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WHY DON'T MORE ELIGIBLES USE FOOD STAMPS?

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ABSTRACT

This paper empirically examines the problem of low food stamp participation, and then recommends remedial policies. After establishing that the percentage of eligibles using food stamps is low and varies markedly across states, 1971 data from the Michigan Panel Study of Income Dynamics are used to show that a substantial proportion of eligible nonparticipants fail to collect sizable food stamp bonuses. Those same data provide information about characteristics of households that did or did not use food stamps in 1971, permitting a multiple classification analysis of food stamp participation. The findings indicate that certain household types are much less likely to participate in the food stamp program, such as households headed by elderly persons or nonpublic assistance households with an attachment to the labor force. Then policies to reduce the stigma and access costs of using food stamps are suggested, including the elimination of the food stamp program's purchase requirement and the adoption of a standard deduction in lieu of the current set of deductions for determining food stamp net income.

WHY DON'T MORE ELIGIBLES USE FOOD STAMPS?

I. Introduction

During fiscal year 1975, the number of recipients of food stamp benefits under the Department of Agriculture's food stamp program increased rapidly, from approximately 13.5 million to more than 19 million persons. On an annual basis, the federal cost of providing bonus food stamps for these 19 million is in the neighborhood of 5 billion dollars. Although a contemporaneous rise in unemployment certainly accounts for much of this cost and caseload expansion, about one-third of the fiscal 1975 caseload increment can be attributed to the addition of new project areas under the congressional mandate that all U.S. counties were to operate food stamp programs after July 1974.[1] Given this legislative addition of new eligibles to the pool of potential food stamp recipients, it is unlikely that the food stamp caseload will decline in the near term, even if overall economic conditions improve. Moreover, there probably are as many eligibles not using food stamps as currently using them.

Since 1968, the food stamp program has been criticized for its inability to enroll even a majority of the persons eligible for food stamp benefits. Because eligibility is primarily restricted to households with financial resources that indicate an inability to purchase a minimally adequate diet without food stamps, the welfare implications of this charge are very serious. The program has also been criticized for not reaching members of the "working poor." As the food stamp program is the only universally available income-support program, designed to bridge the gap between welfare recipients and low-income

working families eligible because of deductions allowed for payroll taxes, this failure is equally serious.

Nevertheless, there is empirical support for these criticisms. According to estimates prepared by the Office of Income Security Policy and Analysis of the Department of Health, Education, and Welfare, the number of persons eligible for food stamps on the basis of annual income projections for 1974 was approximately 37 million,[2] while the number of food stamp participants over the first three quarters of 1974 averaged less than 13.7 million. Thus well under 40 percent of all persons entitled to obtain food stamps actually received them.

The intent of this paper is to empirically examine the problem of low food stamp participation and to recommend remedial policies based on that examination. If progress toward more adequate food stamp participation is to be monitored, information on participation rates at the state level is necessary, due to the states' responsibility for overseeing food stamp operations at the local level. In Section II, participation rates for each state are estimated, and the pattern of participation across states is discussed. In Section III, the issue of whether or not eligible nonparticipants are disproportionately comprised of relatively well-off families is addressed, using national survey data. Those survey data also provide an opportunity for a multivariate study of household characteristics associated with low probabilities of food stamp use. Section IV reports the main findings of another survey, which obtained reports from eligible households on their reasons for nonparticipation. Tentative conclusions for food stamp policy are expressed along the way and then summarized in Section V.

II. Food Stamp Program Participation Rates for 1974

Federal regulations specify uniform national standards for the maximum levels of income and assets that a household of a particular size may have and still qualify for food stamps. The income standard is the more fundamental determinant of eligibility. In a recent study, Bickel and MacDonald[3] obtained estimates of the number of persons with 1974 incomes lower than the income standard for food stamp eligibility. For each state and size of household, the data requirements for these estimates were (1) a cumulative percentage distribution of households by income; (2) the food stamp program's maximum allowable income; and (3) the total number of households. By applying the appropriate income maximum to each cumulative percentage distribution, the percentage of all households of a given size eligible for food stamps was estimated. Next, multiplication of the resulting percentage by the number of households of that size produced the estimated number of eligible households. These two steps were repeated for each household size. Then, multiplying the number of eligible households by their respective sizes and cumulating products gave the total number of eligible persons in the state.

This procedure would have been quite simple had the necessary data been available in the proper form. Instead, existing decennial census data for 1969 were used to generate state income distributions appropriate for 1974, based on the assumption that the ratio of state to national percentages of households below each income-class boundary remained constant. This assumption produced fewer eligible households

in 1974 than in 1969, while maintaining the 1969 ranking of states by the proportion of households below the food stamp program's net income maximum.

Besides generating state household income distributions, there were a number of other important complications for estimating 1974 state eligible populations. Preliminary total numbers of eligible persons in each state were revised to reflect the net effect of the following considerations:

1. There was an allowance for overcount stemming from the fact that some households eligible on income grounds have financial resources too large to qualify under the assets criterion.

