



Professional Services Council has Concerns About DoD Insourcing

Dorothy Ramienski May 4, 2010

The Defense Department's strategic plan to insource various jobs is problematic, according to the Professional Services Council.

The process of insourcing involves bringing work currently done by contractors back into the federal sphere.

Stan Soloway is president of the PSC, which recently sent a letter to Defense Secretary Robert Gates expressing concerns about DoD's process. One of the issues, he explained, has to do with the multiple categories of insourcing.

"In our letter . . . we try to draw a distinction between efforts that he has underway, which we applaud, to rebuild critical skills at the Defense Department, which you also see in other agencies -- Secretary Napolitano at DHS, Secretary Clinton at the State Department, and others are talking about some of the critical skills they need to really manage and control their operations that have atrophied or just haven't been as available as need be over the recent years. That's a strategic human capital realignment, and so that may involve some insourcing of positions that have been contracted simply because the personnel weren't available in house to do the work.

"The other side of it is, work that could be performed by other government or private sector employees from any measure [and] you look at cost and performance and so forth. That kind of insourcing, really, is the same as outsourcing. It becomes a 'make/buy' decision based on really sound analysis and sourcing principles. Unfortunately, that element -- at DoD -- we're not seeing today."

This is why the PSC is concerned that DoD's insourcing is becoming quota driven, and is not necessarily being done by taking into consideration what is best for the agency.

About a year ago, Secretary Gates said he wanted to add 35,000 - 40,000 people to the DoD workforce, with about half of those new feds working in acquisition.

In addition, about 20,000 of those workers would be insourced, and the rest would be new hires.

"All [of them] really would pretty much focus on critical skills that DoD feels it needs to maintain control over its missions and operations -- either inherently governmental, which would be a small number, or what some people refer to as 'closely associated with inherently governmental positions'. There was an additional number in there where you could demonstrate that there will be lower costs within the government. . . . To date, what's happened, and these are DoD's figures, not ours, about two thirds of the positions that [the agency] has identified for insourcing fall in that last category."

Soloway explained that the PSC is concerned because, as it appears so far, most of the insourcing isn't bringing new or critically skilled employees into the Defense Department. While he acknowledges that DoD is bringing more people into the agency, more needs to be done about the overall insourcing process.

"They are getting people in. That's not the issue. The issue is that two-thirds of that sort of routine work, and there the evidence is very strong that the cost analytics are lacking dramatically. What prompted the letter from us, and there was an identical letter from one of the largest unions in the country . . . sharing the evidence that we've uncovered that we've now seen that suggests this has become sort of a quota-driven game, where each military department and command has been given its share, but the savings assumptions that have been built into the budget are actually not coming to fore."

Soloway said, since the PSC works with a lot of companies who have unions, it is not unusual for the two groups to join together on a matter such as this.

"There's a lot of concern on their part, for the same reasons we have it -- which is, if you're going to do it, you have to demonstrate that there's a benefit to the department of the taxpayer, and that demonstration is not only not there, but we actually have data now from individual cases where there are no savings and, in fact, higher costs, yet the insourcing is continuing."

Soloway said that the PSC wants to see more work done when it comes to establishing full cost.

"You cannot build these budgetary assumptions and make these decisions without knowing what the long term impacts are going to be. That's the danger {DoD} is running up against."

Soloway said there is also another concern -- lack of competition.

"What we're seeing today is even more barebones than what would go into an A-76, which was imperfect as it was. For the work that is already contracted, and for which there's no compelling reason that it needs to be performed inside the government, the one big piece that's missing from all of this discussion is the role of competition. The benefit of A-76, to the extent that it had benefits for the government, was that we know the competition itself -- the holding of a competition -- drove savings. The government won some of those competitions, [and] the private sector won some, as well. We know that

competition is really . . . the best way to drive efficiency, lower costs and better performance. . . . All of this that we're talking about around work that's already contracted . . . nobody's talking about competition."

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