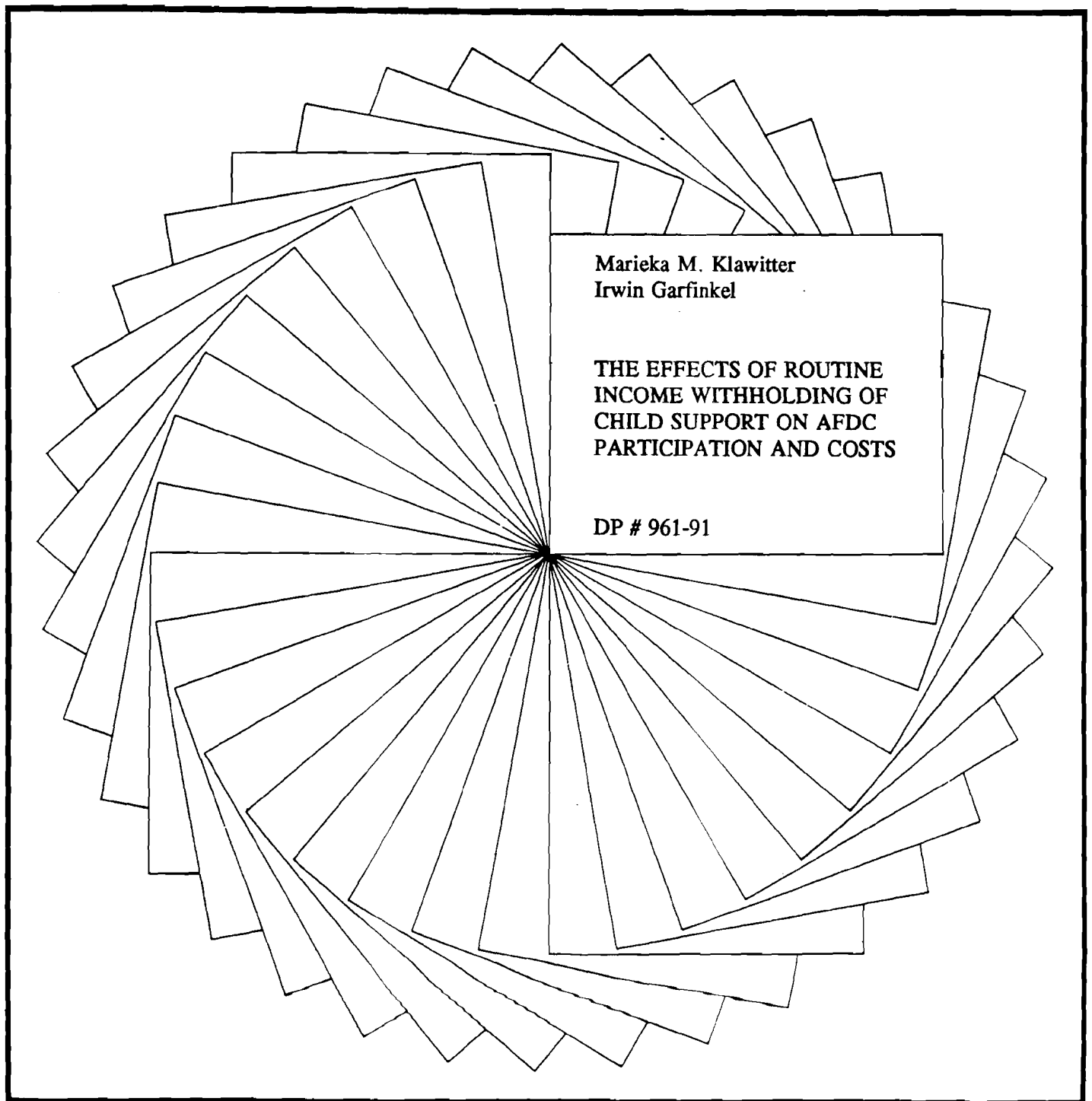# Institute for Research on Poverty

Discussion Papers

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THE EFFECTS OF ROUTINE
INCOME WITHHOLDING OF
CHILD SUPPORT ON AFDC
PARTICIPATION AND COSTS

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The Effects of Routine Income Withholding of Child Support on
AFDC Participation and Costs

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Abstract

Routine income withholding, mandated by the Family Support Act of 1988, is one of several child support reforms currently being implemented nationwide. In routine income withholding, child support payments are deducted from the paychecks of nonresident parents and transferred to resident parents by a state agency. Routine withholding has previously been shown to increase payments by 11 to 30 percent. Using data from a Wisconsin demonstration of routine withholding, we find small potential for increased child support collections in cases at risk for AFDC participation because of very low awards. An analysis of the effects of routine income withholding on AFDC participation rates and costs suggests that withholding had little to no effect upon AFDC participation rates or public AFDC expenditures. Nevertheless, withholding is an important component of child support reform, and in conjunction with other reforms may have a significant impact on private and public transfers.

The Effects of Routine Income Withholding of Child Support on AFDC Participation and Costs

INTRODUCTION

In the last ten years, the number of families eligible for child support has risen dramatically, while the amount of support paid has remained low (U.S. Bureau of the Census, 1989). Concern about the inadequacy of private child support and the cost to the taxpayer of providing public support to fill the gap has spurred efforts to reform federal and state child support legislation. Indeed, recent federal reforms mandate that states improve paternity establishment, enact numeric standards for child support awards, institute periodic updating of awards, and improve enforcement mechanisms. Many of these reforms have initially targeted families participating in the Aid to Families with Dependent Children (AFDC) program.

This paper analyzes the effects of one support enforcement mechanism, routine income withholding, on participation in and costs of AFDC. In routine income withholding, child support payments are deducted from the paychecks of nonresident parents and transferred to resident parents by a state agency. Unlike wage garnishment in response to payment delinquency, routine withholding begins at the time of the initial support obligation and avoids the stigma and potential delays of delinquency withholding. The Family Support Act of 1988 requires states to begin using routine income withholding in all child support cases by 1994.[1] A demonstration of routine withholding in Wisconsin provides data on its effects and on the potential of other enforcement policies to reduce AFDC costs and participation.

