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Supporting Children Born Outside of Marriage: Do Child Support Awards Keep Pace with Changes in Fathers' Incomes?

Daniel R. Meyer
School of Social Work
Institute for Research on Poverty
University of Wisconsin-Madison

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Abstract

Many children born to mothers who are not married are very poor, and in many instances their mothers do not receive child support. Some excuse this by asserting that the fathers of these children do not and never will earn enough to pay adequate support. But the records of paternity cases that came to court in Wisconsin between 1980 and 1988 show that half of the fathers aged twenty-five and older had incomes over $10,000. More important, the men who had the lowest incomes when they became fathers--such men were usually teenagers--were the ones whose incomes increased the most over the years. Even so, the records reveal that there was no relationship between changes in the incomes of the fathers and changes in the amounts of child support awards, a situation the Family Support Act of 1988 is seeking to rectify.

Supporting Children Born Outside of Marriage:
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I. INTRODUCTION

The percentage of children born outside of marriage has increased dramatically in the last thirty years, from 5.3 percent of all births in 1960 to 18.4 percent in 1980 and to 28 percent in 1990 (U.S. House of Representatives, 1993). Among African Americans, the percentages have been even higher, reaching nearly 67 percent in 1990. The rise in out-of-wedlock births is cause for serious concern because most children born outside of marriage live in households that are very poor: 54 percent of the families of children with never-married mothers had incomes below the poverty line in 1989, compared to 27 percent of divorced families (U.S. Bureau of the Census, 1991a) and 7 percent of married-couple families with children (U.S. Bureau of the Census, 1991b).

Because so many children who are born to never-married women are poor, the child support system is being scrutinized to determine if the noncustodial parents of these children are paying appropriate amounts of child support. The most recent data show that never-married women do not do well in the current child support system. Only 24 percent of never-married women have child support awards, compared to 48 percent of separated women and 77 percent of divorced women (U.S. Bureau of the Census, 1991a), and even when there is an award, child support payments may not be made. Further, when never-married women are "lucky" enough to have an award and to receive something, they receive substantially less than other women, an annual average of $1888 compared to $3060 for separated women and $3322 for divorced women (U.S. Bureau of the Census, 1991a). Putting all these factors together, the average never-married woman receives only $273 annually in child support, compared to $951 for separated women and $1776 for divorced women (U.S. Bureau of the Census, 1991a).

That little is collected, however, does not necessarily mean that the system is not working. First, some mothers may choose not to pursue paternity establishment, and then the lack of child support reflects their desires rather than a weakness of the system. (On the other hand, perhaps the number of children who have not had paternity established reflects difficulties with the system rather than mothers' choices.) Second, perhaps the system is collecting as little as it does because the fathers of these children have very low incomes. Indeed, some believe that little child support will ever be collected on behalf of out-of-wedlock children because the employment and income prospects of their fathers are so bleak. If, however, noncustodial parents have moderate levels of income, or if they will eventually have moderate levels of income, then the entire child support system should be reexamined to determine why never-married women receive so little.

Until now, the data have not been available to inform this debate or to give policy makers and program administrators direction in knowing what priority to place on aggressively pursuing child support in paternity cases. This research begins to fill this gap by focusing on three questions:

(1) What is the distribution of noncustodial-parent income at the time of paternity establishment?

(2) Do these incomes increase over time? If so, whose incomes increase?

(3) Do these increasing incomes translate into increases in child support awards?

II. PREVIOUS RESEARCH

Two types of previous research are relevant: research providing estimates of the incomes of noncustodial parents and research addressing whether child support awards keep pace with changing circumstances.

Most of the research on the incomes of noncustodial parents has focused on the incomes of divorced and separated men, primarily comparing the changes in income of men and women after

divorce. Almost all of this work concludes that, after divorce, women experience significant drops in income compared to their needs, while the income of men compared to their needs typically increases (Lewin/ICF, 1990). A typical mean income of divorced and separated men from this research is above $20,000; the estimates, however, vary widely (Phillips & Garfinkel, 1993; Meyer, 1992a).

But the research question here is not the incomes of divorced men, but of men who have fathered a nonmarital child, since the children of such fathers are most at risk of poverty. Income information is available on two groups that are probably similar to this population: young absent fathers and fathers from the child support enforcement caseload, particularly fathers of children receiving Aid to Families with Dependent Children (AFDC).

