6/14/2001

To: Members of the Commercial Activities Panel

From: Tom Doyle – Program Analyst – US Dept. of Agriculture
Food Safety and Inspection Service
Technical Service Center
Omaha, Ne 68102
Ph: 402-221-7400 (wk)
402-235-3348 (home)

Dear Distinguished Members of Panel:

I am requesting that these following comments be included as part of the record for the public hearing held 6/11/2001.

It was very recently that I became aware of the FAIR Act of 1998 which requires agencies to provide listings of positions which could be considered commercial in nature and thus potentially could be put out for competition or privatization. I am surprised that I have not heard of this act prior to now, and more surprised that no one that I spoke with at the working level, including managers, were aware of this either. The reason I touch upon this is that I believe all employees potentially affected by this act should immediately be made aware of what is currently transpiring. There are many issues that could be brought forth by the persons most affected by this decision. I would suggest an all employee memo from OMB explaining what is possible, proposed, and why. In addition, employees should be told if they are currently on the list.

I also became aware recently of an item similar to the FAIR Act, namely the Administration's goal of reducing the number of managers by 40,000 using various methods. As an analyst and as a former Statistician and Economist with the IRS in a Tax Compliance Research group whose job has to been to review information considering all factors possible, my first reaction was that this seemed very arbitrary. It appeared to be stating that a number was created and this goal was going to be achieved. In other words, lets make a target, and try to hit it. As to the reasoning behind it or background given as to the current state of affairs in the federal workplace, I saw nothing.

My comments to fellow employees and others was that this really seemed ridiculous to just come in and say we are going to eliminate these jobs without a real knowledge of the impact it might have or what types of current workforce pressures are currently in place. It appears clearly that the main reasoning is that we are just going to get rid of some people and cut costs. As I am aware of the many articles written concerning the potential retirement of a great deal of the federal workforce in the near future, and resultant impending government workforce shortages of various skilled personnel, this seemed even more counter-productive to what is needed now. The administration has since backed off and taken the approach that they would let the facts dictate the situation, which clearly should be the first step taken in any such endeavor.

It wasn't long after becoming aware of the above mentioned management reduction goals and subsequent reassessment that I discovered the FAIR Act of 1998, but more importantly the "revitalizing" of this act as illustrated by OMB in the March 9, 2001 letter

from Deputy Director O'Keefe. This called for a prescribed number of jobs (42,500 or 5%) to be put out for competition right away. In addition, I was made aware of the unbelievable goal of doing the same for up to 50% or 400,000 plus federal jobs under this act. Concerning the FAIR Act and specifically the Administration's current actions, it appears that a similar erroneous approach is being taken, namely, set a cut (compete) target amount and do it. In addition, Deputy O'Keefe recently came out and clarified that he did not want just direct conversions, but rather competition is the key. In other words, the key impetus behind all of this is competition in the free market.

As a federal employee of nearly 18 years, age 47 and a career (hopefully) employee, I think that this approach is not only arbitrary but is also very cold and non-caring toward the federal employees who have dedicated themselves to federal careers. In addition, there are many horror stories available regarding contractors. At this time, the number of contractors cannot even be measured so that we know their overall effectiveness cannot be quantified as well. I want to come back to some of these items, but first I would like to address this item of competition which is the purported reason for the actions being considered.

Competition and Outsourcing

Many times the concept of the free market or competition is used, in my opinion, in an incorrect manner to justify a wide variety of issues. In the sense we are using it here, we are talking about a private contractor competing for services provided by a government agency. One of the first major fallacies of this approach is that the comparison is biased from the beginning in terms of comparison of the two entities "competing" . Competition and price theory assumes, when comparing firms, that , *all things being equal* (that is the two firms or individuals being equal), price can be a factor that drives or changes demand, and subsequently production, etc**.** Whatever the price comparison made in the classical approach, there is the assumption that the two firms are equal. In this contracting vs. not contracting issue, there is the assumption that the two entities, federal worker and contractor, are equal.

