

BUDGET OPTIONS FOR THE
YOUTH EMPLOYMENT PROBLEM

The Congress of the United States
Congressional Budget Office

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Washington, D.C. 20402 - Price \$1.10



PREFACE

In 1977, the Members of the 95th Congress have the opportunity to consider a wide range of programs designed to enhance the employment of youth. In reaching the budget, authorizations, and appropriations decisions that will determine the federal role in employment, training, and education policy for youth, the Congress will consider the effects of current federal policy, as well as the effects of alternative programs. This analysis is one of several prepared by the Congressional Budget Office that focus on the structural elements of the current employment situation. Other papers in this series include The Unemployment of Nonwhite Americans: The Effects of Alternative Policies (July 1976), Policy Options for the Teenage Unemployment Problem (September 1976), and Public Employment and Training Assistance: Alternative Federal Approaches (February 1977).

The report was prepared by Alan Fein of the Human Resources and Community Development Division of the Congressional Budget Office, under the direction of David S. Mundel and C. William Fischer. The author wishes to acknowledge the invaluable assistance of Richard A. Hobbie and Betty J. Ingram, both of the Human Resources and Community Development Division. The manuscript was edited by Mary Richardson Boo, under the supervision of Johanna Zacharias. In accordance with CBO's mandate to provide objective and impartial analyses of budget issues, the report contains no recommendations.

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Director

March 1977



TABLE OF CONTENTS

	<u>Page</u>
Preface	iii
Summary	ix
Chapter I. The Youth Employment Problem	1
Chapter II. Current Federal Programs and Policies to Alleviate Youth Unemployment.	6
Chapter III. Costs and Effects of Federal Programs.	12
Chapter IV. Characteristics of the Participants in Youth Employment Programs and of Unemployed Youth	25
Chapter V. Budget Options.	29

LIST OF TABLES

	<u>Page</u>
1. Patterns of Youth Unemployment, Ages 16-24, October 1975	3
2. Federal Outlays for Major Programs Affecting the Employment of 16-21 Year Olds, Fiscal Year 1976.	10
3. Participation of Youth in Federal Programs Affecting the Employment of Youth, Fiscal Year 1976.	11
4. Cost of Training Components of Major Federal Employment and Training Programs.	14
5. Costs of Job-Creating Components of Major Federal Employment and Training Programs, Fiscal Year 1976.	16
6. Unemployment Rates and Income by Educational Attainment, March 1975.	20
7. Unemployment of In-School and Out-of-School Youth, Ages 16-24, October 1975.	21
8. Jobs Created by Federal Direct Job-Creation Programs, 12 Months After Creation, Per \$1 Billion in Outlays	23
9. Characteristics of Unemployed Youth and of Participants in Employment, Training, and Education Programs.	28
10. Costs and Effects of Fiscal Year 1978 Budget Options.	35

SUMMARY

THE PROBLEM

The employment problems of young people differ from those of older workers both in nature and magnitude. In 1976, the unemployment rate for workers aged 16 to 24 was 14.7, while for workers over 24 it was 5.5. Youth represented 24 percent of the labor force but 46 percent of the unemployed. Of those workers who had dropped out of the labor force because they thought they could not get jobs, 29 percent were under age 24; 39 percent of those working part-time but seeking full-time jobs were youth. 1/

Youth suffer from both current and future employment problems. In the short run the income loss due to unemployment, underemployment, and low-paying jobs may prevent them from contributing to their family's income, from establishing independence from their parents, or from financing a college education. In the long run the lack of work experience inhibits them from developing skills, good work attitudes and habits, as well as favorable employment records.

All youth suffer, to some extent, from what are known as structural labor market problems -- that is, lack of education, skills, experience, lack of proximity to available jobs, and discrimination. Certain groups of youth, however, suffer disproportionately from these problems. While the universe of youth is often referred to as all 16-24 year old

1/ For another discussion of the nature of youth employment problems and its causes, see Policy Options for the Teenage Unemployment Problem, CBO, Background Paper No. 13, September 1976. See also, The Teenage Unemployment Problem: What Are The Options? CBO, October 14, 1976."

persons, groups within that population suffer from very different kinds of labor market problems. One way of delineating the particular problems that each group has is to define the groups by their educational attainment.

Dropouts. In 1975, 14 percent of all persons between the ages of 16 and 24 were high school dropouts. These dropouts had an unemployment rate of 25.3 percent. This represented almost 23 percent of all youth unemployment at the time. The long-run effects of unemployment may be particularly severe for this group because of their lack of education, skills, and experience. Nonwhites, who make up 14 percent of the total 16-24 year old population, account for 28 percent of this group.

High School Graduates Who Have Not Completed and Are Not Attending A Four-Year College. In 1975, 38 percent of all 16 to 24 year olds had graduated from high school but had not attended or not completed a four-year college. Their unemployment rate was 12.9. Forty-three percent of unemployed youth were in this group. Some had completed two-year colleges or technical schools after high school. This group is composed of youth who are experiencing severe structural problems, as well as those who are having difficulty making a successful transition from school to work. Those with transition problems may simply be having difficulty settling into a stable work environment, deciding what type of career they wish to pursue, or where they want to live. In 1975, 20 percent of this group was nonwhite.

College Graduates. Four percent of all 16 to 24 year olds had graduated from college in 1975. The unemployment rate for these college graduates was 8.3 percent. Only 3 percent of unemployed youth were in this group. To the extent that college graduates can anticipate higher earnings and better employment records because of their greater level of educational attainment, the long-run effects of unemployment are not as severe for them. Nonwhites represent about 5 percent of this group.

Those Enrolled in School. The last group of unemployed youth are those currently enrolled in school. In 1975, 44 percent of all 16 to 24 year olds were in this

group. Their unemployment rate was 15.0. Thirty-one percent of unemployed youth were in this group. Again, with better education records, this group may not suffer great employment problems in the long run, but to the extent that they need income to finance their education, the short- and long-run effects of their unemployment are greater. Fifteen percent of this group are nonwhite.

SUMMARY TABLE. EMPLOYMENT EXPERIENCES OF YOUTH (16-24 years old)
BY EDUCATIONAL ATTAINMENT, OCTOBER 1975 (Numbers in Thousands)

Group by Educational Attainment	Civilian Noninstitutional Population		Civilian Labor Force		Unemployed Population		Unemployment Rate Percent
	Number	Percent	Number	Percent	Number	Percent	
Not Enrolled in School							
Attended Less than 12 years	4,824	14	2,969	14	750	23	25.3
12-15 years	13,201	38	10,844	50	1,399	43	12.9
16 or more years	1,373	4	1,290	6	107	3	8.3
Enrolled in School	<u>15,284</u>	<u>44</u>	<u>6,730</u>	<u>31</u>	<u>1,012</u>	<u>11</u>	<u>15.0</u>
Total	34,700	100	21,833	100	3,268	100	15.0

CURRENT FEDERAL PROGRAMS

The federal government funds three types of programs aimed at enhancing the employment opportunities of young people: education, training, and direct job-creation programs. These programs impact in different ways and to different degrees on the different groups of youth.