2. Because the household income data are limited to total money income, the preliminary totals based on those data failed to include many persons whose net income after allowable deductions made them eligible. In adjusting for this divergence between household total money income and food stamp net income, the fact that the Current Population Survey data for household total money income are biased downward, from underreporting, was also taken into account.

3. All recipients of Supplemental Security Income in California, Massachusetts, Wisconsin, New York, and Nevada were categorically ineligible for food stamps, requiring a special downward adjustment in the estimates for these states.

4. Due to normal household income fluctuations during any year, the use of annual income data in determining eligibility for a program that operates on a monthly-income basis produces a significant net undercount of the true size of the eligible population. Existing estimates of the degree of income variability both within and between calendar-year periods provided an appropriate correction factor.

The resulting final estimates of the number of persons eligible are presented in column (1) of Table 1, for each state and for the entire nation. Alongside those figures, column (2) displays the peak number of food stamp participants through September 1974. Division of the column (2) figures by the corresponding column (1) figures produces the percentages of eligibles that use food stamps, which are shown in column (3).

Summing all of the table's estimates of state eligible populations, we get 38.6 million persons as a conservative estimate of the number eligible in the nation in 1974. This national figure is well within the neighborhood of the HEW estimate of 37 million and implies a 1974 food stamp program participation rate below 40 percent. Looking at the rates for individual states reveals striking differences in participation levels, ranging from 14.9 percent in Wyoming to 55.7 percent in California. The ten states with the lowest participation rates all have less than 22 percent participation, while in each of the ten states with the highest rates, more than 45 percent of eligibles participate. With the exception of Alaska and Virginia, the ten lowest-participation states are located in the heartland: Idaho, Iowa, Kansas, North Dakota, Nebraska, Utah, Wisconsin, and Wyoming. In contrast, either coastal location or more highly populated and industrial structure characterizes the ten highest-participation states--California, Connecticut, Illinois, Michigan, New Jersey, New York, Ohio, Oregon, Rhode Island, and Washington. Again excepting Virginia, all of the southern states rank among the middle thirty, with Louisiana, Kentucky, and South Carolina displaying above-average participation rates.

Although differences in attitudes toward government assistance on the part of both eligible households and taxpayers certainly provide an

Table 1

State Food Stamp Participation Rates

State	Estimated Number of Persons Eligible in 1974	Peak Monthly Number of Participants Jan.-Sept. 1974	Estimated 1974 Participation Rate
	(1)	(2)	(3)=(2)÷ 1
Alabama	1,177,139	338,762	28.8
Alaska	71,968	21,769	30.2
Arizona	421,552	111,520	26.5
Arkansas	754,353	249,514	33.0
California	2,412,481	1,404,824	58.2
Colorado	411,554	138,567	33.6
Connecticut	291,513	145,313	49.8
Delaware	85,458	21,214	24.8
D.C.	150,783	117,830	78.1
Florida	1,713,309	514,847	30.0
Georgia	1,318,000	424,830	32.2
Hawaii	160,839	71,540	44.5
Idaho	161,812	33,794	20.9
Illinois	1,569,158	878,455	56.0
Indiana	771,298	194,791	25.2
Iowa	510,030	116,020	22.7
Kansas	425,553	53,107	12.5
Kentucky	1,053,952	401,992	38.1
Louisiana	1,269,096	530,589	41.8
Maine	212,394	96,133	45.3
Maryland	560,352	258,710	46.2
Massachusetts	612,749	284,966	46.5
Michigan	1,156,822	581,754	50.3
Minnesota	599,682	184,142	30.7
Mississippi	982,632	351,117	35.4
Missouri	1,074,852	290,932	27.1

Table 1 (cont.)

State	Estimated Number of Persons Eligible in 1974	Peak Monthly Number of Participants Jan.-Sept. 1974	Estimated 1974 Participation Rate
Montana	147,786	33,393	22.2
Nebraska	299,628	50,447	16.8
Nevada	65,924	27,168	41.2
New Hampshire	102,000	32,000	31.3
New Jersey	833,394	435,187	52.2
New Mexico	351,627	149,831	42.6
New York	2,447,536	1,195,785	48.9
North Carolina	1,484,562	341,397	23.0
North Dakota	155,072	18,361	11.8
Ohio	1,517,172	750,774	49.5
Oklahoma	691,202	155,463	22.5
Oregon	346,542	163,617	47.2
Pennsylvania	1,814,010	744,896	41.1
Rhode Island	143,388	77,881	54.3
South Carolina	859,161	354,484	41.3
South Dakota	204,789	30,273	14.8
Tennessee	1,247,504	329,456	26.4
Texas	3,007,732	1,057,976	35.2
Utah	188,742	39,829	21.1
Vermont	82,382	38,165	46.3
Virginia	1,030,544	215,338	20.9
Washington	475,084	228,898	48.2
West Virginia	543,888	213,774	39.3
Wisconsin	609,985	129,403	21.2
Wyoming	62,325	9,272	14.9
Total U.S.	38,623,810	14,411,501	37.5

appealing explanation for the divergence among states in food stamp participation, in many instances states with quite similar economic and social structures differ in food stamp usage. Examples can be found in every major region. Wisconsin ranks in the bottom ten, while Michigan and Illinois are in the top ten. Nevada's rate of participation substantially exceeds those of neighboring Utah and Idaho. Virginia and Delaware are distinguished in their regions by relatively low participation.

