

## **Chapter 2—Household Income and Poverty**

### **Interim Report**

**For The Missouri Department of Social Services  
Through the Local Investment Commission**

**MRI Project No. 1033-01(R)**

**April 17, 2000**

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**For The Missouri Department of Social Services  
Broadway State Office Building  
P. O. Box 1527  
Jefferson City, Missouri 65102**

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# Preface

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Midwest Research Institute (MRI) is pleased to deliver this second report to the Missouri Department of Social Services (DSS), through the Local Investment Commission (LINC), on the work effort and earnings of persons who left Aid to Families with Dependent Children (AFDC) in the last quarter of 1996. The purpose of this study is to assess the movement of these families toward economic self-sufficiency two years after exit. This project is being performed under contract to LINC with funds provided by DSS and by Grant 98ASPE300A from the Office of the Assistant Secretary for Planning and Evaluation (ASPE), U.S. Department of Health and Human Services.

MRI wishes to thank staff members of DSS and LINC for providing the administrative data included in this report and for their input into the design of the questionnaire used in the survey. In particular, the assistance of Dr. Richard Koon, Dr. Tracy Dranginis, and Mr. John Shively was invaluable.

This project was performed under the direction of Dr. Nancy Dunton. Dr. Jane Mosley was the principal analyst on this chapter. Ms. Lola Butcher and Ms. Wanda Brandenburg also assisted on the project. Survey data for this study were collected under subcontract with ORC/Macro International. We deeply appreciate the dedication and insight of their staff, particularly Ms. Tammy Ouellette. We also wish to thank Dr. Dave N. Norris and Dr. Julia Isaacs for their helpful comments on an earlier draft.

Any questions regarding this report should be directed to Dr. Dunton at (816) 753-7600, Ext. 1169.

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April 17, 2000

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# Executive Summary

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This report is the second in a series describing the current economic well-being of individuals who left Aid to Families with Dependent Children (AFDC) in Missouri in the fourth quarter of 1996. It focuses on the household income, household composition, and poverty status of former recipients. Household income is a comprehensive measure of economic status, including the earnings of all adult members of the household as well as income from other sources.

The first report on this cohort showed that most had demonstrated a substantial work effort since leaving AFDC. However, this report finds that, despite their commitment to the labor force, the vast majority of former recipients remain poor or near poor.

## Household Income

Two years after leaving AFDC, the median monthly income of leaver households was \$1,166. Annualized, this equates to roughly \$14,000 per year. The top 15 percent of leaver households had monthly incomes of \$2,500 or more, while the bottom 15 percent had incomes below \$385 per month.

Leavers from Kansas City had higher median household incomes (\$1,466) than those from St. Louis (\$1,100) or the rest of the state (\$1,190).

Over half of the leavers (54%) had income from just one source. Most often this was from earnings. Most of the multiple-source households had income from two sources (34%).

- Approximately 80 percent of leaver households had income from earnings, and earnings provided nearly 70 percent of the total aggregate income of leaver households.
- Child support was the second most common source of income, received by 22 percent of the leavers. Child support is almost always a secondary source of income for leavers, providing in the aggregate just 6 percent their income.
- The third most common income source was Temporary Assistance to Needy Families (TANF) benefits, which were received by 15 percent of the households. TANF provided just half the income for the households of current recipients. The second most common income source for TANF households was earnings, providing on average 23 percent of their income package.
- Supplemental Security Income (SSI) was received by 12 percent of leaver households and accounted for 46 percent of their income. Nearly 60 percent of SSI households also had earnings, which accounted for 34 percent of their income packages.

Thus, earnings were an important source of income for most former AFDC recipients.

## Household Composition

The adequacy of household income can only be judged relative to the size of the household. Moreover, household composition may be related to the amount of income. For example, some households may contain more adults and, therefore, more potential earners. Alternatively, households with more children may have lower work effort but higher consumption needs.

The average size of leaver households was 3.7 individuals.

- The average household contained 2 children under the age of 18. Half of the households had at least one child age 5 or under.
- The average household contained 1.7 adults; put another way, 50 percent of the households contained adults in addition to the leaver. This figure includes adult children.

The composition of leaver households two years after leaving AFDC may be surprising to some.

- Aside from the respondent and spouse/partner, 83 percent of the people in leaver households were children of the leaver.
- 62 percent of the leaver households were headed by single parents; 28 percent were two-parent households.
- Roughly one-third were maintained by a leaver with a spouse or partner; of these, 28 percent were two-parent households with children, and 7 percent were couple households with no minor children.
- Fewer than 10 percent contained three generations.

## Poverty

Two years after leaving AFDC, 58 percent of former recipients were living in households with incomes below the poverty line. A full 90 percent had income levels that left them “near poor.”<sup>1</sup> Moreover, 26 percent of leaver households had incomes that left them in extreme poverty—below 50 percent of the poverty line.

Fewer leavers from Kansas City had incomes below the poverty line (52%) than leavers from St. Louis (61%) or the rest of the state (58%). Also, fewer Kansas Citians were near poor (82%) than those from other parts of the state (90%). However, leavers

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<sup>1</sup> We define “near poor” to be below 185 percent of the poverty line.

from Kansas City and St. Louis were equally likely to have been in extreme poverty (28%) and more likely to fall into that category than leavers from the rest of the state (24%).

Poverty rates were highest for leavers living alone (75%), with one other person (63%), or with four or more persons (61%). Extreme poverty was most common among the smaller household sizes. Additionally, poverty rates were higher for leavers who were single parents (63%) than for leavers who were married (46%). All of these findings relate to the fact that larger households frequently contain additional earners.

Contrary to previous research, we found few differences in poverty among households according to age of youngest child. The poverty rate for households with a child under the age of 5 (58%) was essentially identical to that for households with children only between the ages of 6 to 18 (57%). Moreover, households with school-aged children were more likely to be in extreme poverty.

## **Conclusion**

Most former AFDC recipients are not faring well economically, despite a high level of work effort. Nearly 6 in 10 were living in poverty two years after leaving AFDC despite the fact that 80 percent of these households included at least one worker at the time of the survey. Earnings were the most important source of income for leaver households. As with many middle class families, leaver households that were doing better economically had more than one earner. While many of the additional earners were spouses or partners, some were adult children of leavers and others were parents of leavers.



