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U.S. POSTAL SERVICE

**The State of
Labor-Management Relations**

Statement of Michael E. Motley
Associate Director, Government Business Operations Issues
General Government Division



POSTAL LABOR-MANAGEMENT RELATIONS

SUMMARY OF THE STATEMENT OF MICHAEL E. MOTLEY ASSOCIATE DIRECTOR, GOVERNMENT BUSINESS OPERATIONS ISSUES

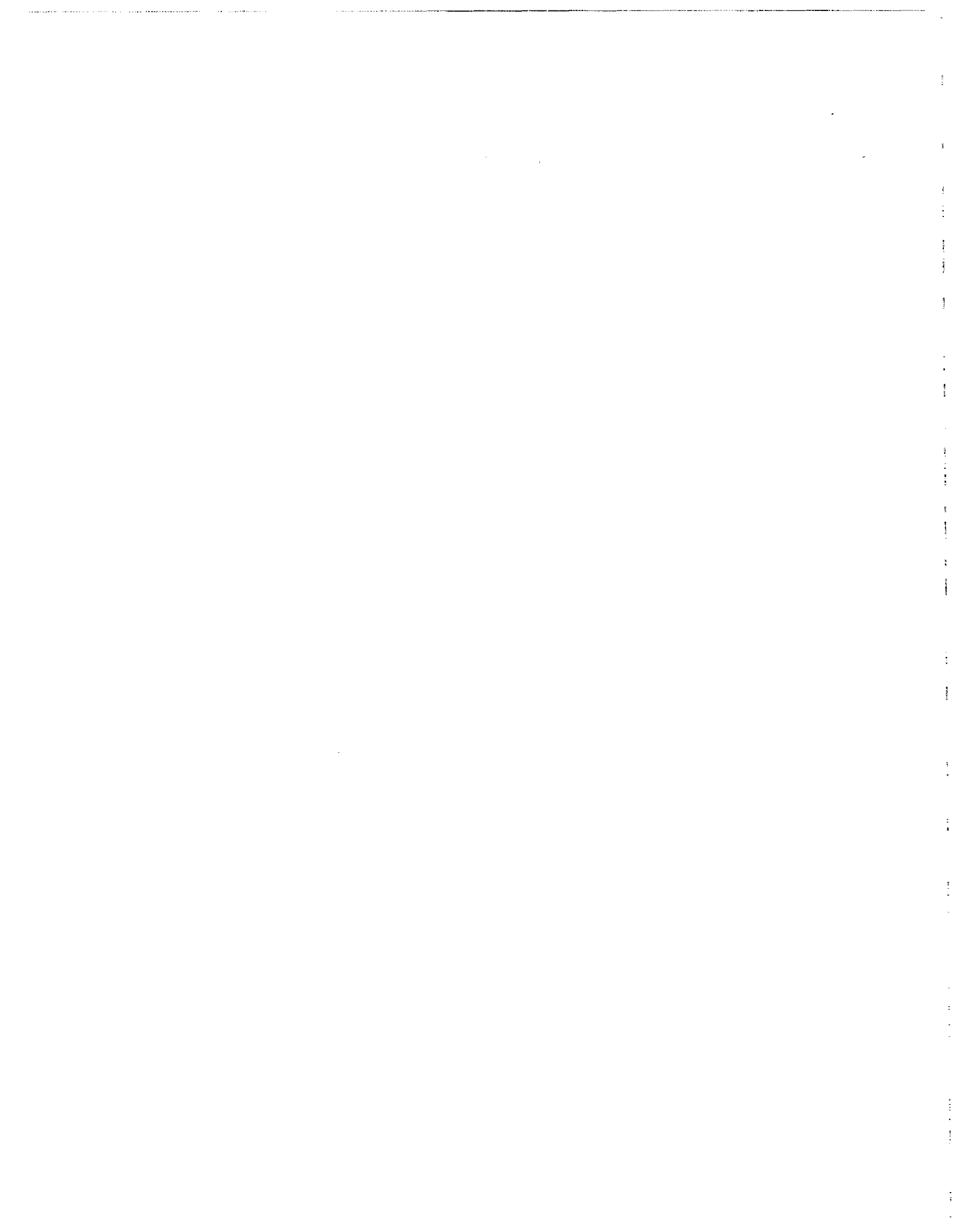
Poor labor-management relations at U.S. Postal Service facilities are long-standing and have multiple causes that are related to an autocratic management style, adversarial employee and union attitudes, inappropriate and inadequate performance management systems, and the nature of the work. Contract negotiations, grievance filing rates, and employee responses to two work climate surveys show that postal managers, unions, and management associations need to improve their relationships to make the Postal Service more competitive and a better place to work. Postmaster General Marvin Runyon has taken a number of actions to change the corporate culture and improve labor-management relations, but this is a difficult long-term task.

