

APPENDIX O — Performance-Based Strategies

One of the key components for any transformation effort is the culture of the organization. Continuing to improve operational efficiency and customer value is contingent upon exceptional performance by the Postal Service's employees. The Human Capital Strategies will move the organization toward a more performance-based culture.

This Appendix to the *Transformation Plan* contains additional explanation, detail and examples of short-term strategies that are employee focused. This is not meant to be a comprehensive list of postal projects, but is meant to outline those that will contribute to the success of enhancing the postal culture.

Strategies in this Appendix include:

- Focus on Retention and Recruitment
- Utilize Succession Planning to Identify, Develop, and Select Current and Future Leaders
- Ensure that a Dynamic Training Continuum is Available to Develop a Pool of Talent to Fill Leadership Positions
- Create a Performance Based Pay System
- Build a Highly Effective and Motivated Workforce
- Build the Labor / Management Relationship
- Improve Workforce Planning
- Expand Shared Services / Explore Outsourcing
- Improve Collective Bargaining Interest Arbitration Process
- Reduce Workers Compensation Costs

Create a Performance Driven Culture

Overarching Objective

Continuing to improve operational efficiency and customer value is contingent upon exceptional performance by the Postal Service's employees. The Human Capital Strategies will move the organization toward a more performance-based culture.

Strategy 1: Focus on retention and recruitment

Substrategy 1: Retain employees with skills critical to the success of the Postal Service

Background

Changing business needs are altering the skill requirements for current employees. Additionally, the Postal Service must compete fiercely with private industry to retain and recruit job candidates in many parts of the organization, from lower skilled positions to essential technical and professional positions. This competition comes as the workforce is aging. By 2006, 55 percent of executives and officers, 36 percent of managers and supervisors, and 19 percent of career employees will reach eligibility for regular retirement.

Failure to address these attrition trends will have an adverse impact on the Postal Service's ability to both retain its current talent and attract external talent. A full analytical effort is currently underway to uncover the attrition trend data by both geographic area and job category. This data will provide turnover trends that will serve as a baseline for recommending any new pay and benefit incentives.

An additional factor constraining the Postal Service's ability to provide compensation that is comparable to the private sector is the statutory salary cap. Current salary compression for selected manager, executive, and officer positions makes it more difficult to retain and recruit key talent. Legislative relief will be necessary to assist with this constraint.

Milestones

- Review current pay, local demographic, and labor market issues to determine root cause factors affecting retention rates (2003).
- Incorporate data on workforce / labor trends and demographics into the strategic retention and recruitment plans (2003).
- Conduct a retention study with former employees to understand not only who is leaving the organization, but also all the issues that have contributed to an employee's decision to leave (2003).
- Use data to evaluate how salary and benefit packages can best be enhanced. Suggest the types of retention and recruitment incentives that will allow the Postal Service to compete for talent (2003).
- Develop the business case to address expanded pay and benefit initiatives as appropriate (2003).

Metrics

- Annual attrition trends by geographic area and job category.
- Voice of the Employee Survey data – key questions on workplace environment as a measure of retention.

Substrategy 2: Concentrate recruitment efforts on bringing talent, skills, and experience from within the organization and from the outside labor market to address potential loss of Postal leadership

Background

The Postal Service will need to consider a variety of recruitment alternatives to attract qualified candidates from both within the organization and outside. Unlike the past, recruitment strategies must include active searching for sources of qualified applicants, and attracting those applicants to the organization. The Postal Service will push for process and technology changes that will not only lead to improving its position when it comes to competing for talent, but will also reduce the reliance on labor intensive and cumbersome manual recruitment and hiring processes. Technology will become the organization's key tool to reengineering the recruiting, hiring, and development processes.

Additionally, an industry best practice is to move to a centralized recruitment concept. This is particularly true when seeking candidates who possess specialized skills critical to the Postal Service. A centralized approach would allow field personnel offices to focus on the high volume local hires, while other recruitment efforts focus on attracting and screening candidates for specialized skilled positions. By piloting new recruitment concepts, the Postal Service can measure resulting reductions in hiring costs, improvements in applicant flows and can establish necessary protocols with third parties interested in being outsource suppliers. Two new programs will be introduced that are designed to infuse the organization with leadership talent for the future. Specifically, by introducing a new Management Intern (MI) program as well as a Professional Specialist Intern (PSI) program, the Postal Service will recruit individuals with advanced degrees to participate in these two-year training programs. Successful completion of the programs will result in skilled candidates capable of assuming critical vacancies within the organization.

Milestones

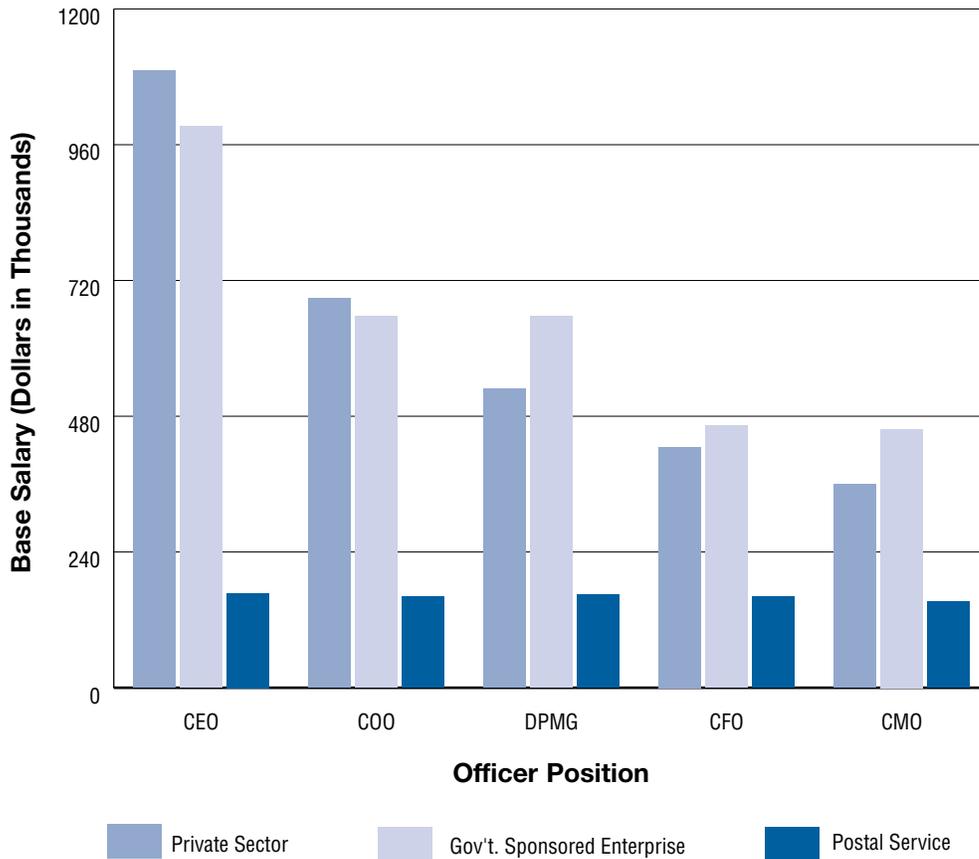
- Focus on the Associate Supervisor Program as the standard for recruiting and developing both internal and external talent to fill critical initial level supervisor vacancies (2002)
- Introduce two intern programs designed to build a “strong” bench of individuals, both internal and external, capable of assuming higher level operations and/or specialized skill positions (Management Intern program which was introduced in 2002 and Professional Specialist Intern program to be introduced in 2003).
- Expand alternative recruiting sources: use of third parties to perform the marketing and attracting activity necessary to identify interested and qualified candidates for specialized skill positions (2003).
- Pilot enhanced automated screening process to support improvements in the hiring process (2003).

