

Tuition Reimbursement: Jumpstart Your Company's Post-Pandemic Success

Tuition reimbursement was offered by roughly two-thirds of employers when the Great Recession of 2007-2009 forced cutbacks.¹ Today, the economic disruption caused by the pandemic once again has some companies questioning whether they can economize by doing without a tuition reimbursement benefit. But there are good reasons for keeping—or introducing—that benefit now. In fact, tuition reimbursement might prove essential to your ability to rebound from the pandemic.

The need for continuing education hasn't gone away

According to a 2017 report by the McKinsey Global Institute, advancements in automation and artificial intelligence mean that by 2030, 14 percent of the total global workforce will have to acquire new skills or switch occupations altogether.² The pandemic hasn't changed that—if anything, it has made workers more aware that job security depends largely on their ability to learn, adapt, and change. Organizations whose employees continue growing and diversifying their skills and expertise through continuing education will be the success stories of the coming decade. The bottom line: Employees need continuing education to keep them employable. But you also need it to stay competitive.

Still a top benefit with Millennials

Millennials, who are expected to make up 45% of the workforce by 2024, rate tuition and student loan reimbursement as one of their most valued benefits.³ One poll found that nearly half of all millennials would switch jobs to one that offers tuition reimbursement.⁴ Recruiting and keeping the people who represent the future of your business means answering that need.

Tax-advantaged for you and your employees

As you may know, Section 127 of Internal Revenue Code allows you to offer tuition reimbursement (which can include textbooks) up to \$5,250 per employee on a tax-favored basis. Currently, thanks to the CARES Act, that amount can also be put toward loan repayment—or split between tuition reimbursement and loan repayment if you prefer. The future of tax-favored loan repayment is uncertain. But you can count on tuition reimbursement continuing to offer tax savings.

Tuition reimbursement retooled for the pandemic

We've seen that the pandemic hasn't eliminated the need for tuition reimbursement. It has, however, changed the how many companies utilize it and offer it.

Traditionally, tuition reimbursement has covered four-year undergraduate degrees and two-year graduate degree programs. Although those offerings will remain important and popular, the need to adjust quickly to the “new normal” of the pandemic and



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post-pandemic economy means a shift to learning that gives employees interim accreditations. Increasingly, the short-term goal is to reimburse employees for earning “embedded certificates,” which qualify them for new, functional duties along the way to a traditional degree. These interim accreditations make it easier for people busy with work and their personal lives to pivot into new roles—including many necessitated by the pandemic.

It could be a good time to ease requirements

In addition to focusing more on functional accreditations than on traditional degrees, many companies have loosened the requirements for employee participation, so that even those affected by pandemic-related furloughs and cutbacks in hours still qualify for tuition reimbursement.

Disney extended tuition reimbursement for employees furloughed as a result of the pandemic. Chipotle, the fast-casual dining chain, is one company that waived the minimum number of hours required for eligibility in its tuition reimbursement program. They found that the retention rate for employees using this program was three and a half times higher than for those who don't.⁵

A way to counteract employee anxiety

Even if your company has managed to weather the pandemic without significant staff reductions, chances are your employees are feeling nervous about job security. Approximately a third of workers say that if they lost their jobs, they would need additional education to find a new position.⁵ That sense of being unprepared for the future can be counterproductive both to morale and productivity. Encouraging continuing education with a tuition reimbursement benefit can help ease those concerns.

Sources:

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