

# Mackinac Center for Public Policy

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## Competitive Sourcing on an Individual Basis

By [John R. LaPlante](#)

Regular readers of Michigan Privatization Report know that school districts use competition to obtain food service and student transportation needs. A company provides the employees, who then provide the service. But can that model be used for even more specialized needs? Recent experience suggests that it can.

Following the example of the private sector, schools are starting to rely on people who come to work, and perform a job, but who are actually employees of a third party employee-leasing firm.

In Michigan, four major companies serve the education market. ContractED, based in Ann Arbor, lists nearly 25 schools on its client roster. Professional Contract Management of Marine City counts over 80 school districts and intermediate school districts as its customers. Thumb Educational Services of Kinde also boasts clients across the state.

All three organizations are headed by individuals with extensive experience in education administration, including terms as superintendent. All offer a wide range of professional employees to school districts, including building managers, curriculum directors, and a variety of central office employees.

Kelly Educational Staffing, a division of Troy-based Kelly Services Inc. provides substitute teachers, administrative assistants, and custodians on an individual basis. It screens and trains its own employees, freeing districts up from those burdens. Since 1999, it has placed over 8,000 substitute teachers worldwide.

School districts benefit in several financial and non-financial ways.

The most obvious advantage to the school is cost savings. For example, when using contract employees, schools do not have to pay into the state school employees' retirement system for contracted employees as they do with district employees. According to The Times-Herald, in the 2003-2004 school year, that would have saved schools 12.99 percent of an employee's pay. Currently the rate is 14.7 percent, and it's slated to increase to 18.7 percent in the 2005-2006 year.

Schools also save because they are no longer responsible for employee health insurance premiums, which can easily exceed \$10,000 per year. And employee organizations, not schools, shoulder the burden for unemployment tax, workers compensation payments, and many other fees.

It's little wonder then, that schools find this an attractive arrangement.

Money not spent in these areas can be used in the classroom. Cass City schools, for example, estimated that it will save \$32,000 per year by using an outside employer to provide secretary positions.

But the benefits to schools extend beyond cost savings. Obtaining employees through an outside organization saves the school the time and expense of a talent search. Some searches, though infrequent (assistant superintendent) can be stressful, while other more routine assignments (substitute teachers) can easily snowball. Paperwork normally handled by school employees is handled by the employing organization. The school district also gains the flexibility of having employees in an at-will employment status, making it easier to dismiss poor performers. Relying on an outside vendor to provide personnel can help schools concentrate on their main mission: educating kids.

Anecdotal evidence suggests that many people who choose this arrangement work as contract employees at a school district from which they retired. The chief benefit to employees is that they can start collecting retirement income and still draw a paycheck, which is a perfectly legal option.

Employees can also find the arrangement a way to serve a district in which they have worked for a long time, while benefiting themselves. Said Lavonne McCallum of the Sandusky Community Schools, "I'm not really ready to retire, and I felt this was a way to save the district some money." After working for over 23 years as a district employee, McCallum is now an employee of Thumb Educational Services.

Throughout the business world, companies are focusing on what they do best, and relying on other businesses to provide specialized services. Schools have been following this example by outsourcing entire departments. By hiring from firms that lease employees on an individual basis, however, schools are taking the logic of specialization to the next level.

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