



September 26, 2007

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SUBJECT: Audit Report – The Postal Service’s Comprehensive Strategic Workforce Plan (Report Number HM-AR-07-004)

This report presents the results of the U.S. Postal Service Office of Inspector General’s (OIG) self-initiated audit of the Postal Service’s Comprehensive Strategic Workforce Plan (Project Number 07YG009HM000). We determined the extent to which the Postal Service developed and implemented a comprehensive strategic workforce plan to address current and future workforce requirements.

Although the Postal Service has taken some steps to address workforce planning for bargaining<sup>1</sup> and non-bargaining<sup>2</sup> employees at both the field and headquarters levels, it has not developed and implemented a comprehensive strategic workforce plan that fully addresses the five key elements essential to successful workforce planning. We are making two recommendations to help the Postal Service develop and implement such a plan. Implementing these recommendations could help the Postal Service guide its human capital efforts and perform its mission economically, efficiently, and effectively. In addition, implementing the recommendations will assist the Postal Service in responding to Congress in compliance with the Postal Accountability and Enhancement Act (Postal Act of 2006),<sup>3</sup> which requires a plan describing the long-term vision of the Postal Service for rationalizing its infrastructure and workforce to support new service standards. Implementation would also maintain customer goodwill and reliance on the Postal Service brand. We will report this potential non-monetary impact in our *Semiannual Report to Congress*.

Management’s comments are responsive and the actions taken should correct the issues identified. Management’s comments and our evaluation of these comments are included in the report.

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<sup>1</sup> Bargaining employees are represented by four major labor unions that negotiate with the Postal Service for wages, hours, and other terms and conditions of employment. These employees include city and rural carriers, clerks, mail handlers, special delivery messengers, maintenance employees, and motor vehicle operators.

<sup>2</sup> Non-bargaining employees are the Postmaster General, the Deputy Postmaster General, and the vice presidents, and those in the Postal Career Executive Service and the Executive and Administrative Schedule (EAS).

<sup>3</sup> Public Law 109-435, Section 302.

## Background

In January 2001, the Government Accountability Office (GAO) found that the widespread lack of attention to strategic human capital planning created a risk to the federal government's ability to serve the American people effectively.<sup>4</sup> Consequently, the GAO identified comprehensive strategic human capital management as a government-wide high-risk area. In 2003, GAO reported that strategic workforce planning is an integral part of human capital management and that such planning helps ensure that an organization has a staff with the necessary skills and competencies to accomplish its strategic goals.<sup>5</sup> As a result, GAO identified best practices for strategic human capital management and reported that these best practices must be the centerpiece of any serious change management initiative to transform the culture of government agencies. To identify these strategic workforce planning principles, GAO reviewed information from their previously issued guidance, reports, and testimonies on federal agencies' workforce planning and human capital management efforts. In addition, they also utilized information from leading human capital periodicals and met with officials from organizations with government-wide responsibilities for, or expertise in, workforce planning, such as the Office of Personnel Management (OPM) and the National Academy of Public Administration.

These best practices address two critical needs: (1) aligning an organization's human capital program with its current and emerging mission and programmatic goals, and (2) developing long-term strategies for acquiring, developing, and retaining staff to achieve programmatic goals. They also include the five key elements listed below, which are essential to successful workforce planning, and that an agency's plan or process should include, irrespective of the context in which planning is done.

1. Involve top management, employees, and other stakeholders in developing, communicating, and implementing a comprehensive strategic workforce plan. *(Key Element 1)*
2. Determine the critical skills and competencies<sup>6</sup> needed to achieve current and future programmatic results. *(Key Element 2)*
3. Develop workforce strategies tailored to address gaps in number, deployment, and alignment of human capital approaches for enabling and sustaining the contributions of all critical skills and competencies. *(Key Element 3)*
4. Build the capability needed to address administrative, educational, and other requirements to support workforce planning strategies that are important to the effective use of human capital flexibilities.<sup>7</sup> *(Key Element 4)*

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<sup>4</sup> *High-Risk Series: An Update* (GAO-03-119, January 2003).

<sup>5</sup> *Human Capital: Key Principles for Effective Strategic Workforce Planning* (GAO-04-39, December 11, 2003).

<sup>6</sup> The best practices define critical skills as core mission and support occupations that are vital to accomplishing an agency's goals. Critical competencies are a set of behaviors that encompass knowledge, skills, abilities, and personal attributes critical to successful work accomplishment, such as what the employees know, what they do, and how they do it.

5. Monitor and evaluate the results of workforce strategies and make needed revisions to ensure the strategies work as intended. (*Key Element 5*)

We used these best practices and key elements as our primary benchmark to determine whether the Postal Service had developed a comprehensive strategic workforce plan. We also used the Government Performance and Results Act (GPRA) 5-year time period that a strategic plan should cover; OPM and Office of Management and Budget (OMB) guidelines; the Baldrige National Quality Program *2007 Criteria for Performance Excellence*; and workforce planning guidance and requirements of the Postal Service.

### Postal Service Human Capital Challenges

The Postal Service is the nation's second largest civilian employer, and its employees are considered the agency's most important asset. This is due in large part to the agency's dependency on the quality and commitment of its employees to meet its mission and objectives. Compensation and benefits for employees are the agency's single largest expense, totaling \$56.2 billion in fiscal year (FY) 2006. This is 78.6 percent of the agency's total expenses (\$71.6 billion).

