

# The Wisconsin welfare magnet debate: What is an ordinary member of the tribe to do when the witch doctors disagree?<sup>1</sup>

by Thomas Corbett

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## Rationality and the doing of public policy

Doing public policy well is a difficult undertaking. This is particularly true when dealing with what are termed wicked problems—when normative, theoretical, and technical contention is high. The welfare magnet issue, defined as the interstate relocation of low-income persons for the purpose of securing higher welfare benefits, is such a problem. Strongly held opinion dominates reasoned debate, even in Wisconsin, a state long associated with progressive and competent government.

A quarter century ago, confidence in government ran high. Faith in the capacity of social science to inform and shape public policy was widespread. Newly developed analytic techniques were expected to displace normative and ideological debate as the ordinary mechanism for conducting public affairs. “Logic, data, and systematic thinking were to compete with, if not dominate, ‘politics’ in the making of public decisions,” Robert Haveman notes of this period.<sup>2</sup> It was anticipated that empirically based policy analysis would enable government to remedy the most refractory social problems, such as poverty.

The reign of rationality as the dominant public policy-making paradigm—even as an academic illusion—was short-lived. By the mid-1970s confidence in rigorous

analysis and proactive government had declined visibly.<sup>3</sup> By the 1980s, the role of government and its supportive analytic apparatus in alleviating societal woes was judged to be incompetent at best<sup>4</sup> and perverse at worst.<sup>5</sup>

“Social myths thrive in environments without data,” James Heckman asserts.<sup>6</sup> But in the real policy world it is equally plausible that myths thrive *because* of data—the very manner in which they are collected, presented, and interpreted. Policy analysis and political decisions are driven by preferred world views. Such views of how the world really operates are, in turn, expressions of deeply held values. Where issues are complex (e.g., poverty and public dependency), it is easy to engage in perceptual reductionism whereby large amounts of data are summarily reduced to a manageable size and conflicting interpretations are subject to theoretical simplification. For example, it becomes easier to select a portion of the poor to represent, or serve as a proxy for, the entire population, rather than deal with the practical and theoretical consequences of the diversity within the population. A simplified picture makes the policy-making task appear more manageable. Wicked problems seem to yield to simple solutions when the complexity of the issue is minimized.

The so-called welfare magnet issue in Wisconsin is an example of the tenuous link between rational analysis and the doing of public policy. The issue appears straightforward and amenable to empirical examination. Do low-income families relocate to Wisconsin to take advantage of the state’s relatively generous benefits in the Aid to Families with Dependent Children (AFDC) program? As suggested in the abridged review of the Wisconsin welfare magnet debate presented below, it remains one of those wicked problems about which conflict and confusion abound respecting theory, evidence, and policy.

## The issue and its origins

Because the size of the AFDC guarantee—the amount a family without other income receives in benefits—is deter-

mined by each state, actual welfare payments vary greatly across jurisdictions. Though nominally based on what it costs to live in each state (the need standard), local political and other idiosyncratic factors play an important role in determining benefit size. In Mississippi, for example, a one-parent family of three receives a maximum payment of \$397 a month (in AFDC plus food stamps), whereas in Alaska, the maximum payment to the same size family is \$1141.<sup>7</sup> It has long been assumed that this variation in the size of welfare benefits causes poor and jobless people to move to those states that provide the most generous benefits; such states are therefore considered welfare magnets. This belief encourages states to lower their benefits, at least below the payments offered in adjacent states, in the hope of exporting rather than importing indigent families.

Fear of attracting the poor is nothing new. The English Poor Laws, upon which the American approach to public assistance was originally based, were designed to restrict the mobility of the poor. In this country, as early as the eighteenth century, harsh measures were employed to deal with poor migrants. These included “warning out” (actively evicting poor transients), residency requirements (requiring an individual to live in an area for a period of time as a condition for receiving aid), and “charge backs” (billing the recipient’s prior jurisdiction for assistance provided). Replacing cash payments with poorhouses and workhouses was the nineteenth-century approach to the problem.

As cash programs designed to aid the poor expanded in the middle of the twentieth century and the population became more and more mobile, the magnet question reemerged with increasing frequency. Officials in large northern metropolitan cities worried about magnet effects in the 1950s, in the wake of the massive migration of blacks out of the rural South to industrial centers in the North after World War II.<sup>8</sup> And it resurfaced in the public policy literature in the 1960s. In his 1969 message on welfare reform, President Nixon asserted that “due to widely varying payments among regions, [the welfare system] has helped draw millions into the slums of our cities.”<sup>9</sup> Not surprisingly, increasing public concern over this issue coincided with dramatic AFDC caseload increases that can be traced back to the mid-1960s.

Despite the long history of concern over welfare magnet effects, research has been inconclusive. In 1974 Larry H. Long reviewed the early migration literature and asserted that “no study has presented empirical evidence for the hypothesis that welfare payments themselves have attracted large numbers of persons to states and cities with high benefit levels. Most factual analyses have considered the hypothesis and refuted it, but the evidence presented has not been entirely convincing.”<sup>10</sup> In contrast, Richard Cebula concluded in a comprehensive 1979 review that the better studies provided definitive support for the welfare magnet thesis.<sup>11</sup> Nathan Glazer, who reviewed the literature on welfare migration for the U.S. Department of Health and Human Services, concluded that “welfare influences [inter-

state migration] but rather modestly.”<sup>12</sup> And Paul Peterson and Mark Rom stated that “when people make major decisions as to whether they should move or remain where they are, they take into account the amount of welfare provision a state provides and the extent to which that level of support is increasing. . . . While the weight of the argument has begun to shift [toward support of the welfare magnet hypothesis], each of the new studies leaves the issue unresolved.”<sup>13</sup>

## The magnet issue comes to Wisconsin

The magnet issue arose in Wisconsin as the state’s AFDC guarantee began to exceed benefit levels available elsewhere, especially in Illinois. In 1970 Wisconsin’s AFDC guarantee for a three-person family was identical to that of the median state and less than the guarantee provided in neighboring states such as Illinois and Minnesota (see Table 1). But by the mid-1970s, this guarantee exceeded the median by almost one-half and, more important, exceeded what neighboring states were offering impoverished families. Sufficient concern about the magnet issue existed to warrant obtaining information on prior residential history from all new applicants for public assistance.