# Section 1.

## Introduction and Background

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The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) brought about an unprecedented change in the system of governmental supports for needy families. PRWORA ended the entitlement of needy families with children to cash assistance and, under general guidelines, gave each state the responsibility for developing its own programs. The goals of welfare reform were to help former welfare recipients move toward economic self-sufficiency and to reduce dependency on governmental assistance. The two hallmarks of this reform were a lifetime limit on the number of months of assistance and a work requirement. PRWORA also de-emphasized the role of training in cash assistance programs and moved the programmatic emphasis to “work first.” As with any major change in a social institution, there are legitimate concerns about whether the effects of the change will match the intention of the reform. Thus, it is critical to assess how individuals are faring under the new system.

Missouri’s TANF program, called “Temporary Assistance,” is designed to provide assistance to needy families with children so they can be cared for in their own home and to reduce dependency by promoting job preparation, work, and marriage. Major provisions include:

- Able-bodied adult cash assistance recipients must work or be in work activities (job training, subsidized employment, job search, or job readiness assistance, etc.) after two years of receiving assistance. This provision is subject to good cause exemptions on a limited basis.
- Receipt of cash assistance under Temporary Assistance is restricted to a lifetime limit of five years.
- As of fiscal year 2000, individuals receiving cash assistance (unless exempt) must work at least 30 hours per week (averaged over a month) to be counted toward meeting the work participation rate.

This study assesses the well-being of persons in Missouri who left Aid to Families with Dependent Children (AFDC) in the fourth quarter of 1996. The well-being of this cohort is being examined approximately two years after exit from cash assistance. This design is primarily descriptive and does not attempt to attribute cohort differences to PRWORA changes. Observed difference also could be related to changes in the labor market, inflation, maturation, or other factors.

The sampling design for this study allows a comparison of three distinct geographic areas that are important for policy making in Missouri. These are:

- Kansas City area, defined as Jackson, Clay and Platte counties
- St. Louis area, defined as St. Louis County and St. Louis City
- Rest of state, including all other counties in the state

Missouri is home to nearly 5.5 million residents. The Kansas City and St. Louis areas are the state's two largest metropolitan areas. They account for one-sixth and one-quarter of the state's population, respectively (Table 1). In 1999, when the survey was conducted, unemployment rates were low. The unemployment rate in St. Louis (3.6%) was slightly higher than the state average, while Kansas City's rate (3.2%) was lower than the state average. The Kansas City area contained 18 percent of the AFDC caseload in 1999, proportional to its share of the total population. On the other hand, the St. Louis area contained 42 percent of the caseload, nearly double its proportional share. Similarly, the AFDC caseload declined by 42 percent between 1994 and 1999 in Kansas City, a figure close to the statewide average (43%), while the caseload decline was much less in St. Louis (32%).

**Table 1. Comparison of Geographic Areas**

	Kansas City area	St. Louis area	Rest of state	Missouri total/average
1999 Population*	906,283	1,330,141	3,231,914	5,468,338
Population distribution	17%	24%	59%	100%
1999 Unemployment rate**	3.2%	3.6%	3.3%	3.4%
1999 AFDC caseload***	9,730	21,943	21,150	52,823
Caseload distribution	18%	42%	40%	51%
AFDC caseload decline, 1994-1999***	42%	32%	51%	43%

\* U.S. Census population estimates.

\*\* Missouri Department of Labor and Industrial Relations.

\*\*\* Missouri Department of Social Services.

Assessing the well-being of former cash assistance recipients is a difficult task because there is no ready way to locate many of them. In order to maximize the amount of information available on the transitions of former recipients toward self-sufficiency, two approaches were used. The first was to search for former recipients in state administrative records to determine, for example, if they were receiving any kind of social services, if they had wages reported through the Missouri Department of Labor, or if they were in the care or custody of the state. The second approach was to conduct a survey of a sample of former recipients, collecting exactly the needed information. The survey was designed to examine how persons fared after leaving the welfare system in terms of workforce attachment, income, household composition, and other factors.<sup>2</sup>

<sup>2</sup> A report examining only administrative data for the State of Missouri has already been released (Ryan and Koon, 1999). Thus, our results are based primarily on survey data, although we used administrative data to augment that information.

This report is based on the survey results for those who left AFDC in 1996. Because of the richness of the survey data, it would be nearly impossible to convey all the relevant information in one report; therefore, MRI is issuing a series of “chapters” dealing with key outcomes. This report, the second in the series, focuses on household income and poverty status. It describes the overall income level for households as well as the various income packages used. The first chapter in this series addressed employment and earnings; later chapters will focus on:

- Continuing use of public assistance (TANF, Food Stamps, WIC)
- Barriers and incentives to work (such as child care use) and health insurance coverage
- A detailed methodology, describing survey procedures and assessments of reliability
- A cross-chapter summary of findings

These reports will be issued throughout the first half of 2000. We will also be issuing a companion report on a cohort who left TANF in the fourth quarter of 1997. These reports will be issued during the second half of 2000.

## Section 2. Methodological Overview

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This report describes findings from the first of two surveys of former Missouri cash assistance recipients, specifically, individuals who left AFDC in the fourth quarter of 1996. The sampling frame, obtained from the Missouri Department of Social Services (DSS), included 12,508 adults who left the AFDC rolls during the fourth quarter of 1996. Recipients were counted as “leaving” the rolls if they remained off the caseload for at least two consecutive months. Persons who subsequently returned to welfare were included in the survey.<sup>3</sup> There was no minimum time that a former recipient had to have been on the rolls to be included in the survey. Child-only cases were excluded.

