

January 2003

POSTAL SERVICE

Employee Issues Associated with the Potential Closure of the San Mateo IT Center



GAO
Accountability • Integrity • Reliability
Highlights

Highlights of [GAO-03-205](#), a report to the Ranking Minority Member, House Committee on Government Reform and Other Requesters

Why GAO Did This Study

While the U.S. Postal Service (USPS) rationalizes its infrastructure, it is weighing a proposal to close and sell its Information Technology (IT) center located in San Mateo, California. According to USPS, closing the IT center and selling the facility should save USPS about \$74 million over the next 10 years and result in increased efficiency. All IT union employees and about half of IT management employees will be offered the opportunity to relocate with their jobs to other postal IT centers. The San Mateo IT Center also houses an Accounting Service Center whose functions and staff are to be moved into leased space in the San Francisco Bay Area. GAO undertook this study to, among other things, identify the process USPS is following in making its decision about closing the IT center and determine the impact such a closure would have on IT employees at the center.

What GAO Recommends

GAO recommends that USPS review and update, if appropriate, the analyses used in support of closing the San Mateo IT Center to better reflect current conditions before making its final decision about closing the center. GAO also recommends that if USPS decides to close the IT center, it should consider offering to help union employees find local jobs if they decide not to relocate. USPS did not comment on GAO's findings, but it agreed with GAO's recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-03-205.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Bernard L. Ungar on (202) 512-2834 or at ungarb@gao.gov.

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What GAO Found

USPS is following its Investment Review and Approval Process in reaching a decision about closing the San Mateo IT Center. To support the investment needed to close the IT center, the process requires—and USPS prepared—analyses based on prevailing economic and other conditions. However, these conditions have changed since USPS prepared the analyses in 2000. In 2001, USPS announced plans to automate and reengineer its field accounting activity, which will result in USPS closing its 85 district accounting offices and consolidating the residual activities into its 3 Accounting Service Centers. USPS has not updated its analyses to reflect the changed conditions, but said that it planned to do so.

San Mateo IT employees anticipate mostly negative social impacts if they relocate and mostly negative economic impacts if they stay in the Bay Area. Of the 213 San Mateo IT employees who responded to our survey, 36 (17 percent) indicated they would likely relocate, although most would be offered jobs at other postal IT centers. In 2000, USPS' economic analyses included an assumption—and San Mateo IT employees believed—that local jobs would be available for those individuals who did not want to relocate. However, local postal jobs are no longer available, and nonpostal IT job opportunities have tightened considerably in the Bay Area.

GAO has previously noted that progressive organizations that are restructuring often provide job placement assistance to employees faced with losing their jobs. USPS plans to offer job assistance to management employees seeking nonpostal jobs. However, USPS does not plan to offer job assistance to union employees because such assistance is not covered by their collective bargaining agreement. Because the employment outlook in the Bay Area has changed dramatically, union employees who decide not to relocate may encounter difficulty finding employment in the Bay Area.

San Mateo IT Center



Source: GAO.

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Abbreviations

APWU	American Postal Workers Union
BLS	Bureau of Labor Statistics
CIC	Capital Investment Committee
COO	Chief Operating Officer
CPC	Capital Projects Committee
DAR	Decision Analysis Report
EAS	Executive and Administrative Schedule
ERC	Employee Relocation Council
HQ	Headquarters
IT	Information Technology
IT Department	Information Technology Department
NYC	New York City
OIG	Office of Inspector General
PCES	Postal Career Executive Service
PMG	Postmaster General
VP	Vice President



United States General Accounting Office
Washington, DC 20548

January 31, 2003

The Honorable Henry Waxman
Ranking Minority Member
Committee on Government Reform
House of Representatives

The Honorable Chaka Fattah
The Honorable Tom Lantos
House of Representatives

This report responds to your request for information about the U.S. Postal Service's Department of Information Technology (IT Department) proposal to close its San Mateo, California, Information Service Center, including the social and economic impacts that the closure would have on affected postal employees and their families. As you know, the Service has experienced significant financial difficulties in the past few years, and the Service is in need of transformation. Rationalizing the Service's vast infrastructure will be critical to its success in addressing its financial difficulties, which means the Service may have to close or consolidate certain postal facilities. Within this context, the Service is considering closing the San Mateo Information Technology (IT) Center.

In 2000, the Service's IT Department proposed closing the San Mateo IT Center and transferring IT functions performed at the center to other postal IT centers in order to reduce costs and make operations more efficient. The proposed closure would affect about 240 employees—about 170 bargaining unit and about 70 Executive and Administrative Schedule (EAS) employees.¹ Closing and consolidating IT functions are not new activities for the Postal Service. For example, in 1993, the Service closed its New York IT Center and transferred functions performed at that center to other postal IT centers.

Under the IT Department's closure proposal, most of the IT functions being performed by the San Mateo IT Center are to be transferred to the

¹Generally, at the San Mateo IT Center, bargaining unit employees are computer operations and programming employees who are represented by the American Postal Workers Union, which bargains collectively with postal management over pay and conditions of employment. EAS employees are nonbargaining employees, which include employees such as supervisors, managers, and professional and technical specialists.

Service's other Information Service Center located in Eagan, Minnesota. The remaining IT functions are to be transferred to the Service's Integrated Business Systems Solutions Centers located in St. Louis, Missouri and Wilkes-Barre, Pennsylvania.² The San Mateo IT Center also houses an Accounting Service Center whose functions and staff are to be moved into leased space in the San Francisco Bay Area (Bay Area) if the Service decides to close the IT center. Because closing postal facilities is controversial, the Service said it would postpone making a final decision regarding the closure of the San Mateo IT Center until after we have issued this report and postal management has had a chance to review the results of our study.

To provide you information on the impact that closing the San Mateo IT Center would have on postal employees working at that facility—and their families—we agreed with your offices to address the following objectives:

- Describe the process the Service is following in deciding whether to close the San Mateo IT Center and consolidate its functions into other postal IT centers.
- Determine experts' views on the social and economic impacts that plant and facility consolidations and closures have on affected employees and their families.
- Determine the social and economic impacts that affected postal employees and their families encountered when the Service closed its New York IT Center in 1993.
- Determine affected postal employees' views on the social and economic impacts that they and their families would likely encounter if the Service closes the San Mateo IT Center.

We also provide information on how selected organizations have assisted affected employees during downsizing.

To meet these objectives, among other things, we administered a questionnaire to 243 San Mateo IT Center employees and received 213 responses, resulting in an 88 percent response rate. We also administered two separate questionnaires to 145 current postal employees who were

²Henceforth, for simplicity and readability, we refer to the IT Department's Information Service Centers and its Integrated Business Systems Solutions Centers as IT centers.

displaced by the 1993 closure of the New York IT Center.³ One questionnaire was mailed to 66 displaced employees of the New York IT Center who had relocated to similar positions at other postal IT centers outside the New York City area. We received 49 responses from this group, resulting in a 74 percent response rate. Another questionnaire was mailed to 79 displaced employees who had transferred to other postal positions in the New York City area following the IT center's 1993 closure. We received 46 responses from this group, resulting in a 58 percent response rate. We did not attempt to locate displaced employees of the New York IT Center who no longer work for the Service.

Additionally, we identified and reviewed (1) the IT Department's economic analyses and assumptions, (2) the U. S. Postal Service Office of Inspector General's (OIG) November 2000 audit report on the IT Department's proposal and economic analyses, (3) applicable Postal Service policies and procedures relating to facility closures and capital investments, (4) our prior reports on restructuring and downsizing, (5) available private sector relocation studies, and (6) applicable portions of the U.S. Code and the Service's collective bargaining agreement with the American Postal Workers Union (APWU) to identify legal requirements and entitlements associated with a postal facility closure. We also interviewed key stakeholders familiar with the closure, including (1) various postal officials at Headquarters and at the San Mateo IT Center and (2) national and local representatives of the APWU. Finally, we interviewed eight experts familiar with relocations. We identified these experts from available studies, articles, and referrals.

Results in Brief

The Postal Service is following its Investment Review and Approval Process in making its decision regarding the IT Department's proposal to close the San Mateo IT Center, because the Service will need to make an investment of \$8 million to support the closure. The Investment Review and Approval Process requires that a Decision Analysis Report (DAR) be prepared as support for the investment.⁴ Additionally, the process requires that key senior postal executives approve the DAR. The IT Department

³The Bureau of Labor Statistics defines displaced employees as persons who lost or left jobs because their plant or company closed or moved, there was insufficient work, or their position or shift was abolished.

⁴A DAR details the economic analyses, including costs and benefits, of the proposed investment and alternatives being considered.

prepared a DAR for closing the San Mateo IT Center; and in early November 2000 the Finance Department validated the accuracy and integrity of the DAR's assumptions and economic analyses, and the former vice president for IT approved the DAR. Separate from the Investment Review and Approval Process, the OIG reviewed the DAR in 2000 and concurred that the proposed closure would save the Service about \$74 million over 10 years. The savings would accrue from the sale of the San Mateo facility, staffing reductions, and operating efficiencies. Approval by the Postmaster General (PMG) and the Service's Capital Investment Committee—which reviews projects of \$7.5 million or more in capital and expense investments—has not yet occurred. According to the Service, these approvals are the final steps in its Investment Review and Approval Process and will take place after our report is issued if the Service decides to pursue closing the San Mateo IT Center. The San Mateo DAR has not been updated since 2000, although economic conditions have changed since that time. In addition, the DAR does not reflect the impact that the Service's 2001 announced plans to automate and reengineer its field accounting activity could have on projected savings associated with the closure proposal. Those plans involve closing the Service's 85 district accounting offices and consolidating residual activity into its 3 Accounting Service Centers. However, postal officials said that the key assumptions used in preparing the DAR would be updated before the Service makes its closure decision.

Relocation experts we interviewed reported that plant and facility closures occur throughout the nation and generally result in negative economic and social impacts on employees and their families. They said that following a closure, displaced employees typically experience economic impacts, such as lost income, loss of retirement benefits, and lower income after finding a new job. Employees who relocate with their jobs are likely to encounter social impacts, such as marital stress, separations from family members, and the loss of social ties. The experts also noted that dual-income families who relocate can face negative economic impacts when trailing spouses have to give up their jobs in order to relocate. The experts further noted that closures tend to have a greater negative impact on older employees. Older employees are less likely than younger employees to be reemployed and are more prone to social difficulties if they relocate to a new area. The experts indicated, however, that some employees might view closures positively because closures can afford workers the opportunity to redirect their careers, develop new competencies, or leave unsatisfying jobs.

Employees affected by the New York IT Center closure in 1993 whom we surveyed reported that they experienced negative economic and social impacts from the closure. Our analysis of the salary data provided by the Service on employees displaced by the New York IT Center closure showed that employees who remained with the Service in the New York City area fared worse economically than those who relocated to other postal IT centers. According to the Service's salary data, 9 years after the closure, the average salary of postal employees who relocated to other postal IT centers had increased about 11 percent (in constant 2001 dollars), while the average salary of employees who remained with the Service in the New York City area had decreased about 1 percent (in constant 2001 dollars). However, survey respondents who relocated to other postal IT centers reported encountering more negative social impacts than respondents who remained with the Service in the New York City area. For example, 23 of the 49 relocated employees responding to our survey reported that they found it difficult (1) adjusting to the new geographic area, work environment, and local culture; (2) maintaining or establishing social, community, and cultural ties or finding supporting communities where they could get involved; and (3) being away from family and friends and missing out on important family events. Some relocated respondents also reported that since relocating, their spouses had found it very difficult to maintain or secure jobs, benefits, and retirement security.

San Mateo IT employees who responded to our survey anticipated mostly economic impacts if they opt to stay in the Bay Area and social impacts if they opt to relocate to another postal IT center. Respondents anticipated economic impacts, varying from retiring earlier than planned to being unemployed. They anticipated social impacts, varying from short-term to long-term family separations. Under the IT Department's proposal to close the San Mateo IT Center, all bargaining unit and about half of the EAS employees would be offered the opportunity to relocate with their jobs to another postal IT center. However, only 36 (17 percent) of the 213 San Mateo employees responding to our survey indicated they would likely relocate. Of the remaining respondents, 167 (78 percent) indicated they would likely stay in the Bay Area; and 10 (5 percent) indicated they were unsure what they would do if the Service decided to close the IT center. However, the actual decisions of the San Mateo IT Center employees may be different from their responses to our survey because certain factors have changed since they responded to our survey. At the time the employees completed our survey, the Service anticipated that postal positions would be available in the Bay Area for bargaining unit employees who did not want to relocate. Since that time, conditions have changed,

and the Service no longer anticipates that postal positions will be available in the Bay Area. Additionally, outside employment opportunities in the Bay Area for employees with IT skills have tightened considerably. To help minimize the potential impact a closure could have on EAS employees, the Service has said it will make available the services of a private job search firm.

One hundred thirty four of the 167 San Mateo respondents who indicated they would likely stay in the Bay Area provided reasons for not relocating. Of the respondents who provided reasons, 79 (59 percent) identified concerns with spouses' careers as a primary motivator in their decision not to relocate. The Service has indicated that it will work with trailing spouses who are postal employees to find postal employment at the new location, but it does not anticipate providing assistance to trailing spouses who are not postal employees. Because the Service is not providing assistance to all trailing spouses, the Service may not have as many employees relocating as it anticipates. In preparing the DAR, the IT Department estimated that 33 percent of San Mateo IT employees would relocate to other postal IT centers. However, only 17 percent of survey respondents indicated they would likely relocate. Relocation experts have noted that employees who must make a relocation choice often base their decisions on whether their trailing spouses can find suitable employment at the new location. Given this dilemma, relocation experts report more companies are providing employment assistance to trailing spouses, such as assisting with finding employment. By providing trailing spouses assistance—such as resume preparation and review services—the Service may encourage more employees to relocate.

