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## What Works in Forming a Successful Employer Resource Network?

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# What Works in Forming a Successful Employer Resource Network?

*This article summarizes findings from a recent issue brief on Employer Resource Networks (Timmeney and Hollenbeck 2012).*

**E**mployer Resource Networks (ERNs) evolved in western Michigan over the last 10 years in response to business owners' concerns about the retention and skill levels of their workforces. These business owners have realized that recruitment and retention of a qualified workforce are central ingredients for organizational success. Out of these concerns arose consortia of businesses that leverage resources for the benefit of the member businesses, their employees, and for the communities where the businesses operate. The goals of these ERNs are to provide sustainable employment throughout all segments of the workforce by efficiently utilizing community supports, and help under- and unemployed residents of the community maintain employment and move into economic self-sufficiency.

These networks have been particularly successful with small and midsized firms that pool resources to accomplish together what they cannot accomplish individually. The distinguishing feature of each ERN is that participating businesses pay membership fees that are used to fund a case manager—referred to by ERN members as a “success coach”—from the public human services system to locate on-site at each business or in a central location.

Participating employers expect to experience lower turnover rates and lower consequent hiring costs, reduced expenses and hassles associated with worker tardiness and absenteeism, and improved productivity. These benefits are expected as workers, facilitated in many cases by the success coach, are better able to focus on their work activity and stay

on the job longer. Employers also expect some cost savings related to training and worker skill development through this consortium approach to human resource support and services.

This article presents the results from a survey that was conducted to determine the components necessary to form a successful ERN. Thirteen representatives from six west Michigan ERNs were interviewed to gather evidence reflecting on seven issues that emerged from a study contrasting the launch and operations of two of the six ERNs during the fall of 2010. (See Hollenbeck, Erickcek, and Timmeney 2011).

The survey respondents were purposively chosen and, for the most part, were ardent supporters of ERNs at participating firms. Of those interviewed, two were company owners and the remaining were all vice presidents of human resources (HR) within the participating firms. The length of time that the ERNs had existed ranged from the conceptual stage in two sites to nearly 10 years at one of the sites. These particular respondents allow us to address seven questions about what works in forming a successful ERN through the perspectives of advocates who have diligently committed to the concept.

## **1) Is the size of the ERN important for success?**

The ERNs represented by the interviewees ranged in membership size from 5 to 17 employers. Respondents confirmed our hypothesis that fewer than 5 employers may not be a viable number of firms for an ERN. They said that the minimum number of employers needed to create group synergy and cost effectiveness was 5–6, and emphasized that an ERN's optimal size depends on

the number of employees at the firm and service usage amongst each of the firms.

Scale is important because it determines the individual firm's financial contribution to the consortium, and because governance and operation of the initiative requires the employers' investment of time and energy. The average employment level per firm in this study was approximately 75–100 employees (some ERNs included firms with much larger employment levels). Using this average employment level per firm and the minimum number of firms per ERN, the scale of employment at member firms must be at least 375–600. However, further variables must be considered when determining ERN size. Optimal scale must include a balance of considerations such as the number of employees receiving welfare assistance, firm size, utilization of services,

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geographic location and expanse of member firms, and industry mix.

An issue closely related to scale is the fee structure of the ERN. Should fees be based on employment levels or utilization, or should there be a flat fee for all members? Utilization level was used by only one of the ERNs as the method for calculating fee structure. Representatives from other ERNs believed strongly that a flat fee is a more useful method. Utilization can vary significantly from year to year, and a varying fee means that costs must be argued for yearly with the CEO or upper-level management. Equal funding or a flat fee applied across all firms is easier to budget for and lessens the need for annual advocacy for participation. Some respondents also believed that under a utilization fee structure, firms with higher utilization, by right of paying higher fees, have more say in programming or design discussions, whereas a flat fee levels the

playing field for the smaller or midsized firms.

### **2) How do ERNs fare during a recession?**

During the recent recession, firms were laying off substantial shares of their workforces. Some firms may be hesitant to invest in an ERN because of concerns about business or economic downturns. Even though ERNs exist to improve worker retention and skill building, in the recent recession, the respondents confirmed that ERNs still provided value in retention and recruitment. Success coaches dealt with situations in which family members other than the worker were laid off. Furthermore, when possible, networking HR managers in the ERNs assisted each other in placing workers who were laid off. Not only did the success coaches provide value to the firms and employees, the HR managers and firms reaped the benefits of the network of HR knowledge and connections.

### **3) Is it important to have sectoral diversity?**

The existing ERNs have members from across a spectrum of industries. Respondents indicated that this enhanced the sharing of experiences and policies. Furthermore, the diversification dampened the effect of the business cycle as some firms had stable employment levels over the cycle and others fluctuated. A health care collaborative did emerge and functioned well, but coincidentally has merged with another nearby multisector network in an effort to streamline network coordination costs.

### **4) Can ERNs succeed if member firms are not located near each other?**

The neighborhood model of an ERN has many advantages, but most of the individuals interviewed in this study were in ERNs that covered fairly wide geography. The trade-off for the latter is that these ERNs must achieve scale, but they must also operate within an area that can be efficiently served by a success coach. An ERN located in a

small geographic area is most likely to be successful in a larger metropolitan area with a concentration of firms.