The question was fully engaged in the 1980s. The national economy experienced singular difficulties in the early part of the decade. Some argued that the economy was undergoing a process of long-term restructuring. Rustbelt states like Wisconsin were thought to be particularly vulnerable, facing a declining manufacturing base, diminished fiscal resources, and reduced federal revenue sharing. In this context, relatively high public assistance expenditures were

Table 1

AFDC Maximum Monthly Benefit for a Three-Person Family, by Selected States and for Selected Years

	1970	1975	1980	1985	1990
Wisconsin	\$184 (1.00)	\$342 (1.46)	\$444 (1.54)	\$533 (1.60)	\$517 (1.42)
Illinois	232 (1.26)	261 (1.11)	288 (1.00)	342 (1.03)	367 (1.01)
Minnesota	256 (1.39)	330 (1.40)	417 (1.45)	524 (1.58)	532 (1.46)
Mississippi	56 (0.30)	48 (0.20)	96 (0.33)	96 (0.29)	120 (0.33)
Median	184	235	288	332	364

Source: U.S. House of Representatives, Committee on Ways and Means, *1990 Green Book* (Washington, D.C.: GPO, 1990), pp. 561–562.  
Note: ( ) = Ratio of state’s guarantee to median guarantee.

perceived as an insupportable state cost that could dissuade business executives from either remaining in or locating in a given state. Such a competitive environment exacerbated concerns about relative attractiveness and accelerated a self-reinforcing response among states to reduce social expenditures.

By 1985, for example, a family of three on AFDC living in Chicago could increase their cash monthly welfare benefit by almost \$200 by relocating to Milwaukee, only ninety miles away (see Table 1). Various local officials pointed to increases in AFDC caseloads, particularly increases in new applicants from Illinois. It seemed obvious to some, and certainly plausible to others, that the increasing gap between the two state welfare programs had resulted in an influx of welfare-motivated in-migrants, especially from inner-city Chicago. This, in turn, was blamed for a worsening of such youth-related problems as school truancy, gang conflict, and drug trafficking.

Empirical work on the issue began in earnest in 1985. At the request of the Wisconsin Department of Health and Social Services (DHSS), Paul Voss of the University of Wisconsin's Applied Population Laboratory conducted a study. Using decennial census data, he estimated that although three AFDC families moved from Illinois to Wisconsin for every one moving in the opposite direction, the disparity could be explained by the size of the population pools in these two areas.<sup>14</sup> According to Voss, "The probability of an AFDC mother living in northeastern Illinois moving to southeastern Wisconsin is no greater than that of an AFDC mother in southeastern Wisconsin moving to northeastern Illinois."<sup>15</sup> This conclusion did not, however, prove convincing to the believers in the magnet phenomenon.

The same year Governor Anthony E. Earl authorized the creation of a Wisconsin Expenditure Commission to examine the state's fiscal picture and to search for ways to make the state more fiscally competitive. This commission established a special committee to examine the welfare magnet issue in detail and resolve the question once and for all. The committee was composed of representatives drawn from several organizations with an interest in the topic: officials from two key state agencies (the Department of Administration and the DHSS); officials from several counties thought most affected by welfare-motivated migration; members of the commission; and members of a research team chosen for the task. Paul Voss headed the university-based research team, which did its work under the auspices of the Applied Population Laboratory. (The Wisconsin Expenditure Commission initially approached the Institute for Research on Poverty, which turned down the opportunity to do the study because of the anticipated political response to any research, no matter how well done, on this inflammatory topic.)

Because the prior work by Voss (and others who used secondary data analyses) revealed nothing about the motivation of those welfare applicants who relocated across

state lines at some point before seeking help, the committee felt impelled to move beyond census-type data in search of something more conclusive. They commissioned Voss and his colleagues to carry out a telephone survey with a sample of AFDC applicants in the summer of 1986 to tap the reasons behind their interstate move. These survey data would be combined with data obtained from a brief self-administered questionnaire completed at the time the application process was initiated and with administrative data normally collected by the state. Cognizant that respondents would give "socially acceptable answers," the research team couched their questions in ways designed to obscure the intent of the survey.

The committee's preliminary results—which had to be published before all the data were in—were that between 7 and 20 percent of those who had migrated to the state within the previous five years and who were AFDC applicants in the spring of 1986 were "influenced" to migrate by welfare benefit differentials.<sup>16</sup> They estimated that perhaps 10 percent of all migrants and 30 percent of recent migrants to Wisconsin (those who had moved within three months of the interview) were "motivated" to move because of these differentials. In the pool of all applicants (not just migrants), approximately 3 percent were estimated to be migrants motivated primarily by the higher welfare guarantees in Wisconsin. Adjusting for the fact that not all applicants receive AFDC, it was estimated that those motivated by the welfare differential amounted to merely 50 cases a month.

