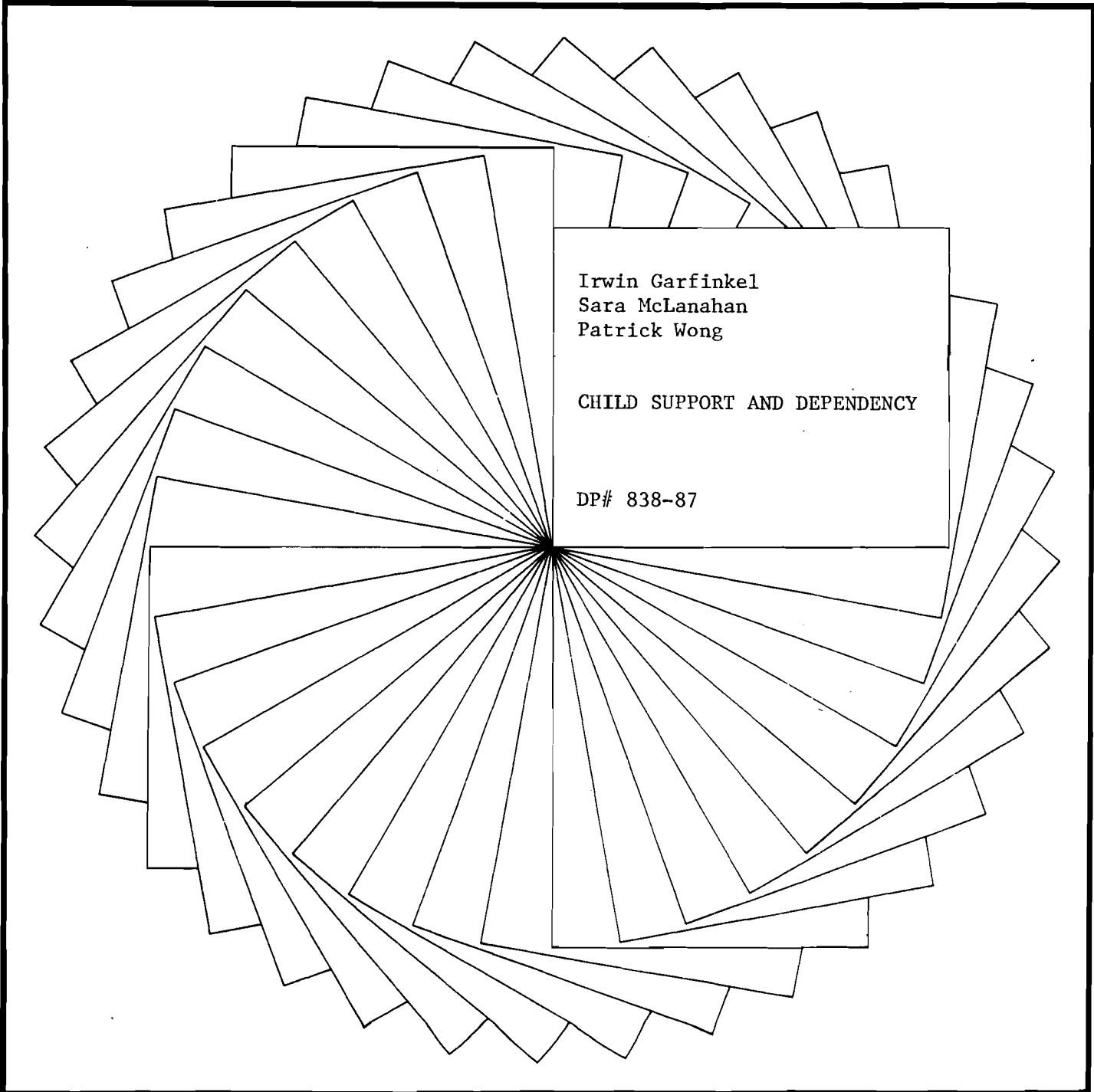




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CHILD SUPPORT AND DEPENDENCY

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Abstract

The traditional child support system, which consists of the family courts and the welfare system, has many serious shortcomings. The Child Support Assurance System (CSAS) now being demonstrated in the state of Wisconsin is expected to rectify many of the failings of the traditional system. The CSAS provides (1) a standardized income sharing rate, based on a percentage of the income of the noncustodial parent; (2) automatic income withholding to collect the amounts of child support awarded; and (3) an assured child support benefit, accompanied by a custodial parent surtax.

The percentage of income is the best method of achieving equitable parental financial responsibility. Automatic income withholding not only assures more stable support for the child but also eliminates the stigma associated with being remiss in payments. And the assured benefit will provide a floor below which no children living with a single parent can drop.

The costs of the CSAS and its effects on the poverty gap and the welfare caseload are estimated.

Finally, a comparison of the \$50 child support set-aside within welfare with the assured benefit demonstrates the advantages of the assured benefit. Whereas the set-aside increases dependence on welfare, the assured benefit encourages custodial parents to become independent.

Child Support and Dependency

INTRODUCTION

The economic well-being of a large and growing percentage of children in the United States is partly dependent upon the nature of our child support institutions. At present one of five children is potentially eligible for child support, and nearly one of every two children born today will become eligible for child support at some point before reaching age 18.¹ Given that such a large proportion of the next generation will be affected, the quality of our child support institutions is of vital interest to the nation.

