

# CORNELL HR REVIEW

## **STUDENT LOAN REPAYMENT ASSISTANCE: A PERK FOR THE NEW GENERATION OF WORKERS**

*Matthew W. Burr*

As the cost of college education continues to rise and more graduates are entering the workforce with excessive amounts of student loan debt, employer repayment assistance is becoming a new trend in the organizational perks industry. The rise in popularity as a new perk has been slow, but is quickly taking hold as a benefit of note for this new generation. While “only 3 percent of more than 450 surveyed companies offer student loan repayments programs as part of their benefit plans, according to the Society of Human Resource Management 2015 Employee Benefit Survey<sup>i</sup>,” we will continue to see a growing demand for the new perk.

A few of the surveyed organizations, from the SHRM survey, are paying monthly amounts between \$100 to \$250 toward current employee’s student loan debt, while others will contribute up to \$10,000 toward student loans; a lump sum of \$5,000 after five years, followed by annual \$1,000 payments over the succeeding five years. As a working professional who has paid down student loan debt, I understand that any amount that an organization is willing to contribute is a valuable incentive to recruit and retain highly educated and high performing employees. “A recent survey by Iontuition, a student loan management platform, found that 80 percent of the 1,000 people surveyed wanted to work for a company that offers student loan repayment assistance. Paying off debt has more immediate benefits than, say, taking advantage of a company’s 401k plan.<sup>ii</sup>”

Many employers are struggling with employee engagement and retaining talented individuals in their organizations. With millennials changing jobs on average every 2-3 years, the cost associated with turnover will continue to balloon. Offering student loan repayment assistance for these employees has the potential to reduce turnover, engage employees in the organization’s mission and vision, transfer knowledge from baby boomers to millennials, develop longstanding relationships with employees, and influence a new generation of organizational leaders. Linking benefits to a new generation of employees by looking at what is important to millennials is an excellent way to reduce human capital costs for organizations.

A twist to the student loan repayment assistance is student loan refinancing reductions, instead of the lump sum the employee has the option to refinance the student loan debt with the organization. Novelis offers reduced rates on vehicle refinancing and mortgage refinancing, through company sponsored credit unions. Why aren’t more companies offering the same benefit to recent graduates on student loan debt? This could be a tremendous strategic advantage in the war for talent and help organizations sustain and grow talent from within.

If student loan reimbursement or refinancing is not an option for your organization, consider offering budget training. Young professionals and recent graduates struggle with budgeting and do not know who to ask. Consider adding an optional budgeting seminar or training as part of the new hire orientation. Include younger professionals in the annual budgeting process, this will assist them in obtaining knowledge and skill in the budgeting process. Another option to consider is a mentoring program with the finance or accounting department. Develop a mentor system in which a newly hired graduate is paired with a seasoned finance or accounting professional, the system could entail discussions on budgeting and the organizations financial systems. Not only would they develop a strong network in the workplace, they would be adding tremendous value from an employee growth perspective.

Many organizations small or large offer employees an Employee Assistance Program (EAP) as a free perk to assist with many issues inside the workplace and outside of the workplace. As part of the EAP perk, should organizations consider offering student loan consolidation assistance? With two-thirds of students not understanding the terms of their student loans, interest rates or payment plans, organizations may need to develop a new form of EAP in the form of a Student Loan Consolidation Assistance Program. The Student Loan Consolidation Assistance Program or (SLCAP) could be designed and utilized just like an EAP program is, employees are welcome to utilize the program or not. Some EAP programs do offer financial assistance, but should be tailored specifically to student loan assistance. I would not recommend partnering with a bank or selling a product, rather simply offering an SLCAP to recent grads who might have questions or concerns about their current student debt load. This could be another niche perk that assists your organization in retaining and attracting young and skilled talent from the millennial generation and those to follow.

Certain states and even Canada have now begun offering to pay off student loan debt if you relocate to that area and obtain residency.

**Below are relocation options:**

- Relocating to one of fifty counties in Kansas could save a student up to \$15,000.00 student loan debt.
  - <http://www.kansascommerce.com/index.aspx?NID=320>
- Relocating to Niagara Falls, New York could save a student up to \$7,000.00 in student loan debt.
  - The program is still being developed.
- Relocating to Saskatchewan, Canada could save a student up to \$20,000.00 in student loan debt.
  - <http://www.saskatchewan.ca/residents/education-and-learning/graduate-retention-program/about-the-graduate-retention-program>

**Alternative options to reducing the student loan debt burden include:**

- Working as a public-school teacher in a federally designed low-income secondary school or for five years as a special education teacher at a federally designated low-income elementary or secondary school can reduce loan debt by up to \$17,500.00.

