

STATEMENT OF
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The federal commitment to assisting young people through education, training, and employment programs is large and has grown substantially during the last decade. Expenditures exceed \$9 billion annually for youth aged 14 to 22, a per capita expenditure of about \$255. In real terms, federal outlays for youth education and employment programs have increased by over \$3 billion since 1970, an increase of 185 percent on a per capita basis.

Despite this large federal expenditure, youth unemployment rates remain high. The jobs available to youth are often low paying and "deadend." Many young people do not complete high school, or have difficulty going on to postsecondary education.

During the next year, the Congress faces legislative and funding decisions that will shape the future character of federal youth policy. The reauthorization of postsecondary education and youth employment and training programs will be considered. Appropriation levels for all youth-oriented programs will be established. Efforts to improve the effectiveness of federal youth programs are likely to be undertaken.

In order to provide a background for these decisions, my testimony today focuses on:

- o First, an overview of the present and future status of youth employment and education problems;
- o Second, a review of the size and distribution of federal resources that are currently devoted to these problems; and
- o Third, a brief review of the youth policy options that the Congress will likely consider this coming year.

THE CURRENT STATUS OF YOUTH PROBLEMS

Historically, unemployment rates for young people have exceeded the rates for adults. In September 1979, for example, the unemployment rate was 16.4 percent for those in the labor force aged 16 to 19, as compared with 4.1 percent for those aged 25 to 54.

Many young people do not finish high school. In New York City, only 45 percent of ninth-grade students eventually complete high school. Many employers report that young job applicants do not have the basic work skills that education should provide.

Employment problems are much more severe for black, Hispanic, low-income, and less educated youth. The unemployment rates of blacks and Hispanics aged 16 to 19 far exceed those of white youth. Unemployment is generally higher among high school dropouts than among graduates; black and Hispanic dropouts fare even worse.

Educational problems are similarly concentrated. High school completion remains a problem primarily for Hispanic youth. In 1978, 10 percent of whites and 14 percent of blacks aged 14 to 22 were not enrolled in school and did not have high school degrees, as compared with 25 percent of Hispanic youth of the same ages (see Table 1). Postsecondary school enrollment rates are also uneven: low-income high school graduates are less likely than middle- or high-income graduates to enroll in college.

It is clear, therefore, that significant educational and employment problems exist among young people, and that they are concentrated among minority and lower-income youth.

TABLE 1. MEASURES OF YOUTH EDUCATION AND EMPLOYMENT

Type of Youth	Percentage of Youth Unemployed ^a	Percentage of Youth Enrolled in Post-secondary Institutions ^b	Percentage of All Youth Who Are Not Enrolled and Have Not Completed High School ^c
Black	39	23	14
Hispanic	21	17	25
White	14	30	10
Non-			
metropolitan	15	23	12
Central City	21	28	14
Suburban	15	34	8
Family Income			
Less than 15,000	N/A	21	17
15,000-24,999	N/A	33	6
25,000 or more	N/A	53	3

- a. Bureau of Labor Statistics, annualized averages for calendar year 1978 for youth aged 16 to 19.
- b. Bureau of the Census, Current Population Survey, October 1978, for youth aged 18 to 22.
- c. Current Population Survey, October 1978, for youth aged 14 to 22.

WILL THESE YOUTH PROBLEMS EXIST IN THE FUTURE?

Many observers have predicted that educational and employment problems among young people will decline in the near future because the youth population is projected to decline by 17 percent between 1980 and 1990. It is argued that, as the number of young people decreases, they will more easily find jobs; high schools will be less crowded and therefore more effective; and postsecondary institutions will be more actively seeking students. It is not at all clear, however, that this bright prospect applies to disadvantaged youth. Other factors--the economic outlook, changes in the adult labor force, and the changing demographic composition of the youth population--make the outlook less favorable for disadvantaged youth.

The economic outlook. Youth unemployment in general, and minority youth unemployment in particular, are very sensitive to labor market conditions. Every 1.0 percentage point increase in the general unemployment rate is accompanied by an increase of about 1.5 percentage points in the youth unemployment rate. If high unemployment is tolerated during the 1980s in order to reduce inflation, even higher youth unemployment rates can be anticipated.

