

# Staffed with Options: Using Staffing Agencies to Save Time and Money

*Districts can save thousands of dollars by using staffing agencies to recruit, hire, and manage substitutes.*

By Shelley Reynolds



**H**ow can school districts save money without causing major disruptions to the administration, the staff, and, most of all, the students?

In 2007, several school districts in Michigan decided to address one costly challenge—hiring and retaining qualified substitute employees—by outsourcing the task to third-party employers. Those staffing agencies charge the district a fee in return for taking care of all aspects of its employment, including hiring, firing, benefits, and compliance with federal regulations.

Three of the main reasons districts consider moving to a third-party employer are to address a shortage of substitutes, to adhere to the new Affordable Care Act (ACA) compliance regulations, and to save time and money.

## **Addressing the Shortage**

According to a survey by Stedi.org, 48% of school districts said they were experiencing a shortage in their substitute teacher pool. Recruiting, interviewing, and hiring



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substitutes takes time and money. Districts turn to staffing agencies to access larger substitute pools and to avoid the costs of advertising and recruiting.

Will the quality of the school district suffer because those substitutes are not employed directly by the district? How can districts ensure that the students receive a high-quality education from substitutes employed by an outside agency?

The minimum requirements for substitute teachers are generally set by each state; school districts can use those requirements or set their own higher standards.

For example, Michigan's minimum requirement for substitute teachers is 90 credit hours consolidated on a four-year institution transcript with at least a C average. Many districts use that standard for their substitute teachers; others require at least a bachelor's degree or even a teaching certificate. Some districts around the country require only a high school diploma.

Regardless, the staffing agency will recruit and hire only those candidates who meet the district's minimum requirements. When the Farmington Public School

District went with a staffing agency in 2007, we did not want to lose control of who was with our students, so we established certification rules. We required all applicants to complete a packet of Farmington-specific paperwork and to pass a health physical and a lift test (many of our jobs require an ability to lift a certain weight).

### Ensuring Compliance with the ACA

Under the ACA, employees (including substitutes) who work an average of 30 hours per week or 130 hours per month during the look-back period are considered full-time and are thus eligible for affordable health-care coverage. A substantial number of substitutes and hourly employees did not previously qualify for health insurance, but they now do. In addition, education organizations must now consider employees who work full-time during the academic year as working full-time for the entire year despite employment breaks, such as the summer break.

Outsourcing substitute teachers places the responsibility for ensuring ACA compliance on the agency, leaving

the district's benefits department free to focus on the other district employees.

## Saving Time and Money

In some states, districts are required to contribute money toward a retirement fund for all employees, substitutes included. In Michigan, for example, districts must pay into the Michigan Public School Employees Retirement System for all employees. In my district, we have approximately 700 subemployed workers, half of whom are substitute teachers. The retirement cost for those 700 employees is astronomical. For the 2013–2014 school year, we paid approximately 29% of payroll costs; that increased to about 37% when the Federal Insurance Contributions Act tax was included. The projection for the 2014–2015 school year is 33% (40.65% with FICA).

Using a staffing agency eliminates a district's need to pay into the state retirement system for substitutes, saving hundreds of thousands of dollars. In 2007, when many Michigan districts were moving to third-party employers, it was estimated that fewer than 10% of substitute employees retire out of the education system. Districts are paying quite a bit of money to the retirement system, yet few substitutes actually retire from the system.

## Finding the Right Fit

Staffing agencies can relieve school districts of a huge burden. They manage all aspects of hiring substitute employees—including placing job ads, interviewing, and doing background checks. Anything that the district would have done, the agency now does. (In Michigan, each district is still required to handle the fingerprinting of each substitute employee; the agency handles the rest.)

Worries about workers' compensation, liability insurance, and unemployment compensation are eliminated. Staffing agencies process payroll and maintain compliance for substitutes with all local, state, and federal tax requirements. The staffing agency, not the district, is responsible for ensuring ACA compliance.

However, when moving to a staffing agency, it is imperative that you review your current practices and the practices of the staffing agency and then find the balance of what will work best to meet your district's needs. Keep your standards high. You want your substitutes to want to work in your district. You want them to feel as though they are part of the district, not some person brought in from the outside to do a job.

Many states require districts to send out a request for proposals when looking for new services. As you review the proposals, take note of whether the third-party agency understands and supports your district's next steps. How will the agency go about hiring the district's current substitute employees? What processes will be in place for recruiting, interviewing, and hiring?

When the current substitutes have been "moved" to the agency, the agency will take full charge of them. The change may upset some of those substitutes, so have a district representative at meetings to answer questions and calm fears. Many substitutes may still prefer to talk to a district representative, which is fine. Most districts want their substitutes to feel a part of the district.

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Farmington has the best of both worlds. Once our substitute list is created, the subs are added into the placement system, which automates the process of placing the best substitutes in each classroom. The staffing agency takes care of all employment issues, but when substitute employees have come to the office with minor problems, I have been able to take care of the situations quickly. If the staffing agency needs to be involved, I call them.

## Focusing on the Students

Using a third-party employer is a great way to help keep more money in the district and ultimately in the classroom. By using a staffing agency, our district has saved hundreds of thousands of dollars. The fact that we no longer pay into the state retirement system alone has garnered huge savings.

We continue to keep our focus on the students in our district; they are the most important part of each day. We also make our substitutes feel as though they are valued members of our district. When the district and the staffing agency work together, the students reap the benefits.

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## Save Time and Spend Wisely

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