

# EdAssist's Annual Review of Employer Tuition Assistance Programs

*Data and Trend Analysis*



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## OVERVIEW

Tuition assistance is an employer-offered benefit which encourages employees to expand their knowledge and skills. The tuition assistance benefit provides employees with opportunities to learn, enhance their job performance — and ultimately — impact both their organizations and their lives.

In a tuition assistance or education assistance program, an employer helps an employee with the cost of attending education courses. According to the 2012 Bersin by Deloitte research report — *Tuition Assistance Programs: Best Practices for Maximizing a Key Talent Investment* — 71% of U.S. organizations offer tuition assistance to their employees. And according to the 2012 ASTD State of the Industry Report, companies spent \$21.9 billion on education assistance programs. This is up 11% from 2010 and now accounts for 14.3% of the \$86.5 billion spent on learning.

Over the years, employer opinion has evolved to embrace the tuition benefit as a strategic investment in employee education, rather than a business expense to be controlled. According to the Bersin report, 86% of U.S. companies indicated they have aligned tuition assistance with their talent management strategies, up from 49% in 2009. In today's ever-changing global landscape, most companies understand that the investment in employee development is vital to the future growth and competitive viability of the business.

**EdAssist®** successfully designs and administers tuition assistance management services for numerous Fortune 1000 companies across multiple industries. EdAssist helps organizations streamline the administration of the tuition benefit to make it easy for employees to understand and use, and easy for the organization to administer and measure meaningful business outcomes.

*In 2012, EdAssist managed over \$200 million in employee education benefits for its clients. The benchmarking data in this report was taken from EdAssist's database, the largest in the industry, and is based on employees who both successfully completed coursework and received payment during the 2012 calendar year.*

## SECTION I: KEY INDUSTRY TRENDS

At EdAssist, we regularly track and report on trends and tuition practices. Here are some of the key trends and issues that we have seen:

### **Section 127 made permanent.**

Section 127 — which makes it possible for millions of working adult learners to take advantage of employer-provided tuition assistance without the sting of tax liability — was continued and made permanent in January 2013. Under Section 127, an employee may exclude from taxable income up to \$5,250 per year in employer-provided educational assistance at the undergraduate and graduate level regardless of whether the education is job-related.

### **Alignment of tuition assistance with talent management.**

Like other training and development programs, a tuition assistance program has real potential to positively impact the development of the talent pipeline. EdAssist has seen employers take a more active role in seeking education that ties directly to evolving workforce needs. As employee recruitment, retention and engagement become increasingly important, we expect this trend to accelerate.

### **Enrollment in online programs continues to increase.**

Annual enrollment in online programs has grown 20 times faster than overall higher education enrollment since 2002. According to the Apollo Research Institute, this is expected to account for 60% of total enrollments by 2020.

### **Enrollment in certificate programs and individual courses continues to rise.**

Employees are changing jobs and even career paths within their company more frequently than in the past. Certificate programs and individual courses offer shorter, more applied types of education — potentially enabling an employee to gain a relevant credential and to have a more immediate impact on the job, or qualify for a new job within their company. Among EdAssist's client-base, 84% include individual course and certificate programs as permissible types of education within the tuition assistance policy, as long as these programs and courses fall under an approved area of study and are delivered through an accredited provider. And, over 25% of employees that participate in their tuition assistance programs are enrolled in certificate programs or are taking individual courses.



## Business-focused curriculum is the top program of study.

Allowable courses of study vary by company and industry. However, nearly half of the tuition assistance spend managed by EdAssist is invested in business and business-related courses. According to EdAssist participant data from 2012, other top courses of study include: information technology and computer science, engineering, and nursing and healthcare.

## Support for education pathways.

Over 40% of EdAssist clients encourage and approve alternative methods of gaining college credit for their employees. These methods allow employers to both reduce expenses and get more value from their existing tuition program investment. Further, these alternatives can create viable pathways to credit while reducing the overall time commitment, price tag and debt for employers and employees. Some of the methods employers are now supporting in their tuition policies include:

- **Prior Learning Assessment.** Individuals can receive credit for learning achieved through work and life experience. Through portfolio reviews and examinations, individuals are offered an opportunity to earn credit for subject matter expertise gained through work experience, job training, independent reading, the military, volunteerism and other hands-on experiential learning.
- **Subject matter examinations for college credit.** Some examples: College Level Examination Program (CLEP), DSST Exams, Advanced Placement (AP) and UExcel.



