
SUMMARY

Military recruiting has become more difficult in recent years. For the first time in two decades the services failed to meet their recruiting targets for fiscal year (FY) 1999. While the unusually strong labor market of the 1990s undoubtedly played some role in recent recruiting difficulties, another long-term demographic trend is likely to also contribute to recruiting woes: the large growth in college attendance in recent years. Traditionally, the services have targeted the recruitment of those youth who have no immediate plans to attend college. However, because high-quality youth are increasingly likely to choose to attend college right after high school, the services may benefit from considering whether they could target this group. The services might be able to significantly expand their pool of potential recruits by adopting policies that target youth who plan to go to college or who actually do go to college immediately following high school. We call this group *youth in the college market*.

RAND conducted a study to provide information to help the services assess their current programs to target the recruitment of youth in the college market and to develop new policies to reach this group. The first year of our study documented demographic trends that point toward college-bound youth as a potential recruiting market and documented the ways the services compete with the college market by offering opportunities to combine military service and college. The results of the first part of the study are summarized in *Attracting College-Bound Youth into the Military: Toward the Development of New Recruiting Policy Options* (Asch, Kilburn, and Klerman, 1999).

The second part of the study further explores the enlistment potential of college-market youth by examining in more detail the characteristics of the college-market population and the implications of these characteristics for designing effective new recruiting policies. The results of this analysis are reported in the current volume. The report has four chapters. The first provides an overview of recent trends as well as some theoretical reasons why recruiting college-market youth makes sense. The next three chapters then investigate different aspects of the youth college market. The second chapter examines trends in intentions to enlist and to attend college among American high-school seniors and the relationship between these trends. The third chapter compares civilian financial aid programs, military educational programs, and college costs to assess the relative attractiveness of current educational recruiting incentives. The last chapter analyzes the enlistment potential of different segments of the college market (e.g., two-year and four-year students and dropouts). We summarize the main findings of these chapters next.

COLLEGE MARKET TRENDS AND ECONOMIC THEORY POINT TO THE ENLISTMENT POTENTIAL OF THE TWO-YEAR COLLEGE MARKET

The supply of young men in the military's traditional market—those who do not immediately attend postsecondary educational institutions following high school—has declined since the 1970s for two reasons. First, the fraction of high school graduates who attend college within two years of graduation has grown from about half to about two-thirds. This growth in college attendance reflects the big rise in labor market returns to a college degree rather relative to a high school diploma. Second, the overall size of the youth population has declined since 1980 from about 2.2 million to 1.9 million, further lessening the supply of youth to the military's traditional market.

Although the downturn in the size of the youth population has also hurt the supply of college-market youth, the growth rate in college attendance has partially offset this downturn. Therefore, the overall size of the college-bound market has stayed about the same whereas the size of the non-college-bound market—the military's traditional market—has shrunk markedly.

Nearly half of the increase in college enrollment between 1980 and 1994 was attributable to the increase in attendance at two-year colleges. Despite the numerical importance of this segment of the college market, researchers are less familiar with this group than with the four-year college segment. Students at two-year colleges exhibit characteristics that suggest they may have enlistment potential. Although two-year colleges originally focused on preparing students to transfer to four-year institutions to obtain bachelor's degrees, less than 15 percent of two-year entrants actually receive bachelor's degrees. In addition, dropout rates are high among two-year students. About half of these students never attain a postsecondary degree. Part-time enrollment is also common among two-year students. About two-thirds of two-year students attend school on a part-time basis. The high dropout rate, part-time enrollment rate, and the relatively low transfer rate to four-year colleges suggest that these students may not be strongly attached to schooling as a postsecondary school activity, and that they may be "trying out" school to determine if they are indeed "college material." These features of two-year students all suggest that this segment of the college market may have significant enlistment potential.

While these trends indicate that the two-year college market might be a rich source of recruits, economic theory suggests that the military should not abandon the traditional market. Rather, a more efficient strategy would be one that enlists those individuals from both the traditional market and the college-bound market who have the greatest interest in the military.

