

# Invest2Compete

AN ANALYSIS OF EMPLOYER-  
SPONSORED TUITION ASSISTANCE  
PROGRAMS IN THE GREATER  
WASHINGTON REGION

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**The Community Foundation**  
*for the National Capital Region*



# EXECUTIVE SUMMARY

## *EMPLOYER-SPONSORED TUITION ASSISTANCE PROGRAMS REPRESENT A SIGNIFICANT INVESTMENT IN WORKFORCE EDUCATION BOTH NATIONALLY AND LOCALLY.*

In 2008 alone, employers invested \$5 billion in improving the skills of their workers via undergraduate tuition assistance programs; such efforts benefited 1.7 million workers. The need for an educated workforce is particularly acute in the Greater Washington region. More than 70 percent of all new jobs in the region require post-secondary education, the highest proportion among all major metropolitan regions.

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Given the need to sustain Greater Washington's economic competitiveness, it is crucial that the region's employers, business groups, public policy organizations, and educational institutions ensure that tuition assistance programs are fully leveraged to benefit both workers and employers. As a part of this effort, primary data on employer-sponsored tuition assistance is vital.

In 2012, the Greater Washington Workforce Development Collaborative, in partnership with the Greater Washington Board of Trade, surveyed regional employers about the prevalence of employer-sponsored tuition programs and the policies that govern these programs. Companies with operations throughout the Greater Washington region, including the District of Columbia, Northern Virginia, and Suburban Maryland, participated in the survey.

Survey respondents included both small firms and large multinational corporations, as well as companies representing all major industries in the region, including education, finance, healthcare, leisure & hospitality, professional & scientific services, and public administration.

## *THE 95 REGIONAL EMPLOYERS SURVEYED REPORTED SPENDING APPROXIMATELY \$8 MILLION ON TUITION ASSISTANCE PROGRAMS BENEFITTING NEARLY 8,200 EMPLOYEES.*

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Tuition assistance programs enjoy popular support among regional employers; nearly three in four of the firms surveyed in Greater Washington offer formal tuition assistance programs. Despite the many ways in which individual companies administer tuition assistance to their employees, there are a host of characteristics common to most programs:

- All companies with tuition assistance programs reported offering the program to full-time employees. Part-time employees are eligible for tuition assistance at approximately half of the firms surveyed.
- Nearly 90 percent of the firms surveyed require that employer-funded courses be directly related to either an employee's current job or broader career goals.
- More than 95 percent of firms in Greater Washington with tuition assistance programs condition reimbursement on the achievement of a minimum grade (typically a C or higher).

- Courses for college credit are covered by 95 percent of companies offering tuition assistance. A similar proportion of employers covers tuition at both 4-year and community colleges.
- Fewer than one-third of employers offer up-front payment for eligible participants in tuition assistance programs; approximately 70 percent of organizations reimburse participating employees after the completion of qualifying courses.
- Tuition assistance policies are often related to a company's size. Larger firms are more likely to offer tuition assistance to their employees and provide more generous funding. Smaller companies that offer tuition assistance, however, typically have simpler policies that are less burdensome to administer.

## *DESPITE THE RECESSION, NEARLY ONE-QUARTER OF FIRMS SURVEYED REPORTED EXPANDING THEIR TUITION ASSISTANCE BUDGETS IN RECENT YEARS.*

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Although a minority of employers formally measure the returns on their investment in tuition assistance programs, firms repeatedly cited the lasting, positive impacts of employee tuition assistance on corporate culture.

In particular, employers with tuition assistance programs have found that such policies bolster the recruitment and development of human capital. As one respondent wrote, tuition assistance programs help the company “retain high-performing staff.” Another participant in the survey commented that tuition assistance serves as a “strong retention tool for our company of motivated talent.”

## *WASHINGTON EMPLOYERS RECOGNIZE THE STRATEGIC VALUE OF TUITION ASSISTANCE PROGRAMS.*

Several firms cite the tendency of employee tuition assistance to enable employees to advance their careers without having to change firms. As one human resources professional observed, “tenured employees have been able to remain with the organization and progress with the company's support and direction” due to the availability of tuition assistance.

Numerous companies note the advantage of tuition assistance programs in enhancing the bottom line. One respondent identified “growth in productivity, revenue, and customer satisfaction” as employer benefits of tuition assistance. As another survey participant commented, “better trained, fulfilled employees provide better service.” Such sentiments were seconded by another respondent, who wrote that having skilled, educated personnel “means a lot to potential clients.”

