



## Staffing Firms Still Getting Work Despite Push for Federal Insourcing

Citing the rise in federal contract spending to more than \$500 billion in 2008, the Obama administration issued a memorandum to all federal executive departments and agencies in March 2009. The president sought an overall reduction in contracting, with 'inherently governmental' functions to be insourced back to the civil service. Yet staffing firms are still busy with government contracts.

By **Bridget Mintz Testa**      **August 2010**

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Staffing firms contracting with the government say there's plenty of business heading into 2011 despite the Obama administration's edict last year to cut outsourcing and boost federal hiring.

"The federal market is growing for Kelly Government Solutions," says James Hoen, vice president and division manager of the organization. "Our revenue has grown in the last two years," though he declined to say by how much.

With 1,600 people and more than \$100 million in revenue at Troy, Michigan-based Kelly Government Solutions, Hoen sees plenty of opportunities, even if contracting is cut in the future.

"The federal government will outsource when they have niche requirements," he says. "It's much easier for Kelly Government Solutions to hire for project work than it is for the government."

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Yet Crystal Blackwell, president and CEO of Decatur, Georgia-based Staffing One Inc., says she's racing to keep up with all the contract work her 200-person firm is receiving.

"This administration doesn't want to increase the number of contract employees," she says.

“But we’ve seen a dramatic increase in contracting opportunities across all disciplines. Last year, it got busy around July 4. This year, it started around Memorial Day.”

Blackwell added that the government is spending the money earlier this year for two reasons: They have more of it, since more funding was appropriated this year for certain projects that call for outside staffing, and they must spend it all before the end of the fiscal year or they'll lose it.

The acceleration of government contracting is expected to slow while government hiring grows with the start of fiscal 2011. “For the community of contractors, there will be a possible downturn of about \$36 billion—the annual revenue of Lockheed,” says Ray Bjorklund, senior vice president and chief knowledge officer at consulting firm FedSources and the author of the report, “Federal Budget Analysis—2011.”

“While this will create havoc for contractors, will it be precipitous?” Bjorklund asks in the report. “It won’t be overnight. The hiring practices of the government tend to be as slow as molasses in winter.”

Niche staffing needs should prop up contractors through a lean winter and spring. Kelly Government Solutions provides more than 1,400 researchers to the National Institutes of Health.

“The government looks for specific skill sets they may not need for a long time,” Hoen says. “These researchers may be needed for two years to three years, so NIH doesn’t want to hire full-time federal employees [for those positions].”

Even with the predicted \$36 billion cutback in 2011, contractors could find themselves called on to help federal agencies.

“The government must figure out how to recruit, hire more smartly, train and retain new government hires and do the actuarial work to figure out how to pay them,” Bjorklund says. “There are emerging opportunities for all these workforce development activities.”

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