

# Talent Investments Pay Off

**Executive Briefing | Large Communications Technology  
Company Realizes Returns for Investments in Tuition Assistance**



**Lumina**<sup>™</sup>  
FOUNDATION

## Idea in Brief

Situation	Challenge	Result
From 2012 to 2014, a Large Communications Technology Company (masked as “Large CommTech”) provided employees \$138M in tuition assistance through its Tuition Assistance Program (TAP).	While Large CommTech had previously performed analyses on TAP effectiveness, a detailed return on investment (ROI) analysis had not been conducted to determine the business value of TAP.	From 2012 to 2014, TAP resulted in 39.2% ROI (\$54.2M net savings), as a result of avoided talent management costs. Both the business and employees benefited as a result of TAP investments.

## Why Measure ROI on Tuition Assistance Investments?

Despite a return of unemployment rates to pre-recession levels, a skills mismatch remains between employers’ critical, in-demand skills and the availability of those skills in workers. This is a threat to U.S. competitiveness, which the Harvard Business School defines as, “the extent that companies operating in the country can both win in global markets and lift the living standards of the average American.”<sup>i</sup> If U.S. employers can’t find that talent locally that they need to compete, some look abroad to fill skill gaps. However, other employers are looking at the employees they already have, and they’re finding a workforce ready to develop the in-demand skills that their employer will need in the future while continuing to contribute to the employer’s success today.

High-quality learning is a pathway to increase both employers’ ability to compete and employees’ access to career opportunity and higher wages. To help fill talent and skill gaps, U.S. employers spend approximately \$177B annually on formal training and talent development.<sup>ii</sup> On average, 10% of an employer’s learning and development (L&D) spend is on tuition assistance to provide access to postsecondary degrees and credentials to improve knowledge and skills.<sup>iii</sup> However, tuition assistance programs have long been treated mainly as benefit programs and outside the corporation’s L&D portfolio or talent strategy. As a result, only ~2-5% of organizations have evaluated the return on investment (ROI) they receive from tuition assistance programs.<sup>iv</sup>

*“...The demand for talent is rising rapidly across the nation. [These strategies] clearly help their own employees, many of whom attended college but have nothing to show for it because they dropped out or stopped out. They help themselves as a business by educating some portion of their own future leadership ranks. And they help the communities where they operate.”*

*- Jamie Merisotis, Lumina Foundation CEO*

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 to facilitate ROI studies to uncover the value of major employers’ tuition assistance programs. Large CommTech, a large communications technology company, volunteered its Tuition Assistance Program (TAP) for evaluation.

## Study Subject: Large CommTech’s Tuition Assistance Program

Large CommTech is one of the world’s largest companies with revenues of over \$100B. Large CommTech’s workforce can be segmented into a Management workforce of employees focused on business development, strategy, and corporate functions, and a Customer Service workforce, including employees

focused on customer and technical services. Large CommTech volunteered its TAP to be studied from 2012 to 2014. During that time period, TAP supported an average of 9,377 unique employee participants per year, resulting in a 3-year utilization rate of 9%. TAP averaged \$44M in tuition spend annually during that time, which equated to \$4,774 in average annual spend per participant.

