

Smart Accounts

Companies such as IBM are promoting "learning 401(k)s" as an innovative way to encourage employees to increase their knowledge.

By Tom Starnier

Until last July, the concept of a lifelong learning account was not only off the radar screen in the world of corporate training/learning, you could say its landing gear was still planted firmly on the terra firma.

Take the case of Philadelphia-based Tom Starr, who leads consultancy Booz & Co. Learning and Employee Development practice.

When Starr attended a conference of chief learning officers this spring and asked several attendees what they knew about lifelong learning accounts, they told him "not much."

When he delivered a few details, one being that lifelong learning accounts feature employer dollar matching, a couple of them scoffed at the idea, mainly because they had recently been asked to trim their budgets.

"At the conference, I asked some folks about the idea," Starr says. "And there wasn't a lot of energy around it. I'm also not hearing this as a big thing among the clients we serve."

If those CLOs had attended a different conference, one held in Washington last summer, they might have a more informed perspective. At that event, entitled "The Forum on Global Leadership: U.S. Competitiveness in a Globally Integrated Economy," Samuel Palmisano, IBM's chairman, president and chief executive officer, [stepped up to the podium](#) and announced that his company, as part of what it calls its "Global Citizen's Portfolio," would begin spending about \$40 million on a lifelong learning program that offers a dollar match to qualified employees.

The Global Citizen's Portfolio is a suite of investments and programs created to help IBM employees enhance their skills and expertise in order to become global leaders, professionals and citizens, according to the company.

"We fully expect that the Global Citizen's Portfolio will make IBM a more competitive and successful business," Palmisano told his audience, adding that while the program does require a significant investment, IBM depends on having the best expertise and talent. "We believe that innovation ... will help us retain and attract the smartest, most creative workforce."

Of course, announcing a corporate learning program is hardly earth-shattering news. But in this case, IBM created its new learning initiative to give employees who have been with Big Blue more than five years a 50 percent match of up to \$1,000 contributed -- to do whatever they want with the money, as long as it's used for learning. In the extreme, if an IBM employee wanted to use his or her matching dollars to take cooking lessons or learn to speak Chinese, that's perfectly fine under the program's guidelines.

A "Triple Benefit"

Under the surface, IBM's Individual Learning Account program pre-supposes that employees will make smart choices when using their learning funds (since much of it is their money), and also stay loyal to the company in the long run.

When it launches in the third quarter of 2008, IBM's ILA program will be piloted in the United States and expanded globally for the next three years.

"Our new program has a triple benefit: Individuals get to develop skills above and beyond typical career training; IBM and its partners benefit from those skills; and the community benefits as well," says Stanley Litow, IBM's vice president of corporate affairs and corporate citizenship.

Randy MacDonald, the company's senior vice president of human resources, says IBM feels the individual employee is in the best position to understand what kinds of skills he or she wants and needs in the new global economy.

"IBM believes it is the role of a responsible global organization to help our employees be competitive, and to help them meet their professional goals," MacDonald says.

While IBM's impending effort is expected to be the largest of its kind so far, the company isn't alone, nor is it even the first employer to offer this type of benefit. For example, companies such as BJC HealthCare, a 26,000-employee healthcare system in St. Louis, and CVS Caremark, the \$80 billion global integrated pharmacy services provider headquartered in Woonsocket,

R.I., offer similar plans.

All three programs are fashioned on so-called lifelong learning accounts, or "LiLAs." [The Council for Adult and Experiential Learning](#), a Chicago-based organization that has been a driving force behind the adoption of tuition reimbursement accounts for employees, is the primary organization spearheading the LiLA concept. In fact, CAEL worked with IBM and the others on their programs.

According to Pam Tate, CAEL's president and CEO, a LiLA is simply an employer-matched, portable, worker-owned account used to finance career-related education and training for all levels of employees.

It is similar in concept to a 401(k), but as of right now, unlike a 401(k), there are no tax benefits to a LiLA (although bills are currently pending in both the [House](#) and Senate that would offer tax credits to employers and employees).

"LiLAs are all about learning things to make you employable for a lifetime, and making your company more competitive at the same time," Tate says. "America today has a skills shortage, even under the current economic downturn. People keep saying we have to do something to spur individuals to get training and improve their skills, and LiLAs are a great way to do it."

Tate adds that based on CAEL's surveys, 98 percent of employees with LiLAs pick skills training and education related to improving their careers. In other words, any fears an employer might have that workers will waste the opportunity are unfounded, she says.

"Tuition assistance is a great benefit, but it has limitations and restrictions," Tate says. "Today, if an employer is trying to be an employer of choice, it has to offer benefits that are better than the competition's."

Litow says the \$40 million IBM has earmarked for LiLAs is in addition to the \$600 million the company already spends annually on career training. Outside the company, he expects ILA-like programs will begin to receive more attention and flourish when (and if) federal tax credits become a reality. As for how many IBMers will participate, Litow says he expects that, based on estimates, 10 percent to 20 percent of eligible employees will initially sign on for ILAs.

Interestingly, Litow says, since IBM announced the program last July, about a dozen large companies have asked Big Blue for more information about the ILA.

"We shared with them our thinking and how this fits into our strategy, as well as why it's good to get employees thinking about expanding their skills outside of the normal career training process," he says.

Litow says the standard model for skills training – a company wants a group of employees to improve their skill sets in a certain area, so it spends money on training geared to those skills – may become obsolete. In today's global economy, IBM is discovering that skills are changing at a much faster rate than before, he says. Plus, he adds, it's not even clear which skills will still be needed in the future.

