



Fed. Government Pays IT Contractors Nearly Twice As Much As Its Own IT Workers

By Stephanie Overby September 14, 2011

As the so-called Supercommittee—the U.S. Congress's Joint Select Committee on Deficit Reduction—looks for ways to cut \$1.5 trillion from the deficit, one non-partisan watchdog group has released a study suggesting that the federal government pays billions more to outsource IT work to private contractors than it does to perform the same work internally.

The study, released yesterday by the Project on Government Oversight (POGO), compared the total annual compensation for federal and private sector employees with federal contractor billing rates in 35 occupational categories in order to determine "whether the current costs of federal service contracting serves the public interest."

In all but two job categories, government employees were less expensive than contractors, and average private sector compensation was lower than contractor billing rates in all 35 occupational classifications, according to the study.

In the information technology category, POGO found that the federal government is paying contractors to provide computer engineers an average of \$268,653 per year. That's nearly twice the average \$136,456 it pays its own computer engineers and nearly twice the average private sector salary of \$131,415.

For information technology management services, the government pays average annual rates of \$198,411 for contractors, according to the study. That's 1.59 times the \$124,663 average that the government pays its own federal IT managers and 1.73 times the \$114,818 average at which private sector companies compensate their employees.

IT services were not the most extreme example of private contractors' elevated billing rates. The study found the federal agencies pay private contractors nearly five times as much as they do their own employees for claims assistance. They pay more than three times more for outsourced attorneys.

The study points out that IT specifically "is widely outsourced throughout the federal government because of the assumption that IT companies provide vastly superior skills and cost savings." The Project on Government Oversight says its salary comparisons prove that those cost savings are not being realized. However, the comparisons do not address any cost savings that might be achieved through the skills, processes or systems that private IT services companies might deliver.

The POGO researchers say that the federal government itself does not know how much money overall it saves or wastes with its sourcing decisions and has no system for doing so.

"Failures included the lack of standards for calculating cost estimates and justifying insourcing or outsourcing decisions; the lack of data related to negotiated service contract billing rates; not publishing government information about the number of actual contractor employees holding a specific occupational position under any given contract; and that there is no universal job classification system," the researchers state in the report.

To correct that, POGO suggests that Congress require all federal agencies to use job codes that are consistent with the federal government's internal job classification system when awarding outsourcing contracts. POGO also advises Congress to demand that government agencies collect and report total lifecycle costs associated with outsourcing and insourcing government work.

In addition, the report recommends that federal agencies conduct pre-award contract cost analyses to determine whether the use of contractors is less costly and provides enhanced performance over the use of federal employees. Moreover, the agencies' Offices of the Inspector General should conduct regular reviews to certify that those cost and performance goals are being met, according to POGO.

The study also points out that the long terms of most federal outsourcing contracts limit government flexibility and "can result in cost increases rather than savings."

To make its cost comparisons, POGO used the General Services Administration's listed contractor billing rates alongside data from the Office of Personnel Management and the Bureau of Labor Statistics. The researchers point out that its government salary data does not incorporate overhead costs—management and administration, supplies, facilities—that private outsourcing firms may factor into their billing rates. But, they say, they also did not include in their analysis the additional costs that the government incurs as a result of outsourcing services to contractors, which "would only add to the costs associated with outsourcing documented in this report."

The U.S. government awarded \$320 billion in service contracts last year, according to POGO's analysis of federal procurement data. According to USASpending.gov, the U.S. government awarded \$536.7 billion in total government contracts in 2010.