Several small-scale studies of young absent fathers' incomes have been completed, and most of these show that unmarried fathers have very low incomes and very poor prospects. For example, Wattenberg and her colleagues (1991) find that about half of the seventy-eight young fathers of AFDC children in their sample in Minneapolis had household incomes of less than $1000/month. Those who were employed were

> chiefly employed in jobs such as fast food restaurants, warehouse work, gasoline station attendants, i.e., jobs that are temporary, part-time, with low-wage scales. With the increasing marginalization of relatively well paying jobs in the manufacturing sector that do not require higher education and advanced work skills, the prospects for improvement are slight (p. 81).

The most comprehensive study of young absent fathers is Lerman's (1990), based on data from the National Longitudinal Survey of Labor Market Experience, Youth (NLSY). Lerman analyzed the incomes, employment status, and fatherhood status of men at two points in time, 1982 and 1987. He found that the absent fathers in his sample eventually earned less (on average, about $12,800 in 1987) than the childless men ($15,900) and resident fathers ($19,500). The changes in income over time among the three types of fathers were not the same, either. The resident fathers began with substantially higher incomes ($11,675 in 1982), but perhaps because they entered the labor market

earlier and received less education, their earnings increased only 63 percent from 1982 to 1987. Absent fathers began at only $7013, but raised their incomes by 86 percent. Childless men also began with low earnings, $6892, but increased their incomes by 137 percent, perhaps showing the returns to education. In a regression equation predicting earnings, unmarried absent fathers had lower incomes than all married men, other things being equal, but the difference was less than $500.

Several estimates of the incomes of fathers of AFDC families who are using the child support (IV-D) system have been completed. Again the estimates vary widely. Two studies reviewed by Haskins et al. (1985) found average incomes of between $14,000 to $18,000 in 1988 dollars; a recent study in Wisconsin found an average income of about $16,000 (McDonald et al., 1990). In contrast, Haskins et al. (1985) found average incomes of less than $8000 in 1988 dollars in the North Carolina AFDC IV-D caseload, and Sonenstein and Calhoun (1988) found median incomes of $9000 to $11,000 in Ohio and Florida.

But these data are not direct estimates of the incomes over time for fathers in paternity cases. Direct estimates have recently been provided by Phillips and Garfinkel (1993), who used data from the Wisconsin Court Record Database and tax records of fathers in twenty-one counties in Wisconsin. Their results for the fathers in paternity cases are summarized in Table 1.

They found that mean annual income in the year before paternity was established was $10,847 and increased by 54 percent by the third year after paternity was established and by 97 percent by the seventh year. Mean incomes of those who began below 150 percent of the poverty line showed even more dramatic increases, as did the mean incomes of those whose children received AFDC some time after paternity (not shown in table).

A second line of research has examined whether child support awards keep pace with changing circumstances. In the past, changing a child support order was a complicated, time-consuming, and costly process with an uncertain outcome (Henderson & Hewitt, 1988). The Family

TABLE 1

Mean Personal Incomes of All Paternity Fathers with a Tax Record

	Mean Income (in 1988 dollars)	Percent Poor	N
Year before paternity action	$10,847	41	1172
One year after action	12,559	35	1083
Two years after action	13,734	32	1005
Three years after action	15,201	27	862
Four years after action	16,021	25	675
Five years after action	16,873	22	516
Six years after action	18,527	20	409
Seven years after action	20,744	16	256

Source: Phillips and Garfinkel, 1993, Table 2.

Support Act of 1988 has sought to change this situation by requiring state child support offices to regularly evaluate their entire caseload to determine if awards should be changed. Several states began pilot studies of this review and modification process, with some similar results (see Corbett et al., 1991; Price et al., 1991; Williams, 1991; Caliber Associates, 1992). The child support offices in the pilot sites have made many fewer modifications than were originally expected. There seems to be two different reasons for this lack of modifications: few of the fathers of women receiving AFDC had had substantial increases in income, and few of the women not receiving AFDC were willing to pursue a modification, perhaps because they feared upsetting the delicate balance achieved in their relationship with the children's father. When modifications have been made, they have typically been fairly large: in Wisconsin the average award change for cases with changes was almost $100/month, and the amount of money collected from these cases increased by 67 percent (Corbett et al., 1991).