As shown in Table 1, as of June 2007, bargaining employees represented 89 percent of all Postal Service employees. Non-bargaining employees represented the remaining 11 percent. Table 1 also shows that 22 percent of bargaining employees were Function 1 employees (Mail Distribution), 34 percent were Function 2B employees (Delivery Services), and 16 percent were Function 4 employees (Customer Services).

**Table 1. Number of Postal Service Employees as of June 2007**

<b>Employee Representation</b>	<b>Number of Employees</b>	<b>Percentage of Employees</b>
Bargaining		
Function 1	152,931	22
Function 2B	232,881	34
Function 4	112,915	16
Other Functions <sup>8</sup>	192,773	28
<b>Total Bargaining</b>	<b>691,500</b>	<b>100</b>
Bargaining	691,500	89
Non-Bargaining	88,961	11
<b>Total Bargaining and Non-Bargaining</b>	<b>780,461</b>	<b>100</b>

Source: Web Enterprise Information System and On-Rolls and Paid Employee Statistics National Summary Report Dated June 2007

<sup>7</sup> Human capital flexibilities include recruitment and retention bonuses and allowances, student loan repayments, early separation, early retirement incentives, and alternative work schedules.

<sup>8</sup> Other Postal Service functions are Function 0 (Operations Support), Function 2A (Rural Delivery), Function 3A (Vehicle Services), Function 3B (Maintenance), Function 5 (Finance), Function 6 (Human Resources), Function 7 (Marketing), and Function 9 (Administrative).

Since 2001, GAO has issued several audit reports and testified before Congress on the state of the Postal Service's workforce. GAO expressed concern that the Postal Service had no comprehensive plan to address human capital challenges, and recommended in 2001 that the agency develop a plan. In response, the Postal Service developed its 2002 Transformation Plan. However, in May 2002, GAO testified that the plan did not adequately address workforce deployment and utilization.<sup>9</sup> GAO believed this key issue needed to be addressed for any transformation efforts to be successful. Since 2002, the Postal Service has made some progress in addressing its human capital challenges and has reduced its workforce by 95,000. In addition, in January 2007, GAO removed the high-risk designation from the Postal Service stating that management had demonstrated a commitment to implementing the Transformation Plan and addressed many of the financial and human capital challenges it faces. GAO stated, however, that the Postal Service still had human capital challenges such as managing workforce changes caused by retirements and network consolidations, as well as planning and implementing infrastructure realignments to reduce excess capacity and changes in operations. GAO stated that as a result of these remaining challenges, and the fact that human capital remains on the GAO's government-wide high-risk list, it would closely monitor how the Postal Service addresses these challenges.

### **Prior Audit Coverage**

We discuss prior audit coverage and testimony in Appendix B.

### **Objective, Scope, and Methodology**

We discuss our objective, scope, and methodology in detail in Appendix C.

### **Results**

#### **The Postal Service Needs a Comprehensive Strategic Workforce Plan**

Although some efforts were made to address key elements of workforce planning, the Postal Service's workforce planning efforts do not address many of the key elements and features essential to successful comprehensive strategic workforce planning.

Several Postal Service officials told us that numerous documents or processes addressed the agency's comprehensive strategic workforce plan, including the five key elements. However, when we reviewed these documents and processes, we found they did not fully address the five key elements essential to successful workforce planning. (See Appendix D for our analysis of Postal Service workforce planning and how it addresses critical best practices.)

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<sup>9</sup> U.S. Postal Service: *Moving Forward on Financial and Transformation Challenges* (GAO-02-694T, May 13, 2002).

For example, one Postal Service manager said the agency's strategic workforce planning process is integrated into the Management Cycle process based on criteria used in the Malcolm Baldrige National Quality Assessment program. This process consists of four distinct phases, and according to the manager, the five key elements essential to successful workforce planning are integrated into the phases. A review of the documentation describing this process indicates, however, that planning is conducted annually or on an interim basis, instead of a longer 5-year period as recommended by GPRA. Further, the Baldrige criteria states as long-term a view as appropriate and possible from the perspectives of the organization and the industry or marketplace should be utilized. Additionally, the Management Cycle utilized by the Postal Service is not well documented and does not contain the results of gap analyses<sup>10</sup> of the critical skills and competencies needed to achieve current and future programmatic results.

Best practices state that agencies should have a strategic workforce plan and that strategic workforce planning is an essential element of the institutional infrastructure. GPRA states that a strategic plan should cover a period of not less than 5 years forward from the fiscal year in which it is submitted, and that it should be updated and revised at least every 3 years. OPM guidance states that workforce planning should be conducted in an explicit, documented manner, and that the plan should link directly to an agency's strategic and annual performance plans. OPM further states the plan should be used to make decisions about structuring and deploying the workforce.

Two Postal Service vice presidents told us that because of the nature of the business, it was not feasible for the Postal Service to have a 5-year comprehensive strategic workforce plan as defined by best practices. Specifically, the Vice President, Labor Relations, told us the Postal Service continually adjusts its bargaining workforce to match workload (volume), which is impacted by fluctuations in the economy. In addition, contractual obligations, such as the reassignment of employees, layoffs, facility consolidations, and employee complements, must be considered. The Vice President also told us that filling bargaining positions into the future is not an issue because the "quit rates" for the four largest bargaining units has been less than 1 percent since 1987. In addition, the agency continues to have several hundred thousand applicants on postal hiring registers, even though the registers are not opened very often.

