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TABLE STAKES IN THE WAR FOR TALENT: EXAMINING THE ROLE OF  
EDUCATIONAL ASSISTANCE PROGRAMS AMONG THE FORTUNE 1000

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By Noah O. Hubbard

A thesis presented in partial fulfillment of the requirements for completion Of the Bachelor of  
Arts degree in International Studies

Croft Institute for International Studies

Sally McDonnell Barksdale Honors College

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## Abstract

This study gathered stakeholder viewpoints regarding the role of educational assistance programs among the Fortune 1000 companies during the war for talent. Thirteen semi-structured interviews revealed themes that addressed four guiding research questions. After analyzing the results of the interviews and reading relevant literature, I created recommendations for each of the questions. From the first guiding research question (*How do educational assistance programs help attract and retain employees and differentiate companies from one another?*), recommendations include: offer a broad range of programs from G.E.D. to master's degrees, utilize tuition assistance models to improve access to educational assistance programs, and allow day one eligibility for employees. From the second guiding research question (*Why do companies and universities participate in educational assistance programs?*), recommendations include: boost ROI analyses of educational assistance programs and increase university consideration of partnerships with educational assistance intermediaries. From the third guiding research question (*What policies or initiatives should be considered by the government, both federal and state, regarding educational assistance programs?*), recommendations include: restart the Survey of Employer-Provided Training (SEPT), raise the \$5,250 tax deduction under Section 127, change the \$5,250 deduction to a graduated system based on income, and expand eligible expenses for educational assistance programs. For the fourth and primary guiding research question (*What factors will or will not drive companies to expand their educational assistance programs to their international employees?*) case analyses of the higher education markets in the United States, Canada, Mexico, and the UK were conducted to determine which countries were most favorable for expansion. The United States ranked first, followed by a tie between Canada and the UK and lastly Mexico.

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## I. Definitions

*Educational assistance program:* An employee benefit through which a company pays an employee's educational expenses. This typically occurs through tuition reimbursement or tuition assistance but can include other methods such as student loan repayment and scholarships.

*Tuition reimbursement:* A form of educational assistance through which a company pays an employee's educational expenses. In this model, employees participate in an educational program and pay the full monetary cost of the program out of pocket. After completion or at the discretion of the company, the employee then receives a reimbursement for costs incurred.

*Tuition assistance:* A form of educational assistance through which a company pays an employee's educational expenses. In this model, employees participate in an educational program but do not pay any monetary costs for the program. The company pays the learning provider directly-or through an educational assistance intermediary.

*Educational assistance intermediary:* An organization that facilitates partnerships between learning providers and companies to create and maintain educational assistance programs.

*Fortune 1000:* An annual list of the top 1000 American companies, both public and private, as ranked by revenue. The list is compiled by the American business magazine *Fortune*.

*Higher education:* Any form of educational program that occurs after kindergarten through grade 12 (K-12), such as degree-based programs or continuing education options via bootcamps, short-term programs, certificate programs, etc.

*Bootcamps:* Short learning programs that focus on specific skills. These programs are typically accelerated, can comprise rigorous curriculum, and offer hands-on and adaptable experiences to students.

*Short-term programs or certificate programs:* Increasingly popular among working adult learners, these programs can often be completed in relatively short periods of time (less than three years) and denote special credentials afterwards.

*Working adult learners:* Also referred to by a wide variety of names, such as non-traditional students or adult returners, working adult learners are people mainly over the age of 25 who are pursuing an educational program while also staying employed. Many working adult learners have family or dependents to support and seek flexible educational programs to balance their responsibilities and busy schedules.

*Grants:* Funds that are given to students to help offset the costs of higher education. Grants tend to be disbursed based on financial need and cover a variety of education-related expenses, such as tuition, books, supplies, and certain kinds of rent and food subsidies.

*Loans:* Funds that students borrow with the expectation that they will repay the amount within a specified deadline. Loans may be issued by the government or through private organizations.

## II. Introduction

In the late 1990s, McKinsey & Co. coined the phrase, “war for talent” regarding the increasingly competitive labor market. People had begun to switch jobs more frequently than in the past, and companies were expanding to global markets to recruit employees. Over twenty years later, the war for talent is more relevant than ever before. The nature of work around the world has and is continuing to rapidly change due to digital transformation, with a limited supply of developed talent in certain fields. Artificial intelligence and new technologies have already begun shaping the way companies analyze data, make decisions, and fill job positions. With automation on the rise, it is more incumbent than ever for workers to adapt to the changing environment and develop new skills.<sup>1</sup> Furthermore, the Covid-19 pandemic set off nearly unprecedented churn in the U.S. labor market, both with widespread job losses in the early months of the outbreak and subsequent movement afterwards.<sup>2</sup> The national “quit rate” reached a 20-year high in November of 2021 at 3 percent and has continued to remain quite volatile into 2022.<sup>3</sup> Due to the enormity of post-pandemic growth and labor market change occurring today, other phrases such as the “Great Reopening” and the “Great Resignation” have become popularized among business and human resource (HR) leaders.

Education plays a pivotal role in achieving upward mobility and maintaining job security. It is becoming even more important as the world emerges from the Covid-19 pandemic that

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<sup>1</sup> Instride, *What Employees Think*, 2.

<sup>2</sup> Kim Parker and Juliana Menasce Horowitz. “Majority of Workers Who Quit a Job in 2021 Cite Low Pay, No Opportunities for Advancement, Feeling Disrespected.” Pew Research Center. Pew Research Center, March 9, 2022. <https://www.pewresearch.org/fact-tank/2022/03/09/majority-of-workers-who-quit-a-job-in-2021-cite-low-pay-no-opportunities-for-advancement-feeling-disrespected/>.

<sup>3</sup> Eli Rosenberg, “4.3 Million Americans Left Their Jobs in December as Omicron Variant Disrupted Everything,” *The Washington Post* (WP Company, February 1, 2022), <https://www.washingtonpost.com/business/2022/02/01/job-quits-resignations-december-2021/>.

accelerated technology needs and fundamentally changed aspects of how work is performed. A 2015 report from the U.S. Social Security Administration found that professionals with a graduate degree earn more than one million in median lifetime income compared with high school graduates. However, current systems and methods of delivery for higher education are vastly inequitable and chronically underserve the 88 million Americans who need upskilling or reskilling to compete in the future of work. Higher education is no longer an option - it's a necessity for job security and advancement.<sup>4</sup>

To stimulate educational growth and provide workers with opportunities to pursue upskilling and professional advancement, employers have often relied on tuition reimbursement programs. As the Lumina Foundation noted in a 2017 report, almost 60 percent of employers offer tuition reimbursement or assistance to employees. However, tuition reimbursement programs have long been treated mainly as benefit programs and outside corporations' talent strategies. Only 2-5 percent of employees took advantage of such programs, while 43 percent were unaware of the benefit's existence.<sup>5</sup> To help employees take advantage of these underutilized benefits, several companies have pioneered an education model called tuition assistance. In this model, employees no longer pay up front and wait to be reimbursed. Rather, the balance is paid by companies directly. Educational assistance intermediaries can act as a conduit between universities and the private sector. They provide employees with access to a curated marketplace of education programs and one-on-one coaching for employees to successfully enroll and complete those programs. They enable employers to quickly partner with a wide range of academic providers and universities to meet their organization's strategic goals.

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<sup>4</sup> Instride, *What Employees Think*, 2.

<sup>5</sup> Lumina Foundation, "Talent Investments Pay Off" (Lumina Foundation, April 22, 2016), <https://www.luminafoundation.org/wp-content/uploads/2017/08/talent-investments-pay-off-cigna-full.pdf>.



Despite billions of investment in educational assistance programs on an annual basis, the return on investment (ROI) for these programs is highly under researched, leaving organizations funding them without knowledge of the resulting benefits they gain from them.<sup>6</sup> Studies on the ROI of educational assistance programs, such as a study at Cigna conducted by the Lumina Foundation, have identified several benefits for the employer. For example, Cigna saw that employees who participated received more promotions and were less likely to leave than those who did not.<sup>7</sup> Also, workers that received tuition reimbursement from Cigna had, on average, a 43 percent incremental wage increase over three years, with Cigna receiving an overall ROI of 129 percent based on cost savings.<sup>8</sup>

This study was performed, in part, to further examine the benefits of educational assistance programs for employers and employees and to discover motivations behind continued investment by employers. However, while many companies in the United States offer some form of educational assistance, program policies and funding are often drastically different for their international employees who reside outside of the United States. Several recent launches of educational assistance programs have been for domestic employees only, and as a result, **this study is primarily intended to determine what factors drive American companies to offer or withhold their educational assistance programs to international employees.** The higher education landscape of four case countries (the United States, Canada, the United Kingdom, and Mexico) is analyzed in the Discussion and Recommendations chapter to determine which background factors create favorable or unfavorable markets for the expansion of educational assistance programs. Recommendations about educational assistance programs and government

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<sup>6</sup> Tlapa, Margie. "The Value of Tuition Assistance Programs: A Multiple Exploratory Case Study." ProQuest Dissertations Publishing, 2017.

<sup>7</sup> Lumina Foundation. "Talent Investments Pay Off".

<sup>8</sup> Ibid.

policy are intended to apply towards domestic and international contexts. Note that international employees refers specifically to employees of Fortune 1000 companies that live outside of the United States, not employees based in the United States with international roots. The next chapter delves into the methodology used to examine educational assistance programs and motivations for their investment/expansion.

### **III. Methodology**

The purpose of this study was to gather and analyze key stakeholder viewpoints regarding how educational assistance programs help employers compete in the war for talent. These factors were then analyzed to decide which factors most influence international expansion of educational assistance programs. Four research questions guide the study, as shown below. Questions one, two, and three are intended to fit within the primary research question four regarding international expansion. Note that all uses of “companies” refer to Fortune 1000 companies specifically, as defined on page three.

1. How do educational assistance programs help attract and retain employees and differentiate companies from one another?
2. Why do companies and universities participate in educational assistance programs?
3. What policies or initiatives should be considered by the government, both federal and state, regarding educational assistance programs?
4. \*What factors will or will not drive companies to expand their educational assistance programs to their international employees?<sup>9</sup>

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<sup>9</sup> \* Indicates primary research question

## Research Limitations

To gather a wide variety of perspectives on these four questions, the initial goal was to conduct eight to fourteen interviews across three different stakeholder groups, as shown below.