Federal student assistance programs are directed toward discouraging youth from dropping out of high school and encouraging high school graduates to continue their education as well as helping those already in postsecondary school to finance their education. In fiscal year 1975, for those student assistance programs for which racial data are available, 39 percent of recipients were nonwhite. Thirty-two percent of recipients (excluding those independent from their parents) came from families with incomes under \$10,000. The short-run effect of these programs on employment is to increase enrollment opportunities, thereby reducing the likelihood of unemployment. In the long run, greater educational attainment is associated with less unemployment and higher earnings.

Federal training programs enrolled approximately 1.2 million youth in fiscal year 1976. Approximately 55 percent of those trained in the Comprehensive Employment and Training (CETA) and Work Incentive (WIN) programs had not graduated from high school, 57 percent were nonwhite, and 77 percent were low-income. The best estimates of the effects of these programs indicate that the earnings of participants might increase, on average, by about \$400 in the first year after participation. Over a five-year period, however, this increase in earnings seems to diminish to zero.

Federal direct job-creation programs enrolled about 1.1 million youth in fiscal year 1976. Approximately 63 percent of all participants had not graduated from high school, 48 percent were nonwhite, and 75 percent were low-income.

BUDGET OPTIONS FOR FISCAL YEAR 1978

In considering how best to deal with the employment problems of young people, the Congress can choose to emphasize the creation of jobs, increased training **opportunities**, greater targeting of student assistance programs, or various combinations of these activities. In addition, there are new programs, with different costs and effects, that **could supply** these activities. The options that may be considered involve programs that are exclusive to youth as well as those that affect all workers.

Eight budget options are presented below to illustrate the range of possible programs that are available. It should be noted that these options are not mutually exclusive. The Congress may choose to combine a training option with a job option, or one kind of job program with another. In addition, the funding levels of these options can be raised or lowered, as the Congress chooses.

Option I adds \$1 billion to CETA Title VI. This would fund an additional 120,000 public service jobs, about 27,000 of which might be expected to go to youth.

Option II adds \$1 billion to CETA Title I. This could fund as many as 220,000 training slots if all of the funds were spent on training (currently only 46 percent of Title I funds are spent on training, with most of the rest going to "work experience" programs, which are primarily part-time jobs). Approximately 125,000 of the new participants might be youth.

Option III increases expenditures for the Job Corps by \$200 million, approximately double the current level of outlays for the program. Because of the relatively higher cost of training provided by the Job Corps compared to other federal training programs, this option funds only an additional 20,000 training slots. The Job Corps provides training in residential settings, and additional expenditures would probably be necessary to renovate old facilities or build new ones.

Option IV increases the targeting of student assistance programs on low-income persons. The total cost of this option is \$531 million, about \$300 million of which would go to students in families with annual incomes under \$10,000, and to self-supporting students.

Option V creates a new public service employment program exclusive to youth. This program could be run through the CETA prime sponsor system, ^{2/} and might create approximately 170,000 jobs at the minimum wage per \$1 billion in outlays.

^{2/} A prime sponsor is a unit of general local government in which there are at least 100,000 residents.



Option VI creates a young adult conservation corps, a program of employment for 19 to 23 year olds in federal and state parks and forests on conservation projects. This program might create 87,000 jobs per \$1 billion in outlays.

Option VII creates a training program similar to Title I of CETA, but exclusive to youth. Per \$1 billion in outlays, 250,000 training slots might be created. Since almost 60 percent of current Title I participants are under age 22, there would have to be some coordination between the two programs, but a new program might have more success in insuring that training, rather than work experience, was actually funded.

Option VIII would create a new high school work-study program. Currently some high school work-study is provided through Title I of CETA, but the precise amount is unknown. If this program subsidized part-time jobs at the minimum wage for high school students, over 400,000 years of service 3/ could be funded per \$1 billion in outlays.

3/ A service year is equivalent to a "person-year."

SUMMARY TABLE. COSTS AND EFFECTS OF BUDGET OPTIONS FOR FISCAL YEAR 1978

Options	Outlays (\$ in Millions)	Cost Per Year of Service Dollars	Years of Service Funded		Participants	
			Jobs (Thousands)	Training	Jobs (Thousands)	Training (Thousands)
Option I - Increase CETA PSE	1,000	8,300	27 <u>a/</u>	0	50 <u>a/</u>	0
Option II - Increased CETA Title I	1,000	4,525	0	126 <u>a/</u>	0	360 <u>a/</u>
Option III - Increased Job Corps	200	10,000	0	20	0	44
Option IV - Student Assis- tance Targeting	531	NA	NA	NA	NA	NA
Option V - PSE for Youth	1,000	6,000	170	0	340	0
Option VI - Young Adult Conservation Corps	1,000	11,500	87	0	116	0
Option VII - Training for Youth	1,000	4,000	0	250	0	714
Option VIII - High School Work-Study	1,000	2,650	377	0	572	0

a/ Youth jobs or training funded. Jobs or training for older workers would also be funded.



The high unemployment rate and low earnings of youth continue to be a national concern. In 1976, the unemployment rate 1/ for the 16 - 24 year old population was 14.7 while the unemployment rate for all workers was 7.7. Youth represented 24 percent of the labor force, but 46 percent of the unemployed population. In addition to the 3.4 million unemployed youth, 0.262 million were not participating in the labor force because they believed they couldn't find jobs, and 1.387 million wished to work full time but could find only part-time employment. 2/

The unemployment rates of youth rise more quickly during recessions and fall more slowly during recoveries than the national aggregate rate. Because of their limited skills and experience, youth are often the most marginal employees and are in a position of being the last hired and first fired.

Unemployment presents youth with both current and future, or short- and long-term, problems. It prevents them from contributing to their families' income, from establishing their own families, and from earning enough to stay in school. In addition, unemployment limits the future employability of youth because it hinders their capacity to acquire and develop skills, to establish satisfactory employment records, and to develop helpful work attitudes and habits.

1/ The unemployment rate measures the percent of the civilian labor force that is out of work, and looking for work.

2/ For another discussion of the nature of youth employment problems and its causes, see Policy Options for the Teenage Unemployment Problem, CBO, Background Paper No. 13, September 1976. See also, The Teenage Unemployment Problem: What Are The Options? CBO, Conference Report, October 1976.

Employment and training policy for youth can be directed at ameliorating their current or future problems, or both. Solutions to the short-run problems emphasize the creation of jobs that provide income to satisfy the immediate needs of the unemployed. Solutions to the longer-run problems emphasize education and training programs in order to provide youth with the necessary skills to compete in the labor market. Current federal policy employs a continuum of activities aimed at ameliorating all of the problems.

Within the 16-24 year old population, employment problems differ for different groups of youth, and the unemployment rate for all youth masks the differences among the employment experiences of these groups. For purposes of classifying employment problems, the youth population can be divided into four major categories:

- o High school dropouts,
- o High school graduates who have not completed and are not attending a four-year college,
- o College graduates, many of whom are making a permanent transition from school to work, and
- o Those whose major activity is attending school.

Almost 14 percent of all 16 to 24 year olds are high school dropouts. These individuals often can't find jobs because they lack the necessary skills or background. This group represents about 23 percent of all unemployed youth and is composed disproportionately of nonwhite youth from economically disadvantaged homes in urban areas.

