

**PROMOTION PAY ANOMALY**  
**1985 - 2003**

## **BACKGROUND**

The U.S. Postal Service is a unionized environment, with 90 percent of the workforce covered by collective bargaining. The bargaining unit pay schedules are periodically adjusted in accordance with the requirements of collective bargaining, as well as the outcomes of binding interest arbitration. The schedules are composed of “grades” and “steps.” Pay is dependant upon job tenure rather than upon individual performance.

Evidence collected by USPS during the 1970s and 1980s suggested that Postal Service bargaining unit employees were paid a wage premium compared to private sector employees with similar skills, education and working conditions. Management persuaded arbitrators in 1984 and 1991 that a wage premium existed and needed to be remedied over the long-term in order for the Postal Service to comply with the comparability standard contained in the Postal Reorganization Act.

The outcome of the arbitrations in 1984 and 1991 and a negotiated agreement in 1990 led to the addition of new lower entry steps for newly hired employees into the city letter carriers,’ postal clerks,’ and mail handlers’ pay schedules. These lower entry steps were accompanied by longer waiting periods for step progression and larger dollar increase amounts between steps.

## **THE PROMOTION PAY ANOMALY**

Applying the historical promotion procedures to the new pay schedules created situations in which employees promoted from steps A, B and C in certain pay periods earned less than employees who were not promoted. The resulting earnings gap has been referred to as the “promotion pay anomaly.” The earnings difference (where it still exists) commences at the time the promoted employee would have advanced in step in the former grade. In almost all cases, the pay difference ceases when the affected employee attains step D in their promoted grade.

The anomaly is caused by five interlinking factors: (1) large dollar step increase amounts between Steps A, B and C, (2) the long waiting periods between new-hire steps, (3) starting a new step waiting period on the effective date of the promotion, (4) assigning a step through the historical “most prevalent step” method, and (5) the high level of pay compression between grades.

## **ADDRESSING THE PROMOTION PAY ANOMALY**

The labor unions discovered this compensation inconsistency, and filed national grievances and a lawsuit in U.S. federal district court. The Postal Service decided to

settle the issue by agreeing that no employee in the city carrier, mail handler, or clerk craft would experience an implicit loss in pay due to a promotion. To implement this negotiated solution, several alternatives were put into place, depending upon the bargaining unit affected.

### *City Carriers and Mail Handlers*

Employees in the mail handler and city carrier crafts are still affected by the anomaly. Employees in these rate schedules (RSC Q and M) are currently identified by the Payroll Accounting computer in Eagan, MN and paid a monetary adjustment each quarter to compensate for the pay difference. The Payroll adjustments are made in accordance with the following philosophy:

“For each pay period following the promotion, the employee’s basic salary will be compared to the basic salary the employee would have received for that pay period if the employee had not been promoted. For those periods when the latter amount is higher, the difference will be paid to the employee in a lump sum payment.”

Adjustments are made to also include differences in straight time, overtime, premium pay and leave. No adjustments are calculated when an affected employee receives higher level pay, or is on LWOP or OWCP status. The specific dates of lump sum payment are established each year by the Eagan Accounting Service Center.

Payroll disburses the lump sum payments quarterly (rather than each pay period), because the adjustment process requires several steps and certain quality-control procedures. Most of the affected records are adjusted mechanically, through a custom-designed computer program. Records that run into adjustment problems are sent through a “re-process” cycle. Records that fail the re-process cycle are adjusted manually by experienced payroll specialists in the Eagan Accounting Service Center. Because of the intricacies involved, the adjustment cycle must be quarterly.

The Eagan Accounting Service Center needs the help of HR field staff in order to perform the manual adjustment process. Periodically, HR field offices receive requests to perform service history adjustments in CMS. These adjustments in CMS are very important, because they help to resolve overpayment or under-payment, as well as to improve the accuracy of the employee’s retirement annuity.

### *PS Schedule (APWU)*

The other union originally affected by this problem, the APWU (comprised largely of clerks), historically was also paid quarterly adjustments. In 1999, the Postal Service’s promotion rules and pay schedule construction methodology were changed to eliminate the anomaly in the PS Schedule. The result was a new pay schedule with uniform step increments and waiting periods by grade and a new and complex set of promotion rules, only partially automated in CMS. Headquarters Compensation is working to ensure higher levels of system automation in the future, as well as the

increased availability of policy and CMS processing training for HR field staff.

## **THE EXCEPTION REPORT PROCESS**

One outcome of the USPS/union negotiation process was essentially a 100 percent accuracy requirement for craft placements for city carriers, mail handlers and postal clerks in the lowest pay schedule steps. To ensure this required quality, two exception reports were created: HRB170P2 and HRB140P8. The reports are printed out each quarter on the network “U” printers in HR field offices. These reports can also be found online, under the View Direct National Reports menu.

Presently, report HRB140P8 flags 170 to 400 exception records for the city carriers and mail handlers. Report HRB170P2 flags between 30 and 50 records nationally each quarter for PS Schedule 1 employees not converted to PS Schedule 2 following a standard triggering event.

### *Backlog Volume*

The 1999 initiative to convert most PS Schedule 1 employees to the new PS Schedule 2 resulted in a large batch of completed records pending review by Eagan Payroll. These records were transmitted to Payroll by both field staff and also the former Pay Anomaly Task Force. As Eagan Payroll resolves this backlog, there will be instances in which their specialists will request CMS service history revisions from HR field staff. At present, Eagan Payroll estimates that 4,600 records will have to be reviewed over the next five years by HR field staff.

## **THE CURRENT STATUS OF THE PROMOTION PAY ANOMALY**

Today, the promotion pay anomaly remains only in the city carriers’ and mail handlers’ pay schedules. There are no plans in the immediate future to address the remaining pay anomaly in these two pay schedules. Annually, between 13,000 and 17,000 city carriers and mail handlers receive anomaly payroll adjustments, at a direct cost of \$1.5 million each quarter and \$5 million annually.

## **SUMMARY**

The “promotion pay anomaly” is an inconsistency in craft pay schedules that occurs in when employees are promoted out of the lowest steps into the next higher grade. Historically, the anomaly affected the pay schedules for the city carriers, mail handlers, and the APWU employees under the PS Schedule. Today, the anomaly only applies to the city carriers’ and mail handlers’ pay schedules.

To address the existing anomaly, Payroll still pays quarterly adjustments to affected city carriers and mail handlers. Each year, between 13,000 and 17,000 employees receive anomaly payroll adjustments, at a cost of \$5 million annually. A high level of craft placement accuracy in CMS is necessary to ensure proper payment to affected employees.

Colin Craig Bennett  
Compensation Specialist  
Bargaining Unit Pay – HQ  
202.268.4220

\* \* \* \* \*