- Pilot centralized recruitment structures—focus specifically on attracting skilled candidates that will address attrition projections for hard to fill positions nationwide (i.e. bargaining: electronic technicians, automotive mechanics and truck drivers; nonbargaining: accountants, economists, psychologists) (2003).
- Continue to use Web technology to enhance the recruitment and hiring processes for attracting candidates for vacancies throughout the organization (2004).

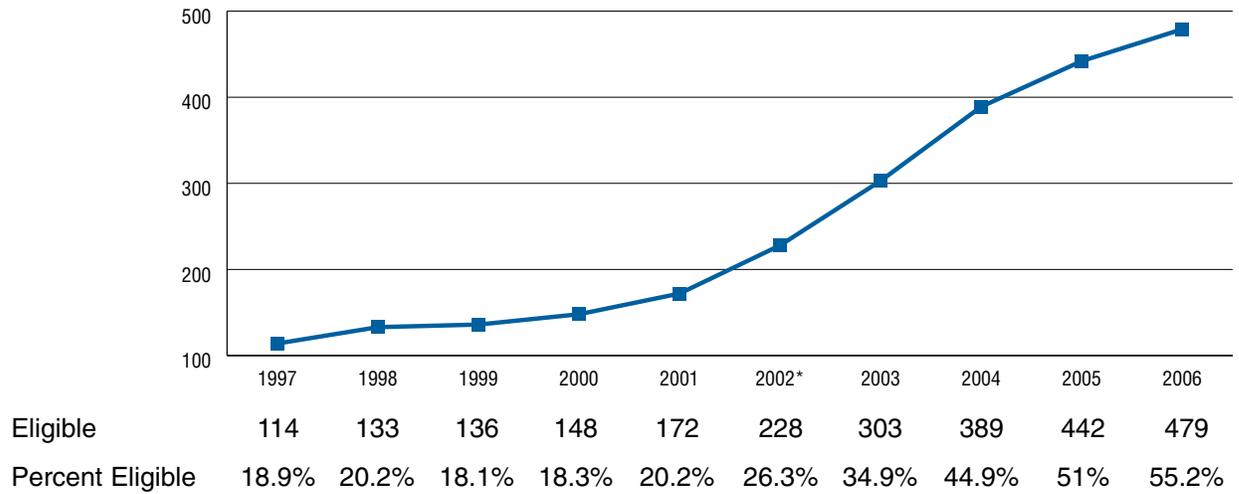
Metrics

- Retention data on candidates hired from new recruitment initiatives
- Time to fill
- Cost to hire
- Satisfaction of client with candidate hired
- Applicant pass-through rates

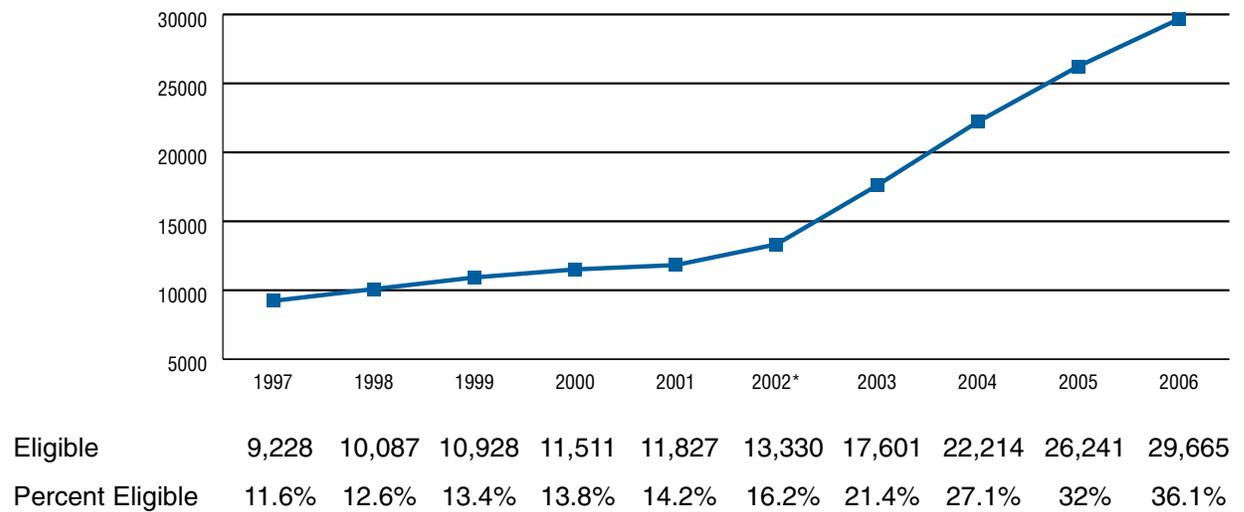
IMPACT OF STATUTORY SALARY CAP ON POSTAL POSITIONS



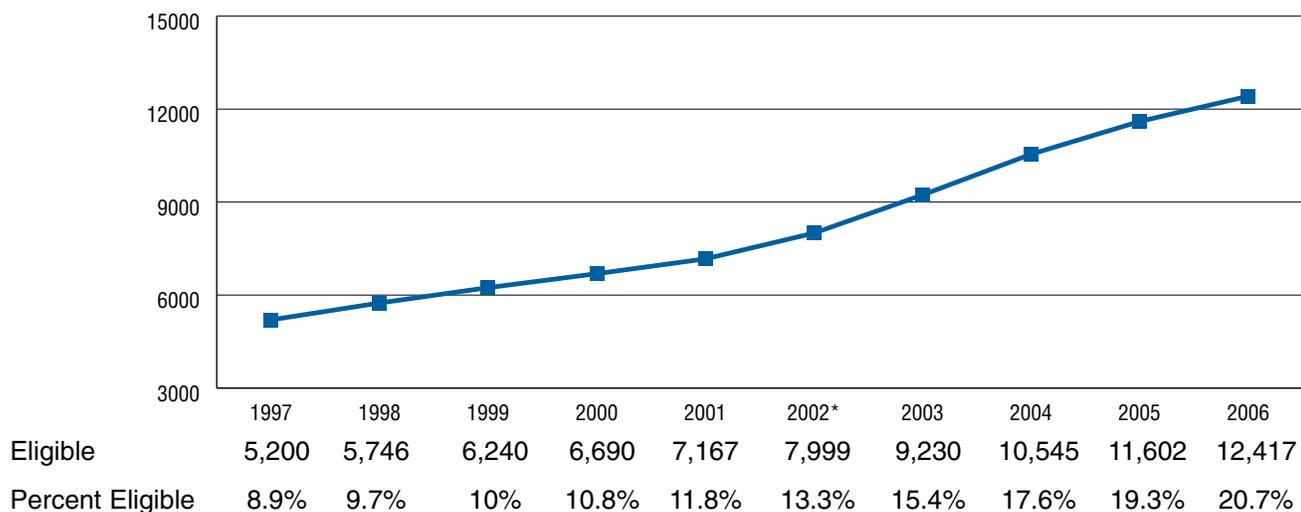
OFFICER AND EXECUTIVE RETIREMENT ELIGIBLES



