

**Arrearages, Lying-in Orders, and Child Support Compliance  
among Fathers of W-2 Children in Wisconsin**

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## INTRODUCTION

The presence of high child support arrearages is an area of increasing concern to policymakers. The accumulation of such arrears is troublesome in that it implies both a lack of resources provided to custodial families (in the case of arrears owed to families) and a lack of reimbursement to the state for expenses that could, at least in principle, be recovered. The persistence of arrears also creates its own problems, including difficulty in meeting state performance targets; effort expended on enforcement; hardships for low-income fathers, many of whom have few realistic prospects for paying off their debts; and potentially secondary impacts on child support compliance, because parents with large child support debts may be less inclined to cooperate with the child support system.

The last of these problems—potential negative impacts on subsequent child support compliance—is the focus of this report. The notion that arrears have a deterrent effect on child support payments has been raised repeatedly in the qualitative literature (see, e.g., Pate, 2002; Waller and Plotnick, 2001). However, there have only been limited efforts to examine this quantitatively. This reflects, in part, the difficulty in determining the direction of causality between arrears and subsequent compliance. That is, fathers with low propensity to comply with orders will likely have high arrearages. In this report, I build on recent work by Bartfeld and Meyer (2003) to examine the relationship between child support arrearages owed to the state and subsequent compliance with ongoing support obligations, using a framework that recognizes that the determinants of compliance differ for employed and nonemployed fathers. I use an instrumental variable approach to enable causal inferences about the relationship between arrears and subsequent compliance. In contrast to prior work, I attempt to disentangle the effects of overall arrearages, which may accrue for a variety of reasons, from the effects of having an obligation to pay birth-related costs (known as lying-in costs).

## BACKGROUND

Nationwide, the scope of child support arrearages is daunting. The federal Office of Child Support Enforcement (2001) reports nearly \$84 billion in arrears owed on behalf of children served by the Child Support Enforcement program during 2000, of which less than \$6 billion was collected. In Wisconsin, information from the Wisconsin Bureau of Child Support (2000) reveals total child support debt of over \$2.3 billion, of which almost half was owed to the government.

Fathers who have high amounts of child support arrearages may have less incentive to cooperate with the child support system due to the low likelihood that they will be able to pay their debt fully. The detrimental impact of arrears on subsequent payments has been highlighted by qualitative research (Pate, 2002; Waller and Plotnick, 2001). Recent evidence from Wisconsin supports the contention that high arrearages contribute to low compliance with ongoing obligations. Focusing on fathers of children whose mothers were W-2 participants, Bartfeld and Meyer (2003) found that fathers with a higher likelihood of owing substantial arrearages to the state at the time their child(ren) entered W-2 were significantly less likely to comply with their ongoing obligations.

Child support debt has a variety of components, including unpaid current support, retroactive orders, lying-in costs, fees, and interest. Because all current support in Wisconsin is now passed through to custodial parents regardless of welfare receipt, lying-in costs and fees—rather than unpaid support and retroactive orders—represent an increasingly large share of all state-owed arrears. In Wisconsin, 74 percent of fathers of W-2 recipients with current support obligations had an order to reimburse the state for birth-related costs (Bartfeld and Meyer, 2003). Such orders have the effect of creating large debts from the time an order is first issued, and may create an incentive to drop out of the child support system. For instance, the Office of the Inspector General (2000) found that in cases where no birth-cost charges were assessed on the noncustodial parent, 84 percent made a payment within the first 34 months, as compared to 74 percent when charges were assessed.

Despite some evidence that arrears and/or lying-in orders may have unintended negative impacts on compliance, these impacts are thus far not well understood. The current report builds on past research to systematically explore the relationship between arrears in general, and lying-in orders in particular, on subsequent compliance among fathers whose children receive W-2 benefits.

## DATA AND METHODS

### Data and Sample

Data are drawn from administrative records in the KIDS and CARES systems, the Wisconsin administrative databases used in the child support and public assistance systems, respectively. I also incorporate administrative data on earnings, as reported by employers for purposes of the Unemployment Insurance program.