Ultimately, Greater Washington firms realize that tuition assistance programs provide participating firms and employees with a set of mutually enhancing outcomes. Tuition assistance programs benefit employees by providing access to educational opportunities that are both increasingly expensive and requisite for career success. At the same time, in an era in which talent remains a scarce commodity, tuition assistance programs provide companies with the skilled workforce necessary to succeed in today's competitive landscape. This is especially important to regions such as Greater Washington that are heavily dependent on industries characterized by high degrees of knowledge.

# THE PREVALANCE OF TUITION ASSISTANCE PROGRAMS

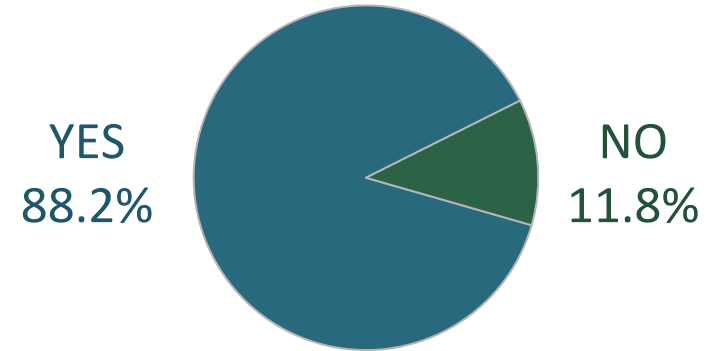
“ The tuition assistance program is an important part of our value proposition and serves to help recruit and retain talent. ”

Professional development support and tuition assistance programs are popular policies among employers in Greater Washington. This support spans both small and large businesses and includes firms from a range of industries.

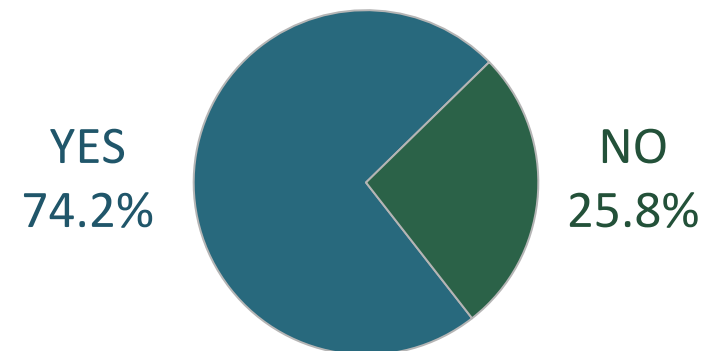
Nearly 90 percent of the organizations surveyed reported that they offer formal professional development support for their current employees. The likelihood of offering such benefits increases with the size of the firm. Among large companies, 95 percent offer professional development. In contrast, the percentages of medium-sized companies and small businesses offering such benefits are 86 and 76, respectively. Professional development is particularly widespread among construction, education, and government employers.

A slightly smaller but nevertheless significant proportion of firms (nearly 75 percent) offer formal tuition assistance programs for their employees. Again, larger companies are more likely to grant such assistance than smaller firms. Approximately 83 percent of large companies, 76 percent of mid-sized companies, and 47 percent of smaller companies feature tuition assistance programs. Employee tuition assistance programs are most popular among healthcare and government employers—more than 85 percent of such companies surveyed reported offering tuition assistance.

DOES YOUR ORGANIZATION OFFER FORMAL PROFESSIONAL DEVELOPMENT SUPPORT FOR CURRENT EMPLOYEES?



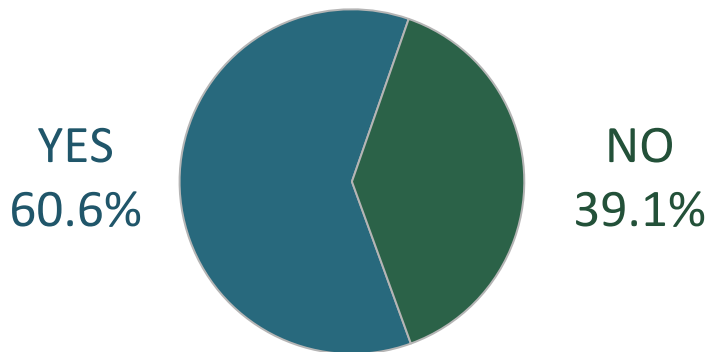
DOES YOUR ORGANIZATION OFFER AN EMPLOYEE TUITION ASSISTANCE PROGRAM?



