MAIL HANDLER UPDATE

NATIONAL POSTAL MAIL HANDLERS UNION

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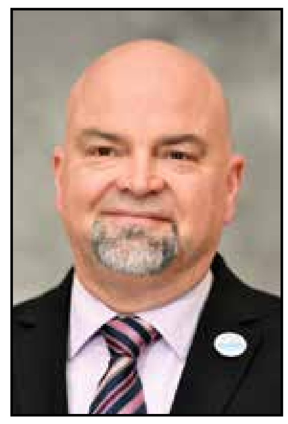
USPS FINANCIAL GAP: WHAT OIG'S NEW WHITE PAPER MEANS FOR EMPLOYEES



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The Postal Service Office of Inspector General's July 2026 report, "Options for Addressing the U.S. Postal Service's Financial Gap," lays out 15 possible strategies to close USPS's massive financial shortfall. While framed as a neutral menu of options rather than recommendations, several of these proposals would directly affect Mail Handlers' jobs, pay, benefits, and union rights.

The Financial Backdrop

USPS has lost nearly $118 billion since FY 2006, including a $9 billion loss in FY 2025. While many factors contribute to these losses, a central feature is the combination of declining mail volume (a nearly 50 percent reduction since peaking in FY 2006) while the number of delivery points continues to expand by more than one million annually. The Postal Service has warned the agency could run out of cash by early 2027, and, in response, the USPS already suspended FERS pension contributions in April 2026 to preserve cash.

Maintaining Service Standards But Increasing Revenue

One set of options outlined in the OIG's report is that the Postal Service continues to provide the current array of services and address the financial issues through more flexibility in the ability to increase prices and through government funding.

Layoffs and Headcount Reduction

One of the report's "Restructure the Workforce" options directly targets headcount. The OIG estimates that a 10% workforce reduction—through hiring freezes, voluntary early retirement (VERA), reduction-in-force (RIF), or layoffs where contractually permitted—could save $5.6 billion annually. Notably, the current National Agreement significantly limits USPS's ability to conduct layoffs, and six-day delivery mandates constrain how much the workforce can shrink. In FY 2025, roughly 79,000 union employees were eligible to retire, with another 89,000 becoming eligible within five years—suggesting attrition could play a major role in downsizing even without layoffs.

Pre-Career Employee Conversions

A related proposal would end the automatic conversion of MHAs and other pre-career employees (who receive lower pay and fewer benefits) to career status. The OIG estimates this could have saved $2.5 billion in FY 2025 alone. The report though acknowledges a risk with this approach: USPS has already struggled to recruit and retain pre-career workers, so expanding the number of MHAs could worsen turnover and workforce instability.

Outsourcing Operations

Two options would shift substantial work outside USPS's own workforce:

- **Outsourcing mail processing and transportation** could save $1.3 billion, according to OIG, by shifting work to private-sector companies by paying lower wages. OIG believes that this would eliminate the need for "a large complement of mail handlers, processing clerks, and Postal Vehicle Service personnel."
- **Retail network outsourcing** could save approximately $1 billion by converting USPS-run post offices (58% of which reportedly operate at a loss) into contracted retail partnerships. This would mean labor reductions for post office staff.

Wage and Benefit Cuts

Several options target compensation directly:

- **Ending collective bargaining over salary entirely** is presented as potentially the single largest labor-cost lever: the report estimates USPS could have saved $6.5 billion in Fiscal Year 2025 if it cut base wages to match what OIG believes are comparable private-sector, non-unionized positions—a 26% reduction.
- **Workers' compensation reform** would give the Postal Service more flexibility to manage workers' compensation costs and from the rules of Federal Employees' Compensation Act (FECA), such as using private-sector insurance to manage claims, negotiated settlements, benefit caps, and mandatory generic drugs—changes that would have saved $415 million annually.
- **Pension changes** could include reducing FERS contributions, freezing or closing FERS to new hires, or shifting to a defined-contribution model—potentially saving over $5 billion annually if FERS benefits ended altogether.
- **Retiree health benefits** could be closed to new hires and non-vested employees, saving relatively little at first ($237 million over five years) but growing to $1.2 billion annually by 2040 as the change compounds.

Collective Bargaining Under Threat

Beyond wage bargaining, the report lays out other possible reforms including "requiring [interest] arbitrators to consider USPS's financial condition" in binding arbitration—which could have added up to $1.1 billion in savings had it applied to a single 2025 arbitration award — and loosening cross-craft work restrictions — which the OIG says cost $27 million annually in grievance payments (mail handlers and clerks received 84% of these) and potentially $130 million more through reduced overtime.

The Bigger Picture

Critically, most of these changes require either congressional legislation or union negotiation—they cannot happening unilaterally. But the report signals that labor costs, which make up 76% of USPS's total expenses, are a central target in any plan to close the Postal Service's financial gap, making continued union engagement in these debates essential.

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