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# Understanding Employer Networks

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# **Understanding Employer Networks: Executive Summary**

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# Executive Summary

## Introduction

Employer networks represent an important potential lever for harnessing and increasing employer investment in skills through overcoming common barriers such as lack of awareness of skills needs, difficulty in accessing learning provision and problems related to costs of training staff. They have the potential to bring together organisations with and without previous histories of collaboration to solve common problems, and offer mutual support and informal knowledge exchange and insights, and can integrate solutions to skills-related and non-skills-related management issues. We know that there is considerable diversity in the size, scale and types of employer networks that exist in the UK. However, the mechanics of how networks are established, operate, how they engage employers and what potential they might have to support employer demand for skills have not been explored in the existing literature on the subject.

This research aims to develop a greater understanding of the design, implementation and impact on skills of employer networks in the UK to inform the delivery of investment projects. It seeks to understand how networks are organised and why, the kinds of activities delivered for employers and the outcomes and impacts which they achieved on employer growth and investment in skills. The study draws on a literature review, online mapping exercise, small scale online and telephone survey and a series of eight case studies investigating the role of employer networks in contributing to skills development and innovation in the UK. The objectives of the research were to:

- gain a clearer understanding of the employer networks that exist around the UK, with a particular focus on those with a skills or growth dimension;
- identify what the characteristics are of different networks and whether there are any patterns or prevalence of certain types;
- obtain a deeper picture of what employer network members feel they gain from participation in such networks.

## **Network type and visibility**

The research identified a number of different network types including:

- Group Training Associations
- Industrial Training Boards
- Geographically-based networks and clusters
- Higher Education/industry collaborations and business incubators
- Trade associations / sectoral employer associations
- Supply chain networks, vertical or horizontal in nature
- Employer networks supported by publicly regulated bodies e.g. SSCs
- Informal networks without an established mode of organisation or central co-ordination e.g. in some online or virtual networks.

The visibility of these networks was highly variable and dependant on the degree to which a network publicly advertised their existence. In particular, relatively few supply chain networks were found to document their activities online. Anecdotal evidence from experts consulted during this project also suggests that many more informal networks exist but are not captured through publicly available information.

## **Network purpose and objectives**

Most networks in the mapping and online survey phase of the project identified skills development as a primary or secondary objective of the overall work of the network, which included supporting commercial/ business development activities and informing the content and planning of qualifications and skills accreditation. Networks creatively used single or combined skills-related products and services to address multiple drivers or objectives. Six of the eight case studies had a primary focus on skills, while the remaining two focussed on innovation and product improvement. Most of these networks were established to solve a common, shared problem in a practical and pragmatic way, usually focussed on providing skills development activities to which employers would otherwise not have access.

The high degree of diversity in network purpose, approach, leadership structure, context, employer engagement methods, employer participation levels/methods and activities means there is no single blueprint or common approach to adopt in making them successful. Common success factors can be identified but these may be put into practice in different ways. Success factors in establishing networks include drawing on pre-existing relationships between potential network partners to make the most of existing rapport; access to valued resources to attract employers; presence of a common interest to generate motivation for action and reduce any reluctance to co-operate among competitors; presence of leading employers to attract other participants. Challenges in developing networks include building up an unknown brand; time commitments for SMEs to participate in network governance; developing training content quickly to meet employer needs. Some investment in marketing of networks in industries without significant history of employer collaboration is likely to be important. Offering multiple engagement methods for SMEs should help secure their input. Choice of a suitable learning provider partner with suitable capability and expertise, especially for larger networks, is critical. Alternatively, starting networks on a small scale to iron out any teething problems without damaging network credibility among target employers could be helpful.

Discussions with the case study networks revealed that the major drivers for employers to join a network are perceptions that the network will solve an existing need or problem and efforts by networks to promote their benefits to potential participant firms. The level of effort required to market to and engage members, especially by new networks and for SMEs, can be considerable and need adequate resources to support it.

### **How are networks structured, governed and funded?**

Most of the case study networks did not require formal membership status and positioned themselves as offering a service on the open market to any employer for which it was relevant. However, across the wider mapping of networks, there was a predominance of network types that operate formal membership schemes. Networks were highly diverse in size of employer membership/engagements and costs, with larger networks tending to have lower fees. Membership numbers were also determined by size of the potential population. The number of employers engaged varied greatly and this largely depended on the type of network. However, it was notable that across the case studies the reach of the network was considerably larger than the optimal size of 25 proposed in some of the literature.

