Partnering with Employers to Build a Sustainable Operational Reserve in the United States Marine Corps

Prepared For:
Major General Darrell L. Moore
Director of Reserve Affairs
United States Marine Corps Reserve

Prepared By:
Robert C. Peterson
Master of Public Policy Candidate
The Sanford School of Public Policy
Duke University

Faculty Advisor:
Henry S. Brands

April 22, 2010
Partnering with Employers to Build a Sustainable Operational Reserve in the United States Marine Corps

United States Marine Corps
Robert C. Peterson
Sanford School of Public Policy
Box 90239, Durham, NC 27708-0239
(919) 613-7401
April 22, 2011
April 22, 2011

Sanford School of Public Policy
Box 90239
Durham, NC 27708-0239

Headquarters United States Marine Corps
Manpower and Reserve Affairs
ATTN: Col David G. Antonik
3280 Russell Rd
Quantico, VA 22134-5103

Dear Sir,

This report presents my findings in response to the question: How should the United States Marine Corps partner with civilian employers of reservists to implement an “operational” reserve that is sustainable during peacetime?

Thank you for your assistance with this project. Should you have any questions, please contact me at (858)583-4301 or rcp14@duke.edu.

Sincerely,

Robert C. Peterson
Acknowledgments

I would like to thank my advisor, Professor Brands, my advisory panel, and the interviewees for their advice, support and participation in this project. I would also like to thank my wife, Andrea, who has always been a source of inspiration and support.

The author is solely responsible for the content of this report, which fulfills a requirement for a Master of Public Policy degree at the Duke University Sanford School of Public Policy. The research, policy options, criteria, analysis, and recommendations contained in this paper are not necessarily endorsed by Duke University or any entity within the United States Marine Corps. Without the expressed, written permission of its author, this paper may not be used or cited for any purpose other than to inform the client organization. The author relied in many instances on information provided by the client, interviews of private sector employers, and other persons associated with the United States Marine Corps.
# Table of Contents

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Executive Summary</td>
<td>..........................................................6</td>
</tr>
<tr>
<td>2. Problem Statement and Policy Question</td>
<td>..........................................................8</td>
</tr>
<tr>
<td>2.1 Problem Statement</td>
<td>..........................................................8</td>
</tr>
<tr>
<td>2.2 Policy Question</td>
<td>..........................................................9</td>
</tr>
<tr>
<td>3. Background</td>
<td>..........................................................10</td>
</tr>
<tr>
<td>3.1 The Reserve Component</td>
<td>..........................................................10</td>
</tr>
<tr>
<td>3.2 The United States Marine Corps Reserve</td>
<td>..................................................12</td>
</tr>
<tr>
<td>3.3 How the Reserves are Called to Active Duty</td>
<td>..................................................12</td>
</tr>
<tr>
<td>3.4 USERRA Protections for Mobilized Reservists</td>
<td>..................................................12</td>
</tr>
<tr>
<td>3.5 Methodological Approach</td>
<td>..................................................14</td>
</tr>
<tr>
<td>4. Summary of Findings</td>
<td>..........................................................16</td>
</tr>
<tr>
<td>5. Criteria for Analysis and Policy Options</td>
<td>..................................................26</td>
</tr>
<tr>
<td>5.1 Criteria</td>
<td>..........................................................26</td>
</tr>
<tr>
<td>5.2 Policy Options</td>
<td>..........................................................26</td>
</tr>
<tr>
<td>6. Analysis of Policy Options</td>
<td>..........................................................30</td>
</tr>
<tr>
<td>6.1 Inform and Appreciate</td>
<td>..........................................................30</td>
</tr>
<tr>
<td>6.2 Solicit Statements of Impact</td>
<td>..........................................................31</td>
</tr>
<tr>
<td>6.2 Synchronize</td>
<td>..........................................................32</td>
</tr>
<tr>
<td>6.3 Offset Costs</td>
<td>..........................................................32</td>
</tr>
<tr>
<td>7. Recommendations</td>
<td>..........................................................34</td>
</tr>
<tr>
<td>8. Bibliography</td>
<td>..........................................................35</td>
</tr>
<tr>
<td>9. Appendices</td>
<td>..........................................................</td>
</tr>
<tr>
<td>Appendix A. Summary of Responses from Employer Interviews</td>
<td>A-1</td>
</tr>
<tr>
<td>Appendix B. Sample Interview Questionnaire</td>
<td>B-1</td>
</tr>
<tr>
<td>Appendix C. Selected Tables from BLS December 2010 Survey</td>
<td>C-1</td>
</tr>
</tbody>
</table>
Executive Summary

Policy Question
This paper explores policy options available to the United States Marine Corps that strengthen its ability to sustain the Reserve Component as an operational force, by asking:

How should the United States Marine Corps partner with civilian employers of reservists to implement an “operational” reserve that is sustainable during peacetime?

Background
The reserve component of the United States Marine Corps will continue to fill an operational role after the drawdown of American forces in Iraq and Afghanistan. The concept behind the operational reserve envisions the deployment of reservists in a periodic and sustained fashion to support theater security engagements and cooperative security agreements. When put into practice, reservists will be required to regularly deploy overseas. Reservists are only part-time members of the military and most depend on a civilian employer for their livelihood. While businesses have generally been supportive of deployments during periods of conflict, it is unclear how they will view continued deployments, absent an existential crisis. Since reservists depend upon civilian employers for their livelihood, their support is necessary to sustain a peacetime operational reserve.

Criteria for Analysis
To answer the policy question proposed above, I analyzed four policy options against three criteria. Though it may not be possible to meet each criterion, a superior policy option should favorably address the following items, 1) employer concerns and costs, 2) relations between employers and Reserve Component Marines, and 3) costs associated with Marine Corps employer support programs.

Methodology
This study drew on information from previous reports, data from the Bureau of Labor and Statistics, and interviews conducted with 14 private sector businesses concentrated in the construction, services, and telecommunication industries.

Key Findings

- Previous studies, conducted by the Small Business Administration and the Institute for Defense Analyses conclude that small businesses are negatively and disproportionately impacted by the mobilization of reservists.

- A large proportion of Marine Corps Reservists are employed by small businesses.
• On average, a 90 day mobilization period will cost an employer $1,036.00 in measurable costs that are directly attributable to USERRA protections. If the employer hires a temporary worker at the same wage as the mobilized reservist employee, they may pay an additional $4,473.00 in fees to a staffing agency.

• On average, 30.3% of employer’s costs for employee’s compensation are paid in the form of benefits. Healthcare benefits costs are the largest single item in the benefits calculation, costing $2.49 per hour worked.

• If a reservist employee subscribes to Tricare Reserve Select, they will save the average employer $24,000 over a five year period in employee health benefits.

• The average employer’s costs, directly attributable to a reservist employee’s mobilization and the protections contained within USERRA, can be offset if the Marine Corps uses a one to five deployment to dwell ratio and reservists use Tricare Reserve Select in place of employer sponsored healthcare plans.

Policy Options
Option 1) Inform and appreciate. This policy option contains two separate parts. First, the service should educate business owners so they understand how the operational reserve contributes to U.S. national security. Second, the Marine Corps should organize events at the unit level to demonstrate appreciation for the employers of reservists.

Option 2) Solicit statements of impact. The Marine Corps should solicit statements of impact from employers of reservists to learn the employer’s assessment of how a deployment will affect their business.

Option 3) Synchronize. The Marine Corps Reserve should synchronize deployment schedules with lulls in seasonal industries that employ large numbers of reservists. Where practical, the service should adopt shorter deployments, like the Air Force Reserve and Air National Guard, to minimize the impact of mobilizations on the reservist’s work place.

Option 4) Offset costs. The Department of Defense should offset employer costs that are directly attributed to disruption caused by the mobilization of reservists. There are several methods available through which to do this. Cost offsets may take the form of direct payments to an employer, tax credits for employers of reservists, reduced fees for temporary worker placement services, or indirectly through established programs such as Tricare Reserve Select.
Problem Statement and Policy Question

Problem Statement
The last two decades have witnessed a major shift in how the nation uses its military reserve. The Marine Reserves, originally intended for use as a strategic asset to be mobilized for major war, have come to fill an operational role, regularly augmenting active forces abroad and responding to natural disasters at home. The new role requires reserve units and individual reservists to regularly deploy in a periodic and sustained fashion, and this trend is expected to continue even after the anticipated draw down in Afghanistan.1 Because the reserves were originally designed to fill a strategic function, their supporting framework is ill suited for an operational role. An outdated support framework coupled with repeated deployments has the potential to shift a disproportionate burden from these activities onto reservists, their families, and the reservists’ employers.

Public concern over the impact of repeated deployments on reservists has motivated a number of studies that measure the effects on individual reservists. Data gained through these studies has enabled the development of public policy and the enactment of laws that provide reservists with additional protections and support mechanisms. However, by focusing exclusively on the individual reservist, concerns specific to their employers may go unrecognized. Additionally, laws designed to protect the individual reservist may have the unintended effect of shifting a greater burden of repeated mobilizations onto their employers.

Some believe the reason businesses willingly bear these costs is out of a patriotic sense of duty. If that is the determining factor, then it is not clear how employers will receive the prospect of continued mobilizations after the war in Afghanistan has drawn down and absent an existential threat to national security.

Recently published defense directives and Marine Corps strategic documents state unequivocally that the Marine Reserves will maintain an operational role for the foreseeable future. The Department of Defense Directive (DoDD) 1200.17, titled “Managing the Reserve Components as an Operational Force,” clearly defines institutionalizing an operational reserve as an objective for all service branches. More recently, a report published by the Marine’s comprehensive force structure review group, describes the importance of an operational reserve component that can “aggregate” with active forces. These documents clearly

demonstrate the resolve that exists to build an operational reserve that becomes an important and lasting component of national security.

The public policies designed to support and maintain a strategic reserve are badly overdue for an update to adequately address the needs of an operational reserve. Since reservists’ livelihood depends upon their civilian occupation, identifying and addressing employers’ concerns are an important component of necessary changes. At this point, however, little is known about concerns businesses may have and what costs they may face when reservist employees are mobilized for active duty. The first step towards identifying employer considerations is to collect data and this has yet to happen on the scale that needs to be undertaken. Since little is known about employer costs attributable to mobilizations, this study will attempt to identify the challenges that reserve deployments impose upon business.

To a certain extent, the system is dependent on the voluntary support of civilian employers. The concept of an operational reserve hinges on the maintenance of this support in the absence of national crisis. The policy question - how should the United States Marine Corps partner with civilian employers to implement an “operational” reserve that is sustainable during peacetime - is designed to explore the impact an operational reserve will have upon employers and how the Marine Corps may provide incentives to build an attractive partnership with civilian businesses.

Policy Question
How should the United States Marine Corps partner with civilian employers of reservists to implement an “operational” reserve that is sustainable during peacetime?
Background

The Reserve Component
Conceived during the Cold War, the strategic reserve was created to provide the nation with a trained force that could be mobilized in times of national crisis (ie. the cold war turns hot). In the absence of a national crisis, an individual reservist could anticipate serving an annual commitment of 39 days – which translates to one weekend a month plus two weeks a year. Prior to 1990, many reservists served an entire career without having to be mobilized. But with the end of the Cold War and the emergence of new national security challenges, this began to change. Reservists were called upon with increasing frequency to support humanitarian missions abroad or to respond to natural disasters at home, that is, their role began to shift from strategic to operational. Following the attacks of September 11th, 2001 the reserves have in effect become an operational force. Figure 1, pictured below, depicts the growth of active duty service for the ready reserve across all services.