The sample includes fathers of children whose mothers participated in W-2 at any point in its first 16 months of operation, between September 1997 and December 1998 (that is, cases in cohorts 1–2 of the CSDE3 data). By limiting the sample to these cohorts, I have four years of compliance data for the full sample. I further limit the sample to fathers who have child support orders in effect at the time of the mother's entry into W-2, and whose orders were issued within the past two years. This sample restriction reflects both conceptual and practical concerns. At a practical level, I restrict the sample to fathers who already have orders at the time of W-2 entry because the best measure of arrears in the data is an indicator of total arrears owed to the state at the time of the mother's entry into W-2. At a conceptual level, I further limit the sample to fathers whose order was issued within the past two years because I am interested in examining compliance at a relatively uniform point in the history of the case. Thus, I am able to examine how lying-in orders, which tend to be issued in tandem with initial support orders, as well as arrears that have accrued relatively early in the case history, influence subsequent compliance. I also exclude the subset of fathers who are randomly assigned to a more restrictive policy regarding the disposition of child support paid on behalf of welfare recipients, because the determinants of compliance

may vary depending on the particular policy regime.<sup>1</sup> Finally, I exclude fathers for whom the amount of the order is unknown, which happens when the order is expressed as a percentage of income rather than as a dollar amount. The final sample varies slightly from year to year, as not all fathers owe support in all years. Sample sizes range from 2,899 in the first year to 2,684 in the fourth year.

### Conceptual Framework

The conceptual framework underlying this analysis posits that the determinants of compliance differ between “discretionary” and “nondiscretionary” obligors. Consistent with earlier work (Bartfeld and Meyer, 2003), I consider fathers to be nondiscretionary obligors if they consistently have paid employment in the formal sector. These are the obligors who have the least control over their support payments, due to the presence of routinized enforcement strategies such as withholding of support from income, mandatory reporting of new hires to a central database, and interception of tax refunds. I consider fathers to be discretionary obligors if they are self-employed, voluntarily or involuntarily unemployed, employed in the informal sector, or incarcerated. Routinized enforcement strategies are less well suited to collecting support from these obligors, leaving a greater role for individual discretion with regard to payment.

The analyses reflect the assumption—based both on theory and on empirical work (Bartfeld and Meyer, 2003)—that different factors underlie the compliance patterns of discretionary and nondiscretionary obligors. In particular, I expect that individual preferences would have a greater influence on compliance among the discretionary obligors as compared to the nondiscretionary obligors, given that routinized collection mechanisms sharply limit the de facto discretion afforded to the latter group. Because high arrears and lying-in orders are hypothesized to influence willingness to pay support

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<sup>1</sup>Wisconsin was granted a federal waiver to implement a “full pass-through” policy, whereby all child support paid on behalf of welfare recipients is passed through to the custodial family, in contrast to the standard policy whereby most or all of the support is retained by the state to offset welfare costs. As a condition of receiving a federal waiver, Wisconsin was initially obligated to implement the policy as a random assignment experiment. As a result, a subset of W-2 recipients were randomly assigned to a more restrictive pass-through policy.

(higher arrears and lying-in orders lead to less willingness to pay), I expect to find a relationship between arrears and lying-in orders and compliance for the discretionary obligors, but not for the nondiscretionary obligors.

### Analysis Plan

To operationalize the distinction between discretionary and nondiscretionary obligors, I rely on administrative records of earnings as reported for purposes of Unemployment Insurance (UI). The UI data capture almost all wage and salary earnings in the formal employment sector in Wisconsin. These data do not capture informal employment, self-employment, or employment in other states. Thus, the presence or absence of earnings records in the UI data closely mirrors the conceptual distinction between nondiscretionary and discretionary obligors.<sup>2</sup>

I use maximum likelihood estimation to estimate a two-sided tobit model (Maddala, 1983) in which

$$Y = \mathbf{B}_{0j}\mathbf{X}_0 + \mathbf{B}_{1j}\mathbf{X}_1 + \mathbf{B}_{2j}\mathbf{X}_2 + \mathbf{B}_{3j}\mathbf{X}_3 + u$$

$$Y = 0 \text{ if } Y^* \leq 0$$

$$Y^* \text{ if } 0 < Y^* < 1$$

$$1 \text{ if } Y^* \geq 1$$

where

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<sup>2</sup>Fathers with out-of-state earnings comprise an intermediate group in terms of payment discretion. Out-of-state earnings are more frequently missed by child support enforcement, but steps taken in recent years, such as mandatory reporting of new hires, have made it easier to collect support in out-of-state cases. In our data, out-of-state cases are classified as discretionary obligors because such fathers do not have records in the UI data. We are unable to differentiate between fathers who lack earnings data because they are out of state versus those who lack earnings data for other reasons (unemployed, self-employed, etc.)

