Child Support and Income Insecurity

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Thanks

- Maria
- Irv, Margo, Ingrid, Pat, many others
- Partners in the Bureau of Child Support
- Data programmers and collectors
  - Wisconsin management information systems (child support, welfare program participation, earnings)
  - Wisconsin Court Records
Overview of Talk

- Part of IRP series: Instability in the Lives of the Poor: How Policy Helps or Hurts
- Child support history
- Child support and income instability (noncustodial fathers)
- Child support and income instability (custodial mothers)
- Child support, poverty, and equality
  - 3 papers, all rely on Wisconsin administrative data
Child Support History
Two primary concerns

- Mother-only families especially economically vulnerable; in 1974 among families with children:
  - 43.7% poverty for mother-only families
  - 6.0% poverty for married-couple families
- Reluctance to support children with public funds whose fathers could be supporting them

Expectation that noncustodial fathers had the resources to provide for their children

Solution: new emphasis on child support
Policy Responses

- Paternity
  - lengthy process, adversarial

- Orders
  - variable, regressive, unchanging

- Collections
  - no prevention, no incentives for AFDC

- In hospital, voluntary paternity acknowledgement

- Numerical formula, orders that adjust, can request review

- Immediate withholding, new hires, $50 pass-through incentive
Fast Forward to 2010

- Declining or stagnant earnings and income for low-skill men
- Mass incarceration (mostly of men)
- Many fathers have had children with more than one woman; not enough resources for all children
- Transformation of income support for single-parent families toward work-based system. Like the old system, support available for families with children that is generally not available for those not living with their children
  - Example: federal EITC 2009 max $457 if 0 kids; $3043 if 1
Child Support and Income Instability: Noncustodial Fathers
Paper #1

- “Unchanging Child Support Orders in the Face of Unstable Earnings”
- Ha, Cancian & Meyer
How Regular Are Noncustodial Fathers’ Earnings?

- Data: Administrative records in Wisconsin: child support (KIDS) and earnings data (UI)
- Sample: Couples with new fixed-dollar orders in 2000 that remain in place for five years; father is the noncustodial parent; no changes in placement/custody or number of children
- 5,329 fathers
- Examining changes in earnings from baseline (four quarters prior to the order being established) to average earnings over the next 12 quarters (3 years)
Earnings Changes: Baseline to 3 Years Later

- Large Increase (>50%)
- Large Decrease (>50%)
- Small Increase (16-50%)
- Small Decrease (16-50%)
- Similar (-15% to +15%)
Do Irregular Earnings Mean Changes in Child Support Orders?

<table>
<thead>
<tr>
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<th>Order Decreased</th>
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Multivariate Analysis of Changes in Orders

- Event history analysis
- Holding demographic characteristics constant, decreases (increases) in earnings are associated with decreases (increases) in orders. However, orders appear to be more sensitive to decreases in earnings than increases in earnings.
- African Americans less likely to have change in orders in either direction.
- Higher initial earnings more likely to have decline in order.
- Some indication of recalibration: if initial order too “high,” likely to decline; if too “low,” likely to increase.
Some Conclusions

- Substantial changes in earnings
  - 1/3-1/2 fathers have changes of 50% or more

- Limited changes to orders
  - 1/4 change, not always cases with biggest earnings changes, not always in same direction

- Unchanging orders mean:
  - some NCPs with disproportionate burdens
  - some children not benefiting from increases in parent’s economic status
Child Support and Income Instability: Custodial Mothers
Paper #2

- “The Regularity of Child Support and Its Contribution to the Regularity of Income”
- Ha, Cancian, Meyer
- Revise & resubmit, Social Service Review
About half of custodial mothers were supposed to receive child support in 2007
  - Average amount due: $5400
  - About 1/4 receive nothing; 1/4 partial; 1/2 full
Research has typically focused on the amount received (or the proportion received), with little attention to the regularity of receipt
Why Might Child Support Be Irregular?

- Earnings/income of NCP might be irregular
- If NCP falls behind in payments, his income tax refund can be intercepted, leading to a single large payment
Is Irregularity an Issue?