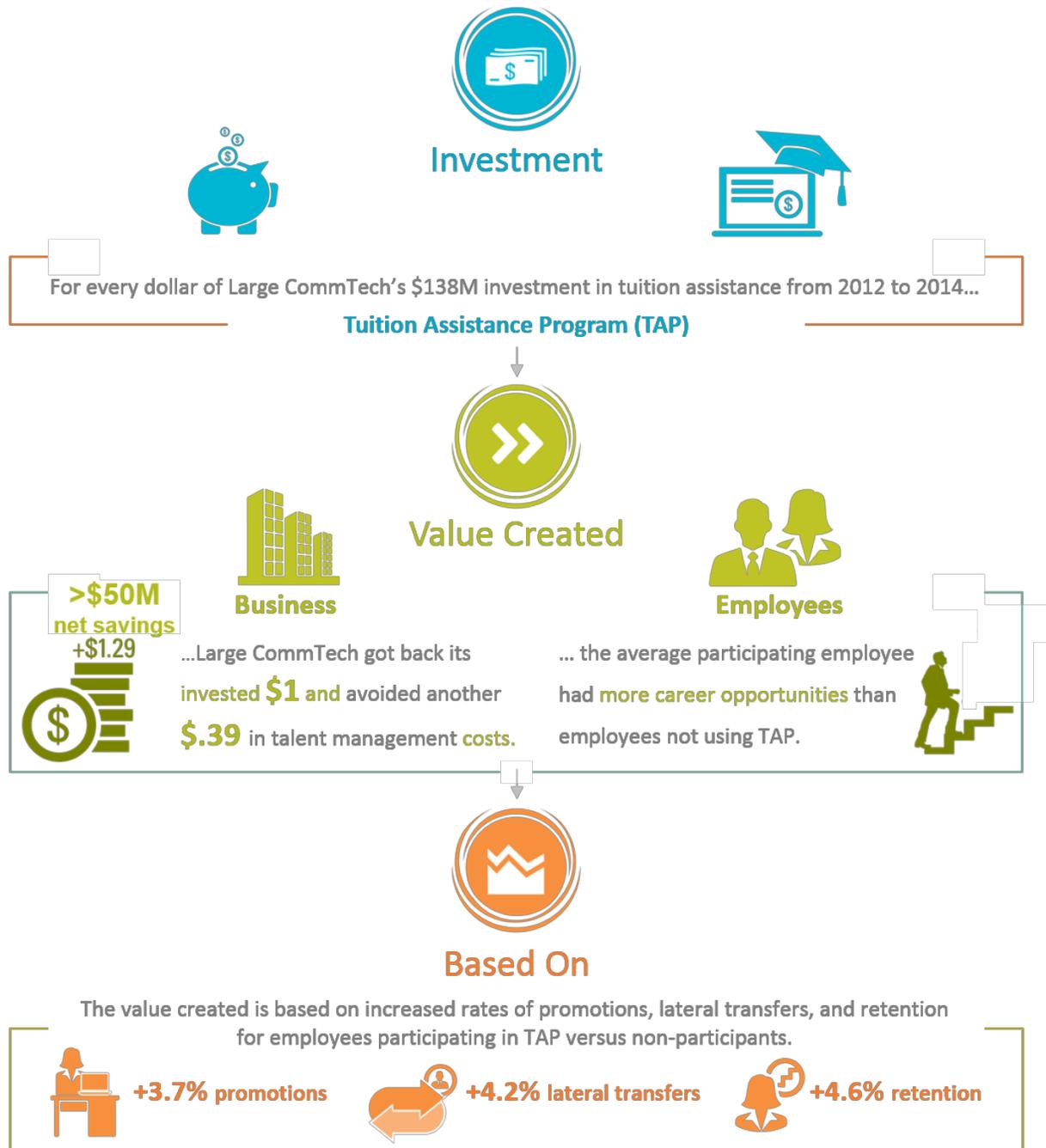
## Study Process

Accenture developed a robust ROI evaluation framework and methodology to calculate the business value of tuition assistance investments. The framework includes total investment costs and 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.<sup>vi</sup>

Study Process	Large CommTech’s Experience
<b>1: Select Benefits Measures</b>	
<ul style="list-style-type: none"> <li>• Select revenue and cost measures that may be affected by an employee’s participation in the education program for which data is available</li> <li>• Identify all of the investment costs associated with offering and administering the program</li> </ul>	<ul style="list-style-type: none"> <li>• Selected the measures of promotions, lateral transfers, retention, and absenteeism</li> <li>• Decided to test the hypotheses that participation in TAP would result in higher rates of promotion, lateral transfers, and retention but lower rates of absenteeism, and as a result, lower talent management costs</li> </ul>
<b>2: Collect and Prepare Data</b>	
<ul style="list-style-type: none"> <li>• Extract, consolidate, and cleanse HR and business data to evaluate selected measures</li> <li>• Aggregate all investment costs related to the education program</li> <li>• Segment employees into two groups – those who used TAP benefits and those who did not</li> </ul>	<ul style="list-style-type: none"> <li>• Collected over 1 million employee records for participants and non-participants of the TAP from 2012 to 2014</li> <li>• Identified investment costs of \$138M from 2012 to 2014 in tuition, third-party service costs, and administrative personnel costs</li> </ul>
<b>3: Complete Data Analysis and Calculations</b>	
<ul style="list-style-type: none"> <li>• Observe differences in behavior across groups for the selected factors</li> <li>• Apply statistical analyses to isolate out the effects of influential variables, aside from program participation, impacting the results</li> <li>• Quantify the final impact of the education program based on factor-level results</li> </ul>	<ul style="list-style-type: none"> <li>• Found that employees who use TAP benefits: achieve more promotions (+3.7%) and lateral transfers (+4.2%); stay longer (+4.6%); and take more unplanned absence days (+2.7) than non-participating employees</li> <li>• Calculated total benefit across all factors of \$192.6M across all four factors assessed</li> </ul>
<b>4: Finalize Results &amp; Assess Maturity</b>	
<ul style="list-style-type: none"> <li>• Complete ROI and net savings calculations</li> <li>• Summarize findings from employee interviews and surveys</li> <li>• Assess ROI maturity and identify opportunities to improve program results and ROI capabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Found an ROI of 39% and net savings of \$54.2M from 2012 to 2014</li> <li>• Found employees have positive views of TAP and believe it improves career opportunities</li> <li>• Developed recommendations to enhance program ROI and program supports for employees</li> </ul>