Changes in the labor force. Rising participation of adults in the labor force—for example, among women and older workers—may provide new competition for younger workers during the next decade. Increasing numbers of undocumented workers may also compete with youth for jobs. If competition increases, the opportunities for minority and disadvantaged youth are likely to remain restricted.

The demographic composition of the youth population. Although the number of young people will decline between 1979 and 1990, the character of the youth population will change in ways that may maintain or increase the severity of youth problems. Disadvantaged and minority youth will represent an increasing share of the youth population. The nonwhite segment of the youth population is expected to increase from 16 percent at present to about 19 percent in 1990 (see Table 2). The percentage of Hispanics in the youth population is also growing.

TABLE 2. PROJECTED RACIAL AND MINORITY DISTRIBUTION OF THE YOUTH POPULATION AGED 14 TO 22: IN PERCENTS

	White	Black	Other
1980	84	14	2
1985	83	15	2
1990	81	15	4

SOURCE: Bureau of the Census, "Projections of the Population of the United States: 1977 to 2050," Series II.

SIZE AND DISTRIBUTION OF FEDERAL SUPPORT FOR YOUTH PROGRAMS

Federal support aimed at improving the educational and employment opportunities of youth is sizable and has grown substantially during the last decade. In a time of fiscal stringency, when there are many other competing demands on the budget, it is important to ask whether this money is well spent.

Are federal programs targeted on youth with the most severe education and employment problems? Federal money is generally concentrated on low-income and nonwhite individuals. More than five times as much money is spent per capita on youth in lower-income families as on those in high-income families, and about three and a half times as much per capita on nonwhite as on white youth. However, a recent change in the higher education student assistance legislation will somewhat alter this distribution. The Middle-Income Student Assistance Act of 1978 has greatly increased federal assistance to students from middle-income families through the Basic Educational Opportunity Grant and the Guaranteed Student Loan programs. This will diminish targeting toward low-income youth.

The bulk of federal assistance goes to youth who have completed high school, many of whom would have enrolled in postsecondary institutions even without federal assistance. Approximately half of the total federal expenditure for youth

aged 14 to 22 is directed toward the fifth of that age group who enroll in college. The average federal expenditure on youth enrolled in postsecondary institutions is about twice as much per capita as that spent on nonenrolled youth who dropped out of high school, and about five times as much per capita as that spent on youth enrolled in high school (see Table 3). The question arises: Are federal expenditures targeted on those youth who are most likely to have educational and employment difficulties?

State and local governments, of course, also support the education of youth, primarily through public funding of elementary, secondary, and postsecondary education.

Are federal programs effective in resolving the employment and educational problems of youth? The effectiveness of most federal programs in improving the educational and employment status of youths is uncertain. Federal student aid programs have shown limited success in increasing the participation in postsecondary education of young adults from lower-income families. Upward Bound and Talent Search appear to be moderately successful in encouraging high school completion and college attendance. The effectiveness of federal vocational education programs is unclear; a Congressionally mandated study of vocational education is expected to shed some light on this issue. It is generally acknowledged that compensatory education programs, such as Title I of the Elementary and Secondary

TABLE 3. ESTIMATED PER CAPITA DISTRIBUTION OF FEDERAL EDUCATION AND EMPLOYMENT FUNDS TO ALL YOUTH AGED 14-22 BY EDUCATIONAL STATUS, INCOME, AND RACE DURING THE 1978-1979 SCHOOL YEAR: IN DOLLARS^a

	All Youth	Youth Enrolled in School		Youth Not Enrolled in School		
		In High School	In Post-secondary	High School Incomplete	High School Graduates	Attended Postsecondary
Total Population	255	139	692	322	157	96
Family Income						
Less than 15,000	413	266	1,287	390	258	169
15,000-24,999	107	46	448	63	13	13
25,000 or more	72	18	202	25	b	b
Race						
Nonwhite	657	374	1,642	869	568	330
White	183	90	552	191	99	61

SOURCE: CBO estimates based on data from the Office of Education, the Department of Labor, and the Bureau of the Census.

a. Expenditures for youths enrolled in proprietary schools are not included in this table.

b. Less than \$1.00.

