



1600 Wilson Boulevard | Suite 900 | Arlington, VA 22209
Phone: 703-522-5828 | Fax: 703-522-5837

GOP Victory Could Mean End To Insourcing

Daniel Goure, Ph.D.

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One of the consequences of the big Republican election victory yesterday could be the creation of a roadblock to ongoing DoD and intelligence community efforts to reduce service and support contracts and insource work done by the private sector. One of the clear messages to emerge from election night 2010 is growing hostility on the part of the electorate to increasing the size and cost of government. There is nothing more emblematic of the Obama Administration's penchant for favoring government over the private sector than the effort to insource private sector work. In addition, the evidence is clear that insourcing does not save money. Rather, it costs more to insource private sector activities. Insourcing could be a poster child for what the Republicans want to change in Washington.

One proposal already making the rounds among Republican legislators is to roll back federal spending to pre-2009 levels. Another is a hiring and wage freeze on the federal workforce. Both of these will make current efforts at insourcing and reducing service support contracts more difficult. There are already indications that government entities are having difficulty hiring qualified personnel to replace contractors. A freeze on federal hiring could halt the insourcing effort in its tracks.

Victorious Republicans have been clear with respect to the positive regard they have for empowering the private sector, in general, and small business, in particular. There have been numerous stories about small private defense businesses being devastated by insourcing decisions. What makes many of these stories all the more devastating is that they have not involved inherently governmental functions or work that could be done cheaper by the public sector. In many instances they simply represent the natural tendency of the bureaucracy to overreach.

One useful step the new Republican-dominated House could take is to hold hearings into DoD's efficiency drive and specifically the claims by some defense components that the public sector industrial base can do complex maintenance and sustainment work cheaper than the private sector. Since on average federal employees' salaries are some 40 percent higher than their private sector counterparts, this seems farfetched. An investigation into the basis for the claim that the public sector is cheaper would be advisable. DoD components have conducted business case analyses that seem skewed. Forcing these entities to show cause why they made decisions to insource would be good.