Approximately 10 percent of the former recipients, or 1,200 individuals, were selected into the sample. The following three sub-areas of the state each had 400 sample members:

- St. Louis City and St. Louis County
- Kansas City area (Jackson, Clay, and Platte counties)
- Rest of Missouri

Interviews were conducted over a 26-week period between March 15 and August 31, 1999, approximately two and one-half years after individuals left welfare. Interviews were completed with 878 respondents, for a response rate of 74.5 percent.<sup>4</sup> Response rates were comparable in the three geographic study regions: Kansas City area (73%), St. Louis area (72%), and rest of state (77%). Refusal rates were also comparable across regions: Kansas City area (1.6%), St. Louis area (1.8%), and rest of state (0.7%). Based on comparisons with administrative data, we found little indication of nonresponse bias (Table 2). Comparing the regional distribution of respondents and nonrespondents, we see a modest over-representation of leavers from the rest of the state. Length of AFDC use prior to exit was essentially equal between respondents and nonrespondents.

**Table 2. Assessment of Response Bias from Administrative Records**

	Respondents (%)	Nonrespondents (%)
Regional distribution		
Kansas City area	36	40
St. Louis City/County	32	36
Rest of state	32	23
Months of AFDC use prior to exit	28 months	27 months
Racial distribution		
Black	52	53
White	46	42

<sup>3</sup> According to the survey, roughly one-third of the sample had returned to TANF after exiting in the fourth quarter of 1996.

<sup>4</sup> A total of 21 cases were dropped from the response rate denominator: 11 cases with a deceased respondent, four cases with a non-English, non-Spanish language barrier, and six cases in which the respondent was unable to be interviewed due to severe health problems.

MRI subcontracted with ORC/Macro International, Inc., of Burlington, Vermont, to administer the survey. To assist in locating respondents, DSS provided information on the leavers' Social Security numbers, counties of residence, last known addresses, and, if available, telephone numbers. Interviews were conducted primarily during weekday evenings and weekends, lasting on average 38 minutes.

The questionnaire for this survey collected current information about respondents' lives (two and one-half years after leaving the AFDC program). It included 151 items covering 10 topical areas:

- Work effort
- Earnings and other income
- Welfare reciprocity status
- Use of supports, including Food Stamps, emergency assistance, and WIC
- Training
- Education
- Health insurance coverage
- Childcare
- Housing and residential mobility
- Household composition

Among these topical areas, income traditionally is the most difficult concept to measure comprehensively and reliably. Respondents, particularly former AFDC recipients, may be reluctant to talk about income to a stranger and may refuse to answer. Some may give false answers, while others forget small or infrequent sources of income. To address these concerns, we followed Census Bureau practice by asking respondents to report income from each of nine types of sources for each person in the household over the age of 16 who lived in the household more than half of the previous month.<sup>5</sup> Respondents were asked if they (or other household members) received income from a source in the last calendar month; if yes, how much; and if they were unsure, where it fell within a set of ranges. Asking about the last calendar month reduced recall problems. Asking for each source prompted memory of small or infrequent sources. Using this procedure, we experienced a relatively good response to the income questions. Item nonresponse was low. Of the 21 income questions, nonresponse ranged from 0 percent to 6.5 percent. As might be expected, respondents had more difficulty reporting income for others in the household than for themselves. Outliers, which could represent false answers, also were rare. Overall, 20 respondents were removed from the analysis because, although they acknowledged receipt of one or more income sources, they refused to give an amount.

Analyses presented in this report were conducted for the State of Missouri. They represent St. Louis City and County, the Kansas City area (Jackson, Clay, and Platte

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<sup>5</sup> Income sources included: earnings; child support; TANF; Supplemental Security Income; unemployment benefits; Worker's Compensation; Veteran's Administration payments, Social Security, or Survivor's benefits; regular financial support from friends or family; and other income sources.

counties), and the rest of Missouri. The descriptive statistics presented in this report are based on data that were weighted to represent the entire leaver cohort. Figures reflecting sample sizes are unweighted.

## Section 3. Findings

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A previous report in this series noted that a large percentage of former welfare recipients were working at the time of the survey, yet their earnings were relatively low.<sup>6</sup> Although earnings were the primary source of income for most households, leavers could have received income from other sources. This report examines the total household income of 1996 leavers, including earnings. We use a definition of household income that is consistent with that of the United States Census Bureau and count income from nine different sources. Those nine sources were: earnings; TANF; child support; Supplemental Security Income (SSI), Veteran's Administration payments, Social Security, or survivor's benefits; Worker's Compensation; unemployment benefits; financial assistance from family and friends; and a residual "other" category.

### 3.1 Total Income

While the income levels for most households were higher than they would have been from AFDC alone, overall incomes were still relatively low (Table 3). Median monthly income for all households was only \$1,166. Only 20 percent of households had incomes of \$2,000 or more in the last month. Additionally, more than 20 percent of households had incomes below \$500, and 2 percent reported no income in the last calendar month.

**Table 3. Household Income for the Last Calendar Month  
All Households  
Former Missouri AFDC Recipients**

	Percent	N
\$0	2	29
\$1-500	20	174
\$501-1000	23	194
\$1001-1500	20	189
\$1501-2000	15	109
\$2001-3000	12	102
\$3,000+	8	56
Median	\$1,166	853
Mean	\$1,427	853

Source: Missouri Leavers Survey

Percentages may not sum to 100% due to rounding.

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<sup>6</sup> See the Chapter 1 report, "Employment and Earnings of Former AFDC Recipients in Missouri," Midwest Research Institute, January 2000.

Table 4 shows household income by region. The highest median income levels were found in the Kansas City area; the lowest were in the rest of the state (excluding St. Louis). The Kansas City area also contained the largest percentage of households (23%) with earnings above \$2,000 a month. Households in areas outside of Kansas City and St. Louis were less likely to report no income in the last month.

**Table 4. Household Income for the Last Calendar Month by Region  
All Households  
Former Missouri AFDC Recipients**

	Kansas City (%)	St. Louis (%)	Rest of state (%)
\$0	4	4	1
\$1-500	21	19	20
\$501-1000	19	24	25
\$1001-1500	21	28	17
\$1501-2000	13	10	18
\$2001-3000	12	12	11
\$3,000+	11	4	8
Median	\$1,461	\$1,227	\$1,166
Mean	\$1,200	\$1,100	\$1,484
N	311	276	266

Source: Missouri Leavers Survey  
Percentages may not sum to 100 due to rounding.

