



## Insourcing Defense Services: Quantity Is Not Quality

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The Obama Administration's program of insourcing critical functions now performed by private contractors has merit. Those activities represent inherently governmental functions which are critical to the ability of the government to manage its bureaucracy or private contractors and should be done by government workers. In addition to those functions that are inherently governmental – and there is a debate about what those are – the government needs a cadre of experienced contracting officers, program managers and system engineers, to take just three examples, in order to properly operate.

The Secretary of Defense announced last year that his department would increase its workforce by some 30,000 positions, primarily by insourcing jobs performed by private contractors. Since then the Department and its various agencies have struggled to define which positions are candidates for insourcing. Last July the Office of Management and Budgets (OMB) instructed government agencies to insource only inherently governmental functions and functions that "closely support decision makers," and align these actions with their human capital strategies. OMB, which is about to issue a new definition of what constitutes inherently governmental functions, is under pressure from some politicians to define the term so broadly as to require the insourcing of what could be hundreds of thousands of jobs.

The Administration's approach to insourcing reminds me of the old Soviet Union's way of doing economic planning. The state planning commission would set quantitative targets for each sector of the economy. As a result, each ministry pursued a strategy of producing quantity over quality. The Soviet Union produced massive amounts of shoddy material and products. But it met its targets. It also collapsed.

When it comes to insourcing critical functions so that the government is better able to perform its duties and conduct oversight of its remaining contractor workforce, quantity is not quality. In fact, if it is not careful the Administration will reach its quantitative targets only to discover that its costs have increased while its effectiveness has decreased. In fact, the push to meet quantitative targets necessarily results in hiring less qualified people than

would otherwise be the case. Why is this? Because the people the government needs most are the most experienced personnel and hence the hardest to recruit. Not only is the pool rather small but the government must compete with the private sector for talent. Over the course of a decade or more the government could train junior people to move into senior positions, but this cannot be done overnight.

There are numerous reports that departments and agencies are treating the insourcing effort as a numbers game rather than as a way of improving their human capital. There is a serious disconnect between the guidance sent out by OMB and what is happening in the departments and agencies. In the near-term this will only make the government more dependent on the private sector which will have the trained and experienced staff that it will gladly “rent” to the government. Of course, this means that the government will have to pay twice for the same work.

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