

**Do Welfare Magnets Attract?**

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## **Abstract**

Some scholars and many policymakers claim that poor people, in order to improve their lot, move to states that offer high welfare benefits. The authors test the validity of this claim using data from six Current Population Surveys: 1982–1984 and 1986–1988. They find no evidence to support the so-called welfare magnet hypothesis. Poor people do not move from one state to another to receive more public assistance. In fact, the poor hardly move from their home state at all. True, low-income persons who move to states with generous welfare benefits are more likely to go on welfare than are poor people who move to low benefit states, but their numbers are too small to affect a state's welfare expenditures. The authors also find that low-income people who already live in high benefit states are no more likely than the poor who live in low benefit states to participate in welfare programs.

## **Do Welfare Magnets Attract?**

In a recent study, Paul Peterson and Mark Rom (1990: 73–74) suggest that "Welfare benefits are an economic signal like any other. Although most people pay welfare policy little mind when considering whether to move, it is possible that those in poverty will be aware of and influenced by the welfare benefits that different states offer. One need not think that welfare benefits are the only reason that the poor migrate to recognize those in poverty, like anyone else, are generally mindful of the economic prospects they face in various areas."

In the opinion of many state policymakers, the "magnetic effects" of welfare are more than possible; they are real, and fiscally demanding. For that reason, Governor Pete Wilson of California, the state with by far the largest number of welfare recipients, recently proposed a Taxpayers Protection Act. The Act would reduce welfare grants by as much as twenty-five percent, and is explicitly designed to reduce the incentive to move to California in hopes of obtaining better benefits, which Wilson feels many poor people have already done.

Pete Wilson is not the only governor seeking ways of demagnetizing welfare; others, such as Tommy Thompson of Wisconsin, would like to establish a two-tiered system of welfare benefits whereby recent migrants receive lower payments than long-time residents of a state. Such nativism has a long tradition in American politics, particularly where welfare is concerned. Corbett (1991: 20) reminds us that migrants were treated harshly in this country under the poor laws of the eighteenth and nineteenth centuries. Poor transients were "warned out" or evicted, residency requirements were established for public assistance, and a system of charge-backs was arranged for billing migrants' previous place of residence for the cost of aiding them in their new locale. The sentiment, and some of the practices, survived in many local relief programs of the twentieth century.

Although they are not new, policymakers' concerns about the magnetic draw of welfare benefits have intensified recently. Two developments may explain this. Residency requirements were declared unconstitutional in 1969 by the U.S. Supreme Court, depriving states and localities of their favorite

means of excluding poor migrants from the welfare rolls.<sup>1</sup> About the same time, economic changes spurred substantial movement toward the Sunbelt. Large numbers of people, some of them poor, left their home states in search of jobs and other amenities in the South and West. As a result of this movement, one-third of the nation's population now lives outside of the state or country in which they were born, according to the Bureau of the Census (1992). Given this shift in population, it is not surprising that state officials worry about attracting too many poor people and seek ways of repelling them.

To justify exclusionary measures, state and local policymakers have tried to document the effect of massive internal migration on welfare rolls. Wisconsin provides a good example of how this may be done. The state recently commissioned a study by James Wahner and Jerome Stepaniak, who examined 74,763 AFDC cases opened between September 1985 and August 1988 (Corbett 1991). They discovered that twenty-nine percent of the new cases involved families headed by nonnatives, that is, individuals who were not lifelong residents of Wisconsin. Similar studies in other states have discovered the same thing: a substantial portion of welfare recipients are migrants whose behavior ostensibly reveals a preference for generous welfare benefits.<sup>2</sup>

Studies of the residential origin of AFDC recipients make good political headlines, but they are not very scientific. Policymakers would undoubtedly discover that a substantial percentage of state driver's licenses are held by nonnatives, if they ordered a study of the backgrounds of licensees. This is surely not because people are attracted to states with easy examinations and road tests. Rather, it is an incidental effect of interstate migration, and it is not the only one. Precisely because migration is so common, nonnatives are bound to represent a significant fraction of those who are affected by state policies of any kind, not just welfare.<sup>3</sup> Only if nonnatives are disproportionately poor is there any reason to think that benefits actually induce migration.

With regard to the purported magnetic effects of welfare, then, the relevant question is not "What proportion of AFDC recipients are migrants?", but rather "What proportion of migrants become AFDC recipients?" Even more precisely, the question is "What proportion of migrants relocate in order to obtain better benefits than were available in their previous state of residence?"--a formulation that highlights the importance of people's motives for moving from one state to another. Such motives vary; they include the desire to be near family and friends, to have better job opportunities, and to live in a cleaner, safer environment. The motives may also include the availability of better welfare benefits, as politicians claim, though the evidence in support of this claim is surprisingly thin, as we shall see.

A related question involves the retentive power of welfare benefits. High benefits may hold the poor in place, deterring migration to states with better economic conditions or other attractions. Indeed, Peterson and Rom (1990: 20) suggest that the number of poor immigrants drawn to states with high benefits may be substantially less than the number of poor who refuse to leave such states even after employment prospects deteriorate and wages stagnate or decline. Perhaps this is because the poor want to reside in states with liberal benefits, just in case they need assistance at some future date. However, the clear implication of Peterson and Rom's claim is that poor people in liberal states actually receive welfare benefits, and these benefits overcome the attraction of other states' economic, social, and political opportunities.

Here again the question of motivation comes to the fore. Do poor individuals choose to remain in place *because* they have access to good welfare benefits? Or do they decide against moving out of a desire to remain close to family, friends, or labor markets that are depressed, but nevertheless familiar and hence easier to negotiate? Subsequent receipt of welfare benefits would then be incidental to people's choice of residence; having decided to stay, and finding themselves in need, poor people avail themselves of public assistance, though that may not be why they decided to stay in the first place.

Obviously, an accurate assessment of the magnetic effects of generous welfare benefits depends on knowing why some poor people stay put, while others move across state lines. Unfortunately, there are no systematic studies of the residential choices of the indigent population; all we have are the "revealed preferences" of poor people, as expressed in their geographic settlement patterns. These revealed preferences cannot confirm the hypothesized effects of welfare benefits, since they do not tell us *why* people choose to live where they do. Even if we observe behavior that is consistent with the alleged effects, we cannot be certain that high welfare benefits are the primary reason why poor people move to high benefit states, and stay there.