Education Act (ESEA), are moderately successful at improving achievement. Evaluations of the Youth Employment Demonstration Projects Act are underway from the Department of Labor, and will be essential to an informed debate on youth employment reauthorization. Some long-standing training programs, such as the Job Corps, are recognized as somewhat successful at meeting the needs of disadvantaged youth.

YOUTH POLICY CHOICES THAT WILL CONFRONT THE CONGRESS

During the next year, the Congress will face critical youth policy choices. One of these will be whether or not to continue the expansion of youth-oriented education and employment programs during a period of overall budget stringency. Allocations will have to be made among alternative aims: improvements in high school or postsecondary educational opportunities, improvements or expansions of training programs, and increased youth employment. Within each program area, the Congress will have to establish priorities regarding the most effective activities and the most needy recipients.

Two major pieces of legislation affecting youth programs expire in fiscal year 1980. In considering the reauthorization of the Youth Employment Demonstration Projects Act (YEDPA), the Congress must decide whether to expand the coordination between

schooling and employment opportunities authorized under the youth entitlement experiments. The YEDPA reauthorization debate will require assessments of the relative effectiveness of training and jobs creation, and decisions about how tightly youth programs should be targeted.

The decisions about the reauthorization and funding of the Higher Education Act confront the Congress with similar choices: whether to expand student assistance or to give greater emphasis to activities like Upward Bound and Talent Search. If the current emphasis on student aid is maintained, the mix of resources among grants, loans, and work-study programs will need to be decided. Within each of these programs, the distribution of scarce federal support among different types of students will also have to be established.

Even though the authorizations for elementary and secondary education programs do not expire this year, important funding choices will confront the Congress. Several options that have been discussed include increased support for secondary school education, particularly in the area of basic skills for disadvantaged youth.

Another set of options would involve strengthening the federal policies that affect whether or not minority and lower-income youth are disadvantaged. These include income assistance, health care, housing, and antidiscrimination policies.

The youth policy choices that confront the Congress are numerous and difficult. My testimony today was intended to give some background for your deliberations, not to provide answers. Mr. Chairman, at your request and at the request of several other committees, the CBO is currently conducting studies of several of the youth policy choices that will confront the Congress. We hope that, as the results of these analyses become available, we can meet with you again and discuss some of the answers.

APPENDIX TABLES

APPENDIX 1. ESTIMATED DISTRIBUTION OF THE YOUTH POPULATION AGED 19-22 BY EDUCATIONAL STATUS, INCOME, AND RACE DURING THE 1978-1979 SCHOOL YEAR: IN THOUSANDS^a

	All Youth	Youth Enrolled in School		Youth Not Enrolled in School		
		In High School	In Post-secondary	High School Incomplete	High School Graduates	Attended Postsecondary
Total Population	36,042	15,996	6,249	3,938	7,260	2,597
Family Income						
Less than 15,000	18,315	7,022	2,421	3,141	4,316	1,414
15,000-24,999	10,321	5,284	1,764	586	1,992	694
25,000 or more	7,406	3,691	2,064	211	952	489
Race						
Nonwhite	5,514	2,729	805	760	898	323
White	30,527	13,267	5,445	3,178	6,363	2,275

SOURCE: CBO estimates based on the October 1978 Current Population Survey, Bureau of the Census.

NOTE: Components may not add to totals because of rounding.

a. This population estimate does not include youth enrolled in special schools or proprietary institutions.

APPENDIX 2. ESTIMATED DISTRIBUTION OF FEDERAL EXPENDITURES FOR YOUTH IN ELEMENTARY, SECONDARY, AND POSTSECONDARY EDUCATION PROGRAMS, AND IN EMPLOYMENT PROGRAMS FOR YOUTH AGED 14-22 BY EDUCATIONAL STATUS, INCOME, AND RACE DURING THE 1978-1979 SCHOOL YEAR: IN MILLIONS OF DOLLARS^a

	All Youth	Youth Enrolled in School		Youth Not Enrolled in School		
		In High School	In Post-secondary	High School Incomplete	High School Graduates	Attended Postsecondary
Total Population	9,198.3	2,217.7	4,325.7	1,268.7	1,137.9	248.4
Family Income						
Less than 15,000	7,562.6	1,867.7	3,116.9	1,226.4	1,112.4	239.2
15,000-24,999	1,103.0	241.7	790.0	36.9	25.3	9.0
25,000 or more	532.8	108.3	418.8	5.3	0.2	0.2
Race						
Nonwhite	3,623.9	1,020.4	1,321.8	661.5	510.4	109.7
White	5,574.5	1,197.3	3,003.9	607.1	627.5	138.7

SOURCE: CBO estimates based on data from the Office of Education and the Department of Labor.

