



Insourcing Critics Seize On Gates' Halting of Most Job Conversions

By Emelie Rutherford

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Insourcing foes are heralding Defense Secretary Robert Gates' decision to stop converting many contractor jobs to Pentagon posts, and are calling for an end to all such job conversions in the federal government.

Gates announced last week that, after Sept. 30, the Defense Department will largely stop creating full-time in-house positions to replace contractors, though exceptions will be allowed for "critical areas" such as the acquisition workforce.

"As we were reducing contractors, we weren't seeing the savings we had hoped from insourcing," Gates told reporters Aug. 9 when he unveiled multiple recommendations for making the Pentagon more efficient.

Gates' said previous Defense Department plans to eliminate up to 33,000 contractors and hire 20,000 in-house employees were off the mark, and the Pentagon did not see savings in the early stages of this effort over the past year.

"The problem with contractors is, and what we've learned over the past year, is you really don't get at contractors by cutting people, because you give the contractor a certain amount of money and they go hire however many people they think they need to perform that contract," he said.

Gates' announcement "validates the Professional Services Council's (PSC) view that his well intentioned April 2009 initiative has devolved into a budget drill based on arbitrary quotas and significantly overstated savings assumptions," said PSC, the trade association of the government professional and technical services industry.

The Business Coalition for Fair Competition (BCFC) last Friday pointed to Gates' insourcing comments when it called for the White House to halt all federal government insourcing.

"Given Secretary Gates' recent acknowledgement that insourcing does not save money, and given the current state of the nation's economy, BCFC respectfully urges (the Office of Management and Budget) OMB to issue a revision to the insourcing agenda calling for an

immediate moratorium on all insourcing efforts throughout the federal government," coalition President John Palatiello said in a letter to Acting OMB Director Jeffrey Zients.

More than 17 months have passed since the White House unveiled its insourcing agenda.

Palatiello called on OMB to use his proposed moratorium period to craft a policy that "recognizes that real economic growth and job creation is in the private sector, which emphasizes that government should not compete with its citizens, but should rely on the private sector to the maximum extent possible."

The Business Coalition for Fair Competition--made up of businesses, associations, taxpayer organizations, and think tanks--opposes what it deems to be unfair government-supported competition against the private sector.

Gates told Pentagon reporters last week he concluded the only way "that you get at the contractor base is to cut the dollars."

Thus, he wants to cut funding for service-support contractors by 10 percent a year for each of the next three years, and stop automatically replacing departing contractors with full-time workers.

PSC called Gates' cuts for reducing contract support "arbitrary."

"The (Defense) Department needs to look across all of its activities, regardless of who is performing them, and determine what activities are no longer needed and what activities can be done more efficiently," PSC President and CEO Stan Soloway said. "As we learned from the department's failed actions regarding insourcing, effectively addressing the department's mission and budgetary challenges must be a holistic and strategic exercise."