Comparing Ex-Servicemember and Civilian Use of Unemployment Insurance

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Preface

As a result of the activation and large-scale deployment of reservists in the post–September 11 era and the more recent drawdown across services, a number of service members are separating from the military and claiming unemployment compensation benefits through Unemployment Compensation for Ex–Service Members (UCX). In recent years, federal agencies have developed a number of new programs designed to enhance service members' transition into the civilian labor force once they finish their service. A challenge in tailoring such programs to meet the specific needs of ex-service members is the existence of relatively limited information about their postservice job search experiences.

In this report, we examine the unemployment experiences of ex–service members compared with those of civilians in terms of access to benefits, unemployment duration, and wage demands. This report will be of interest to policymakers considering altering the UCX system or improving access or knowledge about the UCX system to ex–service members.

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Introduction

The U.S. military has a vested interest in improving the economic well-being of ex–service members, including the short-term labor outcomes of those transitioning from the military into the civilian labor force. Several programs are in place to alleviate the difficulties that service members may face when they first enter the civilian labor market; one of them is the Unemployment Compensation for Ex–Service Members (UCX) program, equivalent to the civilian Unemployment Insurance (UI) program, providing cash assistance and other benefits to the unemployed. Unfortunately, there is little previous research about the characteristics of ex–service members who claim UCX benefits and their outcomes, because there is a lack of available data to study the enrollees and their labor outcomes.

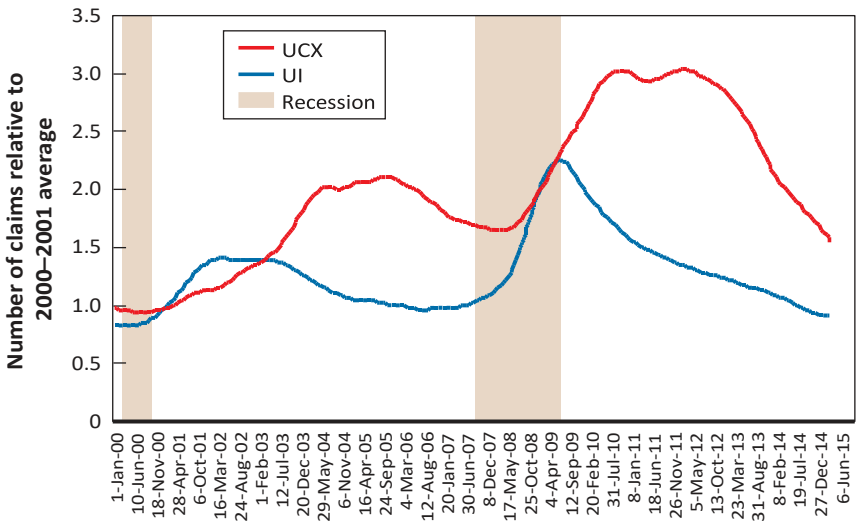
In this report, we get around this challenge by leveraging a unique data set, collected by the U.S. Department of Labor (DoL), which includes a rich set of information on UCX claimants. The Benefit Accuracy Measurement (BAM) data program includes detailed demographics, preunemployment labor status, job search behavior, and other information for individuals enrolled in UI and UCX. This data set provides a unique opportunity to understand enrollment and behavior in UCX. In this report, we compare the characteristics and behavior of UCX enrollees with UI enrollees. To complement the BAM analysis, we also use U.S. Census Bureau data to study observable differences between ex–service members enrolled in UCX and the general

veteran population.[1] The U.S. Census Bureau's American Community Survey is a representative sample of the U.S. population and includes demographic information and veteran status. We compare veterans in the U.S. population with those enrolled in the UCX program to understand predictors of unemployment and UCX claiming behavior.

Results

Figure S.1 shows that UCX and UI claiming patterns diverge in important ways. From 2002 to 2005, UCX claims grew substantially, while UI claims were actually falling. For UI, there was huge claim growth

Figure S.1
Change in UCX and UI Claiming



SOURCE: RAND analysis of U.S. DoL, Employment and Training Administration data.
RAND *RR1496-S.1*

[1] The unemployment insurance system uses the terminology "ex-service member" to refer to those who have left the active and reserve components of the military. Other data sets use the term "veteran" to denote prior-service civilians. We use the terms in agreement with these conventions, although they are synonymous.

in the initial phases of the Great Recession, but since 2010, claim activity has steadily declined; by 2015, UI claims had reached prerecession levels. UCX claims in recent years have exhibited a different pattern. Beginning with the downturn, the rise in UCX claims persisted for a longer period—lasting to the end of 2010—and then UCX claim levels remained elevated for the next two years, declining only since 2013. By mid-2015, however, as was true for UI, UCX claim patterns reached prerecession levels.

Prior research explains the 2002–2005 divergence as primarily a function of increased UCX eligibility due to deployments for Operation Iraqi Freedom and Operation Enduring Freedom. However, the precise reasons for the more recent divergence between UCX and UI remain poorly understood. Researchers have posited at least five explanations for differing unemployment patterns among ex–service members and the general civilian population: (1) poorer health among ex–service members, (2) self-selection, (3) employer discrimination, (4) skills mismatch, and (5) differences in the job search dynamics and strategies used by ex–service members relative to those used by civilians. While there is a wealth of literature on the first four hypotheses, our assessment based on prior research is that they seem inadequate to explain some of the recent trends.

The fifth hypothesis on job search dynamics and strategies is the least explored one; here, we addressed two research aims relevant to job search. First, we examined the differences between UCX recipients and those with recent active service (note that reservists who have been called to active duty in a reserve status and served for 90 or more consecutive days are also eligible for UCX benefits). This analysis provides evidence about the decision to claim UCX in the first place. Next, we examined the characteristics of UCX claims and compared these with traditional UI claims. We have eight findings focused around the two research aims: one for the first aim and seven for the second one. Table S.1 presents the findings by aim.

Table S.1
Key Findings by Research Aim

Research Aim	Findings
The differences between UCX recipients and those with recent active service	Of all who recently served (during the past 12 months), UCX recipients are younger and less educated.
The characteristics of UCX claims and a comparison of these with traditional UI claims	UCX recipients wait longer, on average, before accessing unemployment benefits.
	UCX recipients are less likely to access benefits online.
	There is some, but not perfect, overlap between target careers for UCX recipients and conventional unemployed.
	Compared with civilians, ex–service members report willingness to accept lower wages in a new job.
	UCX recipients are more likely to use unemployment services and be enrolled in vocational or job training.
	Ex–service members receive higher weekly benefits, on average, than those from the UI system.
	Average claim duration is similar between UCX recipients and UI recipients.

Policy Implications and Next Steps

Many of the findings discussed in Table S.1 have policy implications. Table S.2 provides a list of those findings and policy implications.

The following are suggestions for next steps that the U.S. Department of Defense (DoD) and policymakers might consider:

1. **Provide guidance to veterans about the wages they should be willing to accept**. This guidance would serve as a reality check about what types of jobs are feasible and how service members' wages should respond to economic and institutional factors of the labor market. Also, research should aim to understand the ramifications of accepting lower-wage employment on the short- and long-term economic consequences of ex–service members.

Table S.2
Policy Implications Derived from Selected Findings

Finding	Policy Implications
UCX recipients wait longer, on average, before accessing unemployment benefits.	• During the Transition Assistance Program (TAP), get veterans engaged in the formal job search process by guiding them to DoL's employment services. • Provide recently separated service members with direct access and referrals to employment services to reduce delay in initiating the job search process.
UCX recipients are less likely to access benefits online.	• Assess whether servicemembers know about online benefit applications or whether they gain more information through claiming benefits in person. • Provide precise information about how to apply for benefits, including phone number and web addresses.
There is some, but not perfect, overlap between target careers for UCX recipients and conventional unemployed.	• Ensure TAP curriculum emphasizes jobs specifically relevant for military population. • Focus private partnerships on employers or industries with appropriate careers.
UCX recipients are more likely to use unemployment services and be enrolled in vocational or job training.	• Given that ex–service members already use job search services at higher rates than comparable civilians, improve the content of these services (e.g., by introducing military-specific elements) rather than engaging in outreach to increase awareness and use.

2 **Use the TAP to promote quicker transitions into the unemployment system.** The unemployment system provides an array of benefits to unemployed ex–service members. TAP could improve awareness of these benefits, encourage unemployed ex–

service members to claim benefits, and provide details on how to efficiently enroll in the program.

3. **Conduct further research on the outcomes of ex–service members when they leave the UCX program.** In this report, we exploit the richness of the BAM to document facts about UCX claimants that had not been detailed previously. However, one limitation of the BAM is that we cannot relate behavior in the UCX program to outcomes after ex–service members leave the system.
4. **Reduce the delay in claiming UCX benefits and provide faster access to employment services.** Our finding that ex–service members take longer to claim unemployment benefits implies that ex–service members lack of awareness of the UI program. Alternatively, it could be that a longer transition is necessary when leaving the service compared with a civilian losing a job. Improving access to UCX and employment services may reduce total unemployment duration.
5. **Consider incorporating a short seminar in TAP for educating ex–service members about how to apply for UCX and utilize employment services**. The outcomes of this policy may increase costs to the military as a result of UCX claims but may also reduce costs if unemployment services reduce unemployment duration. Future research should explicitly evaluate this trade-off.