The Postal Service lacks the full commitment of its employees to achieve service quality improvements. Postal managers recognize that employees increasingly are rejecting excessive regimentation and demanding more control over their work. At the same time, limited accountability for poor performance severely hinders the work of the Postal Service.

Self-managed work groups in mail processing plants would give employees greater responsibility; both the Postal Service and its employees would benefit. To implement self-managed work groups, the Postal Service needs the commitment and cooperation of all affected parties--management, unions, management associations, supervisors, and employees.

The city carrier system, which has evolved over many decades, is in need of change. The Postal Service now faces a dynamic and increasingly competitive environment and needs a more flexible city delivery system. This new environment requires a system that will offer a more self-managed work environment, is easier to administer, and encourages carriers to perform at higher levels. Unless significant changes are made, it will be difficult for the Postal Service to provide reliable and consistent mail delivery in its major markets, such as the nation's capital.

GAO recommended that postal management and union leaders develop a long-term agreement on objectives and approaches for demonstrating improvements in the work climate of both processing and delivery operations. Congress may need to reexamine the legislative framework under which postal management and unions operate if they cannot agree on a basic framework for change within a reasonable period.



Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss our recent report on labor-management relations at the U.S. Postal Service.¹ We found the labor-management climate at postal facilities to be poor and sometimes acrimonious. These conditions have existed over many years because labor and management leadership, both national and local, have been unable to work together to find solutions to their problems. This situation has persisted while mail delivery and customer satisfaction, which are highly dependent on employee and management commitment, have deteriorated. Under Postmaster General Marvin Runyon's direction, the Postal Service has taken significant and promising steps to change its culture and improve its performance. However, lasting improvements will be realized only if postal management, union, and management association leaders at all levels are committed to changing their traditional practices. This may require modifying the national agreements to allow for workplace flexibility; empowering employees through work teams; and linking pay, in part, to organizational and unit performance.

ADVERSARIAL LABOR-MANAGEMENT RELATIONS

Relations between the Postal Service and three of its four unions are generally adversarial. Rural carriers have been the exception. Poor relations are particularly evident by the national parties' heavy reliance on arbitration to resolve disputes. Interest arbitration (i.e., arbitration over the terms of a new contract) was used by management and the two largest postal unions--the American Postal Workers Union and the National Association of Letter Carriers--to settle disputes in three of the five contracts negotiated since 1978. The central issues in these negotiations were wage and benefit increases, job security, cost control, and flexibility in hiring practices. Consequently, policies affecting quality of worklife generally have not been given the attention needed in contract negotiations, and employee dissatisfaction with working conditions has contributed to poor performance on the job. Current negotiations between the Postal Service and three of its four unions have once again ended in an impasse. This means that unresolved issues will again be decided by a third party.

Local union and management leaders also have difficulties settling disputes informally. The grievance arbitration procedure is overloaded. In fiscal year 1994, over 61,000 grievances were not settled on the workroom floor and were elevated to higher levels. In 1992, the last year that data were available on a national level, a backlog of over 38,000 grievance cases was awaiting resolution through arbitration. If the Postal Service continues to process cases at the 1992 rate, many

¹U.S. Postal Service: Labor-Management Problems Persist on the Workroom Floor (GAO/GGD-94-201 A/B, Sept. 29, 1994).

employees can expect to wait a year or longer for their grievances to be resolved.

LOW EMPLOYEE MORALE AND JOB DISSATISFACTION

In April 1992, the Postal Service conducted a nationwide work climate survey to assess the organization's strengths and weaknesses. The results were discouraging. Most postal employees reported that they liked their pay and benefits and were proud to be a part of the Postal Service, but they expressed general dissatisfaction with their work environment. Specifically, their responses indicated that management did not treat them with respect, that job stress was a problem, and that postal management was insensitive to the needs and concerns of individual employees. Over half of the postal workforce believed that unions and management have not worked well together and that relations had deteriorated during the past 5 years. The survey showed that problems were more severe in large urban areas and more prevalent in mail processing than in customer service operations.

At both the national and local levels, union and management representatives told us a similar story. They described a work environment in which friction between supervisors and mail processing employees and city carriers is common and in which conflict, low morale, and job stress are the norm.

By contrast, rural carrier responses indicated that they generally were satisfied with their work environment and their relationship with postal management. They also filed fewer grievances than city carriers. National grievance rates for the first 3 quarters of fiscal year 1992 showed that city carriers filed 11 times more grievances per 100 employees than rural carriers.

While city and rural carriers have common goals and in many cases work out of the same post office under the same supervisors, they have different work environments, and their attitudes about the Postal Service, their work, and supervision differ significantly. The differing views of these carrier groups are associated primarily with (1) the relative independence of rural carriers to do their work compared to city carriers and (2) the difference in incentives for good work offered to the two carrier groups.