The survey also revealed that people moved for a number of reasons; the relocation decision was not one-dimensional. Some reasons for relocating—proximity to family and friends, the desire for a better life, and the hope of finding a job—appeared significantly more important than the size of welfare payments. Furthermore, it was found that some areas of the state had reason for concern. The *WEC Report* noted that "migrants for whom welfare played some role in the migration process tend to settle disproportionately in Milwaukee County. Nevertheless, other counties such as Kenosha, Racine, Rock (and perhaps others yet) can be dramatically affected even by small numbers of newcomers."<sup>17</sup>

The welfare magnet committee's answer to the question—Do low-income families move to Wisconsin to avail themselves of relatively more generous welfare benefits?—was far from the crisp resolution of the problem that had been anticipated. The study concluded: "The welfare magnet argument is not without support."<sup>18</sup> In fact, the committee produced so much data that both proponents and opponents of the magnet hypothesis could find evidence supportive of their position. The committee concluded, however, that a statewide policy response was not warranted since freezing benefits would hurt Wisconsin natives as well as in-migrants, and any policy directed only at migrants would raise constitutional questions. In the end, nothing was resolved, and study of the problem was suspended—despite the insistence of the research team that the study was incomplete

and that numerous methodological issues remained to be addressed.<sup>19</sup>

## The witch doctors disagree

The magnet debate did not disappear. Partly rationalized by fears of welfare-motivated in-migration, AFDC guarantees were reduced by 5 percent in July 1987. Moreover, calls continued for the enactment of some form of residency requirement, though few pursued this option seriously, given that the courts would almost certainly strike down such a provision. Advocates for some response to the migration problem began to focus on what was called the two-tiered solution. In-migrants would be paid less in benefits than Wisconsin natives; they would receive the amount paid by the state from which they had moved for a period of six months.

As various ideological camps formed in light of the actual benefit cuts and proposals for a two-tiered welfare system, three distinguishable positions on the magnet issue emerged. Some, focusing on selected findings from the 1986 study, argued that AFDC in-migrants relocate for the same kinds of reasons that others do—community-specific attractions and economic opportunity. This might be called the quality-of-life argument. Others essentially dismissed the 1986 study, simply asserting that AFDC in-migrants *must* be coming for the higher benefits—what might be called the welfare-maximization argument. Still others argued that it makes no difference why migrants came; only the fact that they were here counted. We might call this the agnostic argument, since it implies that theory doesn't matter: All that matters is that undesirable families allegedly are moving into the state for a variety of reasons that may never be fully understood, and “something” must be done to alter this migration pattern.

Some of those not immediately involved in the emerging debate found the analysis in the *WEC Report* enlightening. In the summary of the welfare magnet issue literature, mentioned above, Nathan Glazer noted that “this study is unique and rich,” and further described the analysis as “careful and persuasive.”<sup>20</sup> Not all observers were as impressed. The debate picked up in 1988 when the Wisconsin Policy Research Institute (WPRI) published *Welfare In-Migration in Wisconsin: Two Reports*. The first report in this document, prepared by James Wahner and Jerome Stepaniak, was a study of welfare in-migration patterns and consequences in four southeastern Wisconsin counties—Milwaukee, Racine, Kenosha, and Rock. The second report in the document was a critique of the *WEC Report*, by Richard Cebula and Michael La Velle.<sup>21</sup>

Wahner and Stepaniak, in their *Four-County Report*, looked at the counties that were likely destinations for any welfare-motivated in-migrant because of their urban character and proximity to Chicago. The authors of the report

made no attempt to tap the motivations behind the decision to relocate. All families who moved to Wisconsin for the first time and applied for AFDC at some future time were considered to be welfare in-migrants. Defined in this broad manner, the population of welfare in-migrants included nonnatives who had already lived for years in the state before applying for welfare.

Using this definition, Wahner and Stepaniak reported that between September 1985 and August 1988, 74,763 AFDC cases were opened in Wisconsin. Almost three in ten of these (29.3 percent) were cases involving a family head who had never before lived in Wisconsin. Furthermore, “some 46.5 percent or 10,809 of the newly opened cases in Milwaukee between September 1985 and August 1988 were nonresidents with no previous Wisconsin residency. This is a substantial number.”<sup>22</sup> In point of fact, these were the same numbers reported by the Wisconsin Expenditure Commission, which had indicated that twice as many approved applicants for AFDC in Milwaukee were new residents (having moved to Wisconsin in the previous five years), compared to the rest of the state (47.7 percent vs. 23.6 percent),<sup>23</sup> and that three out of ten new applicants for welfare were in-migrants in that they had not been born in Wisconsin. Though no really new numbers were contained in Wahner and Stepaniak's report, the magnet question was transformed suddenly from a relatively small problem into a large and ominous one.

But it was and is unclear what these numbers actually mean. Were all these migrants motivated by the higher welfare payments? What would one find if one looked at a sample of applicants for welfare in Illinois? One might find that 30 percent of welfare applicants in Illinois had never lived in that state before. And what sort of interstate migration pattern would be found if one examined new applicants for, say, driver's licenses or bank accounts? If analysts found that 30 percent of applicants for new bank accounts were not Wisconsin natives, would they conclude that Wisconsin's superior banking practices had drawn them to the state? Figures such as “30 percent of applicants are not Wisconsin natives” are little more than so-what numbers—rather meaningless unless they can be analyzed within a sound theoretical framework *and* in terms of appropriate comparative data. (As mentioned earlier, the authors of the *WEC Report* had wanted to pursue such questions but failed to obtain funding from DHSS.)<sup>24</sup>

Wahner and Stepaniak drew the conclusion that “254 AFDC in-migration cases” were added to the caseload each month in the four counties they examined. They also declared that 70 percent of new entrants to the Milwaukee public schools, 58 percent of new beneficiaries of housing assistance, and about 33 percent of arrested juveniles were born outside of Wisconsin. These patterns were interpreted to represent a public policy crisis.