Figure 1. Annual Active-Duty Days per Ready Reserve Member (All Services)²

Despite the reserves employment as an operational force, many changes necessary to support this transition have yet to be institutionalized. Moreover, the legal and administrative adaptations that have been selected were implemented in an ad hoc fashion. During fiscal year

2005, Congress established an independent commission to study the National Guard and Reserve.³ When the commission’s final report was published, their primary recommendation was that Congress and the Department of Defense should, “explicitly acknowledge the need for, and should create, an operational reserve force that includes portions of the National Guard and Reserves.” Furthermore, the commission called for bold changes to the laws and policies related to roles and missions, funding, personnel, equipping, mobilization, and organizational structures.⁴

The operational reserve concept envisions the regular mobilization of reserve units for extended periods.⁵ To the individual reservist, this represents a significantly increased commitment over the minimal one that reservists had come to expect while serving as a member of the peacetime strategic reserve. The increased commitment introduces a conflict for many reservists, as most have full-time civilian occupations.

As “citizen-soldiers”, reservists are only part-time members of the armed forces. The majority of them hold full-time civilian positions to support themselves and their families. The implementation of an operational reserve represents an increased obligation, promising to be considerably more disruptive to the individual reservist’s family life and civilian career. While numerous studies have gauged the effects of repeated combat deployments on the reservist’s family, few have been commissioned to investigate how this affects their employee-employer relationship.⁶ A continued operational role for the reserves will require reservists to spend significantly more time away from their civilian occupations and it’s unclear how employers will receive this.

The Marine Corps recognizes the importance of employer support. The Marine Corps Reserve’s strategic planning document for 2007-2012 named employer support a “core enabler” for the transition to an operational reserve.⁷ Evidence suggests that employers bear significant costs when their employees are mobilized for Marine reserve duty, but it’s unclear what these costs are and what should be done to address them.⁸ Small businesses appear especially vulnerable to the disruption caused by the mobilization of an employee. This project will explore the relationship between the Marine reserves and employers with the objective of identifying the costs, conflicts and challenges associated with continued mobilizations.

³ More on the Independent Commission for the National Guard and Reserve can be found at http://www.cngr.gov/
⁵ The most often cited deployment to dwell ratio is 1 to 5. That translates to one year of mobilization for every five years that a unit spends in reserve status.
The United States Marine Corps Reserve
As the nation’s expeditionary force in readiness, the Marine Corps is prepared to rapidly respond to a wide spectrum of crisis scenarios. To achieve this, the Marines maintain a flexible forward deployed posture, train to a broad set of missions and retain a force mixture that includes infantry, artillery, armor, and aviation assets. Like the others services, the Marine Corps is composed of an active and a reserve component. The active, or regular, component is a standing professional force that maintains a high level of readiness, while the reserve component provides strategic depth by maintaining a force that can be mobilized to reinforce the active component. Unlike the Army Reserve, whose force structure has traditionally been weighted towards support functions, the structure of the Marine Reserve is generally indistinct from the active force. As consequence, Marine reserve forces train to the same missions, and maintain the same equipment as those of the active component.

How the Reserves are called to Active Duty
The U.S. Statutory Code Title 10 defines three provisions where reservists may be involuntarily called to active duty. Each provision has different limits defining the length of time reservists may be recalled, the number of reservist that may be mobilized, and the procedures required to invoke the provision.

If Congress has declared war or a state of national emergency, the President may order a full mobilization of the reserves. This provision allows for the recall of the entire reserve component, for a length of time six months greater then the declared emergency. A partial mobilization may be ordered if the President declares a national emergency; this provision allows for as many as one million reservists to be recalled for a maximum period of two consecutive years. The third and most limited form of mobilization is a Presidential Call Up.

---

9 In this context, “readiness” is a special term used to measure preparedness for combat. The measures used to assess readiness vary amongst different unit types but often considers, level of training, number of personnel, and equipment maintenance.

10 The organizing unit for Marine operating forces is termed Marine Air Ground Task Force (MAGTF). A MAGTF contains four components to include, a unified command structure, ground units, aviation assets, and logistics support elements.

11 The regular Army needs the reserves to fight a large scale sustained campaign. By keeping some essential functions in the reserve component, the Army’s force structure provides a clear linkage between the public and the military. This structure has been dubbed “the Abrams Doctrine” a reference to Army Chief of Staff General Creighton Abrams who designed the post-Vietnam war force structure.

12 USC Title 10, Section 12302 Ready Reserve. This statute was amended by Congress in 2006 to adapt the length of service that an individual reservist may be involuntarily recalled from 24 total months to 24 consecutive months.
This procedure allows the President, with notice to Congress, to mobilize 230,000 reservists for up to 365 days.¹³

For nine years now, the deployment of reservists to combat zones has been enabled by a combination of Presidential call-ups and an ongoing partial mobilization. The call-ups depend on the annual renewal of a national emergency, first declared by President Bush on September 14th, 2001, and most recently renewed by President Obama on September 10th, 2010.¹⁴ The national emergency coupled with USC Title 10 provisions 12302 and 12304 allows the Department of Defense to involuntarily recall reservists for active duty service.

The use of reserves over the past decade provided critical relief to regular forces strained by repeated deployments to Iraq and Afghanistan. During this period, reservists made significant contributions, accounting for nearly 40% of all U.S. forces in Iraq during 2004. In general, the public understands that these conflicts produce hardship and there is a sense among military professionals that employers are supportive in part due to a patriotic sense of duty.¹⁵ While it’s true that businesses have been generally supportive, a 2004 report published by the Institute for Defense Analyses provided evidence that reservist employers, especially small businesses, bear significant costs when their employees are mobilized.¹⁶ Some of these costs can be attributed to protections provided by the Uniformed Services Employment and Reemployment Rights Act (USERRA).

**USERRA Protections For Mobilized Reservists**

The Uniformed Service Employment and Reemployment Rights Act was established in 1994 to protect employees departing for or returning from military service. It prohibits businesses from discriminating against employees who are recalled to active duty and requires the employer to reinstate the reservist once their military service has concluded. Other items proscribed by the law include the following:

- Reservists are entitled to the same benefits they would have earned, had they not been mobilized for active duty. A few caveats to these benefits do apply, one being that to accrue pension benefits from a matching plan, the reservist must make their portion of the contribution upon their return. Additionally, the period of cumulative absences from one employer must not exceed 5 years.

---

¹³ USC Title 10, Section 12304 Selected Reserve and certain Individual Ready Reserve members.
¹⁵ Authors conversations with serving, and retired Marine Corps Officers.
• Reservists are allowed to maintain their health coverage, although after the first 30 days of active duty they may be required to pay the employer’s portion of the costs.

• Promotions tied to seniority must be given to a reservist even for the period during which they have been mobilized.

While the protections provided to reservists through USERRA are important, they may have the unintended effect of making it more expensive to hire and retain reservists as employees. A Congressional Budget Office report on the impact of reserve call-ups suggests that additional costs manifest themselves in three ways. First, the employer’s ability to adjust to a reservist’s absence is limited because the reservist has rights to reemployment. Second, the employer may be required to pay for some of the reservist’s benefits despite the individual’s absence. Third, the employer is open to litigation if they do not comply with the rules established by USERRA. In a later section this report will hypothesize how these costs may impact employers and then measure the anticipated costs against what is learned through employer interviews.

**Methodological Approach**

I began the investigation by reviewing the handful of studies that touched on the subject of reservist’s employers. These studies indicated that small and medium sized businesses were more likely to be affected by the absence of an employee. By definition, small businesses have fewer employees. Therefore it is reasonable to expect that an organization with fewer employees is more likely to be affected by the absence of an employee. Each absence has greater potential to impact the business because each individual represents a greater percentage of the total workforce than is the case in a larger firm. I chose to narrow the focus of my research to small and medium sized business because small businesses generally have tighter margins and therefore may face greater harm due to reservist mobilizations.

Using Bureau of Labor and Statistics data on employee compensation and benefits I built a model to anticipate the cost to employers from the mobilization of reservist employees. The model referenced the protections specified in USERRA and projected costs conforming to those requirements. I then set out to conduct employer interviews to determine if the model accurately predicted costs.

---

17 Congressional Budget Office (2005). *The Effects of Reserve Call-Ups on Civilian Employers.*


19 The U.S. Small Business Administration (SBA) defines small business as consisting of firms that employ fewer than 500 persons. The definition varies from industry to industry but 500 employees is the most widely used figure to discriminate between small and medium sized business in the United States.
To identify the challenges organizations face due to the mobilization of reservists I built a questionnaire containing thirty questions for small business owners. The questions were designed to measure the impact of an employee’s extended absence on the business and to solicit suggestions from employers as to how the Marine Corps should address the associated costs. Some survey questions built off those used in a 2004 Institute for Defense Analyses (IDA) study led by Colin M. Doyle. Specific areas examined by these questions include costs in the form of benefits and lost business, the amount of notice an employer would like to prepare for an impending deployment, how long an employee could be spared before it became a hardship, and what they would like the Marine Corps to do to help their business through periods of employee mobilizations. To gain a sufficient diversity of views while keeping the project manageable, I set out to interview twenty to thirty employers.

The interviews were targeted at small businesses belonging to industrial categories that my analysis deemed more likely to employ Marine Reservists. To identify characteristics that might describe those businesses I analyzed data from the July 2010 Current Population Survey (CPS). The monthly survey collects information on 50,000 households and is performed by the Bureau of Labor and Statistics. The CPS collects household data pertaining to employment, demographics, veteran’s status, and geographic location among other things. Using the data, I separated military veterans from the total population and organized it in such a manner to identify industries and states that were more likely to have former Marines living and working there.

With this data in hand I approached the Chamber of Commerce in San Diego and Durham, NC and asked for lists of businesses that employed fewer than 500 employees. Only one of the cities, Durham, NC, was able to produce a list that proved useful. This list was used to target businesses in the local area that belonged to industries more likely to employ Marine veterans. To arrange interviews, I cold called businesses, explained the nature of the project and asked to speak to the chief executive or a representative from the human resources department. The responses to questions were used to validate cost projections, to inform findings, and to develop recommendations.
Summary of Findings

A review of publications that touched on the relationship between reservists and their employers identified a number of interesting items. I will share some of the information from these articles before providing a summary of data from the interviews.

Summary of Information Identified in Previous Studies

*An Analysis of the Effect of Reserve Activation on Small Business (2009)*

A study commissioned by the Small Business Association to examine the impact of Reserve mobilizations on employers concludes that small firms are more likely to be negatively affected by Reserve mobilizations. The study merges Department of Defense data on employment and activations with sales and firm size data taken from Dun and Bradstreet. Using regression analysis, the authors find that small businesses are disproportionately affected by Reservist activations. They cite as evidence a regression analysis that demonstrates a 15 times greater negative impact to sales for small firms when compared to large firms.

The report postulates that Reservist activations may disproportionately affect small business in two ways. First, a higher number of reservists are more likely to be drawn from small business because the majority of reservists in the private sector work at small firms. Second, since small firms have few employees it may be more difficult to redistribute the work and therefore activation may have a greater impact on productivity.20 A quote from the report succinctly states why this is the case, “Small businesses are more likely than large businesses to suffer losses due to absenteeism. This is due to the inability to hire additional employees to offset small probabilities of absence for their small worker pool.”21


This report provided a few interesting facts about reservists and their employers, namely:

• 58% of reservists work in the private or non-profit sector. Of these firms, 80% employ only one military reservist.

• Ten civilian occupation groups account for 76% of all full-time employed selected reserve members.

---

• 70% of the employers of reservists were businesses that employed fewer than 100 employees.

• A handful of big firms employ large numbers of reservists. The report identified all the firms that employed more than 600 reservists each. These included, Wal-mart, UPS, Home Depot, Fedex, Lockheed Martin, AT&T, Northrop Grumman, Target, Verizon, and Delta.

• Approximately 10% of National Guard and Reserve members are students enrolled at institutions of higher learning.

