our review.

Example: A rural route evaluated at 48 hours with a step 12 a/ regular rural carrier.

Annual salary cost under the J option:

Annual regular carrier salary if classified as 44J	\$18,282.00
Annual substitute carrier cost (\$66.00 each trip)	<u>1,716.00</u>
Total annual salary cost for J option	<u>\$19,998.00</u>

Annual salary cost under the K option:

Annual regular carrier salary if classified as 40K	\$15,898.00
Annual substitute carrier cost (\$63.34 each trip)	<u>3,293.68</u>
Total annual cost for K option	<u>\$19,191.68</u>
Higher cost of J option	\$ <u><u>806.3</u></u>

a/Salaries in effect July 21, 1977.

At the end of fiscal year 1977, the Service had 14,419 H and J routes. We analyzed 719 H and J routes in the Service's Eastern, Southern, and Western Regions and found that 282, or 39 percent, of these routes could have been relieved more often. Had the rural carriers on the 282 routes chosen options providing maximum relief time, the Service could have saved an average of \$724 annually on each route or about \$204,000 in total.

Similarly, a Postal Inspection Service report on rural delivery in the Central Region showed that in 1974, 50 percent of the H routes and 70 percent of the J routes could have been relieved more often. In another Inspection Service report on rural delivery dated October 1977, 47 percent of the Eastern Regions H and J routes could have been relieved more often. The Inspection Service estimated the annual cost of the high relief option over the lower relief option in the Eastern Region was about \$588,000 annually.

If rural carriers nationwide are selecting the lowest relief option in the proportion we found on the 719 H and J routes, we estimate the increased salary costs to the Service to be about \$4.2 million annually.

ADDITIONAL COSTS RELATED  
TO CARRIERS THAT SELECT  
THE LOW RELIEF OPTION

Other benefits would accrue to the Service by classifying all Heavy Duty Schedule carriers to allow maximum relief time. The Service assumes the costs for employee life insurance, unemployment benefits, and extra leave or "free Saturdays." The costs for these benefits could be reduced if all carriers under the Heavy Duty Schedule were required to take the maximum relief option.

The Service assumes total financial responsibility for life insurance premiums. These benefits, however, only apply to regular rural carriers, not substitutes. Life insurance benefits are correlated to salaries. The higher the salary, the greater the benefit. For instance, relating back to the previous example, the carrier would be entitled under the J option to a \$21,000 1/ benefit, and under the K option to an \$18,000 2/ benefit.

The Postal Service can also realize savings by reducing unemployment benefits paid to substitute rural carriers. During fiscal year 1976, the Service spent about \$41 million in unemployment benefits for all categories of postal employees. About \$8 million was attributed to the State of California. Under that State's eligibility rules, both unemployed and underemployed residents may receive benefits.

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1/Employee's annual salary of \$18,282 rounded up to the next highest thousand, plus \$2,000 extra.

2/Employee's annual salary of \$15,898 rounded up to the next highest thousand, plus \$2,000 extra.

Substitute rural carriers, according to Western Region postal officials, are eligible for benefits as underemployed residents. These benefits are provided by the Service at the rate established by the State of California. Any salary earned by an underemployed resident is offset against the benefit amount. The net effect is to provide a combination of salary and unemployment compensation up to the amount of benefits entitled to the resident. Consequently, by working substitutes more often, the Service could reduce its unemployment benefit costs because the net difference between salary and unemployment benefits would be smaller.

The Postal Service studied unemployment benefits in 9 states, including California, during a 3-month period ending September 30, 1975. The Service found that 241 rural carriers working less than full time were receiving \$143,600 in unemployment benefits. The Service believed that the magnitude of the problem may be greater nationwide since the study was confined to large industrial states, rather than rural states.

Another benefit that could accrue to the Service is a reduction in the amount of additional leave or free Saturdays given to rural carriers. Under the provisions of the 1975 National Agreement, certain rural carriers taking five days annual or sick leave between Saturdays or covering a Saturday, are not charged leave for these Saturdays. For example, carriers serving H routes are responsible for delivering their routes six days a week. By taking five days sick or annual leave from Monday through Friday, these carriers would receive the beginning and ending Saturdays as extra leave. Thus, these carriers would be paid for seven days leave, but only charged for five days. By taking four weeks annual leave in this manner, Heavy Duty Schedule carriers on H routes would receive eight additional days of annual leave.

Similarly, Heavy Duty Schedule carriers serving J routes can also receive free Saturdays. Usually, these carriers take Saturdays as their relief day. Therefore, by taking five days leave from Monday through Friday, these carriers would receive one Saturday as a relief day and the other as a free Saturday. Heavy duty carriers with J options could then receive up to four free Saturdays by taking four weeks annual leave in five-day increments.

Relief days on K routes are usually Saturdays. Since carriers on K routes are relieved each Saturday, they are not entitled to free Saturdays.

By reclassifying all H routes evaluated between 44:11 hours and 46:29 hours a week to J routes, the Service could save the salary costs for up to four free Saturdays on each route. Similarly, reclassifying all J routes evaluated between 47:24 and 50:43 to K routes could reduce salary costs for up to four free Saturdays on each route.

