

## GOVERNMENT SUPPORT PROGRAMS

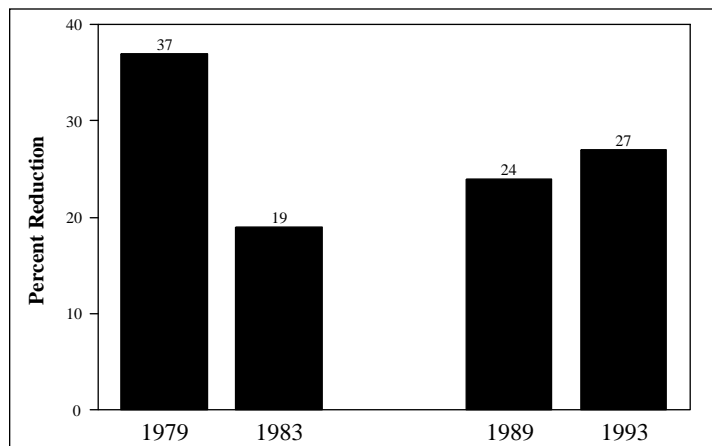
### ES 2.1 IMPACT OF GOVERNMENT CASH AND NEAR-CASH TRANSFER PROGRAMS ON POVERTY AMONG PERSONS LIVING IN FAMILIES WITH OWN CHILDREN UNDER AGE 18

The federal system of cash and near-cash transfers plays a substantial role in reducing the poverty rate of children from year to year.<sup>13</sup> Their collective impact has varied significantly over time, however. Figure ES 2.1 shows the percent reduction in poverty among persons in families with related children under age 18 that is attributable to these transfers. Data are presented for selected years from 1979 to 1993. In 1979 federal cash and near cash transfers produced a 37 percent reduction in poverty among this population. Just four years later in 1983, the same transfer programs produced only a 19 percent reduction in poverty. In 1989 the percent poverty reduction rose to 24 percent, and rose again to 27 percent in 1993.

Not surprisingly, of all the federal cash and near cash transfers considered in Table ES 2.1 only the federal tax system did not serve to reduce poverty among persons in families with related children under age 18. In most years, the net impact of the federal tax system was to increase the poverty rate. In 1993, however, the most recent year for which such data were available, the impact of the tax system on the number of such persons in poverty was neutral.

<sup>13</sup>Federal cash and near-cash transfers include social security, social insurance other than social security, all means-tested cash transfers, food and housing benefits, and federal income and payroll taxes.

Figure ES 2.1 PERCENT REDUCTION IN THE NUMBER OF INDIVIDUALS IN FAMILIES WITH OWN CHILDREN UNDER AGE 18 WHO ARE POOR, RESULTING FROM FEDERAL CASH AND NEAR-CASH TRANSFERS



Note: Cash and Near-cash transfer include social security, means-tested cash transfers, food and housing benefits, social insurance, and federal taxes.

Source: Congressional Budget Office computations using the CBO tax model, with data from the March Current Population Survey, 1980, 1984, 1990, and 1994. Table prepared by staff from the Department of Health and Human Services, Assistant Secretary for Planning Evaluation.

**Table ES 2.1 ANTIPOVERTY EFFECTIVENESS OF CASH AND NEAR-CASH TRANSFERS (including Federal Income and Payroll Taxes) FOR ALL INDIVIDUALS IN FAMILIES WITH RELATED CHILDREN LESS THAN AGE 18.**

	1979	1983	1989	1993
Total population (in thousands)	133,435	132,123	135,430	144,551
Poverty rate (in percent):				
Cash income before transfers	16.6	21.9	18.6	22.3
Plus social insurance (other than Social Security)	15.8	20.4	18.0	21.4
Plus Social Security	14.3	19.1	16.8	20.0
Plus means-tested cash transfers	12.9	18.4	15.8	18.7
Plus food and housing benefits	10.2	16.5	13.6	16.4
Less Federal taxes	10.5	17.7	14.1	16.4
Total percent reduction in poverty rate	36.6	19.1	23.9	26.5

Source: Congressional Budget Office computations using the CBO tax model, with data from the March Current Population Survey, 1980, 1984, 1990, and 1994. Table prepared by staff from the Department of Health and Human Services, Assistant Secretary for Planning Evaluation.

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### ES 2.2 CURRENT WELFARE RECEIPT: AFDC<sup>14</sup> AND FOOD STAMPS

Many poor children are dependent on Aid to Families with Dependent Children (AFDC) and the Food Stamp program to meet basic material needs. AFDC is a Federal and state cash assistance program targeted to needy children, and to certain others in the household of such a child.<sup>15</sup> Eligibility rules for AFDC can vary substantially across states. The Food Stamp program provides in-kind support to low-income households to allow households to purchase the food stuffs for a nutritionally adequate low-cost diet. Eligibility for the program is consistent across all states with limited variations in Alaska, Hawaii, and the territories. Families receiving AFDC are generally automatically eligible for food stamps.

