

Research Brief

The Effect of Veterans Benefits on Education and Earnings

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Research Highlights:

- Veterans' benefits that subsidize education make up the largest federal program for student aid. These benefits give veterans a much needed opportunity for increased educational attainment, and as a result, increased future earnings.
- Veterans' benefits are estimated to increase future schooling by 1.4 years, meaning annual earnings for these veterans will be 6% higher than they would have been otherwise.
- Attending college or graduate school is especially significant in increasing annual earnings for veterans.

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Abstract:

“Veterans’ benefits that subsidize education and training constitute the largest federal program for student aid. Using data from the 1987 Survey of Veterans, the author presents estimates of the effect of veterans benefits on schooling completed since entering the military and on subsequent earnings. Veterans’ benefits are estimated to increase schooling by roughly 1.4 years, which implies annual earnings approximately 6% higher than would have been expected in the absence of the benefits. This premium appears to accrue primarily to the 77% of benefit users who attended college or graduate school.”

Implications

For Practice

Veterans' benefits that subsidize education and training constitute the largest federal program for student aid. Using data from the 1987 Survey of Veterans, the author presents estimates of the effect of veterans benefits on schooling completed since entering the military and on subsequent earnings. Veterans' benefits are estimated to increase schooling by roughly 1.4 years, which implies annual earnings approximately 6% higher than would have been expected in the absence of the benefits. This premium appears to accrue primarily to the 77% of benefit users who attended college or graduate school.

For Policy

Policy makers should note that this study found smaller effects on earnings and education than previous studies have found, however, this is possibly due to the programs considered here being less generous than the GI Bill. Veterans' eligibility for certain programs, as well as their level of education before enlisting, both have a significant impact on their use of benefits after service and the educational and financial rewards resulting from benefits usage. The GI Bill was primarily available to veterans serving during the Vietnam era, while veterans serving during the all-volunteer force period (AVF) were eligible for VEAP, which was a less generous program. Those serving during the AVF period had to be able to contribute to VEAP while on active duty to be eligible for benefits, and as a result were found to be less likely to use any educational veterans' benefits. As for education, those using veterans' benefits tended to have higher educational levels than non-users before enlistment, but almost 80% of veterans in the sample acquired some kind of education or training after discharge. Over 50% of the sample attended college or graduate school as well. These patterns show that policies increasing veterans' eligibility for educational assistance are of the utmost importance, as most veterans will take advantage of these programs given the opportunity. Policy makers should also investigate the use of subsidies for older veterans who may be more likely to choose full-time work over further schooling. Policies including these subsidies could encourage older veterans to invest in their own human capital.

For Future Research

Future research should compare the annual earnings premium for veterans' benefit users with the earnings loss associated with serving in the armed forces. The earnings premium may not overcome this earnings loss, and veterans may have earned more by remaining in civilian life. Another topic for future research is whether veterans' benefits are a form of compensation that is cost-effective. To answer this question, researchers must study the opportunity costs of schooling along with the cost of administering veterans programs and university tuition. These costs should be compared with the higher tax payments from more educated workers, which offset program costs. Because this paper focuses specifically on the effect of benefits on post-secondary education for veterans who served in the Vietnam era, between August 1964 and May 1975, and veterans of the AVF period, from May 1975 to September 1980, future research could explore the effects of veterans' benefits on later cohorts of veterans' educational attainment and annual earnings.

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