Acknowledgments

We gratefully acknowledge the contributions of several individuals who provided input and comments on this project, including Nathan Ainspan, Cory Lyman, Lauren Malone, Don Svendsen, and participants in the Transition Assistance Working Group and 2013Western Economic Association annual meeting. Jose Castillo provided research assistance. We would also like to thank our internal and external reviewers, Matt Baird and Steven Wandner, for their thoughtful critiques of this research. The contents of this work are solely the responsibility of the authors and do not represent the views of DoD or the aforementioned organizations or individuals.

Abbreviations

BAM	Benefit Accuracy Measurement
DoD	U.S. Department of Defense
DoL	U.S. Department of Labor
PTSD	posttraumatic stress disorder
TAP	Transition Assistance Program
TBI	traumatic brain injury
UC	Unemployment Compensation
UCFE	Unemployment Compensation for Federal Employees
UCX	Unemployment Compensation for Ex-Service Members
UI	Unemployment Insurance
UTF	Unemployment Trust Fund

CHAPTER ONE

Introduction

Improving the health and well-being of current military service members and veterans remains a key U.S. public policy goal. Since the onset of the Great Recession in 2007, policymakers have devoted particular attention to the issue of ex–service member unemployment, with a number of federal agencies enacting new policies or programs designed to facilitate the transition of service members to civilian employment when they finish their period of service. Such programs arise from both an altruistic desire to ensure that those who have served through military service are appropriately supported and from a pragmatic recognition that reducing unemployment can improve the fiscal position of the federal government by lowering outlays for unemployment compensation (as well as other public assistance programs) and increasing tax revenues.

Although all ex–service member employment programs recognize the need to tailor program offerings to the unique backgrounds, experiences, and needs of ex–service members and their families, developing such tailored approaches has been complicated by a paucity of systematic data on ex–service member job search. One reason for this information gap is that while the U.S. Department of Defense (DoD) maintains rich data on the career experiences of individuals in the military, it has much more limited ability to collect data once individuals leave the military. Thus, DoD employment programs like the redesigned Transition Assistance Program (TAP)[1] lack data on primary

[1] The redesigned TAP provides information and training to ensure service members leaving active duty are prepared to undertake employment, education, or entrepreneurship. The

outcomes, such as the speed and quality of job transitions, because these outcomes occur outside the window of military service. Because many data sets are collected for the general population, federal agencies such as the Social Security Administration, Internal Revenue Service, DoL, and Census Bureau maintain administrative data sets that contain information useful for understanding job transitions; however, employing these data to develop insights on the ex–service member population more specifically has remained elusive.

In this report, we begin to address this issue by using a unique data set of unemployment insurance (UI) administrative records that specifically identifies claims by ex–service members and allows us to examine civilian and ex–service member job seekers and compare unemployment benefit receipt, access to the program, the use of employment services, the generosity of benefits, and expected reemployment wages. Specifically, we draw upon nationally representative individual-level unemployment records collected for both Unemployment Compensation for Ex–Service Members (UCX) and UI recipients through the Benefit Accuracy Measurement (BAM) data program, a random sample of open unemployment claims collected by DoL. To our knowledge, the BAM data have not been previously used to analyze the population of recent service members. There are approximately 500 claims per state per year (more in larger states, fewer in smaller states), and the BAM data are available from 2002 to mid-2012. Claims made in all 50 states, as well as the District of Columbia and Puerto Rico, are represented in BAM data. The relative fraction of UCX and UI claims in the data reflects the overall prevalence, as claims are randomly sampled without regard to whether the claims are UCX or UI claims. There are 2,877 UCX claims in the BAM data set during this time period and 247,355 UI claims. This allows us to compare UCX recipients with conventional UI recipients. This data set is

DoD (Office of the Secretary of Defense [OSD] and the military services) partnered with the U.S. Department of Veterans Affairs (VA), U.S. Department of Labor (DoL), the Small Business Administration, U.S. Department of Education, and the Office of Personnel Management to redesign TAP into an outcome-based program, officially unveiled in November 2012, focusing on opportunities, services, and training necessary to facilitate a transition to civilian life.

also audited to maintain high accuracy of unemployment benefits. This is a major advantage over UI information provided in secondary data sources, which is typically self-reported and prone to error.

In the remainder of this report, we first establish important differences in the aggregate unemployment experiences of ex–service members compared with civilians (Chapter Two) and examine some hypotheses that seek to explain these differences. We then turn to our data set to explore one of the less-explored hypotheses in more detail, which yields eight key findings (Chapter Three). The final chapter provides conclusions, policy implications of findings, and potential next steps.

CHAPTER TWO

Aggregate Differences in Unemployment Claiming Patterns Between Ex–Service Members and Civilians

To develop insights about the job search process of ex–service members, we use claims data from the UCX program. UCX is the military equivalent to the civilian UI program, and both provide cash assistance to the unemployed as they search for a job.[1] In this chapter, we start by examining the characteristics of the two programs; from this, we examine the different aggregate claiming patterns for the two programs and conclude with a discussion of hypotheses for these differences.

UCX and UI Have Some Different Program Features

Funding

UCX follows a different funding model from UI. Unlike those of UI, UCX benefits are not paid for by state unemployment taxes. Rather, the state submits the amount of UCX paid by the state to the federal government, and then the former employing service (i.e., Air Force, Army, Coast Guard, Marine Corps, or Navy) pays for the benefits out of its operating budget. The federal government funds these UCX benefits through the transfers from the appropriate military services' budgets to the Unemployment Trust Fund (UTF) to reimburse states for

[1] Established by the Ex-serviceman's Unemployment Act of 1958, Pub. L. 85-848, 5 U.S.C., Sec. 8521–8525, 1958.

the UCX benefits provided to unemployed ex–service members (Whittaker, 2013).[2]

This funding model has important implications for DoD budgets. When UCX benefit outlays increase, either because more individuals are separating from the military and claiming UCX, or because the existing pool of claimants is taking longer to find work, the DoD budget bears the costs of these benefits contemporaneously. Conversely, if transition assistance programs successfully improve the speed with which separating service members gain new employment, this generates cost savings in the form of reduced UCX benefits available to DoD for other budgetary priorities. These budgetary effects can be substantial. For example, between 2008 and 2012, UCX benefit payments grew from $425 million (in 2012 dollars) to $777 million, an increase of $350 million or 83 percent.

Administration

UCX is administered by the states as agents of the federal government under agreements with the DoL, so states must follow the DoL's rules for program finances, eligibility, and benefits (DoL, 2015). However, there is wide scope for states to implement specific tax rates, eligibility requirements, and benefit levels. The administration of UCX is housed within the states' UI programs, so the law of the state in which the claim is filed determines the UCX benefit amounts, number of weeks for which benefits can be paid, and other benefit conditions. The UCX program has additional initial eligibility requirements determined by DoD. A soldier must have actively served, been honorably discharged, and completed his or her first term of service.[3] In addition to these

[2] For example, if a former Marine living in North Carolina claimed UCX benefits, the Marine Corps would transfer funds from its operating budget into the Federal Employees Compensation Account within UTF. The funds would then be transferred to the North Carolina UTF account to reimburse North Carolina for those UCX benefit expenditures.

[3] Honorably discharged or discharged for an "acceptable narrative reason." Acceptable narrative reasons include the convenience of the government under an early release program; a medical disqualification, pregnancy, parenthood, or any service-incurred injury or disability; hardship; or due to personality disorders or inaptitude, but only if the service was continuous for 365 days or longer.

DoD-established eligibility requirements, the soldier must satisfy all of the state rules.

Eligibility

In the civilian UI system, initial program eligibility consists of two parts: monetary eligibility and separation eligibility. Workers with insufficient earnings are not eligible for UI; nor are workers who quit their job or who were dismissed for cause. Once a claimant is determined to be eligible for benefits, he or she can maintain eligibility by conducting an active job search and being able and available to work. Claimants who do not actively search for work, who return to school, or who fail to contact a sufficient number of employers may be determined to be ineligible to receive UI benefits.

Former active-duty military personnel separated from active duty and certain reservists (members of the National Guard and Reserves who have 90 days of continuous active service and were separated under honorable conditions) may be eligible for UCX (DoL, 2014). In nearly all cases, ex–service members will have earned sufficient income to be eligible for benefits.[4] The initial determination will dictate monetary and separation eligibility. If the service member left the military under honorable conditions and either has completed a full term of service or has been released early because of a qualifying "acceptable narrative reason," then he or she will be eligible for benefits.[5] UCX provides income while former active-duty military personnel or eligible reservists search for employment.

A former service member may receive a combined unemployment benefit (UI and UCX) if the unemployment benefit is based on work history that included both military service and civilian employment. For example, this could occur if a former service member found a civilian job and was subsequently laid off within a year. In that case,

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[4] In some cases, where the term of service was very short (less than six months), a service member may not have earned enough to qualify for benefits.

