

# Linking Corporate Tuition Assistance Programs to Business Strategy

By **Elizabeth Hibner**, Senior Product Manager, CAEL, and **Jennifer Murnane**, Assistant Director, Human Capital Lab

One strategy often overlooked by HR and Learning and Development professionals to address the increasing workforce shortage, is the use of an effectively constructed tuition assistance program.

Where companies do employ this strategy, it demonstrates that they understand the importance of cultivating internal talent to meet future workforce needs.

Approximately \$20 billion was spent on tuition assistance programs in 2005 according to estimates by Eduventures, yet there is a disconnect between generalizations and the specific actions required to create and deploy policies, practices, and procedures that effectively use and measure the impact of tuition reimbursement to support the overall strategy of the organization.

In a 2004 study conducted by the Council for Adult & Experiential Learning (CAEL), 70% of companies report the reason they provide tuition assistance is that it is an effective employee retention aid. Forty-eight percent say it gives them a competitive edge in recruitment.

In a 2007 study by Corporate University Xchange among 180 companies, the overwhelming majority of respondents reported they were not measuring the program's impact on employee recruiting or retention (approximately 31% and 38%, respectively), and were not planning to measure recruiting or retention in the future (approximately 48% and 39% of respondents, respectively).

The conclusion from these studies is that the majority of companies are missing the opportunity to align their tuition assistance programs with stated company goals and therefore failing to put any measurements in place to demonstrate the value of their program to senior leadership and employees.

***The impact of tuition assistance on employee turnover has been shown to improve employee retention at companies such as Verizon Wireless, which showed a 50% reduction in turnover among employees utilizing its tuition reimbursement plan.***

Companies also believe they are better able to effectively recruit talent by offering this enticement to prospective employees. Tuition assistance is an especially beneficial tool in recruiting the younger worker, particularly in small and mid-sized companies. In a 2007 survey of 6,169 employees,



Careerbuilder.com found that 31% of those surveyed planned on changing jobs in the next two years. Reasons for looking for another job included pay, career advancement, work/life balance, and training and learning opportunities, with 33% of the employees dissatisfied with the training and learning opportunities provided by their current employers.

***It is important to make an explicit connection between the value of the employee's learning experience and the value to the company.***

If an employee is going to spend considerable time off hours in pursuit of a degree, he/she should have a clear understanding of how the company views that commitment and the potential for advancement within the organization.

In research on 73 companies in the CAEL database, the Human Capital Lab found that the majority of tuition assistance policy purpose statements are directed at personal career development. Predominant phrases are "support the pursuit of higher education," "learn more," and "support personal and professional development." The purpose statements that tied into a more strategic view of retention are "contribute talents to achieve business objectives and company vision," "retain and develop the overall knowledge of the company workforce," and "contribute to the long- and short-term business success of the company."

The database study also showed that approximately 56% of the policies did not have a stated waiting period prior to employees enrolling in the program. Waiting periods have been found to be inconsistent with recruitment goals as they delay the new employee from taking advantage of the educational assistance immediately.

***The recommendation is for companies to consider how to shift the view of tuition assistance from merely a benefit to an investment creating strategic value.***

The first step in this shift is to link measurement of business impact, particularly recruitment and retention, to funds spent on tuition assistance.

Research projects in the Bellevue University Human Capital Lab, as well as specific recommendations presented in the book "Creating Value with Human Capital Investment" by Michael E. Echols, Ph.D., are directed at helping companies measure the impact of these programs.

Sources: National Center for Educational Statistics (2006 May). Adult education participation in 2004-05. U.S. Department of Education NCES 2006-07; Council for Adult & Experiential Learning (2004). The promise and practice of employer educational assistance programs: 2004 state of the field strategies & trends; Corporate University Xchange (2007 October). Tuition reimbursement: Changes on the way?; Echols, M.E. (2007). Creating value with human capital investment. Tapestry Press: Wyomissing, PA; Business & Legal Reports (October 4, 2007). Does tuition reimbursement benefit employees?; Krivsky, J. (September 16, 2005). Motivate your young employees. Small Business Times; Careerbuilder.com (2007). Annual job forecast; Eduventures (2005 July). Developing effective channels to corporate and government markets, part 1.