- **Courses at public, two-year community colleges.** While not new, this method is increasing in popularity and provides an affordable option to employees seeking general studies courses. Most four-year institutions in the U.S. allow students to transfer and apply credit toward a degree.
- **Specialized course providers.** This method allows individuals to take general education courses that will transfer for college credit. StraighterLine is an example.
- **Massive Open Online Courses (MOOCs).** MOOCs are online classes designed to support a large number of participants — basically making high-quality education accessible to masses. A number of web-based platforms are backed by top universities and colleges — such as Stanford, Harvard, MIT and University of Michigan — and offer a wide range of subjects. The content of a MOOC is often similar to that of a university or graduate-level course. Some MOOCs now offer academic credit for selected courses. Employers should monitor developments in this area as it may provide an effective solution for managing education costs.

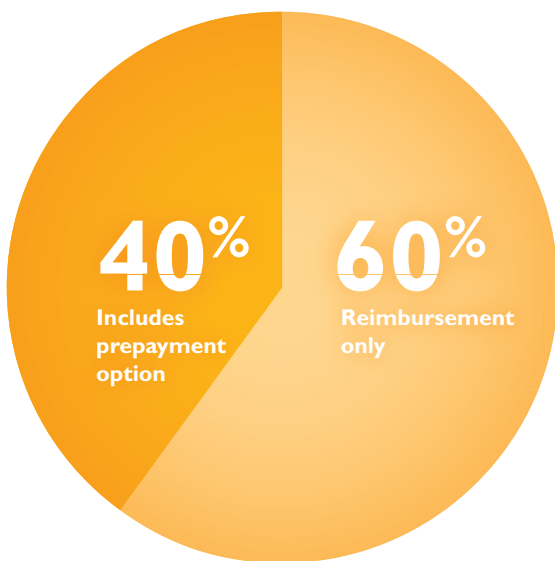
## SECTION 2: KEY COMPONENTS AND COMMON TUITION POLICY PRACTICES

EdAssist works with companies of varied sizes and across multiple industries. We regularly help companies take a look at best practices, as well as common practices, across their own industry to help drive desired business outcomes.

Based on our data and experience, we recommend every tuition policy be proactively reviewed based on: program type, eligibility, service and grade requirements, employee communication and education options.

### Program Type

Employers have options for how to finance the employee education. The most common approach is reimbursement, where employees pay for the education and seek reimbursement after the course(s) are completed successfully. A second option is a pre-payment (or direct bill) program, where the employer pays the school directly for the course. In this situation, the employee incurs no out-of-pocket expense. Employers offer this type of program as a way to lessen the financial barrier for employees going back to school and encourage program participation. EdAssist's clients offer tuition programs that include pre-payment options and reimbursement options. Here is the breakout:



### Eligibility

Determining which part of the employee population is eligible is an important consideration for a tuition benefit. For example, some companies prohibit participation in the tuition program for part-time employees. And yet, these part-time employees may represent a loyal talent pool for the future full-time workforce. Depending on the situation, the company may want to consider allowing part-time employees to participate in tuition assistance on a prorated basis.

Among our client base, these are typical eligibility requirements:

- 71% include full-time and part-time employees
- 79% require that employees be in good standing and eligible for regular benefits
- 37% require six months to one year of service prior to eligibility
- 10% allow immediate eligibility

### Service and Grade Requirements

Service requirements place an obligation on employees to stay with the organization for a determined period of time after using the benefit. Employers are concerned that they will make an investment in an employees' education only to see the employee leave. However, this may be a short-sighted view. What if employers do not invest in their employees and the employees stay? Perhaps a better way to frame this question is: How can employers effectively invest in employees to encourage them to contribute more into an organization and stay longer?

EdAssist advises companies to look at the current and future skills and competencies needed within their workforce. They need to think about how the tuition program can be designed in a way to help employees understand those business needs and make education choices that support those business needs. That is an effective and powerful way to proactively design and manage the program, as opposed to reacting "after the fact" when employees have already received an education and are left wondering whether their new knowledge and skills are valued by their current employer. Only 18% of EdAssist employers have included a work commitment or stay commitment in their tuition policies.



Most employers look for their employees to show successful course completion as part of the requirement for receiving payment. This ensures that the employee has a stake in the benefit, and that employers are able to see successful results from the education. As far as requirements regarding grades, 95% of EdAssist's clients require a C or above, or a Pass in a pass/fail course. Some clients require a B or above for graduate-level courses.

