

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 *2007 Indicators of Welfare Dependence*, the tenth annual report, provides welfare dependence indicators through 2004, 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 that: 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. Given data limitations, we follow the Board's proposal by adopting the following definition of welfare dependence among individuals in families¹ for use in this report:

Welfare dependence is the proportion of all individuals in families that receive more than half of their total family income in one year from TANF, food stamps and/or SSI.

This report uses data from the Current Population Survey (CPS) and administrative data for the AFDC/TANF, Food Stamp and SSI programs to provide updated measures through 2004 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. Based on these data, this report provides a number of key indicators of welfare reciprocity, dependence and labor force attachment. Highlights from the report include the following:

- In 2004, 3.7 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 slightly higher than the 3.6 percent dependency rate measured in 2003, the 2004 rate is lower than the 5.2 percent rate measured in 1996. Overall, 3 million fewer Americans were dependent on welfare in 2004 compared with 1996.
- Although data are not yet available to show a clear trend in dependency rates through 2005, available data suggest that the rate may not change from 2004.

¹ Appendix D provides more information on the use of individuals, rather than families or households, as the unit of analysis for most of the statistics in this report.

- 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 5.4 percent to 1.7 percent between 1993 and 2005 (see Indicator 3). Food stamp reciprocity rates fell from 10.4 percent in 1993 to 6.1 percent in 2000 and 2001. Since then, the food stamp reciprocity rate has increased to 8.6 percent in 2005. This increase in food stamp reciprocity may explain the increase in overall dependency since 2000.
- In an average month in 2004, more than half (52 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 60 and 39 percent, respectively (see Indicator 2). Although there was a decline in labor force participation among TANF families from 2002 to 2004, full-time employment increased considerably among TANF families during much of 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 7).
- 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 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 decreased after 1993, the poverty rate for all individuals fell also, from 15.1 percent in 1993 to 11.3 percent in 2000. Between 2000 and 2004, the poverty rate increased, but still remained lower than any year between 1980 and 1997. In 2005, 12.6 percent of all individuals were poor (see Economic Security Risk Factor 1).

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.