

2011

# An Assessment of the BC CAREERS Employer Resource Network: Its Contributions to the ERN Model

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## Citation

Hollenbeck, Kevin, George A. Erickcek, and Bridget F. Timmeney. 2011. "An Assessment of the BC CAREERS Employer Resource Network: Its Contributions to the ERN Model." Report prepared for West Michigan TEAM.  
<http://research.upjohn.org/reports/182>

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**AN ASSESSMENT OF THE BC CAREERS EMPLOYER RESOURCE  
NETWORK: ITS CONTRIBUTIONS TO THE ERN MODEL**

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Report prepared for West Michigan TEAM

April 2011

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The Battle Creek CAREERS (BC CAREERS) program was an employer resource network (ERN) that was patterned after ERNs in the Grand Rapids area (the SOURCE and the Kent County Health Field Collaborative). It has not survived. The purpose of this paper is to provide an accounting of the operation and accomplishments of BC CAREERS, and by comparing it to a similar ERN that seems to be successfully climbing its learning curve, to suggest some hypotheses about the important issues that ERNs need to manage in order to survive as they struggle to get off the ground.

### **Purpose of BC CAREERS**

The goal of BC CAREERS, like all ERNs, was to provide the support(s) needed to allow employees, especially those with limited skills and work experience, to succeed in the workplace. In addition, BC CAREERS was intended to be a tool for businesses to leverage their resources, improve employee retention, reduce turnover costs, and provide cost efficient training. The timing of the implementation of BC CAREERS was not propitious, however. Recruiting employers and finding investors for its implementation costs occurred as the Great Recession was just getting underway in late 2007 and early 2008. Despite the ominous economic situation, BC CAREERS became fully staffed and operational as of October 2008. In some ways, it was a major accomplishment and testimony to the appeal of the ERN model that the organization was able to open its doors at the time that it did.

BC CAREERS provided assistance to workers employed by members of its consortium in a three-pronged approach. It acted as an informal broker of social services targeted to specific issues brought to it by employees of the consortium's firms. Second, it provided a limited amount of training. The training that was offered was in the areas of personal financial planning and computer keyboarding. Third, BC CAREERS had a Michigan Department of Human Services (DHS) case worker in residence and a private case worker for those individuals who did not qualify for DHS services, so that any issues that workers might have with formal income support and other social service concerns could be quickly and easily resolved to the benefit of both employers and employees.

Employers participating in the program expected to experience lower turnover rates and lower subsequent hiring costs, reduced costs and hassles associated with worker tardiness and absenteeism, and improved productivity as workers would be better able to focus on their work activity and stay on the job longer due to the program's assistance. Employers also expected some cost savings related to training and worker skill development through this consortium approach to human resource support and services.

Employees benefited from the BC CAREERS in many ways. The program resolved problems or issues that may have had a deleterious effect on the ability of some employees to do their jobs. Not only were these employees assisted in resolving their work related problems, but also they had a higher likelihood of being productive and retaining their jobs. The program's on-site DHS staff person was able to help other employees who had problems or issues related to income support program benefits. But even for the employees who did not experience problems or issues for which resolution

was facilitated through staff intervention, there was still an “insurance” value to them of knowing that staff was available to help if needed.

BC CAREERS also benefited the Department of Human Services. The initiative partially funded the case worker who was housed at BC CAREERS. In addition to receiving the direct salary offset, DHS was able to provide more direct and timely service to its clients. The case worker got to know the clients better since he handled all of their interactions with the agency. Better awareness of the clients and their situations allowed issues to be resolved more quickly and more accurately.

### **Upjohn Institute Study of the Implementation of BC CAREERS**

The Upjohn Institute conducted a formative, baseline assessment of BC CAREERS in late 2009/early 2010. The audience for this assessment was intended to be BC CAREERS program administrators and board members. The goal of the assessment was straightforward: to determine what seemed to be working for whom under what conditions.

The assessment involved reviewing the program records and collecting primary data through individual and group interviews with the following respondents:

- Program staff
- Employer representatives
- Employees of firms in the consortium
- BC CAREERS clients

Program staff members were queried about their experiences during the the implementation phase of BC CAREERS. Questions included the following: What barriers did they face in recruiting employers, and what strategies seemed to work best at gaining partners? What problems or issues were brought to their attention by employees, and what interventions were undertaken?

