

# **EXPLORING THE IMPACT OF TUITION REIMBURSEMENT PROGRAMS ON ACTUAL TURNOVER IN MANUFACTURING: PRE- AND POST-COVID INSIGHTS**

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## **ABSTRACT**

*This study explores the efficacy of tuition reimbursement programs in addressing turnover and retention concerns, leveraging comprehensive data spanning pre- and post-COVID-19 pandemic periods. Through extensive survey data collected from manufacturing businesses in Middle Tennessee, encompassing four years and 1,247 responses, this study evaluates the impact of tuition reimbursement programs on turnover rates and perceptions through comparisons between organizations who provide tuition reimbursement benefits and those who do not. The findings suggest that organizations offering tuition reimbursement achieve lower turnover rates and perceive turnover as less of a challenge compared to their counterparts lacking such programs. Moreover, even with the upheaval wrought by the COVID-19 pandemic, these trends persisted, despite the overall inflation of turnover that began post-pandemic. In conclusion, this study advocates for the strategic integration of tuition reimbursement programs as a potentially powerful tool for mitigating turnover challenges and nurturing employee retention.*

## **INTRODUCTION**

In the fast-paced world of manufacturing, it is critical to research and understand the vital, and often expensive, ways in which employee benefits impact turnover and retention, two of the most expensive factors on any organization's bottom line. According to SHRM, the average cost of turnover in hourly rate jobs is nearly \$5,000 per employee. Additionally, Forbes estimated the 2023 turnover rate to have been approximately 3.8% nationwide, with 2.5% attributed to employees quitting. These statistics underscore the significant financial impact that turnover and absenteeism can have on businesses. Given these issues, it is imperative to find ways to keep quality employees. Though it is widely understood that offering employee benefits is helpful in retaining employees (Yamamoto, 2011), more research should be done on which specific benefits can be leveraged to reduce actual turnover rates and improve retention. This paper explores the potential of tuition reimbursement programs as a method to reduce turnover and improve employee retention. Further, the data used in this study provide an excellent landscape for exploring differences in these topics between pre- and post- COVID-19 pandemic

times, shedding light on the potential stay-power of our findings and of tuition reimbursement programs.

### LITERATURE SUPPORT

Employee benefits play a crucial role in organizations, not only in attracting and retaining talent but also in enhancing overall employee well-being and reducing turnover costs (Grissom et al., 2015). However, the significant financial investment associated with offering benefits highlights the importance of selecting the most impactful programs. This underscores the necessity for organizations to strategically evaluate and implement benefit packages that yield optimal returns on investment.

A study by the Lumina Foundation, in conjunction with Cigna, provides empirical evidence suggesting a link between education reimbursement programs and reduced turnover intention as well as several other benefits among employees who participated (Miller, 2016). While turnover intention may not directly translate to actual turnover, the findings suggest that such programs have the potential to positively influence employee retention efforts. This underscores the significance of offering benefits that align with employees' personal and professional development goals, thereby fostering a sense of loyalty and commitment to the organization (Mignonac & Richebe, 2012). Furthermore, Mignonac and Richebe (2012) stress the importance of employees perceiving benefit programs as genuine efforts by employers to enhance their well-being, rather than solely serving the interests of the organization. This aligns with the view that benefits programs should be designed with a focus on improving employee satisfaction and engagement, ultimately contributing to reduced turnover rates. Specifically, programs such as tuition reimbursement directly impact the quality of employee lives, making them potentially impactful in many areas, even beyond turnover and absenteeism.

A recent article by UMass Global explored the relationships between professional development benefits and employee retention through interviews conducted with HR experts in the field. They suggested that offering professional development options, including tuition reimbursement, has shown to have a positive impact on employee retention via improving employee satisfaction and creating avenues for employee growth and succession planning and that it is a mechanism for attracting and retaining top talent (UMass Global, n.d.). Several studies have supported this anecdotal evidence, also finding that tuition reimbursement programs have shown to increase organizational commitment, job satisfaction, and employee skill development for employees who participated in the program (Miller, 2016; Perry, 2018).

The current data suggests tuition reimbursement programs could potentially help decrease employee turnover intentions by positively impacting various factors such as improved retention, career advancement opportunities, and employee satisfaction. However, it's important to note that turnover intentions and actual turnover are distinct concepts. Not all who intend to turnover actually do so. Research must now focus on better understanding the relationship between tuition reimbursement programs and actual turnover within organizations. How can insight into the relationship between tuition reimbursement programs and actual turnover within organizations be obtained?