Cebula and La Velle, the authors of the second report, *Re-Examination Report*, claimed to look specifically at wel-

fare-motivated applicants for welfare, defined as anyone who, in the 1986 telephone survey, mentioned welfare at all, even if categorizing it as “not very important.” Their conclusion was that in Wisconsin 497 applicants each month were welfare magnet migrants. After adjusting for the fact that not all applicants receive AFDC, they arrived at a monthly estimate of new magnet AFDC cases that was almost five times greater than the one suggested two years earlier by the Wisconsin Expenditure Commission.<sup>25</sup>

Based on their new estimate, they proposed that welfare benefit levels be frozen in Wisconsin until they were in line with the national average, that benefits should be maintained at that average, and that Wisconsin should consider imposing a three-to-six-month residency requirement for eligibility for welfare.

While politicians were debating a policy response to these alarming new numbers, another publication on welfare magnets was published by the Wisconsin Policy Research Institute. This document, titled *The Financial Impact of Out-of-State-Based Welfare In-Migration on Wisconsin Taxpayers*,<sup>26</sup> sought to spell out the fiscal consequences of welfare-motivated in-migration. The definition of welfare migration was widened once again. Now “out-of-state-based welfare in-migrants” included all those who had ever lived outside Wisconsin, no matter how long ago or under what circumstances they chose to move (or return) to Wisconsin. Like Wahner and Stepaniak, the author included, for example, a woman who moved to Wisconsin from Minnesota as a five-year-old and became a first-time applicant for AFDC twenty years later. But this study also included any Wisconsin native who left the state, if, upon returning, she eventually applied for welfare.

The estimated costs of this welfare in-migration phenomenon became truly frightening (see Table 2). According to these estimates 44 percent of the 10,000 AFDC entrants in 1988 were defined as out-of-state-based welfare in-migrants, presumably lured to Wisconsin by the welfare differential. This group, according to Cebula, generated additional costs amounting to \$129 million in 1988: \$52.9 million for increased benefits; \$15.5 million for workers to manage the higher caseload; \$54.6 million for educational costs; and \$6 million for law enforcement costs. The *Financial Impact* stressed that these costs were additive and probably underestimated the true impact of welfare migration. The reader was also left with the impression that the costs were cumulative; that is, each year another \$129 million would be added to the taxpayers’ burden from welfare migrants.<sup>27</sup>

The AFDC costs in the paper raise questions rather than provide insights. Space permits me to touch upon only a few of these questions. The \$52.9 million additional costs for benefits is based on the assumption that all in-migrants were on the welfare rolls from the first day of the calendar year and received a grant throughout the year. But analysts from the DHSS have pointed out that these migrants would

**Table 2**  
**Summary of Increased Costs to Wisconsin Taxpayers in 1988 as Estimated in *Financial Impact*, Report of the Wisconsin Policy Research Institute (in millions of dollars)**

	Never Lived in Wisconsin Before <sup>a</sup>	Returning to Wisconsin <sup>b</sup>	Total
<b>AFDC-related costs</b>			
Benefits	\$36.5	\$16.4	\$52.9
Personnel	<u>10.7</u>	<u>4.8</u>	<u>15.5</u>
Subtotal	47.2	21.2	68.4
<b>Education-related costs</b>			
Direct	37.2	16.7	53.9
School lunch	<u>0.5</u>	<u>0.2</u>	<u>0.7</u>
Subtotal	37.7	16.9	54.6
<b>Law enforcement costs</b>			
Subtotal	4.2	1.8	6.0
<b>Grand total</b>	<b>89.1</b>	<b>39.9</b>	<b>129<sup>c</sup></b>

**Source:** *The Financial Impact of Out-of-State-Based Welfare In-Migration on Wisconsin Taxpayers* (Milwaukee: Wisconsin Policy Research Institute, 1989).

<sup>a</sup>Defined as not born in Wisconsin but having maintained continuous residence after in-migrating. In-migration may have been in recent or distant past.

<sup>b</sup>Either born or lived in Wisconsin in past and has returned to the state either in the recent or distant past.

<sup>c</sup>State analysts have reestimated this figure. By making adjustments to inflow and exits based on available welfare data, they reduce this figure to about \$46 million. They further adjust it by eliminating those in-migrants who did not obtain welfare within 6 months of moving to state and further reduce it to \$24 million.

have been absorbed onto the caseload over the course of the year and at least a third of them would have been off assistance for at least one month during the remainder of the year. The DHSS analysts conclude that an average stay on welfare of five months, not twelve months, be used in the computation. In their opinion the estimate in *Financial Impact* overstates the additional benefit expenditures by 140 percent.<sup>28</sup> Furthermore the study uses gross in-migration, ignoring the fact that people leave Wisconsin. The study also assumes that this population is chronically dependent—once on the rolls, always on the rolls. Yet the literature on welfare dynamics indicates that half of all recipients beginning a spell on AFDC leave welfare in a year or two, and only about one in three eventually become long-term dependents.<sup>29</sup>

Whether in fact in-migrants are more dependent than others is an open question. The fact that they have had the drive to relocate in search of a better life suggests that they are unlikely to remain on welfare. Yet their drive may extend only to finding the most generous handout. Data on this point are inconclusive, though early results from a new study by Voss and Dana Soloff indicate that welfare use is greater among those who indicated in the 1986 survey that welfare influenced their decision to move.<sup>30</sup>

The educational costs in the table are estimated the same way the AFDC benefits are, on the assumption that the children start school the first day of class and stay in the school system for the entire year. It is further assumed that all welfare migrants have school-aged children. (Even if these numbers were correct, it is obviously in the state's interest to educate poor children, no matter where they lived in the past. Wisconsin, like other states, faces a labor shortage in the next decade and will need an influx of educated young people.)

