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**Highlights**
- The post-9/11 GI Bill provides a unique form of deferred compensation in which the employee receives generous education benefits that can be transferred to a family member in exchange for additional military service.
- We find clear and intuitive socioeconomic differences in patterns of transfer: parents who are longer-tenured in the Army and more educated are far more likely to transfer benefits.
- The transfer provision may have stabilized retention for midcareer reenlistment-eligible soldiers by compelling those with a dependent family member to stay in service. Using difference-in-differences estimation, we find a modest retention effect: a 2 percentage point increase (on a baseline of 70 pp).

**Introduction**
The post-9/11 GI Bill provides a unique form of deferred compensation in which the employee receives generous education benefits that can be transferred to a family member in exchange for additional military service. The transfer provision presents a challenging dilemma for the military parent: he must weigh the costs of continued service in a hazardous profession against the benefits of locking in college funding for a child, in some cases years before the child might even enroll in higher education.

We focus our analysis of the transfer provision along two key avenues. First, we develop an economic model to understand both the dilemma and patterns of transfer made by parents in the early years of the program. Perhaps unsurprisingly, we find that takeup rates for transfer are significantly higher for parents who earn higher wages, are nearer to military pension eligibility, and have already completed their education.

Second, we estimate whether the transfer policy led to an increase in retention for eligible soldiers with dependents relative to a variety of comparison groups who were either ineligible for the transfer benefit or less likely to be responsive to its provisions. We find evidence of a small stabilizing effect on Army retention.

**Data & Sample**
We analyze active duty Army service members from the years just before and after program implementation (August 2009). For the transfer analysis, we follow nearly 200,000 individuals who were immediately eligible to transfer in 2009 over time. For the retention study, we analyze decisions made by 300,000+ soldiers eligible to reenlist in the years 2008-2011.

We gather rich individual-level data on soldier characteristics, career choices, and family structure from the US Army’s Office of Economic and Manpower Analysis. These data also include detailed records of benefits transfer – provided by the Veterans’ Administration (VA) – for the years 2009-2015, which cover the early years of the program.

**Analytic Strategy**
To understand the dilemma inherent in benefits transfer, we study patterns of transfer in light of a multi-period model of household decision-making. The key tradeoff in our model is that the parent incurs the cost of military service (CMS) – by agreeing to an additional four years of active-duty military service – if he transfers benefits to the child. However, by transferring benefits, he provides a college education for the child without having to pay tuition.

Additionally, a parent who has not completed his education foregoes own use of the GI Bill by agreeing to transfer benefits.

To investigate the retention impacts of benefits transfer, we use a technique called difference-in-differences (DD), in which we compare groups affected by the policy (“treatment”) against a group unaffected by the policy (“control”) across time. For this analysis, the main treatment group comprises those parents who face a reenlistment decision while eligible to transfer benefits; the comparison group consists of peers at the same career point who do not have families and so could not transfer benefits. Even though these are clearly different groups, their reenlistment trends move together over time prior to implementation of the post-9/11 GI Bill (“parallel trends”) – supporting our use of DD approaches.
Findings
The figures above demonstrate that there are clear and intuitive socioeconomic differences in patterns of transfer: parents who are more educated and longer-tenured in the Army are far more likely to transfer benefits. These plots are based on roughly 200,000 active duty Army service members who were immediately eligible for transfer at program implementation in 2009. The solid lines are cumulative transfer rates across time for a subgroup within that cohort; the dashed lines are marginal rates that measure first-time transfer behavior in a given year only.

For the retention analysis, we see in the figure below that the August 2009 introduction of the transfer provision may have stabilized retention for reenlistment-eligible soldiers in the 6-9 years of service range. Specifically, the retention rates for single soldiers dipped in the years 2010-2011, while there was no such decline for soldiers with dependents. The transfer provision appears to have incentivized midcareer soldiers with dependents to remain in the service during this time when they might otherwise have been likely to separate. Our DD regressions confirm the graphical evidence by returning a modest retention effect: the transfer provision appears to have increased retention rates by 2 percentage points (on a baseline of 70 pp), a statistically significant but economically small effect.

Conclusion
The post-9/11 GI Bill allows service members to transfer generous education benefits to a family member in exchange for continued service on active duty, presenting both a complex economic decision for the service member as well as a potentially influential means of deferred compensation. Our analysis reveals clear socioeconomic differences in likelihood of benefit usage, with takeup rates highest among senior service members who: earn higher wages, are near or beyond pension eligibility, and have already completed their education. We also find that the transfer provision had a modest stabilizing effect on Army retention in the years immediately following program implementation, in spite of generally low takeup and possible information frictions that could have limited visibility of the transfer provision. In subsequent work, we plan to investigate strategies to encourage service members to make an active and informed choice between either planning to use the GI Bill for their own education post service or to transfer their benefits to an eligible dependent. Our hope is to reduce the share of eligible Army veterans who neither transfer the benefit nor use it for themselves after the service.

This Research Brief is a summary of a larger EdPolicyWorks Working Paper available at: https://goo.gl/bRD61B