Previous work has shown that routine withholding may increase the proportion of child support collected by between 11 and 30 percent (Garfinkel and Klawitter, 1990). Even so, we find that routine withholding will have little effect on AFDC participation rates or public AFDC expenditures. In addition, it looks like the potential for enforcement alone to have a large effect is

low, since award levels are low for the families most at risk of participating in AFDC. Without changes in the number of families with awards and the sizes of awards, routine income withholding will not result in large changes in the dependence of resident parents and their children on public support. Nevertheless, it is an important component of child support reform, and, in conjunction with other reforms, may have a significant impact on both private and public transfers.

THE EXPECTED EFFECTS OF ROUTINE WITHHOLDING ON AFDC

Higher rates of child support collection associated with routine withholding could lead to reductions in AFDC caseloads and the public cost of AFDC. By increasing the income available to resident parents, higher child support collections could decrease the number of families ever on AFDC or decrease the length of time a family stays on AFDC. Higher child support payments could make some families ineligible for AFDC and would allow some to choose not to participate. More likely, the increase in child support resulting from routine withholding alone would not be large enough to greatly affect participation rates, since award levels for AFDC families are usually low, but could offset some of the public cost of AFDC. As a condition for the receipt of AFDC, parents must transfer to the state their right to receive child support payments. Therefore, if routine withholding increases the amount of child support collected for families on AFDC, state AFDC costs will decrease.

It is also possible, though, that an increase in collections in conjunction with the $50 child support disregard could be a source of increased AFDC participation. Under the disregard, a family who is considering applying for AFDC would not only receive a welfare check, but also the first $50 a month the absent parent pays in child support. This is tantamount to increasing that family's monthly AFDC check by up to $50, thus increasing the incentive not only to apply for and receive AFDC, but to stay on it as well. However, as long as child support collections exceed $50 per

month, further increases in collections will reduce public expenditures for families on AFDC. Also as noted above, if the support collected is high enough, families will no longer be eligible for AFDC or will choose to leave the program and both participation and public expenditures will drop.

This discussion suggests that the overall effect of routine withholding is ambiguous, but that child support enforcement reform may have a stronger impact on public AFDC expenditures than on program participation.

Families applying for AFDC are required to pursue a child support award through the state child support enforcement agency (the "IV-D" office). Since families in this group are already on AFDC when they enter the court system, they are more likely to be on AFDC after a child support order than are families not entering the court system through this office. The IV-D cases may also be treated differently by court administrators, who may be concerned with the level of public expenditures.[2] Nationwide, only about 60 percent of eligible IV-D families have child support awards and less than 40 percent of those receive any payment.[3] Routine withholding may have a larger effect on IV-D cases, since most of the families involved in those cases are on AFDC in the absence of withholding. It is also possible, though, that even with routine withholding, child support payments to this group will be very low because of low award amounts and unstable incomes of the nonresident parents.

Previous research suggests that the effects of routine withholding alone on AFDC costs and caseloads may not be large. Using 1980 data, McDonald, Moran, and Garfinkel (1983) found that if the state were to collect 100 percent of current child support obligations of the fathers of children on AFDC, the Wisconsin caseload would decrease by only 1,200 (2 percent), and the AFDC savings would amount to only $26 million (about 7 percent). Similarly, Robins (1986), using 1981 CPS data, estimated that full enforcement of child support orders nationally would lead to no change in AFDC participation rates and about an 8 percent decrease in AFDC costs. Bergmann and Roberts (1987) use

1979 CPS data to estimate a 6.1 percent decrease in AFDC participation and a 9.7 percent decrease in welfare expenditures with complete collection of child support. Oellerich, Garfinkel, and Robins (1989) used 1984 CPS data to estimate a reduction of about 5 percent in the number of families on AFDC nationally and a decrease of 3.5 percent in AFDC costs. The reduction in AFDC costs estimated by Oellerich and his colleagues is smaller because the model includes the $50 child support disregard, not considered in the other analyses. These studies suggest that even perfect enforcement of child support at current levels would not lead to large changes in AFDC participation or costs.

The actual effects of routine withholding are likely to be smaller than these estimates. Withholding will not lead to 100 percent collections, since it cannot be used when the payer has no job or is self-employed. In previous work it was estimated that only between 70 and 85 percent of the nonresident parents in the Wisconsin sample had assignable incomes (Garfinkel and Klawitter, 1990). Also, as documented by Graham and Beller (1989), there may be unobservable family differences that affect AFDC participation, child support, and a mother's earnings. These connections imply that routine withholding may not be effective for the women most at risk for AFDC, since potential market earnings may also be low for this group. The aggregate effect of enforcement reforms also depends on the ability to establish child support awards. Penkrot (1989) suggests that only about 25 percent of children on AFDC in 1985 were covered by child support orders. Further, of cases in which a social security number was available, only 20 percent of the remaining noncustodial parents earned over $10,000 a year and so were likely to be able to pay support.

In combination with other types of child support reform, however, increased enforcement could have large effects. McDonald, Moran, and Garfinkel (1983) estimate that if child support orders were obtained in all cases, the award amounts were based on the Wisconsin percentage-of-income standard, and 100 percent of the amount owed was collected, the number of families on AFDC would decrease by 12 to 15 percent and costs would decrease by about 36 percent. Even a 75

percent collection rate, in combination with the other reforms, was estimated to result in a 6 percent decrease in cases and a 28 percent decrease in costs.

Estimates from the other national studies are similar to these. Oellerich, Garfinkel, and Robins (1989) calculate reductions of about 16 percent in caseload and 30 percent in AFDC costs if orders are set in all cases using the Wisconsin standard and collections are 100 percent. Robins (1986) estimates that, if awards are ordered in all cases (at existing levels) and perfectly enforced, participation in AFDC will decrease by 3 to 6 percent and costs will decrease by 26 percent. Bergmann and Roberts (1987) estimate a much larger impact of fully collected awards in all cases at existing levels--a decrease in AFDC participation of one-third and in expenditures of one-half.[4]

The results of these simulations suggest that the effects of routine withholding by itself on AFDC costs will not be large, and that there may be no effect at all on participation rates. In this study, demonstration data provide a better estimate of the effects of increasing child support enforcement by incorporating family labor supply adjustments and realistic implementation levels of the policy.