The second group of youth are those who have graduated from high school but have not gone on to, or have not completed and are not attending, a four-year college. About 43 percent of all unemployed youth are in this group. Included

are those who are **experiencing unemployment** because of one or more structural problems -- that is, lack of necessary skills or education, lack of proximity to available jobs, and **discrimination** -- and there are those who are experiencing unemployment because they are having difficulty making the transition from school to work. These youth may not have severe structural problems but may simply be having difficulty settling into a stable work environment, deciding what kind of a career they wish to pursue, or where they want to live. Both those whose employment problems are primarily structural and those whose problems are primarily transitional may suffer from a lack of information and counseling about the job market in **general**.

The third group of youth experiencing unemployment is that making the transition from college to work. The **individuals** in this group are **relatively more skilled** and better educated than the average unemployed youth. This **group** comprises about 3 percent of youth unemployment.

The final group of unemployed youth are those currently **enrolled in school**. This group represents 31 percent of **all unemployed youth**. The unemployment rate for 16-24 year old students was 15.0 in 1975. While most unemployed students were looking for part-time and summer jobs to earn **pocket money** or to help finance a college education, almost 20 percent were looking for **full-time** positions.

TABLE 1. PATTERNS OF YOUTH UNEMPLOYMENT, AGES 16-24, OCTOBER 1975

Groups	Unemployment Rate	Percent of Total Youth Unemployment	Number of Unemployed Youth (in thousands)	Number in Civilian Labor Force (in thousands)
High School Dropouts	25.3	22.9	750	2,969
High School Graduates Not Attending College	12.9	42.8	1,399	10,844
College Graduates	8.3	3.3	107	1,290
Those in School	<u>15.0</u>	<u>31.0</u>	<u>1,012</u>	<u>6,730</u>
Total	15.0	100.0	3,268	21,833

The personal costs of unemployment for these four groups are very different. The long-run costs of **unemployment** are less severe for those who are enrolled in **school**. While the income from the jobs they seek may be **all** but necessary for meeting tuition and other expenses associated with **school**, in the long run this temporary loss of income may be offset by the increased earnings associated with higher levels of educational attainment. To the extent that the jobs are necessary in order to stay in **school**, the costs of unemployment to this group are greater.

In the short run, the costs to an individual of **employment** problems experienced while making the transition from school to work may be great. The number of people experiencing these problems grows markedly during a recession such as the recent one. In the long run, however, this group of youth can anticipate a better employment record and higher earnings than those youth who have more structural problems. This is **especially** true for those who are college graduates.

The youths with the most severe labor market problems are those who are dropouts and those who have other structural labor market problems. Not only do these **individuals** experience greater **unemployment** during their youth, but their prospects for employment when they become adults are not good. They have less education and skill training, and fewer **employment** experiences than their **contemporaries**. The costs associated with unemployment for this group are **large** and are incurred not only by the individual, but by the federal government as **well**. To the extent that poor early labor market experiences and lack of education or training hamper subsequent **labor** market experiences, this group **will** suffer greater unemployment and be forced to **rely disproportionately** on unemployment compensation and other public income assistance programs.

In order to become more competitive in the labor market, these **structurally-disadvantaged** youth need to acquire additional training, greater access to jobs, and freedom from discriminatory barriers. Additional schooling may be a **successful** instrument in lowering unemployment and increasing

earnings for some of these youth, but for those who do not aspire to white-collar employment, higher education may not be as helpful as training in technical **skills**.

This paper will discuss the current federal effort aimed at all aspects of the youth employment **problem**. It will **also** discuss the impact of eight budget options, which provide various current and alternative programs that attempt to enhance the **employment opportunities** of young **people**.

CHAPTER II CURRENT FEDERAL PROGRAMS AND POLICIES TO
ALLEVIATE YOUTH UNEMPLOYMENT

The **federal** government uses five major approaches to deal with **unemployment** and employment problems:

- o Direct job creation and targeted tax programs aimed at increasing public and private employment,
- o Programs to train and educate potential **workers**,
- o Programs and policies that regulate and **facilitate** the functioning of the labor market,
- o **Stimulative fiscal** and monetary **policy in** times of high **unemployment**, and
- o Direct cash assistance to reduce the **financial** burdens of the unemployed.

Some of these approaches affect youth unemployment more directly than others, and some can be targeted to youth in **general**, and certain groups of youth in **particular**. This paper **will analyze** two of the approaches that can be targeted: direct job creation, and education and training programs. The third approach listed above, market facilitation and regulation activities, can also, in some instances, be targeted to youth. For example, a special branch of the **employment** service **could** be assigned to provide intensive job placement assistance to youth.

Market Facilitation and Regulation

Policies that facilitate and regulate the **labor** market **include antidiscrimination** efforts, employment **counseling**, job placement, and the lower minimum wage for students. The

degree to which these programs and policies are directed toward youth varies and, in some cases, is difficult to estimate. In 1975 approximately **515,000** students received part-time jobs at less than the minimum wage. Forty percent of those persons placed by the U.S. Employment Service were under age 22 in fiscal year 1975. The effect of federal **antidiscrimination** activities on youth is unknown.

Macroeconomic Policy

Macroeconomic approaches to stimulating employment cannot be specifically targeted to youth in **general**, or groups in particular. **Fiscal** policy will, however, reduce **unemployment**, and youth will benefit from that reduction. It is likely that, in fiscal year 1977, the percentage of new jobs created through fiscal and monetary measures which **will** be held by youth, is greater than the percentage of the labor force currently composed of youth. 1/

Unemployment Compensation

Unemployment compensation does not impact on youth to a great extent because most young workers have not had enough employment experience to qualify for benefits. In 1975, youth represented 33 percent of the unemployed, but collected only 10.8 percent of unemployment compensation benefits. 2/

1/ Ralph Smith, "The Teenage Unemployment Problem- How Much Will Macro Policies Matter?" in The Teenage Unemployment Problem: What are the Options?, CBO, Conference Report, October 1976

2/ This does not include the Federal Supplemental Benefits or Special Unemployment Assistance programs for which data are not available. For a more complete discussion of the unemployment compensation system see, Unemployment Compensation: A Background Report, CBO, December 1976.



Direct Job Creation

Direct job-creating programs and programs to educate and train potential workers can be targeted on the youth population. Currently, there are two direct job-creating programs designed exclusively for youth. The summer youth program, authorized as part of CETA Title III, provides part-time summer jobs at the minimum wage to approximately 900,000 disadvantaged youth between the ages of 14 and 21. The Youth Conservation Corps provides approximately 26,000 summer jobs at the minimum wage for youth 15 to 18 years old. Other direct job-creating programs provide a more limited percentage of their funds to youth. While only twenty-two percent of CETA Titles II and VI jobs (about 66,000 in fiscal year 1976) go to youth, more funding flows to youth through these titles than through the youth programs because they have much larger budgets.

Training

One federal training program is targeted exclusively on youth. The Job Corps, Title IV of CETA, provides approximately 20,000 training years of service for 44,000 disadvantaged youth 14 to 21 years old in residential settings. Other training programs provide from 17 percent (WIN) to 57 percent (CETA Title I) of their funds to youth. Again, a program not specifically targeted to youth, CETA Title I, provides a larger total amount of dollars to youth than the youth-specific Job Corps because it is a much larger program. About 731,000 youth receive training or work experience through CETA Title I.

