

Talent Investments Pay Off

**Executive Briefing | Regional Bank Realizes Returns on
Investments in Education Assistance**



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Idea in Brief

Situation	Challenge	Result
From 2011 to 2015, Regional Bank provided employees \$6.7M in tuition assistance through its Tuition Reimbursement Program (TRP).	Regional Bank did not have a clear understanding of the impact of the program on talent management outcomes or ways in which it could improve the program and the program's benefits to both the company and to its employees.	From 2011 to 2015, TRP produced an overall ROI of 10% (\$700K in net savings) as a result of avoided talent management costs. Workers who took advantage of TRP achieved increased career opportunities.

Why Measure ROI on Tuition Benefits Investments?

With the return of unemployment rates to pre-recession levels, many employers still have difficulty finding the skilled workers they need. While some employers recruit nationally or even abroad for the talent they need, other employers are looking within their ranks. These inward-looking employers are finding workers ready to develop needed in-demand skills for the future while continuing to contribute to their company's success today.

More employers should be looking internally to build the skills they need, as they are already spending billions every year to upskill their workers. U.S. employers spend approximately \$177B annually on formal training and talent development.ⁱ On average, 10% of an employer's learning and development (L&D) spend is on tuition assistance, providing access

"The private sector plays a key role in advancing our nation's talent needs. Employers have the most to gain as the main beneficiary of a talented workforce and the largest funder of postsecondary education and training. Employers like Regional Bank should be applauded—not only are they investing in their talent, they are committed to understanding and improving those investments, maximizing the benefit for everyone."

- Jamie Merisotis, Lumina Foundation CEO

to postsecondary degrees and credentials to improve employees' knowledge and skills.ⁱⁱ However, tuition assistance programs have long been developed and managed primarily as benefit programs and outside the corporation's L&D portfolio or talent strategy. As a result, only about 2-5% of organizations have evaluated the return on investment (ROI) they receive from tuition assistance programs.ⁱⁱⁱ

C-suite leaders need to see ROI. According to a 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 L&D initiatives. In response, Lumina Foundation commissioned global consulting services provider, Accenture, to create a model and facilitate ROI studies to uncover the value of major employers' tuition assistance programs. Regional Bank, a regional bank and financial services organization, volunteered its Tuition Reimbursement Program (TRP) to be evaluated.

Study Subject: Regional Bank's Tuition Reimbursement Program

Regional Bank was founded in the northeast and maintains its company headquarters there. As of 2015, Regional Bank had revenues of over \$3 billion. Regional Bank's commitment to its talent has been consistent. Regional Bank has held a strong focus on recruiting and developing its employees and has placed an emphasis on attracting and maintaining young and diverse top talent. To develop these high potential employees, the bank runs a variety of development programs. Additionally, Regional Bank provides rotational opportunities for top performers, enabling them to experience different jobs, functions, and locations within the bank and to grow their careers at the company.

"We're committed to the acquisition, development and retention of our staff and our Tuition Reimbursement Program is a key contributing benefit to that priority."

- Vice President, Corporate Learning and Development, Regional Bank

As an additional development opportunity, Regional Bank employees are eligible to take part in the Tuition Reimbursement Program (TRP). The program provides reimbursement for up to 16 postsecondary credits per year. Employees may use the reimbursement payments to work towards and attain a job-relevant Associates, Bachelor's or Master's degrees or professional designations (e.g., CFP or CFA). Tuition reimbursement is contingent on the employee's academic performance.

Regional Bank's workforce is over 13,000 employees. It includes approximately 60% Non-Officers, who are generally frontline, customer-facing, operational employees supporting banking activities, and approximately 15% Officers who are generally professional-level employees focused on business-line and corporate function activities. Regional Bank also employs approximately 25% Vice Presidents (VPs) who are generally mid-management level employees that focus on corporate and business functions.

From 2011 to 2015, Regional Bank's TRP had a 5-year utilization rate of 1.4%, lower than the national average of 5.2%.^{iv} Program participation was balanced roughly between undergraduate and graduate-level participants. Regional Bank's average annual tuition spend per employee was approximately \$7,500, which is a generous reimbursement amount relative to other companies in this series of studies. TRP participants were generally not representative of Regional Bank's workforce, with Officers and VPs representing the majority of both program participation and spend; during the study period, Non-Officers made up 62% of the bank's employees but only 34% of TRP participants.

Further, during the study period, Regional Bank utilized a highly decentralized administrative structure. Program applicants submitted tuition requests to their managers, who could approve or deny the request based on their own interpretation of the program policy and their department's budget. Regional Bank's managers had an outsized influence on employee admission to the program, on which course requests were granted reimbursement, and on the approved tuition reimbursement amounts. The decentralized nature of the program may account for the non-representational composition of TRP participation.

