Harvard
Business
Review

Human Resource Management

Companies Can — and Should — Help Employees Pay Student Loans

by Michael Fenlon

March 17, 2021, Updated March 17, 2021

HBR Staff/pagadesign/Getty Images

Summary. Student loan debt is a massive problem in the United States. Should companies help their employees pay down their balances — and if so, how? Five years ago PwC decided to tackle both questions by instituting a student loan paydown program for young... **more**

The enormity of the student debt crisis is staggering. The Federal Reserve has reported a record-breaking $1.7 trillion in federal and private student loan debt, which is currently held by more than 44 million Americans.

This burden has enormous repercussions. Recent graduates may experience a narrowed sense of possibility; decisions like when to start a family or buy a home can become overwhelming in the shadow of debt obligations. The challenge of saving for retirement while paying off student debt may also deter entrepreneurship and risk-taking, which are crucial economic drivers. Moreover, the stress and strain caused by economic insecurity can impact everything from well-being to productivity. Financial issues are commonly cited as a leading cause of stress; in one study, 80% of surveyed employers reported that an employee's personal financial issues affect job performance.

We also know that education is a critical gateway to the digital economy. Yet, many families lack the resources to invest in that education for their children and may be deterred by the prospect of burdensome debt. Through our efforts to recruit new graduates to PwC, we also hear frequently from university presidents about the surge in mental health issues on campuses due in part to economic insecurity — and now, of course, concerns about mental health and well-being have been greatly exacerbated by the pandemic. The student debt crisis intersects with well-being, the digital skills gap, growing income inequality, and racial disparities — and requires innovative solutions by policy makers, institutions of higher education, and employers.

Five years ago, our leadership team decided we wanted to do our part to help address ballooning student debt by introducing a student loan paydown (SLP) benefit. With 9,000 entry-level hires each year in the U.S. alone, PwC is one of the largest employers of recent graduates. Student debt impacts a significant number of our applicants and employees, particularly those from underrepresented groups. Our organizational purpose includes building trust and solving important problems, and we realized we could make a difference by helping our people while being guided by our purpose.

From the initial pilot period through the rollout phase and broad adoption from eligible employees across our firm, we've learned a lot about designing a program like this. It takes time and thoughtfulness to drive an effort at this scale — including early R&D and getting the nuts and bolts right — but that doesn't mean that business leaders should be deterred if considering a similar endeavor. We're sharing our journey from the first steps to our learnings and results so that more companies can implement a benefit that seamlessly helps pay off student debt while helping address this growing societal issue.

Applying Human-Centered Research and Design

Although there were many potential advantages to offering student loan assistance, we knew we had to carefully assess the design of the program with the end user experience in mind at each step of the way. While today there are a growing number of employers who have introduced similar student loan repayment efforts, five years ago we were one of the first companies to announce this kind of benefit. We wanted our effort to succeed for our organization and our people, as well as provide a model for others. We took several steps to enable a successful rollout and launch:

Research Financial literacy has long been a priority for our firm, as we've designed and delivered education programs to help build a more tech-skilled workforce and equip students with the financial, tech, and career skills they need. Through these programs, in addition to relying on extensive research conducted with George Washington University, we found that 54% of millennials are concerned about their ability to repay student loan debt, and 80% of college-educated millennials carry more than one source of student debt. This confirmed to us that the need was indeed real among our employees.

We also analyzed how any potential returns aligned with our values and goals. For example, PwC aims to recruit and retain leading and diverse talent, and we know that applicants value student loan assistance when comparing employment opportunities. In 2017, 86% of young workers surveyed by American Student Assistance said they would commit to five years with an employer that helped them pay off student loans. Student debt benefits also appeal to the parents of recent graduates; with the average annual borrowing by parents more than tripling over the last 25 years, their views can carry a lot of weight. Yet, only 8% of companies offer a SLP benefit to their employees. With so few companies providing debt help, those that do often gain a recruiting edge.

Listening We wanted to confirm that our people would value an SLP benefit. We were particularly interested in how employees would feel about a benefit that not everyone needs. As it turned out, our concerns were misplaced. We conducted design workshops, and we found tremendous support among employees who did and did not have student loans. Many voiced their pride that our organization was innovating to help address a major societal problem.

Design We knew simplicity and ease would be essential — both for our employees and for our benefits team. Based on feedback from our workshops, we quickly realized that making monthly payments directly to the loan provider would ensure this benefit did not become a monthly bother for our associates. By working with a third-party vendor, we also reduced administrative resources needed to roll out and maintain the program.