[5] Narrative reasons are found in Block 28 of the DD Form 214, Certificate of Release or Discharge from Active Duty. A consolidated list of acceptable narrative reasons for separation from the military for UCX claim purposes is attached to DoD's Unemployment Insurance Program Letter No. 9-10.

the worker would have wages from both the civilian employer and the service branch. Former service members may apply for UCX benefits in any state. This differs from the traditional UI program in which benefits are determined by the state of the unemployed person's previous employer. UI eligibility criteria and benefits vary by state, and the former service members must meet the same state-specific job search criteria that civilian workers are required to meet for their UI benefits. Therefore, it is possible for two former service members with the same earnings and work history to qualify for different unemployment benefit amounts if they file for UCX in different states (DoL, 2015).

Under some circumstances, an ex–service member can be entitled to both UCX benefits and GI Bill education benefits at the same time. For example, as of summer 2014, 22 states and Washington, D.C. allow an ex–service member to file for and receive UCX benefits and be enrolled in school using the post-9/11 GI Bill, as long as the ex–service member still fulfills the requirements to actively search for employment. In most of remaining states, there are more limited ways for an ex–service member to receive both post-9/11 GI Bill and UCX benefits.[6]

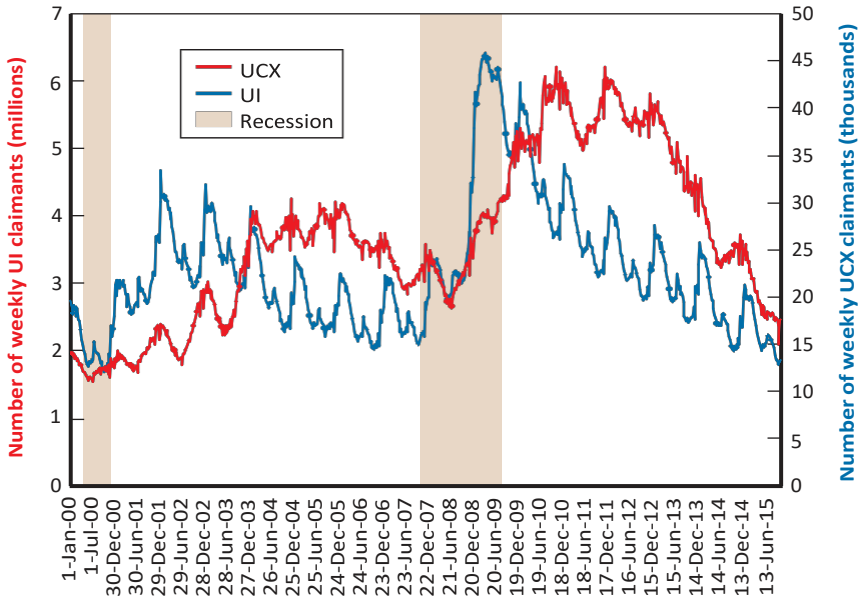
UCX and UI Claim Patterns Diverge in Important Ways

In addition to the design features that differentiate UCX from UI, data on actual program benefit receipt demonstrate important differences across the two programs. Figure 2.1 plots the aggregate number of UI and UCX claimants by week for January 2000 through October 2015.

To help compare the two data series, Figure 2.2 plots the number of UCX and UI claims relative to the average for 2000–2001, where we have taken a 52-week moving average to reduce the effects of seasonality. There are several notable patterns. The general business cycle is an important determinant of claim activity for both the civilian and

[6] California provides an interesting example: Ex–service members are ineligible to receive UCX benefits while in school, unless the student has a part-time *seek-work plan* (a seek-work plan establishes what is a "reasonable" job search for the unemployed in different circumstances), or is available for full-time work in the labor market during school.

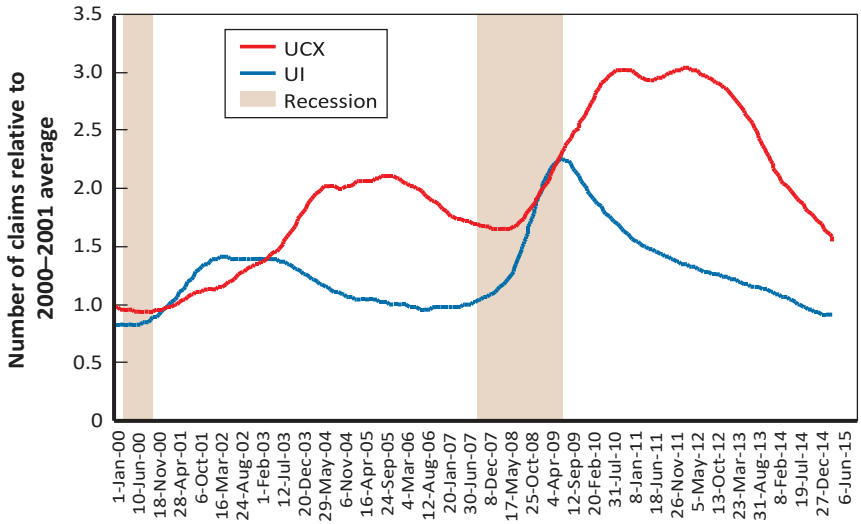
Figure 2.1
Historic Patterns in UCX and UI Claiming



SOURCE: RAND analysis of DoL, Employment and Training Administration data.
RAND *RR1495-2.1*

ex-service member populations, because both series saw increases in the immediate aftermath of the 2001 recession and then again when the Great Recession began at the end of 2007. However, UCX claims are somewhat less sensitive to the business cycle, since many service members can choose to remain in the military if economic conditions are unfavorable for finding a civilian job. At the same time, we see some important divergences across the two series. From 2002 to 2005, UCX claims grew substantially, while UI claims were actually falling. For UI, there was huge claim growth in the initial phases of the Great Recession, but since 2010, claim activity has steadily declined; by 2015, UI claims had reached prerecession levels. UCX claims in recent years have exhibited a different pattern. Beginning with the downturn, the rise in UCX claims persisted for a longer period—lasting to the end of 2010—and then UCX claim levels remained elevated for the next two

Figure 2.2
Change in UCX and UI Claiming



SOURCE: RAND analysis of U.S. DoL, Employment and Training Administration data.
RAND *RR1496-2.2*

years, declining only since 2013. By mid-2015, however, as was true for UI, UCX claim patterns reached prerecession levels.

Hypotheses for the Post-2007 Divergence Between UCX and UI Claiming

Prior research, most notably Loughran and Klerman (2008), traces the 2002–2005 divergence between UCX and UI to the fact that reserve component personnel, who became eligible for UCX benefits because of the increased pace of reserve deployments during Operation Iraqi Freedom and Operation Enduring Freedom, increased their use of UCX. They write "the increase in the UCX caseload is attributable both to large increases in the number of veterans potentially eligible to receive UCX and in large increases in the fraction of potentially eligible veterans who claim UCX." They attribute nearly all the increase from 2002–2005 to the activated reservists and their length of deployment.

Finally, they find "active component separations have been relatively stable since 2000" (p. xii).

Researchers have posited at least five explanations for differing unemployment patterns among ex–service members and the general civilian population: (1) poorer health among ex–service members (2) self-selection, (3) employer discrimination, (4) skills mismatch, and (5) differences in the job search dynamics and strategies used by ex–service members relative to those used by civilians (Loughran, 2014).

1. Poorer Health Among Ex–Service Members

Some researchers have posited that elevated rates of disability among those deployed to Iraq and Afghanistan can explain higher unemployment. Many veterans from Iraq and Afghanistan have returned home as amputees or with mental and physical health challenges, such as posttraumatic stress disorder (PTSD) and traumatic brain injury (TBI) (Osilla and Van Busum, 2012). Such conditions may affect employability by limiting the set of jobs suitable for ex–service members or by making employers less willing to hire veterans because of concerns about higher medical costs, accommodations for disability, or costs from lost productivity given a lower work capacity.

However, some recent evidence casts doubt on disability as a driving force behind elevated UCX claiming in the post-2007 period. The most severely disabled seem likely to withdraw from the labor force and take advantage of disability benefits that provide greater than 100 percent earnings replacement (Heaton, Loughran, and Miller, 2012). Moreover, federal tax credits that encourage employers to hire disabled veterans served to expand employment among this group in the postrecession period (Heaton, 2012). Finally, Loughran and Heaton (2013) have also found evidence that the effect of PTSD on earnings may be smaller than previously thought.

2. Self-Selection

The second hypothesis is that ex–service members have chosen — or "self-selected" — to enter the military, oftentimes because their earning potential in the civilian labor force was relatively low. The military pays well and has very generous benefits, job stability, and smaller gender

and race pay differentials than are typical in civilian employment; however, the trade-off is the military lifestyle of frequent relocation and deployments. People willing to make this trade-off are most likely different from those who decide to pursue civilian careers. The literature on studies that attempt to estimate earnings while accounting for this selection bias contains mixed findings. For example, Angrist (1998) finds little effect of military service on earnings for whites and only moderate effects for minorities, whereas Loughran et al. (2011) find substantial earnings gains associated with military service for a range of populations.

