

Discussion Papers

Child Support Reforms in PRWORA: Initial Impacts

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Assessing
the New
Federalism

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Policies*

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Abstract

Child support reforms were an integral part of the 1996 welfare reform law. By strengthening child support enforcement, Congress intended to increase child support collections and thus improve the self-sufficiency of low-income families. This paper assesses whether the child support reforms enacted in 1996 improved child support outcomes during the initial years after enacting welfare reform. It uses a difference-in-difference-in-difference approach with data from the 1997 and 1999 National Survey of America's Families. We find that some of the key child support reforms, most notably new hire directories and improved paternity establishment procedures, have contributed to gains in child support outcomes among low- and middle-income children with a never-married mother, a group that has received little child support in the past.

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Child Support Reforms in PRWORA: Initial Impacts

Introduction

Since the 1980s, Congress has viewed child support as part of the solution to reducing welfare dependency and increasing self-sufficiency among low-income families. It included major child support reforms in the Family Support Act (FSA) of 1988. More recently, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) enacted numerous changes in child support law. This study is one of the first efforts to assess the initial effects of the 1996 child support reforms.

Using data from the 1997 and 1999 National Survey of America's Families, we find that child support outcomes have improved significantly for low- and middle-income children whose mother has never married. The percentages of these children having a child support order, receiving some child support given that they have an order, and receiving the full amount due on their order have all increased. In contrast, children with a divorced, separated, or currently married mother have not seen significant gains in their child support.

We assess the impact of four child support reforms—automating child support enforcement systems, improving the paternity establishment process, adopting comprehensive new hire directories, and enforcing license revocation. We find evidence to suggest that two of

these reforms have contributed to improved child support outcomes for low- and middle-income children with a never-married mother.

The paper is divided into six sections. The next section provides an overview of and research about the child support program. The third section discusses the data used in this study and presents descriptive results. The fourth section describes the specific policies examined in this paper. The fifth section uses regression analysis to assess the impact of these policies on child support outcomes. The final section concludes the paper.

Child Support Policy Discussion

Overview of the Program

Congress established the child support enforcement program when it enacted Title IV-D of the Social Security Act in 1975. This Act created a federal/state partnership to operate the child support program, overseen by the federal Office of Child Support Enforcement (OCSE). States are expected to operate a child support enforcement agency, better known as a IV-D program, in accordance with federal law. In exchange, the federal government reimburses the states for a majority of their administrative costs (initially 75 percent but since reduced to 66 percent).

Over the last 25 years, Congress has repeatedly amended federal child support law to address weaknesses in the program and to alter the role of child support enforcement in the context of other social programs. These reforms have transformed the child support system from a court-based system that was driven by individual complaints to a much more proactive system that uses quasi-judicial and administrative procedures for processing child support claims

(Legler 2000). These reforms have attempted to strengthen the enforcement of child support obligations by streamlining the process and mandating best practices for states to follow. Most of these changes have reflected a fundamental shift in the goals of the IV-D program. Initially, the primary aim of this program was to recover welfare costs. Although it still performs this function, its overarching goal has become to ensure that all children with a nonresident parent receive child support.

The PRWORA of 1996 continued the evolutionary process of reforming the child support system, touching upon nearly every aspect of the program. The most salient reforms involved bolstering the voluntary paternity establishment process, gaining access to new information, automating caseload processing, and strengthening enforcement (Legler 2000). These reforms were designed to further limit the ability of nonresident parents to shirk their child support responsibilities.

Despite these efforts, much child support goes uncollected each year. In fiscal year (FY) 2000, \$23 billion in current payments was owed through the IV-D system, but only \$13 billion was collected. Of the \$84 billion owed in arrears, only \$6 billion was collected (U.S. DHHS 2001). Moreover, these numbers reflect only those cases already in the IV-D system. Looking at all potential cases, Sorensen (1997) estimates that noncustodial fathers could have paid \$20 to \$34 billion more than they actually did in 1996. Using data for the Current Population Survey (CPS), researchers have found that the percent of all custodial mothers who receive child support has remained steady over time—around 37 percent (Lerman and Sorensen 2001). However, the percent of poor custodial mothers who collect child support

has increased. These trends are attributed to the fact that the composition of the child support–eligible population has shifted towards more never-married mothers (as opposed to divorced or separated), who are poorer and less likely to receive child support but more likely to benefit from the IV-D system.

Previous Research

In the years since the creation of the IV-D program, researchers have looked at the effects of child support payments and child support enforcement on a variety of family outcomes. Academic interest in this topic mushroomed in the 1990s, with the discussion and eventual passage of the welfare reform legislation. See Garfinkel, Heintze, and Huang (2001) and Lerman and Sorensen (2001) for extensive reviews of the literature to date. Here, we will focus on the aspects of the debate that motivate this study.

Poverty rates for children in single-mother families are higher than for children in two parent families, and divorced mothers are more likely to be poor than their ex-spouses (U.S. Census Bureau 2000, Bartfield 2000). Therefore, researchers have investigated the potential of child support payments to lift children out of poverty. Findings suggest that child support lifts 5 to 7 percent of eligible recipients out of poverty and reduces the poverty gap by 6 to 8 percent (Sorensen and Zibman 2000, Meyer and Hu 1999). In addition to raising family incomes through a lump sum payment, child support may also cause mothers to move off welfare and increase their hours of work, thus fulfilling one of policymakers' stated goals. Economic theory predicts this outcome for welfare recipients and those at risk of moving onto welfare, and

empirical evidence supports this claim (Meyer 1993). However, nonwelfare recipients may reduce their work effort due to the “free” income supplied by child support (Hu 1999).

