BREAKTHROUGH BENEFIT: STUDENT LOAN ASSISTANCE

A NEW TOOL FOR EMPLOYEE ENGAGEMENT AND RETENTION

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After years of struggling to drive employee engagement and retention, improve leadership, and build a meaningful culture, business executives see a need to redesign the organization itself, according to Deloitte's 2016 Global Human Capital Trends report.[1] They define the "new organization" as being built around highly empowered teams, driven by a new model of management, and led by a breed of younger, more globally diverse leaders.

To create and lead the new organization, human resources and business leaders need to understand current recruiting and retention dynamics, recognize the intensity of and competition for the best employees, and be willing to introduce innovative compensation and benefits packages to attract talent.

RECRUITING TRENDS: IT'S TOUGH TO FIND TALENT

A series of recent headlines paints the picture that we're clearly in a candidate-driven market.

- "Job Openings Trend Upward, Break 5 Million"[2]
- "Average U.S. Hiring Time Increased by 10 Days Since 2010"[3]
- "Worker Confidence Grows: Quits Rate Highest Since 2008"[4]

Employees are starting to actively look for new opportunities. And if they aren't, they're willing to listen when a recruiter presents them with a new one. But there's one important caveat. Employees are listening when companies with excellent cultures and compelling total rewards are talking. Candidates and employees are doing their homework and researching prospective employers like never before, partly because there's more information available to them, and partly because the tight labor market allows them to be more selective. Seventy-six percent (76%) of candidates conduct their own research about a company before applying for a job, according to a study conducted by Talent Board.[5]

Organizations that are committed to finding and hiring the best talent must have an attractive company culture and employer brand. They need to stand out, and one way of doing so is to react more quickly to new expectations and heightened demands from job candidates.

The Bottom Line:

Organizations need to send the message that they are clearly invested in an employee's success, which requires tailoring compensation and benefits programs to address employee challenges and support their ambitions.

[1] Deloitte 2016 Global Human Capital Trends report, http://dupress.com/articles/human-capital-trends-introduction/?id=us:2el:3dc:dup3019:awa:cons:hct16

[2] Job Openings Trend Upward, Break 5 Million, https://www.shrm.org/hrdisciplines/staffingmanagement/articles/pages/job-openings-trend-upward.aspx

[3] Average U.S. Hiring Time Increased by 10 Days Since 2010, https://www.shrm.org/hrdisciplines/staffingmanagement/articles/pages/u.s.-hiring-time-increased.aspx#sthash.mm7gRI5f.dpuf

[4] Worker Confidence Grows: Quits Rate Highest Since 2008, https://www.shrm.org/hrdisciplines/staffingmanagement/articles/pages/worker-confidence-grows.aspx#sthash.CKYKNaG7.dpuf

[5] Talent Board Reveals Key Findings from 2015 Candidate Experience Awards, http://www.marketwired.com/press-release/talent-board-reveals-key-findings-from-2015-candidate-experience-awards-2082439.htm

EMPLOYEE ENGAGEMENT:
NEEDS TO BE INGRAINED IN COMPANY CULTURE

If hiring the best talent wasn't a big enough challenge, keeping employees engaged is proving to be a bigger one. Gallup reports that employee engagement was stagnant in 2015 at 32 percent.[6] This means that two out of every three employees are disengaged at work. If you look at the numbers by age group, Millennials are the least engaged generation at work, with over 70 percent being disengaged.[7]

To put the impact of employee disengagement into perspective, Gallup estimates disengagement costs the U.S. roughly $550 billion each year in lost productivity.[8] Keep in mind the Bureau of Labor Statistics (BLS) shows approximately 150 million people employed in the U.S. That represents about $3,700 per employee.

Organizations have a huge opportunity to address their recruitment challenges, engagement woes, and retention fears. The solution can be funded by recovering the productivity dollars currently lost in the organization.

A FRESH APPROACH TO BENEFITS:
STUDENT LOAN REPAYMENT PROGRAMS

Albert Einstein said, "Insanity is doing the same thing over and over again and expecting different results." Organizations are dealing with a unique set of circumstances. Yes, there have been times when hiring was tough. And moments when engagement and retention were problems. But the combination of all three — alongside changes in workforce demographics — presents uncharted territory.

Hence, the solutions that worked a decade ago aren't the answer. Well, at least, they're not the complete answer. Organizations need to infuse new programs into their talent strategies. It's possible to make a big impact with a well-thought-out benefit.