### **Employee Communication**

Communicating clearly with employees about what education and skills will be valued by the company is an important component to any effective tuition program. Here are some ways that companies can create awareness:

- Communicate the desired outcomes to employees so that employees gain an understanding of what education is needed by the business
- Have policy information and completion requirements easily accessible
- Promote the tuition program by placing information on the company's intranet, company newsletters and in break rooms
- Provide managers with tools to strengthen their role in career planning and development

### **Education Options**

The type of education covered is an important policy consideration. Almost all EdAssist-managed programs include tuition assistance for associate's, bachelor's and master's degrees from accredited providers. Only 10% of our clients have policies that cover one degree type per employee.

As mentioned above, 84% of EdAssist's clients include individual courses and certificate programs as permissible types of education within the tuition assistance policy. EdAssist's clients understand the need for continuous learning and the trend toward supporting more applied learning.

As a best practice, EdAssist recommends accrediting bodies as defined by the Department of Education. School accreditation can be verified using the Office of Post Secondary Education College Search Tool ([ope.ed.gov/accreditation/search](http://ope.ed.gov/accreditation/search)).

Professional licensing and certification programs must be provided by an accredited Educational Provider as defined by the U.S. Department of Education and/or sponsored by a professional affiliate of the nationally recognized certifying/licensing body. Eligible programs must have a measurable course completion requirement beyond attendance and participation.

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## SECTION 3: SPENDING

Despite the overall increase in tuition assistance program spending, the average spend per employee across the EdAssist client base of more than one million eligible employees decreased nearly 4% from the previous year, to \$4,308. This is due to the growth of programs with lower caps. During the past year, a number of clients actively promoted their participation in the program. These companies happen to have annual caps that are lower than average. The active promotion of their programs is a strong indication that the value of the program participation is high regardless of actual dollars spent.

EdAssist Client Base	Average Annual Spend Per Employee
2012 - Over 1 million eligible	\$4,308
2011 - Over 1 million eligible	\$4,480

Across different industries, the average spend per employee varied substantially. Companies in the healthcare sector were at the low end with an average spend per employee, while defense/aerospace/manufacturing companies were at the high end of spend per employee. Many factors influence these numbers, including the need in certain industries for upper level and more specialized skills.

Industry	Average Annual Spend Per Employee
Defense/Aerospace/ Manufacturing	\$5,804
Pharmaceuticals	\$5,304
Information Technology	\$5,269
Fortune 500	\$4,544
Financial Services	\$4,161
Energy/Utility	\$3,984
Business Services	\$3,510
Other (retail, waste management services)	\$3,061
Healthcare	\$2,332

EdAssist took a look at individual employee spend by program type and found that average spend for pre-payment is actually less than for a reimbursement program.

Program Type	Average Annual Spend Per Employee
Pre-payment Option	\$4,115
Reimbursement Only	\$4,436



The annual tuition cap limit for each employee also affects the average spend. As expected, the average spend per employee increases with the size of the tuition cap. What is noteworthy for all companies is that many employees do not reach their annual cap.

Tuition Cap	Average Annual Spend Per Employee
\$500-\$1,000	\$617
\$1,000-\$5,250	\$2,816
\$5,250-\$8,000	\$4,482
\$8,000+	\$5,280
No Cap	\$10,466

The size of an organization is another way to evaluate the spending/employee. Except for very large organizations, smaller companies tend to spend more per participant.

Eligible Employees	Average Annual Spend Per Employee
<b>Pre-payment Option</b>	
500-2,500	NA
2,500-5,000	\$3,235
5,000-10,000	\$4,264
10,000-30,000	\$4,151
30,000-50,000	\$4,459
50,000+	NA
<b>Reimbursement</b>	
500-2,500	\$5,328
2,500-5,000	\$4,793
5,000-10,000	\$4,077
10,000-30,000	\$4,945
30,000-50,000	\$2,743
50,000+	\$7,776

## SECTION 4: PROGRAM UTILIZATION

Program utilization is a key performance for a tuition assistance program. It measures how much the tuition assistance benefit is being used by the eligible employee base. It is determined by dividing the total number of program participants into the total eligible employee population (in other words, what percentage of your employees is taking advantage of the program). The resulting percentage provides a way to compare usage across organizations. Many factors impact utilization, including the program attributes (pre-payment vs. reimbursement) as well as the marketing of the benefit within an organization. In 2012, utilization among EdAssist clients ranged from 1.2% to 20%.

EdAssist Client Base	Average Utilization Rate
Over 1 million eligible	5.2%

Program utilization by industry is shown below. Selected industries are experiencing a much higher usage of their program than others, including healthcare, financial services, energy/utility and association/business services.

