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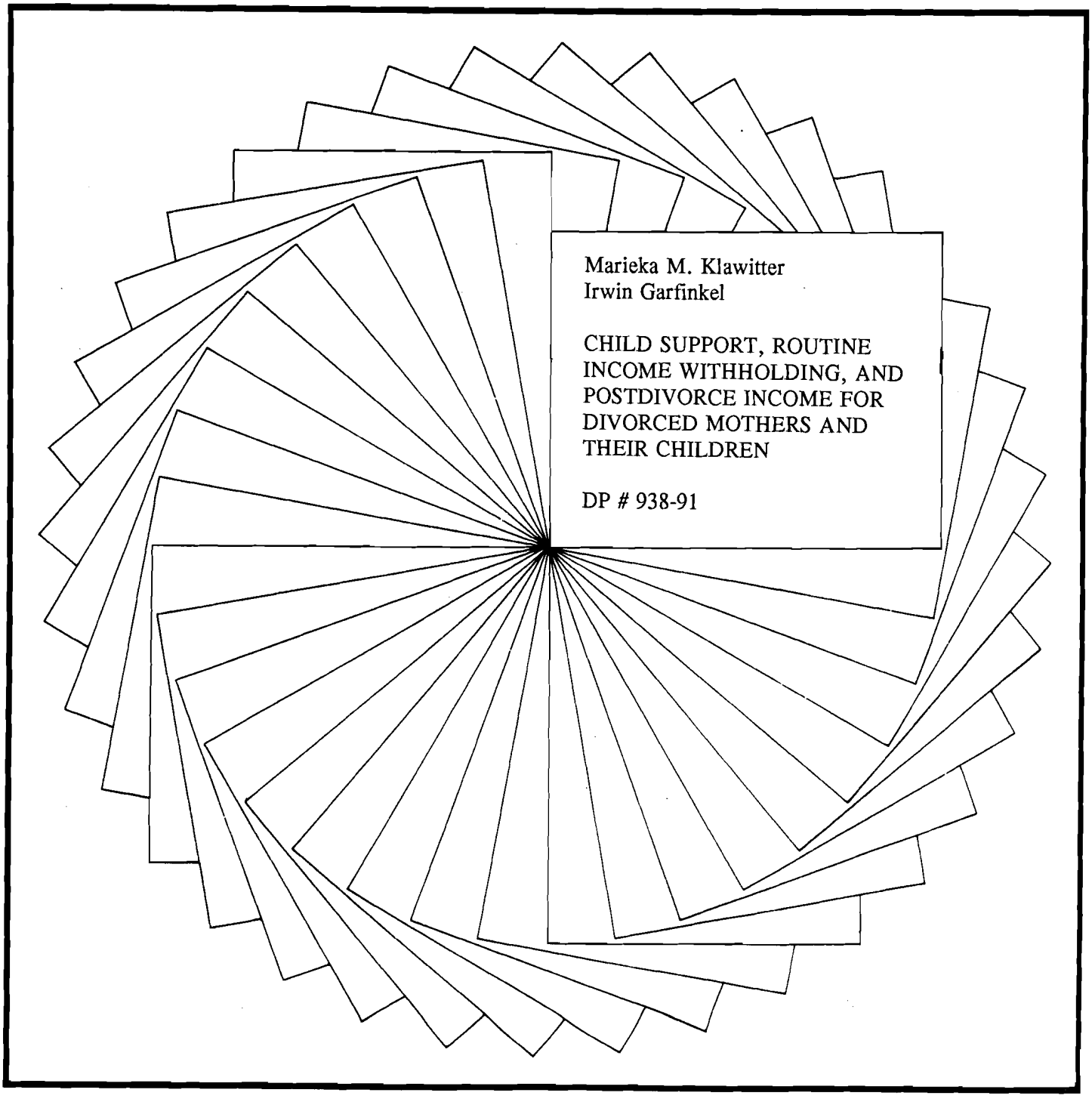

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CHILD SUPPORT, ROUTINE INCOME WITHHOLDING, AND POSTDIVORCE INCOME FOR DIVORCED MOTHERS AND THEIR CHILDREN

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Child Support, Routine Income Withholding, and Postdivorce Income for Divorced Mothers and Their Children

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Abstract

Child support reform has been proposed as a way of reducing "welfare dependency" and countering the "feminization of poverty" while increasing the well-being of children living in single-parent households. The federal government and some states have already begun to change laws regarding the establishment of child support awards and the collection of payments. Routine income withholding of child support payments, mandated by the 1988 Family Support Act, is designed to increase the proportion of child support collected. This paper assesses its effects on postdivorce income by using data from a demonstration of routine withholding in ten Wisconsin counties. Unfortunately, the data conclude that routine income withholding will have only a small effect on postdivorce income. The authors suggest that to substantially increase postdivorce income, as well as child support, awards in more family court cases must be established, the amount of those awards must be greater, and the collection rate for those who have awards must be improved.

Child Support, Routine Income Withholding, and Postdivorce Income for Divorced Mothers and Their Children

Introduction

Child support reform has been proposed as a way of reducing "welfare dependency" and countering the "feminization of poverty" while increasing the well-being of children living in single-parent households. The federal government and some states have already begun to change laws regarding the establishment of child support awards and the collection of payments. On the federal level, the Family Support Act of 1988, as well as some earlier legislation, has included new mandates for states to establish paternity in more cases, adhere to child support award standards, and improve the means by which child support is collected.

