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# An Examination of the High Unemployment Rate for Young Veterans

Based on the Labor Market Experience of Illinois Veterans  
Discharged from 2001-2006

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# AN EXAMINATION OF THE HIGH UNEMPLOYMENT RATE FOR YOUNG VETERANS Based on the Labor Market Experience of Illinois Veterans Discharged from 2001-2006

## Executive Summary

### Issue

- The Economic Information and Analysis (EI&A) Division of the Illinois Department of Employment Security (IDES) was requested to produce a quantitative analysis focusing on the labor market experience of Illinois veterans in the 20-24 age range. **The ultimate objective of this research was to offer an explanation for the high national unemployment rate for veterans in the 20-24 age group.**

### Data

- **A listing of Illinois veterans discharged between 2001 and the spring of 2006 was acquired from the Illinois Department of Veterans' Affairs (IDVA).** The information included the Social Security Numbers (SSNs) of those individuals along with the year that they were discharged from military service. The entire list of Illinois veterans' SSNs between the ages of 18 and 65 is comprised of 50,296 records. The substantive quality of the data was verified by comparing the number of discharges for 2005 from the regular military services on the IDVA list to the actual number obtained from the U.S. Department of Defense. **The IDVA list included 98.5% of the Illinois veterans discharged from the regular services in 2005. The IDVA data was separated into two age groups (20-24 and 25-65) and for two types of military discharges (reserve/guard and regular services) for analysis purposes. The SSNs from the IDVA data were matched with other state agency data to include unemployment claims, wage records, industry of employer, labor exchange, and education enrollment information. National data collected by the Current Population Survey for veterans and non-veterans for 2005 was obtained from the Bureau of Labor Statistics.** The typical age range for the national data is 20-64 and sub-groups of 20-24, 25-34, 35-44, 45-54, and 55-64 are available. The older age groups have been combined into one 25-64 group as appropriate for comparison to the 20-24 age group.

### Findings

- **National data shows those veterans discharged in 2002-2005 had an unemployment rate of 11.9% in August of 2005. The rate is 3.4% for the veterans discharged in 1991-2001. This data implies that recently discharged veterans are more likely to have a high rate of unemployment than veterans who were discharged some time ago.** The probability of unemployment for a veteran is at its highest in the time right after discharge (separation from the employer) and then declines as the time increases since discharge. Factors influencing the initial probability of unemployment and the rate of its decline include the age of a veteran (20-24 or 25-64 for example) and the type of service from which they received their discharge (regular services or reserve/guard).
- **The proportion of the number of discharges by age group relative to total discharges is the largest in the 20-24 group. The proportion of the labor force size by age group to the total veteran labor force size is the smallest in the 20-24 group.** The concentration ratio, defined as the proportion of the number of discharges for the age group to the total discharges relative to the proportion of labor force size for the age group to total veteran labor force size, is largest for the 20-24 age group. **The concentration ratio for the 20-24 age group is 8.1 times as large as the ratio for 25-34 age group veterans and 38.9 times the ratio for the 25-64 group as a whole.** The 20-24 age group for veterans has a much higher concentration of individuals who have a higher probability of unemployment than do the older age groups of veterans.
- The number of reserve/guard discharges has been growing rapidly since 2001. However, the proportion of discharges from the regular services in the 20-24 age group still accounts for 68.7% of discharges in the 2001-2005 time period. 55.6% of the discharges for the 25-65 group during 2001-2005 are from the regular services. Many recently discharged regular services veterans in the 20-24 age group entered the military from high school and may not have previous full-time civilian employment experience. It takes time for this group to establish stable employment. Individuals (veterans and non-veterans) in the 20-24 age group are more likely to be employed in jobs that pay lower wages, receive fewer benefits, and that are less likely to be long-term occupations. **Statistics show that 20-24 non-veterans have an unemployment rate (8.7% in 2005), which is**

**more than twice the rate (4.0%) for 25-64 non-veterans in support of this position.** The young veterans face many of the same obstacles to stable employment as do their non-veteran counterparts. One big difference is that the 20-24 non-veterans are more likely to have established contacts with employers and be a little more settled in their lives. The majority of them are not unemployed even though chances are they are working in jobs that will not be their long-term occupation. The young veterans need some time to catch up and establish contacts with employers that will lead to stability in their civilian life. **The data appear to show that discharges from the 20-24 reserve/guard group transition faster than do the 20-24 regular services discharges.** This could be due to the likelihood that the reserve/guard discharges have more civilian employment experience and some employer contacts to utilize upon their return. This includes those contacts that they have made with older reserve/guard veterans in their unit while on active duty. The length of time served on their latest tour of active duty (away from civilian employment) is also probably much less than for regular services veterans. The reserve/guard discharges are also more likely to be reactivated to military duty and so they could easily exit the civilian labor force again. **Over 90% of veterans who were discharged multiple times in the 2001-2006 time period were discharged from the reserve/guard on the last occurrence. About 75% were discharged from the reserve/guard on prior occurrences.**

