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ISSUE BRIEF

EMPLOYER RESOURCE NETWORKS

Uniting Businesses and Public Partners to Improve Job Retention and Advancement for Low-Wage Workers

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SUMMARY OF BRIEF

The Employer Resource Network (ERN) is an innovative, employer-based model that pulls together a consortium of small- to mid-size businesses to provide job retention services, work supports, and training opportunities for entry-level employees, many of whom are receiving public assistance.

ABOUT THIS BRIEF

This Issue Brief was written by Michelle Derr and Pamela Holcomb, of Mathematica Policy Research, Inc. The opinions expressed are those of the authors and not necessarily those of ETA.

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INTRODUCTION

Low-wage workers, who experience high rates of job turnover and difficulty making ends meet, are often unable to advance to better jobs (Acs and Loprest 2004, Holzer et al. 2004). During the past decade, policymakers and program administrators have directed much attention and effort to developing service models and strategies that can help low-wage workers both retain their jobs and advance in them (Martinson and Holcomb 2007). Such efforts include ongoing case management, vocational and basic skills training, and improved access to work and financial supports, such as earned income tax credits and public benefits (such as, food assistance, child care, and Medicaid). Several collaborative initiatives are now underway that are based on mutually beneficial relationships between businesses and social service and/or workforce development agencies serving disadvantaged populations. The potential payoff for all parties is building a qualified and productive workforce.

This issue brief describes the Employer Resource Network (ERN), an innovative, employer-based model that pulls together a consortium of small- to mid-size businesses to provide job retention services, work supports, and training opportunities for entry-level employees, many of whom are receiving public assistance. ERNs also include strong partnerships with other service delivery systems and organizations such as social service agencies, workforce development agencies, chambers of commerce, and community and technical colleges. To date, this particular employer-based service model has been implemented at six sites within four counties in Michigan, involving 45 employers. The following description is intended to provide an overview of key features of the ERN model so that other employers and government agencies—most notably workforce development agencies—may consider whether and how ERNs or a similar approach might be used to develop new services or enhance existing ones in their own local communities.

THE GENESIS OF THE ERN MODEL

Welfare reform and a booming economy in the 1990s led to an increase in employment among welfare recipients and in the demand for low-wage workers. Many recipients of Temporary Assistance for Needy Families (TANF) benefits were able to find jobs; many, however, struggled to keep them. In response to this problem, Cascade Engineering, a large manufacturer in Grand Rapids, Michigan, formed a partnership with the local TANF agency, and they began co-locating a welfare case manager at the employer worksite to address the personal and family challenges that were contributing to job turnover. While the success of this venture inspired other local businesses to consider adopting similar strategies, the smaller ones lacked the capacity to do so. Their solution was to come together collectively as an Employer Resource Network (ERN), pooling existing resources to provide job retention services, access to additional work supports, and job advancement opportunities to their new and incumbent workers.

WEST MICHIGAN TRI-SECTOR EMPLOYMENT AND ADVANCEMENT MODEL (TEAM): SITE PREPARATION AND DEVELOPMENT FOR CREATING AN ERN

West Michigan TEAM, created by the original architects of the ERN model, is an organization that cultivates partnerships and prepares local communities for the development of employer networks. In preparing a site, they first find a “surrogate”—a person or entity that has a network of relationships with local employers, education and training providers, government organizations, and community-based agencies. The surrogate identifies potential “champions” who will help organize and cultivate the ERN. The service model is then adapted to reflect local needs and resources. West Michigan TEAM’s ongoing role is to foster partnerships and introduce new stakeholders to the ERN. It does not provide any direct services to member employers or employees. To date, West Michigan TEAM has organized six ERNs in four counties, with two additional sites planned for southeast Wisconsin.

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WHAT ARE EMPLOYER RESOURCE NETWORKS?

ERNs are consortia of businesses created to share the resources and expense of building the skills and capacities of their entry-level, often disadvantaged, workers. The architects of this employer-based model for job retention and work support are experienced in human resource management and attuned to retention issues and challenges from the perspective both of employers and entry-level workers. This dual focus is embedded in the mission, design, and operations of the model, which is characterized by several features:

