

## Section 5

# Policy Options

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As currently structured, FSET is not cost-effective. The taxpayers' costs to administer the program are offset neither by decreases in the food stamp rolls nor by increased income taxes from increased employment of food stamp recipients. The following two options, taken together or separately, might improve the effectiveness of FSET.

### OPTION 1: MAKE FSET PARTICIPATION VOLUNTARY

There are at least two reasons to consider making FSET voluntary: 1) the mandatory aspects of FSET are only weakly enforced, and have little impact when they are; 2) volunteers might be more likely to complete and benefit from FSET.

As discussed in section 3, FNS has allowed the States to grant categorical and personal exemptions to about 30 percent of work registrants in recent years. The States were expected to either enroll or initiate sanctions against 50 percent of the remaining "nonexempt mandatory" participants. The large fraction of exemptions raises important questions about equity. Do caseworkers throughout the Nation follow uniform guidelines when deciding which medical and transportation problems are serious enough to warrant exemptions? Under the new proposal allowing the States to enroll as few as 10 percent of work registrants, these equity questions may become even more serious. The few work registrants who are required to participate may resent the others who are not required to do so.

There are two possible approaches to making the program more equitable while targeting it to a smaller group. If Congress wishes to keep the program mandatory, the States could use a simple queuing system, so that 10 percent of non-exempt mandatory participants were enrolled at any given time, while the others were on a waiting list. During their time on the waiting list, non-exempt mandato-

ries would not face the threat of sanctions. Many—presumably those who are most employable—might find jobs and leave the food stamp rolls" without the need of FSET. Those work registrants who reached the top of the waiting list and were called in for an initial interview with an FSET counselor would face the threat of sanctions if they did not appear or if they subsequently dropped out of the program.<sup>124</sup>

A second approach would be to make FSET voluntary. Among those who are not exempt, the threat of sanctions appears to have little impact. During FY 1988, 34 percent of this group never appeared for their first interview with an FSET caseworker.<sup>125</sup> Many of these no shows as well as those who enrolled but later dropped out were able to cure their noncompliance through repeated phone calls, and continued to receive food stamps. Many local food stamp agencies—about one-third of those surveyed in FY 1988—reported they would "try anything to avoid sanctioning a client."<sup>126</sup> Even when a Notice of Adverse Action is sent out immediately, processing and required notification time result in very few food stamp recipients having their food stamps terminated. This is because the average work registrant is only on the food stamp rolls for 3 months, and it often takes 1 or 2 months before a registrant is denied recertification for food stamps.<sup>127</sup> Thus, sanctioned registrants frequently forfeit no, or only 1 month, of benefits.

Those who fail to comply with FSET requirements may do so for the very good reason that they can find a job without the program. Among work registrants deemed to be mandatory FSET participants in FY 1988, 56 percent of the no shows were employed 1 year after random assignment, compared to 51 percent of those who participated in FSET.<sup>128</sup>

The mandatory aspect of FSET derives from its origins in workfare. As an optional activity within FSET, workfare has never been very attractive to

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<sup>124</sup>Daniel Friedlander, MDRC, Inc., personal communication, Nov. 25, 1991.

<sup>125</sup>Puma, et al., op. cit., footnote 15, pp. 6-8.

<sup>126</sup>Ibid., pp. 3-8.

<sup>127</sup>Charles Usher et al., "Long-Term Participation in the Food Stamp Program by Work Registrants," in Carole Trippe et al., *Food Stamp Policy Issues: Results from Recent Research* (Alexandria, VA: U.S. Department of Agriculture, Food and Nutrition Service, 1990), p. 199.

<sup>128</sup>Puma, et al., op. cit., footnote 15, p. 6-26.

local FSAs<sup>129</sup> primarily because the relatively small value of the food stamp benefits received by most households requires creation of workfare jobs lasting only 7 or 8 hours a week.<sup>130</sup> However, the idea of equating required participation with the value of the food stamp benefits continues in the FSET program. As a result, participants are only required to spend only a minimal time--e.g., about 24 hours in the District of Columbia--in the program.

Despite its ineffectiveness, the mandatory aspect of FSET requires a great deal of administrative effort--40 percent of staff time in FY 1988. By comparison, employability assessments and direct provision of employment and training services accounted for only 18 percent of staff time.<sup>131</sup> Assigning the limited FSET funds to a smaller group of volunteers might be far more effective than the current approach of spreading the money thinly across a large group of participants and nonparticipants (who require administrative funds to be tracked and sanctioned).

Relying on volunteers need not result in State agencies creaming the most employable work registrants. By giving **extra credit** for job placements, wages, and educational improvements for the hard to employ, FNS could encourage the States to make extra efforts to attract HTE participants to volunteer.

Would anyone appear if FSET were made voluntary? OTA **notes that** during 1988, 150,000 food stamp recipients who were not required to participate did so. This is over half the number (240,000) who might be enrolled if the States choose to enroll only the new required minimum of 10 percent. It is approximately equal to a 6 percent participation rate. It would seem unreasonable to set a participation rate for a voluntary program. However, if this option were chosen, Congress and FNS might want to monitor participation to insure that it not fall to minimal levels. Over time, participation rates ought **to grow if the** States develop effective programs that are attractive to food stamp recipients.

