



Why Employers Pay for College— and How They Can Maximize Benefits



Employers are paying for college to gain a recruitment and retention edge but also to develop much-needed organization skills to stay competitive. Discover why employer-paid education benefits are changing—and how smart partnerships with higher education institutions can optimize the return on investment for all involved.

Introduction

Employers are increasingly turning to education-related benefits to attract and retain employees, and to help their business compete in a rapidly changing technology marketplace. Student loan debt, and the expansive cost of higher education, are elephants in the room when it comes to the financial well-being of current and prospective employees. A bigger question has become how employers can most effectively institute programs to help their employees pay for college or pay back student loans. In this paper, we present practical tips for employers and the colleges who are eager to partner with them.

Part I: Why Employers are Paying for College



There are numerous tangible benefits for employers who pay for college—whether they provide direct tuition assistance, reimburse employees for tuition expenses, or help with their employees’ student loan debt. Let’s explore the major benefits.

How Paying for College Benefits Employers

Tangible Benefits to Employers

- **Improving recruiting.** With the cost of higher education remaining high, employers who help pay for college have a clear recruitment edge with millennials, Gen Z, and future generations as well. How do we know? There are numerous examples, but here are just two.
 - The Gallup survey on [‘The State of the American Workforce’](#) showed that 45% of millennials said they would change their current jobs for one that offers tuition reimbursement.¹
- **Retaining employees and reducing turnover.** Peter Cappelli, director of Wharton’s Center for Human Resources at the University of Pennsylvania, conducted [early research](#) that showed offering tuition assistance allowed companies to hire better quality and more productive employees. It also helped them retain employees, making the cost well worth the investment for these companies.² [A Bright Horizon study](#) found that 79% of U.S. workers surveyed said a tuition reimbursement program would make them more likely to remain at their organization.³

What has the real world experience been for employers?

- [Walmart’s Live Better U program](#) offers field associates 100%–paid tuition and books for degrees and certificates in high–demand job fields on day one, with support from an education coach. Participating hourly associates are four times as likely to stick around and twice as likely to be promoted as non–participants.⁴



LiveBetterU
Hourly Associate
Program Participants



Source: <https://corporate.walmart.com/content/dam/corporate/documents/press-center/addressing-the-cost-barrier-333-million-in-tuition-costs-saved-since-walmart-launched-the-live-better-u-education-program/lbu-fact-sheet-oct-2022.pdf>]

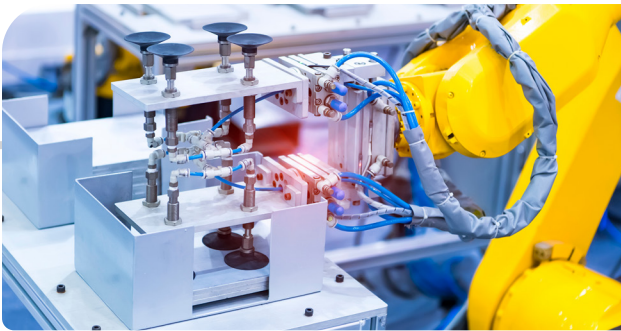
1 <https://talentculture.com/recruit-top-talent-with-tuition-assistance-programs/>

2 <https://www.nber.org/digest/feb03/why-companies-pay-college>

3 <https://www.brighthorizons.com/-/media/BH-New/Newsroom/Media-Kit/Bright-Horizons-2022-Education-Index>

4 <https://corporate.walmart.com/content/dam/corporate/documents/press-center/addressing-the-cost-barrier-333-million-in-tuition-costs-saved-since-walmart-launched-the-live-better-u-education-program/lbu-fact-sheet-oct-2022.pdf>