Routine income withholding of child support payments, one of the policies mandated by the Family Support Act, is designed to increase the proportion of child support collected. Child support payments are withheld by employers, sent to a state institution, and then passed on to custodial parents. The Family Support Act requires states to use routine withholding in cases handled by the Office of Child Support Enforcement ("IV-D cases") by 1990, and in all child support cases by 1994.

Routine withholding has been found to increase the proportion of child support collected by somewhere between 10 and 30 percent (Garfinkel and Klawitter 1990). It does not appear to have much initial impact on participation in the Aid to Families with Dependent Children program (AFDC) or public AFDC costs. However, 36 months after implementation, withholding is estimated to result in a decrease of 4 to 11 percent in participation and in lower public AFDC costs of somewhere between 5 and 20 percent (Klawitter and Garfinkel 1990).

In this paper, we use data from a demonstration of routine withholding in ten Wisconsin counties to assess its effects on postdivorce income. We find mixed evidence of increased income and child support payments in the year following separation.

I. Child Support and Postdivorce Income

The money income available to a woman's household following a divorce has been shown by Weiss (1984) and Duncan and Hoffman (1985) to decrease in absolute terms and also relative to the poverty level ("needs-adjusted" income). Hoffman and Duncan find that needs-adjusted income falls by about a third for women's families. The decreases in needs-adjusted income are greater for women with young children, women from the top half of the income distribution, and women who do not remarry. In the first five years following divorce there is little increase in income except through remarriage. In contrast, postdivorce money income for former husbands increases relative to the poverty level. (Duncan and Hoffman [1987] and Hoffman and Duncan [1988] offer additional commentary on these points.)

These studies show that child support and alimony have accounted for a relatively small proportion of total postdivorce income in women's households, especially for women who were in lower-income families before divorce. In Weiss's study, child support is estimated to be about 17 percent of total income in the first year after separation for women with children.[1] Duncan and Hoffman report that child support payments supply about 16 percent of household income in families with children and about 11 percent in families in which the mother has remarried.

The results from these panel studies are consistent with the work of others using cross-sectional data from the Current Population Survey, which shows that for all divorced mothers the probability of having a child support award is low and the amounts of child support paid are small (Bergmann and Roberts 1987; Graham and Beller 1989).[2]

Although child support currently constitutes a small proportion of the income of divorced mothers, it has been estimated, based on the child support guidelines recently adopted by most states, that noncustodial fathers can afford to pay four times what they currently pay and about three times what they currently owe (Garfinkel and Oellerich 1989). These estimates suggest that the potential

effect of child support reforms on postdivorce income is quite large. Routine income withholding, however, is but one of many possible child support reforms. Also, it does not directly affect either the number of child support orders or the amounts stipulated in the orders, both of which are estimated to have larger effects on total payments than is collecting a larger percentage of what is currently owed.

In earlier work, we found that routine income withholding increased child support payments by between 11 and 28 percent (Garfinkel and Klawitter 1990). In our sample of newly divorced mothers who obtain a legal child support award, child support payments constitute close to 30 percent of income in the year after the first court petition.[3] If child support income amounts to 30 percent of income and there are no behavioral effects, and if withholding increases payments by 11 to 28 percent, then withholding would be expected to increase total income by anywhere from 3 percent to 9 percent. This suggests that the effects of routine income withholding on income are likely to be small and may be difficult to detect.

There are several reasons for believing that the effects of routine withholding on postdivorce income could be even smaller. First, AFDC benefits are reduced by one dollar for each dollar of child support received in excess of $50 per month. Thus increases in child support payments over and above $50 per month will result in no increase in income for divorced mothers receiving AFDC. Second, increases in child support may lead to decreases in earnings and in the rate of remarriage. Both economic theory and empirical research indicate that increases in unearned income generally lead to decreases in labor supply and earnings.[4] Similarly, an increase in unearned income outside of marriage could lead to a decrease in the remarriage rate of divorced mothers.[5]

On the other hand, by making the divorced mother a more attractive partner from an economic point of view, an increase in child support could lead to an increase in the likelihood that she will remarry.[6] Similarly, an increase in child support may actually increase the labor supply and earnings of mothers who would otherwise have been receiving AFDC benefits (Garfinkel, Robins, Wong, and

Meyer 1990). This is because child support, unlike AFDC, is not reduced dollar for dollar as earnings rise and is therefore more complementary to earnings than AFDC benefits.[7]

In short, the modest increases in child support payments that result from routine income withholding are expected to translate into small, hard-to-detect increases in postdivorce income, especially for AFDC recipients. Changes in labor supply and remarriage resulting from increases in child support payments may either dampen or reinforce these increases.

II. The Wisconsin Demonstration Data and Sample

The data used here come from a demonstration in Wisconsin designed to evaluate the effects of routine withholding. Routine withholding is one part of the new Child Support Assurance System (CSAS) being constructed in Wisconsin. CSAS sets a percentage-of-income standard for child support awards, strengthens the paternity adjudication laws, establishes an assured benefit program, and requires routine withholding of child support payments.[8] Routine withholding was first piloted in ten counties beginning in January 1984 and became mandatory in all Wisconsin counties in July 1987.

