

# Parthenon Perspectives

## Corporate Reimbursement for Continuing Education in the Current Downturn



THE PARTHENON GROUP  
Boston • London • Mumbai • San Francisco

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# Corporate Tuition Reimbursement The Topic



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Given the success enjoyed by market-funded colleges and universities over the past decade, both in growing enrollment and generating shareholder value, industry observers have become increasingly interested in the impact of the current economic crisis. One particular focus of attention has been the threat of reductions in corporate tuition reimbursement budgets as companies seek to manage costs by reducing funding for non-core employee benefits.

In response to this concern The Parthenon Group, a boutique strategic advisory firm, conducted interviews with Human Resources professionals at companies with greater than \$500MM of revenue. These companies represent a broad spectrum of industries and offered their perspective on how the economic downturn is impacting the funding levels for degree-based program tuition reimbursement.



## Key Findings

***Corporate reimbursement is a common benefit at larger companies as it is perceived to be a beneficial but low cost employee benefit***

- ~70% of the companies we surveyed (with over \$500MM of sales) offer tuition reimbursement as a benefit to their employees
- The benefit is seen primarily as a retention tool, but also as part of an effort to upgrade skills and improve productivity
- Nearly all require employees to meet certain criteria to be eligible for the benefit
- Funding for tuition reimbursement remained steady for several years prior to the recent crisis



**Though the recent downturn has had some impact, it appears to be relatively marginal**

- Fewer than 20% of companies surveyed have reduced funding for tuition reimbursement as a result of the current economic difficulties
- And, though the current environment is worse than prior recessions, HR managers surveyed do not expect to see further cuts to tuition reimbursement programs going forward



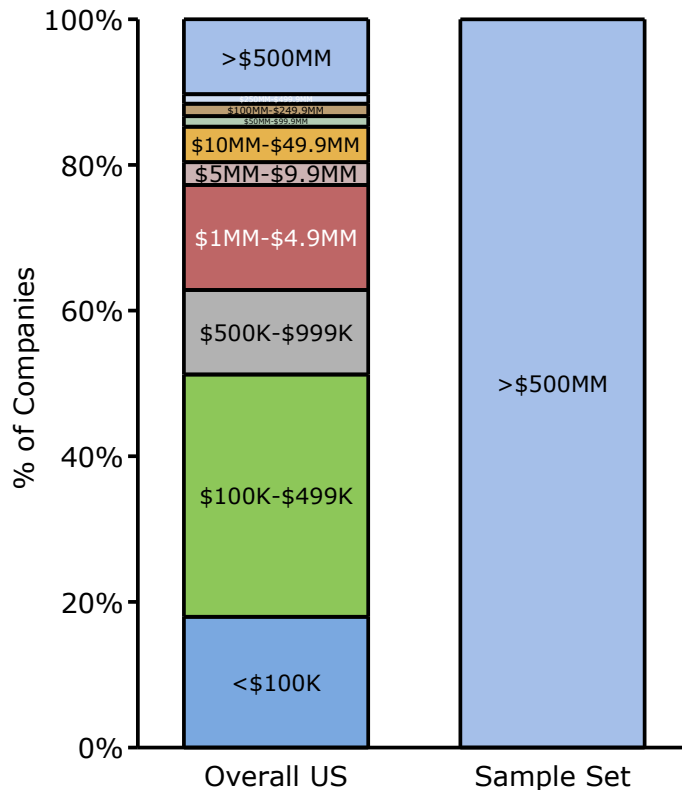
**Our perspective is that although the current economic climate will clearly have some impact at the margin, wholesale reductions in corporate tuition reimbursement programs do not appear to be a threat.**