- **Acquiring new skills.** A [report](#) by the Institute for the Future and Dell Technologies predicted that 85% of the jobs that will exist in 2030 haven't been invented yet.⁵ Developing a culture of lifelong learning is key to thriving, with the constant need to upskill with globalization and technological change impacting nearly all fields and industries.
 - The [Josh Bersin Academy](#) studied three high-performing companies that are investing in a “build vs. buy” approach to talent. These companies found the cost of hiring a mid-level software engineer earning a salary of \$150,000 to \$200,000 was \$136,000 or more over three years, including recruiting and onboarding. To reskill an internal employee cost just \$20,000 or less—and the potential turnover was two to three times lower with the existing employee.⁶
- **Increasing productivity/profit.** When employees refine existing skills and gain new skills and education, they can be more productive in the workplace.
 - [The Bright Horizons study](#) found that 82% of those surveyed said the skills or degree earned through tuition reimbursement helped them be a more effective employee.⁷
 - Fiat Chrysler Automobiles US (FCA) offered its dealership employees and their families a chance to earn a free degree at partner institution Strayer University. According to FCA's data, the participating dealers experienced nearly 40% higher employee retention and a 17% higher revenue growth than nonparticipating dealers.⁸
- **Achieving tax savings.** Employers can deduct up to \$5,250 per employee for tuition reimbursements made through qualified education assistance programs (EAPs). These benefits are also tax-free for employees, making them an even more attractive benefit for employees. Here are some of the key points:



A Brookings Institute study found that

AI Will Put 25% of All Jobs At High Risk of Elimination.

Providing tuition reimbursement can help your employees develop skills needed to keep up with technology, add value to your organization, and remain in the workforce.¹⁰

⁵ <https://www.delltechnologies.com/content/dam/delltechnologies/assets/perspectives/2030/pdf/Realizing-2030-A-Divided-Vision-of-the-Future-Summary.pdf>

⁶ <https://joshbersin.com/2019/10/build-vs-buy-the-days-of-hiring-scarce-technical-skills-are-over/>

⁷ https://www.bright Horizons.com/-/media/BH-New/B2B-Assets/WLI_report.ashx

⁸ <https://hbr.org/sponsored/2020/10/why-companies-should-pay-for-employees-to-further-their-education>

- Qualified EAP expenses include tuition, books, supplies, and equipment needed for class.
- Expenses can cover undergrad or graduate coursework and don't need to be job-related.
- An employer's plan must not favor highly compensated employees.⁹

If you're an employer that can benefit from tax deductions, consider all the other business challenges you could be solving by offering tuition reimbursement or assistance as a benefit to your employees.

Intangible Benefits to Employers

- **Improving loyalty and employee engagement.** When an organization invests in its employees, it creates a relationship based on providing a long-lasting benefit that employees can take with them. This creates loyalty. The lifelong learning environment increases employee engagement because involving employees with new ideas and personal growth leads to greater connection.
 - In a Bright Horizons study, 88% of participating Gen Z workers were more likely to recommend their employer because of its education benefits¹¹
- **Boosting brand recognition and gaining positive public perception.** Every business can benefit from positive PR gained from offering employee education programs. These benefits send a message that the employer cares and is willing to invest in their employees' personal and professional growth.

Keep in mind that education benefits create positive PR for your business for something that not everyone can utilize. Depending on your program, there may be limits on where the perk can be used and what employees can study. Plus, there are only so many employees who will choose to go to school while working.

The Return on Investment for Employers

One well-cited [study by the Lumina Foundation and Accenture](#) of Cigna employees showed the company's Educational Reimbursement Program (ERP) resulted in a 129% ROI as a result of avoided talent management costs.

