



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Non-Career Employee Turnover



Audit Report

Report Number
HR-AR-17-002

December 20, 2016





OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

Our objective was to assess non-career employee turnover and identify opportunities to optimize non-career staffing. Because the Postal Service needs a flexible workforce and is facing a tightening labor market, we may conduct further work on the strategic use of this key resource in the future.

Background

The U.S. Postal Service hires non-career employees to supplement its regular workforce and reduce staffing costs. Non-career employees are temporary workers who do not receive full employee benefits and privileges. In fiscal year (FY) 2016, the Postal Service employed an average of about 130,000 non-career employees.

The Postal Service has four crafts that constitute the non-career employee portfolio: (1) the mail handler assistant position that unloads and moves mail in plants, (2) the postal support employee position that processes mail and sells postage at post offices, (3) the city carrier assistant (CCA) position that delivers mail on designated city routes and (4) rural carrier associate position that delivers mail on designated rural routes.

In October 2014, the Postal Service created a CCA recruitment and retention strategy to provide field Human Resources staff, managers and supervisors with resources and strategies for the recruitment and retention of CCAs.

In FY 2015, the Postal Service formed a joint Human Resources and operations team to evaluate turnover. Subsequently, the Postal Service created initiatives for FY 2016 to reduce turnover and improve training.

In FY 2015, non-career employee turnover cost the Postal Service about \$95.1 million to hire and onboard replacements.

Our objective in this project was to assess non-career employee turnover and identify opportunities to optimize non-career staffing. Because the Postal Service needs a flexible workforce and is facing a tightening labor market, we may conduct further work on the strategic use of this key resource in the future.

What the OIG Found

Opportunities exist to reduce non-career employee turnover by addressing factors such as scheduling flexibility, physical demands of the job and supervisory relationships that contributed to non-career employee turnover.

In FY 2016, the combined annual turnover rate for all four non-career crafts was 42.7 percent (monthly average of 3.6 percent), which did not meet the National Performance Assessment goal of 34.8 percent annually (2.9 percent per month). Leveraging best practices in establishing and implementing mentoring and training activities for all crafts could help reduce these high turnover rates.

Lastly, unit managers did not always review workhour reports and submit non-career separation forms timely. Consequently, 1,223 of 2,208 (55.4 percent) non-career separation forms were submitted from 1 to 38 days after employees separated and not the day of separation as required.

These conditions occurred because the Postal Service does not have a recruitment and retention strategy to help reduce



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attrition rates to sustainable levels and ensure all non-career crafts are appropriately mentored and trained. In addition, they did not ensure that areas and districts implemented mentoring and training activities outlined in the CCA strategic plan. Lastly, unit managers were not required to evaluate workhour reports to identify and timely remove separated employees.

If the turnover rate goal had been met, the Postal Service hiring and onboarding costs for FY 2016 would have been reduced by over \$23 million. Further, as the Postal Service converts many non-career employees to career employees, investments in mentoring and training would better prepare the employees for both current and future roles. Lastly, when a district or site reaches its maximum complement and does not remove separated employees from payroll, the system does not update to reflect a vacancy and replacements cannot be hired.

The Postal Service took corrective action by implementing a field onboarding program nationwide beginning October 1, 2016. This program will include pre-hire communication, employee orientation, on-the-job training for all crafts, and updated rural and city carrier academies. Therefore, we are not making any recommendations regarding training.

What the OIG Recommended

We recommended management establish a comprehensive non-career employee strategic plan for all crafts that addresses contributing factors identified by Postal Service data and an oversight process to ensure areas and districts implement retention activities. We also recommended management institute formal requirements for unit managers to evaluate workhour reports to identify and timely remove separated employees.

Transmittal Letter

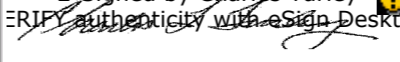


OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

December 20, 2016

MEMORANDUM FOR: NANCY L. RETTINHOUSE
VICE PRESIDENT, EMPLOYEE RESOURCE
MANAGEMENT

E-Signed by Charles Turley
VERIFY authenticity with eSign Desktop



FROM: Charles L. Turley
Deputy Assistant Inspector General
for Supply Management and Human Resources

SUBJECT: Audit Report – Non-Career Employee Turnover
(Report Number HR-AR-17-002)

This report presents the results of our audit of the U.S. Postal Service's Non-Career Employee Turnover (Project Number 16SMG002HR000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Monique P. Colter, director, Human Resources and Support, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

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Findings

The Postal Service has four crafts that constitute the non-career employee portfolio: (1) the MHA position that unloads and moves mail in plants, (2) the PSE position that processes mail and sells postage at post offices, (3) the CCA position that delivers mail on designated city routes and (4) RCA position that delivers mail on designated rural routes. In FY 2016, there were about 5,000 MHA, 30,000 PSE, 38,000 CCA and 57,000 RCA employees.

Introduction

This report presents the results of our audit of the U.S. Postal Service's Non-Career Employee Turnover (Project Number 16SMG002HR000). This self-initiated audit addresses concerns with the Postal Service's turnover of non-career employees. Our objective in this project was to assess non-career employee turnover and identify opportunities to optimize non-career staffing. See [Appendix A](#) for additional information about this audit.

The Postal Service hires non-career employees to supplement its regular workforce and reduce staffing costs. Non-career employees are temporary employees who do not have full employee benefits and privileges. For fiscal year (FY) 2016, the Postal Service employed an average of about 130,000 non-career employees.

The Postal Service has four crafts that constitute the non-career employee portfolio: (1) the mail handler assistant (MHA) position that unloads and moves mail in plants, (2) the postal support employee (PSE) position that processes mail and sells postage at post offices, (3) the city carrier assistant (CCA) position that delivers mail on designated city routes and (4) rural carrier associate (RCA) position that delivers mail on designated rural routes. In FY 2016, there were about 5,000 MHA, 30,000 PSE, 38,000 CCA and 57,000 RCA employees.

In October 2014, the Postal Service created a CCA recruitment and retention strategy to provide field Human Resources staff, managers, and supervisors with resources and strategies for the recruitment and retention of CCAs. In FY 2015, the Postal Service formed a joint human resources and operations team to evaluate turnover. Subsequently, the Postal Service created initiatives for FY 2016 to reduce turnover and improve training.

In FY 2015, non-career employee turnover cost the Postal Service about \$95.1 million to hire and onboard replacements. In FY 2016, the Postal Service's National Performance Assessment (NPA)¹ turnover rate goal for all non-career craft employees was 2.9 percent.