$Y$  = the ratio of support paid to support owed over a one-year period; I estimate the model for four different time periods, corresponding to each of the four years immediately following the mother's entry into W-2;<sup>3</sup>

$Y^*$  = an unobserved variable underlying  $Y$ ;

$X_0$  = an intercept term;

$X_1$  = an indicator of arrears owed to the state at the time of W-2 entry;

$X_2$  = an indicator of whether the father had ever been ordered to reimburse the state for lying-in costs;

$X_3$  = a vector of variables denoting other factors expected to be correlated with compliance;

and

$j = 0$  if fathers have no records in the UI data during the analysis year;

1 if fathers have 1–3 quarters with earnings records during the year;

2 if fathers have records in the UI data during all four quarters of the year.

The  $j$  subscripts on the coefficient vectors indicate that the parameters are permitted to vary depending on the extent of the father's formal employment. The number of quarters of formal employment serves as a proxy for the degree of payment discretion afforded the father. I consider fathers with four quarters of formal employment during the analysis year to be nondiscretionary obligors, fathers with no formal employment to be discretionary obligors, and fathers with 1–3 quarters of formal employment to be in an intermediate group—partial discretionary obligors.

Modeling compliance separately for each of the three groups, rather than by the equivalent method of estimating a single model with interaction terms, allows me to directly examine the correlates of compliance for each subgroup, and allows me to isolate the impacts of the variables of interest (arrears

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<sup>3</sup>The compliance ratio is calculated as all child support paid in a 12-month period divided by the amount owed in that period in current support. Thus, a father who pays all support owed in each month will have a ratio of 1, as will a father who pays no support for six months and double the amount owed for six months.

and lying-in costs) in the subgroups for which such an impact is most likely to occur, namely fathers who are not employed and possibly the partially employed fathers.

To estimate the association between arrears and subsequent compliance, I use both a direct measure of arrears as well as an instrumental variable approach. I estimate several alternative models, each using a different measure of arrears: the actual amount of arrears owed to the state; the predicted amount of arrears (based on an OLS regression); and the predicted probability of having high arrears (based on a probit model), where “high” is variously defined as above \$500, above \$2,500, above \$5,000, and above \$10,000.<sup>4</sup> An instrumental variable approach (that is, using predicted rather than actual values) is warranted because of the possibility that unmeasured factors influence both arrears and compliance. In particular, an unmeasured propensity for noncompliance would likely be linked to current compliance as well as past compliance—and thus to arrears. I identify the model using the amount of time an order has been in effect at the mother’s W-2 entry (less or more than one year), as this does not appear to be linked to current compliance. In all cases, the arrears variables reflect arrearages owed to the state at the time of the mother’s entry into W-2, including arrears for AFDC, foster care, lying-in costs, and interest. I do not use an instrumental variable approach to estimate the impact of lying-in orders, both because such orders are more conceptually distinct from compliance than are arrears, and because an appropriate instrument is not available.

The other independent variables in the model represent a variety of factors that have been linked to compliance, and which are frequently included in compliance models. The variables that are controlled for in our analyses are largely drawn from Bartfeld and Meyer (2003), and include the following: mother’s W-2 tier, whether mother has prior AFDC history, mother’s education (as a proxy for father’s

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<sup>4</sup>The predicted arrears value is derived from an OLS model with arrears as the dependent variable. The coefficients from this model, together with the particular characteristics of a case (age, education, etc.) are used to “predict” the amount of arrears. This predicted value is used instead of actual arrears as an independent variable in subsequent compliance models. The advantage of this approach, as compared to using the actual value of arrears, is that it reduces the likelihood that the arrears variable is proxying for unmeasured variables that may themselves influence compliance. A disadvantage is that resulting estimates generally have larger standard errors, making it more difficult to detect relationships, in this case between arrears and compliance.



education), mother's race (as proxy for father's race), whether mother is currently cohabiting, geographic location (Milwaukee, other urban, or rural county), age of youngest child, age of father, father's employment history in two years prior to mother's W-2 entry, duration of support order as of W-2 entry (less than one year or 1–2 years), parents' relationship (never married or previously married), whether the mother has children with other fathers (which may be linked to fathers' reduced willingness to pay support), the amount of support owed during the year, and father's expected knowledge of the child support pass-through rules, based on survey data. The latter variable is included because past work shows that fathers who tend to have less awareness of the pass-through rules have lower compliance (Bartfeld and Meyer, 2003). For purposes of this report, I treat independent variables as controls to allow me to isolate the effects of the variables of interest, namely those related to arrears and lying-in costs. Thus, my discussion does not address the various determinants of compliance, but rather focuses specifically on the arrears and lying-in order coefficients.

