



# Insourcing Debate Heats Up Over Agencies Stealing Employees

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The Interior Department recently put out request for quotation that epitomizes the concern around the Obama administration's insourcing discussion.

Interior wrote:

The government reserves the right to transition contractor employees to federal employees upon the candidate successfully making a federal government hiring certificate and being selected no earlier than 6 months after the contractor's start date. Should a position previously held by a contractor be vacated as a result of transitioning to the government, the backfill of the position by the existing contracting agency is optional and up to the discretion of the government.

Industry experts say Interior, like other agencies, are looking to bring work back in house by hiring their vendor's employees.

Terry Raney, a senior vice president with CACI, says the competition for people is growing beyond vendor-to-vendor, and more often, agency-to-vendor.

"We have to figure out how to manage in this environment," says Raney during a recent panel discussion at the National Contract Management Association conference in Bethesda, Md. "This snowball is rolling these days and I've decided not to get in front of it because I know what will happen."

Stan Soloway, the president of the Professional Services Council, an industry association representing companies doing business in the public services sector, says while the Office of Management and Budget does not have a specific insourcing agenda as of now between congressional directives and all the talk about it, agencies are going down this road.

Soloway adds that maybe what's needed is a non-compete clause in specific contracts for specific employees.

"Various activities in the DoD have lists of contractor employees they are recruiting," he says. "They are going after folks on contract, and saying we want to bring you in house to do this work. This is very unhealthy. It's rampant. It seems to me in certain agencies, particularly on the intell side, we have seen restrictions on contractors stealing government people because there is concern on the government side that we've been doing that to you for years. I think we should have very commercial-like non-solicitation clauses in every contract and every RFP that basically says within the narrow confines of business relationship we cannot go stealing each other's people."

OMB's guidance around insourcing has not been enough, Soloway and others say.

One agency official, who requested anonymity because they didn't get approval to talk about insourcing, says without the definition of what "inherently governmental" means, agencies are left guessing too much. The official says they are watching the broader initiative closely, but has some hesitation of where it is going.

Matthew Blum, an associate administrator in the Office of Federal Procurement Policy, says OMB is working on a more precise definition of inherently governmental. OMB deputy director for management Jeffrey Zients told a Senate oversight committee recently that the definition should be finished by the end of December.

Blum adds that OMB's guidance to agencies around not just insourcing, but how to address the entire multi-sector workforce question has been vague purposefully.

"We actually provide very little in the way of details not because we want to have agencies floundering on this issue or the private sector floundering and wondering what's going on, but rather we recognize these are complex issues and we have to build tools and we have to build relationships between these functional organizations," Blum says. "We don't have tools to look at both sectors if you will to answer the question to grow talent or buy talent? And similarly we don't have tools or great models yet for how we can get all the parties together to figure out how to solve these problems."

Blum says OMB wants not just agency acquisition experts to look into this issue, but finance, human resources and program management representatives to collaborate on how best to meet the agency's mission.

The 24 largest agencies are running pilot programs over the next six months to figure out how to address the multi-sector workforce issues and understand if there are areas where they are over relying on contractors.

Blum says insourcing is one tool in this broader management initiative.

"What is important here, we recognize those are steps that come later in the process after you do strategic human capital planning and if you are doing business process reengineering you have to take additional steps related to figuring out what your workload is and what your performance measures are," he says.

But while these pilots are just getting started, the Defense Department has been moving down the insourcing path for more than a year.

Congress mandated the services develop a plan to insource positions. But Soloway says most of the effort has been budget driven. And that worries those in industry.

"This is purely politically driven," he says. "DoD has been given targets based on in my view fuzzy math to save 30-to-40 percent per position. And then they will take the money out of the services' budgets based on these projected savings."

Soloway says DoD's actions have prompted concerns from members of Congress asking the Pentagon for more information about their outsourcing plans.

He says DoD promised to issue guidance to the services by September, but the secretary has not released the document yet and meanwhile the military continues to go down this path.

A DoD spokesperson could not provide an update on the guidance or comment on Soloway's concerns by press time.

But an OMB spokesperson says it has been working with DoD in developing the insourcing guidance and other policy directives.

The spokesperson says DoD is making good progress. The military has identified the need for more cost and pricing analysts to help further estimate contract costs.

The spokesperson adds that OMB will continue to work with all agencies on the development and implementation of tools and processes, to use insourcing effectively where it is determined to be in the best interest of the government.

"We've seen a budget drill where there are hundreds of positions being announced as potential insourcing and DoD does not address OMB's requirements," Soloway says. "The problem is no one has come up with the algorithm to see if contractors are more or less expensive."

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