THE WISCONSIN DEMONSTRATION AND DATA

Background

The state of Wisconsin has been at the forefront of the child support reform movement. In 1983, Wisconsin began to construct a new system, the Child Support Assurance System (CSAS). CSAS strengthened laws governing paternity adjudication, set a percentage-of-income standard for the level of child support awards, required routine withholding of payments, and established an assured benefit program.[5]

Between January and June 1984, ten Wisconsin counties contracted with the state for the pilot demonstration of routine withholding.[6] (The data from this demonstration will be used in our

analysis here.) These pilot counties were to use routine income withholding of child support whenever possible. Ten control counties provided a comparison group during the demonstration period, and a predemonstration sample from pilot and control counties allowed baseline comparison.[7] By using pilot counties rather than random cases within a county, the demonstration could capture the possible spillover effects of changing a county's system of support collection.

Family court records from the twenty counties provide information on a sample of new divorce, separation, and paternity cases involving at least one child under the age of 18.[8] The cases first entered the court system in the three-year period prior to the demonstration (1980-1983) or in the three years after the start of the demonstration (1984-1987).[9] Data for each family are available for one to three years, depending on when they entered the court system.

The court record data include the dates and purposes of each court action, custody and visitation agreements, and the amounts of child support and other monetary obligations. Records of the amounts and dates of all child support payments sent through the county Clerk of Court office were also available. Because Wisconsin requires child support payments to be made through the Clerk of Court office, these records document the great majority of child support payments.[10] Social security numbers from the court record were checked against Wisconsin AFDC records for the period between July 1980 and January 1987 to obtain the amounts of AFDC payments for each family.

For the analysis presented here, the sample includes only cases in which the mother had legal custody of all children for the entire sample period and a social security number was available for her. Also, only cases with a child support order are used, since routine withholding can only be used in cases with awards.[11] The sample size is 3,309 cases.

Pilot counties used routine withholding in about 60 percent of the cases during the demonstration period. Control counties also began using routine withholding during the demonstration and overall used it in about 30 percent of the demonstration-period cases. Use of

withholding increased over time in pilot and control counties. Even in the last year of the

demonstration, however, pilot county levels of withholding (65 percent) were below the estimated

potential of between 70 and 85 percent of cases (Garfinkel and Klawitter, 1990). The incomplete

implementation of routine withholding in pilot counties and the use of withholding in control counties

make the evaluation of withholding more complex.

The Demonstration Cases: Can Routine Withholding Have an Effect?

As discussed above, even perfect collection of child support may not result in large changes in

AFDC participation or expenditures. The potential effects of routine withholding on AFDC depend

in part on how many families would participate in the program in the absence of greater amounts of

child support. If most families entering the family court system were not at risk of participating, then

the overall effects on this population would be small.

Table 1 shows the proportion of cases in our sample that were on AFDC at the petition date

(just prior to the first court appearance) and the proportion of cases on AFDC at any time in the court

record period.[12] These are shown for the predemonstration and demonstration period and for pilot

and control counties. Prior to the withholding demonstration, both pilot and control counties had

about 35 percent of cases on AFDC at the petition date and more than half on AFDC at some time

during the court record period. With this large proportion of cases on AFDC, a change in the level

of child support collected could have a significant impact on AFDC costs.

From Table 1 it is also apparent that AFDC participation rates changed between the

predemonstration and demonstration periods. During the demonstration, about 45 percent of all cases

started out on AFDC--an increase of about 10 percentage points over the predemonstration rate. The

proportion of cases ever on AFDC also increased, but not as dramatically. The increase in the

proportion of cases on AFDC prior to entering the court system would be a problem in a simple

TABLE 1

**The Proportion of Cases on AFDC at Petition Date and at Any Time,
by Period and Pilot County Status**

	Predemonstration		Demonstration	
	Pilot	Control	Pilot	Control
Proportion of cases on AFDC at petition	36%	35%	44%	45%
Proportion of cases with any AFDC in court period	52%	56%	58%	59%

Source: Data from demonstration of routine income withholding in ten Wisconsin counties.

before/after analysis of the effects of routine withholding, but can be handled by comparing pilot and control counties.

Cases on AFDC at the petition date are likely to spend a much greater proportion of their time on AFDC than are other cases (Table 2). Before the demonstration, cases not starting on AFDC spent an average of 16 and 22 percent of months on AFDC in pilot and control counties, respectively. In the same period, cases on AFDC at petition spent about 80 percent of the time on AFDC in pilot and control counties. There is clearly much room for reduction in the amount of time spent on AFDC for cases entering the court system through the AFDC program.

The effects of changes in child support collection rates also depend on the levels of awards. If award levels are very low for families at risk of needing AFDC, then payment enforcement will have little impact on AFDC. Table 2 shows that cases on AFDC at the petition date have monthly child support awards that are much lower than those of cases not on AFDC, especially in the demonstration period. Awards in cases not on AFDC at petition averaged $300 in pilot and $323 in control counties prior to the demonstration, but cases on AFDC had awards of only $132 in pilot counties and $164 in control. Thus, prior to the demonstration, awards for the cases most at risk for AFDC were about half the amount of those for other cases.[13]

During the demonstration period these differences were exacerbated. Awards in cases not on AFDC at petition increased to $342 and $392 in pilot and control counties while awards decreased for cases on AFDC at petition in control counties to $137 (there was no significant change in pilot-county cases). These changes in the award levels may reflect early use of the Wisconsin percentage-of-income standard for award amounts.[14] The effects of routine withholding on AFDC could be mitigated by any decrease in award levels for the cases most likely to participate in the AFDC program.

TABLE 2

Average Proportion of Months on AFDC, Amount of First Child Support Award, and Proportion of Child Support Collected, by AFDC Status, Period, and Pilot County Status

	Predemonstration		Demonstration	
	Pilot	Control	Pilot	Control
Cases not on AFDC at Petition:				
Average proportion of months on AFDC in court period	.16	.22	.18	.14
Amount of first award	$300	$323	$342	$392
Category of first award:				
$1-$50	5%	7%	8%	4%
$51-$100	14%	9%	12%	9%
Over $100	81%	84%	81%	87%
Proportion of child support collected	.61	.63	.70	.67
Cases on AFDC at Petition:				
Average proportion of months on AFDC in court period	.81	.80	.86	.85
Amount of first award	$132	$164	$131	$137
Category of first award:				
$1-$50	25%	17%	23%	15%
$51-$100	31%	23%	26%	23%
Over $100	44%	60%	52%	62%
Proportion of child support collected	.46	.41	.49	.49

Source: Data from demonstration of routine income withholding in ten Wisconsin counties.