In summary, we know very little about noncustodial income over time, particularly for fathers of nonmarital children. The estimates of noncustodial income vary widely, are often based on cross-sectional estimates of income, and mostly focus on divorced men. The work that has looked at unmarried men has relied on self-reports of fatherhood which may inject significant bias: some research has found that men underreport whether they have children who do not live with them (Cherlin et al., 1983; Mott, 1983). The Wisconsin data previously used by Phillips and Garfinkel (1993) provide a unique resource to examine the incomes over time of fathers in paternity cases. This paper extends their work, building on their presentation of mean incomes by providing information on the distribution of incomes. In addition, this paper looks more closely at the characteristics of those fathers whose incomes change over time. Finally, because we know so little about whether child support awards keep pace with changes in income or other circumstances, this paper looks at whether child support awards have kept pace with the changes in income.

III. DATA AND METHODS

Data

One approach to tracking the incomes of men who father children outside marriage would be to examine the incomes and fertility histories of men in a nationally representative longitudinal data base. However, two problems would result. First, the fertility reports of men are less accurate than those of women, particularly when it comes to nonmarital fertility (Mott, 1983). Second, the national longitudinal studies do not enable a researcher to match a noncustodial father with the current characteristics of his children. Because of this inability to match fathers with their children, information on the incomes of fathers of children receiving AFDC would not be available, a topic of considerable policy interest.

In this paper, I use information from the court records of twenty-one counties in Wisconsin on men who had paternity established between July 1980 and December 1988. This data base is the WCRD that was also used by Phillips and Garfinkel (1993).[1] Because the data are drawn from administrative records, I do not have to rely on whether men report that they have fathered children outside of marriage. Because the court record contains information on both the father and the mother, a matched sample is possible. The sample I use includes all fathers in the court record sample who had paternity established and in which the mother was given sole legal custody (n=2621).

Information on the incomes of these fathers are drawn from three sources. First, the court record lists income at the time paternity is established for about one-third of the fathers. Second, state tax records supplied by the Wisconsin Department of Revenue (DOR) from 1980–1989 were used to determine taxable income. While three-fourths of the fathers in this sample have a tax record for at least one year between 1980 and 1989, the number who have records in a given year is lower. (A tax record could be missing because the father's income was too low to file a tax form[2] or the father moved out of state.)[3] Third, amounts of AFDC received by these fathers from 1980–1989 were taken

from an administrative record (the Computerized Reporting Network) and added to taxable income. This adds about thirty fathers each year to the number of those with known income, and increases the mean annual income by about $150 in each year.

However, even with these matches, a substantial number of fathers still have missing income during at least one year. Because the amount of missing data is fairly high, I include information about men with missing data in the statistics and analyses that follow when it is relevant.[4]

Additional information on these men and their children was taken from the court record and the AFDC records. Because child support payments are required to go through the court system in Wisconsin, the WCRD contains an administrative record of the amount of child support due each month.

For the analysis of income at the time of the paternity action, I present information on men who have income information in the court record (n=800), and those who have income information in the tax/AFDC records (n=1257). When looking at incomes over time, I selected fathers who had income information in the tax or AFDC records in both the year paternity was established and three years later (n=783), although I also present some information on those with missing income data. Finally, when comparing increases in income to increases in awards, I consider fathers for whom I have income information and award information in the year paternity was established and two years later (n=468). This sample is smaller than the other samples because I do not have award information in both years for some cases in which I had income information during both years.

While these data contain a number of important advantages, the conclusions may not be generalizable to the national population of men fathering nonmarital children. First, as reported earlier, the WCRD data are from Wisconsin, a state with a lower percentage of people of color than most other states and no metropolitan area with a population over two million. Second, these data are not for <u>all</u> men who have fathered nonmarital children, but for those who fathered nonmarital children

and were legally established as the fathers of these children. While some may assert that men who have had paternity established probably have higher incomes than those who have fathered nonmarital children but have not had paternity established, this may not be true of the men in my sample. About three-fourths of the men in this sample are fathers of children who received AFDC. Because fathers of AFDC children are thought to have very low incomes, the fathers in this sample may have incomes that are fairly representative of all men who have fathered nonmarital children.

Methods

Because this research is among the first of its kind, the analysis reported here is primarily descriptive. Specifically, I will address three questions:

a) What are incomes at the time of the petition for paternity establishment? Straightforward information on incomes will be presented, along with differences in income by age of father, by age of child, and by source of income.

b) Whose incomes increase over time? This analysis will begin with simple descriptive information of the changes in incomes three years after paternity for several groups. A multivariate analysis of increases will also be presented to control for the effects of a variety of independent variables.

c) Do awards keep pace with changes in income? This analysis will also begin with simple descriptive information on the changes in awards two years after paternity and will then provide a simple cross-tabulation of changes in awards compared to changes in incomes. Finally, a multivariate analysis of the changes in awards over time will be presented.