To answer that question, the current research for this paper delves into four years' worth of comprehensive wage and benefit data gathered through four nearly identical surveys conducted in 2017, 2019, 2021, and 2023. Targeted questions regarding tuition reimbursement programs, employee turnover rates and reasons, as well as qualitative data about whether turnover was considered a challenge for their organization were all posed to survey respondents. Data were collected from manufacturing businesses in the Middle Tennessee area with employee counts ranging from 1 to 120,000. In total, there were 1,248 responses used in this study. Spearheaded by the Business and Economic Research Center (BERC) at Middle Tennessee State University in collaboration with the Middle Tennessee Industrial Development Association, these surveys have provided a rich reservoir of information that has been beneficial for strategic decision-making.

Moreover, given the date range of the data collections, interesting exploratory research questions begin to arise: what, if any, impact did the COVID-19 Pandemic have on the data? Do trends still stand despite the massive changes that the Pandemic caused for workplaces and the lives and demands of employees?

### **RESEARCH QUESTIONS**

With the goal of gaining insight on how the provision of tuition reimbursement programs impacts turnover and retention for organizations, several research questions were examined:

- 1. What is the difference in turnover rates between organizations with tuition reimbursement programs and organizations without such programs?*
- 2. What is the difference in employee retention rates between organizations with tuition reimbursement programs and organizations without such programs?*
- 3. Do organizations with tuition reimbursement programs report that turnover is less of a challenge for their organization than employers without a tuition reimbursement program?*
- 4. Were there differences between pre-pandemic data collections and post-pandemic data collections?*

### **DATA AND METHODOLOGY**

Data for this paper were collected through a series of four surveys developed and distributed by the Business and Economic Research Center (BERC) at Middle Tennessee State University in 2017, 2019, 2021, and 2023. Though the surveys collected a much broader range of topics, only data regarding turnover, absenteeism, and employee benefits, specifically childcare assistance programs and tuition reimbursement programs were included in the analysis. The surveys were distributed to the human resources management professionals in manufacturing

companies within the Middle Tennessee region. The number of responses, specific to the data sets used in this paper, ranged from 307 to 355 responses depending on the year. The total data set for the four years of surveys combined included 1,247 respondents. Relevant data were extracted and combined, with date distinctions, to create a new, clean dataset.

To draw comparisons between organizations who provided tuition reimbursement programs and organizations who did not have active programs, the item “In the past 5 years, how many employees have taken advantage of tuition reimbursement?” was coded as “yes”, for respondents who indicated they had participants in their program within the last five years. Respondents who indicated not having a program or not having any program participants within the last five years were coded as “no”. Further, for the item “Is employee turnover a challenge for your company?”, items were coded as “agree”, “disagree”, or “neutral”. Respondents who responded as neutral were not included in the analyses involving this item. Turnover rates were left as percentages. It should be noted that each of these items were presented independently from each other at various points throughout the larger survey and therefore responses are unlikely to be confounded based proximity within the survey.

Data were then grouped based on whether the organization had an active tuition reimbursement program or not. Then responses were run for each group to discover the group’s average turnover rate and percent of agreement with the statement “turnover is a challenge for my company”. The averages were then graphed and compared between groups.

To assess differences between pre- and post-COVID-19 pandemic, the survey data was split between 2019 and 2021. After the split, the sample breakdown was 631 in the pre-pandemic data pool, consisting of the 2017 and 2019 datasets, and 616 in the post-pandemic data pool, consisting of the 2021 and 2023 datasets. Data were analyzed similarly to the between-groups comparisons, but with the addition of the split between years.