Awards of less than $50 per month are particularly significant because of the child support AFDC disregard. Net AFDC costs will not be offset by even perfect collection of child support in cases with awards less than $50, though income to the families would be increased. For cases with awards from $51 to $100, increased child support could make a marginal difference in AFDC. However, without significant earnings by the custodial parent, it seems unlikely that increased child support could affect AFDC participation for these cases. Increases in child support collection rates may make the most difference in AFDC participation and costs for the group of cases with awards over $100 per month.

Table 2 shows that cases on AFDC at petition are more likely to have awards no more than $50 (25 and 17 percent of pilot- and control-county cases) than are cases not starting on AFDC (5 and 7 percent) prior to the demonstration. Also, pilot counties have greater proportions of low-award cases than do control counties for cases on AFDC at petition. Among the cases not starting on AFDC, the proportions of low awards in pilot and control counties were very similar. There was not much change in these patterns in the demonstration period.

More than 80 percent of cases not on AFDC at petition had awards greater than $100 per month in the predemonstration period, but the proportion for cases on AFDC was only 44 percent in pilot and 60 percent in control counties. The proportion for AFDC cases grew slightly in the demonstration period (to 52 percent in pilots and 62 percent in controls) but remained well below the proportions for cases not on AFDC.[15] Cases most at risk for AFDC participation are more likely to have low awards, but over half of cases have awards over $100 per month--not enough to support a family, but potentially a significant addition to income.

Award levels are an upper limit on the potential impact of routine withholding, but withholding will only have a marginal impact on payments, so the current payment levels are also of interest. Table 2 shows the average proportion of child support collected over the court record

period. Prior to the demonstration, the collection rate was much lower in cases starting on AFDC (about 46 percent in pilots and 41 percent in controls) than in non-AFDC cases (61 and 63 percent). On the bright side, there is much room for improvement in support collections for AFDC families and so withholding could have an impact. On the darker side, the rates are so low to begin with, one questions the potential for improvement. Consistent with the pessimistic view, collection rates increased in pilot counties for non-AFDC cases during the withholding demonstration, but increased only slightly for families starting out on AFDC. On the other hand, collections increased in AFDC cases in control counties during the demonstration to the same level as those in pilot counties.

Overall, it seems that a significant proportion of custodial families participate in the AFDC program, but those who do are likely to have low child support awards and payments. These results point to small potential for AFDC savings from routine withholding alone, especially in the presence of the $50 child support disregard. On the other hand, if award levels are adjusted over the life of a court case, potential collections may be higher than indicated by these initial levels. This could be especially important in families with young noncustodial parents who may have greater earnings as they age. Routine withholding may then be a tool for maintaining contact and improving opportunities for later collection of support.

ROUTINE WITHHOLDING AND AFDC

In this section, the effects of routine withholding on AFDC participation and public expenditures are estimated. As above, AFDC participation is the proportion of months a family spent on AFDC between the first month of the child support obligation and the end of the sample period. Net AFDC expenditures are the sum of AFDC payments to the resident parent in the same period, less the child support sent to the state to offset the family's AFDC costs, averaged over the time since the child support order.[16] The child support disregard is reflected in the expenditure measure by

excluding up to $50 of the child support paid in each month that the family is on AFDC.[17] The measure reflects the cost of AFDC to the state and federal governments (excluding administrative costs) net of the child support recovered.

Policy Variables Used in Analysis

The effects of routine withholding on the AFDC outcomes are measured by three alternative policy variables providing a range of estimates. The first variable is an indicator equal to one for cases in pilot counties during the demonstration period (experimental-county cases) and zero for all other cases. This specification (Model 1 in the tables below) allows us to compare AFDC participation and costs in experimental-county cases with levels in predemonstration and control-county cases. This comparison could underestimate the effects of routine withholding, since pilot counties did not fully implement withholding and control counties began to use withholding in the demonstration period. It does, however, capture any spillover effects of the policy on all cases in the pilot counties.

The second measure (Model 2) uses the level of implementation of withholding to estimate the effects on AFDC. For each case this variable equals the proportion of cases in which withholding was used in the county and cohort (the year the case entered the court system). This measure can account for the use of withholding in control counties and the incomplete implementation in pilot counties. However, if differences in the level of implementation were related to the ability of counties to use withholding or the level of other county efforts in child support collection, this measure may overestimate the potential impact of withholding in an average county. On the other hand, counties perceiving AFDC caseloads as problematically high might use routine withholding more often, resulting in a possible underestimate of the impact.

The third measure (Model 3) compares cases in which routine withholding was used with all other cases. A dummy variable indicates cases in which the county issued a withholding order to the

nonresident parent's employer within 60 days of the first court date.[18] This measure could also

result in an overestimate of the effects of withholding, if routine withholding was used more often in

cases with better prospective payers. Again, if routine withholding is used more often in AFDC

cases, this measure could alternatively underestimate the AFDC effects on an average case.

Table 3 presents the mean values of the proportion of months on AFDC and the net AFDC

expenditures by each of the policy variables. Cases in pilot counties spent slightly less time on

AFDC than did control-county cases before the demonstration, but during the demonstration the

proportions were nearly equal. AFDC costs were slightly lower in pilot counties prior to the

demonstration, but about the same as control-county costs during the demonstration period. None of

these differences, however, are statistically significant. No clear patterns are apparent in AFDC

participation or expenditures based on comparisons of county withholding level. Unexpectedly, cases

with routine withholding had higher costs and participation levels than did cases not receiving

withholding orders. This could indicate selective use of the policy by courts determined to enforce

child support payments in AFDC cases. The multivariate analysis below controls for some case

characteristics and may thus mitigate the selection bias in the estimation of effects of routine

withholding on AFDC costs and participation. Indeed, routine withholding cases are associated with

lower AFDC expenditures after controlling for case and county characteristics, though not

significantly so.

TABLE 3

**Average Proportion of Months on AFDC and Net AFDC Expenditures,
by Pilot County Status and Period, County Withholding Level,
and Case Withholding Status**

Policy Variables	Average Proportion of Months on AFDC	Average Net AFDC Expenditures per Month	Proportion of Cases in Policy Category
Pilot-county cases			
Predemonstration period	39%	$171	27%
Demonstration period	48	208	22
Control-county cases			
Predemonstration period	42	178	27
Demonstration period	47	209	24
County withholding level			
0 to 10%	36	156	51
11 to 30%	51	221	19
31 to 45%	47	200	13
46 to 60%	56	260	10
61% and over	48	196	8
Case withholding status			
Immediate withholding cases	47	192	24
Nonwithholding cases	42	188	76

Source: Data from demonstration of routine income withholding in ten Wisconsin counties.

