

## Executive Summary

The Welfare Indicators Act of 1994 requires the Department of Health and Human Services to prepare annual reports to Congress on indicators and predictors of welfare dependence. The 2005 *Indicators of Welfare Dependence*, the eighth annual report, provides welfare dependence indicators through 2002, reflecting changes that have taken place since enactment of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in August 1996. As directed by the Welfare Indicators Act, the report focuses on benefits under the Aid to Families with Dependent Children (AFDC) program, now the Temporary Assistance for Needy Families (TANF) program; the Food Stamp Program; and the Supplemental Security Income (SSI) program.

Welfare dependence, like poverty, is a continuum, with variations in degree and in duration. Families may be more or less dependent if larger or smaller shares of their total resources are derived from welfare programs. The amount of time over which families depend on welfare might also be considered in assessing their degree of dependence. Although recognizing the difficulties inherent in defining and measuring dependence, a bipartisan Advisory Board on Welfare Indicators proposed the following definition, as one measure to examine in concert with other key indicators of dependence and well-being:

A family is dependent on welfare if more than 50 percent of its total income in a one-year period comes from AFDC/TANF, food stamps and/or SSI, and this welfare income is not associated with work activities. Welfare dependence is the proportion of all families who are dependent on welfare.

This 2005 report uses data from the Current Population Survey (CPS) and administrative data to provide updated measures through 2002 for several dependence indicators. Other measures are based on the Survey of Income and Program Participation (SIPP), the Panel Study of Income Dynamics (PSID), and other data sources. Drawing on these various data sources, this report provides a number of key indicators of welfare reciprocity, dependence, and labor force attachment. Selected highlights from the report include the following:

- In 2002, 3.2 percent of the total population was dependent in that they received more than half of their total family income from TANF, food stamps, and/or SSI (see Indicator 1). While marginally higher than the 3.1 percent dependency rate measured in 2001, the 2002 rate is much lower than the 5.2 percent rate measured in 1996. Overall, 4.7 million fewer Americans were dependent on welfare in 2002 compared with 1996.
- Although data are not yet available to show a clear trend in dependency rates through 2003, available data suggest that the rate may increase slightly to 3.3 percent in 2003.
- Trends in dependency are similar to the more well-known changes in TANF and food stamp caseloads. For example, the percentage of individuals receiving AFDC/TANF cash assistance fell from 4.6 percent to 1.9 percent between 1996 and 2003 (see Indicator 3). Food stamp reciprocity rates fell from 9.5 percent in 1996 to 6.1 percent in 2000 and

2001. Since then, the food stamp reciprocity rate has increased to 7.3 percent in 2003. This increase in food stamp reciprocity may explain the modest increase in overall dependency since 2000.

- In an average month in 2002, more than half (60 percent) of TANF recipients lived in families with at least one family member in the labor force. Comparable figures for food stamp and SSI recipients were 58 and 39 percent, respectively (see Indicator 2). Labor force participation, particularly full-time employment, increased considerably among TANF families during the last decade.
- Spells of TANF receipt in the early 2000s were much shorter than spells of AFDC receipt in the early 1990s. Half (50 percent) of TANF spells for individuals entering the program between 2001 and 2003 lasted 4 months or less, compared to 30 percent of AFDC spells beginning between 1992 and 1994 (See Indicator 8).
- Longer-term welfare receipt was much less common during the 1990s compared to earlier decades. Less than 4 percent of those with some AFDC/TANF assistance between 1991 and 2000 received assistance in nine or ten years of the period, compared to 12 percent and 13 percent of AFDC recipients in the earlier two time periods (See Indicator 9).

Since the causes of welfare receipt and dependence are not clearly known, the report also includes a larger set of risk factors associated with welfare receipt. The risk factors are loosely organized into three categories: economic security measures, measures related to employment and barriers to employment, and measures of nonmarital childbearing. The economic security risk factors include measures of poverty and well-being that are important not only as potential predictors of dependence, but also as a supplement to the dependence indicators, ensuring that dependence measures are not assessed in isolation. As such, the report includes data on the official poverty rate, one of the most common measures of economic well-being:

- As the dependency rate fell after 1996, the poverty rate for all individuals fell also, from 13.7 percent in 1996 to 11.3 percent in 2000. Between 2000 and 2003, the poverty rate increased to 12.5 percent, but still remained lower than any year between 1980 and 1998 (see Economic Security Risk Factor 1, Figure ECON 1a).

Finally, the report has four appendices that provide additional data on major welfare programs, alternative measures of dependence and nonmarital births, as well as background information on several data and technical issues.