

The Dynamics of Welfare Dependence: A British Perspective

Abstract

First this paper reviews issues arising when modeling welfare benefit dependence in a non-US country, highlighting questions concerning the definition of “welfare”, the recipient unit and the time period of receipt. Second, the paper documents the dynamics of welfare dependence in Britain between 1991 and 2005, using dynamic random effects probit models applied to panel data. The decline in the overall welfare receipt rate was driven by a decline in the welfare entry rate, associated with falling unemployment rates. The welfare exit rate rose over the period, reflecting changes in the composition of the recipient population. The results also highlight a substantial heterogeneity across individuals in welfare transition rates, especially between lone parents and other groups.

Keywords: welfare, social assistance, dependence, panel data