

## Section II. Relevant Literature

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The Food Stamp Program participation literature provides findings regarding the characteristics of eligible persons most likely to participate, the events that lead people to exit and enter the program, and the duration of food stamp receipt. While this literature is substantial, our review shows that there is limited information about the relationship between employment characteristics and Food Stamp Program participation. Some earlier studies have included employment status in their participation model, but none have explored the effect of employment factors such as job changes, number of jobs, and traditional versus nontraditional work hours on Food Stamp Program participation, a primary focus of this study. Furthermore, studies of Food Stamp Program participation post-welfare reform are limited, and none have examined how the relationship between employment factors and Food Stamp Program participation has changed since federal welfare reform, our third research question. A somewhat different but related literature examines how the length of recertification periods affects state food stamp caseloads. The discussion below first describes the employment characteristics of the working low-income persons, then reviews the food stamp participation and recertification literatures, and concludes with our contributions to the literature.

### *Employment Characteristics of the Working Poor*

Studies by Acs et al. (2000), using the 1997 National Survey of America's Families, and Kim (1998), using the March 1994 Current Population Survey, describe the characteristics of the working poor. Acs et al. find that the working poor have substantial job-market disadvantages compared with their higher-income counterparts. Working low-income families are more likely to have a work-limiting condition and more children, and to be less educated, minority, and unmarried. Kim too finds job-market disadvantages among many of the working poor: eight percent are disabled, seven percent are age 60 or older, 22 percent are involuntarily employed part-time, and four percent are single parents with children under age six (p. 67). Acs et al. also find that low-income working families are less likely to work traditional hours and have spent less time with their current employer than their higher-income counterparts. As for hours worked, Kim finds that on average, the working poor work full-time (35 or more hours per week) but do not work a full year (50 or more weeks per year) (p. 68). Acs et al. find that the primary earner in low-income working families tends to work full-time and full-year, but that others in the family are less likely to work. Next we turn to the literature on

the employment and demographic characteristics of Food Stamp Program participants and nonparticipants.

### ***Food Stamp Program Participation and Employment and Demographic Characteristics***

*Descriptive Analyses:* Studies that examine the food stamp eligible population show that employment and earnings are related to Food Stamp Program participation. Cunnyngham's (2002) analysis of CPS and FSP administrative data finds that the food stamp participation rate is considerably higher for individuals in households with no earnings than for individuals in households with earnings. For example, in 2000, 50 percent of food stamp eligible individuals in households with earnings participated in the Food Stamp Program, while a substantially higher 67 percent of individuals in households with no earnings participated in the Food Stamp Program (p. 21). That is, the food stamp participation rate was 32 percent higher for food stamp eligible individuals in households with no earnings than for those in households with earnings.

Ponza et al. (1999) use data from the National Food Stamp Program Survey (NFSPS) to examine the characteristics of FSP participant and eligible nonparticipant households. These data were collected between June 1996 and January 1997 and show several differences between food stamp participant and eligible nonparticipant households.<sup>3</sup> Consistent with Cunnyngham's analysis, Ponza et al. find that eligible nonparticipants are more likely to have earned income than participants. For example, they find that 52.7 percent of FSP-eligible nonparticipant households have earned income, while only 32.5 percent of FSP participant households do. They also find several other differences between FSP-eligible nonparticipant and FSP participant households: FSP-eligible nonparticipant households are more likely to reside in a rural area, contain an elderly member (age 60 or over), and be headed by an individual who is married, white, and has a high school degree or more.

A descriptive analysis by Gleason et al. (1998) examines the relationship between earnings and FSP entries and exits. Using data from the 1991 SIPP panel, the authors find that the FSP entry rate is about two times higher for individuals in households with no earnings as compared to individuals in households with earnings (p. 26). In addition to being more likely to enter the Food Stamp Program, individuals who begin their food stamp spell with no earnings have longer duration of food stamp receipt—the median duration for individuals in households with no earnings at the spell start is about 60 percent longer than for individuals in households with earnings at the spell start (p. 59). The authors also find that individuals in households that have no earners are more likely

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<sup>3</sup> The NFSPS contains data on 2,454 FSP participants, 450 FSP-eligible non participants, and 405 near-eligible nonparticipants.

to reenter the food stamp program than their counterparts who live in households that had an earner (p. 84).