However, one weakness of the self-selection hypothesis is that relative counts of UCX to UI claims have changed fairly markedly within the past few years, but this hypothesis does not have an obvious strong temporal component.

3. Employer Discrimination

A third hypothesis is that employer discrimination changed in a manner that disadvantaged ex–service members in recent years. However, there is little evidence that employers or members of the general public stigmatize or discriminate against veterans (MacLean and Kleykamp, 2014). In fact, in many cases, employers rate veterans equal to or higher than civilians (Harrell and Berglass, 2012; Gates et al., 2013), and many employers actively seek veterans in their recruiting efforts (Curry Hall et al., 2014). Moreover, audit studies suggest that military service is not associated with disadvantage in terms of the percentage of veterans who receive interview opportunities relative to civilians (Kleykamp, 2009; Figinski, 2013).

4. Skills Mismatch

The fourth hypothesis is a skills mismatch. Skills mismatch could lengthen the search process of veterans relative to civilians, thus elevating UCX claims. However, most economic theories of skills mismatch would also predict lower earnings for ex–service members when they do obtain jobs, other factors being equal. Deployment does decrease earnings by about 2 percent, on average, during the first year in the civilian labor force; however, contrary to popular belief, this small

negative effect quickly turns positive in following years, because military service is associated with sizable long-run earnings gains for all occupational groups (Loughran and Klerman, 2012). This is particularly true of ex-service members who served in occupations related to health care, communications, and intelligence (Martorell et al., 2014). These findings that ex-service members have higher earnings than their demographically similar civilian counterparts suggest that it is unlikely that there is systematic skills mismatch. However, employers do face challenges recognizing the skills and experience of ex-service members, and ex-service members themselves face challenges identifying civilian jobs for which they are qualified (Curry Hall et al., 2014).

In summary, while there is a wealth of literature on the first four hypotheses — poorer health, selection, employer discrimination, and skills mismatch — the hypotheses seem inadequate to explain some of the recent trends in UCX claims documented in Figures 2.1 and 2.2. Little is known about their unemployment experiences and pathways to civilian employment.

5. Job Search Dynamics and Strategies

Unlike the other four hypotheses, the fifth hypothesis — that there are significant differences in job search dynamics and strategies of veterans compared with those of civilians — is the most underexplored. The next chapter explores this hypothesis in more detail.

CHAPTER THREE

Exploring Hypothesis 5: Differences in Job Search Dynamics and Strategies

In the analysis in this chapter, we use administrative data to address two questions relevant to job search. First, we examine whether those who actually claim UCX appear representative of the population of recently separated military personnel. This analysis provides evidence about the decision to claim UCX in the first place. Next, we ask whether the job search process for UCX recipients is similar to that of the conventionally unemployed and, if different, what the differences are. We begin with a discussion of the data and methods.

Data

Benefit Accuracy Measurement Program

As noted earlier, we rely on data from the BAM program (formerly, Benefits Quality Control), which is run by the DoL and intended to assess the accuracy of claims (both paid and denied) in the three major Unemployment Compensation (UC) programs: State UI, Unemployment Compensation for Federal Employees (UCFE), and UCX. The accuracy of claims is determined by an examination of a statistically valid sample of paid and denied claims, and actions are taken if an error is discovered (DoL, Employment and Training Administration, 2009). We study the years 2002 through 2012.

Sampling and Weighting in BAM

State BAM samples are drawn randomly from the claims rolls of the three programs of UI, UCFE, and UCX each week from midnight

Sunday to 11:59 pm Saturday. Since 1997, paid claims sample sizes range from 360 cases per year in the ten states with the smallest UI caseloads to 480 or more cases in the remainder of the states. In addition, states also sample 450 denied cases (DoL, Employment and Training Administration, 2009). BAM keeps a record of the number of UI weeks (as of the week sampled) and amounts paid in the population from which the sample was selected, as well as the number of denied claims (DoL, Employment and Training Administration, 2009). The sample data can be weighted to make inferences about the unemployed population in any of the three programs.

The unit of analysis in these data is payments or denials. Therefore, claimants have an increased chance of being included in the sample the longer they remain on the UI rolls and are paid for benefits. Estimates of any claimant characteristics that may be correlated with duration of receiving benefits should be weighted to take into account the claimant's probability of being selected in the sample.

As with any survey estimates, estimates based on BAM data are subject to sampling and nonsampling error. However, BAM has taken several quality assurance steps to minimize the nonsampling error, nonresponse bias is insignificant, and sample case completion rates are 100 percent in most states (DoL, Employment and Training Administration, 2009).

BAM Data on Job Searches

While BAM is an audited administrative data set, which ensures high data accuracy, an additional advantage of the BAM data for our purposes is that it contains several indicators of job search intensity, such as number of weeks receiving benefits, number of job contacts or referrals in the past week, and whether the recipient is enrolled in vocational or other training courses. BAM also has many demographic and prior job characteristics, which allow us to adjust for age, gender, race, ethnicity, education, state of residence, maximum benefit levels, and prior occupation and earnings. Therefore, we can compare UCX recipients to their demographically and economically similar civilian counterparts. BAM is the only data set with such detailed information about UI or UCX recipients.

Table 3.1
Characteristics of UCX and UI Claimants in the BAM Data Set

Characteristic	UCX Recipients	UI Recipients
Percentage male	77.8	58.2
Percentage nonwhite	42.6	40.4
Average age (years)	27.7	41.2
Percentage high school grad	99.2	84.1
Prior wages for benefit calculations	$40,021	$29,682
Avg. number of prior employers	1.25	1.68
N	2,877	247,355

SOURCE: RAND analysis of BAM data, 2002–2012.

The two biggest limitations of the BAM data set are that we cannot look at full unemployment spells or at claiming behavior, because the BAM data set is purely claims data. Despite these two limitations, we believe these data will still be able to provide valuable insight about our research question.

Table 3.1 provides descriptive statistics on the characteristics of UCX and UI recipients included in the BAM data set.

Analytic Methods

To understand the differences between UCX and UI recipients, we present both raw differences in outcomes and behaviors and differences calculated after conditioning on the rich set of observable characteristics available in BAM; in both cases the data are weighted by the inverse probability of being in the sample. Controlling for observable differences is useful, because eligibility for UCX is not random, given that it is available only to former active-duty military personnel and reservists. The population claiming UCX benefits is different on many dimensions from the population claiming UI. We adjust for differences on observable dimensions. There are likely population differences on unobservable dimensions as well, and it is difficult to account for other

factors that might also independently affect claiming behavior. However, the estimates generated from this approach should still be useful to help understand the observed behavioral differences between the two programs.

We observe significant differences across the populations. For example, on average, UCX recipients are over 13 years younger than UI recipients. We are interested in the raw differences across the two programs, but we will also test whether our behavioral outcome estimates are affected by accounting for age and other demographic and economic variation. Comparing the raw differences to the regression-adjusted differences provides information about the importance of observable characteristics in explaining the outcomes.

In analysis that follows, we control for preemployment wages (and wages squared), preemployment number of employers, the maximum benefit available, seven indicators representing varying levels of educational attainment, indicators for race and ethnicity, indicators for age, an indicator for male, indicators for each state, and indicators based on prior occupation. The specification of interest is represented by

$$\gamma_{it} = \alpha_t + \beta\left(UCX_{it}\right) + X_{it}^{'}\gamma + \varepsilon_{it}, \qquad (1)$$

where γ_{it} is one of the outcomes of interest, described below, for person i claiming in period t. We control for time fixed effects and a rich set of covariates, represented by X. The time fixed effects account for economic trends and changes in UI policy over time. Our variable of interest is UCX_{it}, an indicator equal to 1 if the claimant is part of the UCX system (0 otherwise). We are primarily interested in the sign and statistical significance of b and will focus on our estimates of this parameter. To report our findings, we predict outcomes using the estimates from equation (1) and the characteristics of the UI population. Consequently, our predictions for the UCX population can be interpreted as the outcome if the covariates of the UI and UCX population were exactly the same. The differences in the predicted UI and UCX outcomes are simply the corresponding estimate of b.

For binary outcomes, such as whether the recipient enrolled in job training, we estimate a probit model:

$$P(\gamma_{it}=1)=\Phi\left[a_t+\beta(UCX_{it})+X_{it}\gamma\right], \quad (2)$$

where $\Phi[z]$ represents the cumulative distribution function for the normal distribution, evaluated at z. In our results, we report the predicted probabilities for the UI and UCX population, again holding the covariates constant across populations, using the UI values for the covariates. For count outcomes (e.g., weeks claimed), we estimate versions of equation (1) using Poisson regression.

Because they constitute a representative sample of UCX recipients, the BAM data furnish an opportunity to examine how the demographics of UCX recipients compare with the overall population of recently separated service members. Although most recently separated active personnel, and some reserve personnel, are eligible for UCX, not all eligible for the benefit will claim it. Some individuals transition almost immediately to new jobs upon separation and therefore do not collect benefits, and others may forgo benefits either intentionally or because they are unaware of the program. Comparisons between the claimant population and those who have recently separated can be useful because they reveal how much certain subpopulations may either be more aware of UCX or more in need of transition support.

