

MONTHLY VARIATION IN FAMILY INCOME AND PROGRAM PARTICIPATION

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Introduction

Monthly information about income and program participation among a national sample of families is important for several reasons. Programs aimed at low-income people usually state the income-requirement in terms of a single month or quarter. To make estimates of the numbers who become eligible at some time during the year, and the turnover in eligibility, it is necessary to know about monthly income and change. In addition, the turnover in actual participation in programs can be observed. It is widely believed that people who start on welfare tend to "settle in" and stay. Local program administrators can judge the extent to which this is true in their areas, national or state program records can indicate to the extent to which this is true at those levels, but monthly data on a national sample is necessary to estimate turn-over and participation in one or more programs on a household or person level nationwide within a year and to analyze why families enter and leave programs. Apart from issues relating to low income people and government programs, variability in earned and total income from month to month is of interest to analysts of the national economy and society.

Such monthly information has not previously been available. The major source of information on income and program participation - the March Current Population Survey of the Bureau of the Census - asks people about the previous year as a whole. The survey which makes monthly information available for the first time is the 1979 Research Panel, carried out as part of the Income Survey Development Program by the Department of Health and Human Services and the Bureau of the Census.* A national sample of about 7500 households was interviewed every three months during 1979. When persons living alone or unrelated to those with whom they live are treated as separate "families", there are a total of about 8,100 families, containing about 20,000 persons.

Not much analysis of monthly change is yet available from this survey. This report contains a few tables of preliminary data from the first interview, covering just three months, to show the breadth of income types covered, display a significant finding, and suggest the pertinence of this unique new set of data for policy analysis. Events beyond the control of the authors interrupted work on the more extensive analysis that had been planned.

Reciprocity rates for all income types

Those interviewed were asked in great detail about their receipt of income and their participation in government programs over each of the previous three months. Table 1 shows the variety of types of income asked about and the percentages of families reporting receipt of each. The first line of Table 1 shows that 68.7 percent of families received some wage or salary income in Month 3 (the month just prior to their interview); 65.7 percent received such income in all three months and 70.4 percent received in at least one of the three months covered. A "stability index" column has been added to indicate the extent to which each income type is received consistently month after month, by those ever receiving it. It is simply the result of dividing the number in the second column by the number in the third. The .93 for wage and salary income means that 93 percent of the families which received such income at all received it in every one of the three months.

Aside from wages and salaries, the most common kind of income is interest from savings accounts, received by about two-thirds of the families, and it is very stable. About one-fourth of the sample receives social security income, and not surprisingly, that too is very stable. About 8 percent get job-related pensions, which are not so stable. Among families headed by someone 65 or older (not shown in this table), 93 percent received social security and 26 percent received job-related pensions.

Looking at some other programs, Table 1 shows that income from unemployment compensation is very unstable. Only 40 percent of those ever receiving it received it all three months. The stability index for food stamps is .72 and that for AFDC and other welfare is about .85. Different kinds of income or program participation will be of special interest to different readers. A main purpose of Table 1 is to show the variety of income types covered so that those with special interest will know what is available.

Change in reciprocity and amounts for food stamps and welfare

The stability index used in Table 1 refers only to receipt of each income type; variations in amounts for those who continue to receive are not taken into account. Table 2 shows variations in amounts as well as receipt for two

programs - food stamps and AFDC or other welfare. The families tabulated are those which participated in each of these programs in at least one of the three months covered by the first interview. They were categorized in each month according to the amount of program income they received, with the categories at \$25 intervals. Then the Month 1 income was cross-tabulated against the Month 3 income. To provide an idea of the relative size of a \$25 or \$50 change: median food stamp income is \$63 a month; median AFDC or other welfare income is \$210 a month.

The "food stamp" column of Table 2 shows that among food stamp recipients, 54.1 percent did not change category between Month 1 and Month 3. Some 18.4 percent entered the program during the period and 10.3 percent stopped receiving. About 3 percent changed amounts each way by more than \$25 a month. Another 10 percent also changed the amount they received, but by less than \$25.