## WHAT EMPLOYEES ARE ELIGIBLE FOR TUITION ASSISTANCE?



## IS THERE A REQUIRED WAITING PERIOD BEFORE NEW EMPLOYEES ARE ELIGIBLE?



While a majority of the Greater Washington firms surveyed offer tuition assistance programs to their employees, there are significant differences among individual companies as to how these programs are administered.

One common difference concerns the eligibility of various categories of workers. All companies with tuition assistance programs offer the program to full-time employees. Part-time and salaried workers can participate in tuition assistance programs at just over half of the firms surveyed. Hourly employees, on the other hand, are eligible for tuition assistance programs at just one-third of companies surveyed.

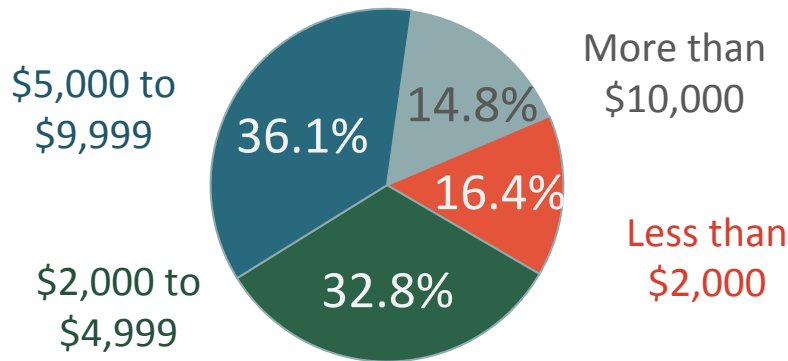
Most companies with tuition assistance programs impose a waiting period before new employees are eligible. Slightly more than half of large firms impose such restrictions. By comparison, nearly 75 percent of mid-sized companies and 60 percent of small companies have waiting periods before new employees may participate in a tuition assistance program. Construction companies were the most likely to have a waiting period (at 83 percent) while business & professional services firms were the least likely (at 44 percent).

On average, companies require that new employees wait 8.4 months before they can participate in tuition assistance programs. Approximately 55 percent of firms have waiting periods of less than 1 year while another 40 percent have waiting periods of between 1 and 2 years. Just 5 percent of employers have waiting periods that exceed 2 years.

“We want to be a culture that values continued learning for all levels/positions of employees.”

# TUITION ASSISTANCE PROGRAM ADMINISTRATION

## WHAT IS YOUR ORGANIZATION'S MAXIMUM ANNUAL TUITION ASSISTANCE AMOUNT PER EMPLOYEE?

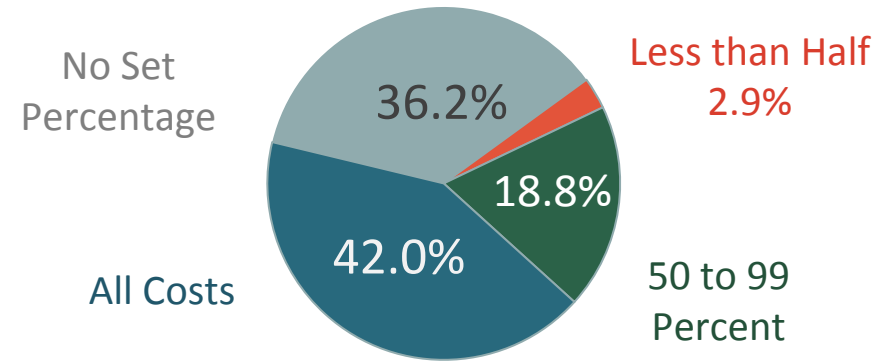


The maximum amount of tuition assistance available to Greater Washington Area employees varies considerably from firm to firm. Nearly 70 percent of firms have per-employee annual assistance limits of between \$2,000 and \$9,999. The remaining 30 percent of companies are equally split between those with annual limits of less than \$2,000 and those with limits exceeding \$10,000.

Perhaps unsurprisingly, larger firms are able to offer more generous limits compared to their smaller counterparts. Still, this difference is relatively small: the average limit of large firms was nearly \$5,400 annually; the comparable figure for small businesses was \$4,600 each year.

