



VARIABLE PAY AT THE USPS

United States Postal Service

Presentation at the

Strategic Compensation Conference

Washington, DC

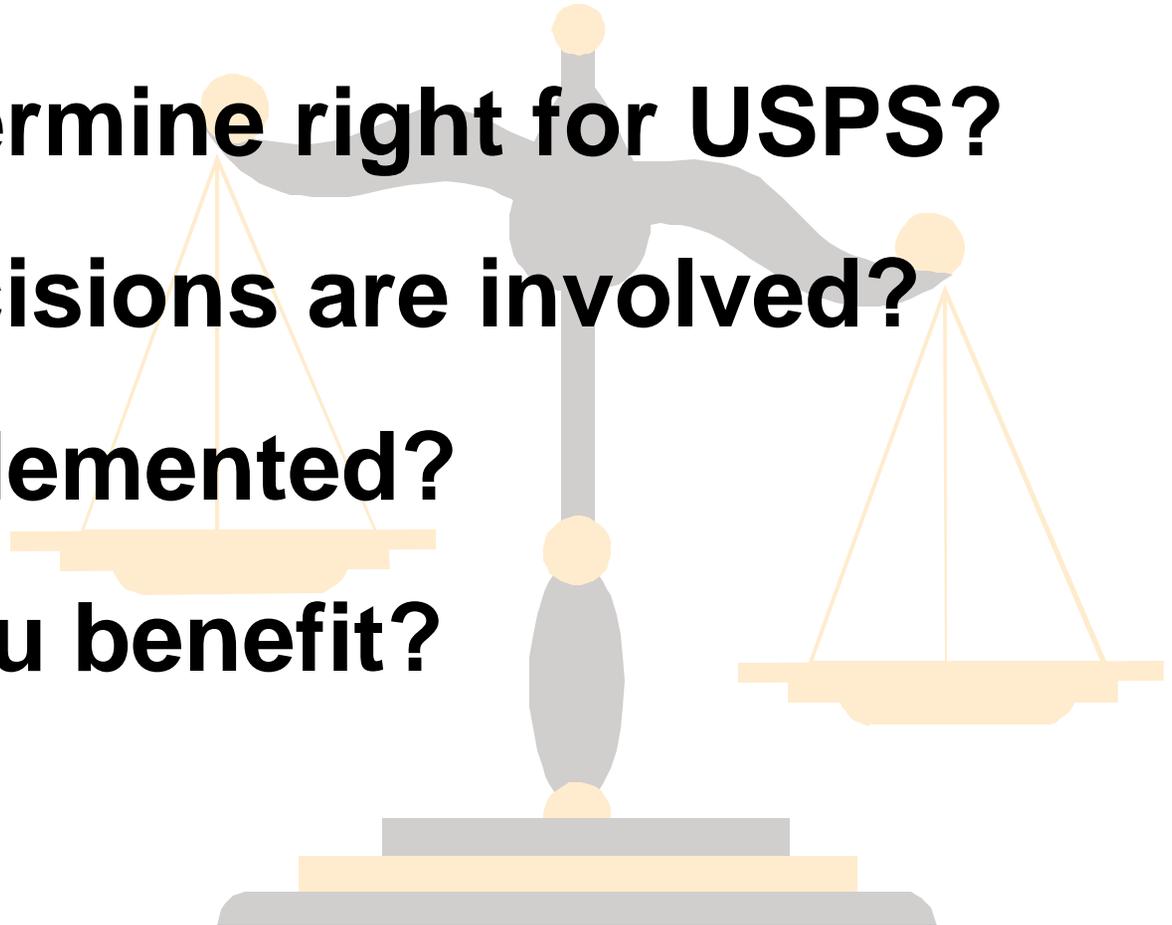
August 29, 2000



VARIABLE PAY AT THE USPS

OUTLINE

- How determine right for USPS?
- What decisions are involved?
- How implemented?
- Could you benefit?





VARIABLE PAY AT THE USPS

HOW DETERMINE VARIABLE RIGHT?

- **Statutory compensation mandate?**
- **Economics of “new pay”?**
- **Organizational climate?**

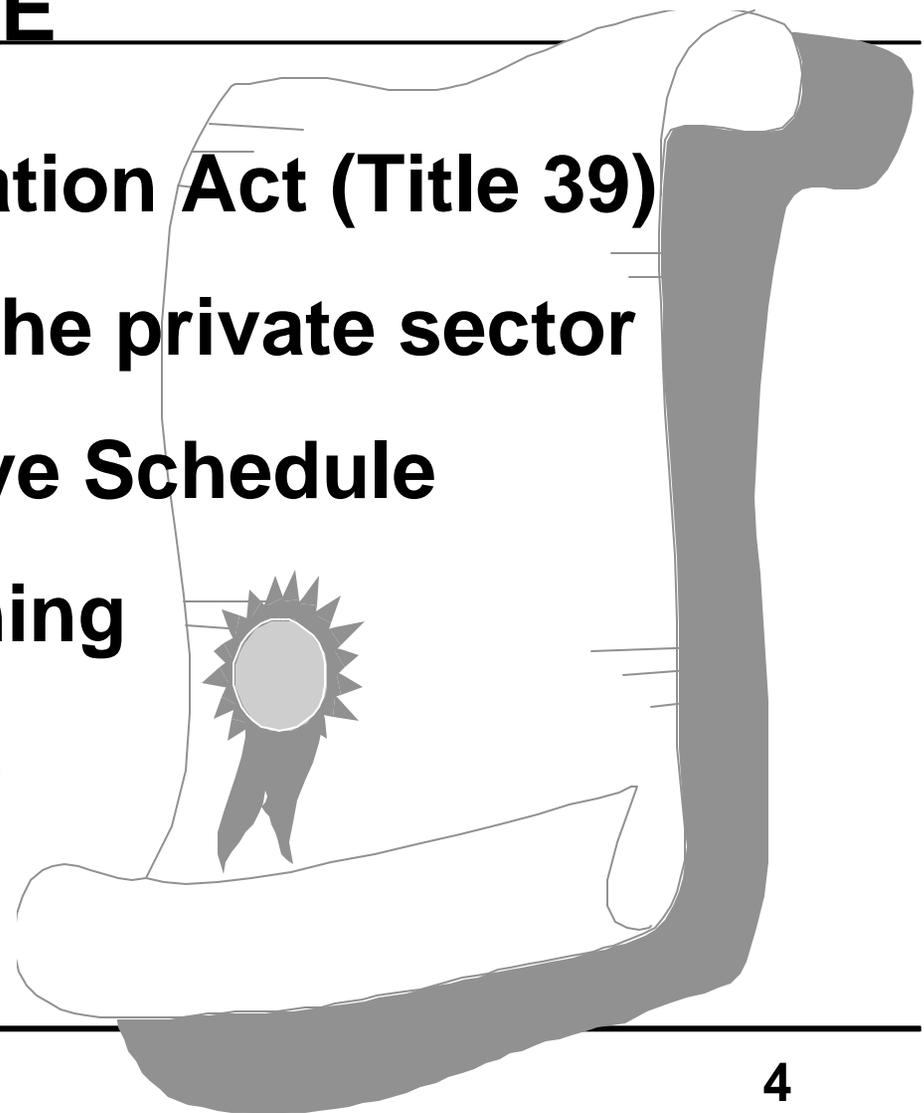




VARIABLE PAY AT THE USPS

LEGAL MANDATE

- **Postal Reorganization Act (Title 39)**
- **Comparability to the private sector**
- **Level I of Executive Schedule**
- **Collective bargaining**
- **Pay consultations**