Several types of multivariate analyses are possible; one type of comprehensive approach would be to use the income data at all points in time. This research uses a simpler approach, looking at income for each person at only two points in time.[5] Assume income during any period (Y_{it}) is distributed normally and is a linear function of the following: (a) some variables whose values change

over time but whose effects do not change (U_{it}); (b) some variables whose values and effects change over time (V_{it}); (c) some variables that are constant over time but whose effects do change over time (W_i); and (d) some variables whose values and effects are constant over time (Z_i). Dropping the person-specific subscripts, the following equation results:

$$(1) \quad Y_t = \alpha_t + \beta U_t + \gamma_t V_t + \delta_t W + \lambda Z + \varepsilon_t.$$

If the equation for time 2 is subtracted from the equation for time 1, we get:

$$(2) \quad Y_2 - Y_1 = \alpha_2 - \alpha_1 + \beta(U_{t+1}-U_t) + \gamma_2 V_2 - \gamma_1 V_1 + (\delta_2-\delta_1)W + \varepsilon_2 - \varepsilon_1,$$

the standard differencing approach. Note that the Z terms drop out, so that any variable, whether measured or unmeasured, that does not change over time and does not have different effects over time can be eliminated from the model. This is advantageous for two reasons. First, unobserved features of individuals like motivation probably affect income and should be controlled for. Second, using an administrative data set means that some variables that influence income and are typically observable (education, for example) are unmeasured in these data. As long as these variables do not change over time and their effects do not change over time, using the change in income approach allows us to ignore them without biasing the results.

This equation can be estimated with ordinary least squares (OLS) if the new error term, $\varepsilon_2 - \varepsilon_1$, has a mean of zero and has a variance that can be written in the form σ I. Note that this approach does not allow for different increases based on different initial income levels; the change in income varies only with the independent variables.

A second standard approach is to estimate income at the later point in time using income at the point of petition and other factors as independent variables, the standard "two-wave two-variable" model (Liker et al., 1985):

(3) $Y_2 = \alpha + \beta X_1 + \gamma Y_1 + \varepsilon_2$.

This equation could also be estimated by ordinary least squares techniques if restrictive assumptions hold. Note that this equation allows for proportional increases in income, captured in the coefficient γ. If γ is equal to one, this equation is equivalent to equation (2). Both equations (2) and (3) will be estimated in this paper.

For the relationship between the changes in awards and the changes in income, an equation somewhat analogous to equation 2 will be estimated:

(4) $A_2 - A_1 = \alpha + \beta X_1 + \gamma(Y_2 - Y_1) + \varepsilon$,

in which A is the average monthly child support award amount and X includes a variety of control variables. If γ is significantly different from zero, this suggests that changes in income are being translated into changes in awards.

IV. RESULTS

What Are Incomes at the Time of the Paternity Petition?

There are 2621 paternity cases in the court record in which the mother had sole legal custody. Background information on these cases is presented in Appendix Table 1. As expected, the fathers in these cases are quite young, with 18 percent being teenagers and a total of 57 percent being younger

than age twenty-five. More than three-quarters of the mothers had received AFDC prior to the paternity petition, suggesting that the mothers in this sample are poor. Table 2 provides information about the mean incomes of fathers at the time of the paternity petition. The first two columns provide data for the 30 percent of the fathers who have income information in the court record; the last two columns provide data for the 48 percent of the fathers who have income information in either tax records or AFDC records or both in the year of petition. All incomes in this table have been adjusted to 1988 dollars through the Consumer Price Index.

As expected, incomes are fairly low, averaging $9258 for the cases with income in the court record and $11,236 for cases with income in the tax/AFDC records. As a benchmark, the poverty line for a family of three in 1988 was $9435. This means that in many cases the family of a father making the average income would have been poor if the parents lived together and there were no other income and no other children. Not surprisingly, whites have higher incomes than nonwhites, and those who have been married have higher incomes than those who have not. The youngest fathers clearly have the lowest incomes, with teenage fathers having mean incomes between $4000 and $6000, about one-third the income of those over age thirty. Somewhat surprisingly, the partners of those who were ever AFDC recipients do not have significantly lower incomes than the partners of those never receiving AFDC. Those whose children were aged six to twelve at the time of the paternity petition have higher incomes than those with younger children. (The small number of children who had paternity established in their teens are a select group.) Those with earnings or self-employment income have substantially higher incomes than those without.

