Competition for Employer Tuition Benefits

ASU's InStride is latest entrant to the $20 billion tuition benefits market, a potential growth area as employers mull alternatives to the traditional college degree and whether to pay for customized online credentials for their workers.

By Paul Fain

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A new spin-off from Arizona State University, dubbed InStride, is seeking to tap in to some of the estimated $20 billion that companies spend each year on tuition benefits for their employees.

The company isn’t the first major entrant into the space, however, which may shift as employers question the role of the traditional college degree in hiring.

Building off the high-profile partnership between Arizona State and Starbucks, InStride will help large companies manage tuition benefit programs while offering their employees online credentials and courses from ASU Online and a developing group of other universities; the first announced partner is the University of New South Wales in Sydney, Australia.
With global ambitions, InStride's primary focus is the 37 million Americans who have earned some college credits but no degree.

"This market is bigger than the traditional 18- to-22-year-old market," said Daniel Pianko, co-founder and managing director of University Ventures (which is not an investor in InStride), who called the company a "logical extension" for ASU Online and its more than 175 bachelor's degrees, master's degrees and certificate programs.

Only a small share of workers tend to use the tuition perk when employers offer it -- typically less than 5 percent. Tuition programs are a common employee benefit, with a primary goal of boosting employee retention. Many workers do not know about the benefits or how to use them.

"There is a lot of money spent on employer tuition benefits. A lot of that money is not being spent well right now," said Martin Kurzweil, director of the educational transformation program at Ithaka S+R. "There's a lot of room for improvement."

That shift may have begun.

Many companies are feeling urgency about hiring skilled workers amid low unemployment, particularly in information technology, health care and other high-demand fields. As a result, some employers are getting more serious about using tuition reimbursement and other subsidies to help train and retain their employees.

A growing number of large corporations, including Walmart and T-Mobile, have signed on with intermediaries like InStride's established competitors. Others, most notably Google and IBM, are doing the heavy lifting to create their own credential programs for their employees and others in their industries. And providers like General Assembly and other coding and skills boot camps are a small but growing alternative to traditional higher education and college degrees -- although mostly at the post-baccalaureate level.

The “holy grail” for InStride and its competitors, said Pianko, is working with employers that move beyond the model of a generic and largely promotional benefit to one where university partners offer customized online credential programs for their employees and job openings.

This approach remains rare. But InStride and other intermediaries between universities and big employers could end up serving large numbers of online students, particularly if more employers seek to “upskill” their workers with college-issued credentials.

InStride’s leaders said the company and ASU Online will be well suited to meet demand for high-end tuition benefit programs, which they said are part of a “huge movement” by employers to invest more in the post-high school education and training of their workers. That shift mirrors the push for student success in higher education, they said, with some employers now viewing souped-up tuition programs as a core company value.

“Many forward-thinking employers are already leading the way in the movement to provide learning opportunities for employees that result in lifealtering benefits," Michael Crow, ASU's president, said in a written statement when the new company was announced in April. "We have created InStride to accelerate that movement and partner with more employers who seek to provide flexible learning options for employees no matter what stage of their career they are in."

Competition in the Corporate Space

The unusually structured Arizona State subsidiary, a public benefits corporation mostly owned by an investment fund, will have some catching up to do.

In the tuition benefit space, InStride joins the growing Guild Education, as well as EdAssist Solutions, Edcor and GP Strategies.

Since its creation four years ago, Guild has served as a broker for employer-funded degree programs. Its corporate partners include Disney, Lyft, Lowe's and Walmart, which last year announced an online, debt-free college education benefit for its 1.4 million U.S. employees.

Those workers have access to coaches from Guild's online platform, who help advise them on which courses and credentials to pursue. The company directs students to 90 education providers, including seven nonprofit, regionally accredited universities: Bellevue University, Brandman University, the University of Denver, the University of Florida Online, Western Governors University, Wilmington University and the University of Arizona, which joined Guild's network last month.

The privately held Guild takes an undisclosed cut of the tuition revenue those universities receive through its partner employer benefit programs.

The primary draw for both sides, said Rachel Carlson, Guild's CEO and co-founder, is the technology embedded in the company's platform.

"That's the backbone of what we do," she said. "A big company that works with us can really scale their program because of our technology solutions."

The University of Arizona teamed up with Guild to expand its relationships with employers that offer tuition benefits for online programs, said Kara Forney, director of the University of Arizona Online Corporate Initiative, a subsidiary of the university.

Companies have varying levels of commitment and sophistication with those benefits, she said. And often the programs can present challenges for employees to navigate, such as finding key information about the benefits and eligible academic programs, or by requiring them to pay up front for courses or credentials.