# Survey reached companies from a diverse set of industries with >\$500MM of revenue

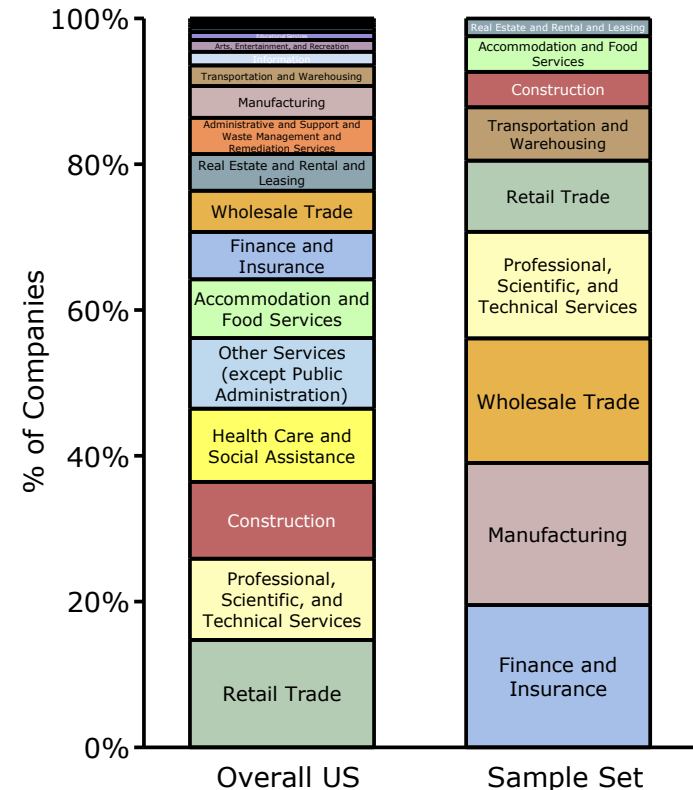


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**Size of Companies**



**Industries of Companies**

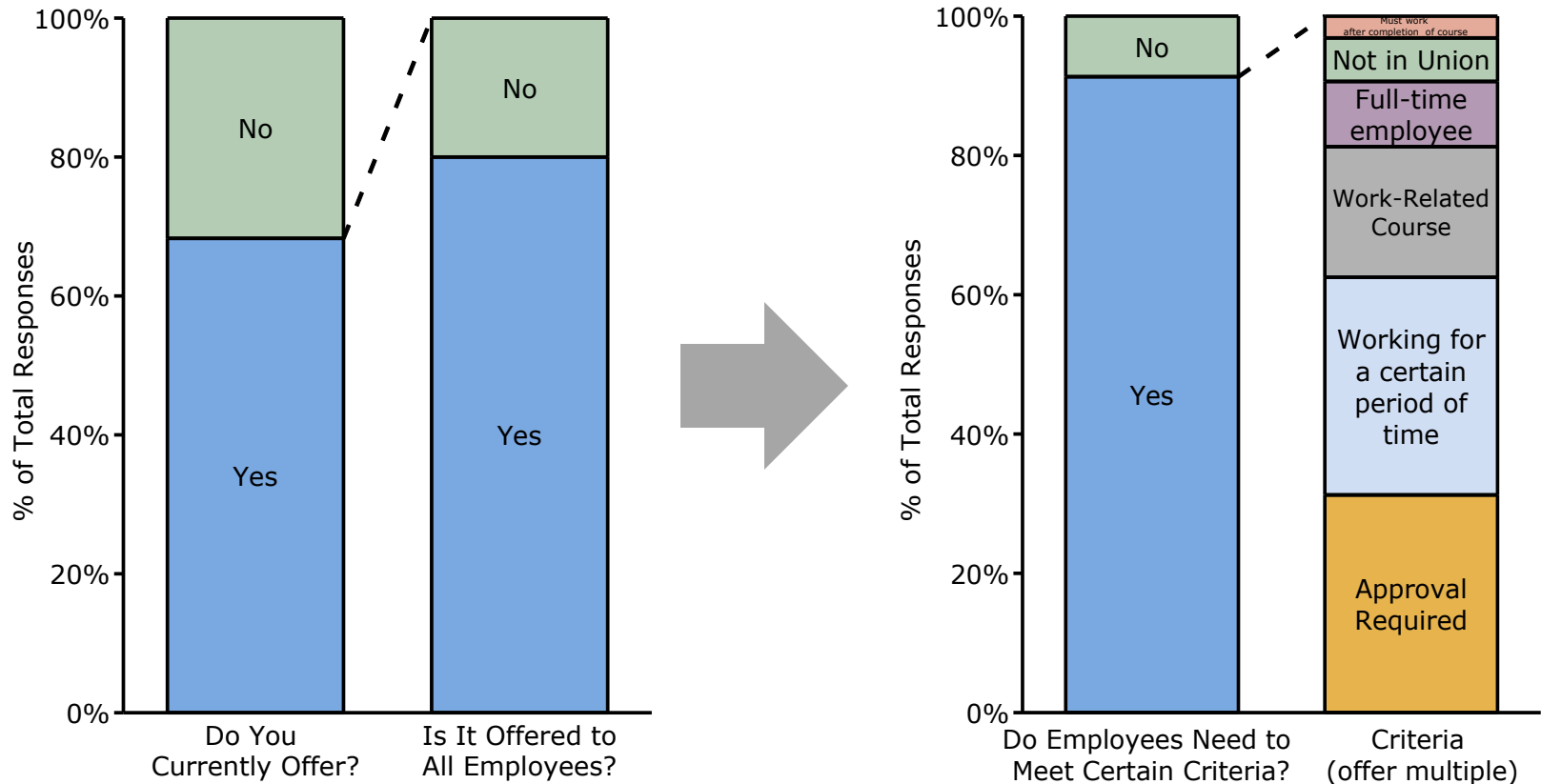


# ~70% of the companies we surveyed offer tuition reimbursement as a benefit



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## General Characteristics of Tuition Reimbursement Programs



Note: "Has your company ever offered tuition reimbursement programs"; "Does your company currently offer tuition reimbursement programs to its employees?"; "Are tuition reimbursement programs available to all employees?"; "Do employees need to meet a certain criteria in order to qualify for the programs?"  
