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# Table of Contents

**Executive Summary**

**I. Introduction and Overview**

- Organization of Report
- Measuring Welfare Dependence
- Measuring Deprivation
- Data Sources

**II. Indicators of Dependence**

1. **Indicator 1.** Degree of Dependence
2. **Indicator 2.** Receipt of Means-Tested Assistance and Labor Force Attachment
3. **Indicator 3.** Rates of Receipt of Means-Tested Assistance
4. **Indicator 4.** Rates of Participation in Means-Tested Assistance Programs
5. **Indicator 5.** Multiple Program Receipt
6. **Indicator 6.** Dependence Transitions
7. **Indicator 7.** Dependence Spell Duration
8. **Indicator 8.** Program Spell Duration
9. **Indicator 9.** Long-Term Dependence
10. **Indicator 10.** Long-Term Receipt
11. **Indicator 11.** Events Associated with the Beginning and Ending of Program Spells

**III. Predictors and Risk Factors Associated with Welfare Receipt**

*Economic Security Risk Factors*

- **ECON 1.** Poverty Rates
- **ECON 2.** Deep Poverty Rates
- **ECON 3.** Experimental Poverty Measures
- **ECON 4.** Poverty Rates with Various Means-Tested Benefits Included
- **ECON 5.** Poverty Spells
- **ECON 6.** Long-Term Poverty
- **ECON 7.** Child Support
- **ECON 8.** Food Insecurity
- **ECON 9.** Lack of Health Insurance

*Employment and Work-Related Risk Factors*
WORK 1. Labor Force Attachment  
WORK 2. Employment Among the Low-Skilled  
WORK 3. Earnings of Low-Skilled Workers  
WORK 4. Educational Attainment  
WORK 5. High School Dropout Rates  
WORK 6. Adult Alcohol and Substance Abuse  
WORK 7. Adult/Child Disability  
WORK 8. Children’s Health Conditions

Non-Marital Birth Risk Factors  
BIRTH 1. Births to Unmarried Women  
BIRTH 2. Births to Unmarried Teens  
BIRTH 3. Unmarried Teen Birth Rates Within Age Groups  
BIRTH 4. Never-Married Family Status

Appendices

A. Program Data

Aid to Families with Dependent Children (AFDC) and Temporary Assistance for Needy Families (TANF)  
Food Stamp Program  
Supplemental Security Income (SSI)

B. Alternative Definition of Dependence Based on Income from TANF and Food Stamps

C. Additional Non-Marital Birth Data
List of Figures

Chapter I

SUM 1. Recipiency and Dependency Rates: 1996-1999


SUM 3. Recipiency and Dependency Rates from Two Data Sources: 1987-1999

Chapter II

IND 1a. Percentage of Total Income from Means-Tested Assistance Programs: 1999

IND 1c. Percentage of Total Income from Various Sources, by Poverty Status: 1999

IND 2. Percentage of Recipients in Families with Labor Force Participants, by Program: 1999


IND 3b. Percentage of the Total Population Receiving Food Stamps, by Age: 1975-2000

IND 3c. Percentage of the Total Population Receiving SSI, by Age: 1974-2000

IND 4a. Participation Rates in the AFDC/TANF, Food Stamp and SSI Programs: Selected Years

IND 5. Percentage of Population Receiving Assistance from Multiple Programs (TANF, Food Stamps, SSI), Among Those Receiving Assistance: 1999

IND 6. Dependency Status in 1995 of Persons Who Received More than 50 Percent of Income from Means-Tested Assistance in 1994, by Race/Ethnicity

IND 7. Percentage of AFDC Spells of Individuals in Families with No Labor Force Participants for Individuals Entering Programs During the 1993 SIPP Panel, by Length of Spell

IND 8. Percentage of AFDC, Food Stamp, and SSI Spells for Individuals Entering Programs During the 1993 SIPP Panel, by Length of Spell
IND 9. Percentage of AFDC Recipients with More than 50 Percent of Income from AFDC and Food Stamps Between 1987 and 1996, by Years of Dependency

IND 10. Percentage of AFDC Recipients, by Years of Receipt Between 1987 and 1996

Chapter III

ECON 1. Percentage of Persons in Poverty, by Age: 1959-2000

ECON 2. Percentage of Total Population Below 50 and 100 Percent of Poverty: 1975-2000