*The Effects of Reserve Call-Ups on Civilian Employers (2005)*
The Congressional Budget Office conducted a study on the impact of reservist mobilizations in 2005. To perform the study, researchers interviewed 19 businesses. Twelve of the businesses interviewed had received Military Reservist Economic Injury Disaster Loans (MREIDL) assistance from the SBA. They also contacted three Fortune 500 companies. By contacting both large and small businesses the researchers were able to conclude that mobilizations had little to no effect on large corporations and that small business, even those that didn’t receive MREIDL assistance, were likely to be negatively impacted.²²

They hypothesized that replacing reservists through temporary placement agencies would likely cost the business more due to the fees charged by recruiting firms. Apparently it is standard practice for recruiting firms to charge a 50% markup over the temporary employee’s salary.

The report recommended four options to offset employer costs. One of these was to relax some of the protections provided by USERRA. Another called for a mechanism whereby employers could fence off key employees from mobilization. The other three recommended methods of compensating business were direct compensation, subsidized loans and tax credits.

*Analysis of Employer Costs from Reserve Component Mobilizations (2004)*
This appears to be the most detailed study to date of the impact of reservist mobilizations on employers. Most of their data points came from interviews of 93 employers who had applied for SBA Military Reservist Economic Injury Disaster Loans (MREIDL). The study concluded that the mobilization of reservists imposed significant costs to businesses, especially small ones, and suggested five methods that could be used to compensate employers of reservists.

The study attempts to measure the costs to business of reservist mobilizations but for several reasons may exaggerate the actual costs. First, it was completed in 2004 and therefore used

²² Congressional Budget Office (2005). The Effects of Reserve Call-Ups on Civilian Employers.
data that fell within the 2002-2003 recession in the United States. Businesses may have faced declining revenue and mistakenly attributed those losses to the absence of a reservist employee. Second, the survey only interviewed distressed businesses that applied for emergency loans during the period their reservist was mobilized. A more robust methodological approach would have sought data points from businesses that were not in duress. Lastly, the number and duration of reserve call-ups during that period were without precedent, excepting the mobilizations that took place in 1990 and 1991 for Operation Desert Shield / Desert Storm. Employers and the public may still have been adjusting to the concept and were perhaps more alarmed about the practice.

Other significant items that the study found include:

- A common characteristic of the MREIDL recipients is that their reservist was a key employee and was therefore difficult or impossible to replace.23
- When reservists returned to the workplace it took a considerable amount of time, in some cases as much as six months, to adjust to their return.24
- Data from a survey of Guard and Reserve personnel performed at the time suggested that reservists are more likely to be employed by small businesses than the overall population.25 Additionally only about 56% of reservists participated in employer sponsored health care plans.
- Many employers may face additional costs beyond what is imposed by USERRA. This can come in the form of reduced productivity from replacement employees or additional compensation the employer voluntarily contributes to the reservist to make up for the difference in military and civilian pay.26

Attracting “Cutting-Edge” Skills through Reserve Component Participation (2003)

A RAND report that identified five policy ideas designed to incentivize reserve component service for individuals who possess critical skills. It is relevant to this study because three proposals could be adapted to incentivize a partnership between the reserves and business. The three policy ideas are a “tailored” ESGR, a Reserve Component program modeled after PaYS, and a “critical university talent program.

The “tailored” ESGR proposal builds on existing ESGR programs and calls for the focus of outreach efforts by region or industry. The effort would use a targeted message to attract individuals with critical skills to the service.

The same report also describes an Army program named the Partnership for Youth Success (PaYS). The program is a partnership between the Army and civilian employers that is used by the Army as a recruitment tool. After the recruit completes an active duty tour he is transitioned to a civilian business that was identified during the recruitment process. A database is used to match civilian job skills with those skills learned through military training.

A third proposal from the report describes a university outreach program that identifies critical skills at the university level. The proposal calls for the development of retainer based recruiting and retention within the IRR to provide reach-back to individuals with critical skills.

**Analysis of Current Population Survey Data**

It was my intent to use updated Marine Reserve CEI data, gained through a recent effort to collect information from Selected Marine Corps Reservists and Individual Mobilized Augments. However, I was unable to get access to the data in a timely fashion and as consequence was forced to rely on other methods. To gain some perspective I elected to use data from the July 2010 Current Populations Survey.

The Current Population Survey (CPS) is a nationwide survey conducted on a monthly basis that collects information on 50,000 U.S. households. The Bureau of the Census conducts the survey for the Bureau of Labor and Statistics and data from it is made publicly available. The sample collects demographic information but its primary purpose is to identify characteristics of the labor force, so it also collects information on the participant’s occupation, industry, and other factors relevant to employment. The supplemental sections of the survey record information about an individual’s service in the military. The data allowed me to separate Marine veterans from the total population but it did not allow me to identify the individuals who were still serving as reservists.

One in five survey participants had served in the military. Of this population, 10% had served in the Marine Corps. To separate the population of veterans who were most likely to have characteristics similar to individuals in the ready reserve I used the age of 40 and under as a discriminator. This discriminator was chosen based on the assumption that the majority of reservists are younger than 40 years old. I separated the data on the population of Marine
veterans age 40 and under, and used it to identify the industries and states where these individuals were more likely to work and reside.

California and Texas emerged as the states with the highest percentage of Marine veterans. Of the Marine veteran population in this sample, California contained approximately 8% of the participants and Texas held 6%. Ohio, Connecticut, and North Carolina ranked next with each containing over 3% of the respondents. The data also described the characteristics of the businesses and industries in which these individuals worked.

Former Marines under the age of 40 were most likely to work in the fields of public administration, construction and manufacturing. Each of those fields contained greater than 10% of the population sample. Other industries that ranked high include; wholesale and retail trade, transportation and utilities, and professional business services.

**Anticipating Employer Costs Due to Reservist Mobilizations**

Due the provisions contained within USERRA we can anticipate certain costs that may impact an employer when a reservist is mobilized. These costs relate to four specific aspects of USERRA. First, USERRA specifies that employers must maintain health benefits for the first month of an employee’s mobilization. Second, the law specifies that pension contributions must be made if the employee returns after the period of activation. Third, USERRA guarantees reemployment rights for returning reservists. This may pass costs associated with recruiting, hiring, and training temporary labor to the reservist’s employer. The fourth area is described as lost productivity or lost business but this is difficult to measure.

Using data gathered by the Bureau of Labor and Statistics, Figure 2 provides a projection of costs due to a reservist’s absence. The data measures wages and benefits across the private nonfarm economy and public sector excluding the Federal government. This calculation uses only those costs that are concrete and measurable so it does not consider more abstract concepts such as lost business or reduced productivity. I used periods of 30 Days, 90 Days, 6 months and one year to place an amount on the employer’s cost of mobilization.28

---

27 If a temporary placement agency is used to recruit and hire a replacement worker it is standard practice for the agency to charge fees approximately equal to 45% of the employee’s wage.

28 The BLS report lists compensation and benefits as wages per hour. The model is based on a 40 hour work week and assumes that 160 hours are worked per month.
The following equation describes how costs associated with USERRA protections for reservists are accounted for in the model.

\[
\text{1 Month Healthcare + Retirement Benefits + Temporary worker premium = Measurable Costs}
\]

According to the BLS data, the average employee in the United States earns a total compensation of $29.72 per hour. This amount can be divided in two parts -- benefits and salary. Salary accounts for $20.71 of the total and benefits account for $9.02.\footnote{The sum of individual items may not equal the total due to rounding.} Of the benefits portion, health insurance costs an employer $2.49 per hour or 8.4% of total compensation and retirement benefits cost the employer $1.33 per hour.

![Figure 2. Employer Costs Attributable to USERRA Protections (uses Dec 2010 BLS Data)](image)

<table>
<thead>
<tr>
<th>Period of absence</th>
<th>Benefits Costs</th>
<th>Temp Agency Fee for Replacement Worker</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 Days</td>
<td>$611.00</td>
<td>$1491.00</td>
</tr>
<tr>
<td>90 Days</td>
<td>$1037.00</td>
<td>$4473.00</td>
</tr>
<tr>
<td>6 Months</td>
<td>$1675.00</td>
<td>$8947.00</td>
</tr>
<tr>
<td>1 Year</td>
<td>$2952.00</td>
<td>$17893.00</td>
</tr>
</tbody>
</table>

The model predicts that if a reservist were mobilized for 90 days, their employer would pay $1,037.00 dollars in health and retirement benefits. If the employer used an agency to hire a temporary worker, they would pay $4,473.00 dollars in addition to the worker’s salary. In sum replacing a reservist for a 90 day period may cost an employer an additional $5,500. With this model in mind, I interviewed employers to determine if it was an accurate prediction.

**Summary Information from Interviews**

Over the course of the project I interviewed 14 businesspersons from private industry and two individuals who work in government. This section will relate my observations from the interviews and share some their employers’ concerns. In all cases the interviewees were the owner, a senior manager, or the director of the firm’s human resources department. The role the interviewee performed at the company affected the information they were able to provide during the interview. For example, the interviewees who worked in human resources were more familiar with the rules prescribed by USERRA, while the owner/manager types were more in tune with how an absence might affect the workplace.

I used the definition of small business as defined by the Small Business Administration to categorize and select the businesses that were interviewed. All but two of the businesses
interviewed would be considered small businesses. Eight of the businesses interviewed employed fewer than 100 workers and four had between 100 and 250 employees. In addition to interviewees with private industry, I also spoke with a manager in the federal government and councilman for local government.

A few general trends emerged over the course of these interviews. First, none of the small businesses had written policies regarding the handling of reservist mobilizations. They dealt with or planned to deal with each mobilization on a case-by-case basis.

Second, all the employers, but one exception, had a positive impression of reservists and veterans. They used words like “maturity” and “discipline” to describe a reservist’s character and said those are traits they value in their employees. In at least two cases, reservists had accelerated through the ranks and achieved a position of critical importance within the company.

This leads to the third common theme, which is that all employers agreed that it was disruptive to their business to have a reservist mobilized for active duty. This was especially true for the businesses where reservists had rapidly risen through the ranks. Those business owners indicated that it would be extremely uncomfortable to lose their reservist for an extended absence. In other cases, where the employee is young or in a low skilled position, adjusting for their absence would be relatively easy.

In one case the area-manager of a construction firm was involuntarily activated twice during a three-year period. He was able to shift some of his work to subordinates but said upon his return it was apparent that some of the company’s projects were in shambles. It took two months for him to re-acclimate to the job and he fired two foremen due to weaknesses they exhibited during his absence.30

**Determining Whether the Model Measures Up**

The employers were keenly attuned to the cost of providing healthcare for their employees. The employer’s share of health care costs for employees with dependents fell in a range between $600 to $1000 per month. For employees with no dependents, healthcare could cost as little as $180 month or as much as $1000 per month. Two of the small businesses interviewed did not provide employer sponsored healthcare plans for their employees, so their

---

30 The interviewee did put a positive spin on this though, saying he might not have identified shortcomings in the two foremen responsible for those projects had he not been away. As consequence he was able to promote more capable employees to the position of foreman.
costs were zero. The model predicted that on average employers pay $398 per month to maintain healthcare for their employees.

All but three of the businesses offered some sort of retirement benefits plan. Of these, a defined contribution 401k was the predominant retirement savings vehicle. Most businesses made matching contributions to 401k plans however, the five construction industry businesses suspended the practice in 2008 due to the downturn in the economy. Only one of the businesses used a defined benefits plan. Costs for defined contribution plans were generally pegged between 2.5 and 5% of employee salary, which is inline with the prediction made using BLS data. During this recession period it appears that if taken as an aggregate the interviewed businesses pay less in defined contributions then what the model predicts. This can be attributed to the suspension of matching contributions by a number of the firms.