Results

Here, we focus on results based on our two research aims: (1) the differences between UCX recipients and those with recent active service; and (2) the characteristics of UCX claims and the comparison of these to traditional UI claims. The first aim has one finding associated with it, while the second one has seven findings.

Finding 1: Of All Who Recently Served, UCX Recipients Are Younger and Less Educated

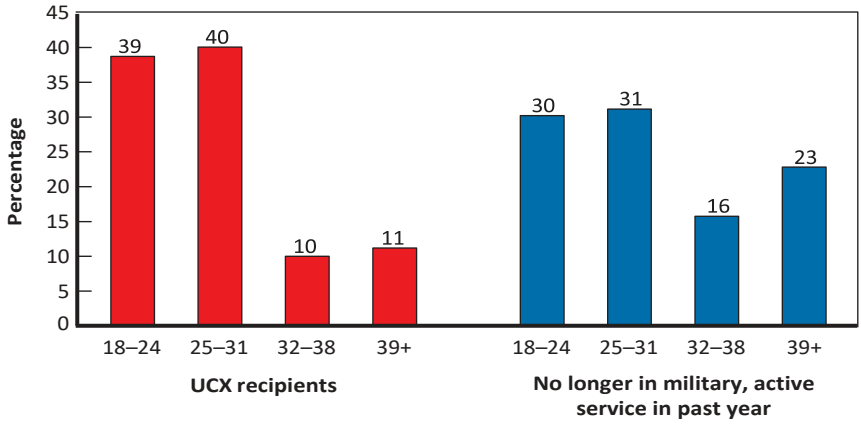
To address research aim 1, we compile demographic information on UCX recipients using the BAM data from 2007 to 2012. We compare those receiving UCX to the larger group of those who separated from the military with active service in the past year. This larger group includes

both those receiving UCX benefits and those not receiving UCX benefits. To characterize those who have recently served, we use the Census Bureau's American Community Survey public-use microdata for 2007–2012, which comprises a roughly 1-in-100 representative sample of the entire U.S. population. We identify those with recent active service as individuals who indicate that they are no longer in the military but who were on active duty within the past year. This is an imperfect proxy for UCX eligibility for several reasons but likely provides a reasonable proxy for those recently separated from the military.[1]

As depicted in Figure 3.1, the age distribution of UCX recipients is skewed younger than the larger group of those with recent active service. The median age of those no longer in the military but in active service in the past year is 28, whereas the median age in the BAM data is slightly younger, at 25 years old.

Only 11 percent of UCX recipients are age 39 or older, whereas 23 percent of all those with recent active service are age 39 or older.

Figure 3.1
Share of Population, by Age



SOURCE: RAND analysis of BAM data.

RAND *RR1496-3.1*

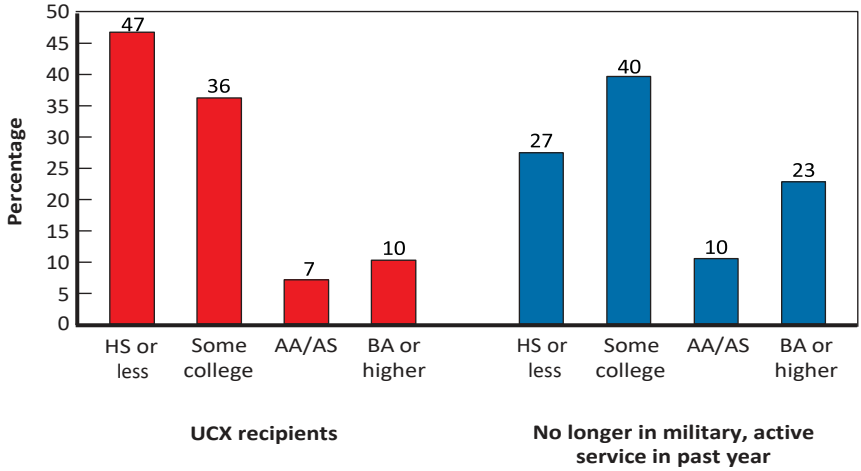
[1] Among other problems, this tabulation includes those dishonorably discharged or otherwise ineligible due to the reasons for or timing of separation, excludes some reservists who may have been eligible for UCX while remaining in the military, and excludes individuals who served more than a year ago who may still be eligible for UCX.

Similarly, 79 percent of UCX recipients are age 31 or younger; however, only 61 percent of the larger group is. This relative youth of the UCX population suggests that younger veterans may have greater problems finding employment than older veterans and are more likely to apply for, and receive, UCX benefits. Older veterans may have made better plans for their transition to civilian employment. Alternatively, it is possible that older veterans are less likely to actively look for work upon separation (by taking time off and spending down accrued savings), making them ineligible to receive UCX benefits.

In addition, UCX recipients tend to have less education than those with recent active service (Figure 3.2). Nearly half (47 percent) of those receiving UCX benefits have only a high school diploma or less, compared with 27 percent of the larger group. This disparity may reflect that ex–service members with higher education are more likely to find employment.

Education is related to age, because it takes time to complete educational programs, so there is most likely considerable overlap between the "young" UCX recipients from Figure 3.1 and the "less educated" UCX recipients from Figure 3.2. Age (highly correlated with expe-

Figure 3.2
Share of Population, by Educational Attainment



SOURCE: RAND analysis of BAM data.

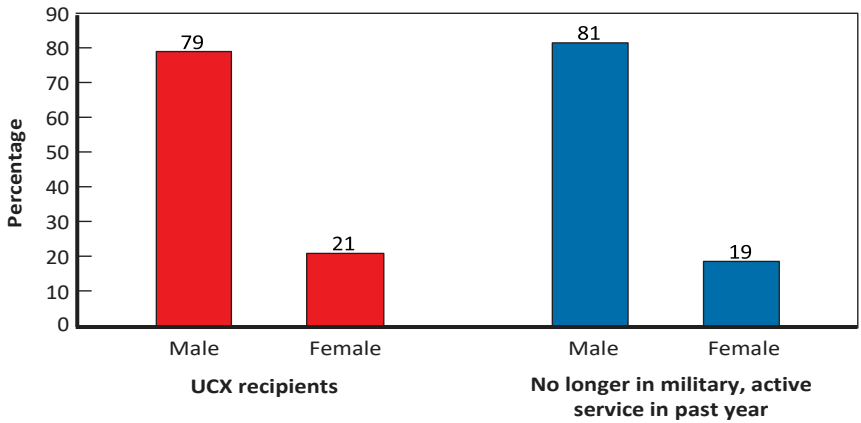
RAND *RR1496-3.2*

rience) and education are two sociodemographic characteristics very closely tied to successfully finding a job. That younger and less educated recently separated service members are more likely to receive UCX benefits is consistent with the value placed on experience and education in the labor market.

Figures 3.3 and 3.4 show that the gender and racial or ethnic compositions of UCX recipients appear to be proportionate when compared with the larger group of recently separated service members. We observe fewer differences on these dimensions among the UCX recipients and recent active service populations. This result suggests that these factors are less important in determining future labor market status.

We next turn to an analysis of the second research aim — the characteristics of UCX claims and the comparison of these with traditional UI claims. We consider both raw comparisons and, in some cases, comparisons that adjust for the differences in demographics across the two pools of claimants. Differences between the two types of claims reveal information about how job search behavior might differ for recently separated veterans. They also may suggest ways in which

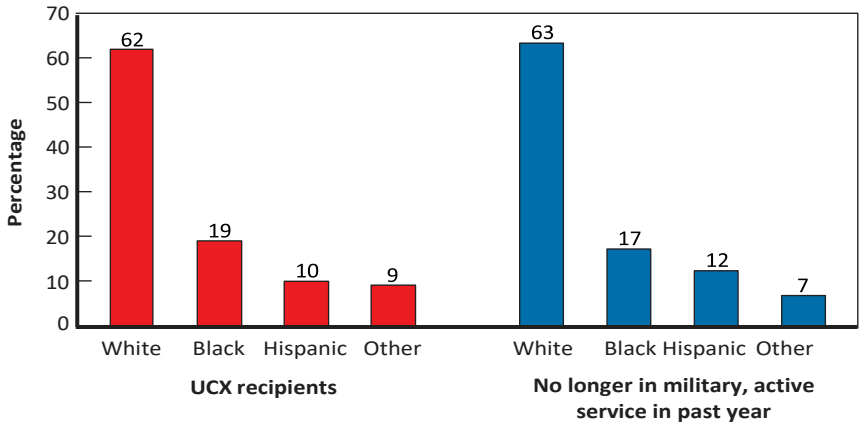
Figure 3.3
Share of Population, by Sex



SOURCE: RAND analysis of BAM data.

RAND *RR1496-3.3*

Figure 3.4
Share of Population, by Race/Ethnicity



SOURCE: RAND analysis of BAM data.
RAND *RR1496-3.4*

TAP and other federal programs might be more appropriately targeted to the specific needs of these service members.