The employment outlook for San Mateo IT employees has diminished since 2000. Postal positions are no longer expected to be available in the Bay Area, and nonpostal IT positions are significantly more limited than 2 years ago. To help employees through such difficult times, we have previously reported that employers and employees both benefit when the employer proactively works with employees to minimize the impacts of relocation or job loss. Employers frequently provide relocation assistance, employee and family counseling, and job placement assistance. To its credit, the Service plans to provide some assistance in these areas. However, the Service does not anticipate offering job placement assistance to bargaining unit employees who decide not to relocate, although bargaining unit employees will have the opportunity to relocate with their jobs to other postal IT centers because of the no-layoff provision in the collective bargaining agreement with APWU. Without the benefit of job placement assistance, bargaining unit employees who do not

relocate might encounter difficulty in finding employment in the Bay Area. Should the Service decide to close the San Mateo IT Center, it could offer job placement assistance during closure discussions with the APWU. These discussions have historically resulted in additional provisions for affected bargaining unit employees.

We are recommending that before the Service makes its decision about closing the San Mateo IT Center, it should review and update, if appropriate, its economic analyses and assumptions. Should the Service decide to close the San Mateo IT Center, we are also recommending that it consider (1) offering to help bargaining unit employees find jobs if they decide to stay in the Bay Area and (2) providing some assistance—such as resume preparation and review services—to working spouses of employees who decide to relocate. In commenting on a draft of this report, the Service did not comment on our findings. However, the Service did indicate agreement with our recommendations. The Service said that before reaching a decision regarding the closure of the San Mateo IT Center, it would update the information that will be used in making its decision. The Service also indicated that it would adhere to the provisions of its bargaining unit agreements and will attempt to mitigate the negative impacts that relocations might have on employees and their families.

Background

During the 1970s, the Postal Service invested in data centers and mainframe computers to support administrative functions, such as personnel, accounting, and payroll processing. During the 1980s, the Service expanded its IT technology network to cover essentially all facets of postal operations. However, as networking technology improved, the Service realized that it no longer needed to colocate some of its IT functions with the hardware processors. This presented the Service with the opportunity to reduce costs and improve efficiencies by consolidating some of its IT functions. The practice of consolidating IT functions is consistent with industry trends, as companies strive to utilize new technologies to improve operations at less cost.

Before 1993, the Service had six computer centers, each with a mainframe computer, located in New York City, New York; St. Louis, Missouri; Raleigh, North Carolina; Wilkes-Barre, Pennsylvania; San Mateo, California; and Minneapolis, Minnesota.⁵ In 1993, the Service closed its IT

⁵In 1998, IT functions performed at various sites in Minneapolis were consolidated and moved into a new postal IT center in Eagan.

center located in New York and transferred all functions performed at the center to its postal IT centers located in San Mateo and Eagan. Some employees affected by the New York IT Center closure relocated to San Mateo and now face the prospects of being affected by yet another postal IT center closure. Additionally, since 1993, the Service has transferred mainframe computer operations performed in St. Louis, Raleigh, and Wilkes-Barre to the San Mateo and Eagan IT Centers. Other IT functions continue to be performed at the Service's IT centers located in St. Louis, Raleigh, and Wilkes-Barre.

The Service's current IT structure includes two Information Service Centers located in Eagan and San Mateo. Each of these Information Service Centers houses a Computer Operations Service Center, a Management Support Center, an Accounting Service Center, and an Integrated Business Systems Solutions Center.⁶ The Computer Operations Service Centers operate the Service's mainframe computers supporting various postal activities. The Integrated Business Systems Solutions Centers maintain and enhance software applications for postal business systems. The Management Support Service Centers provide facility support to the other centers. The Accounting Service Centers are operated by the Service's Finance Department and provide national accounting services. The Accounting Service Centers are not included as part of the IT Department's proposed consolidation of the San Mateo IT Center.

Figure 1 shows the San Mateo IT Center, which is located at 2700 Campus Drive, San Mateo, CA, in the Bay Area. The building is a three-story structure plus a basement, contains approximately 160,000 square feet of space, and is located on 12.4 acres. The building was constructed in 1976 and was purchased by the Service in 1983 for about \$13 million. After purchasing the building, the Service spent an additional \$14 million on renovations, and during the last 10 years has spent an additional \$3.7 million on major upgrades.

⁶The Service also has three other Integrated Business Systems Solutions Centers, located in Raleigh, St. Louis, and Wilkes-Barre. Raleigh also serves as the Service's disaster recovery center.

Figure 1: The San Mateo IT Center



Source: GAO.

The consolidation plan currently under consideration provides that San Mateo's computer operations, management support functions, and some of its software functions would be transferred to Eagan, along with some employees. The plan further provides that San Mateo's remaining software support functions would be transferred to postal IT centers located in St. Louis and Wilkes-Barre, along with some employees. As previously stated, the consolidation plan currently under consideration does not include transferring the accounting functions currently performed at San Mateo. Instead, the accounting functions, along with their complement of 102 employees, are to be relocated into leased space in the Bay Area.

In October 2000, San Mateo's IT functions had an authorized complement of 282, comprising 80 EAS positions, 200 bargaining-unit positions, and 2 Postal Career Executive Service (PCES) positions.⁷ Seventy-two EAS and 172 bargaining-unit positions were filled as of March 2002. Six of the IT bargaining unit employees are to be transferred to the Accounting Service Center and would not be immediately affected if the Service decides to close the San Mateo IT Center. The remaining 166 bargaining unit

⁷PCES employees are senior-level officers and executives in such postal positions as area vice presidents and IT center managers. The PCES is comparable with the Civil Service's Senior Executive Service. EAS employees are paid under the Service's Executive and Administrative Schedule. IT bargaining unit employees' pay and benefits are established by a collective bargaining agreement between the Postal Service and the APWU.

employees and all EAS employees would be directly affected by the closure. Under the proposed consolidation, all 166 bargaining unit employees would be offered relocation to another postal IT center, in keeping with the no-layoff clause in their collective bargaining agreement. About half of the EAS employees will be offered jobs at another postal IT center.

For the employees who relocate, the Service will cover basic relocation costs. However, covered costs differ for bargaining-unit and EAS employees. Relocation benefits for bargaining-unit employees are specified in the negotiated collective bargaining agreement between the Service and the APWU. Examples of covered expenses include the cost of one advance house-hunting trip, the movement and storage of household goods, and 30 days of temporary quarters. For EAS employees the Service covers the cost of 3 house-hunting trips, the movement and storage of household goods, and 60 days of temporary quarters. Additionally, the Service provides EAS employees a more generous expense allowance and assistance in selling and purchasing their homes.

Employees, who do not have the option of relocating or choose not to do so, may choose to retire, provided they meet the minimum age and service requirements for retirement.⁸ Additionally, postal officials have indicated that if the decision is made to close the San Mateo IT Center, the Service will seek early retirement authority from the Office of Personnel Management. If this authority is granted, the Service plans to make the option of voluntary early retirement available to all eligible employees.⁹ Employees who do not relocate, retire, or find other employment on their own will likely be involuntarily separated from the Service. Employees

⁸The minimum age and service requirements for retirement under the Civil Service Retirement System are age 55 with 30 years of service, age 60 with 20 years of service, or age 62 with 5 years of service. The minimum requirements for retirement under the Federal Employees' Retirement System are "minimum retirement age" with 30 years of service, age 60 with 20 years of service, age 62 with 5 years of service, or "minimum retirement age" with 10 years of service. An employee's minimum retirement age is based on his/her date of birth and ranges between 55 and 57 years.

⁹Early retirement allows eligible employees to retire with immediate annuities before meeting the age and service requirements for regular retirement. The minimum requirements for early retirement under the Civil Service Retirement System are age 50 with 20 years of service, or any age with 25 years of service. The annuity is reduced by 2 percent for each year that the employee is under age 55. The Federal Employees' Retirement System has the same minimum requirements for early retirement as the Civil Service Retirement System. However, annuities for employees retiring under the early retirement provisions of the Federal Employees' Retirement System are not reduced.

who are involuntarily separated from the Service will be eligible for severance pay.

The Service has experienced financial problems in recent years that have been exacerbated by the recent economic slowdown and the use of mail to transmit anthrax. In April 2001, we placed the Service's transformation efforts and long-term outlook on our high-risk list. We included the Service on our high-risk list to focus attention on the dilemmas facing the Service before the situation escalates into a crisis in which the options for action may be more limited and costly. While the Service recently developed a transformation plan to address its financial difficulties and has been able to cut costs, it has a significant amount of fixed costs due to its vast infrastructure that are difficult to cut in the short term. Rationalizing the Service's infrastructure will be key as it strives to ameliorate its fiscal situation. This means that the Service may have to close or consolidate certain retail, mail processing, and administrative facilities if necessary to cut costs and improve performance. These closures and consolidations will undoubtedly lead to public concerns about the economic effects such actions will have on communities and employees. The Service is weighing these difficult issues as it considers whether to close the San Mateo IT Center.

Scope and Methodology

To describe the process that the Service is following to decide whether to close the San Mateo IT Center and consolidate its functions into other postal IT centers, we interviewed postal managers and reviewed available supporting reports and documents. We reviewed the Service's investment policies and procedures manual, which provides guidance for preparing, reviewing, and approving a DAR. We also reviewed the Service's DAR, prepared by the IT Department, which included economic analyses and justification of the proposal to close the San Mateo IT Center, as well as an alternative proposal that the IT Department considered and subsequently rejected. Further, we reviewed the OIG's November 2000 audit report on the IT Department's proposal and economic analysis. For contrast, we reviewed (1) the DAR the IT Department prepared in support of the decision to build a new IT facility in Eagan that would allow the Service to consolidate IT functions performed at various sites in the Minneapolis area and provide for future incorporation of IT functions and (2) documentation the Service used to support its decision to close the New York IT Center in 1993. We discussed the steps the Postal Service followed in preparing its proposal to close the San Mateo IT Center with the Service's vice president, IT; discussed the Service's management process for reviewing the proposal with the Service's manager, Capital and

Program Evaluation, and manager, Facilities, Headquarters; and met with representatives from the OIG to discuss the audit they did of the Service's proposal and economic analyses. We also reviewed sections of the Postal Service's Transformation Plan that discuss procedures the Service follows in closing postal facilities, and we explored those procedures in greater detail with postal officials.

To determine experts' views on the social and economic impacts that corporate downsizing and reorganizations can have on employees and their families, we identified and interviewed eight relocation experts from our literature review and discussions with authors of articles on the impacts of closures and relocations on employees. These relocation experts provide a wide variety of relocation services to several hundred companies throughout the United States. We also interviewed two university researchers knowledgeable of worksite closures and employee displacements, and we gathered available data from the Bureau of Labor Statistics (BLS) on nationwide and regional worksite closures and employee separations for calendar years 2001 and 2002. To further broaden our perspective on how closures and relocations typically affect employees and their families, we conducted Internet research to identify reports, studies, and other sources of information that examined the impacts of closing facilities similar to the San Mateo IT Center. We also conducted literature searches and gathered information on the social and economic impacts of facility closures and relocations.

To determine the social and economic impacts encountered by postal employees and their families who were affected by the Service's closure of its New York IT Center in 1993, we interviewed postal officials as well as displaced New York IT Center employees who relocated to the San Mateo IT Center. We also obtained and analyzed salary data, for the period 1992 to 2001, on displaced New York IT Center employees who are still employed by the Service. We designed, pretested, and administered survey questionnaires to displaced New York IT Center employees (1) who relocated to other postal IT centers and (2) who continued employment with the Service in the New York City area. For those employees who relocated, we received responses from 49 of 66, for a 74 percent response rate. For those who stayed with the Service in the New York City area, we received responses from 46 of 79 for a 58 percent response rate. We analyzed the survey responses, including open-ended comments, and conducted a number of follow-up interviews. We did not gather data on displaced New York IT Center employees who left the Service following the center's closure in 1993 because the Service was unable to provide recent mailing addresses for these employees.

To determine the social and economic impacts that the San Mateo IT Center postal employees and their families would likely encounter if the Service closes that center, we obtained and reviewed relevant Postal Service documents regarding personnel policies and consolidation plans. We also interviewed cognizant postal and APWU officials and various San Mateo employees regarding these policies and plans and their potential impacts on employees. We obtained and analyzed San Mateo employee personnel data; and, on the basis of information from closure/relocation studies and experts and our interviews with postal officials and employees, we designed, pretested and administered a survey questionnaire to obtain information about how closing the San Mateo IT Center would likely affect employees and their families. We received survey responses from 213 of 243 employees, for an 88 percent response rate. We analyzed the survey responses, including open-ended comments, and conducted follow-up interviews.

To provide information on how selected organizations, during downsizing, have assisted affected employees, we identified and reviewed our prior reports on restructuring and downsizing. We incorporated information on those organizations where appropriate.

Because our three surveys did not make use of probability sampling, there are no sampling errors. However, the practical difficulties of conducting any survey may introduce other types of errors, commonly referred to as nonsampling errors. For example, differences in how a particular question is interpreted, the sources of information available to respondents, or the types of people who do not respond can introduce unwanted variability into the survey results. We included steps in both the data collection and data analysis stages for the purpose of minimizing such nonsampling errors. For example, our data collection instruments were designed by survey specialists in combination with subject matter specialists and pretested to ensure that questions were clear and were understood by respondents. To increase our response rate, a follow-up mailing was made to those who did not respond in a reasonable time period.

We conducted our review at Postal Service Headquarters in Washington, D.C., and at the Service's IT center located in San Mateo, CA, from August 2001 through October 2002, in accordance with generally accepted government auditing standards.

We requested comments on a draft of this report from the Postmaster General. The Service's comments are discussed at the end of this letter and are reprinted in appendix II.