YOUTH WITH SOME INTEREST IN THE MILITARY SEE THEMSELVES AS TWO-YEAR COLLEGE MATERIAL

In light of the increase in college attendance in recent years, it is no surprise that college intentions among high school seniors have risen as well. Trends in college intentions have not been well documented in the past. Using data on a nationally representative sample of high-school seniors interviewed in the Monitoring the Future survey, our study finds that roughly 50 percent more youth say they definitely will graduate from a four-year college today than at the inception of the All-Volunteer Force (AVF) in 1974. Seniors are also more definite about their two-year college plans. When asked about their plans to

attend a two-year college, more students today are indicating that their two-year plans are in the two “Definitely” categories—“definitely won’t” and “definitely will” graduate—than they were at the beginning of the AVF. At the same time that college intentions have been rising, military enlistment intentions have fallen, consistent with the results of the military’s Youth Attitude Tracking Survey (YATS). The fraction of seniors who say they definitely won’t serve in the military rose from 57 percent in 1976 to 74 percent in 1995. The drop in positive propensity has been even sharper for black males.

College and military intentions are not independent. This relationship is important to understand because the implications for recruiting policy of the rising interest in college depend on the relationship between college and military intentions. If preference for military service rose as preference for college grew, then an increase in the fraction of youth interested in college may not be detrimental to recruiting. However, if interest in the military drops when intentions to attend college rise, then an increase in the fraction of recent graduates attending college is likely to make recruiting much more difficult.

The study tends to find an inverse relationship between college intentions and military intentions. Individuals who say they won’t enlist have positive two- and four-year college intentions. On the other hand, those who say they probably will enlist have positive two-year college intentions, but negative four-year intentions. Put differently, those with some interest in the military see themselves as two-year college material but not four-year material.

These results suggest that recruiting policies that allow youth to combine college—especially two-year college—and military service are likely to be attractive to those with some interest in enlistment. Opportunities to combine college and military service are also likely to have some attraction to those with less interest in joining the military, since those who report less definite interest in military service comprise at least half of those who eventually enlist.

MONTGOMERY GI BILL BENEFITS COVER ONLY TUITION COSTS BUT THE COLLEGE FUNDS COVER TOTAL COSTS AT PUBLIC SCHOOLS

Given the interest in college among potential enlistees, a relevant question is how the current level of college benefits offered by the military compares to other sources of financial aid and to college costs. Our study addressed this question and also examined trends in federal financial aid opportunities and military educational benefits over the past decade.

As an alternative source of college aid and the largest source of aid, federal financial aid can either help or hurt military recruiting. One recent trend that is likely to benefit recruiting is the decline over the last decade in the average federal financial aid award. Consequently, students are getting, on average, less money for college from this source of funds and may find military educational benefits more attractive now than in the past, all else being equal. Another recent trend has been a major shift away from grant aid toward loan aid. That is, students are more likely to get aid that requires repayment. This trend will help recruiting to the extent that students will be more attracted to military benefits that do not require repayment.

However, despite the decline in the average award, the fraction of students receiving federal aid has grown. Furthermore, the next-largest source of aid after federal aid—state aid—has grown significantly in recent years. In addition, colleges are now leveraging their own institutional funds to compete for the best students. These trends may be detrimental to recruiting insofar as they represent important alternatives to military educational benefits.

The largest military educational benefits program in terms of enrollment is the Montgomery GI Bill (MGIB) and the “add-ons” to this benefit, namely the Army College Fund and Navy College Fund. Under these programs, the individual uses the benefit after satisfactorily completing his or her service requirement and after contributing \$1,200. In the case of the College Funds, the individual must also be a high-quality enlistee and enter specific, usually hard-to-fill, occupational specialties. For a four-year enlistment, the maximum MGIB benefit in FY 1999 was \$540 per month for 36 months (or \$19,440);

the maximum College Fund benefit for a four-year enlistment in a critical skill by a high-quality enlistee was \$50,000.

The extent to which MGIB and College Fund benefits cover college costs depends largely on what type of school one is examining—public or private—and what type of costs one is considering—tuition costs only or total costs, which also include room and board costs. The college funds go much farther toward funding a college education than does the MGIB. In general, the MGIB covers all tuition costs at public schools whereas the college funds cover total costs at public schools and about half of total costs at the majority of private schools.

The level of MGIB and College Fund benefits has received considerable attention recently, starting with the report of the Congressional Commission on Servicemembers and Veterans Transition Assistance (also known as the Pricipi report, after the chairman of the commission, Anthony Pricipi), which was released in January 1999. Subsequent to the report, numerous bills were introduced in Congress in 1999 to enhance the MGIB benefit. Nearly all of the bills eliminated the member's contribution. The Senate bills tended to increase the monthly benefit, up to \$600, while the House bills sought to base the benefit on tuition costs as well as to provide a monthly stipend. While an assessment of the relative merits of these proposals is beyond the scope of this report, our analysis suggests that the current level of educational benefits, especially the college funds, already provides veterans with the ability to cover tuition costs at public institutions.