PROBLEMS HAVE MULTIPLE CAUSES

On the basis of grievance/arbitration data, employee opinions, and interviews with over 250 union and management officials, we identified four sources of friction between supervisors, employees, and unions. They include an autocratic management style, adversarial employee and union attitudes, inadequate and

inappropriate performance management systems, and the nature of the work.

Autocratic Management Style

Both union and postal officials believe that some managers think employees respond best to intimidation and discipline. According to local union officials, there are supervisors who believe employees will not work unless they are watched constantly. They said that some even harass employees and deliberately violate labor contracts to move the mail. According to a management official, the autocratic management style has become so ingrained over the years that new supervisors tend to treat employees the same way they were treated when they were craft employees.

Employees' and Unions' Attitudes

Although the majority of craft employees are hardworking, productive people, there are some who engage in nonproductive behavior. According to the 1993 work climate survey, 74 percent of the bargaining employees reported that some people do most of the work while others do just enough to get by. The majority of employees also believed that poor performance usually is tolerated. The climate survey also reported that about 20 percent of the craft employees believed there were substance abuse problems at the Postal Service. An even greater number--34 percent--believed substance abuse problems existed in mail processing facilities.

According to management officials, these problems are exacerbated by some local unions who see a duty to their members to grieve almost every disciplinary action. A management official noted that shop stewards are postal employees who are paid by the Postal Service to process grievances during workhours. Therefore, he said, the more grievances that stewards process, the less time they have to spend doing their regular jobs. Another management official said that if the union does not like the grievance resolution, it will sometimes continue to file a grievance over the same issue, starting the process over again.

In addition, postal managers have struggled for many years to deal with employees who routinely do not show up for work. Unscheduled absences can result in delayed processing of mail, failure to dispatch mail in time to meet transportation schedules, and increased processing costs due to unnecessary overtime pay to help pick up the slack.

Ineffective Performance Systems

Unproductive management and employee behavior is reinforced by the performance management systems that encourage "managing by the numbers." Until January 1994, supervisors were evaluated

using a variety of productivity and budget goals established at the beginning of a year. These goals addressed such things as control of employees' sick leave usage, workdays lost due to injuries, and the amount of overtime used. These evaluations were used as the basis for merit pay increases for supervisors. Union officials dislike the system because it rewards inappropriate conduct. They told us that some supervisors neglect employee relations in their zeal to make productivity and budget goals. As long as they meet their bottom line targets, however, they are rewarded with good ratings. Union officials added that instead of the Postal Service disciplining "successful" supervisors who blatantly mistreat employees, it often has just transferred them to other locations.

The performance management systems for craft employees also need improvement. Supervisors and union stewards believe that disciplinary procedures are ineffective in dealing with poor performers. According to the national work climate survey, the situation is so bad that most supervisors stated that they have given up trying to discipline nonperformers; craft employees agree that this has occurred.

Performance management systems for craft employees also offer few incentives for better employee performance. According to the Postal Service's employee opinion survey, most employees feel that performing well only results in having to do more work. They feel that high performance levels are neither appropriately recognized nor rewarded.

Nature of the Postal Work

The physical and economic environment of the Postal Service exacerbates the problem. Management association officials stated that facilities often are understaffed because of budget constraints. Supervisors added that practicing good interpersonal skills on the workforce is difficult because the loud factory-style environment forces people to raise their voices to communicate. Adequate time to discuss employees' concerns is limited due to the time-sensitive nature of the work.

PROBLEMS HAVE HIGH COSTS

Labor relations problems are costly. In fiscal year 1992, the Postal Service spent about \$200 million processing grievances. There also are lost opportunity costs of employee hours diverted from direct production tasks to grievance handling, including resources that could be better utilized for training, problem solving, and human resource management.

An autocratic management style also has a dampening effect on employee innovations. In the nationwide survey, a majority of craft employees reported the workflow was not well organized.

However, workers said they were reluctant to reveal problems or errors because management did not encourage them to come up with new and better ways of doing things.

LABOR AND MANAGEMENT INITIATIVES HAVE NOT HAD LASTING RESULTS

A number of efforts have been implemented to improve the postal work environment and enhance labor-management relations. Some are aimed at employees, while others are directed at union and management officials. They include employee-management participation plans, an incentive program, and other labor-management initiatives. The participation plans yielded some operational improvements but did little to change the overall organizational culture of the Postal Service. The incentive program yielded mixed results, and other labor-management initiatives suffered from sporadic implementation and a lack of union and management commitment.

CHANGING THE POSTAL CULTURE

Since becoming Postmaster General in July 1992, Marvin Runyon has been working to forge a labor-management partnership and eliminate the autocratic management style. His goal is to shift the Postal Service culture from one that is "operation driven, cost driven, authoritarian, and risk averse" to one that is "success-oriented, people oriented, and customer driven." Changing the corporate culture cannot occur overnight; it will require a long-term effort that can take at least 5 to 10 years to complete.