The Vice President, Employee Development and Diversity, stated that long-term workforce planning for bargaining unit positions at a micro level makes little sense. The Vice President said that complement changes based on equipment deployment, volume trends, and new work processes and methods, result in an adjustment to the number of employees involved, not a change in skill sets. Further, since most positions do not require unique or complex knowledge, skills, and abilities, and the requisite skills are abundant, elaborate strategies to fill skill gaps seem unnecessary. The Vice President added that when new equipment is deployed or new work methods are identified, a

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<sup>10</sup> A gap analysis is the difference between the critical skills and competencies available and what is needed in the future.

thorough job analysis is completed to identify job requirements and the required skills and abilities. This, in turn, translates into curriculum to fill skill gaps.

Two Postal Service managers responsible for human capital issues told us they understand the value of having a comprehensive strategic workforce plan.

We disagree that long-term workforce planning for Postal Service employees is not feasible, and we believe the changing environment, especially efforts under way to streamline the network, is one of the primary reasons comprehensive planning is needed. Without good workforce planning, the Postal Service may not be able to perform its mission economically, efficiently, and effectively. For example, several congressional testimonies and OIG reports stated that mail service delays in several U.S. cities were largely due to inadequate workforce planning. For example, in his May 31, 2007, testimony before the Subcommittee on Federal Workforce, Postal Service and the District of Columbia, Committee on Oversight and Government Reform, United States House of Representatives, the Postmaster General testified that the complement of letter carriers in Chicago had fallen below the numbers needed for satisfactory mail delivery service. He also stated the problem was being corrected with the hiring and training of over 200 additional letter carriers, which were assigned to 40 different stations throughout the city. (See Appendix E for detailed information on the mail service delays.)

In addition, the Postal Service needs to know when it has excess employees in certain positions. Having this knowledge in advance gives the agency time to implement strategies to reduce costs and improve efficiencies—such as offering early retirements or reassigning employees to locations where they are needed.

Finally, without a comprehensive strategic workforce plan, the Postal Service may have difficulty responding to and complying with a Postal Act of 2006 requirement. Within 6 months (no later than June 2008) after the establishment of new service standards (due no later than December 2007), the Postal Service, in consultation with the Postal Regulatory Commission, must develop and submit to Congress a plan describing its long-term vision for rationalizing its infrastructure and workforce to support the new standards. The plan must also state how the Postal Service intends to implement the long-term vision, discuss the impact facility changes may have on the postal workforce, and explain whether the Postal Service has the flexibility to make workforce changes.

## **Recommendations**

To ensure the Postal Service has a comprehensive strategic workforce plan to guide its human capital efforts, we recommend the Executive Vice President and Chief Human Resources Officer:

1. Develop guidance and procedures for creating a comprehensive strategic workforce plan to address current and future workforce requirements. The plan should include workforce planning for bargaining and non-bargaining employees and should cover

a period of not less than 5 years forward from the fiscal year in which the plan is created. The plan should be updated and revised at least every 3 years to ensure it meets the changing needs of the Postal Service. The plan should address the following key elements:

- Involve top management, employees, and other stakeholders in developing, communicating, and implementing the plan. (Key Element 1)
  - Determine the critical skills and competencies needed to achieve current and future programmatic results. (Key Element 2)
  - Develop workforce strategies tailored to address gaps in number, deployment, and alignment of human capital approaches for enabling and sustaining the contributions of all critical skills and competencies. (Key Element 3)
  - Build the capability needed to address administrative, educational, and other requirements to support workforce planning strategies that are important to the effective use of flexibilities. (Key Element 4)
  - Monitor and evaluate the results of workforce strategies and make needed revisions to ensure the strategies work as intended. (Key Element 5)
2. Coordinate the agency-wide development and implementation of the comprehensive strategic workforce plan with the vice presidents responsible for human capital issues and other vice presidents responsible for workforce planning and operations.

### **Management's Comments**

Management disagreed with portions of the finding, but agreed with the recommendations. Specifically, management stated that a comprehensive strategic workforce plan to address current and future workforce requirements is not documented; however, a comprehensive strategic workforce process is represented in the organizational design and job structure of the Postal Service's Human Resources (HR). Management also stated that the Vice President, Employee Resource Management, is designated the senior official responsible for a full workforce analysis and development of a comprehensive workforce plan that meets the requirements of the audit. The Postal Service anticipates completion of this effort by December 2008.

Management did not respond to our non-monetary impact that implementation of the report's recommendations would maintain customer goodwill and reliance on the Postal Service brand. Management's comments, in their entirety, are included in Appendix F.

## **Evaluation of Management's Comments**

Management's comments are responsive and the planned action should correct the issues identified in the finding. We disagree with management's assertion that an effective comprehensive strategic workforce process is in place. As stated in the report, while some efforts were made to address some key elements of workforce planning, the Postal Service's workforce planning efforts do not address many of the key elements and features essential to successful comprehensive strategic workforce planning.

The OIG considers the recommendations significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Chris Nicoloff, Director, Human Capital, or me at (703) 248-2100.