On the other hand, revealed preferences can be helpful in disconfirming the welfare magnet hypothesis. If poor people do not move to states with high benefits, or if they move to such states but do not apply for assistance, the attractive power of high benefits cannot be very strong, suspicions of state policymakers to the contrary notwithstanding. Similarly, if poor people who continue to reside in high benefit states show no great inclination to draw benefits, then it is hard to see how they are being held in place by the retentive power of welfare magnets. Hence, we can at least use information about settlement patterns to examine the plausibility of the welfare magnet hypothesis.

## RELATED RESEARCH

Recently there have been four large-scale attempts to measure the magnetic effect of welfare benefits.<sup>4</sup> The best-known, and least satisfactory, study is that by Peterson and Rom (1990), who examined the effect of welfare benefit levels on changes in state poverty rates, and vice versa. Using aggregate data, Peterson and Rom found that states with high benefits experienced unusually large increases in poverty rates from 1970–1975, 1975–1980, and 1980–1985. The increases in poverty rates could not be explained by increases in unemployment or declines in wages and personal income. Hence Peterson and Rom concluded that changes in aggregate poverty rates must have been at least

partially the result of individuals' decisions to move to states with higher benefit levels, or remain there upon losing their jobs or other sources of income.

Peterson and Rom do not actually show that poor people migrate to high benefit states, let alone that migrants move in order to receive better benefits. Indeed, they cannot, given their reliance on aggregate data. Peterson and Rom resort to ecological inference to make their case: since the observed outcome is consistent with the migration of poor people in search of better benefits, it must have occurred because poor people are attracted to liberal states and remain there, once settled. The logical pitfalls of this approach are obvious. The same outcome could be the result of any number of decision-making processes, some of them not even involving the behavior of poor people. For example, poverty rates may have increased because middle- and upper-income groups left for better opportunities elsewhere, opportunities not available to the poor. The fact that different processes operating at the individual level can produce identical outcomes in the aggregate has generally led social scientists to avoid the sort of argument that Peterson and Rom advance.

Three recent studies of migration and welfare are better, insofar as they employ data about individuals and their behavior. Unfortunately, these studies suffer from other problems. Rebecca Blank (1985) tested the combined impact of welfare benefits and wages on migration between ten regions, using information from 2,459 respondents in the March 1979 Current Population Survey. But she did not attempt to analyze the independent effect of welfare benefits on migration, nor did she examine migration patterns between states within the same region. Consequently, the findings of her study do not directly address the welfare magnet hypothesis.

A study by Gramlich and Laren (1984) used data from the Panel Study of Income Dynamics (PSID) and a subsample of the 1980 Census. Gramlich and Laren examined the behavior of 1,220 female-headed families on AFDC over a five-year interval of time. They concluded that "migration in response to AFDC benefit levels does seem to take place, though very sluggishly" (Gramlich and Laren

1984: 491). Indeed, the process was so sluggish that it would take about forty-five years for half of their respondents to end up in high benefit states, starting from a situation in which all states paid equal benefits, and then introducing benefit differentials comparable to those observed in 1980.

Sophisticated though it is, the study by Gramlich and Laren has its faults. The PSID sample has severe problems of attrition. Those most likely to be lost at each wave of the panel are individuals who move out of state. Consequently, the PSID tends to lose data on precisely those people whose behavior is at the center of the dispute about welfare's magnetic effects. Supplementing the PSID sample with 1980 Census data is not a solution to this problem. In fact, use of the 1980 Census leads to the opposite problem, since it defines respondents' prior homes as the state of residence in 1975. Anyone who moved to a high benefit state in the intervening five years and was on AFDC in 1980 could have been lured by the expectation of generous assistance, according to this measure. Yet the magnetic effects of welfare surely operate in the short run, not over the long haul; a 1979 migrant might have been drawn by the prospect of good benefits in 1980, but not someone who moved in 1976, four years before 1980 benefits were set.

The most promising study to date uses information gathered in the Study of Income and Program Participation, or SIPP. Rebecca Clark finds some evidence of low-income mothers' willingness to move to neighboring states in order to obtain better benefits, though these women apparently do not consider longer moves that would yield even higher benefits. As Clark (1992: 10) puts it, solo mothers on welfare "who live *near* a state with substantially higher payments than the state they live in are more likely to migrate than those whose states are relatively more generous." Otherwise, "the level of welfare payments in a state *relative to all other states* does not significantly affect migration." (Both emphases are added.)

Unfortunately, the number of state-to-state movers in the SIPP data is small, which makes it difficult to test hypotheses about migration. About 15 percent of the typical SIPP panel move during a



twelve-month period. However, only 1.6 percent of the SIPP panel move from one state to another in the course of a year, whereas about 3 percent of the Current Population Survey sample consists of state-to-state movers (DeAre 1990: 15). Thus, SIPP undersamples the group of people whose behavior is most relevant to hypotheses about welfare's magnetism. Since the number of state-to-state movers is small to begin with, the undersampling of SIPP produces too few cases for reliable statistical analysis, particularly when serious problems of panel attrition are taken into account.

We are convinced that Current Population Surveys provide the best available source of information for a study of welfare's magnetic effects. These surveys contain information on respondents' current state of residence, previous state of residence, income, occupational history, AFDC benefits received, public assistance received, and employment status. The samples are very large, generally including about 56,500 households (or between 154,492 and 181,488 individuals), and separate samples are available for 1982, 1983, 1984, 1986, 1987, and 1988.<sup>5</sup> The large sample sizes include a substantial number of people who move from one state to another, and because we know where these people live it is easy to add contextual information on employment, wages, welfare benefits, and other possible motives for moving.

Most importantly, the surveys include sizable numbers of those who are most likely to consider welfare benefits when deciding where to live: poor women of childbearing age. Under our definition, this group includes all women between the ages of fourteen and forty-five who live in households with a total income less than or equal to 125 percent of the poverty line.<sup>6</sup> This is the group from which AFDC recipients are potentially drawn, and AFDC is the central focus of the welfare magnet hypothesis and political controversy surrounding it.<sup>7</sup>

The CPS can be used to test the following propositions about the magnetic effects of welfare benefits:

1. All else equal, poor women of childbearing age are likely to move from states that pay low benefits to states with higher AFDC payments, AND
2. Such migrants are especially likely to enroll in AFDC once they arrive at their destination, since they are drawn by the promise of higher benefits.
3. Poor women who do not move are more likely to participate in AFDC if they reside in high benefit states than poor women who remain in low benefit states, all else equal.

