



Insourcing Still a Go for the Military

Government officials confirm services exempt from Secretary Gates' billet freeze

By Amber Corrin

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The military services and some nonmilitary Defense Department organizations will continue with plans to bring thousands of private-sector jobs in-house despite an Aug. 9 statement by Defense Secretary Robert Gates that the Pentagon isn't "seeing the savings we had hoped from insourcing."

Last month Gates reversed course from plans he had last year to eliminate as many as 33,000 service contractors during the next five years, in keeping with a directive from President Barack Obama to insource jobs deemed to be inherently governmental or close to inherently governmental.

Gates announced new plans for efficiency that outlined a number of cuts to the DOD budget and personnel, including a 10 percent reduction in funding yearly for contractor support during the next three years.

"The problem with contractors is — and what we've learned over the past year — is you really don't get at contractors by cutting people," Gates said at the time. "So the only way, we've decided, that you get at the contractor base is to cut the dollars."

However, Gates' change of heart on insourcing doesn't mean the deal is off the table.

"No insourcing programs were cancelled. Insourcing is a statutorily required workforce-shaping tool/process to appropriately align work between private and public sectors," Thomas Hessel, a senior analyst in the Office of the Undersecretary of Defense for Personnel and Readiness, said in a recent report.

According to that report, the Army, Air Force, Navy and Marine Corps are exempt from a fiscal 2011 billet freeze that would halt insourcing plans. Insourcing measures already being implemented at other DOD organizations for fiscal 2010 are allowed to continue, as are conversions of acquisition support jobs.

"Insourcing is well under way," said Warren Suss of federal IT consulting firm Suss Consulting. "DOD is making contractors an offer they can't refuse: Join government or get fired."

Hessel said that as of June 30, more than 16,500 civilian jobs have been established across DOD as a result of insourced contracted services, with another 12,000 expected in fiscal 2011.

"On a case-by-case basis at the organizational level, DOD components are finding that they can generate savings or efficiencies through insourcing certain types of services or functions," he said.

The moves to insource, and the confusion surrounding the plans' implementation, are stirring up debate within the contracting and government workforce communities.

On Aug. 19, a coalition of 36 business organizations supporting the private sector, including the Business Coalition for Fair Competition, demanded Obama place a moratorium on his insourcing initiative.

“This shift to government performance of commercial activities not only hinders the private sector, including small and minority-owned business, but places additional costs on taxpayers,” the letter said. “The government intrusion and competition in the private market that insourcing brings is having a detrimental effect on capital investment and job creation.”

Stan Soloway, chief executive officer of the Professional Services Council, agreed. “The department needs to look across all of its activities, regardless of who is performing them, and determine what activities are no longer needed and what activities can be done more efficiently,” Soloway said last month. “As we learned from the department’s failed actions regarding insourcing, effectively addressing the department’s mission and budgetary challenges must be a holistic and strategic exercise.”

However, union leaders and members say that insourcing could still be a good thing, and that it’s still too early to determine the effectiveness of the measures.

“The department’s budget is in critical condition because of decades of excessive privatization,” said John Gage, president of the American Federation of Government Employees. “Surely, we should not give up on the promising but short-lived insourcing effort after just one year.”