Then there's the added benefit of keeping talent within the fold, as well as enticing new talent to come to IBM. "We believe ILAs will be a very valuable talent retention and recruitment tool," Litow says.

Getting the Green Light

At BJC HealthCare, Chief Learning Officer JoAnn Shaw says that after seeing Amy Sherman, CAEL associate vice president, deliver a presentation about LiLAs back in 2004, it took Shaw all of 10 minutes to realize this was something her company could use, and in a hurry.

"I was fascinated by it," says Shaw, who is a CAEL board member. "As I sat in that meeting, listening to Amy talk about LiLAs, I knew this was something we needed to do." The reason?

The company sees lifelong learning for its employees as crucial, and LiLAs struck her as a way to eliminate any barriers that might stand in the way of learning opportunities.

Shaw, BJC's top HR executive at the time, went to Steve Lipstein, president and CEO, and discussed implementing LiLAs at the company. Within a year, BJC had a LiLA program. Today, there are 1,200 or so employees (compared to 50 in 2005) taking advantage of the dollar-matching program, which offers a match of up to \$500 annually per employee. (Since then, Shaw became director of the Center for Lifelong Learning, BJC HealthCare's award-winning, in-house learning program. Lipstein offered her the job as an enticement to remain with the company.)

"[The LiLA] is set up to run alongside our tuition-reimbursement program, but people also use it for courses that are not eligible

for tuition assistance," Shaw says. She adds that LiLAs are especially well-suited for healthcare organizations because employees in clinical care areas, for example, are expected to earn continuing education credits, not all of which are covered by tuition assistance.

In addition, [BJC HealthCare's CLL](#), which ranks first in healthcare and 19th overall in the American Society for Training & Development's 2007 BEST awards program, is working out tuition discounts and partnerships with local universities. For example, St. Louis University offered discounts if BJC HealthCare could deliver a cohort group of 40 employees. It turned out to be more like 250.

Shaw credits Lipstein not only for giving her the green light, but doing it without asking for metrics or any other ROI indicators.

"We've been working together for 16 years, so I guess he trusts my judgment," she says. "Steve also knows firsthand how the power of adult learning can take an organization to the next level."

Into the Pool

On the talent-management front, Shaw has little doubt that BJC HealthCare's impressive 96-percent retention rate has remained high due, in part, to the LiLA benefit.

"It helps that I was chief HR officer when I first heard about LiLAs," she says. "This is simple. It's really fantastic."

If BJC HealthCare has been swimming in the LiLA pool for three years and IBM will jump in soon, you might say another employer, CVS Caremark, has just stuck its big toe in and, so far, the water feels just fine, according to Steve Wing, the company's director of workforce initiatives.

CVS Caremark recently launched a pilot savings program for entry-level employees in Massachusetts. Workers who save up to \$500 to finance their education get another \$500 each from CVS and the state, for a total of \$1,500.

In this partnership, the nonprofit organization Jewish Vocational Service will educate workers about personal finances and help them pursue college. The three-year program, which is focused specifically on entry-level workers, launched with 50 participants. Wing says there are plans to add another 50 soon and grow the program from there.

"There are a number of reasons we like the LiLA concept, and recruiting and retention are two critical ones," says Wing. "We want to help our people get an education, and one of the ways to do that is to set up a lifelong- learning program."

Wing notes that it was very easy to get the first 50 candidates.

"We're just testing it right now, getting it all worked out," he says. "The more we can do it, the better it is for CVS Caremark. In fact, it's a relatively small investment with potentially big consequences."

Wing compares CVS Caremark's LiLA offering to a "flex" benefit program, called Snowbird, that allows older workers to transfer from store to store based on the seasons: Employees who work in a Massachusetts CVS store can transfer to one in Florida during the winter months, for example. It, too, started with about 50 employees, but today has more than 1,000 participants.

Perry Sofferman, founder and CEO of Palm Beach Strategy Group, a management-consulting firm in Boca Raton, Fla., hopes that, in the not-too-distant future, LiLAs will be as commonplace as 401(k) accounts.

"Companies that institute such programs will benefit from them in several ways, both directly and indirectly," he says.

First, Sofferman says, the learning accounts promote cross-training. An employee who's spent a good portion of her time in accounting, for example, might find that she has an interest in marketing. If she's a good employee, Sofferman says, why not seek to retain her in another capacity?

"After all, the employee already understands the organization, and any move she makes within it would, of course, help cross-pollinate various departmental perspectives – bring the accounting perspective over to marketing, for example," he says.

In a more indirect way, Sofferman says, senior management will benefit from LiLAs by showing employees that they take a legitimate interest in their development as individuals.

"LiLAs tend to underscore the importance of education and skill development in a way that we have not seen," he says.

And despite contribution levels being "too low" right now, he hopes they will increase with the passage of federal legislation that further encourages companies to offer LiLAs.

Skeptics remain. Booz & Co.'s Starr says his reaction to the LiLA concept is that his current clients are looking to be more targeted when it comes to learning.

"The big question is, is it a long-term commitment or more of a one-off?," he says. "Is it the next great innovation? Or just an idea that will never really take off?"

Along with CAEL's Tate and BJC's Shaw, CVS Caremark's Wing believes he knows the answer.

"Lifelong learning offers huge potential," Wing says. "In the next few years, if the tax legislation becomes reality, I believe we will see it become a much bigger part of the HR and the learning landscape."

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