The Service Is Following Its Investment Review and Approval Process

The Service is following its Investment Review and Approval Process in deciding whether or not to close the San Mateo IT Center, because it will require an investment of \$8 million to support the closure. Events leading to the IT Department's proposal to close the San Mateo IT Center began in 1996. At that time, the IT Department started making long-range plans to consolidate the San Mateo IT Center's mainframe computer operations into a new IT center the Service was building in Eagan. Other IT functions performed at the San Mateo IT Center were to be unaffected by the consolidation plans under development at that time. However, in 2000, the PMG called on postal managers to find savings by eliminating work, working more efficiently, and consolidating functions. In response to that call, the IT Department proposed closing the San Mateo IT Center and transferring its IT functions to Eagan and other postal IT centers. That proposal has yet to be approved by the Service, and the PMG has said that such a decision will not be made until after we have issued our report.

As required by the Service's Investment Review and Approval Process, the IT Department prepared a DAR in 2000 to support the \$8 million investment needed for the proposed closure of the San Mateo IT Center. The Service's Investment Review and Approval Process establishes the review/approval process, procedures, and responsibilities for capital investments made by the Service. Major capital investments, generally defined as \$5 million or more, require a DAR, which is justification to recommend an investment for approval.

In 2000, OIG reviewed the San Mateo DAR and concurred with the IT Department's analysis that money could be saved and efficiencies gained by closing the San Mateo IT Center and transferring its IT functions to the Eagan IT Center and other postal IT centers. However, since the DAR was prepared in 2000, some of the economic assumptions, which were based on the economic conditions at that time, have changed. Additionally, the Service recently announced plans to consolidate its accounting functions in 85 postal districts into the Service's 3 Accounting Service Centers located in Eagan, St. Louis, and San Mateo. Given this, before the Service makes its decision about closing the San Mateo IT Center, the IT Department's DAR may need to be reviewed and updated, if appropriate, to better reflect current economic conditions and recent plans to consolidate accounting functions.

The IT Department's Proposal to Close the San Mateo IT Center Originated in 1996

Events leading to the IT Department's proposal to close the San Mateo IT Center began in 1996 when the IT Department initiated development of a long-range plan to consolidate the San Mateo IT Center's mainframe computer operations into a new IT center that the Service was building in Eagan. The IT Department's proposal called for consolidating San Mateo's mainframe computer operations into a new 352,000-square-foot postal IT center, located on 28 acres in Eagan. The new Eagan IT Center was to serve as the Service's primary financial center, meet the Service's long-term computer operational requirements, and have the flexibility to adjust to IT changes and provide room for growth. The Eagan IT Center was designed to absorb the San Mateo IT Center's mainframe computer operations. At the time the IT Department was preparing its original consolidation proposal, it projected that the San Mateo IT Center's mainframe computer operations could be consolidated into the new Eagan IT Center sometime around 2000. However, before that consolidation occurred, the PMG called on postal managers in 2000 to review their operations and find savings by eliminating work, working more efficiently, and consolidating functions. The PMG did this in response to the Service's declining financial condition: shrinking net income, operating expense growth outpacing operating revenue growth, the threat of declining mail volumes, and stagnating productivity.

Heeding the PMG's call to find savings, the IT Department decided to expand its plans for the San Mateo IT Center. Instead of just consolidating the San Mateo IT Center's mainframe computer operations into the Eagan IT Center, the IT Department decided to propose closing and selling the San Mateo IT Center and consolidating all of its IT functions into other postal IT centers located in Eagan, St. Louis and Wilkes-Barre.

The Primary Document Supporting the Closure Proposal Is the DAR

According to IT Department officials, once a decision was made in early 2000 to propose closing the San Mateo IT Center, the proposal's sponsoring unit (the IT Department), per the Service's Investment Review and Approval Process, prepared a DAR in support of the closure proposal. The DAR details the economic analyses and assumptions, including costs and benefits, of the proposed investment and alternatives being considered so that approving authorities will have the information necessary to make informed decisions. The Service requires that a DAR be prepared, validated, and approved for planned capital and expense investments of \$5 million or more. The IT Department provided us with copies of (1) documentation and an internal paper prepared in support of the proposal to consolidate the San Mateo IT Center's mainframe computer operations into Eagan and (2) the DAR supporting the closure

proposal. However, the IT Department was unable to provide us documentation explaining the basis for expanding the mainframe consolidation proposal into a proposal to close the San Mateo IT Center entirely and transfer all of its IT functions to other postal IT centers. Additionally, according to postal officials, the two individuals most familiar with the closure proposal, the vice president, Information Technology; and the manager, Information Systems Support, are no longer with the Service.

According to postal officials, there are no detailed policies or rigorous procedures that must be followed when a department proposes closing a postal facility other than a post office or mail processing facility. They said that references, in the Service's Transformation Plan, to detailed procedures for closing facilities apply only to post offices and mail processing facilities, not to administrative offices such as the San Mateo IT Center. They said the DAR is the primary document being used to support the IT Department's proposal to close the San Mateo IT Center.

The San Mateo DAR prepared by the IT Department included (1) the objectives, justification, and details of the proposed closure/consolidation; (2) economic analyses and financial justification for the proposed closure; and (3) information on an alternative to the closure that was considered, analyzed, and eliminated. According to the DAR, closing the San Mateo IT Center and consolidating all of its IT functions at other postal IT centers would be justified because (1) consolidating IT and support operations would provide the Service savings, over a 10-year period, of approximately \$25 million in staffing, utilities, maintenance, and contractor systems software support and (2) consolidating IT functions would allow the Service to sell the San Mateo facility for approximately \$49 million. The DAR also noted that the San Mateo area had become one of the highest cost-of-living areas in the nation, and the San Mateo IT Center was finding it increasingly difficult to retain its executives and the top technical staff needed to operate the center. The DAR further noted that the cost of contractors in the San Mateo area was higher than in other areas where postal IT centers were located.

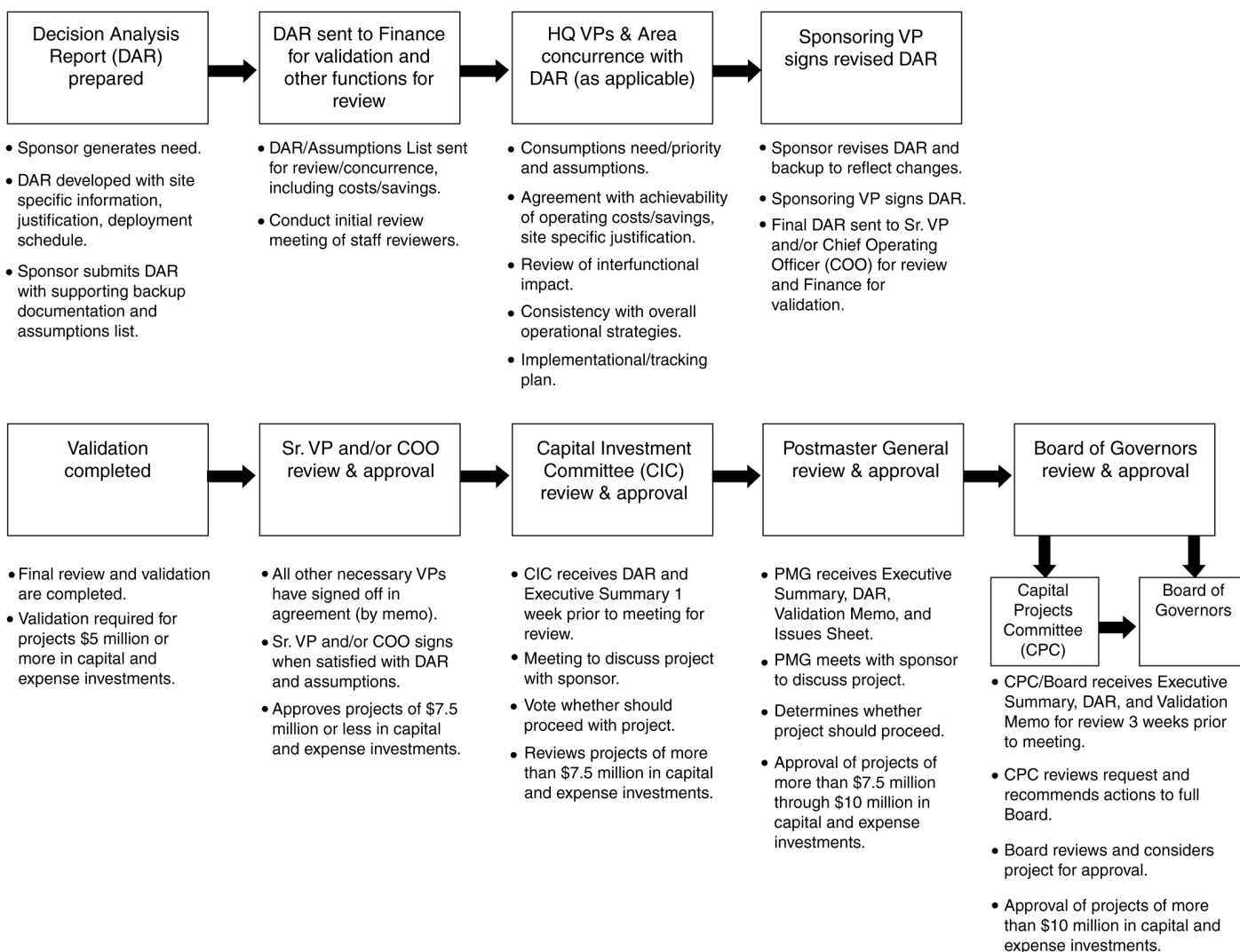
Before finalizing the DAR to close the San Mateo IT Center, the IT Department considered one alternative proposal which, consisted of the Service selling the San Mateo facility and leasing it back from the new owner, with all of the postal functions remaining in the leased facility. The Service rejected that alternative for two reasons. The IT Department determined that (1) the annual lease cost would exceed the current depreciation cost of the San Mateo facility and (2) the Service would not

realize the savings and operational efficiencies that would accrue from consolidating San Mateo IT functions at other postal IT centers.

According to postal officials, the IT Department—following the Service’s Investment Review and Approval Process—prepared the San Mateo DAR and forwarded it to the Service’s Finance Department for validation and to the Facilities Department for review and concurrence. By early November 2000, the Finance Department had completed its validation of the accuracy and integrity of the San Mateo DAR’s assumptions and economic analyses; the Facilities Department had concurred with the DAR; and the sponsoring vice president, IT, had signed the DAR. Next, the senior vice president/chief technology officer and the chief financial officer/executive vice president reviewed and approved the DAR. In late November 2000, the chief financial officer/executive vice president prepared and signed a validation memorandum and executive summary, which was forwarded to the PMG, stating that the DAR proposing to close the San Mateo IT Center had been reviewed and validated. According to postal officials, before the San Mateo IT Center can be closed, approval must be obtained from the Headquarters (HQ) Capital Investment Committee and the PMG.¹⁰ The OIG has also reviewed the DAR. (See fig. 2 for an overview of the Service’s Investment Review and Approval Process.)

¹⁰The Capital Investment Committee voting members include the deputy postmaster general; chief operating officer and executive vice president; senior vice president and general counsel; chief marketing officer and senior vice president; senior vice president, chief technology officer; senior vice president, Operations; vice president, Strategic Initiatives; and chief financial officer and senior vice president (chair). The Committee’s nonvoting members include the vice president, Engineering; vice president, Finance; controller; vice president, Purchasing and Materials; and vice president, Facilities.

Figure 2: Overview of Postal Service's Investment Review and Approval Process



Source: U.S. Postal Service.

OIG Reviewed the IT Department's Proposal and Concurred that Closing the San Mateo IT Center Would Save Money

Prior to our review, postal management asked the OIG to evaluate the potential benefits, costs, and operational issues surrounding the IT Department's proposal to close the San Mateo IT Center and transfer its IT functions to other postal IT centers. The OIG did this evaluation between May and late November 2000. The OIG agreed with the IT Department that consolidating the San Mateo IT Center's IT functions into the Eagan and other postal IT centers would produce savings in staffing, utilities, maintenance, and contractor systems software support. However, among

other things, the OIG noted that the IT Department's projected savings in the San Mateo DAR might be overstated by \$4 to \$8 million because the cost of leasing space for the Accounting Service Center in the Bay Area may have been underestimated. Also, the OIG questioned the Service's support for \$6.3 million in capital expenditures for hardware and software upgrades associated with the consolidation. The Service subsequently provided justification for the capital expenditures, which the OIG found to be generally responsive to its concerns.

According to the OIG's November 24, 2000, report, postal management revised its lease cost estimates for the Accounting Service Center. This revision reduced estimated savings from \$78 million to the current estimate of \$74 million. The OIG concluded that this and other actions the Postal Service was planning were responsive to the OIG's concerns and concurred with the IT Department's analyses that consolidating the San Mateo IT Center's IT functions into other postal IT centers would result in savings.

Economic and Other Conditions Have Changed Since the DAR Was Prepared in 2000

In 2000, when the Service's IT Department prepared the DAR to support its proposal to close the San Mateo IT Center, general economic conditions were noticeably better than they are currently; and the Service had not yet made plans to automate and reengineer its field accounting activity, which involves closing its 85 district accounting offices and consolidating residual activity into its 3 Accounting Service Centers. The IT Department's proposal to close the San Mateo IT Center was based on several major economic assumptions that have since changed. First, when the IT Department prepared the San Mateo DAR, it noted that the job market in the Bay Area was very good and that employees with IT skills were in great demand, thereby making it difficult to recruit and retain IT employees at the San Mateo IT Center. Since then, however, the general job market has declined significantly. For example, in the Bay Area, from 2000 to 2002, the unemployment rate increased from 2.2 percent to 5.4 percent. Even more dramatic was the reversal in employment growth. From 1999 to 2000, the number of Bay Area employees grew by 3.8 percent.¹¹ In contrast, the number of these employees contracted by 5.9 percent from 2000 to 2002. Given the increase in unemployment and the shrinking employment growth in the Bay Area, current IT labor costs may

¹¹BLS data.

not be as high as they were in 2000, thereby creating a more favorable recruiting environment for the Service.

