

Federal Times

Most fed jobs survive A-76 contests

March 8, 2004

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Federal employees, it turns out, fare amazingly well when pitted against contractors in public-private job competitions.

In 2003, 89 percent of federal jobs that were subjected to a full competition or streamlined competition remained in-house, according to a Feb. 27 report by the General Accounting Office. That number trumps an already convincing 75 percent success rate for employees in 2002. The numbers were drawn from competitions held by six large departments that, combined, comprise 84 percent of the commercial positions in the executive branch. Although the report detailed how many federal jobs remained in-house when subjected to contractor competition, it did not include details on how many competitions were won and lost by federal agencies.

The GAO report offers no explanation for why federal employees fare so well, but several competitive sourcing officials think they have the answer: Federal workers know their work well and do it at a relatively low cost. When pushed to head-to-head competitions with the private sector, government employees overwhelmingly come out on top.

“They’re obviously in a great position for putting together a competitive proposal,” said the Interior Department’s Scott Cameron, deputy assistant secretary for performance and management. Another advantage is that federal workers are used to working with lean budgets, he said. “Many are already starting off in a fairly efficient situation,” he said.

Clay Johnson, the Office of Management and Budget deputy director for management, sees merit in that interpretation.

“People in agencies know the work, they are motivated to keep the work, and it suggests they know how to do it effectively,” he said. But he cautioned against broad generalizations: “The answer is probably different for every case.”

Response from other circles was more pointed.

One union official argued if the administration buys into that interpretation, then it should require agencies to allow federal workers to compete for work now held by contractors.

“Civilian employees are significantly more efficient than contractors,” said John Threlkeld, legislative representative for the American Federation of Government Employees (AFGE), the largest federal union.

And on the other side of the equation, the Professional Services Council (PSC), an association representing government contractors, believes the overwhelming wins by federal workers reflects a need to revisit whether a full and fair competition exists in the so-called A-76 process. OMB Circular A-76 is the government's rulebook for conducting competitions between federal employees and contractors.

"The disproportionate win rate calls into question whether 'competition' is really a misnomer," said Alan Chvotkin, senior vice president of PSC in Arlington, Va. He said his organization plans to comb through the details behind the competitions GAO studied. "The purpose of the circular, old or new, is competition."

One issue PSC will explore is if managers who conducted the job contests minimized competition from the private sector. "There's probably an advantage to incumbency the same way it is with the private sector," Chvotkin said. "But we will be doing our own work to dig down into the numbers."

Too much winning?

The high win rate has raised a cautionary flag at the Pentagon, which has been running job competitions for over three decades. Up until three years ago, Defense civilian workers won about 55 percent of competitions against companies, according to Joe Sikes, director of competitive sourcing and privatization for the Defense Department. That rate has climbed to more than 70 percent.

"The outcomes have been pretty even for about 30 years and now there's creep," Sikes said. "We have a good work force capable of doing the job, but I suspect there's some sort of problem in the process."

Looking at the GAO findings for other agencies, Sikes also believes that the high number of expedited job studies known as streamlined reviews may skew the outcome of competitions. These job contests, permitted for functions involving 65 or fewer employees, require a simplified cost comparison with the private sector. Without needing to issue formal solicitations and weigh bids from competitors, managers overwhelmingly conclude their in-house employees are the best option, he said.

"A streamlined review is a business case analysis rather than a full competition," Sikes said. "Ninety-eight percent of the time it is decided that the in-house operation is the better choice. That's what has been happening here."

That is also what apparently happened at a number of civilian agencies in 2003. Of the 3,256 employees who were included in streamlined studies at the Agriculture Department that year, 3,250 kept their jobs. A similarly high win rate took place at other departments.

The 47-page GAO report, "Competitive Sourcing: Greater Emphasis Needed on Increasing Efficiency and Improving Performance," was released Feb. 27. The study is based on interviews with competitive sourcing managers at the Defense, Veterans

Affairs, Health and Human Services, Interior, Agriculture, Treasury and Education departments. The six agencies employ more than 80 percent of all federal workers performing work deemed commercial, which are the jobs agencies must open to contractor competition.

The White House made public-private job competitions a top priority in August 2001 in its high-profile management agenda at a time when only the Defense Department had experience with the process. The administration's initiative originally called for competing half of all 850,000 commercial positions throughout government, with a goal of 15 percent by Sept. 30 last year. OMB dropped that quota last summer when it became apparent that most agencies would fall far short of that target as the deadline neared.