E-Signed by Darrell E. Benjamin,   
VERIFY authenticity with ApproveIt

Darrell E. Benjamin, Jr.  
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### Attachments

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## APPENDIX A. ACRONYMS

BMG	Business Management Guide
CSP	Corporate Succession Plan
EAS	Executive and Administrative Schedule
ELD	EAS Leadership Development
FOIA	Freedom of Information Act
FY	Fiscal Year
GAO	Government Accountability Office
GPRA	Government Performance and Results Act
HR	Human Resources
NAPS	National Association of Postal Supervisors
NAPUS	National Association of Postmasters of the United States
OIG	U.S. Postal Service Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PC	Performance Cluster
Postal Act of 2006	Postal Accountability and Enhancement Act

## APPENDIX B. PRIOR AUDIT COVERAGE AND TESTIMONY

The GAO report titled *Major Management Challenges and Program Risks: U.S. Postal Service* (GAO-01-262, dated January 2001) stated the Postal Service faces difficult human capital challenges that must be successfully addressed to maintain organizational effectiveness, improve the workplace environment, and control workforce costs. These challenges include:

- Restructuring the postal workforce and reducing the number of employees.
- Maintaining effective operations as most executives and about half of the postal workforce reach retirement eligibility over the next decade.
- Ameliorating persistent problems in the workplace that have been exacerbated by decades of adversarial labor-management relations.

The GAO testimony, *U.S. Postal Service: Transformation Challenges Present Significant Risks* (GAO-01-598T, dated April 4, 2001), recommended the Postal Service develop a comprehensive plan, in conjunction with Congress and other stakeholders, such as the Postal Service unions and management associations, customers, and the Postal Rate Commission.<sup>11</sup> The plan would identify the actions needed to address its financial, operational, and human capital challenges, and would establish a timeframe and specify key milestones for achieving positive results. GAO stated the Postal Service faces additional difficult human capital challenges that must be addressed to maintain organizational effectiveness, improve the workplace environment, and control workforce costs. GAO also stated the Postal Service's human capital problems are part of a broader pattern of human capital shortcomings that have eroded the mission. Further, GAO stated it was placing the Postal Service's transformational efforts and long-term outlook on its high-risk list, effective immediately. In response, the Postal Service developed the 2002 Transformation Plan.

The GAO testimony, *U.S. Postal Service: Moving Forward on Financial and Transformation Challenges* (GAO-02-694T, dated May 13, 2002), stated the 2002 Transformation Plan did not adequately address some key transformation issues that needed to be addressed for transformation efforts to be successful. The issues included strategies to address postal pay comparability, performance management issues, management bonus arrangements, and workforce deployment and utilization. GAO developed a model of strategic human capital management<sup>12</sup> to link human capital strategies to organizational goals. According to GAO, this model may be useful for the Postal Service's strategic human capital planning, including a long-term workforce plan. Such strategies would address workforce realignment, aligning individual performance with organizational objectives, performance incentives, and pay comparability. GAO made no recommendations, but GAO called on Congress to act on comprehensive postal reform legislation.

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<sup>11</sup> Predecessor to the Postal Regulatory Commission.

<sup>12</sup> *A Model of Strategic Human Capital Management* (GAO-02-373SP, March 15, 2002).

The GAO report, *Human Capital: Key Principles for Effective Strategic Workforce Planning* (GAO-04-39, dated December 11, 2003), described principles of human capital planning. The report stated that strategic human capital management must be the centerpiece of any serious change management initiative to transform the culture of government agencies. GAO also reported that strategic workforce planning, an integral part of human capital management, helps ensure that an organization has the staff with the necessary skills and competencies to accomplish its strategic goals. There were no recommendations.

The GAO report, *High-Risk Series: An Update* (GAO-07-310, dated January 2007), removed the high-risk designation from the Postal Service and stated that management had demonstrated a commitment to implementing the transformation plan and addressing many of the financial and human capital challenges it faces. However, GAO stated that challenges continued to exist in the areas of controlling compensation and benefit costs, workhour reductions, and optimizing the Postal Service's infrastructure and workforce to reduce costs and improve operational efficiency. GAO stated that the Postal Service's continued challenges included managing workforce changes caused by retirements and network consolidations, as well as planning and implementing infrastructure realignment to reduce excess capacity and changes in operations. GAO stated that as a result of these remaining challenges and the fact that human capital remained on GAO's government-wide high-risk list, it would closely monitor how the Postal Service addressed these challenges. GAO recommended the Postal Service develop a comprehensive plan in conjunction with other stakeholders that would identify the actions needed to address its challenges. In addition, GAO stated that a Presidential commission issued a report in July 2003 with a proposed future vision for the Postal Service and recommendations to ensure the viability of postal services, and that Congress should consider postal reform legislation.

## APPENDIX C. OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this audit was to determine the extent to which a comprehensive strategic workforce plan has been developed and implemented to address current and future workforce requirements.

To accomplish our objective, we identified best practices for effective strategic workforce planning using GAO's five key elements and features. We used the principles and features as our benchmark when determining whether the Postal Service had developed a comprehensive strategic workforce plan. We also used the best practices definition for the term "comprehensive." A comprehensive plan includes the five key elements identified in this report and considered essential to successful workforce planning. In addition, we used the GPRA definition of "strategic" plan as one that covers a period of not less than 5 years forward from the fiscal year in which it is submitted, and one that is updated and revised at least every 3 years. We also used OPM and OMB guidelines and the Baldrige National Quality Program *2007 Criteria for Performance Excellence*.