"Just as we have to innovate in business overall, we have to offer benefits that have the most value that will engage our employees."[9]

– Mike Fenlon, U.S. and Global Talent Leader, PwC

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[6] Employee engagement is stagnant, http://www.gallup.com/poll/188144/employee-engagement-stagnant-2015.aspx
[7] Why Are Millennials So Unhappy at Work?, http://www.inc.com/peter-economy/why-are-millennials-so-unhappy-at-work.html?cid=cp01002fastco
[8] How to Tackle U.S. Employees' Stagnating Engagement, http://www.gallup.com/businessjournal/162953/tackle-employees-stagnating-engagement.aspx
[9] PwC prioritizes student loan debt repayment benefits, http://www.benefitnews.com/news/pwc-prioritizes-student-loan-debt-repayment-benefits

When approaching employee rewards with fresh perspective, the first place to look is the opportunity to make the biggest impact on your employees' personal and professional lives. Increasingly, your biggest opportunity to contribute is in the area of college debt.

For example, consider what is currently taking place with young professionals beginning to enter the workforce. Seventy percent (70%) of new college graduates are faced with an average of $35,000 in student debt.[10] That debt doesn't go away quickly. The length of time it takes to repay student loans impacts other things. Seventy-three percent (73%) of young borrowers have put off making long-term investments like saving for retirement because of college loan debt.[11]

And crushing education debt is not reserved to younger workers, either. Two-thirds of all student debt is held by people over the age of 30.[12]

STUDENT LOAN DEBT: IMPEDING FURTHER EDUCATION

But buying houses and paying off loans aren't the only things being hindered. Forty percent (40%) of young professionals say that their student debt is preventing them from pursuing further education.[13] This has a direct impact on an organization's long-term competitiveness, especially in a knowledge-driven economy.

Employees are a key differentiator in the success of our businesses. They help us create innovative products and deliver exceptional service. As the Boomer generation retires, we need young professionals to learn and grow with the business. It's true, some of that education will come from internal training and development programs. But not all of it. Many employers are expanding their tuition assistance programs to develop the skills they need more quickly, reliably, and cost-effectively, and student loan assistance programs can complement these efforts by helping you bring in — and keep — graduates from the open market.

SKILLS GAP HAVING A NEGATIVE IMPACT ON BUSINESS

Ninety-two percent (92%) of executives believe there is a serious gap in workforce skills, according to a white paper published by the Association for Talent Development (ATD).[14] Eighty-seven percent (87%) reported that the skills gap was negatively impacting their performance, customer service, and business growth.

The skills gap is no longer confined to a discussion regarding STEM (science, technology, engineering, and math) skills. A "middle skills gap" has been identified as the area with the largest gap, consisting of skills such as communication, critical thinking, and collaboration.

[10] Sparshott, Jeffrey. "Congratulations, Class of 2015. You're the Most Indebted Ever (For Now)." WSJ.com. Wall Street Journal, 8 May 2015.
[11] "Life Delayed: The Impact of Student Debt on the Daily Lives of Young Americans." American Student Assistance, 2013.
[12] http://www.nationaljournal.com/next-america/education/five-things-you-might-not-know-about-student-loan-debt?mref=scroll
[13] "2015 EdAssist Millennials Survey." EdAssist, 2015.
[14] Bridging the Skills Gap: Workforce Development is Everyone's Business, https://www.td.org/Publications/Blogs/ATD-Blog/2015/10/ATD-Public-Policy-Council-Updates-Skills-Gap-Whitepaper

A common theme in today's workplaces is that employees need to "own" their careers and professional development. Organizations need to understand that, in order for employees to take that role, they need to feel that they are able to accept the additional responsibility — in terms of both time and cost. A common example is the employee who goes back to school for an advanced degree. Even employees participating in tuition reimbursement programs are accumulating student debt. Employees want to know that if they make the investment into their own development, it's worth it for their personal and professional lives.

STUDENT LOAN REPAYMENT:
IT'S NOT A MILLENNIAL ISSUE; IT'S A TALENT SOLUTION

While it's common to think of student loans and Millennials, a student loan repayment solution is advantageous for every level of the organization.

Recruiting:

Savvy employers are getting free and highly positive press for offering this benefit because of its innovative nature and meaningful impact. While there is a strong business-based argument for launching a student loan repayment program, it also addresses a societal problem: the ballooning amount of education debt. Companies looking to stand out to job seekers should leverage this publicity to reinforce their employer brand.

Learning and Development:

Organizations want employees who are constantly improving their skills. The program can both attract degreed workers and encourage them to further their education, which leads to a virtuous cycle that's good for both the employee and the employer.

Engagement:

This type of action speaks volumes about the core values of your culture, and employees will respond in kind. Student loan debts rank among the top financial concerns for people carrying them, and employers that step up to help chip away at that debt are demonstrating that they are listening to — and responding to — the evolving needs of their workforce.

Performance Management:

Employees who are engaged with their work and committed to their employer perform better. This benefits the organization, and it benefits the employees in terms of achieving their career goals.

