

Welfare Benefits After the 1996 Reform Act: A New Look at the Idea of States as Welfare Magnets

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Abstract

The focus of this research is to find the differences of how each state's welfare policies have changed since the welfare reform act of 1996, and also how recipients have responded to this change. In my analysis I combined data from the U.S Department of Health and Human Services, the Bureau of Economic Analysis, and the U.S. Department of Commerce. Preliminary results suggest that states with a higher percentage of recipients on welfare before the reform showed a greater change in number of recipients than states starting with a lower percentage as did states with stronger Democratic leanings, a more unionized work force and higher unemployment.

Introduction

When you think of welfare or government assistance programs, the vast majority of people think about food stamps, or getting a free ride from the government, but it's so much more than that. As I review the literature and arguments on welfare, migration, benefit eligibility, and power before and after the reform, I hope to provide a better understanding of information on the reality of what welfare is, and why recipients of the welfare benefits may or may not relocate, or migrate. I will focus on the myths and realities of welfare immigration throughout states, and across borders over time.

Literature Review

Benefit Eligibility and Migration

In the early 1930's when the United States was going through the Great Depression, the U.S government created a welfare program to help citizens in need of financial assistance, and basic living necessities. Each state has control of their own welfare programs, and there's no one set of requirements. In general, each state has its own programs set in place for assistance, these programs come in the forms of healthcare Medicaid, child welfare assistance, housing assistance, food stamps, and cash aide (TANF).

Since the early 1970's scientists have been researching the migration of welfare recipients. Piven (2008) points out in his research that there may be a problem with how people view welfare. His study concludes it's very unlikely that poor people are impacting the role of any race to the bottom in welfare policymaking. Berry, Fording, and Hansen (1997) found that poor people do migrate to obtain better welfare benefits.

With each state implementing its own programs, it's hard to understand why recipients wouldn't move to receive better benefits if given the chance. A study done by Schow (2008) looks at the Personal Responsibility and Work Reconciliation act of 1996. This study investigated whether states with more strict welfare guidelines had fewer welfare recipients, larger poverty gaps, and higher poverty rates. Schow used the welfare dimensions summary score database and the Current Population Survey to see whether there was a decrease in the percentage of welfare recipients and an increase in the poverty rates, and also if gaps were observable in relation to particular growths in strictness of eligibility requirements, exemptions, time limits, and behavior responsibilities. The findings of his study were that as strictness increased in policies, a negative effect was reflected on the amount of population receiving welfare assistance. There were no real effects found on poverty gaps, and poverty rates.

In a study by Bailey (2004) asks whether welfare benefits affected the choices that single mothers make when choosing a residence. In the results of the study, Bailey finds that welfare benefits do affect the decisions of mothers, and that each state may have different incentives to reduce benefits in an effort to help minimize their poorer population. Bailey feels that although there may be many existing studies on this topic, they might be flawed because of the lack of ability to fully control state and individual factors that might also affect migration patterns. The first test that Bailey used was a quasi-experimental type of research design, which was used as a

control for the social factors, and also state level economic factors. The second test he used was a control for the important role of personal factors, such as, family ties and race. Results from the two tests were able to provide clear evidence that welfare affected migration and that the failure to control non welfare determinants of migration explains those studies which fail to find an effect.

Taking a closer look at what demographers, sociologists, economists, and political scientists have seen take place over the years is a study done by Dillion (2004). He found that there is evidence for the idea that welfare recipients will migrate for benefits. He feels that this idea has crystallized in policymakers minds. In making a case for national welfare standards, Dillion looked at federal financing, and migration patterns throughout the states, and the fluctuating benefits throughout. Although he only found minimal evidence that some recipients actually move to increase their benefits, he did find that many people move to increase their employment options, and not to increase their welfare benefits. On a related note, he was able to provide empirical evidence to support the claim that in an attempt to discourage welfare migration states compete in a race to the bottom in benefits so low as to discourage migration from neighboring states.