Type of Group	Number of Interviews
Representatives from educational assistance intermediaries	2-3
Representatives from learning partners that participate in educational assistance programs	2-3
Governmental/industry experts	4-8

After reaching out to educational assistance intermediaries that closest fit the definition on page three, most declined to interview due to my personal connections with Guild Education (also known as Guild). For full disclosure, I interned with Guild during the summer of 2021 and have accepted a job offer to work for the company after graduation. Guild is a rapidly growing educational assistance intermediary that partners with a wide variety of Fortune 1000 companies to manage educational assistance programs. My ties to Guild were seen as a possible conflict for other educational assistance intermediaries. I believe this may be indicative of rapid growth in Fortune 1000 interest for educational assistance programs and company pressures to maintain a competitive edge in gaining and retaining potential clients. Many Fortune 1000 companies have recently moved towards tuition assistance models over older tuition reimbursement models. Several employers, such as Target and JP Morgan Chase, have also switched their educational assistance intermediaries to companies known for tuition assistance models, such as Guild. To limit any bias towards utilizing Guild as the only educational assistance intermediary, I shifted

my sample to the following three stakeholder groups, as shown below. I also cited examples throughout my thesis of noteworthy educational assistance programs that did not partner with Guild (ie. Cigna). Note that Guild did not provide funding or additional resources beyond an interview for this thesis. All research for this study was done on behalf of the University of Mississippi.

Type of Group	Number of Interviews
Representatives from workforce education companies	3
Representatives from universities that participate in educational assistance programs	3
Higher education experts	7
Total:	13

By broadening the first stakeholder group to workforce education companies, I also interviewed representatives from two other companies besides Guild, both focused on creating educational opportunities for working adult learners. One of the companies was a well-known online program manager (OPM), a type of third-party provider that partners with universities to develop and deliver digital education programs. Another was an online learning platform that partners with universities, companies, and governments to offer digital learning opportunities via a wide variety of educational programs, such as degrees and massive open online courses (MOOCs). The shift to workforce education companies over purely educational assistance intermediaries also enabled me to gather perspectives about the enormous diversity of educational offerings that companies offer their employees, ranging from single courses to entire degree programs.

The universities stakeholder group was chosen to better understand universities that specifically work with and have historically focused on expanding access to higher education to working adult learners. While there are thousands of universities in the United States, only a small portion of these universities have specifically prioritized reaching working adult learners through partnerships with employers and investments in online education. The three universities interviewed had extensive experience in corporate partnerships and educational assistance intermediaries. These universities are well-known in online education and continue to be highly sought after by employers for their flexible programs and vast experience serving working adult learners.

The third stakeholder group featured a wide variety of higher education experts. Interviewees ranged from leaders at nonprofits and think tanks to reporters and ex-governmental employees. Many of these interviewees will be cited throughout this thesis, although they will not be identified directly. I will use broad, anonymous phrases to keep their identities private.

While I recognize that thirteen interviews alone are not sufficient to gather a comprehensive view of the educational assistance program landscape, I drew conclusions from the data I compiled to the best of my ability. Future studies with larger sample sizes are advised for more nuanced results.

## **Sampling**

Convenience sampling was the main form of sampling utilized, as participants were easily recruited via the outreach method below and were willing to participate in the interviews. In addition, snowball sampling, in which interview participants are asked to identify others who may be willing to participate, was employed via an additional question in the interviews. This

question allowed me to identify organizations and individuals with expertise I may have initially overlooked and increased my sample size.

Interviewees from each group were chosen according to three criteria. First, interviewees must have spent a minimum of five years working in and/or researching higher education or the broader labor market. This criterion allowed interviewees sufficient time to observe educational assistance programs and workforce education trends. The vast majority of those interviewed exceeded five years, with many having over 10-20 years of experience in their fields. Second, interviewees must have extensively worked for and/or researched with organizations that were specifically focused on workforce education or online education. I selected this criterion to capture expertise from those who would have the most direct experience with the guiding research questions and to further narrow the pool of interview candidates from the first criterion. If interviewees had worked for organizations within the broad umbrella of higher education or labor market research but these organizations did not focus on workforce education or online education specifically, they were not chosen to interview. Lastly, interviewees must have expressed consent to interview and answer all of the questions asked to the best of their ability. To avoid incomplete responses or selective answering, all interviewees were asked the same baseline questions, although additional follow-ups were asked on a case-by-case basis.

### **Outreach and Interview Process**

I contacted potential participants via initial emails or phone calls with a follow-up response to gain consent and set up virtual meetings. All participants were shown the questions prior to interviewing to ensure familiarity and allow time for additional research if needed. Interviews were conducted in a semi-structured format for more flexible wording and room for follow-up questions. Due to the semi-structured format, questions were not always asked in the

same order to ensure smoother transitions and limit repetition. The questions asked are shown below and were intended to relate to the four guiding research questions.

I took field notes during the interviews to help me devise follow up questions and provide memos during later analysis about what was emphasized by the interviewee. I also made full audio and video recordings and created transcriptions of each interview when possible via consent of the interviewees.

Interview Questions
1. Please tell me about your academic background and any personal experiences with educational assistance programs.
2. What are the key reasons why you believe companies launch educational assistance programs?
3. Do you think that recent launches of educational assistance programs by large employers influence other employers to launch or expand their own programs?
4. How much of a differentiating factor do you believe educational assistance programs are for employers regarding the ongoing war for talent?
5. What are your thoughts about the benefits of employees going back to school and pursuing educational/upskilling opportunities?
6. Over the past few years, there seems to have been a push for employers to make a positive impact on the communities they serve. Do you think that there is an increased sentiment among the Fortune 1000 that corporate social responsibility should be more heavily invested in?
7. Many educational assistance programs often take the form of online learning. What recommendations do you have for mitigating potentially negative perceptions of online education amongst the Fortune 1000 management and their employees?
8. There are several government policies and programs that are often cited as critical to the success of educational assistance programs, such as the \$5,250 tax deduction in §127. What do you believe the role of the government, both federal and state, should be regarding educational assistance programs?
9. Do you believe that the recent wave of educational assistance program launches will expand to include international employees for Fortune 1000 companies?

10. Can you describe some of the key challenges in expanding educational assistance programs to international employees?

The three university representatives were asked a follow up question to number two, as shown below. This question was intended to contextualize why universities are willing to collaborate with employers on educational assistance programs and to determine if there was a “win-win” for both universities and employers.

11. (Additional) Why do you think universities are increasingly partnering with employers through their educational assistance programs?

### **Data Analysis and Coding**

After the interviews were completed, I reviewed my field notes and transcripts/recordings to organize observations into different sets of meaningful categories. In doing so, I identified themes from the data that were frequently or infrequently discussed during the interviews. Themes were then counted based on how many times they were discussed to determine consensus or lack thereof. As shown in the Results and Findings section, some questions saw a significant amount of consensus while other responses were more varied. These themes were complemented with additional research to drive specificity and potential recommendations in chapter five.

### **Supplemental Data**

I utilized additional resources to contextualize interview responses and share more information on international educational assistance programs. I reviewed individual company educational assistance program policies via information from their websites. For the case analyses of Canada, the United Kingdom, and Mexico, I employed two main data sets and reports. The first was the 2021 edition of *Education at a Glance* via the Organization for



Economic Co-operation and Development (OECD), and the second was the 2022 edition of *World Higher Education: Institutions, Students and Funding* report via Higher Education Strategy Associates (HESA), a Canadian higher education consulting company. The *Global Higher Education Rankings 2010* report by HESA was also valuable in helping determine which factors to focus on during the case analyzes. Note that authors from both *Education at a Glance* and the *World Higher Education: Institutions, Students and Funding* reports adjusted their data for inflation using annual data on the consumer price index in the United States. They also used purchasing power parity currency conversion to account for inflation in other countries with different currencies than USD. When referencing data used by the OECD and HESA, I included all short-cycle tertiary programs (ISCED 5) within my definition of short-term programs or certificate programs on page four. Although I recognize my definition does not exactly fit within the OECD's, I merged these terms for easier international data comparisons.

#### **IV. Results and Findings**

This chapter reports on the results and findings from the interviews according to the four research questions. Brief summaries of common themes for each of the questions accompanies the results and will be discussed more in depth in the next chapter.

##### **Preliminary Contextual Question:**

*Please tell me about your academic background and any personal experiences with educational assistance programs.*

Before discussing each of the research questions and their subsequent interview responses, I asked every interviewee about their own education experiences to gauge their education attainment and discover any experiences with educational assistance programs. All 13 interviewees received a bachelor's degree, 10 interviewees received various levels of graduate education (Masters and above), and six interviewees had personally used educational assistance programs from their employers to receive various credentials. Of the six interviewees that used educational assistance programs, three reported financial issues as the primary barrier behind receiving an education. Their employers' educational assistance programs allowed all three interviewees to excel in their programs and achieve their respective credentials. Interviewees that utilized educational assistance programs reported usage between the 1980s at the earliest and 2020 at the most recent, giving interviewees different experiences with how their benefits were administered and the programs available to them.

Broken down into subgroups, all three workforce education company representatives reported having used educational assistance programs to further their professional goals, and two indicated that they picked at least one of their previous employers chiefly for their educational assistance program. Three higher education experts indicated using their employers' educational

assistance programs, although they did not state that educational assistance programs played the primary role in their decision on where to work.

While interviewees were not selected to interview based on their education attainment, responses to this question indicated that nearly 50 percent had personally used an educational assistance program from their employers.

### **Guiding Research Question One:**

**How do educational assistance programs help attract and retain employees and differentiate companies from one another?**

Perhaps the most widely discussed research question in current literature about educational assistance programs, this guiding question was chosen to validate or reject theories about the benefits of educational assistance programs for employers. Interview questions two, four, and seven are directly related to attraction, retention, and differentiation.

### **Results from Question Two:**

*What are the key reasons why you believe companies launch educational assistance programs?*

In response to this question, **10 of the interviewees immediately mentioned the increasingly competitive landscape** among the Fortune 1000. As one expert stated simply, “It is hard to underestimate the urgency employers feel in the war for talent right now.” The phrase “war for talent” was also consistently mentioned across these 10 responses, showing the phenomenon was known among all three stakeholder groups. Additionally, multiple interviewees in each group mentioned the need for upskilling and a more educated workforce due to the changing nature of work and technology.

