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**Daily Briefing**

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**OMB releases new rules for federal job competitions**

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The Office of Management and Budget has completed revisions of the federal government's policy on public-private job competitions, setting tight deadlines for agencies to complete them, but also scrapping a policy that allowed agencies to turn over work to private contractors without letting federal employees compete for their jobs.

The revised Circular A-76, to be published in Thursday's *Federal Register*, is the Bush administration's attempt to streamline the job competition process and make it easier for agencies to open 425,000 federal jobs to private sector competition. The 35-page document comes more than six months after the release of a draft A-76 circular, which prompted more than 700 public comments, and after a lengthy revision process that included input from civilian agencies and the Defense Department.

OMB's final A-76 circular contains many elements from the draft, including a 12-month deadline for standard competitions, and a requirement that in-house teams winning job competitions must be held to performance agreements, according to a copy of the circular made available Wednesday at the *Federal Register* office in Washington. Agencies can get a six-month extension to this deadline if they notify OMB.

In a change that was not included in the draft circular, the new A-76 also eliminates direct conversion, a practice where jobs are shifted to contractors without public-private competition. Instead, OMB will let agencies use a new "streamlined" competition process for competitions involving 65 or fewer federal employees. OMB believes the new process gives agencies several options for competing the jobs of small groups of workers.

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“The new streamlined process gives agencies considerable latitude to make cost-effective choices,” said the circular. In a late April interview with *Government Executive*, Angela Styles, the director of the Office of Federal Procurement Policy, said curbing direct conversions was part of OMB’s effort to prove that competitive sourcing is about competition, and not shifting contracts to private firms.

“People have criticized us for this being an outsourcing initiative and I’ve been trying to tell them that it’s really not, that what we want is competition and the best value for the taxpayer at the lowest cost. I think this adds a little more meat to what we’re saying,” Styles said.

On Wednesday, an OMB official said the idea of banning direct conversions was “presented to OMB by federal employee organizations and their members, and we listened to them. Direct conversions for under 10 [full-time equivalent] employees are now a thing of the past. We believe that fiscal responsibility demands that decisions be made by facts, and the new streamlined approach requires knowledge of the costs and agency accountability.”

But unions were anything but pleased with OMB’s new streamlined process, which also eliminated a rule that gave in-house teams a 10 percent cost advantage in “streamlined” competitions. “No one should be fooled into thinking that the elimination of direct conversion means there will be more public-private competition, and that workers will somehow be given an opportunity to compete for their jobs,” said Jacque Simon, public policy director with the American Federation of Government Employees.

Other observers said eliminating the 10 percent cost factor could make it harder for federal employees to win streamlined studies. “The 10 percent differential is pretty significant in smaller competitions,” said John Hanlin, business development manager for JK Hill Inc., a minority-owned logistics and engineering firm based in Norfolk, Va. “This certainly makes it easier for private industry to compete and win.”

“We don’t agree with that,” said the OMB official. The existing cost advantage for employees was removed simply because it “didn’t seem reasonable to us,” he said.

With the cost advantage in place, in-house teams at the Defense Department won 49 of 50—or 98 percent—of all streamlined competitions held between 1997 and 2001. But Annie Andrews, assistant director for competitive sourcing

and privatization at Defense, said the 10 percent differential generally was not the deciding factor in these competitions.

In a survey of 141 competitions won by Defense employees between 1996 and 2001, the in-house team would have won 118 competitions—or 84 percent—even without the 10 percent advantage, according to Andrews. “[The 10 percent] really didn’t have much of an impact,” she said. Andrews’ data included both full-size and streamlined competitions.

OMB's decision to scrap direct conversions and the 10 percent cost differential departs from the recommendations of the Commercial Activities Panel, a congressionally chartered panel that urged that both provisions remain part of federal job competition rules. In-house teams will still get a 10 percent cost advantage in full competitions under the new circular.

Some of the most controversial items in the draft A-76 are missing from the final version, including the presumption that all federal jobs are “commercial in nature” and eligible for competitive sourcing until proven otherwise. “The revised circular deletes this presumption to reassure the public that there is no intention to outsource inherently governmental activities,” the circular said.

The final A-76 also drops a requirement, included in the draft, most Inter-Service Support Agreements (ISSAs) between agencies be opened to competition. Several agencies protested the ISSA requirement in public comments to the draft. And the final document gives agencies more flexibility to decide whether in-house teams that win competitions should have to face additional competitions in the future. While the draft required regular competition—meaning that all 425,000 positions could be subject to competition every five years—the final A-76 allows agencies to temporarily waive the competition requirement for in-house teams that perform well.

More details on the new circular will be available Thursday morning, when OMB posts both the circular and several attachments to its [Web site](#). Agency officials who read the new circular had favorable first impressions.

“We met with OMB several times during the development of this circular and, from what I am reading, OMB did listen to what we were saying and used the information we provided,” said Helen Bradwell-Lynch, director of competitive sourcing at the Interior Department.



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