Source: Parthenon Corporate Tuition Reimbursement Survey (n=41)

# The benefit is seen primarily as a retention tool but also as an effort to upgrade skills



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## Employers cite several reasons for offering tuition reimbursement

- Employee retention
- To maintain and upgrade employee skills
- Improve productivity
- To match growing need for skilled labor jobs
- Benefit is often exempt from federal income tax – currently \$5,200 (this is not always the case and depends on the congress)

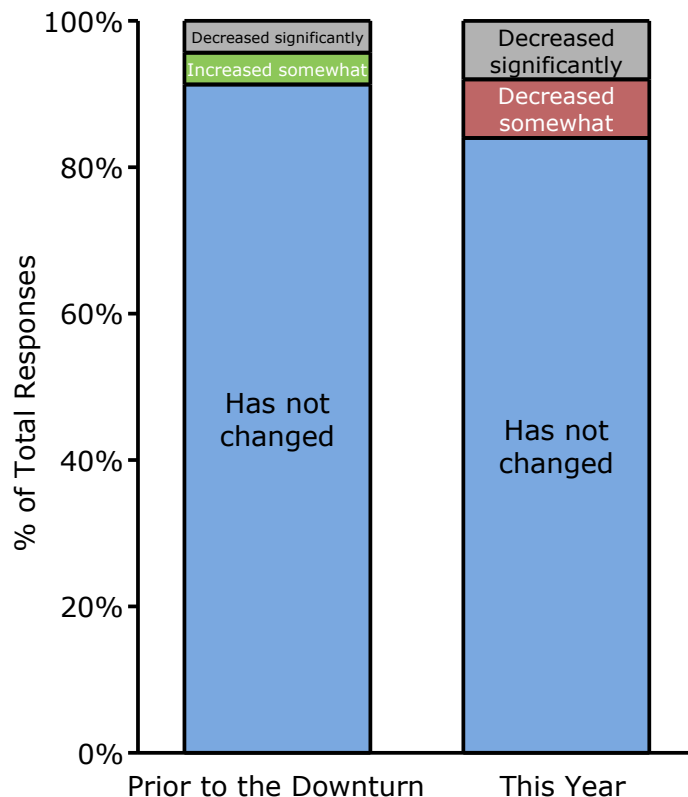
## Though a valuable benefit, tuition reimbursement appears to be a mid-level benefit overall