NOTE: Components may not add to totals because of rounding.

a. Expenditures for youths enrolled in proprietary schools are not included in this table.

APPENDIX 3. ESTIMATED DISTRIBUTION OF FEDERAL EXPENDITURES FOR ELEMENTARY AND SECONDARY EDUCATION PROGRAMS TO YOUTH AGED 14-22 BY EDUCATIONAL STATUS, INCOME, AND RACE DURING THE 1978-1979 SCHOOL YEAR: IN MILLIONS OF DOLLARS^a

	All Youth	Youth Enrolled in School		Youth Not Enrolled in School		
		In High School	In Post-secondary	High School Incomplete	High School Graduates	Attended Postsecondary
Total Population	745.7	610.3	80.5	47.7	4.9	2.3
Family Income						
Less than 15,000	464.7	390.9	41.7	25.9	4.4	1.8
15,000-24,999	223.0	175.9	30.0	16.5	0.3	0.3
25,000 or more	58.0	43.5	8.8	5.3	0.2	0.2
Race						
Nonwhite	242.0	206.6	18.3	12.5	3.3	1.2
White	503.7	403.7	62.2	35.2	1.6	1.0

SOURCE: CBO estimates based on data from the Office of Education.

NOTE: Components may not add to totals because of rounding.

a. Federal expenditures for students attending proprietary institutions are not included in this estimate. Some programs, such as vocational and occupational education, distribute funds to community colleges, four-year colleges, and adult education programs, as well as to high schools.

APPENDIX 4. ESTIMATED DISTRIBUTION OF FEDERAL EXPENDITURES FOR YOUTH EMPLOYMENT PROGRAMS TO YOUTH AGED 14-22 BY EDUCATIONAL STATUS, INCOME, AND RACE DURING THE 1978-1979 SCHOOL YEAR: IN MILLIONS OF DOLLARS^a

	All Youth	Youth Enrolled in School		Youth Not Enrolled in School		
		In High School	In Post-secondary	High School Incomplete	High School Graduates	Attended Postsecondary
Total Population	3,874.7	1,245.4	29.2	1,220.9	1,133.1	246.1
Family Income						
Less than 15,000	3,820.5	1,245.4	29.2	1,200.5	1,108.0	237.4
15,000-24,999	54.1	0	0	20.4	25.0	8.7
25,000 or more	0	0	0	0	0	0
Race						
Nonwhite	2,009.1	731.0	13.5	649.0	507.1	108.5
White	1,865.6	514.4	15.6	571.9	625.9	137.7

SOURCE: CBO estimates based on data from the Department of Labor.

NOTE: Components may not add to totals because of rounding.

a. Federal expenditures for students attending proprietary institutions are not included in this estimate.

APPENDIX 5. ESTIMATED DISTRIBUTION OF FEDERAL EXPENDITURES FOR POSTSECONDARY EDUCATION PROGRAMS TO YOUTH AGED 14-22 BY EDUCATIONAL STATUS, INCOME, AND RACE DURING THE 1978-1979 SCHOOL YEAR: IN MILLIONS OF DOLLARS^a

	All Youth	Youth Enrolled in School		Youth Not Enrolled in School		
		In High School	In Post-secondary	High School Incomplete	High School Graduates	Attended Postsecondary
Total Population	4,578.0	362.0	4,216.0	0	0	0
Family Income						
Less than 15,000	3,277.4	231.4	3,046.0	0	0	0
15,000-24,999	825.8	65.8	760.0	0	0	0
25,000 or more	474.8	64.8	410.0	0	0	0
Race						
Nonwhite	1,372.8	82.8	1,290.0	0	0	0
White	3,205.2	279.2	2,926.0	0	0	0

SOURCE: CBO estimates based on data from the Department of Education.

NOTE: Components may not add to totals because of rounding.

a. Federal expenditures for students attending proprietary institutions are not included in this estimate. Some Social Security and Veterans' benefits go to students enrolled in high school.