Figure 1 shows information on the distribution of incomes in the court record by age of the father. The figure shows that 48 percent of the teenage fathers have no income, and another 17 percent have $5000 or less. Incomes are substantially higher, but still quite low, for fathers in their early twenties, as 21 percent have zero income and another 45 percent have annual incomes between

TABLE 2
Fathers' Income Information During the Year of the Paternity Petition

	Fathers with Income Information in Court Records		Fathers with Income Information in Tax and/or AFDC Records	
	Mean Annualized Incomes	N	Mean Annual Incomes	N
Total	$9258	800	$11,236	1257
Father's race				
White	$10,910	184	$12,356	290
Nonwhite	$6935	120	$10,613	113
Father's marital status at petition				
Never married	$7897	288	$10,537	434
Ever married	$12,961	43	$16,075	47
Size of county of court decision				
Rural	$9862	165	$11,343	344
Urban other than Milwaukee	$9821	364	$10,912	703
Milwaukee	$8135	271	$12,146	210
Age of father at paternity				
< 20	$4396	132	$5834	191
20–24	$7752	309	$10,217	528
25–29	$11,332	182	$12,744	281
30–39	$13,303	113	$15,431	166
40+	$14,149	31	$17,360	51
AFDC history of mother				
Record of receiving AFDC prior to paternity petition	$9260	617	$11,130	952
No record of receiving AFDC prior to paternity petition	$9552	161	$11,788	279
Age of child at petition				
0	$8607	597	$10,815	969
1–5	$10,872	178	$12,126	265
6–12	$16,402	17	$25,898	11
13–17	$7185	4	$14,807	5
Main source of income at petition				
Earnings or self-employment	$13,145	478	$12,728	682
Other (unemployment, social security, AFDC, SSI, etc.)	$6871	75	$8569	69

Source: Unweighted cases from the Wisconsin CRD and the Wisconsin DOR.

Notes: Sample consists of paternity cases that came to court between 1980–1988 in which the mother had sole legal custody over the entire time period. Incomes adjusted to 1988 dollars through the CPI.

Figure 1 here

$1 and $10,000. In contrast, 28 percent of the fathers age thirty or over have incomes of $20,000 or more.

The results clearly show that most fathers of nonmarital children have low incomes. Mean incomes are quite low, especially for young fathers, and a substantial portion of these fathers have no income at all. However, almost half of the fathers aged twenty-five to twenty-nine have at least $10,000 in income, as do 60 percent of those aged thirty or more, so some of these fathers have moderate incomes.

Whose Incomes Increase over Time?

Phillips and Garfinkel (1993) have shown that the incomes of fathers of nonmarital children increase dramatically over time. My analysis reveals the same. Among the cases with income information in tax and/or AFDC records during the year of the paternity petition and three years later (n=783), the mean change was an increase of $4123, with a median change of +$3324. Eight percent of the sample lost more than $5000 in annual income, and an additional 18 percent lost smaller amounts of income. The rest of the sample (74 percent) showed income increases over the three-year period, some by large amounts, with 19 percent of the sample showing an increase of $10,000 or more.

The distribution of the changes in income is critically important. If the increases in income are concentrated among those who were already making significant incomes when paternity was established, and those who were making little when paternity was established are not doing much better, this would suggest that an inability to pay child support does in fact persist over time.

One approach to understanding this is to divide the fathers for whom we have income information in the petition year and in the third year into income categories at both points in time, and see if fathers change categories over time. Figure 2 shows the results of this procedure. Of the fathers with incomes $5000 or less at petition, about one-third stayed in this very low income

Figure 2 here

category, and 38 percent had incomes over $10,000 three years later. Of those with incomes between $5001 and $10,000 at petition, 10 percent moved into the lowest category, 30 percent stayed the same, and 60 percent moved into higher income categories, with 15 percent having incomes over $20,000. Of those in the $10,001 to $20,000 range initially, 19 percent dropped into a lower category, about 50 percent stayed in the same category, and about 30 percent increased. Those with higher incomes initially continued to do well, although 15 percent dropped into a lower category.

The general pattern is one of higher increases for those with lower initial incomes. For example, those with incomes $5000 or less at petition had a mean change in income of +$7109, those with incomes of $5001 to $10,000 had a mean change of +$5506, and those with incomes of $20,001 to $30,000 had a mean change of +$1412.

