

STATEMENT BY

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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 for these programs, including aid to college students, exceed \$9 billion annually for youth aged 14 to 22, a per capita expenditure of about \$255. In real terms, federal outlays for youth programs have increased by over \$3 billion since 1970, an increase of 185 percent on a per capita basis.

Despite these large federal **expenditures**, many young people do not complete high school and many others who complete high school have difficulty either going on to postsecondary education or securing employment.

During the next few months, the Congress faces legislative and funding decisions that will shape the future character of federal youth policy. The Administration is introducing new legislation to expand education and employment services to school-aged youth. The reauthorization of postsecondary education programs is under active legislative consideration. In addition, funding levels for all youth-oriented programs will be established as the Congress develops its fiscal year 1981 budget **plans**.

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

- 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 discussion of the youth policy options that the Congress is likely to consider this year.

THE CURRENT STATUS OF YOUTH PROBLEMS

Employment and education problems exist among all groups of young people, but they are disproportionately concentrated **among** minority, lower-income, and less educated youth (see Table 1). Historically, the unemployment rates of young people have exceeded those of adults. In January 1980, for example, the unemployment rate was 16.3 percent for those in the labor force aged 16 to 19, as compared with 4.4 percent for those aged 25 to 54. Among young people, the unemployment rates of blacks far exceed those of whites. Unemployment is generally higher among female minorities than **among** males and among high school dropouts than among graduates; black and Hispanic dropouts fare the worst.

Education problems are similarly concentrated among particular groups of youth. Many young people do not finish high school, but minority and low-income youths have the highest drop-out rates. In 1978, 10 percent of whites and 14 percent of blacks aged 14 to 22 were not enrolled in school and did not

TABLE 1. MEASURES OF YOUTH EDUCATION AND EMPLOYMENT PROBLEMS

Type of Youth	Percentage of Youth Unemployed ^a	Percentage of All Youth Who Are Not Enrolled in School and Have Not Completed High School ^b
Females		
Black	39	14
Hispanic ^c	21	24
White	14	10
Males		
Black	34	15
Hispanic	17	25
White	14	10
Location		
Nonmetropolitan	16	12
Central city	20	14
Suburban	14	8
Family Income		
Less than 15,000	N/A	17
15,000-24,999	N/A	6
25,000 or more	N/A	3

- a. Bureau of Labor Statistics, annualized averages for calendar year 1979 for youth aged 16 to 19.
- b. Current Population Survey, October 1978, for youth aged 14 to 22.
- c. Hispanics are both white and black; these categories are not **exclusive**.

have high school degrees, as compared with 25 percent of Hispanic youth of the **same** age. Seventeen percent of youth with family incomes below \$15,000 have dropped out of school, 6 percent of those with family incomes between \$15,000 and \$25,000, and 3 percent of those with family incomes over \$25,000. Young people living in particular regions of the country also have high drop-out rates; for example, almost 20 percent of all young people aged 14 to 22 in the rural South are not enrolled in school and have not graduated from high **school**, compared with the national average of 11 percent.

WILL THESE YOUTH PROBLEMS EXIST IN THE FUTURE?

Many observers have predicted that these **employment** and education problems will decline in the near future because of the projected decline in the size of the youth population between 1980 and 1990. It is argued that the declining number of young people will more easily find jobs; will allow high schools to be less crowded and therefore more effective; and will be more actively sought after by postsecondary institutions. It is not at all clear, however, that these brighter prospects apply 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.

Economic outlook. Youth unemployment in **general**, and minority youth unemployment in particular, are very sensitive to labor market conditions. If high unemployment is tolerated during the 1980s in order to reduce inflation, even higher youth unemployment rates, especially for minority youth, can be anticipated.

Changes in the labor force. Rising participation of adults in the labor **force--for** example, undocumented aliens and older **workers--may** provide new competition for younger workers during the next decade. If competition increases, the opportunities for minority and disadvantaged youth are likely to remain restricted.

Demographic composition of the youth population. Although the number of young people will decline over the next decade, 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. The percentage of Hispanics in the youth population is also growing.

THE DISTRIBUTION AND IMPACT OF FEDERAL YOUTH PROGRAMS

Federal support aimed at improving the education and **em-**ployment opportunities of youth is sizable. 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** youth. More than five times as much money is spent per capita on youth aged 14 to 22 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.

The bulk of federal assistance goes to youth who have completed high school, rather than those who are still enrolled or who have dropped out of high school. Approximately one-half of the total federal expenditure for youth aged 14 to 22 is directed toward the fifth of that age group who are enrolled in college. On a per capita basis in fiscal year 1979, the average federal expenditure for **postsecondary** students was about twice as much as that spent on nonenrolled youth who dropped out of high school, and about five times as much as that spent on high school students (see Table 2). In the aggregate, nearly two and

TABLE 2. 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	267	1,287	390	258	169
15,000-24,999	107	46	448	63	13	13
25,000 or more	72	30	202	25	b	b
Race						
Nonwhite	658	375	1,642	869	568	330
White	183	91	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.

a half times as many federal dollars were directed to youths aged 14 to 22 who were enrolled in school, as to youths aged 14 to 22 who were not enrolled in school. About \$6.5 billion dollars went to those in school and \$2.7 billion went to those not in school. Federal education programs distribute nearly all funds to **in-school** youth, while employment programs distribute one-third of their expenditures to these youth.