Because the Postal Service needs a flexible workforce and is facing a tightening labor market, we may conduct further work on the strategic use of this key resource in the future.

Summary

Opportunities exist to reduce non-career employee turnover by addressing factors such as scheduling flexibility, physical demands of the job, and supervisory relationships that contributed to non-career employee turnover. In FY 2016, the combined annual turnover rate for all four non-career crafts was 42.7 percent (monthly average of 3.6 percent), which did not meet the NPA goal of 34.8 percent annually (2.9 percent per month). Leveraging best practices in establishing and implementing mentoring and training activities for all crafts could help reduce these high turnover rates. Area and district management did not always implement best practices for mentoring and training initiatives in the CCA strategic plan. In addition, available training varied by district and employee craft. Lastly, unit managers did not always review workhour reports and submit non-career separation forms timely. The managers submitted 1,223 of 2,208 (55.4 percent) electronic separation forms 1 to 38 days after employees' separated from the Postal Service and not the day of separation, per the requirement.

¹ A web-based system that collects performance-related metrics such as retail revenue, on-time Express Mail delivery, etc. from systems across the organization. These metrics are translated into web-based balanced scorecards that management can use to monitor the performance of the entire enterprise or individual units across the nation.

Leveraging best practices in establishing and implementing mentoring and training activities for all crafts could help reduce these high turnover rates.

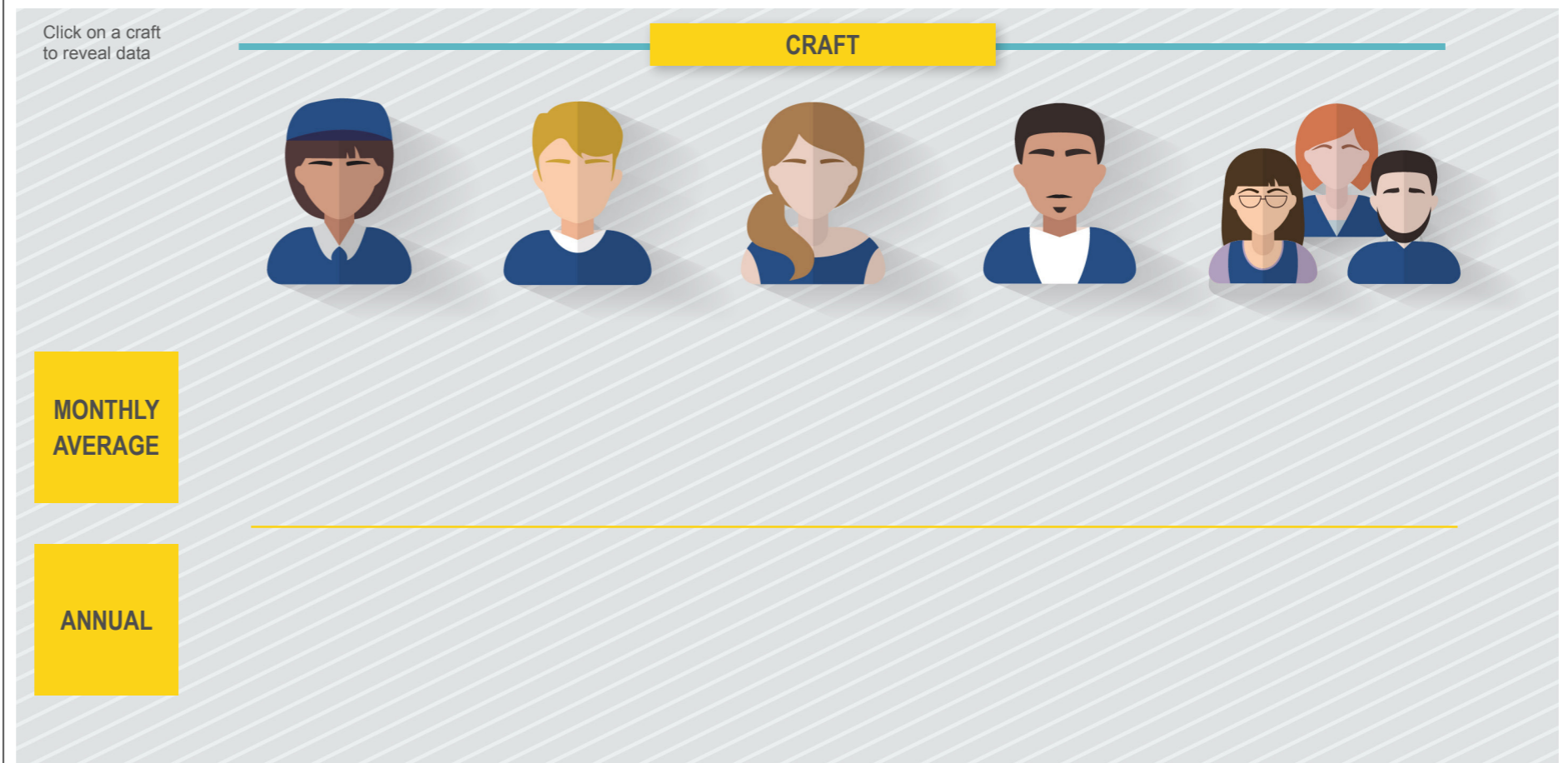
These conditions occurred because the Postal Service did not have a recruitment and retention strategy to reduce attrition rates to sustainable levels to ensure all non-career crafts are appropriately mentored and trained. In addition, they did not ensure that the areas and districts implemented mentoring and training activities outlined in the CCA strategic plan. Lastly, unit managers were not required to evaluate workhour reports to identify and timely remove separated employees.

If the turnover rate goal had been met, the Postal Service hiring and onboarding costs for FY 2016 would have been reduced by over \$23 million. Further, as the Postal Service converts many non-career employees to career employees, investments in mentoring and training would better prepare the employees for both current and future roles. Lastly, when a district or site reaches its maximum complement and does not remove separated employees from payroll, the system does not update to reflect a vacancy and replacements cannot be hired.

Retention Challenges

The Postal Service’s turnover rate of 3.6 percent during FY 2016 exceeded its 2.9 percent NPA goal. Since non-career employees are vital to providing flexibility, supplementing the regular workforce, and reducing staffing costs, the Postal Service established an NPA turnover rate goal of 2.9 percent for all non-career crafts in FY 2016. This is an annual equivalent of 42.7 percent which did not meet the NPA goal of 34.8 percent, a difference of 8 percent. During FY 2016,² only the RCAs achieved this goal (see Table 1).

