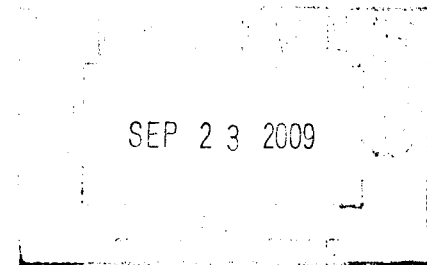




*Institute for Research  
on the Economics  
of Taxation.*

September 22, 2009

Mr. William Burrus  
President  
American Postal Workers Union, AFL-CIO  
1300 L Street, NW  
Washington, DC 20005



Dear Mr. Burrus:

Thank you for your thoughtful letter dated September 10. I've often read your Burrus Update and read or listened to your testimony.

Your presentations are always admirable for their clarity and forcefulness. I've also been impressed because you sometimes make points that not only defy conventional wisdom but are correct. For example, in 2003, you were one of the few people who unequivocally and vigorously insisted that mail use would soon rebound from the recession, 9/11, and the anthrax attacks. The volume numbers from 2004-2006 vindicated your prediction. You are also one of the few people who has challenged the Postal Service's frequent claim that the rising number of delivery points is a burden. I fully agree with you that more delivery points usually mean new customers, and that's generally beneficial (a fact most businesses recognize).

An interesting claim you advance in your letter is that the layoff issue is a red herring. The conventional view is that, unfortunately, the Postal Service is overstaffed due to the precipitous drop in mail volume but has difficulty adjusting to the new reality because most career employees enjoy layoff protection. Certainly, the Postal Service has made this claim (for example, in Mr. Potter's Senate testimony on January 28, 2009). USPS's early retirement offers and now its buyout offer confirm that the Service believes it is overstaffed. When you and others relayed Mr. Potter's statement a year ago that 16,000 bargaining employees lack layoff protection (due to less than six years of continuous service), that indirectly pointed out that the overwhelming majority do have protection. Recent reports about "standby time" look even worse: an organization that is losing billions of dollars is paying employees to do nothing, and work rules are so rigid that supervisors cannot even have those employees "brush up on their training" (Gregg Carlstrom, "Paid to do nothing," *Federal Times*, September 7).

Your response, if I understand it accurately, is that there is a key flaw in this story. You're saying that USPS could easily align its workforce with reduced mail volume because it has 100,000 workers who do not possess layoff protection (mostly nonbargaining employees, I assume). If people have to be let go, they could be the ones.

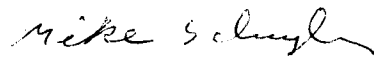
As is often the case, your argument is insightful. An important caveat, though, is that for this approach to succeed there would need to be considerable substitutability in terms of work schedules, job assignments, and skills between workers with and without layoff protection. I'll ask people more knowledgeable about postal operations than I am whether this might be a viable strategy. If they say it would, I'll incorporate that into any future comments I make about layoff protections.

Please allow me to specify that layoffs are not something I like. If a workforce needs to be reduced but not immediately or not by much, attrition is often a more humane and less stressful alternative for all concerned. In my opinion, it was a plus that USPS was able earlier this decade to cut its workforce by over 10% through attrition, without needing layoffs. Early retirement offers and buyouts are also appealing alternatives. (For that reason, I hope a large number of postal employees accept USPS's buyout offer, and it sounds from your public statements like you do, too.) In addition, worker give-backs and furloughs have been used at many organizations during this recession to avoid or minimize layoffs, and that also makes sense to me. Sometimes, though, layoffs are unavoidable.

On another point, you frequently claim, including in the Burrus Update you sent me, that many of USPS's problems stem from overly generous workshare discounts. I agree with you to this extent: workshare discounts should be carefully and continuously monitored. If the discounts exceed avoided costs, they encourage inefficient production and hurt USPS financially. On the other hand, if workshare discounts don't exceed avoided cost, they promote efficient production and save USPS money. You're right that one should not simply take the Postal Service's word that workshare discounts are of the proper size. Fortunately, the PRC exists, and I look on it as a neutral and knowledgeable umpire. While it occasionally determines that a workshare discount is excessive and should be reduced, those findings have been the exception over a long period of time and under Congresses and Presidents of both major political parties. In most cases, the PRC concludes that the discounts are at or below avoided costs. The Service's OIG is another watchdog that can blow the whistle if workshare discounts turn into sweetheart deals; part of OIG's job is to look for waste. I'm not criticizing you because your job is to represent your union and you do that articulately and with intelligence, but the charges you make about workshare discounts would be more persuasive to me, and perhaps others, if the PRC or OIG seconded them.

Again, thank you for your thought provoking letter.

Sincerely,



Mike Schuyler  
Senior Economist, IRET