Most membership-based networks identified through the mapping and online survey work operated from a central administrative hub with a distinct legal identity and status. Within the case studies, employer-led networks tended to operate from within major organisations without a defined administrative structure (Microsoft, Tallent), while a number of those focussed on qualifications delivery were hosted by the learning provider (Teesside, Training 2000). Most case study networks were governed through a board structure (e.g. AMRC, WCCF, AXRC, OPITO), except those led by major employers. This structure was preferred as a means of making networks cost-effective for employers by avoiding bureaucracy and layers of management and administration. One network adopted a not-for-profit focus for branding purposes, to reassure potential participants of its commercial focus through establishing a private company with not-for-profit status rather than a registered charity.

Case study networks were sustained by four main sources of funding: public funding, membership fees, payments for specific services and non-financial contributions from employers. In most cases networks received a mix of these types of funding. Public funding was used to encourage membership of networks in industries without a history of collaboration and overcome market failures where costs of training or challenges in co-ordination of provision exist. In order to achieve maximum effect in from initial funding to establish the network and grow the membership, it is advisable to have a clear focus and target spend and activity to ensure added value.

Setting the right level of membership fees involves considering a trade-off between exclusivity of membership versus potential reach and require considerable judgement, about the perceived value of the network and its product or service. Higher fees may be associated with higher expectations of the network members and a keenness to see the benefits; however, higher fees might detract from the attractiveness of the network for some employers. Relying on payments for specific services ensures network focus meets employer needs but the case studies showed that this may create a commercial transactional model rather than establish a sense of identity or membership of a network. Non-financial contributions from employers include time in contributing to qualifications and standards development, and participation in network leadership, though the latter is more difficult for SMEs. Providing options for different types of participation and minimum requirements for key roles such as board membership was helpful for some networks in gaining employer involvement.

The type of staff roles needed to run networks were typically divided into three types: leadership and administration, usually through a small management team; initial or ongoing employer engagement e.g. account managers and delivering network activities e.g. trainers. Choice between in-house and out sourced training provision seems to depend on regularity/frequency of activities, volumes of participants and degree of flexibility required in location and scheduling of delivery.

Generally speaking, the communication options used by the case studies for reaching network participants included: individual face-to-face contact between employers and network staff; meetings and forums attended by groups of employers; one-way electronic communications including email and newsletters.

### **Network activities and participation**

Network activities were highly diverse, reflecting the varying needs of employers. Primary activities included the provision of apprenticeships for SMEs in the IT industry (Microsoft Partners Apprenticeship programme); a flexible leadership and management qualification across all sectors in one geographical region (Teesside); provision of a hybrid IT/management degree (ITMB/e-skills); a sectoral network offering multiple forms of customised training for the call centre industry (Welsh Contact Centre Forum); a research and development network for the advanced manufacturing sector (AXRC); a supply chain network for the automotive component sector (Tallent); a group training association offering multiple qualifications in a number of sectors (Training 2000); and a sectoral specialist provider of technical training for the oil and gas industry (OPITO). Subsidiary activities in some of the networks included some outreach work in careers information, advice and guidance to attract new recruits to the sector as well as additional business support services.

Levels of engagement between employers and the network hub varied enormously, and for a proportion contact was infrequent, reflecting the nature of training services being purchased rather than buying into membership of a club with a 'networking' dimension. Providing IT-based solutions to enable employer contact in networks with wide geographical coverage and giving consideration to how far employers expecting a specific service can be encouraged to engage in network activities to develop social capital is necessary.

Major factors influencing levels of participation in a network included: the perceived level of benefits, the size of firm (with SMEs particularly valuing access to resources they cannot gain through individual effort) and value for money, related to perceptions of cost. This was especially the case where employers saw themselves as buying a specific short-term skills solution, rather than buying into a longer-term exchange of knowledge or collaboration. The focus of network activity may evolve over time and networks need to be sufficiently adaptable to meet emerging employer priorities. Key success factors for the services commonly provided were ongoing contact and communication with employers, often involving individual and face-to-face contact and flexibility in training provision.

The level of interaction between employers in the case study networks was lower than we might have anticipated based on the emphasis in the literature on the value of social capital generated in networks. Membership of a network does not necessarily equate to substantial participation in activities which foster a sense of 'belonging' and any obligation to sustain and develop network activities, as opposed to simply being a consumer of network services. Typically employer participation in activities was found to be quite passive with only a minority of eligible employers taking part. Developing shared or common interests may be an important precursor to activity to identify and address skills issues which is more collaborative and built on knowledge exchange.

### **Impact of networks, employer perceptions and success factors**

Whilst benefits can be cascaded, who benefits from a network is naturally related to who actively engages with it and to what extent. Engagement varied substantially between networks and participating organisations, there was generally a core group of active employers in a network and some with more peripheral or transitory contact. Within an organisation participation was generally concentrated among a small number of people. Exceptions to this being where large numbers of staff and employer beneficiaries accessed training or services from networks with a transactional model of membership based on paying for service provision.



