

## Panelists Call for Reversal of Insourcing Policy

By Robert Brodsky

September 20, 2010

The Obama administration's insourcing agenda is costing taxpayers millions of dollars in unnecessary costs and hurting private sector jobs growth, panelists at a conservative think tank forum said on Monday.

For nearly 18 months, federal officials have shifted work the private sector performed in-house to the government, most notably at the Defense Department. As of June 30, more than 16,500 new civilian positions have been established across the department as a result of insourcing.

But critics say the administration is executing many of these conversions without analyzing the cost between the contractor and the government, and with little vision to the size and structure of the federal workforce.

Angela Styles, a former top procurement executive who led George W. Bush's competitive sourcing initiative, told a crowd at the Heritage Foundation that the Obama administration's policies are short-sighted and fail to capitalize on the best industry practices.

"We are creating silos between the public and private sectors," said Styles, who served as administrator of the Office of Federal Procurement Policy at the Office of Management and Budget from 2001 to 2003 and now is a partner at the Washington law firm Crowell & Moring. "We need the best combination of people."

Democratic lawmakers essentially have ended the A-76 job competition policies Styles helped enact through repeated governmentwide moratoriums. But with unemployment near 10 percent, industry officials argue it is time to bring back competitive sourcing and allow work to be competed again with contractors.

"The federal government has gotten too big to succeed," said John Palatiello, president of the Business Coalition for Fair Competition, an industry group that has called on President Obama to impose an immediate moratorium on insourcing. "They are trying to be all things to all people."

The coalition has urged the administration to adopt the *Yellow Pages* test toward performing government functions. If the position can be found in the *Yellow Pages*, then it should be competed; otherwise it should stay in-house, he said. Palatiello said about 850,000 current federal positions are suitable for competition.

Others on the panel think the government needs to go further, dramatically reforming the federal compensation system. James Sherk, a senior policy analyst in labor economics at Heritage released a study in July that claimed public servants earn higher salaries and more generous benefits than their private sector counterparts, while enjoying far greater job security.

"This is not a good system for paying federal employees," said Sherk. He argued that bringing federal pay in line with private sector compensation would save taxpayers approximately \$47 billion in 2011.

The Heritage Foundation report recommended lawmakers abolish the General Schedule and implement performance-based pay, hire more private contractors, reduce federal benefits and end dismissal restrictions to make it easier to fire subpar federal employees. Government labor unions and administration officials have disputed the report and its findings.

Many on the panel cited Defense Secretary Robert Gates' Aug. 9 comments that the department has not been "seeing the savings we had hoped from insourcing."

The Pentagon has put the brakes on insourcing conversions at many Defense offices, but is allowing transitions to continue at all the military services. Approximately 12,000 new civilian positions will be created in fiscal 2011 through insourcing contractor functions, Thomas Hessel, a senior analyst in the Office of the Undersecretary of Defense for Personnel and Readiness told *Government Executive* earlier this month.