The ten pilot counties contracted with the state of Wisconsin to begin using routine withholding in all child support cases after January 1984. These counties were matched with ten control counties, chosen on the basis of their economic and demographic characteristics. Family court case records were collected in the twenty counties for divorce, separation, and paternity cases involving a child under the age of eighteen.[9] Records were collected for the three-year demonstration period and the three years prior to the demonstration for a separate baseline sample.[10] Between one and three years of court record information was available for each case.

The court records contain information on the dates and purposes of each court action, custody or visitation agreements, child support and alimony obligations, and property settlements. In addition,

Wisconsin law requires that all child support payments be sent through the county Clerk of Court office, allowing us to obtain records of the dates and amounts of all payments. Reliable demographic data in the court records are limited to the number and ages of children involved in the case and the ages of the parents.

Social security numbers for both parents were used to match the court sample with the records of the Wisconsin AFDC program and the Department of Revenue (DOR). From the AFDC records the dates and amounts of all AFDC payments were obtained. The DOR provided the amount of taxable income from Wisconsin state income tax forms.

Together, the court records, AFDC, and the DOR provide a relatively comprehensive picture of family income after divorce. Although some income is not captured by these data sources, there is no reason to believe that the undercount is systematically related to the utilization of routine income withholding.[11]

For the analysis of total income in custodial families, it was necessary to use calendar year information in order to match the tax data period. In this paper, we have chosen to look at the calendar year following the petition date year ("postdivorce"). The petition date is the date that the first court document regarding divorce was filed--the first indication we have of separation.[12] All income amounts were converted to 1984 dollars using the state consumer price index. Positive total income amounts were constructed for 2,430 cases.[13]

The sample used here is limited to cases in which the mother has physical custody of at least one child and a social security number is available for the mother.[14] The sample is further restricted to cases in which child support was ordered, because withholding can only be used if there is an award.[15]

To allow for different effects of routine withholding on cases based on AFDC status, we have divided the sample into cases receiving AFDC payments in the month of the petition date (24 percent)

and those with no AFDC in that month (76 percent).[16] Since the petition date is in the year prior to the year studied here, participation status is not a function of actual child support payments, though it could be affected by expected payments and other related but unobserved case characteristics. Of the custodial mothers not on AFDC at the petition date, less than 30 percent ever participated in the program during the entire period for which court record data were collected (Klawitter and Garfinkel 1990). The proportion participating during the one year studied here is smaller still.

Of the cases with a positive measure of postdivorce income, about 85 percent were reported to receive child support payments, 61 percent filed tax returns, and 40 percent had a record of some AFDC participation. In about 17 percent of the cases there was no record of DOR or AFDC payments.

III. Measuring the Effects of Routine Withholding

Routine withholding was used in about 60 percent of all pilot-county cases in the demonstration period, and with greater frequency later in the period. This was less than a full implementation, since it was previously estimated that routine withholding could have been used in 70 to 85 percent of the cases (Garfinkel and Klawitter 1990). Control counties also began using withholding during the demonstration, with about 30 percent having withholding assignments.[17]

Because withholding was used in control counties and was underutilized in pilot counties, a simple comparison of cases in pilot counties with cases in control counties would underestimate the effects of routine withholding. Therefore, we use this measurement as a lower bound of the effects of withholding. Specifically, we compare demonstration pilot-county cases ("experimental-county" cases) with cases from control counties and cases from the predemonstration period to obtain this lower-bound estimate of the effects.

Two alternative experimental measures are also used. A measure of the proportion of cases with immediate withholding in the county and cohort is used to compare cases chosen on the basis of the level of withholding in the county. A comparison of cases with and without routine withholding is also made. This measure most precisely identifies the cases in which we would expect to see the effects of withholding. However, if immediate withholding is selectively used by courts, these measures (especially the latter) may result in biased estimates of the impact of withholding. In particular, if withholding is used more often in cases in which the payer has a stable, well-paying job, then the estimate of the effects of withholding for those cases would actually be an overestimate for "average" cases.

By using all three measures, we hope to get some idea about the range of the "true" effect of routine withholding. We also use a parametric control for selection bias in the use of routine withholding (Heckman 1979) and report those results.

IV. Results

Table 1 shows the proportion of cases with each type of postdivorce income, the average proportion of income of each type, and the mean amounts of total income, support payments, and support owed. In this table and the next, alimony is grouped with child support in order to show the distribution of all income, though later multivariate results focus on child support payments only.[18] These outcome variables are shown for pilot and control counties for the predemonstration and demonstration periods.

