

# The Washington Post

## ‘Insourcing’ Effort Still Under Fire Despite Pentagon’s Gradual Retreat from Plan

By Marjorie Censer

May 29, 2011

The Pentagon in recent months has gradually backed off its controversial effort to move more contracting work into the government — a policy known as “insourcing” — but the effort is still raising the blood pressure of some in industry and at area think tanks.

As part of a larger Obama administration effort, the Pentagon in 2009 vowed to hire thousands of civil servants to replace contractors and particularly to beef up its acquisition workforce. The Defense Department called for insourcing in cases in which a job was “inherently governmental,” or a function that should be done by federal employees.

Part of the movement was based on cost savings the government hoped to achieve by hiring employees and reducing the role of contractors.

But in recent months, the Pentagon seems to have retreated from insourcing — though it maintains that it is continuing to implement the policy where appropriate. A memo issued this spring made moving work in-house subject to new fiscal constraints, and Defense Secretary Robert M. Gates reported publicly that the policy had not produced the cost savings he expected.

For the contracting industry, those developments came as a relief. The industry had criticized the policy’s implementation as arbitrary and based on reaching quotas rather than on thorough analyses. Still, conversations about the flaws of insourcing have persisted in the contracting world and on Capitol Hill. This month, think tanks added their voices to the mix.

The Center for Strategic and International Studies released what it called a “DOD Workforce Cost Realism Assessment.” David Berteau, senior adviser and director of the center’s defense-industrial initiatives group, joked that the organization had tried to give it an unremarkable title but that it’s already known as “the insourcing study.”

The report argued that insourcing does not necessarily save money. In fact, the document says, “the absence of potential competition leads inexorably to cost growth.”

More damning, the report says the Pentagon is making inaccurate cost comparisons by failing to take into account the total cost of a government employee.

At a Capitol Hill event last week sponsored by the Lexington Institute, an industry research group, analysts pounded the policy as shortsighted. Daniel Goure, a vice president at the

institute, said the Defense Department should be focused on “rightsourcing” rather than arbitrarily insourcing or outsourcing work.

Still, Berteau backed efforts to insource inherently governmental work, noting that those decisions have nothing to do with cost savings.

Government representatives at the Lexington Institute’s event said insourcing can reduce costs if implemented appropriately. Clyde R. “Redding” Hobby, executive director of the Defense Logistics Agency’s strategic programs directorate, said the agency has saved money, particularly on information technology functions.

“It’s perhaps too early to tell,” he said of reaching a verdict on the insourcing policy.

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