### 3.2 Sources of Income

More than half of the respondent households (54%) relied on a single source of income, while 44 percent had multiple sources. However, most of the multiple-source households had income from only two sources (Table 5).<sup>7</sup>

**Table 5. Number of Sources of Income Received per Household  
Former Missouri AFDC Recipients**

Number of sources	Percent of households
0	2
1	54
2	34
3+	10

Source: Missouri Leavers Study  
Percentages may not sum to 100 due to rounding.

Among households having a single source of income, the large majority had income from earnings (Table 6). At 9 percent, TANF was the next most common source of income for single-source households.

<sup>7</sup> “Source” here indicates *type* of income for all individuals in the household. For example, if both the respondent and spouse had some earnings, the number of sources would be one.



**Table 6. Households Receiving Only One Source of Income By Source  
Former Missouri AFDC Recipients**

Source	Percent
Earnings	78
TANF	9
Child support	5
SSI	3
Survivor's benefits	2
Financial assistance from others	2
Other	<1
Unemployment	0
Worker's Compensation	0

Source: Missouri Leavers Survey  
Percentages may not sum to 100 due to rounding.

The six most common two-source income packages are presented in Table 7. Among the third of the sample that had income from exactly two sources, the most common combination was earnings and child support. Earnings and SSI followed by Earnings and TANF were the second and third most common combinations.

**Table 7. Households Receiving Income from Two Sources by Income Package  
Former Missouri AFDC Recipients**

Source Combinations	Percent
Earnings & child support	36
Earnings & SSI	15
Earnings & TANF	13
Earnings & survivor's benefits	11
Earnings & assistance from others	5
TANF & SSI	4
All other combinations	16%

Source: Missouri Leavers Survey  
Percentages may not sum to 100 due to rounding.

Among all respondent households, by far the most common source of income was earnings (Table 8). This source was received by at least one person in more than 80 percent of households; child support was a distant second received by 22 percent of the households. Households that received more than one source used a number of different income combinations; tables later in this report provide information on some of the more frequent combinations. (See also Table 7, above.)

**Table 8. Percent of Households Receiving Each Source of Income\*  
Former Missouri AFDC Recipients**

Source	Percent
Earnings	80
Child support	22
TANF	15
SSI	12
Survivor's benefits	9
Financial assistance from others	7
Other income	3
Unemployment	2
Worker's Compensation	1

Source: Missouri Leavers Study

\* It is important to keep in mind that income refers to household income. Thus, it is not necessarily the welfare leaver receiving each source, but any household member.

The third most common source of income was TANF. At the time of the survey, 15 percent of respondents were back on TANF. Approximately 1 in 10 households contained members who received SSI or survivor's benefits. Seven percent of households received assistance from family and friends in the previous month.<sup>8</sup> Recall, however, that income was measured only for the previous calendar month. We have no way of knowing if this level of assistance from friends and family would be sustained over a 12-month period and may, in fact, be a more volatile source of income than earnings or government programs.

There were few differences in source of income by region (Table 9). Areas outside of Kansas City and St. Louis had higher percentages of households with some earnings. Receipt of child support was also much higher for this group than for households in Kansas City or St. Louis. In fact, the lowest rates of child support receipt were found in St. Louis. Households in Kansas City had the highest rates of receipt of assistance from friends and family as well as "other" income, although they were less likely to receive Survivor's benefits. Even though only a small number of households received any income from unemployment benefits, receipt of this source of income was more common outside of Kansas City and St. Louis.

**Table 9. Percent of Households Receiving Each Source By Region  
Former Missouri AFDC Recipients**

Source	Kansas City	St. Louis	Rest of state
Earnings	74	74	84
Child support	19	13	26
TANF	17	17	13
SSI	14	14	12
Survivor's benefits	6	11	10
Financial assistance from others	10	7	6
Other income	5	3	3
Unemployment	0	1.5	3
Worker's Compensation	1	1.5	1

Source: Missouri Leavers Study

<sup>8</sup> Income from a child's non-custodial parent that was not part of a child support order was included in assistance from family and friends.

Knowing what type of income a household receives is informative, but we are also interested in the percent of total income contributed by each source. Earnings, the source most often received, represented 69 percent of total aggregate income, by far the largest component of leaver household income packages (Table 10). Looking at the percent of earnings contributed by various workers (numbers not shown), respondents' earnings represented just over half of total aggregate income; spousal or partner earnings equaled 14 percent, and other workers contributed just under 6 percent.

**Table 10. Percent of Total Household Income Contributed by Each Source  
All Households  
Former Missouri AFDC Recipients**

Source	Percent
Earnings	69
TANF	8
Child support	6
SSI	6
Survivor's benefits	4
Financial assistance from others	2
Other income	1
Unemployment	1
Worker's Compensation	0

Source: Missouri Leavers Study  
Percentages may not sum to 100 due to rounding.

Income from TANF represented the second largest source of household income (8%). Child support was third, contributing 6 percent of overall income. Part of the reason why sources besides earnings comprised such small percentages of the total income was that fewer families received each of them, so the overall contribution of these sources was relatively small.