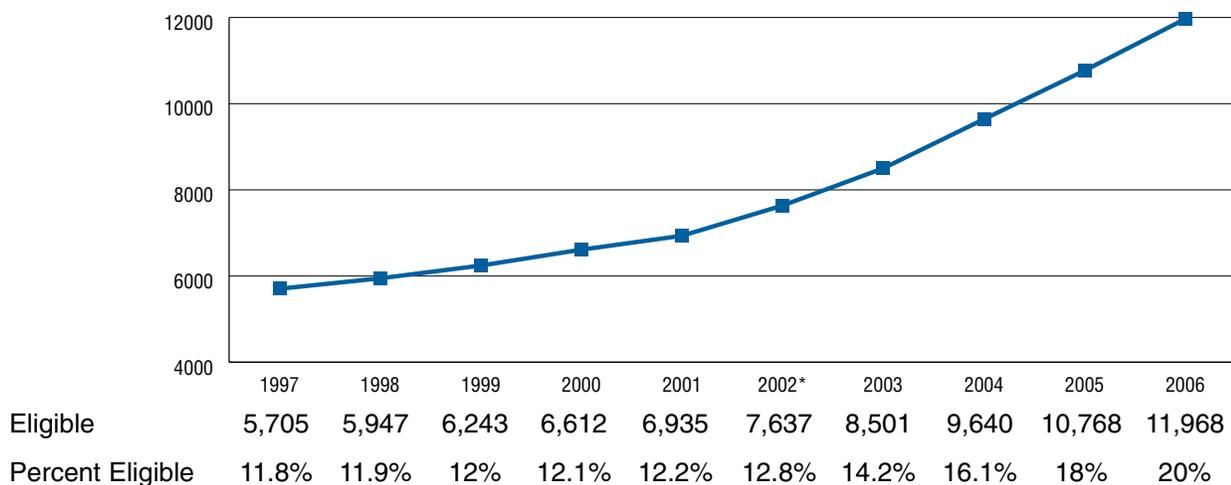
MANAGER, SUPERVISOR, AND POSTMASTER RETIREMENT ELIGIBLES



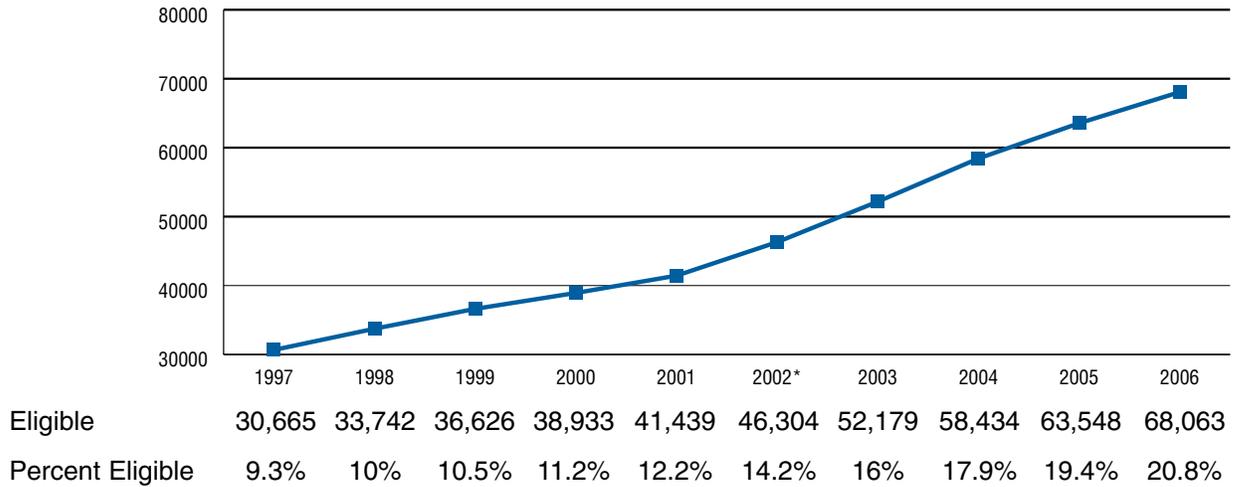
NATIONAL POSTAL MAIL HANDLERS UNION RETIREMENT ELIGIBLES



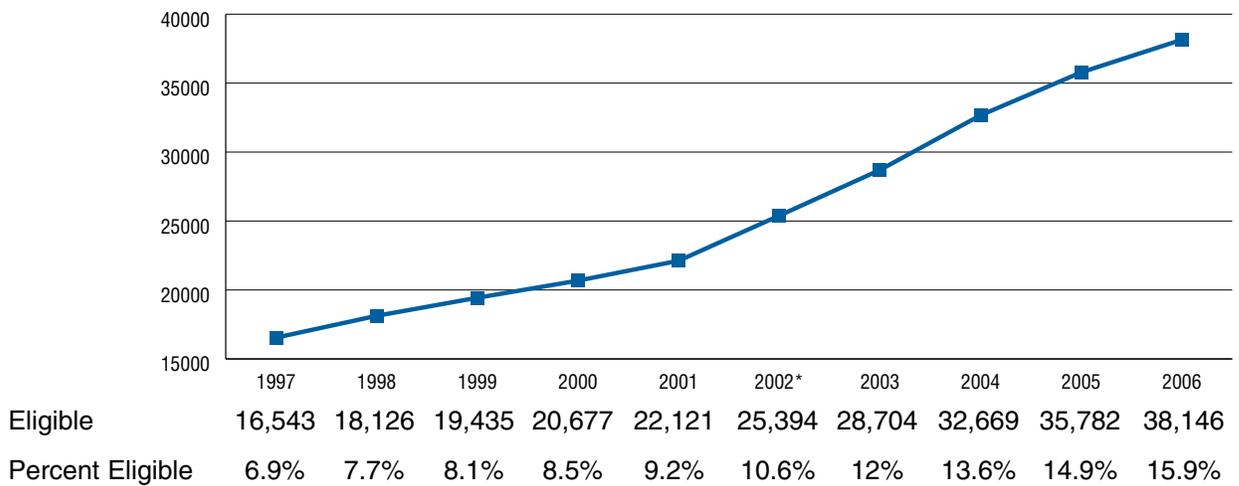
NATIONAL RURAL LETTER CARRIERS ASSOCIATION RETIREMENT ELIGIBLES



AMERICAN POSTAL WORKERS UNION RETIREMENT ELIGIBLES



NATIONAL ASSOCIATION OF LETTER CARRIERS RETIREMENT ELIGIBLES



Strategy 2: Utilize succession planning to identify, develop and select current and future leaders

Background

While executive succession planning has been a key leadership initiative, the organization's ability to address a potential leadership drain has never been more critical. Approximately 55 percent of key officers and executives and 36 percent of managers and supervisors will become eligible to retire over the next five years, and the organization is faced with not only retaining and developing key talent, but infusing the organization with new talent and skills. To meet this challenge, the Postal Service will undertake activities that allow it to continue to develop those identified as high potential leaders today, as well as seek talent from the current labor market. The succession-planning program has been the backbone of the Postal Service's leadership strategy since 1994. This program incorporates the major components of identifying, developing, preparing, and selecting individuals for executive positions in the Postal Service. Employees are identified by their respective officers as a "successor" for a specific executive position through a process that defines an employee's management, functional, and human relations skills.

