



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

STATEMENT OF

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before the

**SUBCOMMITTEE ON CONTRACTING OVERSIGHT
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENT AFFAIRS
UNITED STATES SENATE**

on

CONTRACTORS: HOW MUCH ARE THEY COSTING THE GOVERNMENT?

MARCH 29, 2012

Chairwoman McCaskill, Ranking Member Portman and Members of the Subcommittee:

Thank you for the opportunity to testify before you today on contracting and the multi-sector workforce.

The U.S. Office of Personnel Management (OPM) is the central human resources agency for the Federal Government, providing leadership and guidance to Federal agencies on government-wide policies for strategic management of the Federal workforce. The American people expect and deserve a high-performing government that can efficiently and effectively carry out its missions, such as defending our homeland, providing care to our veterans, and ensuring the safety of our air and water. Performing this highly challenging and complex work depends on an engaged and well-prepared workforce with the right mix of knowledge, skills, and abilities.

One of OPM's roles is to set standards for effective management of human capital, and to assist agencies in meeting those standards. OPM evaluates agency performance in meeting the standards through an annual reporting, evaluation and feedback process. One of these standards is Strategic Alignment – having a human capital strategy aligned with mission, goals, and organizational objectives.

Effective workforce planning is critical to meeting the Strategic Alignment standard. Workforce planning is the systematic process to identify and document mission-critical occupations and

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associated current or anticipated competency gaps, then to address those gaps using strategies and techniques such as restructuring, recruitment, redeployment, retraining, retention, or technology solutions.

OPM, however, does not get involved in specific agency workforce planning decisions, nor does it get involved in agency-specific decisions such as whether or not to competitively source or contract particular functions. OPM does analyze non-Federal and Federal sector pay for the purposes of comparisons required for setting Federal employee pay under the General Schedule pay system, but it does not determine whether Federal employees or private contractors are more cost-effective in the performance of government operations. Agencies have that responsibility in their specific areas of operation. For instance, as agencies consider the appropriate size and composition of the workforce necessary to carry out their missions, the determination on whether to use private sector contractors is best informed by application of sound planning principles, such as the level of specialization needed for specific tasks, the duration of need for that specialization, and cost comparisons. Other considerations include the availability of expertise, the time needed to train new employees thoroughly, the urgency of the need, the resultant opportunity costs, and the need for institutional memory.

It is worth emphasizing that a simple comparison of labor costs alone is not likely to answer the question of which sector would be more cost-effective and efficient in performing a given task in a specific circumstance. For example, a cost comparison to consider in-house performance as an alternative to continued contract performance might be beneficial if requirements tend to be managed best through an employer-employee relationship, the agency has experience performing the work in-house, the ability to recruit for the skill is high, and the government has historically had challenges with contractor performance. By contrast, the benefit of a cost comparison may be lower if the agency is looking to meet a surge, short term, capacity that would be costly to address through a long-term hiring, the agency currently lacks an in-house capability to perform the work, and the agency has had considerable success in getting good performance at a reasonable cost from its contractors. All of these factors may have a role in determining when a cost comparison is likely to be most effective in achieving best value for the taxpayer.

OPM provides guidance and training to assist agencies in identifying workforce requirements. For example, we have provided such guidance on forecasting and determining the workforce agencies will need, and as well as assistance in identifying agencies' staffing and competency gaps. Additionally, agencies should be mindful in their workforce planning to ensure their long-term needs are being considered and that institutional knowledge is appropriately valued.

In conducting training sessions on multi-sector workforce planning, OPM has focused on the way our human capital management standards apply to multi-sector planning. OPM has not delivered training on how agencies should appropriately compare the costs of a contracted versus employed workforce. This analysis falls under the purview of individual agencies. Agencies may refer to OMB publications such as Memorandum M-09-26, July 29, 2009, which requires agencies to begin the process of developing and implementing policies, practices, and tools for managing the multi-sector workforce, for guidance in making such comparisons. Additionally, on September 12, 2011, OMB's Office of Federal Procurement Policy published a policy letter,

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“Performance of Inherently Governmental and Critical Functions,” in order to provide guidance to agencies on governmental and critical function management.

OPM has provided technical assistance and training to agencies regarding human capital planning concerns associated with potential recruiting and hiring needs. For example, during FY-10 and FY-11, OPM provided one-on-one technical guidance to assist agencies on the fundamental principles of the Human Capital Accountability and Assessment Framework (HCAAF) and how the HCAAF supports sound workforce planning. During FY-11 and FY-12, OPM continued to provide extensive agency-specific technical guidance on how to implement strategic workforce planning. OPM will continue to assist and support agencies in this capacity.

OPM is also co-chairing an interagency working group with the Department of Defense to implement the Administration’s Cross-Agency Priority Goal to close skill gaps to more effectively achieve agency missions, an important workforce planning effort that will require agencies to look at recruitment, training, and business processes, as well as the use of technology and contractor support. OPM’s support and coordination of effective management practice-sharing among agencies will be essential to achieving the goal.

Conclusion

Thank you again for the opportunity to be here today to discuss this important issue with you. I will be happy to respond to any questions you may have.