

Tuition Assistance and Positive Talent Flow

The employment contract between companies and their employees has changed. Gone are the days when an employee could expect to work with one company their entire career. In fact, the Bureau of Labor Statistics indicates that nowadays employees will work for approximately 7 companies throughout their professional career. Part of this employee churn is due to corporate layoffs resulting from restructurings, mergers or cost cutting efforts. Also, the stigma of “job hopping” has been reduced making it more acceptable for someone to work for several organizations without being tagged with the label. Employees, no longer feeling like they have to stay with a firm when they are not happy, now find it easier to leave for better job opportunities.

The result of this changing employment contract is shorter employee tenure with a single company. The Department of Labor reports that on average, employees are staying with their employers for approximately 3.6 years before leaving to go work elsewhere. This average tenure is at an all-time low and has dropped from an average tenure of 9.2 years as recently as 1983. This means that instead of asking “will this employee leave our company,” human resource executives should be asking, “when will this employee leave our company?”

What this means for human resource professionals is that they have to manage this “Talent Flow” as employees come into their organization and eventually leave at a much higher rate than in the past. The Talent Flow phenomenon has three main components, each of which can be greatly influenced in a positive way by a company’s tuition assistance program. The three components are talent acquisition, talent management and talent retention.

Talent Acquisition

Companies realize that if they can attract and hire top talent, they will have a competitive advantage in today’s knowledge economy. In essence, companies are competing on the basis of their intellectual capital and their ability to acquire top talent is critical due to the “war for talent.” Organizations are thus always looking to hire the “best and the brightest.”

However, these talented individuals tend to have several choices as to where they can work because they are in high demand. Knowing that they can no longer rely on, nor want, lifetime employment these talented individuals are seeking something else – lifetime employability. Top candidates are seeking out job opportunities that will provide them with opportunities to learn and grow. By enhancing their skills, capabilities and education, these individuals know that they will be more marketable when they move on to their next employer (remember, the question today is not if an employee will leave, but when). These increased capabilities helps to ensure their employability throughout their career thus giving them even more job choices. For today’s talented candidate, lifetime employability is their mantra.

Besides providing challenging job assignments and robust leadership development programs that will help an employee grow professionally, organizations are promoting their tuition assistance benefits as a means to enhance their appeal to star job

candidates. Generous tuition reimbursement programs convey a message to job prospects that a company is committed to helping them achieve their educational goals. Job seekers see tuition reimbursement benefits as a tool they can leverage to earn advanced degrees thus making them, and you guessed it, more employable in the future. A 2006 study done by Accenture indicates that one of the top elements impacting their decision to join a firm is a company's ability to provide fast career growth and professional development.

Companies with minimal or no tuition assistance benefits are at a severe disadvantage in attracting star employees. Candidates see a lack of tuition assistance benefits as a sign that an organization is not truly committed to employee growth and thus makes job offers from such firms less attractive. Companies that are having difficulty attracting and hiring top candidates should review the competitiveness of their tuition assistance programs as it could be a key factor in their inability to acquire top talent. Conversely, it serves a company with excellent tuition reimbursement programs well to promote such benefits aggressively as a part of their talent acquisition strategy.

Talent Management

For existing employees, tuition assistance programs provide a wonderful means to raise their educational attainment goals. With advanced degrees come increased knowledge, skill and capabilities which make an employee more productive and capable of performing at a higher level. Increased productivity and performance levels also have a positive impact on a company's ability to meet their organizational goals.

Tuition reimbursement benefits however do not have a positive impact if they are not being utilized. Therefore, organizations with tuition reimbursement programs should ensure that employees are aware of these benefits and that managers are supportive of employees pursuing additional education.

Savvy organizations are creating academic alliances with universities to further enhance the value of their tuition reimbursement benefits. Increasingly, such alliances involve customized degree programs that focus on a specific industry or function that is of importance to an organization. For example, some retail organizations are partnering with universities to offer an MBA that focuses on the retail industry and includes retail case studies.

Besides customized degree programs, some academic alliances include a reduction in tuition cost for employees of a company at a specific university. By earning a degree at one of these "preferred academic providers", employees receive a discount on their tuition, thus stretching their tuition reimbursement dollars farther. Tuition discounts of 5 to 10 percent are common in such academic alliances with all three parties benefiting. Employees benefit because they pay a reduced tuition rate. Employers benefit because the reduced tuition allows them to stretch their tuition reimbursement dollars further, and universities benefit because it provides a stream of new students who may not enroll if it were not for the tuition discount and reimbursement program.

