Education Benefits: A Guide to Key Terms and Concepts
Introduction

The world of education is complex, and the industry jargon is no less complicated. Companies looking to provide educational opportunities for their employees will find themselves wading through a variety of terms and concepts that describe the educational journey.

Meanwhile, the nuances of education are further complicated by the trends in today’s workplace:

1. The future of work — defined by the emergence of infotech, biotech, and automation — will greatly challenge the relevance of existing education programs.

2. The rise in student loan debt, exacerbated by skyrocketing tuition costs, has made college largely unaffordable for the general population.

3. Low unemployment, combined with competitive work environments, is driving a continuous war on talent.

One thing is nonnegotiable: To prepare for the future of work, avoid crippling student debt, and find a competitive employer, employees want educational opportunities. Half of millennials expect their employers to contribute towards further education. Even workers over the age of 50 value tuition reimbursement and training opportunities. And, 60% of the workforce* prefers a job with professional development opportunities to jobs with regular pay raises.

This guide will lay out terms and concepts that are critical to understanding the world of education — for both employers and employees. Each concept is digestible and actionable, and they work together to form the educational system and education benefit programs that influence millions of careers every day.

* SURVEY BY EDASSIST
Section 1: Payments

The percentage of companies offering an education benefit was higher before the 2007-09 recession, and the number has not rebounded since. A survey conducted by the Society for Human Resource Management showed that 51% of surveyed U.S. companies offer undergraduate tuition assistance or reimbursement,* down from 66% a decade earlier. Similarly, 49% of companies offer graduate tuition assistance or reimbursement, a decrease from 61% before the recession.

Tuition assistance and tuition reimbursement, albeit different payment models, have benefits for employers including increased talent acquisition and employee satisfaction. However, there are critical differences between the two that impact employee retention and program adoption from essential frontline populations.

* HR Magazine | Spring 2019
Tuition Reimbursement (TR)

The process in which an employer repays employees for tuition fees or other costs of an education program.

Typically, the process for tuition reimbursement is as follows: An employee will pay for their education program initially, and upon completion (the definition of which differs by employer), the employer reimburses the employee for all — or some — of the cost. Employers can attach conditions to tuition reimbursement programs, including a capped funding amount, specific program limitations, and grade requirements.

The major downside of this, in direct contrast to tuition assistance, is that it requires an upfront sum from employees — often making higher education cost-prohibitive, particularly for frontline employees. In fact, 84% of employees have a more negative view of their employer after taking advantage of tuition reimbursement.

TR programs can be dangerously expansive and expensive. It is difficult to align with corporate strategy by way of upskilling, outskilling, and tying programs directly to specific needs. Generally, tuition reimbursement is also more commonly used by an employee population that has the capital to pay upfront and the ability to wait for reimbursement.
**Tuition Assistance (TA)**

The process in which tuition fees for an employees’ education is paid upfront by the employer or deferred by the educational institution.

Tuition assistance, also called direct tuition payment, differs from tuition reimbursement in that the employer’s contribution is paid upfront or deferred. This process significantly reduces or eliminates the need for an employee to pay out of pocket. Like tuition reimbursement, employers can attach conditions to tuition assistance programs, like type of program, designated schools, or required grade point average.

*From an employer perspective, the benefits of offering either TR or TA include enhancing employer brand, driving talent acquisition, upskilling employees, and designing a workforce to align directly with corporate strategy.* However, the major difference between TR and TA guides how and when employees have to pay for their education. For most of America’s frontline workforce, tuition assistance provides the financial stability necessary to take advantage of higher education.
Section 2: Schools

The distinction between community colleges, for-profit institutions, and non-profit schools adds an additional layer of intricacy to education programs. Non-profit and for-profit schools, while having similar degree offerings, are structured very differently. Every university and college operates as a business, but the source of revenue and consequent spending is not the same across all educational institutions. This has a big impact on outcomes.

Community Colleges

Community colleges are two-year educational institutions that are known for affordability, small class sizes, and individualized attention.

