

6 Strategies to Modernize Your Tuition Assistance Program

A playbook for HR leaders to build a
strategic education benefits offering

Table of Contents

02 Introduction

04 6 Practical Strategies to Modernize Tuition Assistance

05 Strategy 1: Expand the pie.

07 Strategy 2: Think beyond degree programs.

10 Strategy 3: Align your tuition assistance program to your talent mobility strategy.

11 Strategy 4: It pays to be generous; leverage those tax dollars.

12 Strategy 5: Make the enrollment process frictionless.

13 Strategy 6: Market tuition assistance to employees.

14 Conclusion

A Critical Moment to Rethink Tuition Assistance Benefits

56% of companies offer a tuition reimbursement program to their employees, according to a [2019 study](#) from the Society for Human Resource Management. These programs deliver strong ROI for companies of all sizes. A [two-year study conducted by the Lumina Foundation](#) showed that Cigna's education reimbursement program delivered a 129% return on investment, helping to attract new talent to the company, decrease turnover, and build a new talent pool to fill internal roles.

Yet, while the majority of companies offer a tuition assistance program, [only 5% of employees take advantage of these benefits](#). Simultaneously employers sometimes miss opportunities to connect tuition assistance to strategic business priorities like reducing turnover or increasing internal career mobility. As the [Great Resignation and War for Talent rages on](#), HR leaders have the chance to rethink and modernize their tuition assistance programs so they have even more impact. **When designed appropriately, the education benefits program can help companies:**

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- **Attract new talent** and standing out in a tight labor market
 - **Increase employee retention** particularly in high turnover frontline roles
 - **Promote internal advancement and career mobility** for employees once they have gained new skills
 - **Advance DEI goals** to upskill and retain specific populations of workers
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Defining terms

Tuition reimbursement, tuition assistance, education benefits – what’s the difference?

Tuition reimbursement programs are considered the least “modern” form of educational assistance. Under these programs, employees typically pay out of pocket for an eligible education program and then are reimbursed on the backend by the employer. Although a promising first step, these programs often have low adoption among frontline or low wage workers who often struggle to front the cost of an education program out of pocket.

Tuition assistance programs are generally defined as programs where the employer pays upfront for the cost of an education program or the providing institution defers the tuition until program completion when the employer has agreed to pay. Tuition assistance programs are generally more attractive to employees and achieve higher utilization.

Education benefits are the most “modern” form of tuition assistance programs. Employers treat education as yet another type of benefit like health insurance or a retirement plan that should be offered to employees as part of their total compensation. Companies that offer education benefits often work with a third party benefits vendor to give employees access to a catalog of approved offerings in which they can seamlessly enroll.

Note that for the purposes of this white paper, we will use the term “tuition assistance” to refer to both smaller scale programs and larger scale education benefits offerings.

6 Practical Strategies to Modernize Tuition Assistance



Pathstream recently spoke with Chief Human Resource Officers and Total Rewards Officers from fifteen leading companies and compiled their best practices for building a modernized and strategic tuition assistance program. Adopting these practices can ensure that a company's education subsidy does not just become a forgettable and underutilized benefit but rather a mechanism for building an engaged workforce with versatile, job-relevant skills.

In this report, we'll cover **6 recommendations** these forward-thinking HR leaders propose adopting to modernize tuition assistance.

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1. Expand the pie.
 2. Think beyond degree programs.
 3. Align your tuition assistance program to your talent mobility strategy.
 4. It pays to be generous; leverage tax-exempt dollars.
 5. Make the enrollment process frictionless.
 6. Market tuition assistance to employees.
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STRATEGY 1: EXPAND THE PIE.

Broaden your eligibility criteria to include more employees.

Most employers offer education benefits that are tax exempt under IRS Code 127. This means that, per the American Taxpayer Relief Act of 2012, [an employee can exclude from their income up to \\$5,250 per year in educational assistance](#). If your company is offering this tax-exempt funding to employees, you are typically obligated to make it available to all employees on a non-discriminatory basis and, in particular, make sure that it is not only available to highly compensated individuals.

However, many forward-thinking employers are going a step further and **offering education benefits to employees who work part-time or who have just started at the company.**

Why should you consider opening up your programs to new hires and part-time workers? By doing so your company can attract an entirely new talent pool that might be interested in working 10-20 hours per week as they study. Once they earn their degree or complete a certificate program, they will be loyal and skilled workers who are prepared and incentivized to take on management or leadership roles at your company.



