



James J. Sullivan, business manager, and Karen I. Faerber, president of Executive Staff Leasing, believe business owners should concentrate on running their businesses — not on personnel matters.

Employee leasing offers freedom from personnel worries

By Richard Loch
staff writer

Executive Staff Leasing Inc. (ESLI) is in the business of getting small-business employees hired.

The employees don't really lose their jobs, though. They end up working where they've always worked. But instead of working directly for their employer, they're leased to him or her by ESLI.

ESLI representatives call it a "win-win" situation that benefits everybody involved.

Employers are freed from personnel-administration headaches and can set up individual benefit plans for themselves, independent of their employees, according to ESLI.

And employees get an improved benefit package because of the better buying power ESLI has as a larger firm.

They've got all the benefits of their neighbors who work for General Motors or Ford. ESLI business manager James J. Sullivan said. "Yet they've got the personal feeling of being with a small business and making it a success."

SULLIVAN and his wife, ESLI president Karen I. Faerber, started the Dearborn-based firm in August 1984 to tap into what they see as a booming national industry. They have more than 50 years of combined experience in project management and consulting, supervision, management and business ownership.

Employee leasing has been successful in other parts of the nation, particularly the Southwest, but has not caught on yet in Michigan, Sullivan said. According to Fortune magazine, an estimated 275 leasing companies now employ about 75,000 people for thousands of small businesses across the country.

And much more growth is being projected for the industry. One expert, quoted in National Business magazine, predicts the number of leased employees may reach 10 million in the next 10 years.

ESLI leases 140 employees at a dozen different firms, some in the Detroit area, some as far away as Petoskey. The firms, which range in size from two employees to 43, include a dental clinic, legal firm, accounting firm, florist, gift shop, and a parts distribution company. The types of employees leased range from manual laborers to legal partners, secretaries to accountants.

Ben Bolt is ESLI's business representative for the Livonia area, and Steve Otto has been working as a business representative for the Macomb and Oakland county areas. Both have experience operating small businesses and will be out to recruit small businesses in those areas, Sullivan said.

ONE OF the biggest hurdles they have to overcome, Sullivan and Faerber said, is that few people have heard of or understand the concept of employee leasing.

"There is no other Michigan company that we're aware of yet," Sullivan said. "I think competition would be a big plus because it would get the word out on this kind of company."

The impetus for employee leasing was the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982, Sullivan said.

Designed to encourage individual pensions as an alternative to Social Security, TEFRA made IRAs (Individual Retirement Accounts) and 401K pension plans possible. And it also gave formal recognition to employee leasing.

TEFRA has two basic requirements for a qualified leasing company.

• The leasing company must provide at least a 7.5 percent nonintegrated money pension plan in which all employees are fully and immediately vested.

By diverting themselves of all their employees, employers now have the right to negotiate their own, more lucrative pension package.

• The leasing company also must have a true employer/employee relationship with the staff. The leasing company must provide control and supervision of an employees' daily activities.

WHAT USUALLY happens under a leasing program is that the employees are terminated, then rehired by the leasing company. The leasing company then serves the same function as a personnel department.

"The personnel department doesn't get involved in the business," Sullivan said. "The personnel department deals with people. We don't get in there and try to run a business."

The business owners are freed from such personnel-administration tasks as recruiting, hiring, training, evaluating, promoting, firing, salary administration, payroll processing, tax reporting and insurance claims. Sullivan said. They then can concentrate on the things they do well, the things they went into business to do in the first place, he said.

ESLI appoints a working supervisor at each work site who handles the personnel and directs the work. The supervisor also serves as a liaison between the owner and the leasing company. The supervisor usually is selected by the client from among his most trusted employees, Sullivan said.

MOST EMPLOYEES are pleased with the changes leasing brings, according to ESLI representatives and national magazine reports on employee leasing. The employees can end up with a vested pension plan, group life insurance, group medical and dental insurance, credit union privileges and other perks they might not have had before.

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'Can do:' builder's success formula

From groundbreaking to occupancy in 10 weeks

By Teri Banas
staff writer

Bob Storen cashed in on a bet last week when he flew out to San Francisco's Emile's Restaurant for a juicy steak dinner.

The bet was made over whether he could finish constructing the Republic Airline reservation center in Livonia in time. Most people — including project architect Lee Askew — said he couldn't do it. Ten weeks was just not enough time to finish a project that typically runs six to eight months.