Gleason et al. (1998) also examine how earnings change near to the time when individuals exit the Food Stamp Program. This analysis shows that individuals in households that experience an increase in earnings (with no change in household composition) are about 75 percent more likely to exit the FSP than the full population of food stamp recipients (p. 76). This is consistent with an analysis of food stamp leavers in Illinois that suggests a substantial proportion of individuals exit the food stamp program when earnings increase (Rangarajan and Gleason 2001, p. 25).

*Multivariate Analyses:* Gleason et al. (1998) provide a review of the Food Stamp Program literature, reviewing studies that examine FSP participation as well as those that examine entries into and exits from the FSP. Gleason et al. study summarize results from the *FSP participation* studies (as opposed to FSP entry and exit studies) into a consistent set of findings:<sup>4</sup> “FSP participation rates are highest among nonwhite and nonelderly people, and people living in households that: are low income; include children; do not own their home; are eligible for the highest FSP benefits; have a household head that is not well educated; and include members who participate in other welfare programs such as AFDC [Aid to Families with Dependent Children] or Medicaid” (p. 7-8); and among people who live in high unemployment rate areas.

Separate entry and exit models allow researchers to account for state dependence—that the decision to participate may depend on whether the individual participated last period—and to separately examine factors that lead individuals to enter and exit the FSP. For studies examining entries into and exits from the FSP, the major findings from Gleason et al. and others include:<sup>5</sup> (1) change in income is the primary trigger event leading to food stamp entry and exit both in the mid-1980s and early 1990s, though a change in household composition, especially a change in the number of potential earners, also played a major role; (2) economic status and household composition are the most important determinants of how long people receive food stamps; and (3) more than one third of recipients who exit the FSP reenter again within one year.

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<sup>4</sup> The papers reviewed include MacDonald (1977), Czajka (1981), Chen (1983), Coe (1983), Fraker and Moffitt (1988), Ross (1988), Corson and McConnell (1990), McConnell (1991), Dynarski, Rangarajan, and Decker (1991), Trippe and Doyle (1992), Trippe et al. (1992), Martini and Allin (1993), and Trippe and Sykes (1994). Most of these participation results are based on samples of low-income or FSP-eligible individuals or households (Gleason, Schochet and Moffitt 1998).

<sup>5</sup> Researchers examining the dynamics of Food Stamp Program participation include Coe (1979), Carr et al. (1984), Lubitz and Carr (1985), Burstein and Visser (1989), Murphy and Harrell (1992), Burstein (1993), Bartlett et al. (1995), Blank and Ruggles (1996), and Gleason et al. (1998), Wallace and Blank (1999), and Wilde et al. (2000).

While this literature provides general employment characteristic of FSP participants and low-income nonparticipants, it does not provide detailed employment characteristics (e.g., work traditional daytime hours, number of jobs held, number of employer changes) for these populations. In addition, few studies control for unobserved heterogeneity (unobserved differences) when including potentially endogenous variables, such as employment status and TANF receipt, in their Food Stamp Program participation models.<sup>6</sup> Unobserved heterogeneity is of concern because there may be unmeasured characteristics of eligible food stamp recipients that affect both their employment status and Food Stamp Program participation. For example, people who have a distaste for work may have a strong preference for transfer programs. Ignoring this heterogeneity would wrongly ascribe the part of program participation due to the preference for transfer programs to employment status.

### ***Food Stamp Program Participation and Recertification Periods***

Recent studies have examined the relationship between food stamp caseloads and recertification periods. These studies use the variation in recertification periods across state and time to explain changes in food stamp caseloads. Overall, these studies suggest that shorter recertification periods reduce food stamp caseloads.

Currie and Grogger (2000) use the 1989 to 1999 waves of the March CPS, along with FSP administrative data (i.e., the Quality Control (QC) data). These administrative data are used to create a measure of state recertification periods in each year. Each state's recertification period is measured as "the average recertification interval for working families with children" (p. 11). The results of this analysis suggest that shorter recertification intervals reduce participation in the Food Stamp Program.