Broken down into subgroups, workforce education representatives quickly mentioned the high cost of turnover for companies and said that retaining employees via education programs was less expensive than finding and training new ones. All of the interviewees also contextualized historical shifts from using educational assistance programs as a pure retention mechanism into a recruitment tool as well. One representative stressed recruitment pressures by saying the following, “We are in the tightest frontline workforce market the country has ever seen and attracting those employees is hard. As a result, people are mentioning benefits as a first paragraph, if not the first sentence.” Another representative described the changes in company motivations for launching educational assistance programs as two waves. The first wave was centered around brand value and becoming the employer of choice while the second (current) wave sees educational assistance programs surging to mainstream adoption. **As the war for talent has intensified, employers want to become not only the employer of choice but also an employer of opportunity.**

Four of the higher education experts also mentioned that employers want to depict themselves as a place where workers can truly grow their careers and receive professional development. Furthermore, three experts noted that educational assistance programs enable employers to hire and promote candidates from less traditional higher educational paths. Several experts discussed both retention and recruitment playing equal factors in decisions to launch educational assistance programs, with one expert also contextualizing the shift from solely retention-oriented programs to an equal split between retention and attraction. University representatives discussed similar factors as the experts.

#### **Results from Question Four:**

*How much of a differentiating factor do you believe educational assistance programs are for employers regarding the ongoing war for talent?*

**Eight respondents believed that educational assistance programs are a differentiating factor for employers in the war for talent, while others were unsure, citing various concerns.** The key reasons why some interviewees believed that educational assistance programs might not be truly differentiating factors in the war for talent were: lack of data/proper studies, low participation rates among eligible employees, and concerns about connecting educational programs to mobility pathways. Two respondents indicated that educational assistance programs are no longer a differentiator in the war for talent because they are now commonplace. One expert stated, “This is not a competitive edge but is necessary to be comparable.” By arguing that educational assistance programs have become standardized, multiple interviewees also claimed that not offering any type of program negatively impacts employers in the war for talent.

**While a majority of respondents agreed that educational assistance programs are still differentiators in the war for talent, further research is needed among job seekers to determine what degree of differentiation exists and which specific factors (such as mobility pathways) are most relevant to candidates.** Additionally, as continuing studies are done on the benefits of educational assistance programs, more employers may launch similar programs, thus weakening the differentiation of educational assistance programs.

## Results from Question Seven:

*Many educational assistance programs often take the form of online learning. What recommendations do you have for mitigating potentially negative perceptions of online education amongst the Fortune 1000 management and their employees?*

Question seven was asked to gather perceptions on potential stigmas against online education and whether interviewees believed the digital nature of most educational assistance programs was a significant factor in their ability to recruit and retain employees. **Responses to this question were extremely varied, with four interviewees affirming that stigmas against online education still exist in 2022, while five interviewees stated they believed acceptance of online education was growing among Fortune 1000 management and their employees (largely due to the pandemic).** When citing reasons for stigmas against online education, most respondents believed that drastic quality variation of online programs across the country and older generations' lack of experience with online programs were the root causes.

Among the higher education experts, three interviewees discussed confusion around the signaling power of online credentials for employers. Interviewees believed that given the enormous breadth of programs available (and large differences in quality), employers struggle to fully grasp the skills gained from online programs in the same way they do for traditional face-to-face educational programs. Respondents also continuously expressed frustration about the signaling power of four-year degree requirements. Several respondents conveyed hopes that more employers will remove degree requirements from job postings, although limiting biases was often cited as more important than the official requirement. As one expert stated, "We can't just assume a bachelor's degree automatically comes with a suite of soft skills." Companies

continue to filter out employees without traditional education backgrounds or bachelor's degrees even if jobs do not officially require them due to biases.

All 13 interviewees asserted strong belief in the ability of online education to open access to opportunity for working adult learners and to offer the same key skills as traditional bachelor's or face-to-face programs. The skills gained, rather than the modality in which courses are delivered, should be the primary focus of Fortune 1000 management and their employees.

### **Guiding Research Question Two:**

#### **Why do companies and universities participate in educational assistance programs?**

While the first guiding research question examined attraction, retention, and differentiation, the second guiding question sought to uncover the most important reasons why both companies and universities participate in educational assistance programs. Interview questions three, five, six, and the follow up for question two are directly related to this topic.

#### **Results from Question Three:**

*Do you think that recent launches of educational assistance programs by large employers influence other employers to launch or expand their own programs?*

Responses for this question were incredibly consistent. **Eleven of 13 interviewees believed that recent launches of educational assistance programs by large employers influence other Fortune 1000 companies to launch or expand their own programs.** Within these affirmations, several interviewees cited the competitiveness of the labor market and the inherent nature of large companies striving to differentiate themselves. Multiple higher education experts echoed earlier sentiments that companies are beginning to realize that educational

assistance programs are becoming standard practice and not having them was a negative factor in the war for talent. Corresponding raises in pay and other benefits, such as retirement and healthcare, were also mentioned to demonstrate that companies must change their full benefits packages to fully attract workers.

The other 2 respondents were hesitant to state definitively that companies are influenced by others' decisions, citing a lack of data as the key barrier. On the contrary, within affirmative responses, phrases such as "absolutely" and "of course" were commonplace, suggesting that many of the interviewees felt highly confident with their answers.

### **Results from Question Five:**

*What are your thoughts about the benefits of employees going back to school and pursuing educational/upskilling opportunities?*

Question five was asked to draw conclusions about the range of benefits for employees pursuing educational/upskilling opportunities and whether these benefits varied most by educational program, industry, or other factors. **Responses to this question were varied, with five interviewees stating that benefits for participating employees varied the most by educational program (both length of program and type of credential).** Three interviewees said that benefits for employees varied the most by industry, and another three interviewees also mentioned the necessity of creating pathways with directly transferable skills. Additionally, three interviewees noted a greater marginal benefit for frontline employees pursuing educational and upskilling opportunities than those in corporate settings. As one expert stated, "the benefit is much higher for moving employees from A to Z (frontline employees) than from X to Z (corporate employees)."



Broken down by response type, those who believed educational programs were the main driver of benefit variation consistently highlighted short-term programs as having the greatest impact for employees. These programs were believed to have a high ROI, with direct skills gained in less time than traditional bachelor's or other degree programs. Interviewees that focused on industry differences often cited healthcare, IT, and retail as their main examples, with several stating that healthcare and IT generally saw higher benefits for workers pursuing educational/upskilling opportunities than retail. Necessary know-how and the wide availability of potential pathways for employees in healthcare and IT were frequently discussed as the reasons for their distinction from retail. Multiple interviewees also mentioned that wider availability of potential pathways created more favorable conditions for non-traditional students or those skilled through alternative routes.

#### **Results from Question Six:**

*Over the past few years, there seems to have been a push for employers to make a positive impact on the communities they serve. Do you think that there is an increased sentiment among the Fortune 1000 that corporate social responsibility should be more heavily invested in?*

Noting that educational assistance programs are often included in companies' corporate social responsibility (CSR) reports as a means of "doing good for their employees", this question attempted to determine whether CSR plays a critical role in the launch and expansion of educational assistance programs. **Responses to this question were highly conclusive: Nine interviewees stated that while educational assistance programs can sometimes be considered a part of CSR, competitive pressures around the war for talent, specifically attraction and retention, are still the main reason that educational assistance programs receive investment by employers.** In other words, without a strong ROI, educational assistance

programs would not see as much financial support purely within CSR by employers. As one workforce education representative stated, “CSR and its subsequent brand support are great byproducts of education benefits, but they aren’t the reasons that companies buy.” Interviewees also cited recent ROI studies by external organizations, such as the Lumina Foundation, as helping influence employers’ decisions to invest seriously in their employees with educational assistance programs.

The majority of respondents agreed that CSR investment had grown in recent years, and three respondents called attention to shifts in worker demands among millennials and generation Z. Workers in these age demographics increasingly focus on professional development opportunities when looking for jobs and are more interested in seeing educational assistance programs offered by employers than previous generations. Ultimately, while the main reasons for investing in educational assistance programs were centered around competitive pressures, many interviewees expressed they were excited that employers have a renewed sense of support for creating educational opportunities for employees.

#### **Results from Question Two Follow Up:**

*Why do you think universities are increasingly partnering with employers through their educational assistance programs?*

This follow up for Question two was the only question that specifically focused on university motivations and was asked to greater contextualize whether educational assistance programs were a “win-win” for both employers and universities. **Across all three university interviewees, enrollment was cited as the key motivation for partnering with employers, although secondary and tertiary motivations varied significantly.** One interviewee stated that students coming from employers often had lower risk of debt default and allowed universities to

lessen the debt ratio that students graduated with. A second respondent focused on the lowered cost of acquisition universities saw by participating in educational assistance programs. Rather than having to spend more money on digital advertising and other recruitment expenses, students were funneled directly to universities via their partnership with employers. This reduces marketing expenses for universities and allows them to repurpose those dollars for other departments.

The final interviewee focused on relevance for universities during the war for talent. Partnerships with employers enable universities to enhance their curriculum and ensure that what is taught directly correlates with skills needed on the job. Furthermore, changing demographics across the country, most notably the impending enrollment crisis<sup>10</sup> and longer lifespans, will continue to push universities towards providing opportunities for working adult learners.

### **Guiding Research Question Three:**

**What policies or initiatives should be considered by the government, both federal and state, regarding educational assistance programs?**

Given that government policy was commonly discussed in the literature review and that tax specifications drive much of the positive ROI for employers to create educational assistance programs, this guiding question examined potential changes to policy or initiatives that could further support educational assistance programs. Question eight was most directly related to this topic.

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<sup>10</sup> Nathan D. Grawe, *Demographics and the Demand for Higher Education*. Baltimore, Johns Hopkins University Press, 2018.

## Results from Question Eight:

*There are several government policies and programs that are often cited as critical to the success of educational assistance programs, such as the \$5,250 tax write off in §127. What do you believe the role of the government, both federal and state, should be regarding educational assistance programs?*

**Responses to this question were highly consistent, with 10 respondents stating they wanted the current \$5,250 maximum tax deduction raised.** Multiple interviewees mentioned that companies often defer to the federal government when creating educational assistance programs. As a result, \$5,250 typically appears as a key maximum in many company policies. The second most requested government initiative was more consistent and clear reporting about Section 127 of the IRS tax code (§127). Since the IRS suspended reporting requirements for §127 in 2002, a lack of administrative data exists on employee or employer usage. This not only complicates data-based recommendations on changes but also leads to a “wild west”, as one interviewee stated, regarding which information on employer educational assistance programs is publicly available. In tandem with conversations about §127 reporting requirements, two interviewees also recommended restarting the Survey of Employer-Provided Training (SEPT) administered by the U.S. Bureau of Labor Statistics (BLS) in 1993 and 1995. Employer spending on tuition reimbursement programs was covered in the SEPT questions, but SEPT has not been run in over 20 years, making its data increasingly obsolete. Another reporting-related recommendation from interviewees was clearer guidance from the federal government around how to measure skills gained from educational assistance programs. Respondents felt that better guidance in this area would improve quality control for the wide variety of programs on the market and lead to more opportunities for workers who were skilled through alternative routes. One interviewee mentioned that the lack of consistent skills measurement was one of the primary

reasons many companies still require bachelor's degrees for jobs rather than evaluating candidates based on a specific set of skills needed.