Throughout the organization, leaders assume a key role in working with high-potential individuals, helping to develop the leadership and functional competencies necessary to fill executive positions. The officers of the organization, along with the Postmaster General, are active participants in the process.

Vacant executive positions are usually filled by either selecting an individual who has been identified as a potential successor, or through outside recruitment. Trends reflect that on average, 96 percent of the vacant PCES positions are filled with individuals who have been identified as successors and who have demonstrated the potential for future success.

Having a strong succession-planning program has enabled the Postal Service to meet its current demand in filling executive positions. However, as it experiences an increase of executives leaving for other federal agencies and private sector firms, and as retirements begin to increase, more will have to be done to identify and prepare talent for executive positions. Postal Service strategies include reinforcing leadership accountability in the entire planning process with particular emphasis on developing high potential individuals. Additionally, the Postal Service continues its commitment to providing educationally enriching opportunities as well as challenging leadership assignments for key executives. Finally, as both a recruitment initiative, and a training initiative, the Postal Service will implement a Management Intern program, to attract candidates to fill middle management positions thus establishing a baseline pool for future leadership. Additionally, a similar program will be deployed to address the need to build a bench-strength of technical and professional skills for critical positions at headquarters.

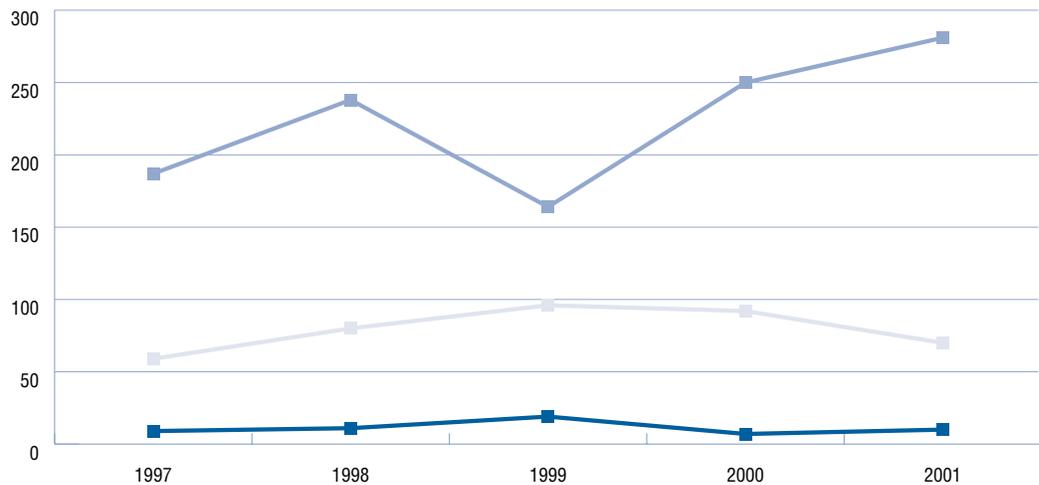
Milestones

- Continue offering executive development programs (MIT and Stanford / Sloan Fellowships and the Harvard Advance Management Programs) for high-potential executives (2002).
- Establish accountability for individual development plans. Officers and executives will be held responsible not only for having IDP's for successors, but ensuring that planned activities are accomplished (2003).
- Establish metrics to evaluate the effectiveness of succession planning (2003).

Metrics

Each executive position has a cadre of ready-now successors identified to assume full responsibility for an executive position.

POSTAL CAREER EXECUTIVE SERVICE REASSIGNMENT TRENDS



■ PCES to PCES	187	238	164	250	281
■ EAS to PCES	59	80	96	92	70
■ New Hires	9	11	19	7	10
Successors	96.5%	96.6%	93.2%	97.9%	97.2%

Strategy 3 — Ensure that a dynamic training continuum is available to develop a pool of talent to fill leadership positions

Substrategy 1: Maximize available training and development programs in order to have a pool of potential successors at all levels of the organization

Background

All employees are trained for their specific positions and development programs are available to support employee career paths from the craft through supervisory, into management, and finally, into executive positions. Training is competency-based and developed to leverage learning, skills, and knowledge throughout career progression. Building bench strength for all levels of management is a critical assignment for Human Resources. The Postal Service will establish a defined career path for supervisors and managers, thus facilitating succession at the low to mid-level positions within the organization. This process would then feed into the existing succession plan for executives and officers.

Milestone

Establish pools of qualified employees for all major job families (2004)

Substrategy 2: Implement more technology based training solutions

Examples are e-learning curriculum, job aids, just-in-time training, blended learning, use of authoring and simulation tools to maintain and build an interactive training continuum.

Background

The Postal Service currently faces challenges in communicating information and training due to varying levels of available technology in the organization. Technology provides a broad opportunity to train and develop employees locally, at low cost and precisely when information or training is needed. The Postal Service currently delivers a continuum of training and development for employees using a variety of delivery methods which includes classroom, distance learning through the Postal Satellite Training Network and the Postal Audio Tele-training Network, video, compact disc, postal intranet, and the Web.

Milestones

- Add technology delivered components to managerial foundation programs: Associate Supervisor Program, Career Management Program, Processing and Distribution Management Program, Advanced Leadership Program (2004). Initiatives such as the computer-based Leadership Excellence at the Desktop (LEAD) which will be used as a component for coaches and mentors.
- Offer just-in-time technical training at the job site through e-learning, which is Web-based for 10 percent of all existing courses each year beginning in 2003.

Substrategy 3: Secure / develop a learning management system utilizing current legacy systems to coordinate administration, scheduling, tracking, assessment, and testing of learners in both classroom and e-learning settings

Background

In the current learning environment there are multiple data sources which house training related information for managing day-to-day training activities. These data sources are not tightly integrated with each other. The organization does not have a central entry point for learning which is connected to individual performance results or business indicators, and therefore, the current state is neither an adequate nor an efficient process to meet organizational business goals. By integrating the multiple data sources that house training related information, the Postal Service can replace redundant, manual processes with organization-wide standardization, and give operational managers information to make cost effective and targeted decisions about training.

Learning Management Systems provide the following;

- **Customer Support** – provide a unified online customer interface;
- **Performance Management** – Online job support / job aids;
- **Data Management** – automate field data entry, connect legacy databases, and support local training administration;
- **Content Management** – allow modular, reusable training content that can be easily customized and adapted, connect content from different functional stakeholders, and connect vendor provided content; and
- **Competency Management** – connect individual development plans to competency assessments and training information, provide competency to curriculum mapping, connect career paths to jobs to curriculum to competencies.

