



Insourcing Push Hurts Small Businesses

Chandler Harris - August 5, 2011

The Pentagon's insourcing push has begun to ripple into numerous private sector companies that have relied on contracts to keep themselves afloat.

Last month, the Pentagon issued statistics that revealed nearly 17,000 government positions have been created as a result of the insourcing drive, with about 7,000 of those positions in the Army. Nearly 1,000 of those positions were established to replace the work of small businesses reports FoxNews.com.

Even though the insourcing movement has produced mixed results, the drive still continues and businesses are now speaking out on how it's hurting them.

"Employees are just left high and dry," said John Palatiello, president of the Business Coalition for Fair Competition. "It is occurring all over the country."

Insourcing can erode a company in two ways. The government agency may either sever a contract and not do business with a company, or it can hire private-sector workers directly from the company to do the work full-time for the government.

Last June, Bonnie Carroll, the president of the Tennessee-based Information International Associates said at a hearing of the House Small Business Committee that her company has lost 16 percent of its employees to insourcing over the past eight months. She said government agencies uses "reprehensible tactics" of poaching her employees before her firm was informed that a contract was ending.

She said she supports the Pentagon's insourcing drive for inherently governmental work, but claimed the military's decision-making to date has been driven more by "arbitrary" standards.

Jeff Lovin of Woolpert has a similar story, saying that Air Force officials began stealing his employees while ending the contracts they had worked on. As a result, Lovin has lost about \$1 million in business and at least nine employees he said.

Pentagon spokesperson Cynthia Smith said the Defense Department remains "committed" to reviewing contracted services and the criteria and approach "has not changed." The department is looking to absorb the kind of "inherently governmental" work that many contractors have assumed over the years, she said.