Kornfeld (2002) also examines recertification periods and food stamp caseloads using FSP QC data and the March CPS (1988-2000), but measures the recertification period somewhat differently. The variable used to capture the recertification period "is the *frequent recertification rate*, equal to the number of participants in the household with both earnings and a recertification period of one to three months divided by the number of participants in households with earnings" (p. 5-5). Consistent with Currie and Grogger (2000), a main finding of this study is that shorter recertification periods reduce food stamp caseloads among multiple adult households with children and among adults living separately.

Kabbani and Wilde (2003) also use FSP QC data, but in this analysis, state recertification periods are measured as the percentage of the food stamp caseload

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<sup>6</sup> Fraker and Moffitt's (1988) examination of individuals' food stamp participation and labor supply, using data from the 1979 panel of the Incomes Surveyed Development Program (ISDP), is an exception.

assigned a short (one to three month) recertification period. Again, the authors find that short recertification periods reduce food stamp participation rates: "increasing the proportion of participants receiving short recertification periods by 10 percentage points reduces food stamp participation rates by 0.24 percentage points" (p. 22).

One issue with these analyses is that the variables measuring state recertification periods are potentially endogenous, and could therefore bias the results. For example, "if a state imposes a one to three month recertification period on some working families, and a large proportion of these families respond by leaving the FSP while the exit rate among other working families is lower, then the estimated proportion of families working with short recertification periods could go down overtime as caseloads decline, even though short recertification periods really do reduce caseloads" (Kornfeld 2002, p. 5). Our measure of state's recertification periods also suffers from the same potential problems. We discuss our results with this potential endogeneity in mind.

### ***Food Stamp Program Participation and Welfare Reform***

Food Stamp Program participation rates have dropped nearly 20 percent since the 1996 federal welfare reform.<sup>7</sup> The role that welfare reform played in the participation rate decline has been the focus of several studies. Some of these studies focus more narrowly on the food stamp participation of current and former TANF recipients, but others look more broadly at the working poor or the broader food stamp eligible population. Overall, welfare reforms, first under state AFDC waivers and then under TANF, combined with economic conditions to reduce food stamp participation. Major results from this literature can be summarized as:

- Families that left welfare were more likely to leave the Food Stamp Program than were similar families that had not been on welfare (Zedlewski and Brauner 1999; Zedlewski 2001);
- Welfare reform explains five to 24 percent of the food stamp caseload decline from 1994 to 1998 (Wallace and Blank 1999; Gleason, et al. 2000; Wilde, et al. 2000; Ziliak, Gundersen and Figlio 2000);<sup>8</sup>
- The strong economy explains 19 to 45 percent of the food stamp caseload decline (Figlio, et al. 2000; Gleason, et al. 2000; Kornfeld 2002; Wallace and Blank 1999; Wilde, et al. 2000; Ziliak, Gundersen and Figlio 2000).

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<sup>7</sup> The food stamp participation rate dropped from 72.7 percent in September 1995 to 59.3 percent in September 2000 (Cunnyngham 2002).

<sup>8</sup> Currie and Grogger (2000) find that policy changes associated with welfare reform explain up to 66 percent and the strong economy a further 17 percent of the decline in food stamp participation among female-headed families. However, these results are not robust to the inclusion of state-specific time trends.

These studies examine the relationship between welfare reform and food stamp caseloads, but none examine whether the relationship between employment characteristics and food stamp participation has changed since welfare reform.

### *Contributions to the Literature*

This review highlights three major gaps in the literature. We know little about: (1) the detailed employment characteristics of working food stamp participants and low-income non-participants; (2) the relationship between detailed employment characteristics and food stamp participation, especially after controlling for unobserved heterogeneity; and (3) how this relationship has changed since welfare reform. This study builds upon and contributes to the literature by:

- Analyzing the relationship between detailed employment factors—such as job changes, number of jobs, traditional versus nontraditional work hours, and number of hours worked—and Food Stamp Program participation.
- Controlling for unobserved heterogeneity in analyzing the relationship between employment factors and food stamp participation; and
- Analyzing pre- and post-welfare reform changes in food stamp participation among low-income working adults, with particular focus on how the relationship between employment factors and food stamp participation has changed since the reforms, using the 1990 SIPP panel (which provides information from October 1989 through October 1992) and 1996 SIPP panel (which provides information from December 1995 through February 2000).

The next section describes the conceptual model which serves as the foundation for the empirical analysis.