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## Modernizing Tuition Assistance: Programs to Build a 21st Century Workforce

MGM Public Policy Institute

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# MODERNIZING TUITION ASSISTANCE

Programs to Build a 21st Century Workforce

April, 2021

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# INTRODUCTION

Amid an uncertain labor market precipitated by decades of increasing economic inequality, nearly half of Americans feel they don't have the right skills to adapt and are increasingly seeking additional training to improve their circumstances.

Over the past decade, individuals with a high school diploma have an unemployment rate more than 2.5 times that of those with a graduate degree and earn less than 50% in their jobs than individuals with a graduate degree.

To reduce income inequality and insecurity, labor experts and lawmakers have favored government-funded interventions and overlooked what could arguably be one of the most effective policy solutions to increase socioeconomic mobility, specifically tuition assistance programs (TAPs).

The vast majority of workforce training happens within and is funded by the private sector. This includes specialized skills trainings, professional development and more general skill-building partnerships with postsecondary institutions.

TAPs have the potential to help millions of U.S. workers enhance their skillsets at designated colleges and universities. But they remain significantly underutilized as a workforce development strategy.

While almost all major employers offer some form of postsecondary assistance – which collectively adds up to billions of dollars in potential financial aid – these programs are based on outdated models in which too few employees participate.

This is the first paper in a series from the MGM Resorts Public Policy Institute at UNLV, exploring tuition assistance programs. This report provides a broad overview of tuition assistance programs, and key challenges and insights about best practices.



# Millions of Americans have Access to Tuition Assistance through their Employers

## Just Some of the Fortune 50 Companies with Tuition Assistance Programs

Company	Employees
Alphabet	98,771
Apple	132,000
Bank of America	204,489
Berkshire Hathaway	389,000
Boeing	153,000
Citigroup	204,000
Comcast	184,000
Dell Technologies	157,000
DuPont de Nemours	98,000
FedEx	359,000
General Electric	283,000
General Motors	173,000
Home Depot	413,000
IBM	381,100
Intel	107,400
Johnson & Johnson	135,100
JPMorgan Chase	256,105
Lowe's	245,000
PepsiCo	267,000
Proctor & gamble	92,000
Target	360,000
United Parcel Service	365,575
United Technologies	240,200
Wellsfargo	258,700

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# TAP FEATURES



There are almost as many variations of tuition assistance programs as there are companies providing them. These different combinations of rules and requirements can serve as obstacles that deter employees from participating.

TAP Characteristics	Definition	Example
Eligibility Requirements	Employers may establish certain requirements to participate such as length of service, satisfactory performance evaluations, full-time status or job title.	Chipotle provides a debt-free college program for employees who work 15 hours a week or more and have been on the job at least 120 days.
Level of Financial Support	TAPs typically have a yearly level of support, while a smaller group have lifetime caps. Most fund up to \$5,250 a year – the amount the federal government allows a company to deduct as an expense and for which an employee will not be taxed as a fringe benefit.	Wells Fargo will reimburse employees for eligible tuition expenses up to \$5,000 annually.
Timing of Aid	Most TAPs are done as a reimbursement, leaving the employee to pay the upfront costs of attendance. Furthermore, some organizations link grades or GPA to reimbursement, meaning the employee will only receive those funds if they achieve a certain level of success.	UPS Education Assistance Program for part-time, non-management employees requires participants complete an application as classes start and request reimbursement after classes end. To receive reimbursement, participants must complete the courses, receive passing grades, and pay for the semester. Grades and an itemized statement of fees with proof of payment including school and student name, must then be provided.
Restrictions on Program of Study and/or Partner Institutions	TAPs may limit eligibility to specific courses or academic programs. Additionally, organizations may enter into agreements with designed partner colleges or universities.	Full-time employees at Verizon are eligible to receive up to \$8,000 a year in tuition assistance at Bellevue University, a private, nonprofit, accredited institution.

# Potential for large gains but low participation



A sizeable percentage (between 56% and 82%) of firms nationwide offer some form of TAP. But historically, only 2% to 10% of employees use them.

