



Insourcing's False Economy

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Feb 25, 2010

At a time when military technology staffs are under unprecedented pressure to transform the way the Defense Department shares information, there is new and growing concern that the Obama administration's efforts to cut contractor jobs — and bring work back into federal agencies — will make it even harder for the military to move forward.

The dimensions of those cuts became more clear last month when Army Secretary John McHugh told the Senate Armed Services Committee that the Army intends to convert 7,162 positions held by contractors into internal Army jobs this fiscal year. Another 11,084 positions are slated for the same fate from fiscal 2011-2015, including nearly 4,000 jobs related to acquisition work.

We see the prospects of beefing up the Army's acquisition bench as a positive development. Whether the numbers — and the work associated with those positions — reflect what's needed remains unclear. But there's little question the military needs more help on its acquisition teams.

However, it's a different story when it comes to information technology work.

The urgency to integrate and upgrade hundreds of military networks, gaps in available talent, and rapid pace of technology change — all of which have made outsourcing a necessity — aren't going away. If anything, new demands to make networks and information more secure promise to make technology-related workloads even heavier and more complex.

There are several reasons why military managers, not just the contracting community, are worried about the undertow that is likely to result from moving contracted jobs back into government.

First, it is hard to dismiss the logical expectation that contractors will lose their best talent — and find it hard to hire new talent — as soon as it becomes clear that their project work and jobs are destined to disappear. For military program managers, the risks that strategy raise are twofold. By the end of a contract, there might not be anyone who wants to work on it. In addition, a number of specialized firms that the military relies on might not survive to help meet other needs.

Another concern is the misplaced expectation that by moving jobs back onto the government payroll, workers with the requisite skills and talent will move with them. Let's face it, in a supply-and-demand world, the government has its work cut out to overcome lower wages and legendary hiring hassles.

Moreover, the expected savings of migrating IT jobs back to government is, in many instances, a false economy. Without question, the markup on contract workers has often bordered on the obscene. However, the government hasn't always been upfront in accounting for the overhead and lost-opportunity costs associated with its estimate of federal IT labor costs.

In the end, military leaders are being forced to move the jobs. But the risk is real that many critical network enterprise projects — and the project managers charged with getting them done — might lose agility and invaluable expertise for the sake of meeting a political mandate.