### Limitations

The decision of whether or not to work in the formal labor market can itself be influenced by the other independent variables in the model. In light of the limited payment discretion afforded employed fathers, some fathers, including those who perceive their support orders as too great a burden, who do not expect their formal payments to benefit their children, who are discouraged by high arrears and/or lying-in orders, or who are less committed to supporting their children, may opt out of the formal labor market. My approach is designed to estimate the impact of arrears and lying-in orders on compliance, net of any intermediate impact on employment.<sup>5</sup>

A more important concern is that there may be omitted variables correlated with both formal employment patterns and compliance. I address this by including indicators of longer-term labor force

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<sup>5</sup>Comparison of employment patterns of fathers with various levels of arrears do not reveal any clear pattern. However, the relationship between arrears and employment is beyond the scope of the current analysis.

attachment as a partial proxy for unobserved characteristics that may affect both employment and compliance. I include variables to differentiate among fathers with no formal employment during the two years prior to mother's W-2 entry, 1–4 quarters of formal employment, 5–7 quarters of formal employment, and formal employment during all 8 quarters. Thus, the observed correlates of compliance are net of any underlying differences among fathers that are correlated with longer-term differences in propensity for formal employment. I expect this to mitigate potential selection problems.

## RESULTS

I begin with descriptive data illustrating the compliance patterns among fathers, the extent of arrears and lying-in orders, and the relationships among these dimensions. I then present results from the multivariate analyses described above.

### Descriptive Data

#### *Compliance Patterns*

Table 1 shows the mean compliance ratio (where the ratio is capped at 1) for each of the first four years, and also shows the percentage of the sample in each of four compliance categories: no payment, payment of less than half of the amount owed, payment between half and 90 percent of the amount owed, and full compliance (defined as 90 percent or higher of the obligation). As discussed earlier, all cases in the sample had orders in effect at W-2 entry, and all of the orders had been issued within the previous two years. Thus, this analysis focuses on compliance during a four-year period early in the case history. Note that there are small declines in sample sizes as some cases do not have orders in all years.

Results show a small increase in compliance after the first year, from .38 in the first year to .41 to .43 in subsequent years. This reflects a decrease in the share of nonpayers, from 38 percent in the first year to 31 to 34 percent in subsequent years, and a small increase in full payers, from 25 percent to 28–29 percent.

**TABLE 1**  
**Compliance Patterns over 4-Year Period**

	N	Mean	0	<.5	.5-.9	>.9
Year 1	2,899	.38	38	25	12	25
Year 2	2,823	.41	34	25	13	28
Year 3	2,755	.43	31	26	14	29
Year 4	2,684	.42	34	25	12	29

*Arrears Owed to the State*

What amount of arrears do fathers typically owe? Table 2 shows the mean and distribution of arrearages owed to the state at the time of the mother's entry into W-2. Recall from the sample description that this is limited to fathers with relatively recent orders (issued within the previous two years). The arrears measure includes all arrears owed to the state, including lying-in costs, and is limited to amounts owed on behalf of children in a particular W-2 case.<sup>6</sup> Thus, it does not include arrears that a father might owe to a different mother. The mean amount owed to the state is \$3,601, ranging from none to over \$85,000. More than 90 percent of fathers owe at least some arrears, including 19 percent who owe more than \$5,000. Most common is arrears in the \$500–\$5,000 range, accounting for more than two-thirds of all fathers. Not surprisingly, arrears are higher for fathers whose order was issued one to two years previously than for fathers whose orders were issued within the past year. In addition, arrears tend to be higher for nonmarital fathers than for fathers who were previously married to the mother. And, fathers with two or more children tend to have higher arrears than do fathers with a single child. Finally, as indicated in Table 3, with the exception of the lowest arrears groups, the average support order increases as the amount of arrears increases. Thus, the mean annual support orders increase from \$1,800 for fathers who owe \$501 to \$2,500 in arrears to \$2,600 for fathers who owe more than \$7,500 in arrears. This is not surprising, in that fathers with higher orders have greater potential to accrue large arrears. It does suggest, though, that fathers with the highest arrears are likely to have higher incomes than fathers with low arrears.

