

Child Support Enforcement: Net Impacts on Work & Welfare Outcomes pre- & post-PRWORA

~ Policy Brief ~

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This brief gives highlights of a study, covering late 1993 to early 1999, of the effects of child support payments. Three welfare participation cohorts were studied: 1) all adults who used any welfare from October through December 1993 (93Q4) with 13 quarters of follow-up, 2) all adults who used any welfare from October through December 1995 (95Q4) with 5 quarters of follow-up, and 3) all adults who used any welfare from October through December 1997 (97Q4) with 5 quarters of follow-up. A detailed technical report of this study is also available.

The study findings show that regular payments of child support are associated with lower incidence of welfare use and higher incidence of employment for custodial parents in subsequent quarters. But the results show that custodial parents with regular payments are not different from those without regular payments while on welfare, arguing against any effect of possible similarity between custodial parent and non-custodial parent. The effects of regular payments appear to arise from a lower recidivism rate, and a higher tendency for employment once custodial parents have left welfare. Since child support payments are assigned to the State while the custodial parent is on welfare, it is only after welfare exit that regular child support payments become an income stream for custodial families. It is reasonable to expect that a reliable income source, even if it is small, would help custodial parents stay off welfare and find and maintain employment. But only about 10% of custodial parents receive regular child support payments (by our definition of regular payments), and regular child support payments are maintained only about two years on average.

The study findings suggest that regular child support payments have additional returns when combined with public services which help custodial parents leave welfare. Under AFDC, with entry to the JOBS program, and under TANF, with early participation in WorkFirst, there was about 20% extra cost savings compared to the sum of cost savings attributable to the separate programs. This is reasonable with the main effect of regular child support payments being an extension of time off welfare.

The study also compares overall outcomes and client flow under AFDC and under TANF, controlling for changes in economic conditions across time. These findings suggest that, relative to AFDC, work and welfare outcomes are more favorable under TANF, but the TANF clients who find work are not necessarily exiting welfare, and the TANF clients who exit welfare are not necessarily finding work. The study findings also suggest that unemployed TANF clients are exiting welfare without work at a faster rate. These results emphasize the importance of collecting child support for former TANF clients; child support may be the only formal means of support for a growing number of custodial families.

Child Support Net Impacts

Regular child support payments¹ through the Washington State child support enforcement (CSE) system show beneficial net impacts² on custodial parent work and welfare outcomes.

Relative to comparable custodial parents without regular payments, those with regular payments:

- **Showed a lower probability of welfare use and thus reduced welfare expenses under both AFDC and TANF.**
 - ◆ For both AFDC cohorts there was about a 3% reduction in welfare expenses over 5 follow-up quarters, and for the 93Q4 cohort about an 8% reduction in welfare expenses over 13 follow-up quarters. Estimated actual cost savings were about \$1 million over 5 quarters for each AFDC cohort, and \$5.5 million over 13 quarters for the 93Q4 cohort.
 - ◆ For the TANF cohort there was about a 7% reduction in welfare expenses over 5 follow-up quarters, with an estimated actual cost saving of \$1.3 million.

- **Showed a higher probability of working³ under both AFDC and TANF.**
 - ◆ For both AFDC cohorts there was about a 10% increase in the probability of working at the 5th follow-up quarter, and about a 15% increase in the probability of working at the 13th follow-up quarter for the 93Q4 cohort.
 - ◆ For the TANF cohort there was about a 7% increase in the probability of working at the 5th follow-up quarter.

¹ Regular child support payments are defined for a given quarter as: sum of ordered monthly payments larger than \$0 with sum of total arrearage debt less than twice the sum of ordered monthly payments. This means that a regular payment is due and that there are less than the equivalent of two lapsed payments.

² Impacts are controlled for age, gender, location, work history, welfare history, ethnicity, primary language, disability status, family size, economic conditions, and entry into the JOBS or WorkFirst services.

³ Our information on work comes from the earnings records maintained by the Washington State Employment Security Department (ESD) and thus includes only earnings covered by unemployment insurance. While some earnings are missed, ESD records are generally thought to be the best source for data on client work records. In this brief the terms “working” or “employed” mean that earnings are found in the ESD records, and the terms “not working” or “unemployed” mean that there is no ESD record of earning.