Beyond reporting and the \$5,250 deduction, recommendations on government policy were varied. One respondent suggested changing the tax deduction to a credit or offering a credit for a student's first credential and then deductions for all subsequent ones. These options will be explored further in the next chapter. Another interviewee cited the importance of Pell grants for working adult learners and believed that they should also be raised (indeed the Biden administration's budget for 2022 proposes doing so). Additionally, multiple interviewees argued that the federal government should create more incentives for short-term programs and credentials. As one university representative stated, "Public policy needs to take into account the expanded learning shelf life that we as Americans are required to reckon with given the changing nature of work."

Respondents who did not believe the federal government should raise the Pell grant tended to be more unsure of this topic. They chose to focus on other governmental policies, such as support for partnerships between universities and employers and more affordable community college systems.

**\* Primary Guiding Research Question Four:**

**What factors will or will not drive companies to expand their educational assistance programs to their international employees?**

As noted in the introduction, the majority of educational assistance programs by the Fortune 1000 focus primarily on US-based employees. This primary guiding research

question sought to discover which factors will or will not encourage companies to expand their educational assistance programs to international employee populations. Note that “international employees” refers to employees of Fortune 1000 companies that live and work outside of the United States, not US-based employees that are of international descent. Questions nine and ten are most directly related to this topic.

**Results from Question Nine:**

*Do you believe that the recent wave of educational assistance program launches will expand to include international employees for Fortune 1000 companies?*

**Responses for this question were split, with seven interviewees stating that educational assistance programs would eventually expand to include international employees while the other six interviewees did not know.** Notably, while all the workforce education and university representatives answered yes, only one of the higher education experts did. Among respondents who answered yes, the main two reasons supporting international expansion were the widespread global operations and footprints of the Fortune 1000 and parity for international employees. Interviewees discussed globalization and the economic interdependence of the international community; foreign operations for the Fortune 1000 often serve as critical revenue sources. In tandem with parity, two interviewees mentioned that the war for talent is not limited to the United States but is rather a global phenomenon. However, the level of competition among the war for talent was heavily disputed later in question ten below.

**Results from Question Ten:**

*Can you describe some of the key challenges in expanding educational assistance programs to international employees?*

**Responses for this question were varied, and each subgroup of interviewees discussed slightly different challenges regarding international expansion. The most common challenge identified across all three groups was different tax laws and government regulations.** As seen earlier in the findings for guiding research question three, government policies and tax specifications are seen as crucial to the success of educational assistance programs. Interviewees were typically unsure of which favorable tax specifications were also replicated in other countries, and many believed that companies would have to expend significant resources to understand the political and tax landscape prior to expansions.

Among workforce education representatives, logistical/administrative burdens and questions around university partners were the two most frequently mentioned challenges. Interviewees stressed that the burden of language barriers, time zone differences, cohorting, data privacy, and communication networks would be tremendous, although they were optimistic it could be solved at some point in the future. University partners were also seen as a roadblock because of questions about whether to use local providers (with potentially unknown quality and efficacy concerns) or global US-based universities. While local providers might have better brand recognition, many feature different grading systems and administrative infrastructures that may prove demanding to sync across company employee management systems. On the other hand, US-based universities might lack brand recognition and have onerous data privacy hurdles to resolve (particularly in the European Union).

Among university interviewees, accreditation processes were seen as a major barrier to international expansion. One respondent indicated that many US accreditors required programs to be taught in English to receive accreditation, thus limiting the international employees that would be able to participate. Another mentioned that universities in the United States only

typically needed one State Authorization Reciprocity Agreement (SARA) and one main accreditor, while other countries would need a wide variety of agreements and accreditors. SARAs are agreements among states that establish consistent standards of distance education courses and programs and are crucial regulations to ensure quality controls. Other challenges discussed by interviewees were concerns about international employees not recognizing US-based universities (outside of elite schools) and questions about which countries saw the same level of competition in the war for talent as the United States.

Among higher education experts, three interviewees believed that international expansion would only occur within countries where the war for talent was as equally “hot” as in the United States. While experts typically did not delve into example countries given the time constraints of the interviews, many denied that the war for talent was uniformly competitive in every country. Beyond the war for talent, multiple experts also identified high costs of higher education in the United States and enormous student loan debt as drivers for educational assistance programs. Noting that higher education is free or less expensive in many other countries, these experts believed that companies did not see as much need to expand their educational assistance programs and alleviate some of these pressures among their employees.

In the next chapter, I will delve further into how the existing literature supports or counters the findings of this study and will discuss the broader implications of my findings. I will also highlight which recommendations or changes I personally support regarding government policy and international expansion of educational assistance programs. To contextualize government policies and background factors that create favorable or unfavorable markets for the expansion of educational assistance programs, I will analyze the higher education landscapes in Canada, the United Kingdom, and Mexico in Chapter Six.



## V. Discussion and Recommendations

This chapter reports more broadly on the significance of my findings in relation to existing literature. I will elaborate on recommendations for educational assistance programs and government policy that I have developed through literature review and interviews. This chapter is organized according to the guiding research questions.

Guiding Research Question One:

*How do educational assistance programs help attract and retain employees and differentiate companies from one another?*

Respondents consistently cited the highly competitive nature of the war for talent as a cornerstone for this discussion. Interviewees believed that the war for talent was top of mind for employers when launching educational assistance programs due to their impact on attraction, retention, and differentiation. Several also described shifts in how employers viewed educational assistance programs to a more equal footing between attraction and retention as driving mechanisms rather than purely retention.

When looking at the literature, there is no shortage of articles and studies describing the impact of the war on talent on employers, particularly post pandemic. In a recent 2022 CEO survey, Deloitte found that the number one issue CEOs listed to disrupt their business strategy within the next 12 months was labor/skills shortage, with a 15-point margin over the second most disruptive issue cited (the pandemic).<sup>11</sup> The benefits of educational assistance programs are

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<sup>11</sup> Deloitte, “2022 CEO Priorities Survey,” Deloitte 2022 Winter CEO Survey (Fortune/Deloitte, January 27, 2022), <https://www2.deloitte.com/us/en/pages/chief-executive-officer/articles/ceo-survey.html>.

well-documented,<sup>12</sup> and my findings support that these programs improve retention and attraction of employees for large companies. Beyond baseline improvements to retention and attraction however, the structures of educational assistance programs can drastically enhance or weaken their effects.

Thoughtfully laid out in detail by Upskill America, several key factors are critical in enhancing benefits for both the Fortune 1000 companies and their employees alike.<sup>13</sup> Beginning with eligibility, one historic limitation of effectiveness of educational assistance programs has been low participation rates.<sup>14</sup> To combat low participation, companies should evaluate which employees their programs are truly serving. **The best practice is to offer educational assistance programs for corporate and frontline employees with day one eligibility.**<sup>15</sup> Day one eligibility can be an important recruitment tool and allow employees to begin developing quickly. Additionally, rather than adopting a “one size fits all approach”, companies must recognize that frontline employees may need additional support. **Companies should consider offering a wide range of educational programs for frontline employees, such as foundational programs (G.E.D, ESL, etc.) and associates/bachelor’s degrees.** This variety allows employees to choose which program most fits their needs and aligns with their career goals. For the employer, foundational programs may be less expensive and can correctly match employees’ needs to career mobility. Some best-in-class companies have expanded their program

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<sup>12</sup> Glover, “Study Shows The Benefits”, 7-10.

<sup>13</sup> Jaime S Fall, Rachael Bourque, and Sean Stowers, “Roadmap to a Skilled and Educated Workforce,” The Aspen Institute (Upskill America, April 11, 2019), <https://www.aspeninstitute.org/blog-posts/tuition-assistance-policy-discussion-roadmap-to-a-skilled-and-educated-workforce/>

<sup>14</sup> Jillian Berman, “Companies Help Employees Pay Tuition-but Few Accept the Offer,” The Wall Street Journal (WSJ, June 11, 2018), <https://www.wsj.com/articles/companies-help-employees-pay-tuition-but-few-accept-the-offer-1528682580>.

<sup>15</sup> Deb Volzer, Jessica Burgess, and Andrew J. Magda. Rep. *Reimagining the Workforce 2021: Closing the Skills Gap through Education*. Louisville, KY: Wiley edu, LLC, 2021.

eligibility to include part-time workers and even family members of employees.<sup>16</sup> While part-time and family expansions are still niche in the overall educational assistance program market, they remain promising options for companies to boost participation rates and attract employees.

Another influential structural factor of educational assistance programs is the type and content of academic offerings. According to a recent McKinsey report, “Some 87 percent of executives report existing skills gaps or expect to face gaps within the next five years.”<sup>17</sup> To combat perceived skills gaps, large companies have invested heavily in training programs, ranging from IMB, Barclays, and Bosch to the formation of OneTen, a partnership between over 30 companies designed to train Black Americans and place them in one million new jobs over the next decade.<sup>18</sup> Offering short-term programs and certificate programs enables workers to quickly gain the skills needed in a shorter time frame than traditional bachelor’s and master’s degrees. **Companies should evaluate whether their educational assistance programs are designed to position employees for general advancement or to help employees advance from where they currently are.**<sup>19</sup> In response to question five, multiple interviewees mentioned that educational programs had a greater impact when they were best-suited for the student. For example, employers with large frontline populations with low education attainment levels should consider offering G.E.D. programs instead of solely bachelor’s/master’s programs. In addition to

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<sup>16</sup> WM, “Waste Management Announces First-of-Its-Kind 'Your Tomorrow' Program Providing No-Cost Education to Employees, with Planned Extension to Dependents Later This Year, to Upskill Workforce and Advance Position in Competitive Job Market,” Waste Management, May 13, 2021, <https://investors.wm.com/news-releases/news-release-details/waste-management-announces-first-its-kind-your-tomorrow-program>.

<sup>17</sup> Susan Lund et al., n.d.

<sup>18</sup> Ibid.

<sup>19</sup> Fall, Bourque, and Stowers, *Roadmap*, 4.

adding programs that are more accessible to working adult learners, companies should curate content that teaches employees skills that are applicable across an industry rather than skills that only relate to a specific job function at their company. Without connecting program content to broader industry topics, employees become pigeonholed into a certain job at one employer. As one workforce education representative noted in response to question five, “The benefits for educational assistance programs depend on how transferable the skills gained are outside of the employer or [a specific role].” In agreement with the representative, I conclude that educational assistance programs with transferable skills have higher benefits for students than those without transferable skills.