The results in Table 1 show that during the demonstration period the proportion of cases receiving at least some child support or alimony increased from about 83 percent to about 87 percent, with no significant differences between pilot and control counties. The proportion of cases with AFDC

Table 1

Sources of Postdivorce Income by County Status (Pilot or Control) and Predemonstration/Demonstration Period

	Predemonstration Period		Demonstration Period	
	Pilot	Control	Pilot	Control
Proportion of cases with income from:				
Child support and alimony	83%	83%	87%	88%
AFDC	43	41	36	37
DOR earnings	57	62	58	60
Average proportion of income from:				
Child support and alimony	29	31	35	36
AFDC	27	23	22	20
DOR earnings	43	46	42	44
Mean amount of support paid	$1,831	$2,261	$3,025	$2,854
Mean amount of support owed	$2,727	$3,234	$3,370	$3,651
Mean total income	$9,810	$10,334	$10,941	$10,972

Source: Data from a demonstration of routine income withholding in ten Wisconsin counties.
Note: Data for the predemonstration-period cases were collected June 1980-January 1984; data for the demonstration-period cases were collected January 1984-January 1987.

income decreased slightly during the demonstration period, and little change occurred in the proportion with DOR earnings in pilot counties or control counties.

Similarly, the proportion of income from support increased slightly during the demonstration period in both pilot and control counties, while the average proportion of income from AFDC decreased. There was virtually no change in the average proportion of income from DOR earnings.

The mean amounts of child support paid and owed increased in both pilot and control counties, with greater increases in both measures in pilot counties. The increase in award levels in pilot-county cases is especially noteworthy and is perhaps due to the early implementation of the percentage-of-income standard for awards.

Mean levels of child support paid and owed and total income by the level of county withholding and case withholding status are shown in Table 2. The levels of child support paid and owed, as well as total income, appear to be higher for cases in counties with higher levels of withholding and for cases with routine withholding orders.

Overall, the simple cross-tabulations show increases in the proportion of cases with child support payments, in the share of postdivorce income from child support, and in the levels of support paid and total income. However, since the levels of support owed increased as well, it is unclear how much impact routine withholding may have had on support collections and other income. Multivariate analyses are used to explore further the possible impact of routine withholding while controlling for county and case characteristics.

Tables 3 and 4 contain the coefficients and standard errors from tobit regressions on the natural log of postdivorce child support payments, and Tables 5 and 6 report results from regressions on the log of total income. Since only cases with positive total income are included in the sample, OLS regressions are used for income. Tobits, which account for the probability of zero payments, are used for child support payments because about 15 percent of the cases have no support payments.

Table 2

Levels of Total Income and Support Paid and Owed
by County Withholding Level and Case Withholding Status

	Mean Support Paid	Mean Support Owed	Total Income
County withholding level:			
0 to 10%	$2,004	$2,931	$10,177
11 to 30%	2,574	3,370	9,889
31 to 45%	2,364	3,243	9,836
46 to 60%	3,335	3,629	11,955
61% and over	3,696	4,140	11,954
Case withholding status:			
Nonwithholding case	2,254	3,139	10,323
Withholding case	3,198	3,583	11,092

Source: Data from predemonstration-period AFDC cases (June 1980-January 1984) and demonstration-period AFDC cases (January 1984-January 1987) in ten Wisconsin counties.

Table 3

Tobit Analyses of the Effects of Three Policy Variables on the Log of Child Support Payments for Cases not on AFDC at Petition Date

	Model 1		Model 2		Model 3	
	Coeff.	S.E.	Coeff.	S.E.	Coeff.	S.E.
Constant	-0.806*	0.434	-0.808*	0.428	-0.731*	0.426
Experimental co. indicator	0.123	0.258				
County withholding level			0.567	0.569		
Withholding case indicator					0.695**	0.178
Award Amount	0.850**	0.045	0.849**	0.045	0.835**	0.044
Number of children						
Two	-0.180	0.164	-0.179	0.164	-0.183	0.164
Three	-0.112	0.223	-0.112	0.223	-0.103	0.222
Four or more	0.286	0.307	0.288	0.307	0.277	0.306
Mother's age						
25 to 34	0.395*	0.208	0.395*	0.208	0.396*	0.207
35 or older	0.134	0.297	0.135	0.297	0.160	0.296
Age of youngest child						
3 to 5	-0.290	0.190	-0.289	0.190	-0.283	0.189
6 to 13	0.185	0.222	0.191	0.222	0.221	0.222
13 or older	0.162	0.335	0.169	0.334	0.196	0.333
Marital property	0.0003**	0.000	0.0004**	0.000	0.0004**	0.000
Marriage duration	-0.036*	0.020	-0.037*	0.020	-0.037*	0.020
Sigma	2.753**	0.051	2.753**	0.051	2.741**	0.051
Log-likelihood	-4206.100		-4205.700		-4198.600	
N	1841					

Source: Computations by authors based on data from predemonstration-period AFDC cases (June 1980-January 1984) and demonstration-period AFDC cases (January 1984-January 1987) in ten Wisconsin counties.
Note: Indicator variables for the year the case entered the court system and for the county were also included. Coefficients significant at a 10 percent level are marked with *; those significant at a 5 percent level are marked with **.

Regressions were run with each of the three alternative policy measures: the experimental county indicator, the county withholding level variable, and the withholding case indicator. The analyses were run separately for mothers not on AFDC at the petition date and for mothers participating at that time. Explanatory variables were added to control for the amount of the child support award, the number of children, the age of the mother, the age of her youngest child, the amount of marital property, and the duration of her marriage. The means and standard deviations for these variables are reported in the appendix. Indicator variables for the year the case entered the court system ("cohort") and the county of residence were also used in the analyses. Those coefficients are not reported here, but the full estimation results are available from the authors.

