

# The Street

## Study: Gov't Cheaper Than Private Contractors

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NEW YORK (MainStreet) -- So much for the lowest bidder.

A study undertaken by the Project on Government Oversight, a nonpartisan watchdog group, looked at the going rates for private contractors hired by the government and compared it with the pay of federal employees doing comparable work. What it found was that private-sector contractors made nearly double what government employees did, and that federal employees were the cheaper option in 33 of the 35 occupational classifications reviewed by the organization.

In other words, when we're talking about government waste, it's time to take a hard look at what we're paying to private contractors.

"The federal government is not doing a good job of obtaining genuine market prices, and therefore the savings often promised in connection with outsourcing services are not being realized," the report says.

In one particularly egregious example, the report points to the position of claims assistance and examining. Federal employees are paid an average of \$57,292 per year in this position and private-sector employees make an average of \$75,637; the contractor billing rate for the same service is a whopping \$276,598, more than a federal judge's salary.

What makes this such a big problem is that the fleet of government contractors dwarfs actual federal employees. The report notes that the actual federal workforce has stayed fairly constant at 2 million people, while the contractor workforce has swelled to 7.6 million as of 2005. And those contractors are sucking up a lot of money, to the tune of \$320 billion. If the report's conclusions are correct, we're overpaying by more than \$100 billion a year, all on the apparently false assumption market competition in the private sector would make for cost savings over federal employees.

A constant demand for federal spending cuts keeps government jobs on the wane -- the U.S. jobs report for August showed a gain of 17,000 jobs in the private sector offset by a loss of 17,000 government jobs -- indicating fiscally conservative politicians might experience a little cognitive dissonance when it comes to their simultaneous demand for small government.

Unfortunately, the government is ill-equipped to correct the problem of overpaying contractors.

"POGO found several failures in government procurement, employment and data systems that limit the government's and the public's abilities to assess and correct excessive costs resulting from insourcing or outsourcing federal services," the report says.

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