Second, the IT Department received an appraisal in 2000, indicating that it could reasonably expect to sell its San Mateo facility within 6 months for a minimum price of \$49 million. However, according to real estate experts, office-building values in the San Mateo area are currently depressed. From the 4th quarter of 2000 to the 2nd quarter of 2002, average asking rents fell by about 60 percent, and office vacancy rates increased nearly sixfold, from less than 4 percent to 22 percent. As a result of this depressed real estate market, the time and value estimates that the IT Department received in 2000 for the San Mateo facility may be out of date.

In view of what might be significant changes in some of the economic assumptions used in the San Mateo DAR, we asked the Service about updating (1) the estimate of the fair-market value of the San Mateo building and property and (2) the estimate of rental rates for office space in the Bay Area. The Service said that it was too costly to have a commercial real estate broker update this information before the Service was ready to make a decision about closing the San Mateo IT Center. However, the Service acknowledged that the commercial office market in the Bay Area has changed since the DAR was prepared in 2000. Postal officials said that the key assumptions used in preparing the DAR would be updated before the Service makes a decision about closing the San Mateo IT Center. Until these data are updated, it is uncertain how much the Service would save by closing the San Mateo IT Center.

Another significant change indicating the need to update the San Mateo DAR is the Service's plans to revamp its accounting functions. In 2001, the Service announced plans to automate and reengineer its field accounting activity. These changes will result in the Service closing its 85 district accounting offices; eliminating 1,063 field accounting technicians in these offices; and consolidating the residual activities into its 3 Accounting Service Centers located in Eagan, St. Louis, and San Mateo. Postal officials stated that this would result in about 350 more accounting technician and finance positions at these 3 centers. As noted earlier, the San Mateo DAR includes a plan to move the accounting functions and its 102 employees into leased space in the Bay Area. The DAR included \$2.1 million as the 3-year estimated cost for this leased space. As a result of the planned consolidation of district accounting functions, the Service's estimated cost of leased space may no longer be accurate for its accounting functions in the Bay Area and could affect projected savings associated with closing the San Mateo IT Center. Given this possibility, before the Service makes

its decision about closing the San Mateo IT Center, the DAR may also need to be reviewed and updated, if appropriate, to reflect the cost associated with obtaining the leased space necessary to accommodate about 40 additional accounting technician and finance positions.

Relocation Experts Report that Negative Economic and Social Impacts Generally Accompany Plant and Facility Closures

Relocation experts we interviewed reported that plant and facility closings generally have negative economic and social impacts on displaced employees and their families. Typically, some employees experience negative economic impacts, others experience negative social impacts, and some experience both when the plant or facility where they work closes. The experts told us that employees who do not relocate with their jobs typically experience economic impacts, such as lost income, loss of retirement benefits, and lower paying jobs upon reemployment. Experts also noted that employees who relocate with their jobs are likely to encounter social impacts, such as marital stress, separations from family members, and the loss of social ties. In addition to the negative social impacts, the experts noted that dual-income families who relocate may face negative economic impacts when the trailing spouse has to give up employment in order to relocate.

Experts' opinion and research done on plant and facility closures indicate that such events have a greater negative impact on older employees than on younger employees. Older employees are less likely than younger employees to be reemployed and are more likely to experience social difficulties when relocating. Research also indicates that an increasing percentage of employees are declining relocation offers because they want to avoid the social and economic impacts associated with moving to a new geographic location, particularly the disruptions to family ties that often ensue. Research further shows that elder care is playing an increasingly important role in employee relocation decisions.

Notwithstanding the negative impacts closures can have on employees and their families, closures occur across the nation and are done for a variety of business reasons and purposes. Research also indicates that in the final analysis, all affected employees may not view plant and facility closures negatively. Some employees may actually come to view their experience with a plant or facility closure as positive because it affords them the opportunity to redirect their careers, develop new competencies, or leave unsatisfying jobs.

Displaced Employees Typically Face Economic Impacts

According to the relocation experts we interviewed, studies have shown that the economic impacts on employees displaced by a plant or facility closure include the loss of earnings due to periods of unemployment, loss of retirement benefits, and lower wages upon reemployment. For example, a 1999 study on job displacement stated that about 20 percent of displaced employees who found employment did so at greatly reduced wages, earning one-half or less than they did previously.¹² The study also found that between one-fourth and one-third of displaced employees remained unemployed a year or more after displacement. Similarly, another study of displaced employees found that about 30 percent remained unemployed for a year or more.¹³ Studies also indicated that the longer displaced employees remained unemployed, the greater the drop in their wages when reemployed, with some displaced employees becoming so discouraged that they stop looking for work altogether.

Similar findings were echoed in a survey of employees displaced by a New York plant closure in 1998.¹⁴ Survey respondents reported several impacts they experienced as a result of the worksite closure, including earnings losses, declines in job quality, and financial difficulties. The survey disclosed that most displaced plant employees had held two or more jobs since the closure, with some holding as many as eight jobs in 3 years. The survey results, published in a 2001 report, indicated that as a result of the closure, employees experienced a 17 percent decline in median income and a 33 percent increase in commuting distances. The researcher also found precipitous declines in job quality, in terms of regular raises, sufficient income, promotions, and skill development. In addition, the report stated that many of the displaced employees experienced financial difficulties, such as having to sell their homes.

¹²Paul Attewell, The Annals of the American Academy of Political and Social Sciences, *The Impact of Family on Job Displacement and Recovery*, (Mar. 1999).

¹³Michael Podgursky and Paul Swaim, Duration of Joblessness Following Displacement, *Industrial Relations* 26(3): pp. 213-226 (1987).

¹⁴Jennifer S. Tiffany, *Insights from a Plant Closing: Dislocated Workers and Economic Development Planning*, Planners Network, Hunter College Dept. of Urban Planning No. 148, (July/August 2001).

Relocated Employees Typically Face Social and Economic Impacts

Relocation experts we interviewed told us that families commonly experience social difficulties when relocating, including disruptions of their children's education and social well-being, increased marital stress, and a sense of loss caused by separations from family members. Relocation experts and available studies also point out that in addition to social adjustments, trailing spouses in dual-income households may face economic impacts due to the loss of employment and income. Research indicates that in over 50 percent of married households, both spouses are employed. This prevalence of dual-income households in the workforce is prompting companies to provide employment assistance to trailing spouses in order to reduce family stress during relocation transitions, according to studies and experts. For example, employers assist trailing spouses in a variety of ways, including paying a job-finders fee, assisting with finding employment either within or outside the company, and reimbursing the spouse for lost income while seeking employment at the new location. Examples of other types of assistance provided trailing spouses include resume preparation and review, development of job search strategies, and career counseling. According to the experts we interviewed, until and unless a trailing spouse finds comparable employment at the new location, a dual-income household might lose 30 percent to 50 percent of its income when it relocates.

The impacts of relocation on trailing spouses have also been known to include emotional and cultural adjustments. For example, relocation experts noted that trailing spouses might be natives of the originating city and could experience a sense of loss at the new location. According to experts, trailing spouses may experience difficulties in adjusting to less culturally diverse regions of the country where there may be fewer opportunities associated with their culture, religion, or language. Trailing spouses may also find it difficult to transition from large urban areas where they have access to ethnic activities, with which they have an affinity, to small rural areas where they may feel isolated. Experts also stated that career development for trailing spouses who worked may be negatively affected, and they might have difficulty finding comparable employment. In addition, according to a 1998 study, relocation can lead to loss of continuity of training and skill development, as the new location may not have the same career opportunities.¹⁵ For these reasons, trailing

¹⁵Lillian T. Eby and Tammy D. Allen, *Perceptions of Relocation Services in Relocation Decision Making: An Exploratory Field Study*, Group and Organizational Management, Vol. 23 No. 4 (Dec. 1998).

spouses may be dissatisfied with their new jobs, according to experts. Experts also told us that the difficulty associated with finding comparable employment is compounded when people move from large urban areas, such as the Bay Area, to smaller communities that traditionally have fewer employment and career prospects.

Older Employees Often Face Greater Economic and Social Impacts than Younger Employees

Research and relocation experts report that when a plant or facility closes, older employees tend to encounter greater economic and social difficulties than younger employees. While there is no consensus among studies and experts regarding the age at which individuals encounter greater difficulties due to job loss, there is general agreement that as workers age, the impacts of job displacement become increasingly severe. In particular, research and industry experts state that workers in their mid-40s begin to face economic impacts attributable to age because they face more obstacles than younger employees in obtaining new employment. Experts also noted that these older employees potentially experience greater economic losses as they are typically vested in their retirement systems and could potentially lose their retirement benefits due to job displacement. Additionally, according to relocation experts, workers in their mid-40s and older who relocate generally face greater social impacts than younger employees.

In November 2001, we reported that although employees age 55 and older are not more likely to lose their jobs than younger workers, a job loss for these older employees potentially has more severe consequences.¹⁶ For example, we noted that employees age 55 and older may experience larger losses in earnings upon reemployment, compared with younger employees. We also reported that such employees were significantly less likely than younger employees to be reemployed. In addition, we stated that the potential loss of health care benefits following a job loss could be more problematic for employees who are age 55 and older because they tend to have more health problems than younger employees. Other studies on job loss reported similar findings regarding older workers.

Similar to the greater economic impacts older employees may experience due to job displacement, relocation experts we interviewed also told us that employees in their mid-40s and older are more likely to face greater

¹⁶*Older Workers: Demographic Trends Pose Challenges for Employers and Workers*, GAO-02-85 (Washington, D.C.: Nov. 16, 2001).

social difficulties in relocating than younger individuals. For example, according to experts, employees in their mid 40s and older are more likely to have elderly parents, grandchildren, or existing health conditions. Experts also told us that these employees are more likely to have high school or college-aged children who are often reluctant to relocate. Moreover, employees who are in their mid-40s and older are typically less inclined to move than younger individuals. For example, one relocation expert we contacted noted that older employees feel that relocating to a new community requires that they sacrifice social networks, long-time friendships, and family relationships that took years to establish. In addition, experts pointed out that trailing spouses of older employees might also experience more difficulties in finding new jobs because of age discrimination.

Employees Decline Relocation Offers for Various Reasons

Given the wide range of potential impacts from relocation, in particular the impacts on families, studies indicate that a growing number of employees are declining to relocate. According to survey results published by Atlas Van Lines in 2001, the number of companies reporting that employees rejected relocation offers increased from 39 percent in 1999 to 50 percent in 2001.¹⁷ The most frequently cited reason for declining to relocate was “family ties” (81 percent). Other reasons cited included “personal reasons” (73 percent), “no desire to move” (67 percent), and “spouse employment” (48 percent).

The Employee Relocation Council (ERC) reported in 2001 that family-related considerations, such as elder care, child care, and schools played a crucial role in employees’ relocation decisions.¹⁸ Elder care was specifically identified as an area of increasing importance in employees’ relocation decisions. The report estimates that 80 percent of elderly persons have lived alone or with a family member, rather than in nursing homes. As a result, according to ERC, more employees and their families will be increasingly responsible for helping elderly relatives who need assistance with the activities of daily living, including shopping,

¹⁷Atlas Van lines, Inc., *Corporate Relocation Survey 2001, 34th Annual Results*, (Memphis, TN: Apr. 2001). Atlas Van Lines, Inc., is a nationwide motor carrier that provides relocation services and publishes relocation-related publications, including its Survey of Corporate Relocation Policies document.

¹⁸Employee Relocation Council, *Family Issues Research Report, (2001)*. The Employee Relocation Council is a professional membership association that conducts research on emerging trends in employee relocation assistance.

transportation, personal care, paying bills, preparing meals, walking, and house cleaning. The ERC report also noted that employers offer various types of elder care assistance, such as paying to move elderly relatives, providing lists of elder care facilities and programs, and providing written materials on elder care needs. ERC further reported that similar services are provided for relocating families needing child care services or help in finding schools for their children.

Business Closures Occur and Sometimes Create Opportunities for Employees to Make Life and Career Changes

Plant and facility closures are the result of business decisions made for a variety of reasons and purposes. Notwithstanding their potential impact on employees and their families, business closures occur and affect thousands of employees annually. Research indicates that in the final analysis, not all affected employees view plant and facility closures negatively.

According to experts, closures, accompanied by employee displacements are largely fueled by corporate downsizing. For example, the BLS reported that there were 1,253 worksite closures that resulted in nearly 380,000 employee layoffs throughout the United States in calendar year 2001.¹⁹ BLS data also show that in the Bay Area, where the San Mateo IT Center is located, there were 22 worksite closures that resulted in over 5,800 employee layoffs in calendar year 2001. According to studies and relocation experts, businesses make decisions to downsize, restructure, or close facilities for a wide variety of reasons, primarily driven by business needs. According to unemployment research, for example, plant relocations are organizational changes that are commonly taken to pursue company development or to solve financial and operational problems. Experts told us that companies often implement different reorganization strategies to increase profits and competitiveness and to respond to various business factors, such as the economy, the stock market, business competition, the availability of skilled workers, and the cost of labor. For example, according to one expert we contacted, companies typically move facilities to reduce costs, often relocating to regions of the country where labor costs are lower.

¹⁹BLS defines “worksite closures” as the full closure of either multiunit or single-unit establishments or the partial closure of a multiunit establishment where entire worksites affected by layoffs are closed or planned to be closed.