Predictions 1 and 2 work together, and represent the powers of attraction often attributed to generous welfare benefits. By itself, prediction 1 does not get to the question of motivation. If poor women are moving *in order to obtain better benefits*, as the welfare magnet hypothesis implies, then they ought to become welfare recipients in their new state of residence. Otherwise it is hard to attribute the move to the pull of higher benefits; in such cases other factors (e.g., employment opportunities) are probably supplying the attractive force.

Prediction 3 summarizes claims about the holding power of high benefits. If the availability of high benefits deters migration, then poor women who remain in high benefit states ought to take advantage of those benefits. It is difficult to argue that women who do not actually receive benefits are nevertheless being held in place by the availability of generous payments. That can only be true if poor women regard AFDC as a kind of insurance, remaining in high benefit states in case they need help in future years. While that might save the hypothesis, it does so by imputing a far-sighted calculation to people whose financial situation often prohibits long-range planning, and by substantially weakening the political relevance of putative magnetic effects.<sup>8</sup>

## MIGRATION DECISIONS OF POOR WOMEN

Information from 48,192 respondents was used in our analysis. Table 1 lists the number of respondents according to the year in which they were interviewed. It also indicates how many

respondents moved from another state in the year preceding their interview. Obviously, interstate migration rarely occurs among poor women of childbearing age. In any given year about five percent of these women move across state lines, and the rate of migration seems to be slowing with the passage of time.<sup>9</sup>

What distinguishes migrants from nonmigrants? Our data indicate that, in general, poor women migrants tend to be young, white, high school graduates with small families. They also have incomes near or slightly above the poverty threshold, providing the wherewithal for moving. These migrants do not fit the stereotypical image of a footloose underclass pursuing the most lucrative welfare benefits. They are the children and women next door, so to speak, not the "welfare queens" of political lore.

Poor women who are older, have larger families, and earn little or no income are less likely to move. The number of children makes it harder for these women to disengage from a community, and a lack of education may dampen their awareness of opportunities elsewhere. Moreover, such women may not be able to afford an interstate move, given their dire financial straits: these women live in households with incomes well below the poverty line. The fact that nonmigrants come disproportionately from the ranks of minority women for whom congenial residential alternatives are limited further contributes to the inertia.

The low rates of migration reported in Table 1 suggest that welfare benefits have only a weak attraction for potential AFDC recipients. If poor women were aggressively seeking higher benefits, Table 1 would show much higher rates of migration than it does. By itself, this finding does not

**TABLE 1****Poor Women of Childbearing Age, CPS 1982–1984, 1986–1988**


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Year	Rate of Number	Nonmigrant	Migrant	Migration
1982	8,146	7,721	425	.052
1983	8,670	8,220	450	.052
1984	8,712	8,212	407	.047
1986	7,648	7,283	365	.048
1987	7,620	7,275	345	.045
1988	7,396	7,068	328	.044
Pool	48,192	45,779	2,320	.048

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**Note:** All figures in this table and in the text discussion are unweighted.

disprove the welfare magnet hypothesis, however, since low rates of migration can still produce large flows of population.

More damaging to the welfare magnet hypothesis is the fact that women who do migrate show no preference for states with high benefits. The 2,320 migrant poor women in our pool of respondents were as likely to settle in states with low benefits as states with high benefits. This is evident in Table 2, which summarizes the results of an OLS regression analysis of the residential choices of 48,192 poor women of childbearing age.

The estimates presented in Table 2 are based on a simple "gravity model" of residential choice (Cadwallader 1992).<sup>10</sup> Gravity models assume that migration between one state and another is directly proportional to the size of the population of the sending state, and inversely proportional to the distance between the sending and receiving states. The model can be altered by adding other considerations (e.g., the level of welfare payments in receiving states) to see if they raise or lower the natural flow of population stipulated by the gravity model.

Our adaptation of the gravity model has a simple logic. In deciding where to live, a poor woman can choose to remain where she is, or move to one of forty-seven other states in the continental United States.<sup>11</sup> Differences in welfare benefits enter into her calculation, according to the welfare magnet hypothesis: all else being equal, states with higher benefits will be more attractive than states with lower benefits. Indeed, the state with the highest benefit will be most attractive of all, and poor women will be drawn to it in large numbers unless countervailing considerations come into play.

The same will be true of wage differentials. Public assistance is one possible source of income; wages are another, and often better, means of support. Thus, poor women who base their choice of residence primarily on prospective income must take prevailing wage levels into account. This is true even for those inclined to trade income for leisure, as some economists put it. Such

TABLE 2

## Migration Choices of Poor Women of Childbearing Age

	Parameter Estimate	Standard Error	t Value	Pr t=0
Variable				
Intercept	0.00201600	0.00006562	30.727	0.0001
Wage differential <sup>a</sup>	-0.00000036	0.00000048	-0.743	0.4577
Welfare benefit differential <sup>a</sup>	-0.00000006	0.00000033	-0.168	0.8663
Cost of living differential	-0.00000080	0.00000005	-16.972	0.0001
Model fit				
R-square	.021			
Adj. R-square	.021			
Root MSE	.004			
Number of state pairs	13,633			

**Source:** Authors' calculations based on Current Population Surveys.

**Note:** Calculations based on unweighted sample.

<sup>a</sup>Adjusted for cost of moving.

women may opt for welfare as their primary source of income, but for the majority of them "spells" on welfare are fairly short. Public assistance payments must therefore be replaced by income from another source (e.g., wages) at least until a return to welfare becomes possible. Thus, the prospect of earning higher wages ought to influence location decisions, just as the generosity of public assistance ostensibly does.