## OPTION 2: MERGE FSET INTO JTPA

To reduce administrative costs and increase direct provision of employment and training services, Congress could consider merging FSET into **JTPA**.<sup>132</sup> During FY 1988, three-quarters of all FSA's coordinated some or all of their FSET activities with JTPA. Some FSAs simply referred clients to JTPA, while others contracted for specific services such as employability assessments. Both types of arrangements require using limited Federal funds to support administrative costs of two separate agencies. And, for food stamp recipients, the simple fact of having to go to more than one office maybe discouraging. As one observer put it, "the more disadvantaged the client, the more likely she or he will fall through the fissures of program fragmentation."<sup>133</sup>

The National Commission for Employment Policy (NCEP), a presidentially appointed body, recently made a similar "merge" recommendation to the President and the Congress. Following an extensive process of research and consultation **at the** Federal, State, and local levels, NCEP recommended **that** JTPA, JOBS, FSET, and all other federally funded employment and training programs aimed at disadvantaged persons be merged **into a** single Federal program operated by a single Federal agency. The rationale for the proposed reorganization included minimizing conflicting regulations, improving program management, reducing administrative costs, and enabling the "States to deal with fewer contact points in Washington."<sup>134</sup>

FSET was created in part because of concern that food stamp recipients were not receiving the **employment** and training services they needed from other agencies. Specifically, the State employment security agencies which administered the work registration program provided little assistance to work registrants and placed only **a very small**

<sup>129</sup>By 1985, 4 years after workfare became available, only 19 out of 3,000 local jurisdictions operated such programs. Center on Budget and Policy Priorities, *Food Stamp Employment and Training Resource Guide* (Washington, DC: 1986), p. 24.

<sup>130</sup>U.S. Congress, House Committee on Agriculture, House Report No. 955-464, p. 2301.

<sup>131</sup>Puma, et al., op. cit., footnote 15, p. ix.

<sup>132</sup>Another possibility would be to merge FSET with JOBS. This option is appealing because both programs are usually administered by the same State and local welfare agencies. However, as discussed in section 2, the clients served by JOBS differ from those served by FSET. The FSET clientele is more similar to that served by JTPA.

<sup>133</sup>Robert E. Friedman, "State Human Investment Policy: Just on the Horizon," *Entrepreneurial Economy Review*, autumn 1990, p. 23.

<sup>134</sup>John C. Gartland, Chairman, NCEP, letter to the President, Sept. 30, 1991.

fraction (less than 10 percent) into jobs.<sup>135</sup> If FSET were merged into JTPA, would the same problem occur?

JTPA's previous performance standards, emphasizing maximum job placements at minimum cost, caused some local program operators to reduce services to welfare recipients, focusing on more employable people.<sup>136</sup> However, JTPA's new performance standards for program years 1990-92<sup>137</sup> are designed to increase service to the hard-to-serve and enhance long-term employability.

If Congress chose to merge the two programs,<sup>138</sup> it could encourage service to food stamp recipients through a contracting arrangement between USDA and the U.S. Department of Labor (DOL). The addition of FSET funds would add about 8 percent to JTPA's Title II-A budget, which DOL could use to serve an additional 8 percent of clients, or 96,000

food stamp recipients, assuming the JTPA Title IIa average cost of \$1,646 per participant. There is a precedent for delivering employment and training services needed by other Federal agencies through DOL. In the National Defense Authorization Act for FY 1991 (Public Law 101-510, approved October 1990), Congress approved the transfer of \$150 million from the Department of Defense to DOL to provide retraining and reemployment services to laid-off defense workers.<sup>139</sup>

The number of food stamp clients served under such an arrangement (96,000) would be much smaller than the 1990 figure of 1.35 million served by FSET plus about 120,000 served by JTPA. However, even if the programs remained separate, the new 10 percent participation standard can be expected to greatly reduce the number of participants in FSET to as few as 240,000 people.

<sup>135</sup>Camil Associates, "Services to Applicants Required To Be Registered With the U.S. Employment Service," Report prepared for the Office of Policy, Evaluation and Research, U.S. Department of Labor, Employment and Mining Administration, Washington, DC, 1979.

<sup>136</sup>Dickenson, et al., op. cit., footnote 38, p. 194. Nationally, JTPA served welfare recipients in proportion to their representation in the eligible population in 1985; however, school dropouts were underserved and received little remedial education, and clients who were "less job ready" (including welfare recipients) received less occupational training than those who were more job ready. U.S. Congress, General Accounting Office, *Job Training Partnership Act: Services and Outcomes for Participants With Differing Needs* (Washington DC: 1989), p. 3.

<sup>137</sup>U.S. Department of Labor, Employment and Training Administration, "Notice of performance standards for PY 1990-1991," *Federal Register*, vol. 55, No. 72 (Apr. 13, 1990), p. 14016.

<sup>138</sup>A comprehensive national evaluation of JTPA, involving 30,000 individuals in control and experiment groups, is now underway. The results, expected in the summer of 1992, will be useful if Congress considers the possibility of merging FSET and JTPA.

<sup>139</sup>U.S. Congress, OTA, *After the Cold War: Living With Lower Defense Spending*, OTA-ITE-524 @ c : US. GPO, January 1991.