While studies have shown that, in general, child support payments have a positive effect on the income and economic well-being of single mother families, there are numerous barriers to the collection of these payments. The greatest of these, especially for poor families, is that many noncustodial fathers are poor themselves and therefore have a limited capacity to pay child support (Sorensen and Zibman 2001, Miller, Garfinkel, and McLanahan 1997). Alternatively, some fathers who can afford to pay child support may choose not to because they know that some or all of their payments will go to the government rather than to their children.¹ Others simply wish to have no contact with their children or former partners and see no personal benefit in providing them with income.

Several recent studies have attempted to quantify the effects of child support enforcement policies on child support collections and custodial mothers' incomes. Two studies create an index of the strength of child support legislation, using a range of potential policies. Garfinkel, et al (2001) find that strong child support enforcement, combined with medium to high expenditures on this enforcement, increases the incomes of single mothers by approximately two dollars for each dollar of child support received. Freeman and Waldfogel (2001) also find that expenditures and tougher legislation lead to an increase in child support receipt for never married mothers. Other studies have estimated the impact of specific policies on child support

¹ In many states, child support payments made on the behalf of families on welfare are retained by the state to recoup welfare costs. Before PRWORA, families were allowed to keep the first \$50 of child support each

payments, with most finding significant positive effects (Sorensen and Halpern 1999, Garfinkel and Robins 1994). All of these studies use data from the mid-1990s and earlier.

This study adds to the existing literature by using more recent data to assess the impact of specific policies legislated by PROWRA. Unlike most other studies, we concentrate on the child support outcomes of children rather than the income of or payments to mothers.

Data and Descriptive Results

The data for this study come from the 1997 and 1999 National Survey of America's Families (NSAF). The NSAF is a large, nationally representative household survey that asks detailed questions about income sources and household composition, including questions about child support income and whether a parent lives outside the household. Unlike most other nationally representative data sets, the NSAF contains large, state representative samples for 13 individual states—Alabama, California, Colorado, Florida, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, Texas, Washington, and Wisconsin. It also over-samples families with incomes below 200 percent of the federal poverty level. Due to these characteristics, the NSAF is an excellent source of data for examining how changes in child support policies at the state level affect the child support outcomes of low-income children.

Our descriptive analysis, presented below, uses the nationally representative sample in the NSAF to discuss the poverty and child support characteristics of children eligible for child support. On the other hand, our analysis of policy effects, presented in section IV, is limited to the 13 states in the NSAF that have state representative samples. We limit our sample in this

month; PROWRA lifted this mandate and now fewer than half the states pass through any money to the

way to eliminate any potential biases introduced by the fact that the remaining 37 states have few, if any, relevant survey respondents. Although we do not need precisely measured state-specific results, we do need to precisely measure the change in variables for groups of states. Since some of the smaller states have respondents in one year of the survey but not the other, including all states in the analysis could cause our results to reflect a change in the composition of states rather than a change in the policy.

Characteristics of the Child Support–Eligible Population

We concentrate on children who are living with their mother and have a father living outside the household. In 1999, 17.9 million children live with their mother while their father lives elsewhere. About 45 percent of the mothers of these children are divorced or separated, 30 percent have never married, and 25 percent are currently married to someone other than the child's father. The marital status composition of the mothers does not change significantly between 1997 and 1999.

Table 1 describes the family income of these children relative to the poverty threshold. It shows that children with a father living elsewhere have relatively low family incomes. In 1999, 38 percent of these children are poor, about double the poverty rate for all children.² Another 25 percent of these children live in families with incomes between 100 and 200 percent of the poverty threshold, referred to as “near poor.” Seventeen percent of the children have family incomes between 200 and 300 percent of the poverty threshold. We call these families “middle

family. Moreover, child support arrears paid to families who used to be on welfare may also go to the state.
² In 1999, 16.9 percent of children under 18 were poor. In 1998 this figure was 18.9 percent (U.S. Census Bureau 2000).

income.” Only 19 percent of these children live in high-income families, those earning over 300 percent of the poverty threshold.

Table 1. Poverty Status of Children Living Apart from their Fathers in 1997 and 1999

	Percentage of Families Whose Income Is:			
	<100% of Poverty Threshold	100–199% of Poverty Threshold	200–299% of Poverty Threshold	300% or more of Poverty Threshold
All Children with a Nonresident Father				
1997	40.5	25.4	15.3	18.9
1999	37.9	25.4	17.3	19.4
% Point Change	-2.6*	0.0	2.0*	0.5
Mother Is Never Married				
1997	59.3	23.1	10.1	7.5
1999	54.2	25.8	11.7	8.2
% Point Change	-5.1*	2.7	1.6	0.7
Mother Is Divorced or Separated				
1997	41.4	28.0	16.2	14.5
1999	39.5	28.3	18.2	14.1
% Point Change	-1.9	0.3	2.0	-0.4
Mother Is Currently Married				
1997	16.6	23.2	19.7	40.5
1999	14.3	19.8	22.7	43.2
% Point Change	-2.3	-3.4	3.0	2.7

Source: 1997 and 1999 National Survey of America’s Families.

* Indicates statistical significance at the 90 percent or higher level.