Historically, community colleges serve a few key demographics: those looking to achieve specific credits before attending a four-year college, those who are unable to afford four-year institutions, and those who are returning to school after a hiatus. Included as well are working professionals who specific learnings to compete in the workforce, like real estate agents.

From a cost perspective, community colleges may seem like a good fit for working adults. However, these schools have a set of unique challenges that impact outcomes and student success. While proponents of community colleges argue that they provide a place for college prep and a path forward towards a four-year university — less than half of all students* that enroll in a community college either graduate or transfer to a four-year institution within six years. In terms of outcomes, community colleges leave something to be desired.

* REPORT: RECLAIMING THE AMERICAN DREAM: COMMUNITY COLLEGES AND THE NATION’S FUTURE
Non-profit and For-profit Schools

Non-profit schools: Educational institutions subsidized by taxpayers with funding through student tuition and donations.

For-profit schools: Educational institutions owned and run by private companies with investors or shareholders looking to make a profit.

An academic network is one of the most impactful components of an education program. A few critical distinctions, like those of non-profit and for-profit schools, are helpful to carefully curate an academic network that serves both students and employers at the same time.

Non-profit schools are subsidized by taxpayers and receive funding through student tuition and donations. Per their status as a non-profit, the school must reinvest any money that it earns back into the institution — which usually results in a higher quality of education, instruction, and variety when compared to for-profit schools.

At for-profit schools, like for-profit companies, the goal is to maximize profit for the shareholders in that organization. Critics of for-profit schools argue that a focus on making money displaces important priorities like hiring quality professors, updating curriculums, or supplementing educational programs with additional resources. As a result, the student outcomes are not equal to non-profit schools.
The most important difference between for-profit and non-profit schools comes down to an intersection of quality and affordability. Finding the sweet spot of low-cost and high-quality education is key to serving America’s working adults. The large majority of schools that can offer higher education at a great value are non-profit institutions. Due to their business model, non-profit universities are not incentivized to make money, which means it’s more likely (when compared with for-profit schools) that tuition fees and donations are used to benefit students.

While the best value education resides in the non-profit sector, it’s worth noting that many top schools like Stanford University and Harvard University are prohibitively expensive for an employer to offer enrollment to all employees. The group of affordable universities with the best outcomes for working adults is the foundation of a high-quality academic network for the largest student population in America.
Section 3: Education Benefit Components

The benefits of an education program are far-reaching. Employers can attract and engage talent, increase employee satisfaction, and enhance employer brand. Employees have an opportunity to develop new skills, opening up revenue streams and creating a career path that aligns with their company’s strategy. Each piece of an education benefit program should serve both employer and employee.

Credit for Training

Employees are given college credit hours in exchange for previous relevant corporate training.

Within the working world, many corporate trainings are equivalent to college credit. Education benefit programs that take this into consideration are optimal for most employees, who have already invested significant time and energy into their jobs.

For both employers and employees, credit for training reduces the cost and time needed to graduate. The considerable cost savings, as a result of translating valuable work experience into college credit, can be used to help a larger number of students graduate.
Another benefit of transferring work experience into college credit is that it proves college-level work is achievable, especially for new or returning students. For many, higher education is a path to economic mobility and increased financial freedom — although it comes with a set of new challenges. Qualifying for college credit encourages working adult students, who might balance family obligations, a full-time job, and other responsibilities, that they can indeed earn a college degree.

Credit equivalencies are beneficial for employers as well as employees. College credit provides employers with valuable information about the efficacy of training, level of acquired knowledge, and skills learned. Not to mention credit for training is, in and of itself, a competitive advantage. In today’s work environment fraught by competitors, quality talent is scarce and difficult to retain. Transforming training into credit for college-level subjects can increase retention and become part of a recruitment strategy as a competitive benefit.

**Program Administration**

The administration of all aspects of an education program, including payments, paperwork, reporting, and other responsibilities.

Just like every other benefit, an education program can be structured in a limitless number of ways. Eligibility, degree type, and university selection are all critical components that need to be considered when designing a program.