We also reviewed GAO reports and testimony on strategic workforce planning and the state of the Postal Service's workforce, as well as documents and descriptions of workforce planning tools relevant to the Postal Service. These documents and processes included:

- The Postal Act of 2006
- The Business Environment Assessment 2007 – 2011
- The Business Management Guide (BMG) for bargaining employees
- 2006 Comprehensive Statement on Postal Operations
- United States Postal Service Annual Report 2006 (2006 Annual Report)
- National Agreements with the four major employee unions
- Field Complement Plan, FYs 2007 – 2011
- Integrated Financial Plan, FY 2007
- *Strategic Transformation Plan 2006 – 2010*
- 2006 Annual Progress Report
- Transformation Plan Progress Reports, November 2003 and 2004
- 2002 Transformation Plan
- Corporate Succession Plan (CSP) and EAS Leadership Development (ELD) processes
- The Management Cycle

We interviewed Postal Service managers and vice presidents at the headquarters level, and the HR managers in the Great Lakes, Pacific, and Southwest Area Offices who are responsible for workforce planning. We did not interview officials at the performance cluster (PC) or facility levels because under the guidance of headquarters, workforce plans for bargaining employees are developed at the PC level and rolled up to the area level.

We conducted this performance audit from December 2006 through September 2007 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances.<sup>13</sup> Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management officials on June 29 and August 1, 2007, and included their comments where appropriate.

#### Data Reliability

We did not perform data reliability tests of electronic data used by the Postal Service in its workforce planning efforts because the reliability of this data was not essential to addressing the objectives.

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<sup>13</sup> We tested the Postal Service's compliance with laws and regulations relating to strategic workforce planning, which include the Postal Act of 2006 and GPRA.

## APPENDIX D. ANALYSIS OF POSTAL SERVICE WORKFORCE PLANNING AND HOW IT ADDRESSES BEST PRACTICES

### Key Element 1: Some Involvement by Management, Employees, and Other Stakeholders Was Evident in Workforce Plans or Processes

Stakeholders were involved in developing and implementing some workforce planning related to both non-bargaining and bargaining employees. While the following initiatives are commendable, they are not comprehensive.

- Top management was involved in the CSP process for determining headquarters offices' complement and staffing needs for non-bargaining employees only. For example, one vice president told us the CSP process requires all vice presidents to meet with the Postmaster General and Executive Committee<sup>14</sup> once a year and with the Executive Vice President and Chief HR Officer twice a year to discuss their individual offices' complements and staffing needs. Non-bargaining employees were also involved, since they can nominate themselves for corporate positions using an electronic process.
- Another vice president told us the Postal Service is in the process of implementing the Talent Acquisition and Retention Department for non-bargaining workforce planning. This department will be responsible for collecting valid and reliable data to include cost per hire, turnover rates, time to fill vacancies, attrition rates, projected retirement rates and retirement eligibility, by occupation and organizational unit. This organization-wide information will be used to identify current challenges in the workforce and will help plan for future improvements.
- The BMG<sup>15</sup> process for bargaining employees only required team involvement from Postal Service Operations, Finance, HR, and Labor Relations functions, as well as the BMG Technician. Involvement was limited, however, to the area office and PC management—there was no employee or union involvement. We also noted the BMG forecasting model was only for a 2-year period, and the Postal Service used it for the current year only.

### Key Element 2: Analyses of Critical Skills and Competency Gaps Were Not Conducted

None of the documents and processes we reviewed for bargaining and non-bargaining employees included complete analyses of gaps between the current critical skills and competencies and those needed in the future. In addition, while one of the documents identified some current competencies for bargaining employees, none of the documents

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<sup>14</sup> The Executive Committee includes the Postmaster General, Deputy Postmaster General, and several headquarters vice presidents.

<sup>15</sup> The BMG is a tool that can be used to track and plan bargaining employee complement based on budget and other requirements.

and processes identified future competencies. The following are examples of some critical skills and competencies information contained in some of the documents:

- CSP process identification of some current skills for some non-bargaining positions such as Manager, Staffing and Field Policies and Manager, Selection Evaluation and Recognition. The competencies included communication skills and employee focus, and were applicable for 5 years. However, a manager told us that while all of the current skills were important, not all of them were critical.
- ELD process identification of all current and future critical skills for non-bargaining positions. These positions included budget, financial, and computer system analysts and labor relations specialists. While the related competencies for these positions were established for a 5-year period, the future skills were established for a 2-year period.
- Area BMG projections for the current critical skills and workhours for bargaining employees in Functions 1, 2B, and 4 only (Functions 0, 2A, and 3B were not included). In addition, the projections were shown on a month-to-month basis through the end of the current fiscal year, and not long-term as recommended by best practices.
- Article 7 of the National Agreements requires that complement levels of bargaining units be based on current size of installations. Article 4 states the unions will be informed of technological or mechanization changes that affect wages, hours, or working conditions. However, these stipulations are general and do not provide comprehensive information such as the numbers and types of employees needed for specific installations (post office, station, or plant).