Income is not the only consideration, however. Often states with better wages and liberal AFDC benefits have higher costs of living, which reduce their attractiveness somewhat. Conversely, costs of living are often lower in states with low wages and niggardly benefits. Thus, the *net* improvement in living standards will be the deciding factor, after the costs of moving are taken into account. Such costs include separation from family and friends, as well as the financial expense of transporting family and personal belongings across state lines.<sup>12</sup>

The decision-making process can be summarized in the following way:

$$[1.0] \quad M_{ijt} = a_1 + b_1 \text{BENEFIT}_{ijt} + b_2 \text{WAGE}_{ijt} + b_3 \text{COL}_{ijt}$$

where

- $M_{ijt}$  = the proportion of poor women of childbearing age who move from state  $i$  to  $j$  in the year preceding the CPS interview;
- $\text{BENEFIT}_{ijt}$  = the difference in benefits available in states  $i$  and  $j$  at the time of interview, adjusted for moving costs;<sup>13</sup>
- $\text{WAGE}_{ijt}$  = the difference in wages available in states  $i$  and  $j$  at the time of interview, adjusted for moving costs;<sup>14</sup>
- $\text{COL}_{ijt}$  = the difference in the cost of living for states  $i$  and  $j$  at the time of interview, as calculated by McMahon and Chang (1991), using 1981 as the base year.
- $i$  = state of residence in year prior to survey  
 $j$  = state of residence at time of survey  
 $t$  = year of survey (1982, 1983, 1984, 1986, 1987, 1988)

Model 1 is applied to a 48 x 48 table of states, in which current state of residence forms one dimension, and previous state of residence is the other. For women who do not move, the states are identical ( $i=j$ ), and these cases are classified into the diagonal elements of the table. The off-diagonals report population flows from  $i$  to  $j$ , and from  $j$  to  $i$ , respectively. Each of these cells records the observed rate of migration by poor women from one state to another, calculated for the pooled sample of 48,192.

The table contains 2,304 cells, but since we analyze six Current Population Surveys, there are a total 13,824 units of analysis (if we ignore missing data problems). For example, there are six cells containing a total of 4,804 respondents who lived in California at the time of the survey. Twenty, or 0.6 percent, of them had recently moved from Texas, where welfare benefits were half the level of assistance in California and where wages were also substantially lower. Another six cells include twenty-one poor women who moved from California to Texas, where living costs were about fifteen percent lower. For the years in our sample, there were a total of 4,804 respondents in the California subsample, so the rate of immigration to Texas was about 0.4 percent. The net exchange in our sample was one person, a finding that is consistent with other studies tracking the flow of population into, and out of, California.<sup>15</sup>

As Cebula (1979: 111–112) notes, it is important to consider immigration and emigration separately when analyzing the impact of welfare benefit differentials on residential choice. If the welfare magnet hypothesis is true, there should be an exodus from low benefit states to areas where benefits are higher, reflecting the attraction of high benefits. Movement out of high benefit states should be minimal, since the hypothesis also refers to the holding power of liberal welfare benefits, that is, their depressing effect on emigration.

Table 2 shows no support for the welfare magnet hypothesis, however. The proportion of poor women of childbearing age who move from one state to another is unaffected by welfare benefit



differentials, adjusted for moving costs. Such women are as likely to move to states with low benefits as they are to settle in states with high benefits. Wage differentials are similarly unimportant in poor women's residential choices: they are as likely to move to states with low wages as they are to settle in states with high wages. Evidently, interstate differences in welfare benefits and wages are too small to affect residential choices when the costs of moving are also considered.

Poor women's sensitivity to costs is clearly registered in Table 2, where areal differences in the cost of living are negatively and significantly related to residential choices. Our sample of respondents stayed where they were or else moved to states with lower living costs. In so doing, they avoided states with higher benefits and wages, perhaps because they understood that moving to these states would not necessarily increase their purchasing power. There is no gain in purchasing power if higher prices for food, clothing, and shelter consume any increase in income from wages or public assistance. In fact, purchasing power may fall upon moving to states with better wages and nominally higher benefits, if the cost of living is dramatically higher—a possibility that is generally overlooked by those who worry about the magnetic effects of welfare on the behavior of poor women.

#### MIGRANTS' CONSUMPTION OF WELFARE BENEFITS

The welfare magnet hypothesis alleges that poor women will move to states with high benefits, *and that they will then participate in welfare programs like AFDC*. The second claim is just as important as the first; if poor women do not take advantage of welfare in their new state of residence, neither their numbers nor their motivations are relevant to welfare policymakers.

We have already seen that most poor women of childbearing age do not move across state lines. Migrants constitute less than five percent of our sample of poor women of childbearing age, and the vast majority of them do not receive welfare in their new state of residence. In fact, only 330 of our 2,320 migrants were on AFDC when they were interviewed for the Current Population Survey. A

participation rate of thirteen percent is not very high, particularly when the number of migrants is itself small.

On the other hand, the handful of poor women in our sample who moved to high benefit states were significantly more likely to participate in AFDC than those who took up residence in low benefit states. This is evident in Table 3, which reports estimates from a logistic regression analysis of the determinants of AFDC participation by migrants. The analysis assumes that the decision to move to another state, and the decision to then participate in AFDC, are affected by individual characteristics that dispose a person to move.<sup>16</sup> The same factors affect participation in AFDC.

For example, a respondent's race, age, education, and income are known to be related to welfare consumption. Those who are most likely to enter AFDC are older, ill-educated women of color with large families. The same women are less likely to exit the program than are younger women. Thus, at any given moment AFDC participation by migrants is likely to be positively related to our RACE, AGE, INCOME, and CHILDREN variables, and negatively related to EDUCation.<sup>17</sup>

The decision to enroll in AFDC also depends on conditions in the new state of residence. Where rates of unemployment are high, migrants may find it difficult to earn a living, and may be forced onto welfare. Conversely, high wages may lower rates of AFDC participation by giving migrants a source of income that is more lucrative than public assistance. Of course, this depends on benefit levels, and everything else being equal, those who settle in high benefit states may be especially likely to enroll in AFDC. At least, that is what previous researchers have concluded.<sup>18</sup>

Model 2.0 summarizes these relations:

$$[2.0] \quad AFDC_r = a_2 + b_4 RACE_r + b_5 AGE_r + b_6 EDUC_r \\ + b_7 CHILDREN_r + b_8 INCOME_r + b_9 JOBSEEK_r + b_{10} JOBLESS_i \\ + b_{11} GUARANTEE_i + b_{12} WAGE_i$$

where

- $AFDC_r$  = a dichotomous variable, scored one if respondent was in receipt of AFDC at the time of survey, zero otherwise;
- $RACE_r$  = a dichotomous variable, scored one if respondent was not white, zero if white;