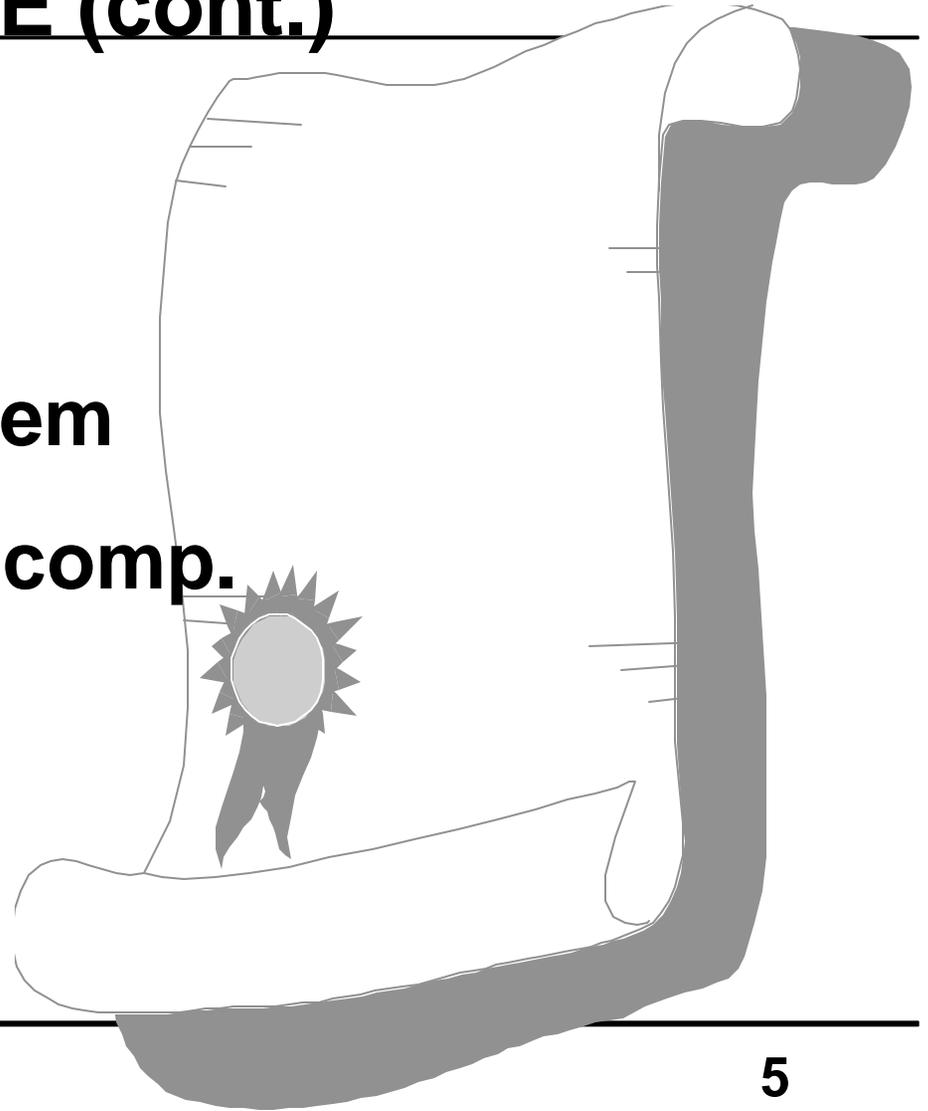




VARIABLE PAY AT THE USPS

LEGAL MANDATE (cont.)

- **Required federal compensation**
 - Retirement system
 - Unemployment comp.
 - Workers' comp.
 - TCOLA

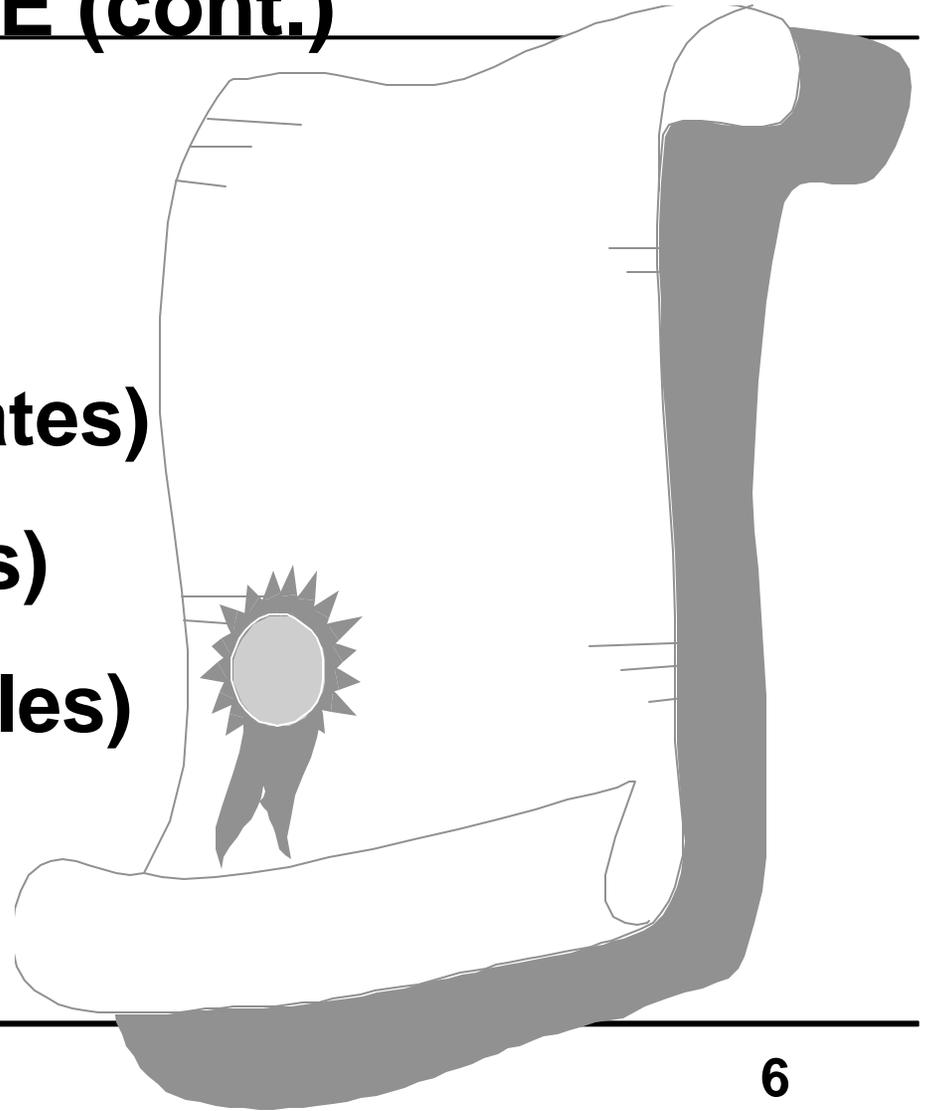




VARIABLE PAY AT THE USPS

LEGAL MANDATE (cont.)