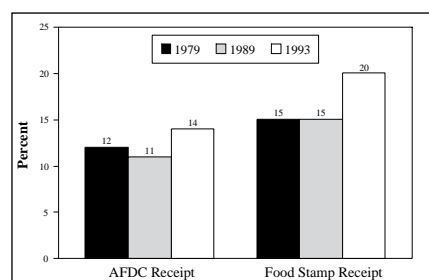
Figure ES 2.2 presents trends in the percentage of children in families receiving welfare (AFDC or other welfare), and in households receiving food stamps, for 1979, 1989, and 1993 based on survey data. In 1979, 12 percent of all children lived in families receiving at least some welfare. The rate decreased to 11 percent in 1989, but by 1993 had increased to 14 percent. The numbers of children in families receiving welfare were 7.2 million in 1979 and 7.1 million in 1989, increasing to 9.4 million by 1993. (See Table ES 2.2.a) Administrative data produce slightly different estimates. They show a similar rise in the number of children receiving AFDC between 1985 and 1994 (See Table ES 2.2.C). After peaking at 9.6 million in 1994, however, the number of children on AFDC dropped in 1995 to 9.4 million or 13.4 percent of the child population.

A similar trend is evident where food stamp receipt is concerned. In 1979 and 1989, survey data show that 15 percent of all children lived in households receiving food stamps. The proportion increased to 20 percent, or one in five children, by 1993. In that year nearly 14.2 million children lived in households receiving food stamps, up from 9.7 million in 1989. (See Table ES 2.2.b) This represents a 46 percent increase in the number of children in households receiving food stamps over that four year period. Administrative data for Food Stamps also produce slightly different estimates. They show a rise in number of children receiving Food Stamps during the late 1980s and early 1990s, followed by a recent decline. The number of children receiving Food Stamps grew from 9.4 million in 1985 to 14.5 million in 1993. In 1994, the number declined to just under 14 million, or 20.2 percent of the child population.

<sup>14</sup>Welfare includes AFDC and "General Assistance".

<sup>15</sup>Needy children include those "who have been deprived of parental support or care because their father or mother is absent from the home continuously, is incapacitated, is deceased or is unemployed." In *Overview of Entitlement Programs: 1994 Green Book*, Committee on Ways and Means, U.S. House of Representatives.

**Figure ES 2.2 PERCENT OF CHILDREN UNDER AGE 18 LIVING IN FAMILIES RECEIVING AFDC (or general assistance), AND IN HOUSEHOLDS RECEIVING FOOD STAMPS**



Source: Calculated by Child Trends, Inc., based on analyses of March 1980, 1990, and 1994 Current Population Surveys.

**Table ES 2.2.A PERCENT AND NUMBER OF CHILDREN UNDER AGE 18 IN FAMILIES RECEIVING AFDC OR GENERAL ASSISTANCE**

	1979	1989	1993
AFDC or General Assistance			
Number	7,227,985	7,115,505	9,439,524
Percent	12	11	14

Source: Calculated by Child Trends, Inc., based on analyses of the March 1980, 1990, and 1994 Current Population Surveys.

**Table ES 2..2.B PERCENT AND NUMBER OF CHILDREN UNDER AGE 18 IN HOUSEHOLDS RECEIVING FOOD STAMPS**

	1979	1989	1993
Food Stamps			
Number	9,336,235	9,695,722	14,192,977
Percent	15	15	20

Source: Calculated by Child Trends, Inc., based on analyses of the March 1980, 1990, and 1994 Current Population Surveys.

**Table ES 2..2.C PERCENT AND NUMBER OF CHILDREN UNDER AGE 18 RECEIVING AFDC OR FOOD STAMPS ACCORDING TO ADMINISTRATIVE RECORDS (number of children in thousands)**

	1985	1990	1991	1992	1993	1994	1995 (est)
AFDC							
Number	7,041	7,620	8,375	9,087	9,239	9,596	9,393
Percent	11.4	11.9	12.9	13.5	13.6	13.9	13.4
Food Stamps							
Number	9,425	10,244	12,610	13,515	14,486	13,969	—
Percent	15.2	16.0	19.4	20.1	21.3	20.2	—

Sources: AFDC information drawn from unpublished data, Administration for Children and Families, U.S. Department of Health and Human Services. 1995 estimate calculated by Office of the Assistant Secretary for Planning and Evaluation. Food Stamps information drawn from calculations by the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, based on unpublished data from the U.S. Department of Agriculture, Food and Consumer Service.