For women not on AFDC at the petition date (Table 3), each of the policy measures is estimated to be positively associated with the amount of child support paid, but only the coefficient on the withholding case dummy (Model 3) is statistically significant. The point estimate for this withholding case indicator suggests that for non-AFDC cases in which withholding is used, child support payments are expected to be higher by 12 percent, an estimate somewhat lower than our previous finding of 30 percent.[19] Although the coefficients of the other policy variables are not statistically significant, the point estimates also imply changes in collections that are lower in magnitude than our previous findings. The lack of statistical significance may be due to much smaller sample sizes in our partitioned samples.

For cases on AFDC at the petition date (Table 4), only the withholding case indicator coefficient is again significant; the experimental county indicator coefficient (Model 1) is negative and the county withholding level coefficient (Model 2) is positive. Among cases on AFDC, expected child support payments are higher by about 35 percent in withholding cases. This is slightly above our previous estimate of an increase of 30 percent, and above the increase estimated for the non-AFDC cases.

Table 4

Tobit Analyses of the Effects of Three Policy Variables on the Log of Child Support Payments for Cases on AFDC at Petition Date

	Model 1		Model 2		Model 3	
	Coeff.	S.E.	Coeff.	S.E.	Coeff.	S.E.
Constant	-2.290**	0.882	-2.162**	0.876	-1.999**	0.867
Experimental co. indicator	-0.666	0.552				
County withholding level			0.774	1.261		
Withholding case indicator					1.309**	0.383
Award amount	0.707**	0.079	0.719**	0.079	0.698**	0.078
Number of children						
Two	-0.288	0.350	-0.307	0.350	-0.259	0.346
Three	-0.513	0.455	-0.547	0.455	-0.565	0.450
Four or more	0.249	0.643	0.223	0.643	0.099	0.637
Mother's age						
25 to 34	0.190	0.372	0.190	0.372	0.176	0.368
35 or older	-0.293	0.661	-0.296	0.662	-0.336	0.655
Age of youngest child						
3 to 5	0.274	0.371	0.235	0.372	0.186	0.368
6 to 13	0.022	0.551	0.014	0.551	-0.019	0.545
13 or older	-1.457	1.006	-1.444	1.006	-1.527	0.996
Marital property	0.001	0.002	0.001	0.002	0.001	0.002
Marriage duration	0.025	0.045	0.029	0.045	0.038	0.044
Sigma	3.281**	0.116	3.283**	0.116	3.248**	0.115
Log-likelihood	-1344.900		-1345.500		-1339.800	
N	589					

Source: Computations by authors based on data from predemonstration-period AFDC cases (June 1980-January 1984) and demonstration-period AFDC cases (January 1984-January 1987) in ten Wisconsin counties.
Note: Indicator variables for the year the case entered the court system and for the county were also included. Coefficients significant at a 10 percent level are marked with *; those significant at a 5 percent level are marked with **.

As discussed on p. 7, withholding may have been used selectively by court commissioners, and, as a result, the effect of withholding as measured by the withholding case indicator may be, on average, an overestimate of the expected effects of withholding. The lack of significant, positive associations between the other two policy measures and support payments casts doubt on whether routine withholding has a substantial effect on payments during the first year after divorce. The robustness of the positive effects of withholding found in previous work (Garfinkel and Klawitter 1990) apparently does not hold for this particular time period.

In Tables 3 and 4, the coefficients on award amounts are positive and significant in each of the models for both AFDC and non-AFDC cases. For cases not on AFDC at the petition date, the indicator for mother's age in the range 25-34 and the amount of marital property are estimated to have significant, positive associations with the amount of support paid. The duration of marriage is estimated to be negatively associated with payments. For cases on AFDC, the coefficients on most control variables are not statistically different from zero, perhaps because of the smaller sample size.

Results from OLS regressions on the log of total postdivorce income are shown in Table 5 for non-AFDC cases, and in Table 6 for cases on AFDC, at the petition date. None of the policy variables is estimated to have a significant effect on income in these models. In view of both the weak effects of withholding on child support payments in this sample and the expectation that withholding will have smaller effects on income than on child support payments, the failure to find a significant effect of withholding on income is not surprising.

The amount of the child support award is positively associated with income, as with child support, for both non-AFDC and AFDC cases, suggesting that raising child support awards is likely to lead to significant increases in income. The coefficients for non-AFDC cases are much larger in magnitude than those for AFDC cases. This is as expected since, for AFDC cases, child support

Table 5

OLS Regressions of the Effects of Three Policy Variables on the Log of Postdivorce Income for Cases not on AFDC at Petition Date