The GI Bill, which provides both training and education benefits to veterans, also supports youth. In 1976, however, only 7 percent of the recipients of these benefits (209,000 persons) were under age 25. In the next few years it is likely that the GI Bill will support even fewer youth as the average age of eligible veterans increases.

Education

Almost all federal higher education funds are spent on youth. These programs, as well as vocational education

support, provide **financial** assistance to both students and **institutions**, in an attempt to encourage the enrollment of low- and **moderate-income** students, ease the financing burden of **middle-income** students, and strengthen the financial capacities of educational **institutions**. The effect of these programs on the youth employment problem is primarily through the first outcome -- enrollment changes.

Size Of The Federal Effort Toward Youth Employment Problems

In **fiscal** year 1976, the federal government spent \$13 billion on programs and policies intended to directly affect the employment and **unemployment** problems of the general population. Of this amount, \$5.4 billion, or 41 percent, was spent on **youth**.^{3/} Of the expenditures for youth, \$1 billion, or 19 percent, was spent on direct job creating programs, \$2.7 billion, or 51 percent, on education programs, and \$1.6 billion, or 30 percent, on training programs. In addition, there were \$2.2 **billion** in revenue losses to the federal government as a result of tax expenditures intended to stimulate employment and education activities. These tax expenditures include the WIN tax credits; tax deductions for child care and child care **facilities**, which are not to a large extent oriented to youth; higher education tax expenditures, almost all of which applied to youth; and exclusion of GI bill education benefits. Almost three-fourths of these tax expenditures might be said to have favored youth. Table 2 shows **total** federal outlays for programs aimed at unemployment, and the percentage and dollar amounts of funds going to youth.

Just as the level of support varies greatly for each program, so does the number of youth supported by the various programs. Table 3 shows the number of youth served by each program.

^{3/} This assumes no difference in cost per participant based on age.

TABLE 2. FEDERAL OUTLAYS FOR MAJOR PROGRAMS AFFECTING THE EMPLOYMENT OF 14-21 YEARS OLD, FISCAL YEAR 1976

	Total Outlays (Millions of Dollars)	Percent to Youth	Outlays to Youth (Millions of Dollars)
EDUCATION			
Guaranteed Student Loan (GSL)	297	100% <u>a/</u>	297
National Direct Student Loan (NDSL)	301	100	301
Supplemental Education			
Opportunity Grants (SEOG)	268	100	268
College Work-Study (CWS)	362	100	362
Basic Education			
Opportunity Grant (BEOG)	905	100	905
Vocational Education	586	100	586
Subtotal Education	<u>2,719</u>	<u>100</u>	<u>2,719</u>
TRAINING			
CETA Title I	1,698	57	968
CETA Title III (other than Summer Youth)	126	47	59
CETA Title IV (Job Corps)	181	100	181
Work Incentive Program (WIN)	307	17	52
Veterans Readjustment Benefits <u>b/</u>	<u>5,079</u>	<u>7</u>	<u>356</u>
Subtotal Training	<u>7,391</u>	<u>22</u>	<u>1,616</u>
JOB CREATING			
CETA Title II	544	22	120
CETA Title VI	1,872	22	412
CETA Title III (Summer Youth)	459	100	459
Youth Conservation Corps	35 <u>c/</u>	<u>100</u>	<u>35 c/</u>
Subtotal Job Creating	<u>2,910</u>	<u>35</u>	<u>1,026</u>
TOTAL	13,020	41	5,361

a/ For purposes of this analysis it was assumed that 100 percent of student assistance funds went to youth. It is likely that a small percentage goes to older students, but there is no program data from which to make an accurate estimate.

b/ Also supports education activities.

c/ Half of these outlays were actually made during the transition quarter.

TABLE 3. PARTICIPATION OF YOUTH IN FEDERAL PROGRAMS AFFECTING THE EMPLOYMENT OF YOUTH, FISCAL YEAR 1976

	Number of Youth Served (Thousands) <u>a/</u>	Percent of Enrollees Who Are Youth
Education		
Guaranteed Student Loan (GSL)	923	100 <u>b/</u>
National Direct Student Loan (NDSL)	799	100
Supplemental Education Opportunity Grants (SEOG)	447	100
College Work-Study (CWS)	973	100
Basic Education Opportunity Grant (BEOG)	1,268	100
Vocational Education	NA	100
Training <u>c/</u>		
CETA Title I	905	57
CETA Title III (other than Summer Youth)	20	47
CETA Title IV (Job Corps)	44	100
Work Incentive Program (WIN)	3	17
Veterans Readjustment Benefits <u>d/</u>	209	7
Job Creating <u>e/</u>		
CETA Title II	55	22
CETA Title VI	110	22
CETA Title III (Summer Youth)	888	100
Youth Conservation Corps	20	100

a/ It is not possible to calculate the number of youth served by all of the programs because some individuals may receive support from more than one program.

b/ For purposes of this analysis it was assumed that 100 percent of student assistance funds went to youth. It is likely that a small percentage goes to older students, but there is no program data from which to make an accurate estimate.

e/ Number and percentage of youth for these programs are "new participants."

d/ Also supports education activities.

CHAPTER III COSTS AND EFFECTS OF FEDERAL PROGRAMS

COSTS

The federal costs of programs to enhance youth **employment** vary among the different broad approaches, depending on two major factors:

- o The cost of providing the services, and
- o The proportion of the services financed by the federal government versus that financed by other sources.

Various activities that attempt to enhance the employment of youth are funded not only by the federal government but by other sources as **well**. Federal aid to higher education, for instance, represents about 30 percent of total higher education expenditures. Federal student assistance outlays represent only about 8 percent of total tuition and room and board payments. In the training area, there is a large market of vocational training schools and programs outside the public sector. Some of these schools and programs receive federal funding, and some of the students in them receive federal student assistance.

Training Programs: Costs associated with each training program are the sum of **administrative** and **materials** costs plus training costs and are usually measured by cost per participant and cost per service year. ^{1/} The variation in costs among the programs is due primarily to differences in types of training, differences **in administrative** and **materials** costs, and differences in the **characteristics** of the clients served.

^{1/} A service year is a person-year.

The CETA Title I training program provides classroom and on-the-job instruction that attempts to enhance work skills. The cost per participant for the training components of Title I was \$1,420 in fiscal year 1976, while the cost per service year was \$4,050.

The Job Corps program offers on-the-job and classroom training often in skilled professions. Trainees are generally younger than those enrolled in Title I. They are housed and trained in residential facilities away from their home environment. The use of these facilities is reflected in the relatively high cost per participant of \$4,156, and cost per service year of \$9,231.

The WIN program also offers training though not in residential settings. There is a somewhat greater emphasis on placement than on skill development. The cost per participant is about \$2,330 and the cost per service year about \$6,760. The average length of stay in the program for Job Corps participants was about six weeks longer than for the two other programs. 2/

The cost per participant of veterans' readjustment benefits was almost \$1,800 in fiscal year 1976. The costs, which seem to be slightly higher for the younger recipients, cover both training and education activities, and it is not possible to separate the two.