- Maybe it’s not so irregular (NCPs in formal economy have little choice over payment)
- Or maybe it is irregular, but it’s not that interesting because:
  - It’s predictable (9 month contracts)
  - Other sources of income balance it – child support decreases, CPs work more or go on TANF/SNAP
- Paper provides data on the level of regularity and whether other sources of income balance
Data, Sample, and Approach

- Administrative records on child support, earnings, TANF, SNAP
- 10,536 mothers who were awarded a new child support order in 2000, and continue to have an order through 2005
- To determine regularity: Calculate modal monthly amount over a calendar year. Count number of months in which the amount received is within 25% of this amount. Count months as “regular” if smoothing over adjacent months leads to amounts within 25% of the modal amount.
Months Receiving Support, Year 5

- Any Support:
  - No months: 14.4%
  - 1-3 months: 18.5%
  - 4-9 months: 8.4%
  - 10-12 months: 58.7%

- Regular Support:
  - No months: 14.4%
  - 1-3 months: 11.1%
  - 4-9 months: 30.3%
  - 10-12 months: 44.3%
Some Conclusions

- Regularity is a concern
  - 14% of mothers have no payments in the year, but 41% irregular payments (do not get about the same amount in >= 10 months)

- System-induced irregularity
  - Mothers receiving TANF receive only a portion of the child support paid on their behalf
Child Support, Poverty, and Inequality
Paper #3: Work in Progress

- “Is Child Support Robin Hood in Reverse: Does Child Support Take Money from the Poor and Give it to those Not Poor?”
- Cancian, Garfinkel, Ha, Meyer
Acknowledgements

- Fragile Families funders include the Eunice Kennedy Shriver National Institute of Child Health & Human Development through the Office of Population Research, Princeton University; National Science Foundation; U.S. Department of Health and Human Services (ASPE and ACF); California HealthCare Foundation; The Center for Research on Religion and Urban Civil Society at the University of Pennsylvania; Commonwealth Fund; Ford Foundation; Foundation for Child Development; Fund for New Jersey; William T. Grant Foundation; Healthcare Foundation of New Jersey; William and Flora Hewlett Foundation; Hogg Foundation; Christian A. Johnson Endeavor Foundation; Kronkosky Charitable Foundation; Leon Lowenstein Foundation; John D. and Catherine T. MacArthur Foundation; A.L. Mailman Family Foundation; Charles Stewart Mott Foundation; David and Lucile Packard Foundation; Public Policy Institute of California; Robert Wood Johnson Foundation; St. David's Hospital Foundation; St. Vincent Hospital and Health Services

- Opinions are those of the authors alone
Time to Reconsider Child Support?

- Given that mothers overwhelmingly receive custody
- Given the economic difficulties faced by men, and
- Given income support to those living with children that is not available to those without
  - Does requiring noncustodial parents (typically fathers) to pay support to custodial parents (typically mothers) make sense?
- Note: relative economic status of the parents not the only factor to consider in a child support regime
Why Don’t We Know the Answer Already?

- Hard to collect data from noncustodial fathers
- Particularly difficult to have data on matched pair
  - Want to know not just whether custodial mothers are better off than noncustodial fathers on average, but whether a given custodial mother is better off than her partner
Our approach: 2 “parallel” analyses

Fragile Families
- Survey data on nonmarital births in 20 large cities between 1998-2000
- Examine mothers’ and fathers’ self-reported incomes when child is 5
- Limit sample to mother-custody couples, not living together, who have child support order

Wisconsin Admin Data
- Administrative records of nonmarital births between 1995-2000
- Examine mothers’ and fathers’ incomes in the administrative records when child is 5
- Limit sample to mother-custody couples, who had child support order in 2000, AND who have income information
Strengths/Limits of Each Source

**Fragile Families**
- National, but only urban
- Fuller measure of income (e.g., informal earnings, UI benefits)
- Mom’s report of child support received assumed to equal child support paid
- Able to consider children in father’s household
- N=520

**Wisconsin Admin Data**
- Single-state, but includes rural
- Fewer sources of income, but accurate when they exist
- Eventually able to distinguish between child support paid and received (not =) (analyses not yet completed)
- No information on children in father’s household
- N=2710
Measures of Income

- **#1: Market income.** Includes gross earnings and child support from other fathers

- **#2: Post-transfer income.** Market income + TANF + SNAP + EITC (fed + state) – taxes (Taxes calculated with TAXSIM)
  - Comparison of #1 and #2 shows extent to which government is supporting this family
  - Comparing post-transfer income of those supposed to pay and those supposed to receive tells us whether this is Robin Hood (from the rich to the poor) or the Sheriff of Nottingham (from the poor to the rich)