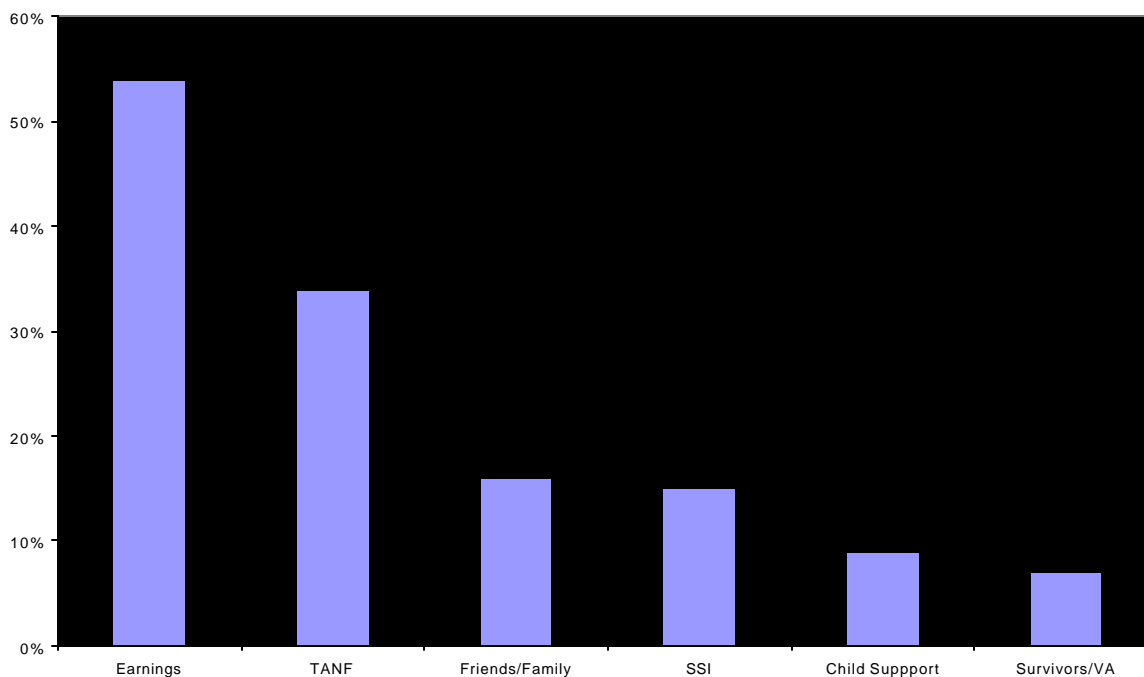
On the other hand, each of these sources might represent a substantial portion of income for specific households. Overall, as shown in Table 11, 80 percent of households had earnings, and earnings accounted for 85 percent of their income. It is apparent that even though a small percent of households may have received income from sources other than earnings, for those that did, these sources often represented a substantial amount, both in terms of dollars and percent of overall income. For example, only 12 percent of households received any SSI, but for those that did, the median value received was \$500, representing almost half of the total household income. The numbers for survivor's benefits were roughly equivalent.

**Table 11. Percent of Total Monthly Income by Source,  
for Households Receiving Each Source  
Former Missouri AFDC Recipients**

	Earnings	Child Support	TANF	SSI	Survivor's benefits	Financial assistance from others
% Receiving	80%	22%	15%	12%	9%	7%
Median	\$1,100	\$200	\$292	\$500	\$490	\$162
Mean	\$1,395	\$226	\$281	\$494	\$662	\$100
Source as % of Total Income	85%	27%	53%	46%	46%	32%
N	663	165	149	129	71	66

Although the median amount of TANF per household was lower than both SSI and survivor's benefits, it contributed half of the total income for households that received it. The average amount of financial assistance from family and friends was \$162, yet it represented on average almost one-third of the total income for those families that received it.

Figure 1 shows the percentage of households with all income from a single source, as a percentage of all households receiving any income from that source. Surprisingly, 16 percent of families who received support from friends and family did not receive income from any other sources; that is, help from others represented 100% of their household income. A third of families with income from TANF had that as their sole source of income, showing that two-thirds of TANF recipients combine it with other source of income.



**Figure 1. Households with a Single Source of Income  
(As a Percent of All Households Receiving Income from that Source)**

Child support, which was received by roughly one-fifth of the respondents, was almost always used in combination with other sources. On average, it represented a quarter of the income of households receiving it (Table 11). Only 9 percent of households that received child support had this as their sole source of income.

### 3.2.1 Income Packages of Selected Households

Although the most common income package consists of earnings only, there are other households whose income packages are of particular policy relevance. These include households that received TANF and households that received SSI. Because TANF and SSI households routinely have more complex income packages, we examined them in more detail. Because of its policy relevance, we also examined the income sources of households receiving child support. Finally, we examined the income packages of households with neither earnings nor TANF.

As noted above, TANF represented just over half of the total income for households that received it. Table 12 shows other sources of income received by these households and the share of total income contributed by each.

**Table 12. Income Packages for Households Receiving TANF  
Former Missouri AFDC Recipients**

Source	Percent receiving any	Percent of total \$
TANF	100	54
Earnings	43	23
Survivor's benefits	17	9
SSI	14	5
Financial assistance from others	14	2
Other income	9	4
Child support	6	2
Unemployment	1	1

Source: Missouri Leavers Study  
Percentages may not sum to 100 due to rounding.

The first column shows the percent of households that received each source; the second column shows the percent of total household income contributed by that source. Almost half (43%) of households that received TANF in the last month also received some income from earnings; earnings provided approximately one-quarter of their total household income. The 43 percent of TANF households with earnings included 25 percent in which the respondent was working and 25 percent in which another member of the household was working; in 7 percent of the households, both the respondent and another adult were working. Many of these households also received Survivor's benefits or SSI. Additionally, 14 percent of families who received TANF had income from family or friends, although the amount of this assistance represented just 2 percent of total household income. Surprisingly, 9 percent of households received income from an additional nonspecific source; this represented more than 4 percent of household income.

Almost 60 percent of households that received SSI also had earnings, although earnings contributed only one-third of their total income (Table 13). Almost 20 percent received income from TANF, yet this represented a very small part of the overall income.

**Table 13. Income Package for Households Receiving SSI  
Former Missouri AFDC Recipients**

Source	Percent receiving any	Percent of total \$
SSI	100	46
Earnings	58	34
TANF	19	5
Survivor's benefits	13	5
Child support	12	2
Financial assistance from others	10	2
Unemployment	3	1
Other income	1	1

Source: Missouri Leavers Study  
Percentages may not sum to 100 due to rounding.

As mentioned above, child support was a secondary source of income for approximately one-quarter of the sample. Nearly four in five households receiving child support also had earnings (Table 14).