TABLE 3

**Determinants of AFDC Participation: Migrant Poor Women of Childbearing Age**

	Parameter Estimate	Standard Error	Wald Chi-Square	Pr > Chi-Square
Intercept	-5.0882	0.9163	30.8324	0.0001
Individual characteristics				
Race (nonwhite)	0.9412	0.1817	26.8342	0.0001
Age	0.0249	0.0089	7.9007	0.0049
Education	-0.1310	0.0275	22.7285	0.0001
Household circumstances				
Number of children < 18	0.3360	0.0475	50.0429	0.0001
Total household income	-0.0001	0.0000	29.1503	0.0001
Seeking work?	0.6688	0.2275	8.6391	0.0033
New state conditions				
Unemployment rate	0.0961	0.0403	5.5867	0.0171
Ave. wages (COL adjusted)	0.0004	0.0017	.0674	0.7951
Welfare guarantee (COL adjusted)	0.0053	0.0011	25.7006	0.0309
Time effects <sup>a</sup>			2.5060	
State effects <sup>b</sup>			61.3980	
Model fit				
-2 log likelihood				
Intercept only	1,877.875			
Intercept and covariates	1,588.346			
Chi-square	289.529 with 59 df (p<.0001)			
Pseudo R-square	.41			
Percent classified correctly	85.0			
Number of respondents	2,256			

**Source:** Authors' calculations based on Current Population Surveys.

**Note:** Calculations based on unweighted sample.

<sup>a</sup>1982 is excluded. There are dummy variables for five years (1983, 1984, 1986, 1987, and 1988).

<sup>b</sup>Wyoming is the contrast state. Montana and New Hampshire are excluded because no migrants in our sample originated from those states. There are dummy variables for forty-five states.

AGE <sub>r</sub>	=	respondent's chronological age, in years;
EDUC <sub>r</sub>	=	highest grade completed by respondent;
CHILDREN <sub>r</sub>	=	number of respondent's children under 18;
INCOME <sub>r</sub>	=	total income of respondent's household;
JOBSEEK <sub>r</sub>	=	a dichotomous variable, scored one if respondent reported she was looking for work, zero otherwise;
JOBLESS <sub>i</sub>	=	unemployment rate in state of residence at time of survey;
GUARANTEE <sub>i</sub>	=	maximum monthly AFDC payment for a family of three, plus the value of Food Stamps, adjusted for cost of living in state of residence at time of survey;
WAGE <sub>i</sub>	=	average weekly manufacturing wage, adjusted for cost of living in the state of residence at the time of survey;
r	=	respondent;
i	=	state of residence at time of survey.

From Table 3 it is apparent that the group of women who are most likely to move are least likely to enroll in the AFDC program. Not many young, white, better educated women with small families and incomes near the poverty threshold receive welfare benefits in their newly adopted state. On the other hand, enrollment in AFDC is significantly higher among older, ill-educated women of color who have several children and little or no household income. Although these women are not particularly likely to move, a disproportionately large number end up receiving AFDC when they do migrate. Perhaps this is because moving exhausts family resources, leaving women with bigger families more exposed to economic hardship than those with somewhat higher incomes and fewer mouths to feed.

Respondents who spent time searching for employment are especially likely to be on welfare. Probably this is because those who found employment or some other source of support had no need for AFDC (or else their income made them ineligible for assistance). Of course, it could also be that AFDC recipients assumed that this was the proper response to give to interviewers employed by the government. Many welfare departments emphasize training and employment programs for recipients, such as, the Work Incentive Program or various "workfare" experiments. Hence it is not surprising that searching for work and receipt of AFDC were significantly related in our sample of migrants.

Migrant women were also more likely to receive welfare if they settled in states with high wages, according to Table 3. This is true even when geographic variation in the cost of living is taken into account.<sup>19</sup> High wages are most often paid in urban states, which have well-developed industrial bases. Urban states also contain sizable minority populations, and this may be especially attractive to the migrant women in our sample, who are disproportionately nonwhite.

Although there is no evidence to suggest that poor women *are especially attracted* to states with high benefits, liberal payments do seem to encourage greater use of programs like AFDC by poor women migrants, once they resettle and find themselves in need. Of course, the exact impact of benefits on participation varies, since the relation is nonlinear. However, the estimates in Table 3 can be used to compute the probability of enrollment in AFDC at different benefit levels, holding other explanatory variables constant at their mean values. These calculations show that a poor woman who moves to a state with a monthly AFDC and Food Stamp guarantee of \$600 is almost twice as likely to receive public assistance as one who moves to a state with a guarantee of \$450, and is three times as likely as someone who settles in a state with a guarantee of \$300.<sup>20</sup>

There is a straightforward explanation for migrants' heavier use of AFDC in high benefit states: it is easier to qualify for benefits in their new state of residence. Families are eligible for AFDC once their financial needs (as estimated by the state) exceed income, assuming they meet other conditions for eligibility. Many states use low estimates of need, thereby establishing stringent means tests and capping benefits at low levels for those who manage to qualify for AFDC because of their absolute impoverishment. A few states use more realistic estimates of need, establishing somewhat looser means tests and paying better benefits (even for those with a small amount of earned income). Thus, poor women who move to low benefit states may find it particularly difficult to qualify for assistance, while those who settle in high benefit states will have an easier time obtaining aid. That would account for the observed pattern of probabilities.

The finding that migrants who settle in high benefit states are more likely to draw welfare benefits is suggestive, but it does not unambiguously support the welfare magnet hypothesis. Perhaps poor women really are attracted to high benefit states because they know it will be easier to qualify for AFDC, and because they want to increase their income from public assistance. On the other hand, the effect could be incidental to migration. For a variety of reasons having nothing to do with welfare benefits poor women may move to states that have relatively liberal AFDC programs. Once there, and finding themselves in need, these women may avail themselves of state services just like longtime residents or even natives of the state in question.