Tobit Analyses of AFDC Participation and Costs

The multivariate analysis measures the effects of routine withholding while controlling for other county and case differences. The amount of child support paid (CS) is assumed to be a function of the routine withholding policy variable (RW) and of other variables (X_1).

$$(1) \qquad CS = f(RW, X_1).$$

The AFDC outcomes are assumed to be affected by the amount of child support paid and by other factors (X_2).

$$(2) \qquad AFDC = g(CS, X_2).$$

We estimate a reduced-form model:

$$(3) \qquad AFDC = b_0 + b_1RW + b_2X + E,$$

where X includes all variables affecting child support and AFDC outcomes. The coefficients in this model will reflect both the effects of the explanatory factors on child support and the effects on AFDC.

Since the dependent variables--AFDC participation and net AFDC expenditures--are limited in their ranges, tobit analyses were used to estimate the models. Two-limit tobits account for the limits on the proportion of months on AFDC, since it is limited to between zero and 100. Net expenditures are limited to be at or above zero and so tobits with a single limit at zero were used for those analyses.

The three measures of routine withholding are used in separate tobits (Models 1, 2, and 3) to estimate the range of its effects. In addition to the policy variables, variables control for county and family differences. The explanatory variable sample means and standard deviations are in the appendix.

The monthly award amount from the first child support order (in hundreds of dollars) measures the potential child support payments. Since child support payments may decrease with time

since the court action, the number of months the case was in the sample were included. A dummy

variable captures the differences between paternity and divorce cases. The regressions contain several

controls for the nonresident parent's income. The amount of monthly income (in hundreds of dollars)

is included and is equal to the mean value for cases with missing values.[19] Dummy variables

indicate a missing income amount, a reported income amount of zero, and a reported income source

which was assignable (a source with which routine withholding could be used). The number of

children and the age of the mother are controlled for with dummy variables (with dummies for one

child and mother's age under 25 omitted).[20] The age of the youngest child is included since it may

affect the resident parent's cost of entering the labor market. Finally, a set of cohort dummies (the

first cohort is the omitted category) indicates the year that the case entered the court system, and

county dummy variables (Waukesha County omitted) control for baseline county differences. The

cohort and county dummy coefficients are not reported here, but are available from the authors.

The results of the tobit regressions on the proportion of months on AFDC are in Table 4, and

the regressions on net AFDC costs are in Table 5. In neither set of regressions are any of the policy

variables statistically significant--implying no robust negative association of routine withholding with

the AFDC outcomes.

Earlier work showed that implementation of withholding was gradual and that withholding

may have been more effective over time (Garfinkel and Klawitter, 1990). Here, we explore the

possibility of greater AFDC impacts over time by adding a measure of county withholding experience

similar to the one used in that study. This measure is the number of months between the initial

county implementation of routine withholding and the month the case entered the court system. For

cases entering the system prior to the demonstration the variable is zero. If counties used withholding

more effectively with practice, then there could be larger AFDC impacts associated with greater

TABLE 4

Tobit Analysis of Proportion of Months on AFDC
(t-statistics in parentheses)

	Model 1		Model 2		Model 3	
Constant	114	(7.94)	114	(7.96)	115	(7.98)
Policy variables:						
Experimental-county dummy	2	(0.30)	--		--	
Level of county withholding	--		.09	(0.57)	--	
Case withholding dummy	--		--		4	(0.73)
Award amount ($100s)	-12	(9.00)	-12	(9.01)	-12	(9.01)
Months of data	-1	(4.07)	-1	(4.07)	-1	(4.09)
Paternity-case dummy	40	(7.63)	40	(7.63)	40	(7.63)
Nonresident parent income:						
Amount ($100s)	-3	(7.50)	-3	(7.51)	-3	(7.52)
Missing income dummy	14	(2.85)	14	(2.84)	14	(2.84)
Zero income dummy	-2	(0.21)	-2	(0.22)	-2	(0.19)
Assignable income dummy	1	(0.22)	1	(4.07)	0	(0.09)
Number of children:						
Two children	17	(3.65)	17	(3.66)	17	(3.66)
Three children	39	(5.81)	39	(5.82)	39	(5.81)
Four or more children	49	(5.73)	49	(5.73)	49	(5.71)
Age of mother:						
Age missing dummy	-17	(1.28)	-17	(1.28)	-17	(1.29)
25 to 34	-18	(4.02)	-18	(4.02)	-18	(4.02)
Over 34	-29	(3.65)	-29	(3.65)	-29	(3.64)
Age youngest child (years)	-7	(9.67)	-7	(9.67)	-7	(9.66)
Sigma	85	(39.83)	85	(39.83)	85	(39.83)
Log likelihood	-8032		-8031		-8031	
Dependent mean			46			
N			3,309			

Source: Estimates by authors from data from demonstration of routine income withholding in ten Wisconsin counties.

Note: Dummy variables for counties and for year of petition date were also included.

TABLE 5

Tobit Analysis of Net AFDC Expenditures
(t-statistics in parentheses)

	Model 1		Model 2		Model 3	
Constant	357	(8.82)	357	(8.86)	355	(8.80)
Policy variables:						
Experimental-county dummy	5	(0.24)	--		--	
Level of county withholding	--		.22	(0.48)	--	
Case withholding dummy	--		--		-5	(0.38)
Award amount ($100s)	-43	(11.21)	-43	(11.22)	-43	(11.19)
Months of data	-3	(3.45)	-3	(3.45)	-3	(3.44)
Paternity-case dummy	136	(9.25)	136	(9.25)	136	(9.26)
Nonresident parent income:						
Amount ($100s)	-6	(6.36)	-6	(6.36)	-6	(6.37)
Missing income dummy	44	(3.20)	44	(3.19)	44	(3.20)
Zero income dummy	10	(0.36)	10	(0.35)	10	(0.37)
Assignable income dummy	-16	(1.31)	-17	(1.33)	-15	(1.19)
Number of children:						
Two children	79	(5.75)	79	(5.76)	79	(5.74)
Three children	162	(8.54)	162	(8.55)	162	(8.54)
Four or more children	228	(9.28)	228	(9.28)	228	(9.28)
Age of mother:						
Age missing dummy	-45	(1.19)	-44	(1.18)	-45	(1.19)
25 to 34	-35	(2.86)	-35	(2.85)	-35	(2.85)
Over 34	-70	(3.04)	-70	(3.04)	-70	(3.04)
Age youngest child (years)	-23	(11.79)	-23	(11.78)	-23	(11.80)
Sigma	255	(59.21)	255	(59.21)	255	(59.20)
Log likelihood	-14687		-14687		-14687	
Dependent mean			$196			
N			3,309			

Source: Estimates by authors from data from demonstration of routine withholding in ten Wisconsin counties.