Milestones

- Review existing off-the-shelf resources for purchase (2002).
- Continue to enhance current system (i.e., automated enrollment system) (2006).

Interdependencies

On the following page is a chart that describes the Postal Service training and development action plan by employee pool level.

ACTION PLAN FOR TRAINING AND DEVELOPMENT				
POOL LEVEL	PROGRAM NAME	PURPOSE DESCRIPTION	RECRUITMENT	
			INTERNAL EXTERNAL	MILESTONE
PS	Craft Skills	Required craft training for craft specific training, e.g., orientation, regulated and mandatory training.	Both	Ongoing
PS	Craft Skills	Training for skilled positions, and developmental / promotional opportunities, e.g., maintenance.	Both	Ongoing
PS and thru EAS 15	Associate Supervisor Program	The purpose of the Associate Supervisor Program is to attract, select, and train the best possible candidates for first-line supervisory positions. The structured selection process is designed to screen applicants based upon the specific knowledge, skills and abilities required for the success of Postal supervisors. The goal of the selection is to select the applicants who best meet the requirements of the position.	Both	Ongoing
EAS 15 – 23	Career Management Program	Career Management Program course curricula cover skills and knowledge identified by the field as critical for effective supervision and management. Provides skills and knowledge to guide increased efficiency, continuous improvement and outstanding customer service.	Internal	Ongoing
EAS 18 – 25	EAS Leadership Development	EAS Leadership Development is a process approach designed to create an environment that provides early identification of leadership talent. Focus is to identify positions most critical to operational needs and develop a pool of talent to fill positions. (IDP needed)	Internal	2004
EAS 22 – 25	Processing and Distribution Management	The Processing and Distribution Management Program was built to develop bench strength for plant manager positions. Focuses on core operational aspects of plant management position. (IDP needed)	Internal	Ongoing
EAS 22 - PCES	Advanced Leadership Program	The Advanced Leadership Program provides the knowledge, skills and experience necessary for participants to positively impact and support future postal management decisions and direction. The program seeks to develop a highly competent managerial base from which future organizational leaders will emerge. (IDP needed)	Internal	Ongoing
EAS 19 – 21	Management Intern	The Management Intern program prepares internal and external candidates to assume critical operational positions.	Both	2002
	Professional Specialist Intern	The Professional Specialist Intern program prepares internal and external candidates to assume technical or professional responsibilities at postal headquarters.	Both	2003
EAS 15 – PCES	Leadership Excellence at the Desktop	Leadership Excellence at the Desktop is a performance support tool to provide just-in-time information and coaching at the desktop.	Internal	Ongoing
PCES and Officers	Executive Training	Develop to increase leadership performance based on executive competencies and assumption of the need for continuous learning. (IDP needed)	Internal	2003
PCES and Officers	Ongoing PCES Development	Refresh and develop executives based on current and emerging business trends. (IDP needed)	Internal	2003
PCES and Officers	Sloan	Select developmental programs for “star” executives in the succession planning process as well as our officers. (IDP needed)	Internal	Ongoing

IDP – Individual Development Plan; PS – Postal Service; EAS – Executive and Administrative Schedule; PCES – Postal Career Executive Service

Strategy 4: Create a Performance-Based Pay System

The Postal Service will redesign the performance-based pay systems to improve accountability for individual contributions to organizational success; provide clear expectations and feedback on progress towards goals; and reward and recognize exceptional individual performance for achieving challenging objectives.

Putting more pay-at-risk in the total compensation mix helps achieve these objectives and moves the Postal Service closer to a private sector model of total compensation.

Background

The Postal Service has led the federal government in building market-based, performance-driven compensation systems. While considerable organizational success has resulted from these changes in the past, there is still room for improvement in the total compensation strategy to help drive transformation of the Postal Service. This new pay system will place a greater focus in rewarding individual, rather than group achievement. Operations is taking the lead on developing objective performance measures through the use of metrics at all operational levels of the organization. Human Resources is responsible for redesigning performance-based compensation systems and consulting with the management associations on changes.

Milestones

- Consult with the Management Associations in 2002
- Complete the redesign of the performance-based pay programs by 2003 / 2004
- Evaluate operations executives under new assessment / pay system for 2002
- Evaluate Headquarters / field support executives and key operations managers down through EAS grade 18 under new assessment / pay system for 2003
- Evaluate front line supervisors down through EAS grade 15 under new assessment / pay system for 2004

New Performance Management System

Management Cycle

The Management Cycle of planning, implementation, and review consists of four distinct phases of activities intended to give direction to the organization and to build and sustain improved performance against the goals that are set:

Establish:	Establish overarching goals, subgoals, indicators, and targets at the national level.
Deploy:	Deploy resources to achieve goals, subgoals, indicators, and targets.
Implement:	Implement improvement actions.
Review:	Review performance and adjust actions accordingly.

The Management Cycle phases overlap, so that at any given point in a year, the Implement phase for the current year is ongoing; the Establish and Deploy phases for the coming year may be in progress; and simultaneously performance for the previous year and the quarter may be under review. The phases are timed to ensure that overarching goals, performance subgoals, indicators and targets have been set and

resources deployed throughout the organization before the beginning of the fiscal year. This approach will focus the Postal Service management cycle on new line-of-sight performance measures—the systematic measurement and assessment through the National Performance Assessment System.

Phased Implementation of National Performance Assessment System

The new Performance Assessment System will be phased in. The annual management cycle for establishing national goals, indicators and targets already exists. The first step in implementing the National Performance Assessment System is to consult with the management associations as required by law. The consultation process should be completed by 2002. In 2002, operations executives are being evaluated under this system; in 2003, Headquarters / field support executives, field key operations managers and EAS grade 18 and above will be included. By 2004, the Postal Service intends to have the National Performance Assessment System in place for front line supervisors down to EAS grade level 16.

SAMPLE INDICATOR LISTING UNDER NATIONAL PERFORMANCE ASSESSMENT SYSTEM

Group	Weight	Indicator
Budget	35%	Total Adjusted Operating Expense Total Adjusted Work hours
Overtime	5%	Carrier Overtime Customer Service Clerk/Mail Handler Overtime Mail Processing Clerk/Mail Handler Overtime Penalty Overtime
Attendance	5%	Total Sick Leave Total Sick Leave %SPLY
Service	35%	Advance Customer Service Measurement Delivery Confirmation Priority Mail Scanning Performance Delivery Confirmation Priority Mail Service Performance Effectiveness First-Class Mail - 2/3 Day Orig/Dest Composite First-Class Mail - 2/3 Day Orig/Dest Composite Points to SPLY First-Class Mail - 2 Day Orig/Dest Composite First-Class Mail - OND Destinating Express Mail - Intra District Bulk Mail Center - Intra District Priority Mail - Overnight Delivery Priority Mail - Surface Within 2 Days Priority Mail - Total Within 2 Days
Safety	20%	Motor Vehicle Accidents Motor Vehicle Accidents %SPLY OSHA Injury & Illness OSHA Injury & Illness %SPLY

Strategy 5 —Build a Highly Effective and Motivated Workforce

The Postal Service will reinforce individual accountability and management responsibility for a safe, secure, satisfying, and diverse work place.