According to one vice president, the Postal Service is also developing Talent View, a workforce planning tool for bargaining and non-bargaining positions. This tool will be instrumental in helping management analyze the workforce and make decisions about the current workforce and what will be needed over the next 5 to 7 years.

Best practices state that to build the right workforce to achieve strategic goals, it is essential that organizations determine the skills and competencies that are critical to successful work accomplishment. This is the difference between what is available and what will be needed, and is often referred to as the workforce gap analysis:

- What is available – both current workforce characteristics and future availability. This is determined by assessing the current workforce – defining the number and types of competencies for employees in each occupational group; determining the skill levels for each competency; and assessing how they will evolve over time, considering events such as retirements.
- What is needed – the critical workforce characteristics needed in the future. This is determined by analyzing the future workforce – developing specifications for

the types, numbers, and locations of personnel needed to address future challenges.

The Postal Service information related to critical skills and competencies outlined above, and the development of Talent View, are steps in the right direction for developing a comprehensive workforce plan. However, more work is needed to ensure the agency has the right employees (both bargaining and non-bargaining) and skills at the right time over at least a 5-year period. If the Postal Service does not conduct gap analyses for the critical skills and competencies needed, the agency may find it difficult to fill mission-critical positions with qualified personnel, and may not be able to design strategies to hire, develop, and retain the best possible workforce. This could result in the Postal Service's inability to meet its mission of providing prompt, reliable, and efficient service in all areas and rendering service to all communities at fair and equitable rates. In addition, the absence of fact-based gap analyses could undermine the agency's efforts to identify and respond to current and emerging challenges.

### Key Element 3: Some Workforce Strategies Were Developed, but None Were Derived from Gap Analyses

The Postal Service identified some limited and general initiatives to address expected workforce imbalances; however, the initiatives were not derived from analyses of the gaps between current and future critical skills and competencies. Therefore, we did not consider them comprehensive or completely effective in helping the Postal Service attain a desirable workforce that will achieve its mission and program goals. For example, area BMGs identified initiatives needed by PCs to meet budget and workhour reduction goals for bargaining employees. These initiatives included a reduction in overtime and casual hours on a month-to-month basis through the end of the current fiscal year. While it is appropriate to develop and implement workhour reduction goals, we believe the reductions would provide more value to the Postal Service if they were formulated in conjunction with an analysis of the gaps between current and future critical skills and competencies.

Best practices state that workforce strategies should be derived based on a gap analysis of the critical skills and competencies needed. It is also important for agencies to develop human capital strategies that are tailored to their needs—the programs, policies, and processes that agencies use to build and manage their workforces. Applying these strategies to workforce planning means that agencies must develop strategies and tools for hiring, training, staff development, succession planning, performance management, and use of flexibilities that can be implemented with available resources. Agencies must also consider how these strategies can be aligned to eliminate gaps and improve the contribution of current and future critical skills and competencies needed for mission success.



#### Key Element 4: Documents and Processes Did Not Address Requirements Important to the Effective Use of Flexibilities

None of the documents or processes addressed the administrative, educational, and other requirements that are important to the effective use of flexibilities. One manager told us the Postal Service uses some flexibilities such as recruitment bonuses and retention incentives; however, these are used on a case-by-case basis, primarily for non-bargaining employees. A vice president stated the Postal Service is working to improve family-friendly policies that help bargaining employees with work-life balance, which will result in a more productive workforce. The vice president said part of this effort will be considering the flexibilities needed to attract and retain a highly skilled, diverse, and capable workforce.

Best practices state the effective use of flexibilities is essential for acquiring, developing, and retaining high-quality employees. Ensuring the use of flexibilities as part of an overall human capital strategy and ensuring stakeholder input in developing flexibilities-related policies and procedures are intrinsic to effective workforce planning.

As previously stated, however, the Postal Service must first identify its gaps in critical skills and competencies, and then build the infrastructures to address administrative, educational, and other requirements that are important to the effective use of flexibilities to support workforce strategies and fill the gaps. Without addressing flexibilities and their use, the Postal Service may find it difficult to recruit, hire, retain, and manage its human capital.

#### Key Element 5: Some Workforce Initiatives Were Monitored and Evaluated

The Postal Service monitored progress on some workforce initiatives. For example, the 2006 Annual Progress Report stated the Postal Service was identifying and developing new leaders with corporate succession planning and ELD and training. Although the progress report gave the status of the succession planning initiative, it did not state whether the initiatives achieved the goals.

Best practices state that appropriately designed performance measures can be used to gauge two types of successes: (1) progress towards reaching human capital goals, and (2) the contribution of human capital activities toward achieving program goals. Periodic progress measurement provides effective oversight by identifying performance shortfalls and appropriate corrective actions. For example, a comprehensive strategic workforce plan can include measures that indicate whether the agency executed its hiring, training, or retention strategies as intended and achieved the goals for these strategies.

As previously stated, the Postal Service must first develop workforce strategies derived from gap analyses of critical skills and competencies. It must then monitor or evaluate its workforce strategies to assess the effectiveness of its workforce planning initiatives to support its mission and goals. If this does not occur, the Postal Service will not be able to identify shortfalls and make revisions to ensure the strategies work as intended.