Table 1: FY 2016 Non-Career Turnover Rates

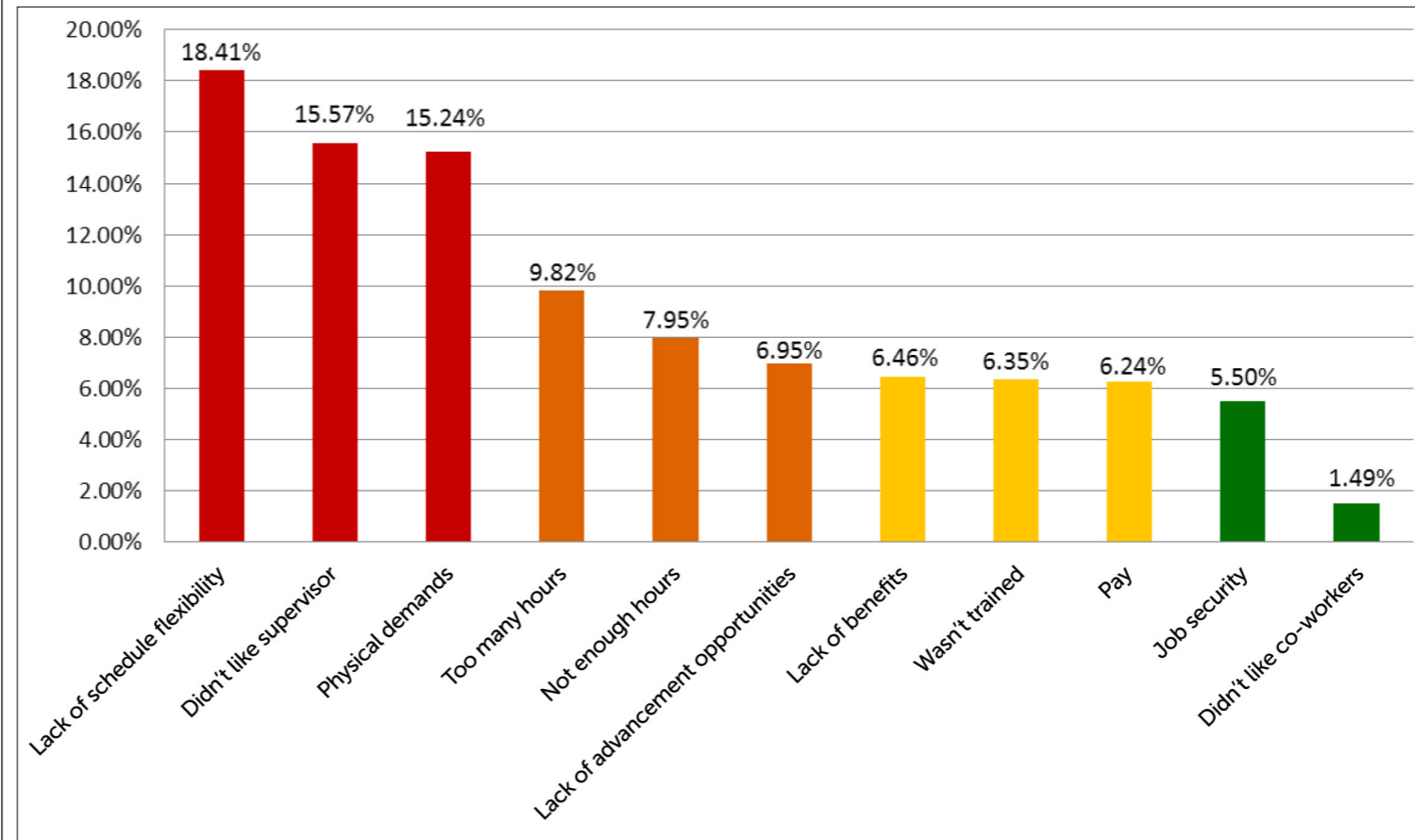


Source: Staffing and Scheduling Tool (SST).

² The Postal Service did not have a NPA goal for non-career employee turnover in FY 2015.

According to the results of the exit survey from October 1, 2015 through July 31, 2016,³ 18.4 percent of non-career employees that left the Postal Service stated they left due to the lack of schedule flexibility, 15.6 percent stated they did not like their supervisor, 15.2 percent cited physical demands, and 9.8 percent believe they worked too many hours. The remaining 41 percent of responses ranged from not having enough hours to dislike of co-workers. The survey indicated work-life issues for non-career employees that contributed to the turnover rates (see Figure 1 for additional exit survey results concerning reasons for leaving non-career positions).

Figure 1: Postal Service Exit Survey Top Reasons Non-Career Employees Resigned⁴



Source: FY 2016 non-career exit survey results through July 2016.

In June 2016, the U. S. Postal Service Office of Inspector General (OIG) hosted an Audit Asks⁵ web page discussion on our external website and asked the public to comment on non-career employee retention. Our questions included:

- What can the Postal Service do to improve retention of non-career employees?
- What is the incentive to become a non-career employee for the Postal Service?
- What are reasons for leaving a non-career employee position?

