

Insourcing Talk Reignites Debate about Cost of Government Services

Acquisition officials wrestle with how to calculate overhead costs in public/private comparisons

By Matthew Weigelt

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Whether the topic is insourcing or outsourcing, math is always a flash point for debate.

The question is how agencies should compare the costs of services offered by federal employees to those of their contractor peers. It's not enough to take the line-item costs of a contractor's services and match those against the hourly pay rate of federal employees. Agencies must also figure in training, equipment, health care and other benefits, and the management overhead associated with maintaining a staff — costs that stretch well beyond the life of any given project.

For those reasons, Steve Schooner, associate law professor and co-director of the Government Procurement Law Program at the George Washington University, said comparing private- and public-sector costs is like comparing apples and oranges.

But comparisons are made nonetheless. During the second Bush administration, federal officials often asserted that, factoring in all such costs, contractors could provide the same services for less — a point hotly contested by feds. Now Obama administration officials are taking the opposite position.

According to industry experts who testified before the House Defense Acquisition Reform Panel, the Navy is working on a plan to insource as many as 9,800 jobs in the coming years, with the expectation of reducing the cost of services by 40 percent.

Likewise, Defense Department officials estimate they can save \$44,000 a year for each position they bring in-house, according to committee language accompanying the fiscal 2010 Defense Appropriations bill.

However, experts say such comparisons are tricky. Beyond the costs that stretch deep into agencies and last for several years, there are costs that can't be compared dollar-for-dollar, said Terry Raney, senior vice president and division group manager at CACI's Business Management Division.

For example, it is not easy to account for the experiences and skills a particular private- or public-sector employee has gained over the years, and such intangibles might be worth a higher price.

However, the real problem is that government officials aren't making the comparisons and are instead basing their decisions on other factors, such as politics, Raney said.