This may be far from the case in many occupations . For example, many positions on the FAIR Act Lists are generalized into some broad category, but indeed are actually highly specialized positions for which the federal employee should be given much added value for program knowledge in particular.

As an example, it appears in reviewing some of the FAIR Act Lists that most Program Analyst Positions are lumped into "Special Studies and Analysis". From my own personal experience most Program Analysts are seasoned employees who have extremely strong program knowledge and have been equipped with many analytical tools as well . In addition, they are generally very articulate with sound reasoning. When a comparison is made in a "competition" with an outside contractor, and specifically when the federal employee has strong program knowledge, this is ignored and price only is the consideration along with basic acceptability requirements of the contractor. If a contractor were to come in and has no program knowledge, but only the analytical and other skills, then this negates the concept of pure competition in the theoretical sense because the contractor may have a significantly inferior product and thus can and will charge less for the product. Another way of looking at it is that we are not comparing two like entities in this case. In addition, low estimates may be made with

the specific intention of obtaining the contract and subsequently raining it to some perceived safe threshold.

Another consideration is that cost comparisons are inherently biased if cost of benefits such as insurance and retirement are included for one group, but not the other. With regard to benefits, a contractor might say benefits are included in their costs. The contractor, however, may be given a low initial bid and may in fact be paying, so-to-speak, benefits with funding from another contract or contracts they are involved with. Thus, if competition and not just cost saving is the key behind this FAIR Act effort, benefit costs of the federal employees and the contractor should be removed from the comparisons. If we are truly looking at who can do the work in the long run most efficiently and effectively, not forgetting the added value of loyalty to the firm in the long run, we should eliminate extraneous factors that muddy the water. If the goal really is to save the money being paid as benefits, (which is obvious reason from the federal employees and other's view) let's just say it like it is, not try to promote it under the guise of free competition.

Another consideration is that if in fact the proponents of privatization want to consider the government employee a free market player, then it is logical to consider government spending and employment as a positive market force insomuch as the vitality of local and national economies are highly impacted by the incomes of these workers. Free market players are and must be considered legitimate players in the economy. In this sense, government spending bolsters the economy.

The counter-argument may be that the government worker really doesn't produce a product, so-to-speak. In fact, in terms of the free market enterprise, this is actually true because the government positions serve the public based upon existing laws and regulations. It is a service position based upon current law and regulation. Here again, the government worker does not fit into the mold being used which normally compares private competitor with private competitor. Yet, the wages and salaries of these federal government workers are included in income measures of Gross Domestic Product (GDP). When the multiplier effect of these dollars are taken into account, the effect is even more dramatic. These dollars spent create significant income and jobs for others as well . Also, government is a significant purchaser of goods and services if viewed from the standpoint of final products purchased. In summary, as we all know, government is a big player in the economy.

If the services performed by the federal government are indeed deemed to be necessary, then the broad, negative approach of "we're going to reduce government at any cost" cannot be taken. Each agency and function must be viewed in light of its purpose and make up, as well as performance. The issue here is not really the free market where firms and products are in competition, but rather the issue is, first of all, is this a necessary government function that is being performed? If the answer is yes, then the question has to be asked, is it expected to continue as an ongoing service of the federal government? If the answer to this is yes as well, then we have to ask what is the best long term approach to make sure these services are provided efficiently and effectively. Factors such as job loyalty and specialized agency experience must be considered in making the most feasible economic decision. Also, given the fact that much of the workforce is going to retire in the near future, at the very worst what should be done is allow current employees to work and fill in the gap. The fact we are

considering eliminating federal jobs when we are facing shortages of employees is simply downright hostile in my opinion.

Considering contractors, I personally have seen several contractor situations where cost was extravagant and service poor. For example, I was involved in a specific situation where contractors, who were former federal employees for the same agency, ran an extract of data which turned out to be the wrong year. We were approaching a critical deadline and received the data. We reviewed our written request, and found we had the right year in the request. In meeting with the contractor, we explained what was needed, and added a few variables. The contractor came back and wanted $15,000 to re-run the data, and we were all pretty much in shock on that one. We found another way to extract the data ourselves in a limited manner for the project.