Recent Bay Area worksite closures have resulted in employee layoffs. While specific data on the number of employee layoffs by Bay Area companies are not available, media reports indicate that several thousand employees have lost their jobs over the past year. For example, in May 2002, it was reported that a San Francisco based financial services company implemented its first large-scale employee layoff since 1987, reducing its workforce by approximately 4,500 employees in order to keep the company's total complement under 20,000. In addition, another report indicated that as a result of a Bay Area based corporate merger in the technology sector, an estimated 15,000 positions would be eliminated worldwide over the next 2 years, including many in the Bay Area. Another event that may affect the Bay Area economy was reported in June 2002, when a major air carrier announced that as a result of the September 11, 2001, terrorist attacks, it had applied for federal assistance to aid its recovery from these events. The air carrier also plans to increase its viability by reducing costs, such as through salary cuts from pilots, managers, and administrative employees. However, if these efforts are unsuccessful, the jobs of approximately 18,000 Bay Area employees may be affected.

Experts also told us that companies make decisions to displace or relocate employees according to, among other things, business needs, economic conditions, competition, company size, acquisitions and mergers, and the number of employees on the payroll. For example, a relocation expert we interviewed told us her company, which employs approximately 2,800 employees, recently downsized by closing two of its office locations. While some employees were retained and relocated, others lost their jobs and their employee benefits.

Despite the negative social and economic impacts that closures have on employees, unemployment researchers have suggested that a job loss sometimes creates opportunities for individuals to change careers and life directions. Additional research also indicates that after a period of time, some employees may actually come to view their experiences with a plant or facility closure as positive because it gave them the opportunity to redirect their careers, develop new competencies, or leave unsatisfying jobs. Research and relocation literature also indicates that families differ in their abilities to adapt to change. Moreover, relocation experts stated that in many cases, families adapt well and make very successful transitions.

New York IT Center Employees Reported Economic and Social Impacts as a Result of the Closure

Ninety-five displaced New York IT Center employees responded to our survey and reported economic impacts, such as diminished earnings; and social impacts, such as broken family ties. Of these 95 respondents, 46 remained with the Service in the New York City area and reported facing more economic impacts than social impacts. The remaining 49 employees relocated to postal IT centers in other geographic areas and reported more social impacts than economic impacts.

Several options were available to displaced New York IT Center employees, including working for the Postal Service in the New York City area—though most likely not in an IT job; relocating to another postal IT center; retiring with a buyout; or leaving the Service. Employees most concerned about social issues, such as maintaining close family ties, tended to remain in the New York City area and deal with the resulting economic impacts, such as diminished earnings. Our survey results indicate that employees most concerned about economic issues, such as maintaining their level of earnings and career potential, relocated to other postal IT centers and dealt with the ensuing social impacts, such as diminished ties with family and friends left behind in the New York City area. Still other employees opted to retire or leave Postal Service employment altogether. Retiring or leaving the Service at the time of the New York IT Center closure may have been particularly appealing to some employees because as part of a nationwide restructuring occurring at that time, the Service was offering a monetary incentive of 6 months' pay to all eligible employees who opted to retire or take an early out. In total, 104 of the 283 displaced New York IT Center employees chose to remain with the Service in the New York City area; 82 relocated to postal IT centers in other geographic areas. The remaining 97 displaced employees retired, separated from the Service, or found other jobs with the Service outside the New York City area.

Postal Employees Had Several Options When the New York IT Center Closed

From August to November of 1992, the PMG restructured the Service. To minimize the impact on employees, an early-out option was offered to permit most employees to retire at age 50 with 20 years of service or any age with 25 years of service. A monetary incentive was offered to encourage eligible employees to retire. This incentive was a lump-sum payment equal to 6 months' pay. According to postal officials, when the Service closed its New York IT Center in 1993, the restructuring had resulted in numerous retirements and an abundance of non-IT jobs in the New York City area to offer displaced IT center employees. Postal officials said the Service was therefore in the position to offer displaced IT center employees—both EAS and bargaining unit—various options that included

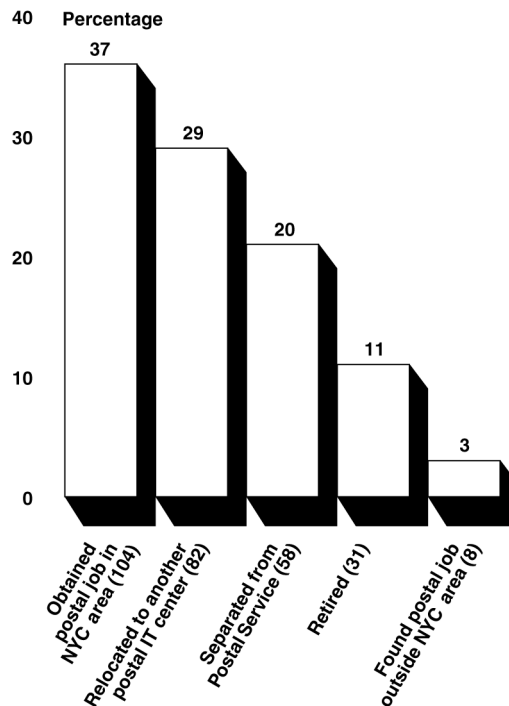
(1) taking an available Service job in the New York City area that had become vacant as a result of the restructuring, (2) relocating to another postal IT center in a different geographic area, or (3) retiring with a buyout—if eligible. Some employees chose none of these options and decided to independently find other Service employment outside the New York City area. Still others opted to leave Service employment altogether.

EAS employees who opted to relocate to other postal IT centers were able to continue working in the IT field at their same grade and pay. EAS employees who decided to stay in the New York City area were initially offered saved-pay for 2 years, but the Service later made saved-pay permanent for these employees.²⁰ According to some EAS survey respondents, the Service made its offer of permanent saved-pay for EAS employees after some EAS employees had already relocated to other postal IT centers. Some EAS survey respondents reported that they based their decisions to relocate on their belief that if they stayed in the New York City area in a lesser graded position, they would receive saved-pay for only 2 years. Some EAS survey respondents said that if they had known the Service would make saved-pay protection permanent, they would have taken a non-IT job and stayed in the New York City area. Bargaining unit employees who took lower paying Service jobs in the New York City area were to receive saved-pay protection for 1 year.²¹ In many instances, however, the actual reduction in pay did not occur until about 2 years after the closure because the time that employees spent in a trial employment status did not count against the 1-year limit. Also, the Service experienced some delay in making the pay changes in its computerized payroll system. Figure 3 shows the number and percent of displaced New York IT Center employees who chose each option.

²⁰Saved-pay allows an employee reassigned to a lower paying job to retain the pay of his/her former position.

²¹A Memorandum of Understanding between the Postal Service and the APWU provided that bargaining unit employees relocating to lower paying postal jobs in the New York City area would have saved-pay protection for 1 year.

Figure 3: Options Selected by Displaced New York IT Center Employees in 1993



Source: U.S. Postal Service.

Postal Employees Who Took Available Jobs with the Postal Service in the New York City Area Faced More Economic Impacts than Social Impacts

For many displaced New York IT Center employees, the decision to accept other postal employment in the New York City area meant that they fared worse economically in the long run than those who chose to relocate to postal IT centers in other geographic areas. According to a postal official, when the Service closed the New York IT Center, the Service had numerous vacancies in the New York City area because it had recently gone through a major restructuring that saw many employees leave the Service through retirement or separation. As a result of the numerous vacancies in the New York City area, the Service was able to offer jobs to displaced New York IT Center employees who did not wish to relocate to postal IT centers in other geographic areas. However, the vacant postal jobs in the New York City area were frequently lower paying, non-IT positions.

Using salary data on the 147 displaced New York IT Center employees still employed by the Service at other postal IT centers or postal facilities in

the New York City area, we determined that the 68 employees who relocated (44 bargaining unit and 24 EAS employees) generally fared better economically than those who remained in the New York City area. Nine years after the closure, salary data provided by the Service showed that the average salary of employees who relocated had increased about 11 percent (in constant 2001 dollars); in comparison, the average salary of employees who remained with the Service in the New York City area had decreased about 1 percent (in constant 2001 dollars). The impact on salary between displaced employees who relocated and those who remained in the New York City area was greater for bargaining unit employees than for EAS employees. Our analysis of the Service's salary data shows that the 44 displaced bargaining unit employees who relocated to other postal IT centers were, 9 years later, earning salaries that averaged about 14 percent more (in constant 2001 dollars) than they had been earning when the New York IT Center closed. In contrast, the 43 displaced bargaining unit employees who remained in the New York City area were earning salaries that averaged about 6 percent less (in constant 2001 dollars) than the salaries they were earning at the time of closure. Almost all of the 43 displaced bargaining unit employees who remained in the New York City area after the closure took lower paying mail clerk positions.

No EAS employees took pay cuts (in actual dollars) as a result of the closure.²² Nine years after the New York IT Center closed, the 36 displaced EAS employees working in the New York City area were earning an average of about 2 percent more (in constant 2001 dollars) than they had been at the time the center closed. In contrast, the salaries of the 24 displaced EAS employees who relocated to other postal IT centers saw their salaries increase an average of about 8 percent (in constant 2001 dollars). Displaced EAS employees who relocated, however, fared worse, on average, than displaced bargaining unit employees who relocated.

Generally, survey respondents who took postal jobs in the New York City area indicated they did so because they were concerned about the social impacts they believed they would face if they left the New York City area. For example, 34 of the 46 survey respondents who remained in the New York City area believed it was very important to remain in the area in order to maintain family ties with parents and other relatives—ties that

²²Typically, displaced EAS employees took non-IT management positions in such areas as customer service, maintenance, financial services, purchasing, and human resources. Two displaced EAS employees took jobs as local postmasters.

would otherwise be strained by relocating to a new geographic area. One respondent who took a postal job in the New York City area commented that he could not relocate because he was the only person able to provide care for his aged parents. Another respondent commented that she was unable to relocate to another postal IT center because her parents' health was such that they would not be able to accompany her. A third respondent who took a postal job in the New York City area commented that she was unable to relocate for several reasons, one being that she could not relocate her mother, who lived close by and was about to undergo surgery. Respondents remaining in the New York City area were also concerned that relocating to another geographic area could alienate relationships with their children and grandchildren. Twenty-five of the 46 respondents remaining in the New York City area stated that it was very important that they remain in close proximity to their children and grandchildren.

Respondents who remained with the Service in the New York City area indicated that concerns related to their spouses weighed heavily in their decisions not to relocate. For example, 24 of the 46 respondents remaining in the New York City area said that a very important concern they had was that relocating would strain the relationship they had with their spouse. One EAS employee decided against relocating because his wife was pregnant at the time and did not want to sever the close relationship she had with her physician. Another EAS employee stated that he did not relocate primarily for family reasons—his spouse was working, and it would have been very hard to ask her to give up her job and pension and move across the country to a new location. Twenty-three of the 46 respondents remaining with the Service in the New York City area also indicated that in reaching their decisions not to relocate, it was very important to them not to lose social, community, and cultural ties to the New York City area.

Given that so many of the 46 survey respondents who remained with the Service in the New York City area did so to minimize the social impacts they believed relocating would involve, it is not surprising that most had strong family and cultural ties to the area. Forty-one of the 46 respondents had parents, grandchildren, or relatives living in the New York City area. Thirty-six of the 46 respondents had a spouse/partner living with them, and 34 had children. Most of the respondents who remained in the New York City area also tended to be more senior employees with many years of postal service. Forty of the 46 respondents were 40 years old or older, and 30 of the 46 respondents had over 15 years of postal service at the time the New York IT Center closed.

Several survey respondents who accepted postal jobs in the New York City area, rather than relocate, furnished written comments describing the economic impacts they experienced following the closure of the New York IT Center. In general, they believe that they suffered financially by staying with the Service in the New York City area. As indicated earlier, our analysis of the Service's salary data confirmed that employees who relocated generally fared better economically than those who did not. Some said that their salaries would have been progressively higher; and their chances for advancement would have been better, if they had relocated to another postal IT center.

**Postal Employees
Relocating to Postal IT
Centers in Other
Geographic Areas Faced
More Social Impacts than
Economic Impacts**

For many displaced New York IT Center employees, the decision to move to another postal IT center in another geographic area was accompanied by more social impacts than economic impacts. When the Service closed the New York IT Center in 1993, it offered displaced employees the opportunity to relocate to other postal IT centers, such as Eagan and San Mateo. By relocating to other postal IT centers, employees were able to continue working in the IT field with no pay cut. Eighty-two of the 283 displaced New York IT Center employees chose to relocate to a postal IT center in another geographic area.

Survey respondents who relocated to postal IT centers in other geographic areas often reported encountering very significant social impacts as a result of their moves. For example, 23 of the 49 relocated postal employees who responded to our survey reported that they had found it very difficult to adjust to the new geographic area, work environment, and local culture. The same number of respondents also reported finding it very difficult to maintain or establish social, community, and cultural ties or find supporting communities where they could get involved. One respondent who relocated to the Eagan IT Center reported that her family, coming from New York City, found it difficult to assimilate into the midwestern culture. Another respondent found it difficult being away from family and friends and missing out on important family events. She noted that relocating had strained her marriage and forced her to give up a private business she had been running in New York City.

Many survey respondents who relocated reported that they had been greatly affected by concerns related to their spouse/partner. For example, 18 of the 49 respondents reported that since relocating, their spouse/partner had found it very difficult to maintain or secure a job/career, benefits, and retirement security. Nineteen respondents also indicated that the relocation had been very difficult because of the strains

it had placed on relationships with spouses/partners. One respondent who relocated commented that it had been emotionally difficult for his wife to relocate and leave her family behind.

Twenty-two of the 49 relocated respondents reported that relocating from the New York City area to another geographic area had put strains on family relationships; and 20 respondents reported that as a result of the relocation, it had been very difficult to keep their families together. One respondent noted that it had been difficult for him and his wife to leave the New York City area because they had children working and going to school there, and they were also leaving elderly parents behind.

Twenty-three of the 49 respondents who relocated stated that as a result of their relocation, they had a very difficult time maintaining social ties with parents and other relatives. One respondent commented that the relocation meant not being there for his mother when she passed away and not being able to be with his relatives. Twenty-two respondents stated that as a result of relocating to another geographic area, they had a very difficult time assisting with the physical care of their parents or other relatives. One employee commented that relocating had placed tremendous stress on him as well as his wife, children, parents, and other relatives.