- *The University Continuing Education Association reports that reimbursement benefits ranks above childcare, enhanced family leave benefits and flextime*
- *"Tuition reimbursement is an average benefit; healthcare and paid vacation are definitely more important, but things like flexible work schedules, telecommuting, and childcare matter less."*
  - Processed Food Producer
- *"Out tuition reimbursement program is a mid-level benefit...childcare is a lower priority for us."*
  - Grocery Wholesaler



# Most companies have not changed funding for tuition reimbursement

## Effect of the Economic Downturn on Funding



### For most, funding has remained the same

*“Funding has not changed at all over the past 3 years because we have wanted our employees to improve their skills by pursuing higher degrees.”*

– Computer Wholesaler

*“There aren’t a ton of people in the program, so it hasn’t been necessary to cut funding for it.”*

– Bank

*“We haven’t changed our program in 25-30 years...it’s a big part of the firm’s culture and we don’t want to change that.”*

– Construction Company

### For a limited number of companies, funding has decreased

*“Due to financial reasons, we’ve had to put this program on hold.”*

– Auto Parts & Supplies Wholesaler

*“We looked at employee benefits across the board and decided to reduce the percent we reimburse.”*

- Insurance Company

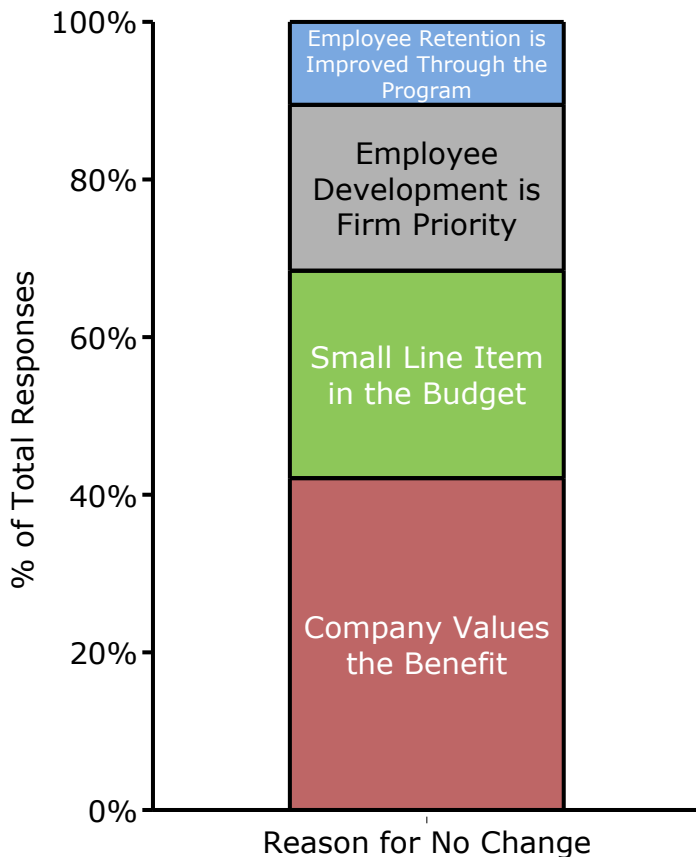
Note: “How has the amount for tuition reimbursement changed over the last 3 years, prior to the current economic downturn?”; “Please indicate by how much your company’s tuition funding has changed since the economic downturn (over the last year, approximately)”

Source: Parthenon Corporate Tuition Reimbursement Survey (n=41)

# Companies value this benefit because it is relatively inexpensive & helps with retention



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**Several companies appreciate this benefit because it aligns with the values of the company**

*"[Tuition reimbursement] is important to the philosophy of the company."*  
– Meat Packing Company

**For many, tuition reimbursement is not a large part of the overall budget**

*"There isn't a huge amount of funding that goes towards this program because we have less than five people participating in the program."*  
– Bank

*"Because this program is underutilized, it has yet to be cut."*  
– Physicians & Surgeons Eq. & Supplies Mfg

**Allowing employees to continue to build their skill set, tuition reimbursement not only benefits employees, but also employers**

*"This company places a high priority on training."*  
– Brewer

*"Education is vital."*  
– Electronics Wholesaler

**Employee retention is improved through the program**

*"Tuition reimbursement is a great benefit not only because it helps with the development of our employees, but also because it helps with our employee retention rate."*  
– Pharmaceutical Research Laboratory