The rest of the numbers in the table are more perplexing even than the AFDC-benefit calculations. For example, the cost of personnel is based on the assumption that a new welfare worker must be hired for every seven to eight cases added to the rolls and, of course, that the AFDC caseload is increasing. Yet the actual number of cases per worker is 83 (Wisconsin's per-month/per-case total administrative cost is only \$26)<sup>31</sup> and no data were provided on actual caseload size changes over the study period. The costs to Wisconsin taxpayers for the school lunch program are typical of the logic used in *Financial Impact*. All AFDC children are eligible for free school lunches financed by the federal government. Whether a child eats that lunch in Chicago or Kenosha, the federal cost was \$1.66 in 1988. Because of Wisconsin's efficiency in administering this program, the average cost of producing a school lunch was \$1.26, substantially less than the \$1.66 subsidy. So there is no increased school lunch cost to Wisconsin taxpayers if a child migrates from, say, the Illinois to the Wisconsin AFDC program. Rather, the federal reimbursement structure would actually help subsidize the cost of school-provided lunches for non-AFDC poor children in Wisconsin.

## Perception and reality

Tables 3 and 4 compare estimates of caseload size and costs from the *Financial Impact*—extrapolating from the 1988 table and assuming that the numbers are additive and cumulative—with actual AFDC caseload data. The estimates derived from the logic employed in the *Financial Impact* bear little relationship to reality. Rather than increasing by more than 30 percent over the period from January 1986 to the end of 1988, the AFDC caseload actually dropped by 17 percent, from 100,000 to 83,373. Based on the logic of the *Financial Impact*, the estimated caseload at the end of the decade would be in excess of 140,000, whereas the actual figure was less than 80,000. Not surprisingly, expenditures

Table 3

AFDC Caseload Changes: Hypothetical Scenario and Actual Caseload, 1986–1988

Year and Month	Hypothetical Scenario		Actual Caseload
	Additional AFDC Welfare Migrant Cases per Quarter	Estimated Cumulative Caseload Growth	
Jan. 1986	0	100,000	100,000
by March 1986	1,838	101,838	99,915
June 1986	2,800	104,638	98,660
Sept. 1986	2,802	107,440	97,529
Dec. 1986	2,812	110,252	95,158
March 1987	2,732	112,984	97,198
June 1987	2,763	115,747	95,565
Sept. 1987	2,725	118,472	92,876
Dec. 1987	2,695	121,167	89,312
March 1988	2,616	123,783	90,920
June 1988	2,577	126,360	86,888
Sept. 1988	2,852	129,212	85,870
Dec. 1988	2,190	131,402	83,373
March 1989	2,470	133,872	83,503
June 1989	2,610	136,482	81,244
Sept. 1989	2,904	139,386	79,838
Dec. 1989	2,332	141,714	79,359

**Source:** Hypothetical scenario is based on *Financial Impact*. Actual caseload from Wisconsin Department of Health and Social Services. Calculations by author.

**Note:** To derive the hypothetical size of the AFDC caseload, the monthly number of new AFDC cases (e.g., March 1986) is multiplied by 3 to give a quarterly figure and then multiplied by .44 (the percentage of new cases accounted for by out-of-state-based welfare in-migrants). It is assumed that no change occurs in the size of the Wisconsin native population on AFDC.

on AFDC were dropping, abetted in part by the legislation in 1987 reducing the size of the welfare guarantee. Adjusting for this reduction in the predicted scenario would still put AFDC costs at over \$64 million per month by the end of 1989, whereas the actual cost was \$36,518,922—57 percent of the estimate based on the *Financial Impact*.<sup>32</sup>

Do these numbers mean that the suggested adverse fiscal impact of interstate migration is a fiction? Not necessarily. Other explanations could account for the discrepancy. For example, the aggregate caseload decline could be explained by a massive departure of Wisconsin natives from the welfare rolls, more than balancing the influx of out-of-staters. The administrative data maintained by DHSS, however, reflect no such scenario. The proportion of out-of-staters on the rolls has remained relatively constant, increasing only by 3 percentage points over the 1980s.

Table 4

Monthly Expenditures for AFDC: Hypothetical Scenario and Actual Expenditures, 1986–1988

Years	Per-Case Expenditure (1)	Scenario Caseload (2)	Scenario Expenditure (3)	Actual Expenditure (4)	Actual as % of Scenario (3/4 x 100)
1986 <sup>a</sup>	\$500	100,000	\$50,000,000	\$50,000,000	100%
1986 <sup>b</sup>	498	110,000	54,780,000	47,356,943	86.4
1987 <sup>b</sup>	459	120,000	55,080,000	41,953,247	76.2
1988 <sup>a</sup>	459	130,000	59,670,000	38,277,811	64.1
1988 <sup>b</sup>	460	140,000	64,400,000	36,518,922	56.7

Source: Hypothetical scenario is based on *Financial Impact* numbers. Actual expenditures are from the Wisconsin Department of Health and Social Services. Calculations by author.

<sup>a</sup>January data.

<sup>b</sup>December data.

Another possibility is that the in-migrants are taking advantage of programs other than AFDC and food stamps. Perhaps legislation such as Learnfare and new work requirements have made AFDC less appealing, so new migrants are turning elsewhere, such as to the Food Stamp program, for assistance. But this assumption is also not borne out. Expenditures fell in the Food Stamp program just as they fell in AFDC. The only programs that expanded were Medicaid, where cost for health services historically outpaces inflation, and Supplemental Security Income, a program for the elderly, disabled, and blind poor.