Substrategy 1: Use existing programs and measures to create managerial accountability

Background

In addition to the Voice of the Employee (VOE) survey, there are other measures that can be used to create accountability for a better workplace. The VOE survey has traditionally been included in organizational performance targets. Improvement in troubled worksites, support of district involvement in promoting the Employee Assistance Program (EAP), maintenance of trained threat assessment and crisis management teams, and support for training for such topics as sexual harassment prevention and violence awareness prevention currently exist but are not uniformly enforced.

Milestones

The Postal Service will pursue this strategy by holding district, area, and headquarters leadership respectively accountable for the following activities:

- Maintaining a focus on improving the percentage of favorable responses to questions on the results of the VOE survey (2002).
- Identifying troubled worksites and developing effective plans for correcting problems (2002).
- Supporting the work of the District Joint EAP Advisory Committee (2002).
- Supporting Diversity's continuous education initiatives.
- Maintaining trained Threat Assessment Team and properly prepared Crisis Management Team (2002).
- Providing violence awareness and sexual harassment training according to policy (2002).

Metrics

VOE Survey. The 2002 target is to achieve an index score equal to or greater than the end-of-year 2001 baseline.

Troubled Worksites. In 2002, the National WEI Advisory Committee will establish new objective criteria for identifying troubled worksites and for tracking the progress of the action plans for remediation. The criteria will be completed by early 2003. Following completion, the criteria will be used by Headquarters and the field to assess and remediate troubled sites.

District EAP Advisory Committee. Beginning in 2002, all Committees will meet quarterly to include teleconferences, if necessary, to conduct business. At least one meeting during the year will be conducted with all members present in the same location. Minutes will be submitted to the National EAP Committee.

Threat Assessment Teams (TAT). By the end of 2002, all districts must ensure that all TAT team members have received the requisite training by providing a roster and training dates to the national WEI office. Rosters and proof of training will be submitted each year.

Crisis Management Teams (CMT). By the end of 2002, all districts must ensure that all CMT team members have received the requisite training by providing a roster and training dates to the national WEI office. In addition, all districts will have reviewed their Crisis Management Plans and conducted a full CMP simulation. Rosters and proof of training will be submitted each year.

Training. After initial training, all employees are expected to have sexual harassment prevention training at least every other year. Beginning in 2000, all employees have received at least four hours of workplace environment training each fiscal year.

Substrategy 2: Organize the most predictive workplace data into proactive information for use by the districts and areas to create proactive interventions

Background

The organization is rich with data but more reactive than proactive in responding to workplace environment issues. The goal is to organize the data that currently exists into a more cohesive whole and to form predictive profiles that will allow the Postal Service to become more proactive in dealing with potential workplace environment issues. It will pursue this strategy by collecting data from the programs and activities in Substrategy 1 during 2002 and early 2003. The Postal Service will use that information to develop and test a Workplace Environment Profile.

Milestones

- Develop and test the Workplace Environment Profile (2003).
- Incorporate metrics from the Profile in the performance assessment system (2004).

Voice of the Employee Survey Targets for 2002

There are 35 total index questions on the Voice of the Employee Survey. Surveys are sent to one-quarter of the population of any facility or office each quarter. Results of the survey are reported by performance cluster each quarter. The response rate for the organization was 54 percent in 2001.

Six of the index questions were selected in 2000 as baseline data and the focus for improvement in the workplace in 2001 and 2002. The six index questions are:

- Question 13. I am satisfied with the recognition I receive for doing a good job.
- Question 16. People in my work unit are held accountable for doing their job well.
- Question 23. I feel excluded from my work unit because of my race, ethnicity, gender, disability, etc.
- Question 24c. In the past 12 months, I have personally been sexually harassed by a postal employee.
- Question 29c. Rate your supervisor on treating you with dignity and respect.
- Question 29d. Rate your immediate supervisor on ability to communicate with employees.

An index score is computed from the six survey questions listed above for each district, area office, and functional group at headquarters including headquarters-related functional units. The index score is computed and reported each quarter.

AVERAGE POSTAL SERVICE VOICE OF THE EMPLOYEE SCORES BY QUARTER

	2000	2001	2002
Qtr 1	56.7	56.3	58.3
Qtr 2	57.2	58.0	-
Qtr 3	57.6	59.0	-
Qtr 4	58.4	59.3	-
EOY	57.5	58.1	-

Strategy 6: Build the Labor-Management Relationship

Substrategy 1: Expand various joint employee involvement and quality of work-life initiatives with labor unions. Develop and provide contract administration and labor / management training to both management and bargaining unit employees.

Background

Joint involvement by the parties has proven to be an effective ingredient in building trust and a willingness to cooperatively solve and address mutual challenges. The various employee involvement and quality of work life (EI / QWL) processes have tackled such disparate topics as self-managed work units and productivity improvement initiatives. These joint efforts utilize the creativity of employees focused on topics that improve and have relevance to the work unit. A sense of ownership for the improved work processes by the employees is an additional benefit resulting from employee involvement initiatives. Joint training benefits both management and bargaining unit employees by not placing an emphasis on either group, but rather focusing on joint strengths that can be obtained through understanding and knowledge.

Metrics

The reduction of grievance disputes will be a primary metric in measuring success in efforts to improve contract interpretation.

Substrategy 2: Postal Service and employee and management leadership participation in joint initiatives.

Background

The willingness of employee and management leadership to convene in order to deal with broad, long-term, strategic solutions to problems facing the Postal Service and its employees creates trust. Strategic alliances are created that promote productive changes and provide the advocacy to do so. The anthrax incidents exemplified how the Postal Service's employee and management groups can pull together to address a shared problem. The Mail Security Task Force was created and was composed of the top leadership officials of the Postal Service, the management organizations, and the

labor unions. The presidents and officers of these organizations met on a daily basis to share concerns and to map strategy to deal with this unprecedented assault on the mail system, on postal service employees, and on the American public. This task force was mobilized within hours of the anthrax incidents and became the information and strategy focal point in the weeks that followed.

Communication and cooperation among all Postal Service employee groups have never been more productive, and the Postal Service intends to build on these successful efforts by continuing to participate in joint initiatives.

Metrics

Although the participants will develop their own benchmarks for success, reoccurrence of the behavior demonstrated by employee and management leadership during the anthrax crisis will reaffirm the value and success of participation in Joint Initiatives.

Substrategy 3: Development and expansion of Joint Contract Administration Handbooks and Manuals

Background

In order for any level of trust to exist in the labor-management relationship, both parties must have a mutual understanding of the tenets of the national labor agreements. The development of joint handbooks and manuals also leads to an improved ability to resolve issues and disputes since both parties identify their jointly shared interpretations of contract provisions and then ensure that the same interpretation is understood by their field counterparts.

Metrics

Decreased grievance activity generated by proper application of national contract agreements.

Substrategy 4: Development and expansion of alternatives to traditional discipline and dispute resolution methods

Background

A set of behaviors believed by the national parties to be essential to the effectiveness of any dispute resolution process as well as effective working relationships between the union and management at all levels has been developed and will continue to be refined. As a result, some of the alternative discipline methods now being considered include providing a paid day of reflection for the employee to think about his / her job behavior, “no time off” disciplinary suspension letters, and joint labor / management corrective action plans.

