

Introduction and Summary

INTRODUCTION

This report on proposed performance standards for the Food Stamp Employment and Training Program (FSET) responds to a mandate in the Hunger Prevention Act of 1988 (Public Law 100-435). That law directs the Secretary of Agriculture to develop new, outcome-based performance standards for assessing State implementation of FSET, in consultation with the States, the Office of Technology Assessment (OTA) and other Federal agencies. The law also directs OTA to report to Congress within 180 days of publication of the proposed performance standards,¹ outlining model performance standards for FSET and comparing those models with the standards proposed by the Food and Nutrition Service (FNS) of the U.S. Department of Agriculture (USDA).

FNS published the proposed performance standards on August 30, 1991. Subsequently in the Food, Agriculture, Conservation and Trade Act of 1991 (Public Law 102-237, signed December 13, 1991), Congress allowed FNS to delay implementation of final performance standards until 1 year after the U.S. Department of Health and Human Services (DHHS) publishes final performance standards for its Job Opportunities and Basic Skills (JOBS) program.² Since DHHS is unlikely to publish final performance standards until 1994 or 1995,³ FNS and Congress will have ample time to consider OTA's suggestions and policy options.

In preparing this report, OTA drew on a base of knowledge developed over the past eight years, starting with its study of retraining and reemploying displaced workers, published in 1986.⁴ More recently, OTA published a major assessment of worker training and its impacts on U.S. competitive-

ness. Analysis of employment and training was also critical to OTA assessments of international competition in manufacturing and in services. Finally, OTA staff involved in education studies provided valuable background information. As part of the study, OTA participated in a series of meetings of an advisory panel convened by USDA to assist in developing the FSET performance standards. The OTA-USDA relationship has been cordial and cooperative.

This report has five sections:

1. This Introduction and Summary;
2. History and Context of FSET;
3. Issues in Setting FSET Performance Standards;
4. Comparison Between FNS' Proposed Standards and OTA's Model Standards; and
5. Policy Options.

SUMMARY

FSET occupies a niche between two much larger Federal employment and training programs—the Job Training Partnership Act (JTPA) and the Job Opportunities and Basic Skills Program (JOBS). The goal of FSET is to reduce food stamp outlays by increasing the employment and earnings of able-bodied food stamp recipients.

A comprehensive evaluation of first-year implementation of FSET conducted by Abt Associates, Inc. found that the program was not meeting this goal. OTA concurs with Abt's conclusion that drastic change is needed if this goal is to be met. However, OTA finds that performance standards, by themselves, are inadequate to accomplish such a change. FNS has proposed two alternative models to implement the performance standards.⁵ Model A is

¹56 *Federal Register* 43152 (Aug. 30, 1991)

²JOBS is an employment and training program for welfare recipients, discussed further in section 2 Of this report.

³The Family Support Act of 1988 (Public Law 100-485) directs DHHS to develop performance standards for JOBS and submit its recommendations to Congress by October 30, 1993.

⁴U.S. Congress, Office of Technology Assessment, *Worker Training: Competing in the New International Economy*, OTA-ITE-457 (Washington, DC: U.S. Government Printing Office, September 1990); *Making Things Better: Competing in Manufacturing*, OTA-ITE-443 (Washington, DC: U.S. Government Printing Office, February 1990); *International Competition in Services: Banking, Building, Software, Know-How...*, OTA-ITE-328 (Springfield, VA: NTIS, July 1987); *Technology and Structural Unemployment: Reemploying Displaced Adults*, OTA-ITE-250 (Washington, DC: U.S. Government Printing Office, February 1986)

⁵56 *Federal Register* (Aug. 30, 1991), p. 43152.

similar to the approach used in JTPA and JOBS. It requires the States to gather data on participant outcomes, such as the percent of participants that find jobs.⁶ Model B requires States to gather information on outcomes for both FSET participants and control groups of nonparticipants. Outcomes for the two groups would be compared to determine whether there was a statistically significant difference. Both models would allow FNS to distinguish between the States and award incentive funds to those States whose programs were most successful in meeting national standards established by FNS.

OTA found that, although model B would provide a much more accurate measure of the true effectiveness of each State's FSET program, it would be impractical to implement. OTA's rationale is discussed further in section 3 below. OTA found that the performance standards proposed in model A would encourage the States to make improvements, but would not, by themselves, create the degree of change needed to make FSET effective in meeting its stated goals.

OTA agrees with two of the four performance measures proposed by FNS--job placements and educational improvements. OTA also supports FNS' proposal that educational improvements remain an optional component of State FSET programs, since there is no firm evidence that remedial education, by itself, reduces welfare dependency and increases earnings. However, OTA would define job placements and educational improvements somewhat differently than FNS and would use a different weighting scheme to encourage placements in lasting jobs and service to those who are harder to employ.

To comply with the Hunger Prevention Act's direction that the performance standards "take into account" both wages and job retention, OTA suggests using average quarterly earnings among those employed, rather than average hourly wages among those employed, as a third performance measure. OTA disagrees with FNS' fourth measure--food stamp case closures--because this measure could force those who are hard to employ off food stamps and out of FSET. Finally, both OTA and FNS conclude that establishing performance standards

should be an ongoing process, and that the standards should be revised based on State experience.

FNS proposes the following initial performance standards for fiscal years 1992-94:

1. a participation rate of 10 percent;
2. a job placement rate of 25 percent;
3. an average wage of \$4.45 per hour;
4. a food stamp case closure rate of 20 percent; and
5. educational improvements among 25 percent of FSET participants who enroll in educational programs.

OTA generally supports the participation standard, the job placement rate standard and the educational improvement standard. However, OTA would not use food stamp case closures as a performance measure, and suggests a quarterly earnings standard that corresponds to a slightly higher average wage rate of \$5 per hour. OTA's rationale for its support of FNS and for its areas of disagreement is discussed in section 4.

OTA concurs with FNS' proposal that an adjustment model be used to vary the initial national standards to avoid penalizing the States for factors beyond their control, such as a very high unemployment rate or low average wages. OTA finds the model proposed by FNS reasonable.

OTA's analysis of FSET suggests several policies that Congress may wish to consider. First, as noted above, FNS' proposed model B performance standards appear impractical to implement, but the more feasible model A standards are unlikely to measure the true impact of each State's FSET program. Because of this limitation, Congress may want to reconsider its policy of linking State attainment of the performance standards to financial rewards and sanctions. More significant, however, is OTA's conclusion that no outcome-based performance standards, including OTA's own model standards, will, by themselves, bring about the degree of change needed to enable the program to meet its goals. Such change might be helped by two other policy options which would restructure FSET--making the program voluntary and/or merging it with JTPA.

⁶This model also allows FNS to adjust the standards to account for factors beyond the State's control. For example, a State with a high unemployment rate might be held to a lower job placement standard.

OTA found that mandating participation in FSET has contributed to the program's lack of impact. Congress may wish to consider making FSET voluntary. If this option is chosen, performance standards will need strong positive incentives to encourage the States to recruit less-employable volunteers as well as those who are job-ready.

Another policy option that could reduce administrative overhead and increase direct provision of employment and training services would be to merge FSET with JTPA. Many States and localities are already using JTPA as their primary service provider, either through formal contracts with their JTPA agency or through informal referrals.