During the height of the magnet debate, Wisconsin did not face a welfare crisis precipitated by an onslaught of out-of-staters rushing in to take advantage of generous AFDC benefits. Table 5 indicates that the proportion of new AFDC cases who had never before lived in Wisconsin has remained constant, at about 29 percent. Likewise, the proportion of newcomers who applied for AFDC within three months of moving to the state has been constant over time—about 12 percent. These numbers are unaffected by swings in the AFDC rolls and even remained constant after a cut in the AFDC guarantee.

### The policy conundrum: Whom to believe?

Welfare magnet debates tend to be intense and protracted. Irrespective of numbers, the underlying hypothesis remains viable, partly because it is so plausible and partly because it is supported by anecdotal evidence. Lacking precise defi-

Table 5

Summary of AFDC Trends over Time: 1985–1989

Year	Approved AFDC Applications	First-Time In-Migrants	First-Time In-Migrants Obtaining AFDC within 3 Months
1985 <sup>a</sup>	2,128	620 (29.1%)	252 (11.8%)
1986 <sup>b</sup>	2,116	620 (29.3)	249 (11.8)
1987 <sup>b</sup>	2,067	606 (29.3)	244 (11.8)
1988 <sup>b</sup>	1,938	554 (28.6)	234 (12.1)
1989 <sup>b</sup>	1,954	571 (29.2)	236 (12.1)

Sources: *Financial Impact*, *WEC Report*, and DHSS administrative data.

Note: Percentages (in parentheses) are of approved applications.

<sup>a</sup>Based on September and December data.

<sup>b</sup>Based on March, June, September, and December data.

nitions and data, analysts can build conflicting cases and draw wildly differing conclusions. The Wisconsin debate produced just such ambiguous numbers. By some estimates, three in five applicants lived elsewhere at some point in the past. Roughly one in three moved to Wisconsin for the first time within five years of their welfare application. About one in five are estimated to be recent migrants—to have moved to Wisconsin within three months of applying for assistance. Less than one in twenty are recent migrants who indicated that welfare played a substantive (though not necessarily dominant) role in their relocation decision. And only 1 percent of all AFDC applicants in spring 1986 both obtained welfare and fully admitted that they were drawn to Wisconsin primarily by the welfare differential.<sup>33</sup>

How does one sort through such numbers and pick those that are policy relevant? For policymakers, the analytic context must have been confusing indeed. New studies and conclusions piled one upon another with little progress toward a definitive answer. Was the magnet problem large or small? Did welfare applicants move to Wisconsin primarily for higher benefits, primarily for quality-of-life factors, or for some combination of economic and noneconomic factors? What do the numbers mean?

Equally perplexing is the process by which the small numbers calculated in 1986 quickly got so large and frightening: Consider the continuing shift in conceptual definitions and research methodologies. In 1986, the focus was on estimating the numbers of “welfare-motivated” in-mi-

grants. A substantive test was employed; that is, what proportion of in-migrants who applied for AFDC were predominantly influenced by the welfare differential *and*, therefore, might respond to policies designed to diminish that differential? To answer this question, the intent behind the move had to be tapped. The researchers therefore relied upon a survey methodology. By the end of 1988, all in-migrants who had *never before* lived in Wisconsin were considered by some to be welfare-motivated in-migrants if they applied for welfare. Accessible administrative data could be used to estimate the magnitude of the phenomenon. A year later, the dominance of the agnostic perspective was reflected in the approach employed in the *Financial Impact*. Any welfare applicant who had *ever* lived outside of Wisconsin, no matter how long ago or under what circumstances she chose to move (or return) to Wisconsin, was designated an out-of-state-based welfare in-migrant.

As suggested earlier, the link between policy making and policy analysis is tenuous at best. Those convinced of the magnet problem selected those data and interpretations of the data that supported their preexisting beliefs. Those with the opposite opinion did the same. How one chooses among the available numbers depends upon individual norms and perceptions about the poor. Those fearing a large magnet effect appear to assume that interstate migrants who apply for welfare are the chronically dependent: looking for the best welfare deal and intending to stay on the rolls. An overreliance upon what was intuitively obvious might explain why available caseload figures were not examined to verify whether, in fact, the AFDC caseload was increasing during that period when a large fiscal impact of the in-migration effect was being argued. It was simply assumed that the caseload and the supportive bureaucracy *must* be increasing. In policy analysis, the obvious—when examined carefully and dispassionately—can easily turn out to be not so obvious in the end. This is confusing not only to the ordinary members of the tribe but to the witch doctors themselves.

Those who wish to minimize the magnet effect are no less guilty. Indeed, they are likely to argue that, as conditions in the cores of big cities continue to deteriorate, migrants have much more pressing reasons to relocate than marginally higher benefits. Their very lives are at stake.<sup>34</sup> In focusing exclusively on quality-of-life explanations, such arguments tend to downplay the extent to which welfare-motivated migration does exist. Undoubtedly, both welfare-differential *and* quality-of-life issues explain part of what is going on.

Can rigorous policy analysis contribute anything to such a contentious issue? That might well depend on whether sufficient attention is paid to the following factors:

- *Achieving conceptual clarity.* It is imperative that the policy question be clearly articulated. Which issue is of

preeminent policy concern: the in-migration of welfare-motivated persons? of those likely to end up on welfare irrespective of motivation? of the poor in general? or of minority families in particular? These are different questions and invite different processes for answering them as well as different policy responses. The point here is that we must get the question right and define our terms clearly. The debate in Wisconsin became incomprehensible because definitions of the target group kept shifting—from welfare-motivated families to welfare-influenced families to low-income migrants who might need welfare. A policy question cannot be addressed until we state it clearly.