Finally, survey respondents who relocated typically reported that they had experienced significant social impacts associated with the relocation itself. Twenty of the 49 relocated respondents reported that they had experienced a very difficult time dealing with the cost, time, and energy involved in relocating from the New York City area to their new homes in another geographic area. Fourteen respondents also noted that they had a very difficult time selling their homes in the New York City area or buying homes in their new geographic area. One respondent who was a bargaining unit employee stated that the Service did not help him sell his house in the New York City area or assist with the costs associated with the sale. Another survey respondent stated that he lost money relocating because he had just refinanced his home in the New York City area when the Service announced the closure of the New York IT Center. He believed it would have been better if postal officials had given employees more lead time to plan their affairs before the Service closed the New York IT Center. Another respondent believed that relocating workers needed more time than the Service provided to research housing options, schools, and medical facilities. He believed that because employees had insufficient time to research these things, it created a social hardship on them and their families that could have been avoided. According to postal officials,

the Service provides bargaining unit employees about 7 months' notice of planned closures.

Most survey respondents who relocated to other postal IT centers indicated that they did so because they were concerned about the economic impacts they believed they would face if they remained in the New York City area. Forty-four of the 49 respondents who relocated reported that keeping their jobs for economic/financial well-being had been very important to them when deciding whether or not to relocate to another postal IT center. Forty of the 49 respondents said that concerns about maintaining their pension plan and retirement security had been a very important factor in deciding to relocate. One respondent indicated that he and his colleagues who relocated to Eagan felt that they had no real choice but to relocate if they wanted to maintain their financial well-being. He stated that the only option the Service offered him besides relocating to another postal IT center was to remain in the New York City area as a mail clerk or letter carrier with temporary saved-pay. Another respondent who relocated also stated that she didn't believe she had any other viable choice besides relocating. She stated that she was too old to look for a nonpostal job and didn't believe she could afford to remain with the Service in the New York City area in a non-IT position and take a reduction in pay when her saved pay expired. As previously noted, our analysis of the Service's salary data for displaced New York IT Center employees confirmed that employees who relocated generally fared better economically than those who remained in the New York City area.

Twenty-two of the 49 relocated survey respondents also reported that in deciding to relocate, they had considered it very important that they keep their IT jobs for career advancement purposes. Twenty respondents also reported that they had been very concerned that as older workers, they would have found it very difficult to find satisfactory jobs if they had not relocated to other postal IT centers and kept their IT jobs. A respondent who relocated to another postal IT center stated that he had no other choice but to relocate if he wanted to continue working with the Service in an IT position.

Most of the 49 survey respondents who relocated to postal IT centers in other geographic areas tended to have fewer years of service than the 46 respondents who remained in the New York City area. Only 16 of the 49 respondents who relocated to another postal IT center had 15 years or more service, whereas 30 of the 46 respondents who stayed with the Service in the New York City area had 15 years of service or more. Otherwise, the demographics of those who relocated to a postal IT center

in another geographic area were similar to those of the respondents who stayed in the New York City area. Thirty-eight of the 49 relocated survey respondents were 40 years of age or older at the time the New York IT Center closed; 42 had parents, grandchildren, or relatives living in the New York City area; and 39 had a spouse/partner living with them. In contrast, 40 of the 46 respondents who remained with the Service in the New York City area were 40 years of age or older at the time the New York IT Center closed; 41 had parents, grandchildren, or relatives living in the New York City area; and 36 had a spouse/partner living with them.

San Mateo IT Center Employees Anticipate Mostly Economic Impacts if they Opt to Stay in the Bay Area and Social Impacts if they Opt to Relocate to Another Postal IT Center

San Mateo IT Center employees responding to our survey anticipate more economic impacts than social impacts if they choose to remain in the Bay Area and more social impacts if they relocate with the Service to another postal IT center. If the Service closes the San Mateo IT Center, the options available to San Mateo IT employees to minimize their economic and social impacts vary, depending on individual circumstances and job status. Some affected employees will likely seek other employment in the Bay Area, some will likely retire, and others will likely relocate to another postal IT center in order to keep their IT jobs.

On the basis of the best information they had available at the time, 167 (78 percent) of the 213 San Mateo IT employees responding to our survey indicated that they would likely stay in the Bay Area if the Postal Service closes the San Mateo IT Center. Under such circumstances, they said they would expect to face more economic impacts than social impacts. Many anticipate that their decision to stay in the Bay Area could result in them losing their Postal Service jobs. According to postal officials, affected San Mateo IT employees will be able to apply for vacant postal positions, provided they meet the minimum qualifications; however, the Service does not anticipate holding open vacant positions in the Bay Area for these employees. Furthermore, the Service no longer anticipates that it will have many job vacancies in the Bay Area.

Thirty-six (17 percent) of the employees responding to our survey indicated that if the San Mateo IT Center closes, they would probably relocate to another postal IT center. Moreover, they anticipate facing more social impacts than economic impacts from their decisions. Survey respondents indicating they would likely relocate reported that they were doing so primarily for their financial well-being and retirement security. Many provided narrative comments in their survey responses describing how relocations would probably lead to family separations for at least a few years. Some of the married respondents indicated they would

probably experience some economic impacts from their relocation decision because they would have trailing spouses who would be leaving their jobs in the Bay Area. The remaining 10 survey respondents (5 percent) indicated they were unsure what they would do if the Service closed the San Mateo IT Center.

Options Available to San Mateo IT Center Employees

All San Mateo IT Center employees meeting the minimum age and service requirements have the option of retiring. According to postal officials, the Service anticipates offering early retirements to all eligible employees provided that the Office of Personnel Management approves the Service's request, but the Service does not anticipate offering buy-outs. Other options available to San Mateo IT Center employees depend, in part, on whether they are bargaining unit or EAS employees. Bargaining unit employees are covered by a collective bargaining agreement with a no-layoff provision and are therefore guaranteed a job at another postal IT center. EAS employees are not guaranteed a job at another postal IT center. According to postal officials, about half of the EAS employees will be offered jobs at other postal IT centers. Bargaining unit and EAS employees who do not retire, relocate to another postal IT center, or find another postal job on their own will likely be separated from the Service.

Two years ago, when the IT Department first announced its proposal to close the San Mateo IT Center, postal officials indicated that the Service could likely find postal jobs for bargaining unit employees who wanted to stay in the Bay Area rather than relocate to another postal IT center. For most bargaining unit employees, this would have involved a downgrade to a mail clerk position. However, according to postal officials, most affected employees would have retained their IT pay for up to 2 years, after which their pay would have been reduced to the pay of their new positions. However, in July 2002, postal officials told us that conditions had changed and that the Service was no longer in a position to accommodate bargaining unit employees who want to stay in the Bay Area. San Mateo IT Center employees can still apply for any postal job vacancies, provided they meet the minimum qualifications; however, few vacancies are anticipated for the Bay Area. Postal officials said that because of recent drops in mail volumes and advances in automated mail processing, the Service now has an excess of mail clerks in the Bay Area. Nevertheless, postal officials indicated that in keeping with the Service's collective bargaining agreement with APWU, all bargaining unit employees would be offered jobs in one of its other postal IT centers—although most of the job offers would probably be for positions in its Eagan IT Center.

The Service has indicated that it also plans to make available to all EAS employees the services of a private job search firm to help them find employment outside the Service. However, according to postal officials, the Service has no plans at this time to extend these services to its bargaining unit employees because of their no-layoff clause, which EAS employees do not have. Postal officials said that the benefits provided San Mateo bargaining unit employees are specifically governed by its collective bargaining agreement with the APWU. In appendix I, we present (1) demographic data for San Mateo IT Center employees and displaced New York IT Center employees who responded to our survey and (2) the likely options/opportunities for San Mateo employees and options/opportunities that were available for displaced New York employees.

**San Mateo IT Center
Employees Planning to
Stay in the Bay Area
Anticipate More Economic
than Social Impacts**

Essentially all of the 167 San Mateo survey respondents who indicated that they would likely stay in the Bay Area reported that they anticipate their decisions will result in more economic impacts than social impacts. According to postal officials, those staying in the Bay Area will likely lose their postal IT jobs and will not likely find other jobs with the Postal Service because of its efforts to downsize. Further, the respondents were concerned that because of the tight job market in the technology sector, they might be unable to find nonpostal IT jobs in the Bay Area. Of the 167 respondents, 140 (84 percent) anticipated difficulty finding jobs to adequately support their families. Finally, respondents said they were concerned that if they could not find satisfactory jobs with the Postal Service or the federal government, they would lose their ties to the federal retirement and health care systems. Respondents planning to stay in the Bay Area generally anticipate a range of outcomes that include retiring earlier than planned to adjusting to a reduced standard of living.

San Mateo respondents who indicated that they planned to stay in the Bay Area cited a number of reasons for their decisions, including age, longevity in the Bay Area, extensive family and social ties in the area, and working spouses with substantial time invested in their careers. Three-fourths of the respondents planning to stay are over 45 years old; have lived in the Bay Area for more than 20 years; and indicated that they have extensive family ties, social ties, and other responsibilities in the area. These older respondents also typically have working spouses who are reluctant to leave their jobs and lose their pension benefits. For example, 79 of the 134 respondents (59 percent) who provided reasons for not relocating identified concerns with spouses' careers as a primary motivator in their decision not to relocate. This is not surprising since 49 of the 79

respondents (62 percent) reported that their spouses contributed at least 50 percent to the household income.

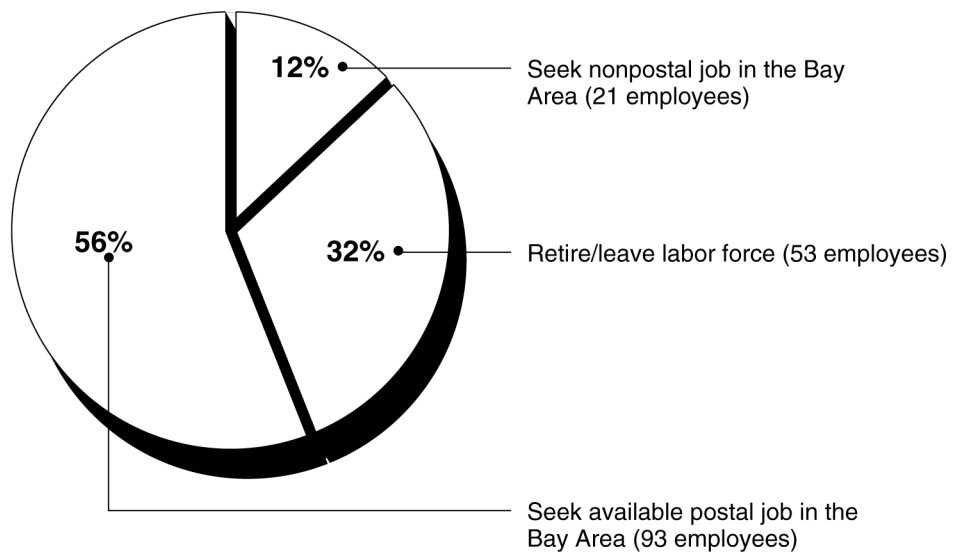
San Mateo respondents who indicated they would not likely relocate also reported having high school and college age children reluctant or unwilling to relocate and aging parents in need of assistance who would be left behind. Of the 60 respondents with high school and college age students, 58 (97 percent) said keeping their family together was a very important factor in deciding not to relocate. In addition, 78 percent of those deciding not to relocate cited maintaining social and community ties as an important factor in their decision. Over 70 percent also cited health issues and a reluctance to sell their homes as factors in deciding not to relocate. A similar percentage were also concerned that maintaining their health care coverage might become difficult should they lose their postal IT jobs—a particular concern if family members have serious health conditions and continuity of care and coverage for preexisting conditions becomes critical.

Under the Service's collective bargaining agreement with APWU, San Mateo IT Center bargaining unit employees are guaranteed jobs at other postal IT centers. Thus, these employees have the option of relocating with their jobs to other postal IT centers and continuing employment with the Service. Conversely, EAS employees are not guaranteed jobs, and some San Mateo EAS employees will likely not have the option of relocating and continuing employment with the Service. According to the Service, the option to relocate will likely be extended to about half of the EAS employees. One respondent who was an EAS employee, age 49 with 15 years of service, commented that not having the assurance of being able to relocate to another postal IT center has increased his anxiety about the potential closure. He reported that he is not eligible for retirement and doubts that he will be offered other employment with the Service. He indicated that he essentially has no option but to find a nonpostal job because he is the primary breadwinner and has many years to go on his mortgage payments. He indicated that the Service will pay him severance pay equal to 4 or 5 months' salary, but he anticipates much difficulty finding another IT job in the Bay Area because of the tight labor market for technology positions.

The majority of the 167 San Mateo respondents who anticipate staying in the Bay Area reported that they will likely seek whatever postal employment that may be available in the Bay Area, although many indicated in their narrative responses that such job prospects do not look good. The remaining respondents who anticipate staying in the Bay Area

reported that they would likely retire or seek nonpostal employment in the Bay Area. (See fig. 4 for details.)

Figure 4: Options San Mateo Employees Expect to Pursue if Staying in the Bay Area



Source: GAO.

Note: San Mateo IT Center employees who responded to GAO survey.

San Mateo respondents indicating that they would likely seek other employment in the Bay Area were skeptical about finding such employment. According to postal officials, finding other postal employment is unlikely because of Servicewide downsizing. Some respondents thought they might qualify for other postal management or administrative positions, but they were not optimistic about the availability of such positions. Both EAS and bargaining unit respondents seeking nonpostal employment anticipated difficulties because of the current slump in IT employment and the added difficulty faced by older workers in finding new employment. Additionally, those anticipating seeking new employment were concerned that their earnings would likely be less and that they would lose current health and retirement benefits.

