EMPLOYEE BENEFITS
EBOOK

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STUDENT LOAN ASSISTANCE:
A FLEXIBLE BENEFIT TO SOLVE YOUR CURRENT HR INITIATIVES

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School districts are facing unprecedented challenges with recruitment and retention. Districts must compete for top talent amid staff shortages, dwindling budgets, and increasing employee demands for better benefits and higher wages. Complicating this challenge is the fact that more district staff members are leaving their posts than ever, according to the 2019 report *The Perfect Storm in the Teacher Labor Market* by the Economic Policy Institute:

- 13.8% of teachers are either leaving their schools or leaving teaching altogether.
- Schools unable to fill vacancies tripled from 3.1% in the 2011–2012 school year to 9.4% 2015–2016 school year.

These figures point to a tough labor market and shrinking pool of applicants.

How can better financial wellness help?

District employees could be leaving for other employers—or industries—that provide or promote financial wellness. According to MetLife's 2019 employee benefits study, *Thriving in the New Work-Life World*, 53% of employees believe their employer has a responsibility for their financial well-being. Financial wellness can be an especially critical and cost-effective benefit for employees with student loan debt. The average 2018 graduate left school with $29,800 in debt, according to LendEDU's 2019 *Student Loan Debt* report, and the average monthly student loan payment was $393. This amount of debt can be difficult for a newer teacher to manage, especially with a starting salary.

For this reason, student loan assistance is an emerging benefit districts can offer, and can be more affordable than you would think. How an employer implements student loan assistance can have an impact on costs. For example, some employers allow employees to trade in unused PTO for a payment against their student loan debt. There are plenty of examples of unique offerings of this benefit to help boost recruitment, retention, and engagement efforts.

Recruiting

Pricewaterhouse Coopers (PwC), a global accounting and consulting firm and an early adopter of a student loan assistance plan, found that this program has become a huge factor in the job acceptance rate among applicants. This could be due to how rare this benefit this, with only 8% of U.S. employers offering a student loan assistance benefit, according to the Society for Human Resource Management (SHRM) 2019 *Employee Benefits* survey.

Student loan assistance can be a strategic employee benefit for attracting employees entering the workforce and early in their careers. Employees are trying to balance life and work issues like never before. Student loan assistance, coupled with a financial wellness program, can be all you need to win the recruiting battle. If your positions require a college degree or have been attracting mainly Millennial and Gen Z applicants, providing student loan assistance can be the difference-maker to getting an accepted offer.

Retention

Student loan assistance also provides several ways for school districts to retain key employees. A study released by American Student Assistance, *Young Workers and Student Debt Survey Report*, found 86% of employees ages 22 to 33 would commit to an employer for five years if the employer helped pay back their student loans. The MetLife study found 55% of employees would be interested in working for an organization offering benefits that could help relieve financial stress.

Replacing teachers and other staff comes with numerous costs, including hiring and onboarding expenses, professional development, and more. One 2019 report, *Teacher Turnover: An Overview of the Problem and Why It Matters* from Education Evolving, found average replacement costs to be around $20,000 per teacher—money that could otherwise go to resources and offerings for students.

Either way you look at it, you are rewarding employee loyalty by helping your workforce free up funds to buy a house, start a family, or increase their investment for retirement. The best way to gauge enthusiasm for a student loan assistance program would be to conduct an engagement survey that assesses the needs of your employees, something a trusted employee benefits provider would be able to help provide.

Engagement

By 2025, Millennials will make up 75%of the workforce, according to research by the thinktank, Brookings Institute. Many of these employees are happy to save for retirement, but they have other priorities that affect them now, such as paying down student loan debt. Employees feel vulnerable, desire financial security, and are willing to work for it. To keep employees engaged in saving for retirement, companies like Travelers make a matching contribution to the 401(k) accounts of employees who are actively paying down student loan debt. Employees who participate in the program could accumulate tens of thousands of dollars in their 401(k) accounts over a decade and the amount Travelers contributes could be worth hundreds of thousands of dollars at retirement. Structuring a student loan assistance program like this would especially valuable if you have low retirement plan enrollment or have employees choosing to not take advantage of your match.

What about loan forgiveness programs?

State and federal programs exist to help teachers and other public employees reduce or eliminate their student loan debts, but qualification for these programs can be difficult and limited to a small number (if any) of your staff.

Under the Teacher Loan Forgiveness Program, teachers must work full-time for five complete and consecutive academic years in a low-income school or educational service agency, as well as meet other qualifications.

Vendors that provide student loan assistance often employ counselors who specialize in these loan forgiveness programs and can advise employees on eligibility and the application process. Several retirement plan providers have started adding student loan counselors to their support services. Offering a student loan assistance program through your current retirement plan provider or as a standalone benefit can make sense for your district, especially if employees frequently ask about public forgiveness programs, or for lower-income districts that may be struggling to attract skilled teaching staff.

Lower cost options

Many districts want to help their employees with their student loan issues but simply don't have the budget to fund a student loan assistance program. Low- to no-cost solutions can include resources like access to student loan refinancing and/or certified debt counselors, budgeting and loan payment tools, or education on student loan forgiveness for eligible employees. Even employees that don't have student loan debt but have college-aged dependents can capitalize on college cost-planning tools, and tools to help students determine what they can expect to make with the degree they are thinking about pursuing.

In the competition for talent, industry experts anticipate an increase in the number of employers offering student loan debt assistance programs as an employee benefit. Will your district take advantage of this emerging benefit? Contact a trusted employee benefits provider to learn more about student loan assistance programs.

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