Employer representatives were asked about their expectations of the program, their experiences to date, costs and benefits of the program, what BC CAREERS did well, and potential areas of improvement. Employees were asked about their experiences with the program, what benefits they or their coworkers perceived they were receiving, whether their work situation seemed more stable or improved because of the program, and any suggestions they might have about its implementation. Clients were asked about their experiences with BC CAREERS. Were the issues that they faced resolved? Were they treated professionally by the staff in their interactions? Would they recommend the service to others?

**Findings from the implementation study.** A review of the program records indicated a sparse flow of clients/referrals. Between November 1, 2008 and September 30, 2009 (11months), BC CAREERS had been contacted 81 times (approximately 20 times per quarter) by individuals who had potential employment barriers. In a few cases,

staff members resolved the issue, but in general, they referred the individual to an appropriate agency. In many cases, the BC CAREERS staff members needed to research potential solutions or referrals and then get back to the individual with the information. Table 1 shows the number of contacts and the types of barriers brought up by individuals, and the number of referrals.<sup>1</sup> Note that an individual may be referred to multiple agencies so referrals outnumber barriers. Three types of barriers accounted for approximately half of the barriers—transportation, health, and emergencies. Education and housing issues followed closely behind.

**Table 1 Number of Barriers Reported to and Referrals by BC CAREERS, by Type of Barrier or Referral and Employer (Anonymized)**

| Barrier or employer          | Number of incidents | Number of referrals |
|------------------------------|---------------------|---------------------|
| Auto repair                  | 3                   | 2                   |
| Career counseling            | 1                   | 1                   |
| Child care                   | 5                   | 4                   |
| Child support                | 1                   | 1                   |
| Counseling                   | 2                   | 1                   |
| Education                    | 9                   | 19                  |
| Emergency                    | 14                  | 10                  |
| Employment                   | 4                   | 0                   |
| Financial/financial literacy | 3                   | 10                  |
| Food assistance              | 3                   | 11                  |
| Foreclosure prevention       | 1                   | 7                   |
| Health                       | 10                  | 14                  |
| Housing                      | 7                   | 3                   |
| Transportation               | 15                  | 11                  |
| Other                        | 3                   | 5                   |
| <b>TOTAL</b>                 | <b>81</b>           | <b>99</b>           |
| Employer A                   | 9                   | 29                  |
| Employer B                   | 19                  | 25                  |
| Employer C                   | 30                  | 16                  |
| Employer D                   | 11                  | 19                  |
| Employer E                   | 10                  | 9                   |
| Community                    | 2                   | 1                   |
| <b>TOTAL</b>                 | <b>81</b>           | <b>99</b>           |

Source: Reports provided by BC CAREERS

The following points summarize major findings from our interviews with individuals:

- Despite the uncertainty that the recession had been causing, the staff members appeared to be upbeat and displayed positive attitudes. They were concerned about the future of BC CAREERS because of the recession’s impact on the potential number of employer organizations in the consortium and on the number of employees at those organizations. On the one hand, employers currently in the consortium may decide to opt out in future years in order to cut corporate costs as they reduce their

<sup>1</sup> It should be noted that none of the programmatic reports that were reviewed indicated whether the client had followed through with a referral or, if so, whether the problem(s) had been resolved. We would suggest that ERNs should track that sort of information to the extent possible within confidentiality bounds.

employment levels, and employers not in the consortium may be hesitant to join if they continue to struggle financially through the recession. On the other hand, staff persons pointed out that the recession was wreaking havoc with many peoples' lives, so even the individuals who retained employment may be facing serious issues.