### CONCLUSIONS

Requiring all Heavy Duty Schedule carriers to utilize the maximum relief time could reduce salary costs by as much as \$4.2 million. In addition, the Service could realize other savings by more fully utilizing substitute carriers, thereby reducing unemployment benefit costs, free Saturdays, and life insurance premium liabilities.

### RECOMMENDATION

We recommend that the Service negotiate with the National Rural Letter Carriers Association to change the heavy duty relief option provision to require all Heavy Duty Schedule rural carriers take the maximum relief time possible.

LISTING OF AUDIT REPORTS

## U.S. General Accounting Office:

- "Review of Selected Rural Delivery Service Activities," B-114874, March 12, 1962.
- "Potential Savings Through Changes in Legislation Affecting Compensation of Rural Carriers and Consolidation of Rural Routes," B-114874, December 13, 1966.
- "Significant Savings Possible if Rural Mail Carriers Used Government Instead of Personal Vehicles," B-161392, January 4, 1968.

## Postal Inspection Service:

- Operational Audit Report, Rural Delivery Service, Central Region, Case No. 321-105-5-0289-AO, July 1975.
- Audit Report, Evaluation of Rural Delivery Service, National Report, Southern Region, Case No. 422-115-7-0003-AO, January 1978.
- United States Postal Service Audit Report, Rural Delivery Service, National Headquarters, Eastern Region, Case No. 220-105-7-0001-AO, October 1977.



TYPE OF ROUTES AND DELIVERY TERRITORY BY SECTIONAL CENTER FACILITY

Sectional Center Facility	Type of route			Description of Territory
	Rural Schedule	Carrier Heavy Duty Schedule	Auxiliary	
<b>Eastern Region</b>				
Clarksburg, West Virginia	58	53	0	Mountainous, very rural.
Dubois, Pennsylvania	27	45	5	Hilly, mostly rural, small amount of suburban area.
Greensburg, Pennsylvania	28	113	12	Hilly, mostly suburban area.
Northern Virginia, Virginia	18	75	15	Mostly suburban, small amount of mountainous rural area.
Pittsburgh, Pennsylvania	38	131	21	Hilly, mostly suburban area.
Prince Georges, Maryland	3	72	9	Open country, mostly rural--small amount of suburban area.
Subtotal	<u>172</u>	<u>489</u>	<u>62</u>	
<b>Southern Region</b>				
Asheville, North Carolina	33	92	7	Mountainous--mostly rural with sparse suburban.
Bryan, Texas	30	80	18	Open country, mostly suburban area.
Charleston, South Carolina	17	67	8	Open country, mostly suburban--small amount of rural area.
Tulsa, Oklahoma	64	83	6	Hilly open country, mostly rural--some suburban area.
Subtotal	<u>144</u>	<u>322</u>	<u>39</u>	
<b>Western Region</b>				
Great Falls, Montana	65	5	0	Mountainous to open country, very rural area.
Portland, Oregon	9	158	31	Mountainous to open country--same amount rural and suburban.
Reno, Nevada	5	12	1	Mountainous to open country, mix of suburban and rural areas.
Sacramento, California	12	47	7	Open country, mix of suburban and rural farmland.
San Jose, California	1	49	2	Mostly suburban--small amount of hilly rural area.
Stockton, California	10	66	4	Open country--mostly suburban area.
Subtotal	<u>102</u>	<u>337</u>	<u>45</u>	
Total	<u>418</u>	<u>1,148</u>	<u>146</u>	
Total nationwide (end of fiscal year 1977)	<u>12,305</u>	<u>19,736</u>	<u>1,691</u>	
Percent of nationwide	<u>3.4</u>	<u>5.8</u>	<u>8.6</u>	



THE POSTMASTER GENERAL  
Washington, DC 20260

June 12, 1978

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

Dear Mr. Lowe:

Thank you for the opportunity to review your proposed report concerning changes needed in rural carrier pay systems.

The report finds that the Service's rural carrier compensation methods may be resulting in excessive salary costs. It recommends that the Service negotiate with the National Rural Letter Carriers' Association to establish a pay system for Rural Carrier Schedule and auxiliary rural carriers similar to the Heavy Duty Schedule method and also change the heavy duty relief option provision to require that all Heavy Duty Schedule carriers take the maximum relief time possible. The report also recommends that the Service work with the Association to update the Heavy Duty Schedule time standards to more closely approximate carriers' average actual work hours.

We agree that the Service's rural carrier compensation methods may be resulting in excessive salary costs. As the report recognizes, the Service cannot unilaterally revise compensation methods, but we do intend to pursue changes in the Rural Carriers Schedule and will also examine carefully the concept of compensating auxiliary carriers by a method similar to the Heavy Duty Schedule, particularly where route hours are substantial. We will also explore the report's recommended changes regarding relief time options and revisions to Heavy Duty Schedule time standards. It is pointed out that the present option system, effective November 20, 1976, was part of a negotiated agreement to conform with the Fair Labor Standards Act.

Since collective bargaining negotiations involve many considerations and some confidentiality, we cannot commit ourselves as to what our negotiating proposals and positions will be in discussions with the National Rural Letter Carriers' Association, but the report's recommendations will receive our careful consideration.

Sincerely,



William F. Bolger