

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 2003 *Indicators of Welfare Dependence*, the sixth annual report, provides welfare dependence indicators through 2000, 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, the bipartisan Advisory Board on Welfare Indicators proposed the following definition, as one measure to examine in concert with other key indicators of dependence and deprivation:

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.

The proposed definition is difficult to measure because of limitations with existing data collection efforts. Most importantly, the available data do not distinguish between cash benefits associated with work activities and non-work-related cash benefits. In addition, there are time lags in the availability of the national data from the detailed surveys that may be best suited to measure dependence.

This 2003 report uses data from the Current Population Survey (CPS) and administrative data to provide updated measures through 2000 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 2000, 3.0 percent of the total population was dependent in the sense of receiving more than half of total family income from TANF, food stamps, and/or SSI (see Indicator 1). This rate has fallen considerably from the 5.2 percent rate measured in 1996. Overall, 5.4 million fewer Americans were dependent on welfare in 2000 compared with 1996.
- Although the 2001 dependency rate cannot yet be calculated, preliminary data suggest it will remain approximately 3 percent.

- The drop in dependence parallels the more well-known drop in AFDC/TANF and food stamp caseloads. For example, the percentage of individuals receiving AFDC/TANF fell from 4.6 percent to 1.9 percent between 1996 and 2001 (see Indicator 3). Food stamp reciprocity rates dropped from 9.5 percent to 5.7 percent over the same time period. Reciprocity rates for TANF and food stamps fell again from 2000 to 2001.
- In an average month in 2000, more than half (59 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 56 and 37 percent, respectively (see Indicator 2). Labor force participation, particularly full-time employment, increased considerably among AFDC/TANF families in the last several years.
- Spells of AFDC/TANF receipt in the second half of the 1990s were shorter than spells of AFDC receipt in the early 1990s. Only 13 percent of AFDC/TANF spells for individuals entering the AFDC/TANF program between 1996 and 1998 lasted 20 months or longer compared with 34 percent of AFDC spells beginning between 1992 and 1994 (see Indicator 8).

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 deprivation that are important not only as predictors of dependence, but also as a supplement to the dependence indicators, ensuring that dependence measures are not assessed in isolation. It is important to examine whether decreases in dependency are accompanied by improvements in family economic status or by reductions in family material circumstances. The report includes data on the official poverty rate, one of the most common measures of deprivation:

- As the dependency rate fell between 1996 and 2000, the poverty rate for all individuals fell also, from 13.7 percent in 1996 to 11.3 percent in 2000. In 2001, the poverty rate was slightly higher than in 2000 (11.7 percent), but was still lower than any year between 1980 and 1999 (see Economic Security Risk Factor 1, Figure ECON 1a).

Finally, the report has three appendices that provide additional program data on major welfare programs, as well as alternative measures of dependence and additional data on non-marital births.