Education: The size of the grants and loans made by federal student assistance programs varies as a result of differences in the eligible population, differences in the size of appropriations, and the availability of guaranteed loans from banks. The Basic Grants program has an average award of \$848 and the Guaranteed Student Loan program an average loan of \$1,210. The three other major federal student

2/ For additional information on the costs and effects of employment and training programs, see Public Employment and Training Assistance: Alternative Federal Approaches. CBO, Budget Issue Paper, February 1977."

assistance programs have much smaller average awards. The Supplemental Educational Opportunity Grants award an average of \$508, the National Direct Student Loans \$664, and the College Work-Study program \$525. 3/

TABLE 4. COST OF TRAINING COMPONENTS OF MAJOR FEDERAL EMPLOYMENT AND TRAINING PROGRAMS, IN DOLLARS

	Cost Per Service Year		Cost Per Participant	
	On-the-Job Training	Classroom Training	On-the-Job Training	Classroom Training
CETA				
Title I	4,209	4,005	1,471	1,408
Title II	1,821	1,771	889	797
Title III				
Migrants and Farmworkers	2,184	4,428	328	664
Native Americans	4,000	4,172	947	960
Summer Youth	0	0	0	0
Title IV				
Job Corps	0	9,231	0	4,156
Title VI and II <u>a/</u>	2,736	1,316	2,660	181
Work Incentive Program				
	11,000	3,700	3,900	1,200

a/ An emergency supplemental appropriation merged Titles II and VI of CETA for the purpose of extending Title VI positions beyond the expiration date of December 31, 1975.

3/ For a more detailed discussion of these programs see Postsecondary Education: The Current Federal Role and Alternative Approaches, CBO, Budget Issue Paper, January 1977.

Job Creating Programs: As shown in Table 5, the costs of job-creating programs vary widely because of differences in salaries paid and administrative expenses incurred. The federal government operates three types of direct job creating programs: work experience, public service employment, and natural resource programs.

Work experience programs are characterized by part-time, entry-level positions designed to introduce participants, often youth, to work experiences. Salaries paid for this type of job are typically minimum wages. Jobs in this classification are summer youth jobs, jobs funded through CETA Title I, and about 15 percent of the CETA Titles II and VI jobs. The summer youth program had a cost per participant of \$595 and a cost per service year of \$2,380 in fiscal year 1976. Title I work experience cost \$1,084 per participant and \$3,299 per service year.

the second form of federal direct job creation is public service employment. These jobs are full-time positions, primarily funded by CETA Titles II and VI. Typical salaries for public service employment jobs are \$8,000 per year. The cost per participant for Title II was \$2,275, with a cost per service year of \$7,389. For Title VI the cost per participant was \$4,060 and the cost per service year \$8,675. 4/

The third category of federal direct job-creating programs is that characterized by the Youth Conservation Corps. These jobs are funded to get specific conservation work done and require large administrative and materials costs. The cost per participant of the YCC was \$1,400 in fiscal year 1976, and the cost per service year \$10,000.

4/ It is probable that the costs of these programs are somewhat lower for youth participants because youth wages are lower, but there are no precise figures to verify this.

TABLE 5. COSTS OF JOB CREATING COMPONENTS OF MAJOR FEDERAL EMPLOYMENT AND TRAINING PROGRAMS,
FISCAL YEAR 1976

	Cost Per Service Year (Dollars)			Cost Per Participant (Dollars)		
	Work Experience	Public Service Employment	Natural Resource Employment	Work Experience	Public Service Employment	Natural Resource Employment
CETA Title I	3,299	8,236	--	1,084	3,664	--
Title II	3,675	7,389	--	1,184	2,275	--
Title III						
Migrants and Farmworkers	6,869	0	--	1,030	0	--
Native Americans	4,232	4,083	--	964	980	--
Summer Youth	2,380	0	--	595	0	--
Title IV: Job Corps	0	0	--	0	0	--
Titles VI and II <u>a/</u>	6,378	8,675	--	3,101	4,060	--
Work Incentive Program	3,800	16,900	--	700	10,900	--
Youth Conservation Corps	--	--	10,000	--	--	1,400

a/ An emergency supplemental appropriation merged Titles II and VI of CETA for the purpose of extending Title VI positions beyond the expiration date of December 31, 1975.

EFFECTS

Two major factors influence the effectiveness of programs and policies attempting to enhance the employability of young people: the extent to which programs change the characteristics (for example, skills, attitudes, and credentials) of participants, and the extent to which the programs either provide or induce additional jobs, training, or education over what would otherwise have been provided. If expenditures for these programs simply replace funds that would have been provided by other sources, the net effects will be minimal. On the other hand, to the extent that federal outlays induce additional outlays from other sources the net employment effects will increase. If enrollees who have completed a program simply displace other job holders, the net employment effect will be reduced.

Training

Federal training programs enrolled 740,000 people in fiscal year 1976. About 55 percent of the enrollees were youth. The average length of stay in the programs was four months. It is reported that for various federal training programs in the late 1960s and early 1970s, youth had shorter durations of participation because of higher dropout rates, but there is no evidence to confirm or deny this phenomenon for current programs. 5/ High dropout rates, it should be noted, are not necessarily a bad sign for training programs, especially when they apply to youth. Many training programs do not have set starting and finishing dates. Participants

5/ Robert Taggart reports in "Employment and Training Programs for Youth," in From School to Work, that under the Manpower Development and Training Act -- Institutional Program, 35 percent of fiscal year 1974 trainees under age 19 dropped out, compared to 25 percent of those aged 19 to 21 and 20 percent of those aged 22 to 44. Only 39 percent of the 1972 Job Opportunities in the Business Sector program (Jobs) trainees under age 19 completed their period of on-the-job training, compared with 46 percent of those aged 19 to 21 and 53 percent of those aged 22 to 44. The current CETA programs do not collect as detailed information.

may **enroll** when they wish and **leave** as soon as they have acquired the particular **skills** they are interested in. Youth may leave to take jobs or they may drop out to return to **school**.

Effects of training programs can be measured in part by the **participants'** increased earnings, increased **employment**, and increased **labor** force participation. The best estimate of increases in earnings for participants over **nonparticipants** range from \$0-800 a year, with the midpoint of \$400 perhaps the most likely amount. 6/ There is, however, evidence that these increased earnings may not persist over time. One recent study suggests that while earnings gains averaged \$380 a year over the course of five years, the increases tended to decline after the first year. 11 There is evidence that females tend to gain more than males, and that black males tend to gain more than white males.

There is very limited evidence of the earnings and **employment gains** specific to youth who participate in **training** programs. A **longitudinal** study of 1964 and 1968 **Manpower** Development and Training Assistance (**MDTA**) and Job Opportunities in the Business Sector (**JOBS**) participants found that **enrollees** under age 20 improved their earnings significantly

6/ These figures are reported in several studies, including: **Orley Ashenfelter** "The Effect of Manpower Training on Earnings: Preliminary Results," (Princeton, N.J.: Industrial Relations Section, Princeton University), and Thomas F. Cooley, Timothy **W. McGuire**, and Edward C. Prescott, "The Impact of Manpower Training on Earnings: An Econometric Analysis," (Pittsburgh, Pennsylvania 1975).

7/ Orley Ashenfelter "The Effect of Manpower Training on Earnings: Preliminary Results," (Princeton, N.J.: Industrial Relations Section, Princeton University), page 258 (**reprint**).

more than older enrollees. The increase for male and female enrollees under 20 in the JOBS program may have been as much as \$400 greater than the increase for older **enrollees**. The increase for 20-24 year old females in this program may have been even greater. The **MDTA** increases were smaller, but exhibited similar trends. 8/ Although there is no evidence as yet that the results reported by these studies are **applicable** to current CETA programs, it **should** be noted that many of the specific programs financed by CETA funds were developed under MDTA.