From the Current Population Surveys it is impossible to know which explanation is correct. One thing is certain, however. The magnetic effect of welfare benefits on migration is minuscule, even if we assume that every poor woman of childbearing age who moved to another state and received welfare did so in order to obtain larger payments. In our entire sample of 48,192 women only 330--less than one percent--fit this description.<sup>21</sup> Applying that rate to the entire population of eleven million poor women of childbearing age in 1988, it seems as if no more than 77,000 AFDC cases *in the entire nation* might fit the profile of recipients feared by state policymakers concerned about their states becoming a haven for the poor.<sup>22</sup> At a time when the total monthly caseload for AFDC was averaging in excess of 3.7 million families, the number is hardly worth bothering about.<sup>23</sup>

#### NONMIGRANTS' CONSUMPTION OF WELFARE BENEFITS

Policymakers from states that pay relatively generous benefits fear being overwhelmed by hordes of newly arrived poor people, but the "holding" effects of welfare benefits are potentially much more important than their "attracting" effects. The number of poor who migrate is small, and the number of poor migrants who enroll in AFDC is smaller still. Of necessity, the magnetic effects of attraction are going to be tiny. On the other hand, the number of poor who do not migrate, and who

might conceivably remain in place in order to receive good benefits, is huge. Thus, it is here that the case for "welfare magnets" must ultimately rest.

One possible explanation for the low rate of migration in the 1980s is that during the 1970s poor people flocked to high benefit states and can no longer improve their situation by additional moves. Table 4 shows how implausible this claim is. In every one of the six surveys included in our analysis, half of the nonmigrant poor lived in states where monthly benefits were \$150 less than the amount of assistance available in the most generous state. Apparently, benefit differentials of this magnitude were not enough to induce these people to leave family or friends behind and take up residence elsewhere.

Poor women who lived in high benefit states were not especially likely to enroll in AFDC, interestingly enough. The power of high benefits to hold people in place certainly suggests that rates of participation in public assistance programs will be higher in liberal states, for if benefits are so generous as to deter emigration, they must surely be large enough to draw proportionally more poor women to welfare. But this is not the case, as the results in Table 5 demonstrate.

Table 5 is based on a logistic regression of AFDC participation among nonmigrants. The model is identical to that used in the preceding section; the only difference is in the subsample over which the model is estimated.

According to Table 5, poor females of childbearing age who remain in place are more likely to receive AFDC if they are older, ill-educated women of color who have large families and little or no household income. These same characteristics helped explained AFDC participation by migrants in Table 3. What sets nonmigrants apart from migrants is the fact that rates of participation are not significantly affected by prevailing wages or AFDC benefit levels (corrected for geographic variation in the cost of living).<sup>24</sup>

TABLE 4

**Residential Choice of Poor, Nonmigrant Women of Childbearing Age,  
CPS 1982–1984, 1986–1988**

Year	Number of Nonmigrant Women	Lowest Benefit Guaranteed by a State	Median Benefit Guarantee	Highest Benefit Guaranteed by a State
1982	7,721	\$ 294.80	\$ 457.53	\$ 629.81
1983	8,321	307.29	456.62	632.02
1984	8,305	301.61	468.79	636.74
1986	7,283	325.13	461.52	632.22
1987	7,275	322.74	463.92	609.68
1988	7,396	331.10	471.03	616.67
Pool	46,301	\$ 294.80	\$ 466.37	\$ 636.74

**Note:** All figures in this table are unweighted. Benefit amounts are from various editions of the *Green Book* and are the combined AFDC/Food Stamp benefit for a three-person family.



TABLE 5

**Determinants of AFDC Participation: Nonmigrant Poor Women of Childbearing Age**

	Parameter Estimate	Standard Error	Wald Chi-Square	Pr > Chi-Square
Intercept	-0.6037	0.5766	1.0962	0.2951
Individual characteristics				
Race (nonwhite)	0.9619	0.0307	981.8990	0.0001
Age	0.0185	0.0015	155.5583	0.0001
Education	-0.0497	0.0048	106.5885	0.0001
Household circumstances				
Number of children < 18	0.1924	0.0084	523.6157	0.0001
Total household income	-0.0000	0.0000	499.2525	0.0001
Seeking work?	1.0729	0.0430	622.3368	0.0001
State conditions				
Average wages (COL adjusted)	-0.0006	0.0014	0.2071	0.6490
Unemployment rate	-0.0104	0.0135	0.5966	0.4399
Welfare guarantee (COL adjusted)	-0.0011	0.0008	1.9387	0.1638
Time effects <sup>a</sup>			43.6020	
State effects <sup>b</sup>			992.4780	
Model fit				
-2 log likelihood				
Intercept only	45,761.198			
Intercept and covariates	40,591.104			
Chi-square	5,170.093 with 61 df (p<.0001)			
Pseudo R-square	.48			
Percent classified correctly	79.4			
Number of respondents	43,980			

**Source:** Authors' calculations based on Current Population Surveys.

**Note:** Calculations based on unweighted sample.

<sup>a</sup>1982 is excluded. There are dummy variables for five years (1983, 1984, 1986, 1987 and 1988).

<sup>b</sup>Wyoming is the contrast state. There are dummy variables for forty-seven states.

The availability of an attractive alternative to welfare in the form of high wages should depress participation in AFDC. But in our sample nonmigrant women living in high wage states were just as likely to receive AFDC as were nonmigrant women in low wage states. Perhaps this is because welfare recipients value their time, preferring the cash benefits and "leisure" of AFDC to higher earnings, as some economists have suggested.<sup>25</sup> More likely it is because well-paying jobs are not available in areas where poor women live, although they can be had elsewhere in the state (for those who are willing and able to move). Such a mismatch could cause poor women to leave the work force, and anyway the families of nonmigrants are larger, the demands on parents' time are correspondingly greater, and it is therefore harder to find and hold good jobs.

Contradicting these explanations is the fact that a large number of our nonmigrant respondents claim to be looking for work. Even if we allow for the possibility that respondents are exaggerating their search for employment, it seems probable that many would trade the "leisurely life of AFDC" for a decent job. Many others continue to look for work in depressed neighborhoods, in spite of competing demands of family life.

Of course, jobs with the greatest appeal pay a good wage and also provide fringe benefits. AFDC recipients automatically qualify for Medicaid, and the value of health benefits often exceeds the value of cash assistance alone. Therefore, a job paying a high wage may not be sufficient to draw women out of AFDC. Unless the job includes health benefits for poor women and their families, they are better off remaining on welfare. That thoroughly rational conclusion may explain the absence of any evidence that high wages reduce enrollment in AFDC in Table 5.<sup>26</sup>

Interestingly, nonmigrants' participation in AFDC is not more common in liberal states, where eligibility is looser and payments are more generous because of higher need standards. In fact, the impact of benefit levels on AFDC participation by nonmigrants is negative (though it is not statistically significant). The probability of participating in AFDC is about .21 for poor women who continue to

live in states with benefit guarantees of \$300 per month. It is about .16 for those who remain in states which provide a monthly package of \$600 in cash benefits and Food Stamps.