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<sup>6</sup>Our definition of “arrears” for this analysis differs from the definition used by the state. Specifically, the state does not consider birth costs as being state-owed arrears. Throughout this report, the term “arrears” is used to indicate the more inclusive definition that does include birth costs. The data extracts used for this report do not allow us to separate out the various components of total arrears (birth costs, etc.), or to obtain measures for alternative definitions of arrears.

**TABLE 2**  
**Arrears Owed to the State at Time of Mothers' W-2 Entry**

Arrears	N	All	Years since Order		Relationship <sup>a</sup>		Number of Children	
			<1	1–2	Nonmarital	Marital	1	2+
Mean	2,899	\$3,601	\$2,268	\$4,531	\$3,605	\$3,528	\$3,122	\$4,967
0	251	8.7%	10.9%	7.1%	6.5%	28.4%	8.5	9.2
\$1–\$500	139	4.8%	4.5	5.0	3.6	14.4	4.5	5.7
\$501–\$2,500	1158	39.9%	58.8	26.8	41.4	27.7	44.2	27.9
\$2,501–\$5,000	815	28.1%	16.9	36.0	30.1	10.4	28.8	26.1
\$5,001–\$7,500	260	9.0%	4.6	12.0	9.2	6.8	6.7	15.4
>\$7,500	270	9.5%	4.3	13.2	9.1	12.2	7.4	15.7

<sup>a</sup>There are 23 cases whose marital status are unknown, so that nonmarital (paternity) has 2,598 cases and marital (divorced) has 278 cases.

**TABLE 3**  
**Mean Annual Order by Arrears at Time of Mothers' W-2 Entry**

Arrears	N	Mean
0	251	\$2,300
\$1-\$500	139	\$2,200
\$501-\$2,500	1,158	\$1,800
\$2,501-\$5,000	815	\$2,000
\$5,001-\$7,500	260	\$2,100
>\$7,500	276	\$2,600

*Birth-Related Costs*

Overall, 77 percent of the fathers had an order for lying-in costs, including 84 percent of the nonmarital fathers and 17 percent of the fathers who were previously married to the child's mother (Table 4). Such costs are infrequent among fathers with no or very low arrears; however, more than 80 percent of fathers in each of the higher arrears categories (more than \$500) have been ordered to pay lying-in costs. Thus, for most of the fathers with substantial arrears, lying-in costs comprise at least a portion of the support owed.

*Arrears, Lying-In Costs, and Compliance*

Table 5 shows the mean compliance ratio for each arrears category in each of the four years following the mother's W-2 entry. Based on descriptive data, there is no clear relationship between initial arrears and subsequent compliance, although compliance does appear to be lower among fathers who have state-owed arrears in excess of \$500. As per the earlier discussion, note that the various arrears groups differ in a variety of ways that might influence compliance patterns, including the previous relationship between the parents, the number of children, and the amount of the obligation (and thus the likely ability to pay support). As such, descriptive results that do not control for such differences may be of limited use in identifying relationships between arrears and subsequent compliance. Nonetheless, it is notable that there is no systematic relationship in the descriptive data.

Table 5 also shows the relationship between lying-in orders and compliance. In contrast to the lack of bivariate relationship between arrears and compliance, the table indicates that in each of the four years, compliance is considerably higher among fathers without lying-in orders than among fathers with such orders. Subsequent multivariate analyses examine this relationship while controlling for other differences among fathers.

**TABLE 4**  
**Lying-In Orders among Noncustodial Fathers of W-2 Children**

	N	% with Lying-In Order
All	2,899	76.9
Type		
Nonmarital	2,598	83.5
Marital	278	16.9
Arrears		
\$0	251	24.3
\$1-\$500	139	30.9
\$501-\$2,500	1,158	82.1
\$2,501-\$5,000	815	88.5
\$5,001-\$7,500	260	85.4
>\$7,500	270	83.3



**TABLE 5**  
**Mean Compliance by Arrears, during First Four Years after W-2 Entry**

	Year 1	Year 2	Year 3	Year 4
<b>Arrears</b>				
None	.50	.57	.55	.56
\$1-\$500	.74	.71	.68	.64
\$501-\$2,500	.35	.39	.40	.38
\$2,501-\$5,000	.33	.36	.38	.37
\$5,001-\$7,500	.33	.40	.42	.42
\$7,501-\$10,000	.41	.45	.45	.41
<b>&gt;\$10,000</b>	.42	.49	.49	.48
<b>Lying-In Order</b>				
No	.49	.53	.53	.53
Yes	.35	.38	.41	.39