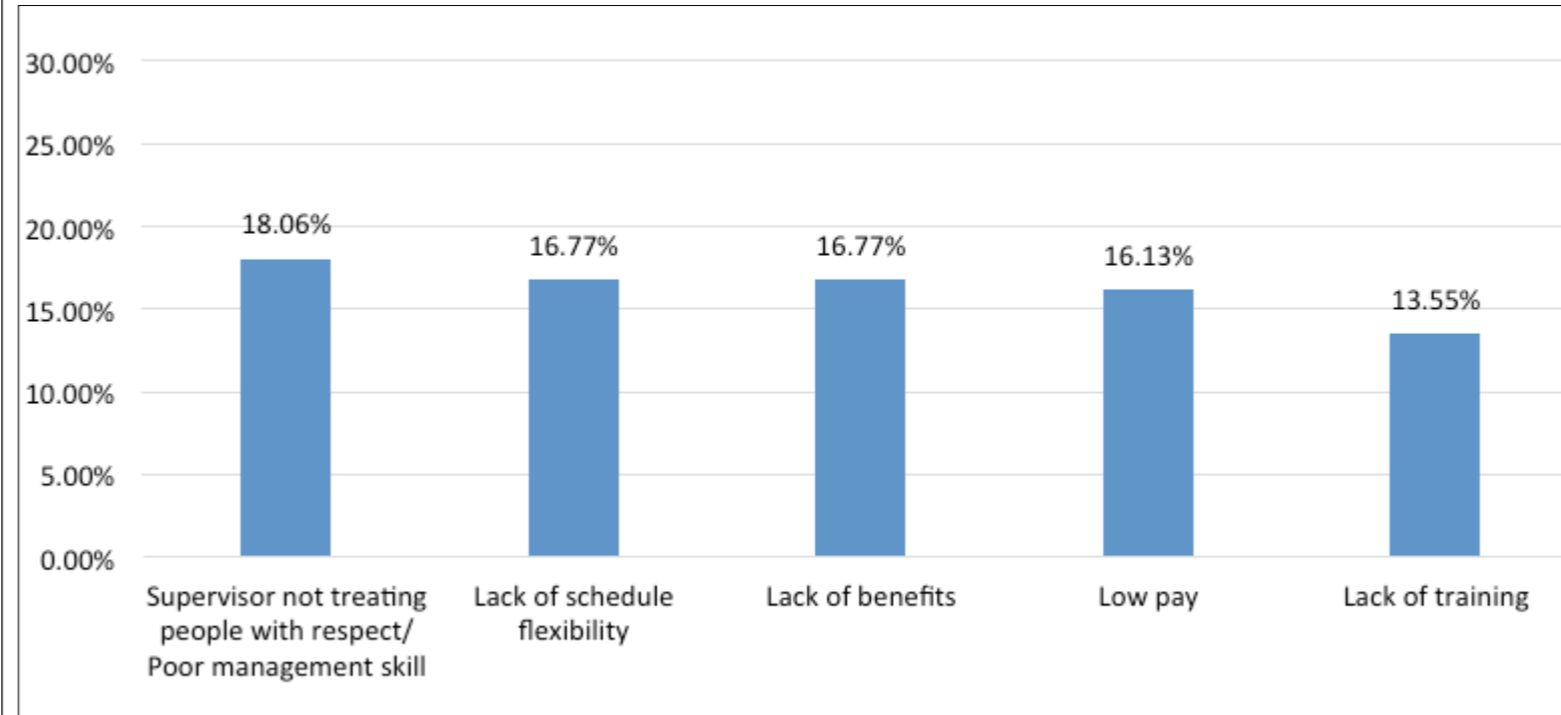
³ The Postal Service sends a survey to non-career employees who voluntarily resign.

⁴ The graph totals 99.98 percent; Postal Service management stated the difference was attributed to rounding.

⁵ Audit Asks is a forum for discussing ongoing OIG audits of the Postal Service. [Audit Asks](#) pages are usually available for comment for 45 days.

We received 113 comments.⁶ Based on a review of the comments, the reasons given for leaving a non-career employee position were similar to those cited in the Postal Service's exit survey. The top five reasons our survey identified included supervisors not treating employees with respect/poor management skills, lack of scheduling flexibility, lack of benefits, low pay, and lack of training (see Figure 2 for Audit Asks respondents' top reasons for leaving non-career positions).

Figure 2: Audit Asks Top Reasons Non-Career Employees Resigned



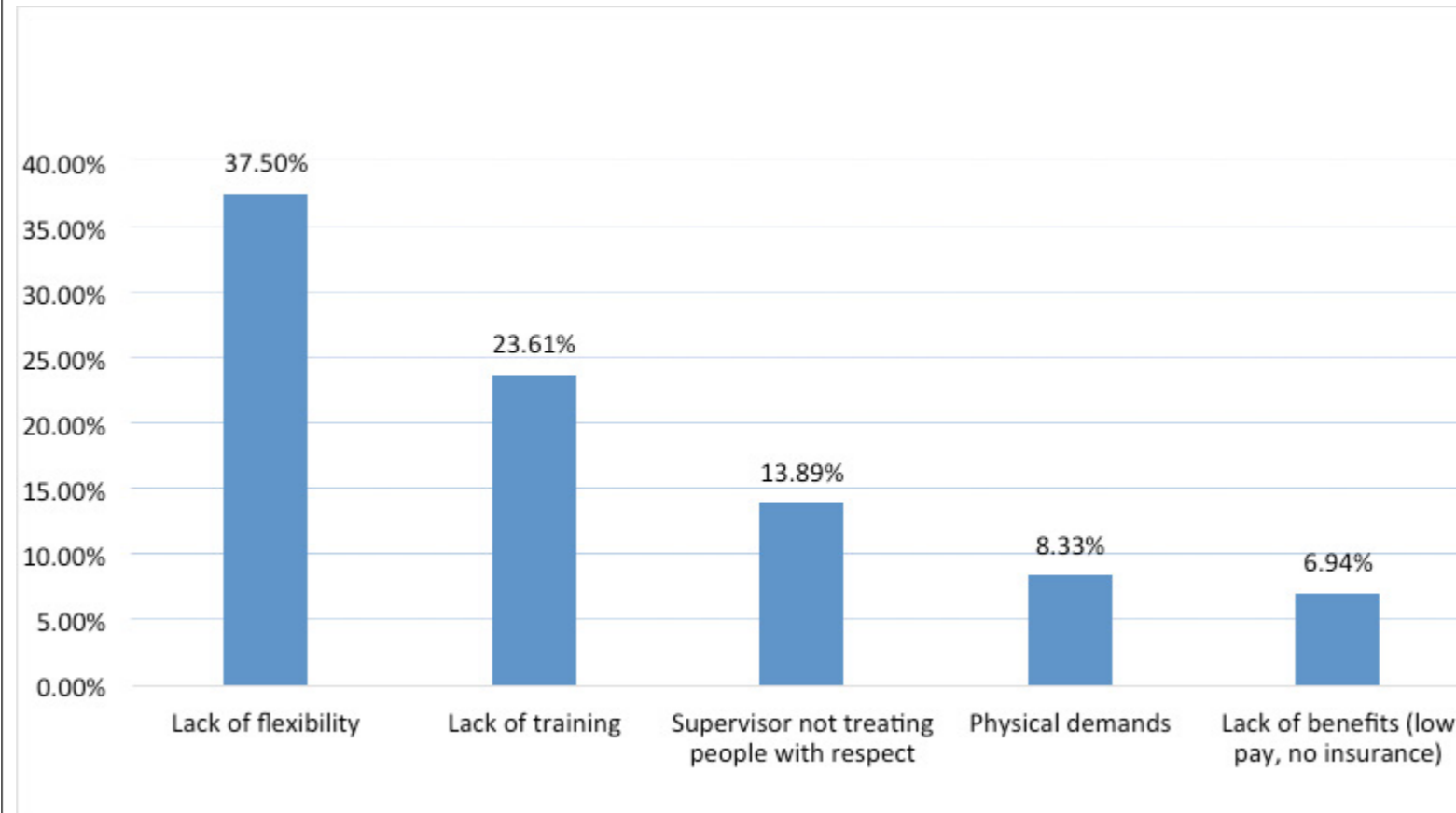
Source: Responses to the OIG's Audit Asks questions.