To predict the cost of hiring a temporary employee, the model multiplies an average worker’s salary by the placement fee charged by staffing agencies. This fee is normally calculated as 45 to 50% of the temporary employees salary. The premium charged by staffing agencies is partially offset by the fact that the gaining organization does not finance benefits for temporary workers. However, benefits are calculated to be 30% of salary so if a temporary worker is given the same wage as the full-time employee they replace, the costs will be greater for the firm.

According to the interviews though, hiring temporary workers does not always translate to higher costs for the firm. In the case of low skilled workers, the firm pays the temporary employee less than their permanent personnel. So in these cases the cost of hiring a temporary replacement is roughly equal to the cost of having a full-time employee. In cases where highly skilled workers are required, the cost to the firm may be higher because qualified people are scarcer and they can therefore charge a greater premium.

If the firm elects to recruit and train an individual without assistance from a staffing agency, their costs can be considerable. Two businesses cited $3,000 as the cost to recruit and hire a new worker. A pharmaceutical consulting firm estimated that it costs another $12,000 over a three-month period to train the new hire.

The two large firms who agreed to be interviewed provide additional benefits for activated reservists in the form of differential pay. Differential pay is used to cover the gap between a reservists civilian pay and their military pay (assuming a gap exists). These firms were also willing to maintain the reservists healthcare plan.
While businesses expressed support for reservists, they were sensitive to actions that they perceive as government ignoring their views. In three of the interviews, business owners indicated that they were skeptical about why the reserves would need to be called up for missions that did not involve a direct threat to the nation. One business owner stated that he would not support the use of the reserves unless it was an obvious threat he was made aware of through reports in the media. Another stated that if the reserves really wanted to build a partnership with businesses that they would have to listen to their concerns and address them. A third interviewee described the protections prescribed in USERRA as a “one sided law,” and she went on to describe how it was unfair that her company had to reemploy the reservist yet the reservist could quit if they should so choose.

Opportunities
The preceding paragraphs describe the concerns of business owners and their perceptions of costs incurred when a reservist employee is mobilized. This section will relate opportunities for partnership these same employers identified during the course of the interviews.

Four of the employers indicated that there were seasonal aspects to their business. A business that is cyclical or seasonal may benefit from the mobilization of reservists if the periods of absence can be synchronized with lulls in the business. In most cases these businesses experienced a slow down during the winter. One of the Heating, Ventilation and Air Conditioning (HVAC) service companies described how they maintain the same level of staffing year round. Yet, in the winter they don’t have enough work to keep their people busy. They agreed that it would be helpful if some of their employees were mobilized during the winter. A wholesaler that focuses on the educational market experiences slow business during the winter as well. They normally hire additional workers during the period May through September when schools restock equipment and supplies. The business manager for the private school that was interviewed defined their working season as beginning on August 18th and ending on June 2nd every year. This affords teachers at the school to take second jobs in the summer or to be available for reserve duty. The construction businesses I interviewed were all located in the South and they did not experience seasonal fluctuations due to the onset of cold weather. Their counterparts in the Northern U.S. have definite seasonal aspects and many slow operations for the winter months.

In general, the employers felt that short absences were unlikely to impact the workplace. Some said they could make due without a reservist for as long as three months without hiring a replacement. Others suggested a shorter period of time, more like a month. On the other

---

31 The interviewee went on to say that that the active forces should handle missions short of war, and that the reserves should not be called on to fill peacetime OCONUS.
hand, lengthy absences such as six months or a year would require the business to hire a temporary replacement or suffer a loss in productivity.

The rising cost of healthcare is an area of concern for employers that presents an opportunity for the Marine Reserves. The interviews confirmed that healthcare costs were the largest single employer provided benefits cost. The employer sponsored plans are not as attractive for the employee as is Tricare Reserve Select. In most cases the employee paid portion of the employer provided healthcare premium is greater than the current fees for Tricare Reserve Select. This suggests that both employers and the individual reservist could save a significant amount by using Tricare Reserve Select instead of an employer maintained healthcare plan. Using the range identified through these interviews employers could potentially save $4,200 to $12,000 per year on each reservist employee that drops a company plan to enroll in Tricare Reserve Select.

The actual cost to small businesses of reservist mobilizations from the protection of benefits, as prescribed by USERRA, is markedly less then the same costs in large businesses. Many of the small businesses that I interviewed for the report confided that they no longer provide matching contributions for their employee’s defined contribution plans. Two of the businesses provided no healthcare support; in one case this was because the owner felt the company could not afford the cost. In the other case it was a deliberate strategy of a company that hires military reservists and retirees precisely because of their ability to leverage military healthcare benefits.

The revelation that many of the small businesses did not provide benefits prompted me to take a closer look at the BLS data. I found that benefits formed a smaller percentage of employee costs for small businesses than in large businesses. I also found that small businesses paid less in benefits using actual terms.

The opposite was true for legally required benefits where small business paid a greater percentage of worker costs to social security, Medicare, and unemployment insurance than larger businesses.
Criteria for Analysis and Policy Options

The criteria and policy options listed below explore alternatives that allow the Marine Corps Reserve to build a positive relationship with the employers of reservists.

Criteria

I use three criteria to evaluate the proposed alternatives. Each criterion was selected to ensure that the recommended policy options would be acceptable to the Marine Corps Reserve. A superior option will meet the three specified criteria.

• Addresses employer concerns and costs. An operational reserve depends on support from the businesses that employ reservists, addressing costs and employer concerns will go a long way to improving the relationship between the reserves and the employers of reservists.

• Promotes good relations between employers and Reserve Component Marines. Reservists depend on their employer for their livelihood. A system that addresses employer concerns while balancing USMCR commitments is more likely to be sustainable.

• Minimizes the costs of employer support programs to the Marine Corps. The Marine Corps prides itself on providing more “bang for the buck,” and the Marine Corps reserves provide perhaps some of the best value in the Department of Defense. Weighing the cost of proposals is particularly important in an era of declining defense budgets. A superior option can be executed at minimal cost.

Policy Options

The policy options outlined below build on the initiatives launched over the past few years. Employers who were interviewed as part of the project suggested many of the options listed. I will review recent ESGR and USMCR initiatives before I list tentative options. I will then describe the intent behind each option and weigh them individually against the criteria in the analysis section of the paper.

Best Practices

The Marine Reserves and the Department of Defense already have in place a number of initiatives that support a business’s ability to employ Marine Reservists. These initiatives should be encouraged and strengthened. I will list a few of them here:

• Flexibility in reserve assignments. The reserves offer considerable flexibility in assignments. This allows reservists who want to be in the rotation to join units that are
likely to deploy. If business is slow and layoffs are likely, a reservist may opt for voluntary active service, as is the case with a reservist employed by one of the interviewed construction firms. Of course, employer and employee interests may not always align but allowing reservists to rotate between operational units and those units that are less likely to deploy may encourage a self-sorting that benefits the reserve’s employer-partners.\textsuperscript{32}

- \textit{Collecting Civilian Employment Information (CEI)}. The collection of employment information on reservists began in 2002. This was an important first step in developing an understanding of the challenges employers face due to reservist activations.

- \textit{The Department of Defense National Survey of Employers}. A survey launched this year by ESGR, represents the next logical step toward understanding how the reserves can provide better support to employers. This survey was distributed in March and will be analyzed by the RAND Corporation, once the data is collected. Lessons learned through this initiative may assist policymakers in the design of improved programs to support employers.

- \textit{ESGR Patriot Awards}. The ESGR Patriot Award allows the Reserve Component to call attention to meritorious examples of employer support for reservists. This is an important program because it provides a mechanism for the Department of Defense to convey appreciation and to call attention to employer supported best practices. Two of the interviewed employers expressed pride for the awards they received through this program.

- \textit{Tricare Reserve Select}. Tricare Reserve Select was established in 2005 and represents an opportunity for employers to transfer a reservist’s healthcare related costs to the government.\textsuperscript{33} One of the businesses interviewed exclusively hires military reservists and retirees for this reason. The company pays salary but provides no retirement or healthcare benefits because the reservist can accumulate these through their association with the military. Instead of paying for benefits, the company allows for flexible schedules that enable the reservists to meet their annual active duty commitments.

\textsuperscript{32} The French use a reserve component model that draws a sharp distinction between their operational reserves and the reservists who fill a disaster preparedness and public affairs role. The members of the French operational reserve expect to deploy overseas while the other members are fenced off from having to participate in deployments.

• **Benefits of military training.** Reservists benefit from the discipline learned through military training. Employers value many of the traits exhibited by reservists, such as discipline, mission focus, and ability to work on a team.

**Policy Options**
While the programs described above provide employers of reservist some of the support they need, additional steps should be taken by the Marine Corps to encourage businesses to hire, promote, and retain reservists. The reserves should not be viewed as the cause of problems for small business, it should be viewed as an enabler of small business. The following policy options are submitted to address issues pertaining to the deployment of reservist employees.

Option 1) **Inform and appreciate.** This policy option contains two separate parts. First, the service should educate business owners so they understand the how the operational reserve contributes to our national security. When mobilizations such as the one for Desert Shield / Desert Storm have taken place, most individuals have understood the linkage between reserve call-ups and national security. In contrast, the linkage between peacetime operational reserve mobilizations and national security is less clear. If theater security engagements and troop requirements for enduring cooperative security treaties drive the need for an operational reserve, then the general public must understand how these missions benefit our security. Second, the Marine Corps should organize events at the unit level to demonstrate appreciation for the employers of reservists. Where possible, the reserves should build relationships with leaders of local industries. This is not a new idea; the Marine Corps once participated in a program that paired senior Marines with business leaders of equivalent stature. In this program the Marine exposed business leaders to different aspects of USMC operations in a manner similar to Army’s practice called “boss lifts.” Where “boss lifts” are not practical simple measures, such as inviting employers to a mess night function may generate significant goodwill.

Option 2) **Solicit statements of impact.** The Marine Corps should solicit statements of impact employers of reservists to learn the employer’s assessment of how a deployment will impact their business.

Option 3) **Synchronize.** The Marine Corps Reserve should synchronize deployment schedules with lulls in seasonal industries that employ large numbers of reservists. Adopting a rotation schedule that relies on shorter deployments, like the Air Force Reserve and Air National Guard, will minimize the impact of mobilizations on the reservist’s work place.
Option 4) **Offset costs.** The Department of Defense should offset employer costs that are directly attributed to disruption caused through the mobilization of reservists. There are several methods available through which to do this. Cost offsets may take the form of direct payments to an employer, tax credits for employers of reservists, reduced fees for temporary worker placement services, or indirectly through established programs such as Tricare Reserve Select.
Analysis of Policy Options

This section analyzes the three policy options against the three criteria. I evaluate each option and use this to inform the recommendations in section seven.

<table>
<thead>
<tr>
<th>Alternatives</th>
<th>Addresses cost and concerns</th>
<th>Promotes good relations</th>
<th>Minimizes USMCR costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Inform and Appreciate</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>2) Solicit Statements of Impact</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>3) Synchronize</td>
<td>Yes</td>
<td>Yes</td>
<td>Neutral</td>
</tr>
<tr>
<td>4) Offset Costs</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

The Alternatives Comparison Matrix (Figure 3) summarizes the evaluation of policy options using the three criteria and a simple yes, no, or neutral assessment. An option that is judged to meet the criterion is given a “yes.” Options that negatively impacts the criterion are given a “no” and those whose impact is ambiguous or anticipated to have no effect are given a “neutral” rating.

Option 1) Inform and Appreciate
Addresses employer concerns and costs.
While this option does not address employer costs, educating employers about the role of the operational reserve may dampen some concern over the mobilization of reservists. Employers are more likely to be supportive if they understand the reason why their workers are being mobilized for reserve duty. At this point, none of the employers interviewed understood the concept of an operational reserve or what its mission would be during peacetime. Furthermore the employers did not understand the linkage between cooperative theater security engagements and national security. If employers understand the value of these missions and
the operational reserves role in filling them, they may be more likely to discount self-interest in favor of larger national security interests.

