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Child Support in an Economic Downturn: Changes in Earnings, Child Support Orders, and Payments

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Research | Training | Policy | Practice

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Purposes of the Study

- This study builds on interviews with county administrators that document variation in policies (Kaplan, 2010), and previous analyses during a period of non-recession period (Ha et al., 2010)
 1. Examine pattern of changes in earnings among non-custodial fathers
 2. Examine pattern of changes in child support order amounts and payments
 3. Examine the relationships between changes in earnings and changes in child support order amounts and payments

Background and Significance

- Prevalence of unemployment and economic downturn
 - Unemployment rate has substantially increased from 4.7% in 2006 to 8.5% in 2009 in Wisconsin
 - Unemployment rates for non-custodial fathers are high
 - Substantial decline in earnings and the instability of noncustodial fathers' earnings
 - Increased receipt of unemployment benefits

Prior Research

- Relatively few studies focus on changes in noncustodial father's earnings over time
- Little change in child support orders (Ha et al. 2010)
- Changes in earnings are associated with changes in orders, but only for large changes in earnings (Ha et al. 2010)

Prior Research

- Child support in a recession: Perspectives of county officials (Kaplan, 2010)
- The recession effects:
 - Little change in procedures of determining initial orders and enforcement practices, but financial conditions of noncustodial fathers changed
 - Change in order establishment based on imputation of income for unemployed fathers
 - Many more noncustodial fathers requested order changes
 - County officials have more sympathy to noncustodial parents' economic difficulties and are more willing to change orders

Prior Research

- Relationship between changes in earnings, order changes, and changes in child support payments
 - More earnings lead to more child support payments (Cancian, & Meyer, 2004; Sorensen & Zibman, 2001)
 - Order changes lead to payment changes (Bartfeld & Meyer, 2003)
 - Changes of the amount of child support orders are a stronger predictor of changes in payments than are changes in earnings (Ha et al., 2006)

Data and Sample

- Wisconsin state administrative data (January 2006 to December 2009)
 - Unemployment Insurance (UI) earnings records
 - Kids Information Data System (KIDS) (Child support orders and payments)
 - W-2 benefits records, other program participation and basic demographics (CARES)

Data and Sample

- Sample
 - All cases statewide in which nonresident fathers had a child support order for at least one child age 14 or less in 2006
 - Excluded cases with percentage-expressed or mixed orders, those who moved out of state, and cases who changed in custody or change in number of children during the study period
 - The final sample N=90,988 noncustodial fathers

Measures of Changes in Earnings

Variable	Measures
Changes in earnings between 2006 and 2009	<ul style="list-style-type: none">■ Large decrease (>50%)■ Small decrease (16-50%)■ Little or no change (<15%)■ Small increase (16-50%)■ Large increase (>50%)