Educational assistance program policies can also affect participation rates and the mix of students participating. Historically many companies have used tuition reimbursement models, but tuition assistance models increase access to educational assistance programs and drive higher participation rates. **Thus, tuition assistance represents a promising payment model for educational assistance programs, particularly those within companies with large frontline lower-paid employee populations.** Beyond payment structures for the program, companies must also decide what type of recapture policy they will enforce. Commonly known as “clawbacks”, recapture policies require employees to reimburse the company if they leave within a certain period of years. **Clawbacks lower participation and are often difficult to enforce.**<sup>20</sup> Although some critics of educational assistance programs believe that employers lose their investment if employees leave upon completion of an education program, students participating in these programs provide their employer with multiple years of meaningful labor. Although clawbacks were not frequently discussed during my interviews, I personally believe that clawbacks can unfairly penalize employees despite years of labor for their company. While one

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<sup>20</sup> Fall, Bourque, and Stowers, *Roadmap*, 6.

higher education expert recognized that clawbacks and other restrictive financial policies were often put in place to foster a sense among employees of having “skin in the game”, she later noted, “Skin in the game quickly becomes a pound of flesh.”

Overall Recommendations:
1. Companies should offer educational assistance programs to both corporate and frontline employee populations, with day one eligibility.
2. A “one size fits all approach” isn't the best practice. Instead, a broad range of programs, from G.E.D. programs to master’s degrees, is optimal.
3. The tuition assistance model improves access to educational assistance programs and can drive higher retention and attraction benefits.
4. Clawback policies are not best practice and lower participation.

Innovations in the Market
1. Program eligibility could be included to include part-time employees and family members or dependents of employees

Guiding Research Question Two:

*Why do companies and universities participate in educational assistance programs?*

Given that the benefits of educational assistance programs for employers and employees were previously covered in guiding research question one, this guiding research question analyzed alternative factors that may drive company/university participation. As the war for talent has intensified, 85 percent of interviewees believed that recent large-scale launches of educational assistance programs significantly influence other Fortune 1000 companies to launch or expand their own programs. **Companies participate in educational assistance programs because of competitive pressures from other companies in the war for talent.** For example,

news organizations often compare different company educational assistance programs. One weekly update from *The Morning Brew* in 2021 stated, “Free college tuition is no longer the exception at many of America’s largest employers. It’s the norm.”<sup>21</sup> By describing new educational assistance programs in reference to other companies, reporters can create a sense of urgency for employers to “one-up” one another.

When looking at employer motivations for educational assistance programs, many are commonly grouped within the corporate social responsibility of the Fortune 1000. However, 81 percent of interviewees believed that while these programs did generate positive impact for employees, competitive pressures around the war for talent remain the principal reason for employer investment. Given that educational assistance programs have long been treated mainly as benefits outside of talent acquisition and learning and development strategies, only ~2-5 percent of organizations have evaluated the ROI they receive from these programs.<sup>22</sup> Without strong ROI analyses, such as those performed by the Lumina Foundation on Walmart or Cigna, there is less incentive for companies to seriously invest in educational assistance programs.<sup>23</sup> C-leaders need ROI to warrant increased investment. As one interviewee noted, advocating for expansions of educational assistance programs without a demonstrated ROI analysis is incredibly difficult. As stated by the Lumina Foundation, “According to one 2010 ROI Institute survey of 96 Fortune 500 CEOs, 92 respondents stated they are interested in understanding the investments and impact of their company’s learning and development initiatives.”<sup>24</sup> **Further**

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<sup>21</sup> Abigail J Hess. “From Amazon to Walmart, Here's How College Tuition Became the Hot Corporate Benefit.” CNBC. CNBC, September 30, 2021. <https://www.cnbc.com/2021/09/30/from-amazon-to-walmart-college-tuition-is-the-hot-corporate-benefit.html>.

<sup>22</sup> Lumina Foundation, “Talent Investments Pay Off” (Lumina Foundation, April 22, 2016), <https://www.luminafoundation.org/wp-content/uploads/2017/08/talent-investments-pay-off-cigna-full.pdf>.

<sup>23</sup> Glover, “Study Shows The Benefits”

<sup>24</sup> Lumina Foundation, “Talent Investments Pay Off”, 2.

**research in terms of ROI analyses of retention, attraction, promotion, and other benefits from educational assistance programs is recommended to support and drive corporate investment.**

Regarding university motivations for educational assistance programs, enrollment boosts and increased program relevance are the two main drivers of participation. Given the fall in birth rates across the United States following the 2008 recession, many experts predict an impending enrollment crisis will occur in 2026 and onward as the eligible pool for traditional high school graduates shrinks.<sup>25</sup> Given enrollment's importance for determining university funding and perceptions, **universities should consider partnerships with workforce education companies as a means to stem potential enrollment declines and shift their student mix towards the increasing working adult learner population.** Although the enrollment crisis was not discussed during interviews, I believe educational assistance programs could offset future enrollment declines. As one university representative mentioned, given that the market for workforce education is becoming more competitive, partnerships that can rapidly scale and offer skills-based content for frontline and corporate employees will see the most success. Partnerships with employers enable universities to enhance their curriculum and ensure that courses teach skills needed in today's workplace. As stated by the Center for the Future of Higher Education and Talent Strategy at Northeastern University, "Thus, it will be crucial for colleges and universities to recognize and work with the growing number of intermediaries...[and] digital learning platforms and marketplaces... that bridge the world of employers and academia."<sup>26</sup>

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<sup>25</sup> Nathan D. Grawe, *Demographics and the Demand for Higher Education*. Baltimore, Johns Hopkins University Press, 2018.

<sup>26</sup> Sean Gallagher, Rashid Mosley, and Tova Sanders, "The New Landscape for Workplace Learning: Employers and Workers Managing the Digital Transition," Center for the Future of Higher Education and Talent Strategy (Northeastern University, October 2021), <https://cps.northeastern.edu/wp-content/uploads/2021/10/Workplace-Learning-Report-1.pdf>.

Overall Recommendations:
1. Universities should consider working with educational assistance intermediaries and workforce education companies to boost enrollment and improve program relevance.
2. Companies should evaluate the ROI of their educational assistance programs to drive investment decisions.

Guiding Research Question Three:

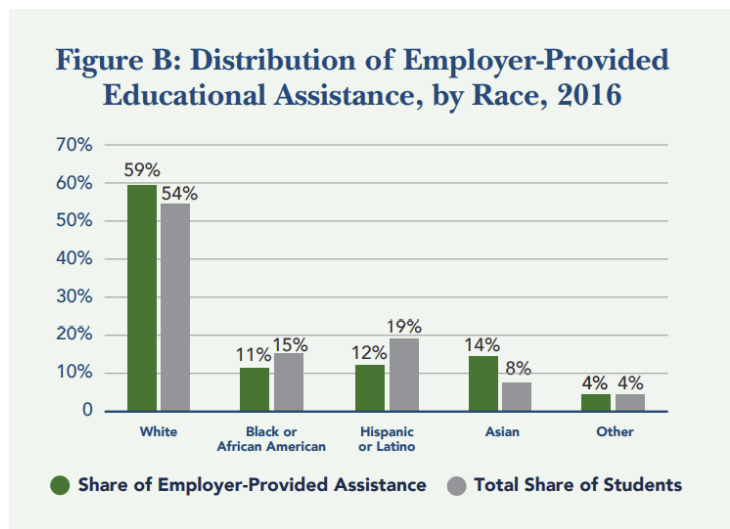
*What policies or initiatives should be considered by the government, both federal and state, regarding educational assistance programs?*

Government policy plays a key role in the creation of and investment in educational assistance programs. Responses regarding government policy varied significantly by interviewee, although a majority of respondents agreed that the most cited policy (the \$5,250 tax deduction under §127) should be raised. However, this topic and subsequent arguments for raising the deduction have been discussed for years with little to no movement in Congress. As a result, I spoke with four additional professionals (one higher education policy expert and three Certified Public Accountants) outside of my 13 interviews to gather broader opinions on government policy recommendations. However, the opinions and recommendations stated in this section are my own entirely.

Prior to discussing specific recommendations, I would like to contextualize why changes are needed in government policy to improve equitable usage of educational assistance dollars by race, income level, and program type. According to a comprehensive analysis of the 2016 National Postsecondary Student Aid Surveys (NPSAS) by the Aspen Institute Future of Work Initiative, data demonstrates that distribution of educational assistance dollars is far from



representative of the overall U.S. student population.<sup>27</sup> As shown in the following three charts, data indicates that White and Asian students disproportionately utilize educational assistance programs over African-American and Hispanic/Latino students. Additionally, middle and higher-income students utilize these programs disproportionately over lower-income students, as well as students pursuing bachelor’s and master’s degrees over those pursuing certificates and associate’s degrees.<sup>28</sup> These equity issues can be tied to many factors, including the prevalence of tuition reimbursement models over tuition assistance and the traditional “one size fits all approach”.

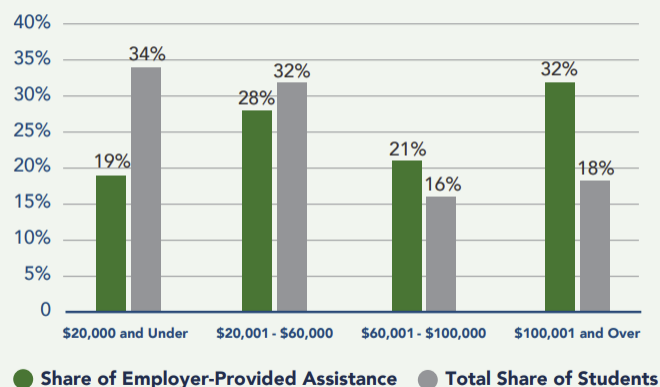


<sup>27</sup> Alastair Fitzpayne et al., “Modernizing Tax Incentives for Employer-Provided Educational Assistance” (The Aspen Institute Future of Work Initiative, June 2020), [https://www.aspeninstitute.org/wp-content/uploads/2020/06/Modernizing-Tax-Incentives-for-Employer-Provided-Educational-Assistance\\_June-2020\\_Aspen-Institute-Future-of-Work-Initiative.pdf](https://www.aspeninstitute.org/wp-content/uploads/2020/06/Modernizing-Tax-Incentives-for-Employer-Provided-Educational-Assistance_June-2020_Aspen-Institute-Future-of-Work-Initiative.pdf).

<sup>28</sup> Ibid.

