

Military Spouses in the Labor Market



The Council of Economic Advisers
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1. Introduction

American military spouses, who number approximately 690,000, are a diverse population. Like their active duty husbands and wives, they come from varying racial and ethnic backgrounds, and bring a diversity of skills to the labor market. But military spouses face a particular challenge: they often find their labor market activities, including choices over whether to work, how many hours, and in what occupation, to be subject to the geographic and temporal constraints imposed by their active duty spouse. Spouses of service men and women stationed abroad are particularly disadvantaged, as foreign hosts often do not grant spousal work visas.

But even stateside assignments can bring difficulties. Military families typically move every two to three years, requiring frequent labor market adjustments for those who do not have remote work arrangements. In anticipation of frequent moves, employers may be reluctant to hire military spouses or they may offer these workers a lower wage in an attempt to recover turnover costs. Moreover, short cycles in each location may make it more difficult for military spouses to recoup the costs of occupational licensing and other fixed costs of labor force participation. Indeed, military spouses may be the quintessential “trailing spouse”, their situation made even more challenging because their families encounter location *assignments*, rather than location choices, and the result may not be conducive to employment. Indeed, the U.S. Chamber of Commerce (2017) reports that many military bases are located more than 50 miles from an urban center.

2. Demographics of Military Spouses

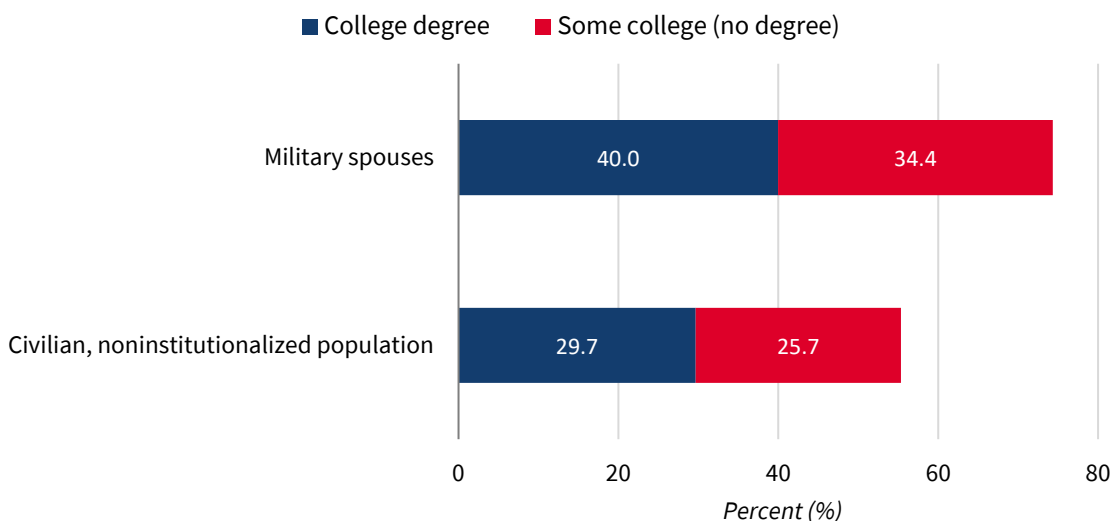
According to the Department of Defense demographic data, in 2016 12 percent of the 690,000 military spouses were themselves active duty military, and nearly half of all married female active duty military members were in dual-military marriages (U.S. Department of Defense 2017). The analysis here focuses on working age (defined as 18 to 65) civilian spouses of active duty military personnel, and on those currently living in the United States. Approximately 88 percent of active duty service people are assigned to the United States and its territories.

Survey data from the American Community Survey in 2016, the most recent publicly available, provides detailed information on the demographics and labor market fortunes of military spouses. The analytical sample contains 4,268 working age military spouses who are not themselves in the military, representing 418,055 military spouses after applying sample weights.¹ According to the ACS survey, working age military spouses are predominantly female (92 percent), and they are young. Although the

¹ After adjusting the Department of Defense estimate of 690,000 military spouses by 12 percent for dual-military marriages and another 12 percent for active duty military stationed abroad, the expected number of military spouses in the sample is roughly 524,000. The difference may be attributable to a disproportionate number of married military members living abroad or to the separation between military spouses and their active duty husband or wife, since we identify military spouses in the ACS based on the military status of their spouse when present in the same household. Direct surveys of military households undertaken by the Department of Defense do not suffer from these military spouse omissions, but do not provide all of the labor market and demographic information presented here.

average American adult of working age is 41 years old, working age military spouses are 33 years old, on average.² Military spouses are also more educated than other civilian, non-institutionalized Americans of working age, suggesting that losing their contributions to the labor market is particularly detrimental for the American economy (Figure 1). While approximately 30 percent of the U.S. working age population has a college degree, approximately 40 percent of military spouses in this age range do. And a greater share of military spouses attended some college, even without receiving a degree, than other working age Americans: 34 and 26 percent, respectively.