Finding 2: UCX Recipients Wait Longer, on Average, Before Accessing Unemployment Benefits

Claiming unemployment benefits can be an important step toward finding a new job, because it entails a commitment to active job search, brings the unemployed worker into contact with job-finding resources available in state unemployment agencies, and provides financial support to permit claimants to spend adequate time searching for a good job match. However, the BAM data suggest that ex–service members take longer after job separation to file for unemployment benefits than similar civilians. When simply looking at raw comparisons between the average number of weeks between job separation and filing an unemployment claim, differences are fairly modest: 3.54 weeks for UI claimants versus 3.80 weeks for UCX claimants. However, after adjusting for demographic and prior job characteristics, so UCX recipients are compared with demographically similar civilian unemployed, there is a statistically significant ($p < 0.05$) difference: 3.54 weeks for UI

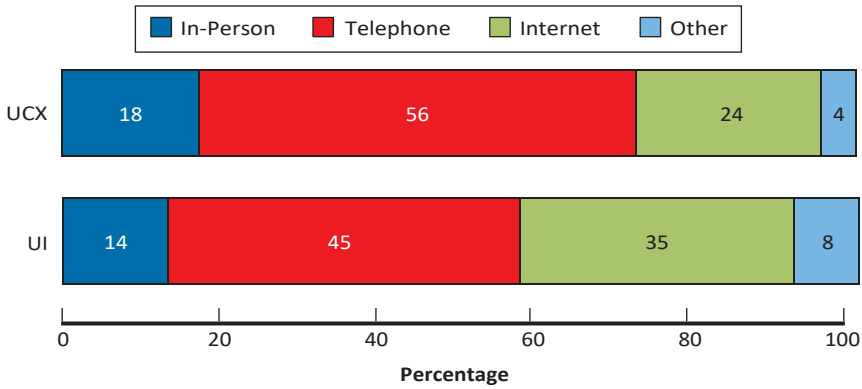
claimants versus 5.09 weeks for UCX claimants. Our analysis, therefore, implies that UCX claimants wait longer before claiming unemployment benefits. This could imply that there is a corresponding delay in job search, potentially an important factor in understanding differences in employment rates and the quality of job matches between the UI and UCX populations. (See column 1 of Table A.1 in the Appendix for the model specification and pointestimate.)

Our data do not allow us to understand the reason for the delay in receiving benefits for the UCX population. In Finding 3, we report that UCX enrollees are less likely to enroll online, which may delay initiation of benefits. Another possibility is that military personnel, some of whomare returning from recent deployments, do notwish to engage in job search immediately upon separating. Another possibility is that ex–service members are more likely to rely on informal networks initially as compared with civilians, and postpone filing a UCX claim. A third is that there is insufficient awareness of the benefits of UI among those leaving service. Given the strong evidence that the likelihood of a being offered an interview opportunity decreases as unemployment duration lengthens in the civilian context (Kroft, Lange, and Notowidigdo, 2013), ensuring that ex–service members engage quickly with the job search process could be a goal of transition programs. More work needs to be done to understand the reasons behind the delay in receiving UCX benefits.

Finding 3: UCX Recipients Are Less Likely to Access Benefits Online

Figure 3.5 demonstrates that UCX recipients use different methods to access benefits. Although the comparatively younger skew of UCX recipients might lead one to expect them to be more inclined to use the Internet to access benefits, in fact, the opposite is true — UCX recipients are more likely to apply for benefits in person and over the phone. This may reflect lower comfort levels with online forms and transactions among recently separated service members, greater comfort levels with in-person and telephone interactions to enroll, or the lack of access to a computer. State-to-state differences in claim filing make using a mobile device to file a claim difficult to assess. Some states do not make a provision for using phones or tablets for filing claims, while others

Figure 3.5
Method Used to Apply for Benefits, by Claimant Group



SOURCE: RAND analysis of BAM data.
RAND *RR1496-3.5*

have smartphone apps, or websites compatible with mobile devices. It might also be the result of differences in informal instructions from friends and other members in the social networks of both groups. In general, service members should be given more information about how to access UCX benefits, and state-to-state differences in access, in the TAP.

Finding 4: There Is Some, But Not Perfect, Overlap Between Target Careers for UCX Recipients and Conventional Unemployed

When they file a claim, UCX and UI claimants are asked to identify the target occupation for their next job. Although the unemployed may not be fully informed about job prospects in various fields, these responses suggest the jobs that unemployed view as the best match for their current skills. Table 3.2 reports the top ten most commonly selected occupations for UCX claimants. Notably, three out of the top four occupation groups that UCX claimants list as targets are not among the top ten occupations targeted by UI claimants: security/protective services (e.g., security guards, transportation security screeners, firefighters), auto/machinery repair (e.g., automotive technicians, aircraft mechanics, heavy vehicle service technicians), law enforcement (e.g.,

police officers, correctional officers) and software development/computer administration (e.g., user support specialists, database administrators). The six remaining occupation groups listed as target groups by both UCX and UI claimants are office/clerical, retail sales, construction, logistics clerks, customer service agents, and electronic repair. The top ten occupational groups for civilians are (1) construction, (2) customer service, (3) retail sales, (4) motor vehicle operation, (5) machine operation/other production, (6) material moving, (7) office/clerical, (8) electronic repair, (9) metal and plastics, and (10) logistics.

We cannot tell from the data whether a good skills match between ex–service members and these three occupational groups drives this difference. UCX recipients might view these occupations as friendly to them in some other ways. However, the fact that UCX recipients appear to target somewhat different jobs than the civilian unemployed has implications for the design of veteran employment programs.

Table 3.2
Top Ten Occupation Groups That UCX Claimants List as Target Jobs

Rank	Occupation Group	Percentage of UCX Claimants Listing This Group
1	Security/protective services*	8.0
2	Office/clerical	5.8
3	Auto/machinery repair*	5.6
4	Law enforcement*	5.6
5	Retail sales	5.4
6	Construction	5.3
7	Logistics	4.6
8	Software development/computer administration*	4.5
9	Customer service	4.1
10	Electronic repair	2.8

SOURCE: RAND analysis of BAM data.

*Not among the top ten occupational groups for UI claimants.

Finding 5: Compared with Civilians, Ex–Service Members Have Lower Wage Requirements to Accept a New Job

An important concept in labor market research is the idea of a "reservation wage" — the lowest wage an unemployed person would accept from an employer to return to work. Although an individual's willingness to accept a particular job offer will depend on the wage offer and the nature of the work, location, hours, and other factors, the reservation wage concept provides one straightforward way to think about how selective individuals are with respect to desired compensation. Reservation wages may vary for a host of reasons such as expected wages, assets, spousal labor supply, and so on. The BAM respondents are directly asked for the lowest wage required for them to accept a job offer.

The average reservation wage among UCX recipients in the BAM sample is $11.81, versus $13.94 for UI recipients. Because wage expectations tend to be lower among younger workers with less job experience, this pattern is perhaps unsurprising. However, after adjusting for demographics and prior work experience using the multivariate regression model specified in equation (1), we still find that ex–service members have reservation wages 17.5 percent below those of similarly situated civilians ($p < 0.01$). It is also interesting to note that the pattern of lower reservation wages holds when we separately examine younger versus older ex–service members, suggesting that the differences are not simply being driven by access to retirement benefits. It also holds across different education levels, which tend to also differentiate enlisted personnel from officers. (See Appendix Table A.1, column 2 for the model specification and point estimate. Effect size calculated as $e^{\beta}-1$.)

This pattern for reservation wages, previously undocumented in the research literature on veteran employment, defies easy interpretation. On the one hand, lower reservation wages can facilitate the job search process by making it easier for individuals to find a position with the requisite level of compensation. On the other hand, lower reservation wages can be a sign of reduced long-run welfare if they reflect a skills mismatch between job seekers and available jobs or if they lead ex–service members to accept jobs that provide less generous pay and benefits.

One possibility is that ex–service members are selling their military skills short in the marketplace. An alternative interpretation is that ex–service members have grown accustomed to an employer that provides a substantial stream of nonpecuniary benefits (generous health coverage, commissary privileges, child care benefits, etc.) and, as a result, have incorrect beliefs about wage rates in more conventional labor markets that provide primarily cash compensation. Such a view would be consistent with prior evidence from Loughran et al. (2011) that ex–service members experience a temporary earnings decline relative to similar civilians immediately prior to separation but that this pattern reverses over time — in this case, the reversal would, in part, reflect gradual learning by ex–service members about their appropriate wage in a market dominated by cash compensation. A third possibility is that ex–service members do not undervalue their skills; rather, they have a preference for jobs that provide lower cash compensation but higher nonpecuniary benefits, such that the net benefits of the jobs they pursue are ultimately similar to those pursued by comparable civilians. Table 3.2 indicates the top job aspiration is for security and protective services; this occupation is typically lower-paying than other jobs listed (Wenger et al., unpublished, Table 3.5) and is among the lowest-paying jobs recommended on My Next Move for Veterans (DoL, Employment and Training Administration, undated).[2]

A fourth possibility is that lower reservation wages among UCX recipients reflect different discount rates. Because reservation wages in part reflect a willingness to trade unemployment today for potential higher wages in the future, they should be affected by personal discount rates, with less-patient individuals selecting lower reservation wages. Prior research suggests that the military population may in some settings have fairly high discount rates (Warner and Pleeter, 2001). A final reason for lower observed reservation wages may be the geographic pattern of reemployment post–military separation. For example, if ex–service members are more likely to return to rural, lower-wage areas,

[2] My Next Move for Veterans is designed for U.S. veterans currently seeking employment. The website provides information about tasks, skills, salary, job listings, and more for over 900 different careers.

that might explain lower reservation wages as compared with civilians. Although the precise meaning of the difference in reservation wages between ex–service members and civilians remains unclear, knowing that such a disparity exists should help to inform future policy about ex–service members' employment transitions. Given that reservation wages are an important determinant of reemployment wages, TAP counselors should provide information about prevailing wages in the marketplace for the applicant's target occupation but should also work with transitioning soldiers on their negotiating skills and strategies.