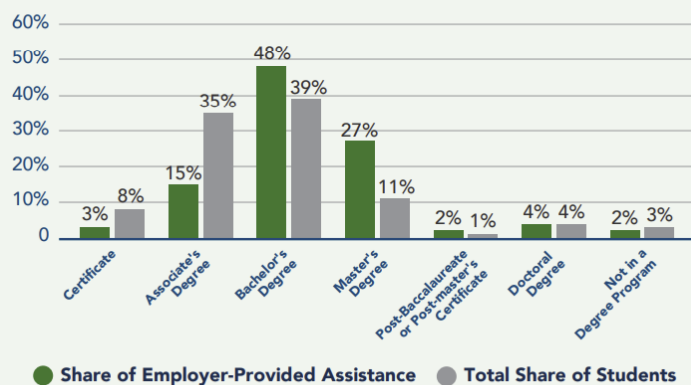
<sup>29</sup> Ibid.

**Figure C: Distribution of Employer-Provided Educational Assistance, by Income, 2016**



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**Figure D: Distribution of Employer-Provided Educational Assistance, by Type of Program, 2016**



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While NPSAS data provides useful information regarding who is utilizing educational assistance programs, more data is needed on how many employees are participating in programs, demographic information, and outcomes for participants. Since the IRS removed the reporting requirement on §127 in 2002, there is a lack of administrative data on §127. If the IRS were to reinstate reporting requirements on §127, policy makers could better understand how companies

<sup>30</sup> Ibid.

<sup>31</sup> Ibid.

utilize their educational assistance programs. However, additional reporting from the IRS places more burden on employers to evaluate their educational assistance programs, thus potentially raising the costs to administer programs. Additionally, IRS data is often aggregated and falls under privacy statements that may limit accessibility. Instead of reinstating reporting requirements on §127, **the Bureau of Labor Statistics should restart the Survey of Employer-Provided Training (SEPT)** previously conducted in 1993 and 1995. SEPT provided detailed data regarding employer spending on educational assistance programs that would be helpful for policy makers when looking at the financial implications of tax incentives. Additionally, multiple interviewees agreed that the federal government should consider developing public-private open data standards for educational assistance programs and skills measurement. Employers would use this data in business planning and report them to federal and state governments. The standards developed would establish common definitions, clarify data relationships, and ensure consistent methods of skill measurement.

In regards to specific recommendations for §127, **the \$5,250 deduction should be raised** to more accurately reflect the average cost of undergraduate tuition and required fees (nearly \$12,000).<sup>32</sup> The \$5,250 deduction was set in 1986 and has not been lifted to account for inflation, leading to program costs far exceeding the federal corporate tax deductible limit. While changing the \$5,250 deduction to a credit would most likely incentivize employers to launch or expand educational assistance programs, subsequent impacts on the federal budget would need to be further researched. Legislators could explore the benefits of changing the \$5,250 deduction to a credit for different populations based on the three factors described below, although this solution would be less feasible in the current political environment. Since raising the deduction or

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<sup>32</sup> Alastair Fitzpayne, et al. “Modernizing Tax Incentives”, 8.

changing it into a credit has been a deadlocked issue in Congress for years, **I propose changing the deduction to a graduated system based on income to solve equity issues in figures B-D.**

Employees below a certain income threshold would qualify for a higher deduction while those above the threshold would be limited to the current \$5,250. This change would shift the mix of students participating in educational assistance programs away from highly compensated employees and disproportionately represented lower compensated employees. The IRS already has other sections of the code that deal with employee income levels specifically, such as overtime pay, so this recommendation would not require excessive tax code overhauls.

Other routes to shift the mix of students utilizing educational assistance programs are separating students based on levels of education attainment or BLS job titles. Students without a bachelor's degree, for example, would theoretically be able to deduct more than students with a bachelor's degree. However, this method involves the government deciding which levels of education attainment are inherently superior to others, which is not the role nor place of the IRS. On the other hand, the government could utilize BLS job titles to classify certain jobs as eligible/ineligible for increased deductions. The downside to this approach is that BLS job titles do not always neatly fit between different industries and can be confusing to use when categorizing newly created jobs. Ultimately, I believe that income level would be the best classification for the IRS to use to determine which employees could qualify for higher deductions.

While raising and shifting the overall deduction amount in §127 should be enacted, **the IRS should also consider expanding eligible expenses covered within §127.** Per the Aspen Institute, "As courses are increasingly available online or have components that require online connectivity, lack of access to a computer... or internet connection can serve as a growing

barrier, particularly for low-income workers. According to the U.S. Census Bureau, 11 percent of households lacked access to a computer in 2016, while 18 percent lacked an internet subscription.”<sup>33</sup> Noting that §127 expenses do not currently include supplies or equipment that may be retained by the employee after the completion of their educational programs, these expenses should be expanded to account for additional materials necessary for learning. While adding certain items from §529 (which details tax-advantaged savings plans for higher education) like computers would have to be carefully considered due to the potential for fraud, I believe that “internet access and related services” could be included. These tools are crucial for learning and participating in online programs and should be considered an eligible expense.

A potential change to §127 that warrants further research is allowing employers to capitalize and amortize eligible educational expenses over a period of years rather than incurring the full deduction in the year incurred. I believe the benefits of continuous education and participation in educational programs extend beyond the single year the employee participated in the program. However, further research is needed to determine whether professional investors and users would agree that amortizing educational expenses more accurately reflects the value of educational programs. Noting that the Financial Accounting Standards Board (FASB) is focused on correctly reflecting changes in value to investors and creditors to drive useful financial decisions rather than incentivizing behavior, this change would require extensive feedback from key stakeholders. While concerns around amortization periods center on the lack of definitive corresponding future financial periods of obligation to amortize those expenses over, I believe that educational expenses are similar to research and development (R&D). With R&D, the expense is incurred up front but provides a future benefit over time. International accounting

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<sup>33</sup> Alastair Fitzpayne, et al. “Modernizing Tax Incentives”, 9.

standards allow employers to capitalize and amortize R&D expenses, and the Tax Cuts and Jobs Act of 2017 will require companies to capitalize and amortize all R&D expenses beginning in 2022.

Beyond potential changes to the writing of §127, I propose that the federal government consider partnering with private organizations and informing employers of best practices for educational assistance programs to drive higher participation rates and more equitable usage. While employers can strive to make their programs as affordable as possible by paying full costs of tuition for employees beyond the \$5,250 deduction, many employees still cannot participate due to other barriers. In one doctoral thesis analyzing employee motivations for participation in educational assistance programs, time was found to be the major barrier.<sup>34</sup> Time poverty is an often-overlooked reason why employees may not participate in educational assistance programs, particularly frontline workers. To improve participation rates and offset time poverty, employers should consider creating study spaces. As Chloe Rittenhouse at Guild Education states, “The most straightforward solution to alleviating time poverty is simply allowing employees time to study...like leveraging break time to fit in school work or offering quiet spaces with solid internet connection to study.”<sup>35</sup> Utilizing study areas with internet connections or computers as well would help employees without access to those learning materials in the home. Another best practice with educational assistance programs is grossing up additional costs beyond the \$5,250 deduction for employees to not increase their tax liability. Many newer educational assistance programs are targeted at frontline and lower-income workers. Employers that do not gross up expenses to cover additional income taxes may see their employees experience significantly

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<sup>34</sup> Margie Tlapa. "The Value of Tuition Assistance Programs: A Multiple Exploratory Case Study." ProQuest Dissertations Publishing, 2017.

<sup>35</sup> Chloe Rittenhouse, “One Thing Employers Can't Overlook When Upskilling: Workers' Need for Time,” HR Dive, August 2, 2021, <https://www.hrdive.com/news/one-thing-employers-cant-overlook-when-upskilling-workers-need-for-time/604321/>.

higher tax burdens. Another option would be to make these costs non-taxable to the employees, similar to the cost of medical benefits that an employer provides to its employees. Lower-income employees may not have the wherewithal to pay this higher tax liability and thus would not participate in their educational assistance programs. **Overall, best practices such as grossing up and allowing employees time to study can drive higher participation rates in educational assistance programs and alleviate pressures felt by frontline and lower income workers.**

Overall Recommendations
1. The Bureau of Labor Statistics should restart the Survey of Employer-Provided Training (SEPT).
2. The federal government should consider developing public-private open data standards for educational assistance programs and skills measurement.

Specific Recommendations on §127
1. The \$5,250 deduction should be raised to accurately account for inflation and the modern costs of higher education.
2. The \$5,250 deduction should be changed to a graduated system based on income. Employees below a certain income threshold would be able to deduct more than employees above the threshold.
3. The IRS should consider expanding eligible expenses for educational programs to include internet access and related services.
4. Capitalization and amortization of eligible educational expenses should be further researched to determine whether this approach more accurately reflects the value of educational assistance programs.

Potential Innovations for Future Study
1. The federal government should partner with private organizations to determine best practices to drive higher participation rates and more equitable usage, such as grossing up expenses and providing time to study.

The recommendations in this thesis were developed through a mix of literature review and interviews. In the next chapter, I will further discuss the primary guiding research question regarding international expansions.

## **VI. International Expansions and Case Analyses**

\*Primary Guiding Research Question Four:

*What factors will or will not drive companies to expand their educational assistance programs to their international employees?*

Interview findings for the primary guiding research question 4 were the least conclusive of the four guiding research questions. As a result, additional data was used and case analyses of the United States, Canada, the United Kingdom, and Mexico were performed below. While a slim majority of interviewees believed that companies would expand their educational assistance programs to their international employees, interviewees were highly unsure of potential expansions. Even though the common challenge cited with international expansions was variance in tax and governmental structures, each subgroup of interviewees identified different factors that incentivize/disincentivize international expansions. After reviewing multinational Fortune 1000 company policies, **I determined that Fortune 1000 companies do not always offer the same educational assistance program options to international employees as they do for domestic employees.** While the higher education landscape varies by country, international offerings initially seemed to vary more so by company choice than landscape factors. As shown from a brief sample below, companies such as McDonald's and Amazon retain different policies for international and domestic employees. On the other hand, some employers (ie. Walmart) choose



not to offer educational assistance programs at all, while others (ie. Boeing) offer identical benefits to international and domestic employees.