- **Small and mid-sized businesses pool resources to accomplish together what they cannot accomplish individually.** ERNs are composed of six to eight small and mid-sized businesses (with 50–250 employees per company) from targeted sectors such as manufacturing, health care, retail, or hospitality. The experiences of ERNs to date suggest that the model operates best with a mixture of several mid-sized businesses (or large companies with a narrow group of entry-level workers) and three to five small businesses. Diversity brings a combination of resources, creates opportunities for collaboration, and improves the overall financial viability and sustainability of the network.
- **Services are targeted to entry-level workers but open to all employees.** ERNs are specifically targeted to those most at risk for job turnover—low-wage, low-skilled, entry-level workers. All employees are able to access ERN services as needed, however. Participation in ERN services is voluntary for employees. Although, supervisors may include ERN services as part of a corrective action plan for workers with poor performance or behavioral problems that are disruptive to the work environment.
- **The primary focus is job retention, with a strong secondary focus on skill building.** ERNs are designed with the explicit goal of improving job retention of the existing workforce, and providing opportunities for skill building and advancement. Trainings may be industry-specific or focus on general job skills training. ERNs also provide soft skills training on topics such as problem-solving, time management, and conflict resolution.
- **Capacity is expanded through public and private partnerships.** ERNs forge relationships with a mixture of local community partners—nonprofits, public agencies, and community and technical colleges—to expand the range of resources they can make available to their employees. Where possible, ERNs rely on leveraged resources from these partners or, because of the high volume of employees served or trained, pay for services from the community partner at a discounted cost. By leveraged resources, we mean attaining a greater level of resources than would otherwise be available by combining new and existing resources through collaborative arrangements with other organizations (for example, funding or in-kind

contributions such as volunteers and/or staff time, equipment, supplies, office space, and making additional services available at no cost to employees).

WHAT SERVICES DO ERNS PROVIDE?

Businesses that are members of ERNs determine the types and intensity of services to be provided. The core services typically include three elements: “high touch” case management, basic education and job skills training, and specialized resources and support. These targeted investments in entry-level workers are intended to achieve skill building, increase productivity, and improve job retention.

- **Short-term, “high touch” case management.** A key service provided through ERNs is short-term case management to resolve any personal and family challenges that interfere with employment. ERNs hire retention specialists to address work-related challenges, such as lack of transportation, childcare, or housing; relationship stress; mental health conditions; and drug or alcohol addictions. Retention specialists are well informed of the range of resources and services available within the community and, based on an assessment of a worker’s service needs, will link him or her with an existing service provider. For

example, in Grand Rapids, retention specialists manage 100–150 cases at any given time.

- **Job and life skills training.** One of the merits of ERNs is the ability to create the “shared-seat trainings”—that is, trainings in skill acquisition and professional development whose costs are shared by a number of businesses. At each site, the ERNs offer soft-skills training; job skills training (such as computer training); educational programs (such as English as a second language and Spanish-language courses); and general trainings on asset development (financial literacy and home ownership). One community college partner has developed a training curriculum of nine different courses exclusively for several ERNs, targeting the health care sector. Examples include Acute Care Advanced Skills and Dementia Care for CNAs, Certificate in Aging, Health Unit Coordinator Certification Training, and certification trainings in fields such as pharmacy and phlebotomy.
- **Specialized resources and supports.** ERNs can help improve employees’ access to a range of work supports. For example, the ERNs in Grand Rapids and Battle Creek are Volunteer Income Tax Assistance (VITA) program sites for preparation of income tax returns to ensure that eligible employees benefit from the Earned Income Tax Credit

SPECIFIC EXAMPLES OF SUPPORT FROM RETENTION SPECIALISTS

Alleviate family stress. One employee, described by her supervisor as a “dedicated associate,” had been with the company for nine years. A single mother of two teenage daughters, she was working full time trying to make ends meet. Although she was, according to the employer, “doing the right things... (but) due to some unfortunate events in their lives over the last several months, [the family had] been struggling financially and medically.” She began making careless mistakes in her job, and coaching from her supervisor wasn’t helping. After learning more about this worker’s family struggles, the employer referred her to the job retention specialist, who in turn connected her with several different agencies for needed services. The employer described the outcome: “When [the worker] stopped by to share with me all the different ways she and her daughters were being helped through the program, and to give thanks, I was amazed. It is a huge success story.” The worker’s performance improved as she became “more productive and less distracted in her daily activities.”

Improve access to public assistance. Another employer described a single mother of two who worked at a long-term nursing care facility belonging to an ERN. After going through a divorce, she was left working an entry-level job with limited financial supports. She enrolled in college, and the job retention specialist helped her apply for public assistance. While earning too much to qualify for TANF, she did receive \$427

per month in Supplemental Nutrition Assistance Program (SNAP) benefits. The worker said that she would never have applied for SNAP had her manager not referred her to the retention specialist. The employee enthusiastically explained, “The benefits will serve as a bridge for my future.”