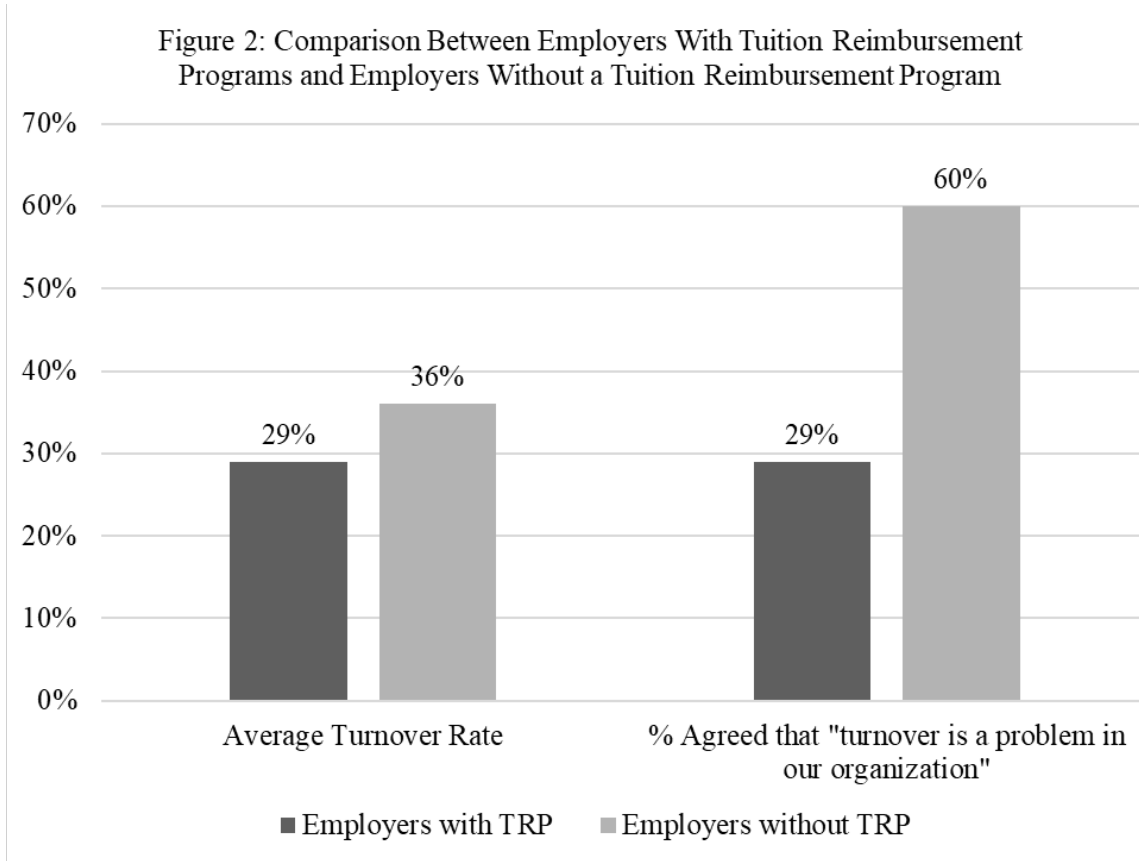
## **RESULTS AND DISCUSSION**

### **Comparative Analyses**

The analysis of data collected from 1,248 employers provides valuable insights into the relationship between tuition reimbursement programs and employee turnover. Among all surveyed employers, the average turnover rate stood at 34%, highlighting the pervasive challenge of employee retention across industries. Notably, 61% of employers identified turnover as a significant concern within their organizations, underscoring the widespread impact of this issue on business operations.

Additional examination of the data revealed that employers who offer tuition reimbursement reported an average turnover rate of 29%. In contrast, employers who did not provide tuition reimbursement programs reported a higher average turnover rate of 36%. These findings, visually displayed in Figure 2, clearly suggest that organizations offering tuition reimbursement programs experience decreased turnover outcomes compared to those that do not provide such benefits. The reason behind these findings could stem back to the early discussion that these programs have been previously found to lead to increased employee job satisfaction

and organizational commitment. Another factor may be that many organizations who offer tuition reimbursement programs require employees to stay with the organization for a certain amount of time after completing their education to be eligible for reimbursement.



Further, only 29% of employers who offer tuition reimbursement programs agreed or strongly agreed with the statement that "turnover is a challenge for our organization." Whereas 60% of employers without an active tuition reimbursement program agreed or strongly agreed with the statement. These are interesting findings that make sense when assuming that if turnover is actually less of a problem for their organization, then it is understandable that those same organizations' HR managers would perceive turnover to be less problematic than their counterparts.

In all, the results of this between-groups comparison analysis revealed that, across all survey years, organizations that provide tuition reimbursement as an employee benefit have lower rates of actual turnover and perceptions of turnover as a problem. This adds to the current research by providing evidence that tuition and educational benefits are impacting more than just turnover intentions, but also reducing the costly outcome of turnover.

## COVID-19 Impact Analysis

Given the previous findings and as this study provided a perfect opportunity to explore the differences between pre- and post-COVID-19 Pandemic survey responses, we drilled down further into our earlier comparative analyses. This time separating the data by survey distribution date into pre- and post-pandemic datasets. An analysis comparing turnover rates among all respondents, organizations with tuition reimbursement programs, and those without such programs revealed many insights. First, turnover rates went up 25 percentage points from pre-pandemic averages to post-pandemic averages, indicating a large increase in turnover in general post pandemic (see Table 1). This data supports the anecdotal information that arises in many HR and Management meetings that turnover is more of a problem than ever, post-pandemic.

**Table 1: Pandemic-focused average turnover rate comparison.**

	PRE-COVID-19 PANDEMIC	POST-COVID-19 PANDEMIC
AVERAGE TURNOVER RATE	20%	45%
AVERAGE TURNOVER RATE FOR ORGANIZATIONS <i>WITH</i> A TRP	15%	40%
AVERAGE TURNOVER RATE FOR ORGANIZATIONS <i>WITHOUT</i> A TRP	21%	47%

\*Tuition Reimbursement Program (TRP)

Interestingly, the data continued to support the previous finding that organizations that provide tuition reimbursement programs as an employee benefit have much lower turnover rates than organizations without active tuition reimbursement programs in both pre- and post-pandemic surveys. Though averages all increased post-pandemic, the trends remained the same. This supports the argument that tuition reimbursement programs are more than just a “trendy” benefit option and are more stable and lasting in their impact.