After the Reform

The reform intended to work by putting requirements on those who receive welfare. To evaluate the effectiveness of this policy, Song and Girard (2006) conducted a study on the reform and its intended uses and requirements. They shifted focus to welfare recipients and their employability. They examined all the factors that affected the employment status of welfare recipients by using the March 1998 Annual Demographic Supplemental file of Current Population Survey. The total recipients indentified were 1,353. Their survey revealed that

welfare recipients with a high school degree had much greater odds of being able to find a job compared to those without a high school degree. Also they found that different periods in time posed different advantages and disadvantages in finding jobs depending on the job market at the particular time. That, in short, means that the poor labor market which occurred in 2002 provided an unfavorable environment, so compared to welfare recipients with a high school degree, recipients without a high school degree showed significant disadvantages in finding a job.

Going back a few years and revisiting the passage of the federal welfare reform that occurred in late 1996, were researchers Danzinger and Allard (2000). They found that in the time since the reform, 15 states have passed welfare citizenship requirements that put restrictions on cash assistance to new state migrants, which is shown as a sign that welfare-induced migration does concern state policymakers. Many state policymakers assume that states are competing in a race to the bottom over the generosity and qualifications of their welfare policies and programs. Whereas neighboring states are continuously changing their benefit levels as a reaction to the fluctuating benefits from the states surrounding them. Danzinger and Allard took a few extra steps when analyzing data that was collected over multiple periods of time on the individual levels of migration among single parent families, and they estimated the extent to which these families surveyed would make the interstate move to follow the wave of higher benefit levels. Their research concluded that the fairly “new single parent” households made the interstate moves, and that the benefits were a significant determinant of them directly.

Soss and Schram (1998) took a different stand on the 1996 welfare reform. They say that the law seemed to have been characterized as an important act of a transfer of responsibilities. “For some, this devolution will free states to become laboratories of democracy that develop better welfare policies; for others, it will provoke a debilitating ‘race to the bottom’ where states

will reduce benefits out of fear of becoming ‘welfare magnets’ that attract recipients from other states.” They make suggestions that neither the “laboratories of democracy” nor the “race to the bottom” will do justice to all the complexities of the reforms of 1996.

Soss and Schram argue that in the case of the former, the new federal mandates limit state actions and that states face casual pressures to keep up with one another on developing new restrictions so that they can steer clear of, and avoid becoming “welfare magnets.” In the case of the latter, they were able to find empirical evidence to support the existence of welfare migration for the simple fact that the actual “real” value of welfare benefits to recipients doesn’t vary nearly as much as they portray it. Given the results in their study, welfare reforms may indeed create a procedural race to the bottom, but Soss and Schram find it is nothing more than just a myth.

Using annual state-level data from 1983-1994 Figlio, Koplain, and Reid (1999) surveyed the degree to which each of the United States, and District of Columbia simultaneously set their welfare benefits. They used instrumental variables to estimate the causal effects that lead them to find considerable evidence that supported the notion that there is welfare competitiveness between states. In addition to that evidence, they also found that state responses to its neighbor’s benefits increased. The result, for that exact reason, does have possible suggestions for public policy in the stir up of the increased transfer of welfare policy that is connected with the welfare reform of 1996.

Investigating patterns among welfare recipients, Graefe and Jong (2005) conducted a study that included TANF, food stamps, and Medicaid benefits. They analyzed welfare items among low income families through the economic strong and weak times since the reform of 1996. They looked at changes that occurred over time for families that fell within their studied

time frame. They used information that came from the 2001-2003 Panel of the Survey of Income and Program Participation (SIPP). From this longitudinal survey, Graefe and Jong were able to conclude that as time went on, there were more state policies regarding immigrants and specific welfare policies.

Also, focusing on the years following the welfare reform act (1997-2000) was Karch(2002). He conducted a rather systematic study and found proof that there were 12 new welfare requirements that took place between 1997 and 2000. By taking a closer look into the new requirements, and analyzing them, Karch was able to show that competitive pressures and developments in neighboring states didn't cause a race to the bottom.