The income distribution of these children’s families varies significantly by the marital status of the mother. Children whose mothers have never married are much more likely to live in poverty than other children. In 1999, 54 percent of children with a never-married mother are poor and 80 percent are low-income, defined as those living in families with incomes below 200 percent of the poverty threshold. Children with a divorced or separated mother are the next

poorest group. Forty percent of these children are poor in 1999, and 68 percent live in low-income families. Children with a married mother have substantially lower poverty rates. Only 14 percent of these children are poor in 1999, and 34 percent live in low-income families.

Table 1 indicates that the income distribution of these children changes slightly between 1997 and 1999. Among all children with a nonresident father, the poverty rate declines by 3 percentage points. The percent of children who live in middle-income families increases 2 percentage points, while the percent of children in the two other income categories remains unchanged. When we separate children by their mother's marital status, the percent of children with a never-married mother who are poor drops 5 percentage points. The poverty rate among children with a divorced, separated, or currently married mother does not change significantly.

Despite economic improvements over the past several years, this initial look at the family characteristics of children with a nonresident father demonstrates that they are relatively disadvantaged. In particular, children whose mothers have never been married are much more likely to be poor. Since child support may help improve the economic well-being of some of these children, we next describe the trends in child support outcomes that children with different characteristics have experienced.

Changes in Child Support between 1997 and 1999

Our tabulations of child support changes between 1997 and 1999 focus on child support outcomes that are likely to be influenced by the enforcement process. Receiving formal child support depends on having a child support order, so we first investigate changes in the percent of children who have an order. Once an order is in place, enforcement policies should

affect the amount of ordered support these children actually receive. Therefore, we look for trends in the percent of children who receive any support, given an order, and whether these children receive the full amount due.

We find that, overall, children with a nonresident father do not experience significant increases in any of the three child support outcomes examined between 1997 and 1999 (see table 2). This finding is consistent with similar calculations on other datasets. Fifty-four percent of eligible children have a child support order in both years. Similarly, the percent receiving some support given that they have a child support order stays around 67 percent. The percent receiving the full amount of their child support order increases from 46 percent to 47 percent, an insignificant gain.

Table 2. Child Support Characteristics of Children with a Nonresident Father and of Children with Family Incomes below 300% of the Poverty Threshold, by the Marital Status of the Mother

	All Children with a Nonresident Father			Children with a Nonresident Father and Family Income below 300% of the Poverty Threshold		
	Percent with an Order	Percent Receive Some Ordered Support	Percent Receive Full Amount Due	Percent with an Order	Percent Receive Some Ordered Support	Percent Receive Full Amount Due
All Children with a Nonresident Father						
1997	53.9	67.1	46.3	50.1	61.9	39.3
1999	53.6	67.5	47.1	51.1	64.3	42.3
% Point Change	-0.3	0.4	0.8	1.0	2.4	3.0
Mother Is Never Married						
1997	36.3	48.6	28.2	35.9	45.8	26.1

1999	39.8	55.6	36.4	40.7	55.7	35.7
% Point Change	3.5	7.0	8.2*	4.8*	9.9*	9.6*
Mother Is Divorced or Separated						
1997	59.4	71.1	49.6	57.5	68.3	44.9
1999	57.9	71.1	47.8	56.3	69.1	44.9
% Point Change	-1.5	0.0	-1.8	-1.2	0.8	0.0
Mother Is Currently Married						
1997	65.3	72.9	53.3	57.3	63.0	40.4
1999	63.6	72.2	55.6	58.7	64.7	45.2
% Point Change	-1.7	-0.7	2.3	1.4	1.7	4.8

Source: 1997 and 1999 National Survey of America's Families.

* Indicates statistical significance at the 90 percent or higher level.

We separate children by their mother's current marital status to investigate how this status affects their child support outcomes. As mentioned above, children with a never-married mother are historically much less likely to receive child support. There are two main reasons for this tendency. Before obtaining a child support order, never-married mothers must complete the extra step of establishing paternity for their children. Furthermore, research has shown that ex-partners of never-married mothers are less able to pay than ex-partners of ever-married mothers, thus reducing child support collections for the children (Miller, Garfinkel, and McLanahan 1997). Expectations for ever-married mothers are mixed. While currently married mothers may have more resources with which to seek child support from their ex-partners, the presence of a new husband may impede child support collection efforts. Divorced or separated mothers do not have the barriers of paternity establishment or remarriage, but securing child support is still difficult. Consistent with these expectations, table 2 indicates that only 36 percent of children with a never-married mother have a child support order in 1997, compared to 59 percent and 65 percent for children in the two other groups, respectively. Children with a

never-married mother are also at least 20 percentage points less likely than children with an ever-married mother to receive some ordered support or the full amount of their support order in 1997.

In terms of changes in child support outcomes, children with a never-married mother are the only group to experience significant gains between 1997 and 1999. The percent of these children who receive the full amount due increases 8 percentage points between 1997 and 1999, from 28 to 36 percent, a statistically significant increase. Children with a never-married mother also see increases in their order establishment rate and the percent receiving at least some ordered support, but these gains are not statistically significant.