Apparent causes and details of these beneficial impacts:

- **All of these effects appear to arise after the custodial parent has left welfare, when all or most of child support payments can be distributed to the custodial family.**
 - ◆ The reduction in welfare use appears to be almost entirely due to a decreased recidivism rate, with a stronger decrease for those who are working.
 - ◆ In addition, in the 95Q4 AFDC study and in the TANF study custodial parents with regular payments who were off welfare showed faster rates of employment and slower rates of job loss.
 - ◆ Because the impact of child support occurs after welfare exit, cost savings attributable to regular child support payments grow as more custodial parents leave welfare. Cost returns are thus delayed in time. For the 93Q4 cohort almost half of the total 13 quarter cost savings accrued in the last four quarters of follow-up. There is a strong relationship between the percentage of the cohort off welfare in a quarter and the percentage welfare savings attributable to regular child support payments in a quarter - an additional 1% off welfare yields about ½% in incremental savings. This relationship is identical, within statistical confidence limits, for all three cohorts.
- **The decrease in welfare use is mainly due to those working and the increase in work is mainly due to those off welfare.**
 - ◆ For those working there is a consistent trend decreasing welfare use across all three cohorts; this reaches about a 15-20% decrease in welfare use in the 5th follow-up quarter. For those not working there appears to be a smaller decreasing trend for the TANF cohort, and perhaps a small increase in welfare use for the AFDC cohorts.
 - ◆ For those off welfare there is a consistent increase in the probability of work for all three cohorts averaging about a 15% increase. For those on welfare there is a small decrease in the probability of work for all three cohorts.
 - ◆ For those with regular child support payments there are net client flows out of the state < welfare without work > and net client flows into the state < off welfare and employed >.

- **There appear to be additional returns when child support is combined with other state services.**
 - ◆ There appeared to be about a 20% additional welfare cost offset bonus, compared with cost savings for the separate programs, when custodial parents with regular payments had also entered the JOBS program under AFDC, or had early participation in WorkFirst under TANF.

Child Support Regular Payments

Custodial parent classification with regard to regular child support payments was studied over 15 quarters of CSE data, from 93Q4 to 97Q2.

- **Regular payments of child support are not common, and tend to last for a fairly short time.**
 - ◆ Only about 10% of custodial parents could be classified as having regular payments, with this value showing little change over the 15 quarters.
 - ◆ Individual movements do occur however, with the maintenance of regular child support payments lasting, on average, only about 8 quarters. The average time with irregular payments is much longer. Though we have only 15 quarters of data, statistical procedures estimate this time to be about 60 quarters.

Net Impact of Time Period; TANF vs AFDC

The data and analyses used in this study allow an overall comparison, controlled for changes in economic conditions, of work and welfare follow-up under early TANF and under AFDC.

- **Relative to AFDC, comparable TANF clients are more likely to be working and more likely to be off welfare, but the TANF clients who find work are not necessarily exiting welfare, and the TANF clients who exit welfare are not necessarily finding work.**
 - ◆ Under TANF, compared to AFDC, there is an average 35% increase in the probability that cohort clients will be working, but the only impact on increased work outcomes appears to be for clients who remain on welfare. Relative to 95Q4 follow-up, 97Q4 follow-up showed an average 60% increase in the probability of work for those on welfare, but a near zero effect or a slight decrease in the probability of work for those off welfare.
 - ◆ Under TANF, compared to AFDC, there is about an 8% decrease in the 5th quarter probability that cohort clients will be using welfare, but the

only impact on reduced welfare use appears to be for clients who are not working. Relative to 95Q4 5th follow-up quarter, 97Q4 5th follow-up quarter showed a 15% decrease in the probability of being on welfare for those who were not working, but a 20% increase in the probability of being on welfare for those who were working.

- ◆ Under TANF, compared to AFDC, there are net client flows towards the state < welfare with work > and net client flows towards the state < off welfare without work >.
- ◆ For clients who are unemployed on welfare and remain unemployed in the quarter after exit an important difference in client movement under TANF, compared to AFDC, is an increased rate of welfare exit. There also appears to be a higher recidivism rate for these clients under TANF. Both of these differences may be related to the 60 month time limit; clients may be choosing to conserve their allotment of welfare use.
- ◆ For clients who are employed on welfare and remain employed in the quarter after exit a difference in client movement under TANF, compared to AFDC, is a decreased welfare exit rate. This may be related to the higher income disregard under TANF; more time is required for clients to reach an earning level where they no longer qualify for TANF.

Net Impact of Other State Services and Other Factors

In obtaining the net impact of child support payments, the results are controlled for the effects of other factors which may influence outcomes. We are able to also obtain the net impact of any factor included in the analyses.

- **While not of direct interest, the study results provide a net impact view of the JOBS program.**
 - ◆ The JOBS program was terminated during the implementation of TANF, but the study results show that entry into JOBS is associated with a decreased incidence of welfare and an increased incidence of work. In addition the results show a beneficial interaction between JOBS and regular child support payments.
- **The study results are not useful to determine a net impact of early participation in WorkFirst.**
 - ◆ Most of the comparison group – those who did not participate in early WorkFirst – began WorkFirst participation during the study follow-up period.

- **The study results do provide the net impacts of other factors and could be useful in predicting work and welfare outcomes.**
 - ◆ The study results are controlled for age, gender, location, work history, welfare history, ethnicity, primary language, disability status, family size, and economic conditions. The net impacts of any of these factors can be obtained from our study, and this information could be used in building a model of work and welfare outcomes.