- Staff persons explained that employees contacted BC CAREERS about barriers typically by telephone, although issues around DHS services usually required in-person visits. Staff persons were quite aware that the program was far below its capacity and could accommodate many more clients.
- The staff members indicated that the accomplishments to date of which they were most proud were the individual success stories of assisting clients in overcoming barriers, and the DHS staff person indicated that his agency was pleased to offer services out of the normal setting, which clients often found bureaucratic and difficult to access.
- The staff members indicated that their most significant frustrations included a slow Internet connection and its effect on their efficiency. A lot of the work that staff members did was to search for solutions to clients' barriers, and that often was best done via the Internet. Staff members were also frustrated about how the small scale of the operation meant that individuals had to pitch in to accomplish all of the work that needed to be done, and sometimes communication amongst each other was not as good as it should have been. The staff would also have liked to have had a fund that could be tapped to assist clients better with transportation and other miscellaneous expenses.
- Employer support for BC CAREERS seemed broad, but not deep. All of the employers in the consortium professed to be strong supporters of and believers in the mission of BC CAREERS, although some of them indicated that they were evaluating whether or not to re-join for a second year because of the financial pressures of the recession. This suggests that the employers did not perceive that their benefits exceeded their costs in the first year of the program. However, one employer indicated that help provided by BC CAREERS had improved employee retention and "saved us money."
- A subject that was covered in the employer interviews was the extent to which BC CAREERS substituted for or supplemented an Employee Assistance Program (EAP). A majority of the employers had an EAP, and all of them were very clear that BC CAREERS supplemented the EAP and did not overlap with it at all. The EAP was used by employees for counseling, usually in multiple sessions and over a longer period of time. BC CAREERS was seen as a place to go for short term, financial issues.

These employers were grateful to have both resources available for employees.

- The positive accomplishments of BC CAREERS, according to employers, were the information about networks of assistance that its staff had uncovered and the referrals that resulted from it. Employers felt that some of the major challenges that BC CAREERS faced included relatively low usage of its services by employees, a need to engage in more aggressive marketing, and presenting a more professional image.
- Focus groups with employees and interviews with clients indicated a high level of familiarity with BC CAREERS. The main source of information had been from the formal outreach session held by BC CAREERS staff members at their work site. A few individuals mentioned having seen a pamphlet, and one individual mentioned hearing about it at a company staff meeting.
- Respondents exhibited a good deal of confusion about the distinction between BC CAREERS and DHS programs and services. Many individuals thought that they were essentially the same. Also, there was confusion about the purpose of the onsite visitations by BC CAREERS staff members. Several of the focus group participants said that they did not stop by because they thought that it was only for people who had issues or barriers or DHS questions.
- Three-quarters of the clients who were interviewed thought that BC CAREERS had, for the most part, helped them resolve their problems. About three-quarters indicated that they would likely ask BC CAREERS for help again should a challenge arise. All felt that the individuals at BC CAREERS understood their situation and were easy to talk to and helpful. Using these data and assuming that these clients were a representative sample, then it would be the case that a metric for BC CAREERS client satisfaction would be around 75 percent or greater.
- Interestingly, none of the clients reported that they perceived that resolving their problems helped them retain their jobs.

**Conclusions of the implementation study.** In early 2010, we wrote the following as the major conclusions of our implementation study:

- The unprecedented downturn in the economy severely stifled the program and did not allow a fair test of the BC CAREERS model in its first year. It caused some employers in the partnership to reconsider their membership, and it blunted the interest of other employers in joining. The erosion in employment at the firms in the partnership during the year was dramatic.

- Our own interviews and from interviews with stakeholders, it became apparent that BC CAREERS' strongest asset was its staff. All three individuals were competent, upbeat despite the dire economy, and committed to the mission of the program.
- Two pressing needs of BC CAREERS were additional (financial) resources that staff persons could tap to address emergency situations and more publicity/outreach to both the employer and employee communities. The partnering employers were committed to the program, but it was far from the top of their priority list, and so they probably did not provide enough information often enough to their employees to optimize usage of the resource. Consequently, the employers may not have been getting maximal return on investment. Employees did not clearly understand the services offered by BC CAREERS or how it interacts with DHS. They did not clearly understand why some BC CAREERS staff members came to their work site on occasion.