Getting the Nuts and Bolts Right

Once we finalized our research and design parameters, we found that creating an SLP benefit was not too complex. This ease of implementation, however, required getting key parameters right from the get-go, including eligibility, size, and duration of the program. For example, it was critically important to us to confirm that financial information remained private. We had to have honest conversations to find a monthly payment that was large enough to genuinely help our people while being reasonable enough to make the benefit possible for us to sustain in the long term. We also wanted recent graduates to receive loan assistance immediately so that our new hires are eligible from their first day at PwC, so many of our smaller decisions focused on that goal. Key details of our SLP benefit include:

Taxable income Generally, our benefit is taxable, although student loan payments are currently tax and interest free until 2025 as a result of stimulus efforts that have extended provisions of the CARES Act. This means that the full amount of any payments made through our program during this time can go directly toward reducing principal.

Amount and duration PwC pays $100/month for up to six years for our employees at the associate and and the senior associate levels. Limiting the benefit to these positions allows us to focus our resources on the people who need the most assistance: recent graduates earning entry-level salaries while paying off student debt. Depending on their loan principal amount and interest obligations, employees can reduce their loan obligation by up to $10,000 and shorten their pay-off period by up to three years.

Payment system In line with our values and our commitment to offer innovative benefits to our hires, we knew that we needed to put privacy first. Employees responded favorably to an arrangement that was managed automatically, limited the amount of work they had to do, and protected their privacy. PwC's payments are routed directly through our third-party vendor to the loan servicer. We have no visibility into each employee's total debt or monthly payments. That information remains personal.

The Benefit's Results

Five years after we instituted the SLP benefit, it remains a win-win. We have a total of 7,500 employees currently receiving benefits. Since inception, we've had more than 17,000 participants and have paid off more than $40.6 million in debt for our people.

Our internal research shows that the difference is meaningful. We find that our benefit is associated with both retention and higher employee engagement. And we've seen the impact that this benefit can have on a broader scale, helping our people to save for a first home, start a family, or support other investment goals. Importantly, our results are consistent with data showing that student debt disproportionately impacts those from under-represented groups: 62% of eligible Black employees and 52% of eligible Latinx employees participate in the benefit, which is a greater percentage than white or Asian eligible employees. (This data and other related information is in our PwC Diversity Transparency report.)

We've learned a great deal since we began exploring the SLP benefit, and we are hopeful that other organizations will leverage our experience and extend this meaningful assistance to their employees. Our tips include:

Do your homework. Research, listening, and process design will result in a benefit that functions smoothly and successfully. As you listen, be alert to any sense of unfairness among those without student loans. We received an overwhelmingly positive response, but accurately framing the SLP benefit as an innovative solution to a societal problem may help convince any skeptics.

Do the math. It's important to have an honest conversation about the benefit's size and duration. The happy medium is a monthly payment large enough to genuinely help employees, but reasonable enough for the employer to provide long-term.

Keep it simple. Ease of use helps recipients and your benefits team. Consider paying loan servicers directly through a third-party vendor; it has created a smooth process and minimal legwork for both our associates and our benefits team.

Keep innovating. PwC continues to work on solutions to help improve the higher education model, particularly as Covid-19 amplifies the current system's flaws. The National Student

Clearinghouse Research Center reported that 2020 freshman enrollment went down by 13%, with students of color impacted disproportionately.

Companies have an increasingly urgent responsibility to find new ways to diversify their workforce and provide their talent the necessary skills for the digital era while helping remove barriers to opportunity like student debt. At PwC, this means piloting a master's degree program in conjunction with Northeastern University that will allow select Black and Latinx students to earn college credit while working full time with the firm — meaning they will earn degrees, at no cost, while immediately applying new skills learned to their day-to-day work. We have also joined more than 80 Business Roundtable companies to reform hiring and talent management practices that can provide alternatives to longstanding models of acquiring degrees — and mountains of debt.

The burden of student debt has become a major obstacle to a sustainable and inclusive economy. As business leaders, we see the impact of this crisis on employee well-being, job performance, and career and personal decisions. In addition to policy makers and leaders in higher education, business leaders have the power to innovate with programs like student loan paydown benefits to realize recruitment and retention gains and to become part of the solution to one of society's most pressing problems. That's an offering we all benefit from.

Michael Fenlon leads the people and organization function for PwC, overseeing the firm's approach to talent acquisition, human resources, onboarding, deployment, coaching, learning & development, compensation, benefits, and the overall people experience. You can follow him on Twitter @MichaelFenlonNY