

Executive Summary

This report on the effects of universal, immediate, income withholding is the first to measure the effects of any of the five key features of the child support assurance system (CSAS) that Wisconsin is developing. Under CSAS, the proportion of their income that non-custodial parents are required to share with their children is specified in code or law in very simple terms that everyone can understand--such as 17% of gross income for one child, 25% for two, and 29%, 31%, and 34% respectively for three, four, and five or more children. The resulting obligation in all cases takes effect immediately and is withheld from wages and other income sources, just like income and payroll taxes. Under the third and fourth features, the children receive the amount paid by the noncustodial parent or a socially assured benefit, whichever is higher, and custodial parents with below-average income also receive a public subsidy of one dollar per hour worked to cover work expenses. Finally, when the amount paid by the noncustodial parent plus an equal proportion of the income of the custodial parent add up to less than the assured benefit, the public finances the difference.

The analysis in this report of the effects of immediate income withholding on child support collections in the 10 pilot counties is of necessity crude. It is based on official reports to the state Child Support Enforcement Office in the Department of Health and Social Services from the 10 pilot counties and the 10 control counties of child support collections for the months between September 1983 and November 1985, roughly the 6 months preceding and the 21 months following the implementation of the income withholding demonstration in the 10 pilot counties. Not until October 1984, however, did the pilot counties agree on a relatively common procedure. Thus in practice the data represent 6 months of pre-implementation data, 13 months of post-implementation data and eight months of something in between.

The county reports do not distinguish among collections according to the date when the obligation to pay support began. Because immediate income withholding was applied only to new cases in most pilot counties, the total collections in these counties will be dominated by cases unaffected by the imposition of immediate income withholding. A simple illustration makes the point. Suppose that in the first year after the initiation of income withholding, cases that began after the initiation accounted for only one-tenth of total cases which made payments during the year. A 30% increase in the collection effectiveness of immediate withholding would show up in the first year as only a 3% increase in total collections. That is such a small increase that it could easily be masked by other changes. On the other hand, state officials report that in one or two counties, such as Sheboygan, old AFDC-IV-D cases were also put on immediate wage withholding. At this point we have no way of measuring exactly what proportion of collections or collections potential is attributable to the recent cases affected by immediate withholding.

Over time, this problem will diminish. Within 5 to 10 years at the most, the official aggregate reports will be the best measure we will have of the effects of withholding on collections. In the meantime, we will get a much better estimate of the long-run impact of income withholding from the IRP sample of court records in pilot and control counties.

A second problem with the data used in this report is that they are totally unreliable as a measure of the effect of income withholding on child support collections for custodial parents not on AFDC. The reason is simple. The local Child Support Enforcement Offices provide services to only a small proportion of the children and custodial parents not on AFDC. Thus the vast bulk of child support payments by noncustodial parents do not pass through the local Child Support Enforcement Office.

The findings are encouraging with respect to the effects of income withholding on child support collections for children on welfare. No matter how we measure it, there is a statistically significant increase in the number and amount of child support payments per AFDC case. The best estimates are that the number of child support collections increased by 3% more and the amount of dollars collected increased by about 5% more in pilot than in control counties.

It is too early to judge the practical as opposed to the statistical significance of these gains. Assuming that the cases affected by immediate withholding in the pilot counties constitute one-fifth to one-tenth of all collections in those counties, a 3% increase translates into a long-run increase in collections from a low of 15% to a high of 30%, while the 5% increase in dollars collected translates into a 25% to 50% increase. On the other hand, assuming all of the pilot counties have already implemented income withholding in all old AFDC cases, the long-run gains would be only 3% and 5% respectively.

Furthermore, it is not clear whether the gains reported here represent only the beginning of a large steady increase in collection effectiveness or all the improvement that immediate income withholding will achieve. Based on the crude analysis in this report, we cannot say which is more likely to be true. Future analyses will apply more sophisticated models to the data and will also be based on more years of experience with income withholding.

Another encouraging finding is that collections are increasing in the control counties as well as the pilot counties. The proportion of AFDC cases paying at least some child support increased over the 27 months by about 10% and the dollars collected per AFDC case increased by about 25%.

There are also grounds for caution: One is that we cannot as yet say how much of these increases are due to improvements in the economy or to improvements in child support enforcement services. It is possible that without improvements in the economy, universal immediate withholding would not have led to such encouraging findings.

A second ground for caution is that the data from county child support enforcement agencies are unreliable for drawing conclusions about child support payments to custodial parents not on AFDC. These data not surprisingly show no evidence of improvement in child support collections for non-AFDC cases.

IRP Special Report #40² (August 1986) will rectify two of the principal weaknesses of this report. It will measure the effects of universal immediate withholding on only the new child support cases that could have been affected by it. And it will measure the effects on custodial parents who are not on AFDC as well as custodial parents who are.