Industry	Average Utilization Rate
Healthcare	8.0%
Information Technology	7.4%
Fortune 500	6.1%
Financial Services	4.9%
Energy/Utility	4.7%
Defense/Aerospace/ Manufacturing	4.2%
Business Services	4.1%
Pharmaceuticals	4.1%
Other (retail, waste management services)	3.9%

As mentioned, employers offer a pre-payment option as a way to remove a financial barrier for their employees. This policy option can be an effective way to encourage usage of the benefit. Utilization for programs that include a pre-payment option is 2.8% higher than for reimbursement-only programs.

Program Type	Average Utilization Rate
Pre-payment Option	6.9%
Reimbursement Only	4.1%

Not surprising, organizations with a higher tuition cap generally experience a greater usage of the tuition benefit. Interestingly, this is not true at the highest tuition cap levels. Financing an education is a well-known barrier for many individuals. A greater commitment from the employer is an effective way to address aspects of this challenge.

Tuition Cap	Average Utilization Rate
\$500-\$1,000	3.5%
\$1,000-\$5,250	4.9%
\$5,250-\$8,000	6.2%
\$8,000+	4.6%
No Cap	6.1%

Employees from all sizes of organizations use tuition assistance benefits. Interestingly, utilization is highest in organizations under 2,500 employees and over 50,000.

Eligible Employees	Average Utilization Rate
<b>Pre-payment Option</b>	
500-2,500	NA
2,500-5,000	7.1%
5,000-10,000	6.4%
10,000-30,000	5.3%
30,000-50,000	NA
50,000+	5.1%
<b>Reimbursement</b>	
500-2,500	4.8%
2,500-5,000	4.4%
5,000-10,000	4.4%
10,000-30,000	4.8%
30,000-50,000	2.0%
50,000+	11.1%

## SECTION 5: EDUCATION PROVIDERS

While the rise in tuition in 2012 was smaller than in previous years, tuition costs continue to rise. According to the recent *Wall Street Journal* article, *Education Slowdown Threatens U.S.*, American education levels are no longer increasing. Employer tuition programs can have a direct effect on increasing the number of college-educated Americans and preparing a workforce for the future. Many companies are communicating to their employees about the availability of the tuition program and communicating the needed skills and competencies. The result: A more skilled workforce with employees that pursue education that supports their company's goals.

Here are the average college costs from the *College Board Trends in College Pricing 2012*:

Public 4-Year

- \$8,655 — 4.9% increase from 2011

Private Non-profit

- \$29,056 — 1.9% increase from 2011

Private For-Profit

- \$15,172 — 4.7% increase from 2011

EdAssist took a look at the top 100 education providers that its clients' employees attend. As you will see, in 2012, the distribution started to even out among the types of providers.

Distribution of Funds to Top 100 Education Providers				
Type of Institution	2010	2011	2012	Change
Private, for-profit	28.3%	25.9%	25.3%	-3.0%
Private, non-profit	28.0%	29.6%	28.2%	0.2%
Public	17.2%	18.1%	21.2%	4.0%

### EdAssist Education Network

EdAssist provides clients with access to its Education Network — the largest in the industry — to provide savings through tuition discounts and customized education options. The colleges and universities in EdAssist's Education Network are all regionally accredited, quality institutions with an array of both online and on-site programs.

- Usage: 23% of employees
- Total Savings: 6.6%
- Average Savings per Employee: \$656



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*The most important thing that a company can do is design its tuition program so that it supports the current and future business outcomes needed by the company.*

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## SUMMARY — ONE SIZE DOES NOT FIT ALL

Based on EdAssist's extensive experience, there is no simple one-size-fits-all solution for designing and managing a smart tuition assistance program that drives desired results for a company and its employees. There are key components of a tuition policy that must be addressed when designing an effective program. The most important thing that a company can do is design its tuition program so that it supports the current and future business outcomes needed by the company. When managed as a strategic investment to target skills shortages and workforce development, a tuition assistance program has the potential to be an extremely impactful benefit within an organization.

## ABOUT EDASSIST

**EdAssist**<sup>®</sup> provides strategic tuition assistance solutions that drive employee performance, build talent pools, and deliver impressive ROI. Employers benefit from expert advice and intuitive software that optimize education assistance programs and improve efficiency, while employees gain personal support and significant tuition savings.

This fully outsourced tuition management solution includes expert advisors, exclusive relationships and tuition discounts from 200+ accredited educational institutions, and an automated web-based solution that ensures policy compliance.

EdAssist is a **Bright Horizons**<sup>®</sup> Solution at Work, the leader in employer-sponsored work/life and dependent care solutions.

Learn more at [www.edassist.com](http://www.edassist.com).