- **The average age of all 20-24 age group discharges as of the last day of their discharge year is between 22.5 years old (2001) and 22.7 years old (2005).** The average age of the regular services discharges in the 20-24 age group is 22.6 years old in 2001 and 22.9 years old in 2005. By the time a veteran discharged in the 20-24 age group secures stable employment they may be part of the 25-34 age group. **Industries that are known for higher wages tend to employ more discharged veterans as the time since discharge increases. It takes more time to become employed in the better jobs. This is especially true for regular services discharges.**
- **UI claims data appear to show that most claims are filed within months after discharge.** In the regular services cases, the number of claims hits its peak toward the end of the discharge year and the start of the following year in each of the discharge years that data was studied. In two of the discharge years for the reserve/guard, claims peaked earlier in the discharge year. Information acquired from the Illinois Army National Guard shows that the earlier peaks in these years correspond to the times when units with large numbers of discharges were deactivated.
- **For each of the 3 discharge years analysis was completed, those veterans exiting from the reserve/guard had a lower proportion filing new claims than the veterans who are exiting from the regular services, holding age group constant. Similarly, for each of the discharge years those veterans in the 25-65 range had a lower proportion filing new claims than the veterans in the 20-24 age group, holding type of service constant.** Those veterans discharged from the reserve/guard (25-65 in particular) are more likely to be returning to jobs they previously held and situations that are more stable, as they are slightly more connected to the civilian world than someone recently discharged from the regular service.
- **There is no significant difference between the time history of the value of average wages for the reserve/guard and regular service veterans in the 20-24 age group in any of the 4 discharge years reviewed.** In 2001 the average wage history of the regular service veterans in the 25-65 age group shows wages equivalent to the corresponding group of reserve/guard veterans. **Starting with 2002 and continuing through 2003 and 2004, the reserve/guard veterans have higher average wages than the regular services veterans of the same discharge year.** It is believed that this is due to reserve/guard members being activated on a voluntary basis prior to September 11<sup>th</sup>, 2001 and then after that date the process was modified by the military to activate reserve/guard members on an involuntary basis as the demand for military personnel increased.
- **The proportion of veterans discharged in 2001 that are earning wages in Illinois in the 20-24 age group starts at a higher percentage for the reserve/guard during the year of discharge than the percentage for regular services and continues to stay higher until a couple of quarters into the year following discharge.** The implication is that it takes longer for the 20-24 regular services discharges to find the same type of work with the same type of pay as the 20-24 reserve/guard discharges. After that, the proportion earning wages for the two groups of younger veterans remains about the same. **The proportion of reserve/guard veterans in the 25-65 age group earning wages also starts off higher than the corresponding group of regular services discharges. This gap starts to close gradually but the regular services discharges never catch up completely.** This could be due to more regular services veterans choosing to locate in a state other

than Illinois (wage data for states other than Illinois is not available) or even full-time education enrollment (not in labor force). These older regular services veterans are the least likely to return to Illinois after discharge.

- A review of employment levels by 2-digit NAICS industry sector for the 4 groups under study in each of 3 discharge years shows significant differences across the groups. **Each particular group finds employment in a certain composition of industries for each of the discharge years, and the employment levels in those industries tend to follow the same paths for each of the discharge years. However, there are differences from group to group and those differences shed some light on why some groups find it easier than others to transition from military to civilian employment.**
- **Employment data show that a higher number of veterans are employed in industries such as Retail Trade, Accommodation & Food Services, and Administrative & Waste Management Services in the quarters right after discharge than the number employed a couple of years after discharge. It appears that this route is common for veterans who do not have a previously established connection with an employer. This occurs more frequently with the 20-24 regular services and reserve/guard discharges and the 25-65 regular services discharges.** Although some of the 25-65 reserve/guard discharges also start in jobs in these industries, this group has an easier time of making the transition to civilian employment. **20% to 30% are employed in Public Administration** (includes state government and local government only – federal government employment is not covered by the UI Act and data is not available) **with little or no transition time.** It is clear that this group is well established in civilian employment. The other 3 groups move into Public Administration (and other industries that have jobs that pay well with good benefits) but there is a gradual buildup of employment.
- **Discharges in the 20-24 age group have enrolled in education at a higher rate than have the 25-65 group. Moreover, the reserve/guard discharges in the 20-24 age group enroll at a higher rate than does the regular service discharges in that same age group. This is not the case in the 25-65 age group where the regular service discharges have a higher rate of enrollment than the reserve/guard throughout the 5 discharge years.** It could be true that the 20-24 reserve/guard veterans joined the reserve/guard specifically to have their college education paid and so their percentage of enrollment is a little higher than their regular services counterparts. **It seems that the recent discharges among the older reserve/guard veterans are the most established in employment and so are the least motivated to obtain additional education.**

#### Summary

- **The 25-65 reserve/guard discharges exhibit the easiest transition to employment after military discharge. There are two groups in the middle with the 20-24 group of reserve/guard discharges maybe having a slight advantage over the 25-65 regular services veterans in finding employment faster.** However, the older regular services discharges find jobs in industries that have better pay and benefits than do the younger reserve/guard veterans. These types of jobs typically take longer to access. **The 20-24 regular service veterans have the hardest transition to civilian employment after discharge. They seem to find employment that pays as well as the younger reserve/guard veterans, but it does take them longer to move successfully from military life to civilian life.**
- The information compiled in this study provides a reasonable explanation for the high unemployment rate of veterans in the 20-24 age group relative to young non-veterans. Most of the non-veterans are already in the labor force and even though many may be working in short-term jobs that are not part of their long-term career path, they are working. A comparison of this group to a group that has a high concentration of recently discharged, and possibly unemployed, veterans should not be compared with the same expectations as veterans and non-veterans in older age groups.