Most of the reported increases in earnings for youth **resulted** from increased employment rather than higher wage rates, indicating that while the training programs might have fostered good work attitudes, they did not necessarily raise skill **levels**. The results may indicate that the **placement** component of these programs was as important to the participating youth as the training component.

Evidence on the Job Corps, which offers remedial and **skill** training for youth who are severely **disadvantaged** educationally as well as economically, is mixed. The program reports that over 85 percent of all trainees in fiscal year 1974 either found employment or went back to school or into the **military**. On the other hand, other studies report that earnings increases due to **participation** in the program were no greater than those for other training programs. 9/

Education

Federal postsecondary education programs attempt to increase enrollment in universities, four-year colleges, two-year colleges, and vocational-technical schools. The best estimates of the effects of additional expenditures on

8/ Reported by Taggart in From School To Work.

9/ See Nicholas M. Kiefer, The Economic Benefits of Four Manpower Training Programs, May 1976 (processed).

enrollment show that enrollment increases between 0.04 and 1.25 percent for every \$100 reduction in tuition. ^{10/} Given the current level of federal student assistance of about \$2,133 million and current enrollment levels of about 8.5 million students, federal outlays are responsible for between 8,500 and 267,000 additional enrollees.

In the short run, educational enrollment lessens the chances that enrollees will be unemployed. While it is true that students have higher unemployment rates than non-students, it is also true that their labor force participation is much lower, and that the chances that they will be unemployed are much less, as shown in Table 7.

TABLE 6: UNEMPLOYMENT RATES AND INCOME BY EDUCATIONAL ATTAINMENT, MARCH 1975

Years of School	Unemployment Rates (percent)	Mean Income ^{a/} (dollars)
Less than 12	13.8	9,773
12	9.1	12,068
13-15	6.9	14,284
More than 16	2.9	18,856

^{a/} Over age 25 population.

^{10/} For a review of several of the most recent studies, see Jackson and Weathersby, "Individual Demand for Higher Education," Journal of Higher Education, November/December 1975.

TABLE 7. UNEMPLOYMENT OF IN-SCHOOL AND OUT-OF-SCHOOL
YOUTH, AGES 16-24, OCTOBER 1975

	Civilian Non- institutional Population (Thousands)	Labor Force Participation Rate (Percent)	Unemployed (Thousands)	Unemploy- ment Rate (Percent)	Unemployed As Percent of Population (Percent)
In School	15,284	44.0	1,012	15.0	6.6
Out of School	19,416	77.8	2,256	14.9	11.6

SOURCE: Bureau of Labor Statistics, Special Labor Force Report 191, June 1976.

Job Creation

The number of jobs created by federal job creation programs depends **primarily** on:

- o the level of funding,
- o the wage rate,
- o the proportion of funds going to administrative and materials cost, and
- o the rate of fiscal substitution (that **is**, the rate at which federal funds simply **replace** funds that **would** have been spent by other sources).

The effects of current federal job-creation programs differ. CETA Titles II and VI fund very similar types of jobs. Salaries are generally \$8,000, and fiscal substitution might be as high as 50 percent in the first year, and 90 percent thereafter. ^{11/} A general assumption is that administrative costs are about 10 percent of total costs. Per \$1 billion then, 120,000 jobs are created directly, but the net number of jobs funded might be 60,000 in the first year.

The summer youth program provides salaries of \$550 for part-time, part-year work; this would be \$2,200 if the jobs were full-year. Administrative costs are 10 percent, and fiscal substitution is assumed to be 10 percent. Thus, 430,000 full-year jobs would be created per \$1 billion of expenditures, but the net number of jobs created might be just under 400,000.

The Youth Conservation Corps provides summer jobs at a salary of about \$1,250 (\$5,000 if the jobs were full-year), fiscal substitution is zero, but administrative and materials costs are about 50 percent.

The degree to which the jobs funded by these programs go to youth varies. Title I provides 57 percent of its jobs to the under 22 population, Titles II and VI both provide 22 percent, and summer youth and Youth Conservation Corps, 100 percent. Table 8 shows total jobs directly created by these programs, the percentage of jobs held by youth, and the absolute number of youth-held jobs.

^{11/} Information on the exact level of fiscal substitution is very incomplete. The rate of substitution will probably decrease if jobs are targeted on those who are not otherwise likely to be hired by local governments.

TABLE 8. JOBS CREATED BY FEDERAL DIRECT JOB-CREATION PROGRAMS, 12 MONTHS AFTER CREATION, PER \$1 BILLION IN OUTLAYS

	Total Jobs Created (1,000s)	Percent Filled By Youth	Number Filled By Youth (Thousands)
CETA Title I a/	300	57	173
CETA Title II	135	22	30
CETA Title VI	115	22	25
CETA Title III Summer Youth a/	420	100	420
Youth Conserva- tion Corps	100	100	100

a/ Part-time jobs; annualized figure used for comparison purposes for summer youth.

There is no solid evidence on the effect of job-creation programs on the long-term employability of enrollees. ^{12/} Several studies report that large numbers of participants in the Public Employment Program (PEP) were rehired by the governments they worked for after their participation in the program. However, there are also reports that the PEP program tended to hire those whose employment experiences would have been quite good in any event. The employability effects are dependent on the degree to which workers develop favorable employment attitudes and on the extent of on-the-job and other training received through the program.

^{12/} The available evidence is also summarized in Employment and Training Programs, CBO, Staff Working Paper, May 1976.



One would expect work experience programs to have less effects on employability than public service employment because work experience jobs are generally less skilled, lower paying, part-time, and of shorter duration. The average duration for work experience jobs was less than three months in 1976, while for public service employment it was just over six months. The amount of training varies just as the jobs themselves do, but it is not believed to be very high.

CHAPTER IV CHARACTERISTICS OF THE PARTICIPANTS IN YOUTH
EMPLOYMENT PROGRAMS AND OF UNEMPLOYED YOUTH

Currently, federal programs are directed in varying degrees toward each of the four groups of **unemployed** youth. It is not possible to categorize each program by the group it is intended to aid because each program impacts on more than one group. Nor is it possible to measure **precisely** the proportion of aid from each program going to each group. Student assistance programs, for instance, are intended to aid high school graduates by providing them with the financial ability to enroll in college, and the **in-school** population by providing them with the funds to stay in **school**. Training programs impact on **college-educated** youth, as well as on high school graduates and dropouts, while job-creating programs can aid all four groups of youth. It is possible, however, to look at some characteristics of the participants in each of these programs, and to try to match the characteristics with those of the four groups of **unemployed** youth. 1/

PARTICIPANTS IN YOUTH EMPLOYMENT PROGRAMS

Training Programs

In 1976, 57 percent of CETA Title I participants were **nonwhite**, 76 percent came from low-income families, and

1/ Unfortunately there is not enough information collected by some of the programs to determine **characteristics** of the youth participants as opposed to all participants. In those cases youth must be assumed to have characteristics similar to other participants.