We also interviewed 72 non-career employees in the Salt Lake City, Sacramento, and San Diego districts.⁷ These employees said their main concern with their positions were lack of schedule flexibility, lack of training, supervisors' lack of respect for employees, physical demands of the job, and lack of benefits (see Figure 3 for additional information about their top concerns).

⁶ We were not able to determine if respondents to the Audit Asks questions were current or previous Postal Service employees or the general public.

⁷ We interviewed 72 non-career employees who were available at the time of our visit. We judgmentally selected the Salt Lake City District for interviews because it had the highest turnover rate of the 67 districts and was included in the Western Area, which had the highest turnover rate among the seven Postal Service areas of operations. We judgmentally selected the Sacramento and San Diego districts because they had the highest and lowest turnover rates in the Pacific Area, which had the second highest turnover rate.

Figure 3: Non-Career Employees' Top Concerns With Their Position



Source: OIG results from interviews conducted from May 17 through June 30, 2016.

Lack of Schedule Flexibility and Physical Demands

Twenty-seven of 72 current non-career employees (38 percent) we interviewed expressed concern regarding the lack of flexibility in their schedule. For example, a PSE from the Sacramento District stated PSEs could not plan personal activities ahead of time because supervisors frequently called them in to work. A CCA from the Salt Lake City District also stated that frequent last-minute notifications to work on scheduled days off created work-life issues. Supervisors have limits on how many non-career employees they can employ at each unit. Non-career employees' hourly rates are less than those of their career counterparts. Therefore, there are cost benefits from utilizing non-career employees that make up 15 to 20 percent of a unit's complement to provide coverage for vacation days, sick days, and unscheduled leave for career employees.

In addition, postal employees are often required to continually stand or walk during their workhours and carriers have to lift sacks of mail of up to 70 pounds. The physical demands of the work were not always communicated prior to employment. According to the exit survey results, 15.2 percent of non-career employees cited physical demands as their main reason for resigning. In addition, 8.3 percent of the non-career employees we interviewed also cited physical demands as their main concern about the position.

Thirteen non-career employees worked at least 10 consecutive days, and three worked more than 20 consecutive days

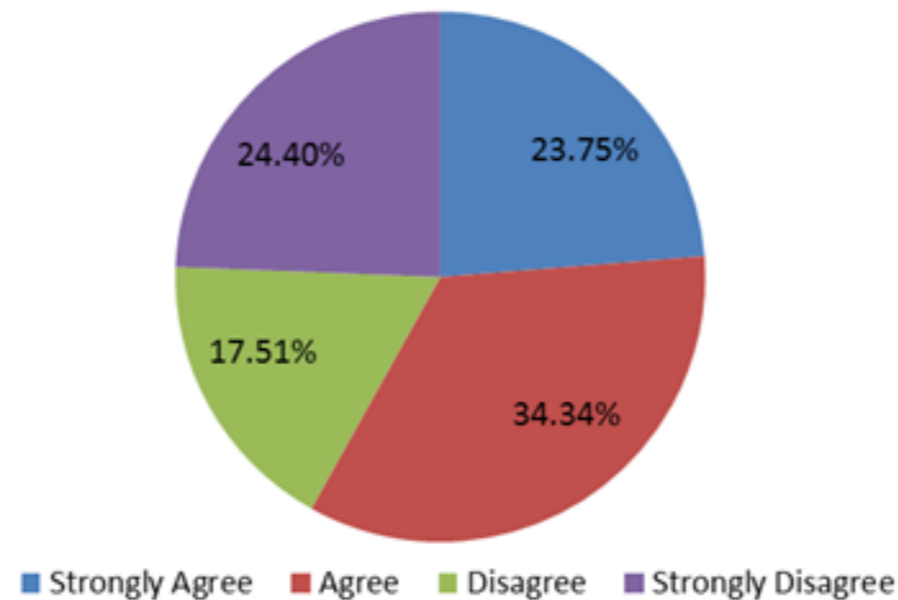
Long Work Weeks

According to the exit survey, 9.8 percent of the 8,447 non-career employees cited working too many hours as one of the main reasons for resigning. We randomly selected 30⁸ of the 72 non-career employees we interviewed in the Salt Lake City, Sacramento, and San Diego districts and reviewed their workhour and annual leave information from July 1, 2015 through June 30, 2016. Eighteen of the 30 non-career employees⁹ did not take annual leave over a 1-year period,¹⁰ 13 non-career employees worked at least 10 consecutive days, and three worked more than 20 consecutive days.¹¹ A manager in the Salt Lake City District used a flexible employee utilization report to monitor consecutive days worked to ensure non-career employees were not overworked; however, other sites we visited did not use this report.

Negative Supervisor Relationships

Negative employee and supervisor relationships also contributed to non-career turnover. Of the 8,447 non-career employees who responded to the exit survey, 41.9 percent stated their supervisor did not treat them with dignity and respect (see Figure 4). In addition, during the interviews, 10 of the 72 non-career employees stated that the way supervisors scheduled work and the number of workhours they scheduled suggested the supervisors did not respect them.

Figure 4: Non-Career Employees Responses to Statement That Supervisors Treated Them with Dignity and Respect



Source: FY 2016 non-career exit survey results through July 2016.

8 The random sample includes 15 CCAs, 9 PSEs, 5 MHAs, and 1 RCA.

9 We could not determine if the non-career employees chose not to take annual leave or were denied their annual leave requests. The documentation obtained only showed if they took leave during the time period.