## **APPENDIX E. INDICATORS THAT MAIL SERVICE DELAYS ARE THE RESULT OF INADEQUATE WORKFORCE PLANNING**

The following congressional testimonies and OIG reports indicate that mail service delays in several cities may be due to inadequate workforce planning.

### Chicago District Delivery Problems

In his May 31, 2007, testimony before the Subcommittee on Federal Workforce, Postal Service and the District of Columbia, Committee on Oversight and Government Reform, United States House of Representatives, the Postmaster General testified that Chicago deserves world class mail service, but unfortunately, local mail service had fallen far short of that goal. He stated the Chicago District has been marked by ups and downs; and periods of high performance offset by periods of low performance. He stated the Postal Service has taken a number of important actions to bring Chicago to the upper ranks of service performance, such as closely examining staffing needs. He said this resulted in a determination that the complement of letter carriers in Chicago had fallen below the numbers needed for satisfactory mail delivery service. He also stated the problem was being corrected with the hiring and training of over 200 additional letter carriers, which were assigned to 40 different stations throughout the city. He said this has advanced the time-of-day mail delivery for many Chicago customers and is increasing consistency in daily delivery time as well.

The OIG's Assistant Inspector General for Audit also testified on May 31, 2007. He stated that one of the issues identified was inadequate management of city letter carrier workhours, especially overtime, compared to their workload. He also stated the OIG had tentatively concluded that among the many broad root causes, one was poor operational and resource planning and employee training in the processing plants and delivery operations. Additionally, he stated the OIG had identified insufficient knowledge of financial procedures by the unit supervisors and some station managers in several limited scope financial audits of 14 Chicago District installations. The Assistant Inspector General also stated that the Postal Service has a plan to remedy the problems in the Chicago District, including the hiring and training of letter carriers and improving operational processes and supervision.

### Management Association Complaints Regarding Staffing Deficiencies

In April 17, 2007, testimony before members of the House Subcommittee on the Federal Workforce, the President of the National Association of Postmasters of the United States (NAPUS) testified that customers rely on regular, timely mail delivery. He stated that because of unmet postal staffing needs, this goal is becoming elusive. The NAPUS President, along with the Presidents of the National Association of Postal Supervisors (NAPS) and the National League of Postmasters, stated that staffing problems were ubiquitous and that inadequate staffing had an impact on service. The officials also agreed the trouble was the result of ill-advised decisions by top

management. The NAPUS President added that Chicago and Albuquerque have experienced the impact of lower-than-necessary staffing.

### Operational Efficiency and Service Performance of the Busse Hub

A report issued jointly by the Postal Inspection Service and OIG on March 16, 2007,<sup>16</sup> identified several root causes for inefficiencies and service degradation at the Busse Hub.<sup>17</sup> One of the root causes was insufficient staff to accomplish its mission. For example, there were seven craft and two management vacancies, which resulted in fewer employees to work the mail. The team also found that employees were used ineffectively when they were moved from one priority operation to another, causing multiple operations to be insufficiently staffed. One recommendation was that management conduct a staffing and scheduling analysis to determine resources needed in the facility, and if necessary, reallocate resources from other facilities to support the additional work at the Busse Hub.

### NAPUS: Postmasters, Managers, and Supervisors Under Pressure

On March 7, 2007, the presidents of NAPUS, NAPS, and the National League of Postmasters wrote to the Postmaster General requesting a meeting to discuss the deteriorating work climate that postmasters, managers, and supervisors were experiencing in the field. The letter stated in part that postmasters, managers, and supervisors were under tremendous pressure, with more requirements, reports, and unrealistic expectations, as well as reduced staff levels. The officials added they were concerned that the conditions, if not reviewed, could result in serious consequences.

### Inadequate Staffing and Training Resulted in Delayed Mail in Las Cruces, New Mexico

A June 2006 OIG management advisory<sup>18</sup> concluded that delayed mail in the Las Cruces District resulted from district management staff turnover, insufficient facility staffing, and untimely responses to recommendations made in Function 4 management reviews. Postal Service management previously conducted management reviews and determined that delayed mail was a result of inadequate staffing levels and inadequately trained staff to accomplish the workload. The management reviews recommended that supervisors be trained to work preferred mail and that staffing levels at the facility be reviewed. Management, however, did not implement these recommendations because according to the district manager, district staff had constantly changed and continuity of information, such as that reported in the management reviews, was not always communicated to new management.

The management advisory further reported that district officials stated that because mail was delayed, customer complaints increased and the Postal Service did not meet its

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<sup>16</sup> *Operational Efficiency and Service Performance at the Busse Hub* (March 16, 2007).

<sup>17</sup> At the request of the Deputy Postmaster General, a task force consisting of Postal Service management, the OIG, and the Postal Inspection Service reviewed the mail conditions and operations at the Chicago Metro Surface Transportation Center (referred to as the Busse Hub).

<sup>18</sup> *Las Cruces, New Mexico Delayed Mail* (Report Number DR-MA-06-001, June 5, 2006).

mission of providing prompt, reliable, and efficient service. District officials were confident they could correct the conditions associated with delayed mail.