## Large CommTech's Return on Investment

The ROI study demonstrated that TAP is a valuable business investment. From 2012 to 2014, TAP produced an ROI of 39% and a net savings of \$54M. Employees also had positive views of TAP and believed it would help them improve their career opportunities, which was validated by increased rates of promotion, lateral transfers, and retention.



## Large CommTech Recommendations

For Large CommTech to enhance TAP and improve its ROI, this study recommends programmatic enhancements and workforce-specific initiatives. To improve ROI, Large CommTech should:

- Align TAP investments with the organization's talent management strategy and business needs
- Track ROI on a regular cadence to monitor program performance
- Encourage employees to take advantage of the program through tailored communications and highlight the benefits attainable through TAP
- Increase recognition participant achievements and help them see the linkages between their academic work and career progression opportunities to decrease turnover rates
- Provide additional support services and training on time management to participants to help them balance school, work, and life to reduce absenteeism

*"Tuition assistance is an important investment in the development of our employees and we appreciate that the results of this study support a return on that investment. The recommendations outlined would help increase our ROI and position our company for continued growth."*

*- Chief Talent and Diversity Officer,  
Large CommTech*

## Improving Business Value of Tuition Assistance

Based on the findings from the TAP study and conversations with other Fortune 500 employers regarding their tuition assistance programs, employers can take the following actions to maximize and continuously improve the value of tuition assistance programs:

1. **Measure ROI:** Start measuring the ROI of tuition assistance programs to understand what benefits the organization receives from its investments.
2. **Capture Data Now:** If an organization does not have the data it needs to measure ROI, leaders should identify benefit factors important to their business and start tracking supporting information now. As a first step, consider systematically tracking the degree and credential fields of study pursued by employees and their degree attainment results.
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.

## Conclusion

While TAP was designed to provide Large CommTech employees access to ongoing education opportunities and to ensure Large CommTech's competitiveness from a benefits perspective, its impact has reached far beyond those parameters. Not only is Large CommTech benefiting from a positive ROI



due to the cost savings associated with TAP, its employees are benefiting due to their improved skills, and the communities where Large CommTech employees reside are benefiting from both the strengthened organization and improved skills of its local citizens. Cumulatively, these benefits result in a stronger company and strengthened communities and citizens, ultimately enhancing U.S. competitiveness.

The Large CommTech TAP ROI study highlights the strength of tuition assistance programs in helping companies to control talent management costs and enable employees to gain valuable knowledge, skills, and credentials for future careers at the organization. Shifting tuition assistance benefits from a cost-center to an effective talent development strategy will help corporations build highly effective and skilled workforces to meet the demands of the changing U.S. economy and increase America's competitiveness in the global market.

## 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](http://www.luminafoundation.org).

### About Accenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions – underpinned by the world's largest delivery network – Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With approximately 373,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at [www.accenture.com](http://www.accenture.com).

## References

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<sup>i</sup> Mills, Karen G. "Growth & Shared Prosperity." *Harvard Business School* (2015). Web. 2016.

<sup>ii</sup> Carnevale, Anthony P., Jeff Strohl, & Artem Gulish. "College Is Just the Beginning." *Georgetown University* (2015). Web. 2016.

<sup>iii</sup> Miller, Laurie. "2014 State of the Industry Report: Spending on Employee Training Remains a Priority." *Association for Talent Development* (2014). Web. 2016.

<sup>iv</sup> Robbins, McLean. "Straight A's for tuition benefits." *Employee Benefit News* (2008, Vol 22, Issue 14, p62). Web. 2016.

<sup>v</sup> Mathis, Robert, and John Jackson. *Human Resource Management, Thirteenth Edition* (2010, p453) Web. 2016.

<sup>vi</sup> 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).