10 July 1, 2015, through June 30, 2016.

11 The three employees worked 28, 26, and 21 consecutive days.

Mentoring and Training Activities

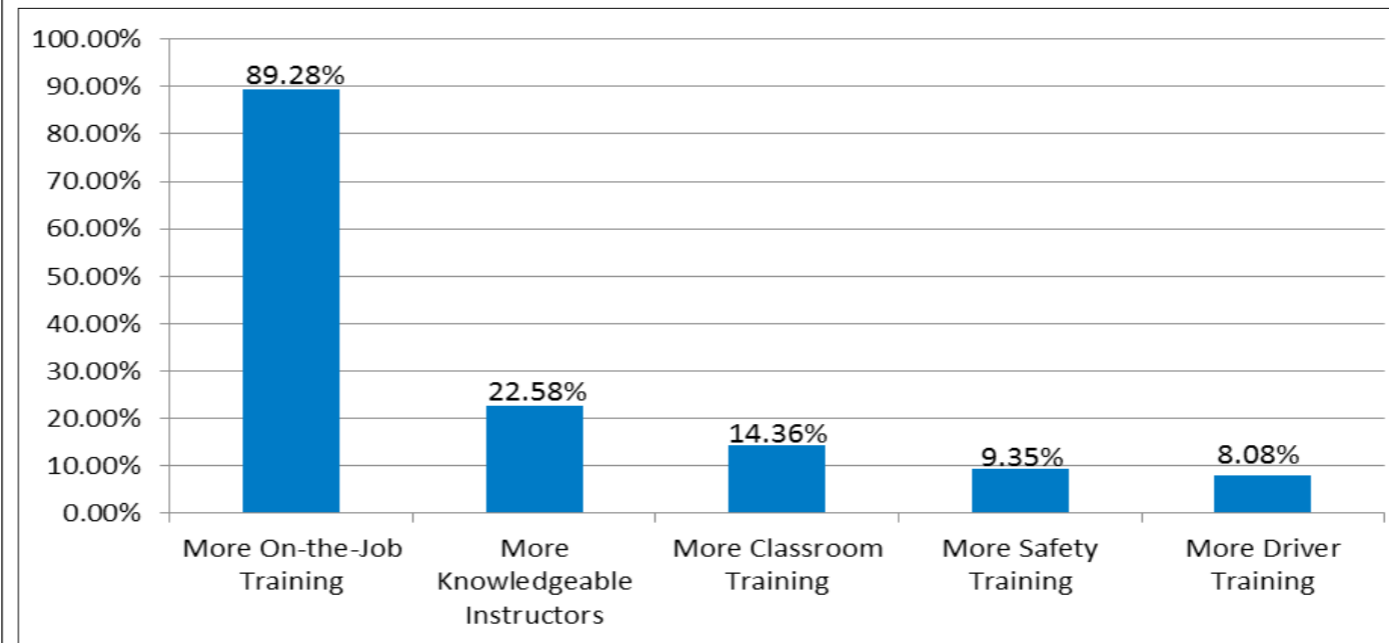
Postal Service management did not always establish mentoring and training best practices for all non-career positions. In addition, area and district management did not always implement best practices for mentoring and training initiatives in the CCA strategic plan. The CCA strategic plan required CCAs to be paired with mentors who could help them learn their jobs. However, management in the Western and Pacific areas and the Colorado/Wyoming, Salt Lake City, Sacramento, and San Diego districts we visited did not always perform or track mentoring assignments.

Additionally, the availability of non-career employee training varied by district. For example, in 2015, the San Diego District added a third day to the 2-day carrier academy described in the CCA strategic plan. During this third day, the CCAs and RCAs¹² received hands-on training on casing mail, scanning, and delivering mail to different types of delivery points. The additional training may have contributed to the 12.4 percent reduction in turnover compared to the same period last year.¹³

Further, the amount of on-the-job (OJT) training differs by employee craft. CCAs and RCAs received 3 days of formal OJT with a certified on-the-job instructor (OJI). As the new employee receives the training, they and the OJI sign a document certifying the training and the certification is retained in the employee's records. PSEs and MHAs may receive some OJT, but it is informal, not documented, and inconsistently offered across facilities and districts.

According to the exit survey, 89.3 percent of respondents felt they needed additional OJT (see Figure 5 for additional exit survey results concerning training).

Figure 5: Training-Related Changes Non-Career Employees Want



Source: FY 2016 non-career exit survey results through July 2016.

¹² RCAs participate in the same carrier academy as the CCAs.

¹³ Weekly National Performance Estimates Report for Week 40, FY 2016.

These conditions occurred because the Postal Service does not have a recruitment and retention strategy to help reduce attrition rates to sustainable levels for all of the non-career employee crafts.

Union officials expressed concerns that CCAs were not given time to learn during the 90-day probationary period, yet were expected to be as competent as the career carriers.

During 15 site visits to the Salt Lake City, Sacramento, and San Diego districts, we interviewed 20 PSEs and 13 MHAs and learned that the amount of OJT varied significantly. The interviewees stated the training often did not help them perform their duties. While some MHAs received no OJT, others described a full month of OJT. Additionally, while CCAs and RCAs received formal OJT with a certified OJI, eight PSEs and six MHAs expressed frustration that they had to figure a lot of things out on their own.

For example, PSEs relied on OJT to learn how to operate different types of mail processing equipment. When PSEs were moved to machines for which they had no training, they needed to ask a co-worker for instructions, so the quality of instruction these PSEs received depended on how knowledgeable their co-workers were. Of 8,447 non-career employees responding to the exit survey, 22.6 percent expressed concerns with their instructor's knowledge.¹⁴

These conditions occurred because the Postal Service does not have a recruitment and retention strategy to help reduce attrition rates to sustainable levels for all of the non-career employee crafts. In addition, they did not ensure that areas and districts implemented mentoring and training activities outlined in the CCA strategic plan. Since CCAs had larger retention issues, the Postal Service created a strategic plan for them, but it did not create a plan for the clerk, mail handler, and rural carrier crafts. While CCAs were the priority, the other crafts represented 71.2 percent of non-career employees.

In addition, Postal Service management stated that when they created the October 2014 CCA strategic plan to include mentoring and training, they wanted all of the areas and districts to implement the strategies, but did not hold them accountable for doing so. Union officials expressed concerns that CCAs were not given time to learn during the 90-day probationary period, yet were expected to be as competent as the career carriers. Mentoring and training non-career employees provides them knowledge to perform their job and represents an opportunity to invest in future career employees.

Because excessive workhours were concerning, the CCA strategy stated managers should be clear on possible workhours with potential employees during the recruitment process. Lastly, the strategy indicated that CCAs should not be assigned 6-day work weeks for the first 30 days after they are fully trained. However, after the first 30 days, there is nothing in the CCA strategy preventing 6-day work weeks.

On May 26, 2016, the Postal Service announced plans to take corrective action when it introduced a new field onboarding program for all crafts to be implemented nationwide beginning October 1, 2016. This program will include pre-hire communication to depict the physical demands of the job, employee orientation, OJT for all crafts, and updated rural and city carrier academies. As a result, we are not making any recommendations concerning training.

