

Insourcing Isn't the Only Ingredient of Workforce Rebalancing

By Robert Brodsky May 20, 2010

Converting contractor jobs to federal positions is not the only way to make government less dependent on the private sector, the Obama administration's top procurement official testified during a congressional hearing on Thursday.

"In many cases, overreliance on contractors may be corrected by allocating additional resources to contract management," said Daniel Gordon, administrator of the Office of Management and Budget's Office of Federal Procurement Policy, in prepared testimony for the Senate Homeland Security and Governmental Affairs Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia. "In other words, rebalancing does not require an agency to insource ... provided the agency can hire, retrain or reassign sufficient federal employees with the requisite skills in managing contractors to maintain control of their activities."

Administration officials and senators agreed the effort to change the mix of contractors and federal employees must be deliberate.

"Rebalancing the federal workforce will not simply be a job conversion process," said subcommittee Chairman Daniel Akaka, D-Hawaii. "This effort will take considerable workforce planning to determine what federal positions should be created and what contracting functions eliminated."

The subcommittee's ranking member questioned whether agencies have the capacity to implement a massive hiring spree to replace contractors.

"We must ensure that the goals we are asking agencies to achieve with respect to insourcing can be achieved using current hiring tools," said Sen. George Voinovich, R-Ohio. "If not, the administration or Congress must supply agencies with sufficient flexibilities to get the job done."

In March, OFPP issued a draft policy letter establishing a single definition for inherently governmental functions that are off-limits to contracting. The notice, which is open to public comment through the end of May, also instructs agency officials to scrutinize functions that are "closely associated with inherently governmental" responsibilities or that are "critical" to the agency's mission, to ensure agencies have the internal capacity to manage the work.

Federal labor unions on Thursday criticized the policy as too restrictive to result in meaningful insourcing of contractor functions. The National Treasury Employees Union argued that OMB should collapse the "closely associated" and

"critical" functions into a single category of work that only federal employees can perform.

If NTEU's changes were adopted, then "the policy would also allow agencies to explore proper outsourcing alternatives while safeguarding against potential abuses," said Maureen Gilman, the union's legislative director.

The administration in July 2009 asked each major agency to conduct a pilot insourcing program for one area with potential overreliance on contractors. More than half the agencies focused their efforts on acquisition and information technology.

The Homeland Security Department, which has been criticized for having more contractors on its payroll than federal employees, examined whether there was adequate internal federal workforce capacity in its Office of the Chief Information Officer.

The pilot identified 158 contractor jobs that will now be converted to federal positions, said Jeff Neal, chief human capital officer at DHS. As of April, the CIO's office had more than doubled its federal workforce from 91 to 208, "creating both a more balanced workforce, and a model to emulate in other offices and components," Neal said.

A contractor trade association suggested that insourcing at some agencies, particularly the Defense Department, is being driven by arbitrary quotas and insufficient cost data. Alan Chvotkin, executive vice president and counsel at the Professional Services Council, said he has not seen a single case of insourcing where the government has attempted to capture the total cost implications of its decisions.

"Insourcing for the sake of insourcing is no more intelligent, no more effective and no more defensible than outsourcing for the sake of outsourcing," Chvotkin said. "Nor should government accept repeating the mistakes of past outsourcing efforts when implementing insourcing efforts."

A provision in the fiscal 2011 Defense authorization bill, approved by the House Armed Services Committee on Wednesday, would prevent the Pentagon from establishing "any arbitrary goals or targets to implement DoD's insourcing initiative." The measure, sponsored Rep. James Langevin, D-R.I., also requires reports from both Defense and the Government Accountability Office examining the insourcing initiative.