The first part of this paper describes the traditional child support system, documents its shortcomings, and summarizes recent federal efforts to strengthen it. The second section outlines a new Child Support Assurance System (CSAS) currently being implemented in the state of Wisconsin. The third section presents estimates of the benefits and costs of implementing such a system nationwide, and compares the Wisconsin CSAS with an alternative reform that supplements welfare income with private child support. The alternative allows welfare mothers to "disregard" a portion of child support income in calculating their welfare grant and has the effect of increasing welfare benefits and dependence. The paper concludes with a brief summary of the differences between a child support assurance system and welfare.

SHORTCOMINGS OF THE CURRENT SYSTEM AND DEVELOPMENTS IN FEDERAL REFORMS

The traditional child support system consists of two major parts: the family court system and the welfare system. The former establishes responsibility to pay private child support, sets the amount of support to be paid, and enforces the parent's obligation to pay. The latter provides public cash and in-kind benefits to poor children and their custodial parents. Because of recent federal initiatives, these two systems have become increasingly intertwined. In the following section, we examine both the private and the public systems. The current problems and limitations of each system will be discussed along with recent reform by the federal government.

A. The Private Child Support System

The private child support system in this country has historically been a state prerogative implemented through the judicial branch. Under the traditional family court system, two steps are involved in obtaining private child support: (1) the determination by a court of the amount of child support to be paid by the noncustodial parent on an individualized basis; and (2) the payment of that support obligation directly by the noncustodial parent.

With respect to establishing awards and setting amounts, several problems can arise. First, there is often a failure to establish any award at all. Nationally, only 58 percent of mothers eligible for child support have awards.² The proportion with an award varies dramatically with the marital status of the mother. Whereas about eight out of ten divorced mothers receive child support orders, less than half of

separated mothers and less than one in five never-married mothers have orders.

Second, the setting of an award on a case-by-case basis by a judge in a judicial hearing is very expensive, in time and cost to the parents as well as in delays for the children needing support. The time of judges and other court personnel makes the procedure expensive to the public also. As the number of child support determinations continues to increase, concern has been expressed as to whether these costs are justified. Unfortunately, information is not available on the cost of the present individualized system.

Third, the case-by-case determination of the amount of the award often results in unfairness. The great variation in the size of awards is evidence that the system treats equals unequally. Data for Wisconsin indicate that child support awards range from zero to over 100 percent of the noncustodial father's income. Table 1 shows that in 20 percent of the cases, child support awards for one child were less than 10 percent of the noncustodial father's income. In 50 percent of these cases, awards were between 11 and 20 percent. The data also indicate that average award levels as a percentage of noncustodial parent's income vary substantially across counties. The average for one child varies from 12 percent to 24 percent. For two and three children respectively, the ranges are 18 percent to 36 percent and 13 percent to 37 percent.³

The present system is also regressive. Child support obligations represent a greater proportion of the incomes of low-income parents than of those who are well off. In Wisconsin, orders decline as a percentage of income as the noncustodial father's income increases (Table 2). For

Table 1

Child Support Order as a Percentage of Gross
Income By Number of Children

Order as % of Noncustodial Parent's Income	Percentage of Cases by Number of Children		
	1	2	3
	N = 1,087	N = 829	N = 277
0-10%	20%	10%	6%
11-20	50	36	27
21-30	21	30	33
31-40	5	15	20
41-50	3	5	9
More than 50	2	5	6

Source: Family Court record data file from Wisconsin Child Support Reform Demonstration Project, 1985, Institute for Research on Poverty, University of Wisconsin, Madison.

Note: This table covers custodial families with a child support award and with three or fewer children. Cases with 4 or more children (N = 102) are not tabulated because the sample size is too small for reliable estimates. Of the 3,806 cases meeting the sample requirements, income information is missing in 1,536 cases. In addition, 77 cases have zero reported income and are also excluded. This results in a final N of 2,193.

one child, orders range from a high of 32 percent for those with incomes less than \$5,000 to a low of 12 percent for those with incomes between \$30,000 and \$40,000.

Aside from the difficulties associated with the establishment of an award and the setting of an amount, the system also has problems in the collection of support once the award is made. The standard procedure has been for the court to order the noncustodial parent to pay, with the enforcement of the order left to the beneficiary of the order, the custodial parent. This means that if the absent parent fails to pay, the custodial parent has to initiate legal proceedings to enforce the court's support order, usually by citing the nonpaying parent for contempt. This proceeding is fraught with difficulties for both parties. For the custodial parent, it requires legal counsel--a substantial financial burden for a parent already not receiving support--and often involves difficult fact determinations because of the lack of adequate records of direct payments to the custodial parent. For the noncustodial parent, the sanction imposed for willful nonpayment can be drastic: imprisonment in jail.⁴ Generally, the legal system for collecting child support is regarded as ineffective.⁵ Nationally, only half of the parents with awards receive the full amount due them and about one-quarter receive nothing.⁶

The failure of the private child support system in the United States to provide adequately for the needs of children in single-parent households is not new. In the early part of this century it had become sufficiently acute to attract the attention of the National Conference of Commissioners on Uniform State Laws, which, in 1907, directed its