54 percent had not graduated from high school. 2/ Of the Job Corps participants, 73 percent were nonwhite, 100 percent were low-income, and 100 percent had not completed high school. WIN recipients were 44 percent nonwhite and 100 percent low-income; 60 percent had not completed high school.

Education Programs

The degree of targeting among education programs varies significantly. It is estimated that in fiscal year 1977 the BEOG program will supply 41 percent of its funds to those coming from families with under \$7,500. 3/ The SEOG program will provide 39 percent of its funds to persons from such families. Of the NDSL recipients, twenty-two percent will come from families with incomes under \$7,500. In the College Work-Study program, 31 percent of recipients will come from families with under \$7,500 in income. 4/ Twenty-six percent of Guaranteed Student Loan recipients will be from families with incomes under \$7,500.

2/ Low-income is defined as the official Bureau of the Census poverty index.

3/ Estimates of the distribution of awards come from Postsecondary Education: The Current Federal Role and Alternative Approaches, CBO, February 1977, p. 56.

4/ The income figures here are for students who are not independent from their parents. In addition, 30 percent of BEOG dollars, 22 percent of SEOG dollars, 24 percent of NDSL dollars, and 20 percent of College Work-Study funds went to students who were independent of their parents. In most cases these students probably had very little income.

In fiscal year 1975, nonwhites represented 52 percent of SEOG recipients, 37 percent of NDSL recipients, and 41 percent of College Work-Study recipients. In fiscal year 1973, about 30 percent of Guaranteed Student Loan recipients were nonwhite.

Direct Job Creation

Public service employment programs are not as well targeted on those with structural employment problems as training programs. In 1976, only 44 percent of Title II and 36 percent of Title VI participants were nonwhite; 47 percent of Title II and 44 percent of Title VI participants were low-income, and 26 percent in each program had not finished high school. The summer youth program, on the other hand, was 55 percent nonwhite and 100 percent low-income. Ninety-four percent had not completed high school, but many of these were probably **still** enrolled during the school year. In the Youth Conservation Corps in 1974, 18 percent were nonwhite, 38 percent came from families with under \$10,000 income, and virtually all were **still** enrolled in high school.

UNEMPLOYED YOUTH

High School Dropouts. In 1975, 28 percent of unemployed high school dropouts below the age of 24 were nonwhite.

High School Graduates Not Attending College. Of those under age 24 and unemployed in this group, 20 percent were nonwhite.

College Graduates. Of all unemployed college graduates under the age of 24, 5 percent were nonwhite.

In School. Of those **in-school** youth who were reported as unemployed, 15 percent were nonwhite.

TABLE 9. CHARACTERISTICS OF UNEMPLOYED YOUTH AND OF PARTICIPANTS IN EMPLOYMENT, TRAINING, AND EDUCATION PROGRAMS

	Percent Low Income	Percent Minority Groups	Percent Less Than High School Graduates
Groups of Unemployed Youth <u>a/</u>			
High School Dropouts	NA	28	100
High School Graduates, No College	NA	20	0
College Graduates	NA	5	0
In School	NA	15	0
Employment Programs <u>b/</u>			
CETA Title II	47	44	26
CETA Title VI and II	44	36	26
CETA Title III-Summer Youth	100	55	94
Youth Conservation Corps <u>c/</u>	38	18	100
Training Programs <u>b/</u>			
CETA Title I	76	57	54
CETA Title IV-Job Corps	100	73	100
WIN	100	44	60
Education Programs <u>d/</u>			
Guaranteed Student Loan Basic Education	26	30	0
Opportunity Grant <u>e/</u> Supp. Education	41	NA	0
Opportunity Grant <u>e/</u> National Direct	39	68	0
Student Loan <u>e/</u>	22	39	0
College Work-Study <u>e/</u>	31	41	0

a/ October, 1975.

b/ Fiscal year 1976, low-income defined as the official Bureau of the Census poverty index.

c/ Fiscal year 1974.

d/ Low-income defined as under \$7,500, CBO fiscal year 1977 estimates; minority group figures are fiscal year 1975 except Guaranteed Student Loan which is fiscal year 1973.

e/ Dependent recipients only.

Fiscal year 1978 budget **options** for youth **employment** programs can involve programs devoted exclusively to youth, or they can **involve** programs that **significantly** impact on youth but are not exclusive to them. In addition to the programs currently in operation, the Congress will be asked to consider numerous new **proposals** intended to enhance the **employment opportunities** of young people.

It is **possible** that these fiscal year 1978 budget options could be implemented in **fiscal** year 1977. Indeed, it is likely that **supplemental** appropriation action for employment and training programs taken in fiscal year 1977 **will** include a youth specific component. If the Congress chooses to consider these options for fiscal year 1977, the relative program effects **will** be **essentially** the same as those discussed here for fiscal year 1978.

NON-YOUTH SPECIFIC OPTIONS

Option I: Increased Employment

The increased employment option adds \$1 billion to Title VI of CETA which would fund at least an additional 120,000 jobs. It would also reduce unemployment compensation (UC) outlays by about \$240 million because Title VI jobs are targeted to UC recipients who have been unemployed at least 15 weeks. These jobs could also be funded under Title II of CETA, but Title II is not targeted on income assistance recipients, so the resulting unemployment compensation savings would probably be significantly lower. The 120,000 additional years of service implies that 222,000 more persons would participate in Title VI and about 200,000 fewer workers would receive unemployment compensation. However, Title VI is not well targeted on youth because it is designed to reach the long-term unemployed, and youth, on average, are not unemployed as long as older workers. Fifty thousand youth might be expected to benefit directly from this \$1 billion increase.

Option II: Increased CETA Title I

This increased training option adds \$1 billion to CETA Title I. The additional expenditures could fund as much as 221,000 years of training and train nearly 632,000 participants. However, if the current distribution of activities continues, only 46 percent of the increased Title I funds would be devoted to training, while the remaining 54 percent would be spent on work experience and public service employment. This would yield 102,000 years of training for about 291,000 participants. More training could be obtained by earmarking the appropriations for training, but in response CETA prime sponsors might shift the current policy base away from training. This problem could be lessened by a federal categorical program (but the substitution may **still** occur after a few years) or by legislative changes in the CETA authorizations restricting the range of activities that can be supported by Title I funds.

YOUTH SPECIFIC OPTIONS

Option III: Increased Job Corps

This option raises outlays for the Job Corps by \$200 million, approximately double the current level. These outlays would provide an additional 20,000 years of service and serve about 48,000 participants. The Job Corps is currently the only training program targeted completely on youth (although it might be possible to establish a youth training program through Title III of CETA without reauthorization). There may be potential for expansion in the Job Corps, since it served twice as many persons in 1967 as it currently does. However, some reports indicate that a number of the facilities used by the Job Corps in the late 1960s are now outdated and in disrepair and would require major capital outlays to become operable. Also, evidence on the success of the Job Corps is mixed. Although the post-training placement rates are high, there doesn't seem to be an annual earnings gain sufficiently greater than those associated with other training programs, to offset the higher cost of the Job Corps program.