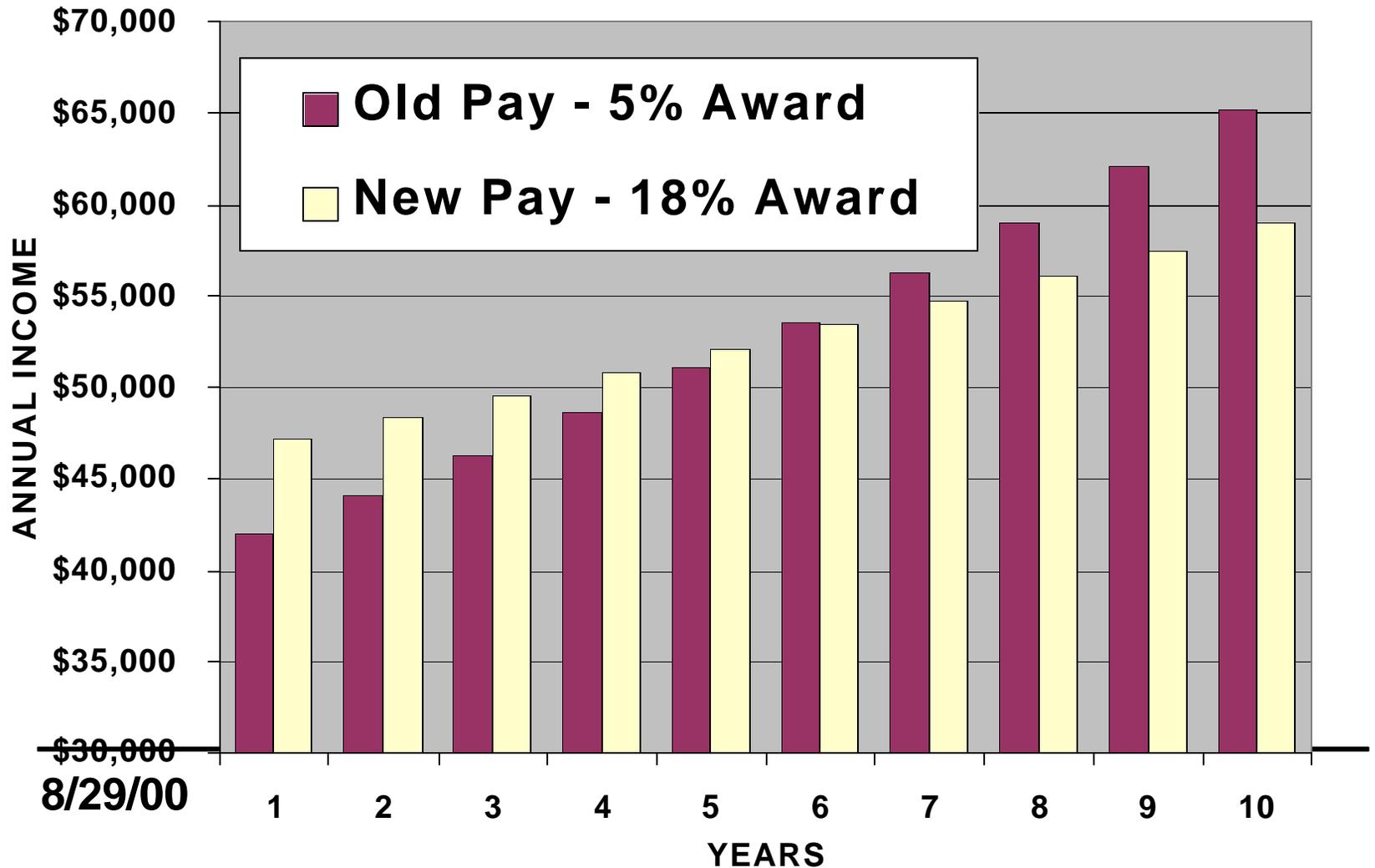
- **Voluntary federal compensation**
 - **Health (USPS rates)**
 - **Life (USPS rates)**
 - **Leave (USPS rules)**