Another example was with a Computer Based Training which was contracted out for a large sum. In the end, the contractor dragged on, and our employees did most of the scripting and had many negative comments about the contractor.

I heard of another example of a contract where the contractor came in unbelievably low, got the bid, and increased it sixfold the next year to about $2 million. Because the government had divested itself of all capital equipment used for the operation, and because of the nature of the contract, there wasn't much that could be done. In discussing this with various others who have been involved with contractors, I have heard numerous other negative stories regarding contractors. Because these proposals are about potentially doing away with **our jobs**, it is unthinkable that this is even considered without all of the facts out on the table. Thus, all employees need to be aware of what is occurring, told whether they are on a FAIR Act list, and asked for input in the situation. Employee associations and unions should be allowed to help the employees provide input in this area if needed. Employees should be surveyed of their experiences with contractors for input into this massive undertaking.

Overall, what we are talking about here is a real head-chopping of very dedicated government workers regardless of need and skill of the federal employee. It appears that many of the workers earmarked as "commercial in nature" are occupied by career employees who are, like me, hitting mid-years with kids and 10-15 year away from retirement.

A recent article , referring to the graying of the federal workforce states that : "The federal workforce is getting older and wiser, but unless workforce planning takes hold, agencies will be left with skills gaps, according to a new report from the Congressional Budget Office. Nearly three-quarters of the federal workforce are now over the age of 40, according to CBO's report, "Changes in Federal Civilian Employment: An Update." (Governmentexecutive.com 6/11/2001).

Note that this states that the workforce is getting older and wiser, referring to necessary experience gained by federal workers. All federal workers know the value of experience with an agency. Just ask IRS in it's tax help line, or Social Security workers answering technical questions, or Analysts who have specific agency experience that provide keen decision making skills.

The proprietary nature of federal work most certainly must come into play as well. There are various rules or policies within every agency, and anyone who comes into a "special

studies" situation (Program Analyst) for example, would have to know and learn in-depth policy. This requires someone who has some commitment to the agency, while a contractor may be gone in a year or two.

The article mentioned earlier also states "If the federal government continues its recent efforts to limit employment, the aging of the workforce will likely continue," the report said. The CBO data bolsters General Accounting Office reports that urge federal agencies to use succession planning and to train and develop existing staff to make up for anticipated gaps in skills that retiring workers will leave behind.

I guess the bottom line here is..."What are we doing here?" Here we have data clearly showing the need to retain the current skilled and experienced workforce, and someone comes in and says, contrary to these recommendations, let compete (get rid of as many as we can). Again, you cannot attribute experience and skills to contractors for competition purposes that are not here. Yet, that is exactly what we are doing here with this broad stroke, including half of all government jobs.

In addition to all of the above, where is the "compassion", conservative or otherwise, in potentially putting out many workers in their mid-years who have hopes and dreams, through years of hard work, of finishing promising careers. This group, for example, with 75% in their 40's would face problems in the workplace as many companies try to hire a young as possible. This whole thing is really sad for the federal worker, but most importantly, it's being done without a proper effort to notify all employees what is going on here. They deserve a full effort to stand up and fight this nonsense.

I hope that your recommendation to Congress provides the favor and dignity that federal workers deserve for their years of service to the federal government....not just a kick in the pants and a good-bye, opting for a short-term, lowball bid of a contractor. If you're looking at the American Flag and yet have animosity or disregard for the federal employee, whom I've seen work harder and harder yet wiser over recent years due to reductions and attrition, then I suggest you think twice about who is helping this country to run under it's current laws and regulations. You won't have far to look, because they are seated around me and others such as myself throughout the United States.

Thank you very much for your time and consideration in this matter .

Sincerely,

Tom Doyle
Omaha, Ne