## APPENDIX F. MANAGEMENT'S COMMENTS

ANTHONY J. VEGLIANTE  
EXECUTIVE VICE PRESIDENT  
AND CHIEF HUMAN RESOURCES OFFICER



September 17, 2007

KIM H. STROUD  
DIRECTOR, AUDIT REPORTING  
OFFICE OF INSPECTOR GENERAL

SUBJECT: Management Response to Postal Service's Comprehensive Strategic Workforce Plan  
(Report Number HM-AR-07-DRAFT)

This letter is in response to the U.S. Postal Service Office of Inspector General's self-initiated audit of the Postal Service's Comprehensive Strategic Workforce Plan (Project Number 07YG009HM000). We concur in principle with the report's recommendation that we need to consider developing a comprehensive workforce plan for the Postal Service. It is agreed that a comprehensive strategic workforce plan to address current and future workforce requirements is not represented in a paper document; however, it is represented in the organizational design and job structure of USPS Human Resources. Point 1 and the five sub-bullets and point 2 are all included in our organization design, our core job duties, and our National Performance Assessment system. The emphasis on workforce flexibility and employee mix involved all levels including the Postmaster General, Deputy Postmaster General, Human Resources, Operations, Finance, and Labor Relations.

We believe that we have in place a complement planning process for the bargaining unit segment of our workforce that considers our labor contractual obligations, service performance, as well as financial performance. The Field Complement Plan (FCP) is a 5-year plan of the United States Postal Service complement. The FCP projection is based on the most recent end-of-period actual complement, Area Complement Plans, equipment impacts and strategic planning information including initiatives regarding complement mix and supplemental non-career employees. This plan is updated as new information regarding program impacts, network changes, contractual changes, or significant workload changes occur or after the close of each fiscal year. The Business Management Guide (BMG) is a tactical complement planning tool for one- to two- year periods. The BMG facilitates tracking and tactical changes with respect to business changes and monthly updates. The BMG is available at the Area, Cluster, and Finance level of planning for bargaining and non-bargaining employees in Functions 1, 2B and 4.

The effectiveness of the USPS Human Resources organizational design, complement job planning, training and employment, and talent recruiting functions is demonstrated in USPS complement, efficiency and service results. Since October, fiscal year 2000 through July, fiscal year 2007 the USPS has decreased by a total of 118,232 employees with service and productivity indicators high and trending up. The following is a summary of current National performance compared to the same July period of 2006:

Service as measured by EXFC Overnight Delivery: 95.9 and+0.4%.

Processing and Distribution Function 1:

- Overtime down -3.9%
- Complement decreased -2,423
- Performance Achievement +0.4%

Delivery Function 2B:

- Overtime down - 1.5%
- Complement decreased -2,836
- Performance Achievement -0.2%

Customer Service Function 4:

- Overtime down -1.5%
- Complement decreased -4,883
- Performance Achievement +2.6%

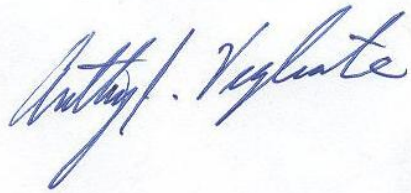
In addition, we have already discussed the next phase in our overall recruitment strategy-- workforce planning. Many of the workforce planning challenges are outlined in the audit report and include retirements, outsourcing, advances in technology, automation, aging population, changes in operations, and so forth. Some progress has been made toward identifying key elements for developing and implementing a comprehensive strategic workforce plan. However, our efforts are in the initial stages of progress. We have designated the Vice President, Employee Resource Management, as the senior official responsible for full workforce analysis and development of a comprehensive workforce plan that meets the requirements of the audit.

The audit report also calls for an overall completion date including dates for milestone completions. Considering the fact that the plan will be coordinated agency-wide for development and implementation, our objective is to set a plan completion date that will allow for thoroughness and a comprehensive assessment of the Postal Service's workforce. We also want to make sure that our process design captures long-term strategies for recruiting, developing, and retaining staff, and has the flexibility and inclusiveness to meet present and future corporate goals.

Finally, we respectfully disagree with the audit's title of the Appendix E, "Indicators that Mail Service Delays Are the Result of Inadequate Workforce Planning." It is with great disappointment that an inference is made that we are inadequate in workforce planning with the citations based on a few isolated performance challenges that the Postal Service has recently endured. A closer look of testimonies and audits cited in Appendix E reveals that either staffing and scheduling or management is the prevailing issue.

Additionally, some of the citations are incomplete or do not include the opposing views. Specifically, the second section, entitled "NAPUS: Postmasters, Managers and Supervisors Under Pressure" reports that the Presidents of NAPUS, the League and NAPS wrote to the Postmaster General requesting a meeting because the postmasters, managers, and supervisors are under tremendous pressure with more requirements, reports, and unrealistic expectations as well as reduced staffing levels. What has not been reported is that Postmaster General Potter met with the three association Presidents on March 21. That meeting resulted in the creation of the Headquarters-level Workplace Issues Task Force. In April a draft document establishing a four-phase process to address noted concerns was sent to association Presidents for review and response. As yet no responses have been received. A lack of paper documentation of a comprehensive strategic workforce plan did not contribute to the incidents cited.

We do not believe that this report contains any proprietary or business information and may be disclosed pursuant to the Freedom of Information Act.

A handwritten signature in blue ink, appearing to read "Anthony J. Vigilante". The signature is written in a cursive style with a large initial 'A'.

cc: Deborah Giannoni-Jackson