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POSTAL REFORM AND JOBS

This report presents a postal service and mailing industry jobs database that has been developed by Transformation Strategy and SLS Consulting. The attached spread sheets present pull together analyses of jobs and the mailing industry that have been developed by the Mailing Industry Task Force (a joint enterprise of the USPS and major mailing industry private enterprises), the USPS and the Direct Marketing Association.

The Mailing Industry Task Force was formed in 2000 and has been working with the USPS on a series of critical issues of common concern to the industry. For the past 10 years the Direct Marketing Association has been working with its economists to analyze the size and influence of the mailing industry. The combined work of these organizations has contributed to the understanding that there are 9 million jobs in both the public and private sectors that are associated with the mailing industry. As often noted in Congressional testimony, in addition to the 800,000 postal jobs, there are 10 times this number of private sector jobs that are connected to the mailing industry – direct and indirect mailing service providers, USPS competitors and mail intensive use industries. In Table 1, this Mailing Industry Task Force estimate is outlined in a document prepared by the research group of the USPS.

Taking these estimates of the size of the mailing industry and using data from the US Census and the Direct Marketing Association, this analysis distributed these jobs to Congressional Districts.   The attached spreadsheets outline the distribution of jobs through the country and across industries.

These spreadsheets address the questions: What are the jobs in the mailing industry that are associated with the 9 million jobs estimate of the MITF and where are they located? Additional analysis on an industry by industry basis would yield more precise targeting of jobs in impacted industries. But this analysis that updates earlier work done for the Direct Marketing Association concerning the 107th Congress and aligns the USPS estimates with the Census business patterns reports offers an alignment of jobs in the mailing industry based upon the well established earlier work.

A central question in the ongoing, nearly decade long, discussion of postal reform in Congress and a concern of the President's Commission on the USPS has been the potential impact of potential future mail volume decline on jobs and the economy. There are two parts to this question, first, what is the likelihood of a future volume decline and, second, how would changes in mail volume impact employment? Work by the Institute for Postal Studies has explored the first question, what is the potential for mail volume decline by analyzing how future mail volumes might be assumed to react to price increases. In an increasingly competitive mailing industry, the analysis of future potential mail volume declines not surprisingly concludes that significant potential declines could follow price increases. Since First Class Mail Volume has fallen for the past three years and continued decline is forecast by the USPS, the analysis of the implication of volume declines of 10 and 20 percent is not unreasonable.

Would jobs be impacted and lost in the event of such potentially significant mail volume decreases? And if so, how many jobs would be impacted and where would they be located. The analysis in this report addresses these questions. Most importantly, in a dynamic economy, it is not clear that there would be a loss of jobs in every sector. For example, mail volume decline would most likely lead to further reductions in postal jobs, although not on a one to one basis because the USPS would have to continue to operate the postal network to process, transport and deliver the significant remaining mail volume (greater than 170 billion pieces per year). Some will argue that mail volume decline will not lead to a reduction in jobs in the competitors businesses although even that is not clear since mail volume declines would presumably be associated with continued adoption of electronic communications alternatives, a phenomenon that reduces express mail volumes but may lead to increases in parcel delivery volumes from on-line commerce.

For the purpose of this analysis it is reasonable to discuss the effects of future potential mail volume declines in terms of “impacted” jobs. Were the mail volume to decline precipitously the mailing industry and its employees will have considerably more difficulty in adjusting to the changes. Even in cases where segments of the mailing industry and intensive users of the mail – businesses that rely heavily on the mail for marketing, for communicating with customers and for invoicing and receiving payments – have alternatives to the mail and could transform their business processes, rapid decline in mail volume would have a significant impact. Today, for example, in spite of the rise in popularity of electronic bill payment, the vast majority of American consumers pay their bills through the mail. Rapid changes in mail volume will impact payment streams that are at the heart of the American economy.

This report presents a framework for analyzing jobs impacts by applying estimates of labor elasticities to individual categories of jobs contained in the Mailing Industry Task Force-USPS analysis (Table 1). In the case of the postal service for example, where 80% of the costs are associated with labor, a reduction in mail volume is clearly likely to have an impact on employment. In its testimony before the Postal Rate Commission, the USPS estimates a cost elasticity of .57 reflecting the relatively fixed cost associated with the need to continue to run the postal network. On the other hand, in the case of price sensitive, agile private enterprises, the jobs elasticity would be much higher. The enclosed data demonstrates that a 20%, or in some cases even a 10%, drop in mail volume could have a dramatic impact in key Congressional Districts and in Cities and Towns throughout the country.

