



Tuition Assistance Programs: *Executive Summary*

*Best Practices for Maximizing a Key
Talent Investment*

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In This Report

Over the past year, we have been studying the way in which organizations are using their tuition assistance programs (TAPs). We have been assessing and analyzing the significance of TAPs as a tool for supporting talent management and employee development strategies. In our recent quantitative and qualitative study on this subject (conducted from August through November 2008), we found that TAPs are prevalent among the vast majority of organizations of all sizes and across all industries. TAPs are a nearly universal employee benefit. Yet, despite best intentions, TAPs are not generally leveraged strategically, and are not aligned with talent management and employee development initiatives. We did find, however, many examples of organizations that are deriving great benefit from the investments they are making in TAPs.

To help organizations better design, align, fund and manage their TAPs, we have synthesized our research into a comprehensive report that provides the following.

- **Bersin Associates Tuition Assistance Maturity Model®** – From our key findings, survey results and interviews with TAP leaders, we have developed a detailed overview of the four levels of TAP Maturity and the nine best practices upon which the model is based.
- **Tuition Assistance Program Case Studies** – We have included case studies that highlight real-life examples of each of the nine best practices.

This report, conducted in partnership with Bellevue University's Human Capital Lab, will help organizations to determine the state of their current TAPs – and then enable the creation of realistic and phased plans that align with the nine best practices for moving through the four levels of the Tuition Assistance Maturity Model.

Role of Tuition Assistance

Tuition assistance represents a significant expenditure for corporate HR. Global and U.S. corporations spend upwards of \$16.5 billion per year – at an average rate of \$3,769 per participating employee. Many of these programs have been institutionalized as a standard employee benefit or as long-standing “historical” programs, and are thus not carefully scrutinized.

At the same time, organizations are struggling with tremendous talent management challenges, among them:

- Shortages of mid-level and first-line leaders;
- Shortages of technical and operational skills; and,
- The influx of many new workers to replace retiring baby-boomers.

Our research shows that the billions of dollars currently spent on tuition assistance can be far better focused on strategic development initiatives.

The adoption of TAP as a standard employee benefit was inspired by the success of the GI Bill after World War II. With the U.S. economy expanding through the 1950s and 1960s, there was a growing need for college-educated workers in professional, technical and other specialized roles. A few organizations discovered that incorporating tuition assistance into their benefits packages enabled them to attract qualified, motivated individuals – and develop them into highly skilled and loyal employees. Eventually, most organizations followed the lead of these pioneers. Tuition assistance in some form has become a standard at more than 85 percent of organizations today.

Tuition Assistance as a Strategic Tool

Increasingly, however, tuition assistance is being seen as more than just a component of the usual corporate benefits package. In more and more organizations, tuition assistance is being used as an important and effective tool to support strategic talent management, as well as learning and development (L&D) initiatives. Executives in all functions are realizing that the money spent on tuition assistance can help address a variety of business challenges, such as:

- Recruitment and retention of top talent;
- Effective performance management;
- Career development;
- Succession planning; and,
- Achieving higher levels of employee satisfaction, engagement and loyalty.

Meeting these challenges successfully is the key to competitive advantage in a global economy in which human beings are an organization's essential asset.

Taking into account these emerging trends in the use of tuition assistance, a number of best practices can be formulated. In this study, we present the latest information and insights on what works best in this critical area of human capital

management. The study is based on a survey of more than 400 organizations across multiple industries, as well as on a number of in-depth interviews with executives who are leading the way in developing strategic and sophisticated uses for tuition assistance.

Summary of Key Findings

- The vast majority (87 percent) of organizations in the U.S. (regardless of size or industry) offer tuition assistance to employees.
- Organizations in the U.S. are spending upwards of \$16.5 billion dollars to support this benefit – 40 percent of large companies (10,000 employees or more) spend more than \$10 million annually on tuition assistance. The average annual expenditure for program participants is \$3,769.
- Despite the prevalence of TAP and the significant expenditures, many organizations do not align their programs with strategic talent management goals and objectives. While 82 percent of organizations offer tuition assistance because it enhances strategic talent objectives, only 48 percent have aligned tuition assistance with their talent management strategies.
- High levels of employee participation are a key determinant of program value, yet participation rates vary from very low (below one percent) when companies view tuition assistance solely as an employee benefit and an operating expense, to very high (above 10 percent) when companies view tuition assistance more strategically and as an investment in human capital.
- A majority of 63 percent of respondents ranked the value of their TAPs as high or moderate. Only two percent reported that the program had no value at all.
- Participation in TAPs tends to build employee loyalty and has a positive impact on retention – but only when aligned with overall organizational talent strategies. When such alignment is present, retention rates increase significantly; when it is not, retention among program participants drops by as much 50 percent.
- Strategic partnerships and alliances with schools often make tuition assistance a more valuable and strategic benefit. Many organizations report that these relationships have not only allowed them to support talent management and employee development strategies more comprehensively, but have also made managing the benefit more cost-effective.

- Measurement of a TAP plays a critical role in creating alignment with talent strategy and program value; yet, most programs are not measured strategically, if they are measured at all. Less than half of organizations develop metrics through which they can assess the effectiveness of a TAP. On the other hand, the data show a statistically significant correlation between program measurement, program value and alignment with talent strategies.
- Many organizations have developed best practices that align tuition assistance with their talent strategies. Based on these, Bersin & Associates has put together a four-level, Tuition Assistance Maturity Model® to facilitate program benchmarking and design initiatives.

