



Jury Still Out on Insourcing Initiatives

Chandler Harris - March 16, 2011

Just over two years after the Obama administration directed the government to decrease its "overreliance on contractors", the effort has produced mixed results.

Defense Secretary Robert Gates followed Obama's order by promising the DoD would reduce the number of service support contractors by about 33,000 by 2015 and replace them with 39,000 full-time government employees. However, on August 9, 2010, Gates acknowledged that "we weren't seeing the savings we had hoped from insourcing." Gates has since abandoned the insourcing drive because of the lack of savings.

The primary problem is that federal pay and benefit packages substantially exceed private sector contractors in most job categories writes Loren Thompson, COO of the Lexington Institute. For instance, military personnel cost the government about \$160,000 per year. Government employees in general require health and retirement benefits that exceed the costs of temporary contract workers and "will continue to be a burden to the government for decades to come, first as employees and then as retirees," Thompson said.

Another issue has been finding the qualified talent for certain positions, as the Air Force has realized when it couldn't fill certain positions, Thompson said. The Army followed suit and suspended its insourcing initiatives last month, even after the Government Accountability Office reported the Army had identified more than 4,200 full-time jobs that contractors are performing either inherently governmental or unauthorized personal services. Plus, government agencies are finding themselves in bidding wars with the private sector for certain types of specialists such as cyber-security experts.

However, the Office of Information and Technology Homeland Security's Custom and Border Protection (CBP), said it would save up to \$40,000 annually per worker and save a total of \$40 million through its insourcing initiative. The CBP said it would cut about 1,200 contractors and replace them with 1,000 new federal employees.

"As memory of the Bush Administration's outsourcing efforts fade, the Obama Administration increasingly is making sourcing decisions for defense and civil agencies alike on the basis of merit, and it's finding that much of the time relying on contractors to perform commercial services isn't so bad after all," Thompson wrote.