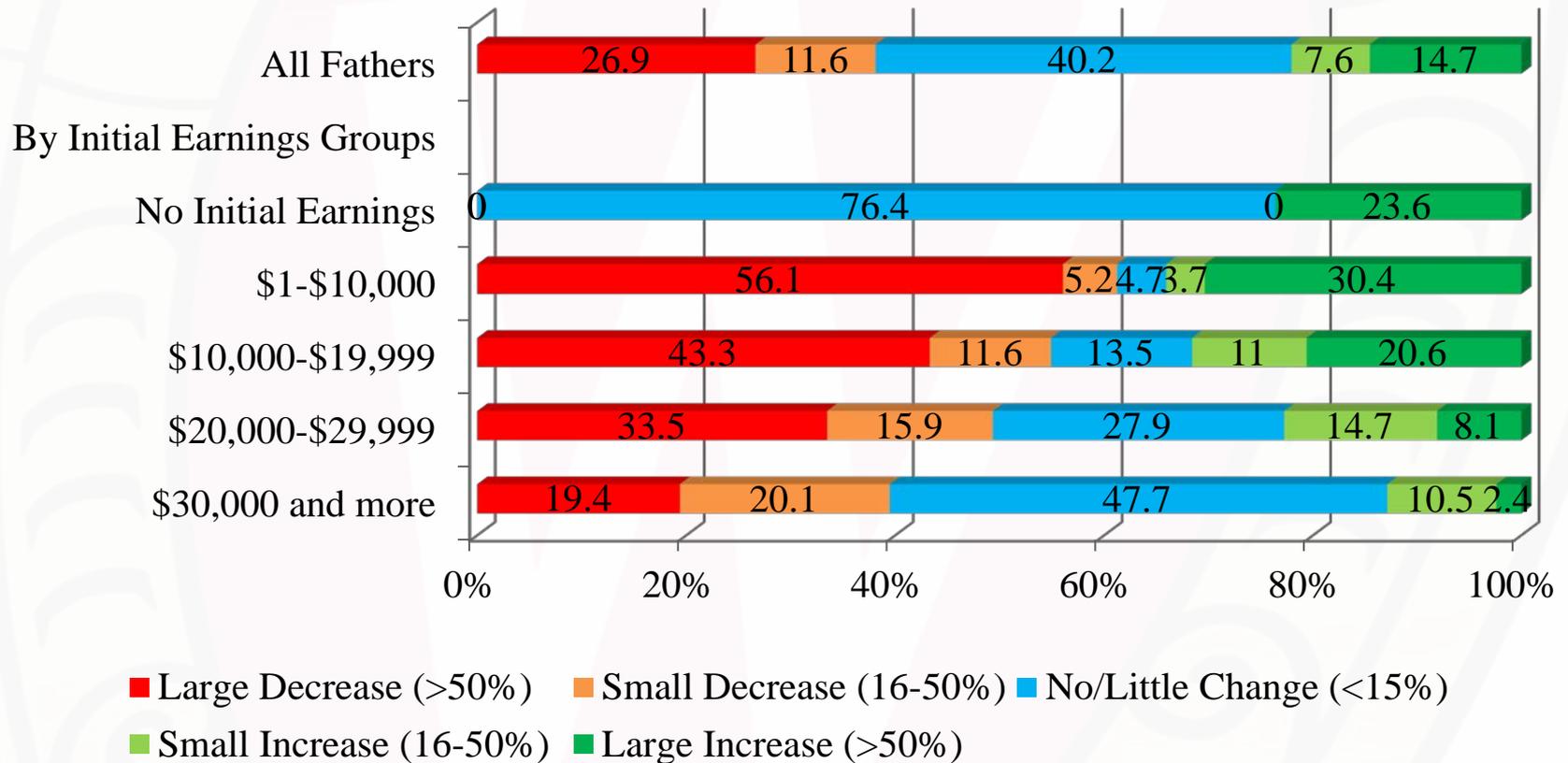
Measures of Changes in Orders and Payments

Variables	Measures
<p>Changes in child support order amounts between 2006 and 2009</p>	<ul style="list-style-type: none"> ■ Large decrease (>50%) ■ Small decrease (16-50%) ■ Little or no change (<15%) ■ Small increase (16-50%) ■ Large increase (>50%)
<p>Changes in child support payments</p>	<p>The compliance rate was defined as the proportion of the amount owed that was paid</p> <ul style="list-style-type: none"> ■ No payment ■ Partial payment (< 90%) ■ Full payment (>90%)

Data Analysis

- Descriptive statistics
 - Changes in earnings among nonresident fathers
 - Changes in child support orders
 - Changes in child support payments
- Multivariate multinomial regressions

