

FROM A UNION PERSPECTIVE

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CONTRACTING OUT: *A SHAMEFUL POLITICAL PLOY WITHOUT A DIME OF DOCUMENTED SAVINGS*

In 1993, the Clinton administration announced the downsizing of the federal employee workforce by 250,000 positions as part of the reinvention of government. Only later did the administration admit that it chose that number because it “sounded good,” and had no foundation whatsoever in any thoughtful review of the government. Now, 7 ½ years later, 370,000 federal employee positions have been eliminated. In many instances, they were replaced by contractors. A multitude of studies conducted inside and outside government conclude the federal government cannot demonstrate contracting-out resulted in the savings of even one taxpayer dime. In fact, the cost of running the federal government has increased. Contracting-out is a sham and an outrage that must be stopped until more thoughtful minds determine the best source of government services.

The General Accounting Office (GAO) takes the following view:

“During the long history of our work in this area (contracting), GAO has consistently found that evaluating the overall effectiveness of contracting-out decisions and verifying the estimated savings reported by agencies is extremely difficult after the fact. As a result, we cannot convincingly prove nor disprove that the results of federal agencies’ contracting-out decisions have been beneficial and cost-effective.”

In 1992, a House Committee reviewed reports of massive abuses by contractors, which led it to conclude government “ineptitude, poor planning and inadequate auditing” and contractor “venality and corruption...” cost taxpayers billions of dollars in faulty procurement each year. Not much has changed during the past 7 ½ years since the Clinton administration warmly embraced contracting-out.

Would you invest your retirement funds in a large company that randomly contracted out 370,000 positions and could not demonstrate savings? I doubt it. Are agencies stopping the mad rush to contract out until someone does the math on whether contracting-out makes sense? I doubt it. To the contrary, the Department of Defense (DOD) recently announced that several hundred thousand federal employee positions will be subject to cost competition with private contractors. If the cost competitions were legitimate, you would think someone could tell us after 7 ½ years whether there were any savings. Over the past ten years, the GAO repeatedly reported that DOD cannot

demonstrate savings from contracting-out. A recent report by the Defense Department Inspector General concurs with the GAO findings of poor DOD contractor management. The DOD Inspector General reported an audit of 105 service contracts revealed an error in each and every contract. It is the kind of conclusion you will often find when reviews of government contracting are conducted.

The Clinton administration's claims of cost savings goals are merely a superficial disguise for a political agenda. If cost savings were the goal, where is the contracting-in that would save money where contractors failed to adequately perform. Considering the size of the federal government, it is impossible to believe that each decision to contract-out resulted in better service and lower costs. Are there no functions performed by contractors that could be performed less expensively and better by federal employees? Federal employee performance can be less expensive because of the benefits from the economy of scale, the lack of built in profits, and the lack of enormous salaries paid to top level executives in private firms. Where are the studies on contracting-in? I have watched carefully for contracting-in over the past 7 ½ years. It did happen a few times, but there were reports of hundreds of functions contracted-out. Based on the governments record in this area, I doubt the federal government could tell us the number of jobs contracted-in.

Stop the madness. All of us, including federal employees, are taxpayers. We all want a government that performs the best possible quality service at the lowest possible cost. Until the government acquires the ability to determine whether there is a cost savings, stop the contracting-out.