Since publicly funded child support enforcement and its associated policy changes are largely directed at low- and middle-income children (Lyon 1999), we also examine these children's child support outcomes. Table 2 shows that all three child support outcomes improve significantly for low- and middle-income children with a never-married mother between 1997 and 1999. The percent having an order increases nearly 5 percentage points, from 36 percent to 41 percent. Given an order, the percent of children receiving at least some child support rises 10 percentage points, from 46 percent to 56 percent. Similarly, the percent of children who receive all the child support to which they are entitled increases 10 percentage points, from 26 percent to 36 percent. In contrast, table 2 also shows that low- and middle-income children with a divorced or currently married mother do not experience significant increases in any of their child support characteristics.

Based on these results, it appears that children with a never-married mother and a family income under 300 percent of poverty have been the main beneficiaries of child support increases over the past several years. Therefore, we narrow our analysis to this population when examining the impact of child support reforms.

Specific Policy Variables Examined

In this paper, we explore the effects of four child support reforms. The four are

1. automating child support enforcement systems;
2. improving the paternity establishment process;
3. adopting comprehensive new hire directories; and
4. enacting license revocation.

The first policy was part of the 1988 Family Support Act, while the remaining three were included in the PRWORA of 1996. We select these policies for two reasons. First, these policies represent major alterations to the child support system and are likely to affect child support outcomes. In addition, a large number of states took action on these policies during the first years after PRWORA was enacted. Therefore, our available data may be used to examine the effects of these policies.³ Table 3 describes the thirteen states' actions with regards to the child support policies we analyze. It also lists the coded values of the states' policy variables for each of the four policies, which are used in our regression analysis presented in the section on Estimated Effect of Child Support Reforms, below.

³ Due to data limitations, there is one major reform we will not discuss – the establishment of centralized units to handle child support collections and disbursements, referred to as State Disbursement Units (SDUs). PRWORA mandated that states adopt SDUs by October 1998 (or later), which is too late for us to

Table 3. Child Support Policies in 13 States

	Met Automation Requirements		Increased Paternity Establishment Percentage		New Hire Directory Effective Date		License Revocation Effective Date	
	Date	Code	Percentage Points	Code	Date	Code	Date	Code
Alabama	12/1997	1	+8	1	10/1997	1	07/1997	1
California	Un	0	NA	0	07/1998	0	11/1992	0
Colorado	07/1997	1	NA	0	10/1997	1	07/1997	1
Florida	03/1998	1	NA	0	10/1998	0	12/1993	0
Massachusetts	03/1998	1	-3	0	03/1993	0	04/1994	0
Michigan	Un	0	0	0	10/1997	1	1998	1
Minnesota	03/1998	1	+4	1	07/1996	1	01/1996	0
Mississippi	12/1996	1	+8	1	10/1997	1	07/1996	1
New Jersey	03/1998	1	+3	1	05/1998	0	03/1998	1
New York	12/1997	1	+9	1	01/1996	0	01/1998	1
Texas	02/1998	1	+22	1	10/1998	0	09/1995	0
Washington	02/1996	0	+10	1	10/1998	0	07/1997	1
Wisconsin	09/1997	1	0	0	01/1998	1	1997	1
Number of States that Took Policy Action in the Time Period under Analysis								
		10		7		6		8

Source: Web page for the Federal Office of Child Support Enforcement.
<http://www.acf.dhhs.gov/programs/cse/index.html>

Un = Uncertified

NA= Not Available

Automation

Given the size of the program and its growth potential, Congress has long realized that automated state child support systems are needed to ensure an effective and efficient program (U.S. GAO 1989). Unfortunately, efforts to automate have been slow. In 1980, Congress first encouraged states to adopt automated systems by authorizing enhanced federal spending for activities related to automation. In 1988, as part of the Family Support Act (FSA), Congress

analyze in this paper. However, this is an important reform and will need to be analyzed when data become

mandated that states have fully operational automated systems by October 1, 1995. However, only one state met the original deadline (U.S. DHHS 1997a). Since then, nearly all states have met these requirements, with most states automating in 1997 and 1998. PRWORA added a few automation requirements, intended to be fulfilled by October 1, 2000, but only a handful of states met this deadline (U.S. DHHS 2001). Given that so few states met the PRWORA automation requirements by 1999, when our data ends, we focus on the effect of the FSA automation requirements. Because the law requires all aspects of the IV-D program to be automated, we expect to find that all three child support outcomes—order establishment, partial collections, and full collections—are affected by this policy.

The automation variable in our regression analysis equals 1 if the state met the FSA requirements regarding statewide automation between December 1996 and March 1998; otherwise it equals 0. Table 3 shows that 10 of the 13 focal states met their FSA automation requirements during this period. Of the remaining states, only one met these requirements prior to December 1996, and two had yet to meet the requirements as of March 2001. These two are listed as "Un" in the table for uncertified.

New Paternity Establishment Requirements

For a child born to unmarried parents, paternity must be legally established before the IV-D program can seek child support payments from the father. Therefore, efforts to strengthen this component of the program are critical to the success of child support enforcement. Congress has made incremental changes to paternity establishment policy since

available.

1984, at first focusing on improving the process of establishing paternity in contested cases. In 1993, it shifted its focus to voluntary paternity establishment, mandating that states establish voluntary paternity acknowledgment programs.

The paternity establishment reforms in PRWORA continued refining both the voluntary and adjudicated paternity establishment process (Roberts 1999). Congress clarified the legal significance of signing a voluntary acknowledgment form and made it clear that fathers could not have their name on their nonmarital child's birth certificate unless they signed a paternity acknowledgment form. Congress also increased the paternity establishment standard for states to meet. Prior to PRWORA, states had to establish paternity in 75 percent of their cases that needed paternity establishment or met certain interim improvement goals. PRWORA increased this standard to 90 percent and revised the interim steps for states that fell short of the 90 percent figure.