- **#3: Post-child support income.** Post-transfer income +/- child support
  - Comparison of #2 and #3 shows extent to which child support is increasing/decreasing income

- In each case, focus is on “personal” income (not including the income of others in the family/household), adjusted for family size by dividing by the poverty threshold
## Mean Incomes

<table>
<thead>
<tr>
<th></th>
<th>Fragile Families</th>
<th></th>
<th>WI Admin</th>
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<tr>
<td></td>
<td>Dad</td>
<td>Mom</td>
<td>Dad</td>
<td>Mom</td>
</tr>
<tr>
<td><strong>Market Income</strong></td>
<td>$21,227</td>
<td>$14,490</td>
<td>$18,451</td>
<td>$12,723</td>
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<tr>
<td><strong>Post-Transfer Income</strong></td>
<td>$20,071</td>
<td>$19,590</td>
<td>$16,049</td>
<td>$15,067</td>
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<tr>
<td><strong>Post-CS Income</strong></td>
<td>$18,425</td>
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<tr>
<td></td>
<td>Mom Poor Dad Poor</td>
<td>Mom Poor Dad Not</td>
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<tr>
<td><strong>FF: Market</strong></td>
<td>31%</td>
<td>35%</td>
</tr>
<tr>
<td><strong>FF: Post-Transfer</strong></td>
<td>23%</td>
<td>29% (Robin)</td>
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## Distribution of Couples’ Relative Income

<table>
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<tr>
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<th>Mom &lt; 80% Dad</th>
<th>Mom ~≈ Dad</th>
<th>Mom &gt; 120% Dad</th>
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<tr>
<td><strong>FF: Market</strong></td>
<td>64%</td>
<td>12%</td>
<td>24%</td>
</tr>
<tr>
<td><strong>FF: Post-Transfer</strong></td>
<td>54%</td>
<td>12%</td>
<td>33%</td>
</tr>
<tr>
<td><strong>FF: Post-CS</strong></td>
<td>48%</td>
<td>15%</td>
<td>38%</td>
</tr>
<tr>
<td><strong>WI: Market</strong></td>
<td>64%</td>
<td>8%</td>
<td>27%</td>
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<td>55%</td>
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<tr>
<td><strong>WI: Post-CS</strong></td>
<td>41%</td>
<td>16%</td>
<td>43%</td>
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Summary of Results so Far

- Noncustodial fathers better off in the market than mothers
- Taxes and transfers improve the status of mothers, but they still have less than fathers
- Family size adjustments matter to some figures
- Considering only family size-adjusted figures and examining couples,
  - Pre-child support: always more couples where dad is better off
  - Post-child support conclusions from 2 data sources differ somewhat:
    - Fragile Families, better-off fathers still outnumber better-off mothers (48% of fathers and 38% of mothers are better off than their partner)
    - Wisconsin Administrative, better-off mothers outnumber better-off fathers (41% of fathers and 43% of mothers are better off than their partner)
Next Steps

- Explore consequences of (non-random) missing data (results are sensitive to inclusion of cases with zero/missing income)
- Explore differences in results between 2 data sets
- Consider cases that do not have mother custody; consider divorce cases
- **Wisconsin**
  - incorporate fathers’ payments to other mothers
  - explore differences between amounts paid and received -- not all child support that fathers pay is actually received by mothers
  - explore tax records
  - start with birth cohort
- **Fragile Families**
  - alternative assumptions on child support, on household income
Noncustodial fathers have unstable earnings. Despite the irregularity of earnings, child support obligations are not often adjusted.

From custodial mothers’ perspective, irregularity 3 times as likely as nonpayment.

Child support more like Robin Hood than the Sheriff of Nottingham.
Child Support and Income Insecurity: Potential Policy Implications

- More automatic order changes
  - Reconsider percentage-expressed orders?
  - Should orders change when noncustodial parents are incarcerated?
  - How should orders treat multiple-partner fertility cases?
  - How should guidelines handle low-income cases?
- Continue to move toward full pass-through and disregard within TANF
- Explore policies that ensure income when NCP cannot afford much child support and/or that smooth child support fluctuations
- Explore policies that provide some benefits to NCPs that are more than those available to childless adults
For more information

- http://www.irp.wisc.edu/research/childsup.htm