The Best Practices of Tuition Assistance

The levels defined in the Bersin & Associates Tuition Assistance Maturity Model® are based on an assessment of nine key components or best practices of tuition assistance. Implementing these practices can enable an organization to move up the levels of this Maturity Model.

1. Standardize the program across the organization.
2. Maintain strong executive engagement.
3. Align tuition assistance with the organization's talent strategy.
4. Promote the program to all key stakeholders.
5. Develop a comprehensive top-down, bottom-up budgeting process.
6. Leverage tuition assistance in support of L&D objectives.
7. Create employee awareness programs, especially for key strategic initiatives.
8. Enter into strategic partnerships and alliances with schools.
9. Develop and deploy a comprehensive system for measurement, evaluation and review.

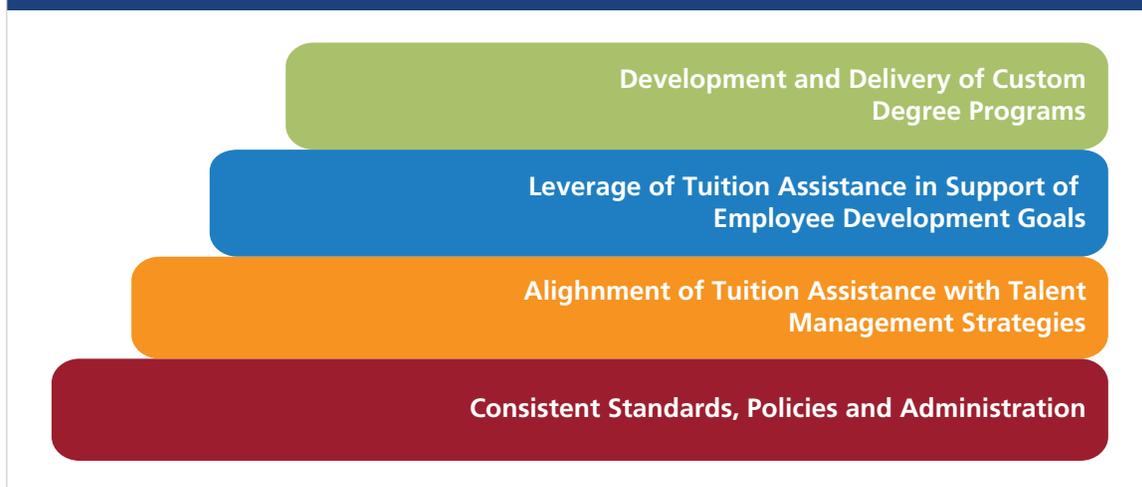
Bersin & Associates Tuition Assistance Maturity Model®

Through our research, we have determined that there are four levels of organizational maturity as they relate to tuition assistance (see Figure 1). Each level of the Bersin & Associates Tuition Assistance Maturity Model® is described in more detail in the full research report, and can be used to facilitate program benchmarking and design initiatives.

Other key points about the Maturity Model that should be noted include the following.

- Organizations will typically fit into one of these four levels – or may find that they are straddling more than one level, given the maturity of the different components within their programs.
- Organizations can move from one Maturity Level to another, either upward or downward.
- Financial resources do not determine the Maturity Level a company can achieve.
- A company's size does not impact its ability to attain a higher Maturity Level.
- It is not necessarily wrong to be in a lower Maturity Level; however, each successive level will produce better results.

Figure 1: Bersin & Associates Tuition Assistance Maturity Model®



Source: Bersin & Associates, 2008.

Summary

Our research shows that tuition assistance can and should be used to greater advantage in support of talent management strategies and employee development initiatives. Tuition assistance program budgets, while substantial, cannot be considered discretionary spending because they are a structural component of the standard benefits package. While tuition assistance programs can be restricted to limit their expense, these programs cannot generally be denied; however, that budget can be leveraged more effectively in support of strategic business goals and objectives. Often, a simple review of the program by key executive stakeholders, in light of the organization's business and talent management strategy, will suggest many areas for immediate improvement and alignment – resulting in a more valuable and cost-effective program.



About Us

Bersin & Associates is the only research and advisory consulting firm focused solely on *WhatWorks*® research in enterprise learning and talent management. With more than 25 years of experience in enterprise learning, technology and HR business processes, Bersin & Associates provides actionable, research-based services to help learning and HR managers and executives improve operational effectiveness and business impact.

Bersin & Associates research members gain access to a comprehensive library of best practices, case studies, benchmarks and in-depth market analyses designed to help executives and practitioners make fast, effective decisions. Member benefits include: in-depth advisory services, access to proprietary webcasts and industry user groups, strategic workshops, and strategic consulting to improve operational effectiveness and business alignment. More than 3,500 organizations in a wide range of industries benefit from Bersin & Associates research and services.

Bersin & Associates can be reached at <http://www.bersin.com> or at (510) 654-8500.

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Bellevue University's Human Capital Lab is a think tank devoted to giving business and academic leaders meeting ground to work together to measure the impact of learning and development investments. The mission of the Human Capital Lab is to develop innovative and valuable approaches to unlocking the long-term potential of human capital investments. The Lab currently works with *FORTUNE* 1000 companies to evaluate the productivity of learning interventions and many of these studies are available at www.humancapitallab.org.

The Human Capital Lab is an entity developed and supported by Bellevue University, a regionally accredited university. A leader in adult learning nationwide, Bellevue University offers learning opportunities for human capital and learning professionals who are intent on leading this industry into the next century, including a Master of Science Degree in Human Capital Management and a Ph.D. in Human Capital Management.