Finding 6: UCX Recipients Are More Likely to Register and Receive Referrals and Be Enrolled in Vocational or Job Training

Although UCX recipients take longer after separation to collect benefits, once engaged with the UI system, they appear to make more active use of available tools. UCX recipients are significantly ($p < 0.05$) more likely to register and receive referrals than their demographically matched UI-recipient counterparts (51 percent versus 38 percent) (Appendix, Table A.1, column 4). UCX recipients are more than three times as likely to be enrolled in job training (17.6 percent versus 5.2 percent, $p < 0.01$), but this is unsurprising given that younger individuals are more likely to participate in training. However, the higher training utilization of ex–service members persists even after controlling for demographics (8.5 percent versus 5.2 percent, $p < 0.01$) (Appendix, Table A.1, column 3). In addition, UCX recipients receive significantly ($p < 0.05$) more labor exchange job referrals on average than similarly situated UI recipients (0.62 versus 0.44) (Appendix, Table A.1, column 5). The National Labor Exchange is a service that provides job opening information from corporate career websites and state job banks. After registering on the exchange, potential workers will receive referrals of appropriate job openings automatically sent by the system.

One reason UCX recipients might be more likely to register and receive referrals, as well as enroll in training programs, is that transitioning service members may be more likely to experience career changes, not just job changes like most unemployed civilians, and thus feel a greater need to enroll in such programs. Additionally, jobs in the civilian sector may require additional certifications—truck drivers,

welders, and electricians, for example, require enrollment in training and testing courses. Other reasons could be that outreach efforts to get unemployed job seekers enrolled in employment services and training programs are reaching UCX recipients better than UI recipients, or perhaps UCX recipients are more likely to seek out such services or are more comfortable participating in training programs.

While UCX recipients seem to be taking advantage of services at higher rates than UI recipients, they have similar numbers of job contacts in the past week (2.08 versus 2.02 unadjusted, 1.93 versus 2.02 adjusted, difference not statistically significant). All else equal, people who are new or returning to an area (after a long period, such as one of active service) are less embedded in social networks than those who are not new or returning to an area, so this finding is not surprising. We also note that registration and referrals are not the same as receiving reemployment services. Employment services include an assessment, counseling, and a job search workshop (many hours in length). These types of employment services have been shown to be effective. Transitioning service members will receive them as a result of new UI program policy, but at the time of this study they were not automatically made available.

Finding 7: Ex–Service Members Receive Higher Weekly Benefits Than Those from the UI System

Weekly unemployment benefit amounts for ex–service members are approximately $366 per week compared with $286 per week for regular UI claimants over the time period in the data. This reflects the fact that many ex–service members were well compensated by the military and that DoD's Schedule of Remuneration may include noncash benefits as part of the schedule. Consequently, ex–service members' benefits are generally higher than those of civilians.

Using a multivariate regression framework, we estimate the benefits across the civilian UI and UCX programs. Our results show that the UCX program offers higher benefits even after controlling for pay, race/ethnicity, sex, age, education, and other labor market characteristics. However, the regression-adjusted difference is quite small

($2.81) but statistically significant at $p < 0.01$ (see Appendix, Table A.1, column 6).

Finding 8: Average Claim Duration Is Similar Between UCX Recipients and UI Recipients

Although we observe each claim at a particular point in time during the job spell and do not observe the ultimate length of each spell, because our data provide a representative sample of the claimant population, those data should correctly characterize the distribution of claim durations within this population.[3] On average, UI recipients in our sample had collected 11.1 weeks of benefits, versus 11.6 weeks for the UCX population (statistically significant, $p < 0.05$). However, after adjusting for demographics, we observe no statistically significant difference in claim duration (11.1 weeks for UI versus 11.2 weeks for UCX) (see Appendix, Table A.1, column 7). Thus, it appears that UCX recipients, at least on average, draw benefits for a similar amount of time as comparable civilian unemployed.

Our finding of comparable claim durations is interesting given other evidence presented in this report. Other factors being equal, we might expect a group with lower reservation wages to find jobs more easily, but the duration data suggest this may not be the case. However, a large extant literature on civilian UI suggests that benefit generosity can act as a barrier to reemployment (for a comprehensive review of this literature, see Krueger and Meyer, 2002). Because of the more-generous benefits offered to UCX program participants, other things being equal, we might have predicted that ex–service members would have longer unemployment durations. This was not the case and presents an interesting opportunity for future research to investigate the relationship between benefit generosity and unemployment duration for ex–service members.

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[3] Because benefits are time-limited, so that payments are cut off after a certain number of weeks (typically 26 or 52) whether or not a claimant finds a job, it is important to distinguish between the claimant population and the unemployed population. Unemployed individuals who have already exhausted their benefits are not captured in the BAM data. For understanding claim dynamics and fiscal costs to DoD, the claimant population remains an important one.

The comparability of claim durations suggests that the wedge between UCX and UI aggregate claims that developed post-2008 may reflect general economic conditions and shifts in the tempo of military separations rather than an unusual structural weakness in the labor market for recently separated service members.

CHAPTER FOUR

Conclusions, Policy Implications, and Future Research

Conclusions

Drawing from a unique administrative data set with audited UCX and UI claims, this report provides a first portrait of the job search process of ex–service members. Age and education, two factors shown to be strong predictors of unemployment in civilian populations, are also correlated with UCX claiming. Overall, the claim data offer a portrait of a job search process that appears to be working for ex–service members in many ways, with this population making greater use of employment tools such as job referrals and training.

Contrary to expectation, we find that ex–service members delay filing for benefits as compared with similar civilians, although many ex–service members are made aware of their potential benefits as part of the Soldier for Life/TAP. It may be that relocating at the end of their service results in delays in filing for UI benefits, or it may be that ex–service members file only after deciding where they are going to search for work and after they have initiated this search. Understanding the source of this delay is important for targeting policy to improve the labor outcomes of UCX recipients. Also, ex–service members had nearly identical durations of unemployment compared with civilian UI claimants, in a comparison of results for similarly situated (age- and education-adjusted) groups. Other things being equal, more generous UI benefits for UCX claimants relative to UI claimants are expected to increase unemployment durations. However, the increased usage of job referrals and lower reservation wages of UCX claimants relative to UI claimants are likely to reduce unemployment duration.

The finding of comparable claim durations is important because it suggests that the UCX program is doing a good job of providing cash assistance to former service members during their transition to civilian work; much of the recent increase in costs is not because of unexpectedly long unemployment durations for ex–service members. Recent increases in UCX costs may instead reflect general economic trends, along with changes in the tempo of military separations.

The data also suggest a number of opportunities for improvement of existing federal transition programs. Efforts to reduce the delay between separation and access of benefits may help ex–service members engage in the job search process more quickly, and ensuring that service members have ready access to online registration tools might facilitate such efforts. Our data also suggest that ex–service members have different preferences from civilians about occupational mix and compensation; such differences should be considered in designing transition programs. One way of accommodating these preferences would be to give service members better information about how their military skills map onto civilian jobs and how best to describe these skills to potential employers.

Policy Implications

Many of the findings discussed in Chapter Three have policy implications. Table 4.1 provides a list.

Although our data provide a new look into a number underexplored issues related to veteran job search, many questions remain. Future research could address some of the limitations of the BAM data. Importantly, the data used in this analysis do not include information on the type or quality of employment ex–service members attain, or say anything about reemployment wages. Thus, our analysis does not conclusively demonstrate that ex–service members are well served by the system: Because ex–service members have appreciably lower reservation wages, there may be significant gaps in pay and lower earnings trajectories that would be cause for concern. Furthermore, these data compare only ex–service members who apply for and receive ben-

Table 4.1
Policy Implications Derived from Selected Findings

Finding	Policy Implications
UCX recipients wait longer, on average, before accessing unemployment benefits.	• During the TAP, engage veterans in the formal job search process by guiding them to DoL's employment services. • Provide recently separated service members with direct access and referrals to employment services to reduce delay in initiating the job search process.
UCX recipients are less likely to access benefits online.	• Assess whether servicemembers know about online benefit applications or whether they gain more information through claiming benefits in person. • Provide precise information about how to apply for benefits, including phone number and web addresses.
There is some, but not perfect, overlap between target careers for UCX recipients and conventional unemployed.	• Ensure TAP curriculum emphasizes jobs specifically relevant for military population. • Focus private partnerships on employers/industries with appropriate careers.
UCX recipients are more likely to use unemployment services and be enrolled in vocational/job training.	• Given that ex–service members already use job search services at higher rates than comparable civilians, improve the content of these services (e.g., by introducing military-specific elements) rather than engaging in outreach to increase awareness and use.

efits. Unemployed ex–service members who have failed to apply and receive benefits may be significantly worse off that those who successfully apply, as may ex–service members who have completely exhausted their benefits. Future research that addresses the reemployment needs of those particular populations may be valuable.