Figure 1. Educational Attainment of Military Spouses and Other Working Age Americans



Sources: American Community Survey (IPUMS); CEA calculations
 Note: Reflects rates for 18 to 65 year olds

3. Military Spouses are Less Likely to be Labor Force Participants

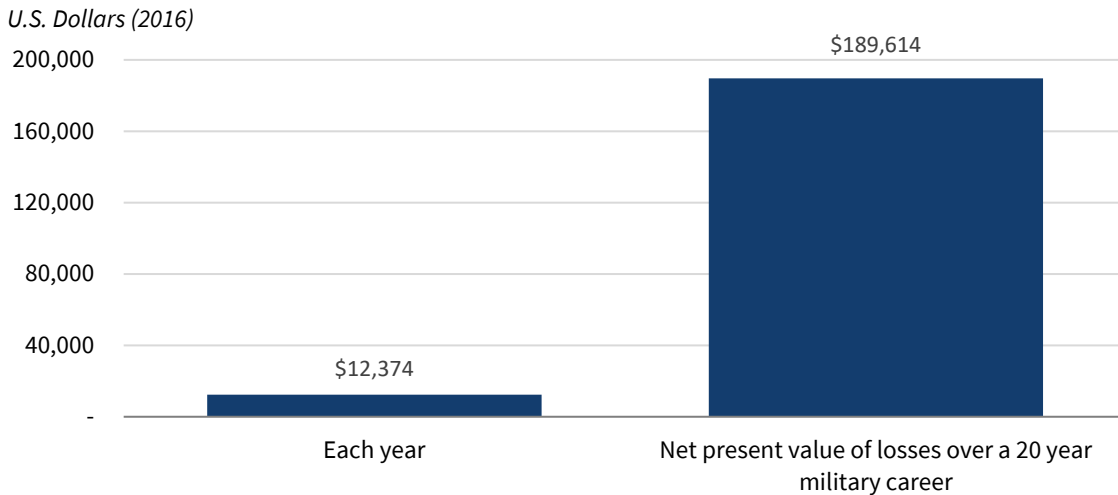
Military spouses are far less likely to participate in the labor market than the general working age population, 57 percent compared to 76 percent in 2016, respectively, according to the ACS.³ Survey data from the U.S. Chamber of Commerce (2017) indicate a similar disparity. Differences in age, sex, race, and ethnicity, cannot account for the gap between military spouses and their peers. Indeed, accounting for these differences raises the labor force participation gap. And because labor force participation rises with education, controlling for education further increases the gap between participation for military spouses and what would be expected given their demographics.

² All comparisons refer to the civilian, noninstitutionalized population aged 18 to 65.

³ We use the American Community Survey rather than the Current Population Survey in this report because the former is a far larger survey, and military spouses represent a small percentage of the overall population.

4. When Employed, Military Spouses Earn Less Than Would Otherwise Be Expected

Figure 2. Estimated Value of Military Spouses' Average Income Losses



Sources: American Community Survey (IPUMS); CEA calculations.
Note: Assumes discount rate of 3 percent.

Using data from the Deployment Life Study (DLS) matched to the ACS, Meadows et al. (2016) find that military spouses earned substantially less than other labor market participants with similar characteristics.⁴ Our estimates, which are based entirely on the ACS, confirm this. Compared to all working age, noninstitutionalized, civilian labor market participants who earned more than \$1,000 in 2015, and accounting for differences in sex, age, race, ethnicity, and education, military spouses earned, on average, 26.8 percent less in wage and salary income than their non-military spouse peers. Much of the difference can be explained by differences in weeks worked per year and in hours worked per week, with military spouses working fewer weeks in 2015 and fewer hours per week. But even among full-time, year-round workers, military spouses find themselves at a disadvantage, with wage and salary earnings 3.4 percent less than would be expected given their demographic characteristics. The broader earnings “penalty” measure, 26.8 percent, amounts to \$12,374 per year and, over a 20 year military career (upon which military personnel are available for retirement benefits), \$189,614 in lost income, measured in present value (Figure 2).⁵ Because this number is predicated on labor force participation, it may be an underestimate of the full earnings disadvantage military spouses face. On the other hand, military

⁴ Using a sample of 1,779 military wives from DLS, the Meadows et al. study matches each wife to similar women in the 2009-2011 ACS survey. They find a \$17,000 earnings gap between military wives and the matched sample, including the effects of non-employment.

