

In-Sourcing Challenge

Specific guidelines are needed to drive action.



by Kay Boatner

THE FINAL VERDICT ON government in-sourcing is in: A DOD initiative approved last month states that *the practice will be encouraged within the federal government, but no numeric quotas will be established by the Obama administration that agencies must meet.* Federal organizations can decide to in-source certain positions or not.

How will agencies decide when to in-source? Will government officials be trained how to choose between public or private sector support? And with no quota system in place, how will Obama monitor agency in-sourcing? While it is admirable that the administration won't place restrictions on the effort, it isn't likely that agencies will be motivated to follow the initiative with *no specific goals to reach.*

With a contractor workforce more than six million strong—three times the size of the civil servant workforce—the government's reliance on the private sector will not dissipate overnight. Nor should it: Contractors and Federal employees are both viable options for many positions, but hiring decisions depend on the nature of the work, the duties required to complete the job, the amount of funding a particular project receives, etc. In many cases, the contractor is the low-cost, high-value option and almost always the most flexible choice because they can be released at will. A careful examination of a job's requirements will need to occur before determining what type of employee to fill it with.

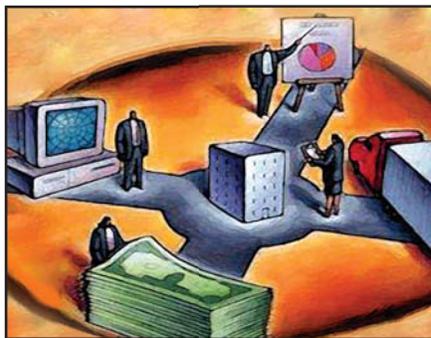
At a congressional hearing held on May 20, Daniel Gordon, administrator of the Office of Management and Budget's Office of Federal Procurement Policy, stated that acquiring appropriate materials for contract managers could balance the amount of work handled by contractors and Federal employees: *"In many cases, overreliance on contractors may be corrected by allocating additional resources to contract management. Rebalancing does not require an agency to in-source . . . provided the agency can hire, retrain or reassign sufficient federal employees with the requisite*

skills in managing contractors to maintain control of their activities."

Senator George Voinovich, the ranking Republican on the Homeland Security and Governmental Affairs subcommittee on Federal workforce oversight, agreed with Gordon, adding: *"We must ensure that the goals we are asking agencies to achieve with respect to in-sourcing can be achieved using current hiring tools . . . if not, the administration or Congress must supply agencies with sufficient flexibilities to get the job done."*

The number of support service contractors is expected to be reduced from its current level of 39 percent of the workforce to 26 percent. Over the next five years, the Pentagon is supposed to replace those contractors with 39,000 new full-time government employees.

High-ranking government officials



have expressed concern over whether agencies have the capacity to oversee a massive hiring binge to replace current contractors. Private sector groups are urging caution: The Federal Acquisition Innovation and Reform Institute in a report released last June, said agencies must be careful about rushing in-sourcing to ensure they don't lose the skills and core competencies contractors provide in one fell swoop.

Recent hiring reform developments should speed up the in-sourcing process. On May 11, President Obama released a memo stating his intention to reduce the inefficiencies and complexities within the cumbersome Federal hiring system. In addition to removing essay-style questions from job applications, the current reform advises cutting the average hiring time in half, to 80 days.

Many Democrats argue that a quick hiring process resulting in a new fleet of Federal employees will result in savings for the government, citing that

it pays up to \$44,000 more per contract employee than if those positions were held by government workers.

In July 2009, the Obama administration asked agencies to pinpoint one job field that potentially over-relies on contractors. More than half of the agencies identified acquisition and IT organizations. Contracted services in areas such as safety engineering, anti-terrorism training, religious support, and cost accounting are among others expected to be brought in-house.

The DOD mandates that if a task is *inherently governmental*, or a function that should be performed by a Federal worker, in-sourcing must occur. If civilian performance is more cost-effective, and the function isn't *inherently governmental*, a contractor may do the task.

Tasks deemed *inherently governmental* include administering contracts, hiring or firing Federal employees and determining budget priorities.

Private sector organizations argue that the government is in-sourcing without properly analyzing whether a switch will save them time and money. While the slow pace of in-sourcing doesn't pose an immediate threat to large contracting companies, smaller businesses are more likely to be impacted negatively. Their size does not allow them to carry the same amount of workload, and they tend to perform tasks that are more likely to be in-sourced (mission-critical jobs certain to be dubbed *inherently governmental*).

Results of the initiative from agencies that have already begun in-sourcing—like the Homeland Security Department—will reveal if converting contracting positions to Federal ones will accomplish the government's goal of achieving cost savings and reducing reliance on outside sources.

The initiative calls for *regular reports* from the DOD and Government Accountability Office to ensure transparency. But with no guidelines as to how often these reports must be made, agencies are unlikely to submit anything until told to do so. The entire in-sourcing effort will take much unified work from various government organizations, already burdened by other problems. A "do it when you feel like it" plan isn't the best way to ensure in-sourcing occurs. Specific guidelines as to when and how often the practice should occur are needed before agencies will take the initiative seriously. **LE**

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ACTION: *Develop specific in-sourcing guidelines.*