VARIABLE PAY AT THE USPS

ECONOMICS OF NEW PAY





VARIABLE PAY AT THE USPS

ORGANIZATIONAL CLIMATE

- **Then: financial crisis**

- Helping the federal deficit

- Compensation not comparable to private sector

- Pay not related to performance

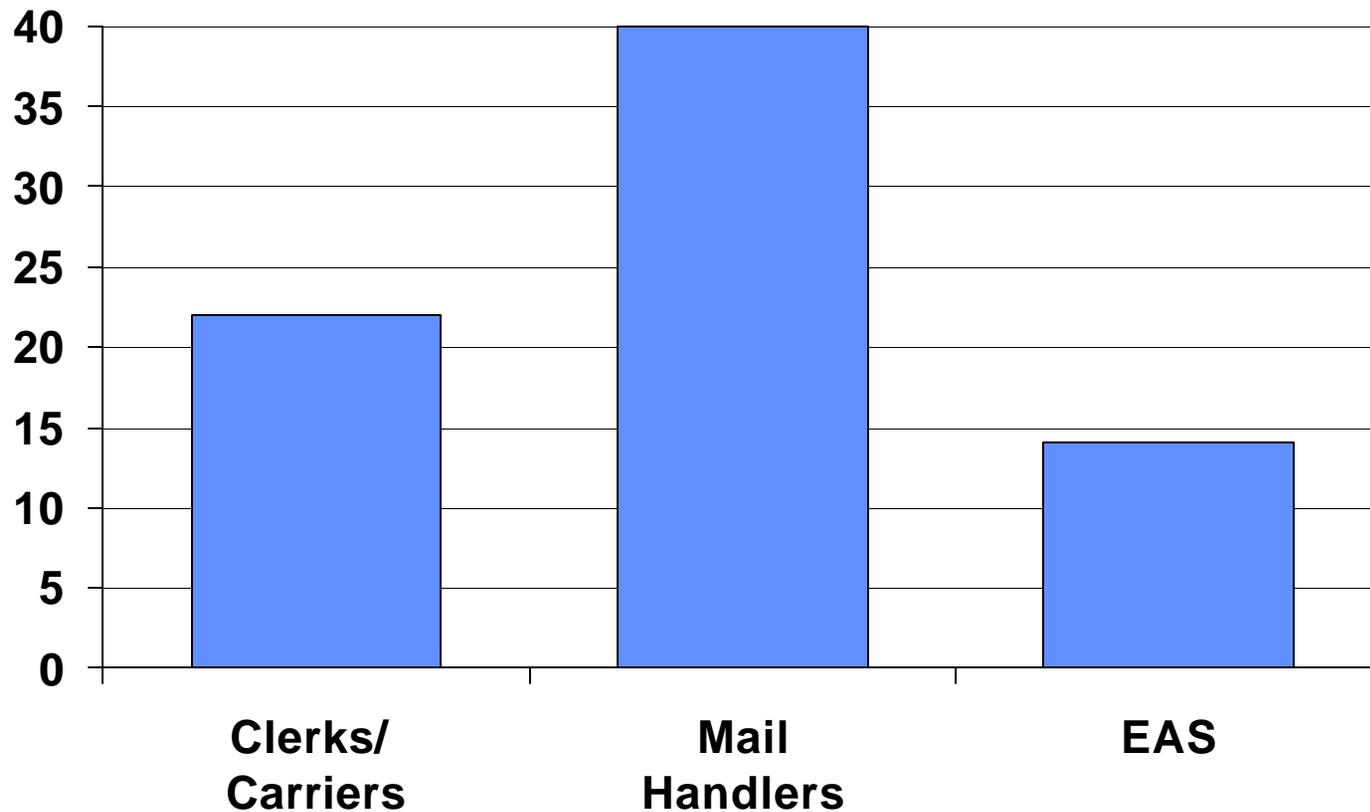
8/29/00

8



VARIABLE PAY AT THE USPS

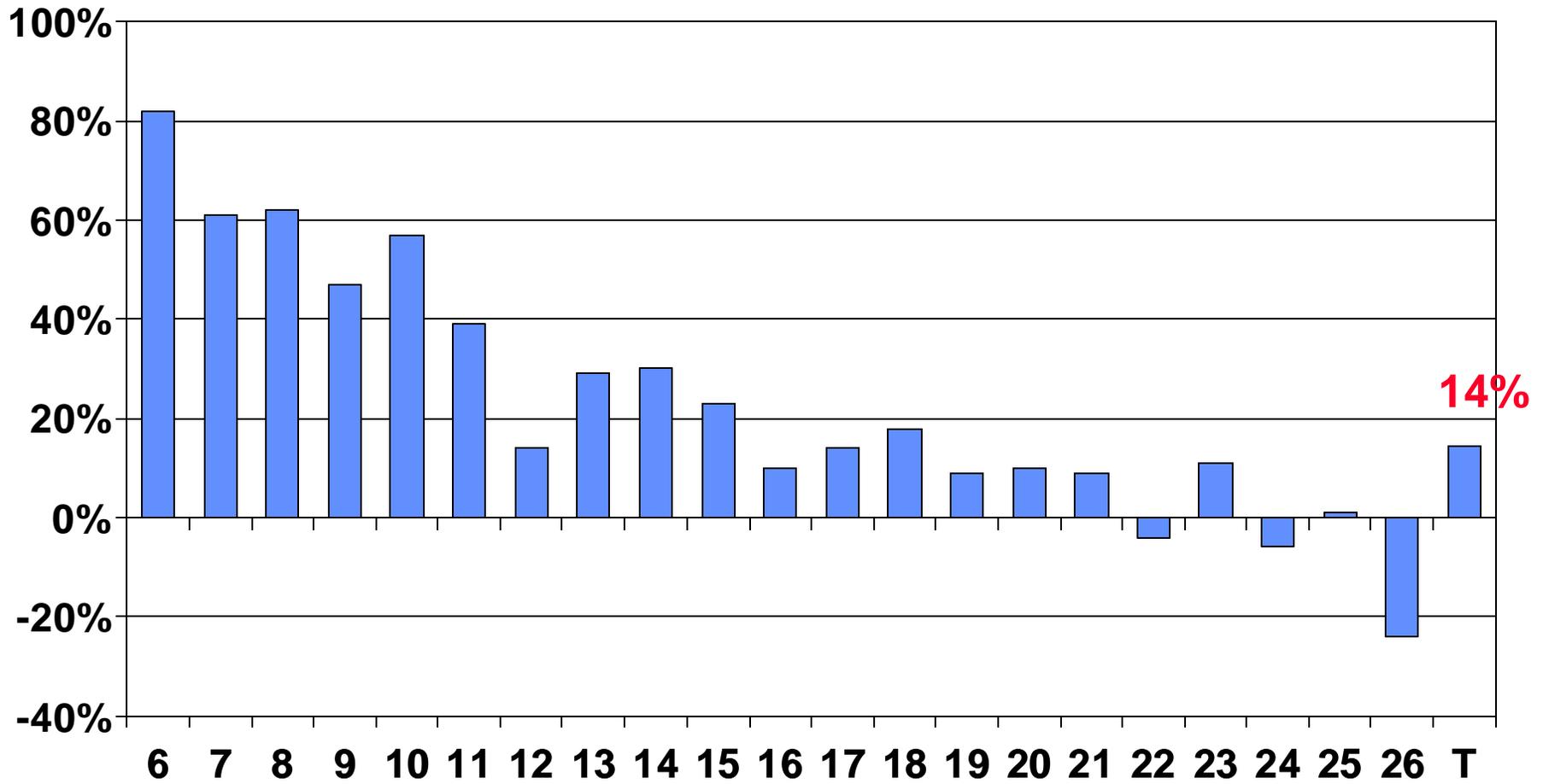
1995 MARKET STUDIES





VARIABLE PAY AT THE USPS

1995 MARKET STUDIES



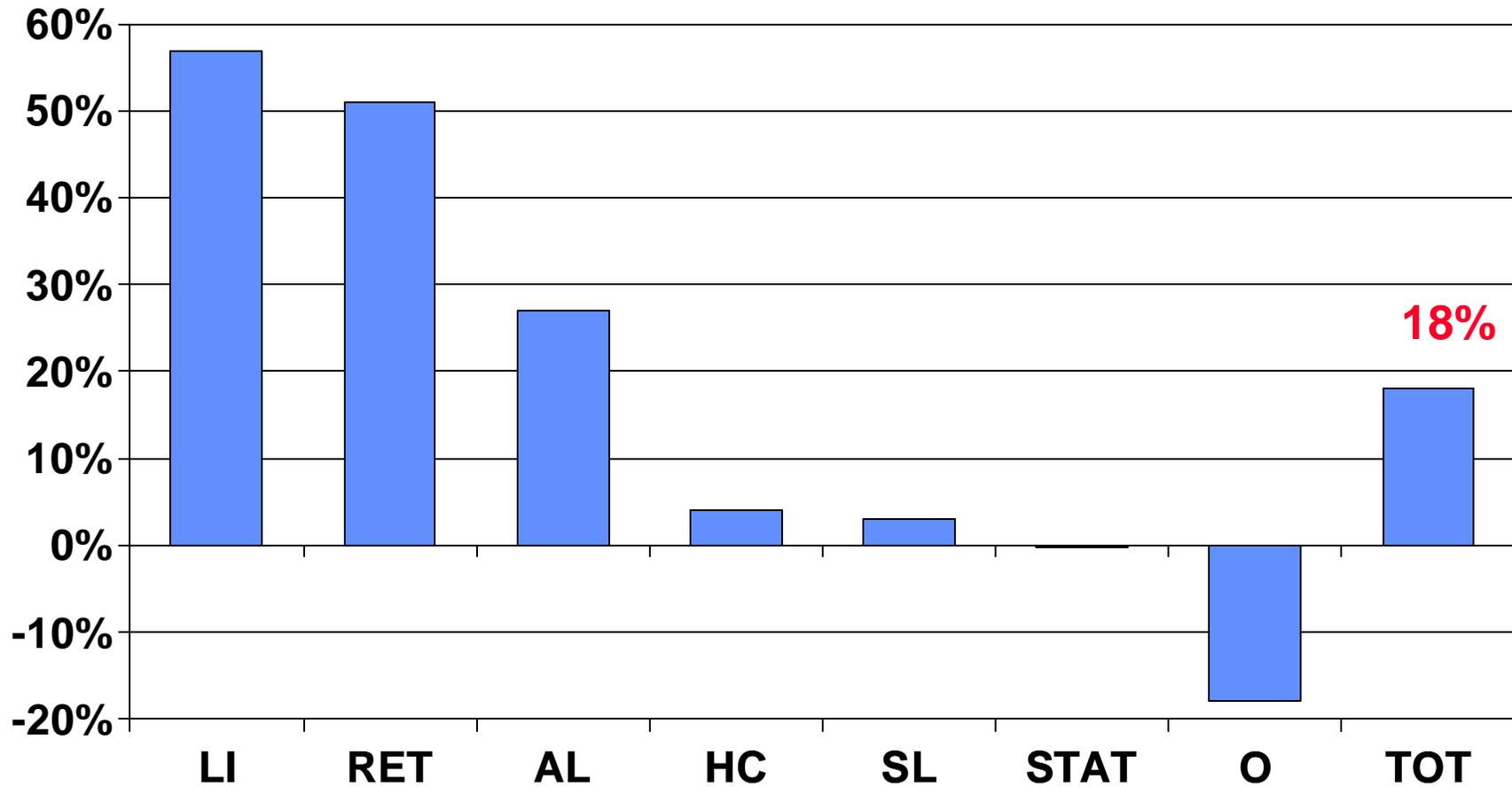
8/29/00

10



VARIABLE PAY AT THE USPS

MARKET STUDIES OF BENEFITS





VARIABLE PAY AT THE USPS

ORGANIZATIONAL CLIMATE

- **Now:** strategic focus
 - Economic value added
 - Quality focus
 - Pay for performance



8/29/00

12



VARIABLE PAY AT THE USPS

WHO HAS PAY FOR PERF?

■ Management employees

- Merit pay program

- Variable pay program

- Recognition program



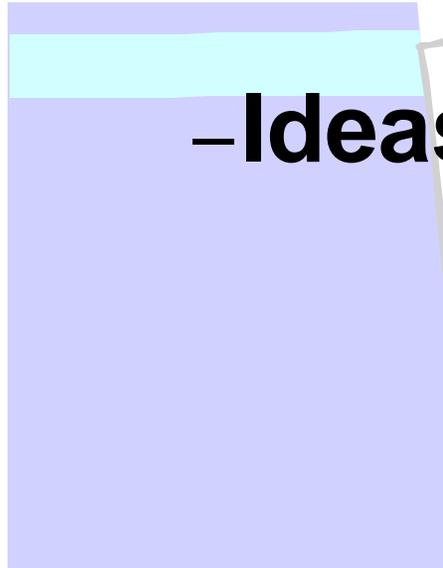
VARIABLE PAY AT THE USPS

WHO HAS PAY FOR PERF?

■ Craft employees

- Recognition program

- Ideas (suggestion) program





