US Postal Service halts payments to retirement fund

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The United States Postal Service (USPS) announced Wednesday that it will stop employer contributions to the Federal Employees Retirement System (FERS). This is part of an ongoing campaign of dismantling the federal agency, allowing USPS management the prerogative to take “aggressive action” in cutting costs associated with its service and labor.

In a statement, the USPS made clear that postal workers will continue to pay into the fund, but the agency will halt its bi-weekly contributions of $115 million beginning on June 24. Management claims it will use the money—which will amount to $800 million by the end of the fiscal year—“to conserve cash and preserve liquidity.”

In addition to stopping employer contributions to FERS, USPS would like Congress to enact legislation which would eliminate current mandates on requiring retiree health benefit pre-payments, allow USPS to access Civil Service Retirement System and FERS overpayments, and give USPS the authority to cut down the frequency of mail delivery.

USPS management has been pushing for increased flexibility of retirement benefits and other labor costs with accelerating urgency over the last two years. In September 2009, President Barack Obama signed a bill that allowed USPS to decrease payment to retiree health benefits from $5.4 billion to $1.4 billion. There has been continual pressure to eliminate delivery on Saturday and to hire workers part time with few or no benefits.

Income for the Postal Service is generated through the sale of postage and other related products and services. As a result of the economic crisis, and years of declining service due to email and other Internet communication, USPS has faced a growing financial shortage.

In 2007, the agency ran its first deficit of $5.4 billion, a number which each year continues to rise. Based on a fact sheet from the USPS website, mail volume is expected to decline to 150 billion parcels by 2020, from its peak in 2006 of 213 billion. USPS claims that if forceful actions are not taken, the cumulative deficit will reach $238 billion by 2020.

Management has taken emergency loans from the federal government, but has been pursuing aggressive cost cutting actions. By their own figures, USPS notes that 78 percent of their costs are linked to wages and benefits, and quite expectedly, these areas have borne the brunt of the blame for the increasing deficit. In numerous statements, USPS Postmaster General John Potter and other officials have attempted to pass off cuts to pensions, wages, and delivery as better options than taxpayers paying for a bailout.

Along with virtually every other piece of public and social infrastructure in the US, the mail delivery system is considered fair game for austerity, privatization, or dismantling. “The United States Postal Service, our nation’s second largest employer, is now past the brink of insolvency,” Darrell Issa, chairman of the House Oversight and Government Reform Committee said. “This would not be tolerated in a private company. … USPS needs fundamental structural and financial reforms to cut costs and protect taxpayers from expensive bailout.”

Postmaster Potter has indicated an intention to restructure the health benefits at USPS to resemble the trend seen in other branches of government and private sector industry through the gutting of reserve pension funds and by creating a “pay-as-you-go” plan.

These demands are in line with and inspired by Obama’s two-year wage freeze of all federal employees, and other measures of austerity in the areas of health care, education and social services.

Politicians have taken the financial crisis in 2008 as an opportunity to gut benefits and pensions across all sectors of the economy, and have attempted to pit public and private workers against each other while blaming them all for the crisis. Public workers—teachers, postal workers, and even janitorial staff—have been demonized for their “lucrative” salaries, “cadillac” health plans, and “cushy” pensions.

Along with other basic protections on job security, unionization, and decent wages, Democratic and Republican politicians at all levels of government have signaled they support the elimination of the guarantee to any kind of retirement benefits. Again and again, bourgeois media outlets and representatives of the financial elite call for “shared sacrifice” and point to workers’ wages and benefits as the cause of the financial crisis. Yet many recent reports show the wealth of the nation’s richest individuals skyrocketing while they continue to demand tax breaks.

In Wisconsin—and other states such as Illinois, Michigan, and California—no small effort has been given to whip up phony cries of alarm over a “budget crisis.” While ramming through legislation to gut pensions, health care, and wages for workers, Democratic and Republican legislators alike have been creating laws in line with the profit motives of big business.

The Obama administration has been working in close collusion with the states in dismantling Medicare, Medicaid, and public education. The budget deficits that do exist are being hoisted upon the backs of the working class through brutal austerity programs.