When the federal government terminated the Aid to Families with dependent Children (AFDC) program in 1996, Peterson, Rom, and Svheve conducted a study to look at the replacement of this program, which was the temporary Assistance for Needy Families (TANF) program. Through their research they found that there was evidence to support that there was indeed a shift in powers. The powers that were formerly used by the federal government were now being used by the state governments, and this opens the door to revisit the race to the bottom question. Not only did they examine this question, but they also contemplated the questions of a possible redesign or expansion to welfare assistance, or will states simply race to the bottom? In order to further investigate these questions, they dug deeper into the state policy choices that were made during the latter years of the AFDC, which had been in effect from 1976 through 1994. As they looked through the decisions that had been made, they found that the AFDC had the authority to set the levels of its welfare guarantee for families that had no income coming in at all. With this new information, they found it was possible to estimate the effects of interstate competition on AFDC levels. They concluded that overall, evidence showed that each

state was sensitive to the welfare policies of their competitors and those of their closely neighboring states.

Methods and Analysis

For my analysis, I used the states data set provided by Carlson and Hyde (2005). The data set provides numerous variables that can be used as independent variables. Independent variables that I will be looking at will come from two areas-economic, and political. The unit of analysis is the American states. My dependent variable is the number of welfare recipients in each state which was obtained from the Census Bureau (Census Bureau, 2009).

The data from the Census Bureau is in Microsoft Excel format and was imported into SPSS program and added into the state data set. These variables include welfare recipient difference between the years of 1996-2008. Other important factors in my added variables include unemployment rate, workers who are union members, Democrat voted states, and Republican voted states.

(Table 1 about here)

Table 1 shows the correlation of per capita change in welfare through economic and political variables. This data focuses on demographics, and is important to my project because it offers a glance at the statistical relationships between the unemployment rate, unionization and party orientation of the states. The only positive correlation is Republican voted states, but the most significant correlation is the percent of workers who are union members. As a state is more unionized, there is a greater number on welfare. Democrat voted states reflect that as more states are democratic, the higher the number of people off of welfare. This is opposite of the

Republican states, which indicate that as more states are Republican, the fewer people are off of welfare. As there are more union states, there is a drop in welfare.

(Figure 1 about here)

Figure 1 looks deeper into the relationship between unemployment rates and per capita change in welfare through states. This graph shows the statistics that are significant with a correlation of $-.329$, correlating with having a level of significance at $.05$, which indicates that states with higher unemployment rates have higher reductions in per capita income change in welfare. This reflects a negative relationship between welfare recipients and unemployment rates

(Figure 2 about here)

Figure 2 looks at the correlation of union workers and the effect it has on per capita change in welfare. It shows the statistics that are significant with a correlation of $-.474$ correlating with having a level of significance at $.01$; this indicates that with a higher number of union states, there is more of a drop in welfare. This graph is showing a strong negative relationship between workers who are union members and welfare recipients since 1996.

(Figure 3 about here)

Figure 3 is looking at the effect that Republicans in offices has on per capita change in welfare. It shows the statistics that are significant with a correlation of $.384$, correlating with having a level of significance at $.01$; this indicates that as more Republicans are in office, the fewer people there are off of welfare. This graph is showing a strong positive relationship between the mass of public percent that are Republican in relevance to the per capita change in relation to who received welfare since the reform in 1996.

(Figure 4 about here)

Figure 4 examines the correlation of Democrats in office and the effects it has on per capita change on welfare. It shows the statistics that are significant with a correlation of .436, correlating with having a level of significance at .01; this indicates that as more Democrats are in office, the more people there are not receiving welfare benefits. This graph is showing a strong negative relationship between the mass of public percent that are Democrat in relevance to the per capita change in relation to who received welfare since the reform in 1996.

(Table 2 about here)

Table 2 evaluates and compares each state to its neighboring state to find if there is an increase or decrease in population receiving welfare. Through analyzing the states the results prove that Alaska, California, Hawaii, Illinois, Maine, and Washington were the only states that had recipients migrating out. The remaining states are considered to be magnets.