However, a substantial number of cases were missing income information during one or both of the years. The final bar shows the distribution of incomes three years after the petition for those with missing income during the year of the petition. The bar is quite similar to the first bar, suggesting that for this type of missing case, income was probably quite low during the petition year. In addition, the cases that had information during petition and not three years later tend to be low income: about 35 percent of those with incomes of $5000 or less during the petition year had missing incomes three years later, compared to 30 percent, 23 percent, and 16 percent for the higher income groups. Although this missing information makes the conclusions that can be drawn tentative, it still appears that there are modest or substantial increases in income for many fathers.

Table 3 shows the results of the two regression models described earlier on the sample of all fathers with income at petition and year 3. The models examine the relationships between income three years after petition, earlier income, and various demographic factors. The first two columns are the result of estimating equation 2, in which the difference in incomes is the dependent variable. As expected, the youngest fathers show the greatest increases in income. Neither race nor the county of

TABLE 3

Regression Estimates of Fathers' Income Three Years after Paternity Petition

	Model 1: Dependent Variable = Income in Year 3 - Income in Year 1		Model 2: Dependent Variable = Income 3 Years after Petition	
Variable	Coefficient	Standard Error	Coefficient	Standard Error
Intercept	2983.8	1992.4	2679.4	2084.7
Income in petition year			1.017*	.033
Father's age (compared to over 30)				
Teenager	4472.1*	1205.8	4681.9*	1277.5
20–24	2119.2*	968.7	2240.4*	999.1
25–29	1395.4	1086.4	1451.2	1092.7
Missing	3797.6	2155.5	3847.7	2158.9
Race (compared to nonwhite)				
White	-885.1	1608.1	-940.6	1612.7
Race missing	-2283.9	1518.6	-2309.2	1520.2
County (compared to rural)				
Urban (includes Milwaukee)	853.6	736.4	846.7	736.9
Milwaukee	-1534.4	1208.5	-1582.0	1212.8
Child less than age 1 at petition	-1605.5*	794.6	-1589.4*	795.6
Year of petition (compared to 1986)				
1980	-2908.7	1521.2	-2906.1	1522.0
1981	-1063.7	1124.7	-1073.0	1125.4
1982	1852.6	1086.5	1876.6	1088.1
1983	1824.0	1283.8	1848.9	1285.4
1984	114.9	1078.3	124.2	1079.0
1985	2731.8*	1096.1	2724.9*	1096.8
Custodial parent received AFDC prior to paternity petition	1494.7	794.5	1526.9	797.5
Missing custodial parent AFDC data	-2264.0	2741.8	-2207.7	2745.4
Number of cases = 782				
R-squared = .06, .58				

Source: Unweighted regression from fathers in the Wisconsin CRD.

Notes: Sample consists of paternity cases that came to court between 1980–1988 in which the mother had sole legal custody over the entire time period and for which income information was available during the year of petition and three years later. Incomes adjusted to 1988 dollars through the CPI.

* Coefficient is significantly different from zero at the .05 level.

residence is significantly related to the increase over this time period. Those with the youngest children showed smaller increases. Controlling for the year of petition shows that those with petitions in 1985 did better than those with petitions in 1986, the omitted category. This may be a function of the business cycle, in that the economy in Wisconsin was perhaps best during 1988 (the year measured for the 1985 cohort) and had started to turn down somewhat during 1989 (the year measured for the 1986 cohort). Once other factors are controlled for, whether the custodial parent received AFDC prior to the petition is not significantly related to the increase.

The last two columns show the results from equation 3, in which the dependent variable is income three years after petition. As noted above, if the coefficient on income in the year of petition is one, then the two models are identical. The estimated coefficient is 1.017, not statistically different from one, and thus the other coefficients are quite similar. The coefficient being so close to one suggests that the dollar change in income is similar for men of all income levels, once other factors have been controlled for.

Do These Increasing Incomes Translate into Increases in Child Support Awards?

Because we do not have three follow-up years of award information for a large number of cases, for this question I can only consider changes in the average monthly award from the year paternity was established to two years later. In the sample of 1302 cases in which I know the order amount during the year paternity was established and two years later, 288, or 22 percent, had no award when paternity was established and still did not have one two years later. Fifteen percent did not have an award when paternity was established, but did have one two years later. Four percent had an award but lost it, and 59 percent had positive awards both time periods.