	Model 1		Model 2		Model 3	
	Coeff.	S.E.	Coeff.	S.E.	Coeff.	S.E.
Constant	8.151**	0.147	8.162**	0.145	8.168**	0.144
Experimental co. indicator	-0.021	0.093				
County withholding level			0.088	0.205		
Withholding case indicator					0.070	0.065
Award amount	0.072**	0.015	0.072**	0.015	0.070**	0.015
Number of children						
Two	0.006	0.059	0.006	0.059	0.006	0.059
Three	0.014	0.080	0.013	0.080	0.014	0.080
Four or more	-0.183*	0.111	-0.184*	0.111	-0.185*	0.111
Mother's age						
25 to 34	0.288**	0.075	0.288**	0.075	0.288**	0.075
35 or older	0.456**	0.107	0.457**	0.107	0.459**	0.107
Age of youngest child						
3 to 5	-0.016	0.068	-0.016	0.068	-0.015	0.068
6 to 13	-0.073	0.080	-0.073	0.080	-0.070	0.080
13 or older	-0.168	0.120	-0.169	0.120	-0.166	0.120
Marital property	0.0001**	0.000	0.0001**	0.000	0.0001**	0.000
Marriage duration	0.009	0.007	0.009	0.007	0.009	0.007
R^2	.08		.08		.08	
N	1841					

Source: Computations by authors based on data from predemonstration-period AFDC cases (June 1980-January 1984) and demonstration-period AFDC cases (January 1984-January 1987) in ten Wisconsin counties.
Note: Indicator variables for the year the case entered the court system and for the county were also included. Coefficients significant at a 10 percent level are marked with *; those significant at a 5 percent level are marked with **.

Table 6

OLS Regressions of the Effects of Three Policy Variables on the Log of Postdivorce Income for Cases on AFDC at Petition Date

	Model 1		Model 2		Model 3	
	Coeff.	S.E.	Coeff.	S.E.	Coeff.	S.E.
Constant	8.484**	0.144	8.480**	0.143	8.470**	0.144
Experimental co. indicator	0.045	0.097				
County withholding level			0.252	0.221		
Withholding case indicator					-0.057	0.068
Award amount	0.031**	0.013	0.032**	0.013	0.031**	0.013
Number of children						
Two	0.020	0.061	0.021	0.061	0.019	0.061
Three	0.126	0.079	0.126	0.079	0.129	0.079
Four or more	0.243**	0.113	0.243**	0.113	0.250**	0.113
Mother's age						
25 to 34	0.147**	0.065	0.146**	0.065	0.147**	0.065
35 or older	0.151	0.116	0.150	0.116	0.153	0.116
Age of youngest child						
3 to 5	-0.129**	0.065	-0.132**	0.065	-0.125**	0.065
6 to 13	-0.207**	0.096	-0.205**	0.096	-0.205**	0.096
13 or older	-0.181	0.175	-0.175	0.174	-0.178	0.175
Marital property	-0.001**	0.000	-0.001**	0.000	-0.001**	0.000
Marriage duration	0.004	0.008	0.004	0.008	0.003	0.008
R^2	.11		.11		.11	
N	589					

Source: Computations by authors based on data from predemonstration-period AFDC cases (June 1980-January 1984) and demonstration-period AFDC cases (January 1984-January 1987) in ten Wisconsin counties.
Note: Indicator variables for the year case entered court system and for county were also included. Coefficients significant at a 10 percent level are marked with *; those significant at a 5 percent level are marked with **.

payments only increase income under the $50 per month disregard or after the recipients leave the program.

For cases not on AFDC at the petition date, having four or more children is negatively associated with income. Also for non-AFDC cases, total income is positively associated with the mother being older (compared with women under 25) and with greater amounts of marital property. For AFDC cases, income increases with the number of children (though only the indicator for four or more children is significant). This is probably the result of higher AFDC benefits for larger families. Mother's age is also positively related to income, and having a youngest child 3 to 5 or 6 to 13 years old is negatively related to income. Marital property for AFDC cases, unlike for non-AFDC cases, is estimated to have a negative impact on total income, though this may be the result of selection into the AFDC sample.

As noted above, the significant coefficients for the withholding case indicator variable could be attributable to the selective use of routine withholding. Heckman has developed a technique for correcting for selectivity bias in multivariate analyses (Heckman 1979). The results of regressions on child support and income with a Heckman correction for the selective use of withholding and the probit equations used to construct the control for the probability of having a withholding order are shown in Table 7 for cases not on AFDC at the petition date and in Table 8 for cases on AFDC.[20]

In these models the effects of having a withholding order are estimated to be positive, but only the coefficient in the income analysis for cases not on AFDC is statistically significant (at a 10 percent level). For cases not on AFDC, the lack of significance and the positive coefficient on the selection variable "lambda" in the child support equations support the hypothesis that withholding is selectively used in cases in which higher levels of child support payments might be expected. It is somewhat surprising then that there is a negative coefficient on lambda in the income analysis for such cases, while the withholding case indicator has a positive, significant coefficient.