Note: Dummy variables for counties and for year of petition date were also included.

withholding experience. The tobit results with this additional variable are in Table 6 for the

participation outcome and Table 7 for net AFDC expenditures.

Again, the static policy measures of routine withholding have insignificant coefficients in the

analyses of proportion of months on AFDC (Table 6). In each model in Table 6, county withholding

experience is estimated to be negatively (though insignificantly) associated with AFDC participation

time. The county withholding experience measure is also negatively associated with net AFDC

expenditures (Table 7), and the Model 1 coefficient is significant. In that specification, the

experimental-county indicator has a positive coefficient, implying that pilot counties initially had

higher AFDC expenditures, but that the expenditures decreased with withholding experience.

Several interesting patterns appear in the control variable coefficients from the tobits and are

almost identical across models. The amount of the child support award is significantly related to both

the proportion of months on AFDC and the net AFDC expenditures. An award higher by one

hundred dollars implies a lower proportion of time on AFDC by 4 percentage points and lower net

monthly AFDC expenditures of $26. (The impacts reported in this section are calculated from the

tobit coefficients.)[21] While these relationships may be the result of higher awards contributing to

greater amounts of child support paid, it is also possible that the award level is an additional proxy

for the family socioeconomic status.

The number of months in the case is negatively related to both the proportion of months on

AFDC and net AFDC expenditures. With each additional month since the first court support award,

the proportion of months on AFDC decreases by 1/2 percentage point and the average monthly

AFDC expenditures fall by $2. This may be the result of families being able to leave the AFDC

program if income sources become greater or more stable over time.

Not surprisingly, families from paternity cases (compared to families involved in divorce

cases) spend a significantly greater proportion of months on AFDC and cost the program more.

TABLE 6

Tobit Analysis of Proportion of Months on AFDC
with County Experience Variable
(t-statistics in parentheses)

	Model 1		Model 2		Model 3	
Constant	118	(8.05)	115	(8.00)	115	(8.01)
Policy variables:						
Experimental-county dummy	13	(1.19)	--		--	
Level of county withholding	--		.16	(0.09)	--	
Case withholding dummy	--		--		4	(0.80)
County withholding experience	-1	(1.32)	-.4	(0.95)	-.3	(7.54)
Award amount ($100s)	-12	(8.99)	-12	(9.00)	-12	(9.00)
Months of data	-2	(4.27)	-1	(4.17)	-1	(4.16)
Paternity-case dummy	40	(7.65)	40	(7.64)	40	(7.64)
Nonresident parent income:						
Amount ($100s)	-3	(7.54)	-3	(7.53)	-3	(7.54)
Missing income dummy	14	(2.86)	14	(2.84)	14	(2.85)
Zero income dummy	-2	(0.19)	-2	(0.20)	0	(0.16)
Assignable income dummy	1	(0.25)	1	(0.23)	0	(0.11)
Number of children:						
Two children	18	(3.67)	18	(3.68)	17	(3.67)
Three children	39	(5.82)	39	(5.84)	39	(5.82)
Four or more children	49	(5.72)	49	(5.71)	49	(5.70)
Age of mother:						
Age missing dummy	-17	(1.26)	-17	(1.26)	-17	(1.28)
25 to 34	-18	(4.04)	-18	(4.01)	-18	(4.01)
Over 34	-29	(3.65)	-29	(3.64)	-29	(3.63)
Age youngest child (years)	-6	(9.64)	-7	(9.66)	-7	(9.65)
Sigma	85	(39.83)	85	(39.83)	85	(39.83)
Log likelihood	-8031		-8031		-8031	
Dependent mean			46			
N			3,309			

Source: Estimates by authors from data from demonstration of routine income withholding in ten Wisconsin counties.

Note: Dummy variables for counties and for year of petition date were also included.

TABLE 7

Tobit Analysis of Net AFDC Expenditures
with County Experience Variable
(t-statistics in parentheses)

	Model 1		Model 2		Model 3	
Constant	373	(9.08)	359	(8.92)	357	(8.85)
Policy variables:						
Experimental-county dummy	54	(1.80)	--		--	
Level of county withholding	--		54	(1.07)	--	
Case withholding dummy	--		--		-4	(0.25)
County withholding experience	-3	(2.17)	-2	(1.57)	-1	(1.21)
Award amount ($100s)	-43	(11.21)	-43	(11.21)	-43	(11.17)
Months of data	-4	(3.89)	-4	(3.67)	-4	(3.59)
Paternity-case dummy	136	(9.27)	136	(9.26)	136	(9.27)
Nonresident parent income:						
Amount ($100s)	-6	(6.40)	-6	(6.40)	-6	(6.40)
Missing income dummy	44	(3.21)	44	(3.18)	44	(3.20)
Zero income dummy	11	(0.39)	11	(0.38)	11	(0.40)
Assignable income dummy	-16	(1.29)	-16	(1.29)	-15	(1.17)
Number of children:						
Two children	80	(5.78)	80	(5.78)	79	(5.75)
Three children	163	(8.56)	163	(8.58)	163	(8.56)
Four or more children	228	(9.28)	228	(9.27)	228	(9.27)
Age of mother:						
Age missing dummy	-43	(1.16)	-44	(1.16)	-44	(1.18)
25 to 34	-36	(2.89)	-35	(2.85)	-35	(2.84)
Over 34	-70	(3.03)	-69	(3.02)	-70	(3.03)
Age youngest child (years)	-23	(11.76)	-23	(11.77)	-23	(11.79)
Sigma	254	(59.21)	254	(59.21)	255	(59.20)
Log likelihood	-14685		-14686		-14687	
Dependent mean			$196			
N			3,309			

Source: Estimates by authors from data from demonstration of routine income withholding in ten Wisconsin counties.

