

# The Power Benefit Series: KNOWLEDGE IS POWER

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Using Voluntary Benefits that Empower  
Employees with Education



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A Purchasing Power White Paper

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# Book



Book 1 in the  
**The Power Benefit Series**

A Purchasing Power White Paper  
March 2013

# Knowledge is Power:

## Using Voluntary Benefits that Empower Employees with Education

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## EXECUTIVE SUMMARY

Each year the cost of obtaining a college education escalates. Outstanding education debt surpassed credit-card debt last year for the first time.<sup>1</sup> Because receiving an education is an expense many individuals can't afford, alternative funding sources are often sought. For adults in the workforce looking to return to school, some of that financial relief may come from their employer.

While the cost of education is rising exponentially, employers are facing a talent mismatch. According to the 2012 Talent Shortage Survey by the Manpower Group, nearly half (49 percent) of U.S. employers are unable to find the talent their organizations need. This appears to defy logic, given the present level of unemployment. However, when employers were asked why they were experiencing problems filling positions in their organizations, they overwhelmingly reported it is a lack of available candidates with the right technical expertise and employable skills.

It becomes a no-win situation. Employers want more educated and skilled employees, yet neither potential candidates nor their own employees are able to finance educational courses to better themselves.

Consequently, online education is becoming a more popular option. *Inc.* magazine predicts that online education will take off even more this year. They named it one of the seven game-changing trends for 2013.<sup>2</sup> There are a couple of reasons for its increase in popularity. Traditional education is at a crossroads, not only because it is difficult for families to budget and save for education, but the cost often outweighs the earning potential associated with the new skills. Online education is a method for attaining professional certifications and catch-up degree programs for people who started college but didn't graduate. The reputation of online college programs has improved, with 62.4 percent of U.S. colleges offering fully online degree programs in 2012, compared to just 32.5 percent in 2002.<sup>3</sup> *USA Today* reports employment is surging for Americans with an associate's degree or some college.<sup>4</sup>

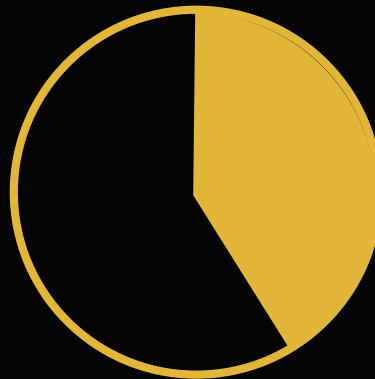
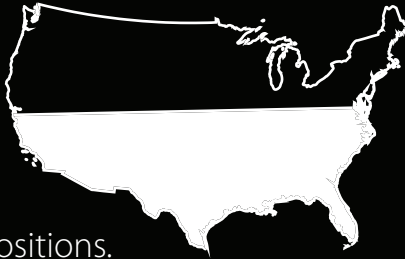
Empowering employees with education benefits can be a valuable addition to a benefits package. Many employers currently provide some form of tuition assistance, but now they can offer a variety of learning options for employees and their families as a voluntary benefit, without further burdening their benefits budget.

This discussion, the first in "The Power Benefit Series" of white papers, explores educational services as a new, much-needed voluntary benefit. The paper examines the financial crisis that traditional education is undergoing, the resulting surge in popularity of online education programs and the ability to access educational services through employee purchase programs. It also discusses the pay-off for employers who offer this educational services benefit and its ability to power employees to a better life.

## Companies Struggle

At least  
**HALF**

of US employers are  
struggling to fill crucial positions.