For example, in interviews conducted by Pathstream, highly skilled individuals who had taken a break from the workforce to raise families or fulfill other caregiving responsibilities said they had been incentivized to return to work part-time if they could

also enroll in an education program to advance and refresh their skills. Offering a tuition assistance to non-exempt employees can help build a new talent pipeline for a company.

Additionally, by offering employees access to education benefits within their first 90 days, employers can stand out when competing for frontline talent. Offering immediate eligibility for these benefits not only helps employers attract more motivated talent, but can also increase

retention during the first 90 days, a critical window of time in the employee lifecycle. A [study by Guild Education](#) showed that offering education benefits helped companies increase their number of job applicants by 20% and achieve a 93% retention rate for employees actively engaged in an education program compared to an average retention rate of only 56%. In general, it can pay off to make tuition assistance benefits more widely available rather than restricting access.

Case Study: Expanding education benefits to part-time employees

Dee V. had a decade-long career in IT and programming before pausing to raise a family. After her children went off to college, she was eager to get back to work. She joined Sam's Club after hearing a segment on the local news about the company's tuition benefits.

She got a job working part-time as a guest services associate at Sam's Club and simultaneously used her education benefit to enroll in Pathstream's Business Analytics and Operations Certificate. Now that she has completed the program and gained refreshed analytics skills, Dee is eagerly applying to full-time tech role at Walmart's home office (the parent company of Sam's Club).

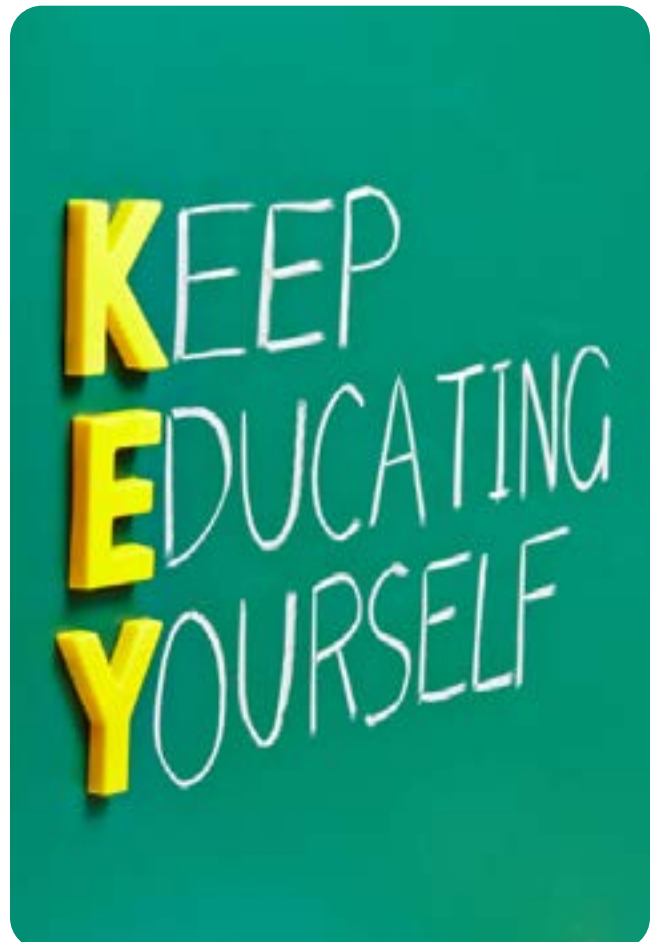
"I already know how things work on the frontlines of this company and would love the chance to work on the backend to improve how we use technology in stores."

STRATEGY 2: THINK BEYOND DEGREE PROGRAMS.

Build a catalog of offerings that employees will find relevant to both their current job and their future career goals.

Historically, many companies have focused their tuition assistance programs on funding enrollment in two or four-year degree programs, specifically in areas of study that a worker could prove were relevant to their current job. This line of thinking is changing. Now some of the most progressive companies are also permitting employees to enroll in certificate programs that either offer continuing education credit or count towards a degree.

Why? Certificate programs are often significantly shorter and more affordable than most degree programs and teach skills like data analytics, business operations, or project management that are frequently more directly relevant to day-to-day work than a general degree in business. Yet, they can still be offered through vetted higher education institutions or local community colleges and confer a certificate of completion. For example, Pathstream certificate programs are accredited through the American Council on Education (ACE) so that they can offer college credit through partner institutions so that employees can both learn job-relevant skills and work towards a degree.