### Multivariate Analyses

Table 6 shows key results from the multivariate analyses of compliance.<sup>7</sup> Unlike the previous results, the results in Table 6 are based on models that control for a variety of case characteristics, as per our earlier discussion. Each panel of Table 6 shows results for three groups of fathers: discretionary obligors (no employment during the relevant year), partial discretionary obligors (1–3 quarters of employment), and nondiscretionary obligors (4 quarters of employment). All models include an indicator of lying-in orders and one of several alternative measures of arrears. In all cases, arrears includes any amount owed in lying-in costs. Thus, the coefficient on the arrears variable should be interpreted as the relationship between total arrears from any source and subsequent compliance, whereas the coefficient on the lying-in indicator should be interpreted as the relationship between having a lying-in order and subsequent compliance, controlling for the total arrears amount. The arrears coefficient provides information about the importance of the overall amount owed, whereas the lying-in coefficient provides information about the importance of one particular component of total arrears.

The models differ in the choice of measure for capturing arrears. As previously discussed, I expect any impacts of arrears and/or lying-in orders on subsequent compliance to be strongest among the nonworking fathers, as these are the fathers with greatest de facto discretion with regard to payment. The various arrears measures, corresponding to the models in panels one through six, are as follows:

1. Actual arrears amount (expressed in \$100). As per our earlier discussion, the arrears variable includes any amounts owed in lying-in costs.
2. Predicted arrears amount. As described earlier, the identifying variable in the first stage model is the amount of time the order was in effect at the time of the mother's W-2 entry.

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<sup>7</sup>Results are from 18 separate models, including six different models differing in choice of arrears variable estimated for each of three groups of fathers.

**TABLE 6**  
**Arrears and Lying-in Order Coefficients from Tobit Models of Child Support Compliance among Three Groups of Fathers, Years 1–4**

	Year 1			Year 2			Year 3			Year 4		
	Quarters of Employment			Quarters of Employment			Quarters of Employment			Quarters of Employment		
	0	1–3	4	0	1–3	4	0	1–3	4	0	1–3	4
<b>1. Actual Arrears</b>	<b>-.002*</b>	-.001	.000	<b>-.003**</b>	.000	.000	<b>-.002**</b>	.000	.000	<b>-.001#</b>	.000	.000
	<b>(.001)</b>	(.001)	(.000)	<b>(.001)</b>	(.001)	(.000)	<b>(.001)</b>	(.001)	(.000)	<b>(.001)</b>	(.001)	(.001)
Lying-in order	<b>-.214*</b>	-.028	.004	<b>-.241*</b>	-.013	-.021	-.073	-.049	.023	-.094	.002	-.019
	<b>(.100)</b>	(.060)	(.057)	<b>(.100)</b>	(.059)	(.059)	(.085)	(.054)	(.057)	(.087)	(.058)	(.065)
N	959	828	1095	988	815	1044	1034	782	974	1156	727	881
Log Likelihood	-624.365	-575.691	-927.872	-753.527	-597.562	-844.792	-806.929	-582.623	-739.707	-885.793	-547.183	-678.606
<b>2. Predicted Arrears</b>	-.004	.000	.000	-.008	-.001	-.001	-.005	-.003	.001	-.002	-.002	.000
	(.005)	(.003)	(.003)	(.005)	(.003)	(.003)	(.005)	(.003)	(.003)	(.005)	(.003)	(.004)
Lying-in order	-.153	-.064	-.013	-.102	.001	.017	-.001	.010	-.018	-.086	.045	-.029
	(.182)	(.089)	(.095)	(.174)	(.086)	(.092)	(.141)	(.083)	(.090)	(.150)	(.090)	(.106)
N	959	828	1095	988	815	1044	1034	782	974	1156	727	881
Log Likelihood	-627.414	-578.132	-928.189	-760.823	-597.757	-844.795	-812.505	-582.798	-740.096	-887.362	-547.233	-678.610
<b>3. Predicted Arrears &gt;\$500</b>	-.908	.530	.313	.409	-.108	<b>1.28**</b>	.503	-.294	.180	.772	-.014	.273
	(.755)	(.391)	(.429)	(.773)	(.397)	<b>(.433)</b>	(.674)	(.364)	(.442)	(.672)	(.399)	(.475)
Lying-in order	<b>-.525*</b>	-.184	-.118	<b>-.420#</b>	.016	<b>-.475**</b>	-.261	.026	-.050	-.356	.009	.117
	<b>(.240)</b>	(.113)	(.164)	<b>(.244)</b>	(.122)	<b>(.164)</b>	(.211)	(.113)	(.166)	(.222)	(.132)	(.181)
N	959	828	1095	988	815	1044	1034	782	974	1156	727	881
Log Likelihood	-626.690	-577.209	-927.923	-760.683	-597.720	-840.430	-812.226	-582.472	-740.013	-886.704	-547.233	-678.444