Whatever the sources of these variations in state food stamp participation, evidently they operate at the local level also. For example, the counties along Wisconsin's northern border have very similar geography and economy but markedly different participation rates. Surprisingly, there is even substantial variation across Wisconsin Standard Metropolitan Statistical Areas, ranging from a low of around 16 percent in Madison to 40 percent in Milwaukee and over 45 percent in Superior.[4]

Because we expect a more uniform response to the availability of food stamps among counties with highly similar eligible populations, these variations appear to stem, at least in part, from the administrative practices of county food stamp agencies. Potential food stamp recipients must deal with the officials and authorized representatives of local food stamp agencies, who can encourage or discourage participation through their influence on the extent to which food stamp transactions are conducted with convenience and dignity for recipients. Apparently many counties have failed to provide the kind of assistance that is conducive to high rates of food stamp participation.

III. Evidence about Participation from National Survey Data

An argument against emphasizing what might be termed the supply side of the market for food stamps is that those eligibles really in need of assistance will take whatever steps are necessary to get it. From this standpoint, observed differences in county and state participation rates simply result from the distribution of needy eligibles among political subunits, and the fact that the nation's participation rate is less than 40 percent merely implies that only this percentage of eligibles really needs government food aid.

Because the food stamp benefit schedule allocates greater benefits to needier households, it is possible to test this argument by examining a sample of eligible households for which bonus amounts have been calculated. This sample also provides data for a multivariate analysis of the characteristics that distinguish food stamp participants from eligible nonparticipants.

Participation and Need

Many of the persons eligible for food stamps qualify for relatively small bonus amounts, especially when discounted for the costs of getting and using them. Therefore, among eligible nonparticipants, there must be a sizable group that will not enroll in the program unless food stamp bonuses are increased substantially. Given that one accepts the program's existing benefit schedule as satisfactory for the purposes of achieving the aims of federal income-transfer policy, the existence of such a group should cause less concern than the finding that a sizable proportion of the food stamp eligible population

fail to collect bonus amounts that would substantially increase their purchasing power. Indeed the latter failure would certainly deserve attention as evidence that food stamp participation levels are too low. Figure 2 presents this evidence. For a representative national sample of households from the 1972 interview wave of the Michigan Panel Study of Income Dynamics,[5] the figure displays a percentage distribution of eligible nonparticipants according to estimates of the size of the annual food stamp bonus for which they were eligible in 1971. As expected, the graph shows that a high proportion of nonparticipants would receive relatively small food stamp bonus amounts. Yet about one-third of the nonparticipants were eligible for, but did not get, bonus food stamps that would have cost the taxpayer more than $300 per year, while over 10 percent were eligible for, but did not collect, bonus stamps worth $800 or more.

Reasons for Nonparticipation

Perhaps the most obvious reason that persons eligible for sizable benefits do not enroll is ignorance, either about the existence of food stamps or about the amount of benefits to which the household is actually entitled. Congress foresaw the possibility that eligibles might not learn of the program and provided a mechanism to overcome this difficulty. The Food Stamp Act of 1964 established a formula for matching federal funds with state funds for conducting outreach activities to inform eligibles about the food stamp program. Moreover, the Act stipulated USDA's responsibility to require state food stamp agencies to do outreach or risk losing those federal dollars that support payment of bonus stamps to eligibles already enrolled.