Note: Dummy variables for counties and for year of petition date were also included.

Nonresident parents' income is negatively related to the levels of AFDC participation and expenditures. Cases in which the nonresident parent's income is higher by $100 have, on average, proportions of months on AFDC lower by 1 percentage point and AFDC expenditures lower by $4. This is consistent with previous work on child support, which found that higher nonresident income had a significant impact on the collection rates of child support (Garfinkel and Klawitter, 1990). Time on AFDC and AFDC expenditures increase with the number of children and decrease as the age of the mother and the age of the youngest child increase.

As noted above, the effects of routine withholding could be different in families participating in the AFDC program prior to entering the court system or those entering the court system through the IV-D office. However, tobit results for the sample of cases on AFDC at the petition date (not reported here) resulted in impacts only slightly larger than those for the entire sample.

Effects of Routine Withholding on AFDC Participation and Costs

Table 8 contains the estimated impact of routine withholding on AFDC participation (top panel) and net expenditures (bottom panel) implied by the coefficients in Tables 4 to 7. For the specifications that included the county withholding experience measure, the impact is evaluated at 0, 12, 24, and 36 months of experience. It should be noted that in Tables 4 to 7 the policy variable coefficients are not significant, although county withholding experience in Table 7, Model 1, is. However, the point estimates of the coefficients are generally consistent in sign and the calculated impacts can provide a sense of the magnitude of the effects.

As the size of the coefficients in the tobit analyses suggests, the impacts in Table 8 estimated in the specifications without the withholding experience variable are small and almost all positive. However, after adding the county experience measure, it looks as if AFDC participation and costs may initially be higher, but will decrease over time. For cases entering the court system in the first month of implementation (0 months of county experience), AFDC participation is expected to be

TABLE 8

**Alternative Measures of the Impact of Routine Withholding on the
Proportion of Months on AFDC and Net AFDC Expenditures**

Specification	Model 1	Model 2	Model 3
	Proportion of Months on AFDC (in percentage points)		
Policy variables only (Table 4)	1	2	1
Policy variables and county experience (Table 6)			
0 months	4	3	1
12 months	1	1	0
24 months	-2	0	-1
36 months	-5	-2	-2
Dependent variable mean: 46 ppts.			
	Net AFDC Monthly Expenditures (in dollars)		
Policy variables only (Table 5)	$3	$7	$-3
Policy variables and county experience (Table 7)			
0 months	35	17	-2
12 months	9	4	-11
24 months	-16	9	-20
36 months	-39	-21	-29
Dependent variable mean: $196			

Source: Estimates by authors from data from demonstration of routine income withholding in ten Wisconsin counties. Calculated from tobit coefficients in Tables 4 through 7.

between 1 and 4 percentage points higher (between 2 and 9 percent of the mean) under routine

withholding. Net AFDC expenditures at 0 months of experience are estimated to be between $35

higher and $2 lower per month. Routine withholding appears to start to "pay off" sometime after 12

months of implementation experience. After 36 months of experience, routine withholding is

associated with lower participation by between 2 and 5 percentage points (4 to 11 percent of the

mean) and expenditures lower by $21 to $39 (11 to 20 percent). These estimates are within the range

suggested by the simulation studies discussed earlier and, as expected, are quite low.

CONCLUSION

Federal legislation requires states to begin to use routine withholding of child support

payments in all cases as of 1994 and earlier for IV-D cases. In 1984 ten Wisconsin counties began

using routine withholding as part of a three-year demonstration. That experience suggests that routine

withholding increases the collection of child support obligations by between 11 and 30 percent. This

effect alone may be justification for implementing routine withholding.

The effects of routine withholding on AFDC participation and expenditures were not expected

to be large. Other studies suggest that, by itself, routine withholding would only marginally affect

AFDC caseloads and would only decrease AFDC costs by about 7 percent, but in combination with

increases in the number of families with child support awards and the amounts of those awards,

withholding could result in large decreases in AFDC participation and costs.

In this study, we have shown that child support awards and payments were very low for the

group most at risk of receiving AFDC, leaving little potential for a large impact from withholding

alone. Consistent with that, we find that on average routine withholding did not decrease AFDC

participation or net AFDC expenditures. On the other hand, we find that the implementation of

routine withholding initially increases AFDC participation and costs, but results in decreases as

counties gain implementation experience. For cases entering the family court system three years after initial implementation, our estimates suggest that AFDC participation is lower by 4 to 11 percent and net AFDC expenditures are lower by 11 to 20 percent.

Routine withholding alone will not dramatically lower the level of public expenditures on AFDC. However, it is just one of several reforms currently being implemented in Wisconsin and nationwide. As more child-support-eligible families receive awards, and as award amounts increase, routine withholding may help to ensure higher levels of private child support payments and lower levels of public AFDC costs.

APPENDIX

Variable Means by AFDC Status at Petition Date
(standard deviations in parentheses)

	Not on AFDC		On AFDC	
N	1,902		1,407	
Experimental-county dummy	.20	(.40)	.23	(.42)
Level of county withholding	20.8	(40.6)	23.2	(40.6)
Case withholding dummy	.24	(0.43)	.26	(.82)
County withholding experience	2.57	(7.12)	3.55	(7.55)
Award amount ($100s)	3.16	(3.04)	1.37	(1.06)
Months of data	21.2	(9.99)	19.04	(9.76)
Paternity-case dummy	.14	(.35)	.56	(.50)
Nonresident parent income:				
Amount ($100s)	16.24	(15.24)	11.54	(6.18)
Missing income dummy	.25	(.43)	.49	(.50)
Zero income dummy	.02	(.15)	.06	(.24)
Assignable income dummy	.72	(.45)	.53	(.50)
Number of children:				
Two children	.36	(.48)	.18	(.38)
Three children	.13	(.37)	.08	(.27)
Four of more children	.08	(.26)	.04	(.21)
Age of mother:				
Age missing	.01	(.11)	.02	(.15)
25 to 34	.45	(.50)	.33	(.25)
Over 34	.29	(.45)	.07	(.25)
Age youngest child (years)	5.7	(4.8)	3.1	(2.85)

Source: Data from demonstration of routine income withholding in ten Wisconsin counties.