Conclusion

Through my analysis I found that states that started out with higher numbers of population on welfare, ended up having more change than states that started out with low numbers of the population on welfare. Examples of this would be Minnesota, New York, Illinois, and Utah. The most significant correlation was the states that had union members as workers. The only positive correlation was the Republican states. Democratic states, unemployment rates, and states that have union member workers all had negative correlations.

My research shows that political demographics have the most impact on what states receive welfare. And that as more states have unions the more significant they will prove to be when being compared to having welfare benefits.

Appendix

Table 1 Correlations in Per capita Change in Welfare

<u>Demographics</u>	<u>Pearsons Correlation</u>
Percent of population with college education or higher	-.072
Percent of population with high school or higher	-.052
Percent population age 18-24	.110
Percent population age 65 and older	.103
Percent population Hispanic	-.136
Percent of population Black	-.253
Per capita income	-.111
Unemployment rate	-.329*
Percent of workers who are union members	-.474**
Percent of population per square mile	-.229
Percent of urban population	-.184
Percent of state legislators who are women	.026
Percent of state legislators who are Black	.002
 <u>Political Variables</u>	
Percent of mass public Democratic	-.436**
Percent of mass public Republican	.384**
Significant at .05*	
Significant at .01**	

Table 2 Evaluation of States as Magnets or Propellants

<u>State</u>	<u>Change</u>	<u>Magnet Status</u>
<u>Alabama</u>	-76.07	Magnet
<u>Alaska</u>	34.45	Migrating out
<u>Arizona</u>	-52.49	Magnet
<u>Arkansas</u>	-175.42	Magnet
<u>California</u>	5.39	Migrating out
<u>Colorado</u>	-81.69	Magnet
<u>Connecticut</u>	-57.01	Magnet
<u>Delaware</u>	-33.41	Magnet
<u>Florida</u>	-30.06	Magnet
<u>Georgia</u>	-69.8	Magnet
<u>Hawaii</u>	32.16	Migrating out
<u>Idaho</u>	-57.77	Magnet
<u>Illinois</u>	14.14	Migrating out
<u>Indiana</u>	-85.73	Magnet
<u>Iowa</u>	-96.15	Magnet
<u>Kansas</u>	-35.02	Magnet
<u>Kentucky</u>	-162.24	Magnet
<u>Louisiana</u>	-31.02	Magnet
<u>Maine</u>	19.25	Migrating out
<u>Maryland</u>	-34.55	Magnet
<u>Massachusetts</u>	-103.51	Magnet
<u>Michigan</u>	-10.32	Magnet
<u>Minnesota</u>	-11.19	Magnet
<u>Mississippi</u>	-86.57	Magnet
<u>Missouri</u>	-123.59	Magnet
<u>Montana</u>	-28.35	Magnet
<u>Nebraska</u>	-57	Magnet
<u>Nevada</u>	-50.92	Magnet
<u>New Hampshire</u>	-57.66	Magnet
<u>New Jersey</u>	-22.39	Magnet
<u>New Mexico</u>	-56.52	Magnet
<u>New York</u>	-79.53	Magnet
<u>North Carolina</u>	-118.61	Magnet
<u>North Dakota</u>	-22.23	Magnet
<u>Ohio</u>	-84.14	Magnet
<u>Oklahoma</u>	-74.54	Magnet
<u>Oregon</u>	-29.47	Magnet
<u>Pennsylvania</u>	-113.06	Magnet
<u>Rhode Island</u>	-55.24	Magnet
<u>South Carolina</u>	-32.68	Magnet
<u>South Dakota</u>	-62.96	Magnet
<u>Tennessee</u>	-120.41	Magnet
<u>Texas</u>	-62.41	Magnet
<u>Utah</u>	-58.7	Magnet
<u>Vermont</u>	-40.34	Magnet
<u>Virginia</u>	-90.52	Magnet
<u>Washington</u>	16.48	Migrating out
<u>West Virginia</u>	-58.87	Magnet
<u>Wisconsin</u>	-64.54	Magnet
<u>Wyoming</u>	-41.74	Magnet