Lastly, employers are increasingly partnering with online universities for such academic partnerships. The online degree format allows a company to extend the alliance benefits to all of their employees, regardless of where they are located. Whether an employee is working at corporate headquarters, an off-site field location across the country, or even on an international assignment, the online delivery allows them all to take advantage of the academic alliance with an online university. Organizations that partner with traditional land-based institutions run the risk of excluding a significant percentage of their employees from benefiting from such an alliance. For example, Kaplan University, a for-profit online university, has academic partnerships with several employers including The Home Depot, Boeing, McDonald's, Anheuser-Busch, Kelly Services, and Wal-Mart which allow these companies to extend educational access to their large, and highly dispersed employee populations.

Talent Retention

Talented employees continuously want to learn and grow. If employees feel they aren't learning and growing, they feel they are not remaining competitive with their peers for promotion opportunities and career advancement. Once top employees feel that they are no longer growing, they begin to look externally for new job opportunities. It is also the top performers that are more likely to receive calls from search firms informing them of opportunities elsewhere because of their reputation of being talented individuals.

To help prevent talent drain, companies need to provide their top performers with professional growth opportunities. Along with internal leadership development opportunities and rotational job assignments, companies can leverage their tuition reimbursement programs to help retain their "A" players. Tuition assistance programs become highly valuable to talented employees because they know that an advanced degree will enhance their performance on the job, improve their career growth opportunities and allow them to potentially earn more money. Consequently, tuition assistance becomes an important tool in retaining top talent.

Once employees begin a degree program, they are more likely to remain with their current employer as they finish earning their degree. Additionally, many employers have added policies requiring employees to repay tuition assistance funds if they leave the company within a 12 to 24 month period. Such policies discourage employees from leaving as they do not want to repay the tuition assistance they received. These two elements are examples of how tuition reimbursement helps to retain top performers.

Grooming Talent for Other Employers?

Because of the talent flow phenomenon, some critics of tuition reimbursement programs argue that employees will simply earn a degree and then take their improved capabilities, knowledge and education with them when (not if) they leave the company. However, a research study done at Wharton indicates that when companies groom people to leave, they are more likely to stay. Why so? The study indicates that as long as employees feel that they are learning and growing, why leave? So when companies leverage their tuition assistance programs to help employees learn and grow, they are also encouraging them to stay with the company for a longer period of time.

Critics of tuition reimbursement programs fail to realize that their counter argument does not make business sense from a long term perspective. In essence, opponents of tuition assistance programs are promoting an approach where a company does not invest in their employees in the hopes that they will stay. Such logic does not appear to be a viable long term solution because it does not improve an employee's knowledge base. Plus, as we indicated earlier, a lack of a tuition assistance programs makes it difficult to attract and retain top talent.

Enhanced Employment Brand

No matter how hard a company tries to retain their top employees, it will be difficult to keep all its star employees due to today's increasingly mobile workforce. However, if companies take into account some amount of turnover due to talent flow, their tuition assistance employees can still provide a benefit. Employees, who feel that their current employer has helped them to learn and grow, by helping them earn a degree through tuition assistance, will still have a positive impression of the company even if they leave for a better job opportunity. This results in a positive employment brand and an alum of the organization that will still talk favorably about their old employer. Companies can then leverage this positive employment brand to further help them attract future talent. For example, a high percentage of the employees who join management consulting firm McKinsey & Company do not stay very long with the firm. However, these employees know that while they are employed at McKinsey, the company will invest in their growth and development thus enhancing their marketability in the future. McKinsey alums thus are often big advocates of the firm and help to enhance McKinsey's employment brand. In fact, McKinsey's employment brand is so strong, that people who are "ex-McKinsey" are highly sought after by other employees. This reputation further enhances McKinsey's ability to attract top talent. In fact, McKinsey's employment brand is so strong that in the annual survey done by Fortune Magazine of the most desirable employer by graduates of top tier business schools (Harvard, Wharton, etc.), McKinsey has ranked number 1 for the last 8 years.

As the Talent Flow phenomenon continues to perpetuate in today's knowledge economy, it is clear that a robust tuition reimbursement approach helps a company recruit, retain and develop top talent. Not only do tuition assistance programs help to lengthen the average employee tenure at a company, it also enhances that employee's performance level during their stay with a company. Human resource professionals are thus seeking a better understanding of the positive impact their tuition assistance programs have on talent flow.

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