VARIABLE PAY AT THE USPS

WHAT DECISIONS INVOLVED?

- Variable pay objectives?
- Variable pay basic design?
- Balance focus?
- Employee concerns?





VARIABLE PAY AT THE USPS

VARIABLE PAY OBJECTIVES

- **Drive organizational behavior**
- **Make employees stakeholders**
- **Drive continuous improvement**
- **Focus on short and long term results**



VARIABLE PAY AT THE USPS

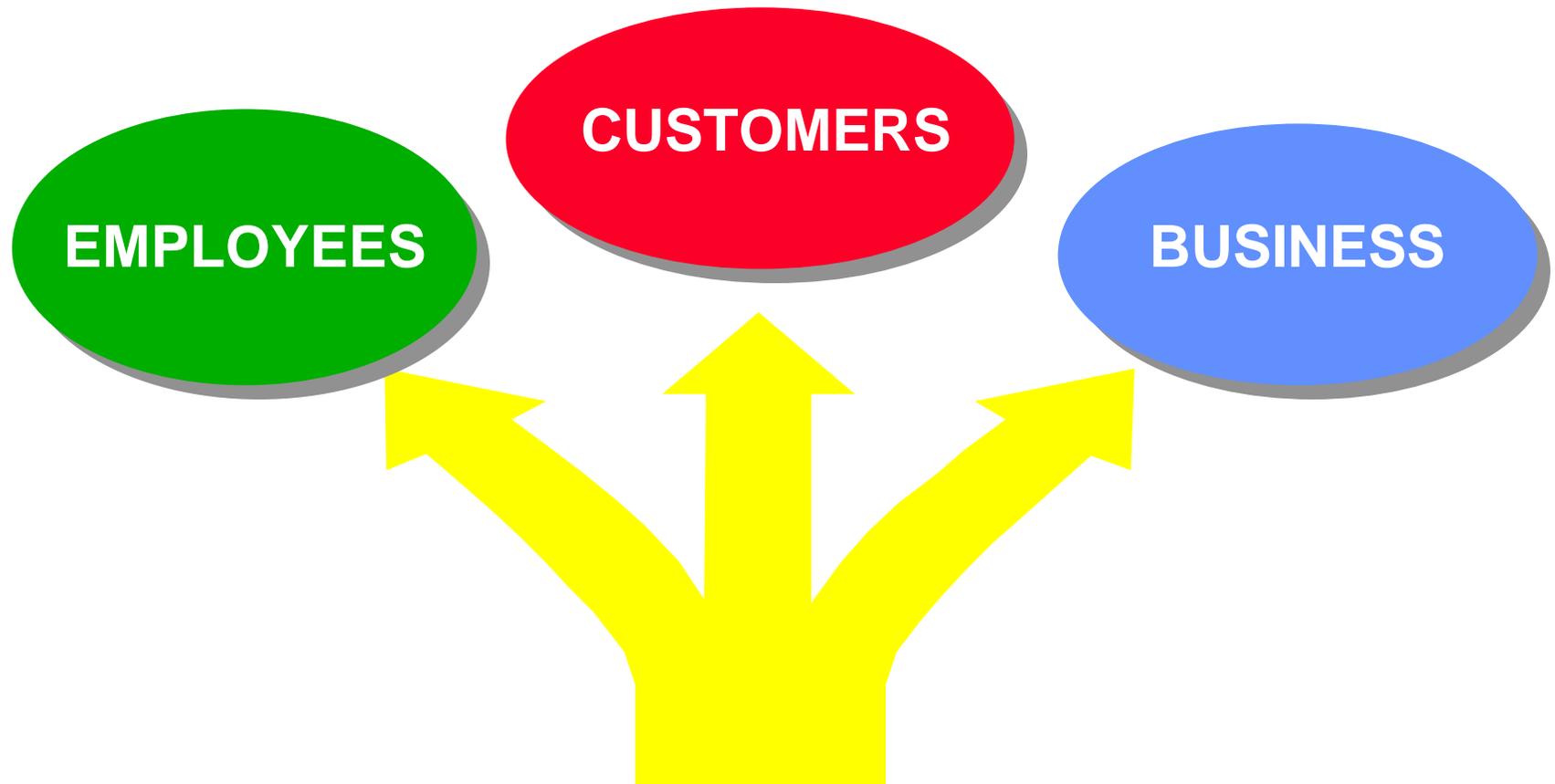
VARIABLE PAY BASIC DESIGN

- **Team-based group incentive program**
- **Funded by Economic Value Added (EVA) financial performance**
- **Credit based on achieving unit goals**
- **Reserve Account allows pay-at-risk; promotes continuous improvement**



VARIABLE PAY AT THE USPS

BALANCED FOCUS





VARIABLE PAY AT THE USPS

EMPLOYEE CONCERNS

- **Base pay differential between craft and supervisors/postmasters**
- **Treatment of excluded or unacceptable employees**
- **Different sharing factors under VPP**
- **VPP not added to retirement income**



VARIABLE PAY AT THE USPS

HOW IMPLEMENTED?