**40%**

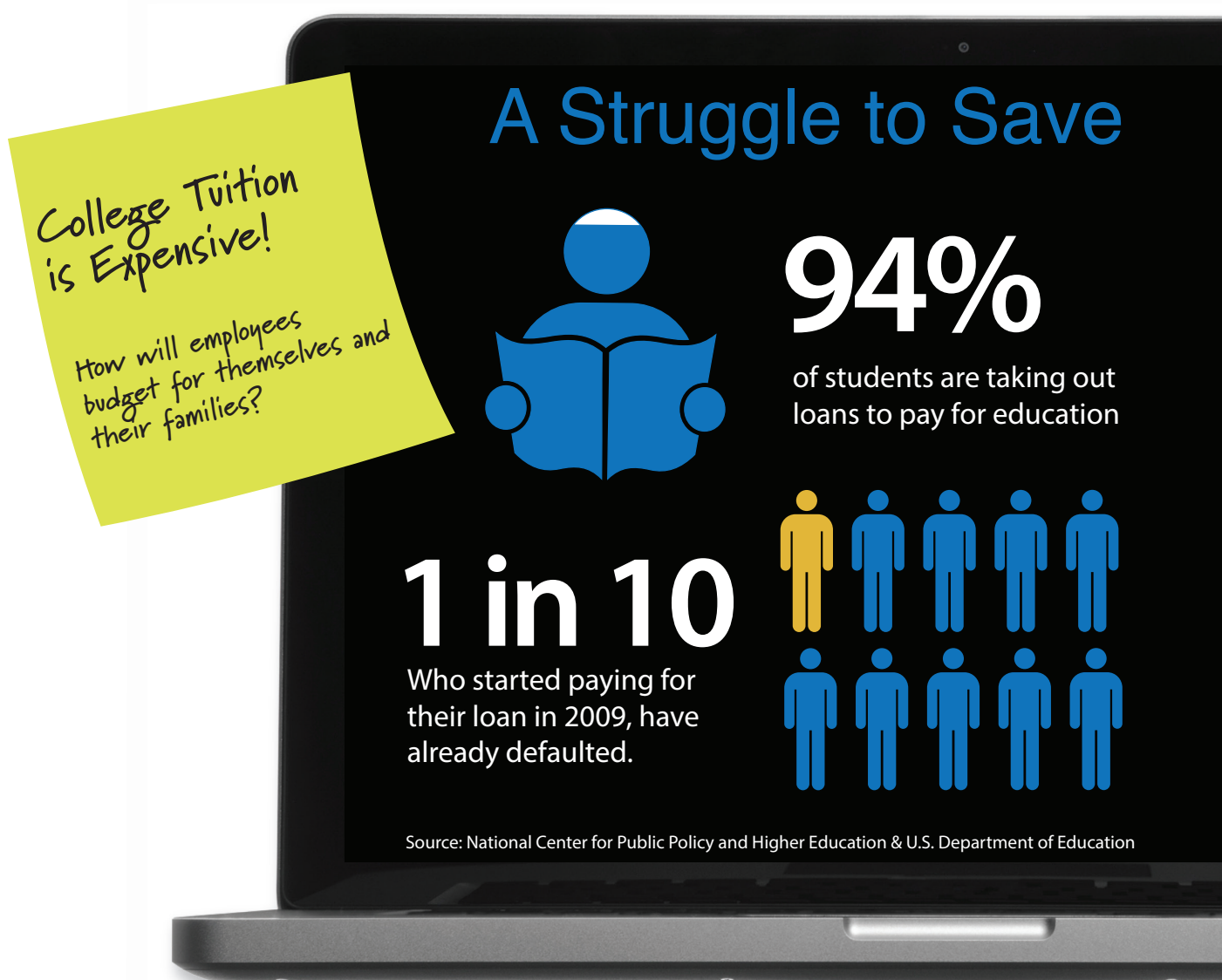
of those employers  
say candidates  
lack essential skills

Source: 2012 Talent Shortage Survey by Manpower Group

## THE FINANCIAL CRISIS OF TODAY'S EDUCATION

It is commonly believed that education is the foundation of financial success in the United States. But today, paying for that education can create a financial setback for students and/or their parents. The cost of obtaining a college education is escalating and because the out-of-pocket burden of such an expense is too much for most individuals to afford, alternative sources of capital are often sought to fund educational endeavors.

Student loans have, unfortunately, become a generational rite of passage – 94 percent of students borrow to earn a bachelor's degree. The total value of student loan debt has passed \$1 trillion.<sup>5</sup> This is higher than the \$692 billion of credit card and auto loan debt. According to The Project on Student Debt, two-thirds of college seniors who graduated in 2011 had an average of \$26,600 in student loan debt.



As the Federal Reserve reports, it's not just the young who bear the burden: one-third of the value of outstanding student loans is owed by those older than 40.<sup>6</sup>

More and more households are struggling to help pay for their children's college education costs. Parents, on average, plan to pay for 57 percent of their children's college costs, but the typical family is currently on track to cover just 30 percent.<sup>7</sup> Consequently, families are either taking on unprecedented levels of debt or downgrading their child's education from a four-year to a two-year degree to cut costs.<sup>8</sup> And grandparents are even getting in to the college savings act, supplementing and in some cases paying the lion's share of their grandchildren's college savings plan.

