

Saturday mail delivery threatened

US Postal Service moves to cut 50,000 jobs

Tom Eley
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The US Postal Service (USPS), moving to stem large operating losses, has demanded greater “flexibility” to control labor costs and has proposed ending delivery of most mail on Saturdays. US Postmaster General John Potter and other officials outlined the cuts at a Tuesday news conference.

USPS has already shrunk its workforce by 200,000 in the last decade, even as the number of postal addresses in the US has increased by 18 million, Potter said. Last year it reduced its staff by 40,000. It will target job cuts of 30,000 in 2010, along with reductions in overtime payment to workers that would be equivalent to another 20,000 job cuts.

The Postal Service has been losing money since 2007, a consequence of the economic crisis and Internet communications displacing paper mail. Mail volume fell from 213 billion items in 2006 to 177 billion in 2009—still about half of the global total. Potter said he expects a \$7 billion deficit for the current fiscal year and that “projections going forward are not bright.”

By 2020, the Postal Service could face a deficit of \$238 billion, according to an internal analysis. Though it is a government agency, the Postal Service now receives no federal funding. This is the result of a series of “self-sufficiency” measures passed beginning in the 1970s designed to enforce “market principles” and cut costs. The Postal Service does have the ability to borrow from the US Treasury and contracts with the government to provide certain services.

The federal government grants USPS a monopoly over the delivery of non-urgent letters and exclusive rights to post office boxes and mailboxes. In return, it is mandated to provide mail service at universal costs to the entire US and must seek regulatory approval to change its rates and some labor practices.

Potter said he would submit proposals to the Postal Regulatory Commission, which will then issue an advisory opinion to Congress. Congress must approve any changes to the Postal Service that are national in scope.

Potter also revealed the results of analysis conducted by three outside consulting firms on the long-term financial health of the Postal Service. The firms ruled out full postal privatization—at least in the short term. The Postal Service’s main private competitors, UPS, Federal Express, and DHL, which last year abandoned the US market, have also suffered enormous operating losses.

The gist of the consulting firms’ prognosis, according to Potter, is that the Postal Service is over-regulated, unable to raise rates, limit services, lay off workers, and alter pensions and health care as would a fully private organization. In order to meet its long-term financial predicament, in other words, USPS must have a free hand to shut down offices, limit delivery, and attack the jobs, wages and benefits of its workers.

The first salvo in this plan is likely to be the ending of Saturday delivery, which will result in a substantial reduction in labor costs. Because of six-day delivery, it currently requires, on average, six letter carriers to service five mail routes. According to one report, by dispensing with six-day service, USPS will not have to hire replacements for the 300,000 postal workers expected to retire over the next decade.

The Postal Service, since it was founded by Benjamin Franklin in 1775, has delivered mail on Saturday. It ended mail delivery on Sunday in 1912 in response to demands from religious leaders concerned over declining church attendance.

Potter is also demanding that Congress end the Postal Service’s mandate to prepay workers’ retirement

health care plans, through which he estimates USPS could accrue annual savings of \$5.5 billion. In other words, Potter is demanding the “right” currently enjoyed by most federal, state, and local agencies to intentionally underfund, and thereby bankrupt, these benefit plans. A recent survey by the Pew Center on the States found that states have funded only 5 percent of the total health care liability for future retired state workers and their dependents.

Last year, Congress passed legislation allowing USPS to cut contributions to retiree health care benefits by \$4 billion, which contributed to \$6 billion in cost reductions for 2009—still not enough to avoid an operating deficit.

USPS will also drive down labor costs by cutting hours, installing more self-service kiosks, and asking the four unions that collect dues from postal workers to sign off on increased use of part-time labor.

Ultimately, the Postal Service can balance its budget only by job cuts. The job cuts and pension reductions that would result from Potter’s proposals will have a serious impact. With a workforce of about 600,000, USPS is the nation’s second largest civilian employer, after Wal-Mart.

Last year, USPS said it had developed a plan to shut down a sizable majority, 3,105 of 4,851, of its branches and stations. Most of the closures would target metropolitan areas. The plan requires congressional approval.

The looming job cuts and the ending of Saturday delivery in many ways mark the denouement of the 1970 postal workers strike. That year, workers, beginning in New York City, defied a ban against strikes at the Postal Service and a back-to-work order from President Richard Nixon delivered on national television. The strike, which involved upwards of 200,000 workers, ended after Nixon ordered the US military into New York City and other locations—24,000 soldiers in all—ostensibly to deliver the mail, but in fact to intimidate strikers.

The strike resulted directly in the Postal Reorganization Act of 1970. In return for instituting collective bargaining as a principle of the Postal Service, the Post Office was abolished as a cabinet

department and reorganized along the lines of a business corporation, in which public financing would be phased out in favor of self-sufficiency. In the long run, this could only be achieved through postage rate increases, reductions to “inefficiencies,” and by driving down labor costs.

The unions, which participated directly in crafting the legislation and, along with Postal Service management, approved its passage, also agreed to the continuation of the ban on strikes by federal employees. Within a year, a number of these unions combined to form American Postal Workers Union, which currently claims to represent about 330,000 workers.



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