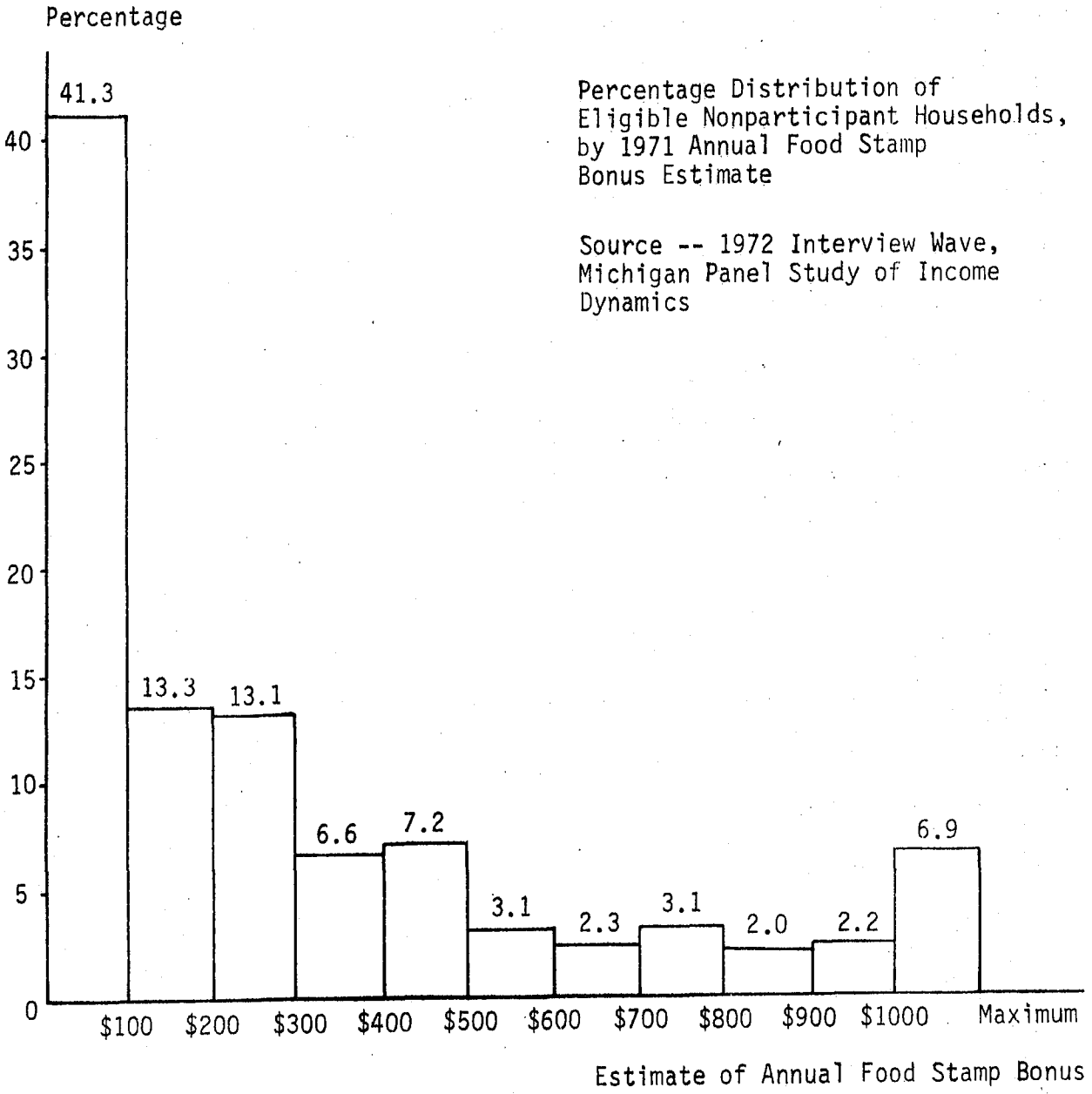
Percentage
41.3
40
35
30
25
20
15
13.3
13.1
10
6.6
7.2
6.9
5
3.1
2.3
3.1
2.0
2.2
0
$100
$200
$300
$400
$500
$600
$700
$800
$900
$1000
Maximum
Estimate of Annual Food Stamp Bonus
Percentage Distribution of Eligible Nonparticipant Households, by 1971 Annual Food Stamp Bonus Estimate
Source -- 1972 Interview Wave, Michigan Panel Study of Income Dynamics

Figure 2.

Nevertheless, in Minnesota a U.S. District Court recently ordered USDA to develop and implement an effective outreach campaign. Based on evidence presented by the plaintiffs in Bennet v. Butz, a class-action suit on behalf of welfare rights advocates, Judge Miles Lord found that Minnesota and USDA had never conducted outreach in the manner prescribed by federal law.[6]

Just as many eligible nonparticipants probably are uninformed about food stamps, others probably do know they are eligible for sizable bonuses. Barring irrationality, the failure of these informed eligibles to use food stamps can only be explained in terms of high user costs.

User costs, as defined here, include all the money and nonmonetized costs of getting and spending food stamps and can be subdivided into two major kinds--access costs and stigma costs. Access costs include all the time and trouble it takes to get certified for, to purchase, and to use food stamps. It is easy to see how these costs alone can discourage participation. Applying for food stamps can be very inconvenient, especially if there is a long wait to see a caseworker or if a return visit is required to provide a receipt or verification that all employable household members are work-registered.

Perhaps intangible stigma costs also discourage food stamp participation. According to Burton Weisbrod,[7] those costs are associated with the loss of self-respect, dignity, and acceptance from the rest of society that occurs when persons make their poverty known to others in order to receive benefits from a transfer program. In the course of handling and using food stamps, recipients have ample opportunity to

suffer these stigma costs. Besides having to fully inform a caseworker about one's finances at a welfare office to gain authorization to purchase the stamps, many food stamp users must see an employment officer or buy stamps from a bank clerk or a postal service employee. Then, once the stamps are in hand, they must be spent in public.

Both kinds of user costs vary in importance, depending on the circumstances of the potential user. For instance, persons raised in families that castigated welfare recipients are more likely to resist taking food stamps for reasons of stigma avoidance than are second-generation welfare recipients. Other examples of factors causing differential user costs easily come to mind, such as the degree to which the potential recipient's free time coincides with the hours that food stamp offices are open, whether or not babysitting arrangements are necessary, and, for the aged and disabled, even one's physical ability to travel to a food stamp agency.