Table 2

Relationship Between Noncustodial Parent's Income at the Time of the Child Support Order and Level of Child Support Awards by Number of Children and Gross Income Category, Selected Wisconsin Counties

Income Category of Noncustodial Parent	N	Percentage of Income by Number of Children		
		1 N = 1087	2 N = 829	3 N = 277
Less than \$5,000	151	32%	41%	33%
\$5,000-10,000	538	20	27	28
\$10,000-15,000	506	18	25	31
\$15,000-20,000	443	15	22	30
\$20,000-30,000	450	13	21	24
\$30,000-40,000	107	12	20	32
\$40,000 or over	<u>100</u>	<u>16</u>	<u>19</u>	<u>14</u>
Weighted Average	2,295	18	24	27

Source: Family Court record data file from Wisconsin Child Support Reform Demonstration Project.

Note: There is an upward bias in the estimates for child support as percentage of gross income. Because of coding error, net income is used for about 280 cases for which gross income is not available. Current work is in progress to separate those cases.

Committee on Marriage and Divorce to study the problem.⁷ However, the enforcement of private child support was viewed as strictly a state and local problem until four decades ago.

In the late 1940s congressional interest in absent fathers grew in response to the upward trend in divorce, separation, desertion, and out-of-wedlock births. Because of this trend, children with living but absent parents replaced orphans as the most numerous dependents on Aid to Families with Dependent Children (AFDC), the public child support system that we will turn to later. Congress enacted the first federal legislation regarding private child support in 1950, requiring state welfare agencies to notify law enforcement officials when a child receiving AFDC benefits had been deserted or abandoned. Further legislation, enacted in 1965 and 1967, allowed states to request addresses of absent parents from the Department of Health, Education, and Welfare (HEW), and from the Internal Revenue Service (IRS). States were also required to establish a single organizational unit to enforce child support and establish paternity.

The most significant federal legislation was enacted in 1975, when Congress added Part D to Title IV of the Social Security Act, establishing the Child Support Enforcement (IV-D) program. The legislation established an Office of Child Support Enforcement in HEW and required each state to establish a corresponding agency to help enforce child support in all AFDC cases and, on request, in non-AFDC cases. It also required states to maintain a parent locator service which tied in with a federal service. In short, the 1975 act created the public bureaucracy to enforce private child support obligations.

By 1985 collections had increased to \$2.7 billion, including \$1 billion for AFDC recipients. In the four-year period between 1976 and 1980, nationwide collections of child support for AFDC recipients increased by 111 percent, and in the five-year period between 1980 and 1985, collections again increased by 81 percent.⁸ There is good reason to believe that child support collections will continue to grow, for the 1985 figures do not reflect the effects of the strongest federal child support legislation to date.

That legislation was passed in 1984 by a unanimous Congress. It addressed the three major shortcomings of the private child support system: the failure to obtain a child support award from the courts; the inadequacy of the amount of the awards when they are obtained; and the failure to collect support even though the payer is delinquent.

On the issue of obtaining orders, the states were required to adopt expedited procedures for obtaining support orders either in the judicial system or in an administrative agency. On the issue of adequate support orders, all states must establish child support guidelines to be available for use by October 1, 1987, for judges and other officials who set child support. And on the issue of effective collection of child support, the 1984 amendments required the states to adopt automatic income withholding for child support to take effect after one month of non-payment.

B. The Public Child Support System

Public support is a significant feature of the child support system. Public transfers in the United States to poor families with

children eligible for child support substantially exceed private child support transfers to all U.S. children. Whereas about \$7 billion in private child support was paid in 1983, AFDC expenditures on families eligible for child support were equal in 1985 to about \$8 billion. If the costs for Medicaid and food stamps are included, public transfers equaled nearly \$21 billion, or three times private child support transfers.⁹ In general, the public system substitutes for the private system where the latter has broken down. About half of all children living in female-headed households are on welfare, and only 10 percent of these receive any financial support from their fathers.

The AFDC program was established in 1935 for quite different purposes from those it now serves. It was intended to provide support for the families of deceased fathers in a society in which it was considered undesirable for mothers with children to work. Today the program is primarily for children who have a living absent parent legally liable for their support and a custodial parent who increasingly is expected to work.

As structured, the current public system of child support encourages welfare dependency. It imposes a high tax on the earnings of welfare mothers, which discourages work, and it offers nothing outside of welfare to supplement the incomes of poor single mothers who have a low earnings capacity. Like any welfare program, AFDC is designed to aid only the poor, and therefore benefits are reduced when earnings increase. After four months on a job, a woman on AFDC faces a benefit reduction of a dollar for every dollar of net earnings. That is equivalent to a 100 percent tax on earnings. It is not surprising that the majority of mothers on welfare do not work during the months they receive benefits.

Welfare mothers have a very low earnings capacity, and even if they were fully employed, one-half could earn no more than the amount of their annual welfare grant. Another quarter could earn only up to \$1,000 more.¹⁰ This suggests that it is unreasonable to expect these women to be totally self-supporting and that some form of public assistance is necessary to provide an adequate standard of living for their families. The only way to alleviate their poverty without creating total dependency is to supplement rather than replace the earnings of poor custodial mothers. Some of this money can come from improved collections of private child support. The rest must come from public transfers.