The trend is troubling because TAPs have great potential to reap large benefits for corporations and employees. For example, employees participating in Cigna Health's tuition reimbursement program had a turnover rate 19% lower than that of non-participants, according to the Lumina Foundation, which conducted a recent cost-benefit study of the global health service provider's program. Researchers found a 129% return on investment. Moreover, participating employees were:

- 10% more likely to be promoted;
- 7.5% more likely to receive an internal transfer; and
- 8% more likely to be retained

For every \$1 the company spent on the program, it avoided an additional \$1.29 in HR-related costs. Yet, while Cigna Health's program was associated with major rewards for the organization and employees, only 6% of its 37,000 employees used the tuition assistance program over a three-year period.

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Historically, only 2% to 10% of employees use tuition assistance programs.

# Why low participation?

Outdated models that inadvertently seem burdensome, onerous or irrelevant can deter participation. This means that the design of an organization's TAP can make all the difference in terms of outcomes. Some of the major challenges with program structure include the following:

1. TAP designs that reimburse participants at the end of the semester can significantly disincentivize employee participation, especially for those in low-paying jobs. Many of the employees who would benefit most from a college degree lack the funds to pay for all or a portion of their tuition and fees. In the summer of 2020, 23% of Americans reported they were finding it difficult to get by or were just getting by financially and 40% reported they were just doing okay.
2. Too few organizations tie their tuition assistance programs to talent practices, such as evaluation, promotion or succession planning, providing little incentive to employees to use the benefit if they do not see short- or long-term gains from a postsecondary credential.
3. Most TAP designs assume employees go into a higher education program and come out with a degree in hand and new skills that increase organizational productivity and employee engagement and satisfaction.

But in reality, *the majority of working adults in higher education do not continually persist toward a degree*. They pop in and out of postsecondary programs due to competing obligations with work, family and finances. Furthermore, the hard skills they receive in these academic programs have diminishing shelf-lives and are often obsolete by the time students graduate due to automation, AI, or organizational restructuring. This latter problem may be compounded if the tuition assistance program sends employees to colleges and universities that rely largely on canned courses that are not frequently updated.

4. Employers cite a lack of employee interest as the top challenge in promoting these benefit programs. However, "lack of interest" may be a function of the program's design, perceived connection to advancement, lack of relevant academic programming, or other work and life obligations.

5. **Lack of Confidence in Continuity:** While the majority of large employers provide some sort of tuition assistance, the number of these programs nationwide has declined since the Great Recession when many employers eliminated or decreased these benefits. During such times, employees may not participate due to uncertainty.

# SOLUTIONS

1

Redesign higher education delivery so that universities and colleges work more closely with employers to develop career pathways that ensure curriculum is fresh and relevant and supports employees' advancement or transition to new occupations.

2

Change TAP funding models so that they cover 100% of participants' tuition and fees, and even ancillary expenses such as textbooks, up front. Universities and colleges may even provide incentives to do so, offering reduced corporate rates.

3

Design flexible postsecondary programs for today's working adults. This includes building online or hybrid, short-term or accelerated courses with block scheduling so students progress together through the program.

4

Internally promote the importance of TAP supported professional development and better connect postsecondary credentials to organizational advancement and success.



# CONCLUSION



Tuition assistance programs symbolically serve corporate interests, signaling a culture that values education, supports employee development, and provides a return on investment; they help attract better candidates and foster increased engagement and productivity. But far too many organizations have adopted ineffective models, placing a postsecondary education out of reach for many workers, particularly those who stand to benefit most. In a world of work that increasingly values adaptability, tuition assistance programs and the universities and colleges with which they partner, have failed to help workers enhance their skills, leaving a wellspring of funding untapped that could dramatically increase economic mobility.

America's education and training systems need a reboot to effectively build a 21st century workforce that can better compete in the global economy. This is in part due to an antiquated approach with a laser focus on the return on investment of education. As a result, an increasing number of workforce and postsecondary programs focus narrowly on technical skills with short shelf-lives and fail to account for the influence of financial, social and emotional instability on human behavior. Using the right model, tuition assistance programs can serve as a significant part of the solution, integrating public and private interests and outcomes, and shaping a system that puts workers on more nimble career pathways with the resources they need to pivot when necessary.

Public policies can incentivize and support these efforts to better leverage the private sector's investment in workforce development. Initiatives that motivate higher education institutions to work more closely with employers to create more flexible, relevant and rigorous programming for working adults, and those that incentivize employers to internally promote and connect TAP participation to advancement could provide an effective way to reboot America's workforce. In doing so, millions of Americans will be able to access the benefits of a college degree and the skills they need to adapt and thrive amid the rapidly changing world of work.

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