Since we do not have the enactment dates for the specific paternity reforms in PRWORA, we proxy these policies by looking at changes in the states' paternity establishment percentages (PEPs). This measure both indicates explicitly each state's success in reaching PRWORA's higher paternity establishment standards, as well as reflects the collection of changes in state practices regarding paternity establishment. However, it cannot isolate the impact of the PRWORA reforms from other changes in the paternity process that states may be undertaking. We expect that increasing the PEP should improve the chances that a child with a never-married mother will have a support order, because paternity establishment removes the first barrier to support for these children. Since paternity establishment policies do not directly

affect child support outcomes beyond this point, however, we do not expect this indicator to affect the two measures of child support collections.

The paternity establishment variable in our regression analysis equals 1 if a state's PEP increased between FY 1996 and FY 1998; otherwise it equals 0. Table 3 shows that seven of the 13 focal states experienced increases in their PEP between FY 1996 and FY 1998. Two states experienced double-digit increases—Texas and Washington. They are the only states nationwide to have a PEP in FY 1998 that exceeded PRWORA's 90 percent standard (U.S. DHHS 2001). Only one state in this study experienced a decline in its PEP. Two other states in this analysis had no change in their PEP, while three states did not have information on their PEP in the OCSE Annual Report to Congress and thus are listed as NA for not available.

New Hire Directories

Wage withholding is the primary method used by the child support program to ensure the regular payment of child support and it is considered by many in the child support community to be its best enforcement tool (Legler 2000). With wage withholding, child support payments are automatically deducted from a noncustodial parent's paycheck. One weakness in the original wage withholding process, however, was that once obligors moved to another job, wage withholding orders did not immediately follow. Child support enforcement agencies would not find out about job changes until six months later, through automated earnings information. To reduce the amount of time that lapses between the start of a job and the placement of a wage withholding order, PRWORA mandated that states establish comprehensive directories of new hires. The new hire directories gather information from

employers about all newly hired employees. The state, in turn, matches this information to their records and generates a wage withholding order to the employer.

We expect new hire directories to affect child support collections but not orders. A noncustodial parent must already have a support order before the child support enforcement agency can impose wage withholding and use its new hire directory. Therefore, we expect to find a significant increase in the percent of children who receive some ordered support and the percent who receive all of their ordered support in states that established new hire directories in response to PRWORA.

In our regression analysis, the new hire variable equals 1 if a state adopted a new hire directory between June 1, 1996 and January 1, 1998; otherwise the variable is 0. Three of our focal states had new hire directories that met the basic federal requirements prior to the enactment of PRWORA, and therefore their positions on this policy did not change between the two years of NSAF data. The rest met the requirements by October 1998, but we presume that only those directories in place before January 1 would have pronounced effects on the 1999 NSAF data.

License Revocation

PRWORA also expanded license revocation, another prominent enforcement remedy (U.S. DHHS 1997b). Specifically, the Act mandated that states have laws permitting the suspension of driver's, professional, occupational, and recreational licenses of noncustodial parents who owe past-due child support or who fail to respond to warrants issued in paternity or support proceedings. Many states had previously used this method to collect back payments

and found it to be quite successful, especially among the self-employed. But many other states opposed mandating this enforcement tool. Thus, under PRWORA, states were given flexibility in administering this program. In particular, the Act did not require that this remedy be automated or applied to all cases in the system.

To the extent that states use their license revocation authorities, we expect PRWORA's expansion will improve all three child support outcomes. Licenses may be revoked for both failure to comply with a child support order and failure to heed a warrant for order establishment, so this policy should discourage noncustodial fathers from avoiding their financial obligation to their children. However, the law only requires these license revocation authorities to be permitted, so there may be variations in states' implementation of license revocation that we are unable to measure. In addition, many states had some but not all of PRWORA's authorities, so it is difficult to isolate the effects of full expansion.

The license revocation variable in our regression analysis equals 1 in states that adopted all of PRWORA's license revocation authorities in 1997 or 1998; it equals 0 in states that adopted these authorities prior to 1997. Six of our 13 focal states already had authority to revoke licenses in all of the areas specified by Congress in PRWORA. The other eight focal states adopted this authority in 1997 or early 1998, but many of these states already had authority to revoke licenses in some of the specified areas.

Estimated Effect of Child Support Reforms

To assess the impact of the recent child support enforcement reforms, we proceed in several steps. We perform a series of significance tests to determine the change in child support outcomes for children with different demographic characteristics living in different groups of states. Ultimately, we use regression analysis to take advantage of all our available information and isolate the effect of each of the four major reforms.

Methodology

We first examine whether the child support outcomes of low- and middle-income children with a never-married mother have improved in the states that have undertaken specific child support reforms. For simplicity, we refer to this group of children as our target population. We hypothesize that this group of children is the primary beneficiary of the child support reforms examined here. Next, we look for changes in the child support outcomes among comparison populations of children who we think are not affected, or minimally affected, by the enactment of these policies. Our comparison groups consist of: 1) children who are low- and middle-income who live in states in which the policy was not enacted; and 2) children who are low- and middle-income whose mother is either currently married or divorced.

