



The Reinvention of Insourcing

By Matthew Weigelt Dec 10, 2010

It's not easy to talk about reducing the government's reliance on support contractors when plans are afloat to freeze federal pay and perhaps even shrink the federal workforce.

That's not to say the Obama administration is giving up on its insourcing strategy. By all accounts, officials remain committed to bringing work back into agencies and keeping contractors on a shorter leash. But their vision of a sweeping insourcing program might need to be adjusted.

Lou Crenshaw, a principal at Grant Thornton, said agencies will need to trust contractors as they blend the workforce and define the appropriate roles for contractors and federal employees.

"The word 'insourcing' will dry up and be replaced with 'multisector workforce,'" said Crenshaw, who retired from the Navy as a vice admiral.

Sound familiar? The idea of a blended or multisector workforce has been around for a while, but it fell out of vogue during insourcing's heyday. Now the concept might prove useful again as agencies start to take a more strategic approach to their staffing plans.

"Strategic" is the operative term, Crenshaw said. In the past two years, many federal managers made staffing decisions based on what they thought the front-office executives wanted. Managers complied with the insourcing initiative but forgot its main intent of finding the right person for the job.

Congress muddied the waters by loading appropriations bills with provisions that rolled back the George W. Bush administration's competitive sourcing strategy. And when the Obama administration began talking up insourcing, it was widely perceived as a mandate.

Now circumstances are likely to force agencies to strike a better balance.

One wild card is the proposed pay freeze. In theory, it could chill the interest of would-be new hires, although that depends on the state of the private sector, where job security is generally slim and raises are not guaranteed.

Joan Golden, a consultant at Topside Consulting who previously served as human resources manager at the Agriculture Department, said a freeze on pay raises could lead to other freezes in hiring or even promotions, which would further reduce candidates' interest in insourced jobs.

The other wild card is the recent deficit-slashing proposal by the National Commission on Fiscal Responsibility and Reform, which recommends cutting the government workforce by 10 percent — or by 200,000 employees — and hiring only two new employees for every three who leave their jobs.

But even if neither proposal comes to pass, the Obama administration could find insourcing more difficult in 2011. The initial wave has already swept up the obvious candidates, and in the coming year, it will be more difficult to find targets — or feds with the appropriate skills to take on the work, said Larry Allen, former president of the Coalition for Government Procurement and now president and CEO of Allen Federal Business Partners, a consulting firm.

All those reasons mean agencies need to develop strategic plans for building the multisector workforce,

Crenshaw said. "This is not just about whacking contractors," he added. "It's about common sense and a business case analysis."

Nevertheless, Robert Burton, former deputy administrator at the Office of Federal Procurement Policy and now a partner at Venable law firm, said no one should write off insourcing yet.

Officials are still thinking in terms of insourcing, not balancing the workforce, Burton said. They even plan to add insourcing provisions to federal regulations in the coming year.

Whatever else is going on, "it is not very likely that insourcing will take a back seat," he said.

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