**Table 14. Income Package for Households with Child Support  
Former Missouri AFDC Recipients**

Source	Percent receiving any	Percent of total \$
Child support	100	27
Earnings	79	59
SSI	8	3
Financial assistance from others	7	1
Unemployment	5	2
Survivor's benefits	4	2
TANF	4	2
Other income	3	1
Worker's Compensation	2	1

Source: Missouri Leavers Study.  
Percentages may not sum to 100 due to rounding.

The vast majority of households in the sample, 80 percent, received income from earnings. Table 15 displays the sources of income for the 20 percent of households that had no earnings. More than 40 percent of these households received income from TANF; overall, TANF accounted for one-third of the total household income. Twenty-three percent received child support. This source, like SSI, contributed approximately 17 percent of total income. Many (16%) of these households also received assistance from friends and family. Additionally, 4 percent received unemployment. While this number is low relative to the other sources, it is double the rate of unemployment receipt for the full sample.

**Table 15. Income Package for Households with no Earnings  
Former Missouri AFDC Recipients**

Source	Percent receiving any	Percent of total \$
TANF	42	34
Child support	23	17
SSI	20	17
Financial assistance from others	16	10
Survivor's benefits	13	11
Other income	6	3
Unemployment	4	4
Worker's Compensation	1	1

Source: Missouri Leavers Study.  
Percentages may not sum to 100 due to rounding.

Few households have neither earnings nor TANF (12%). The income packages of those households tended to be complex. As shown in Table 16, no single source of income provided more than half the household income. The two chief sources of income were child support and SSI. Financial assistance from friends and family and Survivor's benefits were the next most common sources.

**Table 16. Income Package for Households with no Earnings and no TANF  
Former Missouri AFDC Recipients**

Source	Percent receiving any	Percent of total \$
Child support	33	28
SSI	24	25
Financial assistance from others	19	15
Survivor's benefits	15	14
Unemployment	7	6
Other income	4	2
Worker's Compensation	1	2
Earnings	0	0
TANF	0	0

Source: Missouri Leavers Study.  
Percentages may not sum to 100 due to rounding.

### 3.3 Households with No Income

Table 3 showed that just over two percent of the sample had no reported income in the last month. These households are of special concern, although it is impossible to determine if "last month" represented an average month in terms of income or was instead an aberration. It could be the case that the month prior to the interview represented a transitional month for these households and that, in the next month, their

incomes returned to a higher level. Nevertheless, the following features emerged regarding households with no income:

- The vast majority (95%) of respondents in households with no income did not have a spouse or partner, although there was generally someone else in the household. This other member (or members), however, was not usually of working age but was 16 or younger. The average household size was three.
- One-third had never worked since exit; thus, two-thirds had been employed since exiting. This is a lower level of work effort than the sample as a whole.
- Only half had received Food Stamps in the last month, although all should have been eligible.
- Sixty percent rented their own home or apartment, while 20 percent lived with others and did not pay rent.
- Despite reporting no income in the last month, only small amounts of deprivation were reported. Only one-quarter reported not having enough food or being unable to pay rent, mortgage, or utility bills in the last month.<sup>9</sup>

### 3.4 Household Composition

Household income and household composition are intricately related. On one level, there obviously is a strong connection between household composition and the adequacy of household income. On the other hand, those families who have more adults in the family have the opportunity for greater income, while those with younger children might have more constraints against respondents entering the labor force.

The composition of leaver households may be surprising to some since they differ from more well-known case compositions. More than half of the leaver households had not changed in size since the respondent exited assistance. Another third had grown. Details of household composition are presented in Table 17; The appendix contains this information broken out for the three regions.

- The average size of leaver households was 3.75 persons.
- The average household contained 1.7 adults. Put another way, 50 percent of the households contained 1 or more adults in addition to the leaver.
- One-third of the households were maintained by a leaver with a spouse or partner.
- The average household contained 2 children (under 18). Half of the households had at least one child age 5 or under. Just 8 percent contained no children under 18.<sup>10</sup>

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<sup>9</sup> This number was similar to the percent of the full sample who were unable to pay rent or utility bills in the last month. A subsequent report will examine in more depth deprivation issues for all households.



- Aside from the respondent and spouse/partner, 83 percent of the people in leaver households were the leavers' children; 78 percent were under 18 and 5 percent were over 18.
- Most (62%) of the leaver households were single-parent households; 28 percent were two-parent households.
- Fewer than 10 percent of the households were multigenerational.<sup>11</sup>
- Four percent contained an unrelated member, who was not a partner.

**Table 17. Percent Composition of All Persons in Leaver Households Excluding Respondent and Spouse/Partner Former Missouri AFDC Recipients**

Relationship to respondent	Percent
Son/daughter	83.0
Under 18	78.0
Over 18	5.0
Mother/father	4.5
Granddaughter/son	2.7
Under 18	2.1
Over 18	0.5
Brother/sister	2.7
Niece/nephew	2.4
Under 18	2.0
Over 18	0.4
Unrelated adults	1.5
Unrelated children	1.2
Other relatives	0.7
Aunt/uncle/cousin	0.6
Grandmother/father	0.5
Foster children	0.2
Don't know	0.1
Total	100%

Source: Missouri Leavers Survey.  
 Percentages may not sum to 100 due to rounding.

### 3.5 Income Adequacy and Poverty

Poverty status is determined by comparing total household income to poverty guidelines for households of different sizes. We annualized monthly income in leaver households to compare it to the poverty guidelines for 1999. Accordingly, the median

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<sup>10</sup> “Children” is used to denote all minors, regardless of relationship to the leaver.