### **The End of BC CAREERS**

Limited and uncertain funding contributed to the gradual dissolution of BC CAREERS. A grant application was submitted to the W.K. Kellogg Foundation (WKKF) in the summer of 2009 to support a second year (October 2009- September 2010) of program operation. By September 2009, no official word was received regarding the grant proposal, and an employer pulled out of the consortium because they did not want to pay the \$6,000 cost per company participation fee and because of the uncertainty of future funding. This company's employment levels had decreased to such a level that it felt that the cost of participation was no longer feasible. In addition, without secure funding, the DHS staff person was no longer physically located at BC CAREERS as of September 30, 2009, but continued to be available to clients in the traditional manner from the DHS office.

With the new program year starting in October 2009 and still no verdict from WKKF, a board meeting was held to further discuss plans for program continuation. There was some assurance that WKKF would have some favorable news by mid-November, but with the lack of clear funding, another company withdrew from the program in October, and the case manager was laid off leaving only the Executive Director and three companies (plus the DHS worker off site). One of the three employers paid their fee, and another company supported some of the utility and site costs. But a third employer left in December partially due to their lower employment levels and partially due to the departure of the firm's HR manager, who had been the BC CAREERS "champion" at the company. By January 2010, the Battle Creek Foundation provided a \$25,000 short term loan, which was repaid in February when the WKKF award was finally made. At this point, only one employer remained. Four financial literacy classes and supportive services were provided to employees of that company, but the viability of the network had seriously eroded, additional employer recruitment was unsuccessful, and after donating his professional time for several months, the Executive Director left for



other employment in June 2010. Some employer recruitment continued through the efforts of West Michigan TEAM, but BC CAREERS ended for all practical purposes in June with the exit of the Director.

After the initiative had ended, the former BC CAREERS staff persons (including the DHS case worker) were interviewed regarding their impressions of the services that had been offered, the programmatic challenges that had surfaced, and the successes that had been achieved. Respondents suggested that a significant accomplishment of the program was the extent to which it raised awareness. Greater awareness was created about the difficulties individuals face when trying to maintain a basic lifestyle on minimum wages or through temporary placements that usually lacked medical insurance or other benefits. Employers were also made aware of the community's social service agencies and how collaboration with these agencies could leverage even greater benefits for all involved. The former staff members indicated that some of the participating employers continue to work with area social service agencies to facilitate hiring, retention, and production.

The ongoing funding uncertainty was cited by all as the most significant challenge faced by BC CAREERS. Staff felt that the uncertainty led to undercompensation of staff, to employer uncertainty and therefore hesitation about long term buy-in, and to an inability to provide the full extent of services that were needed. Staff members felt that the latter was especially unfortunate because they felt there was a need: community minded employers were searching for cost beneficial methods to support their employees and families. The former staff members recommended that ERNs secure a wider variety of funding resources for greater sustainability and longer term viability. Staff also commented that an updated computer lab would have aided the training offerings at BC CAREERS, which could have expanded the service appeal to employers.

Although staff members indicated that they had received many positive comments from participating employers and employees, they also felt that BC CAREERS was not in existence long enough for these target groups to fully understand the scope and eligibility for services. Marketing program services had clearly been a struggle. In addition, two respondents mentioned that transportation needs in the county often go unmet for individuals who do not qualify for DHS benefits. Transportation to work and to the BC CAREERS site were both raised as a barrier to employment and to program participation. One person indicated that BC CAREERS promised much but was unable to deliver the full array of services as a result of a lack of resources. Had the initiative been able to deliver the full range of services that were intended, this individual believed it would have better served the companies.

The former staff members who were interviewed hypothesized that BC CAREERS offered a significant impact for a company's bottom line for those employers that hired their workforce directly from the community. Staffing agencies and participating firms that relied heavily on staffing agencies for recruiting did not see a significant improvement in retention.

As part of this assessment, we attempted to interview representatives from the five former participating BC CAREERS employers. We were only able to get a response from one of them. We interpret the lack of response despite repeated attempts to signal that the employers have moved on. The one employer that did respond felt that BC CAREERS had potentially been a very successful community venture, but that resulted in limited value. Employer recruitment was identified by this individual as the most significant challenge. Reasons for this struggle were attributed to “either not a good enough job selling the benefits of the program or the employers didn’t see enough value in the program for their potential investment.” The respondent suggested that most Calhoun County-based employers saw the target population for this program as entry-level employees, and given that most employers utilize temporary staffing agencies to provide these entry-level employees, the employers felt the staffing agencies were the ones who should participate in this organization. As a result, the respondent concluded that Calhoun County’s employer base did not take advantage of the benefits of BC CAREERS.