We expect the comparison populations to be unaffected by the state policy actions for different reasons, depending on the group. Children in the first group are not affected simply because their state's policy did not change. Children in the second type of comparison group

differ from the target population because of the marital status of their mother. For the automation, new hire, and license revocation policies, we expect children with a currently married mother to be less affected because their mother is less likely to participate in the IV-D system than if she were single.⁴ Since these reforms are targeted at IV-D recipients, children with a currently married mother are less likely to benefit from their state’s child support reforms. With regard to improving paternity establishment procedures, reflected by increasing the PEP, we do not expect children with a divorced or separated mother to be affected. Like never-married mothers, divorced or separated mothers are single, but paternity is rarely an issue because in most cases they have been married to their child’s father. We do not expect children in any of the comparison groups to see significant gains in their child support outcomes.

The difference between the changes in child support outcomes experienced by children in the target group and children in each of the comparison groups is the “difference-in-difference.” This type of analysis gives us a first glimpse of the impact of the child support policies on each of the child support outcomes. Part B of this section presents these results.

The final step is to conduct a “difference-in-difference-in-difference,” or “3D,” analysis to measure the effect of each of the policy reforms while controlling for differences across states and demographic groups. A 3D analysis improves upon the traditional difference-in-difference approach. The outcomes experienced by a given subpopulation can vary for many reasons that are independent of the child support policies at work in a state (e.g., preexisting state

⁴ Lyon (1999) reports that 82 percent of all never-married mothers who are eligible for child support are in the IV-D system. In contrast, only 55 percent of eligible currently married mothers receive IV-D assistance.

differences). By controlling for both state of residence and family structure, as well as additional demographic characteristics, we minimize the effect of changes in other factors on our estimation results. Since we examine policies one at a time, however, we do not know whether other policies are contributing to or detracting from our findings.

To estimate our 3D model, we pool data from the 1997 and 1999 rounds of the NSAF. We restrict the population to children in the target group and the comparison group for each policy. We further control for the demographic characteristics of the children and their mothers. As discussed earlier, we also restrict the analysis to children in the 13 focal states.

Specifically, we estimate the following equation:

$$cs_i = a_1 + a_2 P_s + a_3 G_i + a_4 T_t + a_5 P_s G_i + a_6 P_s T_t + a_7 G_i T_t + a_8 P_s G_i T_t + a_j X$$

where cs equals the child's child support outcome;

P equals 1 if the state in which the child lives undertook the policy action; 0 otherwise;

G equals 1 if the child belongs to the targeted group, 0 otherwise;

T equals 1 if the data are from 1999, 0 otherwise;

X is a vector of j demographic characteristics of the child or his/her mother;

a are the estimated coefficients, and

subscripts i , s , and t stand for individual, state, and time, respectively.

We estimate the model using ordinary least squares, and the coefficient of primary interest is a_8 .

This coefficient indicates whether the difference in the child support gains for the target population between states that did and did not take policy action is significantly different from that found for the comparison population. If the policy is having an effect, we should find that

the child support outcomes of the target population have improved more in states that have pursued the policy than in states that have not, and this difference-in-difference should be larger than that found for the comparison population. We test this hypothesis in part C of this section.

Difference-in-Difference Results

Table 4 summarizes our difference-in-difference results. The first pair of columns lists the average child support outcome in 1997 and the percentage point changes in the child support outcome between 1997 and 1999 for low- and middle-income children with a never-married mother living in states that enacted the policies. The second pair of columns shows the same figures for similar children in states that did not enact the policies. In the third pair of columns, we return to states that enacted the policies but illustrate changes experienced by children with a currently married or divorced mother, depending on the policy. Finally, the last pair of columns presents the difference-in-difference for the target children versus the comparison children, by state and mother's marital status.

For three of the four policies, at least one child support outcome increases significantly for children in the target group. For example, in states that met their automation requirement in 1997 or 1998, low- and middle-income children with a never-married mother see a 12 percentage point increase in the percent receiving some ordered support. Similarly, this same population of children living in states that enacted a new hire directory experiences an 11 percentage point increase in the percent receiving the full amount due. In states that adopted license revocation, they gain 7 percentage points in the percent receiving some ordered support.

The only policy reform that is not associated with a significant increase in child support outcomes for targeted children is an increase in the PEP.

Table 4 also shows that the child support outcomes of the comparison groups of children do not, in general, increase significantly. For example, low- and middle-income children with a mother who is currently married (or divorced in the case of the PEP) who live in states that took policy actions do not experience significant increases in any of their child support characteristics. With one exception, low- and middle-income children with a never-married mother who live in states that did *not* take policy actions during the period under review do not experience significant increases in their child support characteristics either. In states that did not increase their PEP, low- and middle-income children with a never-married mother experience a significant increase in the likelihood of receiving the full amount of their order. However, this result is not contrary to our expectations because child support order compliance is largely unrelated to paternity establishment efforts.