Study Process

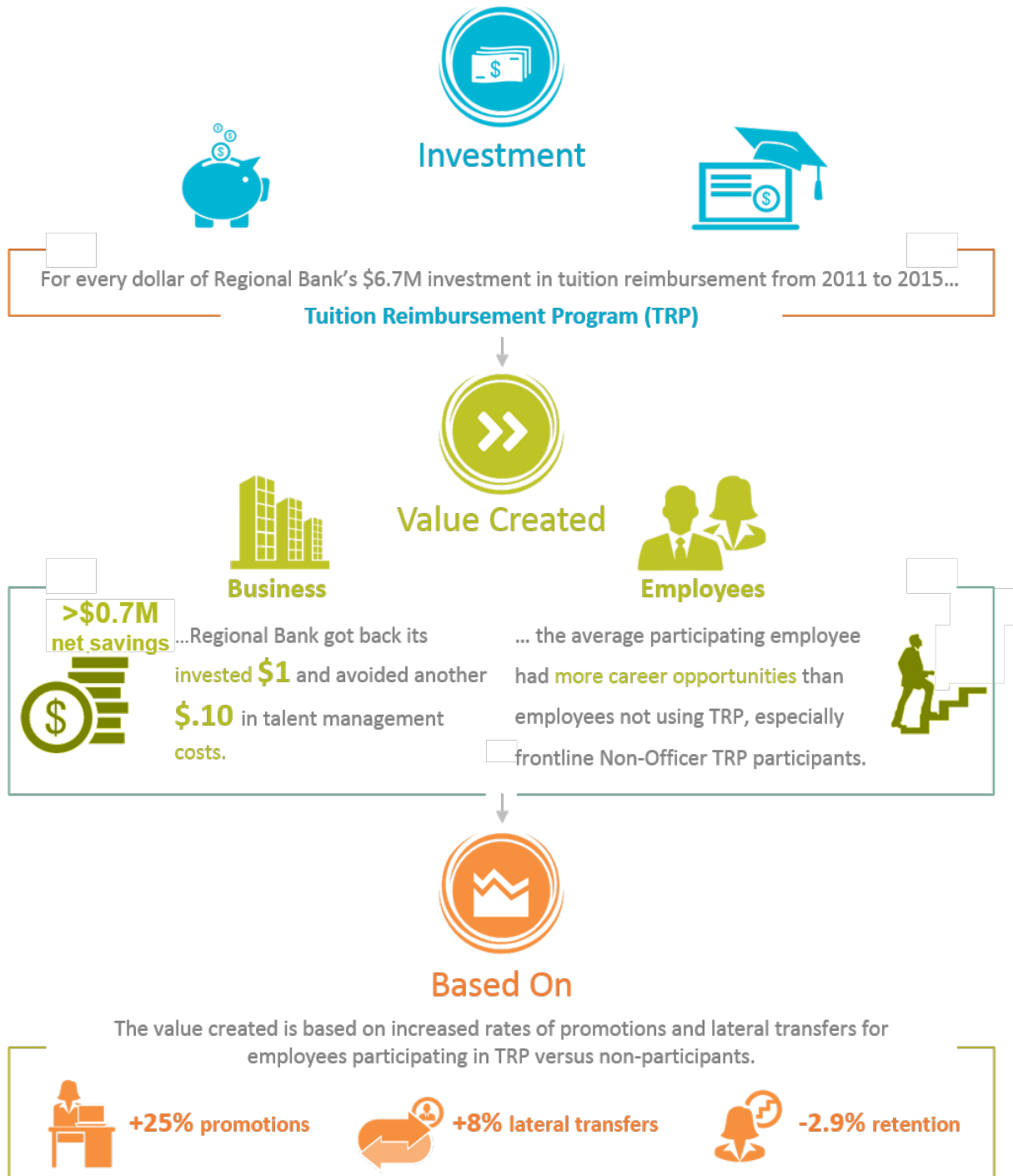
Accenture developed a robust ROI evaluation methodology to calculate the business value of employers' education assistance investments. The framework compares total investment costs to potential revenue

and cost factors that could create business benefit (or loss) as a result of an employee’s participation in an education program. The ROI study followed the following four-step process:^v