### **The Lakeshore ERN and How it Compares and Contrasts with BC CAREERS**

In order to generate hypotheses about what elements of an ERN facilitate its success, the Upjohn Institute research team took a close look at the Lakeshore ERN, which had begun at about the same time as BC CAREERS. The Lakeshore Employer Resource Network (LERN) began in 2009 as a partnership between Muskegon and Ottawa Departments of Human Services (DHS), West Michigan TEAM, and a few local employers. Most of the seven participating companies had heard of this collaborative concept through either the Kent County Health Field Collaborative and/or through the SOURCE. LERN consists of three manufacturing firms and four health care facilities (one acute care facility and three long-term health care facilities). One DHS caseworker, known as the Success Coach, is shared across this multicounty area. In addition, West Michigan TEAM serves as the fiscal agent and original convener.

The main motivation for employers who join LERN is increasing employee retention. Although most of the participating companies also offer Employee Assistance Programs, LERN is structured to target employees at risk of losing their jobs. Each employer pays a \$5,000 yearly fee to participate and DHS pays half of the salary of DHS Success Coach. The Success Coach is available through a phone referral or through a regular scheduled on-site time at the company in order to connect workers to community services that can assist in removing barriers to successful employment. The network more recently is exploring ways to pool resources and reduce costs of training for each of the member companies.

Six of the seven participating firms in LERN responded to a phone survey regarding the nature and frequency of services provided, turnover and training costs, costs of absenteeism and tardiness, and general questions regarding benefits to program participation. All respondents indicated that employees and management at their firms are pleased with the level and nature of services received through their participation in LERN. All respondents also indicated that the supports offered through LERN are

consistent with the company culture of supporting their workforce and their community. Although the companies vary in their integration of LERN services into their human resources practices, all respondents indicated LERN has enabled HR staff time to be diverted to other pressing issues, and most commented that the benefits of participation far outweigh the cost to their company. In order to quantify the cost-benefit of participation for the companies, a series of questions were posed to the companies related to the cost of hire, turnover, absenteeism and tardies. These data more concretely support the comments respondents offered that the employee and company benefits exceed the cost of participation.

### **An Analysis of the Payoff to Employers in the LERN**

Two expected outcomes for the firms participating in LERN include the lowering of employee turnover and the reduction of unexpected absenteeism. In this section, we provide estimates on the cost of employee turnover and absenteeism. Unfortunately, we do not have direct data showing that LERN's interventions do, in fact, lower turnover and absenteeism. Nevertheless, we do find that if LERN's services keep only two or three employees from losing their jobs, which is a small percentage of the total number of employees that use LERN services, the program pays for itself.

**Cost of employee turnover and absenteeism.** Employee turnover and unexpected absenteeism are costly. Both can slow production and lower client service levels and, at times, force companies to pay existing workers extra overtime wages or create the necessity for hiring additional workers.

A major portion of turnover cost is the hiring of new entry-level workers. First, there are the interview/hiring costs that include advertising, checking references, health examinations, and administrative costs. For the two companies in LERN that provided data on the costs associated with interviewing and hiring new workers, these costs reached \$1,000 per worker.

The larger expense of hiring a new worker, however, is the cost of training. This expense is comprised primarily of 1) the costs associated with having a position filled by a person who is less productive than a fully training worker, and 2) the cost of taking an experienced worker away from his/her job in order to provide training to the new hire. Additional costs such as conducting employee orientation sessions and providing worker safety classes also add to the total. The time it takes to train a new entry-level worker ranges from 3 days to ten times that amount according to the LERN participating companies. But being trained is not the same as being able to master the position. One company estimates that training a new entry-worker takes 3 full days; however, it takes a full 30 days before the new worker has obtained 50 percent of the job knowledge required for the position.