We have described above a number of federal reforms designed to strengthen the enforcement of private child support obligations. Increased child support payments from parents of children on AFDC will generate savings in AFDC expenditures. These savings can be used to reduce taxes or to increase the economic well-being of children eligible for child support, or some combination of both. In view of the fact that children potentially eligible for child support and the mothers who care for most of them are among our poorest citizens, using these funds to improve the economic well-being of these families is at the very least the compassionate thing to do. It is also wise. One-half of our next generation will be eligible for some child support before reaching adulthood. Investing in them is therefore investing in our future. Furthermore, sharing some of the increased revenues with these families will encourage the mothers to cooperate in establishing the paternity of noncustodial fathers--one of the weakest links in the current system. Congress has already approved two alternative methods of sharing some of

the AFDC savings with families eligible for child support. All states are now required to ignore the first \$50 per month of child support (a \$50 set-aside) in calculating the amount of the AFDC benefit. One state, Wisconsin, is permitted to use the federal share of AFDC savings to help fund an assured child support benefit. The savings in Wisconsin will be used to take women outside the welfare system. Which method is preferable: Sharing the gains inside or outside of welfare? To prepare for an answer, the next section first describes the Wisconsin program.

A CHILD SUPPORT ASSURANCE SYSTEM

The Child Support Assurance System (CSAS) being developed in Wisconsin proposes changes in both the private and the public components of the present child support system.

Under CSAS, all parents living apart from their children would be obligated to share income with their children. The sharing rate would be specified in the law and would depend only upon the number of children owed support. The obligation would be collected through payroll withholding, as social security and income taxes are. Children with a living noncustodial parent would be entitled to benefits equal to either the child support paid by the noncustodial parent or a socially assured minimum benefit, whichever was higher. Should the noncustodial parent pay less than the minimum, the custodial parent would be subject to a small surtax up to the amount of the subsidy. Any remaining difference would be financed out of general revenues. To summarize, the reform provides the following:

1. The use of a standardized income sharing rate, based on a percentage of the income of the noncustodial parent.
2. The use of a system of automatic income withholding to collect the amounts of child support awarded.
3. The establishment of an assured child support benefit, accompanied by a custodial parent surtax.

The contents of and rationale for each of these features are described in the next three subsections. Then this section of the paper will conclude with a brief discussion of the objections that have been raised to CSAS.

A. The Percentage Standard

The term percentage standard is used to describe a set formula which determines the amount of the child support obligation by taking a percentage of the gross income of the noncustodial parent, based upon the number of children for whom that parent is responsible. The 1984 federal amendment requires states to establish guidelines for setting child support amounts. The Wisconsin reform, on the other hand, uses a legislated percentage of income as the standard.

There are several reasons for basing the amount of the support award on a predetermined percentage of income instead of an individualized judicial determination. First, to the extent that nonlegislated guidelines would not be binding upon--and therefore could be ignored by--local judges, they would be less effective than legislated standards. It is also the best method of achieving equitable parental financial responsibility (i.e., making child support awards more uniform), and it is more efficient and economical than the present system. A percentage standard

is "horizontally" equitable in that absent parents with the same income and the same number of children would pay the same amount. At the same time, the current regressiveness in child support obligations would be corrected by using a proportional formula. Further, the formula would reduce one of the principal conflicts between former spouses by eliminating the possibility of disputes over the size of the child support payments. A final justification for the transfer of jurisdiction from the judiciary to the legislative branch is simple: taxpayers, who now provide for the large number of children whose absent parents do not pay sufficient support, have a large stake in the determination of how much child support noncustodial parents should pay.

The percentage standard, which has been published for use by courts in Wisconsin as part of the child support reform, was developed by the state's Department of Health and Social Services. It was based roughly on studies of the cost of raising children in terms of the percentage of parental income devoted to that purpose.¹¹ The standard set 17 percent of gross income for one child, 25 percent for two, 29 percent for three, 31 percent for four, and 34 percent for five or more children.

The standard is increasingly used to establish the initial child support order; but as yet it is infrequently used as a way of automatically adjusting the order as the noncustodial parent's income changes. County clerks of courts currently have no way of monitoring income changes. This problem should disappear when immediate income withholding is implemented, when employers are required to report earnings along with withheld child support, and when the computer capabilities of the child support system are updated.

Beginning July 1, 1987, a court is required to use the percentage standard unless it finds, by clear and convincing evidence, that application of the percentage would be unfair to the child or one of the parents. The court must state, in writing or on the record, the reason for that finding and for setting another amount based upon a list of factors specified in the statute. These factors include such items as extraordinary travel expenses for visitation, the need of both parties for self-support at a subsistence level, and the presence of other legal dependents of either parent.¹²

B. Automatic Income Withholding

Automatic income withholding refers to a system of collecting child support by having the employer of the noncustodial parent--or the state if, for example, the noncustodial parent's income source is unemployment compensation--withhold the amount of that order from the parent's pay.

Withholding for income and payroll taxes attests to the effectiveness of withholding in general. This type of collection has also been used rather extensively in response to default on the part of the supporting parent. As noted, the 1984 federal Child Support Amendments require that all states provide for income withholding when the paying parent is one month in arrears in support payments.¹³ What distinguishes the Wisconsin proposal is that it provides for withholding from income effective automatically on entry of the support order. By not requiring default in payment as a basis for triggering the income withholding, the Wisconsin

proposal not only assures more stable support for the child but also eliminates stigma for the paying parent. Withholding is no longer an indication of a remiss parent; it is a routine, legally required method of payment.