Provide access to short-term loan to help with car repairs. One member employee was a single mother of a teenage son. She unexpectedly had to get some very expensive car repairs that jeopardized her ability to travel to and from work. After repairing her car, she found herself unable to make her mortgage payment. Her employer’s human resource worker linked her to the ERN retention specialist, who helped her obtain a bridge loan—that is, a short-term loan repaid by her income tax refund. The loan allowed her to cover her immediate expenses, including the car repair. According to her employer, the employee had been less tired and more productive since receiving the help. Without the loan, she likely would have been unable to travel to and from work and, according to the employer, “We would have lost a trained and good employee.”

(EITC). Other ERNs provide similar tax assistance to employees at their work sites. Several ERNs have implemented wellness programs with a focus on disease prevention and management, including health assessments, smoking cessation programs, and fitness counseling. Some have also developed asset-building programs for member employees.

HOW ARE ERNS STRUCTURED?

Creating an effective and sustainable ERN requires a solid infrastructure, which can be customized to create the best possible fit for businesses, workers, and community partners. Structural components of the ERN model include the following:

THE SOURCE: ADMINISTERING AND PROVIDING ERN SERVICES

Member employers and their partners created the SOURCE for the sole purpose of administering an ERN in Grand Rapids and providing direct services to its member employees. Administrators describe the SOURCE as “a not-for-profit employee support organization designed to help employees keep their jobs, receive training to enhance their employment, and help employees move into better positions within or across companies. We do this by utilizing the best resources of the government, area non-profits, and private employers.”

The SOURCE started in 2003 under the umbrella of Goodwill Industries of Greater Grand Rapids and branched off as its own 501(c)3 nonprofit organization in 2005. By February 2006, the SOURCE was operating an ERN comprised of local manufacturers. With funding from a Workforce Innovation in Regional Economic Development (WIRED) grant from the U.S Department of Labor, the SOURCE recruited additional businesses to create a new ERN. It now serves 17 businesses under two ERNs.

The SOURCE offers a range of services, including case management to resolve personal and motivational barriers to work, a comprehensive menu of job skills and specialized training, and a wellness program called “Commit to Be Fit,” which is designed to control health care costs and improve the health and productivity of workers. The SOURCE is at a location centralized to all ERN members. While most of the services are provided there, retention specialists visit employers regularly to share information about available resources and to provide services.

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- **Employer “buy-in” to the network.** ERNs engage businesses in the network in two ways. First, ERNs are employer-driven. Each has a governing board that is actively involved in shaping its mission, goals, and types of services offered. As representatives for their businesses, managers or human resource administrators typically serve on the ERN governing boards. Second, businesses pay membership fees to the ERN, a feature that both reflects and reinforces employers’ commitment. The fees are based on the size of the company and the number of employees who use the services and generally range from \$3,000 to \$41,000 a year. Both investments—time and money—increase employer commitment to the initiative and provide the flexibility to respond to the changing economic environment and employer needs. Requiring businesses to invest financially also increases the sustainability of the services—in Grand Rapids, for example, employers currently fund about three-quarters of the total ERN costs. At other sites, businesses pay for at least half of the operating costs, including training. The other half is paid for with a combination of public funds, grants, and donations.
- **Contracts with local agencies to provide direct services.** The ERN governing boards typically contract out all direct services such as providing case management services, trainings, and wellness programs to employees. They may also contract out a portion of the administrative functions such as organizing regular board meetings, coordinating trainings, identifying community resources, and fundraising. As an alternative, the member businesses may divide responsibility for carrying out the administrative functions among themselves.

For example, in Grand Rapids, the SOURCE, a nonprofit, community-based organization, is contracted by two manufacturing ERNs to provide the administrative functions and direct services to member employees. Contracted service providers in other communities include Goodwill Industries and Battle Creek (BC) Careers. Two ERNs, the Health Field Collaborative in Kent County and the Lakeshore ERN in Ottawa and Muskegon Counties, share the administrative functions among ERN businesses and contract out direct services with a local service provider.

According to West Michigan TEAM, contracting out the administrative function in addition to the services function to an intermediary organization requires a greater level of financial support from ERN employers. At the same time, it frees the ERN employers from having to dedicate their own staff resources to carrying out time-consuming administrative tasks that may also compete with other staffing priorities.

- **Publicly and privately funded job retention specialists.** A core feature of ERNs is a partnership between the participating businesses and a local government organization, such as a public welfare agency—TANF or SNAP, for example—and/or workforce investment partners.