Once the program is implemented, administering it is an entirely different — and equally complex — task. Outsourcing is often the best way to maximize use of internal resources. Delegating administration of benefits to an external party frees time and budget that can be redistributed for other purposes, like the continuous support of employee growth. Lower operational and labor costs are two primary reasons companies may outsource, and partnering with an external party offers access to resources not available internally. Outsourcing also reduces compliance risk on administration of the benefit, including
nondiscrimination testing and compliance with Federal Education Privacy and ERISA laws, among others. This delegation of responsibility is a clear reduction in the administrative burden for a company’s HR or benefits team.

Ideal program management also includes access to robust reporting and analytics to better understand program use and impact. Program progression, adoption, and retention metrics can provide further insights into performance (broken up by segment) and the benefit’s impact on strategic initiatives. As a result of real-time, streamlined data, companies are able to drive program marketing, inform policy modifications, and balance the budget.

**Academic Network**

A selection of universities and learning partners that offer education to an organization’s workforce.

*Not all schools are suited for working adults, and the same schools are not suitable for every business.*

There are over 7,000 postsecondary Title IV institutions, ranging from large public universities to trade schools and for-profit colleges. There are over 3,000 4-year colleges; about 700 are public, and nearly 2300 are private. Of the private colleges, about 75% are non-profit with the remaining 25% adopting a for-profit model. From this sizable list, businesses are tasked with finding schools and programs that suit strategic objectives, help attract quality candidates, and serve their employees — most of whom are not traditional college students.
The traditional college student, age 18-22, financially dependent on their parents, and living on-campus, is a far cry from the most common undergraduate today. In fact, a financially-independent working adult older than 25 is a more accurate description. Only 16% of students today fit the “traditional” mold, and about half of the students currently enrolled in colleges and universities are older than 25. As such, to serve this population of students, employers must select programs from the 7,000 educational institutions that do so.

Creating a network in which working adults thrive requires a firm understanding of this demographic’s needs and challenges. Online courses are prerequisites to accommodate a full-time job. Extended office hours, accelerated course completion, and credit for training are all impactful adjustments to traditional collegiate policies.

A network that takes affordability and student outcomes into account considers factors that specifically affect working adults like cost per credit, admission and graduation rates, career placement data, number of starts per year, and scalability. With all the right outputs in mind, the result is a high-quality, low-cost network designed for working adults.

**Eligibility**

The criteria determining which employees qualify to enroll in an education program.

One of the most critical components of any benefit is eligibility. The criteria by which individuals qualify to enroll and take advantage of any benefit are pre-determined by the employer.
The list of possible eligibility criteria for an education benefit is lengthy: It includes degree or program type, model of school, tenure at the company, and funding amount. Employers can also decide that criteria like employee standing, leave of absence, and part- or full-time work are factors to determine eligibility.

The advantages of intentionally constructing eligibility include adhering to a budget, encouraging program adoption, and designing structured career pathing. The most important part of eligibility, albeit the most obvious, is placing a specific workplace population in a situation favorable for advanced education.

**Student Coaching**

Student support offered through the combination of individualized coaching and a milestone-based feedback model.

Coaching support is one of the most important factors to consider when designing an education benefits program. Individualized, real-time coaching for students is proven to positively affect outcomes by providing additional accountability and support.

The first step to take advantage of an education benefit — selecting a program — is directly related to positive student outcomes (i.e. high, on-time graduation rates). Student coaches play a critical role at this stage by merging company objectives with student eligibility to determine what program will drive desired results.
On a macro-level, student coaches should support employees during program selection all the way to graduation, including these touchpoints:

- Coaches’ expertise in program selection helps pick a program that aligns with each student’s educational and career goals.
- Following program selection, coaches support students through the necessary application components like filling out FAFSA forms and collecting transcripts.
- While a student is in school, coaches work to help balance school, work, and other life obligations.
- As graduation approaches, coaches check that critical milestones are completed.