For AFDC and other welfare, about 75 percent did not change their amount or participation in the three months, while about 25 percent did. Some 10 percent went on or off the program and almost 10 percent more changed the amount they received by more than \$25.

Earned and total income

A similar cross tabulation was done for earned income and for the total income of families. The income was categorized at \$250 intervals (rather than the \$25 for food stamps and welfare). To provide an idea of the relative size of a \$250 change: median earned income in a single month for families with any earnings is about \$1,300; median total income for all families (including those without earnings) is about \$1,165 a month.

The earnings examined here are the sum of wage and salary, business, farm, and other labor income for each family. The first column of Table 3 shows that about 10 percent of the families with earnings had a change from Month 1 to Month 3 of over \$500, about half of them increasing such income and half losing it. Almost 15 percent more had a change of over \$250. About half had no change of category.

For total income, the percentages changing each way by the various amounts are similar, although slightly smaller. This is due to the inclusion of families without earnings, many of whom are living on stable retirement incomes.

The number of families having significant monthly changes in Table 3 seems unbelievably large - and indeed it is. As John Coder and his colleagues at the Bureau of the Census have pointed out, the fact that some

months have more "paydays" than others means that some of this "change" is not real. Perhaps most of it is not. Some of it is. More analysis will be needed to find out if monthly income change for most families is greater than is generally believed.

Conclusions

1. There is a great deal of variation in families' income from programs, even when only a few months are examined. This means, on the one hand, that fewer participants are long-term or dependent on programs for most of their income than is widely believed. On the other hand, more people use programs at some time over the course of many months than is suggested by single month program statistics.

2. It may be that a large proportion of moderate, as well as low, income families do not have stable incomes from month to month. Probably more families become "poor" or income-eligible in one month or another over the course of a year than ever apply for programs. By the same token, probably many participants are not eligible in some months.

3. More intensive analysis is needed to confirm and quantify the foregoing conclusions. The relatively crude tabulations done so far are intended to illustrate that there is a lot more change in income and program participation from month to month than is generally realized. But understanding, for example, just how much the income change affects eligibility requires simultaneous analysis of the other factors affecting eligibility: family size, structure, age, disability, and program and state variations in eligibility rules. There are other issues which can be addressed for the first time with these data. For example, for AFDC families, what are their other sources of income and how do these vary from month to month? How much of the total is from other programs and how much from earnings? For moderate and higher income people, how much "real" monthly variation is there in earned and total income? What are the reasons for it: family members entering or leaving the labor market, irregular kinds of unearned income? Further analysis of the monthly variations in income and program participation revealed by this survey will have implications for welfare policy, for understanding how moderate income families get along, and for understanding how the American economy works.

Table 1: Percentages of all families receiving various income types and stability of receipt

Income types	% of families receiving			Three-Month Stability index*
	in Month 3	all three months	at least one month	
I Private income				
A. Earnings				
Wage and salary	68.7	65.7	70.4	.93
Business "draw"	9.9	9.6	10.2	.94
Farm "draw"	3.3	3.3	3.3	*
Other labor	2.3	1.7	2.8	.61
B. Property				
Savings interest	66.3	65.5	66.3	.99
Other interest	13.6	13.5	13.6	.99
Dividends	8.2	7.6	14.3	.53
Rental	7.5	7.0	7.6	.92
Royalties, trusts	1.3	1.1	1.6	.69
Other assets	1.8	1.8	1.8	*
C. Other private				
Lump sums	1.2	.2	2.7	.07
Misc.	1.0	.9	1.1	.82
D. Private transfers				
Child sup. & alimony	3.1	2.8	3.2	.88
Job-rel. pensions	7.6	7.2	7.8	.92
Other private pensions	1.2	1.1	1.3	.85
Gov. mil. pensions	5.2	5.2	5.2	1.00
Support from others	1.7	1.1	2.6	.42
Education support	.1	-	1.4	0
II Public transfer income				
A. Contributory transfers				
Social security (OASDI)	26.3	26.0	26.3	.99
Railroad retirement	.9	.9	.9	1.00
Unemployment comp.	3.4	1.9	4.7	.40
Workers comp. etc.	1.4	.9	1.9	.47
Medicare coverage	22.5	22.3	22.5	.99
B. Public assistance				
SSI	4.4	4.2	4.4	.95
Veterans	4.7	4.6	4.7	.98
AFDC	2.5	2.2	2.6	.85
Other Welfare	1.3	1.2	1.4	.86
BEOG	1.0	.3	1.2	.25
Other education	.1	.1	1.6	.06
Food Stamps	5.4	4.3	6.0	.72
Medicaid coverage	7.0	6.8	7.0	.97
Housing support	3.1	3.1	3.1	*
<u>No. of families</u>				
Weighted estimate in thousands	83,858	83,687	83,687	
<u>No. of cases</u>	(8088)	(8067)	(8067)	