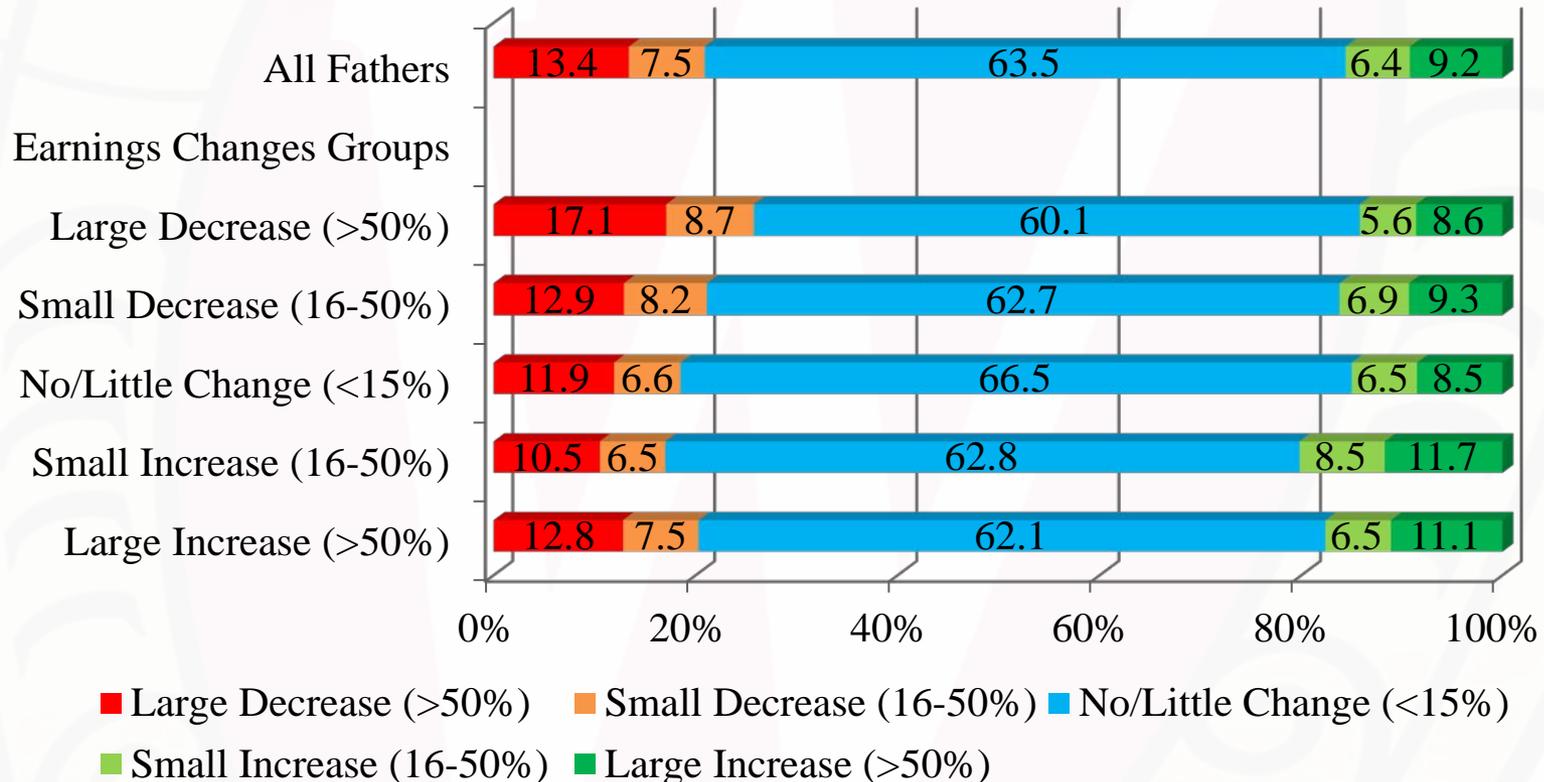
Changes in Earnings By Initial Fathers' Earnings



Results: Pattern of Changes in Earnings

- Substantial instability in earnings of noncustodial fathers, particularly for fathers with low initial earnings
- Decline in earnings of noncustodial fathers over time, particularly for cases living in counties with most severe economic declines

