

# Federal Computer Week

## Kelman: Hybrid Workforces Complicate Outsourcing Reforms

Federal HR practices encourage blended workforce creation

- By [Steve Kelman](#)
- Jun 18, 2009

It looks like the Obama administration is getting serious about the idea of bringing some service contracting in-house. The least controversial part of these efforts involves activities considered inherently governmental, though there is debate about where the line should be drawn. For example, what kinds of contracting officer work may not appropriately be contracted out?

The most interesting issues are raised by proposals to bring significant elements of “staff augmentation” contracting in-house. The contracting that is most problematic involves work that is ongoing — not a temporary, surge requirement of the kind ripe for contracting — and often involves similar skills and activities as civil servants', and frequently at the same location. The National Academy of Public Administration and the Government Accountability Office, among other watchful observers, are concerned about the blended workforce that outsourcing creates in those situations.

Such a blended workforce is, in fact, anomalous. There is no counterpart to such forms of staff augmentation in the private sector. Companies typically either outsource a function or keep it in-house. They seldom have a hybrid workforce that handles a single task. All of the academic literature on a make-or-buy decision is based on the assumption that an organization will do one or the other, not both.

Management tasks are often complicated when agencies conduct staff augmentation contracting in a way that respects regulations against personal services contracts. Federal managers are not supposed to direct the work of contractors; rather, they should request deliverables and monitor performance, leaving — at least according to the regs — the supervision of contractor employees to a separate contractor manager. The government also must pay contractor overhead, much of which would not be duplicated if the work were done in-house, along with a certain percentage for the contractor's profit margin.

The growth of blended workforce contracting has little to do with theories of good contracting and more to do with problems in federal human resources policies and budgeting. Many federal managers note that it is much easier to get rid of a badly performing contractor employee than a badly performing civil servant, and that difference makes it easier to deliver good results with a staff of contractors. Salary structures for technically skilled civil servants, notably in IT, often make it impossible for government to recruit some technical experts at government salaries. And the limits for salary and employment line items in government budgets, compared with the line item for procurement, often make it impossible for government to hire needed civil servants but leave money available to hire contractors.

Without dealing with these shortcomings in federal HR and budget practices, it will be difficult to deal with inappropriate instances of staff augmentation. The question then is, does the Obama administration have the stomach for the political fights needed to change the HR and salary policies that form the foundation of outsourcing decisions?

### About the Author

Kelman is professor of public management at Harvard University's Kennedy School of Government and former administrator of the Office of Federal Procurement Policy.