In addition, further development and refinement of the REDRESS® program continues in an effort to resolve and/or reduce the number of EEO disputes. The REDRESS program is voluntary and utilizes a mediated approach to resolving workplace EEO disputes. Its use is being expanded in later stages of the administrative processes. The use of labor and management Dispute Resolution Teams (DRT) has also been highly successful.

Metrics

The national parties agree to establish a procedure for monitoring and intervention to ensure the effectiveness of the dispute resolution process.

Strategy 7: Improve Workforce Planning

The Postal Service will build and maintain a flexible workforce that can readily adjust to changes in customer demand and improvements in operational efficiency through standardization and performance measurement.

Background

Repositioning the workforce involves determining the specific skills and talents necessary to meet customer requirements while minimizing operational costs. The strategies under “Improve Operational Efficiencies” will require reductions and adjustments in the workforce and specific operational activities. Consideration must be given to redeploying talent, to attracting skills that do not currently exist, and as necessary, to eliminating labor costs associated with redundancies and the performance of tasks that are no longer necessary. While operational changes will require fewer employees, attrition trends may still leave the business lacking in certain skill sets. This mismatch will strain the continuity of the core business.

These factors will demand that the Postal Service change its approach to workforce planning. We will move to an integrated workforce planning process, rather than gathering and reporting data by multiple functional organizations. A single function will be responsible for reporting trends and issues. This approach will demand assimilating data from business and operational plans and comparing this data to attrition trends and projections. Data from the workforce planning trends will be used to align human resources with operational requirements, and modify programs that affect the Postal Service’s ability to swiftly redeploy or adjust the workforce. Additionally, predicting the skills and abilities necessary to successfully compete in business will be as critical for entry-level positions as it is for senior leadership positions. This will demand the introduction of new tools that will assist in determining skill needs and staff availability by location.

Finally, as the labor market tightens, the Postal Service needs to maximize the potential of its current workforce and to pursue strategies and programs that allow for repositioning and rightsizing the workforce.

Milestones

- Ongoing monitoring of the workforce allocations as well as the business and operational changes that will drive shifts in the workforce plan (2002).
- Understand the impacts that will result from business and operational changes.
- Fully utilize the provisions of the collective bargaining agreements to reposition the workforce as needed to meet customer demands and operational requirements, recognizing that the majority of employees currently have layoff protection (2002).
- Execute reduction in force (RIF) avoidance strategies to include voluntary early retirement offerings and the internal movement of employees qualified to fulfill the needs that remain (2002).

- Establish accountability within a single function for workforce planning analysis in order to standardize complement management activities (2003).
- Consider alternative to current RIF processes to include voluntary reduced hours, retirement incentives, layoffs, and voluntary sabbaticals (2005).
- Seek cost efficient ways to move people from positions that are no longer necessary to those that remain critical (2004).
- Assess the challenges that the organization faces and the need to move employees throughout the organization. Modify the applicable placement, training, and rightsizing processes (2005).

Metrics

- Workforce trends: attrition, accessions
- Cost per workhour
- Cost per turnover

Strategy 8: Expand Shared Services / Explore Outsourcing

Substrategy 1: Expand use of shared services

Background

Shared services is a model for delivering administrative services better, faster and cheaper and has been used successfully in a growing number of companies. Shared services refers to sharing technology, people, and any other resources within and across administrative functions in order to reduce costs and improve the quality of administrative services. Effective shared services efforts include three key components: 1) reengineered, standardized processes; 2) technology integration (standards, shared tools, pieces that fit together); and 3) effective planning and implementation of staffing changes.

Milestones

- Finance will begin national rollout of shared services in accounting (moving work of 85 districts to 3 shared service centers) (end of 2002).
- Begin pilots of shared services in human resources for hiring and benefits transactions (end of 2002).
- Complete accounting shared services rollout (end of 2003).
- Complete pilots in Human Resources for hiring, benefits; begin national rollouts; begin pilots of more human resources processes (end of 2003).
- Complete national rollout of human resources shared services (end of 2004).

Metrics

Reduction of personnel and nonpersonnel costs for transactional administrative processes. Improved performance metrics for each process.

Substrategy 2: Implement those outsourcing initiatives which have the potential to: a) increase service and quality levels; b) better utilize resources; c) reduce costs; d) allow greater emphasis on the Postal Service's core business.

Background

The Postal Service has historically utilized a great deal of outsourcing. Many of the Postal Service's noncore activities have been outsourced for decades. Examples of these activities include contracting for transportation services, and the use of contract stations to provide retail services. Similarly, many of the Postal Service's equipment and vehicle maintenance activities have been sourced from the private sector. The Postal Service has traditionally looked to obtain services from the best source in order to better utilize internal resources, reduce costs, and increase quality.

Labor Relations is pursuing the establishment of an Employee Stock Ownership Plan for EEO investigative work. Through an ESOP the Postal Service can maintain the continuity of needed expertise and knowledge while allowing for a more efficient and cost effective means of providing this service. Overall, overhead postal costs can be reduced through an employee owned company, which can provide employees with incentives for increased productivity and profitability.

Metrics

The Postal Service will evaluate cost savings derived from outsourcing and ESOP initiatives. It will use existing quality and performance measures to determine if these are improved by the initiatives.

Interdependencies

The postal-contractor relationship is a key interdependency.

Strategy 9: Improve the Collective Bargaining Interest Arbitration Process

The Postal Service will seek to modify the process currently used to determine final collective bargaining agreements when the parties cannot reach agreement during the negotiation process.

Background

The Postal Service engages in collective bargaining around hours, wages, and working conditions with the unions representing its bargaining unit employees. When the parties are unable to reach agreement during the time period established for those negotiations, the process provides for a period of fact-finding prior to binding arbitration. That process is led by a three-person panel selected by the Federal Mediation and Conciliation Service, and has generally proven unsuccessful. This unnecessarily delays decisions on labor agreements which could affect nearly 770,000 employees.

Milestones

- Continue discussions with labor organizations (2002).
- Meet with craft union leaders to seek agreement on modifications to the current interest arbitration process (2003).

Metrics

Agree upon a modification of the process to include mediation by the next cycle of negotiations.

Strategy 10: Reduce Injury Compensation Costs

Substrategy 1: Expand the Preferred Provider Organization Program with First Health and Office of Workers' Compensation Programs

Background

Expand the preferred provider organization (PPO) program with First Health throughout the Postal Service. First Health, through their hospital and physician network, is able to reduce medical fees below what Office of Workers' Compensation Program (OWCP) allows through their fee schedule. The Postal Service is presently operational in four of ten OWCP district offices and needs to expand systemwide. First Health is also able to identify duplicate medical payments that get through OWCP's medical bill payment system.

First Health is the nation's largest PPO network and is presently reaching 50 percent of the Postal Service's injured employees. Network provider bills are paid at agreed contract rates that are usually substantially lower than what OWCP allows. The Postal Service needs to expand this program as quickly as possible to maximize savings.

Milestones

- Continued expansion of program to additional Department of Labor regions (2002).
- Expansion of the program throughout the Postal Service (2003).

