Welfare generosity, pregnancies and abortions among unmarried AFDC recipients

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Abstract. Even before the 1996 overhaul of the U.S. welfare system, a number of states had ended the practice of paying extra benefits to families who have additional children while receiving welfare. Proponents believe that this reform can reduce births to recipients, however many worry that it may encourage women to obtain abortions. Using a sample of unmarried AFDC recipients from the NLSY, we estimate a bivariate probit model of pregnancy and, conditional on becoming pregnant, the probability of abortion. Our results lend some support for the proposition that reducing incremental AFDC benefits will decrease pregnancies without increasing abortions.

JEL classification: I38, J13

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1. Introduction

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 gave states wide latitude to create and administer their own welfare programs. But even before the passage of this act a number of states had begun to experiment with reforming the welfare system under waivers from the Federal government. One of the most controversial of these reforms was

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ending the practice of providing extra benefits to families who have additional children while on welfare. Clearly intended to discourage families on welfare from having more children, this innovation (often referred to as a “family cap”) can now be adopted by states without applying for a Federal waiver.1

Proponents of family caps often contend that any reduction in the number of children born to recipient mothers will be accomplished through a decrease in pregnancies. However, a reduction in births could also come about through an increase in abortions. This possibility has prompted concern by the public, the popular press, and policymakers, but to date there has been no research on abortions obtained by women receiving welfare.2 By exploiting cross-sectional and within-state variation in incremental AFDC payments, we are able to examine the link between welfare generosity, pregnancy, and pregnancy resolution among welfare recipients.

Our sample, taken from the National Longitudinal Survey of Youth (NLSY), is restricted to unmarried women receiving AFDC income in at least one year between 1979 and 1991. We estimate a bivariate probit model of the determinants of pregnancy while on AFDC and, conditional on becoming pregnant, the probability of obtaining an abortion. Our results provide a mixed picture with regard to the potential impact of instituting a family cap. Specifications without state fixed-effects produce results that suggest capping benefits will reduce the likelihood of becoming pregnant without increasing the likelihood of obtaining an abortion. However, once state fixed-effects are added to the model we can find only weak evidence of a relationship between incremental welfare benefits and the likelihood of pregnancy. Finally, we find that the availability of Medicaid funding for abortions is positively correlated with the probability of obtaining an abortion regardless of whether state fixed-effects are included in the model.

2. Welfare and fertility

Economic models of fertility suggest that couples weigh the financial costs and time inputs of raising a child against the utility gains (Becker 1981). Tax and transfer payments that vary with family size alter these costs and benefits and should therefore influence fertility behavior. There is, in fact, a fair amount of empirical evidence that fertility behavior is sensitive to subsidies created by the tax code (Whittington et al. 1990; Whittington 1992). By providing an increase in benefits to recipients with the birth of an additional child, the traditional U.S. welfare system can also be thought of as being structured in such a way as to subsidize having children.

Only a small number of studies have focused directly on the relationship between incremental benefits and the number of children born to women on welfare. Fairlie and London (1997) found a positive correlation between incremental benefits and the probability of a recipient having an additional child, however a positive correlation was also found for non-recipients suggesting the possibility of omitted variable bias. Acs (1996) restricted his sample to women who received welfare support for their first child. He found no evidence that incremental AFDC benefits were related to the probability of having a second child, but higher-order birth were not examined. Finally, an initial analysis of a recent experiment conducted in New Jersey concluded that there was a statistically significant 29% decline in the birth rate of recipients