(table continues)

TABLE 6, continued

	Year 1			Year 2			Year 3			Year 4		
	Quarters of Employment			Quarters of Employment			Quarters of Employment			Quarters of Employment		
	0	1-3	4	0	1-3	4	0	1-3	4	0	1-3	4
<b>4. Predicted Arrears</b>												
<b>&gt;\$2,500</b>	-.060	.066	-.020	-.348	-.025	-.055	-.212	-.096	-.003	-.055	-.089	.091
	(.248)	(.115)	(.131)	(.243)	(.115)	(.132)	(.200)	(.112)	(.108)	(.208)	(.119)	(.147)
Lying-in order	<b>-.251*</b>	-.071	.000	<b>-.208#</b>	-.012	-.005	-.059	-.030	.015	-.107	.029	-.045
	<b>(.127)</b>	(.066)	(.067)	<b>(.125)</b>	(.066)	(.067)	(.101)	(.061)	(.065)	(.106)	(.066)	(.075)
N	959	828	1095	988	815	1044	1034	782	974	1156	727	881
Log Likelihood	-627.676	-577.978	-928.181	-760.925	-597.783	-844.837	-812.478	-582.956	-740.193	-887.373	-547.124	-678.424
<b>5. Predicted Arrears</b>												
<b>&gt;\$5,000</b>	.046	-.302	-.189	-.570	-.299	.015	-.443	-.347	-.315	-.216	.092	.374
	(.466)	(.248)	(.238)	(.453)	(.239)	(.248)	(.387)	(.231)	(.246)			
Lying-in order	<b>-.280*</b>	-.007	.026	<b>-.214#</b>	.024	-.021	-.044	-.007	.064	-.084	-.007	-.047
	<b>(.136)</b>	(.070)	(.068)	<b>(.129)</b>	(.068)	(.069)	(.107)	(.062)	(.068)	(.112)	(.066)	(.078)
N	959	828	1095	988	815	1044	1034	782	974	1156	727	881
Log Likelihood	-637.7	-577.398	-927.877	-761.161	-597.023	-844.922	-812.386	-582.188	-739.371	-887.263	-547.328	-678.435
<b>6. Predicted Arrears</b>												
<b>&gt;\$10,000</b>	.495	-.888	.111	-.397	<b>-.671#</b>	.279	-.457	-.434	-.344	<b>-.965#</b>	.287	.409
	(.575)	(.399)	(.300)	(.599)	<b>(.349)</b>	(.313)	(.521)	(.312)	(.326)	<b>(.503)</b>	(.319)	(.414)
Lying-in order	<b>-.321**</b>	.001	-.015	<b>-.280*</b>	.021	-.040	-.080	.026	-.039	-.032	-.011	-.045
	<b>(.115)</b>	(.064)	(.061)	<b>(.114)</b>	(.062)	(.063)	(.095)	(.057)	(.061)	(.098)	(.060)	(.069)
N	959	828	1095	988	815	1044	1034	782	974	1156	727	881
Log Likelihood	-627.335	-575.663	-928.124	-761.733	-595.963	-844.525	-812.657	-582.355	-739.637	-885.554	-546.997	-678.128

Notes: Standard errors are shown in parentheses.

#significant at the 10% level, \*significant at the 5% level, and \*\* significant at the 1% level.

3. Predicted probability of “high arrears,” defined as arrears in excess of \$500 at the time of mother’s W-2 entry. The identifying variable is analogous to that for the predicted arrears amount.
4. Predicted probability of high arrears, using a \$2,500 threshold.
5. Predicted probability of high arrears, using a \$5,000 threshold.
6. Predicted probability of high arrears, using a \$10,000 threshold.

