

# Make the Grade: Tuition Reimbursement's Impact on Talent Acquisition and Retention

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**If competing for top job candidates** seems to get harder every month, it's because—it is harder. The unemployment rate dropped to 3.7% in September 2018 according to the [Bureau of Labor Statistics](#)—the lowest percentage in nearly 50 years.

Facing talent pool shortages, Human Resources teams are prioritizing employee benefits that will enable them to attract and retain workers. Enter: tuition reimbursement programs.

The [2018 Employee Benefits survey](#) from the Society for Human Resource Management recently found 51% of organizations now offer undergraduate educational assistance and 49% offer graduate educational assistance.

From a job seeker standpoint, this means that roughly one out of every two employers can point to tuition reimbursement as a benefit for talent recruiting and retention purposes.

As you'll see, there are a few key reasons why employers will want to be able to list "tuition reimbursement" near the top of their own job listings.

## Appeal to Millennials

People can't stop thinking about millennials in the workplace. It makes sense that this would be a hot topic for HR since the millennial generation now comprises the [majority of the American workforce](#).

It's crucial for businesses to offer a benefits package that appeals to millennial workers.

How crucial? In a recent [Allegis Group survey](#) of more than 1,000 HR decision-makers, 49% of respondents said that they are concerned with their organization's ability to attract and retain millennials and Gen Zs.

In that same study, 62% said that failing to attract and/or retain millennial or Gen Z employees could have a negative impact on the business.

If we accept that recruiting and retaining millennials is a priority HR goal, any benefit that helps employers achieve that goal is therefore a priority HR means-to-an-end.

And that leads us back to, yup, you guessed it: tuition reimbursement.

In a [State of the American Workplace](#) survey report, Gallup found that 45% of millennials say they would change their job for tuition reimbursement benefits. By comparison, only 24% of Generation X and baby boomer respondents said they'd make the change.

Essentially, tuition reimbursement has become about 20% more important to the workforce over time.

The question for HR decision-makers and benefit advisors than is: has the tuition reimbursement program been prioritized enough to match the expectations of millennial workers?

### **Build a More Capable Workforce**

Just as paying for college is a pain point for individuals, the actual education received by college graduates entering the workforce is a sore spot for many employers.

According to a [Gallup-Lumina Foundation survey](#), only 11% of employers strongly agreed that graduating students have the skills and competencies that their businesses need. Additionally, 17% of respondents *strongly disagreed* that graduates had the necessary skills for their business.

Companies need to find a way to close talent gaps and ensure they have a better-prepared workforce. One approach to solving that is starting with the workforce you already have to custom-build the workforce you need.

Tuition reimbursement programs give employers the ability to properly incentivize workers that already know the ins-and-outs of the company/industry and are known to have the skills that aren't necessarily taught as part of an academic education. These are often soft skills like collaboration, task prioritization, organization, team management, relationship building, creative problem-solving, etc.

If you have known commodities to work from, tuition reimbursement can help you develop your promising employees of today into the leaders your company will need tomorrow.

### **Reduce Turnover-Related Costs**

If the above-mentioned benefits weren't enough, there's no shortage of financial incentives to prioritize tuition reimbursement.

Tuition benefits can deliver bottom-line human capital savings by reducing turnover rates. Less turnover leads to less budget being needed for employee separation, recruitment, and training costs.

In one example, a [Lumina Foundation study](#) found that Cigna was able to save \$1.29 in reduced turnover and recruiting costs for each \$1 the company put into its education assistance program. Program participants were also found to be more likely to stay at the company, receive promotions, and earn higher salaries than colleagues that did not participate.

Education assistance can be particularly helpful for companies in industries with notoriously poor employee retention rates. More than 70% of workers in the restaurant industry, for example, changed jobs in 2017, according to the Bureau of Labor Statistics.

As reported by [CNBC](#), many major restaurant chains have found success in combatting high turnover with college tuition reimbursement. Starbucks, for example, reported that its program

enrollees were 1.5 times more likely to stay with the company and 2.5 times more likely to be promoted compared to employees that did not enroll.

Companies also have a great deal of flexibility when it comes to defining their tuition reimbursement program requirements. Employers can thus design their program to balance the needs of employees and the organization—including reducing turnover and related costs.

To protect their workforce investment, for instance, employers can elect to stipulate that full reimbursement is contingent upon the employee staying with the company for a set amount of time after utilizing the benefit. This builds turnover-proofing into the program.

### Class Notes

Let's wrap up before the bell. When it comes to attracting, retaining, and developing talent, every HR department is tested. Tuition reimbursement programs can be an important part of companies' larger benefits plans.

Some important reasons why are:

- **A tuition reimbursement program can help make a benefits package more competitive.** Approximately half of today's employers offer undergraduate and graduate educational assistance.
- **Millennial employees have expressed greater interest in tuition programs.** In fact, Gallup found that 45% of Millennials say they would change their job for tuition reimbursement benefits.
- **With tuition reimbursement, employers can overcome workforce talent gaps by educating employees they already have.** Only 11% of employers strongly agreed that graduating students have the skills and competencies that their businesses need.
- **In addition to attracting top workers, tuition reimbursement benefits help employers reduce turnover and related costs.** In the case of Cigna, every \$1 spent on education assistance equaled \$1.29 saved on talent management costs.

I hope that this review of how tuition reimbursement programs can be used to address talent management pain points has been...well, educational.

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