*Promotes good relations between employers and Reserve Component Marines.*
Demonstrating appreciation for the support of employers goes a long way toward building strong relations. Although the ESGR has programs in place to recognize outstanding employers, developing a complimentary Marine Corps program would benefit the reserve component. This would seem to be a case where more is better. Two of the interviewees expressed pride for the award their company received for supporting reservists. One of the firms published an article in their internal newsletter about an Army award they received.

*Minimizes the costs of employer support programs to the Marine Corps.*
This program could be implemented cheaply and is consistent with the reserves role of connecting with the public. The Marine Corps reserves are already charged with bridging the civil-military divide so this is a natural role for the organization.

**Option 2) Solicit Statement of Impact**

*Addresses employer concerns and costs.*
This action does not meet the first criterion because it has no impact on the employer. However, it is an important step toward accurately addressing employer costs. Collecting a statement of impact will allow the Marine Corps to record the employer’s expectations with regard to costs. If a sufficient number of employers participated and their statements were tied to a reservist’s record, a prediction of the economic impact of a unit’s mobilization could be developed.

*Promotes good relations between employers and Reserve Component Marines.*
Soliciting input from employers will promote good relations between reserve component Marines and business. Employers will appreciate that the Marine Corps is concerned about the impact of deployments on their business. A statement of impact is an important communication tool that will allow the Marine Corps to better understand how employers view mobilizations. Over time this data could be tracked, and statements of impact could be measured against results to determine their validity. Once verified the data could be used to design policies that accurately address costs.

*Minimizes the costs of employer support programs to the Marine Corps.*
A statement of impact could be collected at little cost to the Marine Corps using a MARADMIN to disseminate instructions and a web enabled form to collect information. Participation would be voluntary, so it is uncertain if employers would be motivated to share information.
Option 3) Synchronize
Addresses employer concerns and costs.
In some industries, this option would meet the first criterion, while in others it may not be possible to identify a convenient time to mobilize an employee.

Shortening the length of mobilizations may reduce the impact of an employee’s absence. However, there are some missions that cannot be satisfied through short-term deployments.

Promotes good relations between employers and Reserve Component Marines.
Synchronizing deployments with seasonal lulls in industry represents a synergistic approach to the development of an operational reserve. This option goes beyond lessening the impact of mobilizations and may prove an enabler of small business. For example, due to harsh winter conditions in the northern U.S., a carpenter in Vermont lays off his one employee every winter. This employee then remains idle until the business resumes with the return of warmer weather returns. In another example, many of the farm workers in the Imperial Valley of Southern California are routinely laid off outside the picking seasons.34

Minimizes the costs of employer support programs to the Marine Corps.
If synchronization is achieved through efficient scheduling alone and deployments remain at an optimum length as determine by mission requirements this will meet criterion 3. If however, the Marine Corps elects to shorten lengthy rotations, it is unclear how this will impact costs. Costs may go up because this option might necessitate more frequent rotations. Logistical movement of Marines costs money and this could have a significant impact.

Option 4) Offset Costs
Addresses employer concerns and costs.
A program that provides direct compensation to employers represents the most visible means to offset costs. This does not mean that all concerns will be addressed, uncertainty about employee status would not be resolved, but it would be a significant step towards alleviating pressure on reservist employers.

The downside of a program like this is that it has significant potential of being abused. Witness the growth of for-profit universities that target veterans and their “post 9/11 GI Bill” benefits. It’s plausible that companies would emerge to hire reservists solely for the direct payments that would be received during a mobilization.

Promotes good relations between employers and Reserve Component Marines. If managed properly this program could significantly improve relations between employers and the reserves. If employers believe that their costs are fairly and adequately addressed they would be more likely to feel as if they are equal partners in the enterprise and this would improve relations. If managed improperly, employers might feel that they are being treated unfairly, just as some of the interviewed companies felt about USERRA.

Minimizes the costs of employer support programs to the Marine Corps. It is difficult to imagine a scenario where providing direct compensation to an employer would minimize costs to the Marine Corps, so I judge that this approach would not meet the third criterion. However, if direct payments allow the Marine Corps to make expanded use of the reserves, this may generate savings elsewhere. When one compares the annual cost of Reserve Component Marines to the active duty forces, this could become an attractive option.

If costs are offset using indirect means, such as payroll tax breaks or negotiated reduced fees from temporary agencies, the costs to the Marine Corps becomes less of a factor.
Recommendations

I recommend that the Marine Corps Reserve adopt policy options 1, 2, 3 and the component of option 4 that encourages the use of Tricare Reserve Select.
Bibliography


Appendix A
Summary Information from Interviews

The following provides a summary of the interviews conducted during the course of this project. Names have been removed and only generic characteristics of the company are provided to protect the privacy of the interviewees and the participating businesses.

Company: Management Consulting (SIC 8742)
Size: 4 Employees
Location: Arlington, VA
Interviewee: Founder / CEO
Discussion:
This company is a small management consulting firm that focuses on business process improvement, systems engineering, and process engineering. Two Marine reservists one of whom agreed to participate in an interview started the firm.

Benefits
The company offers an array of benefits to include medical, dental, and life insurance. They also offer a defined contribution plan through a 401k. The interviewee is still active in the reserves and has elected to use Tricare Reserve Select for his family’s health insurance. The costs of benefits in the event of an employee’s mobilization were a secondary concern when compared to how the firm would replace an individual.

Replacing Activated Reservists
With only four employees, the company does not have the depth to maintain a backup for their consultants. The two reservists fill different roles within the company. The interviewee said that his role was to concentrate on business development and grow the business. He relies heavily on personal connections and relationship management to accomplish these tasks. The other reservist is the lead consultant. He applies his business process improvement expertise to meet client needs.

The interviewee believes that if both of the company’s reservists were simultaneously deployed, the results would be catastrophic for business. He went on to say that if members were deployed individually for a period less than 3 months long, the company could probably weather the period without hiring an additional worker. Longer deployments would be problematic and it may be difficult for them to hire an experienced consultant as a suitable replacement.
Company:  Business Management Consultants (SIC 8742-01)
Size:  90 Employees
Location:  Madisonville, LA
Interviewee:  Manager
Discussion:
The majority of this company’s employees are military retirees or reservists. The firm differentiates itself from other consulting companies by highlighting the military experience of its employees. In this case the manager who agreed to the interview is a reservist.

Benefits
The company does not provide benefits for its employees nor does it pay taxes on wages. It leverages the reservist/reirees ability to secure health and pension benefits through their affiliation with the military. This enables the company to pay significantly higher wages than other firms which amount to $1000 per day for the average consultant. Consultants are only paid when they are actively engaging with a client and during those times they remain at the client site 24 hours per day. Typical engagements last for two weeks after which consultants are given a rest period lasting two to four weeks.

Replacing Activated Reservists
The consultants are a relatively homogenous group so other team members could cover individual absences. In addition to its regular consultants the company maintains a network of individuals that can be hired for short-term contracts. The schedule they employ maximizes flexibility and it affords reservists the opportunity to perform extra drill periods throughout the year.

Other
This company is an example of how service in the reserves can be an enabler for business. The firm is able to contain costs by leveraging military health and retirement benefits. The reservist benefits because wages are higher than if the employer paid for programs to manage health and retirement benefits. The reserves benefit because the flexible scheduling model they employ makes reservists available to fill USMCR billets.
Company:  Communication Services (SIC 4899)
Size:  7 Employees (Local Office)
Location:  Durham, NC (Local Office)
Interviewee:  Manager

Discussion:
This firm is a large technology services company. The interview was conducted to learn first hand if there was a significant contrast between how small and large businesses handle reservists. Another reason for this interview was to explore potential synergy between this company’s high tech training and the Marine Corps needs for individuals with information technology skills.

Benefits
The company provides health and retirement benefits for its employees and it continues to provide health care benefits during a deployment. It also has policies in place to provide differential pay during a reservist’s annual training and for involuntary deployments.

Replacing Activated Reservists
The group that the interviewee manages contains seven members and the manning is designed to allow an individual to be absent for up to a month. In the event of a mobilization they would not seek outside help unless the reservist was expected to be absent for over a month.

Other
The company recently outsourced some of its human resource functions and as a result it has become more difficult for reservists to take leave for training. The new procedures require a reservist to stop and start salary deposits each time that reserve duty impacts their workweek.

As a manager he felt that an employee's absence would be more easily justified with the employer, if the employee's job in the reserves were aligned with their civilian position. This particular company does a considerable amount of business with the government so its products and services are widely used and many opportunities for alignment exist.
Company: Elementary and Secondary School (SIC 8211-03)

Size: 250 Employees

Location: Durham, NC

Interviewee: Business Manager

Discussion:
This a non-profit elementary and secondary school located near Durham, NC. The business employs nearly 170 people with all but 20 serving as teaching faculty. The interviewee was not sure if they currently had any reservists on staff, but he did recall that one of their teachers had previously been in the reserves.

Benefits
The school provides health benefits and a defined contribution retirement plan. The school contributes $460 per month to employee health plans regardless of whether the employee supports dependents or not. The amount employees contribute for healthcare depends on whether they support dependents or not. Individuals with no dependents pay approximately $82 per month and those with dependents pay over $200 per month.

The school provides 100% matching funds for 401k contributions up to 5% of salary, or $2,600. Once an employee has been with the school for ten years, they will match contribution up to 7.5% of salary.

Replacing Activated Reservists
When the question of replacing an employee for an extended absence came up, the interviewee stressed the importance of finding a quality replacement. He indicated that they had a number of options through which they could find a temporary replacement. The school has temporarily hired retired teachers to fill absences or they have contracted university professors to teach certain courses. Quality is their primary concern because parents pay approximately $20,000 per year for tuition.

Normally the hiring of temporary replacements is accomplished through word of mouth. If a recruiting firm they normally charge a placement fee that is equal to 25% of teacher pay. With a median salary for teachers of $54,000 this would amount to $13,500.

Other
A large proportion of the faculty is expected to retire soon. With an increasingly graying work force, the interviewee anticipates hiring a number of new teachers in the coming years. He was aware of programs like troops to teachers and is interested in hiring
veterans. He believes that a military veteran or reservist would make a good role model for the students. He also sees utility in having a veteran on staff that can talk about their experience in the military.

The business is seasonal and employees are only required to be present for 10 months out of the year. Their normal season begins on August 16th and ends by June 2nd. If a reservist were employed at this school they could be available for active duty during June and July.

Company: Utilities Construction (SIC 4939-03)
Size: 20 Employees
Location: Raleigh, NC
Interviewee: President
Discussion:
The owner of this company had been activated twice as a Marine Reservist and he resigned from the reserves due to the risk additional mobilizations posed to his business. The firm’s primary business is utilities construction, which generally provides steady business year round. Due to consistent requirements for utilities repair, the business has not been substantially affected by the downturn in the construction industry.

Benefits
The company provide health and retirement benefits. For single employees the company pays $400 per month toward their health plan. For employees with dependents the company pays $700 to $800 per month. Employees are expected contribute $200 to $300 toward their plan.

The company provides a defined contribution retirement savings plan and matches 50% of employee contributions up to 5% of salary.

Replacing Activated Reservists
They would most likely hire a temporary worker to replace an activated reservist. Hiring a person on a temporary basis has advantages because the person will join with the understanding that they will give up their position when the reservist returned. The interviewee had recently laid off employees so the emotional aspect of separating an employee was still at the forefront of his mind. The company has used the placement agency Aerotek when it has hired temporary employees in the past. Aerotek is a national firm that specializes in placing individuals with technical backgrounds. He proposed that the Marine Corps should negotiate at the national level with firms such as
this to reduce fees charged to businesses that use staffing agencies to replace mobilized reservists.