No survey has yet been designed specifically to capture variations in stigma and access costs or to measure eligible households' knowledge of the food stamp program. An ideal analysis of food stamp participation would require such a survey, including variables reflecting the degree to which local food stamp agencies facilitate or obstruct enrollment of legitimate eligibles. Without minimizing the fact that this unique combination of data is unavailable, it is possible to report results from a study based on a reasonably good substitute.

A Multivariate Analysis

In its 1972 interview wave, the Michigan Panel Study asked respondents from its 5000-household representative national sample

whether they had used food stamps at any time during 1971. In addition, the 1972 interview collected detailed information about the 1971 income of the household and about many other socioeconomic and demographic characteristics. Using these characteristics, we first isolated a subset of households, living in counties with food stamp projects, whose 1971 income levels indicated they were eligible for food stamps in that same year. All eligibles were then divided into two groups, participants and nonparticipants. Variables constructed from other household data were then used to predict which eligibles actually used food stamps in 1971.[8] The results are readily understood when presented in a multiple regression format, known as multiple classification analysis.

Table 2 presents the multiple regression of household characteristics on a dichotomous dependent variable for whether or not the household used food stamps in 1971. The regressors shown in the table are categorical versions of each independent variable. For each category of these predictors, the mean of the dependent variable is presented, alongside an adjusted mean. The adjusted means are the multiple regression's prediction for the percentage of food stamp users in each predictor category, holding constant the influence of all other predictor categories.

Selection of the Predictors

Before summarizing how the various predictors are related to levels of food stamp participation, let us discuss the rationale for selecting these predictors.

Table 2

Predictor Category Means from a Multiple Classification Analysis of Food Stamp Participation in 1971 (Grand Mean = 0.42, N=480)

Participation Predictors	Mean of the Dependent Variable	Adjusted Mean
Population of largest city in PSU		
100,000 or more	0.57	0.40
25,000-100,000	0.15	0.42
10,000-25,000	0.10	0.47
Less than 10,000	0.28	0.45
Census region		
West	0.19	0.48
South	0.30	0.41
North Central	0.30	0.44
Northeast	0.21	0.35
Dollar amount of 1971 food stamp bonus		
$200 or less	0.45	0.34
$201-$400	0.18	0.40
$401-$600	0.10	0.45
$601-$800	0.06	0.44
$801-$1000	0.06	0.54
More than $1000	0.15	0.61
Household reserve fund		
1971 savings exceeding two months' income	0.20	0.18
1971 savings exceeding two months' income, but more saved in past five years	0.07	0.39
No 1971 savings, but more than two months' income saved in past five years	0.17	0.43
No 1971 savings or less than two months' income, and same in past five years	0.61	0.50
Four year (1968-1971) sum of household decile position in the size distribution of family income/needs ratio		
Less than 10	0.81	0.44
10 to 20	0.16	0.36
Greater than 20	0.03	0.36
Receipt of welfare payments		
Reported welfare income during 1967-1971	0.58	0.53
No welfare income reported during 1967-1971	0.42	0.27

Table 2 (cont.)

Participation Predictors	Mean of the Dependent Variable	Adjusted Mean
Head's labor force status, 1971		
In labor force	0.40	0.35
Not in labor force	0.60	0.47
Head's unemployment hours in 1971		
Zero	0.83	0.43
1-500	0.04	0.34
501-1000	0.06	0.54
1001-1500	0.03	0.34
Greater than 1500	0.04	0.26
County unemployment rate in August 1972		
Under 2.0 percent	0.02	0.27
2.0-3.9 percent	0.16	0.31
4.0-5.9 percent	0.44	0.42
More than 6.0 percent	0.28	0.47
Age of household head		
Less than 25 years	0.22	0.39
25-44 years	0.24	0.52
44-65 years	0.25	0.43
More than 65 years	0.29	0.35
Index of connectedness to potential sources of help		
Scored 0-3	0.14	0.39
Scored 4-5	0.41	0.45
Scored 6-7	0.35	0.45
Scored 8-9	0.10	0.23
Survey respondent's score on 13-item sentence completion test		
Scored 0-3	0.06	0.46
Scored 5-7	0.29	0.37
Scored 8-10	0.45	0.44
Scored 11-13	0.20	0.42
Head's education		
Finished 0-5 grades	0.20	0.44
Finished 6-8 grades	0.24	0.43
Finished 9-11 grades	0.26	0.39
Finished more than 12 grades	0.30	0.42
Whether head is student or not		
Student	0.04	0.38
Nonstudent	0.96	0.42

From information about the sources and uses of annual household income, a net income measure reasonably approximating annual food stamp net income was constructed. Using this measure and an annualized food stamp benefit schedule, it was possible to estimate the food stamp bonus each household would receive if it participated for the entire year 1971. For households with stable incomes, this measure correctly reflects the annual level of benefits a household can expect from food stamps. However, if incomes fluctuate markedly during the year, bonus amounts calculated from annual net income may not reflect the true sum of monthly food stamp bonuses. To account for such fluctuations, we held constant the number of hours the household head was unemployed in 1971. (For this purpose, it was also necessary to control for whether or not the head was a member of the labor force in 1971, because persons not in the labor force have zero hours of unemployment.)