Between April 2012 and October 2012, Labor Department figures show employment for Americans with an associate's degree or some college increased by 578,000 to 35.2 million, while payrolls for those with at least a bachelor's degree increased 314,000 to 46.5 million. This trend underlines that some of the midskill jobs that disappeared in the recession are coming back and it may signal more lasting growth in such occupations.<sup>9</sup>

For adults in the workforce looking to return to school, some financial relief may come from their employer. The Benefits USA 2011/2012 survey found the rate at which companies are offering tuition reimbursement to all of their employees is rapidly increasing. In 2011, 51.7 percent of U.S. employers offered tuition reimbursement to all employees, up from 34.9 percent in 2009 and 45.3 percent in 2010.<sup>10</sup>

According to the same survey, 32 percent of employers offer reimbursement to management employees. Tuition reimbursement is offered to technical and professional employees at a rate of 31.7 percent, compared to administrative employees at 30.6 percent. Hourly employees are offered it the least at 25.8 percent.

The amount companies are willing to reimburse employees for their education varies by industry. Manufacturing and distribution companies average a reimbursement maximum of \$4,689 per year. Utilities employees may receive reimbursement up to \$4,227, while companies in banking and finance reimburse employees an average of \$3,869 each year. Healthcare organizations offer \$3,104 annually for reimbursement, while those in hospitality offer the lowest reimbursement maximum, \$2,757.<sup>11</sup> However, an employer may provide up to \$5,250 in employee education assistance benefits for undergraduate or graduate courses tax-free each year, per section 127 of the Internal Revenue Code, so many employers are not maximizing the benefit available to them.

The National Center for Education Statistics projects that between 2009 and 2020, enrollment of adults between the ages of 25 and 34 in post-secondary degree granting institutions will increase by 21 percent, and enrollment for adults over the age of 35 will increase by 16 percent. As more working adults seek higher education to further their careers, they will be looking to their employers as a source of financial aid.

## WHAT IT MEANS FOR EMPLOYERS

Recruiting and retaining top talent is a challenge, and the cost of education is high for many working employees. Consequently, employers are struggling to fill positions.

Ideally, employers should train existing employees so they can promote from within because external hires are paid nearly 18 percent more than internally-promoted workers.

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Workers promoted into jobs provide significantly better performance than workers hired into similar jobs for the first two years. They also show lower rates of voluntary and involuntary exit.<sup>13</sup>

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But providing educational opportunities for existing employees can be difficult. Most employer-sponsored tuition assistance programs do not reimburse all the costs incurred by an employee. Nearly \$454 billion is spent on formal and informal employer-based training. Another \$70 billion is spent on industry-based certifications, apprenticeships, post-secondary certificates and Associate's Degrees.<sup>14</sup>





## VOLUNTARY BENEFITS AS AN EDUCATION SOLUTION

Voluntary benefits are taking center stage among employers and employees.

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In today's benefits landscape, human resources managers and administrators need stronger low or no-cost benefits to support employee recruitment, engagement, and ultimately, retention.

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Voluntary benefits are filling that role. They have become a key feature in a company's benefits package as a means of providing programs that are attractive to both prospective and current employees and yet kind to the employer's bottom line.

For employees, non-traditional voluntary benefits are becoming increasingly popular because they address employees' real-world lifestyles and financial needs.

Recently, educational services have become the new non-traditional voluntary benefit. Offered as part of an employee purchase program, educational services are a more affordable alternative for funding education. With programs such as Purchasing Power's Learning Solutions, employees can obtain accredited online education for themselves and their families, including:

- SAT/ACT preparation & tutoring
- First-year college courses
- Individual college courses
- Professional certifications
- High school equivalency

These programs are paid for by employees through convenient payroll deductions over 12 months, providing a responsible way to budget and the opportunity to graduate debt-free. Thus, employees can invest in their future and advance their career by earning a high school diploma, gaining certificates or receiving their college degree.

Learning Solutions is offered as a service in the Purchasing Power employee purchase program alongside computers, electronics, furniture and other life-enhancing items.

Customers select the educational program that meets their needs by placing an order on the Purchasing Power website or through the call center. After an order is placed and processed, customers are emailed a voucher and instructions for registering on the respective service provider's website to begin using their service.

## WHAT EMPLOYEES ARE SAYING

Employees value the accessibility of voluntary benefits and the ability to pay through payroll deductions. It is evident in the fact that voluntary benefits are increasingly popular and are now almost a standard in the employee benefits package.