The Postal Service incurred \$23.1 million in additional hiring and onboarding costs in FY 2016. In addition, the Postal Service could incur an estimated \$29.8 million in future hiring and onboarding costs in FY 2017 if the turnover rate continues at the 3.6 percent turnover rate. Lastly, the Postal Service is missing an opportunity to invest in the future career workforce with mentoring and training.

¹⁴ PSEs and MHAs do not have formal OJT so they do not have formal training instructors. Instructor roles were filled by co-workers and supervisors.

Non-career employee positions are limited by collective bargaining to 15 or 20 percent of career craft positions. When a district or site reaches its maximum complement it cannot hire replacements until the employees are removed from the payroll.

Non-Career Complement Optimization

Unit managers did not always submit non-career separation forms timely. Although unit managers submitted 2,208 of the 2,297 (96.1 percent) employee separation forms electronically, 1,223 of 2,208 (55.4 percent) were submitted anywhere from 1 to 38 days after employees separated from the Postal Service (see Table 2).¹⁵

Table 2: Separation Processing

| Time Processed | Occurrences | Percentage of Occurrences |
|-----------------|--------------|---------------------------|
| 1-6 days late | 794 | 64.9% |
| 7-13 days late | 226 | 18.5% |
| 14-20 days late | 122 | 10.0% |
| 21-38 days late | 81 | 6.6% |
| Total | 1,223 | 100% |

Source: OIG analysis of Human Resources Shared Service Center (HRSSC) data.

Unit managers remove employees from the payroll by completing the necessary forms and submitting them to HRSSC for further processing. Unit managers should submit electronic separation notices to the HRSSC by the date of separation.

Non-career employee positions are limited by collective bargaining to 15 or 20 percent of career craft positions. When a district or site reaches its maximum complement it cannot hire replacements until the employees are removed from the payroll.

For example, a manager in the Sacramento District was recently assigned to oversee a Post Office and, after reviewing the flexible workforce zero workhour report, she determined that she had five non-career employees on the payroll who no longer worked at her unit. Until she could remove the separated employees from the payroll, she could not hire their replacements and had to use overtime to deliver the mail.

The delay in processing the separations occurred because the Postal Service did not establish requirements for unit managers to evaluate the flexible workforce zero workhour report that identifies inactive employees to ensure they are removed from the payroll timely. When a district or site reaches its maximum complement and does not remove separated employees from payroll, the system does not update to reflect a vacancy and replacements cannot be hired.

¹⁵ Analysis of 2,297 non-career employees separated from June 12 to June 25, 2016.

Recommendations

We recommend management establish a comprehensive non-career employee strategic plan for all crafts that addresses contributing factors identified by Postal Service data and an oversight process to ensure areas and districts implement retention activities.

We also recommend management institute formal requirements for unit managers to evaluate workhour reports to identify and timely remove separated employees.

We recommend the vice president, Employee Resource Management:

1. Establish and implement a comprehensive non-career employee strategic plan for all crafts that would help the Postal Service identify, recruit, and retain highly qualified individuals. This plan should include strategies to minimize the contributing factors identified by Postal Service data.
2. Establish an oversight process to ensure area and district offices complete non-career employee strategic activities.
3. Establish requirements for unit managers to evaluate workhour reports to identify and remove separated employees from the payroll in a timely manner.

Management's Comments

Management disagreed with recommendations 1 and 2 and the monetary impact, agreed with recommendation 3, and did not state whether they agreed with the findings. In a subsequent correspondence, management provided alternative corrective actions for recommendations 1 and 2 and agreed with the findings.

Regarding recommendation 1, management stated they already established a comprehensive strategy addressing recruitment, hiring, and retention of non-career employees. This strategy focuses on improvements in recruitment, application, and hiring processes; entrance testing; onboarding experience; and employee experience during the first 90 days.

In subsequent correspondence, management stated that they plan to implement the new "Managing for Retention 2" training course to address the top three reasons non-career employees leave as cited in the Postal Service exit surveys. The training will be mandatory for all supervisors and will address all crafts. The training will also include a training guide for managing non-career employees. Management stated the training will be completed by March 31, 2017.

Regarding recommendation 2, management stated that there is already an oversight process in place for the mandatory elements of a strategic plan. In subsequent correspondence, management stated that they conduct weekly teleconferences with all area Human Resources managers to discuss progress and reinforce expectations regarding human resources strategies, including those designed to reduce turnover.

Regarding recommendation 3, management stated that workhour reports must be evaluated weekly to determine which employees should be separated from the rolls. Starting in December 2016, management began requiring area Human Resources managers to review these reports weekly and validate the reasons for employees who show zero workhours and ensure appropriate actions are taken.

Regarding the monetary impact, management stated that we based it on average onboarding costs for new employees and that those costs were reduced due to hiring process changes. Management also stated that the monetary impact associated a cost with every month where turnover exceeded 2.9 percent without giving credit for months where attrition was below 2.9 percent. Finally, management stated that 2.9 percent was only a target because attrition could be higher or lower in some months based on hiring patterns. See [Appendix B](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendation 3. In subsequent correspondence, management provided alternative corrective actions that should satisfy the intent of recommendations 1 and 2.

Regarding recommendation 1, management did not formalize their efforts to address non-career hiring and retention in a written comprehensive strategic plan, such as the strategic plan they developed to address CCA retention. Management plans to implement "Managing for Retention 2" training, which will be mandatory for all supervisors.

Regarding recommendation 2, we acknowledged in the report that management intended all areas and districts to implement the strategies outlined in the CCA strategic plan, but did not monitor implementation of the strategies or hold areas and districts accountable. In subsequent meetings, management described how they use weekly teleconferences with all area Human Resource managers to discuss progress and reinforce expectations regarding human resources activities. This action satisfies the intent of the recommendation.

Regarding the monetary impact, management did not provide evidence to support the reduction in onboarding costs. Management affirmed the onboarding costs we used in our calculations. In addition, the goal of 2.9 percent was an average monthly goal that was tracked by management monthly. Therefore, we analyzed the turnover by month and by craft so we could identify which crafts did not achieve the target. We did not question the costs when the crafts achieved their goal, we only questioned the costs when a craft did not achieve their goal. It is not reasonable to take the goal achieved in one craft to offset excess retention in another craft.

The OIG requests written confirmation when corrective actions are completed for recommendations 1 and 3. These recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed. We consider recommendation 2 closed with the issuance of this report.

Appendices

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Appendix A: Additional Information

Background

The Postal Service hires non-career employees to supplement its regular workforce and reduce staffing cost. As such, they created the rural carrier associate position in April 1987, PSEs in May 2011, and CCAs and MHAs in January and February 2013, respectively. Non-career employees are responsible for selling postage at post offices, unloading and moving mail in plants, and delivering the mail. However, non-career employees do not receive full employee benefits and privileges like career employees.