To a large extent, the bonus amount indicates the degree of household need for food stamps. But if that need is temporary, eligibles may rely on their savings or simply "tough it out" until their income returns to some normally higher level, especially if stigma is an important component of household user costs. By including the household's reserve fund position and an index of decile position in the household income/needs distribution (defined with respect to the cost of purchasing a poverty-level diet for all household members), any divergence of 1971 needs from those of the recent past is effectively controlled.

Most of the remaining predictors can be viewed as indicators of knowledge about the program or of differential user costs. City

size and census region enter the predictive model for both purposes. Survey respondents in the largest-city category, but none of those in areas with cities of less than 10,000, reported access to good public transportation. The degree to which information about food stamps is disseminated probably varies by city size as well. And perhaps food stamp agencies publicize the program to a greater extent in certain census regions.

A household's receptivity to information about food stamps probably depends on specific attributes, perhaps including some measured in these Table 2 predictors: head's education; head's sentence completion test score; head's student or nonstudent status; and a household index of connections to potential sources of information, based on items like attendance at church or union meetings, visits to taverns, and acquaintance with neighbors.

Age of the household head might also capture differences in receptivity to information, but it could capture varying stigma costs. One hypothesis to the latter effect is that attitudes unfavorable toward receiving government assistance have been diminishing, such that older people are more likely to maintain feelings about stigma that are gradually becoming outmoded. Another stigma hypothesis is that people are less likely to feel stigmatized when similarly situated persons are also needy. This implies less sensitivity to stigma in depressed areas, which are indicated by the unemployment rate for the household's county of residence.

Welfare recipients are often certified for food stamp eligibility when they apply for welfare payments. Consequently, households receiving

welfare either during or prior to 1971 should be more likely to use food stamps. Besides knowing more about the program, welfare recipients have demonstrated their ability to overcome the user costs associated with welfare, which presumably are comparable in magnitude to the user costs of food stamps.

Results

The multivariate results yield support for our reasoning about welfare recipients. The predicted percentage of food stamp users (53 percent) among welfare recipients is about twice that among households without welfare income (27 percent). Coupled with the result that households headed by persons not in the labor force are also more likely than households with employable heads to use food stamps, this finding suggests that one important reason for low food stamp participation rates is that the program fails to enroll eligibles who have attachments to the labor force and no welfare income. A policy implication is that increasing food stamp participation rates will require a concerted effort to enroll more "working poor" households in the program.

In support of our multivariate approach, it is worth emphasizing that the pattern of actual participation by food stamp bonus category is quite the opposite of that predicted when other influences are held constant. Greatest participation actually occurs in the group entitled to bonus amounts worth $200 or less. This anomaly can be explained by the relatively high net incomes of some welfare recipients (implying low annual bonuses) who still tend to use food stamps much more often than not, probably as a result of their relatively low user costs.

The pattern of adjusted means for the annual food stamp bonus, the household reserve fund position, and the four-year score on decile position in the income/needs ranking all provide evidence that participation does increase with the household's need for assistance. The differentials in predicted participation rates are substantial, ranging from 34 to 61 percent across food stamp bonus categories.

Predicted program participation rates for most categories of the connectedness index, the head's sentence completion score, the head's education, and whether or not the head is a student are quite similar to the actual 42 percent rate of participation for the entire eligible sample of 480 persons. Provided one accepts these predictors as reasonably valid proxies for information about food stamps, it follows that simply informing eligibles about the program's existence might do little to increase food stamp usage.

Other results seem to suggest that attempts to change attitudes toward government assistance could contribute to a rise in participation, if such changes are feasible. The patterns of adjusted means for head's age and especially for the county unemployment rate are consistent with the hypotheses put forth about the role of stigma. Predicted participation increases uniformly with county unemployment, while there is a strong trend toward nonparticipation by households headed by persons over age sixty-five. Of course, neither of these results necessarily implies that stigma is important. Other interpretations are certainly possible. For example, as was suggested, old age may hinder access to food stamp offices.

Predicted food stamp use also varies somewhat by city size and considerably by census region. Residence in the West or Northeast

exerts, respectively, strong positive and negative effects. In a reversal of the actual pattern, eligibles from less-populated areas are predicted to be more likely to use food stamps. Apparently, the higher actual rates of participation in more-populated areas are due to their relative concentrations of eligibles favorably disposed toward participation rather than to some influence associated with larger population size per se. By the same token, the far greater predicted than actual rates of participation for western eligibles indicate that the relatively low actual rate for the West is due to a mix of western characteristics unfavorable to participation and not due to, say, deliberate western state or local policies to discourage food stamp use.

IV. Other Survey Evidence

Although the multivariate analysis presented in the last section found no differentials in predicted food stamp use for characteristics expected to indicate differences in knowledge about the program, a recent survey analysis does suggest that these differences are an important reason for nonparticipation.