The first Spreadsheet presents the Mailing Industry Task Force jobs by segment (in other words Table 1 shown here). This is the starting point. Spreadsheet 2 takes these national estimates and translates them into industry totals using data from the US Census.

Spreadsheet 3 begins the process of understanding where the mailing industry jobs are located by taking the distribution of jobs to Congressional District that was previously done by the Direct Market Association and updating this distribution to the 108th Congress. Spreadsheet 4 anchors the analysis in the understanding that the US Census brings to the distribution of jobs by Congressional District. In this spreadsheet the four selected segments of the economy where the jobs can be broken out of the overall totals provided by the USPS and the DMA are allocated to Congressional Districts by the Census. This spreadsheet provides a check on the previous allocation.

Spreadsheet 5 takes the process of allocating jobs to Congressional District one step further. Census data was used wherever possible. In cases where jobs allocations were only available at the state level (e.g. USPS jobs), Spreadsheet 5 allocated those jobs to Congressional Districts pro rata. Because it is sometimes useful to have these jobs arrayed at the State level, Spreadsheet 5b provides a state breakdown. Spreadsheet 5c offers a look at the jobs by state sorted by the largest states. Here California is shown first instead of Alabama.

Spreadsheet 6 is the spreadsheet where job impacts are shown. Here scenarios of mail volume declines of 10% and 20% are contrasted. Using the job elasticities discussed above spreadsheet 6 projects the potential job impacts. Finally, Spreadsheet 7 presents two graphics showing the distribution of potential impacts across Congressional Districts to illustrate the array of potential impacts.

Table 1

THE MAILING INDUSTRY
(Source: USPS Research and Direct Marketing Association)

SEGMENT	REVENUES	DOMESTIC	INTERNATIONAL
Postal/Package Stakeholders			
Direct Mailing Services	$ 200 billion	$ 200 billion	
Indirect Mailing Services	260 billion	260 billion	
USPS	65 billion	65 billion	
Foreign Posts	65 billion		$ 65 billion
Foreign Domestic Packages	15 billion		15 billion
Foreign Int'l Packages	11 billion		11 billion
UPS/FedEx/Airborne	50 billion	50 billion	
Sub-Total	$ 666 billion	$ 575 billion	$ 91 billion
Mail Intensive Customer Segments			
Mail Order	120 billion	$ 120 billion	
Publishing	100 billion	100 billion	
Printing*	35 billion	35 billion	
Sub-Total	$ 310 billion	$ 310 billion	
Core Mailing Industry	$ 976 billion	$ 885 billion	$ 91 billion
Associated Stakeholders			
Advertising:US (non-DM)	205 billion	$ 205 billion	
Advertising: Foreign	230 billion		$ 230 billion
Domestic Telephone	270 billion	270 billion	
Electronic Messaging	37 billion	37 billion	
Broadcast/Cable	60 billion	60 billion	
Electronic Payment Services		14 billion	14 billion
Sub-Total	$ 816 billion	$ 586 billion	$ 230 billion
Total	$1,792 billion	$1,471 billion	$ 321 billion

* An additional $55 billion is included as direct/indirect revenues in the Postal/Package segment.

THE MAILING INDUSTRY

SEGMENT	EMPLOYMENT	
Postal/Package Stakeholders		
Direct Mailing Services		
Indirect Mailing Services		
Mailing Services	6.3 million	
USPS	0.8 million	
Foreign Posts		
Foreign Domestic Packages		
Foreign Int'l Packages		
UPS/FedEx/Airborne	0.6 million	
Sub-Total	7.7 million	
Mail Intensive Customer Segments		
Mail Order	0.3 million	
Publishing	0.9 million	
Printing	**	
Sub-Total	1.2 million	
Associated Stakeholders		
Advertising:US (non-DM)	*	
Advertising: Foreign		
Domestic Telephone	1.9 million	
Electronic Messaging	0.1 million	
Broadcast/Cable	0.2 million	
Electronic Payment Services		NM
Sub-Total	2.2 million	
Total	11.1 million	

* 0.7 million is included in the Postal/Package-Mailing Services segment
** 1.0 million is in the Postal/Package-Mailing Services segment

NM: Not Meaningful (estimated as under 100,000 employees)