

Policies & Regs: Implementing the Gates Workforce Growth and Conversion Plan

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On April 6, Defense Secretary Robert Gates outlined his plan for the Fiscal Year 2010 budget that the president submitted to Congress in full on May 7. He committed to a “fundamental overhaul” of the department’s approach to acquisitions. Specifically, he plans to stop programs that exceed their budgets and redirect resources to programs that use proven technologies and have realistic cost estimates. A third Gates goal is to ensure that DoD’s acquisition workforce is sufficiently staffed and able to provide support and oversight throughout a program’s acquisition lifecycle.

Work force enlargement. To meet these goals, the budget would increase the DoD workforce over the next five years by converting 11,000 contractor positions to government employees and hiring an additional 9,000 new acquisition professionals. According to later information, most of those converted positions will be in program management, engineering, logistics and business management. In addition, there will be additional resources for contract administration in the Defense Contract Management Agency and significant increases in pricing and cost estimating specialists. Of the new positions to be filled over the next five years, many will be for auditors and for contract management at DCMA.

HR competition. While the secretary laudably wants to fill the workforce gap that hamstringing major programs, most of the sought-after skills are in chronic short supply nationwide. There is also significant competition among federal agencies and from government contractors for this talent. Even with the new tools and authorities given to agencies in the past three years to attract new workers into government, hundreds of vacancies still exist at DoD for these critical skills. There is no significant evidence that the hiring trends will be quickly reversed.

Mythology used. My view is that while there are clearly acquisition functions that should be performed by federal employees, there is also an underlying mythology in the Gates

budget plan, specifically, that using federal employees, rather than contractors, will increase the work quality and productivity or yield significant cost savings. While honest cost comparability data and the rigorous analyses of performance measures are hard to come by—and most are unwilling politically to even seek the answers—the Gates plan counts on hiring into government many of the same contractor employees who now work under contracts that would be terminated.

Poaching visible. Gates clearly assumes that these contractor employees will follow their work into government. But many contractor employees are unwilling to do that, although some national security agencies, such as the National Reconnaissance Office and the CIA have already employed aggressive recruiting techniques to attract contractor engineering, scientific and technical talent. For example, these agencies managed to unilaterally cap contractor employee salaries and then offered higher compensation to lure those employees to the government.

At a minimum, such brazen recruiting tactics create an awkward human resources issue for the government, the companies and the targeted employees. This recruiting practice could also easily be perceived as interfering with a contractor’s performance. As for the employees, some of the Obama administration’s new ethics and post-employment rules are giving pause to some who may have been considering a move back into government.

In addition, the Gates budget recommends reducing as many as 13,000 support service contractors in fiscal year 2010 and up to 33,600 by 2015. While the government hasn’t disclosed specific support service contracts to be converted, the list could include activities ranging from intelligence analysis, computer system operations, and public affairs to training.

We already know that the Navy’s Next Generation intranet—the follow-on to the current Navy-Marine Corps Intranet (NMCI) now provided by EDS/HP—is to be run primarily by Navy personnel. In addition, with almost 200,000 contractor employees (mainly non-Americans) working in Iraq and Afghanistan, a significant reduction in the

U.S. military presence over the next five years will certainly lead to a draw-down of those support contractors. Other expiring contracts may not be renewed or recompleted. Staff augmentation contracts may be the easiest to reduce if DoD can find the necessary staff to do the work. But often these contracts exist only because the government lacked the skill and capacity in the first place!

Even when the right policies and tools are put into place at DoD, implementation will take time and resources. Thus, while most services contracts can be terminated quickly when the government no longer needs the services being provided, these contracts have thrived because of the demonstrable skills shortages in the federal workforce. And the anecdotal evidence is that the private sector has been able to do a better job than federal agencies in significantly retaining its skilled workforce and recruiting to fill vacancies. Of course, new, aggressive hiring tactics at federal agencies, coupled with the floundering economy and significant pockets of unemployment, could make it easier for agencies to hire.

What's a contractor to do?

First, determine your vulnerabilities to the Gates' plan. Assess your critical skills workforce and identify the contracts where these experts are. Partial or full terminations of contracts will challenge you to redeploy this workforce. Employees' decision to leave your company—regardless of whether they go into government—still requires you to continue performing on-going contracts, even though federal customers are not shy or troubled

about recruiting your people energetically.

Second, review your human capital strategy.

How do you recognize and reward employees with critical skills or those working for critical customers? Extensive research demonstrates the importance of company policies and practices that value existing employees, provides a work environment that rewards success, and minimizes the costs of recruiting, hiring and training replacements. Validating your company's personnel strategies clearly signals to your employees their importance to the company in their current or future positions.

Finally, engage with the government. Your key government program managers and your on-site personnel should both feel the pressures and know the plans and timelines to transition specific requirements from contractor to government employment. There will be plenty of early warning signs long before formal action takes place to transition work or scale back or terminate contracts.

The Gates plan to convert existing contractor positions to government jobs and to bring on new federal employees with critical skills has numerous dependencies and predicates for success. To improve DoD's acquisitions, there are critical skills gaps that must be filled—either through new federal employees or by contractors. The department has focused its short-term priority on hiring new federal employees, but the execution strategies have not been spelled out. The better prepared a contractor is for these transitions, the lesser the impact will be on its business and workforce. ■