*Note: The stability index is the second column number divided by the third. For some income types, only quarterly information was asked. For the second and third columns, only families which existed all three months are included.

Source: Cambridge Computer Associates, 10 Feb., 1982, Tables 2, 5, 7.

TABLE 2: Month 1 to Month 2 changes in income received from Food Stamps and AFDC - other welfare, for families receiving each

<u>Income Change from Month 1 to Month 3</u>	<u>Percent of Food Stamp recipient families</u>	<u>Percent of AFDC or other welfare recipient families</u>
<u>Increases</u>		
0 to some	18.4	8.0
\$25 - 50+	2.8	5.4
1 - 25+	9.8	1.1
<u>No Change</u>		
in income category	54.1	75.4
<u>Decreases</u>		
1 - 25+	1.0	4.3
25 - 50+	3.7	3.7
some to 0	10.3	2.1
Total	100.1	100.0
<u>No. of families participating</u>		
Weighted estimate in thousands	5049	3126
No. of cases	(761)	(459)

Note: Families which existed all three months and received the income in at least one month are included. Changes in amounts within the \$25 income categories are not counted.

Source: Cambridge Computer Associates, 29 Jan., 1982, Tables 17, 18.

TABLE 3: Month 1 to Month 3 changes in earned income and total income

<u>Income Change from Month 1 to Month 3</u>	<u>Earned income - percent of families with any*</u>	<u>Total income - percent of all families</u>
<u>Increases</u>		
More than \$500	4.6	4.8
\$250 - 500+	7.5	5.9
1 - 250+	12.8	11.6
<u>No Change</u>		
in income category	49.7	57.0
<u>Decreases</u>		
1 - 250+	13.3	10.7
\$250 - 500+	6.5	5.2
More than \$500	5.7	5.0
Total	100.1	100.2
<u>No. of families</u>		
Weighted estimate in thousands	61,659	83,587
No. of cases	(5509)	(8067)

Note: Families which existed all three months are included. *For earned income, families with none in Month 1 are excluded, since over 90 percent of them also have none in Month 3; they are mostly retired. Changes in amounts within the \$250 income categories are not counted. Change, as measured, is partly because some months have more "paydays" than others. Understanding the significance of the "change" shown requires more analysis.

Source: Cambridge Computer Associates, 29 Jan., 1982, Tables 14, 15.

The following additional tables are available from Charles A. Lininger, Rm. 925 Universal N. Bldg., 1875 Conn. Ave., N.W., Washington, D.C. 20018

- Table 4: Percentages of families receiving various income types in Month 3, by type of family.
 Table 5: Percentages of all persons in families which received various income types and stability of receipt.

- Table 6: Earned income in Month 3 for selected family types.
 Table 7: Total income in Month 3 for selected family types.
 Table 8: Mean amounts of transfer income for families receiving each type.
 Table 9: Income in Month 3 from three programs for families receiving each.