Government agencies pay a portion of the salaries and benefits of one or more co-located retention specialists (case managers), and the ERN (i.e., the participating businesses) pays the other portion. These retention specialists are assigned to employees receiving public assistance, such as TANF, SNAP, Medicaid, or childcare. A retention specialist that is funded entirely by the ERN serves those not receiving public assistance. The retention specialists assigned to work with employees receiving public assistance have ongoing contact with employees, providing them with post-employment case management and eligibility redeterminations. In contrast, the specialists serving all others do not carry an ongoing caseload, but instead work with employees as needed, typically until the barrier affecting their ability to keep their jobs is resolved.

- **Use of training providers and nonprofit agencies to leverage needed resources.** ERNs rely on a variety of organizations, such as local community colleges, training providers, and nonprofit organizations, to expand existing job retention and advancement resources. For example, ERN businesses can offer employees free or reduced-price basic education and industry-specific training in high-growth occupations through Grand Rapids Community College (GRCC) in Kent and Ottawa Counties and Kellogg Community College's Regional Manufacturing and Technology Center (RMTC) in Battle Creek. These are the "shared seat trainings" mentioned above. As indicated below, every effort is made to hold trainings at convenient times and locations for member employees, and they reportedly have higher completion rates than trainings offered at local community or technical colleges. In addition, ERN retention specialists may refer employees to local nonprofits and specialized service providers. Employees may also access services, such as vocational assessments, housing assistance, domestic violence counseling, and physical and mental health treatment.
- **Geographically centralized and sector-based approach.** To be successful, ERN services must be accessible to member employees. Direct services, including training, may be provided onsite at the businesses or at an intermediary organization that provides direct services and is geographically centralized and accessible to all ERN businesses. In two counties, Kent and Calhoun, services are provided at the offices of the SOURCE and BC Careers, both of which are located near the ERN businesses. Other ERNs rely on "virtual offices" where retention specialists travel to employers to provide services onsite. Creating networks of businesses located relatively near one another also allows the ERN to design services that reflect local needs and capitalize upon local resources.

Optimally, ERNs are composed of businesses within a common business sector. To date, ERNs have been established for businesses in the manufacturing and acute and/or long-term care health care sectors. The advantage of using a sector-based approach is that businesses with similar training needs can share the cost.

WHO BENEFITS FROM ERNS?

Existing studies of job retention initiatives report mixed results on the impact of post-employment services on employment, earnings, participation in education and training, and adult and family well-being (Miller et al. 2009, Miller et al. 2008, Rangarajan and Novak 1999, and Bloom et al. 2005). A distinguishing feature of ERNs from other job retention initiatives is that they are employer-driven—governed and supported by a consortia of local businesses in collaboration with public agencies and community partners. Although ERNs have not been rigorously evaluated, they have the potential to benefit workers (and their families) and businesses as well as participating partner organizations and the community at large. The primary benefits of the ERN model to businesses can be quantifiable in dollars saved as a result of reduced turnover and shared trainings. Other potential benefits may include leveraged resources, more competitive employers, increased staff morale and improved job satisfaction, better reputation in the community, and stronger relationships among businesses and between the public and private sectors. The potential benefits of ERNs are described in greater detail below.

- **ERNs can provide bottom-line benefits to employers.** Businesses can only be profitable when workers stay working and are productive. The sustained viability of the ERN model depends on employers' viewing participation as an investment that will yield a positive return. With input from participating employers, each ERN develops a return on investment fee structure to determine how much they will contribute annually to the initiative. Contributions are based on how much and what types of services employees use. In Grand Rapids, the SOURCE uses job retention statistics, collaborative shared-seat training, and the cost of direct support to calculate the return on investment. Businesses in this ERN typically obtain an average return on their investment of 150–200 percent. Using similar measures, ERNs in other sites have reported comparable returns. According to West Michigan TEAM, the return on investment can be lower during the initial start up period, but tends to improve over time.
- **ERNs can help workers get access to supports to stay employed and build job skills.** Entry-level workers face a number of difficulties that can lead to job instability, social services recidivism, and economic hardship. In the face of transportation, health care, childcare, and housing needs, entry-level wages alone are often insufficient for these low-income families to make ends meet. Unresolved personal and family challenges can also contribute to frequent spells in and out of the labor market (Hershey and Pavetti 1997). Workers can benefit from ERNs when retention specialists help them take full advantage of the range of public- and employer-provided supports available to them, such as public benefits for which they are eligible, ongoing job skills training, and financial literacy and asset-building counseling.