Automatic income withholding has been extensively piloted in the last two years. As of early 1987 over 40 of 72 Wisconsin counties, including Milwaukee, had begun implementing universal immediate income assignments. Beginning July 1, 1987, all counties in the state will be required to use immediate assignments.¹⁴

C. The Assured Child Support Benefit and Custodial Parent Surtax

Under CSAS all children will receive the amount which is collected from their noncustodial parent using the percentage standard and automatic income withholding. In addition, eligible children are entitled to receive no less than an assured child support payment, regardless of the amount paid by the noncustodial parent. This assured level of support is based on the number of eligible children in the custodial unit and is payable to the custodian of the children. Child support benefits as a whole are not income tested: all eligible children are entitled to receive benefits whatever their economic circumstances. However, when the absent parent pays less than the assured benefit, the custodial unit will be subject to a special surtax withheld during the course of the year through payroll withholding or assessed at the end of the year through the state income tax. The effect of the surtax is that well-off custodial parent's will have to pay back the state subsidy portion of the assured benefit.

To be eligible for the Child Support Assurance System, a child must first be a resident of the state of Wisconsin. Second, the child must be one to whom a duty of support is owed. Under the laws of Wisconsin, therefore, the child must be under the age of 18, or if still attending high school or its equivalent, under the age of 19. Third, the child must have a legally liable absent parent. This means that the child must have an absent parent who has been ordered to pay child support. That parent does not have to be a Wisconsin resident. Children with a deceased parent are not included; they are usually eligible for social security payments provided by the deceased parent's work-related social security tax. Children of unmarried parents are also not eligible unless paternity has been established. If paternity is not established, they must depend on the income-tested benefits of AFDC.

The argument for a socially assured benefit is fourfold. First, it reduces the risk to children whose noncustodial parents became unemployed or unable to work. In such cases, child support payments fall only to the socially assured benefit level, not to zero. Second, the assured benefit, when combined with earnings, lifts many single-parent households out of poverty and removes them from welfare. Custodial parents going to work need not face a dollar-for-dollar reduction in their child support payments, as they do under AFDC. Reduction in their payments is small and occurs only if the absent parent pays less than the assured benefit. Thus custodial parents have the usual incentive for acquiring jobs--the knowledge that by so doing they enhance the well-being of their families. Third, an assured child support benefit creates an incentive (outside of welfare) for unwed custodial mothers to identify and help locate the

fathers of their children. Fourth, benefits are no longer seen as welfare for the poor alone, but as more akin to social insurance for which all children eligible for child support are entitled. Therefore, the Child Support Assurance System, like Survivors Insurance, preserves the concept that the child is supported by the parent.

There are two related arguments for the custodial-parent surtax in the event that the noncustodial parent pays less than the assured benefit. First, in the absence of a custodial-parent charge, a few well-to-do custodial parents may receive a public subsidy. Second, a custodial-parent charge will reduce the cost of the program.

The assured benefit is the only segment of the Child Support Assurance System which has not yet been implemented in Wisconsin or elsewhere. Because the public monies that will fund it are the federal and state appropriations now used for AFDC, it was necessary to obtain permission from the federal government and specific authorization from the state of Wisconsin. In the 1984 Child Support Amendments, Congress expressly provided for the use of AFDC funds from September 30, 1986, to October 1, 1994, for the purposes of the Wisconsin Child Support Initiative.¹⁵ In 1985 the Wisconsin legislature authorized expenditure of these funds for the purpose of the Child Support Assurance Program.¹⁶ The assured benefit is scheduled to be piloted in two counties beginning in mid-1988.

D. Objections Raised to CSAS

Each of the three major provisions of a Child Support Assurance System is controversial.

The percentage-of-income standard has been criticized for not taking account of (1) unusual debts encumbering the obligor; (2) remarriage and start of a new family by the noncustodial parent; and (3) the income or remarriage of the custodial parent. It has also been criticized for being inflexible, for eroding judicial discretion, and for diminishing the ability of the parents to negotiate individual child support arrangements geared to their unique circumstances. Furthermore, this provision results in administrative rather than legal procedures being used to modify support obligations. That is, under the standard approach, the obligation would adjust automatically as the obligor's income changes. Some argue that all changes in support orders should continue to be based upon a judicial review of relevant factors.

We have already alluded to the advantage of a legislated standard over a judicial one. The reduction in judicial flexibility is in our opinion a trade-off well worth taking. As for the standard's lack of responsiveness to the noncustodial parent's current economic needs, it is really a matter of society's view of parental responsibility. If poor fathers in intact families are expected to share their income with their children, it is hard to defend treating absent fathers differently.

The immediate income withholding provision has also evoked opposition. Some construe this provision as an unnecessary intrusion of government into a private transaction, a variant of the "big government" argument. Opponents also view it as penalizing obligors who intend to meet their obligations and as eliminating the personal touch associated with paying child support. And finally it has been argued that employment-related problems will ensue, either because employers object

to costs associated with administering the wage assignment or because employees experience embarrassment vis-à-vis their employer.

