



Strategies for Creating an Effective Tuition Reimbursement Program

Introduction

Employee participation rates in tuition reimbursement programs have typically been extremely low, but today's workers are expressing to employers that they want help paying for education. Traditionally, employers have used tuition reimbursement to pay for their employees to get graduate degrees.¹ While that still holds true, more employees now seek help from employers in paying for their associate or bachelor's degree or a specific certification.

To meet staffing needs, companies are spending more to offer tuition reimbursement programs to attract and retain employees across industries and at all levels – but are they spending wisely?

On average, only **2% to 5%** of employees eligible for a tuition benefit program will participate.²

Simply offering a program isn't enough anymore. A thoughtfully created tuition reimbursement program helps your investment result in more educated and engaged employees who can move your organization forward more efficiently.

Let's examine key steps to designing an effective tuition reimbursement program that inspires employees to participate and rewards them – and you – with long-lasting benefits.

According to Gallup, **45%** of millennials would change their job for tuition reimbursement benefits.³



Tailor Your Program to Organizational Goals

While many employers offer tuition reimbursement simply to be competitive, designing your program to meet your organization's goals and your employees' needs makes it more likely that your employees will see the benefit and participate in the program.

Meet Organizational Goals

Tailoring your tuition reimbursement program to your needs can be a creative strategy to help you address one or more issues your organization may face, such as:

- Reducing high turnover rates.
- Competing to fill entry-level positions.
- Diversifying your employee base.
- Developing skills of existing employees to meet future organizational needs.
- Recruiting candidates for a position you typically haven't hired for.
- Grooming executive level talent.

Lumina Foundation's return on investment (ROI) analyses of tuition reimbursement programs in 2012-2014 showed that the best ROI for companies came from investing in frontline workers rather than those with degrees.⁴ More recently, companies like Chipotle, Walmart, Lowe's and Waste Management confirm that entry-level workers are the heaviest users of their tuition reimbursement programs.⁵

Decide on Degrees

Once you've identified the business goals a tuition program can help you address, you can determine what degrees or credentials – and what areas of study – you'll offer through the program. For example, you can offer:

- **An associate or bachelor's degree in a wide variety of areas of study.** This may help you compete for (and retain) highly sought entry-level employees. While employees may leave the company after they complete their degree, it may be worth the investment to reduce turnover costs while they complete their degrees.
- **An associate or bachelor's degree in areas that relate to your business operations.** You can attract a diverse employee base or retool current employees who might otherwise leave to pursue an education if they know they'll obtain a degree inexpensively. Your ROI is greater if they stay when they complete their degree.
- **Specific degrees in areas to meet new or future organizational needs.** Find employees for new, emerging roles and reduce future recruiting costs when you feed the pipeline for future positions. You'll also save on turnover if you retain good employees who have valuable organizational knowledge by allowing them to make lateral or forward moves when they're retooled for new roles.
- **Graduate degrees or specialized programs to invest in promising future executives.** Leaders who align with your mission are essential. Don't lose your potential future executives because you don't invest in their continued education.

CIGNA WORKERS WHO PARTICIPATED IN TUITION REIMBURSEMENT WERE⁶:

10%

MORE LIKELY TO
BE PROMOTED

8%

MORE LIKELY TO STAY

7.5%

MORE LIKELY TO
TRANSFER POSITIONS

Redefine Career Paths

If you're using tuition reimbursement to upskill employees, you'll need to pave the way to success for participants by rewriting job descriptions and redefining career paths. You'll want to do this in advance of introducing a new tuition reimbursement program or revealing new degrees available through an existing program. Clearly communicating the value of gaining more education can help you retain restless employees – particularly if they understand how obtaining new knowledge and skills will help them benefit and grow with the organization.

Plan to Track Data

You'll also need to prepare to track data on participation, degree completion, turnover and retention, promotion rates, lateral moves, pay increases, and more. This information will be necessary to calculate your basic ROI and help you make the case for your program – providing proof that it's helping you meet organizational goals.

Consider Employee Needs and Communicate

The most effective program in the world won't succeed unless it creates incentives and eliminates barriers to participation for employees.

A tuition reimbursement program that offers a free or low-cost degree to your entry-level workers may not be useful if most of your employees lack resources to pay up front and then be reimbursed by the company – if that's what your program requires. Consider direct payment to the institution to eliminate this barrier. If employees who will use your program are parents who juggle work, school, and parenting, consider how you'll support that with flexibility on the job or with program completion dates, child care support, etc.

Tip: Before you launch your program, think through the logistics of how the program would work in real life for intended participants and make sure it's feasible for them to participate.

Communicate

Unless your employees know about your tuition reimbursement program, they can't participate. Including the program in your employee handbook simply isn't enough. Other ways to keep the program front of mind for employees include:

- Having leadership share their support for the program and its benefit to employees.
- Providing reminders about the program in company communications.
- Sharing success stories of participants.
- Having managers at all levels talk with their employees about how the program fits with their career development.
- Adding program details to onboarding materials, as well as the employer's benefits package as a recruitment tool.

LUMINA FOUNDATION'S STUDY SHOWED CIGNA'S TUITION REIMBURSEMENT PROGRAM YIELDED:

129%

ROI FOR
EMPLOYERS

43%

HIGHER PAY GAINS
FOR EMPLOYEES⁷

Decide How You'll Administer Your Plan


By now, you realize a well-designed tuition reimbursement plan will be fully integrated into your organization.

Consider a Benefits Administration Partner

While you can choose to handle all work in-house, you may opt to partner with an expert like [BenefitEd](#) to help with the actual [Tuition Reimbursement](#) program administration. This can ease the administrative burden so you can focus on customizing your program to organizational goals and employee needs. One of the advantages of partnering with BenefitEd is that you'll have a platform that provides detailed analytics on participation and outcomes so you can easily track program success.

Centralize Administration

Another important administrative choice is deciding whether your program has centralized administration or is decided by individual managers. Setting clear eligibility requirements regarding who can participate is essential – and fairly administering decisions based on policies (rather than decisions by individual managers) eliminates bias. This will lead to better outcomes for the organization and participating individuals.⁸



After your program launches, you'll be able to gauge your success by examining ROI and employee feedback. Over time, you'll want to review and consider revising your tuition reimbursement plan as tax laws, organizational goals, and employee needs change.

Learn more about how **BenefitEd** can help with administration of your tuition reimbursement program at [YouBenefitEd.com](https://www.YouBenefitEd.com).



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