Finally, the trend continued in how respondents replied to the item “turnover is a challenge in our organization” (see Table 2). Though the overall average increased, employers who provided a tuition reimbursement program were less concerned with turnover as a challenge for their organization than their counterparts. This data provides supplemental information supporting the idea that tuition reimbursement programs may be viable and valuable additions to an organization’s benefits package.

**Table 2: Pandemic-focused average ‘agreed’ that “turnover is a challenge” comparison.**

	PRE-COVID-19 PANDEMIC	POST-COVID-19 PANDEMIC
AVERAGE ‘AGREE’ THAT "TURNOVER IS A CHALLENGE FOR OUR ORGANIZATION" FOR ORGANIZATIONS <i>WITH</i> A TRP	15%	40%
AVERAGE ‘AGREE’ THAT "TURNOVER IS A CHALLENGE FOR OUR ORGANIZATION" FOR ORGANIZATIONS <i>WITHOUT</i> A TRP	21%	47%

\*Tuition Reimbursement Program (TRP)

Thus, within this research, the question “were there differences between pre-pandemic data collections and post-pandemic data collections?” can be answered with, “well, yes and no”. Though the averages were inflated across the board post-pandemic, the finding that employers who have active tuition reimbursement programs fare better in terms of turnover and retention remained steady in both situations. This suggests that implementing an active tuition reimbursement program may benefit more than just employees, but could help organizations retain and upskill their employees, potentially leading to lowered turnover cost and higher quality employees.

### LIMITATIONS

Research on this topic should continue, as the current study was restricted to the manufacturing sector within the Middle Tennessee area. Though the manufacturing sector employs a large segment of people, there are many types of organizations that will likely benefit from the current study’s findings and those findings should be retested with several other types of organizations and workforces. Further, perhaps these findings are an anomaly to the Middle Tennessee region. Research should be done in many locations to provide a more rounded understanding of how tuition reimbursement programs impact retention and turnover.

The low base rate of employee participation in offered tuition reimbursement benefits, which should be addressed in further research, decreased the sample size of employers who were considered to have active tuition reimbursement programs. However, this limitation was mitigated by combining four years’ worth of survey data which drove up the overall sample size. This limitation could be addressed by surveying how tuition reimbursement programs are designed, which ones have better employee participation outcomes, and how perceive the benefits package. Case studies could also be used to discover the best method to improve participation rates.

Finally, on average across all survey distributions, survey respondents required more than an hour to complete the surveys. This has the potential to lead to survey fatigue which has the potential to increase error in responses. Thus, when further research is done, it is recommended to use a more brief, targeted survey to ease problems such as survey fatigue.

## CONCLUSIONS, IMPLICATIONS, AND FURTHER RESEARCH

Discovering the optimal package of employee benefits offerings is critical for all organizations, especially now when the effort for talent is high. To add to the current pool of evidence-based research available to employers when evaluating the most cost-effective benefit options for their organizations and employees, we undertook the task of discovering the ties between tuition reimbursement as a benefit option and actual turnover outcomes. Given the findings of this study, organizations should consider the strategic potential of tuition reimbursement programs as a tool for mitigating turnover challenges and fostering employee retention during planning. As businesses strive to optimize their workforce strategies, investing in tuition reimbursement programs emerges as a promising avenue for achieving sustainable retention outcomes and maintaining competitive advantage in the talent market.

Out of 1,247 surveyed employers, only 24% reported offering tuition reimbursement programs in which employees were participating. Based on the rates of both employers offering these programs and employees participating in the offered programs (between 1-5%), there are two pathways of opportunity for organizations to gain a competitive advantage in this area. First, if an organization does not offer this type of program, they should consider it in their strategic planning of benefits. Second, if a company already provides this type of program, but has a low rate of participation, they should consider assessing how they currently market the program to employees and recruits as well as assess their program for any fatal flaws.

In conclusion, if employers offering such programs demonstrate not only lower turnover rates but also perceive turnover as less challenging, then these findings suggest the enduring value in fostering employee satisfaction and organizational commitment through adding or enhancing tuition reimbursement as a key employee benefit. Strengthening the argument is the finding that despite the pandemic-induced disruptions, the resilience of tuition reimbursement programs in sustaining retention outcomes underscores their potential as a strategic lever for organizations seeking to optimize workforce strategies and gain or maintain their competitive edge in the current fight for skilled workers.

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