# A small subset of companies have decreased funding in the recent economic downturn



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<p><b>For those who have already decreased funding for tuition reimbursement, the effect of the current recession has been worse than that for past recessions</b></p>	<p><i>"We've been hit worse by this downturn than others, I think everyone has... the worst part about all of this is the lack of certainty about when things are going to turn up."</i> – Insurance Company</p> <p><i>"Things have been worse for us this time around... consumers are much more unpredictable now."</i> – Tobacco Manufacturer</p> <p><i>"In the last recession we didn't cut funding but during the third quarter of 2008 we were forced to review all of our benefit programs."</i> – Truck Manufacturer</p>
<p><b>Both funding cuts and fewer employees participating in the program have led to decreased funding for tuition reimbursement</b></p>	<p><i>"The reason we're spending less on tuition reimbursement is two-fold, we're reimbursing less per class than before and we're seeing less people enrolling in the programs."</i> – Tobacco Manufacturer</p> <p><i>"We used to reimburse 100% of tuition but now only reimburse 50%...since we made the change in October, no one has signed up."</i> – Truck Manufacturer</p>
<p><b>For some companies, decreased tuition reimbursement funding has been due to cuts in the program</b></p>	<p><i>"We've announced a cut in our funding, which has been the main hit to our total reimbursement... we do assume that less people are going to enroll as well."</i> – Insurance Company</p>
<p><b>Companies do not foresee future funding cuts for tuition reimbursement programs</b></p>	<p><i>"We anticipate this cuts to remain the same for the foreseeable future... there is too much uncertainty to say convincingly that we'll do one thing or another."</i> – Insurance Company</p> <p><i>"We decided to make employee development a priority, so we aren't going to be cutting our tuition program in the future."</i> – Grocery Wholesaler</p>

Note: "You indicated that continued education funding has decreased during the economic downturn. How much of this decrease do you attribute to overall funding cuts versus the impact of potentially having fewer employees?"; there were 5 respondents who mentioned a current funding decrease for tuition reimbursement programs

Source: Parthenon Corporate Tuition Reimbursement Survey (n=41)

# About The Parthenon Group and Our Education Center of Excellence



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## About The Parthenon Group

The Parthenon Group is a leading advisory firm focused on strategy consulting with offices in Boston, London, Mumbai, and San Francisco. Since its inception in 1991, the firm has embraced a unique approach to strategic advisory services; long-term client relationships, a willingness to share risk with our clients, an entrepreneurial spirit, and customized insights are the hallmarks for which The Parthenon Group has become recognized in the industry. This unique approach has established the firm as the strategic advisor of choice for CEOs and business leaders of Global 1000 corporations, high-potential growth companies, private equity firms, educational institutions, and healthcare organizations.

## Our Education Center of Excellence

Parthenon has served as an advisor to the education sector since our inception in 1991. Our Education Center of Excellence has an explicit mission and vision *to be the leading strategy advisor to the global education industry*. To achieve this, we invest significantly in dedicated management and team resources to ensure that our global expertise extends across the public sector and non-profit education providers, foundations, for-profit institutions and service providers, and investors:

**Public Sector and Non-Profit Education Providers:** We advise governments, publicly funded deliverers of education (e.g., public school districts, public universities), and non-profit providers (e.g., private foundation universities, charter schools) on how to drive system wide improvements and make strategic decisions when balancing the scarce resources of time, people, and funding.

**Foundations:** We partner with several leading educational foundations to help them develop strategies to differentiate the impact and the return on investment of their education activities.

**For Profit Institutions and Service Providers:** We work closely with leading for-profit companies operating in the education space. Our advisory work which spans hundreds of projects in nearly every educational vertical –from early child care to adult continuing education and the service providers to those institutions –provides us with a unique understanding of both the education space and its various business models. We partner with clients across the globe and are increasingly focused on high growth markets in Asia, the Middle East, and Latin America.

**Investors:** We have been an advisor to nearly every major education transaction in the sector over the past several years. Our understanding of the education landscape from the perspective of governments, public providers, non-profits, and corporations, coupled with our firm’s deep private equity experience, make us powerful partners when evaluating investments.

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