The 2,200 participants over the course of the 3-year study comprised 5.8% of the company's workforce, who held positions in business operations, medical management, information technology, or sales. Employees were reimbursed up to \$8,000 for graduate courses and \$5,250 for undergraduate courses annually.¹¹



9 <https://www.fool.com/the-ascent/small-business/human-resources/tuition-reimbursement/>

10 https://www.brighthorizons.com/-/media/BH-New/B2B-Assets/WLI_report.ashx

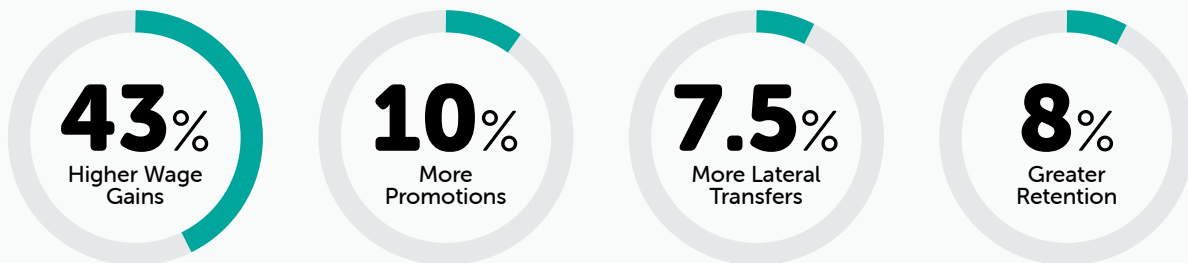
11 <https://www.luminafoundation.org/files/resources/talent-investments-pay-off-cigna-full.pdf>

The Return on Investment for Employees

While the perceived benefit for employees is attaining a degree debt-free (or with less debt), they also gain new critical thinking and problem-solving skills. It's presumed they would be in line for promotions and receive higher pay based on the degree, certification, and/or skills obtained.

The Lumina study found conclusive evidence that employees who took advantage of the ERP achieved higher incremental wage gains and found more career opportunities with the organization than those who didn't.¹²

Cigna Education Program Participants vs. Non-Participants



<https://www.luminafoundation.org/files/resources/talent-investments-pay-off-cigna-full.pdf>

¹² <https://www.luminafoundation.org/files/resources/talent-investments-pay-off-cigna-full.pdf>

Part II: How Programs Work— and How They're Changing

Let's explore the current landscape and how it's evolved recently.



How Employers Pay for College

Currently, there are three ways employers may pay for college, although there are many different conditions or requirements that may be placed on how funds are used. There are also differences in the ways programs are administered.

- **Tuition reimbursement:** The employer partially or fully reimburses for course credits at any of several qualifying institutions. These are more traditional programs that have been around for a while.
- **Tuition assistance:** The employer pays the college or university directly to reduce the tuition employees need to come up with (or eliminate that need entirely).
- **Student loan repayment:** Employees opt to use part or all of their employer match funds to help pay student loan debt, giving employers an edge in attracting employees who are managing debt.



Tip: Employers that offer fully debt-free education and use a direct payment program that allows the employer to pay the institution directly will see a higher participation rate. Direct payment allows employers to more easily track completion rates, attrition, course of study, and more so that they can better gauge their ROI.

The Impact of Labor Shortages and High Turnover on Employer-Paid Education Programs

To slow a turnover trend, businesses can offer benefits that provide employees with choices. A situation like the pandemic created an opportunity for employees to reflect on their employment situation, and consider other career options moving forward. During labor shortages and high turnover, employees are often looking for ways to revive higher education goals that may have been delayed or put on hold, or they may be attempting to pay off student loan debt.

Increasingly, employers struggling to find or keep employees have responded by offering programs to help support employees with these goals—and paying for college is among them. The [Employee Benefit Research Institute](#) finds that while just 17% of employers offer student loan repayment as an employee benefit, another 31% of companies are looking to add related programs.¹³

Employers & Student Loan Repayment



Source: <https://finance.yahoo.com/news/13-companies-pay-off-student-161813813.html>

When multiple generations are actively making job changes or reevaluating life choices, a company that offers a flexible benefits package that allows employees to choose how their company helps them will have a competitive advantage. For example, BenefitEd supports employers in offering a wide array of [education benefit options](#), including tuition reimbursement, student loan repayment, employee choice (company match for student loan repayment vs. 401k), and college savings products.