Most companies also establish limitations on assistance on a per-course or per-semester basis; fewer than half of all companies with tuition assistance programs formally cover all per-course or per-semester costs.

## WHAT PERCENTAGE OF PER-COURSE OR PER-SEMESTER TUITION COSTS DOES YOUR ORGANIZATION PROVIDE ASSISTANCE FOR?



Approximately 36 percent of firms have no set percentage, instead offering per-course or per-semester reimbursement on a case-by-case basis. Another 20 percent pay at least half of all tuition costs on a per-course or per-semester basis.

Smaller firms were more likely to adopt simpler policies and cover all tuition costs incurred by their employees (40 percent of small businesses cover all tuition costs). In contrast, only 32 percent of large companies reported having policies that fully pay all employee tuition costs.

“Both those in management and those who aspire to management positions are better able to pursue degrees, thus increasing their chances to be successful.”

# REQUIREMENTS FOR TUITION REIMBURSEMENT

Most companies require that employer-funded courses be directly related to either an employee's current job or broader career goals to be approved for coverage. Among small businesses, such a requirement is universal. Companies that do cover the cost of a course that is not specifically aimed at an employee's job or career goals typically do so only when the course in question is required for a degree that is related to the employee's work at the company.

Companies in Greater Washington also typically condition tuition eligibility on the achievement of a minimum grade by the participating employee; more than 95 percent of employers with tuition assistance programs (including all large and medium-sized companies surveyed) impose this requirement.

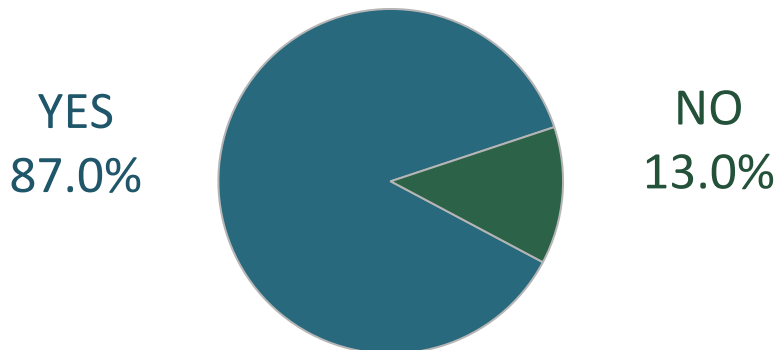
Of those companies that require a minimum grade, approximately half demand a grade of C or better.

The remainder of firms require a B or better. Few differences exist among various industries in regard to minimum grade requirements.

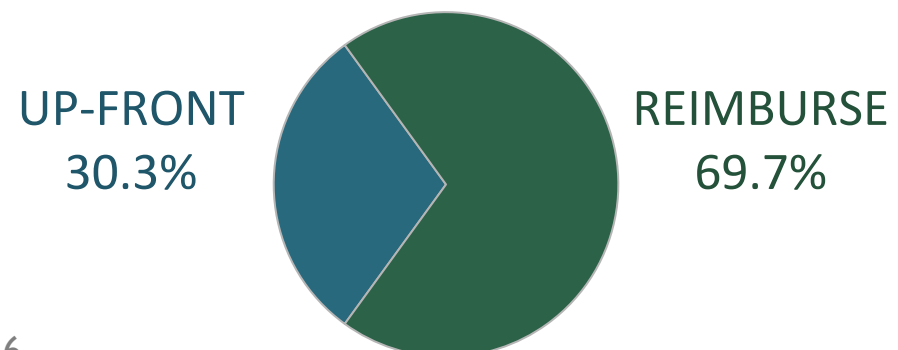
Approximately 30 percent of Greater Washington employers with tuition assistance programs pay for courses up-front; the remaining 70 percent of companies choose instead to reimburse students for tuition costs. Stated grade policies are often the minimum requirements for any type of reimbursement (including partial reimbursements). Several organizations maintain higher requirements for full reimbursement; for example, while a C grade might make the employee eligible for partial assistance, full reimbursement may require a grade of A or B.

“Tuition assistance is very important to our corporate culture.”

DO COURSES NEED TO BE RELATED TO THE EMPLOYEE'S CURRENT JOB OR CAREER GOALS TO BE APPROVED?



