

Industry Group Seeks to Highlight Impact of Insourcing on Small Businesses

By Robert Brodsky May 10, 2010

A group of small business federal contractors, led by the government's former top career procurement official, has come together to put a human face on the Obama administration's effort to bring contracted jobs back into agencies.

Washington law firm Venable LLP announced Friday the formation of the Small Business Coalition for Fair Contracting. Composed of Venable clients and other contractors, the group argues the push to insource thousands of contractor positions will have severe repercussions for small businesses.

The coalition plans to spend the next several months talking to lawmakers and federal officials about the "unintended consequences" of insourcing for small businesses, said Venable partner Rob Burton, who is spearheading the initiative.

"The timing of this insourcing initiative, in view of the economy and the administration's desire to create more jobs, is not good," said Burton, who served a deputy administrator at the Office of Management and Budget's Office of Federal Procurement Policy during the administration of George W. Bush. "Pulling jobs out of the private sector in this economy is not good public policy."

While well intentioned, Burton said insourcing threatens to take work away from hundreds of small entrepreneurs.

He said the initiative already has forced small contractors across the nation to reduce the scope of their operations as their contracts are canceled and employees are hired into government jobs. One Venable small business client recently lost 20 percent of its workforce when its contract was insourced and the Defense Department hired many of its employees, according to Burton.

"I've also have heard about companies going out of business," he said.

OMB did not respond to a request for comment about the coalition.

President Obama came to office pledging to reduce the government's reliance on contractors to perform core services. Last summer, the administration told agencies to cut their overall contracting budgets by 7 percent and to launch pilot insourcing programs. In late April, agencies submitted reports to OMB detailing the results of the programs. OMB is in the process of reviewing those reports.

"It's not a healthy situation," OFPP Administrator Daniel Gordon said in a March interview with *Government Executive*. "There are way too many stories where it looks like the government has lost control of its own operations."

The insourcing push has been most pronounced at Defense, which plans to reduce its percentage of support service contractors from 39 percent of the workforce to the pre-2001 level of 26 percent. The Pentagon plans to replace those contractors during the next five years with 39,000 new full-time government employees, 20,000 of whom would be acquisition professionals.

Defense officials plan to insource contracted services in areas such as logistics support of aviation systems, safety engineering, cost accounting, anti-terrorism training and religious support. The plan has been heavily criticized in recent weeks by industry groups, who argue the initiative is poorly planned and driven by quotas.

"I know of one company [whose employees were] given 48 hours to join the [Defense] workforce," Burton said.

The coalition only has a handful of members at this point, but Burton said interest has been growing rapidly. The group plans to form a steering committee in the next few weeks, in time to issue comments on the administration's proposed guidance on work that is inherently governmental. Comments are due on the policy by June 1.

The coalition also plans to push for more small businesses procurement opportunities. In fiscal 2008, small businesses received 21.5 percent of all federal prime contracting dollars. The federal statutory goal is 23 percent.