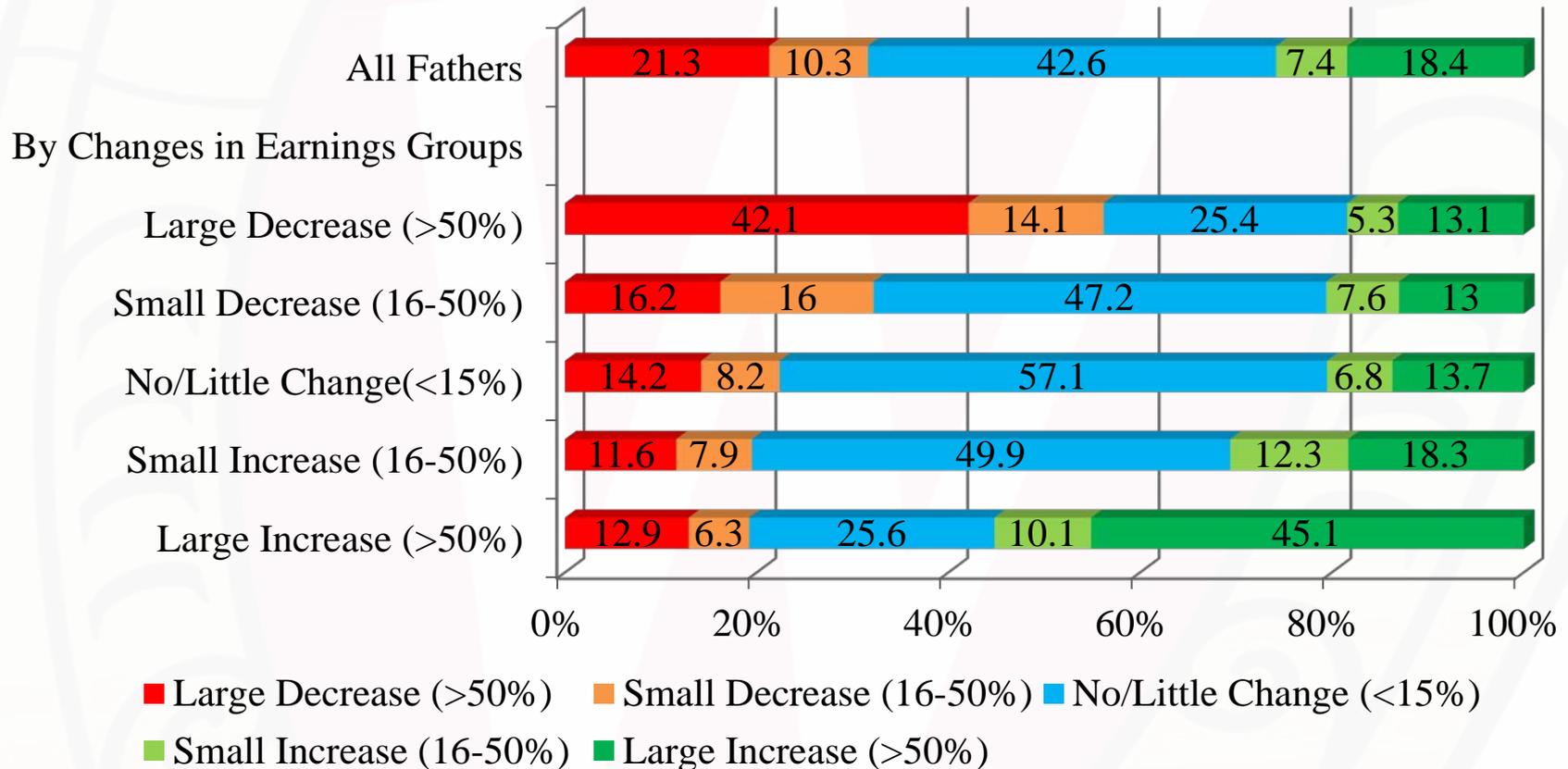
Changes in Child Support Orders By Changes in Earnings



Results: Changes in Child Support Orders

- The child support order levels slightly decrease over time, although those most orders were stable (<15% change)
- Orders are changed especially when significant changes in earnings occurred
- The orders are more likely to decline with reductions in earnings than they are to increase with increases in earnings

Changes in Child Support Payments By Changes in Earnings



Results: Changes in Child Support Payments

- The amounts of child support paid remained stable
- The proportion of no payment remained stable, the proportion of full payment slightly increased while the proportion of partial payment slightly decreased
- Changes in earnings is associated with changes in payments, particularly for those with large changes in earnings

Results: Relationship between Changes in Earnings and Child Support Orders

Q: When earnings change, do amounts of child support orders change?

A: Sometimes, not very often

- Those with small or large decreases in earnings are more likely to experience decreases in orders and have a lower probability of increases in orders
- Those with large increases in earnings are more likely to experience both increases and decreases in orders
- Increases in county unemployment are weakly associated with changes in orders

Results: Relationship between Changes in Earnings and Child Support Payments

Q: When earnings change, do child support payments change?

A: Yes

- Strong relationship between changes in earnings and change in payments
- When noncustodial father's earnings decrease by a small or large percentage, the probability of decreases in payments rises significantly
- Decreases and increases in orders are strongly associated with decreases or increase in payments

Summary of Key Findings

- Substantial proportion of noncustodial fathers experienced large declines in earnings. This problem is especially critical given the current economic crisis and high unemployment rates
- Changes in earnings are associated with changes in orders, but many orders remain the same, even when earnings change
- Both earnings changes and order changes are strong predictors of changes in child support payments

Discussion

- Compared to non-recession period analyses in Ha et al. (2010), the recession-period results:
 - A higher proportion of noncustodial fathers unemployed and larger reductions in earnings
 - More order revisions; a higher proportion of fathers had large decreases or increases in orders
 - Stronger relationship between changes in earnings and changes in orders and payments
 - Similar pattern of changes in child support payments and compliance rates

Limitations and Implications

- Association between changes in earnings and changes in child support orders and payments; not certain that it is causal
- Failure to control for important changes over time that may have been associated with child support orders and payments
- Findings highlight the need to consider how child support orders would respond to noncustodial fathers' earnings changes and unemployment during economic downturns