Table 7

Probit Analysis of Case Withholding Order and
Selection-Corrected Regressions on the Logs of Income
and Child Support Payments for Cases not on AFDC at Petition Date

	Withholding Order		Income		Child Support	
	Coeff.	S.E.	Coeff.	S.E.	Coeff.	S.E.
Constant	-2.465**	0.252	8.224**	0.149	0.544	0.362
Withholding case indicator			0.453*	0.289	0.195	0.703
Award amount	0.083**	0.024	0.062**	0.016	0.694**	0.038
Number of children						
Two	0.043	0.094	0.004	0.058	-0.098	0.142
Three	-0.082	0.130	0.017	0.079	-0.034	0.193
Four or more	0.120	0.180	-0.194*	0.110	0.304	0.266
Mother's age						
25 to 34	-0.028	0.120	0.289**	0.074	0.371**	0.180
35 or older	-0.198	0.173	0.477**	0.107	0.163	0.259
Age of youngest child						
3 to 5	-0.078	0.107	-0.010	0.068	-0.249	0.164
6 to 13	-0.261**	0.128	-0.051	0.080	0.149	0.196
13 or older	-0.263	0.192	-0.150	0.120	0.087	0.291
Marital property	-0.0001	0.0001	0.0002**	0.0001	0.0004**	0.000
Marriage duration	0.007	0.012	0.009	0.007	-0.029	0.018
Lambda			-0.228	0.168	0.260	0.410
Log-likelihood	-721.22					
R^2			.08		.24	
N	1841					

Source: Computations by authors based on data from predemonstration-period AFDC cases (June 1980-January 1984) and demonstration-period AFDC cases (January 1984-January 1987) in ten Wisconsin counties.
Note: Indicator variables for the year the case entered the court system and for the county were also included. Coefficients significant at a 10 percent level are marked with *; those significant at a 5 percent level are marked with **.

Table 8

Probit Analysis of Case Withholding Order and
Selection-Corrected Regressions on the Logs of Income
and Child Support Payments for Cases on AFDC at Petition Date

	Withholding Order		Income		Child Support	
	Coeff.	S.E.	Coeff.	S.E.	Coeff.	S.E.
Constant	-2.778**	0.477	8.481**	0.143	-0.037	0.659
Withholding case indicator			0.039	0.271	1.176	1.248
Award amount	0.064**	0.034	0.030**	0.013	0.518**	0.059
Number of children						
Two	-0.204	0.174	0.023	0.060	-0.158	0.277
Three	0.065	0.227	0.128*	0.077	-0.370	0.353
Four or more	0.407	0.326	0.240**	0.112	0.108	0.518
Mother's age						
25 to 34	0.042	0.181	0.146**	0.063	0.155	0.290
35 or older	0.172	0.334	0.150	0.112	-0.352	0.518
Age of youngest child						
3 to 5	0.171	0.183	-0.129**	0.064	0.155	0.295
6 to 13	0.144	0.285	-0.207**	0.093	-0.018	0.430
13 or older	0.259	0.460	-0.182	0.169	-1.254	0.781
Marital property	-0.001	0.001	-0.001**	0.000	0.001	0.001
Marriage duration	-0.035	0.024	0.004	0.008	0.041	0.036
Lambda			-0.058	0.159	-0.051	0.735
Log-likelihood	-220.46					
R^2			.11		.22	
N	589					

Source: Computations by authors based on data from predemonstration-period AFDC cases (June 1980-January 1984) and demonstration-period AFDC cases (January 1984-January 1987) in ten Wisconsin counties.
Note: Indicator variables for the year the case entered the court system and for the county were also included. Coefficients significant at a 10 percent level are marked with *; those significant at a 5 percent level are marked with **.

V. Conclusion

Previous research has shown that child support reform has the potential to substantially increase the incomes of divorced mothers and their children. Furthermore, routine withholding of child support has previously been shown to increase the collection rate and timeliness of payments. The expected effects of withholding on total income, however, are small for several reasons: routine income withholding alone can increase child support payments by only modest amounts; child support is not a large proportion of total income; AFDC recipients do not benefit from increases in child support in excess of $50 per month; and increases in income resulting from increases in child support may be dampened by behavioral responses in labor supply and remarriage.

Data from a demonstration of routine withholding in Wisconsin substantiate the hypothesis that routine income withholding will have a small effect on postdivorce incomes. Although most of the coefficients measuring the impact of routine withholding are positive, only for the selection-bias corrected comparison of cases with and without routine withholding is the coefficient statistically significant.

In order to substantially increase child support and postdivorce income, it will be necessary to establish awards in more family court cases and increase the amounts of those awards, as well as to improve the collection rate for those who have awards.

Appendix

Means and Standard Deviations for Control Variables
by AFDC Status at Petition Date

	Not on AFDC at Petition		On AFDC at Petition	
	Mean	Std. Dev.	Mean	Std. Dev.
Percentage of Sample		76%		24%
Log of child support	6.62	2.76	5.26	2.98
Log of income	9.00	1.03	8.73	0.60
Withholding case dummy	.26	.44	.23	.42
County withholding level	.21	.23	.21	.22
Experimental co. dummy	.24	.43	.25	.44
Log of award amount	7.59	1.66	6.81	2.00
Number of children				
Two	.42	.49	.34	.47
Three	.17	.38	.19	.39
Four or more	.08	.28	.09	.28
Mother's age				
25 to 34	.50	.50	.45	.50
35 or older	.33	.47	.14	.34
Age of youngest child				
3 to 5	.23	.42	.24	.43
6 to 13	.33	.47	.15	.36
13 or older	.12	.33	.03	.18
Log of marital property divided by 100	175.13	403.74	26.09	90.32
Marriage duration	10.73	6.51	6.81	5.63
N	1,841		589	

Notes

1. It is reported there that the proportions of families receiving any child support in the first year are .35, .55, and .73 for low, middle, and high income families, respectively. Of those families that receive any private transfers, child support is 20, 25, and 40 percent of all income (by income category). The 17 percent reported in the text is the average of the product of these numbers for each income group, assuming that the weighted number in each group is approximately equal.