From an initial sample of 2500 households in Dodge County, Georgia, Natchitoches Parish, Louisiana, and Sunflower County, Mississippi, selected for an interview study of rural labor markets, Rungeling and Smith[9] identified and interviewed 200 households that were eligible for food stamps but did not report receiving them during January-May 1974. Respondents were asked to report why they did not use food stamps.

The most frequent primary response was that the stamps cost too much. Yet when the investigators calculated potential bonuses, they found substantial bonus amounts for the majority of those who did not apply for reasons of insufficient inducement. Besides the possibility that the true reason for nonparticipation was not revealed, decisions based on erroneous information were suggested as an explanation for the puzzling behavior of these respondents. The next-most-frequent response was the respondents' belief that their household was ineligible, a response concentrated among households with incomes above $300 per month. Persons who had previously applied for stamps and been turned down also frequently reported their failure to qualify as a primary response. Again, Rungeling and Smith suggest that misinformation contributes to these responses.

Rungeling and Smith also report that transportation difficulties, excessive red tape, and attitudes toward welfare are important secondary considerations. Among the elderly, lack of transportation was an especially significant factor, which in part explains the fact that half of these households had never applied for food stamps. Those secondary considerations, along with the low bonus amounts for which the elderly qualify, led Rungeling and Smith to conclude that "the program, as currently constituted, seems poorly equipped to aid the elderly poor."[10] One could draw the same conclusion from the relatively low predicted rate of food stamp participation for Michigan Panel households headed by persons over age sixty-five.

V. Policy Conclusions

Based on what we have learned from the available empirical evidence on the incidence of and reasons for nonparticipation by eligible

households, it seems appropriate to draw some broad policy conclusions directed toward increasing the nation's rate of food stamp participation. Afterwards, some specific proposals for implementing these recommended policies are put forth.

Although our multivariate analysis of national survey data revealed no large differentials in predicted food stamp use for household characteristics that are linked to knowledge about the food stamp program, Rungeling and Smith's study of reasons for nonparticipation does suggest that providing specific information about the program probably would increase the rate of participation. (It is likely that the information indicators in our multivariate analysis were unable to tap variations in the kind of specific knowledge that facilitates participation.) In particular, the household must know of its eligibility for a given benefit amount if it is to rationally decide to participate or not. Since many of Rungeling and Smith's nonparticipants did qualify for significant benefits, the prevalence of "cost too much" and "turned down before" responses especially illustrates the need to disseminate specific knowledge about the food stamp benefit schedule. Similarly, it is difficult to believe that even a majority of 1971 eligible nonparticipants qualifying for sizable bonuses were well-informed.

Undoubtedly some nonparticipants do rationally choose not to use food stamps because associated user costs exceed expected benefits. Elderly eligibles are a case in point. Due to their predominance of one- and two-person households, they qualify for relatively small benefit amounts, while facing relatively high user costs from transportation difficulties and/or attitudes toward welfare. These user

costs must be reduced if the elderly, as well as other eligibles faced with high user costs, are to be enrolled in the program.

Before specific proposals for informing eligibles and reducing access costs are presented, a final consideration of stigma costs is in order. Although evidence presented in this paper suggests stigma's importance, it is difficult to formulate recommendations for dealing with this barrier to food stamp use. We know too little about how the attitudes that dispose people toward feelings of stigma become ingrained or about how they might change. Nevertheless, because stigma may consist basically of beliefs about how one is viewed by others, it probably operates less forcefully in certain contexts. Thus as more eligibles enroll in the program, stigma could become a minor deterrent, due to a bandwagon effect.

Specific policy recommendations for increasing the rate of food stamp participation can be grouped according to whether or not they require legislation to change food stamp program rules.

Administrative Recommendations

Under current regulations, the most important policy change is that the Department of Agriculture should begin to enforce its own guidelines for conducting food stamp outreach. Although 1971 amendments to the Food Stamp Act of 1964 provided that USDA had a responsibility to encourage states to inform and enroll eligibles and that federal funds would be supplied at the rate of 62.5 percent of state outreach costs, until 1974 only paltry sums were expended for outreach. Now, in compliance with the uncontested final decision and order in Bennet v. Butz, new and more stringent regulations govern the procedures for

outreach. The court order stipulated that all states were to develop and implement outreach plans by August 1975. These plans must be designed to meet the new regulations, which define outreach as

> effective, comprehensive ongoing efforts initiated and monitored by the State Agency . . . to inform all low-income households potentially eligible to receive food stamps of the availability and benefits of the program, and to insure the participation of eligible households that wish to participate by providing such households with reasonable and convenient access to the program.[11]

Even before these regulations became effective, New Jersey demonstrated that a coordinated outreach campaign conducted by state agencies in cooperation with media, food retailers, and volunteers could be successful.[12] Yet the question remains whether USDA can summon the will to elicit effective outreach from recalcitrant states. If the zeal displayed in threatening states that violate federal quality control standards for distributing bonus food stamps were also applied to outreach, the divergence among state food stamp participation rates could end.