- *Establishing standards of proof.* Would we recognize welfare magnetism if it existed? This is a more difficult issue than would appear on the surface. Namely, what is the threshold level at which a phenomenon becomes a concern, or a problem requiring some kind of response, or a crisis requiring immediate attention? For some, the magnitude of welfare-motivated in-migration measured in the 1986 study required an immediate policy response; for others, it was little more than a concern. Moreover, the consequences of a policy response determine the standard of proof that should be employed. If a policy change will adversely affect a broad class of individuals—all welfare recipients or all recipients who lived elsewhere—evidence that a significant problem exists should be evaluated according to a more rigorous standard.
- *Making an adequate investment.* More rigorous standards of proof require the use of methodologies capable of identifying causal relationships—not merely that X and Y are related *but* that X causes Y. In this instance, it must be demonstrated not only that higher welfare benefits are associated with the in-migration of welfare users but that the size of the benefits causes the migration. Some dispute will always exist about the kind of methodology required to establish causation. What is clear is that the analysis must go beyond the single numbers used in the past. As suggested earlier, finding that 30 percent of applicants are not Wisconsin natives is a “so what” number. Without appropriate comparisons, we cannot determine if that number is high or low. It takes careful investigation and the investment of sufficient resources to move from supposition to proof.
- *Clearly relating evidence to policy.* Even if the welfare magnet hypothesis were proved at a level that warranted a policy response, the appropriate policy response would not be clear. For some, any proof of the magnet hypothesis would buttress calls for further retrenchment of welfare at the state level. Others would use the same evidence to call for an expansion of welfare at the national level through the creation of uniform minimum welfare guarantees. There is no single policy implication to any given research outcome.



## What is the real problem?

Debates such as this may well distract the policy community from attending to more fundamental questions.

AFDC plays an increasingly marginal role in helping the poor. Nationwide, AFDC guarantees have declined in value by over 40 percent in the past two decades—though increases in in-kind supports (e.g., food stamps) have offset this drop by about one-half. The decline in the “real” value of AFDC benefits has been evidenced in virtually all states, those with high, medium, and low guarantees. Moreover, AFDC covers a smaller proportion of poor children, less than 60 percent now as opposed to 80 percent in the early 1970s. These trends could well continue as states, ever sensitive to the welfare magnet phenomenon, attempt to maintain their position vis-à-vis one another respecting the generosity of their public assistance programs.<sup>35</sup> While states compete to shove the problem under the rug (i.e., into another state), the proportion of all children who are poor has increased from about 15 percent in the mid-1970s to about 20 percent today.<sup>36</sup>

In short, welfare remains a terrible way to help the needy. It leaves children impoverished and encourages dependence. There must be a better way and the policy community would do well to focus its energies on finding innovative solutions to child poverty and welfare dependency. ■

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<sup>1</sup>Henry J. Aaron, *Politics and the Professors* (Washington, D.C.: Brookings Institution, 1978), p. 159. The “members of the tribe” refers to anyone who wants answers to complex social and political questions and the “witch doctors” refers to those who try to provide those answers.

<sup>2</sup>Haveman, *Poverty Policy and Poverty Research, 1965–1980: The Great Society and the Social Sciences* (Madison: University of Wisconsin Press, 1987), p. 33.

<sup>3</sup>See Aaron, *Politics and the Professors*.

<sup>4</sup>Friedrich Hayek, *The Fatal Conceit* (Chicago: University of Chicago Press, 1989).

<sup>5</sup>See, for example, Charles Murray, *Losing Ground: American Social Policy, 1950–1980* (New York: Basic Books, 1984).

<sup>6</sup>Heckman, “Social Science Research and Policy,” *Journal of Human Resources*, 25, no. 2 (Spring 1990), p. 301.

<sup>7</sup>U.S. House of Representatives, Committee on Ways and Means, *1991 Green Book* (Washington, D.C.: GPO, 1991), p. 597.

<sup>8</sup>For a detailed account of the black migration to Chicago, see Nicholas Lemann, *The Promised Land* (New York: Alfred A. Knopf, 1991).

<sup>9</sup>Richard Nixon, “Proposals for Welfare Reform,” U.S. House of Representatives, 91st Congress, 1st session, Document no. 91–146, p. 2.

<sup>10</sup>“Poverty Status and Receipt of Welfare among Migrants and Nonmigrants in Large Cities,” *American Sociological Review* 39 (February 1974), 46–47.

<sup>11</sup>“A Survey of the Literature on the Migration-Impact of State and Local Policies,” *Public Finance* 34 (1979), 69–84.

<sup>12</sup>Nathan Glazer, *Migration and Welfare*, a report prepared for the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, Income Security Policy, under contract no. HHS–100–86–0021 (David Ellwood and Robert Lerman, principal investigators), Washington, D.C., 1987, p. 23.

<sup>13</sup>“Federalism and Welfare Reform: The Determinants of Interstate Differences in Poverty Rates and Benefit Levels,” paper prepared for delivery at the 1987 Annual Meeting of the American Political Science Association, Chicago, September 3–6, 1987, p. 25. See also Paul Peterson and Mark Rom, *Welfare Magnets: A New Case for a National Standard* (Washington, D.C.: Brookings Institution, 1990); and Robert Moffitt, *Incentive Effects of the U.S. Welfare System: A Review*, IRP Special Report no. 48, University of Wisconsin-Madison, 1991. These works had not been published at the height of the Wisconsin debate.

<sup>14</sup>Voss, “Migration of Low-Income Families and Individuals,” Applied Population Laboratory, Department of Rural Sociology, University of Wisconsin-Madison, 1985, pp. 13–14.