2. These cross-sectional studies look at the "stock" of cases in which child support could be paid, including both recent and past divorce cases. Weiss and Duncan and Hoffman restrict the sample to cases of recent separation, as is done in the work reported here. Graham and Beller find child support payments to be 10 percent of income for all women with child support eligible children and about 18 percent for women who receive at least some child support.

3. The proportion is higher than either Duncan and Hoffman's or Weiss's because our sample is limited to divorced mothers with child support awards, whereas they include divorced mothers without awards.

4. Graham and Beller (1989) do find evidence of a small, negative effect of child support received on mother's market work hours, after controlling for endogeneity in the receipt of child support and AFDC participation.

5. It must be noted, however, that any increases in child support income to custodial families will increase the welfare of those families, though some of the benefits may be through the "purchase" of leisure or of independence.

6. For an AFDC recipient who receives more than $50 per month, an increase in child support will theoretically increase her likelihood of remarrying because there is no change in her income while on welfare and therefore no change in the value of remaining single.

7. The effects of increases in child support on the labor supply and earnings of mothers receiving AFDC is further complicated by the $50 child support set-aside. Whereas child support in excess of $50 per month results in a dollar for dollar reduction in AFDC benefits, the first $50 per month is ignored in counting benefits. Thus child support payments of up to $50 per month result in an increase in the effective AFDC guarantee and thereby reduce work and earnings.

8. The percentage standard was disseminated in late 1983 and became mandatory in 1986. Under the standard, awards are established as 17 percent of noncustodial parent's income for one child, 25 percent for two children, 29 percent for three, 31 percent for four, and 34 percent for five or more children. Under the assured benefit program, the state would make up the difference between the level of private child support paid and the assured benefit level established by the state. Although the federal government and the Wisconsin state legislature approved a waiver giving the state permission to use federal funds that would otherwise have been devoted to AFDC to help fund the assured benefit, it now appears that the assured benefit will not be piloted in Wisconsin. New York state, however, is piloting a similar benefit.

9. The sample was also limited to cases in which there was a living noncustodial parent and a court action within a year of the first petition. These case-selection criteria were designed to limit the

sample to cases in which there was potential for establishing a child support award.

10. The predemonstration sample was randomly drawn from cases entering the court system between June 1980 and July 1983, and court records for these cases were collected until January 1984. The demonstration sample cases were chosen from those entering the system at least one month after routine withholding was implemented in each pilot county and at the same time in the matched control county. To expedite evaluation, these cases were sampled chronologically until a predetermined county sample size was reached. Data for the demonstration-period cases were collected until January 1987.

11. There are three reasons why these sources of income information will not completely reflect the economic well-being of the family. First, the AFDC and DOR data are only from Wisconsin records. For custodial families who have moved from the state, such information is unavailable. Information from a telephone survey revealed, however, that only about 6 percent of the custodial mothers from the demonstration period had moved out of Wisconsin by 1987. Second, the use of tax data will also result in us underestimating income for low-income families, since they are not required to file tax returns. For families who do not file tax returns, we have only AFDC and child support income, and will underestimate their incomes by the amount of earnings. Third, the DOR tax data are not available for women who remarry and who are no longer the primary household earner. Data from the telephone survey indicate that less than 10 percent of those mothers had remarried by the end of 1986. Finally, we have income information only for the custodial mother, not for her entire household. But based on the telephone survey, mother's income accounts for about 85 percent of total household income.

12. In about 3 percent of the cases, joint tax returns were filed in the year after the petition date. These cases were dropped from this analysis because income for the mother alone was not available.

13. Zero incomes were calculated in about 6 percent of the cases, and these cases were dropped because of the likelihood of misreported income.

14. A physical definition of custody is used here (indicating the parent with whom the children reside) rather than a legal custody definition (indicating which parent has the right to make decisions regarding the children). The mother's social security number was missing in only about 4 percent of the cases.

15. Awards were made in about 80 percent of these Wisconsin cases, though in about 10 percent of the cases no support was owed in the first year.

16. Some anecdotal evidence suggests that cases entering the court system by referral from the AFDC program may be treated differently by court commissioners because of the perceived "public burden" of welfare cases.

17. Two of the control counties became official pilot counties in the third year of the demonstration. Cases in those counties are designated as experimental-county cases if they entered the court system after the change in status.

18. Alimony is a very small proportion of all support paid. It is owed in only 8 percent of the cases, and payments are made in only about 5 percent of the cases.

19. The size of these effects can be calculated from the coefficients by accounting for the change in the probability of observing a nonzero value for the dependent variable, as well as the marginal change in the variable when it is observed (Maddala 1983, p. 159). The expected change is calculated as the difference in the expected outcome with and without routine withholding at the mean values of the explanatory variables.

20. The child support results reported in Tables 7 and 8 are OLS results and therefore not strictly comparable to the tobit results reported in Tables 3 and 4.

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