Looking at the dollar amount of change in awards, the vast majority of the cases were in one of two categories: 47 percent showed little change in awards (a change of $10/month or less), and 35 percent had an increase of $11 to $100/month. Decreases of $11 to $100/month and increases of $101

to $200/month were each represented by 7 percent of the cases. Note that award amounts (and income amounts) were put in constant dollars, so an award that did not change in nominal dollars would show as a slight decrease, as would an income that did not change in nominal dollars.

But are cases with increased incomes likely to show increases in awards? In Figure 3, the sample is divided into four categories of income change, ranging from those who lost income to those whose incomes increased $10,000 or more, and the distribution of changes in awards is shown for each income group. There is little pattern to the changes in income and changes in awards. In fact, there are several cases in which changes in income and awards went in opposite directions: about 10 percent of those who had lost income had large increases in awards; almost 20 percent of those who had gained $10,000 or more of income had decreases in awards.

Perhaps there is some time lag in the child support system between when circumstances change and when those changes are reflected in award amounts. If this is true, then a fairer test of whether increasing incomes translate into increased awards would be to compare changes in income one year after paternity to changes in awards two years after paternity. This is shown in Figure 4. This figure shows a slight pattern between income changes and later award changes: more than half of those with the largest income increases showed increases in awards, compared to only 40 percent of those who lost income.

Table 4 shows the results of two regressions that examine factors associated with changes in awards. Both the equation that uses contemporaneous changes in income (the first two columns) and the equation that uses lagged changes in income (the last two columns) show no effect of income changes. In fact, no variables are significant in these models. In both the multivariate results and the simple distributions, changes in awards do not seem to be greatly influenced by changes in incomes.

Figure 3 here

Figure 4 here

TABLE 4
Regression Estimates of Changes in Awards Two Years after Paternity Establishment

Variable	Model Using Contemporaneous Changes in Income		Model Using Lagged Changes in Income	
	Coefficient	Standard Error	Coefficient	Standard Error
Intercept	14.8	17.2	9.9	16.2
Income change year 3 - year 1 ($1000s)	.085	.423		
Income change year 2 - year 1 ($1000s)			.595	.539
Father's age (compared to over 30)				
Teenager	3.4	11.1	3.8	10.7
20–24	- 0.9	9.3	0.0	9.0
25–29	4.2	10.2	8.7	9.8
Missing	14.7	24.1	20.8	20.5
Race (compared to nonwhite)				
White	-13.4	12.7	-5.2	11.9
Race missing	-11.7	12.5	-4.2	11.6
County (compared to rural)				
Urban (includes Milwaukee)	6.9	7.0	5.0	7.0
Milwaukee	-8.0	12.2	-2.8	10.9
Child less than age 1 at petition	-3.0	7.4	0.1	7.2
Year of petition (compared to 1986)				
1980	9.2	12.5	14.4	11.5
1981	14.3	10.3	12.5	10.0
1984	1.1	8.2	-3.5	8.0
1985	15.7	9.4	13.2	9.1
Custodial parent received AFDC prior to paternity petition	9.1	7.3	4.9	7.1
Missing custodial parent AFDC data	-20.3	25.7	-4.8	24.0
Number of cases = 453, 476.				
R-squared = .02, .02. (Neither F significantly different from zero.)				

Source: Unweighted regression from fathers in the Wisconsin CRD.
Notes: Sample consists of paternity cases that came to court between 1980–1988 in which the mother had sole legal custody over the entire time period and for which award information was available during the year of establishment and two years later and for which income information was available during the year of paternity and either two years or one year later. Incomes adjusted to 1988 dollars through the CPI. Dependent variable = average monthly award in year 3 minus average monthly award in year 1. No coefficients are significantly different from zero at the .05 level.

V. CONCLUSIONS, LIMITATIONS, AND SOME POLICY IMPLICATIONS

Although many fathers in paternity cases have zero or very low incomes at the time the paternity case comes to court, a sizable minority, indeed half of the fathers age twenty-five and older, have incomes over $10,000. Further, the incomes of many increase modestly or dramatically in the first three years after the paternity petition is filed. The idea that young men who father children outside of marriage have very poor employment and income prospects did not gain much support in these data: the fathers who gained the most income over time were those who became fathers in their teens. For example, all else being equal, those who were teenagers when paternity was established increased their real income by almost $4500. Finally, while awards tend to stay the same or show small increases over the first two years, award levels do not seem to be reflecting changes in income. This finding that awards did not reflect changes in income during this period is probably not surprising, since the assumption that awards were not being updated was an important stimulus to the Family Support Act's requirements for regular updating of child support awards.

