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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. This *Annual Report on Welfare Indicators, March 2000* is the third of these annual reports. As directed by the Act, the report focuses on benefits under the Aid to Families with Dependent Children (AFDC) program, now Temporary Assistance to Needy Families (TANF); 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 dependency. 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 where work is required and non-work-related cash benefits. In addition, there are time lags in the availability of national survey data that provide sufficiently detailed information to measure dependence. The majority of data in this year's annual report, for example, are from 1995 and do not capture the changes that have taken place since enactment of the welfare reform act in August 1996. Nevertheless, this report provides a number of key indicators of welfare reciprocity, dependence, and labor force attachment. Selected highlights from the many findings in the report include the following:

- In 1995, the most recent year for which data are available from the Census Bureau's Survey of Income and Program Participation (SIPP), 5.1 percent of the total population was dependent in the sense of receiving more than half of total income from AFDC, food stamps, and/or SSI (see Indicator 1, Figure IND 1a). This rate is lower than the rates experienced in 1993 and 1994, but not as low as in 1987 and 1990. This dependency rate would be lower if adjusted to exclude welfare income associated with work required to obtain benefits.
- The percentage of the population that received AFDC/TANF in 1998 was lower than in any year since 1970, according to administrative data. Food Stamp Program administrative data indicate that reciprocity rates for food stamps also were at 20-year

lows (see Indicators 9a and 9b). The *dependency* rate, as defined above, can not yet be measured for 1996-1998, because of the aforementioned lags in availability of national survey data. Still, the decline in reciprocity rates strongly suggests that dependency is lower now than it was in 1995.

- Long-term dependency is relatively rare. Only 4 percent of those who were recipients in 1982 received more than 50 percent of their income from AFDC and food stamps in nine or more years over a ten-year period. This represents less than 0.5 percent of the total population. Half of the 1982 recipients never received more than 50 percent of their annual income from AFDC and food stamps over the 1982-1991 time period (see Indicator 1, Figure IND 1b).
- Recipients of AFDC, food stamps, and SSI are less apt to have a family member participating in the labor force than are individuals in the general population. In 1995, 46 percent of AFDC recipients, 54 percent of food stamp recipients, and 37 percent of SSI recipients were in families with at least one member in the labor force (see Indicator 4, Figure IND 1a). The comparable figure for the overall population was 83 percent. Full-time participation in the labor force has increased among AFDC families between 1993 and 1995, according to the SIPP data (see Indicator 4, Figure IND 1b). Other data sources indicate that this trend of increased labor force participation has continued through 1998.

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 (as, for example, if work activities increase) 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 1993 and 1995, the poverty rate for all individuals fell also, from 15.1 percent in 1993 to 13.8 percent in 1995. The poverty rate has continued to fall since then, declining to a ten-year low of 12.7 percent in 1998 (see Economic Security Risk Factor 1, Figure ECON 1a).

Finally, the report has two appendices that provide additional program data on major welfare programs, as well as additional data on non-marital births.