### **5) Are ERNs more successful if they have ties to other ERNs?**

The achievements and energy of an ERN seem to be enhanced if it has ties to another ERN. The growth and success of four of the ERNs were somewhat dependent on the spillover in awareness from the original two ERNs' experience and successes. Conversely, the demise of the one ERN no longer in existence can be partially attributed to a "cold" start. In that case, none of the participating firms had had any experience with an ERN. Rather, the firms that joined the initiative committed to participate based on evidence presented to them about the success of other ERNs.

In contrast, many of the health care firms in other successful ERNs have an industry connection, and several of the manufacturers have employed vice presidents of human resources that were previously employed in HR at founding member companies of the original ERN. The five representatives interviewed from the ERNs in the start-up phase all indicated that their knowledge and contacts with HR professionals at the operational ERNs were instrumental in their explorations of the feasibility and subsequent commitment to participation in their local ERNs. These interactions depict yet another networking benefit of ERNs versus starting from scratch.

### **6) What are the roles of HR managers and other upper-level management/owners in successful ERNs?**

Clearly an investment in an ERN requires CEO or upper-management approval, and thus they are the targets of marketing efforts, which may come from an internal source—usually the vice president of HR—or from other CEOs or management. Once upper-level managers decide to participate, however, they typically do not participate in the ERN.

The interviews confirmed that ERNs exemplify the importance of aligning incentives. The HR representatives interviewed all indicated that their jobs

were made easier with the availability of a success coach, who improved employee retention and, in many cases, offered valuable training. The respondents reported that the benefits of participation clearly outweighed the fees paid by the firm for participation. Without an ERN, the firms would have had to rely on their own resources to address employee performance or attendance issues, usually without clear knowledge or time to address the possible underlying causes. A success coach is specifically trained and can offer years of experience with this base of knowledge.

In all of the interviews where the ERN was fully operational, the respondents believed that there were individuals whose jobs had been saved because of ERN intervention. They said that ERN participation had saved the firm the costs of terminating these employees, recruiting replacements, and training the new hires. Since employee participation and service provision are confidential, the HR staff members do not know who is served or the specific services they have been provided. However, the survey respondents indicated that transportation was the primary need that was addressed, along with auto repair, financial help, and assistance with food and utilities.

Two HR managers interviewed independently commented that the ERN model offered a concrete way to engage in the workforce development system. They found the model to be mutually beneficial to their firms and their workers as well as a means to contribute to the local human services delivery systems. This aspect of the ERN concept was also a tool that these HR managers used to sell participation and the associated fee to upper management.

### **7) What are the networking advantages of ERNs?**

As with any business start up, ERNs have a business plan to guide their development. As the ERN moves from a group of interested firms convening around the concept to the stage of launching and implementation, these business plans are developed by the founding members of the ERN. Close relationships develop between the

participants, especially when they share the common role of HR professional in their firms. It is through this process that the governing group becomes a resource for networking.

Each of the respondents commented that networking, regardless of industry representation or geographic proximity, serves as a valuable function of the ERN. The ERNs meet on at least a quarterly basis, but communication occurs frequently in between meetings. In person, or more often by phone, representatives share practical experience on issues such as how to control costs, how to adjust to a new personnel policy, or mutual training needs. An issue that was a primary barrier in all firms was communicating to all employees the services available from the success coach. Through the networking, ERN supporters shared ideas on how to successfully market the ERN within their organizations. Ultimately, it was during these regular discussions that participating firms learned how they could potentially share services that facilitate the implementation of the business plan and enable the ERN to thrive.

### References

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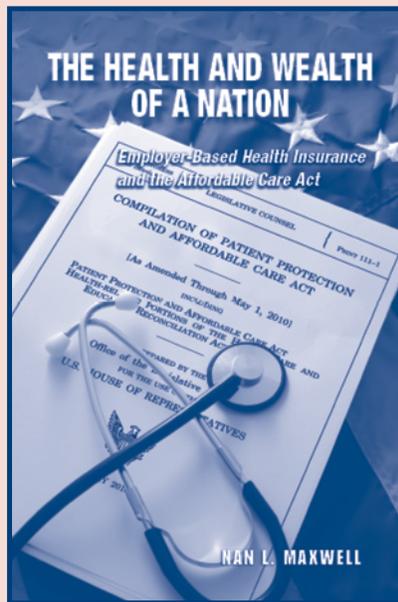
## *New Book on the Affordable Care Act*

### **The Health and Wealth of a Nation**

#### **Employer-Based Health Insurance and the Affordable Care Act**

Nan L. Maxwell

In this timely new book, Nan L. Maxwell examines the behavior of firms with respect to their provision of health care prior to ACA deliberations and uses those behaviors to forecast changes in employer-sponsored health insurance (ESI) once the ACA is fully implemented. Her analysis focuses on potential changes in the ESI offer due to implementation of ACA provisions concerning access and quality.



“Because the ACA structures provisions to narrow gaps in the ESI offer, my research can shed light on the extent to which the ACA provisions might change the ESI offer, and whether changes are likely to reduce disparities between low-wage and high-wage workers.”

—Nan L. Maxwell

Maxwell’s findings include:

- The ACA will likely influence the behavior of virtually all firms that offered health insurance at the time of its passage.
- The ACA is unlikely to incentivize small firms to offer health insurance if they did not already offer it when the act was passed.
- The differences in ESI coverage and quality of the offer made to low-wage and high-wage workers is likely to converge when the ACA is fully implemented.
- Disparities in the offer of benefits other than health insurance might increase between low-wage and high-wage firms.

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