"We're not in the HR consulting business," said Forney, who added that Guild is "working with companies to elevate their tuition reimbursement program to something spectacular."

Debt Payments as Benefit

The biggest player in the tuition benefit space, however, is EdAssist from Bright Horizons. The publicly traded Bright Horizons is the nation's largest provider of employer-sponsored childcare. A decade ago the company began its tuition program management business, which, like childcare, is a benefit many employers offer with retention in mind.

The company’s EdAssist division last year worked with 195 employers to help oversee $780 million in tuition benefits that went toward the postsecondary education of 200,000 adult learners. Roughly 10,000 T-Mobile employees, for example, enrolled through Bright Horizons during the last three years.

Here’s how the model works: large employers such as T-Mobile, Home Depot and Aetna hire EdAssist to help design education pathways and to market and explain their tuition benefit programs to employees, who get tuition discounts from the company’s 220 postsecondary education providers, which include colleges and certification providers.

EdAssist is “unbiased and impartial” about its network of providers, said Patrick Donovan, Bright Horizons’ senior vice president of emerging services. The company seeks to remove barriers for employees and to help them figure out what credentials will be of the most value, he said, while offering to create distinctive educational pathways for both employers and students.

He said participating companies can see 30 percent increases in program participation after hiring EdAssist, which charges employers a fee for services but does not collect a share of tuition revenue.

And while companies spend more on tuition benefits when employees actually use them, Donovan said the up-front investment more than pays for itself in employee recruiting and retention.

“With employers who see the value for this, there’s tremendous upside for growth,” Donovan said.

Companies get a tax benefit from the federal government for up to $5,250 in annual tuition benefits for each participating employee. The tax-free spending cap, which has remained unchanged since 1986, is slightly less than the maximum award for a federal Pell Grant. Under the rules, employees are not required to use their benefits at degree-granting or accredited institutions. But according to a 2017 analysis, most employers require that courses taken through tuition assistance programs be accredited.

A growing number of employers are offering to pay down part of the student loan debt held by their workers. For example, the auditing giant PricewaterhouseCoopers recently announced it had covered $25 million of its employees' student debt.

Bright Horizons has added student debt repayment to its employer benefit program management services. Many more employers would offer that benefit, Donovan said, if the U.S. Congress were to approve a bipartisan proposal that would extend tax-free status to companies' spending on their employees' student debt.

"If that passes, any employer would have to have a student loan benefit in place," he said.

Moving Beyond the 'Old-School'

Both Guild and EdAssist focus on large employers for their tuition benefit businesses. For example, Donovan said the business model is designed for companies that employ at least 3,000 to 5,000 workers.

The companies sometimes work with employers on the rare sort of high-end program InStride also will pursue -- ones that feature tailor-made credentials for a company's workers.

For example, Guild has created specialized credentials in business and supply chain management for Walmart employees, with more in the works, Carlson said, as well as tailored programs for employees from Discover Financial Services.

Guild primarily is focused on tuition assistance programs, she said, instead of the “old-school” version of tuition reimbursement, where employees pay up front. As a result, the company can be more targeted with educational offerings, she said, which can be used by large numbers of entry-level employees rather than a tuition reimbursement model aimed at white-collar workers who are seeking to complete a bachelor’s degree.

InStride's initial foray also appears focused on entry-level workers. At its launch last month, company officials pointed to ASU’s “successful existing relationships with innovative companies, such as Starbucks.” That partnership so far has been exclusive, meaning that Starbucks employees who participate attend online programs solely from ASU.

More than 12,000 employees were enrolled this year, which is a substantial portion of ASU’s total online enrollment of more than 40,000 students. So far, 2,400 Starbucks employees have graduated with degrees, according to the program, with at least one enrolled employee at 70 percent of Starbucks’ coffee shops in the U.S.

Officials from ASU and the Rise Fund, an investment fund focused on social and environmental issues and the new venture's primary owner, touted the educational quality that InStride would offer through Arizona State and its other university partners. They described the program, which is still in development, as a “curated set of high-quality institutions and programs.”

InStride will seek to work with large companies with global footprints, which partially explains why the first non-ASU university partner is located in Australia. The company, like the others, will be an unbiased intermediary in directing employees to academic programs from several partner universities, officials said. But InStride probably will enlist fewer than 10 universities, they said.

Arizona State has a “social and moral imperative” to broaden its reach for more working adults, said Katie Paquet, the university’s vice president for media relations and strategic communications.

The Starbucks partnership was a first step, she said, which ASU wants to use as a model for replication with other companies. “We needed an intermediary to do that,” said Paquet.

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