



DoD's About-face on Insourcing Stirs Debate

Federal employee unions and business groups want to know whether it's cheaper for feds or contractors to perform governmental work

By Matthew Weigelt

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The American Federation of Government Employees wants answers from Defense Secretary Robert Gates about how his plans to save the Pentagon money will affect insourcing efforts and federal employees.

Gates has reversed course from plans he had last year to eliminate as many as 33,000 service contractors in the next five years and boost the acquisition workforce by roughly 20,000 employees. However, union leaders believe Gates hasn't given insourcing a chance to work before abandoning it.

John Gage, AFGE's national president, said he will seek clarification from the Defense Department about its insourcing plans, the elimination of three DOD agencies and a hiring freeze on most jobs.

"Surely we should not give up on the promising but short-lived insourcing effort after just one year," Gage said.

On the other hand, business groups are cheering Gates' announcement and can't wait for insourcing to end. The Business Coalition for Fair Competition sent a letter today to Jeffrey Zients, acting director of the Office of Management and Budget, about insourcing in light of Gates' comments that it had failed to meet expectations.

"BCFC respectfully urges OMB to issue a revision to the insourcing agenda calling for an immediate halt to all insourcing efforts throughout the federal government," wrote John Palatiello, the coalition's president.

Despite their strong disagreement, the union and the business coalition can agree on one topic: They both want to know whether federal employees or contractors are cheaper.

During the moratorium, the coalition recommends that federal officials develop objective metrics for determining whether it's less expensive for the government to perform commercial activities. Similarly, union leaders said DOD hasn't conducted a full inventory of its contractor workforce and integrated those results into the budget process. Because of that, officials are unable to determine the costs and savings from insourcing, union officials said.

They believe insourcing will save DOD more money than awarding new service support contracts. They also pointed out that DOD officials said they spent 39 percent of the department's total workforce budget on service support and advisory contractors in 2009, up from 26 percent in 2000.

On Aug. 9, Gates said insourcing didn't save money as officials had expected. Nevertheless, he said he still wants to target contractors but is taking a different approach: He's going to hit them in the pocketbook.

The secretary specified a roughly 30 percent reduction in funds for support contractors through 2013. He said the goal is to reduce the number of contractors that are performing functions that are inherently governmental, meaning they should only be done by government employees. Gates also made an immediate 10 percent cut in funding for advisory and assistance contractors at the defense intelligence agencies. He also put a freeze on the number of senior executive positions at those organizations.