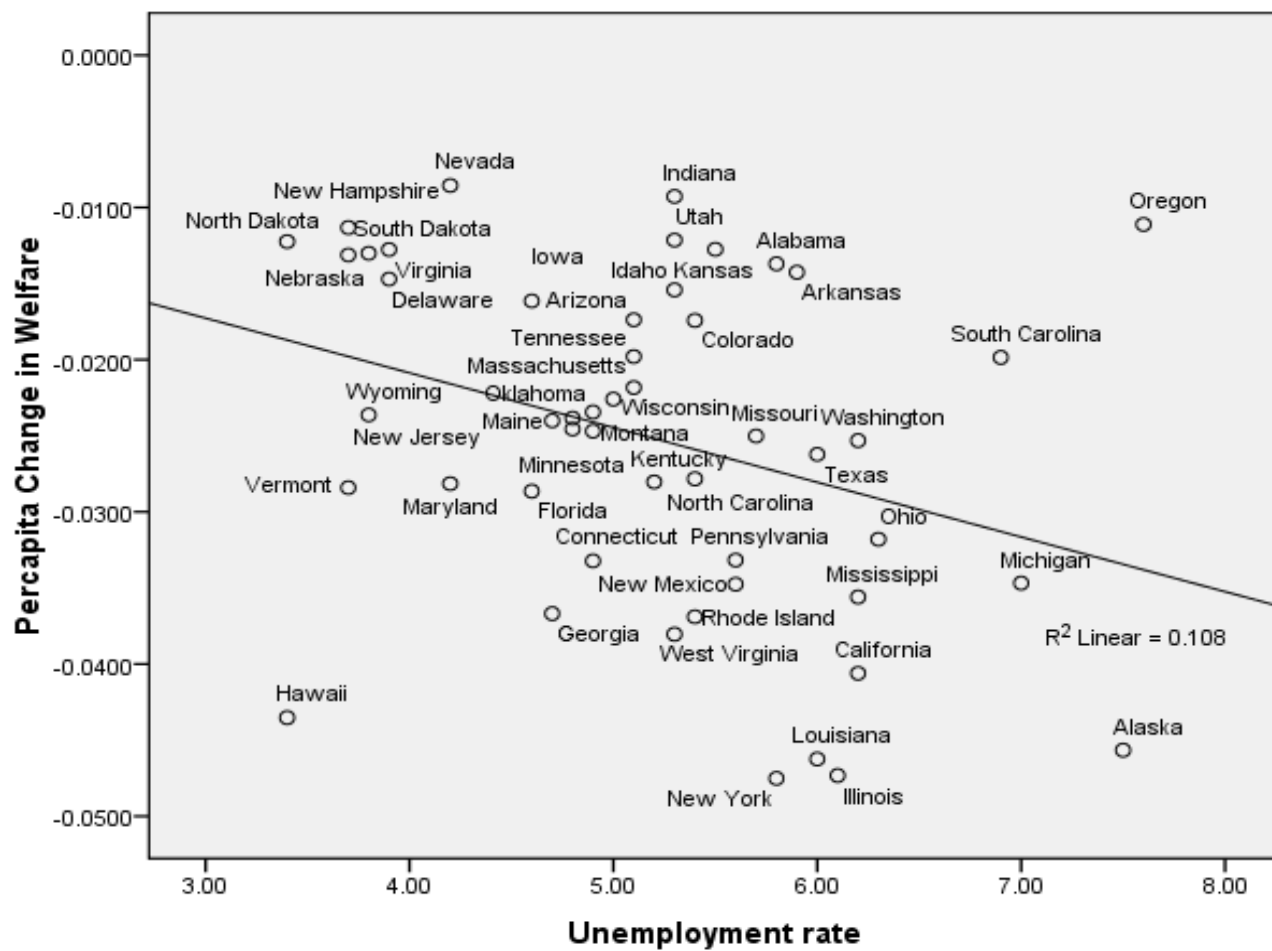
Figure1 Effects of Unemployment Rates on Per Capita change in Welfare