⁵ This is using a 3% discount rate. Using a 7% discount rate, the loss is \$140,265.

spouses may choose to remain out of the labor force or work fewer hours for reasons other than their spouse's occupation, which would make these results an over estimate.

5. Military Spouses Face Higher Rates of Unemployment

A survey conducted by the U.S. Chamber of Commerce (2017) indicates military spouses experience higher rates of unemployment than do other adults, and Federal data back up this claim. Based on a survey of 1,273 active duty military members *and veterans*, the U.S. Chamber estimates that military spouses and spouses of recent veterans had a 16 percent unemployment rate in 2017. ACS data suggest the rate is lower than this, 10.2 percent in 2016, but still nearly twice the rate for the overall U.S. population between 18 and 65.⁶

Military spouses also may find themselves employed part time even if they would prefer full time work. The rate of part time employment among military spouses is 31.6 percent in the 2016 ACS sample compared to 19.6 percent in the population at large. Whether part time employment is desired or not is not discernible from the ACS data, but 50 percent of military and recent veteran spouse respondents in the U.S. Chamber survey who were working part time indicated a desire to work full time.

6. Military Spouses are Disproportionately Affected by Occupational Licensing Requirements

Occupational licensing regimes in each State impose additional barriers to labor market participation, and a new resident must clear these hurdles before commencing work. Military spouses are more likely than other workers to be caught up in this country's patchwork of occupational licensing laws, both because they are more likely to move across State lines and because they are disproportionately employed in occupations that require a license. The Bureau of Labor Statistics estimates that 22 percent of all workers required a government license to do their job in 2016, while 35 percent of military spouses in the labor force worked in occupations requiring a license or certification (U.S. Department of Treasury and U.S. Department of Defense 2012). Moreover, military families move much more frequently than civilian families, including across State lines, where military spouses face the potential for relicensing at every interstate move. The 2016 ACS survey indicates working age military spouses were seven times as likely to move across State lines in the United States as the civilian non-institutionalized working age population in general.

⁶ A tabulation of the ACS data gives an unemployment rate for the civilian noninstitutionalized population aged 18 to 65 of 5.7 percent in 2016. Tabulations of ACS data tend to generate higher unemployment rates than the official U.S. statistics based on the Current Population Survey (CPS), in part because the CPS is designed to minimize weather and holiday disruptions in labor market data while the ACS is not. But the CPS, with its small sample size and omission of military families living in group quarters, is not a viable option for this analysis.

7. Some Policies to Assist Military Spouses are Already in Place

As discussed in the 2018 Economic Report of the President, there are a number of initiatives already in place to assist military spouses. The Department of Defense houses a number of programs charged with facilitating the gainful, rewarding employment of military spouses. The newest of these, known as the Spouse Education and Career Opportunities (SECO) assists military spouses with education and training, as well as funding a career call center to assist spouses with logistics and answer questions. The program also supports the Military Spouse Employment Partnership (MSEP), launched in June 2011, which pairs military spouses with partnering employers which have prioritized recruiting, hiring, and training military spouses. The Chamber of Commerce has also implemented a new “Hiring our Heroes” initiative, begun in March 2011, which operates through local Chamber offices around the country to connect both military and veteran spouses to the labor market. In addition, the Department of Defense is working to promote license portability by working with State governments on reciprocity agreements for military spouses. Although a majority of States have agreed to some form of license portability or expedited licensure, a recent audit performed by the University of Minnesota suggests the implementation has been uneven, with only 40 percent of States including information about military spouse licensure on their websites and a majority of customer service representatives unaware of the relevant legislation (University of Minnesota 2017).

8. Conclusions

Military families make many sacrifices for American security and prosperity. Among these are the labor market disadvantages faced by military spouses. Frequent moves, unpredictable hours, rural base assignments, and deployments all take a toll on the labor market outcomes of military spouses. Our estimates suggest that military spouses earn more than \$12,000 per year less than other workers, resulting in losses of nearly \$190,000 over a 20 year military career. This problem has attracted attention from private industry and from government, both of which have taken steps to encourage the employment of military spouses.

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