



Congressman Mulvaney Says Insourcing Hurting Small Businesses

By Ian Smith

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Rep. Mick Mulvaney (R-SC) said in a Contracting and Workforce Subcommittee hearing on June 23 that the Obama administration's insourcing policies are having a detrimental effect on small businesses.

Insourcing is the practice of keeping government work in-house for federal employees in agencies to perform rather than putting it up for bid for private sector businesses to perform.

Mulvaney said, "I have been approached by several small businesses that have had their work 'insourced.' Government agencies are canceling contracts with private sector businesses, taking the work in-house, and often even hiring away the private business' employees. By doing that, the Obama Administration is growing government, hurting small business, and costing taxpayers money. It's absolutely wrong, and people need to know about it."

There were several witnesses providing testimony on their positions at the hearing.

Among them was Dawn L. Hamilton, President and CEO of Security Assistance Corporation in Arlington, VA, who said, "The insourcing action taken by the USCG (United States Coast Guard) against my company was not done to bring inherently governmental functions back into the Federal government. Rather, the USCG claims it was done to save money. However, the cost analysis provided by the USCG is riddled with problems and is ultimately inconclusive of whether the Federal government will realize any cost savings, at best, or at worst, even cost the Federal government more. What is certain is that the USCG's actions have inflicted real and actual harm to my small business – cutting jobs and revenue [during this economic downturn] by up to 75%."

The Subcommittee hearing also investigated the inconsistent cost analysis used in the insourcing process that many times thereafter has proven to not save taxpayer dollars, but actually cost more.

Mulvaney said, "With our national debt skyrocketing over \$14 trillion, we should be looking at every avenue possible to reduce spending and decrease the size of Washington. One of the common sense ways we can do this is by outsourcing non-governmental functions to the private sector. In addition to saving taxpayer dollars, this would also help boost small business growth and create jobs."

One witness at the hearing disagreed with the statements that insourcing increases costs for the government. Jacque Simon, Public Policy Director for the AFGE in Washington, DC said, "Federal employees are often far more flexible than contractors because they don't insist on lengthy negotiations and costly surcharges every time something unanticipated occurs."

Simon also said, "At a time of large budget deficits, it is imperative that contractors, both big and small, be required to make the same sacrifices that rank-and-file federal employees are already making. Proposals to prevent managers from using federal employees instead of contractors even when money would be saved for taxpayers are indefensible. No effort to reduce the burden of contractors on the taxpayers can be taken seriously if it does not allow managers to substitute federal employees for contractors when savings are possible."

At the conclusion of the hearing, Mulvaney committed to take the following four actions:

- To ask the full Committee to follow up with the agencies mentioned by hearing witnesses Ms. Hamilton and Ms. Carroll.
- To send a copy of the hearing transcript to the Office of Federal Procurement Policy for review of the suggestions offered by the witnesses as they finalize their policy guidance.
- To send a letter to OMB requesting that each agency publish their insourcing guidance pursuant to notice and comment rulemaking, and that OMB and each agency impose a moratorium on cost- based insourcing until those rules are published.
- To review ways to address standing for small businesses facing insourcing, and ways to strengthen the SBA's role in this process.