

Introduction

This report explores the major demographic characteristics that describe households with incomes of 130 percent or less of the poverty line by statistically analyzing household data from 1981-95.¹ The 130 percent or less cut-off is of special interest because it is these households that meet the gross income test for food stamps. The U.S. Department of Agriculture (USDA) administers the food stamp program in order to ensure that American households have the opportunity to consume a nutritious and healthy diet, and food stamps increase the real income of participating households. USDA allocates over one-quarter of its annual budget to food stamps for eligible households that choose to participate in the program.

Both Federal and State governments are concerned that food stamp administrative dollars be allocated to maximize the expected program benefits. A better understanding of the dominant demographic characteristics that distinguish program-eligible households may assist in designing approaches and targeting beneficiaries so as to enhance the program's efficiency and effectiveness.

More specifically, the income requirement for food stamp eligibility is that household income cannot be greater than 130 percent of the poverty line, given household size, for all households without elderly members.² In addition, households may have only \$2,000 in countable assets unless one or more members of the household are 60 years or older, in which case they can have \$3,000 in countable assets. This asset requirement is not taken into account in our study, and so we may overestimate the number of households actually eligible to receive food stamps. This overestimation is likely to be constant over time,

¹ At the start of this study we only had data for 1981-95, which is before reform of the Food Stamp Program.

² Households with elderly members may have higher income, but few participating households have this higher income. All eligible households must have net income (gross income less defined program deductions) less than 100 percent of the poverty line.

however, and our primary purpose in looking at households that meet the gross income test is to identify those households that may be chronically poor. In this regard, "eligible for food stamps," "household income below 130 percent of the poverty line," and "poor households" are synonymous in this report.

The regression technique that we use allows us to isolate the influence of any one demographic variable on a household's poverty status, while holding other determining variables constant. Using this technique, we estimate the impacts of demographic characteristics on four different indicators of poverty, or welfare measures: the head-count ratio, which represents the percentage of poor households in a population; the income gap, which measures the deviation of income from the poverty line; the Gini coefficient, which measures income inequality; and the Sen index, which combines the headcount, income gap, and Gini coefficient into one summary measure. By showing which demographic characteristics have the largest impact on these welfare measures, we can identify household types that could merit special attention in designing strategies to increase the effectiveness of welfare-enhancing programs.

Strategies could include educational or job training opportunities, which potentially raise income levels, or encourage food stamp participation by eligible households that have chosen for some reason not to participate. Success in enhancing participation would increase household income by the value of the food stamps and ensure that the household has adequate resources to purchase a healthy and nutritious diet. Better diets and nutrition may contribute to long-term welfare gains for society by increasing work productivity, reducing medical costs, and promoting the learning ability of children.

Food stamp participation may also affect the dispersion or disparity of income in the population. One contribution of the analysis in this report is an assessment of the income dispersion among food stamp program participants, using the Gini coefficient measure, and of how the value of the stamps affects this disparity measure.