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Catching On: A New Way to Pay for Worker Training

The principle behind health savings accounts is now being applied to education and many businesses stand to benefit.

By Jonathan N. Crawford

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Employers are increasingly offering to set up education savings plans and match workers' contributions. These programs offer employers a new way to help finance an employee's classes or training to upgrade skills without bearing the entire cost, encouraging participation in everything from certification programs to advanced computer training.

The education accounts are expected to grow rapidly over the next few years, helping to alleviate skills shortages in the wake of a large wave of retirements. Moreover, Congress may step in to provide tax incentives for the plans, a big plus that would hasten their adoption by businesses.

"I think we are going to see tremendous growth because you have several things going on: the retirement of the baby boomer workforce, increasing skill demand, increased competition, the skill needs are escalating and companies can't get the skilled workers they could a few years ago," says Pamela J. Tate, president of the Council for Adult and Experiential Learning, a nonprofit organization whose mission is to expand learning opportunities for adults.

In a typical employer-matched education account, employee contributions are matched either in full or in part by the employer and sometimes by a third party, such as the state. In some cases, the accounts are portable and can be used at any time during a worker's lifetime. Workers have used the accounts to fund a wide range of classes, including certification classes to become a registered nurse or a quality technician, language classes, computer classes and remedial classes.

Health care and IT companies are leading the effort. CVS Caremark and BJC HealthCare already offer employee education accounts while IBM's plan goes into effect in July.

CVS Caremark's Lifelong Learning Account pilot program features employee contributions that are capped at \$500 per year but matched twice -- by the employer as well as by the state of Massachusetts.

BJC HealthCare matches employee contributions up to \$500 per year. However, employer contributions to the account don't move with the employee. Since the program started, over 1,000 employees have used it for courses in continuing education, language, certification, career development and remedial subjects.

IBM will match 50 percent of employee contributions, capped at \$1,000 per year for employees with at least five years with the company. The education account available to all IBM employees also accrues interest and is portable. The cost of the program in its first year is estimated to be between \$10 million and \$12 million.

In the absence of federal legislation, some states have gone ahead on their own, too. Illinois has a pilot

program for health care workers in which the state matches 50 percent of an employee contribution to their education account, not exceeding \$500 per year. Washington has funded a regional demonstration program that is set to be expanded statewide. Maine started its own program in 2005 with the backing of the U.S. Department of Labor.

Because employees contribute to their education plans, the employers can spend less on this than tuition reimbursements -- employers favor the education plans for this reason. Some companies, including CVS Caremark and BJC HealthCare, report positive results, including greater worker retention and improved employee performance. Tate says the increased use of education accounts by businesses marks a change in attitude, with more of them seeing education benefits as an investment.

Many government programs have different criteria that need to be met for employees to qualify for financial assistance, such as the number of hours an employee works, the number of credits they are taking or the types of classes they are enrolled in. For this reason, many employees are not eligible for the government aid.

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