<sup>15</sup>Voss, “A Demographic Portrait of Wisconsin’s People,” in *State Policy Choices: The Wisconsin Experience*, ed. Sheldon Danziger and John F. Witte (Madison: University of Wisconsin Press, 1988), p. 92.

<sup>16</sup>Wisconsin Expenditure Commission, *The Migration Impact of Wisconsin’s AFDC Benefit Levels: A Report to the Wisconsin Expenditure Commission by the Welfare Magnet Study Committee* (Madison: Wisconsin Department of Administration, 1986). This report is hereafter referred to as the *WEC Report*. It is useful to distinguish between the *welfare-motivated* in-migrant and the *welfare-influenced* in-migrant. The former is likely to have moved to Wisconsin primarily—if not solely—for the higher AFDC benefits. The latter may have taken the higher benefits into consideration but was also influenced by other factors, such as labor market opportunities and quality-of-life considerations. The distinction is not a trivial one. *Welfare-motivated* in-migrants can be expected to respond to policy changes designed to reduce the magnet phenomenon. For the *welfare-influenced* in-migrant, the response would depend on how dramatic the new policy was (e.g., how deeply benefits were cut and for how long). And no effect can be anticipated among low-income migrants (who eventually apply for welfare) who move to Wisconsin without considering the welfare differential.

<sup>17</sup>*WEC Report*, Executive Summary, p. v.

<sup>18</sup>*Ibid.*, p. iv.

<sup>19</sup>The authors of the report identified a number of defects in the survey. They had taken shortcuts in preparing and analyzing the data, and had no comparison data for other jurisdictions or time periods. Aware of the selectivity problems in the sample, they planned to replicate the survey at a later date with a broader sample, such as all low-income female-headed migrant families, rather than merely those applying for welfare. And they felt that to obtain a more complete understanding of the migration phenomenon, it was essential to track the applicants over time, to discover whether in fact they made use of welfare, where they resided, and if and when they obtained jobs.

<sup>20</sup>See Glazer, *Migration and Welfare*, p. 22.

<sup>21</sup>Wisconsin Policy Research Institute, *Welfare In-Migration in Wisconsin: Two Reports*. The first report, titled, *Welfare In-Migration: A Four-County Report*, by James Wahner and Jerome Stepaniak, is hereafter cited as *Four-County Report*. The second report in this document, titled *The Migration Impact of Wisconsin’s AFDC Benefit Levels: A Re-Examination*, by Richard Cebula and Michael La Velle, is cited hereafter as the *Re-Examination Report*. Both were published by the Wisconsin Policy Research Institute, Milwaukee, Wis., 1988.

<sup>22</sup>*Four-County Report*, p. 7.

<sup>23</sup>*WEC Report*, Table 24, p. 104.

<sup>24</sup>Paul Voss and I submitted proposals to DHSS in 1987 and 1988, to no avail.

<sup>25</sup>*Re-Examination Report*, pp. 2, 3.

<sup>26</sup>Wisconsin Policy Research Institute, *The Financial Impact of Out-of-State-Based Welfare In-Migration on Wisconsin Taxpayers*, by Richard Cebula (Milwaukee, Wis.: WPRI, 1989). Hereafter cited as *Financial Impact*.

<sup>27</sup>*Financial Impact* states that the in-migration cases “are shown to result in an overall additional aggregate cost (burden) per year to Wisconsin taxpayers of approximately \$129 million” (p. 37).

<sup>28</sup>This conclusion is based on conversations with Neil Gleason and Ed Mason, analysts in the Wisconsin DHSS, who had provided the data for the *Financial Impact*.

<sup>29</sup>See Mary Jo Bane and David Ellwood, “Slipping into and Out of Poverty: The Dynamics of Spells,” *Journal of Human Resources*, 21, no. 1 (Winter 1986), 1–23.

<sup>30</sup>An unpublished work in progress. Preliminary results suggest that those welfare applicants who said they came to Wisconsin in 1986 to seek better economic opportunities did, in fact, demonstrate a greater attachment to the labor force in subsequent years than those who did admit that the welfare differential motivated their move. Thomas Barton, while writing his Ph.D. dissertation at the University of Wisconsin-Madison, found that about 80 percent of AFDC entrants in Kenosha County, Wis., exited from the welfare rolls of that county at least once over the subsequent 30 months. The exit rate for nonnatives was higher than for those who always were Wisconsin residents. This finding, if confirmed, might explain a curious anomaly. Except for Milwaukee, the AFDC rolls in what were considered “magnet” counties—because of their size and proximity to Illinois—fell by 20 to 25 percent between 1986 and 1989. In Milwaukee, the caseload also fell, but only by 6 percent.

<sup>31</sup>Calculated from data included in the *1990 Green Book*.

<sup>32</sup>Actual caseload figures and expenditures are derived from Wisconsin DHSS management reports.

<sup>33</sup>Data from *WEC Report*.

<sup>34</sup>Officials in Dane County (the site of the state capital) have noted a dramatic influx of low-income minority families in the past several years. For example, public school officials note that the number of elementary school children who experience episodes of homelessness—80 percent of whom are minorities and in-migrants—has been doubling each year since 1987, when 70 children in the county became homeless. There is considerable speculation that the “new” migration flow is from those urban areas already infested with crack cocaine (e.g., Chicago, Milwaukee) to middle-size cities that look safer to economically disadvantaged parents. Some have labeled this the secondary-city migration pattern.

<sup>35</sup>Only one state, California, maintained the real value of its AFDC guarantee over the 1970–1990 period (*1991 Green Book*, p. 601).

<sup>36</sup>*Ibid.*, p. 1051.

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