Mr. Runyon's strategies for changing the corporate culture have centered on (1) restructuring and downsizing the organization, (2) holding leadership meetings that include all Postal Service officers and the national presidents of the unions and management associations, and (3) changing the incentive systems for rewarding managers. The development of a labor-management partnership through the National Leadership Team structure and management reward systems that encourage teamwork and organizational success are good first steps. However, there is no overall agreement among unions and management for change at the field operations level. They have been unable to come to terms on a clear framework or long-term strategy for ensuring that first-line supervisors and employees at processing plants and post offices buy into renewed organization values and principles and change their behaviors and operating styles.

The Postal Service and unions have experimented with self-managed work units. At the time of our review, seven processing facilities and five post offices were testing a "crew chief" program, which allowed craft employees to take greater responsibilities for moving the mail. However, the program did

not address some underlying issues that create conflict between labor and management, such as the lack of incentives for teamwork and procedures for dealing with poor performers.

APPROACHES OF OTHER ORGANIZATIONS FOR BUILDING A COMMITTED WORKFORCE

We visited two private sector unionized organizations (Ford and Saturn) whose successful corporate performance, according to their corporate officials, is due in large measure to innovative labor-management relationships. Saturn has made extensive use of such nontraditional practices as employee empowerment and labor-management partnerships, while Ford's employee involvement program is more traditional. However, at both Ford and Saturn, union and management officials formed partnerships and made long-term commitments to change the way they interacted with each other. Together with the United Auto Workers, management at both companies authorized increased operational flexibility in work units, changed the way work was organized, and introduced new systems to emphasize employee empowerment. They also negotiated pay systems under which a certain percentage of pay is based on corporate performance.

CONCLUSIONS AND RECOMMENDATIONS

Improving relations on the workroom floor at the Postal Service will require increased flexibility, including changes in union contracts and personnel systems to allow experimentation with and evaluation of new forms of supervisor-employee interaction. The current contract negotiations between the Postal Service and three of the four major postal unions provided an opportunity for the Service and the unions to begin making such changes. Unfortunately, the negotiations have reached an impasse, and the parties will again have to rely on arbitration to resolve the disputes.

To address the quality of worklife issues discussed in our report, we recommended that the Postal Service, unions, and management associations develop a long-term agreement (covering at least 10 years) to change the workroom climate of both processing and delivery functions. This agreement should provide incentives that encourage teamwork and give employees greater responsibility and accountability for work results. We also recommended that the parties test new approaches at pilot sites and evaluate their impact on employee and customer satisfaction. Specifically, the agreement should provide for the following principles and values:

1. structure the work to assign employees greater responsibility and accountability for results by clearly defining the composition and structure of work teams and the criteria for measuring team success;

2. provide incentives to encourage all employees in work units to share in the tasks necessary for success and to recognize and reward work units and employees primarily on the basis of corporate and unit performance;
3. train employees and hold them accountable for working as members of work teams, with a primary focus on serving the customer and continuously improving unit operations;
4. select and train supervisors who can serve as facilitators and counselors and who have the skills, experience, and interest to treat employees with respect and dignity, positively motivate employees, recognize and reward employees for good work, promote teamwork, and deal effectively with poor performers; and
5. counsel, train, and, if necessary, remove supervisors and employees who demonstrate a lack of commitment to work unit goals, values, and principles.

For mail processing employees, we recommended that the approaches include developing, implementing, and evaluating self-managed work units. This could be done by expanding the crew chief and service captain efforts to include a redefined role for supervisors, new incentives for achieving corporate and unit goals, and effective means to hold employees accountable for results. For delivery employees, we recommended that the agreements include greater independence for employees in sorting and delivering mail, incentives for early completion of work, and a system of accountability for meeting delivery schedules. We are not advocating that city carriers merely adopt the rural carrier system but that city carriers and management build a system that incorporates known positive attributes of the rural system, such as greater independence and incentives for fast and reliable mail delivery.

After test units have had sufficient time to implement agreed-upon changes, we recommended that the National Leadership Team should arrange for an independent evaluation to determine (1) the extent to which units have achieved the stated objectives; (2) their effects on employee and customer satisfaction; (3) any additional changes in policies, contracts, or systems that may be needed; and (4) whether similar changes should be made in work units throughout the Postal Service.

If the postal management, the unions, and management associations cannot reached a framework agreement within 2 years from the date of our report, Congress may want to reexamine any aspects of the employee and management relationships within the Postal Service that are prescribed in the Postal Reorganization Act of 1970 but constitute barriers to reaching a framework agreement during these 2 years.

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Mr. Chairman, this concludes my prepared statement. My colleagues and I would be pleased to respond to any questions.

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