Metrics

The actual provider network savings to the Postal Service in dollars and the additional savings in dollars to the Postal Service by preventing duplicate payments that OWCP would have missed.

Interdependencies

U. S. Department of Labor – Office of Workers Compensation Programs

Substrategy 2: Move all Federal Employees' Compensation Act recipients to FECA annuity at age 65

Background

Employees who receive benefits through the Federal Employees' Compensation Act (FECA) program will receive 66 2/3 percent or 75 percent of their basic salary, the latter for employees with a dependent. This tax free salary is extremely generous and in many instances equates to as much as 25 percent more than what the employee would receive for a comparable Office of Personnel Management (OPM) retirement through one of the government programs. The annual compensation cost of living adjustments that are added each year to an employee on total injury disability rewards someone who stays out on compensation versus returning to work.

Using a level EAS-13 as an example, if placed on compensation starting in 1993, that person would make more money staying on compensation than by returning to work. The conservative model that compares a person on FECA workers' compensation with a post-tax working employee reveals that a person on compensation starting in 1993 would start to make more money than a working employee by 1997. Carried out a full ten years, the employee on compensation earns \$1,300 more a year by staying on compensation than a working employee. Of equal concern is the second model that compares a person on compensation and that same level EAS-13 who retires. In that model, the person on compensation will make over \$185,000 more than the retired employee in a ten-year period. This difference in paid income actually becomes a disincentive to retire and drives up the injury compensation costs for the Postal Service. The Postal Service cannot afford to have employees paid at a higher rate than a normal retirement, especially given that the Postal Service is charged an administrative fee on top of the actual benefits charge. Employees commonly file for disability retirement then waive the retirement benefits to continue receiving compensation. This provides them with the highest possible income while ensuring a survivor annuity for their spouse. The Postal Service needs relief in the form of a FECA managed retirement program that equates to the same costs as a normal retirement for all present and former Postal employees over age 65 on the compensation rolls of OWCP.

Milestones

- Analyze administration proposal and develop government relations strategies (2002).
- Modify the law to be retroactive to all employees (2003).

Metrics

Substantial savings in cash payments to U. S. Department of Labor and a reduction in the Postal Service's accrued liability

Interdependencies

Office of Management and Budget and the U. S. Department of Labor – Office of Workers Compensation Programs

Substrategy 3: Encourage the Office of Workers' Compensation Programs to revise current regulations to allow for direct contact with the treating physician by the employing agency

Background

Prior to January 1999, postal managers had the ability to contact an injured employee's treating physician directly (by phone and/or in person). That immediate contact gave the postal managers the opportunity to explain limited duty assignments and offer options to accommodate employees. This type of personal and immediate contact with the medical community assisted in reducing paperwork and associated medical costs. Changing this current regulation would ensure that postal managers initiated close monitoring of employees' physical condition and it would allow early workers' compensation program specialists' intervention to assist the employee in a speedy return to the work environment.

Milestones

- Presentation of proposed revision to Secretary of Labor (2002).
- Series of subsequent meetings to effect the revision (2003).
- Monitor regulatory change process (2002/2003).

Metrics

OWCP agreement for implementation of regulatory change process.

Interdependencies

Department of Labor - Office of Workers Compensation Programs.

Substrategy 4: Private sector outplacement of injured Postal Service employees and the creation of new internal positions to accommodate injured workers

Background

Federal Employees' Compensation Act regulations direct the private sector outplacement of injured employees for federal agencies. The Department of Labor, Office of Workers' Compensation Programs (OWCP), oversees this activity through its Vocational Rehabilitation Program. At this time, the Postal Service identifies injured employees who cannot work within their medical limitations and initiates action with the OWCP to start their rehabilitation process. However, with the continual deployment of automation equipment, the available number of employee assignments for injured and noninjured employees is being reduced as well. The OWCP rehabilitation process is based on conducting vocational testing to establish a wage earning capacity, and the training program can last from 90 days to two years. The Postal Service is quickly approaching a situation where they will no longer have positions available to internally accommodate their injured employees and is in need of an accelerated rehabilitation process that will expeditiously outplace injured employees in private sector employment positions.

Milestones

- National implementation of the Reassessment Initiative for identification of productive work assignments for rehabilitation, limited duty, and periodic roll category employees (2002).
- Identification of employees for private sector placement through an accelerated rehabilitation process with OWCP (2003).

Metrics

- Successfully implement, with the OWCP, an accelerated private sector placement program that reduces the amount of time necessary for an outplacement from up to two years to less than one year.
- Reduce the number of postal employees in nonproductive rehabilitation assignments by initiating action with the OWCP for private sector placement.

Interdependencies

Department of Labor – Office of Workers' Compensation Programs

Substrategy 5: Interagency work cooperation to attain organizational objectives

Background

Often organizations have goals that conflict with each other. An example of such a conflict is the FECA program objective for speed in processing compensation claims and medical bills. The Postal Service noted that in 1999, the OWCP changed the processing of compensation claims to meet new internal goals. The Postal Service needs to work with the OWCP to develop joint strategies to achieve both organization's objectives, and not at each other's expense.

Milestones

- Joint meetings to develop action plans that will not adversely impact each other's organizational goals (2003).
- Attendance at national meetings to review strategies (2002).

Metrics

Claims are paid in a timely manner and quality checks are performed to prevent duplicate payments and unbundling of medical costs.

Interdependencies

Department of Labor – Office of Workers' Compensation Programs.

COMPARISON OF FECA WORKERS' COMPENSATION BENEFITS AND EAS-13 POST-TAX "TAKE-HOME" PAY

Calendar Year	Net Pay	Workers' Compensation (75% of Base Salary)
1993	\$ 30,799	\$ 29,775
1994	31,851	30,395
1995	32,303	31,206
1996	32,464	31,996
1997	32,627	33,010
1998	32,790	33,602
1999	33,101	34,134
2000	33,453	35,022
2001	34,483	36,091
2002	35,362	36,666
Total	\$ 329,233	\$ 331,899
Assumptions:		
■ EAS-13 Salary \$30,799 (effective January, 1993)		
■ Employee receives normal salary increases		
■ Married for all tax calculations and workers' compensation		
■ No impact for life insurance and health benefit premiums		

PROJECTED: COMPARISON OF FECA WORKERS' COMPENSATION BENEFITS AND EAS-13 POST-TAX "TAKE-HOME" PAY

Calendar Year	CSRS Retirement Net Pay (56% of High 3+ taxable)	Workers' Compensation (75% of pre-injury salary plus COLAs – non-taxable)
2003	\$ 21,949	\$ 37,847
2004	22,547	38,982
2005	23,162	40,152
2006	23,796	41,356
2007	24,449	42,597
2008	25,122	43,875
2009	25,814	45,191
2010	26,528	46,547
2011	27,263	47,943
2012	28,020	49,381
Total	\$ 248,651	\$ 433,870
Assumptions:		
■ Married for all tax calculations and workers' compensation		
■ No impact for life insurance and health benefit premiums		
■ Includes \$648 per annum Medicare B charges for CSRS retirement		
■ No adjustment for non-taxable portion of CSRS		
■ Assumes 3% per annum COLAs		