Typically, training requires taking an experienced worker away from his/her responsibilities, which impacts the company's overall performance. At one company, an experienced worker can spend as many as 14 8-hour days training a new hire the skills

demanded of the position. For two of the companies participating in LERN, this added training role takes up approximately 40 percent of the experienced employee’s time.

Table 2 shows that among the six firms participating in the LERN survey, the estimated costs associated with hiring and training a new worker ranges from a low of \$1,400 to a high of \$5,500 per new hire. According to the companies interviewed, the financial costs associated with discharging a worker for cause are reported to be relatively minor and not included in this analysis. Moreover, the Human Resources staff time, lost productivity, and diminished client service levels resulting from poor performance leading up to the discharge, which may not be minor, were not included as part of this study.

**Table 2 Estimate of Cost of Hiring and Training a New Entry-level Worker**

| Companies | Advertising costs | Physical drug test | Internal admin. costs | Other costs | Total training costs* | Total** | Notes                |
|-----------|-------------------|--------------------|-----------------------|-------------|-----------------------|---------|----------------------|
| A         | 250               | 350                | 240                   | 245         | 1,415*                | 2,500   | Estimated by authors |
| B         | na                | 95                 | na                    | na          | na                    | 5,000   |                      |
| C         | na                | na                 | na                    | na          | na                    | 4,200   |                      |
| D         | na                | 80                 | na                    | 50          | 2,870*                | 3,000   | Estimated by authors |
| E         | na                | na                 | na                    | na          | na                    | 5,500   |                      |
| F         | 400               | 100                | 500                   | na          | 400                   | 1,400   |                      |

\*Estimated cost of taking the experienced trainer from his/her job and trainer’s low productivity during the training period.

\*\*Companies B, C, and E provided estimates of Total cost only; companies A, D, and F provided estimates of the cost components.

On a nearly daily basis, employers also face the problem of worker absenteeism or tardiness which can lower daily production volumes, can reduce levels of client care, or can generate costly overtime hours. Two companies indicated that they require present employees to stay later and/or the subsequent shift employees are asked to come in earlier when absenteeism threatens the firm’s production schedule or service levels. In other words, overtime hours are incurred. One of the participating companies has found it necessary to have 10 extra production workers per year in their workforce to cover all absences—excused and unexcused.

**Benefits of participating in LERN.** All six of the human resources directors interviewed reported positive results from participating in LERN. One reported a nearly 100 percent success record: “Of those that I referred, I received feedback that they had received services and were able to come to work due to obstacles being removed.” Moreover, the same director said that “I think our ROI exceeds the cost of the program for every year we participate.” Another company HR director said that “LERN is a very good deal; HR staff time saved due to the ability to refer” to LERN employees who need support services. A third company claimed that the benefits received from LERN far exceed the cost of participation. “If it can save two or three employees, it pays for cost of LERN.”

In Fiscal Year 2010, LERN assisted 210 employees with services ranging from counseling (39), utility assistance (33), financial literary and financial assistance (27), food assistance (17), and health issues (16), to list just a few of the services provided. Table 3 estimates the breakeven point where the program paid for itself in 2010 for each of the participating firms. For example, for company A, if 2 of the 13 distinct employees assisted by LERN stayed on the job—due solely to the program’s intervention—then the program covered its costs. In other terms, it would require only 15 percent of the LERN interventions to be “job saving” for the program to breakeven in terms of its costs for company A. For Company B, if LERN’s services enabled only 1 of the 25 employees served to keep his/her job, the program covered it costs.

**Table 3 Benefit Cost Analysis of LERN**

| Companies | Annual cost of LERN | Cost of hiring new worker due to a turnover | Number of employees assisted in 2010 | Breakeven* | % Interventions necessary to be “job saving” |
|-----------|---------------------|---|--------------------------------------|------------|--|
| A         | \$ 5,000            | \$ 2,500                                    | 13                                   | 2.0        | 15%  |
| B         | \$ 5,000            | \$ 5,000                                    | 25                                   | 1.0        | 4%   |
| C         | \$ 5,000            | \$ 4,200                                    | --                                   | --         | --   |
| D         | \$ 5,000            | \$ 3,000                                    | 25                                   | 1.7        | 7%   |
| E         | \$ 5,000            | \$ 5,500                                    | 13                                   | 0.9        | 7%   |
| F         | \$ 5,000            | \$ 1,400                                    | 19                                   | 3.6        | 19%  |

\*The number of interventions that solely allowed the employee to stay on the job.