ECON 5. Percentage of Poverty Spells for Individuals Entering Poverty During the 1993 SIPP Panel, by Length of Spell

ECON 6. Percentage of Children Ages 0 to 5 in 1987 Living in Poverty Between 1987 and 1996, by Years in Poverty and Race


ECON 8. Percentage of Households Classified by Food Security Status: 2000


WORK 1. Percentage of Individuals in Families with Labor Force Participants, by Race/Ethnicity: 2000


WORK 4. Percentage of Adults Age 25 and Over, by Level of Educational Attainment: 1960-2001

WORK 5. Percentage of Students Enrolled in Grades 10 to 12 in the Previous Year Who Were Not Enrolled and Had Not Graduated in the Survey Year, by Race/Ethnicity: Selected Years

WORK 6. Percentage of Adults Who Used Cocaine or Marijuana or Abused Alcohol, by Age: 2000

WORK 7. Percentage of the Total Population Reporting a Disability, by Age: 2000

WORK 8. Selected Chronic Health Conditions per 1,000 Children Ages 0 to 17: Selected Years

BIRTH 1. Births to Unmarried Women as a Percentage of all Births, by Age Group: 1940-2000

BIRTH 2. Births to Unmarried Teens Ages 15 to 19 as a Percentage of All Births, by Race: 1940-2000

BIRTH 3a. Births per 1,000 Unmarried Teens Ages 15 to 17, by Race: 1960-2000

BIRTH 3b. Births per 1,000 Unmarried Teens Ages 18 and 19, by Race: 1960-2000


Appendix A

TANF 1. AFDC/TANF Families Receiving Income Assistance

TANF 2. Average Monthly AFDC/TANF Benefit per Recipient in Constant Dollars

FSP 1. Persons Receiving Food Stamps

SSI 1. SSI Recipients by Age, 1974–1999
List of Tables

Chapter I

SUM 1. Recipiency and Dependency Rates: 1996-1999

Chapter II

IND 1a. Percentage of Total Income from Means-Tested Assistance Programs, by Race/Ethnicity and Age: 1999
IND 1b. Percentage of Total Income from Means-Tested Assistance Programs: 1993-1999
IND 1c. Percentage of Total Income from Various Sources, by Poverty Status, Race/Ethnicity, and Age: 1999
IND 1d. Percentage of Total Income from Various Sources: Selected Years
IND 2a. Percentage of Recipients in Families with Labor Force Participants, by Program, Race/Ethnicity, and Age: 1999
IND 3b. Number and Percentage of the Total Population Receiving Food Stamps, by Age: 1975-2000
IND 3c. Number and Percentage of the Total Population Receiving SSI, by Age: 1975-2000
IND 4a. Number and Percentage of Eligible Families Participating in AFDC/TANF: Selected Years
IND 4b. Number and Percentage of Eligible Households Participating in the Food Stamp
Program: Selected Years

IND 4c. Percentage of Eligible Adult Units Participating in the SSI Program, by Type: 1993-1999

IND 5a. Percentage of Population Receiving Assistance from Multiple Programs (TANF, Food Stamps, SSI), by Race/Ethnicity and Age: 1999

IND 5b. Percentage of Population Receiving Assistance from Multiple Programs (AFDC/TANF, Food Stamps, & SSI): 1993-1999

IND 6. Dependency Status in 1995 of Persons Who Received More than 50 Percent of Income from Means-Tested Assistance in 1994, by Race/Ethnicity and Age

IND 7. Percentage of AFDC Spells of Individuals in Families with No Labor Force Participants for Individuals Entering Programs During the 1993 SIPP Panel, by Length of Spell, Race/Ethnicity, and Age

IND 8. Percentage of AFDC, Food Stamp, and SSI Spells for Individuals Entering Programs During the 1993 SIPP Panel, by Length of Spell, Race/Ethnicity, and Age

IND 9. Percentage of AFDC Recipients with More than 50 Percent of Income from AFDC and Food Stamps Across Three Ten-Year Time Periods, by Years of Dependency, Race, and Age

IND 10. Percentage of AFDC Recipients Across Three Ten-Year Time Periods by Years of Receipt, Race, and Age

IND 11a. Percentage of First AFDC Spell Beginnings Associated with Specific Events: Selected Periods

IND 11b. Percentage of First AFDC Spell Endings Associated with Specific Events: Selected Periods

