

ASPE RESEARCH BRIEF

OFFICE OF THE ASSISTANT SECRETARY FOR PLANNING AND EVALUATION
OFFICE OF HUMAN SERVICES POLICY - U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

INDICATORS OF WELFARE DEPENDENCE

In 2004, 3.7 percent of the total population was considered dependent because they received more than half of their total family income from TANF, food stamps and/or SSI. This rate is marginally higher than the 3.6 percent dependency rate measured in 2003.

Overall, 3 million fewer Americans were dependent on welfare in 2004 than in 1996, the year of passage of the Personal Responsibility and Work Opportunity Reconciliation Act.

Similar to rates of dependency, length of time individuals are in welfare programs also has declined. Spells of continuous welfare receipt were shorter in the early 2000s than in the early 1990s.

Introduction

The Welfare Indicators Act of 1994 requires the Department of Health and Human Services to prepare annual reports to Congress on the extent to which American families depend on income from welfare programs. The Act specified that analyses should include benefits from the Aid to Families with Dependent Children (AFDC)/Temporary Assistance for Needy Families (TANF) program, Food Stamp program and Supplemental Security Income (SSI) program. In response, the Secretary of Health and Human Services (HHS) publishes an annual report, which provides indicators and predictors of welfare dependence. This research brief highlights the key findings from the tenth annual report in the series, reflecting changes that have taken place since enactment of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA)¹ in August 1996 and provides updated measures through 2004.

Measuring Welfare Dependence

The Welfare Indicators Act specified that analyses of means-tested assistance should include benefits from the following three programs:

ABOUT THIS RESEARCH BRIEF

This ASPE Research Brief summarizes the findings from an annual report to Congress reporting the extent to which American families depend on income from welfare programs. The 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.

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¹ Current legislative authority for the TANF block grant is from the Deficit Reduction Act of 2005 (P.L. 109-171).

1. The **Aid to Families with Dependent Children (AFDC)** program, the cash assistance program serving the largest number of persons, provided monthly cash benefits to families with children, until its replacement by the **Temporary Assistance for Needy Families (TANF)** program, which is operated directly by the states.
2. The **Food Stamps** Program provides monthly food stamp benefits to individuals living in families or alone, provided their income and assets are below limits set in Federal Law. It reaches more poor people over the course of a year than any other means-tested assistance program.
3. The **Supplemental Security Income (SSI)** program provides monthly cash payments to elderly, blind, or disabled individuals or couples whose income and assets are below levels set in Federal Law. Though a majority of recipients are adults, disabled children also are eligible.

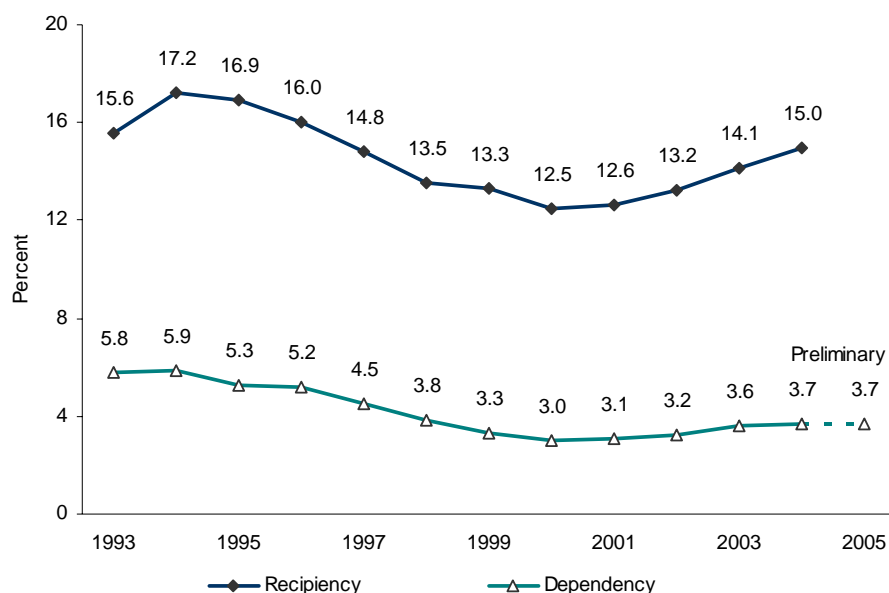
Welfare dependence, like poverty, is a continuum, with variations in degree and in duration. Families may be more or less dependent if larger or smaller shares of their total resources are derived from welfare programs. The amount of time over which families depend on welfare might also be considered in assessing their degree of dependence. For the purposes of this report we adopt the following definition of welfare dependence:

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

Highlights of Report

Welfare Dependency. In 2004, 3.7 percent of the population would be considered “dependent” on welfare under the above definition. This is about one-quarter of the percentage (15.0 percent) that lived in a family receiving at least some TANF, food stamps or SSI benefits during the year. Although data are not yet available to show a clear trend in dependency rates through 2005, available data suggest the rate may remain the same between 2004 and 2005.² However, even when considering the small increases since 2000, dependency and reciprocity rates remained significantly lower than the 1996 rates, as shown in Figure 1. While 13.74 million individuals were dependent in 1996, only 10.75 million were dependent in 2004 – representing a decline of 3 million people.

