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Research Brief

Educational Benefits and Military Service: An Analysis of Enlistment, Reenlistment, and Veterans' Benefit Usage 1991-2005

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Keywords: Montgomery GI Bill, veterans' benefits, educational benefits, retention, military recruitment

Research Highlights:

- Montgomery GI Bill (MGIB) educational benefits are used as an effective recruiting tool for military service, yet these same benefits often result in an increase in separation from the military after the first term of service.
- A \$10,000 increase in veteran's education benefits is shown to increase the probability of MGIB usage by 5%. However, an increase in the dollar amount of available benefits does not seem to be correlated with the duration of benefit usage.
- Estimates on changes in benefits and military retention in this paper can serve as a reference for the evaluation of effects of more recent veterans' benefits legislation, including the Post-9/11 Veterans Education Assistance Act of 2008.

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Abstract:

“Montgomery GI Bill (MGIB) educational benefits are a prime recruiting tool in today's all-volunteer military. This paper studies the effects of changes in education benefits using data of the period 1990 – 2005. Higher benefits lead to higher separation due to both pure incentive effects and by attracting more college-oriented youth into military service. We deal with potential selection issues by distinguishing between anticipated and unanticipated benefit changes. Higher education benefits are associated with higher separation from the Army and Air Force, but not the other services. A \$10,000 increase in MGIB benefits is estimated to increase usage by about 5 percentage points, but the duration of usage is estimated to be insensitive to benefit levels.”

Implications

For Practice

The MGIB, which began in July 1985, states that veterans who enroll in a Veterans Administration-approved educational program can receive educational benefits for up to 36 months. In order to be eligible for this program, veterans must contribute \$100 per month during their first year of service and begin usage within 10 years of separating from service. In this comprehensive study of GI Bill usage among all-volunteer force (AVF) era veterans, a \$10,000 increase in veteran's education benefits is shown to increase the probability of MGIB usage by 5%. However, an increase in the dollar amount of available benefits does not seem to be correlated with the duration of benefit usage. Also, effects of increased education benefits on separation from the military changed based on military branch, with increases in separation occurring in the U.S. Army and Air Force, but insignificant changes in separation for the Navy and Marine Corps.

For Policy

Since the MGIB, several pieces of legislation have been enacted to increase educational benefits for veterans, with one of the most recent being the Post-9/11 Veterans Education Assistance Act of 2008. Congressional debates have highlighted concerns about the retention effects of new benefit levels, and research suggests the need for policies to reduce separation levels, perhaps aimed at specific branches of the military. Estimates in this study suggest that enhanced education benefits will increase separation after the first term of service in all branches except the Navy. These increased rates of separation will be particularly problematic for the Army, which has used education benefits as a major tool for recruitment, and which has the retention most likely to be affected by increased education benefits. Army retention after the first term could decline by 8-12%, and the Army would need to use other tools, such as higher reenlistment bonuses, to offset the declines.

For Future Research

Because the research in this study shows that an increase in educational benefits will increase MGIB usage for early AVF veterans, the estimates in this study can be used as a starting point for evaluating later veterans' benefits legislation. Specifically, future research should focus on the effect of the Post-9/11 Veterans Education Assistance Act of 2008 on veterans' use of educational benefits and their separation from military service. Researchers could perform a cost-benefit analysis of this new law, which almost doubles the current \$38,000 education benefit, investigating the magnitude of the effect of the legislation on veterans' reenlistment. Researchers could also examine the effect of the expanded window for benefits, from 10 to 15 years, on veterans' benefit usage. Because of concerns about the effect of enhanced educational benefits on military retention, the Department of Defense and Congress created a new provision allowing military personnel to transfer unused GI Bill entitlements to their spouses and children. In order to be eligible for this, military personnel must have 10 or more years of service. Studies focusing on the provisions of this new legislation, including how valuable the provisions are to military families and whether the provision works to reduce adverse separation effect of enhanced educational benefits, would be an invaluable area of future research as well. This provision could lead to significant increases in future MGIB usage rates by family members, especially because a high percentage of military personnel with 10 or more years of service are married and have children.

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