



Insourcing vs. Outsourcing: The Pendulum Swings Again

By John S. Monroe Jul 25, 2011

Two years after the Obama administration began turning back the clock on outsourcing, Congress is resetting it again. But many readers say the situation is a mess no matter how you look at it.

It all comes back to the competitive sourcing process governed by the Office of Management and Budget's Circular A-76, which is used to give the private sector opportunities to compete for government work that is not considered inherently governmental.

In the past two years, the Obama administration has attempted to reverse a big outsourcing push by the George W. Bush administration, with officials saying the swing toward outsourcing had gone too far and contractors had assumed responsibility for activities best reserved for federal workers. Slowly but surely, many of those jobs have moved back in-house.

But now the National Defense Authorization Act for fiscal 2012, which is working its way through Congress, includes several provisions that would pave the way for more outsourcing.

Whichever way the pendulum swings, many readers say the process of comparing the costs of public- versus private-sector work is ineffective.

"It would help this debate if any proposal to insource or outsource were accompanied by an open discussion of what the impacts on costs for the target operation will actually be over time," Dennis McDonald wrote. "By costs I mean total costs, not just the contract amount or payroll of the affected operation. Also, the administrative overhead and procurement costs should be considered as well."

Other readers agreed. The online discussions at FCW.com have often involved detailed analyses of how to arrive at accurate dollar amounts by figuring in salaries, benefits, and the various overhead expenses of feds and contractors. But the realities of government contracting can overwhelm even the most diligent studies.

"I went through an A-76 [process], and the contractor won by underbidding the government," one reader reported. "However, after two years, the contractor was charging the agency twice what it would be paying if the work had stayed in government."

Another reader ruefully observed that the process is so bureaucratic that it is a money-suck in itself. "Lots of paperwork has been stamped, filed, submitted, rejected, resubmitted, buried in peat moss for three months and recycled as fire fighters," the reader wrote. "But nothing has actually been done, and you only have 40 percent of the customer's money left with which to accomplish the mission."