DOES YOUR ORGANIZATION PAY FOR APPROVED COURSES UP-FRONT OR REIMBURSE?





# ELIGIBLE COURSES & PROVIDERS

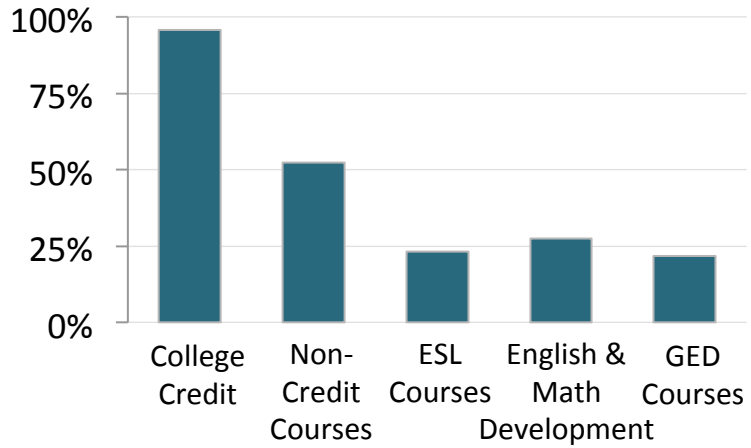
“ Tuition assistance has been a strong retention tool for our company of motivated talent. ”

Greater Washington firms also diverge regarding the types of educational opportunities covered. Courses for college credit, eligible at nearly 96 percent of firms offering assistance, are by far the most frequently covered. Non-credit courses are covered by approximately half of all companies. All other types of courses enjoy far less coverage. English and math development courses, for instance, are covered by approximately 28 percent of employers. ESL and GED courses are funded by fewer than a quarter of all surveyed companies. Ultimately, such coverage is largely dependent on the type of employer. Healthcare, hospitality, and food Services employers, for example, more commonly cover ESL courses. As one employer reported, “My hotel has taken an active role in providing ESL classes to associates who speak limited English.”

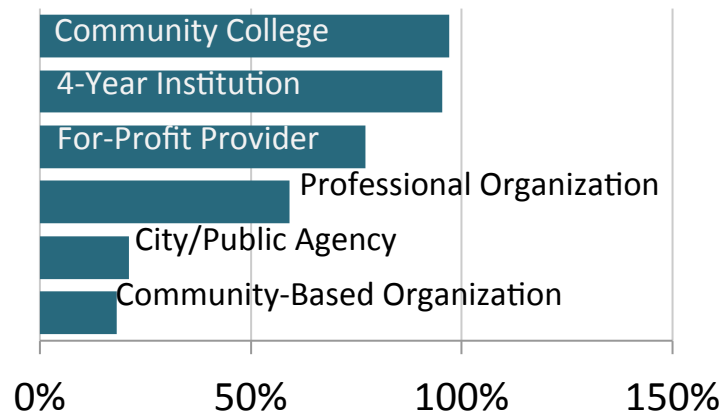
Companies also differ significantly as to the types of institutions covered. While more than 90 percent include 4-year institutions and community colleges in their tuition assistance programs, approximately three-quarters offer assistance for employees attending for-profit providers and slightly more than half offer assistance for employees attending courses offered by professional organizations. No other educational provider type was covered by more than 20 percent of the firms surveyed.

Unsurprisingly, 4-year educational institutions and community colleges receive the bulk of tuition assistance expenditures (49 percent and 22 percent, respectively). Nonetheless, a majority of firms reported recent increases in the number of employees enrolling in online courses.