In addition to thinking beyond degree programs, some employers are also expanding their tuition assistance programs to cover courses, certificates and degrees that prepare employees not just for the roles they currently have, but also any role within the company. For example, rather than solely allowing employees in call center roles to take general business or customer service courses, some companies will permit them to take courses in areas like IT or data analytics so that they can move into the company's technology division. These motivated and skilled individuals become

a valuable new source of talent within the company eligible for lateral and vertical moves. When frontline workers see that their peers have been able to make these advancements, they can also be motivated to see a future for themselves at the company. As one HR executive put it to us: "a rising tide lifts all boats."

By expanding their catalog of eligible programs, employers can help their employees feel supported to keep progressing in their careers and simultaneously cultivate internal talent pipelines for hard-to-fill roles.

Case Study: Moving from warehouse associate to operations analyst

Portland Reed spent most of her career in law and as a stockbroker. She established a business in Washington DC Metro Area and eventually created a prototype of an app to collect data. Then COVID-19 took over the world, forcing Portland and many others to shut down their businesses. She moved to North Carolina to be close to family and search for a job.

"Amazon was the only company hiring. I'd never worked in a warehouse before, but I thought, how do I turn this into an [opportunity](#)?" Amazon offered the data analytics certificate... and I thought 'Why not look into this program?' I reviewed the syllabus, and this is where Pathstream knocked it out of the

park. The [curriculum](#) is not fluff; it's practical and what you need to learn to break into the data industry. So I thought, why not enroll?"

[Portland](#) enrolled in the [Tableau Data Analytics Certificate](#) program through her employer Amazon.

"My company wants its employees to thrive. They are looking for innovators, entrepreneur-like minds, and employees to think big. Offering education benefits helps us learn valuable skills and advance our careers while improving the organization, customer service, and increasing revenue. I was familiar with Tableau previously but found the first course fascinating. I learned the basics of business analytics, how to organize data, create databases, and pull actionable insights. I parlayed what I learned in my actual job and improved our department's productivity. Essentially, I found a way for us to speed up processing freight, and as a result, our department broke records."

After Portland began using her newfound skills at work to change warehouse operations, she got a promotion.

"I went from managing one small trailer door to four and now nine because I look at data differently. I analyze operations through a lens that allows me to make changes in real-time. I got this promotion because I did exactly what the course taught me. I put together a spreadsheet, analyzing how many people were needed to process freight hourly to improve our warehouse's numbers. I was no data expert before the program. The program equipped me with the right tools to execute and excel."

STRATEGY 3: ALIGN YOUR TUITION ASSISTANCE PROGRAM TO YOUR TALENT MOBILITY STRATEGY.

Many companies are engaged in exercises to reexamine and refresh their “job architecture.” As an article from the consulting firm Deloitte, explains:

“To remain competitive in this contemporary landscape, companies may need to radically re-think how they operate and re-design human resource practices so they can “move faster, adapt more quickly, learn more rapidly, and embrace dynamic career demands from their people.”

Structured job hierarchies with defined roles, responsibilities, reward systems, and career paths may have supported business and HR needs in the past, however, with the emphasis on ‘employee experience’, the modern workforce is demanding greater mobility and flexibility in their careers, with more focus on team-based learning, and a greater breadth of opportunity within the organization.” In order to attract and retain motivated talent, companies need to show them that there are clear internal pathways to promotion and growth. Historically learning and development teams were often tasked with upskilling employees



to prepare them for new roles and promotions within the company. However, some companies are increasingly realizing that tuition assistance programs can be yet another useful vehicle for advancing people in specific career paths within an organization.

As companies seek to actively promote and retain diverse talent within their own ranks, they should recognize that tuition assistance programs are a practical tool that can help employees gain the skills needed to make vertical and lateral moves.

STRATEGY 4: IT PAYS TO BE GENEROUS; FULLY LEVERAGE TAX-EXEMPT DOLLARS.

Under IRS code 127, employers are allowed to provide tax-free payments of up to \$5,250 per year to employees. The most forward-thinking companies know that offering this full amount (i.e. at least \$5,000 per employee) pays off.

As college debt burdens become increasingly high, employees who are working towards a degree or who recently graduated can often be incentivized to choose an employer in part because of the generosity of their tuition assistance program. Therefore, having a generous education benefit can tangibly reduce recruitment and talent acquisition costs and yield more educated and motivated employees.



Additionally, offering a more generous benefit ensures that employees will be able to enroll in high-quality certificate programs from leading universities and find options that will be fully covered. Offering more generous benefit amounts has been proven to increase utilization because it reduces the out-of-pocket burden on the employee and therefore encourages them to take the leap and sign up for an educational program.