### Sample of Fortune 1000 Educational Assistance Policies

Company	Domestic	International
Amazon <sup>36</sup>	Pays 100% of tuition, books, and fees	Pays up to 95% of tuition and fees (United Kingdom, Ireland, Costa Rica, Spain, Canada, etc.)
Walmart <sup>37</sup>	Pays 100% of college tuition and books	Not offered
Boeing <sup>38</sup>	No annual limit on tuition assistance for eligible STEM degree and certificate courses	No annual limit on tuition assistance for eligible STEM degree and certificate courses
Starbucks	Pays 100% tuition and fees for first time bachelor's degrees through ASU partnership	100% tuition coverage for online degree programs through ASU partnership in the United Kingdom, <sup>39</sup> \$1000 yearly tuition reimbursement in maximum in Canada <sup>40</sup>
McDonald's <sup>41</sup>	Pays \$5,250 for full-time manager level employees and \$2,500 for restaurant crew and part-time employees	100% tuition coverage for specific degree apprenticeship program in United Kingdom, main program not offered internationally

<sup>36</sup> Link used: <https://www.amazoncareerchoice.com/Home?country=GBR>

<sup>37</sup> Link used: <https://corporate.walmart.com/newsroom/2021/07/27/walmart-to-pay-100-of-college-tuition-and-books-for-associates>

<sup>38</sup> Link used: <https://jobs.boeing.com/benefits>

<sup>39</sup> Link used: <https://stories.starbucks.com/emea/stories/2019/starbucks-degree-achievement-plan/>

<sup>40</sup> Link used: <https://www.starbucksbenefits.com/en/home-ca-en/education/tuition-reimbursement/>

<sup>41</sup> Link used: [https://www.archwaystoopportunity.com/tuition\\_assistance.html](https://www.archwaystoopportunity.com/tuition_assistance.html)

Within this brief sample, despite differences in higher education landscape factors among the US, UK, and Canada for example, some companies offered educational assistance programs in all three countries while others did not. Noting that the main takeaway from my interviews was that more research is needed to determine which factors drive internal company management decisions regarding international expansion of educational assistance programs, I selected Canada, the United Kingdom, and Mexico for in-depth foreign case analyses. Canada and Mexico were selected based on their proximity to the United States and prior knowledge of their markets. Canada's higher education market is very similar to the United States while Mexico's market is quite different. The United Kingdom was selected based on a higher number of companies already offering educational assistance programs there and to draw comparisons between North America and Europe. By examining the higher education landscape in these three countries, I sought to determine what larger macro-economic and political factors would lead to favorable or unfavorable environments for company expansions.

### **Methodology for Analysis**

When examining the higher education markets in Canada, the United Kingdom, and Mexico, I considered three main factors. The first was the cost of higher education. Perhaps the most important individual factor, the "sticker price" for higher education varies by country and has important ramifications for employer spend. High costs lead to a need for more investment from the employer, while lower costs may lead to less urgency for employers to fill the gap between what a student can afford to pay and the cost of their educational program. Note that this cost includes tuition, books and fees, and other course materials. The second factor was education attainment level for working adult learners. Markets where more students pursue higher education are favorable for the expansion of educational assistance programs. Education

attainment level was chosen over raw participation rates based on guidance from literature. As Usher and Medow state, participation rates are unsatisfactory because they do not capture completion, and they do not account for confusion between “number of students attending” and “length of time in studies”. This might result in a country with a lot of people in short programs having the same participation rates as a country with fewer people in longer programs.<sup>42</sup> When analyzing education attainment level, the mix of academic programs was also considered. Short-term and certificate programs are increasingly popular for working adult learners in the United States, but many countries (ie. Mexico) continue to lean on bachelor’s degrees for post-secondary education. The third analysis factor was higher education spending. Higher education spending was broken down into four subfactors: grants, loans, tax incentives, and total spend on higher education as a percentage of Gross Domestic Product (GDP). Noting that grants should equal a dollar-for-dollar offset of costs while loans place debt on the student participating, grants were given more weight. This study avoids in depth comparisons of loan repayment systems and instead focuses on the front end amounts of loans taken, as insufficient data is available to produce comparable statistics.<sup>43</sup> Different types of subsidies, such as rent, housing, and food were included in the definition of grants. Tax incentives were weighted heavily as favorable policies can significantly increase the ROI of educational assistance programs for employers. Total spending on higher education demonstrates the priority given to educational institutions as a function of a countries’ overall resources, and this number includes public, private, and international expenditures.<sup>44</sup> Relating total spending on higher education as a

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<sup>42</sup> Usher, Alex, and Medow, Jon. *Global Higher Education Rankings 2010 2*. Vol. 2. Toronto, CA: Higher Education Strategy Associates, 2010.

<sup>43</sup> Williams, Jonathan, and Usher, Alex. *World Higher Education: Institutions, Students and Funding*. 2022nd ed. Toronto, CA: Higher Education Strategy Associates, 2022.

<sup>44</sup> OECD. *Education at a Glance*, 249.

percentage of GDP provides a more useful comparison given that some governments spend more overall because their economies are larger and wealthier.<sup>45</sup>

Higher Education Market Factor Weightings

<b>Cost of Higher Education</b>	<b>30%</b>
<b>Education Attainment Level</b>	<b>20%</b>
<b>Higher Education Spending</b> Breakdown: 1. Grants 2. Loans 3. Tax Incentives 4. Total Spending on Higher Education as a % of GDP	<b>50%</b> Sub Percentages: 15% 10% 20% 5%
Total	100%

**United States**

The United States has some of the highest sticker costs for higher education in the world. For the purposes of this ranking in this analysis, I calculated an average cost of higher education of \$15,488, although this number was more difficult to calculate for the United States, as there is substantial privatization of higher education and differences between in-state and out-of-state costs. To account for differences in student enrollment, where 77.7 percent of undergraduates attend public institutions and 22.3 percent of undergraduates in private institutions attend nonprofit schools, I used a double weighted average.<sup>46</sup> Although students in the United States

<sup>45</sup> Williams and Usher, *World Higher Education*, 43.

<sup>46</sup> Melanie Hanson. “Average Cost of College [2022].” Education Data Initiative, March 29, 2022. <https://educationdata.org/average-cost-of-college>.

rarely pay the full sticker price due to widespread financial aid and grants, tuition has increased steadily over the last decade (with an increase of 37 percent at four-year public institutions).<sup>47</sup>

In terms of education attainment level, 50 percent of 25-64 year olds have higher education attainment. Within this group, 11 percent have completed short-term programs, 25 percent completed bachelor's programs, and 14 percent completed master's/doctoral programs.<sup>48</sup> However, the United States also has one of the highest levels of regional disparity in tertiary attainment among OECD countries with available data. For example, higher education attainment varies from 32 percent in West Virginia to 67 percent in Washington D.C less than 200 miles away.

When looking at higher education spending, the United States is by far the largest overall provider of both grants and loans in the world. As shown by Williams and Usher, student financial aid regimes can be categorized by the types of aid provided and the extent of coverage. The United States follows a combined model, where the government provides a mix of grants/loans and covers at least 10 percent of the student body.<sup>49</sup> Student grant amounts per recipient have risen substantially in the United States following the expansion of Pell-Grants during the Obama administration and currently are the third highest in the world at nearly \$8000. On the other hand, nearly 40 percent of Americans receive student loans. Also among the highest in the world, the average student loan amount per recipient is nearly \$12,000.<sup>50</sup> Although tax incentives (specifically deductions under §127) for higher education are significantly covered

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<sup>47</sup> Abigail J Hess. "The Cost of College Increased by More than 25% in the Last 10 Years-Here's Why." CNBC. CNBC, December 13, 2019. <https://www.cnbc.com/2019/12/13/cost-of-college-increased-by-more-than-25percent-in-the-last-10-years.html>.

<sup>48</sup> OECD, *Education at a Glance*, 48.

<sup>49</sup> Williams and Usher, *World Higher Education*, 86.

<sup>50</sup> *Ibid.*

in the previous chapter, the United States also offers tax-free savings accounts in §529 designed to encourage saving for future education costs. In terms of total spending on higher education as a percentage of overall GDP, the United States ranks first among OECD member countries with 2.5 percent.<sup>51</sup>

Overall, the United States is an attractive market for educational assistance programs. Significant costs for higher education supplement a thriving market for working adult learners. A large total spending on higher education as a percentage of GDP indicates that educational institutions receive priority in terms of public, private, and international investment. Extensive loans lead to high financial burdens for students, which employers can help alleviate through tax-incentivized educational assistance programs.

## **Canada**

In many company policies for educational assistance programs, it is not uncommon to see solely American and Canadian employees included. As said by Usher and Medow, “The American system of public education turns out to be not that much different in terms of higher education than Canada’s.”<sup>52</sup> While the United States and Canada have similar public universities, Canada has substantially less private universities and participation than the United States. To account for small differences in student enrollment, where two percent of Canadian students attend private universities and 98 percent attend public universities, I used a weighted average.<sup>53</sup> The average cost of higher education in Canada is \$5106, however wide variation exists between provinces. Overall, even with similar increases in tuition and fees over the past decade, the cost of higher education in Canada is substantially lower than the United States.

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<sup>51</sup> OECD, *Education at a Glance*, 252.

<sup>52</sup> Usher and Medow, *Global Higher Education Rankings*, 44.

<sup>53</sup> Williams and Usher, *World Higher Education*, 76.

In terms of education attainment level, 60 percent of 25-64 year olds in Canada have higher education attainment. Within this group, 26 percent have completed short-term programs, the highest percentage of any OECD member country.<sup>54</sup> 23 percent of 25-64 year olds have completed bachelor's programs and 11 percent have completed master's/doctoral programs.<sup>55</sup> Given Canada's large population of students who have completed short-term programs, students may be more willing to participate in further studies, leading to a higher participation in educational assistance programs.

Regarding higher education spending, Canada follows a combined model like the United States, where the government provides a mix of grants/loans and covers at least 10 percent of the student body. Although over 50 percent of students in Canada receive grants, the average grant amount per recipient has fallen in recent years to around \$3400.<sup>56</sup> While Canada's average grant amount per recipient is significantly lower than other developed countries, such as the United States and Australia, the government emphasizes maximizing overall student coverage over grant values. 40 percent of students in Canada receive student loans, with an average loan amount per recipient of approximately \$5,200.<sup>57</sup> It is important to note that loan repayment structures vary across Canadian provinces, where some portion of outstanding loans can be forgiven prior to the start of repayment if the principal loan is above a certain threshold. Additionally, loans are amortized over a given period but total payments are limited based on income.<sup>58</sup> The Canadian government does provide tax credits for tuition that students can use immediately after the year

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<sup>54</sup> OECD, *Education at a Glance*, 48.

<sup>55</sup> Ibid.

<sup>56</sup> Williams and Usher, *World Higher Education*, 88.

<sup>57</sup> Ibid.

<sup>58</sup> Ibid.

of study, transfer to a parent/spouse, or carry forward to a future date. However, if employees fees were paid for or reimbursed by their employer, there is no taxable benefit.<sup>59</sup> In terms of total spending on higher education as a percentage of GDP, Canada ranks third among OECD member countries with 2.3 percent.<sup>60</sup>

Overall, Canada is a somewhat attractive market for educational assistance programs. Although costs of higher education are much lower than the United States, education attainment levels are significantly higher, particularly regarding short-term programs. Large total spending on higher education as a percentage of GDP indicates education receives priority in terms of public, private, and international investment in Canada. However, loan repayment systems are generous in Canada and a lack of tax incentives for employers may lessen investment in educational assistance programs.