## WHAT TYPES OF COURSES DOES YOUR ORGANIZATION PROVIDE TUITION ASSISTANCE TOWARD?

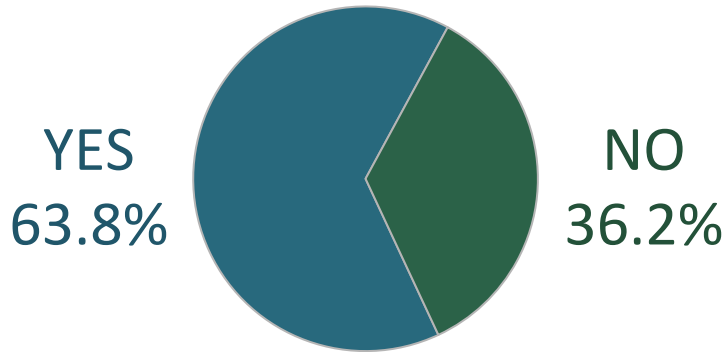


## WHICH EDUCATIONAL PROVIDERS ARE ELIGIBLE FOR YOUR ORGANIZATION'S TUITION ASSISTANCE PROGRAM?

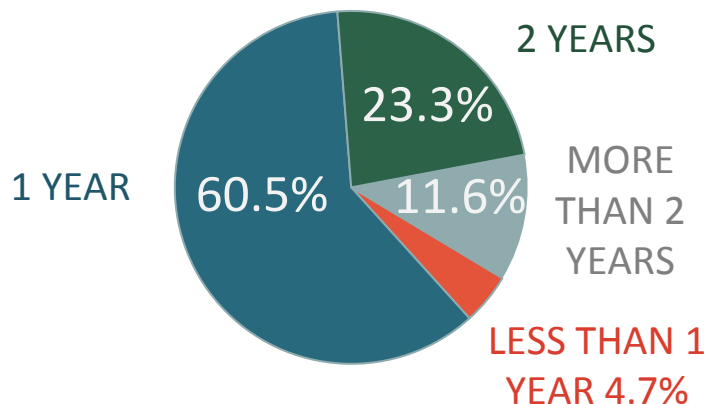


# POST-ASSISTANCE REQUIREMENTS

DOES YOUR ORGANIZATION REQUIRE AN EMPLOYEE TO PAY BACK THE COST OF THE COURSE IF THEY LEAVE THE ORGANIZATION?



HOW LONG MUST AN EMPLOYEE STAY WITH THE ORGANIZATION TO AVOID PAYING BACK THE COST OF THE COURSES?



Businesses in Greater Washington often require employees to remain at the firm for a period of time after participating in their tuition assistance programs. More than 60 percent of large companies have such a requirement, while approximately half of all small companies condition tuition reimbursement on employees' remaining at the firm for some period of time.

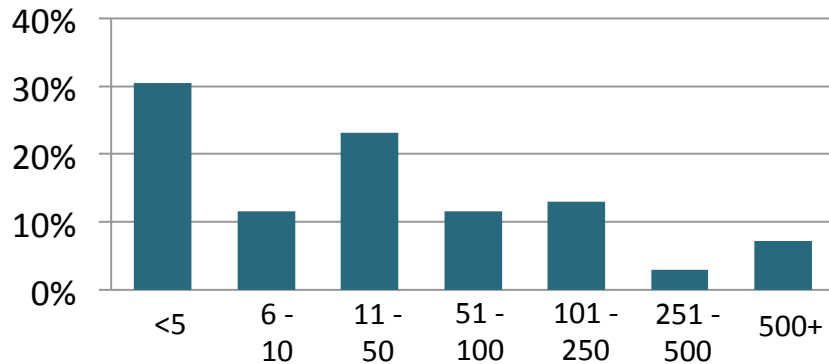
Most companies require employees to stay with the company for one year after participating in a tuition assistance program in order to avoid penalty. The next most commonly cited employment requirement was two years, with 23 percent of companies having such policies. Longer periods—intervals of more than two years—are less common, with 12 percent of organizations holding such requirements, as are shorter periods—those of less than one year, at 5 percent. Several firms reported other related post-assistance policies, such as pro-rated reimbursement requirements in instances in which employees depart before a certain period.

Mid-sized companies hold the strictest policies regarding post-tuition assistance program employee attrition, with an average requirement of 1.5 years of employee service. Both smaller and larger firms typically feature slightly shorter employment requirements for employees participating in tuition assistance programs, with an average requirement of 1.4 years.

“Tuition assistance is good business. Better trained, fulfilled employees provide better service.”