<sup>11</sup> Multigenerational households were defined as those that contained a parent of the respondent as well as a child of the respondent, regardless of that child's age. This also included households in which the grandparent was the respondent, with her adult child and grandchild.

level of leavers' income was roughly \$14,000 and the mean was \$17,124. Using these yearly figures, almost 58 percent of AFDC leavers had income levels that placed them in poverty; almost 90 percent had income levels that classified them as poor or near poor (Table 18).<sup>12</sup> Over a quarter of the households were classified as living in "extreme poverty."<sup>13</sup>

**Table 18. Household Income and Poverty Status by Region  
Former Missouri AFDC Recipients<sup>14</sup>**

	Total	Kansas City	St. Louis	Rest of state
Median household income	\$1,166	\$1,466	\$1,100	\$1,190
Percent in extreme poverty	26%	28%	28%	24%
Percent in poverty	58%	52%	61%	58%
Percent in or near poverty	89%	82%	90%	90%
Percent with \$0 income	2%	4%	4%	1%
N	853	309	276	268

Source: Missouri Leavers Survey

Leaver households from Kansas City had the highest levels of income, averaging \$200 to \$300 more per month than households in other areas of the state. Kansas Citians also had the lowest rates of poverty and near poverty, although the rates were still very high. However, when we examine rates of extreme poverty, a different picture emerges. Kansas Citians and St. Louisans had roughly equivalent rates of extreme poverty, while residents from outside these areas had the lowest rates. Thus, Kansas City leavers had the highest household incomes and the lowest poverty rates, but also a significant percent of households in extreme poverty.

### 3.5.1 Household Composition and Income

Much previous research has shown a relationship between household size, household composition, and income level. Here we examine economic position for various household types.

In general, the more individuals in a household, the higher the total household income (Table 19). The highest incomes were reported by households with five or more members. However, that is not to say such households were faring the best economically. When we examine the poverty rates, which are adjusted for household size, we see that the lowest rates were for households with three or four members. Individuals who lived alone were faring particularly poorly, although they represented

<sup>12</sup> Near poverty is defined as 185% of the poverty line and below.

<sup>13</sup> Extreme poverty is defined as 50% of the poverty line or less. For a household with three people, this would be approximately \$6,923 in 1999.

<sup>14</sup> Income values were only collected for the last month, and poverty thresholds are based on annual income. To assess poverty rates, we assumed that the income for the last month was representative for the year.

only a small percentage of all households. Seventy-five percent of these households were poor and almost half (45%) lived in extreme poverty. Additionally, one-third of these households reported that their income in the last month was \$0.

**Table 19. Income Level by Household Size  
Former Missouri AFDC Recipients**

	Household size				
	1	2	3	4	5+
Median household income	\$365	\$685	\$1,100	\$1,212	\$1,591
Percent in extreme poverty	45%	32%	23%	29%	21%
Percent in poverty	75%	63%	53%	54%	61%
Percent in or near poverty	94%	92%	89%	82%	92%
Percent with no income	31%	1%	1%	3%	1%
N	29	156	251	192	225

Source: Missouri Leavers Survey

Comparing married (and cohabiting) couples to single parents with children under 18, one immediately sees the expected relationship between marital status and income level (Table 20). Income levels for couple families were almost 75 percent higher than those where children lived with only one parent. Nevertheless, poverty rates for couple households were still very high. Almost half were poor and more than 80 percent were in or near poverty.

**Table 20. Income Level by Family Composition  
Former Missouri AFDC Recipients**

	Single, child under 18	Married, child under 18	No child under 18
Median household income	\$975	\$1,680	\$900
Percent in extreme poverty	34%	12%	16%
Percent in poverty	63%	46%	58%
Percent in or near poverty	92%	82%	88%
Percent with no income	2%	0%	6%
N	549	196	108

Source: Missouri Leavers Survey

Table 21 displays household income by the age of the youngest child of the respondent. Previous research has shown that mothers of preschool-aged children may have lower levels of work effort. Thus, we expected that households where the youngest child was under five would have lower incomes and higher rates of poverty. This was not the case. Households with children of different ages had very similar economic standing. Earnings, for the respondent and the household, were higher for households with young children. Indeed, median respondent earnings were \$300 higher for those with preschool-aged children. Moreover, households with young children were 6 percentage points more likely to contain a spouse than households with older children. Households without children were less likely to be in extreme poverty but were just as likely to be poor or near poor.

**Table 21. Income Level by Age of Youngest Child  
Former Missouri AFDC Recipients**

	Child, under 5	Child, 6-17	No child under 18
Median household income	\$1,200	\$1,164	\$900
Percent in extreme poverty	25%	29%	16%
Percent in poverty	58%	57%	58%
Percent in or near poverty	85%	93%	88%
Percent with no income	1%	2%	6%
N	373	372	108

Source: Missouri Leavers Survey

Table 22 presents income levels for households with any extra adults, unrelated adults, multigenerational households, or no extra adults.<sup>15</sup>

- The presence of extra adults in the household resulted in higher income relative to the sample overall.
- Multigenerational households had the highest median incomes, second only to couple households. Nevertheless, the poverty rates for these groups were similar to the full sample.
- Households with no extra adults had the lowest median incomes and the highest poverty rates.

**Table 22. Income Level by Presence of Other Adults\*  
Former Missouri AFDC Recipients**

	Any extra adults	Any unrelated adults	Multigenerational	No extra adults
Median household income	\$1,434	\$1,340	\$1,591	\$1,060
Percent in extreme poverty	22%	20%	21%	27%
Percent in poverty	52%	53%	55%	59%
Percent in or near poverty	87%	93%	85%	89%
Percent with no income	1%	3%	0%	3%
N	373	34	97	633

Source: Missouri Leavers Survey

\* Unlike the previous tables in this section, the categories in this table are not mutually exclusive.

Differences in household size and composition may be related to income because of their potential impact on the number of workers. There was a strong relationship between the number of workers in a household and the income level or poverty rate (Table 23). Yet, as was the case with marriage, even those households with several workers were struggling to some extent: 69 percent of households with two or more workers lived in or near poverty. Overall, poverty rates seemed impervious to different measures of household composition.

<sup>15</sup> “Extra adult” refers to anyone who was not the respondent or the respondent’s spouse/partner.

**Table 23. Income and Poverty Level by Number of Workers  
Former Missouri AFDC Recipients**

	Number of workers		
	0	1	2+
Median household income	\$435	\$1,180	\$2,300
Percent in extreme poverty	64%	18%	5%
Percent in poverty	90%	59%	24%
Percent in or near noverty	100%	93%	69%
Percent with no income	7%	0%	0%
N	194	452	174

Source: Missouri Leavers Study

### 3.6 Factors Related to Income Level

Given the high incidence of economic vulnerability among former AFDC recipients, (90% of households were considered near poor), we examined factors that differentiated households that were doing better or worse than their peers. Specifically, we looked at households in the top and bottom 15 percent of the income distribution.<sup>16</sup> Table 24 presents descriptive information on the characteristics of high and low income families.