Retention:

Turnover is expensive on three main counts: 1) decreased productivity, 2) lost knowledge, and 3) replacement costs, especially in a market where skilled workers are scarce. Supporting an employee's efforts to gain an education shows a long-term investment in an employee's success.

EDUCATION BENEFITS:
COMPLEX AND TIME-CONSUMING, BUT THERE'S AN ANSWER

Talent continues to be the number one concern in the C-suite according to Deloitte's 2015 Global Human Capital Trends study.[15] Senior management wants to implement programs that have high impact. Translation: they want to make investments that measurably attract candidates and encourage them to stay with the organization.

But admittedly, education benefits are process-intensive to manage. And program administration is not where human resources should be spending its time. HR business partners need to be working with line-of-business managers on identifying high performers, coaching and mentoring future leaders, and offering career development programs that close skill gaps and propel the organization forward. They need access to detailed, immediate, and credible data on various aspects of their workforce — from performance ratings to skills and competencies to program participation — in order to make informed workforce planning decisions. For all of these reasons, HR leaders should look for other means of getting the tough work of program administration done.

Large employers have the advantage of partnering with specialists to manage their tuition assistance and student loan repayment programs. Here are four key reasons to consider partnering with a specialized provider.

1. Scale. The goal in adding a student loan repayment program is to help the organization grow its talent pipeline through education. Find a partner that will help design and run the program in a way that minimizes effort for your team, and that has the capacity to expand or adapt your program rapidly in response to changes in your recruitment and retention needs.

2. Best practice. Student loan repayment programs are relatively new, and many employers have no baseline to draw from in determining the right-sized program for their talent needs and budget. An essential part of the process is projecting how significantly this investment can aid your stated talent goals — recruitment, engagement, retention, or some combination of all three. The right partner can provide experience-based recommendations on linking the policy to these talent outcomes, and can share a framework for the intricate parts of the plan such as eligibility, approvals, and repayment.

3. Consistency. A concern with any type of benefit program is making sure that everyone knows about the program and how to take advantage of the offering. An administrative partner can make sure the program treats participants equally (even if that's not all employees with student debt, per your policy and talent goals).

4. Reporting. We've already touched upon the high impact and high visibility a student loan repayment program might bring. Being able to regularly report on utilization and alignment to core talent metrics such as engagement and retention will be necessary. A vendor specializing in student loan repayment programs is well aware of reporting requirements and should be prepared to deliver.

[15] Engagement, Retention, and Culture now the #1 Issues in Talent and HR, http://www.bersin.com/blog/post/2015/03/Engagement2c-Retention2c-and-Culture-now-the-1-Issue-in-Talent-and-HR.aspx

It's important to note that the provider market varies widely, and not every vendor will have the experience or tools to support each of these important program areas. Conduct due diligence as you explore your options for a partner, and scrutinize each organization's readiness to scale, degree of best practice knowledge, structured and automated processes (which bring consistency), and depth and flexibility of reporting to ensure that your program is poised for success.

EVALUATING PROGRAM UTILIZATION

There are qualitative and quantitative measurements that can be used to monitor and evaluate the results of a student loan repayment program. A good place to start is understanding how the program is being utilized. Because let's face it, for the program to be successful, people have to use it.

Are [the right] employees using the program?

It's a straightforward question, but don't take a simple yes or no for an answer. How many people are using the program? What's their length of service with the organization? Do employees in a specific job role, department, or geographic region tend to use the program more? And are these participants the groups of employees that you were most keenly trying to attract and/or retain with this investment? This line of questioning helps you assess early and often how well the program's policy and communications are aligned with your workforce development plans.

Do employees feel the benefit is valuable?

This question can be asked in both a qualitative and quantitative way. A brief survey can be sent after an employee participates in the program. It can be electronic, so responses can be tabulated over time and benchmarked. Answers can be a simple yes or no or rated on a Likert scale.

Another way to gather feedback would be via an interview or focus group. Ask employees to share their stories about why they decided to use the program and the benefits they've received as a result of it. Storytelling is an incredibly powerful tool, especially when it's used in conjunction with numbers.

Over a longer time horizon, you and your provider can start to measure the tenure, performance ratings, and advancement of people in the program compared against a control group. This type of analysis can highlight how and where the investment is specifically supporting your talent management goals. For example, if you offer student loan repayment for job candidates with specific, in-demand degrees, you may find that your time to fill decreases for those job postings even as filling other jobs remains a challenge. Or you may find longer tenure among program participants relative to their peers in the same roles or departments. These quantitative findings, paired with qualitative feedback as noted above, can tell an impressive story about HR's contribution to company goals.

NEXT STEP: SELLING THE IDEA TO SENIOR MANAGEMENT

While the subject of student loans is complicated, repayment programs hold significant potential for organizations. A well-thought-out proposal and implementation strategy can start the conversation.