Figure 2 Effects of Union Member Workers on Per Capita Change in Welfare

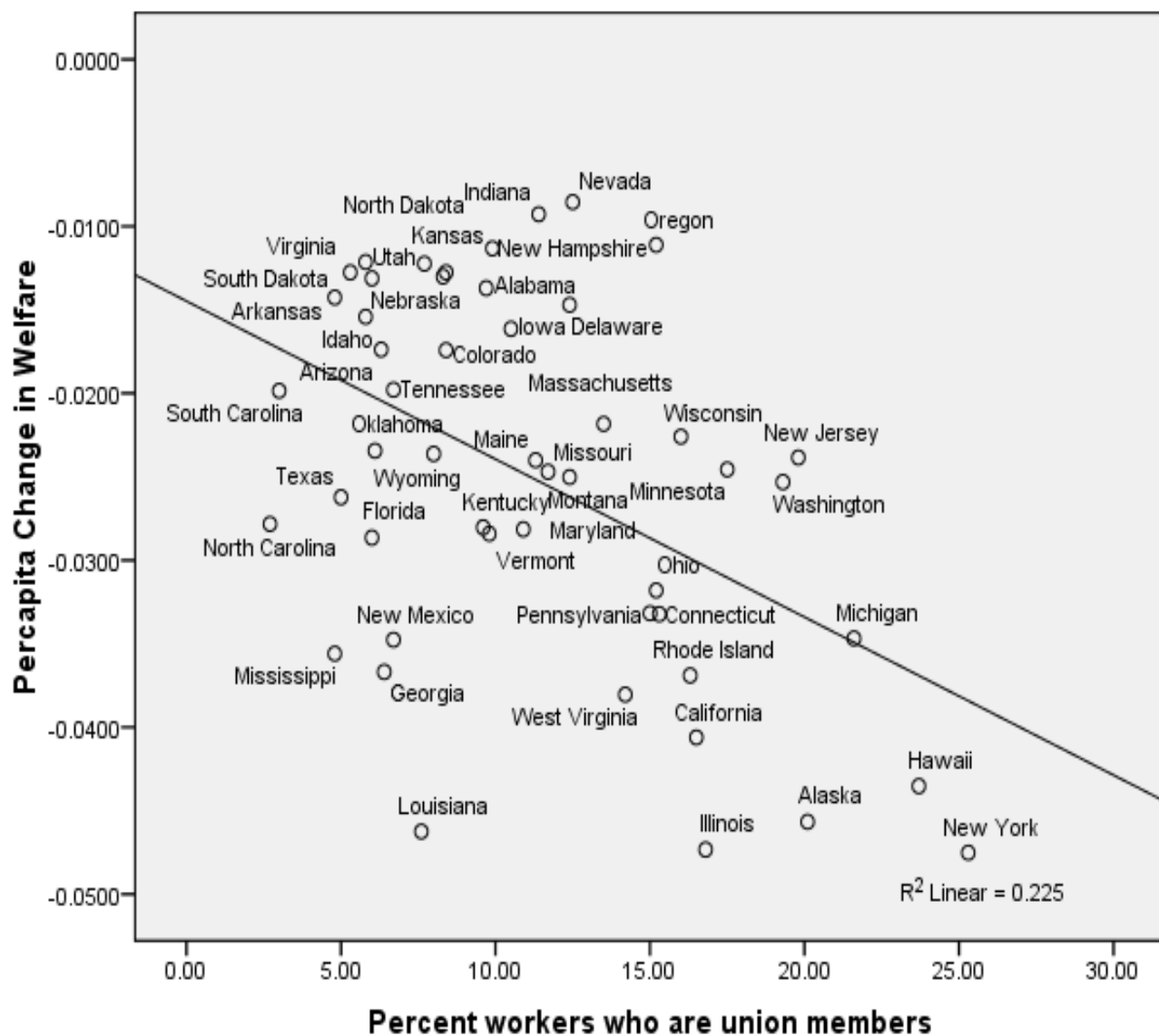