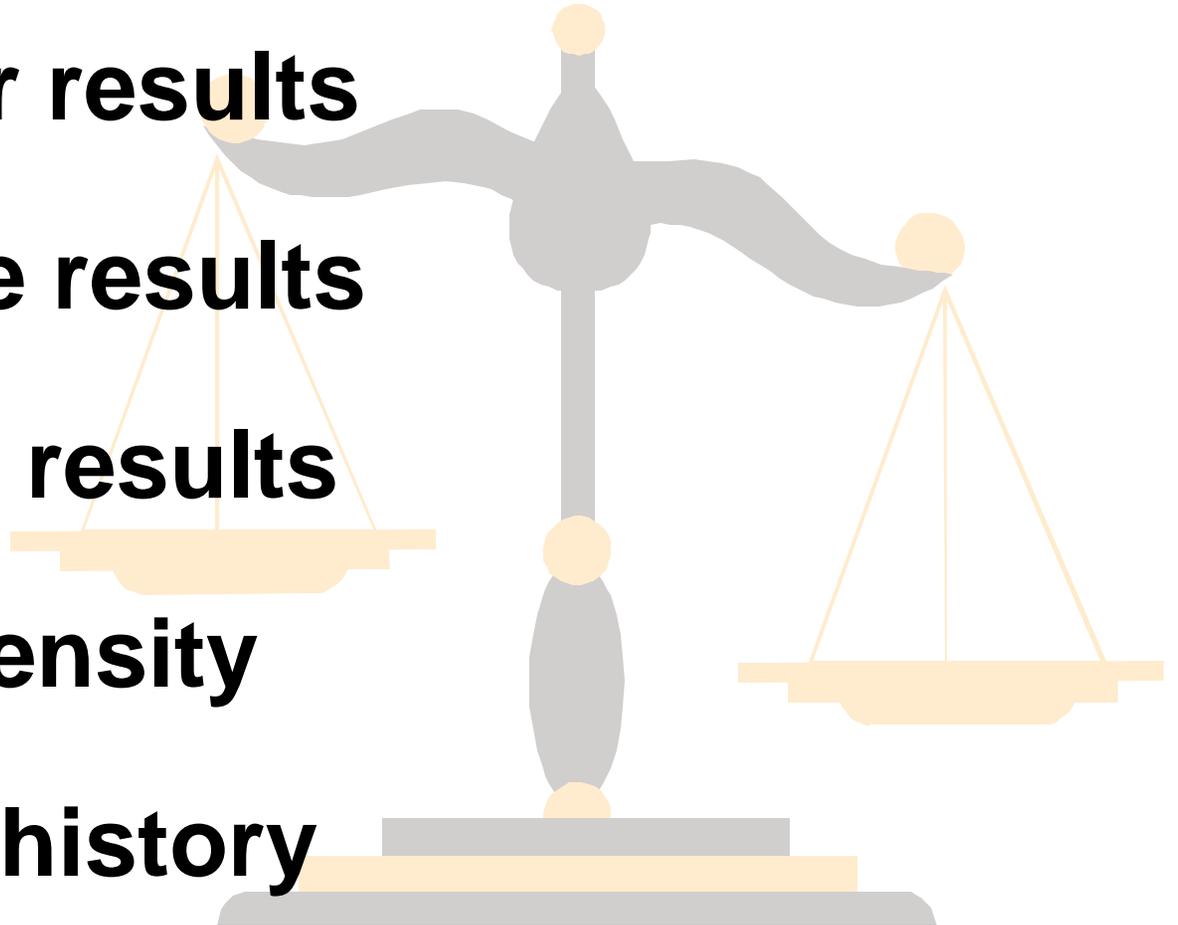
- Employee mailings - example
- Company newsletters
- Association newsletters
- Satellite TV training/shows
- Training videos - example
- Intranet home page



VARIABLE PAY AT THE USPS

COULD YOU BENEFIT?

- Customer results
- Employee results
- Business results
- Labor intensity
- Payment history

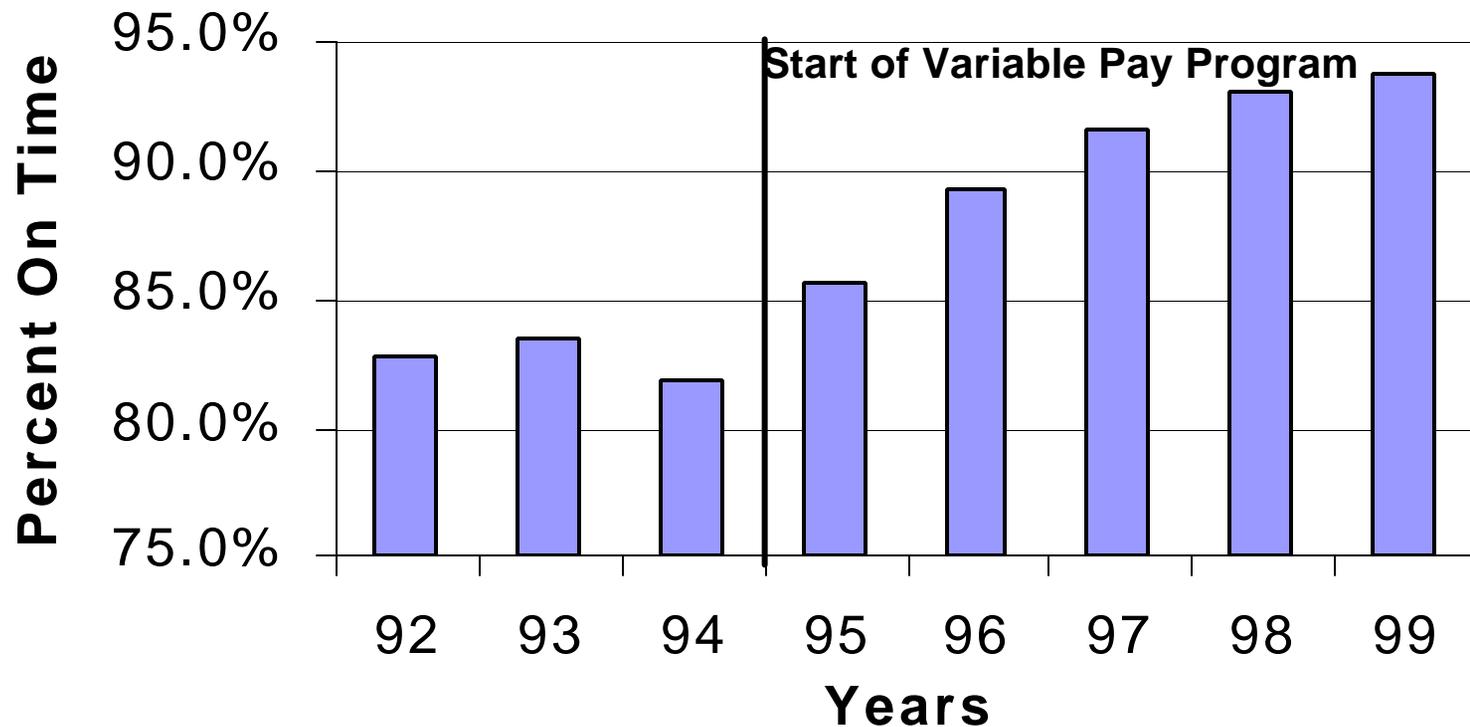




VARIABLE PAY AT THE USPS

WHAT HAVE WE ACHIEVED?