--Insufficient data for company C.

These breakeven estimates offer lower bounds of the program’s cost effectiveness; because they do not factor in the high probability that LERN services also reduce the number of incidents of unexpected absenteeism and/or tardiness for the firm. In addition, the estimates do not take into consideration the substantial cost savings that LERN provides to the participating firms in assisting in their turnover prevention activities by helping employees resolve personal non-work issues.

In summary, available data do not allow us to say for certain that LERN pays for itself. However, they do indicate that for the companies participating in the survey, the likelihood that LERN does pay for itself, in terms of reduced turnover or reduced unexpected absenteeism, is high. If LERN makes the difference for only 1 out of every 5 workers that it assists in keeping his/her job, then the program’s benefits clearly covers its costs.

## **Conclusions**

It is, of course, tautological to suggest that employer engagement is the lifeblood of an employer resource network. The question that this report attempts to address is why employer engagement in one initiative, BC CAREERS, was initially fairly solid, but then waned after one year, whereas in another initiative, LERN, the employer engagement has remained solid, and has arguably even increased over time. This section of the report will offer some hypotheses as to why this may have occurred. The hypotheses are intended to be “food for thought.” They do not result from rigorous data analyses nor have they been subjected to rigorous statistical significance testing. They

are conjectures, and it is important to note that they are not presented in any sort of priority order.

**Hypothesis 1.** ERNs' services are less valuable to employers during a recession.

The BC CAREERS initiative was launched in fall 2008. The recession had certainly started by then, but employment levels of the firms that joined the consortium were still fairly strong. Over the next four - five quarters, the bottom fell out. Retention and recruitment were no longer important issues, rather firms were struggling with how to manage sizeable layoffs. LERN started up in fall 2009; the Great Recession had officially ended and the Recovery Act funding had been passed and was supposed to kick start the economy. While the recovery has had extremely slow job growth, employment has not dwindled as it did during the year that BC CAREERS was operating.

**Hypothesis 2.** ERNs need to achieve a critical scale in terms of employers and employees.

BC CAREERS had five employers in its consortium at the start and was unable to attract additional partners. LERN also had five at its start, but was able to expand to seven. In Grand Rapids, the SOURCE has over a dozen members and the Kent County Health Field Collaborative has five. Despite the fact that the latter organization only has five members, we hypothesize that five or fewer may not be a viable number of firms for an ERN. The number of firms is important because it determines the individual firm's contribution to the organization, and because governance and operation of the initiative requires the investment of employer time and energy. Furthermore, there is likely to be a tipping point in terms of number of employees assisted. If there is a limited number of firms, then there may be a limited number of clients to serve. Consortium partners may then feel like the program is operating inefficiently because it is well below capacity, and may decide that their investment is not paying off. Finally, with more clients, a program will have discovered more community referral resources, and so will be able to more easily and inexpensively solve problems or make referrals.

**Hypothesis 3.** ERNs may be more likely to survive if they have sectoral diversity.

BC CAREERS had five member organizations. Two of them were in manufacturing; two were temporary employment agencies that mainly served manufacturing firms; and one was a health care firm. The manufacturing firms and temporary employment agencies were hit especially hard by the downturn in the economy. Health care is more immune to the business cycle. The LERN has three manufacturing firms and four health care firms. This diversity may be advantageous because the manufacturing firms may expand (and thus need retention, training, and recruitment help) during an expansionary part of the business cycle, whereas the health care firms will be more stable during the remainder of the cycle.

A number of individuals interviewed for this study suggested that including temporary help firms in the BC CAREERS consortium complicated the initiative. In theory, an ERN should be able to accommodate such a firm. Individuals who “work” for the firm, i.e., who are eligible to be placed by the firm, would be eligible to use the services of the ERN. However, in practice, temporary employment agency workers will work in establishments that are not members of the consortium. So, they are less likely to learn about or have access to the problem-solving services of the ERN. Furthermore, the firms where the individuals are placed have no incentive to be sympathetic to clients of the ERN.