Figure 1. Reciprocity and Dependency Rates: 1993-2004



Source: Unpublished tabulations from the Current Population Survey, Annual Social and Economic Supplement, 1994-2005, analyzed using the TRIM3 microsimulation model.

² TRIM-adjusted CPS data for 2005 are not available. Non-adjusted estimates from the Annual Social and Economic Supplement to the CPS indicate a similar level of dependence between 2004 and 2005.

Welfare Caseloads. Trends in dependency rates are similar to the more well-known changes in TANF and food stamps caseloads. In the years immediately following 1996, SSI receipt fell slightly, while receipt for TANF and food stamps decreased significantly. The percentage of individuals receiving AFDC/TANF cash assistance fell from 4.5 percent to 1.7 percent between 1996 and 2005, as shown in Figure 2. Food stamp reciprocity rates fell from 9.5 percent in 1996 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 modest increase in overall dependency since 2000.

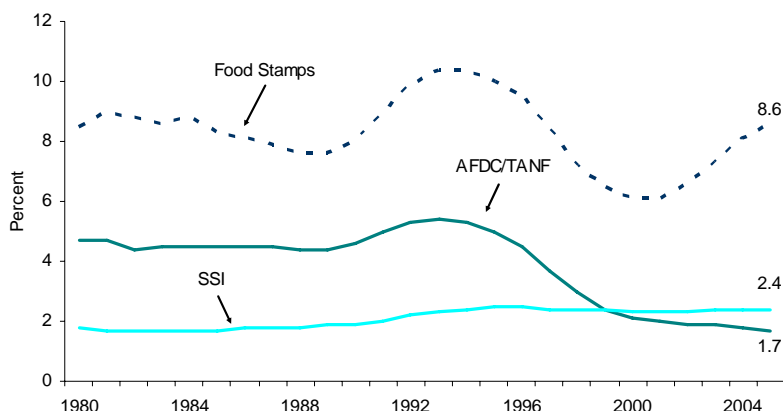
Length of Welfare Receipt. Similar to rates of dependency and reciprocity, the length of time individuals are in welfare programs also has declined. Spells of continuous welfare receipt were shorter in the early 2000s than in the early 1990s. For example, only 17 percent of spells for individuals entering TANF between 2001 and 2003 lasted 20 months or longer, compared with 31 percent of AFDC spells beginning between 1992 and 1994, as shown in Figure 3.

Poverty. To assess the social impacts of any change in dependence, changes in the level of poverty should be considered. There was an increase in the overall poverty rate between 2000 and 2004, but the poverty rate remained stable between 2004 and 2005. The poverty rate in 2005 also remains much lower than in 1993, when poverty reached its highest peak since the early 1980s. Overall, 2.2 million fewer people are in poverty and 2.4 million fewer children are in families with incomes below poverty in 2005 than in 1993.

Conclusion

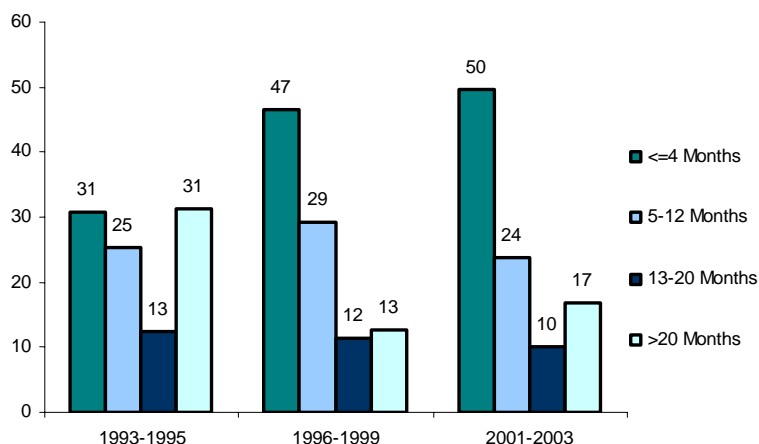
This brief has highlighted key findings on welfare dependence. A copy of the full report *Indicators of Welfare Dependence, 2007*, with these and many other indicators and risk factors of dependency, can be found at <http://aspe.hhs.gov/hsp/indicators07/>.

Figure 2. Percentage of Total Population Receiving Food Stamps, TANF or SSI: 1980-2005



Source: Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, and U.S. Census Bureau.

Figure 3. Percentage of AFDC/TANF Spells for Individuals Entering Programs



Source: Unpublished tabulations from the Survey of Income and Program Participation, 1993, 1996 and 2001 panels.

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& HUMAN SERVICES**

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