EXFC OVERNIGHT: ANNUAL ON-TIME SCORES

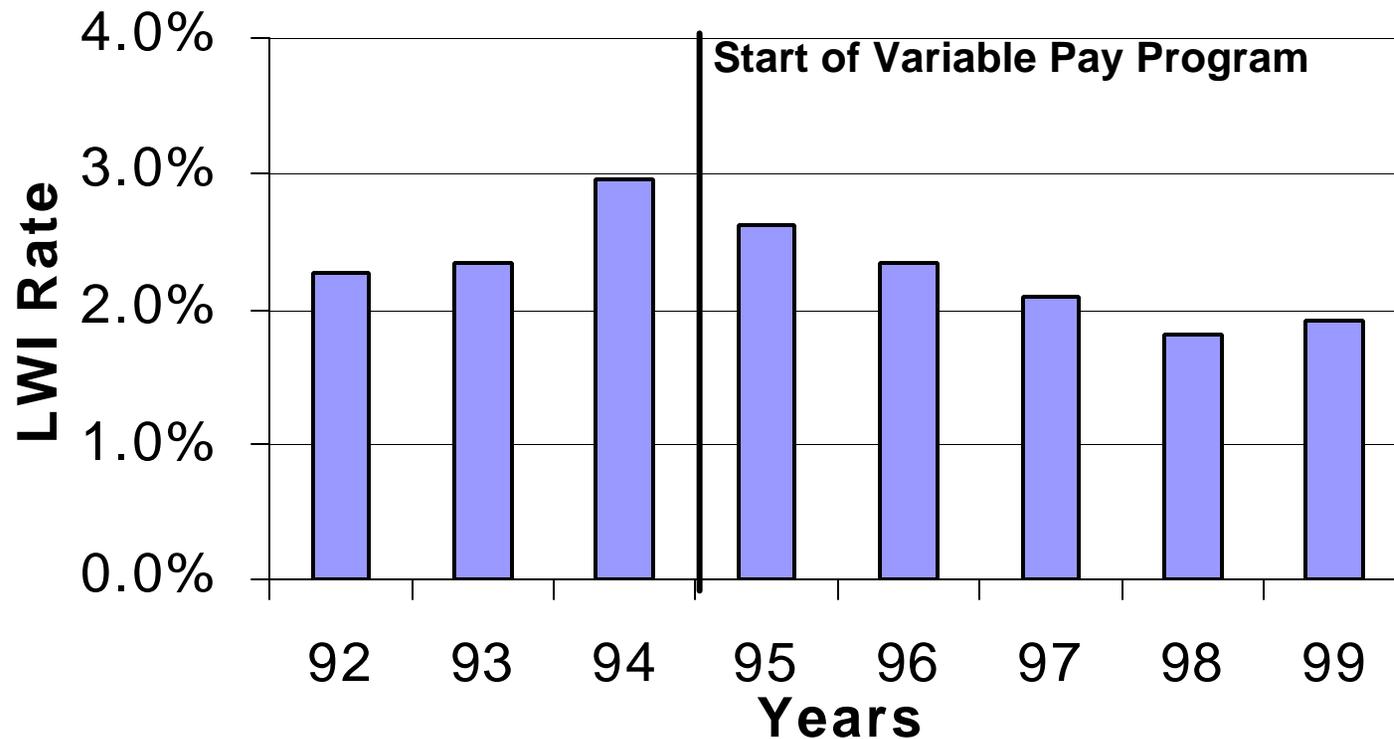




VARIABLE PAY AT THE USPS

WHAT HAVE WE ACHIEVED?

LOST WORKDAY INJURIES PER 200,000 WORKHOURS

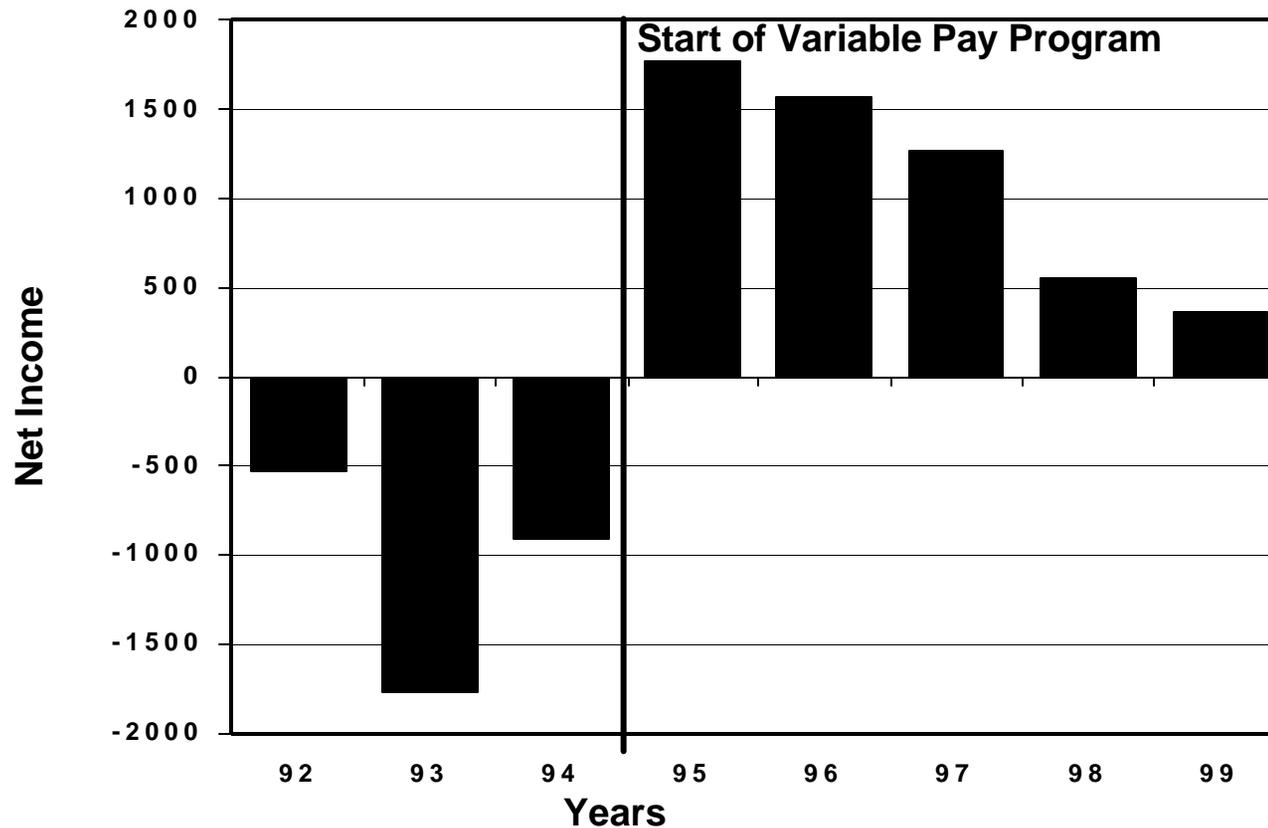




VARIABLE PAY AT THE USPS

WHAT HAVE WE ACHIEVED?