Why aren't nonmigrants in high benefit states drawn to AFDC, as the welfare magnet hypothesis suggests they should be? It may be due to the fact that nonmigrants have "roots" in the state where they reside. Precisely because they do not move, these women know the community in which they live, and are known to it.<sup>27</sup> Conceivably this strengthens the "stigma" attached to welfare; the feeling of shame may be heightened because of ties to a community, which may offset the attraction of higher benefits.

Moreover, nonmigrants are familiar with alternative forms of support that may be available in their communities. Family and friends may be close, so that poor women need not resort to public assistance.<sup>28</sup> Also, the activities of churches and other charitable organizations are more visible to those who have lived in a community for some length of time. A lack of education makes poor women especially dependent on "word of mouth" for information about these private forms of assistance systems, and nonmigrants are in a better position to hear these words than migrants.

Even more importantly, poor women who remain in place stand a better chance of obtaining child-support payments that make AFDC unnecessary (or at least unavailable, since the receipt of payments may cause a family to be financially ineligible for AFDC). By not moving to another state, women often remain in close proximity to the fathers of their children, which may incline fathers to maintain support in exchange for visitation rights. Fathers who fail to make payments can more easily be brought to justice when they are close at hand, and some states make it hard for women to obtain AFDC unless they have exhausted the possibilities for recovering child support.

Thus, nonmigrants have alternatives that reduce the salience of AFDC and lower the attraction of high benefits. This would explain the insignificant relation that is reported in Table 5. It might also explain why the overall rate of participation in AFDC by nonmigrant poor women of childbearing age

is less than one in five—a surprisingly low rate, given the powerful magnetic effects of welfare imagined by state policymakers.

## CONCLUSION

In recent years policymakers have cited studies by social scientists to buttress their argument, but for different reasons these studies fail to provide a reliable test of the welfare magnet hypothesis. The Current Population Surveys supply a firm foundation for gauging the magnetic effects of high welfare benefits, and our results show that policymakers' fears of being overrun by poor migrants are groundless. We find no evidence that poor women are attracted to high benefit states by the possibility of receiving more assistance, or that poor women already living in high benefit states are liable to take advantage of relatively generous benefits provided therein. In short, the welfare magnet hypothesis is not sustained by data on the behavior of poor individuals.

Consequently, state policymakers' efforts to restrict access to welfare are unnecessary (and unnecessarily harmful to those whose subsistence depends on welfare). Our findings also undercut those who argue for a national need standard in AFDC. At least the findings cut against those who base their argument on the need to extricate policymakers from a situation in which they find themselves unable to make reasonable assistance payments for fear of attracting too many migrants.<sup>29</sup> In fact, that was the motivation behind the study by Peterson and Rom, who hoped to show that a national need standard was needed to counteract the magnetic effects of interstate differentials in welfare benefits. That argument can no longer be made, unless new evidence of these magnetic effects is produced.

In fact, the effort to enact a national need standard may be misguided. Any standard likely to win the assent of a majority in Congress is likely to be near the median state's current standard. That is higher than the need standards found in poorer states, but lower than the need standard now effective in wealthier and more liberal states. Since welfare recipients are concentrated in states like California,

New York, Michigan, and Illinois, where need standards are relatively high, a national standard would in all probability hurt, rather than help, families with dependent children. Eligibility would be tighter, and benefits lower, for many of those now being assisted (unless Congress established a minimum national standard and permitted states to set higher standards).

More effective reforms would address nonmigrants' insensitivity to prevailing wage rates. Nonmigrants are by far the largest proportion of welfare recipients, and the fact that the availability of high wages does not depress enrollment in AFDC is distressing. It is also understandable, if it arises from a desire to preserve health benefits under Medicaid. Policies that extend Medicaid to poor women who are working at jobs that do not provide health insurance would help, so long as the coverage does not expire before affordable private insurance can be obtained. Practically speaking, the coverage may have to be extended indefinitely to achieve the desired results.

Alternatively, state (and national) policymakers might shift their attention from welfare reform to employment policies. Creating more jobs in depressed areas might induce nonmigrant recipients of AFDC to join the work force. But these must be the right sort of jobs, offering fringe benefit packages that include health insurance for workers and their families. Naturally, this will be harder than blaming the migrant poor for aggravating the fiscal problems of state government, but it will also provide a more effective solution to those problems.

An employment strategy would undoubtedly appeal to many citizens, not just those living in poverty. As such, it might provide the foundation for a broad political coalition capable of enacting change. A national need standard is unlikely to garner comparable support, so for that reason, too, a different tack is in order.



**Notes**

<sup>1</sup>*Shapiro v. Thompson* 394 U.S. 618 (1969).

<sup>2</sup>No state pays generous welfare benefits, and some states make payments that are woefully inadequate. Compared to them, states that make higher payments are "generous." Our use of the term is relative.

<sup>3</sup>For that matter, nonnatives will comprise a significant fraction of those who pay taxes in a state, taxes that help finance goods and services used more heavily by natives. However, governors do not seem inclined to offer rebates to newcomers, except perhaps as part of a package to woo business investors (Hanson 1993).

<sup>4</sup>Long (1974) provides a good review of early research on this problem. Cebula's (1979) update is helpful and fairly comprehensive. Glazer (1987) gives a summary of recent findings.

<sup>5</sup>Current Population Surveys prior to 1982 did not report a person's prior state of residence, at least not in data that have been made available to the public. The 1985 survey used a five-year window of migration, like the Census, and we elected not to use it. Surveys after 1988 could be used to extend our analysis, but the analysis would have to contend with the far-reaching effects on AFDC of the 1988 Family Support Act. The FSA induced sweeping changes in some states' programs, which may have altered the putative impact of benefits on migration. Thus, we limited our analysis to the years between 1981, when the Omnibus Reconciliation Act established a new means test on gross income for AFDC, and 1989, when the Family Support Act went into effect. The two actions of Congress define a stable period of state programming.