To allow adequate lead time for the company to replace a reservist, the owner asked for 30 days notice so that arrangement could be made. He also commented that replacing a reservist would be difficult because he believes they make better employees. One of his employees, a sergeant who recently separated from the Marine Corps, has rapidly advanced to positions of responsibility within his firm.

As a reservist himself, the interviewee had mobilized twice during the last decade. He felt that it caused some damage to the business and described stepping back into the workplace as “somewhat painful.” He likened the reintegration in the workplace to the “return and reunion” that service members experience in the home. When he returned some of the companies projects were in bad shape. It took him about 30 days get up to speed. His absence exposed critical weaknesses in some of his senior foremen and as a result he fired two of them. He put a positive spin on this, remarking that he might not have identified those individuals as weak players had he not been deployed. As consequence he was able to promote more capable individuals into positions of responsibility.

Other
The interviewee commented on the seasonality of the construction business in northern states and suggested that an opportunity exists to mobilize reservists from this industry during the winter. When asked if he could think of other construction related businesses that were seasonal he mentioned paving and landscaping.

Although the interviewee was familiar with the role of the reserves he expressed reservation over proposals to deploy reservists during peacetime. He said it would be difficult to explain a mobilization if there wasn’t something that it could be connected to in the newspaper. He also suggested that the reserves should make it a priority to keep employers informed if a deployment is on the horizon.

If an employee were to be mobilized though, he want to do whatever is possible to help ease the burden on the reservist and his family. It appeared that patriotism was a strong component of this employer’s outlook.

Quote
“Reservists will do well in the private sector if the reserves respect their employers.”
Company: Steel Detailers – Reinforcing (SIC 179105)
Size: 80 Employees
Location: Durham, NC
Interviewee: Chief Executive Officer
Discussion:
The company provides builders with steel construction materials and software that aids their clients during the design process.

Benefits
The company provides health care benefits through a health savings account (HSA) type plan. Under this plan the company pays 100% of the healthcare premium and the employees pay a deductible for medical expenses through an HSA. The company covers the premium for low wage employees and decides who qualifies for this additional coverage on a case-by-case basis. Most employees make monthly contributions to fund their HSA up to $3,000. The employer-funded portion of this plan costs the company $1000 per month for employees with dependents. The plan covers preventive medicine costs at no charge to the employee.

The owner of this company felt it was very important to ensure that all of his employees received the medical care they needed. In his mind, paying medical premiums for employees takes precedence over bonuses.

The company normally provides matching funds for employee 401k plans but due to a downturn in the construction industry, they temporarily have discontinued the practice. The owner plans to reinstate the practice of matching contributions once business picks up.

Replacing Activated Reservists
The company recently had an employee mobilized for a two-month period to support operations in Iraq. The individual was valuable employee but he did not hold a key position within the company. They were able replace him with a temporary employee they hired through a staffing agency. He felt the cost of having a temporary employee was similar to paying his full time employees. The fees charged by the temporary agency were roughly equal to the benefits that he invests in his full time employees and temporary worker receive no benefits through his company.

The other reservist employee at the company holds a key position. This individual manages logistics for the firm and his knowledge was described as invaluable. If this
individual were mobilized they would attempt to hire a logistics consultant to temporarily fill his position. He anticipated that this would cost the company a premium over the cost of the full time employee’s salary and benefits. To make the necessary workplace adjustments for a reservist’s absence he said that 30 days notice would be sufficient.

*Other*

The interviewee was supportive of the military but skeptical they would be able to address his business concerns. He asked that when planning for the mobilization of reservists that the Marine Corps look at each business individually to determine how it would be affected and to be flexible so they could mitigate the impact. He suggested the Marine Corps could solicit a statement of impact from each reservist’s employer to gain a better understanding of how a deployment would impact the organization. The statement could be useful for the Marine Corps if were tied to a reservist’s record.

**Company:** Business Services (SIC 7389 - 13)

**Size:** 70 Employees

**Location:** Raleigh, NC

**Interviewee:** Site Manager

**Discussion:**

This company specializes in the design, installation and inspection of fire safety systems for buildings.

**Benefits**

The company does not provide matching contributions for the employees 401k. It does provide an employee healthcare plan. The healthcare plan uses health savings account (HSA) model that costs the company approximately $1000 per month per employee.

**Replacing Activated Reservists**

The company’s actions would depend on the length of time that the reservist could anticipate being mobilized for. If the period of mobilization were less then two months the office would shift schedules to make thing work or perhaps borrow an employee from somewhere else. If the deployment were anticipated to be a long one, they would hire a temporary replacement.

The interviewee indicated that the impact of losing one of their younger employees for an extended absence would be minimal. The installation requires certain skills so the process of hiring and training a replacement would not be without cost. The company
recently completed a study to measure those costs, which the interviewee said was between $2,500 and $3,000. This figure takes into account a number of factors to include, drug screening, processing, background check, manager’s time and training.

The company employed two seasoned inspectors that were responsible for one third of the business’s revenue. Neither of these individuals were reservists so he wasn’t concerned about losing them due to mobilization. It is interesting to note that two individuals out of 70 are responsible for over 1/3rd of the firm’s revenue. If one these specialists were absent for an extended period, they could be replaced by contracting another inspector.

Other
If the company needed to find a temporary replacement for an inspector, they would like 6 months lead time to make the arrangements. In the case of other employees, 3 months would allow enough time to recruit and train a replacement.

**Company:** Bars (5813-01)
**Size:** 10 Employees
**Location:** Durham, NC
**Interviewee:** Owner
**Discussion:**
The business is a small bar and grill located in an area packed with restaurants, bars, and cafes.

**Benefits**
The business does not currently provide employee benefits but the owner indicated that he would like to provide health insurance to his employees in the future.

**Replacing Activated Reservists**
Having to replace an employee is the owner’s biggest concern with hiring reservists. The majority of the employees work the bar, and he believes that the rapport they establish with customers has an impact on sales. Many of the regular customers have a favorite bar tender and their decision to patronize the establishment is partially driven by who is behind the bar. He is concerned that a reservists extended period of absence would negatively impact sales.

Replacing an activated reservist may be problematic as well. Hiring a temporary replacement is not a good option because employee theft is a common problem in this
industry. A temporary employee may be more likely to steal from the register because
the relationship is expected to be short term. Training did not seem to be much of an
obstacle. He indicated that it takes one week to conditionally qualify a new bartender
and about a month to have them fully trained.

Other
The owner stated that if a reservist was activated for a period of less than 30 days that
he would be able to cover the shift without hiring an additional worker. If however the
activation period were expected to be longer he would like two to three months notice
to hire a replacement. When asked how he would like the reserves to mitigate the
impact of mobilizations on his business, he said that he would want help hiring a
temporary employee.

Company: Telecommunications (SIC 3661)
Size: 5,000
Location: San Diego, CA
Interviewee: Vice President, Human Resources
Discussion:
This information gained from this interview demonstrates the differing capacities of
large and small business to support reservists. The majority of the company’s
employees are wireless communications engineers, one of whom enlisted after
September 11th, 2001 in the Army Reserves. This individual was deployed twice to Iraq,
once in 2004 and then again in 2006. In the period between his deployments the
company changed ownership. When the reservist was mobilized in 2004 the company
was a small business with fewer than 500 employees. In the interim period the firm was
bought by a larger company, so when this reservist was called to active duty again, he
was now working for a large firm with over 5,000 employees.

During the first deployment, the company severed benefits and provided only the
protections that were due because of statutes contained in USERRA. This meant that
the reservist, who was well paid as an engineer, experienced a significant pay cut when
he was mobilized for active duty. When the reservist returned he was reinstated to his
old job. By the time he was called up for a second tour in Iraq, a large firm had bought
the small company he worked for. This deployment turned out to be different. The
large company was more easily able to support the reservist, and it voluntarily
maintained health benefits for his family, paid differential pay, and provided the
reservist with a global wireless card that allowed him to communicate with his family
from Iraq.
Benefits
- Continued to pay the differential between the employee’s salary and his military salary.
- Maintained health benefits plan for his family.
- Provided the reservist with a rugged laptop and “air card” that gave him global access to the Internet.

Replacing Activated Reservists
- Very skilled employee, it was very important that he would come back at the end of his tour.
- Maintained contact with his team. (Even worked on some projects during his tour).
- To fill the gap left by the absence of their employee, the firm contracted another engineer as a temporary employee.

Other
The interviewee, who was an executive, expressed pride in the recognition they received from the Army for the support they provided during the second deployment. The company included an article in their quarterly newsletter discussing the deployment, the company’s support, and the award. When asked about the award, the interviewee responded, “We didn’t think we were doing anything exceptional, he was doing something exceptional.”

The company does not have policies that prescribe how they will handle the deployment of reservists. Although it is a large firm they intend to deal with mobilizations on a case-by-case basis, using principles in place of policies. The executive said that this had a lot to do with the firm’s entrepreneurial roots.

When asked, how the Marine Corps could facilitate a better partnership with their firm, the interviewee suggested that payroll tax credits would be an attractive option. She went on to say that payroll taxes eat a large portion of their budget. If the government were to link the hiring and retention of reservists to payroll tax credits the Marine Corps would have an incredibly attractive incentive for employers to work with them.
**Company:** Specialty Contracting – Plumbing and Heating (SIC 17110000)

**Size:** 50 Employees

**Location:** Durham, NC

**Interviewee:** Director, Human Resources

**Discussion:**
This company had an employee recently return from two years of being mobilized as a reservist. In this case, the timing of the deployment was helpful for the business. The construction industry provides the company’s main revenue source and the industry wide downturn that began in 2008 had affected their cash flow. Business had been slow for some time, when the reservist employee volunteered to serve on active duty. This individual was a key employee who works as an estimator and the company employs three people in that capacity. Their estimators are considered key employees because they have specialized skills and are responsible for bringing in new business. However during the downturn there wasn’t much business to be had. So in this case the voluntary activation saved the company a considerable sum and allowed them to temporarily contract while they weathered a rough financial period. The reservist employee has since returned and business has picked up. Additionally when he returned, he was able to bring in a lucrative contract from Ft. Bragg that the company would not have known about had he not been mobilized. The mobilization saved costs and helped bring in new business.

**Benefits**
This employee has been a long time reservist and he uses Tricare Reserve Select so the business does not have to contribute to his health care plan. Normally, healthcare for an employee that is single costs the company $182/month. His 401k was maintained while he was gone but the company no longer provides matching contributions due to the downturn in the construction industry, so they did not incur additional cost by contributing during his absence.

**Replacing Activated Reservists**
Since business was slow, they shuffled the work amongst the other estimators and suffered no loss in productivity.

**Other**
The interviewee said they gained additional savings in gas costs – the company pays its estimators for gas. The heating and air conditioning business is seasonal. They are tend to be busier in summer because air conditioning systems break more frequently then heating systems. The interviewee said it could work pretty well for them if an employee
(or a few) where mobilized for a three month period during the winter months. They value reservists and veterans for their maturity and discipline. When asked how the reserves could make reservists more attractive as employees, she indicated that they would like to hire people who have training in mechanical work or construction.

**Company:** Specialty Contracting – Plumbing and Heating (SIC 17110000)

**Size:** 95 Employees

**Location:** Durham, NC

**Interviewee:** Manager

**Discussion:**
The company services commercial plumbing and heating work. It does not currently employ any reservists that they know of but the interviewee did recall an instance where a reservist had been called to active duty in the past.

**Benefits**
Would continue benefits if the reservist was gone for a period of less than 30 days. It costs the company $350 /month to insure an employee that is single and $600 / month for an employee that has a family. The employee pays a portion of the insurance costs themselves.

**Replacing Activated Reservists**
Would attempt to absorb the loss the best they could by spreading the work around unless it was a project manager or unless the absence was going to extend beyond two months. A project manager would be difficult to replace. Replacements for other workers would be easier and he expected that the cost of hiring a temporary replacement would be similar to what they pay for a full-time employee. He indicated that they would prefer at least two weeks’ notice to prepare for the extended absence of an employee.