## **Mexico**

While the Mexican higher education market is quite different from the United States in education attainment level and higher education spending, it notably shares substantial privatization, with nearly a third of students attending private institutions.<sup>61</sup> Williams and Usher categorize the Mexican higher education market as a unique mix between a token-fee charging system, where the public sector educates most students through modest fees, and a privileged public system, where despite low fees, many students still attend private institutions with low gross enrollment ratios.<sup>62</sup> Although there is a lack of recent financing data in the private and

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<sup>59</sup> Link used:  
[https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t4130/employers-guide-taxable-benefits-allowances.html#P494\\_48692](https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t4130/employers-guide-taxable-benefits-allowances.html#P494_48692)

<sup>60</sup> OECD, *Education at a Glance*, 252.

<sup>61</sup> Usher and Medow, *Global Higher Education Rankings*, 38.

<sup>62</sup> Williams and Usher, *World Higher Education*, 71.



public sector in Mexico, historical data from the mid 2000s indicates that the average cost of higher education is heavily skewed by expensive private institutions. A weighted average cost of higher education in Mexico equals approximately \$4,234. Importantly, this number is pushed higher by students choosing to buy a higher-priced education at private institutions. Many public universities charge very modest tuition and fees (less than \$600 per term), while private universities see averages of nearly \$12,000.<sup>63</sup>

Mexico has made progress in increasing higher education attainment in recent decades, although it still falls behind the OECD average. Seventeen percent of 25-64 year olds in Mexico have completed bachelor's degrees. Meanwhile, only one percent have completed short-term programs, and 2 percent have completed master's/doctoral programs.<sup>64</sup> A concern noted by the OECD is that short-term and certificate programs in Mexico particularly suffer from low prestige among families, students, and employers.<sup>65</sup> Participation rates in short-term programs are incredibly low, despite the fact that this model of education is, in theory, well-suited to the needs of working adult learners.

As noted by the OECD, "While federal spending on education and enrollment have generally increased between 2000 and 2017, growth in public enrollment (109 percent) has outpaced growth in spending (71 percent), leading to an 18 percent reduction in per student funding."<sup>66</sup> It is also important to note that the allocation of public funds to higher education institutions in Mexico is opaque, with no single funding formula being used for all public

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<sup>63</sup> Ibid.

<sup>64</sup> OECD, *Education at a Glance*, 48.

<sup>65</sup> Organization for Economic Cooperation and Development (OECD). "The Future of Mexican Higher Education: Promoting Quality and Equity. Reviews of National Policies for Education." *Reviews of National Policies for Education*, 2019.

<sup>66</sup> OECD, "The Future of Mexican Higher Education", 55.

universities. This results in large variations of funding across different regions and types of institutions in Mexico.<sup>67</sup> Mexico's recent reduction in per student funding is also due to its model of higher education spending, which follows a grant-dominant model instead of a combined model like the United States and Canada. Under a grant-dominant model, countries provide grants to over 10 percent of the student body but offer little to no other forms of student financial support.<sup>68</sup> In Mexico, approximately 13 percent of students receive grants, with an average grant amount per recipient of around \$1,050. Mexico's student loan system is opaque, with the majority of loans coming from private sources with low investment. Mexico does not offer tax incentives for educational assistance programs. In terms of total spending on higher education as a percentage of GDP, Mexico scores on the lower-end of OECD countries with 1.4 percent.<sup>69</sup>

Overall, Mexico is not an attractive market for educational assistance programs. With a lack of student loans, large variations in funding, and education attainment focused vastly on bachelor's degrees, the market is not conducive for similar styles of educational assistance programs like those offered in the United States and Canada. If educational assistance programs were expanded to Mexico, they would be best suited partnering with private universities and focusing on offering bachelor's degrees.

## **United Kingdom**

The higher education market in the United Kingdom (UK) shares several characteristics with Canada and the United States, such as higher sticker costs. However, loans are different in the United Kingdom in comparison to the United States, warranting the following case analysis. While the UK is known to have a small (but incredibly elite and influential) share of students

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<sup>67</sup> Ibid.

<sup>68</sup> Williams and Usher, *World Higher Education*, 87.

<sup>69</sup> OECD, *Education at a Glance*, 252.

that attend private universities, the market is not as privatized as the United States or Mexico. Data on tuition and fees costs for private universities in the UK is scarce, but the average cost of higher education at public universities is around \$10,000.<sup>70</sup> Note that similar to the United States with differences between in-state and out-of-state costs, regions in the UK (Northern Ireland vs. Wales for instance) may charge different rates to students depending on where in the UK they are from.

In terms of education attainment level, the UK is nearly identical to the United States. 50 percent of 25-64 year olds have higher education attainment. Within this group 10 percent completed short-term programs, 25 percent completed bachelor's programs, and 15 percent completed master's/doctoral programs.<sup>71</sup> Similar to the United States, the difference in the share of people with higher education between the region with the highest share (Greater London with 68 percent) and some of the lower regions exceeds 30 percentage points.

Regarding higher education spending, the UK follows a combined model of grants and loans, although the percentage of students receiving grants has fallen over the last decade. 18 percent of UK students receive grants, with an average grant amount per recipient of \$4,000.<sup>72</sup> It is important to note that compulsory fees were allowed to triple in 2018 in the UK, thus leading to several changes in grants and loan structures. As of 2022, no country in the world comes close to the UK in terms of both the sizes of its loans and their comprehensiveness.<sup>73</sup> Fifty-four percent of students in the UK receive loans with an average loan amount per recipient of \$17,000. However, loan repayment in the UK is paid on a percentage of income above a given threshold

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<sup>70</sup> Williams and Usher, *World Higher Education*, 69.

<sup>71</sup> OECD, *Education at a Glance*, 48.

<sup>72</sup> Williams and Usher, *World Higher Education*, 88.

<sup>73</sup> *Ibid.*

rather than a pure amortization fashion like the United States. Thus, only about half the total value of loans is ever expected to be repaid, which means there is a substantial grant benefit embedded in student loans.<sup>74</sup> This number is difficult to calculate until after the repayment period is over, which could span multiple decades. Regarding tax incentives, students can claim some allowable expenses for training that helped them improve the skills and knowledge related to their business, but the majority of education expenses are not tax deductible. In terms of total spending on higher education as a percentage of GDP, the UK ties for fourth among OECD countries 2.0 percent.<sup>75</sup>

Overall, the UK is a somewhat attractive market for educational assistance programs. Costs of higher education are fairly high and education attainment levels mirror those of the United States. Large total spending on higher education as a percentage of GDP shows that the government places priority on education investment and maintains a complex yet substantial student loan structure. However, a lack of tax incentives for employers may lessen investment in educational assistance programs.

## **Summary**

The table below summarizes the results of the four case analyses for the expansions of educational assistance programs. Countries were ranked according to favorability, with one being the most favorable for educational assistance programs. The rankings were then plugged into the weighted average model above to calculate a final score. The United States is the most favorable market (1.2), followed by a tie between Canada and the UK (2.2) and then Mexico (3.8).

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<sup>74</sup> Ibid.

<sup>75</sup> OECD, *Education at a Glance*, 252.

## Favorability for Educational Assistance Programs

Country	Cost of Higher Education	Education Attainment Level	Grants	Loans	Tax Incentives	Total Spending on HE as a % of GDP
USA	1	2	1	1	1	1
Canada	3	1	2	3	2	2
Mexico	4	3	4	4	4	4
United Kingdom	2	2	3	2	2	3

### VII. Conclusion

The purpose of this study was to gather and analyze key stakeholder viewpoints regarding how educational assistance programs help employers compete in the war for talent. Semi-structured interviews with 3 different stakeholder groups (workforce education representatives, universities, and higher education experts) revealed several themes that addressed the four guiding research questions. After analyzing the results of the interviews and reading relevant literature, I created recommendations for each of the guiding research questions.

From the first guiding research question (*How do educational assistance programs help attract and retain employees and differentiate companies from one another?*), the following recommendations were developed. Employers should also explore market innovations, such as expanding program eligibility to include part-time employees and family members/dependents of employees.

Overall Recommendations:
1. Companies should offer educational assistance programs to both corporate and frontline employee populations, with day one eligibility.

2. A “one size fits all approach” isn't the best practice. Instead, a broad range of programs, from G.E.D. programs to master’s degrees, is optimal.
3. The tuition assistance model improves access to educational assistance programs and can drive higher retention and attraction benefits.
4. Clawback policies are not best practice and lower participation.

From the second guiding research question (*Why do companies and universities participate in educational assistance programs?*), the following recommendations were developed:

Overall Recommendations:
1. Universities should consider working with educational assistance intermediaries and workforce education companies to boost enrollment and improve program relevance.
2. Companies should evaluate the ROI of their educational assistance programs to drive investment decisions.

From the third guiding research question (*What policies or initiatives should be considered by the government, both federal and state, regarding educational assistance programs?*), the following recommendations were developed. Additionally, the federal government should consider partnering with private organizations to determine best practices to drive higher participation rates and more equitable usage in educational assistance programs, such as grossing up expenses and providing time to study to employees.

Overall Recommendations
1. The Bureau of Labor Statistics should restart the Survey of Employer-Provided Training (SEPT).
2. The federal government should consider developing public-private open data standards for educational assistance programs and skills measurement.

Specific Recommendations on §127
1. The \$5,250 deduction should be raised to accurately account for inflation and the modern costs of higher education.
2. The \$5,250 deduction should be changed to a graduated system based on income. Employees below a certain income threshold would be able to deduct more than employees above the threshold.
3. The IRS should consider expanding eligible expenses for educational programs to include internet access and related services.
4. Capitalization and amortization of eligible educational expenses should be further researched to determine whether this approach more accurately reflects the value of educational assistance programs.

For the fourth guiding research question (*What factors will or will not drive companies to expand their educational assistance programs to their international employees?*) interview data was not very conclusive. As a result, additional case analyses of the higher education markets in the United States, Canada, Mexico, and the UK were conducted to determine which countries were most favorable for the expansion of educational assistance programs. **The United States ranked first, followed by a tie between Canada and the UK and lastly Mexico.** The recommendations presented in this study can improve access and investment in educational assistance programs. Further formal academic research is also needed around educational assistance programs, as the practicality of these recommendations may shift over time due to the competitive nature of the war for talent and changing political environments.

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