THE TWO-YEAR COLLEGE GROUP HAS THE GREATEST ENLISTMENT POTENTIAL AMONG THE COLLEGE MARKET

Insofar as the military will find it valuable to target the enlistment of college-bound youth—and our research suggests that this is indeed the case—the design of future policies to attract college-bound youth should consider which group should be targeted: entrants, dropouts, or graduates from two-year or four-year colleges. Some policies may be more effective than others with a specific college group. For example, although college students may find a policy that offers basic

pay while they attend school attractive, dropouts might be more responsive to a policy that offers a bonus to those with some college who enter the military in the near future. The decision of which college-market group to target for enlistment depends on the enlistment potential of each group.

Our study assesses the enlistment potential of different college groups using both data that track the college and career path of college entrants and the results of a previous study that identifies the characteristics predicting a youth's probability of enlistment. We use this information to investigate which segment of the college market is most likely to have the characteristics associated with enlistment. We examine not only those characteristics associated with being eligible to enlist, such as age, aptitude, and health status, but also those associated with an interest in enlisting, such as mother's education and parent occupation. The data we use capture a representative sample of individuals who entered college for the first time in 1989 and follow them until 1995.

The study finds that the two-year market, and two-year dropouts in particular, are more likely to have characteristics associated with enlistment and are therefore likely to be the most promising source of recruits among individuals who started college. We examined characteristics that are associated with being eligible to enlist, such as indicators of academic ability and physical health, and characteristics associated with interest in enlisting, such as ethnicity and parents' occupation. Although students in the four-year college market also displayed many characteristics associated with being eligible to enlist, this group was less likely than two-year college students to have characteristics associated with an interest in enlistment.

The study also highlights some alternative policy options available to target the enlistment of the college population, including college loan repayment, paying higher basic pay for postsecondary education, paying for college tuition, and enlistment bonuses. We find that two-year students are likely to be responsive to a policy that offers a stipend, higher pay, or other means of offsetting the cost of attending school. Although tuition costs are relatively low for two-year students, the opportunity cost of their time, i.e., the fact that the time spent in school could have been used to work in a paid job, is relatively high. Consequently, the cost of attending school for two-year

students can be significantly higher than simply tuition costs. Policies that offset these costs may be effective with this group, especially since two-year students are only half as likely to get financial aid as four-year students and the amount they receive is less.

The military currently has a policy that allows those who enter service with college to enter at a higher paygrade. We find that this policy does not result in a significant gain in first-term compensation. First-term compensation increases by only about 5 percent for those who enter the Army with two years of college given the structure of the military's basic pay table, and time-in-service and time-in-grade requirements for promotion to higher grades. Although strictly comparable civilian data are unavailable, available information suggests that the relative return to two years of college in the private sector is significantly higher than 5 percent: The difference in the civilian labor market between the mean real wage of someone with an associate's degree and someone with a high school diploma is 30 percent. If the military is going to successfully compete with the private sector, the relative amount it pays those with some college must be substantially greater than current policies provide. The higher pay could come in the form of a college enlistment bonus, even faster promotion speed (and the waiving of time-in-service and time-in-grade requirements for promotion), or higher basic pay in the form of a years-of-service credit for having some college. These alternatives are meant to be suggestive. Additional research is needed to ascertain which types of policies would be the most effective.

Whatever new programs are adopted to attract college-market youth, an important element of the implementation plan must include a recruiting infrastructure that ensures the success of the programs. The current recruiting infrastructure is configured to successfully target the non-college-bound market. Minimal efforts in the 1980s to enlist college-bound youth often failed because the programs were not well funded and were peripheral to the main efforts of the recruiting commands. New policies to recruit youth in the college market cannot be adopted in a "business as usual" environment. They must be well funded and part of an overall comprehensive strategic plan to select, train, and motivate recruiters to successfully penetrate the college market, to generate leads, and to develop meaningful long-term relationships with two-year colleges. Without a shift in the way

the services go about recruiting, efforts to attract college-market youth will be marginally successful, at best.

Each service will need to discover what changes should be made to its recruiting methods and what policies it finds most effective. This experimentation will take some time. Therefore, developing policies to tackle the college market should be part of each service's long-term recruiting strategy.