



Hitting the Books, with Some Help

IBM is looking to launch a 401(k)-type program that will fund accounts employees can use for professional education. But is the funding enough to make a difference? And will the government provide a tax break?

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Tuition reimbursement has been a common corporate perk for years, but IBM is proposing a new twist: a 401(k)-type program in which employees could contribute to an interest-bearing education account supplemented by company-paid matches. Unlike standard tuition-reimbursement plans, the funds in such accounts could be used for education *not* related to employees' existing jobs.

IBM's proposed "learning accounts" would allow U.S.-based employees with five years of service to contribute up to \$1,000 a year, with IBM matching 50 cents on the dollar. The program doesn't begin until next July, which will give IBM time to pursue another wrinkle: getting the government to pony up a tax break by making contributions exempt from income taxes, à la 401(k) plans. Rep. Rahm Emanuel (D-Ill.) has already proposed such legislation and IBM is bringing its lobbying powers to bear.

IBM will continue to spend \$600 million a year on tuition reimbursement, but says this new option is needed so that "our employees get an expanded skill-set to be effective in a global economy," says Stanley Litow, vice president of corporate citizenship and corporate affairs. "People need training for the jobs that may exist in the future."

Litow acknowledges that some employees might train themselves right out of the company, but says the assumption is that far more will prepare for new career paths within IBM.

Some see the move as little more than corporate window dressing. "The average college course costs \$1,000, and most training courses are even more, so people might be able to take one a year," says Faith Ivery, president of Educational Advisory Services in Scottsdale, Ariz., which consults with companies on employee education. "If IBM thinks this is actually going [to help] someone move into a new job, they're wrong."

Emanuel apparently agrees: his proposal calls for allowing employees to contribute up to \$2,500 annually.

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