Influencing Factors in Changing Employer Paid Education Benefits

Several developments and factors have contributed to make the process of offering employer-assisted tuition easier and more collaborative. Workforce and technology changes have also impacted the approach employers take in assisting their employees with education expenses.

- The growth of online education has made it easier for employers to offer, and employees to take advantage of, employer-paid education benefits.
- The cost of higher education has meant many Americans can't afford to attend college (or go back to school) without help from an employer.
- Faced with decreasing enrollments, schools are happy to collaborate with companies as another creative strategy in their enrollment toolbox.
- The rapid rate of technology evolution requires companies to retool employees to stay competitive and changing the way employers think about fostering learners who can grow with the company.
- Tuition assistance/reimbursement isn't just for business management and white-collar workers anymore. Many new programs are geared toward low-wage workers who don't have a degree and are effective in retaining employees while they obtain their education.
- Legislation changes have created new ways for employers to assist employees struggling with student loan repayment, whether it's with assisting directly with loan repayment or enabling them to start planning for retirement earlier.

While it's not the same as directly paying for college, employers may also help secure their employees' financial future by implementing provisions of [SECURE Act 2.0](#) which allow them to recognize their employees' student loan payments as qualifying contributions to a 401(k). This helps employees take advantage of employer match dollars while they pay down student loan debt—and not leave those match dollars on the table. BenefitEd can help employers set up and administer this benefit.

¹³ <https://finance.yahoo.com/news/13-companies-pay-off-student-161813813.html>

Part III: Maximizing Employer-Paid College Through Partnership



The most effective solutions start with employers designing their tuition reimbursement/assistance programs around the needs of their organization. These four tips can help an employer create a particularly profitable program and partnership for all involved.

1. Look at gaps in the organization's knowledge, talent, and skills—or a challenge the company may be facing—and identify how colleges and universities can help retool current employees through their programs to meet the need.
2. Identify where the organization struggles to retain employees in key roles and decide how new skills or knowledge for these roles could result in growth for the organization while enhancing individual professional development. At the very least, the organization may retain these employees longer. At best, they'll have a more educated, skilled worker when they complete and stay.
3. Find ways to fill needed future positions. Partner with a local or online institution to create a program that will develop your valued employees from their current skill set into those needed for future positions. Or, recruit people with qualities you need and provide education funds to develop them into roles you'll need in the future.
4. Consider offering tuition assistance or free associate or undergraduate degrees. This can help retain highly valued hourly workers who aspire for higher education but can't afford it. For best results, partner with an institution with proven success working with at-risk, adult, or working students—or offer workers their choice of school. Even if you don't retain these workers after they complete their degree, you've saved yourself turnover costs for the time they're in school.

What Employers Gain by Maximizing a Partnership

- Grow and expand the organization with talented, knowledgeable, ambitious employees who will grow with the organization, reducing the cost of finding and retaining employees.
- Positive PR helps attract new talent to replace trained employees lost to retirement or other outside opportunities.
- An environment that supports lifelong learning creates an opportunity to inexpensively retain and retool the current workforce to prepare for new technologies and required skills.

Tip: Smart employers will help employees explore their true career goals, lateral movement included, to identify opportunities to keep employees who may otherwise leave to pursue degrees in a new direction.

What Employees Gain by Maximizing a Partnership

- Employees gain access to education they might not otherwise be able to afford from an employer who believes in them and is willing to reduce their student loan debt.
- They know where their skills and training will be used, and there's a future use for their education with a path to higher pay and future growth opportunities.
- Worst case scenario, employees have an education they can take with them as they move on to another opportunity.



Tip: Some of these students may have struggled in higher education and may need tutors or mentors. Plus, working and going to school is a challenge so it's recommended that employers provide support through their policies, as well as through the program they create or in partnership with the school(s) they choose.