Two weeks before schedule, Storen turned over the building to Republic, and that's what put him out at Emile's for his just reward — a dinner served anywhere in the world.

When Lee Askew bet Bob he couldn't complete the building in 10 weeks, Bob just said, "Like hell, I can't," recalled Storen's secretary, Lisa Slater. "That's when Lee said he'd buy him the best steak dinner the world, knowing Republic would pay for the flight."

THE REPUBLIC project caused quite a stir around Livonia — because of the impact 400 new jobs could make and later for its quick construction.

The airline, which made Detroit Metro Airport its main hub, first had selected Taylor for its reservation site, but when the financing couldn't be worked out for that location, they quickly turned to Livonia. One month had been lost and the race was on. The project was planned to a July deadline when its Atlanta reservation center was closing.

There would be severe financial losses if the Livonia center wasn't ready in time to begin taking the incoming reservations and telephone calls previously made to Atlanta.

A Bloomfield Hills construction manager with a relatively small business, Storen had been involved with the deal since the Taylor days. And the pace quickened in Livonia where city officials bent over

backward to insure the favored project got off the ground.

City planner John Nagy recalled it was given "emergency treatment" and expedited with officials practically "hand carrying" construction applications from one city office to another.

"Special meetings were called by both the planning commission and the city council," recalled Nagy.

For city officials, the special attractions, of course, were the job prospects.

Said Nagy of the construction process, "It all happened so fast. It was really a whirl. I was impressed. They were really committed. It was exciting to see them do it so fast."

The morning after the city council rezoned the property for office use, Storen's crews broke ground.

Storen was able to fly into action, so to speak, because much of the construction supplies and equipment had already been ordered.

"REPUBLIC REALLY went out on a limb for me and ordered some things before we even had a contract," Storen said. "Basically, they said to me, 'I'll cover you.'"

Three weeks before construction they had on hand all the steel and electrical and mechanical equipment needed for the highly computerized center.

Then he turned to organizing the labor force. The various subcontractors needed on the job had been pre-qualified, said Storen, meaning he knew they had the manpower and ability to perform the jobs.

"We gave them a tight and difficult schedule," he said.

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Bob Storen taking all bets

Privatization

Free enterprise eases into civil service domain

By Tim Richard
staff writer

Oakland taxpayers one day may see bus drivers with a corporate patch on their shoulders instead of a SEMTA patch. They may see jail administrators with a corporate ID badge instead of the sheriff's star.

For Oakland businesses, this trend means a change in the way they do business. The trend is called "privatization" — hiring a company under contract to perform functions that were previously performed only by civil servants. Although fairly new in Michigan, the trend is spreading across the nation.

State Sen. Richard Fessler, R-West Bloomfield, wants to reorganize the Southeastern Michigan Transportation Authority under more compact lines. Fessler is chairman of the Senate Transportation Committee. His reorganization plan would allow SEMTA to use private contractors to provide bus service.

PATRICK NOWAK, deputy county executive, says "competition is the key word, not privatization." The concept is much broader than merely hiring businesses, said Nowak, the man who did much research on County Executive Daniel Murphy's speeches.

Governments can compete with one another — for example, a rural township may find it smarter to contract with the sheriff's department than to set up its own police force.

Nowak's boss, Murphy, is using privatization and competition as themes in his bid to become governor. But many other governmental units — including Wayne County and even the state itself — are going the private route, although Oakland has been among the most systematic.

OAKLAND STARTED its privatization effort in 1982. In order:

• The county's 1981 laundry budget — for the Medical Care facility, Children's Village, maintenance staff and parks, among others — was \$376,000. In 1982, the first of three companies began doing the county's laundry for \$287,000. "That's a 50-percent savings," Nowak said. Van Dyne County Inc. now does much of the work.

• The \$140,000 dry cleaning operation, mainly for sheriff's deputies' uniforms, was shut down in mid-1984. Private dry cleaners — scattered across the county because officers are scattered around the county — now clean uniforms for \$80,000 — a 40-percent savings. (That doesn't include the time deputies save in not having to take their uniforms to a county seat in Pontiac.)

• Custodial work — in the County Service Center, South Oakland service center, Walled Lake District Court and Pontiac social services office — was contracted out to several companies, resulting in a \$250,000 annual savings. There are some quality control problems, but Murphy's staff insists, "The savings far outweigh the problems."

A BIG PROJECT being studied is expansion of Oakland's jail. Oakland officials are talking to a Tennessee outfit called Corrections Corp. of America, among others.

