



In-sourcing vs. Contractors: What's Right for Your Agency?

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One of the hottest buzzwords in federal management these days is "in-sourcing", the commitment by President Obama to return more jobs that had been done in recent years by contractors back to full-time federal workers.

But is it the solution for every agency?

Joe Lynch, vice president of JHT Incorporated here in Washington, and a former Assistant General Counsel for the U.S. Navy, says the answer isn't so cut-and-dried.

"We think that using a contract workforce for some parts of an agency's mission may make a lot of sense, in terms of cost-effectiveness and efficiency." Lynch said in an interview. He appeared as a panelist at the Senior Executives Association annual meeting yesterday at the Grand Hyatt Hotel in downtown D.C.

The point we wanted to make today is that it's important for federal managers to understand that managing employees under a contract is a completely different exercise than managing federal employees who report to you directly. Both can work effectively together, both can play a key role in supporting an agency's mission, giving the agency a great deal of cost-flexibility it may not have with full-time federal employees. On the other hand, it's important for federal agencies to understand what their overall workforce needs are to develop needed expertise in upper levels, and it's important that they save some of these high-level jobs instead of making them a contract.

The discussion over in-sourcing is taking place as the Pentagon and Secretary of Defense Robert Gates, with the full support of the President, is seeking to shift from the trend toward more use of contractors and back toward having more federal staff do the work.

Lynch says it's not unusual for there to be some uncertainty in federal agencies as the administration refines its mandates for returning work done by contractors to feds.

"For the past 15 years, the pendulum has swung toward using more contractors, to do work that is done in the commercial sector" adding that there is now an emphasis on having feds do that kind of work again.

As you try to apply this in-sourcing initiative to work that's currently contracted, there are a number of issues the federal government is going to have to address. There's a lot of work that's out on contract right now where the contractors are basically bid on the basis of technically acceptable employees at minimum cost. In my view, it's going to be impossible to convert those to federal positions, and to have the same number at the same cost, because many of those positions are bid at very low benefits, and nowhere near federal employee benefits.

Asked what advice he would give to the President on in-sourcing if he were asked, Lynch said he would emphasize that agencies look closely at their missions, and ask if that given job could be performed more effectively and efficiently by contract employees or federal employees.

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