<sup>6</sup>We further limit our analysis by excluding poor women of childbearing age who live in Alaska or Hawaii, or who recently came to one of the forty-eight states from another country. For these women it is hard to see how benefit differentials induce long-distance migration. We also exclude residents of the District of Columbia, concentrating on those people whose residential decisions might be subject to

the action of state policymakers, whose place in hypotheses about the magnetic effects of welfare is essential.

<sup>7</sup>We include poor women who do not have children at the time of the survey because they may be pregnant, at risk of becoming pregnant, or wanting to become pregnant. See Acs (1993) for a discussion of the impact of benefit levels on family formation and size.

Poor women without children are freer to move, and hence to respond to welfare benefit differentials. By including them, our sample gives the welfare magnet hypothesis every chance to succeed.

<sup>8</sup>Policymakers who wonder about magnet effects are concerned with current, not future, caseloads. For Peterson and Rom (1990), the contemporaneous impact of migration on AFDC caseloads supports the adoption of a national need standard as a way of slowing the movement of poor people toward high benefit states. Thus the welfare magnet hypothesis is popular precisely because it attempts to explain the AFDC caseload as it currently stands; the "insurance" hypothesis has not received as much attention because it pertains to the caseload as it might be in the future.

<sup>9</sup>This declining rate of migration is consistent with studies of the general population which show that net migration from the Midwest to the South slowed in the 1980s, and net migration from all areas to the West fell precipitously (Sink 1992).

<sup>10</sup>Alternatively, nodes in a national network of migration might be analyzed, on the theory that movers tend to follow well-beaten paths between familiar locations. In the 1980s the avenues were from New York and Michigan to Florida, from New York and Michigan to California, and from New York and Michigan to Texas (Sink 1992). That is, the movement is generally away from high benefit nodes, and toward low benefit nodes. To give the welfare magnet hypothesis a fighting chance, we elected to include the forty-eight continental states, not just these nodes.

<sup>11</sup>Alaska and Hawaii are excluded from this analysis, as the costs of moving far exceed any potential



gain in benefits.

<sup>12</sup>Given the generally low benefits paid to AFDC recipients, interstate welfare benefit differentials will necessarily be small. The costs of moving can easily exceed benefit improvements even when the latter are tallied over the course of a year. Surprisingly few studies of welfare magnetism factor these costs into the equation.

<sup>13</sup>The nominal benefit is the maximum monthly payment to an AFDC family of three with no income, plus the value of Food Stamps such a family would receive. The data are from various editions of *Background Material and Data on Programs within the Jurisdiction of the Committee on Ways and Means*, a publication of the U.S. House of Representatives.

The nominal benefit is divided by the logged value of the distance in miles between the major city in each state, on the notion that moving costs (social, psychological, and monetary) are a function of distance. In the general population, around a third of all interstate moves are to a geographically contiguous state and therefore involve short distances (Sink 1992: 35).

<sup>14</sup>The nominal value of WAGE is the average weekly wage in a state's manufacturing sector, as reported in various issues of *Employment and Earnings*, a publication of the U.S. Department of Labor. This is divided by the logged value of the distance between major cities, as described in the preceding note.

<sup>15</sup>For instance, Sink (1992: 35) reports that "like the rest of the West, California has apparently been moving into migration equilibrium with the rest of the Nation."

<sup>16</sup>Lansing and Mueller (1967) found that nonwhites have a lower migration rate than whites, who have better employment networks spanning the nation. Goss and Paul (1986) show that the propensity to migrate declines with age and the development of stronger ties to community. Ladinsky (1967) uses formal education to measure individuals' ability to gather and process information, which is positively related to migration. Schwartz (1973) reports that well-educated people are more likely to make long-

distance moves than those who are poorly educated.

<sup>17</sup>See studies by Barr and Hall (1981), Moffitt (1983, 1986), Robins (1986, 1987), and Blank (1989) for these findings and their usual explanation.

<sup>18</sup>In addition to the sources mentioned in note 17, see Hutchens (1981), Plotnick (1983), Ellwood (1986), and Fitzgerald (1991). There is a remarkable consensus on the impact of benefits on participation: higher benefits increase the likelihood of enrolling in AFDC, and decrease the likelihood of exiting the program.

<sup>19</sup>No time effects are evident. Poor women migrants who settle in small, liberal states such as Minnesota, Vermont, and Wisconsin are particularly likely to obtain AFDC, even more so than benefit levels in those states would suggest.

<sup>20</sup>The probability of enrollment in AFDC is .18 for those who settle in a state with a maximum cash benefit of \$600, and .06 for those who take up residence in a state that pays a maximum of \$300. Notice that the odds of participation are fairly low *in both* cases.

<sup>21</sup>Actually, the number is even smaller than this, since a few of the women in question moved to states with lower, not higher, benefits.

<sup>22</sup>Bureau of the Census 1991: Table 25.

<sup>23</sup>*Social Security Bulletin, 1988 Annual Statistical Supplement*, Table 9.G2.

<sup>24</sup>Among nonmigrants, the probability of AFDC participation has been somewhat higher in recent years, compared to 1982–1984. Participation seems to be significantly lower in southern and southwestern states, even after their low benefits are taken into account. This suggests that race plays a role in the determination of eligibility for AFDC, as Wright (1977) contends.

<sup>25</sup>Moffitt (1992) surveys the work disincentives associated with AFDC, relying on an earlier review by Danziger, Haveman, and Plotnick (1981).

<sup>26</sup>A decreasing number of jobs include health benefits as part of the compensation paid to workers.

This is particularly true of jobs toward the lower end of the pay scale. Hence the "holding" effects of Medicaid may become even larger with the passage of time, unless health care reforms make job earnings attractive again.

<sup>27</sup>Intrastate moves may occur among our "nonmigrants," but the argument we are making here depends only on familiarity with a state and its norms.

<sup>28</sup>Over 56 percent of those receiving financial support from another person were children of fathers living in a different household. Another 1.6 percent were spouses of the provider, and 4.3 percent were ex-spouses (Bureau of the Census 1988: Table H, p. 9).

<sup>29</sup>Equity is another reason for having a national need standard, and we do not question that argument here. In fact, by adjusting benefits for geographical variation in the cost of living we may further that cause, since it is clear that existing differentials are not only a function of living costs, as is commonly argued. Differences in the cost of living account for only fifty-one percent of the variation in guaranteed maximum benefits in our study.



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