Besides the differences in federal expenditures for different types of youth aged 14 to 22, there are large differences in federal expenditures for elementary, secondary, and college students (see Table 3). Educational programs direct most of their funds to elementary and college students. In fiscal year 1979, 34 percent of total federal education program expenditures were directed to elementary school students, 12 percent to secondary school students, and 54 percent to college students. Employment programs provided about \$1.2 billion to high school students during fiscal year 1979, and no funds to elementary students. From education and employment programs together, 23 percent of the funds go to elementary students, 19 percent to secondary students, 36 percent to college students, and 22 percent to those not in school.

Are federal programs effective in reducing the employment and educational problems of youth? The **effectiveness** of most

TABLE 3. **DISTRIBUTION** OF FEDERAL EDUCATIONAL AND YOUTH EMPLOYMENT EXPENDITURES AMONG ELEMENTARY, SECONDARY, AND COLLEGE STUDENTS AND BETWEEN **IN-SCHOOL** AND OUT-OF-SCHOOL YOUTH AGED 14 to 22, FISCAL YEAR 1979: IN MILLIONS OF DOLLARS

	<u>Education and Em- ployment Programs</u>		<u>Education Programs</u>		<u>Employment Programs</u>	
	Total Expen- ditures	Percentage Distri- bution	Expen- ditures	Percentage Distri- bution	Expen- ditures	Percentage Distri- bution
TOTAL	11,903	100	8,028	100	3,874	100
<u>In-School</u>	9,248	78	7,973	99	1,274	33
Elementary (ages 5-13)	2,704	23	2,704	34	0	--
Secondary (ages 14-17)	2,218	19	972	12	1,245	32
College (ages 18-22)	4,326	36	4,297	54	29	1
<u>Out-of-School</u>	2,655	22	55	1	2,600	67
High school incomplete	1,269	11	48	1	1,221	32
High school graduates	1,386	12	7	--	1,379	36

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

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

federal youth **programs--particularly** programs aimed at high school **students--in** reducing the educational and employment problems is very uncertain. The **effectiveness** of federal vocational education programs in improving the labor market opportunities of graduates 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 Education Act (ESEA), are moderately successful at improving achievement, but most of these programs have been directed at elementary school students. The Department of Labor is currently evaluating the Youth Employment Demonstration Projects Act, and their evaluations will be essential to an informed debate on the reauthorization and redesign of these programs. Long-standing, highly intensive training programs, such as the Job Corps, are recognized as somewhat successful at meeting the needs of disadvantaged youth. Federal student aid programs have shown limited success in increasing the participation in **postsecondary** education of young adults from **lower-income families**.

One thing is clear from our preliminary evaluation of various youth education, training, and employment programs: there

are no simple or inexpensive solutions that will have long-term effects on participants. Without concerted and carefully planned efforts to improve education and employment-related skills, the problems of disadvantaged youth are unlikely to be solved.

YOUTH POLICY CHOICES THAT CONFRONT THE CONGRESS

The Congress is currently facing several critical youth policy decisions. One decision is 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 areas: expansions of high school programs or postsecondary education assistance; expansions of training or employment programs. Within each program area, the Congress will have to establish priorities regarding which activities are more effective in improving basic education and employment skills and in serving the most needy recipients, and thus which programs should receive increased budgetary emphasis.

Another important issue is the design or authorization of youth policies. Three major pieces of legislation affecting youth are currently under discussion within the Congress.

First, a major new secondary school education program has been proposed by the **Administration** as part of its youth initiative. This proposal would increase federal support for high schools in **low-income** areas to improve the education and basic skills of disadvantaged youth. In reviewing this proposal, the Congress will be considering several issues: whether funds should be designated for specific purposes, such as teacher training or program development; what system of funding should be used to provide support to local school districts; and whether and how to encourage coordination between high schools and the CETA youth programs.

Second, the Administration has also proposed, as part of its youth employment initiative, to reauthorize and consolidate several of the programs under the Youth Employment **Demonstration** Projects Act (YEDPA). The **Administration's** fiscal year 1981 budget proposes increased funding for those activities. These proposals raise several issues for the Congress: the relative **effectiveness** of training and job creation; the potential for coordination between schooling and employment **opportunities**; and how tightly youth programs should be targeted.

Third, the decisions about the reauthorization and funding of the Higher Education Act also confront the Congress with

major choices: whether to expand student assistance or to give greater emphasis to counseling and service activities such as those provided by the Upward Bound and Talent Search programs. 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.

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

APPENDIX TABLES

APPENDIX 1. ESTIMATED DISTRIBUTION OF THE YOUTH POPULATION AGED 14-22 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 AGED 14-22 IN ELEMENTARY, SECONDARY, AND POSTSECONDARY EDUCATION PROGRAMS AND IN EMPLOYMENT PROGRAMS 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	9,206.4	2,225.7	4,325.7	1,268.7	1,137.9	248.4
Family Income						
Less than 15,000	7,567.8	1,872.9	3,116.9	1,226.4	1,112.4	239.2
15,000-24,999	1,104.8	243.6	790.0	36.9	25.3	9.0
25,000 or more	533.7	109.2	418.8	5.3	0.2	0.2
Race						
Nonwhite	3,625.5	1,022.0	1,321.8	661.5	510.4	109.7
White	5,580.9	1,203.7	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	753.7	618.4	80.5	47.7	4.9	2.3
Family Income						
Less than 15,000	469.9	396.1	41.7	25.9	4.4	1.8
15,000-24,999	224.9	177.8	30.0	16.5	0.3	0.3
25,000 or more	58.9	44.4	8.8	5.3	0.2	0.2
Race						
Nonwhite	243.6	208.2	18.3	12.5	3.3	1.2
White	510.1	410.1	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.