NET INCOME

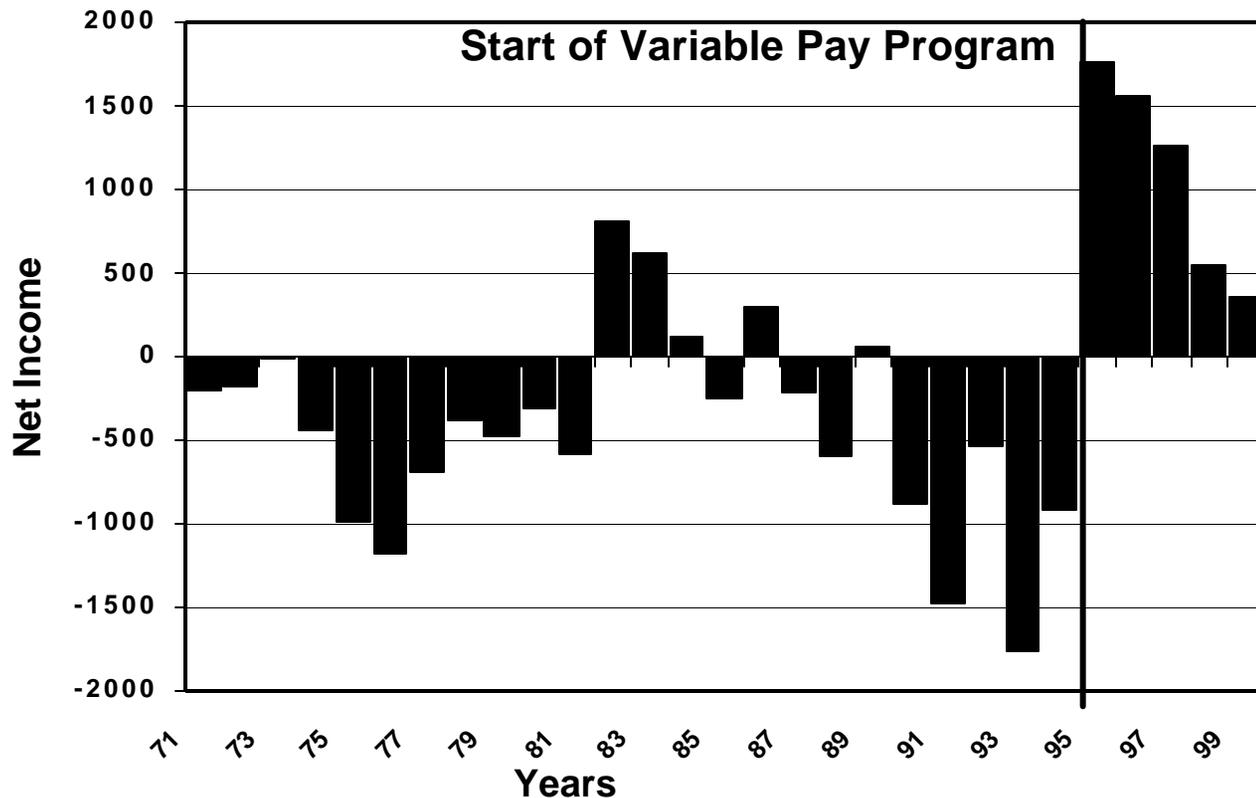




VARIABLE PAY AT THE USPS

WHAT HAVE WE ACHIEVED?

NET INCOME

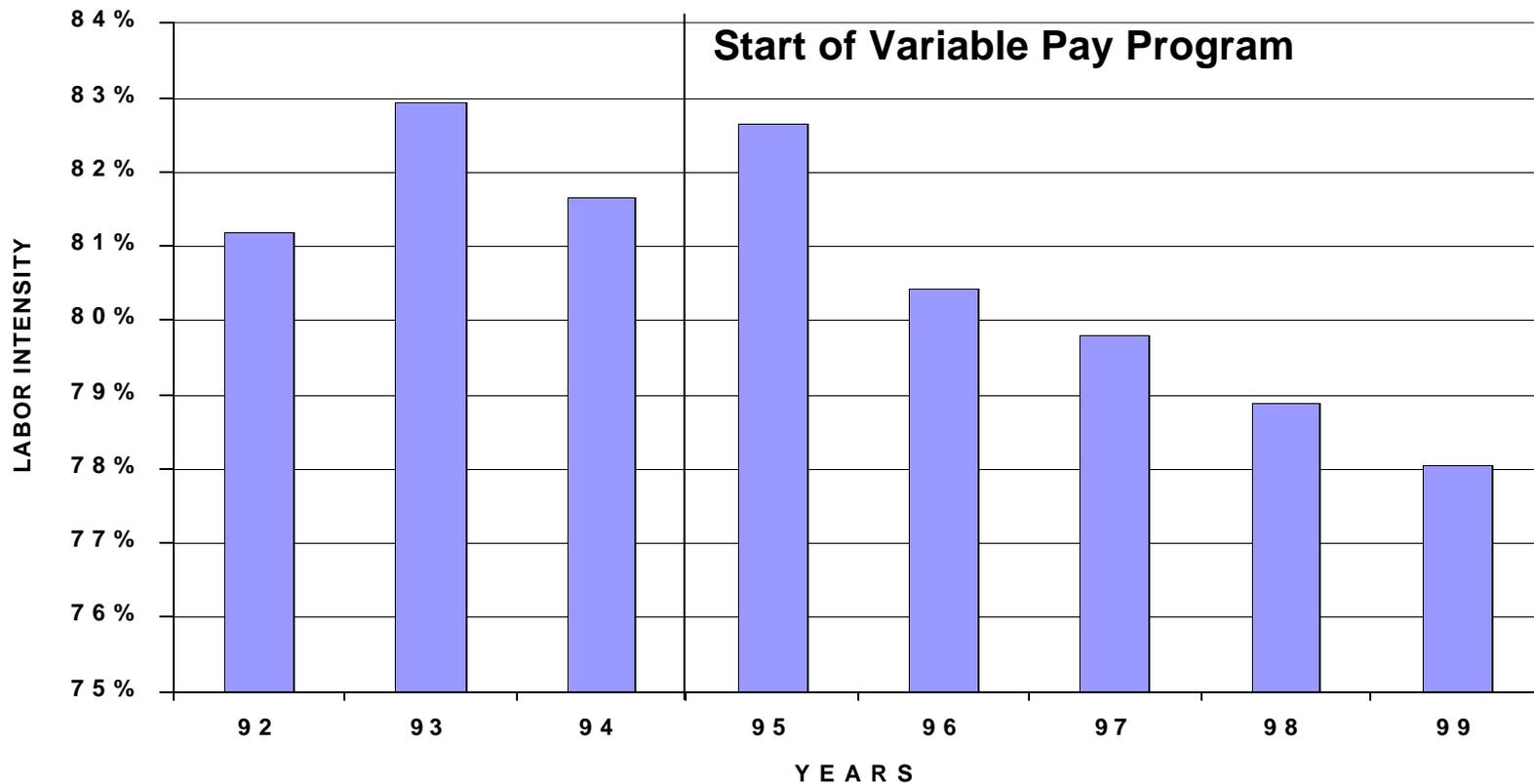




VARIABLE PAY AT THE USPS

WHAT HAVE WE ACHIEVED?

LABOR INTENSITY





VARIABLE PAY AT THE USPS

WHAT HAVE WE ACHIEVED?

AVERAGE PERCENT PAYMENTS