**Other**
The work they do is not seasonal and he indicated that an absence lasting longer than two months would be “problematic.” He viewed reservists as valuable employees due to an impression that they exhibit self-discipline. The workers are dispatched to various job sites throughout the day so self-discipline is an important virtue especially since these individuals are not being directly supervised. They would like to hire anyone that has trades skills, mechanical background, and electrical, plumbing, or HVAC skills.
Company: Paper & Paper Product Manufacturing (SIC 51130000)
Size: 200 Employees
Location: Durham, NC
Interviewee: Director, Human Resources

Discussion
This company is a family owned wholesale distributor business that employs a mostly graying workforce. The majority of their employees work in their warehouse. They have one employee that the HR department knew was in the reserves. While this individual has never been called to active duty they have considered how they would handle his mobilization. The interviewee was well versed in the protections provided to reservists through USERRA.

Benefits
The interviewee described how an individual mobilized for active duty would continue to accrue seniority and to accumulate pension benefits. She was savvy enough on USERRA to know that there was a five-year limit on how long mobilized reservists could maintain these benefits. The company 401k plan provides $0.50 on the dollar for up to 3% of the employee’s salary. They also provide a group medical plan, of which the company pays about 75% of the premium cost or $615 / month. Other benefits provided include life insurance and long-term disability. Additionally, employees can anticipate receiving an annual raise and perhaps a merit raise. She indicated that a mobilized reservist would not accumulate vacation days while they were deployed.

Replacing Activated Reservists
They would most likely hire a temporary worker to replace a mobilized reservist. They use the agency Westaff to fill their temporary positions. Westaff charges their company a premium equal to 45% of the temporary employees salary (the temp earns $15/hour so this translates to roughly $7/hour). The alternative would be to hire a permanent employee but then they would be liable for that employee’s unemployment compensation if they have to lay the individual off when the reservist returns. The training required for these positions is short and therefore the costs to train a replacement are negligible.

Other
The company organizes some activities to support the Marines and soldiers in Afghanistan and Iraq. For example, they send the troops Christmas cards and packages each year. Their school products business is seasonal and they generally perform most
of their shipments during the summer. To accommodate the summer surge in demand, they have to hire a second shift during May through September.

**Company:** Pharmaceutical Products - Wholesale (SIC 512203)  
**Size:** 140 Employees  
**Location:** Durham, NC  
**Interviewee:** Director, Human Resources  
**Discussion:**  
This business is a wholesaler operation centered on a warehouse. The business purchases pharmaceutical products in bulk, stores them and then ships them to retailers or other businesses. The interviewee didn’t recall having direct experience with a reservist employee for a number of years but holds a positive impression of the Marines because her father was one. We talked about how they would handle the absence of an employee that they are required to hold a position for. The majority of their employees work in the warehouse and she indicated that they would most likely shuffle schedules to compensate or hire a temporary worker. For many of their positions, it would be easy to hire a temporary employee, however it would be difficult to replace one of their buyers. The buyer’s skills are not easily transferrable and their success depends in part on the ability to build relationships with customers and suppliers.

**Company:** Business Consulting (SIC 87480000)  
**Size:** 100  
**Location:** Durham, NC  
**Interviewee:** Director, Human Resources  
**Discussion:**  
**Benefits**  
Benefits cost the company about 38% of salary if paid time off is considered and 27% of salary if it is not. The company pays for 100% of health coverage, provides life insurance, and matches 401k contributions up to 4% of salary.

**Replacing Activated Reservists**  
To be able to replace an activated reservist they would prefer 3 months notice. It takes about 3 months for them to get an individual fully trained and it would take additional time to recruit a suitable replacement. If the reservist were only gone for 1 to 3 months, they probably wouldn’t hire anyone, it would not present much of a challenge for the organization. If however, the reservists were gone for more than 3 months they would
probably hire a temporary replacement. She estimated that it costs about $3,000 to recruit and hire a replacement and an additional $12,000 to train them.

Other
The interviewee indicated that the hardship for the business was the uncertainty over how long the individual reservist would be mobilized. This uncertainty goes beyond the actual deployment that the reservist was mobilized for and really gets into whether the reservist will voluntarily return to the same workplace following deployment. The interviewee described the USERRA protections as a “one-sided” law stating the company has to hold the position open for a reservist but the reservist can choose to quite anytime they would like. She also expressed concern that veterans suffer from the ill effects of PTSD and cited as an example the case of one individual who had previously worked at the firm.
Appendix B – Interview Questions

**Background**
The Marine Corps Reserve and employers of Marine Reservists have an important relationship that the office of Marine Reserve Affairs hopes to improve. From time to time, reservists are mobilized for active service, while many studies have been conducted to gauge the impact of mobilization on individual service members, few have attempted to measure the effect on the businesses that employ them. To better assess the impact of reserve mobilizations on employers, this survey asks for information about your company’s experience with military reservists. This represents an initial step towards improving the relationship between the reserves and the employers with whom they share workers. All information will be strictly confidential and no information that would specifically identify your company will be released.

**Your Company**

1. Please tell me a little about your company?
2. What is your role at the company?
3. Approximately how many employees’ do you estimate work for your company?

**Experience with Reservist Employees (General Impressions)**

4. Does your company currently have any employees that are military reservists?

**Costs Associated with the Activation of an Employee**

When reservists are mobilized for active duty, their absence at their place of civilian employment may translate into certain costs for their employer. This section will attempt to identify if your company absorbs additional costs due to the absence of a reservist employee.

5. Do you recall an instance where a reservist employee was mobilized for active service?
Pay and Benefits
6. What sort of benefits does your company offer employees?
   Retirement Benefits
   Health Benefits

Retirement Benefits. When a reservist employee returns to work after a period of active duty, some employers make pension contributions that would have been contributed had the individual been at work during the period of active duty.

7. Does your company have a matching employee benefit plan?
8. If so, does the company continue to contribute during periods of active service?
9. If so, what portion is contributed and for how long?
10. What is the average cost per employee of these contributions?

Health Benefits. When an employee is activated for reserve duty, some companies voluntarily maintain activated reservists on their health plan.

11. Does your company provide health coverage beyond a 30-day period of activation?
12. If not, may employees elect to pay for continued coverage?

Pay During Activation. Military pay for a reservist can sometimes be less than what they make as a civilian. Some companies elect to voluntarily make up the difference between civilian and military pay during a period of activation.

13. Does your company pay a portion of the difference between the service member’s civilian pay and their military pay?
14. If so, what portion and for how long?
15. What is the average cost per employee?
Replacing Activated Reservist Employees

Uncertainty about Departure and Return

16. When reservists have been mobilized for active duty, how much advance notice has your company received of their impending departure?
17. How much notice is preferable to facilitate the necessary workplace adjustments?
18. When reservist employees are mobilized for active duty how do you compensate for their absence in the workplace?

Hiring Temporary Replacements. When reservists are called to active duty, the company may elect to hire temporary replacements or shift additional work to other employees to compensate for the reservists mobilization.

19. If you hired temporary staff, what were the costs associated with recruiting and training?
20. What was the difference in pay and benefits between a temporary employee and the reservist he/she replaced?
21. If you didn’t hire temporary staff, were there additional costs as the result of an increased workload on other employees?

Productivity.
22. What if any costs may be associated with the loss of reservist due to productivity?

Long-Term Effects of Reservists Mobilization

23. Were there any long-term effects on the company due to the activation of a reservist employee?
24. What were the effects of reservist mobilizations on co-workers?
Other Costs

25. Are there other costs to your business that you associate with the activation of reservists that have not been identified to this point?
26. If so, what are they?

Wrapping Up

27. What can the reserves do to facilitate a better partnership with your business?
28. Are there any questions I have not asked you that I should?
29. Who else would you recommend to me to discuss this topic?
30. What points would you like to reiterate?

If you think of something that we did not cover in the interview or if you'd like to restate one of the items we did cover, please feel free to contact me at (XXX)XXX-XXXX or XXXX@duke.edu. Thank you for your participation!
Appendix C – Selected Tables from BLS December 2010 Survey

Department of Labor.
Table 1. Employer costs per hour worked for employee compensation and costs as a percent of total compensation: Civilian workers, by major occupational and industry group, December 2010

<table>
<thead>
<tr>
<th>Compensation component</th>
<th>All workers¹</th>
<th>Management, professional, and related</th>
<th>Sales and office</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Percent</td>
<td>Cost</td>
<td>Percent</td>
</tr>
<tr>
<td>Total compensation</td>
<td>$29.72</td>
<td>100.0</td>
<td>$49.30</td>
<td>100.0</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>20.71</td>
<td>69.7</td>
<td>34.50</td>
<td>70.0</td>
</tr>
<tr>
<td>Total benefits</td>
<td>9.02</td>
<td>30.3</td>
<td>14.80</td>
<td>30.0</td>
</tr>
<tr>
<td>Paid leave</td>
<td>2.07</td>
<td>7.0</td>
<td>3.93</td>
<td>8.0</td>
</tr>
<tr>
<td>Vacation</td>
<td>0.99</td>
<td>3.3</td>
<td>1.85</td>
<td>3.7</td>
</tr>
<tr>
<td>Holiday</td>
<td>0.64</td>
<td>2.2</td>
<td>1.17</td>
<td>2.4</td>
</tr>
<tr>
<td>Sick</td>
<td>0.32</td>
<td>1.1</td>
<td>0.68</td>
<td>1.4</td>
</tr>
<tr>
<td>Personal</td>
<td>0.11</td>
<td>0.4</td>
<td>0.23</td>
<td>0.5</td>
</tr>
<tr>
<td>Supplemental pay</td>
<td>0.69</td>
<td>2.3</td>
<td>1.13</td>
<td>2.3</td>
</tr>
<tr>
<td>Overtime and premium⁴</td>
<td>0.24</td>
<td>0.8</td>
<td>0.14</td>
<td>0.3</td>
</tr>
<tr>
<td>Shift differentials</td>
<td>0.06</td>
<td>0.2</td>
<td>0.11</td>
<td>0.2</td>
</tr>
<tr>
<td>Nonproduction bonuses</td>
<td>0.39</td>
<td>1.3</td>
<td>0.88</td>
<td>1.8</td>
</tr>
<tr>
<td>Insurance</td>
<td>2.62</td>
<td>8.8</td>
<td>3.96</td>
<td>8.0</td>
</tr>
<tr>
<td>Life</td>
<td>0.05</td>
<td>0.2</td>
<td>0.10</td>
<td>0.2</td>
</tr>
<tr>
<td>Health</td>
<td>2.49</td>
<td>8.4</td>
<td>3.72</td>
<td>7.5</td>
</tr>
<tr>
<td>Short-term disability</td>
<td>0.05</td>
<td>0.2</td>
<td>0.06</td>
<td>0.1</td>
</tr>
<tr>
<td>Long-term disability</td>
<td>0.04</td>
<td>0.1</td>
<td>0.08</td>
<td>0.2</td>
</tr>
<tr>
<td>Retirement and savings</td>
<td>1.33</td>
<td>4.5</td>
<td>2.54</td>
<td>5.2</td>
</tr>
<tr>
<td>Defined benefit</td>
<td>0.81</td>
<td>2.7</td>
<td>1.52</td>
<td>3.1</td>
</tr>
<tr>
<td>Defined contribution</td>
<td>0.52</td>
<td>1.8</td>
<td>1.02</td>
<td>2.1</td>
</tr>
<tr>
<td>Legally required benefits</td>
<td>2.30</td>
<td>7.8</td>
<td>3.23</td>
<td>6.6</td>
</tr>
<tr>
<td>Social Security and Medicare</td>
<td>1.68</td>
<td>5.6</td>
<td>2.69</td>
<td>5.5</td>
</tr>
<tr>
<td>Social Security⁷</td>
<td>1.34</td>
<td>4.5</td>
<td>2.12</td>
<td>4.3</td>
</tr>
<tr>
<td>Medicare</td>
<td>0.34</td>
<td>1.1</td>
<td>0.57</td>
<td>1.2</td>
</tr>
<tr>
<td>Federal unemployment insurance</td>
<td>0.03</td>
<td>0.1</td>
<td>0.02</td>
<td>(6)</td>
</tr>
<tr>
<td>State unemployment insurance</td>
<td>0.17</td>
<td>0.6</td>
<td>0.16</td>
<td>0.3</td>
</tr>
<tr>
<td>Workers’ compensation</td>
<td>0.43</td>
<td>1.4</td>
<td>0.36</td>
<td>0.7</td>
</tr>
</tbody>
</table>