# TUITION ASSISTANCE PROGRAM OPERATIONS

## HOW MANY OF YOUR EMPLOYEES IN THE GREATER WASHINGTON REGION PARTICIPATED IN THE TUITION ASSISTANCE PROGRAM THIS YEAR?

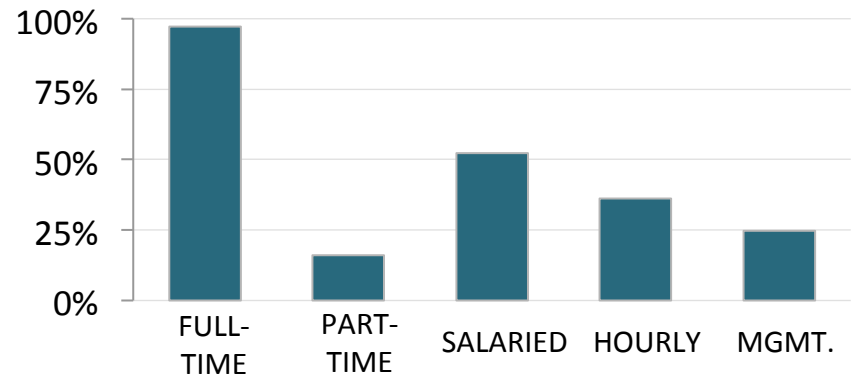


The number of participating employees within an organization's tuition assistance program varies widely. Nearly one-third of Greater Washington firms offering tuition assistance programs reported fewer than 5 participating employees. At the higher end, however, approximately 25 percent of firms with tuition assistance programs have more than 100 participating employees.

Regardless of the number of participating employees, full-time employees were overwhelmingly identified as the most likely to take advantage of tuition assistance programs: 97 percent of Greater Washington employers stated that full-time workers were the most frequent participants.

By contrast, fewer than 16 percent of companies reported that part-time employees are as likely to take advantage of tuition assistance programs. Given that many employers do not offer tuition assistance to part-time workers, however, such results are not surprising.

## WHICH EMPLOYEES WERE MOST LIKELY TO PARTICIPATE IN A TUITION ASSISTANCE PROGRAM?



Companies employ a wide array of communication strategies to promote participation in tuition assistance programs within their organizations. Company websites or personnel policy manuals are by far the most popular means of circulating such information, with more than 80 percent of companies relying on such methods. Other methods of communication include newsletters (13 percent); emails (24 percent); and, less frequently, flyers (3 percent).

“Providing opportunities for higher education and increasing job skills will always be beneficial to the employer.”

# TUITION ASSISTANCE PROGRAM BUDGETS & EXPENDITURES

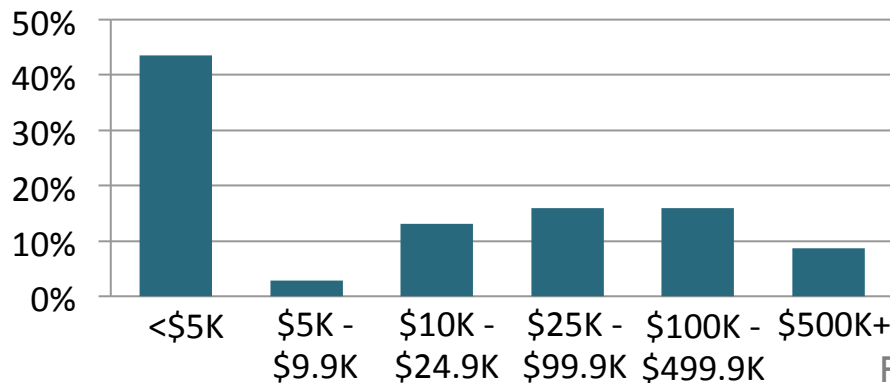
Organizations within the Greater Washington region represent a broad spectrum with respect to their overall budgets for employee tuition assistance programs. While many firms allocate comparatively little for tuition assistance—over 45 percent reported setting aside totals under \$5,000 annually—a considerable number of firms budget more. More than 15 percent of companies surveyed reported budgeting between \$100,000 and \$499,900 annually, and around 9 percent reported yearly budgets of more than \$500,000.

Annual expenditures for tuition assistance programs at most Greater Washington companies come in under budget. For example, 13 percent of companies have tuition assistance budgets between \$10,000 and \$24,999 dollars; in the most recent year, however, just 7 percent of companies had tuition assistance expenditures within this range. A similar trend was observed for companies with budgets between \$25,000 and \$99,999, as well as those with budgets exceeding \$500,000.