What Colleges and Universities Gain By Maximizing a Partnership

- Higher ed institutions gain students they need in an era of waning enrollment due to higher tuition costs, rising student debt, and an environment that has people reconsidering the value of their education relative to its cost.
- High completion rates and job placement rates are important—and working with employers on these programs will help boost those rates.
- Colleges and universities receive valuable PR from these employer-based programs.



Tip: Higher education institutions that are particularly adept at accommodating adult or employee students are smart to consider how they can provide value to local or larger employers. They can research hard-to-fill positions and get creative in partnering with these employers to offer employee-tailored instruction to develop current employees.

In Action: Employers Partnering with Higher Ed for Employees

When higher education and business collaborate to help meet the unique needs of employee-students, they can achieve significant results.

For example, in a practical partnership with Chamberlain University, BrightStar Care created a home healthcare curriculum for nursing students that helps build their talent pipeline. While giving students real-life insights as they learn, the initiative also helps students understand what a rewarding career path looks like before graduation.¹⁴

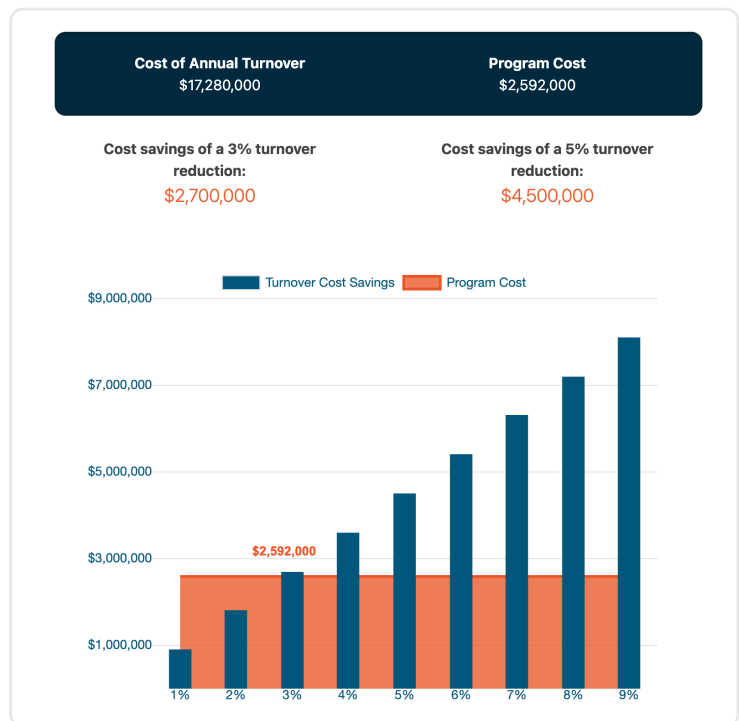
How To Measure Your ROI as an Employer

Accenture's ROI methodology calculates the business value of tuition assistance and their ROI maturity model helps companies assess, build, and refine their tuition assistance programs.¹⁵

For businesses that need college-educated employees, and that hope to gain a competitive edge by offering student loan repayment rather than tuition reimbursement or assistance, BenefitEd offers a [student loan repayment calculator](#). The calculator helps employers gauge the impact of adding a student loan repayment benefit, based on statistics relevant to their industry.¹⁶

To Learn More

To learn more about how education benefits such as tuition reimbursement or student loan repayment can help your business, [request a demo](#).



¹⁴ <https://www.forbes.com/sites/forbesbusinessdevelopmentcouncil/2024/03/11/13-ways-to-boost-business-and-community-through-higher-ed-partnerships/?sh=5839daa244fd>

¹⁵ <https://www.luminafoundation.org/files/resources/talent-investments-pay-off-cigna-full.pdf>

¹⁶ <https://youbenefited.com/resource/student-loan-repayment-impact-calculator-for-employees/>



BenefitEd is a joint venture between Ameritas  and 