Debate goes on

The report does little to douse a fiery debate between advocates and opponents of competitive sourcing. Both sides find elements in the report that bolster their positions.

AFGE, which strenuously opposes job competitions, notes the GAO report finds no measurable savings or increased efficiency and criticizes the Bush administration for pushing arbitrary quotas for job contests.

The union also questions the data used by GAO to establish a track record of A-76 activity since it is mostly derived from the Defense Department — civilian agencies have only limited experience so far with A-76 job contests. What's more, the report's tally involves competitions held under Circular A-76 rules before they were revised last May, AFGE's Threlkeld said.

"The GAO report provides a snapshot too early in the history of the new A-76 to be of much guidance," he said.

AFGE has supported a rollback of the A-76 changes made by OMB last year that place one-year time limits on competitive job reviews as a way to encourage more companies to bid for work done by federal employees.

Slow pace by civilian agencies

In 2002 and 2003, Defense completed 177 full competitions involving 30,370 full-time positions. But the civilian agencies GAO looked at — Agriculture, Education, Health and Human Services, Interior, Treasury and Veterans Affairs — completed no full competitions in 2002 and only 17 full competitions involving 1,925 jobs in 2003. Those departments — including Defense — possess a combined 84 percent of the commercial positions that exist among 26 agencies.

The slow pace of job competitions at the civilian agencies over the past two years may be a good thing, said Johnson at OMB.

Agencies that completed only a few competitions were able to learn the lay of the land and build their confidence in a process that managers outside Defense had rarely used.

“They’ve demonstrated they can do these things now,” he said.

Staffing and funding challenges

Federal managers also are getting a better feel for the benefits and challenges of competitive sourcing. Many say the process delivers tangible savings, but it is a painful one because they are short on the cash and personnel needed to conduct the contests.

Many departments have only one or two full-time staff members to interpret new laws Congress approves in a piecemeal fashion, implement new OMB guidance, maintain inventories of positions and activities that can be competed, and oversee agency competitions.

“More funding and staffing? Absolutely,” said Donna Kalvels, contract management director for the National Parks Service who now also directs competitive sourcing with the help of two contract employees.

Tim Wheelles, competitive sourcing program manager for the National Institutes of Health, said job contests place added burdens on those already working full time on other responsibilities.

“A-76 is a resource-eater,” he said. “To do it right, you need to rely on people with program knowledge. It was a real problem and possibly makes a group less competitive since I was pulling employees out of their programs to work on the competition.”

The new A-76 rules may be even more work-intensive because they impose a one-year deadline on competitions, Wheelles said. “It’s difficult to tell if these strict timelines will always agree with other responsibilities people have,” he said.

Under the old rules, standard competitions were open-ended and could take three years or more to complete.

Even Defense feels the funding and staffing pinch brought on by the heightened demands of competitive sourcing, the GAO report claims. Despite having a seasoned management structure to supervise civilian job competitions, many Defense agencies have only one or two full-time staff members devoted to the effort. One unnamed Army official told GAO that an additional 100 to 150 workers, including attorneys, human capital specialists and contracting officials, are needed to carry out the program as called for by the White House.

The Defense Department’s Sikes takes the comment with a grain of salt. “Everyone always could use more staff and resources for whatever they do,” he said.

The possibility of OMB urging Congress to provide more funding to run job contests is slim. OMB plans to stay the course and urge managers to find funding from their existing cash flow, which will grow as more and more competitions produce cost savings, Johnson said.

“Would every agency like to have more money? Yeah, of course. But competitive sourcing is just part of running an agency,” he said. “No one has complained loudly enough that they don’t have enough resources to perform competitions.”

Rewards of competitive sourcing

Despite the challenges and costs involved, many agencies say there is a payoff in competitive sourcing. NIH is one example. The agency conducted two contests last year involving 1,464 full-time employees who provide administrative support for grants and in property management. It cost the agency \$7 million to conduct them. In both cases, the NIH employee groups won because of their reorganization plans, called most efficient organizations, and the agency expects to save \$35 million a year as a result, Wheelles said.

The reorganization plans call for some staff reductions, and some jobs being downgraded, but all workers are guaranteed retraining and jobs elsewhere in the government, Wheelles said.