Figure 3 Effects of Republicans in Office on Per Capita Change in Welfare

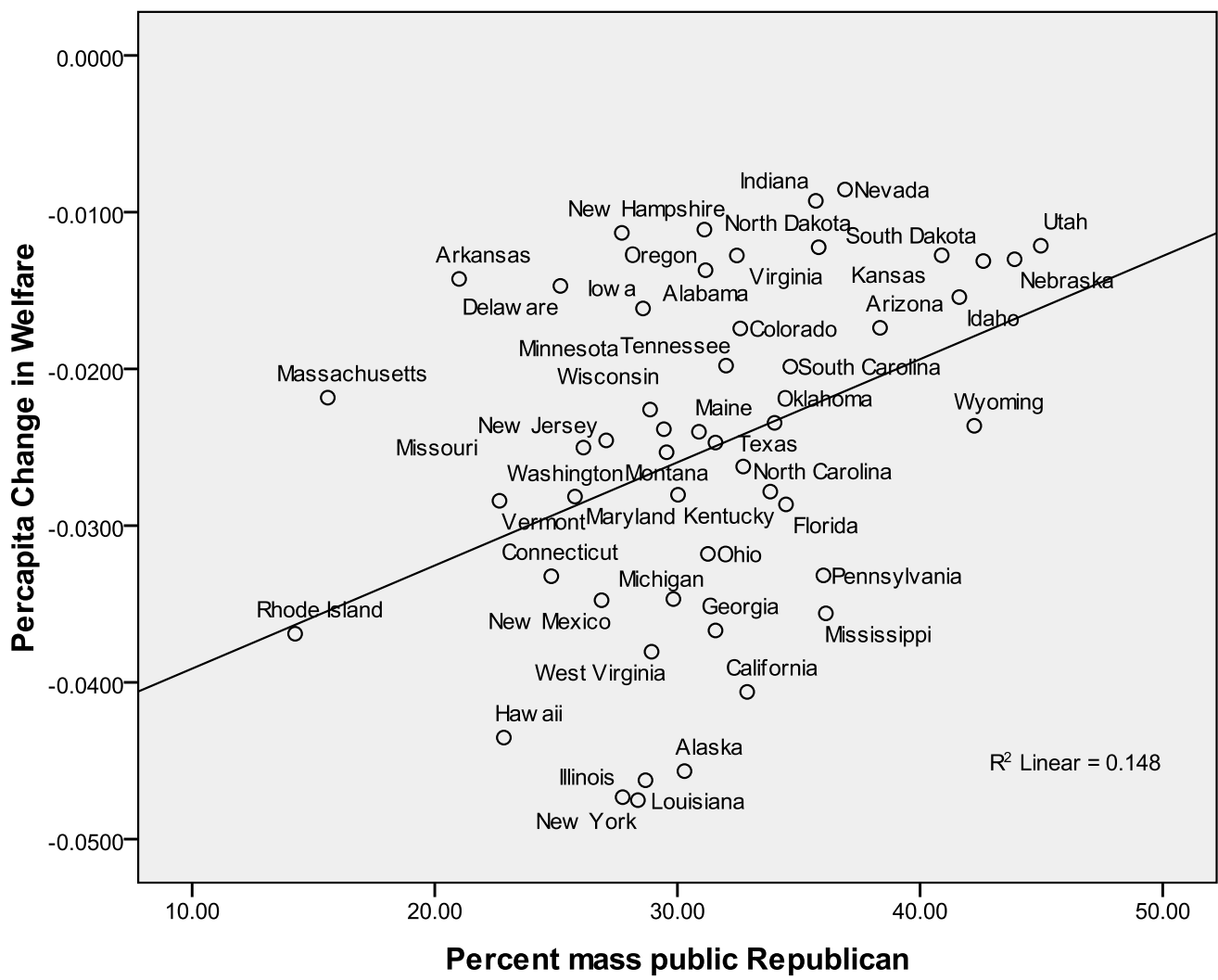
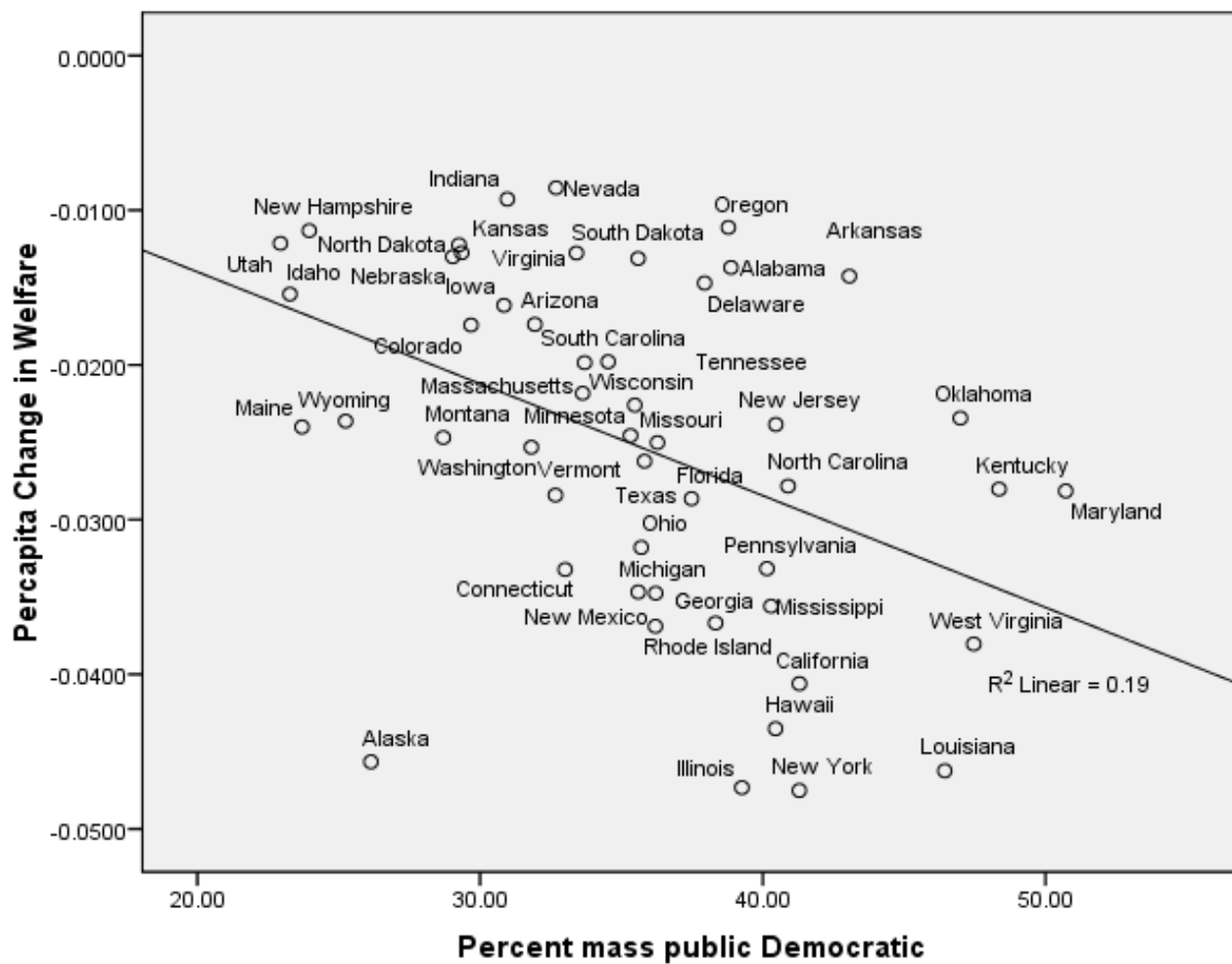


Figure 4 Effects of Democrats in Office on Per Capita Change in Welfare

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