



Predictably, Pentagon Insourcing Plan Goes Awry

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There is a lot of truth behind the old joke that an elephant is a mouse built to government specifications. So it should not be a surprise to discover that only a year after Secretary of Defense Robert Gates announced a plan to replace thousands of private contractors with permanent government employees the plan is going awry. The intent of this “insourcing” effort was first to improve the quality of the government workforce, bringing into the government the system engineering and contracting skills that would allow better management of acquisition programs. DoD components were directed to make insourcing and hiring decisions based on required strategic human capital plans. The second reason was to save money. Early indications are that neither goal is being achieved.

Rather than doing the difficult job of finding qualified people to take on positions of responsibility and conducting the analyses to find those areas where insourcing could save money, the DoD bureaucracy is taking the easy way out. Instead of being guided by their strategic capital plans, DoD components are simply running up the number of positions being converted. The Air Force’s Materiel Command, a major employer of both government and private workers, recently announced the insourcing of more than four thousand positions. DoD is making virtually no effort to demonstrate that by their decisions they are gaining the human capital desired. Indeed, the government may lose access to vital capabilities as private contractor support is ended but the desired cadre of experienced professionals does not enter government service.

Secretary Gates repeatedly says that people are his greatest asset and the highest priority resource that must be protected and nurtured. Yet, he is standing by while this very resource, but in the private sector, is being undermined. In a recent letter to the Secretary, the President of the Professional Services Council, Stan Soloway, warned that “we are witnessing thousands of contractor employees, many of them members of unions and/or employees of small businesses (some of which face the potential of literally going out of business), having their jobs terminated, in many cases, leaving the contractor employee out of work.”

In addition, there is no evidence that insourcing is saving the government money. Rather than insourcing the highest cost activities, DoD components are bringing inside the government many routine functions for which the savings are, at best, marginal. In many

instances the cost analysis done to justify insourcing is either incomplete or simply flawed. For example, DoD elements claim potential savings based on a comparison of the fully burdened costs of the private sector worker (this means management, overhead, retirement, training, etc.) but not the straight labor costs of a government worker. This is ridiculous since the government pays all these additional costs; it simply does so in other accounts. This approach also violates DoD directives regarding the elements of the business case analysis that must be performed before an insourcing decision.

In effect, the DoD insourcing effort is not building an elephant based on specifications for a mouse. Instead it is building a flea. While doing so, it is also destroying thousands of private sector jobs and increasing the costs of defending the nation. Unfortunately, this situation was as predictable as it is tragic.

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