The most forward-thinking companies have realized that \$5,000 is a small investment when it can help them meaningfully reduce talent recruitment and turnover costs.



STRATEGY 5: MAKE THE ENROLLMENT PROCESS FRICTIONLESS AND ELIMINATE UPFRONT COSTS TO EMPLOYEES.

Many companies began by offering a tuition reimbursement program – and many still do. Under these types of programs, employees must pay for an education program out of pocket and then submit it for reimbursement later, often after they have successfully passed the course and earned a certificate or transcript. Logically, this might seem to make sense; however, these programs have been shown to be markedly less appealing to frontline workers and others in low-wage jobs who when they have to front the cost of education programs themselves out of pocket. These workers often do not have the necessary liquidity in their budget to pay thousands of dollars upfront for a degree or certificate program and then risk that they might not eventually qualify for reimbursement. As a result, companies with these policies tend to see low utilization rates.

Instead, the most modern tuition assistance programs have minimal upfront paperwork, approval and cost burdens for the employee. Some employers are turning to third-party benefits administrators or vendors

like Guild Education, InStride, Bright Horizon's EdAssist and others who can help employers build a catalog of pre-approved programs and then seamlessly facilitate the enrollment of their workforce. By reducing these financial and logistical hurdles, companies can ensure that all motivated members of their workforce can realistically take advantage of these benefits and deliver more reliable ROI in exchange .



STRATEGY 6: MARKET TUITION ASSISTANCE TO EMPLOYEES.

Raising awareness of the benefit increases utilization.

HR and Total Rewards leaders often work tirelessly to launch a robust tuition assistance program, only to see utilization rates slowly taper off. Still worse, they often discouragingly hear from employees who don't even know they have these benefits. Companies with modern tuition assistance offerings have realized that these are not "set it and forget it" programs but rather things that need to be actively marketed.

Employers have begun to think creatively about how to sustain interest in these programs. Companies with the best adoption rates often reach out to managers directly and make them aware of the tuition assistance policy and eligible programs. That way, in individual performance manager conversations, managers can directly recommend that employees take advantage.

Other companies have thought in even more "outside of the box" ways about how to sustain interest in these programs. Walmart, for example, played recorded messages advertising their education benefits to employees who worked the night shift in some of their retail

locations. Waste Management created an internal company screensaver featuring a picture of an employee who had successfully used an education program paid for through tuition assistance to get a new job within the company.



Still other companies have developed "accountability buddies" programs where they encourage employees to sign up for a program with a peer so that they can encourage each other to stay on track with their learning and apply their new skills to real business challenges together. Finally, some companies are experimenting with ways to capture and highlight the monetary value of these programs on [total rewards statements](#) so that an employee more visibility recognizes how this benefit contributes to their total comp.

CONCLUSION

As the competition for talent remains tight, companies that offer meaningful benefits to employees allowing them to advance their careers and find new opportunities internally will be better positioned to succeed. Adopting some or all of these nine programs to modernize a tuition assistance program can help employers stand out and drive meaningful ROI for both employees and companies alike.



Schedule a Call to Learn More

Forward-thinking organizations recognize that employee education is a strategic investment in their organization's future rather than another administrative cost, which is an essential first step.

Why? By recognizing tuition assistance programs as an investment, they can restructure their program, introduce new expectations for delivering the program, and measure its ability to drive business results.

Working with Pathstream to define these problems and identify the right custom education solution for your organization to add to its offering package will be most beneficial. We work with over 4 million employees, X employers, and recognized academic partners to equip employees with the skills an organization needs most.

Curious to learn more about modernizing your tuition assistance program? Schedule a call with Pathstream's VP of Business Development, Jihan Quail, jihan@pathstream.com to learn more about how to add exciting new certificate programs to your company's approved list of education offerings and discuss customized solutions.

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Supplemental

We also recommend checking out some of the following supplemental resources:

- <https://cgi.edu/wp-content/uploads/2020/12/How-to-Structure-a-Tuition-Assistance-Program.pdf>
- <https://www.shrm.org/resourcesandtools/tools-and-samples/toolkits/pages/educationalassistanceprograms.aspx>
- <https://hbr.org/2022/04/why-employers-should-fund-debt-free-education-programs>
- <https://blog.guildeeducation.com/is-your-education-benefit-helping-you-recruit-and-retain-talent/>
- <https://www.benefitspro.com/2021/10/06/reskilling-as-a-benefit-how-education-programs-boost-employee-engagement/?sl-return=20220521215038>