Table 4. Changes in Child Support Characteristics of Low- and Middle-Income Children with Never-Married Mothers in States that Took Policy Action and Comparisons to Other Groups

	Never-Married Mothers				Married or Divorced Mothers		Difference-in-Difference	
	States that Took Policy Action		States that Did Not Take Policy Action		States that Took Policy Action			
	1997	% Point Change, 1997–1999	1997	% Point Change, 1997–1999	1997	% Point Change, 1997–1999	by State	by Marital Status
Met Automation Requirement								
Percent with a Child Support Order	32.6	3.1	33.3	2.9	51.4	2.7	0.2	0.4
Percent Receive Some Ordered Support	44.1	11.6*	52.6	–5.4	61.3	3.0	17.0*	8.6
Percent Receive Full Amount Due	28.8	4.2	24.6	1.1	39.9	2.9	3.1	1.3
Increased PEP								
Percent with a Child Support Order	31.2	4.0	49.2	–3.8	58.3	–6.2	7.8	10.2*
Percent Receive Some Ordered Support	45.7	7.8	50.0	7.3	64.6	4.7	0.5	3.1
Percent Receive Full Amount Due	29.0	0.5	21.0	11.1*	42.8	6.7	–10.6	–6.2
Enacted New Hire Directory								
Percent with a Child Support Order	48.2	–2.9	28.6	–6.7	64.5	–2.7	–6.7	–0.2
Percent Receive Some Ordered Support	51.3	5.2	45.8	4.6	67.5	–3.8	0.6	9.0
Percent Receive Full Amount Due	22.7	11.2*	29.2	–0.9	46.9	–7.4	12.1*	18.6*
Enacted License Revocation								
Percent with a Child Support Order	38.7	1.6	28.8	2.9	51.8	1.8	–1.3	–0.2
Percent Receive Some Ordered Support	49.4	7.3*	45.8	1.5	67.0	0.6	5.8	6.7
Percent Receive Full Amount Due	26.4	3.2	27.7	3.2	48.2	–3.5	0.0	6.7

Source: 1997 and 1999 National Survey of America's Families and Web page for the Federal Office of Child Support Enforcement. <http://www.acf.dhhs.gov/programs/cse/index.html>.

* Indicates statistical significance at the 90 percent or higher level.

Turning to the difference-in-difference calculations, we find at least one statistically significant difference-in-difference for three of the four policy reforms. Focusing on the automation requirement, table 4 shows that targeted children living in states that met the automation requirement increase the percent receiving at least some ordered support significantly more than similar children in states that did not take this policy action. The difference-in-difference is 17 percentage points. This comparison suggests that automation has had an impact on the chances that a child receives some ordered support.

With regard to paternity establishment, the target population living in states that increased their PEP sees the percent with an order increase significantly more than the comparison group of children living in the same states. This difference-in-difference result is 10 percentage points, suggesting that paternity efforts have positively impacted order establishment rates among children with a never-married mother.

Next, in states that enacted new hire directories, the percent of targeted children receiving the full amount of their ordered support increases significantly more than the percent for children in the comparison group. The difference-in-difference is 19 percentage points. Furthermore, targeted children in states that enacted new hire directories gain significantly more on this same measure than targeted children in states that did not enact new hire directories. This difference-in-difference result is 12 percentage points. Combined, these findings support

the notion that new hire directories efficiently locate absent fathers and, through wage withholding, ensure that they pay all of their child support obligation.

On the other hand, none of the difference-in-differences for license revocation are statistically significant, suggesting that this policy may not be as successful as we hypothesized. The largest possible effect of license revocation appears to be on receiving some ordered support, since both of the difference-in-differences are relatively large.

Multivariate Results

To simplify our 3D discussion, we only present one child support outcome per policy action—the one that has the largest difference-in-difference result. Our 3D results can be viewed in one of two ways. One method is to compare the changes between the target and comparison group within the states that took the policy action and then compare these changes to those in the states that did not take the policy action. The other method is to compare the changes that the target group experiences in states with and without the policy action and compare those changes to those experienced by the comparison group across states.⁵ For simplicity, we use the second method to discuss the values displayed in table 5. The difference-in-difference results are slightly different than reported in table 4 because the 3D analysis controls for individual characteristics, whereas previous calculations do not.

⁵ For example, with regard to the automation requirement, table 5 shows that the difference between the target and comparison group within the states that took the policy action is 6.1 (10.0–3.9). The difference between the target and comparison group in the other states is –10.4 (–7.1–3.3). The 3D result is 16.5 (6.1+10.4). Using the second method discussed in the paper, the difference in the target group in states that took the policy action versus states that did not is 17.1 (10.0+7.1). The difference in the changes for the comparison group is 0.6 (3.9-3.3). The 3D result is 16.5 (17.1–0.6).

First, our difference-in-difference results suggest that automated child support systems increase the percent of targeted children receiving at least some of their ordered child support, and therefore we examine this outcome in 3D. Table 5 shows that this measure improves by 10 percentage points for low- and middle-income children with a never-married mother who live in states that met their automation requirement in 1997 or 1998. In contrast, children living in other states experience a 7 percentage point decline in this outcome. This result echoes that reported in table 4. The 3D analysis goes one step further and compares this difference-in-difference to that found among children with a currently married mother. For these children, the percent receiving some ordered support increases slightly regardless of whether the state met the automation requirement. The 3D result is nearly 17 percentage points, but it is insignificant.⁶

Table 5. Multivariate Analysis of Child Support Reforms and Their Effect on Changes in Child Support

Policy and Child Support Outcomes	State Took Action		State Did Not Take Action		3D Result
	Change for Target Group	Change for Comparison Group	Change for Target Group	Change for Comparison Group	
Met Automation Requirement					
Percent Receive Some Ordered Support	10.0	3.9	-7.1	3.3	16.5
Increased PEP					
Percent with a Child Support Order	5.0	-6.1	-3.2	2.0	16.3*
Started New Hire Directories					
Percent Receive the Full	10.9	-7.5	-1.5	8.6	28.5*

⁶ It may be that Washington, which was certified in February of 1996, was still benefiting from its automation during our study period. Thus, we reestimated the automation equation with California and Michigan as the only states that did not meet their automation requirement. This reestimation did not alter the results significantly.