With all the necessary information, student coaches map an educational journey that works for employer and employee.
Section 4: Student Financing

The nomenclature of every term is increasingly important as employers and employees choose a type of payment, school, eligibility, and much more. When designed and executed correctly, employer investment in employee education reduces turnover, increases acquisition, and offers a competitive advantage. And, for an employee, an opportunity to go back to school is far more impactful — it’s life-changing. Understanding the intricacies of each concept is vital to making an education program optimal for every party involved.

The financial administration for an education program has many components, and this guide will focus on a few: grants, FAFSA, loans, and scholarships.

**Grants**

Grants are a form of aid given to students based on financial need.

Grants are distributed by the federal government, state government, non-profits, and schools. In contrast to scholarships, grants are distributed based on financial need, not merit or performance. Like scholarships, grants do not need to be repaid.
Pell Grants are a specific type of grant provided to students by the U.S. government. The award amount, at a maximum of $6,195 per year, depends on the budget approved annually by Congress. Each year, Pell Grants provide aid for about 5.4 million full-time and part-time students. Generally considered the foundation of financial aid, Pell Grants are administered by the United States Department of Education and do not need to be repaid. Students can spend the grant money on college costs including tuition, room and board, books, and other fees. These grants are limited to students with demonstrated financial need, those who have not earned their first bachelor’s degree, or students enrolled in specific post-baccalaureate programs.

The amount a student receives depends on household income, cost of attendance, status as a full-time or part-time student, and planned duration to attend school. To appropriately assess some of these components, the U.S. government relies on the Free Application for Federal Student Aid (FAFSA).

### FAFSA

The Free Application for Federal Student Aid (FAFSA) is the form that the U.S. government, states, colleges, and other organizations use to determine financial aid.

Submitting a FAFSA form is the first step for students to access Pell Grants, loans, scholarships, and other financial aid. FAFSA deadlines differ by states and colleges, but there are incentives to apply early because certain aid like federal work-study programs are granted to the earliest applicants. And, FAFSA forms must be submitted each year to access financial aid because eligibility is adjusted on an annual basis.
Loans

A loan is money borrowed with an expectation of repayment plus interest.

Federal student loans, issued by the government, are the most common type of loan granted to student populations. Completing the FAFSA form is the only way to get federal loans, which offer more protection and typically lower interest rates than private student loans. The largest difference between grants and loans is that grants do not have to be repaid, making them more appealing to students.

Due to the various risks associated with loans, like high interest rates and possible defaulting, they are not the ideal way for students to finance going back to school.

Scholarships

A form of financial aid given to students based on financial need, academic performance, or merit.

Scholarship funding is provided by schools, private companies, non-profit organizations, religious groups, and employers. Unlike student loans, scholarships do not have to be repaid.

Each year, hundreds of thousands of scholarships are given out to students who prove a level of academic achievement or demonstrate a specific interest; this can include academic, athletic, or artistic talents. The typical scholarship award is between $2,844 and $8,366, but the range of scholarships is over $100,000.

Scholarships are also sometimes given from employers to selected employees. In opposition to traditional education benefits, like tuition assistance or tuition reimbursement, distributing scholarships this way tends to be severely limiting to both the number of recipients and types of programs.
The world of higher education is changing as a response to technological innovations and market incentives.

Companies are being forced to re-examine education benefits in order to incorporate the future of work, societal trends, and rapidly rising tuition costs.

Guild partners with leading companies, like Walmart and Disney, to unlock opportunity for America’s workforce — and drive talent acquisition in the process. When designed strategically, education benefits positively impact recruitment, retention, and upskilling, so let’s dive into that next.

Recruitment

The action of finding and enlisting new employees to join an organization.

Acquiring top talent is difficult for 76% of hiring managers,* and 82% of Fortune 500 executives** don’t believe their companies recruit highly talented people. Today’s competitive work environment, coupled with low unemployment, has created an extremely demanding job for recruiters and HR managers.