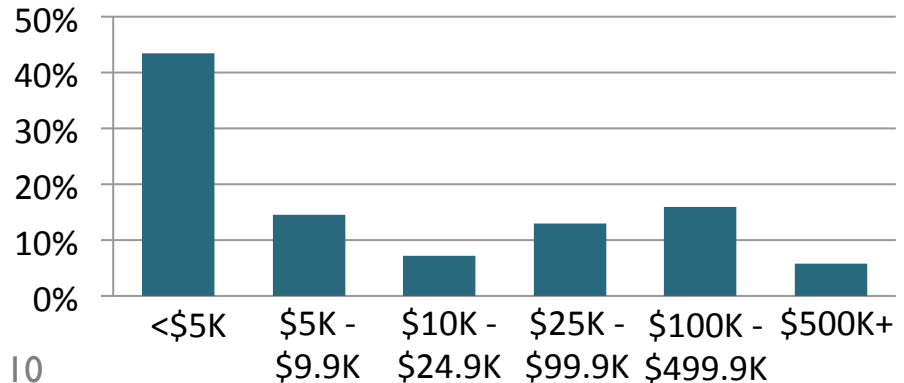
Given the recent economic downturn, the budgetary trends of tuition assistance programs reported by Greater Washington companies are rather surprising. While approximately 16 percent of companies reported that funds allocated for tuition assistance programs have declined in recent years, more than 23 percent of companies actually reported expanding their budgets for tuition assistance programs. Notably, more than one-third of companies reported that funds allocated for tuition assistance programs were left unspent (in almost 36 percent of cases). Just 3 percent of companies, on the other hand, reported experiencing budget shortfalls.

“Our company’s tuition assistance program has increased the firm’s reputation—potential clients appreciate the fact that our practitioners are certified.”

WHAT IS YOUR ORGANIZATION’S CURRENT ANNUAL BUDGET FOR TUITION ASSISTANCE WITHIN THE GREATER WASHINGTON REGION?



WHAT ARE YOUR ORGANIZATION’S ANNUAL EXPENDITURES FOR TUITION ASSISTANCE WITHIN THE GREATER WASHINGTON REGION?



## “Education and training remains a strong differentiator among companies.”

As the data demonstrates, tuition assistance programs remain popular for their ability to bolster both the recruitment and development of talent; nearly three in four of the firms surveyed in Greater Washington offer formal tuition assistance programs.

While individual companies implement, manage, and promote such programs to suit their individual labor needs, the broad administration of tuition assistance programs is often related to a company's size. Larger firms, for example, are more likely to offer tuition assistance to their employees, and to offer more generous funding for tuition assistance purposes. Larger firms also tend to grant greater latitude regarding which courses are eligible for assistance and to exercise greater willingness to cover courses taken by employees regardless of their grades.

Smaller companies, by contrast, tend to embrace more streamlined tuition assistance policies and are thus more likely to cover all employee tuition costs, with the caveat that all courses must be directly relevant to the employee's work responsibilities.

While surveyed respondents reported spending approximately \$8 million annually on tuition assistance programs benefitting nearly 8,200 employees, relatively few organizations report formally measuring the returns on their investment; fewer than 17 percent of companies surveyed indicated that they have made efforts to measure the returns on their investment in employee tuition assistance.

Despite the difficulty of creating precise metrics to assess such returns, companies clearly recognize the benefits of employee tuition assistance. As one firm articulated, “We want to be a culture that values continued learning for all levels and positions of employees.” In the words of another human resources professional surveyed, tuition assistance “helped our company distinguish itself from our competitors” because it allowed “employees to obtain higher degrees.” Finally, numerous companies indicated that tuition assistance programs help recruit and retain top talent.

Greater Washington firms realize that tuition assistance programs benefit firm and employer alike. Tuition assistance programs foster the development of a more competitive, more highly qualified labor pool. At the same time, tuition assistance provides employees with a substantial auxiliary benefit. In an era of soaring education costs and rising demand for specialized skills, programs in which employee and employer share in the investment in education are likely to become even more common. Community colleges in particular offer a tremendously compelling value proposition to area employers that wish to fully leverage their tuition assistance programs. Regardless of the educational institution utilized, increasing the region's human capital remains key to Greater Washington's continued economic competitiveness.

## “Tuition assistance improves employee engagement and retention.”

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## METHODOLOGICAL NOTES

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*The preceding analysis is based on information obtained through a survey of Greater Washington employers. The survey was administered online in May and June of 2012; 95 employers completed the survey. As previously noted, respondents included both public and private employers, as well as employers from the District of Columbia, Suburban Maryland, and Northern Virginia.*





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