Regarding whether immediate withholding is necessary, we simply refer to the tax system. Does anyone imagine that income and payroll tax collections would be as high if we withheld them only for delinquents? As a matter of fact, empirical evidence indicates that 70 percent of absent fathers become delinquent in 36 months. Uniform automatic withholding just renders the system more efficient.

Some have argued that the enforcement provisions of CSAS will lead to greater conflict over child custody and to "father flight" into the underground economy. This argument has some merit in that the CSAS program promises to redistribute some of the economic responsibility for raising children from the custodial to the noncustodial parent.

Note that this argument applies not only to CSAS, but to all reforms aimed at increasing awards and strengthening collection. Since women have traditionally assumed the custodial parent role, such a redistribution will favor women over men. In order to protect their economic position, men may be expected to respond in one of two ways. They can reduce their financial obligation either by decreasing their "legitimate earnings" (i.e., by disappearing into the underground economy), or by increasing their custodial responsibilities. In the latter case, such action would reduce the control over children that women have enjoyed for the past century. While not all noncustodial fathers will take such drastic action, stricter enforcement of child support obligations will undoubtedly increase fathers' demands for decision-making rights. Greater economic participation implies greater social and psychological

participation. Thus, the redistribution of financial obligations implies a redistribution of parental control as well.

Since the assured child support level has had the least public exposure, little is known about public reaction to this provision. Several possible objections can be identified. Some object to the concept of publicly guaranteed child support as an unwarranted extension of government responsibility. According to this view government should reduce not increase the number of benefit guarantees. Others are concerned about potential costs, particularly with respect to how large an increase (if any) the public would accept. Finally, many may view the assured benefit as an extension of welfare under a different name. We will address cost concerns in the next section and cover to the welfare question in the conclusion of this paper.

THE BENEFITS AND COSTS OF A CHILD SUPPORT ASSURANCE SYSTEM

Objections to CSAS must be weighed against its possible social benefits. In this section we consider several quantifiable criteria in evaluating the reform: its net government cost or savings, its effect on poverty, and its effect on AFDC dependency.

Both the benefits and costs of a Child Support Assurance System will depend upon the level of the assured benefit, the income-sharing rates on noncustodial and custodial parents, and the effectiveness of the new collection system. In this section we will first present estimated effects of the reform for the nation at different assumed levels of collection effectiveness. Then the relative merits of CSAS and the recently legislated child support set-aside in welfare will be examined.

A. Estimated Effects on the National Level

Table 3 presents estimates of net savings, or costs, and reductions in poverty and AFDC caseloads for the nation based on four different assured benefit levels. The assured benefits for the first child range from \$2,000 to \$3,500. Assured benefits for the second, third, fourth, fifth, and sixth child are equal to \$1,500, \$1,000, \$500, \$500, and \$500, respectively. The tax rates for noncustodial parents are 17 percent for one child, 25 percent for two children, 29 percent for three children, 31 percent for four children, 32 percent for five children, and 33 percent for six or more children. Tax rates for custodial parents are equal to one-half those for noncustodial parents. The estimates in the top panel of Table 3 assume 100 percent collection effectiveness.

The most striking finding in Table 3 is that three of the four child support assurance programs would actually save money, assuming 100 percent collection of the noncustodial parents' child support obligation. That is, the extra dollars paid out under the new program would be more than offset by increased child support collections and consequent reductions in welfare expenditures. Even the most generous plan costs less than a quarter of a billion dollars.

At the same time, all the programs would reduce the poverty gap--the difference between the income of a poor family and the income that family would need to reach the poverty line. The number of families on welfare would be reduced as well. Reductions in the poverty gap for families eligible for child support are quite large, ranging from a low of 39 percent to a high of 53 percent. Similarly, reductions in welfare caseloads are very large, ranging from 48 to 64 percent.¹⁷ In short, all of the child

Table 3

Estimated U.S. Costs or Savings and Effects on Poverty
and AFDC Caseloads of Alternative Child Support Assurance
Programs in 1983 Dollars

Assured Benefit for First Child	Net Savings or Costs (billions)	Reduction in Poverty Gap	Reduction in AFDC Caseloads
100 Percent Collection Effectiveness			
\$2,000	\$ 2.37	39%	48%
2,500	1.72	43	54
3,000	0.87	48	59
3,500	-0.18	53	64
80 Percent Collection Effectiveness			
\$2,500	\$ 0.59	40%	49%
3,000	-0.33	45	56
70 Percent Collection Effectiveness			
\$2,500	\$-0.06	38%	48%
3,000	-1.83	43	54

Note: The estimates are derived from the "1979 Current Population Survey-Child Support Supplement" (CPS-CSS). The CPS-CSS is a match file that contains data from both the March annual demographic and income survey and the April 1979 Child Support Supplement. On the basis of the March survey 3,547 women who were eligible to receive child support were identified and interviewed in April. In order to estimate savings or costs and reductions in poverty and AFDC caseloads, it was necessary to impute noncustodial-parent incomes. Estimates of the noncustodial-fathers' income are derived from regressions relating wives' characteristics to husbands' incomes. For a more detailed description of the data and methodology, see Donald Oellerich and Irwin Garfinkel, "Distributional Impacts of Existing and Alternative Child Support Systems," Policy Studies Journal, 12(1): 119-129 (Sept. 1983).

support assurance programs would substantially reduce poverty and welfare dependence, and three of the four would actually save money.

