



1600 Wilson Boulevard | Suite 900 | Arlington, VA 22209
Phone: 703-522-5828 | Fax: 703-522-5837

Pentagon Personnel Problems Further Undermine Insourcing Efforts

Daniel Goure, Ph.D.

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Over the past two years, the Obama Administration's plans to improve the economy by taking contracts and jobs away from the private sector and insourcing them to government workers has suffered a number of setbacks. This has particularly been the case when the Pentagon went on an orgy of insourcing of support and sustainment work. First it became clear that the government lacked the management skills, understanding of supply chains, engineering experience and technical information to successfully perform much of the work. Then the customer for sustainment and maintenance work, the warfighters, began to complain about the impact of insourcing on platform and system availability. Most recently, it was revealed that analyses by the military services of the cost savings associated with insourcing were, in many instances, fundamentally flawed. The recently retired Secretary of Defense, Robert Gates, was forced in 2010 to admit that the cost savings he had hoped to achieve through insourcing had not been realized.

Now we can add personnel woes to the lengthening list of reasons why the Pentagon's campaign of insourcing is coming to a screeching halt. Successive budget cutting drills have savaged DoD plans to increase its civilian workforce. It is becoming clear that not only will the Pentagon not be able to increase its civilian workforce but that major cuts are looming. The Air Force, the service that has been most aggressive about insourcing, announced a ninety day hiring freeze on new civilian employees. This follows similar decisions by the Army and Marine Corps.

The personnel situation for the military is only going to grow worse. Efforts to reduce overhead expenses means shuttering facilities and firing people. The Air Force now plans to cut some 16,000 people from its current workforce in 2012 alone. Looking down the road, an Air Force spokesperson said that "future civilian funding across the Air Force will be a significant challenge due to budget reductions and the associated Department of Defense requirement to limit civilian funding to FY10 levels." The same injunction applies to the other services and OSD. Even where the Pentagon continues to hire, the federal pay freeze

will make it more difficult to entice the high quality, experienced professionals the government will need in order to perform some types of work it seeks to bring in house.

It appears that the only people who have not received the memo are some parts of the public defense industrial base: the depots, arsenals and logistics centers. Some of these centers hired prodigiously during the salad years of the defense buildup and now face the prospect of significant personnel cuts. One way to avoid having to make these cuts is to take work away from the private sector. Some of the depots are so desperate that they are attempting to rewrite partnering agreements with private sector firms. Or they are trying to take over the function of program integrators, breaking successful, structured contracts into multiple awards that they will try and manage. Even sillier are some efforts to convince Congress to change the definition of core workload in ways meant not to support the government's legitimate needs but simply to increase depot work share.

Ultimately, the effort by some parts of the public defense industrial base to advantage themselves at the expense of their private sector partners will be self-destructive. They will lose access to the private sector's constantly evolving knowledge base. Absent a partnership, the private sector will have no incentive to help the public sector improve performance and reduce costs. The private sector will rapidly lose interest in sharing additional work with the public sector. With another base closure round all but inevitable as DoD deals with deep budget cuts, the leadership of the public sector needs to consider the risks of breaking bad with private sector partners.