Some San Mateo respondents indicated they would be willing to take a non-IT job if it would mean continued employment with the Service in the Bay Area. For example, one younger respondent said she would be willing to transfer from her computer programmer/analyst job to other kinds of postal work in order to stay in the Bay Area because both her and her

husband's families live nearby, her mother cares for her baby while she is at work, and her husband's parents are in frail health and need constant assistance. Other respondents indicated they wanted to stay in the Bay Area but did not want to take a non-IT job. For example, one senior systems analyst, making \$67,000 per year, said he would rather take early retirement and try to find a nonpostal job in his field than take a mail clerk job at \$40,000 per year.

According to postal officials, employment opportunities may not be very good for individuals wishing to stay in the Bay Area. Postal officials said in July 2002 that the job market for IT positions in the Bay Area had changed significantly in the last 2 years. They said that 2 years ago, IT jobs were plentiful in the Bay Area and that the Service had difficulty attracting and keeping IT personnel. More recently, however, they reported that those conditions had changed. They said that in the current economic environment, IT positions in the Bay Area have become difficult to find. Additionally, postal officials indicated that they could no longer accommodate San Mateo bargaining unit employees who might want to stay in the Bay Area as mail clerks because the Service now has excess employees in the Bay Area.

Fifty-two of the 167 San Mateo respondents who did not anticipate relocating to another postal IT center reported that they would likely exercise their option to retire. Forty-five of those respondents said their retirement would be earlier than planned, and 39 said they would face financial difficulties in retirement. Of the respondents indicating that they would likely retire, 22 said it would be very difficult to maintain or find adequate housing on their reduced incomes. For example, one respondent said that her reduced income would be insufficient to cover her health benefits, mortgage payments, and other expenses and that finding supplementary employment would be difficult at her age.

One respondent who was an EAS employee, age 50 with 25 years of service, said he would likely take early retirement because he does not think that the Service will offer him another job. He indicated that he must stay in the Bay Area because his wife will not be eligible to retire for 5 years, his daughter attends a local college, and his aging parents need regular assistance. Because retirement would considerably reduce his income, he said he would have to find other work in order to meet his mortgage payments and other expenses.

In discussions of the survey results with postal officials, they expressed surprise that such a large percentage of affected San Mateo IT Center

employees had indicated they would likely stay in the Bay Area and compete for jobs in a tight labor market, rather than relocate and continue their employment with the Postal Service. The officials said they expected that more affected IT employees would eventually decide to relocate when they encountered difficulty finding other suitable jobs in the Bay Area. The officials also said that based on past experience, about one-third of all employees would likely relocate if the Service closes the San Mateo IT Center. As previously noted, the Service plans to offer all EAS employees the services of a private job search firm to help them find nonpostal jobs if they decide to seek outside employment. However, the Service has no current plans to extend these services to bargaining unit employees because they are guaranteed jobs at another postal IT center.

**San Mateo IT Center
Employees Who Are Likely
to Relocate Anticipate
Primarily Social Impacts,
and Some with Trailing
Spouses Also Anticipate
Economic Impacts**

Nearly all of the 36 San Mateo survey respondents who indicated that they would likely relocate to another postal IT center anticipate social impacts if they relocate. As a group, these respondents were most concerned about the impact that relocating would have on their spouses and/or other family members.

Twenty-nine of the 36 San Mateo respondents (81 percent) who said they intend to relocate to other postal IT centers are over age 45, and many are concerned that the relocation would split up their families. Twenty-two of the 36 respondents have spouses; and 9 said that if they relocated, their spouses would probably not relocate with them. The nine respondents reported several reasons why they did not believe their spouses would relocate:

- spouse has lived in the Bay Area for 30 or more years,
- spouse has aging parents in the Bay Area who need care,
- spouse has children who would not be relocating, and
- spouse's job pays well (about half the family income).

Twelve of the 18 San Mateo respondents who had children and/or grandchildren living in their households reported that at least 1 family member would be left behind. One respondent commented that leaving his 7-year-old son with no father present could have a life-long negative impact. Another said relocation would separate him from his wife and three children for 5 to 6 years until he was eligible to retire. He stated that the economic impacts for him would be (1) the cost of maintaining two households, (2) travel costs between the Bay Area and his new job for family visits, and (3) a more expensive telephone bill. Additionally, 30 of the 36 respondents reported having aging parents or relatives in the Bay

Area, and 25 said relocation would make current or future care for them difficult. In some cases, the respondents reported that their parents relied on them to assist with doctors' appointments, aid their limited English language skills, and be available in case of emergencies.

San Mateo respondents likely to relocate also reported concerns with losing community and social ties and with adjusting to new communities, cultures, and work environments. These concerns were particularly reported among ethnic minority respondents, who accounted for more than half of those likely to relocate. They expressed concerns about leaving their important cultural ties in the Asian and Hispanic communities of the Bay Area. For example, one respondent commented that his wife, of Asian descent and with limited English language skills, would have a difficult time leaving the Bay Area.

Three-fourths of San Mateo respondents who anticipated relocating to another postal IT center reported that the relocation would strain their family relationships, and one commented that it would likely lead to divorce. Although respondents anticipated strained family relationships, several saw the relocation as temporary, until they were eligible to retire.

Other San Mateo respondents who said they would likely relocate reported concerns about anticipated economic impacts associated with trailing spouses. Some reported concerns about the possible loss of spousal income and benefits if their working spouses were to relocate and be unable to find employment at the new location. For example, eight respondents reported having a trailing spouse who would be looking for employment after relocation, and seven of those thought employment would be difficult for their spouses to find. One respondent commented that relocating her spouse would be a major problem because her husband is a journalist and has already learned that prospects for such jobs at the new location are poor. Postal officials indicated that in cases where the trailing spouse is also a postal employee, the Service would work with the trailing spouse to find suitable postal employment at the new location. However, officials did not anticipate that the Postal Service would offer employment services to trailing spouses who are not postal employees.

Nearly all of the 36 San Mateo respondents who indicated that they would likely relocate reported that the cost, time, and energy involved in moving would be difficult for them. Twenty-three respondents reported being homeowners who will face the prospect of selling and buying homes. While relocating to a lower housing cost area could provide them some financial advantage, several respondents commented that the differential

costs and the loss of preferential property tax status would make it difficult for them to ever move back to the Bay Area.

Experience Shows that Providing Job-Finding Assistance Is Beneficial to Employers and Employees

We have previously reported that when employees lose their jobs it can be a traumatic experience; therefore, progressive organizations often work with employees to help them through such difficult times.²³ We reported that not only does job loss disrupt employees' personal lives and plans, but it can also cause stressful concerns about finding another job. Of 25 organizations we surveyed for our 1995 report on job loss issues, 23 had devised programs to help employees who lost their jobs. These programs included job placement assistance, employee and family counseling, relocation assistance, and training. Some of the organizations surveyed provided self-administered job placement assistance while others used outside job assistance companies. Also, we have previously reported that the Department of Defense was very successful in minimizing the impacts of maintenance depot closures on employees, primarily through a comprehensive outplacement effort.²⁴

Our prior work on job loss issues further showed that, in general, organizations that offer job placement assistance to displaced employees also benefit. Providing job placement assistance helped sponsoring organizations (1) avoid lawsuits by displaced employees, (2) reduce unemployment costs, and (3) enhance their reputations in the community by demonstrating that they cared about their employees. Similar to other organizations that have helped displaced employees, the Service has indicated that it plans to provide assistance to San Mateo IT Center employees to minimize the impact, if it decides to close the center. In addition to providing the relocation and separation benefits mentioned earlier, the Service has indicated that it plans to hold a series of meetings with affected San Mateo employees and their families to provide them with needed information on available options and opportunities and to address employees' questions about the closure. Additionally, as noted earlier, the Service plans to provide the services of a job search firm to San Mateo EAS employees, although bargaining unit employees will not receive similar services because such services are not provided for by the collective bargaining agreement that governs IT bargaining unit

²³*Workforce Reductions: Downsizing Strategies Used in Selected Organizations*, GAO/GGD-95-54 (Washington, D.C.: Mar. 13, 1995).

²⁴*Closing Maintenance Depots: Savings, Workload, and Redistribution Issues*, GAO/NSIAD-96-29 (Washington, D.C.: Mar. 4, 1996).

employees' benefits. According to postal officials, services to be provided by the job search firm are to include, among other things, seminars on change management, skills development, resume writing, negotiation skills, how to network, how to find a job on the Internet, and group counseling and coaching.

In 2000, when the IT Department proposed closing the San Mateo IT Center, it estimated that 33 percent of affected employees would likely relocate to other postal IT centers and possibly need some relocation assistance. The IT Department acknowledged that because it expected that only 33 percent of affected employees would relocate, it would need to rely on contractor support to cover for the loss of knowledgeable employees who would not be relocating from the San Mateo IT Center to other postal IT centers. Our survey of San Mateo employees, however, indicates that the IT Department's estimate of relocating employees may be overstated; and its need for contractor support could, therefore, be greater than planned. According to our survey results, only 17 percent of San Mateo employees currently anticipate that they would likely relocate to another postal IT center if the Service closes the San Mateo IT Center. Fifty-nine percent of the respondents (who indicated they would likely stay in the Bay Area and provided reasons for not relocating) identified concerns with their spouses' careers as a primary motivator in their decision not to relocate. Further, seven of the eight respondents relocating with trailing spouses who would be looking for jobs at the new location expressed concern that the spouses would have difficulty finding suitable employment.

Relocation experts have noted that because of the prevalence of dual-income households in the workforce, employees who must make a relocation choice often base their decision on whether or not their trailing spouses can find suitable employment at the new location. Given this, relocation experts report more companies are providing employment assistance to trailing spouses, such as resume preparation and review, paying job finders-fees, assisting with finding employment, and reimbursing trailing spouses for lost income while they seek employment at the new location.

When the IT Department first proposed closing the San Mateo IT Center in 2000, economic conditions and the employment outlook in the Bay Area were noticeably better than they are today; so much so that the Service anticipated that postal positions would be available in the Bay Area for many displaced employees who did not relocate. However, because of changed economic conditions, recent drops in mail volumes, and advances

in automated mail processing, the Service no longer expects that it will have job openings to accommodate employees who do not relocate. As noted earlier, although the Service has indicated that it plans to make the services of a private job search firm available to San Mateo EAS employees, the Service has no plans at this time to extend similar services to San Mateo IT Center bargaining unit employees because their benefits are governed by the Service's collective bargaining agreement with the APWU. Consequently, many bargaining unit employees will face a dilemma if the Service closes the San Mateo IT Center. If bargaining unit employees do not relocate, they will likely lose their postal employment and would not have the services of a private job search firm to help them find other employment. Additionally, bargaining unit and EAS employees with working spouses who are not postal employees face a dilemma concerning the impact a relocation would have on their trailing spouses' careers and their families' household incomes. That is, if these employees relocate, will their trailing spouses be able to find suitable employment at the new location or will household incomes and spouses' careers suffer?

By not addressing employees' concerns about trailing spouses, the Service may be missing an opportunity to entice more of its San Mateo IT Center employees to relocate to other postal IT centers, thereby exposing itself to higher than necessary contractor costs. If the Service decides to close the San Mateo IT Center, it is required under its agreement with APWU to notify the union of its decision and offer to meet with national level officials to discuss the closure's impact on affected employees. Historically, discussions preceding previous closures have resulted in additional provisions for affected bargaining unit employees, which were specified in Memorandums of Understanding that modified existing collective bargaining agreements. According to postal officials, the Service expects that if it decides to close the San Mateo IT Center, the APWU will request a meeting to discuss, among other things, additional benefits for affected bargaining unit employees.

Conclusions

The Service is following its Investment Review and Approval Process as it moves toward a decision about closing the San Mateo IT Center. However, economic conditions have changed significantly since 2000 when the IT Department prepared the DAR in support of closing the San Mateo IT Center. Also, the DAR does not reflect the impact that the Service's announced plans to automate and reengineer its field accounting activity—which involves closing its 85 district accounting offices and consolidating the residual activities into its 3 Accounting Service Centers—could have on projected savings associated with the proposal to

close the San Mateo IT Center. Therefore, the Service may be using dated information as it goes about making its closure decision regarding the San Mateo IT Center. Finally, the employment outlook is not nearly as encouraging now as it was in 2000 when employment conditions in the Bay Area were better and the Service indicated it would have postal positions available for bargaining unit employees who did not want to relocate. Given these changed conditions, bargaining unit employees who do not relocate might encounter difficulty in finding employment in the Bay Area. Further, some San Mateo IT employees may be reluctant to relocate because of concerns that their trailing spouses might have difficulty finding jobs at the new location.

Recommendations for Executive Action

We recommend that before the Service makes its decision regarding whether to close the San Mateo IT Center, the PMG should direct the IT Department to review and update the economic assumptions and analyses used in the San Mateo DAR and make revisions, if appropriate, to better reflect current economic conditions and recent plans to automate and reengineer its field accounting activity.

If the Service decides to close the San Mateo IT Center, we recommend that the PMG consider:

- During discussions with APWU regarding the IT center's closure, offering to help bargaining unit employees find jobs if they decide to remain in the Bay Area.
- During discussions with APWU regarding the IT center's closure, offering some assistance—such as resume preparation and review services—to the trailing spouses of bargaining unit employees who decide to relocate to another postal IT center.
- Providing some assistance—such as resume preparation and review services—to the trailing spouses of EAS employees who decide to relocate to another postal IT center.

Agency Comments and Our Evaluation

The Postal Service provided comments on a draft of this report in a letter from the chief financial officer and executive vice president dated December 19, 2002. These comments are summarized below and are reprinted in appendix II. Postal officials also provided technical and clarifying comments, which we have incorporated into the report where appropriate.

