

Indicators of Welfare Dependence

Annual Report to Congress
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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. The 2002 *Indicators of Welfare Dependence*, the fifth annual report, provides welfare dependence indicators through 1999, 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 2002 report uses data from the Current Population Survey (CPS) and administrative data to provide updated measures through 1999 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 many findings in the report include the following:

- In 1999, 3.3 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. Rates of dependence would be lower if they could be adjusted to exclude welfare income associated with work required to obtain benefits.

- The drop in dependence parallels the more well-known drop in AFDC/TANF and food stamp caseloads. The percentage of individuals receiving AFDC/TANF, for example, fell from 4.7 percent to 2.1 percent between 1996 and 2000 (see Indicator 3). Food stamp reciprocity rates dropped from 9.6 percent to 6.2 percent over the same time period. Reciprocity rates for TANF and food stamps fell again between 1999 and 2000, suggesting that dependency rates will continue to fall in 2000 (though the data are not yet available).
- In an average month in 1999, 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 58 and 38 percent, respectively (see Indicator 2). Labor force participation, particularly full-time employment, increased considerably among AFDC/TANF families in the last several years.
- Long-term dependence is relatively rare. Among individuals receiving AFDC at some point over the ten years ending in 1996, 14 percent were dependent on AFDC and food stamps for six or more years of that period (SSI income is excluded from this particular measure of dependency). This represents 1.7 percent of the total population. Another 40 percent of recipients were dependent for one to five of the ten years and 47 percent were not dependent in any year (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 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 1999, the poverty rate for all individuals fell also, from 13.7 percent in 1996 to 11.8 percent in 1999. The poverty rate fell again in 2000, declining to 11.3 percent, the lowest rate since 1979 (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.