



Beware the Perils of In-sourcing

Author: Daniel Goure, Ph.D.

Date: Tuesday, September 8, 2009

As part of his effort to bring change to the ways the national security establishment does business, the Obama Administration has embarked on a risky strategy of reducing Department of Defense (DoD) and intelligence community (IC) reliance on contractors by in-sourcing their work. This will mean increasing the size of the government workforce. On April 6, the Secretary of Defense announced that DoD would reduce the number of support service contractors from the current 39 percent of the workforce to the pre-2001 level of 26 percent and replace them with full-time government employees. According to the Secretary, this will mean hiring up to 30,000 new civil servants in place of contractors over the next five years. In July, the Director of National Intelligence, Admiral Blair, announced that the intelligence community also would, in his words "convert substantial numbers of billets from previous systems engineering and technical assistance contractors to governmental employees." By taking these steps Secretary Gates and Admiral Blair hope to ensure that they can better manage their respective organizations, improve the weapons acquisition process and be a smarter customer for what private sector services it does buy.

Although the goals in-sourcing may be laudable there are growing concerns in both the private and public sectors about the feasibility of this effort. Because private contractors can be employed more flexibly than government employees to meet changing demands, the end result of replacing one by the other will be an increase in overall costs. It is not clear that government employees make better decisions than private contractors. Were there not a lot of fumbled decisions and misguided acquisition programs in the "good old days" when the support service contractor levels were lower? Anyone remember the Sergeant York air defense system that couldn't tell a helicopter from a ceiling fan? To meet their targets, both DoD and the IC are hiring thousands private contractors already working for the government and putting them right back in the same offices they were supporting. If they were not doing a good job before, what difference will it make who signs their paychecks?

Also, by significantly reducing its reliance on the private sector, DoD and the IC are limiting their ability to access the extremely talented pool of private contractors that have been created over the years and cannot be instantly transferred to government service. Many of the best and brightest in the private sector already had a career in government and are generally reluctant to return. I am hearing reports from many places that while the government is able to hire lots of political science majors they are not getting the people with technical, engineering or field experience. Moreover, the decision to cut the private sector workforce comes at a time when a large percentage of the government cadre is expected to retire. This means that DoD and the IC will be even more challenged to find competent help, whatever color of badge they wear.