Chapter III

ECON 1a. Percentage of Persons in Poverty, by Race/Ethnicity and Age: Selected Years

ECON 2. Number and Percentage of Total Population Below 50, 75, 100, and 125 Percent of Poverty: Selected Years


ECON 4. Percentage of Total Population in Poverty with Various Means-Tested Benefits Added to Total Cash Income: Selected Years

ECON 5. Percentage of Poverty Spells for Individuals Entering Poverty During the 1993 SIPP Panel, by Length of Spell, Race/Ethnicity, and Age

ECON 6. Percentage of Individuals Living in Poverty Across Three Ten-Year Time Periods, by Years in Poverty, Race, and Age


ECON 8a. Percentage of Households Classified by Food Security Status and Selected Characteristics: 2000


WORK 1a. Percentage of Individuals in Families with Labor Force Participants, by Race/Ethnicity and Age: 2000

WORK 1b. Percentage of Individuals in Families with Labor Force Participants: 1990-2000


WORK 4. Percentage of Adults Age 25 and Over, by Level of Educational Attainment: Selected Years

WORK 5. Percentage of Students Enrolled in Grades 10 to 12 in the Previous Year Who Were
Not Enrolled and Had Not Graduated in the Survey Year, by Race/Ethnicity: Selected Years

WORK 6. Percentage of Adults Who Used Cocaine or Marijuana or Abused Alcohol, by Age: 1999 & 2000

WORK 7. Percentage of the Total Population Reporting a Disability, by Race/Ethnicity and Age: 2000

WORK 8. Selected Chronic Health Conditions per 1,000 Children Ages 0 to 17: Selected Years

BIRTH 1. Births to Unmarried Women as a Percentage of All Births, by Age Group: 1940-2000

BIRTH 2. Births to Unmarried Teens Ages 15 to 19 as a Percentage of All Births, by Race: 1940-2000

BIRTH 3. Births per 1,000 Unmarried Teen Women Within Age Groups, by Race: 1960-2000

BIRTH 4. Number and Percentage of All Children Living in Families with a Never-Married Female Head, by Race/Ethnicity: Selected Years

Appendix A


TANF 5. Federal and State TANF Program and Other Related Spending, Fiscal Years 1997 to 2000


TANF 8. AFDC/TANF Benefits by State, Selected Fiscal Years 1978–2000

TANF 9. Comparison of Federal Funding for AFDC and Related Programs and 2000 Family Assistance Grants Awarded Under PRWORA

TANF 10. AFDC/TANF Caseload by State, October 1989 to June 2001 Peak


TANF 12. AFDC/TANF Recipiency Rates for Total Population by State, Selected Fiscal Years 1965–2000

TANF 13. Average Number of AFDC/TANF Child Recipients by State, Selected Fiscal Years 1965–2000

TANF 14. AFDC/TANF Recipiency Rates for Children by State, Selected Fiscal Years 1965–2000

FSP 1. Trends in Food Stamp Caseloads, Selected Years 1962–2000

FSP 2. Trends in Food Stamp Expenditures, Selected Years 1975–2000

FSP 3. Characteristics of Food Stamp Households, 1980–2000

FSP 4. Value of Food Stamps Issued by State, Selected Fiscal Years 1975–2000

FSP 5. Average Number of Food Stamp Recipients by State, Selected Fiscal Years 1977–2000

FSP 6. Food Stamp Recipiency Rates by State, Selected Fiscal Years 1977–2000

SSI 1. Number of Persons Receiving Federally Administered SSI Payments, 1974–2000

SSI 2. SSI Recipiency Rates, 1974–2000

SSI 5. Number of Persons Receiving SSI Payments by Type of Payment, 1974-2000
SSI 7. Total SSI Payments, Federal SSI Payments and State Supplementary Payments, Calendar Year 2000
SSI 8. SSI Recipiency Rates by State and Program Type for 1979 and 2000
SSI 9. SSI Recipiency Rates by State, Selected Fiscal Years 1975–2000

Appendix B

B-1. Percentage of the Total Population with More than 50 Percent of Income from Various Means-Tested Assistance Programs, by Race/Ethnicity and Age: 1999

Appendix C

C-1. Percentage of Births to Unmarried Women Within Age Groups, by Race: 1940-2000
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 recipiency, 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 recipiency rates dropped from 9.6 percent to 6.2 percent over the same time period. Recipiency 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.