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* GLASSDOOR SURVEY
** MCKINSEY
There are many reasons to argue the importance of quality talent, but productivity might be the most compelling. A study of more than 600,000 researchers, politicians, entertainers, and athletes found that high-performers are 400% more productive than their average counterpart. To attract ideal talent and maximize productivity, recruiters need a way to persuade and engage candidates.

In today’s tightening labor market, the traditional acquisition approach might not be enough. Over 50% of employers struggle to fill open positions with qualified candidates, and a staggering 82% of companies* don’t think their current strategies are effectively recruiting highly talented people.

Total rewards, which include salary and benefits, are — not surprisingly — one of the most important elements of a recruiting strategy. Approximately 57% of U.S. job candidates** say benefits and perks are top considerations when considering a job offer.

A top-tier benefits plan positions an organization as an employer of choice. Offering an education benefit persuades passive candidates, reduces the time-to-hire, and positively affects the workplace culture — driving talent acquisition as a result.

* McKinsey
** Glassdoor Survey
Retention

The ability of an organization to keep its quality talent and reduce employee turnover.

Attracting quality candidates is one of the biggest obstacles facing recruiters, but retaining quality talent has its own challenges. Only 7% of companies believe* they can keep the highly talented people they recruit, and the cost of turnover is extremely high. When quality talent departs, acquisition and training costs rise. And, if competitors poach talent, there’s the danger of sharing proprietary information and processes.

An education benefits program plays nicely into a retention strategy:

1. Taking advantage of an educational opportunity often encourages participants to remain working — thus able to take advantage of the benefit — until the degree, certificate, or credential is obtained.

2. Unemployment is low and competition among employers to retain top talent is high. A startling 68% of employees are disengaged at work,** and a mere 32% are actively engaged. Employee engagement is strongly connected to profitability, innovation, and growth. Increasing engagement might start with an increase in — or expansion of — benefits.

3. Satisfactory benefits, which include education, equate to high job satisfaction. Since 2002, benefits have ranked in the top five*** contributors to job satisfaction. And 84% percent of employees that report high benefit satisfaction also report high job satisfaction. The result of high job satisfaction permeates every aspect of an organization, leading to increased productivity, positive relationships with management, and deepened engagement.

Competitive benefits help ensure that employees find a desirable work-life balance, remain happy, and are productive. As the workforce demographics continue to change, and an influx of new technologies further complicates hiring, organizations must enhance benefit packages to retain the right talent.

* MCKINSEY  ** GALLUP SURVEY  *** A RESEARCH REPORT BY THE SOCIETY FOR HUMAN RESOURCE MANAGEMENT
Upskilling

The process by which employers offer employees training or education to learn new skills that suit current and future workforce needs.

Biotech, infotech, and the influx of other technologies demand increasingly niche skills. This poses a monstrous challenge for employers who must find a way to recruit and attract an entirely new workforce or upskill existing employees. The latter is far less expensive.

A study conducted by the McKinsey Global Institute reported that in 2020, there will be a need for 16 to 18 million more college-educated workers than will be available. And in more developed economies, 95 million workers could lack the skills necessary for employment.

Upskilling isn’t necessarily rooted in the form of traditional higher education. Tomorrow’s jobs demand an ability to think critically, collaborate effectively, and problem-solve at a level never previously required. Thoughtful degree programs and skilled trades certifications can transform today’s workforce into one designed for the future – partly by filling inevitable job vacancies.

Within the next decade, a decrease in skilled workers due to retiring baby boomers and an increase in college-educated workers will cause a paralyzing skills gap. By 2028, there will be 3 million job openings in skilled trades. The related impact on America’s workforce will be a $50,000 increase in earning potential.

The cost of replacing employees entirely, in contrast to designing career pathing that suits both employer and employee, is gargantuan. Replacing a mid-level employee is 150% of their annual salary.* Replacing a c-suite executive is far more. Upskilling is, without a doubt, the most cost-effective way to find new talent.

Education benefit programs support individual employees’ career goals while also transforming any workforce to meet the roles of the future.