Conduct an assessment: This doesn't need to be long or expensive. It does need to document where things stand currently, what the risks are to the status quo, and what goals the organization hopes to accomplish.

Outline the business plan: Create the road map for designing and implementing a student loan repayment program, including its budget, project sponsor support, and strategic partnerships.

Consider a pilot test and phased implementation: The program does not have to be implemented company-wide at the same time. Start small, communicate well, solicit feedback, and roll out in phases. A vendor specializing in education assistance programs should be able to advise on the best course of action.

Monitor and measure: Once the program is implemented, the work doesn't stop. Use the reporting and results to regularly evaluate the program status. Make modifications to keep the program current, and to replicate and build on successes.

The appendix of this white paper includes a checklist of methods that can be used to gather and evaluate program data for continual improvement.

NEW NORMAL: A CHANGING WORKFORCE MEANS CHANGING BENEFITS

The way we do our jobs today is changing. Our work environments look different. Technology allows us to complete our work in new and exciting ways. Employees want careers that reflect what's taking place in the world at large. They also want to work for employers that understand employees' challenges and needs.

Student loan repayment programs address a current and pressing issue facing our workforce. Smart companies are adapting to strengthen their employer value proposition in a time when talented job seekers are getting more selective — and more scarce.

APPENDIX:
MEASURING THE EFFECTIVENESS OF A STUDENT LOAN REPAYMENT PROGRAM

There are **three primary goals** anytime an organization introduces a new employee benefit: **improve recruitment, reduce turnover, and increase engagement**. A student loan assistance program can be designed to target one, or several, of these goals.

1. Improving recruitment: The first metric that organizations want to change is their candidate acceptance rate. Companies spend a huge amount of resources identifying and selecting the best talent. When the offer is extended, the company wants the candidate to accept. And hopefully, an outstanding benefits package helps to close the deal.

This leads to the next metric — reduced recruitment expenses. Whether that's in terms of fewer job fairs, less advertising, shorter job postings cycles, etc., the less time the company spends in the actual recruiting process, the cheaper the process should be.

Finally, a more efficient recruiting process should result in a better quality of hire. Organizations can measure this by examining job performance scores at certain milestones such as six months and one year on the job.

2. Reducing turnover: The natural metric to measure retention is turnover rate. The key to truly understanding turnover is to examine the data by different filters: full-time versus part-time, departmental, job title, time of year, etc. This can be a confirmation (or a red flag) that benefit programs need to be benchmarked to industry standards or surveyed in the marketplace.

Stay interviews and exit interviews are two opportunities to hear direct employee feedback about the company and the employment experience. Stay interviews are typically conducted by the manager and provide insight into the reasons that the employee likes working for the company. Exit interviews offer perspective on the reasons that an employee decides to leave.

When these three pieces of information are combined, it can give employers a clear picture of their competitive advantages and weaknesses when it comes to talent. This information can be used to improve benefits and the hiring experience.

3. Increasing engagement: Two indicators of employee engagement are company pride and employee referrals. Employee referrals also impact recruiting costs. They are consistently considered the most effective cost per hire as well as the most effective quality of hire. Employees can be asked during stay interviews, exit interviews, employee opinion surveys, etc., if they would be willing to recommend family/friends/peers to work for the company as a gauge of engagement.

Ultimately, company pride is a huge measure of engagement. Disengaged employees are not proud of the organization they work for, and it shows. Disengagement costs companies in lost productivity, increased errors, and fewer customers. An initial source of company pride is an organization's culture, which includes its compensation and benefits programs.

ABOUT SHARLYN LAUBY

Sharlyn Lauby is an author, writer, speaker, and consultant. She has been named a Top HR Digital Influencer and is best-known for her work on HR Bartender, a friendly place to talk about workplace issues. HR Bartender has been recognized as one of the Top 10 Business Blogs Worth Reading by the Society for Human Resource Management (SHRM) and best business blog by the Stevie Awards.

News outlets and publications such as Mashable, Reuters, the New York Times, ABC News, TODAY, and The Wall Street Journal have sought out her expertise on topics related to human resources and the workplace. Sharlyn recently published her first book, "Essential Meeting Blueprints for Managers," which is available on Amazon. Her second book, on the topic of manager onboarding, is due out this summer. And her personal goal in life is to find the best cheeseburger on the planet.

ABOUT EDASSIST

EdAssist® is a leading provider of tuition assistance and student loan repayment services for large employers. By aligning education programs with talent goals, EdAssist helps drive measurable improvements to recruitment, retention, and employee engagement. The company's unique approach to program management includes a software platform for streamlining program administration, expert advisors who guide employees to the best educational and financial decisions, and discounts from more than 200 accredited educational institutions.

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