Several limitations of this study should be noted. Because these data are from one state only, they may not be generalizable to a national sample of fathers who had paternity established. Second, the data are for fathers who have had paternity established, and this is clearly a subset of all those who have fathered a nonmarital child and is probably a subset with somewhat higher incomes. Finally, the data themselves also have some limitations, particularly in the amount of missing income information in the tax records.

These results, if confirmed with other samples, have significant implications for child support policy. The main conclusion is that incomes of paternity fathers (especially those who are young) should be monitored regularly. Because many of the fathers will show dramatic increases in income over time, the amount of child support they are capable of paying also increases rapidly over time.

Regular matches with tax data or social security data should receive a high priority in child support offices, especially for young fathers, and awards should be updated to reflect new incomes.

One way to ensure that awards track changes in income is to express the child support award as a particular percentage of income, rather than as a fixed dollar amount. "Percentage-expressed" orders could be quite useful for cases in which incomes are expected to change over time. Some research has shown that the amount paid is higher when orders are expressed as percentages than when they are expressed as fixed amounts (Bartfeld & Garfinkel, 1992).

Although these data do not directly address this question, a suggestion from these results is that paternity should be established and a child support award set as soon as possible in a child's life, even if his or her father does not have significant income. Paternity establishment itself may be beneficial to the child in contributing to the child's identity, in furnishing genetic and medical history, and in providing access to a father's Social Security benefits, military benefits, and a possible inheritance (Meyer, 1992b). In addition, regular financial support for the child may be available, if not at the time paternity is established, perhaps within the next few years.

APPENDIX TABLE 1
Information about Sample of Fathers in Paternity Cases

	Number of Fathers	Percentage of Fathers with Nonmissing Information[a]
Total	2621	100.0
Father's race		
White	535	59.7
Nonwhite	361	40.3
Missing	1725	
Father's marital status at petition		
Never married	936	90.3
Ever married	101	9.7
Missing	1584	
Size of county of court decision		
Rural	706	26.9
Urban other than Milwaukee	1272	48.5
Milwaukee	643	24.5
Age of father at paternity petition		
< 20	443	17.8
20–24	976	39.2
25–29	546	22.0
30–39	394	15.8
40+	128	5.2
Missing	134	
AFDC history of mother		
Record of receiving AFDC prior to paternity petition	1976	78.2
No record of receiving AFDC prior to paternity petition	550	21.8
Missing AFDC information	95	
Age of child at petition		
0	1909	73.5
1–5	615	23.7
6–12	57	2.2
13–17	15	0.6
Missing	25	

Source: Unweighted numbers from the Wisconsin CRD.
Notes: Sample consists of paternity cases that came to court between 1980–1988 in which the mother had sole legal custody over the entire time period. For 66 percent of fathers, race was missing; for 60 percent, marital status was missing; for 5 percent, age at petition was missing; for 4 percent, AFDC history of the mother was missing; and for 1 percent, age of the child at petition was missing.
[a]That is, of the fathers for whom race was known, what percentage were white, what percentage were nonwhite, and so on, for each category of information.

Endnotes

[1]The paternity data are part of a larger data-collection effort designed to test the effectiveness of several child support reforms. The twenty-one counties include ten counties that were selected to test the reforms, ten counties that matched them on some demographic variables, and Milwaukee County, the only large urban county in the state. Further information on the sample can be found in Garfinkel et al. (1988).

[2]In 1992, single individuals with gross taxable incomes of $5200 or more who were full-year residents of Wisconsin were required to file a tax form. Many individuals with incomes below this amount would also file, particularly if they were due a refund. This could occur if they had had any income taxes withheld, if they could take the earned income tax credit, or if they were eligible for a homestead credit, a special refundable tax credit for low-income renters or home owners.

[3]About 30 percent of all child support cases involve an out-of-state payer (U.S. Commission on Interstate Child Support, 1992).

[4]There are a variety of other problems with the DOR dataset. Because the tax form changed significantly during this time period, it is somewhat difficult to maintain consistency over the years. For example, in the early years, separate incomes were reported for two-parent filers, but in later years, information on separate incomes was not always available. In these cases, personal wage and salary income had to be substituted for personal total income. In addition, the recipient of asset income was not always identifiable in joint returns, so in some cases asset income had to be evenly divided between the partners. Finally, negative incomes had been recoded to zero before the data were made available.

[5]This section builds on the more general description of Allison (1990).

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