- **Community colleges can expand their enrollment and grant opportunities.** An ERN typically draws upon the education and training resources at the local community college to provide onsite training to member employees. Exposure to the community college can, in turn, serve as a tool for recruitment of employees who are interested in pursuing additional credentials or completing a college degree. Establishing and developing strong linkages with the business community might also increase grant opportunities for community colleges. For example, in Grand Rapids, the local community colleges working with the ERNs have successfully applied for and received grants to serve disadvantaged populations, including a recent Pathways Out of Poverty grant for \$4 million to provide skills training in “green job” occupations.
- **Public and nonprofit agencies can engage with the business community.** ERNs offer public social services agencies and workforce development partners an opportunity to partner with local businesses. These partnerships are mutually beneficial in a couple of ways. First, public and nonprofit agencies are made aware of available jobs with ERN businesses for placement of clients of TANF and/or Workforce Investment Act (WIA) programs, while businesses benefit from an expanded pool of job applicants that allows them to pick workers who best fit their open positions. In addition, TANF recipients often have access to ongoing work supports, such as childcare, transportation, and federal training dollars. These supports may improve the odds that these entry-level workers stay employed. Second, businesses and government agencies are both invested in improving job retention outcomes. The ERN model of collaboration can help both employers and service partners obtain needed resources to achieve these goals.

CHARACTERISTICS OF BUSINESSES BEST SUITED FOR ERNS

- A range of wage scales and skill levels
- Similar training and worker service needs
- Need of each other to create economies of scale
- Willing to fund shared staff or resources to increase efficiency
- Not in direct competition with each other
- Within the same sector
- Willing to establish public/private partnerships
- Willing to collaborate with other businesses

Source: West Michigan TEAM

WHAT ROLE CAN WORKFORCE INVESTMENT ACT PARTNERS PLAY IN ERNS?

With their mandate to serve both employers and job seekers and their strong connections to the business community, WIA organizations are particularly well suited to initiate and participate in ERNs. In laying the foundation for an ERN, organizers need to be able to consider the skill levels and training needs of the current labor market, the size of local businesses, high-growth sectors, and the government agencies that are willing to partner. Creating an ERN service requires substantial upfront preparation, including educating businesses on its bottom-line business value to spark their interest in participating. It also involves designing an infrastructure based on local businesses and community partners. Workforce development partners might assign the development task in house or contract with an intermediary organization to lay the groundwork. Key steps in the planning and development include the following:

- **Identify and recruit stakeholders.** Partnerships are central to building a network of businesses and leveraging local resources to operate and support ERN services. Local workforce investment boards and One-Stop Career Centers often have strong relationships with businesses, government agencies, community colleges, and local nonprofits. These connections may be used to identify and recruit willing and appropriate stakeholders.
- **Educate stakeholders to obtain “buy in”.** Talking with businesses and community partners about the potential benefits of an ERN is an important step in laying the groundwork for a successful initiative. Vital to this process is identifying a local workforce investment leader who can forge strong relationships and inform businesses about the concept of ERNs. Part of the upfront process is educating businesses of the potential return on their investment through pooled resources from other local businesses and leveraged resources from community partners. The potential benefit for government and community organizations is the advantage of strong connections with the business community for job placement.
- **Identify funding to cover startup and ongoing expenses.** In light of employers’ greater willingness to invest in an ERN if it is cost effective, a requirement for a limited initial investment from businesses may serve as an incentive to try the initiative. In Grand Rapids, West Michigan TEAM and The SOURCE applied for grants and private funding to cover 75 percent of the total cost of operating the ERNs and required businesses to pay 25 percent for the first year of providing services, with the understanding that the split would eventually reverse. Now, four years later, the ERN member businesses cover 75 percent of the operating costs while West Michigan TEAM and the SOURCE find outside grants and private funding to cover the remainder. Workforce investment systems are well positioned to apply for government and private grants to support ERN initiatives.

- **Create an administrative infrastructure.** Once the stakeholders are in place, the ERN business leaders involved must decide how ERN services will be administered. Local One-Stop Career Centers may be instrumental in administering and/or providing direct services, or ERNs may choose to contract out these responsibilities to an intermediary organization.
- **Customize the service model to the needs of workers and the resources available within businesses and local communities.** To be effective, ERN services must be customized to match the needs and resources of the businesses, workers, and community partners. This initial preparation includes thorough assessment and planning. West Michigan TEAM is currently working with the Southeast Wisconsin WIRED grantee to implement two ERNs in Greater Milwaukee. They are partnering with the county Food Stamp Employment and Training (FSET) program rather than the Department of Human Services. Wisconsin opted for the FSET program because they serve a broad range of participants, including TANF and workforce investment clients. Workforce investment partners attune to the needs and resources within local business and social service agencies may play an integral role in customizing the ERN service model.

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