Amount Due					
Started License Revocation					
Percent Receive Some Ordered Support	7.3	1.0	0.1	6.3	12.5

Source: 1997 and 1999 National Survey of America's Families and Web page for the Federal Office of Child

Support Enforcement. <http://www.acf.dhhs.gov/programs/cse/index.html>.

Note: Only the 3D results are tested for statistical significance.

* Indicates statistical significance at the 90 percent or higher level.

This finding implies that the impact of automation is not as strong as previously indicated. The observed differences in the child support outcome between states with and without action on automation requirements may be due to differences in economic trends among the states, rather than the policy itself.

For our 3D analysis of the impact of increased paternity establishment percentages, we concentrate on the child support order establishment rate. This rate increases 5 percentage points for children with a never-married mother and a family income under 300 percent of the poverty threshold who live in states that increased their PEP. In contrast, similar children in other states experience a 3 percentage point decline. Again, these results parallel those in table 4. For children with a divorced or separated mother, we find opposite trends. Child support order establishment rates decline 6 percentage points for these children in states that increased their PEP and increase 2 percentage points for these children in states that did not increase their PEP. The total 3D measure is 16 percentage points, and this value is statistically significant. Therefore, this finding supports the hypothesis that states that increase their PEP are more effective at securing child support orders for low- and middle-income children with a never-married mother.

Based on difference-in-difference calculations, new hire directories appear to have the strongest impact on the percent of children who receive all of their ordered child support. Our 3D analysis confirms this hypothesis. In states that enacted new hire directories during the study period, the percent of children with a never-married mother who receive their full support amount rises 11 percentage points between 1997 and 1999. In other states, the rate for these same children falls 2 percentage points. The opposite is true for children with a currently married mother. These children experience an increase in the percent receiving the full amount due in states that did not enact a new hire directory and a decrease in states that did. Therefore, the 3D result is large, 29 percentage points, and statistically significant. This evidence indicates that new hire directories are having the intended effect of increasing the percent of low- and middle-income children with a never-married mother who receive the full amount of their order.

Although not statistically significant, the child support outcome with the largest consistent difference-in-difference for the license revocation policy is the percent of children receiving some ordered support. Therefore, we choose this measure for 3D investigation. The percent of low- and middle-income children with a never-married mother who receive ordered child support increases 7 percentage points in states that enacted license revocation, whereas in other states it remains constant. For similarly economically disadvantaged children with a currently married mother, this percentage also increases in both types of states, but the gain is much more for those living in states that did *not* enact license revocation. The resulting 3D value is 13

percentage points, but, as with automation, this double-digit difference is not significant.⁷

Therefore, we cannot conclude that license revocation is increasing child support receipt for children with a never-married mother.

⁷ One reason that our 3D model may not yield statistically significant results for license revocation is that we consider states that expanded existing license revocation laws to meet PRWORA requirements as “enacting license revocation,” when, in fact, many of these states already had some aspects of license revocation, but they did not meet PRWORA requirements. We reestimated our 3D model for license revocation, assuming that only states that had no license revocation laws in place prior to PRWORA “enacted license revocation.” Yet, the results from this reestimation did not find that license revocation had significant effects either. Another reason, mentioned earlier, is that variations in states’ implementation of license revocation authorities may not be measured precisely, thus diluting any potentially significant results.

Conclusion

Major changes in child support law accompanied welfare reform in 1996. The primary intent of the child support reforms was to increase the self-sufficiency of low-income families through increased payments to custodial parents. This paper examines whether child support outcomes improved in the first two years after welfare reform was enacted. We use data from two rounds of the National Survey of America's Families to conduct this analysis.

The only children with a father living elsewhere who experience a significant improvement in their child support outcomes between 1997 and 1999 are those under 300 percent of the poverty threshold with a never-married mother. These children have very high poverty rates and have been unlikely to receive child support in the past. Hence, child support gains for these children are particularly welcome. It is unfortunate, however, that other low- and middle-income children with mothers who are divorced or currently married have not seen significant improvements in their child support outcomes during the initial years after PRWORA.

For low- and middle-income children with a never-married mother, our multivariate analysis also reports good news. We find that in the two years after PRWORA was enacted, two of the four child support policies that we examine in this paper significantly improved the child support outcomes of this population—new hire directories and increases in the paternity establishment percentage. This means that the wage withholding process, augmented by new hire directories, is helping low- and middle-income children with a never-married mother receive

the full amount of their child support award. The paternity reforms that Congress enacted in the 1990s have increased the number of these children with child support awards, an essential step in the process of obtaining child support income.

We should note that important child support reforms in PRWORA could not be examined in this paper because their implementation dates were not until the latter part of 1998 or later. In addition, this research only captures the initial impact of the four reforms we study. Given that we have already found positive results from the early reforms, it is likely that we will continue to see improvements in child support outcomes as the later reforms are fully enacted. Future research will need to follow up on the early reforms and also focus on the later reforms to determine the magnitude and extent of their effects. Thus, we will not understand the full impact of the child support reforms in PRWORA for some time to come. But the initial evidence suggests that these reforms have helped some needy families secure child support, thus improving their economic well-being.

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