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### ES 2.3 LIFETIME WELFARE DEPENDENCE<sup>16</sup>

Chronic welfare receipt is a major concern of policy makers of all political persuasions because of the costs to society and out of a concern that long-term welfare receipt may have a negative impact on adult recipients and their children.

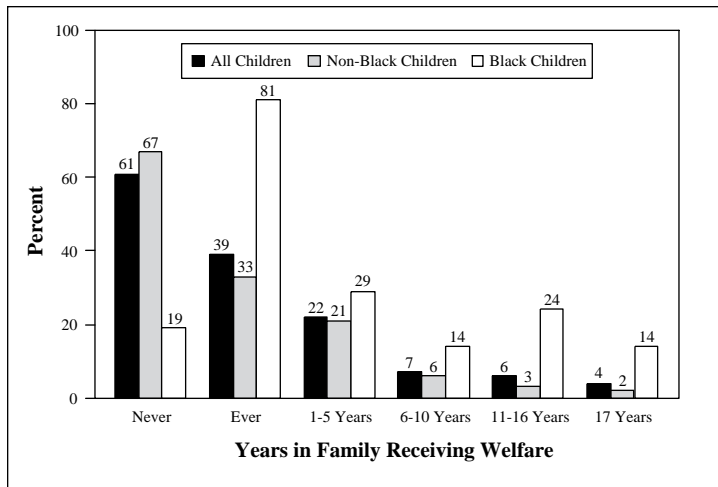
Figure ES 2.3 and Table ES 2.3 present estimates of the lifetime experience of family welfare receipt for children from birth through age seventeen. Data presented in Figure ES 2.3 indicate that family welfare receipt at some point during childhood is a common experience affecting 39 percent of all children, 33 percent of nonblack children, and 81 percent of the black children born between 1973 and 1975. Long-term welfare receipt was considerably less common: 10 percent of all children lived in families receiving welfare for eleven or more years of their childhood, and 4 percent lived in families that received welfare for all seventeen years of their childhood.

For black children, however, long term welfare receipt was a considerably more common experience than among the general population of children. Of all black children born in the years 1973-1975, 38 percent spent eleven or more years of their childhood living in families receiving welfare. Some 14 percent spent all 17 years of their childhood in families receiving welfare. This contrasts with the experience of non-black children of whom only five percent spent eleven or more years of their childhood in families receiving welfare.

Table ES 2.3 presents data for three cohorts of children born in 1967-79, 1970-72, and 1973-75. The data show two contrasting trends in the lifetime experience of welfare receipt among children. First, there appears to be a small increase in the proportion of children whose families never received welfare from 57 percent to 61 percent across the three age cohorts. This trend is also evident for black children, where the proportion whose families never received welfare increased from 12 percent to 19 percent. At the same time, however, there is also an increase in the percentage of children who lived in families receiving welfare throughout childhood, from 1 percent in the 1967-1969 cohort to 4 percent for the 1973-1975 cohort. The increase is even more substantial among black children, from 5 percent to 14 percent across the two cohorts. These two trends indicate some polarization of the life experience of children in which a greater proportion are growing up in families who are chronically dependent on welfare even while an increasing proportion of children live in families that manage to avoid welfare altogether.

<sup>16</sup>For this indicator, “welfare” has been defined to include Aid to Families with Dependent Children, Food Stamps, Supplemental Security Income, and “other welfare,” which includes local General Assistance.

Figure ES 2.3 LIFETIME EXPERIENCE OF WELFARE, RECEIPT THROUGH AGE 17: 1973 - 1975 COHORT



Note: Welfare included AFDC, Food Stamps and SSI or “other welfare”.

Source: Calculations by Greg J. Duncan, based on data from the Panel Study of Income Dynamics (PSID), Survey Research Center, University of Michigan.

Table ES 2.3 PERCENT OF CHILDREN RECEIVING WELFARE BY NUMBER OF YEARS ON WELFARE DURING CHILDHOOD BY BIRTH YEAR AND RACE

	Never	Ever	Number of Years on Welfare			
			1-5 yrs	6-10 yrs	11-16 yrs	17 yrs
Birth Year 1967- 1969						
All children	57	43	27	8	7	1
Black	12	88	22	31	30	5
Nonblack	64	36	28	5	3	0
Birth Year 1970-1972						
All Children	58	43	21	9	9	3
Black	19	81	15	27	28	12
Nonblack	65	35	22	6	5	2
Birth Year 1973-1975						
All Children	61	39	22	7	6	4
Black	19	81	29	14	24	14
Nonblack	67	33	21	6	3	2

Note: Welfare includes AFDC, Food Stamps and SSI or “other welfare, which includes local General Assistance”. The percentages under “number of years on welfare” sum to the proportion “ever in poverty” for each subgroup.

Source: Calculations by Greg J. Duncan, based on data from the Panel Study of Income Dynamics (PSID), Survey Research Center, University of Michigan.