See footnotes at end of table.
Table 1. Employer costs per hour worked for employee compensation and costs as a percent of total compensation: Civilian workers, by major occupational and industry group, December 2010 — Continued

<table>
<thead>
<tr>
<th>Compensation component</th>
<th>Occupational group</th>
<th>Industry group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Natural resources, construction, and maintenance</td>
<td>Production, transportation, and material moving</td>
</tr>
<tr>
<td>Total compensation</td>
<td>$31.06 100.0%</td>
<td>$32.53 100.0%</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>21.01 67.6%</td>
<td>21.73 66.8%</td>
</tr>
<tr>
<td>Total benefits</td>
<td>10.05 32.4%</td>
<td>10.81 33.2%</td>
</tr>
<tr>
<td>Paid leave</td>
<td>1.70 5.5%</td>
<td>2.12 6.5%</td>
</tr>
<tr>
<td>Vacation</td>
<td>0.88 2.8%</td>
<td>1.12 3.5%</td>
</tr>
<tr>
<td>Holiday</td>
<td>0.55 1.8%</td>
<td>0.75 2.3%</td>
</tr>
<tr>
<td>Sick</td>
<td>0.19 0.6%</td>
<td>0.19 0.6%</td>
</tr>
<tr>
<td>Personal</td>
<td>0.08 0.3%</td>
<td>0.06 0.2%</td>
</tr>
<tr>
<td>Supplemental pay</td>
<td>0.89 2.9%</td>
<td>1.16 3.6%</td>
</tr>
<tr>
<td>Overtime and premium4</td>
<td>0.62 2.0%</td>
<td>0.55 1.7%</td>
</tr>
<tr>
<td>Shift differentials</td>
<td>0.05 0.2%</td>
<td>0.08 0.3%</td>
</tr>
<tr>
<td>Nonproduction bonuses</td>
<td>0.22 0.7%</td>
<td>0.53 1.6%</td>
</tr>
<tr>
<td>Insurance</td>
<td>2.77 8.9%</td>
<td>3.08 9.5%</td>
</tr>
<tr>
<td>Life</td>
<td>0.05 0.2%</td>
<td>0.07 0.2%</td>
</tr>
<tr>
<td>Health</td>
<td>2.61 8.4%</td>
<td>2.89 8.9%</td>
</tr>
<tr>
<td>Short-term disability</td>
<td>0.08 0.3%</td>
<td>0.08 0.3%</td>
</tr>
<tr>
<td>Long-term disability</td>
<td>0.03 0.1%</td>
<td>0.04 0.1%</td>
</tr>
<tr>
<td>Retirement and savings</td>
<td>1.63 5.2%</td>
<td>1.54 4.7%</td>
</tr>
<tr>
<td>Defined benefit</td>
<td>1.15 3.7%</td>
<td>0.91 2.8%</td>
</tr>
<tr>
<td>Defined contribution</td>
<td>0.48 1.5%</td>
<td>0.64 2.0%</td>
</tr>
<tr>
<td>Legally required benefits</td>
<td>3.06 9.9%</td>
<td>2.90 8.9%</td>
</tr>
<tr>
<td>Social Security and Medicare</td>
<td>1.76 5.7%</td>
<td>1.85 5.7%</td>
</tr>
<tr>
<td>Social Security7</td>
<td>1.42 4.6%</td>
<td>1.49 4.6%</td>
</tr>
<tr>
<td>Medicare</td>
<td>0.34 1.1%</td>
<td>0.36 1.1%</td>
</tr>
<tr>
<td>Federal unemployment insurance</td>
<td>0.34 0.1%</td>
<td>0.03 0.1%</td>
</tr>
<tr>
<td>State unemployment insurance</td>
<td>0.21 0.7%</td>
<td>0.25 0.8%</td>
</tr>
<tr>
<td>Workers' compensation</td>
<td>1.06 3.4%</td>
<td>0.78 2.4%</td>
</tr>
</tbody>
</table>

1 Includes workers in the private nonfarm economy excluding households and the public sector excluding the Federal government.
2 Includes mining, construction, and manufacturing. The agriculture, forestry, farming, and hunting sector is excluded.
3 Includes utilities; wholesale trade; retail trade; transportation and warehousing; information; finance and insurance; real estate and rental and leasing; professional and technical services; management of companies and enterprises; administrative and waste services; educational services; health care and social assistance; arts, entertainment and recreation; accommodation and food services; other services, except public administration; and public administration.
4 Includes premium pay for work in addition to the regular work schedule (such as overtime, weekends, and holidays).
5 Cost per hour worked is $0.01 or less.
6 Less than .05 percent.
7 Comprises the Old-Age, Survivors, and Disability Insurance (OASDI) program.

Note: The sum of individual items may not equal totals due to rounding.
Table 8. Employer costs per hour worked for employee compensation and costs as a percent of total compensation: Private industry workers, by establishment employment size, December 2010

<table>
<thead>
<tr>
<th>Compensation component</th>
<th>1-99 workers</th>
<th>1-49 workers</th>
<th>50-99 workers</th>
<th>100 workers or more</th>
<th>100-499 workers</th>
<th>500 workers or more</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Percent</td>
<td>Cost</td>
<td>Percent</td>
<td>Cost</td>
<td>Percent</td>
</tr>
<tr>
<td>Total compensation</td>
<td>$22.91</td>
<td>100.0</td>
<td>$22.11</td>
<td>100.0</td>
<td>$25.37</td>
<td>100.0</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>16.95</td>
<td>74.0</td>
<td>16.50</td>
<td>74.6</td>
<td>18.36</td>
<td>72.3</td>
</tr>
<tr>
<td>Total benefits</td>
<td>5.96</td>
<td>26.0</td>
<td>5.62</td>
<td>25.4</td>
<td>7.02</td>
<td>27.7</td>
</tr>
<tr>
<td>Paid leave</td>
<td>1.28</td>
<td>5.6</td>
<td>1.18</td>
<td>5.4</td>
<td>1.58</td>
<td>6.2</td>
</tr>
<tr>
<td>Vacation</td>
<td>0.64</td>
<td>2.8</td>
<td>0.59</td>
<td>2.7</td>
<td>0.79</td>
<td>3.1</td>
</tr>
<tr>
<td>Holiday</td>
<td>0.43</td>
<td>1.9</td>
<td>0.40</td>
<td>1.8</td>
<td>0.51</td>
<td>2.0</td>
</tr>
<tr>
<td>Sick</td>
<td>0.16</td>
<td>0.7</td>
<td>0.14</td>
<td>0.6</td>
<td>0.21</td>
<td>0.8</td>
</tr>
<tr>
<td>Personal</td>
<td>0.06</td>
<td>0.2</td>
<td>0.05</td>
<td>0.2</td>
<td>0.08</td>
<td>0.3</td>
</tr>
<tr>
<td>Supplemental pay</td>
<td>0.55</td>
<td>2.4</td>
<td>0.54</td>
<td>2.4</td>
<td>0.59</td>
<td>2.3</td>
</tr>
<tr>
<td>Overtime and premium</td>
<td>0.18</td>
<td>0.8</td>
<td>0.16</td>
<td>0.7</td>
<td>0.25</td>
<td>1.0</td>
</tr>
<tr>
<td>Shift differentials</td>
<td>0.02</td>
<td>0.1</td>
<td>(2)</td>
<td>(2)</td>
<td>0.03</td>
<td>0.1</td>
</tr>
<tr>
<td>Nonproduction bonuses</td>
<td>0.35</td>
<td>1.5</td>
<td>0.36</td>
<td>1.6</td>
<td>0.31</td>
<td>1.2</td>
</tr>
<tr>
<td>Insurance</td>
<td>1.51</td>
<td>6.6</td>
<td>1.39</td>
<td>6.3</td>
<td>1.90</td>
<td>7.5</td>
</tr>
<tr>
<td>Life</td>
<td>0.03</td>
<td>0.1</td>
<td>0.03</td>
<td>0.1</td>
<td>0.04</td>
<td>0.1</td>
</tr>
<tr>
<td>Health</td>
<td>1.43</td>
<td>6.2</td>
<td>1.31</td>
<td>5.9</td>
<td>1.79</td>
<td>7.1</td>
</tr>
<tr>
<td>Short-term disability</td>
<td>0.03</td>
<td>0.1</td>
<td>0.02</td>
<td>0.1</td>
<td>0.04</td>
<td>0.2</td>
</tr>
<tr>
<td>Long-term disability</td>
<td>0.02</td>
<td>0.1</td>
<td>0.02</td>
<td>0.1</td>
<td>0.03</td>
<td>0.1</td>
</tr>
<tr>
<td>Retirement and savings</td>
<td>0.57</td>
<td>2.5</td>
<td>0.51</td>
<td>2.3</td>
<td>0.76</td>
<td>3.0</td>
</tr>
<tr>
<td>Defined benefit</td>
<td>0.21</td>
<td>0.9</td>
<td>0.18</td>
<td>0.8</td>
<td>0.28</td>
<td>1.1</td>
</tr>
<tr>
<td>Defined contribution</td>
<td>0.37</td>
<td>1.6</td>
<td>0.33</td>
<td>1.5</td>
<td>0.48</td>
<td>1.9</td>
</tr>
<tr>
<td>Legally required benefits</td>
<td>2.05</td>
<td>8.9</td>
<td>2.00</td>
<td>9.0</td>
<td>2.19</td>
<td>8.6</td>
</tr>
<tr>
<td>Social Security and Medicare</td>
<td>1.40</td>
<td>6.1</td>
<td>1.36</td>
<td>6.2</td>
<td>1.52</td>
<td>6.0</td>
</tr>
<tr>
<td>Social Security</td>
<td>1.13</td>
<td>4.9</td>
<td>1.10</td>
<td>5.0</td>
<td>1.22</td>
<td>4.8</td>
</tr>
<tr>
<td>Medicare</td>
<td>0.27</td>
<td>1.2</td>
<td>0.27</td>
<td>1.2</td>
<td>0.30</td>
<td>1.2</td>
</tr>
<tr>
<td>Federal unemployment insurance</td>
<td>0.04</td>
<td>0.2</td>
<td>0.04</td>
<td>0.2</td>
<td>0.03</td>
<td>0.1</td>
</tr>
<tr>
<td>State unemployment insurance</td>
<td>0.18</td>
<td>0.8</td>
<td>0.18</td>
<td>0.8</td>
<td>0.19</td>
<td>0.7</td>
</tr>
<tr>
<td>Workers’ compensation</td>
<td>0.42</td>
<td>1.9</td>
<td>0.41</td>
<td>1.9</td>
<td>0.45</td>
<td>1.8</td>
</tr>
</tbody>
</table>

1 Includes premium pay for work in addition to the regular work schedule (such as overtime, weekends, and holidays).
2 Cost per hour worked is $0.01 or less.
3 Less than .05 percent.
4 Comprises the Old-Age, Survivors, and Disability Insurance (OASDI) program.

Note: The sum of individual items may not equal totals due to rounding.