It should be noted that the two Grand Rapids ERNs are not sectorally diverse. Quite the opposite, they may be considered sectoral initiatives. The SOURCE firms are manufacturing-based and the Health Field Collaborative focuses on health care. Since both of these ERNs are successful by almost any metric, then the need for sectoral diversity may only be necessary in the early stages of implementation.

**Hypothesis 4.** ERNs must balance a tradeoff in their geographical expanse.

Following the SOURCE model, BC CAREERS focused mainly on the Fort Custer Industrial Park “neighborhood.” LERN, on the other hand, has a much wider geographic footprint. On one hand, close proximity allows for more networking among employers and employees about the benefits of an ERN. Informal networking among employers may make marketing of the initiative easier. The firms in the consortium will be well-known by other potential member firms, and thus it should be easier to get employer-to-employer testimonials. Similarly, worker networking within a neighborhood should increase awareness of services. Finally, a smaller area may minimize administrative expenses such as mileage.

On the other hand, a wider geographic expanse allows the potential recruitment of many more firms. Furthermore, it may promote sectoral diversity since it is often the case that firms in the same sector may cluster together.

The business and population density of an area obviously affects the extent to which an ERN can draw membership from a “neighborhood” (e.g., an industrial park) or from a single sector. The neighborhood model may only work in an intermediate to large urban area such as Grand Rapids; whereas an area with less population and economic activity density, such as the Lakeshore area, may have little choice other than to reach out geographically.

**Hypothesis 5.** The success of an ERN may be enhanced by pre-existing ties to other ERNs.

LERN’s growth and success were somewhat dependent upon the spillover in awareness from the SOURCE and the Kent County Health Field Collaborative ERN successes. Three of the four healthcare participants have an industry connection to the Kent County program and one of the three manufacturers employed a VP of HR that was

previously employed in HR at a founding member of the SOURCE. On the other hand, BC CAREERS had more of a “cold” start. None of the firms had had any experience with an ERN. Rather the firms that partnered in the initiative did so based on evidence presented to them about the success of the SOURCE and because of the credibility of the WKKF.

**Hypothesis 6.** The success of an ERN depends on the commitment of HR managers; upper level management/owners must be knowledgeable, but are not necessarily initiative champions.

ERNs are clearly an example of the importance of having incentives aligned. HR managers’ jobs are made easier to the extent that the ERN is successful in its retention, training, or recruitment efforts. Without an ERN to rely upon, firms have to deal with situations in which an employee has a problem that is causing tardiness, absences, or reduced productivity. Ultimately the firm may have to terminate the employee and bear the costs of termination and replacement hiring. The HR department deals with these issues. But if an otherwise good employee can get a significant problem resolved through an ERN, it is a win-win situation for the employee and HR department.

Given that firms invest in the ERN, upper management must be sold on its benefits. So when we interviewed HR managers, we were consistently told that CEOs were aware of the initiatives, but in only a couple of instances was it the case that they were heavily invested in them.

**Hypothesis 7.** It may be advantageous for ERNs to share operational information through formal networking.

As with any business starting up, ERNs have a business plan meant to guide their development. While we have absolutely every confidence that the BC CAREERS plan was conservative in nature and based on data from other ERNs; in retrospect, it appears as though it carried heavier administrative costs and had less marketing success than it planned. In addition to supporting an Executive Director, a licensed counselor, and a portion of the DHS staff person’s salary, BC CAREERS also had substantial utility and space costs. On the other hand, LERN uses a model where the DHS staff person travels to each of the participating employers or makes himself available by telephone. If the Chief Operating Officers of the ERNs met on a quarterly basis, for example, they could be sharing advice on how to control costs and on how to successfully market their organizations. Furthermore, they could potentially share services.

In conclusion, we believe that ERNs serve an extremely valuable role for employers and employees. It is our hope that lessons can be learned from the experience of BC CAREERS, which clearly had many accomplishments for which to be proud, that can be used to improve other ERN initiatives.