**Table 24. Demographic Differentials by Household Income Level  
Former Missouri AFDC Recipients**

	Entire sample	High income	Low income
Education			
% with less than high school diploma	32%	16%	45%
% with HS or GED	60%	72%	47%
% with some college	8%	12%	9%
% with spouse or partner	32%	66%	9%
% with recent marriage	16%	26%	12%
% with recent divorce	15%	17%	19%
Age of youngest child	8	6	8
Number of children in household	2.0	2.3	1.8
Household size	3.7	4.6	3.1
Respondent age	33	32	33
Number of adults in household	1.7	2.3	1.3
Number of employed adults	1.1	2.0	0.3
Number of adults employed besides respondent	0.4	1.0	0.1
% saying transportation was a barrier	37%	28%	57%
% saying child care was a barrier	33%	27%	44%
% receiving any SSI	14%	2%	12%

Source: Missouri Leavers Survey

<sup>16</sup> The bottom 15 percent had incomes of \$385 and less in the last month. The top 15 percent had incomes of \$2,500 or more.

- While education was strongly related to income level, the correlation was far from perfect. In almost half of very low income households, the respondent had a high school diploma or GED. Additionally, almost 10 percent of such households had some college education.
- On average, high income households contained more people than other households. The difference in size between high and low income households was 1.5 persons.
- Part of the difference in household size was due to different marriage rates. Two-thirds of high income families had a spouse or partner in the household compared to less than 10 percent of low income households.
- More than one-quarter of high income households experienced a marriage since leaving welfare, compared to roughly 12 percent of low income households.
- Another key difference was the number of workers in the households. On average, high income households contained two full workers. This compares to less than *one-third* of a worker for low income households.
- Transportation and child care were more frequent barriers to work for low income households.

Next we examined the relationship between receipt of various income sources, the percent of total income from each source, and income level for high and low income households.

Earnings were universally received by high income families, while less than one-third of low income families received any income from earnings (Table 25). TANF was the most common source among low income households. This was not the only difference, however. Low income households received help from others more often than high income households. High income and low income households were equally likely to have received child support.

**Table 25. Percent of Households Receiving Each Source, by Income Level Former Missouri AFDC Recipients**

	Entire sample	High income	Low income
Earnings	87	99	27
SSI	14	12	2
Child support	21	27	23
TANF	13	5	32
Financial assistance from others	7	2	13
Survivor's benefits	12	6	2
Other income	2	11	1
Worker's Compensation	1	0	0
Unemployment	3	1	4

Source: Missouri Leavers Survey

Table 26 shows the percent of household income contributed by each source. For high income households, earnings by household members represented 87 percent of total

household income. Additionally, earnings by someone other than the respondent contributed 40 percent of total income. In low income households, earnings were just 23 percent of household income, and earnings by adults other than the respondent contributed only 5 percent.

For low income households, the largest component of household income was TANF; this source represented over one-third of total income. Additionally, child support represented almost one-quarter of total income, the same amount as earnings. Yet for high income households, child support comprised just 2 percent of income.

**Table 26. Percent of Total Income Contributed by Each Source by Income Level  
Former Missouri AFDC Recipients**

	Entire sample	High income	Low income
Earnings	74	87	23
Respondent earnings	58	47	18
Spouse earnings	12	30	0
Other earnings	4	10	5
SSI	7	2	2
Child support	4	2	23
TANF	5	1	37
Financial assistance from others	1	0	11
Survivor's benefits	6	1	1
Other income	1	5	1
Worker's Compensation	1	0	0
Unemployment	1	0	1

Source: Missouri Leavers Survey  
Percentages may not sum to 100 due to rounding.

## Section 4.

# Implications for Future Research

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Future research on the economic well-being of leavers and their households may have to be performed without the resources available for the current study. Specifically, such research might have to rely entirely on administrative records without the benefit of surveys. More information is needed on the accuracy with which administrative records can portray leavers' economic circumstances.

There are two problems with relying solely on administrative records. The first is that these records do not cover the full range of income sources for leavers. Administrative data are available for a variety of income sources, including earnings, child support, SSI, TANF, unemployment benefits, and Worker's Compensation. However, we found from the survey data that 8 percent of the income in leaver households came from income sources that were not covered by administrative records, income such as survivor's benefits or help from family and friends.

Moreover, an important source of information on leaver income—earnings reported through the Unemployment Insurance (UI) system—provide limited data. Most research on the topic has found that UI records cover roughly 80 percent of all occupations. Therefore, the UI data on leavers' earnings may be incomplete. Even if we assumed that UI records were complete, we estimate from the survey data that we would only be able to reconstruct approximately 86 percent of respondents' income using administrative records.

The second problem is that, post-exit, there is no way to identify who is in the leaver's household and no way to obtain information on the incomes of those people through administrative data sets. In the aggregate, 31 percent of the income in leaver households was attributed to other household members.

Taking into account that (1) leaver income is underestimated using administrative records and (2) income for other household members would likely remain unknown, we estimate that administrative records would, at best, account for just 59 percent of leaver household income.



# Appendix

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## Household Composition by Region

**Household Composition for Members Other than Respondent and Spouse/Partner  
by Survey Area  
Former Missouri AFDC Recipients**

Relationship to respondent	Kansas City	St. Louis	Rest of state
Son/daughter	82%	82%	86%
Mother/father	5%	5%	3%
Granddaughter/son	4%	3%	3%
Brother/sister	3%	4%	2%
Niece/nephew	3%	3%	2%
Unrelated members	2%	2%	3%
Other relatives	1%	1%	1%
Aunt/uncle/cousin	0%	0%	1%
Grandmother/father	0%	0%	1%
Foster children	0%	0%	0%
Don't know	0%	0%	0%
N=	738	685	642

Source: Missouri Leavers Survey.

Percentages may not sum to 100 due to rounding.