Although the Service did not comment on our findings, it did agree with our recommendations. The Service reiterated that it has not yet made a

decision regarding the proposed closure of the San Mateo IT Center and will reevaluate the proposed closure as part of its overall strategy to rationalize its administrative infrastructure and meet its data processing needs with the appropriate facilities, technologies, and staff. The Service indicated that it would implement our recommendation that the DAR be reviewed and updated before a decision is made about closing the San Mateo IT Center. Specifically, the Service said that before making any decisions regarding possible disposition of the building and property, it would update the information in the DAR. The Service further stated that it was aware that conditions in the commercial building market in the Bay Area have changed since the San Mateo DAR was submitted. The Service stated that it might need to revisit the proposal to sell the building in light of an updated assessment of the building's fair market value, the viability of potential outlease or leaseback options, and the space needs of the expanded Accounting Service Center.

In response to our other recommendations that the Service consider offering to (1) help bargaining unit employees find jobs if they remain in the Bay Area and (2) provide some assistance to help the trailing spouses of employees who relocate find jobs, the Service indicated that it would try to minimize the negative effects of relocation. The Service said that if it determines that closing the San Mateo IT Center and relocating its functions to other postal IT centers are still critical to the Service's IT strategy, the Service will adhere to the provisions of its bargaining unit agreements. The Service further stated that to the extent possible, consistent with those agreements, it will attempt to mitigate the negative impacts that relocation may have on employees and their families.

As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report for 30 days after the date of this letter. At that time, we will send copies of this report to the Chairmen and Ranking Minority Members, Senate Committee on Governmental Affairs and its Subcommittee on International Security, Proliferation, and Federal Services; and to the Chairman, House Committee on Government Reform. We will also send copies of this report to the Postmaster General and Chief Executive Officer, U.S. Postal Service, and the President of the American Postal Workers Union. In addition this report will be available at our Web site at <http://www.gao.gov>.

Major contributors to this report included Gerald P. Barnes, Isidro L. Gomez, Stuart M. Kaufman, Roger L. Lively, Donald J. Porteous, and Charles F. Wicker. If you have any questions about this letter or the appendixes, please contact me or Mr. Barnes on (202) 512-2834 or at ungarb@gao.gov or barnesgp@gao.gov.

A handwritten signature in black ink, appearing to read "Bernard L. Ungar". The signature is fluid and cursive, with the first name "Bernard" and last name "Ungar" clearly distinguishable.

Bernard L. Ungar
Director, Physical Infrastructure Issues

Appendix I: Comparative Demographic Data and Options for San Mateo and Displaced New York IT Center Employees

According to the responses to our survey, San Mateo IT employees, on average, are older and have more years of service than displaced New York IT Center employees at the time of the center's closure. The demographics of San Mateo IT Center employees indicating they would not likely relocate and displaced New York IT Center employees who did not relocate were more similar than the demographics of San Mateo IT Center employees who indicated they would likely relocate and displaced New York IT employees who relocated. Table 1 provides comparative demographic data for San Mateo and displaced New York IT employees. Data are shown for employees who relocated (or are likely to relocate in the case of San Mateo employees) and those who did not relocate (or are likely not to relocate in the case of San Mateo employees). Because our data for New York IT Center employees do not include all displaced New York employees, the data may not be totally representative. For example, during the 9 years since the New York IT Center closed, some of its displaced employees may have retired and are therefore not reflected in our data. If data were available for this group, it would have tended to increase the average age and years of service of displaced New York IT Center employees at the time of closure.

Additionally, displaced New York IT Center employees had more favorable options/opportunities to lessen the impact of the closure than San Mateo IT Center employees are likely to have. For example, all displaced New York IT Center employees had the option of relocating with their jobs to another postal IT center or continuing to work for the Service in the same geographic area (though not necessarily in an IT position), whereas San Mateo IT Center employees likely will not have this option. Table 2 displays the range of options/opportunities likely to be available to San Mateo IT Center employees and options/opportunities that were available to displaced New York IT Center employees. Options/opportunities are similar for early retirements, assistance programs to help EAS employees find employment outside the Service, and help for trailing spouses who are postal employees and need to find suitable employment at the new location. Options/opportunities are not similar with regard to buy-outs, ability to continue employment with the Service in some capacity, saved-pay protections, and the availability of local postal and nonpostal jobs.

**Appendix I: Comparative Demographic Data
and Options for San Mateo and Displaced New
York IT Center Employees**

Table 1: Demographic Data for San Mateo IT Employees Compared with Displaced New York IT Employees' Demographic Data

Demographic characteristics	San Mateo IT Center employees	Displaced New York IT Center employees^a
Employees indicating they would likely relocate or did relocate to another postal IT center	36	49
Ages 45 to 49	8 (22%)	18 (37%)
Ages 50 to 54	10 (28%)	3 (6%)
Ages 55 or older	11 (31%)	2 (4%)
15 or more years of service	27 (75%)	16 (33%)
20 or more years of service	16 (44%)	7 (14%)
Living with spouse/partner	22 (61%)	39 (80%)
Living in dual-income household	14 (39%)	32 (65%)
School-age ^b children living in household	18 (50%)	30 (61%)
Providing assistance to elderly parents/relatives in the area	22 (61%)	27 (55%)
Employees indicating they would likely not relocate or did not relocate	167	46
Ages 45 to 49	41 (25%)	11 (24%)
Ages 50 to 54	44 (26%)	8 (17%)
Age 55 or older	44 (26%)	2 (4%)
15 or more years of service	125 (75%)	30 (65%)
20 or more years of service	81 (49%)	10 (22%)
Living with spouse/partner	124 (74%)	36 (78%)
Living in dual-income household	99 (59%)	29 (63%)
School-age children living in household	78 (47%)	27 (59%)
Providing assistance to elderly parents/relatives in the area	93 (56%)	22 (48%)

Source: GAO.

Note: San Mateo IT Center and displaced New York IT Center employees who responded to GAO survey.

^aResponses reflect employees' recollections of circumstances at the time the New York IT Center closed.

^bSchool age was defined as ages 5 to 22.

**Appendix I: Comparative Demographic Data
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Table 2: Likely Options/Opportunities for San Mateo IT Employees Compared with Options/Opportunities that Were Available for Displaced New York IT Employees

Option/opportunity	Options/opportunities likely available to San Mateo IT employees	Options/opportunities that were available to New York IT employees
Take early retirement	According to postal officials, if the Service decides to close the San Mateo IT Center it will offer early retirement to all eligible employees provided the Office of Personnel Management grants the Service such authority.	The Service offered early retirement to all eligible employees.
Receive buy-out	According to postal officials, the Service does not anticipate offering buy-outs.	At the time of the New York IT Center closure, the Service was offering, as part of a nationwide restructuring, a monetary incentive of 6 months' pay to all eligible employees who opted to retire or take an early-out.
Relocate with job		
Bargaining unit employees	San Mateo bargaining unit employees are covered by a collective bargaining agreement with a no-layoff provision and are guaranteed the option of relocating with their jobs to other postal IT centers.	New York bargaining unit employees were covered by a collective bargaining agreement with a no-layoff provision and were therefore guaranteed jobs at other postal IT centers. Additionally, a Memorandum of Understanding between the Service and APWU concerning the closure provided that bargaining unit employees who wanted to continue employment with the Service in the New York City area (though not necessarily in IT jobs) could do so.
EAS employees	The Service anticipates offering only about half of its 72 EAS employees the opportunity to relocate with their jobs to other postal IT centers.	All EAS employees had the option of continuing employment with the Service. EAS employees who did not want to relocate with their jobs could continue employment with the Service in the New York City area, although not necessarily in an IT position.
Assistance in helping trailing spouses find employment at new location	According to postal officials, the Service will work with trailing spouses who are postal employees to find suitable postal employment at the new location. No special assistance is planned for trailing spouses who are not postal employees.	According to postal officials, the Service worked with trailing spouses who were postal employees to find suitable postal employment at the new location. No special assistance was provided to trailing spouses who were not postal employees.

**Appendix I: Comparative Demographic Data
and Options for San Mateo and Displaced New
York IT Center Employees**

Option/opportunity	Options/opportunities likely available to San Mateo IT employees	Options/opportunities that were available to New York IT employees
Continue employment with the Service in the same geographic area		
Bargaining unit employees	Initially, the Service anticipated that it would be able to accommodate bargaining unit employees who wanted to remain in the Bay Area in non-IT positions. More recently, it reported that because of recent drops in mail volumes and advances in automated mail processing, it now has excess mail clerks in the Bay Area. Accordingly, the Service does not anticipate that it will be able to accommodate bargaining unit employees who want to remain in the Bay Area. Nevertheless, if the Service decides to close the San Mateo IT Center, this issue will likely be a part of the discussions between the Service and the APWU on the impact that the closure would have on employees.	A Memorandum of Understanding between the Service and APWU concerning the New York closure provided that bargaining unit employees who wanted to continue employment with the Service in the New York City area (though not necessarily in IT jobs) could do so.
EAS employees	According to postal officials, very few EAS employees will likely be able to continue employment with the Service in the Bay Area. Employees can apply for jobs in the Bay Area provided they meet the minimum qualifications for the job; however, the Service does not anticipate that it will have many vacancy announcements in the Bay Area. According to postal officials, the Service currently has excess employees in the Bay Area.	All EAS employees who wanted to continue employment with the Service could do so. EAS employees not wanting to relocate to other postal IT centers had the option of continuing employment with the Service in non-IT positions in the New York City area.
Other job opportunities		
Within the Service	The Service is currently in a downsizing mode, and job opportunities are limited.	The Service, just prior to the closure, had undergone a major restructuring, resulting in numerous vacant positions and job opportunities for employees affected by the New York IT Center's closure.
Outside the Service	According to postal officials, job opportunities for nonpostal IT positions are very limited in the Bay Area, unlike 2 years ago when IT positions were readily available. San Mateo IT employees responding to our survey also indicated that, overall, job opportunities in the Bay Area were tight.	Data on the experience of New York IT employees seeking nonpostal jobs in the New York City area at the time of closure are unknown.

**Appendix I: Comparative Demographic Data
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York IT Center Employees**

Option/opportunity	Options/opportunities likely available to San Mateo IT employees	Options/opportunities that were available to New York IT employees
Avoid reductions in pay		
Bargaining unit employees	According to postal officials, bargaining unit employees at the San Mateo IT Center will not likely have the option of continuing employment with the Postal Service in the Bay Area, even in non-IT positions. However, should these employees find other postal employment, the Service anticipates that such employees would likely receive saved-pay protection for up to 2 years.	Employees who wanted to stay in the New York City area and voluntarily transferred to lower paid positions received saved- pay protection for 1 year. This was provided for in the Memorandum of Understanding agreed to by the Service and the APWU concerning the New York IT Center's closure.
EAS employees	According to postal officials, EAS employees at the San Mateo IT Center will not likely have the option of continuing employment with the Postal Service in the Bay Area, even in non-IT positions. However, should these employees be reassigned to lower paying positions, they would, in general, receive saved-pay for 2 years.	Initially, EAS employees who stayed in the New York City area and took lower paid positions as a result of the closure believed they would have saved-pay protection for 2 years. However, the Service later announced that EAS employees taking lower paid positions as a result of the closure would receive permanent saved-pay protection.
Assistance in finding employment outside the Service	According to postal officials, should the Service decide to close the San Mateo IT Center, it will offer EAS employees the services of a private job search firm to help them find nonpostal employment. Currently, the Service has no plans for extending these services to its bargaining unit employees whose terms of employment are specifically provided for under the Service's collective bargaining agreement with the APWU.	The Service made available the services of a private job search firm to any EAS employee who wanted to find nonpostal employment. Bargaining unit employees were not offered such services, as they were not provided for under the contract or Memorandum of Understanding between the Service and APWU concerning the closure.
Involuntary separations	According to postal officials, EAS and bargaining unit employees who do not to relocate, retire, or find other postal employment on their own will likely be separated from the Service.	According to postal officials, there were no involuntary separations associated with the New York IT Center closure.

Source: U.S. Postal Service.

Appendix II: Comments from the U.S. Postal Service

RICHARD J. STRASSER, JR.
CHIEF FINANCIAL OFFICER
EXECUTIVE VICE PRESIDENT



December 19, 2002

Mr. Bernard L. Ungar
Director, Physical Infrastructure Issues
United States General Accounting Office
Washington, DC 20548-0001

Dear Mr. Ungar:

Thank you for providing the Postal Service the opportunity to review and comment on the GAO draft report, U.S. Postal Service: Employee Issues Associated With the Potential Closure of the San Mateo IT Center.

During the approximately two years that the proposal to close San Mateo has been on hold, pending the report's issuance, we have, of necessity, continued to pursue strategies that will provide cost effective and efficient information services for our operations and administrative functions. At this time we have not made a decision concerning San Mateo. We will reevaluate our proposed closure as part of our overall strategy to rationalize our administrative infrastructure, meeting the Postal Service's data processing needs with the appropriate facilities, technologies and staff.

If we determine that continuing to own and maintain the San Mateo building no longer fits within our Information Technology (IT) strategy, we will, as a matter of prudent decision making and as the report recommends, update the information in the Decision Analysis Report (DAR) before we make any decisions regarding possible disposition of the building. We also realize that the conditions in the commercial building market in the San Francisco Bay area have changed since the DAR was submitted. The proposal to sell the building may need to be revisited in light of an updated assessment of the building's fair market value, the viability of potential outlease or leaseback options and the space needs of the expanded Accounting Service Center. If we determine that closing San Mateo and relocating its functions to other centers is still critical to our IT strategy, we will adhere to the provisions of our bargaining unit agreements, and to the extent possible consistent with those agreements, we will attempt to mitigate the negative impacts that relocation may have.

If you or your staff would like to discuss any of these comments, I am available at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Strasser, Jr.", written over a horizontal line.

Richard J. Strasser, Jr.

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