Next Steps and Future Research

The following are suggestions for next steps that DoD and policymakers might consider:

1. **Provide guidance to veterans about the wages they should be willing to accept**. This guidance would serve as a "reality check" about what types of jobs are feasible and how service members' wages should respond to economic and institutional factors of the labor market. Also, research should try to document the ramifications of accepting lower-wage employment on the short- and long-term economic consequences of ex–service members.
2. **Use the TAP to promote quicker transitions into the unemployment system.** The unemployment system provides an array of benefits to unemployed ex–service members. TAP could improve awareness of these benefits, encourage unemployed ex-service members to claim benefits, and provide details on how to efficiently enroll in the program.
3. **Conduct further research on the outcomes of ex–service members when they leave the UCX program.** In this report, we exploit the richness of the BAM to document facts about UCX claimants not recorded previously. However, one limitation of the BAM is that we cannot relate behavior in the UCX program to outcomes after ex–service members leave the system.
4. **Reduce the delay in claiming UCX benefits and provide faster access to employment services.** Our finding that ex–service members take longer to claim unemployment benefits implies that ex–service members lack awareness of the UI program. Alternatively, it could be that a longer transition is necessary when leaving the service, compared with a civilian losing a job. Improving access to UCX and employment services may reduce total unemployment duration.
5. **Consider incorporating a short seminar in TAP for educating ex–service members about how to apply for UCX and utilize employment services**. The outcomes of this policy may

increase costs to the military as a result of UCX claiming but may also reduce costs if unemployment services reduce unemployment duration. Future research should explicitly evaluate this trade-off.

APPENDIX

Regression Estimates

Table A.1 shows the estimates and marginal effects of receiving UCX, as compared with UI, for various outcomes.

Table A.1
Estimates and Marginal Effects of Receiving UCX, as Compared with UI, for Various Outcomes

Characteristic	(1) WaitTime b/se	(2) ResWage b/se	(3) Train b/se	(4) Register b/se	(5) Referral b/se	(6) WBA b/se	(7) Duration b/se
Received UI benefits	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
Received UCX benefits	0.3631[c]	–0.1926[c]	0.3323[c]	0.3357[c]	0.3567[b]	2.8106[c]	0.0579
	(0.0806)	(0.0109)	(0.0580)	(0.0537)	(0.1416)	(0.9673)	(0.2831)
Base period earnings	–0.0068[c]	0.0089[c]	0.0033[b]	–0.0008[b]	–0.0091[c]	–0.1175[c]	–0.0081[c]
	(0.0007)	(0.0002)	(0.0016)	(0.0004)	(0.0015)	(0.0102)	(0.0021)
Base period earnings squared	0.0000**	–0.0000[c]	–0.0000[c]	0.0000	0.0000[b]	0.0000[c]	0.0000[c]
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
No. of employers (in BP)	–0.0600[c]	0.0127[c]	0.0084	–0.0073[a]	0.1155[c]	1.0922[c]	–0.0381[a]
	(0.0073)	(0.0010)	(0.0063)	(0.0039)	(0.0102)	(0.0834)	(0.0210)
Maximum benefit amount	–0.0001[c]	0.0000[c]	0.0000	–0.0000[c]	–0.0000	0.0342[c]	0.0002[c]
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0001)	(0.0000)
Never attended school	—	—	—	—	—	—	—
	—	—	—	—	—	—	—

Table A.1—Continued

Characteristic	(1) WaitTime b/se	(2) ResWage b/se	(3) Train b/se	(4) Register b/se	(5) Referral b/se	(6) WBA b/se	(7) Duration b/se
Less than high school	0.0140	0.0507[c]	0.0298	0.0810	–0.5230	2.1490	–0.5541
	(0.1061)	(0.0148)	(0.1582)	(0.0811)	(0.5453)	(1.9570)	(0.5521)
High school graduate	0.0051	0.1059[c]	0.0641	0.1027	–0.0256	3.6010[a]	–0.7662
	(0.1068)	(0.0149)	(0.1577)	(0.0813)	(0.5462)	(1.9609)	(0.5520)
Some college (no degree)	0.0618	0.1363[c]	0.6293[c]	0.1494[a]	0.0702	4.8718[b]	–0.5910
	(0.1076)	(0.0150)	(0.1577)	(0.0817)	(0.5470)	(1.9726)	(0.5538)
Associate's degree	0.0424	0.1616[c]	0.5665[c]	0.1984[b]	0.2421	5.6783[c]	–0.7979
	(0.1107)	(0.0154)	(0.1593)	(0.0832)	(0.5479)	(1.9969)	(0.5600)
BA or BS degree	0.1471	0.2299[c]	0.3730[b]	0.1930[b]	0.0793	7.5918[c]	–0.6976
	(0.1098)	(0.0155)	(0.1593)	(0.0827)	(0.5480)	(1.9980)	(0.5578)
Graduate degree	0.2655[b]	0.3178[c]	0.3333[b]	0.1993[b]	0.0568	8.6924[c]	–0.8207
	(0.1150)	(0.0168)	(0.1666)	(0.0859)	(0.5531)	(2.0403)	(0.5700)
White	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
Black	0.0755[c]	–0.0471[c]	0.1005[c]	0.0472[c]	0.3051[c]	–0.9957[c]	0.4348[c]

Table A.1—Continued

Characteristic	(1) WaitTime b/se	(2) ResWage b/se	(3) Train b/se	(4) Register b/se	(5) Referral b/se	(6) WBA b/se	(7) Duration b/se
	(0.0205)	(0.0026)	(0.0191)	(0.0126)	(0.0507)	(0.2500)	(0.0640)
Latino	0.0192	–0.0541[c]	0.0760[c]	0.0377[b]	0.0314	–1.1496[c]	0.0298
	(0.0282)	(0.0036)	(0.0251)	(0.0168)	(0.0645)	(0.3482)	(0.0873)
Other race	–0.0065	–0.0366[c]	0.1057[c]	0.0188	–0.0371	–0.9433[b]	0.2569[b]
	(0.0339)	(0.0048)	(0.0348)	(0.0212)	(0.0759)	(0.4056)	(0.1158)
Male	0.1115[c]	0.0483[c]	–0.2121[c]	0.0427[c]	0.2725[c]	3.8883[c]	–0.0754
	(0.0194)	(0.0024)	(0.0173)	(0.0111)	(0.0406)	(0.2223)	(0.0585)
Constant	–2.8440[c]	1.7446[c]	–1.1176[a]	0.5157	–25.5493	36.3581[c]	7.1289[c]
	(0.8516)	(0.0866)	(0.5882)	(0.5123)	(1936721)	(8.6031)	(1.3884)
Dummy variable controls							
Age	Yes	Yes	Yes	Yes	Yes	Yes	Yes
State	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Occupation	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Week of filing	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Estimation technique	Poisson	OLS	Probit	Probit	Poisson	OLS	OLS

Table A.1—Continued

Characteristic	(1) WaitTime b/se	(2) ResWage b/se	(3) Train b/se	(4) Register b/se	(5) Referral b/se	(6) WBA b/se	(7) Duration b/se
Observations	240,817	231,170	231,937	240,146	172,520	241,613	239,329

[a] $p < 0.10$.
[b] $p < 0.05$.
[c] $p < 0.01$.

NOTES: BP = base period; WaitTime = time between layoff and claim filing; ResWage = lowest acceptable wage to return to work; Train = received additional training; Register = registered for employment services; Referral = received employment referrals; se = standard error; WBA = weekly UI benefit amount; Duration = time spent receiving UI benefits.

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Drawing from a unique administrative data set with audited unemployment compensation for ex– service members (UCX) and unemployment insurance (UI) claims from 2002 to 2012, this report provides a first portrait of the job search process of ex– service members relative to that for civilians. Overall, the claim data offer a portrait of a job search process that appears to be working for ex– service members in many ways, with this population making greater use of employment tools such as job referrals and training than civilians. We find that ex– service members delay filing for benefits as compared with similar civilians, although many ex– service members are made aware of their potential benefits as part of the Soldier for Life/Transition Assistance Program. Also, ex– service members had nearly identical durations of unemployment compared with civilian UI claimants. The data also suggest a number of opportunities for improving existing federal transition programs. Efforts to reduce the delay between separation and access of benefits may help ex– service members engage in the job search process more quickly, and ensuring that ex– service members have ready access to online registration tools might facilitate that process. Our data also suggest that ex– service members have different preferences from civilians about occupational mix and compensation that should be considered in designing transition programs. One way of accommodating these preferences would be to give service members better information about how their skills map onto civilian jobs and how best to describe these skills to potential employers.

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