In October 2014, the Postal Service created a CCA recruitment and retention strategy to provide Postal Service managers and supervisors with resources and strategies for the recruitment and retention of CCAs.

The Postal Service can employ a limited number of non-career employees for each type of non-career craft. For example, the number of CCAs who may be employed in any reporting period cannot exceed 15 percent of the total number of full-time career city carriers. The number is negotiated through collective bargaining for each non-career craft. The Postal Service monitors the non-career complement and reports it every other pay period. To reduce non-career turnover, in FY 2016, the Postal Service established a 2.9 percent non-career employee turnover rate goal.

Objective, Scope, and Methodology

Our objective was to assess non-career employee turnover and identify opportunities to optimize non-career staffing. The scope of this audit was Postal Service non-career employee turnover during the period of October 2015 through September 2016. To accomplish our objective, we:

- Identified and reviewed Postal Service non-career employees' retention goals and strategies.
- Reviewed collective bargaining agreements between the Postal Service and the labor unions regarding non-career employees' hiring, workforce processes and benefits.
- Analyzed EDW¹⁶ data and identified areas and districts with the highest non-career employee turnover rates for the period of March 2015 through February 2016.
- Interviewed Human Resources managers in the Pacific and Western areas (which had the highest turnover rates of all postal areas) and in four districts¹⁷ within those areas to determine the causes of high non-career employee turnover rates and how they monitored and mitigated the issues.
- Judgmentally selected five units from each of the following three districts: Salt Lake City, Sacramento, and San Diego for review.
 - Interviewed one postmaster, four managers, 13 supervisors, and 72 non-career employees at the 15 selected units to assess working conditions, review retention strategies, and identify reasons for employee turnover.
 - Randomly selected 30 of the 72 non-career employees we interviewed and reviewed their workhours and leave during the period July 1, 2015, through June 30, 2016, to determine if they took any annual leave and the number of consecutive days they worked.

¹⁶ EDW provides a single repository for managing the Postal Service's corporate data assets. The EDW provides a common source of accurate corporate data across organizations to a wide variety of users.

¹⁷ Colorado/Wyoming, Salt Lake City, Sacramento, and San Diego districts.

- Assessed non-career employees' training requirements to determine the amount of classroom and OTJ training they received.
- Identified established costs to hire non-career employees (i.e. training, recruitment, and administrative).
- Obtained the following information from the Postal Service:
 - Staffing and scheduling tool turnover data from October 2014 through September 2016.
 - Non-career Postal Pulse survey results for FY 2016 to analyze the non-career employees' experience in the Postal Service workplace.
 - Non-career exit survey results from October 1, 2015 through July 31, 2016 to identify reasons why non-career employees were voluntarily separated from the Postal Service.
- Hosted an Audit Asks web page on our external website to gather information on non-career employee retention and reviewed all of the 113 responses received.

We conducted this performance audit from April through December 2016, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. 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 on November 2, 2016, and included their comments where appropriate.

We assessed the reliability of the staffing and scheduling tool non-career employee turnover data by computing the turnover rate using the Postal Service's EDW data and interviewing knowledgeable officials about the data. Although we identified a small percentage of a difference between the turnover rate we computed and the staffing and scheduling tool data, we determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

| Report Title | Objective | Report Number | Final Report Date | Monetary Impact |
|--|---|------------------------------|-------------------|-----------------|
| <i>City Carriers Returning After 6 P.M. – Los Angeles District</i> | To evaluate city carriers returning to the office after 6 p.m. in the Los Angeles District. | DR-AR-16-011 | 9/15/2016 | \$62 million |

Appendix B: Management's Comments

NANCY L. RETTINHOUSE
VICE PRESIDENT
EMPLOYEE RESOURCE MANAGEMENT



November 29, 2016

LORI LAU DILLARD
DIRECTOR AUDIT OPERATIONS

SUBJECT: Non-Career Employee Turnover (Report Number HR-AR-17-DRAFT)

We have reviewed the OIG Audit draft report dated November 14, 2016 concerning Non-Career Employee Turnover.

We disagree with the monetary impact for the following reasons:

The monetary impact was predicated on an average onboarding cost for a new employee. We provided the estimates on this in June 2016. By year-end the average onboarding costs had been reduced due to hiring process changes. We further disagree with the monetary impact because it associates a cost to every month that turnover exceeded 2.9% without giving credit for months when attrition was below 2.9%. For example, the year-end turnover rate for RCA's was 2.9%, therefore this category of employees should not have any associated savings, however using the OIG methodology, savings were calculated for each month that exceeded 2.9%. The 2.9% target was an annual target understanding that some months could be higher and some could be lower based on hiring patterns.

With respect to the recommendations, the following are our responses:

Recommendation #1: Establish and implement a comprehensive non-career employee strategic plan for all crafts that would help the Postal Service identify, recruit, and retain highly qualified individuals. This plan should include strategies to minimize the contributing factors identified by Postal Service data.

Response: We disagree with this recommendation. The Postal Service has already established a comprehensive strategy which addresses recruitment, hiring, and retention of non-career employees. This strategy focuses on improvements in the following areas:

- Improve the recruitment, application, and hiring process
- Improve the entrance testing
- Improve the onboarding experience
- Improve the employee's experience during the first 90 days

Recommendation #2: Establish an oversight process to ensure area and district offices complete non-career employee strategic activities.

Response: We disagree with this recommendation. There is already an oversight process in place for the mandatory elements of the strategic plan.

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-4200
FAX: 202-268-5605
WWW.USPS.COM

Recommendation #3: Establish requirements for unit managers to evaluate workhour reports to identify and remove separated employees from the payroll in a timely manner.

Response: We agree that workhour reports must be evaluated weekly to determine employees who should be separated from the rolls. However the oversight must occur at a higher level than the unit manager to be effective. Unit managers are aware when an employee stops reporting to work now, they do not need to reference a report. We have established the requirement that the Area Managers of Human Resources review these reports each week and validate the reasons for employees showing zero workhours and ensure appropriate action occurs. There are some legitimate reasons that an employee may show up on this report (on-the-job or off-the-job injury, illness, military leave, pending removal, etc.).

Target Implementation Date: December 2016

Responsible Manager: Bernis Owen



Nancy L. Retinhouse

cc: Corporate Audit Response Manager



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1735 North Lynn Street
Arlington, VA 22209-2020
(703) 248-2100