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New Labor Contract Saves \$3.8 Billion *Extends Flexibility to Adjust to America's Changing Mailing Trends*

WASHINGTON — It's official. The American Postal Workers Union (APWU) AFL-CIO ratified March 14 tentative labor contract agreement with the U.S. Postal Service that will save the nation's mail system \$3.8 billion over the four and a half year life of the contract that becomes effective today.

"This contract serves as a testament to the commitment the American Postal Workers Union has to its membership and to preserving the future of the Postal Service," said Postmaster General Patrick R. Donahoe. "We worked together to negotiate a responsible agreement that is in the best interest of our customers, our employees and the future of the Postal Service. It offers short-term cost relief, structural changes to future labor costs and enhanced workforce flexibility to adjust to America's changing mailing trends."

"I am pleased that we were able to negotiate a contract that will strengthen the Postal Service for the future and protect the job security of union members so that we can better serve the American people," said APWU President Cliff Guffey. "The new contract accomplishes those goals," he added, "and it shows that public-employee unions and their employers can make collective bargaining work — even when faced with a financial crisis."

The contract, which is effective May 23, 2011, through May 20, 2015, is a cornerstone for the Postal Service to achieve short-term cost relief, structural changes and enhanced workforce flexibility.

Short-term cost relief

The contract includes a wage freeze for the first two years, with low wage increases over the life of the contract (ranging from 0 to 1.5 percent), totaling 3.5 percent. Cost of living adjustments (COLAs) are eliminated in the first year, deferred in the second to the third year and resumed thereafter.

Structural changes

The agreement establishes a new career pay schedule that on average is permanently 10.2 percent lower than the current pay schedule. It also allows for significantly increased use of non-career employees from the current level of 5.9 percent to 20 percent in clerk craft and 10 percent in maintenance and motor vehicle craft function. As the Postal Service moves to greater use of non-career employees, which will happen as current APWU employees retire, the Postal Service will not be incurring long-term liability costs for retirements and other benefits.

Enhanced workforce flexibility

The contract introduces completely new scheduling flexibility for career employees; rather than working 8 hours a day for 40 hours a week, the Postal Service can schedule employees for irregular shifts with hours totaling between 30 and 48 hours per week. Employees will contribute additional amounts to health care premiums; employer contributions to health care will equal 76 percent at the end of the contract.

The agreement is a key component in the Postal Service's strategy to address its dire financial condition. Other components include aggressive cost-reductions in excess of \$12 billion over the last four years. The postal workforce has been reduced by more than 112,000 employees in the same time frame, through consolidating mail-processing facilities and reducing the Postal Service retail facility footprint.

Nearly 205,000 employees represented by the APWU generally work as clerks, mechanics, vehicle drivers, custodians and in some administrative positions.

Negotiations with the National Rural Letter Carriers' Association (NRLCA) came to an impasse upon the contract's Nov. 20, 2010, expiration; however, discussions between the parties continue. If those discussions do not result in a negotiated resolution, the parties will continue to follow the current agreement until a third party determines the outcome of a new contract. Unlike in the private sector, when negotiations come to an impasse, federal employees are not permitted to strike. An arbitrator determines the final outcome and is not legally required to consider the Postal Service's financial obligations when rendering a decision.

Employees represented by the NRLCA deliver mail in primarily rural and suburban areas. The NRLCA represents 67,000 career employees and 48,000 non-career employees who substitute for career employees on their days off. Employees represented by both unions received more than \$20 billion in wages and benefits last year.

Two other unions represent most other postal employees. More than 203,000 employees represented by the National Association of Letter Carriers, AFL-CIO (NALC) deliver mail in metropolitan areas, and 48,000 employees represented by the National Postal Mail Handlers Union, AFL-CIO (NPMHU) work in mail-processing plants and Post Offices.

The NALC and NPMHU begin negotiations this year approximately 90 days prior to the midnight Nov. 20, 2011 contract expiration date. For additional background information on labor negotiations and the Postal Service's workforce, please click on these links: [Labor Negotiations](#) and [Workforce](#).

The Postal Service receives no tax dollars for operating expenses, and relies on the sale of postage, products and services to fund its operations.

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A self-supporting government enterprise, the U.S. Postal Service is the only delivery service that reaches every address in the nation, 150 million residences, businesses and Post Office Boxes. The Postal Service receives no tax dollars for operating expenses, and relies on the sale of postage, products and services to fund its operations. With 32,000 retail locations and the most frequently visited website in the federal government, usps.com, the Postal Service has annual revenue of more than \$67 billion and delivers nearly 40 percent of the world's mail. If it were a private sector company, the U.S. Postal Service would rank 29th in the 2010 Fortune 500. Black Enterprise and Hispanic Business magazines ranked the Postal Service as a leader in workforce diversity. The Postal Service has been named the Most Trusted Government Agency six consecutive years and the sixth Most Trusted Business in the nation by the Ponemon Institute.