

## Union Blasts Scaled-down Defense Insourcing Plan

By Robert Brodsky

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The largest federal labor union expressed concerns on Thursday that government employees will unfairly bear the burden of the Defense Department's efficiency initiative.

American Federation of Government Employees Public Policy Director Jacqueline Simon told the House Budget Committee the department likely will be unable to meet its goal of reducing service contractors by 30 percent during the next three years unless it greatly expands its efforts to bring private sector jobs back in-house.

"AFGE members in the Defense agencies, who have been doing more and more with less and less for several years, are understandably concerned what a combination of real reductions in contractors and a freeze on the civilian workforce will mean for their ability to perform their missions," Simon told the committee.

In August, Defense Secretary Robert Gates announced he was scaling back the department's insourcing plans, in part because the initiative had not achieved the expected savings.

Gates instituted a three-year hiring freeze at the Office of the Secretary of Defense, the combatant commands and Defense agencies. Insourcing, however, will be allowed to continue at the military services.

The union suggested Gates prematurely abandoned the insourcing efforts based on an incomplete analysis of two categories of work, rather than examining a broader spectrum of activities that have been subject to contracting.

In many instances, Gates said service contractors will not be automatically replaced by civilian employees. But Simon suspects Defense's mission will suffer if more in-house workers are not brought on to replace the contractors.

"AFGE members are very concerned that, for the third administration in a row, the civilian workforce will bear a significantly disproportionate share of the sacrifices necessary to achieve efficiency," Simon said. "As history shows, DoD has repeatedly frozen and shrunk its civilian workforce, resulting in wasteful wholesale privatization as well as widespread losses of critical in-house capacities."

But the leader of a contractor trade association told the committee that the department's insourcing plans have gone awry due to a lack of strategic focus.

Stan Soloway, president and chief executive officer of the Professional Services Council, argued some Defense insourcing transitions have been based on arbitrary personnel and cost savings quotas. In other instances, Defense agencies did not conduct a fair public-private cost comparison, often excluding the long-term health care or retirement benefits of government employees, he said.

"The department's insourcing process has been marked more by efforts to meet those [head count and dollar] targets and survive presumptive budget cuts than by strategic workforce efforts focused on the kinds of skills the department needs most and that the secretary set out to address," Soloway said.

PSC suggested Defense be required to analyze the total life-cycle costs of performing the work in-house for all insourcing actions that are not deemed to be inherently government or that are so

critical they must be performed by federal employees. The government does not have to conduct a cost comparison when insourcing for functions in those two categories.

"This analysis should also include an assessment, made on the basis of reasonable market research, of the potential benefits that might accrue through a new competitive award process, or through contract adjustments negotiated with the incumbent contractor," Soloway said. "Finally, there should be an analysis of the impact of an insourcing decision on small businesses prior to finalizing the decision."

As of June 30, more than 16,500 new civilian positions have been established across the department as a result of insourcing contracted services, Thomas Hessel, a senior analyst in the Office of the Undersecretary of Defense for Personnel and Readiness, told *Government Executive* in August.

More than half these positions were brought in-house because the work was determined to be inherently governmental, closely associated with inherently governmental, or otherwise exempt from private sector performance, he said. The initiative will add 12,000 new civilian positions in fiscal 2011, said Hessel.