Option IV: Student Assistance Targeting

One option the Congress may wish to consider would increase outlays to those student assistance programs that are targeted on low-income persons. This might be done by increasing expenditures above fiscal year 1978 current policy levels for Basic Grants by \$241 million, for Supplemental Grants by \$186 million, for College Work-Study by \$62 million, and for National Direct Student Loans by \$42 million. 1/ The total cost of this option, above current policy, would be \$531 million, about \$301 million of which would go to students in families with incomes under \$10,000 and to self-supporting students. Presumably, making additional grant and loan money available to the low-income population would encourage enrollments from that group of youth most likely to suffer from severe unemployment problems.

If the \$531 million increases enrollment levels by 1.25 percent for every \$100 reduction in tuition per enrollee, about 66,000 persons should be induced to enroll in college. About 37,000 of these students might come from families with incomes under \$10,000 or be self-supporting. 2/

ALTERNATIVE PROGRAMS

In addition to options within the current program framework, the Congress will consider a variety of alternative programs. The Congress may choose to emphasize the creation of jobs, the expansion of training, or intensive

1/ These changes result from an increase in Basic Grants to the level necessary to fund a \$1,400 maximum award, and funding of the other programs up to or near their maximum authorized levels. For a more complete discussion of this and other higher education options, see Postsecondary Education: The Current Federal Role and Alternative Approaches, CBO, Budget Issue Paper, January 1977.

2/ See p. 23 for a more complete explanation of induced enrollment effects.

counseling and placement activities. The **proposals outlined** below are meant to be illustrative of the various types of programs that will be introduced as legislation in the 95th Congress.

Option V: Public Service Employment for Youth

This option would create a public service employment (PSE) program targeted specifically at youth. The program could be operated through the CETA prime sponsor system, eliminating the necessity for the creation of a new administrative mechanism. Proposals for PSE for youth have emphasized that the work performed by the employees be urban community service projects. If the program were run through CETA and participants were paid minimum wages, it might be expected to cost about \$6,000 per service year. If funded at \$1 billion, it might thus provide almost 170,000 service years. Assuming the average length of stay in the program to be about six months (**approximately** that of the current PSE programs), about 340,000 persons would receive jobs. There may be reason to believe, however, that youth would have greater turnover rates and shorter durations in the program than older workers in the other PSE programs. If this were the case, prohibitively large numbers of youth might be required to keep **all** of the slots **filled** during the year at high **levels** of **expenditures**.

It should be remembered that the effects of PSE on the participants' future **employability** are almost negligible. On the other hand, PSE programs have in the past been used as temporary, **countercyclical** tools and the **employability** effects might change if the projects were well designed to deal with structural problems.

The rate of fiscal substitution can be expected to be **lower**, at least in the short run, for a youth program than for an untargeted PSE program because youth are less skilled than regular employees of state and local governments. If this program were targeted on the economically **disadvantaged**, as has been suggested, the rate of fiscal substitution might be reduced even further. It might **also** be possible to reduce expenditures for the current summer youth program because some of the youth ordinarily **enrolled** in that program **would** probably be hired into the PSE program.

Option VI: Young Adult Conservation Corps

This proposal has its genesis in the current Youth Conservation Corps. It would serve 19-23 year olds with full-time jobs on conservation projects in federal and state parks and forests. The projects would involve such activities as reforestation, trail and campground improvement, forest fire fighting, and control of soil erosion. Because of the need for supervisory and skilled personnel and the extensive use of materials necessary for the projects, the cost per year of service would be relatively high, probably about \$13,000 in the first year and about \$11-12,000 in subsequent years (half of which would be wages at the minimum wage). There is no solid evidence on which to base an estimate of length of stay in the program for participants, but if, on average, participation lasted nine months, 116,000 persons would be served for each \$1 billion after start-up costs. Fiscal substitution might be minimal for this program because most of the activities would not otherwise be funded. So far, proposed legislation has not called for the program to be targeted on the economically disadvantaged, but participants may be required to reside in areas in which unemployment exceeds a particular level.

The employability effects of a young adult conservation program are difficult to estimate. They may be less than those of a PSE program because the skills learned on a conservation project may not be transferable to other jobs for those youth who are returning to urban areas. On the other hand, proponents of the program claim that the valuable nature of the work accomplished would enhance the self-esteem of participants, and thus make them more desirable employees in the future.

Option VII: Training for Youth

This option would create a training program similar to Title I of CETA, but specifically for youth. Again, it would probably be easier and quicker to use the already existing network of CETA prime sponsors to run such a program. Since Title I is already about 60 percent youth, there would have to be coordination between the two programs, or funds for the new program might simply replace those of



Title I. A new program might have more success in insuring that training as opposed to work experience, was funded. (This assumes it is more desirable to fund training; it may be that for many youth work experience is more desirable. If this program resembled the training component of Title I, the cost per year of service might be about \$4,000, and the cost per participant \$1,400. Thus if the program were funded at \$1 billion, over 700,000 persons would participate in 250,000 years of service.

Option VIII: High School Work-Study

This program would provide students with part-time jobs of not more than 20 hours a week. It would offer students an introduction to various vocations, enabling them to get a better idea of what careers they wish to pursue, so they could structure their education to prepare for that career. The Neighborhood Youth Corps-In School program served these purposes through 1975. Much of the activity supported by that program is now funded through CETA Title I, but it is difficult to estimate the precise extent. The costs to the federal government for a program such as this would be the wages of the part-time jobs, plus administrative costs. If a minimum wage were paid for twenty hours of work a week, and the administrative cost were 10 percent, the cost per service year might be about \$2,650.^{3/} Since the jobs probably would not continue beyond the school year, the length of stay in such a program might approximate eight months. Thus, if the program were funded at a \$1 billion level, the number of participants might be approximately 572,000 and the number of service years a little under 400,000.

A program such as this could be targeted on high unemployment areas, or it could be made more generally available. It would, of course, not be of much service to those who have already dropped out of school or to those who have graduated from high school but still lack job skills and experience. It might, however, be a powerful mechanism in encouraging youth to stay in school, in eliminating some of the severe structural problems of certain youth, and in easing the transition from school to work for others.

^{3/} Because of the differential minimum wage for students, wages below the minimum wage could be paid.

TABLE 10. COSTS AND EFFECTS OF FISCAL YEAR
1978 BUDGET OPTIONS

	Cost Per Service Year (Dollars)	Cost Per Participant (Dollars)	Number of Jobs Funded Per \$1 Billion (Thousands)	Number of Training Slots Funded Per \$1 Billion (Thousands)
Option I-Increase Current CETA PSE Activities	8,300	4,565	27 <u>a/</u>	0 <u>a/</u>
Option II-Increase CETA - Title I	4,525	1,585	0 <u>a/</u>	126 <u>a/</u>
Option III-Increase Job Corps	10,000	4,200	0	20 <u>b/</u>
Option IV-Student Assistance Targeting	NA	NA	NA	NA
Option V-PSE for Youth	6,000	3,000	170	0
Option VI-Young Adult Con- servation Corps <u>c/</u>	11,500	8,625	87	0
Option VII- CETA Training for Youth	4,000	1,400	0	250
Option VIII-High School Work-Study	2,650	1,750	377	0

a/ Youth jobs and training slots created. Jobs and training slots for older workers would also be funded.

b/ Option III increases the Job Corps by \$200 million. The figure here represents the training slots created by that increase. A \$1 billion increase for the Job Corps is unfeasible.

c/ Figures are for period after extra start-up costs are incurred.