Study Process	Regional Bank’s Experience
1: Select Benefit Measures	
<ul style="list-style-type: none"> • Select revenue and cost measures that may be affected by an employee’s participation in the education program, dependent on data availability • Identify all of the investment costs associated with offering and administering the program 	<ul style="list-style-type: none"> • Selected the measures of promotions, lateral transfers, and retention • Developed the hypotheses that TRP participation would result in higher rates of promotion, lateral transfers, and retention • Decided to conduct the analysis at an overall level and by employee level of study – undergraduate and graduate-level
2: Collect and Prepare Data	
<ul style="list-style-type: none"> • Extract, consolidate, and cleanse HR and business data to evaluate selected measures • Aggregate all investment costs related to the education program • Segment employees into two groups – those who used TRP benefits and those who did not 	<ul style="list-style-type: none"> • Collected over 33,000 employee records of TRP participants and non-participants from 2011 to 2015 • Identified investment costs of \$6.7M from 2011 to 2015, which included tuition reimbursement and administrative personnel costs
3: Complete Data Analysis and Calculations	
<ul style="list-style-type: none"> • Observe differences in behavior across groups for the selected factors • Apply statistical analyses to isolate out the effects of influential variables, aside from program participation, impacting the results • Quantify the final impact of the education program based on factor-level results 	<ul style="list-style-type: none"> • Found that employees who use TRP achieve more promotions (+25%) and lateral transfers (+8%), but that turnover was 2.9% higher for participants than non-participants • Calculated a total benefit of \$7.4M across all three factors assessed
4: Finalize Results & Assess ROI Maturity	
<ul style="list-style-type: none"> • Complete ROI and net savings calculations • Summarize findings from employee interviews • Assess maturity of the organization’s ROI capabilities and processes and identify opportunities to improve program results 	<ul style="list-style-type: none"> • Found an overall ROI of 10% • Calculated a net savings of \$700K from 2011 to 2015 (comprises the total benefit minus the total investment cost) • For undergraduate-level participants, found a positive ROI of 56% and net savings of \$930K • For graduate-level participants, found a neutral ROI of 0% • Found that TRP participants, especially frontline Non-Officer participants, experienced enhanced career opportunities

Value Created for Regional Bank and its Employees

From 2011 to 2015, TRP produced an overall ROI of 10% and a net savings of \$700K. The study also revealed the value of TRP to employees. Participants achieved enhanced career opportunities at the bank, especially frontline Non-Officer participants, and TRP participation was correlated with higher employee performance ratings.



TRP also produced some compelling talent management outcomes when considering the undergraduate- and graduate-level results. Undergraduate-level participants were 19% more likely to be promoted and 5% more likely to be transferred than non-participants. Graduate-level participants were 29% more likely to be promoted and 10% more likely to be transferred than non-participants. However, in a departure from other ROI studies in this series, both undergraduate and graduate-level participants were less likely to be retained than non-participants (2% and 9% less, respectively). One possible explanation for this finding is that the high promotion rate of program participants may leave those who are not promoted disenchanted with their career prospects at Regional Bank. TRP appears to be a successful retention tool only when paired with career opportunities at the company.

Regional Bank's Response

Based on this study's results and recommendations, Regional Bank made immediate programmatic changes to TRP to enhance its tuition benefit program and align it with broader talent strategies. Regional Bank:

- **Shifted from tuition reimbursement to tuition assistance** to enable employees, especially the frontline Non-Officer population, to participate in the program at higher rates than they had at previously due to increased program communications
- **Capped the program's financial support** at \$10,000 for undergraduate degrees and \$12,000 for graduate degrees annually, increasing opportunity for Non-Officers, while ensuring cost-control
- **Centralized the program's application process** by consolidating program administration and spend to standardize application of program policy and support workforce representation in the program

Improving Business Value of Tuition Assistance

Based on the findings from the TRP study and conversations with HR leaders at other top organizations regarding their tuition assistance programs, employers can take the following actions to maximize and continuously improve the value of tuition assistance programs:

1. **Capture Data Now:** Identify benefit factors important to the business and start tracking supporting information. As a first step, consider systematically tracking the degree and credential fields of study pursued by employees and their credential attainment results.
2. **Measure ROI:** Start measuring the ROI of the tuition assistance program to understand what benefits the organization receives from its investments.
3. **Align Program with Strategy:** Align tuition assistance investments with high-priority talent needs to help fill gaps and create strategic talent pipelines within the organization.
4. **Promote Programs:** Encourage participation and provide information about which degrees and credentials are in high demand in the organization so employees can pursue valued credentials.
5. **Provide Programmatic Support:** Consider providing education attainment counseling services to support employees in pursuing and gaining additional skills and degrees that will benefit both themselves and the organization.

Conclusion

Regional Bank's Tuition Reimbursement Program has shown a successful return on investment, driving improved talent management outcomes and net savings to the business. Further, employees who utilize TRP have greater career opportunities and realize higher wage gains than non-participants. Based on Regional Bank's experience and the study findings, employers have the opportunity to enhance the ROI of their tuition programs through updates to program policy and administration.

About the Organizations

About Lumina Foundation

Lumina Foundation is an independent, private foundation committed to increasing the proportion of Americans with high-quality degrees, certificates and other credentials to 60 percent by 2025. Lumina's outcomes-based approach focuses on helping to design and build an equitable, accessible, equitable, responsive and accountable higher education system while fostering a national sense of urgency for action to achieve Goal 2025. To learn more, visit www.luminafoundation.org.

About Accenture

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ⁱⁱⁱ Robbins, McLean. "Straight A's for Tuition Benefits." *Employee Benefit News* (2008, Vol 22, Issue 14, p 62). Web. 2016.

^{iv} "EdAssist's Annual Review of Employer Tuition Assistance Programs: Data and Trend Analysis." (2012). Web. 2016.

^v For the full evaluation framework, methodology, and calculations, please reference: "Talent Investments Pay Off, White Paper | Cigna Realizes Return on Investment from Tuition Benefits." Lumina Foundation (2016).