Notes

[1]Federal legislation in 1984 required states to use withholding in response to delinquency in child support payments, and it was used even earlier in Wisconsin (starting in 1980). The Family Support Act of 1988 required the use of routine withholding in cases handled by the Office of Child Support Enforcement as of 1990.

[2]It does appear that in cases in which the resident parent was on AFDC at the petition date it was more likely that routine withholding was used. In a probit regression (not reported here) a dummy variable indicating the use of routine withholding was used as the dependent variable. Resident parents on AFDC at the petition date were estimated to be 14 percent more likely to get a routine withholding assignment in the case after controlling for income and other characteristics.

[3]Committee on Ways and Means, U.S. House of Representatives, Background Material and Data on Programs within the Jurisdiction of the Committee on Ways and Means (Washington, D.C.: U.S. Government Printing Office, 1989), p. 662, Table 2.

[4]Unlike most of the other studies, the Bergmann and Roberts model includes a labor supply effect. They may, however, overestimate the effects of child support on work and AFDC participation because of possible endogeneity of child support payments. See Graham and Beller (1989) for a discussion of these issues.

[5]The child support standard sets award levels as a percentage of the nonresident parent's income. The percentages are 17 percent for one child, 25 percent for two children, 29 percent for three, 31 percent for four, and 34 percent for five or more children. It was published in late 1983 and became mandatory in 1988. Under the assured benefit program, a child would be entitled to receive all private child support, but no less than an assured benefit. The state would pay the difference between private support and the assured benefit if the nonresident parent paid less than the assured benefit. This program has not yet been implemented.

[6]See Garfinkel and Klawitter (1990) for a more complete description of the withholding demonstration.

[7]Two of the control counties, Dodge and Juneau, officially became pilot counties during the demonstration period. Cases in these counties which entered the system after they became pilots (cohort-6 cases) are treated as experimental-county cases.

[8]The sample was further limited to cases with the first court action within a year of the court petition date and in which there was a living nonresident parent for at least a year following the first court action. These selections limited the sample to cases in which child support could be ordered.

[9]Weights based on the proportion of the total caseload sampled for each case type (divorce, paternity, separation) in each county and cohort are used for the descriptive statistics reported here.

[10]In this data set, about 3 percent of cases had legal agreements to make payments directly to the resident parent; these cases were dropped since there is no information on child support paid. In a separate survey, the Survey of Children, Income, and Program Participation, it was estimated that some direct payment occurs in about 7 percent of Wisconsin cases.

[11]This selection could cause problems if there was a change in the demonstration period in the pool of cases receiving child support orders. The pool of cases with awards may have changed with changes in the child support standard for all cases, or with changes in paternity adjudication for paternity cases. Although the Wisconsin percentage-of-income child support standard was not yet the presumptive standard, it had been published and could have been used in the demonstration period.

Routine withholding itself could have effects on the number of parents going to court to seek child support awards. If parents perceive greater gains from having awards (higher payment levels), they may choose to go to court to pursue an award. This seems unlikely to happen in the short period of the demonstration, however.

[12]The petition date is the date that a request for court action is filed. The petition date was, on average, three months before court date and at most one year prior to the first court action (because of the sample selection procedures).

[13]Differences in award levels may be due in part to differences in the number of children in the family.

[14]The percentage-of-income standard was published shortly before the beginning of the demonstration period, but use of the standard was not mandatory until July 1987.

[15]To account for these differences we control for award levels in our estimations of the effects of withholding.

[16]In some cases the amount of child support recorded as having been sent to the state was greater than the amount of AFDC paid out. This could be if child support was being allocated for AFDC costs occurring prior to the support order. However, many of these cases had no AFDC record and are probably one of two types of errors. They could be errors in the AFDC record matching process, the parent could have been on AFDC in another state (since we have only Wisconsin AFDC data), or the payments may have gone to the resident parent but were incorrectly recorded as going to the state. Because it is not possible to ascertain which cases have legitimate negative values for net expenditures, all of these cases are deleted from the sample used here.

To test the importance of payment-type error, we constructed an alternative measure which does not depend on the record of payment type. For that measure, all child support paid (regardless of recorded type) in months when the resident parent's family is on AFDC was subtracted from the sum of AFDC checks (adjusted for the $50 disregard). This measure ignores child support paid to the state in non-AFDC months for prior AFDC, but includes all child support paid (even that recorded as going to the resident parent) in AFDC months. The results of analyses using this dependent variable are not reported here, but were very similar to the results reported.

[17]The $50 disregard, part of the 1984 federal Deficit Reduction Act, was not in effect until October 1984 and the first checks were not paid in Wisconsin until July 1985. The measure is calculated as if the disregard were in effect during both the predemonstration and demonstration periods to avoid a "built in" difference in AFDC expenditures in the two periods.

[18]In some cases income assignments were made at the first court date but were not immediately sent to the employer. These could be used later in the event of delinquency in payment, or if an unemployed nonresident parent later secures employment. These are not labeled as routine withholding here. There are also cases in which assignments are made in a later court action in response to a payment delinquency. These are also not included in our definition of routine withholding.

[19]Income information was taken from the court action of the final judgment (property division) for divorce cases in which there had been a final judgment. For all other cases the information is from the first court action. The final judgment action was used because income is most likely to be recorded at that time. Income was missing in the court record in about 35 percent of the cases.

[20]The number of children used here is the number involved in the court case studied. This may differ from the number in the household for a number of reasons. In divorce cases this may be due to children born prior to or after the marriage ended by the court action. Paternity cases, by law, involve only one child. Separate cases are filed for each child, even if the parents are the same. In a few cases we were able to consolidate multiple paternity cases from the same parents. Otherwise, resident parents with more than one child involved in paternity cases will have more children than indicated here.

[21]The coefficients reported in the tables give the change in the (latent) continuous dependent variable. To calculate the expected change in the observed outcome for a marginal change in the explanatory variable, the coefficient is multiplied by the estimated probability of observing a value

(not the limits of zero or 100). In the one-limit tobit, the coefficients are multiplied by the cumulative normal density evaluated at -xb/s (where x is the vector of means of the independent variables, b is the vector of coefficient estimates, and s is the estimated standard deviation). For the two-limit tobit, the coefficients are multiplied by the cumulative normal density evaluated at (100-xb)/s less the cumulative normal evaluated at -xb/s. (See Maddala [1983] pp. 160-161.) The withholding impacts are calculated for each case as the difference between the outcome with and without routine withholding, then averaged over the sample of cases.

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