- <https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/teacher#teacher-loan-forgiveness>
- Working in a federal, state or local government agency for 10 years, could eliminate the remainder of an employee's debt balance.
  - <https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/public-service>
- Working for the public good; social workers for families in low-income and high risk areas, law enforcement and corrections officers, firefighters, emergency medical technicians, public defenders and nurses all have the opportunity to reduce or have all Perkins loans forgiven.
  - <https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/charts>
- Join the Peace Corps or AmeriCorps and you might qualify for 70% of your student loans to be forgiven.
  - <http://www.peacecorps.gov/volunteer/learn/whyvol/during/loans/options/>

The public sector has been progressive in their current programs to assist employees with managing and repaying student loan debt. There are great programs in the public sector and volunteer organizations that provide tremendous value to their employees by helping to eliminate or reduce the burdens associated with higher-level education. As organization leaders, we need to be aware of these programs and proactively manage the perks that will add the most value to our employees.

Debt is stress. As we expect employees to do more with less, how much impact does worrying about student loan, paying the bills, living paycheck to paycheck have on an individual's performance in the workplace? What impact does it have on the organization? These are questions we have to ask ourselves when thinking about employee engagement, recruitment and retention, business strategy, leadership development and managing the new generation. Are we offering the right perks? What else can we be doing to help our employees in and outside of the workplace?

There have been articles written about the extreme lengths students and graduates will go to eliminate student loan debt. I was in this category; **I paid back almost \$74,000.00 in student loan debt in 23 months**. There is tremendous personal sacrifice and extreme budgeting when paying back that amount of money in a 23-month time period. I negotiated a high salary upon leaving graduate school, set a goal and managed my budget relentlessly. As I work on a second graduate degree, I know that \$100,000.00 in student debt is waiting for me in a few short years. A proactive approach to repayment and goal setting will help any graduate repay student loan debt.

As the \$1.3 trillion-dollar student loan debt amount continues to rise and with 50% of the workforce expected to be from the millennial generation by 2020, the popularity and increased use of the student loan repayment perk will continue to rise. The advantage of the aforementioned programs has yet to be determined, however; as a young professional who had student loan debt, my first choice would have been an organization that offered to help me pay that debt off.

As an organizational leader, ask yourself if a student loan repayment assistance perk is a program that will add value to your organization and your employees? Is a refinancing or assistance program a better option for our organization? Have we asked our current or future employees? Is it something we should ask at a college recruiting event? How do we implement such a program and what effect will it have on our current workforce? Do we eliminate tuition reimbursement and substitute a student loan repayment assistance program in its place? Do we open offices or locations in areas that offer students debt relief?

Providing a perk for repaying student loan debt is gaining popularity and will have an impact on where and how long a talented young millennial will work and stay in an organization. A Student Loan Debt Repayment perk is the new benefit of choice for this new generation of workers, and could replace benefits that have been in place for decades. Paying off student loan debt is something we all want and as such, organizations that have repayment programs in place will have a tremendous strategic advantage as the workplace continues to evolve and change. ✕

*Matthew W. Burr is currently enrolled at Syracuse University, working on a Master's in Business Administration and has over nine years of experience working in the human resources field. He currently owns and operates an HR consulting company; located in the Southern Tier of New York. Matthew is an adjunct professor Elmira College and Corning Community College. Matthew holds a bachelor's degree in business management from Elmira College, a master's degree from the University of Illinois School of Labor and Employment Relations in human resources and industrial relations and both the SPHR and SHRM-SCP.*

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<sup>i</sup> [https://www.shrm.org/hrdisciplines/benefits/articles/pages/in-focus-student-loan-debt-repayment-hot-employer-benefit.aspx?utm\\_source=Friday%20-%20HR%20Daily%20PublishThis%20Template%20\(5\)&utm\\_medium=email&utm\\_content=March%2018,%202016&MID=01211953&LN=Burr&spMailingID=25016186&spUserID=MTc1MzQzNjI5MDcxS0&spJobID=763156158&spReportId=NzYzMTU2MTU4S0](https://www.shrm.org/hrdisciplines/benefits/articles/pages/in-focus-student-loan-debt-repayment-hot-employer-benefit.aspx?utm_source=Friday%20-%20HR%20Daily%20PublishThis%20Template%20(5)&utm_medium=email&utm_content=March%2018,%202016&MID=01211953&LN=Burr&spMailingID=25016186&spUserID=MTc1MzQzNjI5MDcxS0&spJobID=763156158&spReportId=NzYzMTU2MTU4S0)

<sup>ii</sup> [https://www.shrm.org/hrdisciplines/benefits/articles/pages/in-focus-student-loan-debt-repayment-hot-employer-benefit.aspx?utm\\_source=Friday%20-%20HR%20Daily%20PublishThis%20Template%20\(5\)&utm\\_medium=email&utm\\_content=March%2018,%202016&MID=01211953&LN=Burr&spMailingID=25016186&spUserID=MTc1MzQzNjI5MDcxS0&spJobID=763156158&spReportId=NzYzMTU2MTU4S0](https://www.shrm.org/hrdisciplines/benefits/articles/pages/in-focus-student-loan-debt-repayment-hot-employer-benefit.aspx?utm_source=Friday%20-%20HR%20Daily%20PublishThis%20Template%20(5)&utm_medium=email&utm_content=March%2018,%202016&MID=01211953&LN=Burr&spMailingID=25016186&spUserID=MTc1MzQzNjI5MDcxS0&spJobID=763156158&spReportId=NzYzMTU2MTU4S0)