Nowak believes the county wouldn't need to sell bonds to build a jail addition. A private company could design it, build it, manage it and be paid so much-a-day, with some guaranteed minimums.

"The last time we (Oakland) built a jail was in 1972," said Nowak, who wasn't in county government then. "They (the private company) do it much more frequently, in the state of the art — even though it's a fairly young industry."

Private companies have built jails elsewhere, but Oakland would be the first of Michigan's 83 counties to have a privately managed jail.

WHY DO INCREASING numbers of public officials see privatization as the wave of the future?

Nowak has some answers:

"Government is concerned too much with the process and not enough with the product."

"In general, they (businesses) can avoid bureaucratic red tape and the legislative runaround. They don't pay the fringe benefits and salaries that government does. Government just pays hourly high wages — way out of line with the marketplace."

"Most government (managerial) types are paid by how many people they supervise. It gives them an incentive to hire more people. In private enterprise, the profit motive gives you an incentive to hold down costs."

If a private contractor proves unsatisfactory, the governmental body can select a new company much more easily than it can get rid of an inefficient department.

"Everybody in government who sees this says, 'Oh, oh, we might be next' and they do their work better," Nowak said with a chuckle.

BUT THE HEAD of the Michigan State Employees Association is resisting efforts at privatization.

Althea Williams, MSBA president and a Social Services worker, complains that "the state is currently trying to subcontract every service that we provide," although Democratic Gov. James J. Blanchard has talked little about it.

"One example would be in the county of Kent," Williams said last year. "The Department of Social Services purchased a contract for \$138,000. The contract covers the work of 1 1/2 state employees, had there been a state employee doing it. Through that contract, they (DSS) have five people doing that job and providing less service."

"They contract. They purchase. They accept the bids. They buy the contracts, and they don't have any review process until the contract is ended or the person is rehired."

She contends state workers actually do the social services jobs cheaper than private contractors.

Franchises: They breed success, not instant wealth

By Wayne Paul
staff writer

Be your own boss. Live out your dreams. Make it big.

It's an almost irresistible urge — a staple of back-of-the-magazine advertisements for years. Franchising dates back to the Civil War era. Singer Sewing Machines is given credit for developing the concept.

But modern franchising involves more than totting cleaning powder door-to-door. It's sophisticated. It's growing. But it's not a ticket to instant wealth.

"There's nothing I know of in this life where you can make a killing," said William Chertaski, executive vice president of the International Franchise Association, a Washington, D.C.-based trade association. "You have to work hard, put in long hours."

Dreams do come true. Though not exactly a business upheaval, Playboy Magazine posted odds on hitting it big (\$100,000 to \$1 million yearly) through venture capitalism at a mere 6-1. (Inventions, for instance, were posted at 1,600-1. Hitting the lottery? It's estimated at 3.5 million-1.)

MORE ACCURATELY, if less spectacularly, U.S. Department of Commerce statistics show franchises held a decided advantage over independent businesses.

Only 6 percent of new franchises fail after the first year. Franchisees, for example, have a 10 times higher, 10-year success rate for franchises is 90 percent. The 10-year failure rate for independents is 83 percent.

"The most frequent reason businesses fail is under-capitalization. That's not usually a problem with franchises," said Ronald Chuhman, whose Birmingham-based business brokerage matches prospective franchisees with fast food, retail and other businesses itching to tap into the Detroit-area market. Chuhman's company, VR Business Brokers, is itself a franchise.

Capitalization aside, franchises hold several built-in advantages.

They generally provide an instantly-recognizable logo, along with assurances of standardized quality and pricing, that help keep customers coming back.

"Where would you rather stay," asks the off-camera voice on a videotape Chuhman shows to prospective franchise holders. "Here (a Holiday Inn flashes on-screen) or here (Joe's Motel)?" The voice doesn't wait for an answer.

FRANCHISES ARE claiming an ever-increasing share of the market. In 1983, 284,000 franchises outside rang up a total of \$118 billion in sales. Despite the recession-filled 1970s, the figures rose to 432,000 outlets and \$384 billion in sales by 1981. One in three businesses is now a franchise.



"We never had a recession at all," Chertaski said. "Certainly, franchising is where new jobs are coming from."

Keeping that in mind, Michigan revised its franchising law last summer. A battery of state investigators who poured over franchise documents has been eliminated.

"We've probably quadrupled the number of franchises in Michigan since we deregulated franchising," said Marilyn Bradley, who administers the state's Franchise Act. "It's been good for business overall."

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