No matter how efficient the collection system is, however, less than 100 percent of potential revenue will be collected. Consequently, the second and third panels in Table 3 present estimates of the effects of collecting only 80 percent and 70 percent, respectively, of the non-custodial parents' child support obligations. If we collected only 80 percent of potential revenue, the \$2,500 assured benefit plan would still save \$0.59 billion, whereas the \$3,000 assured benefit plan would cost an additional \$0.33 billion. If we collected only 70 percent of potential revenue, both plans would cost more, although the extra cost of the \$2,500 plan would be very small. Note also that collecting less than 100 percent of the noncustodial parent obligation reduces the effectiveness of a child support assurance program in reducing poverty and welfare dependence. These effects are not so large as the effect on costs, however, because for poor families the assured benefit makes up for most of the loss in private child support.

B. Comparison with Alternative Strategies

We have noted earlier that recent reform at the federal level has provided for the sharing of the increased child support collections with custodial families within the welfare system. This "\$50 set-aside" rule for computing AFDC benefits is in contrast to the CSAS being piloted in Wisconsin, which calls for the use of savings to take custodial families out of welfare through the assured benefit. The impacts of these two strategies differ in important ways.

Table 4, like Table 3, presents estimates of alternative child support assurance systems. Unlike Table 3, however, the numbers in Table 4 pertain to Wisconsin rather than to the nation as a whole. This inconsistency is necessary because we have to yet incorporate the \$50 child support set-aside into our national estimates. The estimates of the Child Support Assurance System in Table 4 also include a work-expense subsidy of \$1 per hour worked for families with one child and \$1.75 for families with two or more children. This subsidy is designed to help single mothers pay for day care and other work expenses. Because Wisconsin has one of the highest welfare benefit levels in the country, the work-expense subsidy was added to make the CSAS more competitive with welfare. All of the estimates in Table 4 assume that child support collections improve substantially but still fall far short of perfection: the improvement would be somewhat equivalent to the 70 percent collection rate in Table 3.¹⁸

Finally, unlike the national estimates, the estimates for Wisconsin incorporate a labor supply response on the part of AFDC beneficiaries. This is very important because increased private child support payments make work more attractive and AFDC less attractive. Unlike AFDC, neither private child support nor the assured benefit is reduced dollar for dollar as earnings increase. Private child support is not affected by either the work status or the income of the custodial parent, and the assured benefit is taxed at a low rate and only to the extent that it subsidizes the payment made by the absent parent. A set-aside for child support within welfare, however, has the opposite effect. By increasing the amount of income that a family can receive on welfare it adds to the

Table 4

Effects in Wisconsin of Child Support Set-Asides Within
Welfare and Assured Child Support Benefits Outside Welfare

(Assumes Increases in Private Child Support Payments)

	No Set-Aside or Assured Benefit (1)	Set-Asides Within Welfare		Assured Benefits		
		\$600 (2)	\$1,200 (3)	\$1,500 (4)	\$2,500 (5)	\$3,000 (6)
Savings or cost in millions	\$62	\$33	\$6	\$37	\$33	\$24
% reduction in poverty	16	24	30	21	24	28
% reduction in AFDC	8	7	5	19	22	28

Note: Dollar amount in 1985 level.

attractiveness of welfare and reduces the attractiveness of work. The labor supply estimates used in our model are taken from the Seattle-Denver Income Maintenance Experiment and represent rather conservative estimates.¹⁹

The first column in Table 4 shows the effect of increased collections in the absence of either an assured benefit or a set-aside within welfare. AFDC savings would equal \$62 million. The poverty gap would be reduced by 16 percent and AFDC caseloads would fall by 8 percent. These effects suggest that increased public enforcement of private child support obligations would reduce poverty and welfare dependence even if nothing else were done.

The next two columns present the effects of increased child support collections in the presence of the current \$50 set-aside and a set-aside of \$100 per month (\$600 and \$1,200 per year). With the \$50 and \$100 dollar set-aside, the reduction in the poverty gap increases from 16 percent to 24 and 30 percent respectively. Correspondingly, savings decline from \$60 million to \$33 million and \$6 million. Finally, the set-asides within welfare lead to slightly smaller reductions in welfare dependence compared to no set-aside. Instead of an 8 percent decline, the declines are only 7 percent and 5 percent respectively.

The last three columns show the effects of a Child Support Assurance System with assured benefit levels of \$2,000, \$2,500 and \$3,000 for the first child. The assured benefit reduces savings, poverty, and welfare dependence. The most interesting comparison is between the fifth and second columns--an assured benefit of \$2,500 compared to the \$50 per

month set-aside. The assured benefit ties on two and dominates substantially on the third outcome! Savings and the poverty gap reduction are identical but the reduction in AFDC caseloads is four times greater.

Our estimates should be replicated with national data and the effects of the assured benefit should be distinguished from those of the work-expense subsidy. We are confident that the qualitative picture will be similar to that conveyed by the estimates presented in Table 4. If so, there is a powerful case for the elimination of the \$50 child support set-aside and its replacement by an assured child support benefit.