Nationwide surveys of working U.S. adults employed full-time by companies who provide employee benefits that were conducted online by Harris Interactive® on behalf of Purchasing Power in both 2012 and 2013, indicate that educational services are important to a number of them and that they would consider using a voluntary benefit – an employee purchase program – to access those educational services.

Many employees look to use educational services such as SAT/ACT preparation, tutoring, career diploma, college courses and professional certifications. When employees were asked if they would pursue such educational services for themselves or their family (without considering the cost involved or how they would pay for it), 53 percent said there were at least somewhat likely to do so. Almost one third (30 percent) of those said they were very likely or likely to do so. Likewise, if those educational services were available through an employee purchase program, 53 percent of employees report they would be at least somewhat likely to pursue them. And, of those, nearly one-fourth (24 percent) said they were very likely or likely to do so.<sup>15</sup>

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## Without access to an employee purchase program as a non-traditional voluntary benefit, many employees wouldn't be able to pursue the educational service.

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When asked how they would pay for educational services that cost up to \$3,000 per year if they didn't have access to an employee purchase program, 44 percent of employees said they wouldn't pursue these educational services.<sup>16</sup>

According to the survey, 36 percent of employees are at least somewhat likely to purchase educational services in the next 12 months. Of those who said they were at least somewhat likely to use an employee purchase program, 19 percent of employees surveyed thought it would help further their career or that of their family members. Interestingly, 58 percent of those most likely to use educational services through an employee purchase program are Gen Xers (35-44 years of age) which is the generation struggling the most with cash management.<sup>17</sup>

## EMPOWERING EMPLOYEES WITH EDUCATION

Educational services are a benefit that many employees and their families can and will use as a method of bettering their lives. Innovative online programs, professional certifications, catch-up degree programs and other traditional education replacements are the way of the future.

By providing educational services as a voluntary benefit, employers are simultaneously playing a key role in helping employees and their families improve their future while gaining a more educated workforce. Through employee purchase programs such as Purchasing Power's Learning Solutions, employers can enhance education for employees by providing it as a no-cost voluntary benefit. This ultimately results in higher productivity and retention for employers.

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Giving employees an affordable way to pay for education through an employee purchase program shows that a company truly values its employees, their futures and the futures of their families.

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## ABOUT PURCHASING POWER

Headquartered in Atlanta, GA, Purchasing Power is one of the fastest-growing specialty e-retailers in the market offering a leading voluntary benefit program. Purchasing Power differentiates itself from traditional e-commerce retailers through its unique payment plan value proposition, strategic benefit broker partnerships, internal marketing expertise and superior customer service. Purchasing Power is a Rockbridge Growth Equity, LLC Company. Over 6 million people have access to Purchasing Power, and since it was founded in 2001, the company has fulfilled over \$950 million in customer orders from employees and members of leading companies and organizations across the U.S., including Fortune 500 companies and government agencies.

For more information, visit [www.PurchasingPower.com/employers/](http://www.PurchasingPower.com/employers/).

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- <sup>14</sup> Georgetown University, "Career and Technical Education – Five Ways That Pay Along the Way to the B.A.," Sept. 2012.
- <sup>15</sup> Harris Interactive and Purchasing Power Survey, Jan. 25, 2013.
- <sup>16</sup> Harris Interactive and Purchasing Power Survey, op.cit.
- <sup>17</sup> Harris Interactive and Purchasing Power Survey, Jan. 28, 2012.

### Methodology

This survey was conducted online within the United States on January 23-25, 2013 among 2,160 adults (aged 18 and over) by Harris Interactive on behalf of Purchasing Power, LLC. via its Quick Query omnibus product. Figures for age, sex, race/ethnicity, education, region and household income were weighted where necessary to bring them into line with their actual proportions in the population. Propensity score weighting was used to adjust for respondents' propensity to be online.

All sample surveys and polls, whether or not they use probability sampling, are subject to multiple sources of error which are most often not possible to quantify or estimate, including sampling error, coverage error, error associated with nonresponse, error associated with question wording and response options, and post-survey weighting and adjustments. Therefore, Harris Interactive avoids the words "margin of error" as they are misleading. All that can be calculated are different possible sampling errors with different probabilities for pure, unweighted, random samples with 100% response rates. These are only theoretical because no published polls come close to this ideal.

Respondents for this survey were selected from among those who have agreed to participate in Harris Interactive surveys. The data have been weighted to reflect the composition of the adult population. Because the sample is based on those who agreed to participate in the Harris Interactive panel, no estimates of theoretical sampling error can be calculated.