Case study employers reported that the most common benefits of network activities were: access to suitable training provision; reduced transaction costs of organising training and negotiating course content with training providers and economies of scale through design of industry-standard qualifications. Provision of customised, flexible training was identified by employers as a key benefit of network services. In addition, networks were able to overcome employer barriers to skills development such as short-term decision-making and access to imperfect information by proving the benefits of training through relevant examples from similar organisations.

Employers generally assessed networks in terms of the immediate, tangible outcomes they produced, rather than the value of participating in a network in itself. This suggests that access to imperfect information may have led to employers underestimating the full benefits of training. Networks generally did not take a systematic approach to monitoring or assessing value for money; continuing employer engagement was seen to be sufficient to evidence success. Impact measures used by the networks themselves typically included training quality, volumes of participants and qualifications they achieved. Where success, and progress towards it, was reviewed the common measures of success cited were the continuation of employer engagement and longevity. Any monitoring mechanisms required of networks may therefore need to be relatively simple and also make it possible to capture unanticipated benefits which emerge later in a network's lifespan, while networks seeking to become self-sustaining need to provide evidence of their value to employers for recruitment and retention purposes.

Some case study networks had helped firms to recognise skills shortages and expand employment in ways which would not otherwise have taken place, especially in small firms. Many of the case study networks providing training leading to a qualification appeared to be contributing to increases in skill levels and some appeared to be influencing training provision across the sector. There is a potentially important co-ordinating role for intermediary organisations working at regional/local levels in identifying common gaps in skills development provision which pose barriers to growth for employers in the area.

Business benefits appeared most directly for case study networks with supply chain type characteristics, in which skills development formed a subsidiary focus. The focus of these networks was often more directly related to business operations and the development of products and service (quality).

The barriers to achieving network benefits included limited network penetration among target employer communities for networks with an open participation policy; limited employer participation where employers engage in only one activity of a range offered; provision of single activities by networks where there may be latent demand among employers for a wider range of services. The research concludes that overcoming these barriers is likely to require investment in face-to-face marketing; greater promotion of network activities by more engaged employers and assessment of market demand for further services. In establishing networks led by learning providers, it may be useful to consider how the initial design of the network and model of engagement might allow scope for broadening the range of activities offered, even if at a later stage of the network's development. In addition, considering how best to position and market the purpose of a network to employers is important, so they initially perceive it as more than simply offering training provision, even if they do not choose to engage in additional activities until a later stage.

The time periods over which benefits were accrued by case study networks varied considerably. This implies that the evaluation of any public, pump priming funding needs to be of a relatively long duration. In these times where the need for movement towards self-sustainability is a given, there is ever-more need for transparency of the benefits of engagement to maintain and nurture employer engagement in a network as there is to attract employer interest.

### **Research gaps**

The full span of employer networks in the UK is extremely difficult to document as the existence of many informal networks may not be publicly recorded and it is likely that many networks operate 'under the radar' of public policy. Some attention could be given to understanding the activities of informal networks and possibilities for supporting, accelerating and extending mutual learning among participants.

The literature on employer networks stresses the value of mutual learning between firms through network activity. However, further work to understand how best to monitor and establish the benefits which accrue to firms from peer-to-peer learning is required, given that this study focussed on relationships between networks and employers rather than relationships between employers within networks. This could be undertaken through a form of individual network analysis applied to key decision-makers within an organisation and how social capital shapes this.

This project developed a greater understanding of the diversity of skills-related networks in operation. In order to gain a clear understanding of the merits and risks of different approaches to network structures, governance and funding, and to understand 'what works' and why, it would be helpful to make a comparative assessment of networks which are broadly similar in their objectives and types of service which are being provided to employers.

The research design involved gaining access to participating employers via network organisers or administrators. This is likely to have resulted in some selection effects because organisations with limited or no participation in network activities are unlikely to have much contact with network administrators and are unlikely to self-select for research participation. Understanding the characteristics of relatively inactive employers within networks and identifying segments which could be targeted for greater participation may be helpful. This could be achieved through research with employers whom networks have tried to engage unsuccessfully or through research with the potential target population of a network.

There is much policy interest in the potential of employer networks to act as a lever to increase enterprise, jobs and growth. There is the opportunity to develop and enhance stakeholder understanding, particularly policy audiences, of the scale of engagement in, and activities of, employer networks. Further application of the findings from this study could help to inform policy interventions designed to support knowledge exchange, skills investment and business expansion by employers.

Evidence Reports present detailed findings of the research produced by the UK Commission for Employment and Skills. The reports contribute to the accumulation of knowledge and intelligence on skills and employment issues through the review of existing evidence or through primary research. All of the outputs of the UK Commission can be accessed on our website at [www.ukces.org.uk](http://www.ukces.org.uk)

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