Based on empirical evidence that participation increases with the bonus food stamp amount, but that many eligibles are uninformed of their eligibility for sizable bonuses, we can also predict that the more effective state outreach plans will specialize in accurately informing eligible households about their benefit entitlements. Because food stamp benefit determination is complicated by the household's particular combination of income sources and uses, effective outreach requires an exchange of information between potential clients and outreach workers. Although such exchanges are relatively expensive, some diffusion of pertinent knowledge to the client's friends and relatives can be expected. At any rate, the content of outreach

should be governed by the insight that the gains from supplying only general information will be quite limited.

In areas other than outreach, a number of possible improvements in local food stamp agency operations would contribute to a reduction in food stamp user costs, raising the average net benefit from participation.

These improvements might include

1. A reduction in the waiting periods between initial contact and the appointment with a caseworker, in the county welfare office on the appointment day, and between the time of application and receipt of authorization to purchase food stamps.

2. A reduction in the time and trouble it takes to buy food stamps. Existing regulations permit food stamps to be mailed to recipients. However, non-public-assistance households are seldom offered this convenience.

3. The use of USDA's extensive quality control checks to change those county administrative practices that cause errors leading to inequities in benefit payments. If the nonwelfare poor are to use food stamps, the program's reputation will have to rival that of federal programs that are used by these people.

Legislative Recommendations

Short of cashing out the food stamp program in favor of a guaranteed annual income, two major changes in program structure can be recommended as part of an incremental strategy to assist all of the nation's needy households.

First, a standard deduction from household total money income should be adopted, to replace the list of deductions for taxes, work-related expenses, medical care, and shelter costs that now enters the food stamp benefit calculation. A standard deduction would eliminate the lengthy and often degrading process by which households are now certified eligible to purchase bonus stamps. Applicants would not

have to verify their major expenditures, caseworkers could easily determine eligibility and benefit levels, and administrative costs per applicant would be considerably reduced. A standard deduction would also promote the delivery of correct outreach information about benefit entitlements, because there would be a unique benefit amount corresponding to each level of total household income. Of course, the costs of switching to a standard deduction would be borne primarily by those recipients whose special circumstances now permit them to deduct relatively large amounts from total income. Nevertheless, even if the administrative cost savings are ignored, the gains in convenience and dignity for all food stamp users surely outweigh the loss to those exceptional households.

The second recommended structural change is the elimination of the requirement that recipients must buy their bonus stamps. All user costs associated with buying stamps would then disappear, along with the apparatus for selling them. Food stamp users would simply receive free bonus stamps in the mail, accomplishing the program's objectives one stage sooner.

Finally, a preferred strategy for enrolling nonparticipating eligibles would be to combine strong federal supervision of state outreach efforts with legislation to adopt a standard deduction and eliminate the purchase requirement. The alternative is to rely on improvements in those local administrative practices that probably have fostered the problem of inadequate food stamp participation.

Notes

[1]Charles Seagrave, "Food Stamps and the 1975 Recession," prepared in the Office of Income Security Policy and Analysis, Department of HEW, Washington, D.C., 1975.

[2]U.S. Congress, Joint Economic Committee, Subcommittee on Fiscal Policy, Public Welfare and Work Incentives: Theory and Practice, Studies in Public Welfare Paper No. 14 (Washington, D.C.: U.S. Government Printing Office, 1974).

[3]Gary Bickel and Maurice MacDonald, "Participation Rates in the Food Stamp Program: Estimated Levels for 1974, by State," in Legal Action Support Project Papers on Poverty and Law (Washington, D.C.: Bureau of Social Science Research, 1975).

[4]Maurice MacDonald, "Food Stamp Program Participation in Wisconsin," Institute for Research on Poverty Notes and Comments (Madison: University of Wisconsin, Institute for Research on Poverty, 1975).

[5]James N. Morgan et al., A Panel Study of Income Dynamics: Study Design, Procedures, Available Data (Ann Arbor: University of Michigan Survey Research Center, 1972).

[6]Bennet v. Butz, 386F. supp. 10-59, (D. Minn. 1974).

[7]Burton Weisbrod, "On the Stigma Effect and the Demand for Welfare Programs: A Theoretical Note," Institute for Research on Poverty Discussion Paper No 82-70, (Madison: University of Wisconsin, Institute for Research on Poverty, 1970).

[8]Multiple discriminant analysis and classification procedures provided the multivariate technique for isolating a set of variables in one random split-half of the eligible sample that classified 70 percent of the remaining holdout split-half sample into the correct participant or nonparticipant category. Among the variables that did not add to the predictive power of this analysis were sex and race of the household head.

[9]Brian Rungeling and Lewis H. Smith, "Factors Affecting Food Stamp Nonparticipation in the Rural South," Center for Manpower Studies Paper (University, Miss.: University of Mississippi, 1975).

[10]Ibid, p. 44.

[11]Food Research and Action Center, "Outreach Regulations," 25 West 43rd Street, New York, N.Y. 10036, July 1975.

Notes (cont.)

[12]Jack Brizius et al., New Jersey Food Stamp Outreach Campaign (Trenton: State of New Jersey Department of Institutions and Agencies, 1975).