CONCLUSION: WELFARE VS. AN ASSURED BENEFIT

Some have asked, "Isn't a Child Support Assurance System just welfare by another name?" The answer is no.

Welfare programs are based on the widely accepted concept that it is a governmental responsibility to aid the poor. Like Survivors Insurance, a Child Support Assurance System is based on the widely accepted concept that to parent a child is to incur a responsibility to support the child. Like Survivors Insurance, CSAS provides more to the poorest beneficiaries than their poor fathers could have provided on their own. But that does not make CSAS a welfare program any more than Survivors Insurance is a welfare program. The architects of our social security system said, "A Democratic society has an immeasurable stake in avoiding the growth of a habit of dependence among its youth." So they urged adoption of a Survivors Insurance system, which required workers to insure themselves in order to reduce future dependence on AFDC and to "sustain the concept that a child is supported through the efforts of the parent. . . ."

Unlike the welfare system, the Child Support Assurance System is not just a program for the poor. Like our social insurance and public education systems, it serves children from all income classes. Unlike the welfare system, it supplements rather than replaces earnings. There is no benefit for the custodial parent and the benefits for the children are not eliminated as the earnings of the custodial parent increase. In our study of the change in labor supply among custodial families in Wisconsin, the 28 percent of the AFDC caseload that leaves AFDC under a Child Support Assurance System works an average of 1,126 more hours per year and earns an average of \$3,548 more per year than they would in the absence of a CSAS. Their average level of dependence on government, as measured by the ratio of income from government to total income, declines from 69 percent to 28 percent. In the face of these differences it is hard to argue that Child Support Assurance is simply welfare by another name.

Notes

¹Larry L. Bumpass, "Children and Marital Disruption: A Replication and an Update," Demography, 21 (February 1984): 71-82.

²U.S. Bureau of the Census, "Child Support and Alimony, 1983," Current Population Reports, Series P-23, No. 141 (1985).

³Ann Nichols-Casebolt, Irwin Garfinkel, and Patrick Wong, "Reforming Wisconsin's Child Support System," Institute for Research on Poverty Discussion Paper no. 793-85, University of Wisconsin, Madison, 1985, Table 3.

⁴Harry O. Krause, Child Support in America: The Legal Perspective (Charlottesville, Va.: Michie, 1981); David L. Chambers, Making Fathers Pay: The Enforcement of Child Support (Chicago: University of Chicago Press, 1979).

⁵Irwin Garfinkel and Marygold Melli; Krause; and Chambers.

⁶U.S. Bureau of the Census, "Child Support and Alimony, 1983."

⁷The Committee concluded that family desertion should be treated as a crime. Therefore, it proposed a Uniform Desertion and Nonsupport Act to make desertion and nonsupport extraditable offenses.

The law, which was approved in 1910, was not effective. On the one hand, it was too drastic because it provided no civil remedies, only criminal prosecution; on the other hand, it was inadequate because it provided no interstate enforcement procedures for an increasingly mobile population.

⁸U.S. Department of Health and Human Services, Office of Child Support Enforcement, Child Support Enforcement Statistics Fiscal Year 1985, Vol. II, Table 1, and Child Support Enforcement, Fifth Annual

Report to the Congress for the Period Ending September 30, 1980, Table 2
(Rockville, Md.: National Child Support Enforcement Reference Center).

⁹Estimates of private child support are taken from U.S. Bureau of the Census, "Child Support and Alimony, 1983." Estimates of public child transfers were derived from Irwin Garfinkel and Sara McLanahan, Single Mothers and Their Children: A New American Dilemma (Washington, D.C.: Urban Institute, 1986, Table V-2). Though the estimates are not exactly comparable--private child support payments are for 1983 and include those to remarried mothers whereas the public transfers are for 1985 and are limited to female heads--the orders of magnitude are right.

¹⁰Isabel Sawhill, "Discrimination and Poverty among Women Who Head Families," Signs, 2 (1976), 201-211.

¹¹The percentages selected were lower than the proportions that absent parents would have spent on their children had they lived with them. Judgments on appropriate amounts balanced conflicting objectives of providing well for the children, minimizing public costs, and retaining incentives and a decent standard of living for the noncustodial parent. For an explanation of how they were calculated see Nichols-Casebolt, Garfinkel, and Wong, pp. 33-34.

¹²Wis. Stat. 767.25 (1j) and (1m) effective July 1, 1987; 1985 Wisconsin Act. 29.

¹³42 U.S.C.A. 666(b) (1986 West supp.).

¹⁴Wis. Stat. 767.265(1) effective on effective date of 1987-89 biennial budget act; 1985 Wisconsin Act 29.

¹⁵U.S. Pub. L. No. 98-378 Sec. 22 (1984).

¹⁶Wis. Stat. 46.257; 1985 Wisconsin Act 29.

¹⁷Actually, the welfare caseload reductions are too high because they are based on annual data whereas eligibility is based on monthly income. On the other hand, they are too low because they do not take account of the increases in work that would result from the improved incentives of a child support assurance system.

¹⁸See Irv Garfinkel, Philip Robin,⁵ and Patrick Wong, "The Wisconsin Child Support Assurance System: Estimated Effects on Participants," IRP Discussion Paper #833-87.

¹⁹Ibid.