Panel one shows results from a model in which the arrears variable is the actual arrears amount (expressed in \$100). This model does not control for unobserved variables that may be linked to arrears as well as to subsequent compliance. Looking first at the discretionary obligors, the arrears coefficient is negative and significant in each of the four years, implying that higher arrears are linked to lower subsequent compliance, after controlling for observed differences among fathers. Also focusing on discretionary obligors, results indicate that fathers with lying-in orders have lower compliance in the first two years, a relationship that is no longer apparent in the third and fourth years. For the other two groups of fathers—the partial discretionary obligors and the nondiscretionary obligors—there is no apparent link between either arrears or lying-in costs and subsequent compliance. These results are consistent with the idea that arrears and lying-in obligations reduce fathers’ willingness to pay, where “willingness” is only relevant for fathers outside the formal employment system.

The second panel shows results from an analogous model in which the actual arrears variable is replaced with predicted arrears. As described earlier, the identifying variable in the first stage model is the amount of time the order was in effect at the time of the mother’s W-2 entry.<sup>8</sup> Again focusing on discretionary obligors, the arrears coefficients are larger in magnitude than in the prior model, but are no longer significant due to substantially larger standard errors. The lying-in order coefficients are somewhat smaller in magnitude and no longer significant. For the other groups of fathers, coefficients on the key

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<sup>8</sup>The “time since order” variable was included in the prior compliance model, which did not use an instrumental variable approach; its coefficient in that model was small and insignificant, suggesting no direct relationship to compliance. “Time since order” is strongly related to the amount of arrears, which makes it a good instrument for this analysis.

variables are again insignificant. In contrast to the prior model, results from this model provide no evidence that either the amount of arrears or the presence of a lying-in order are linked to compliance.

The continuous arrears indicator implies a linear relationship between arrears and compliance. Alternatively, it may be that arrears only serve as a deterrent when they are sufficiently high. The next four panels show results from models in which the continuous arrears variable is replaced with the predicted probability of high arrears, variously defined as above \$500, above \$2,500, above \$5,000, and above \$10,000. As with the prior model, the identifying variable is the amount of time the order was in effect at W-2 entry. Looking across the four variants of the model with the high arrears indicator, there is little evidence that high arrears are significantly linked to compliance for any of the groups of fathers in any of the years. The exceptions are a positive significant coefficient for nondiscretionary obligors during year 2, when high arrears are defined with the \$500 threshold; and negative and marginally significant coefficients for partial discretionary obligors during year 2 and discretionary obligors in year 4 ( $p < .1$ ), when high arrears are defined with the \$10,000 threshold. However, results do suggest that discretionary obligors with a lying-in order have lower compliance during the first two years than comparable fathers without such an order. This finding holds for each of the four models using the high-arrears indicators. There is no such pattern for the other two groups of fathers, again consistent with the notion that willingness to pay is only relevant for fathers outside of the formal employment sector.

## CONCLUSIONS

This report has attempted to identify the extent to which child support arrears in general, and lying-in orders in particular, are linked to subsequent compliance among fathers of children whose mothers are W-2 participants. The findings provide evidence that having an order to reimburse the state for lying-in costs may be linked to reduced compliance during the first two years following entry into W-2, a relationship limited to discretionary obligors. This finding was significant in years 1 and 2 for the discretionary obligors in five of the six models. The consistency of the finding across models lends

confidence to this conclusion; and the finding that such a relationship is limited to fathers outside the formal employment sector is consistent with the theoretical underpinnings of the analysis.

I find little evidence that child support arrears at the time of the mother's entry into W-2 are linked to reduced compliance over the subsequent four years. This relationship is only evident when I use a direct measure of arrears, which does not control for potential unobserved factors that may affect both current compliance and past compliance (and hence arrears). Using an instrumental variable to denote arrears, either as a continuous variable or a dichotomous variable that specifically identifies high-arrears cases (variously defined), I find no evidence of a link to compliance. In light of this, the observed effect between actual arrears and compliance should be viewed with caution.

Taken together, results strongly suggest that lying-in orders in particular, but not high arrears in general, contribute to reduced compliance among fathers of W-2 children. As noted, this only appears relevant to fathers who are outside of the formal employment sector and who thus are able to exercise some discretion over their support payments. This finding sheds new light on our understanding of the way in which child support orders and arrears may affect payment decisions.

From a policy standpoint, results suggest that legislators, policymakers, and key players in the child support system should factor in the detrimental impact of lying-in orders when making decisions about whether such orders should be issued. This could be approached from a strict cost-benefit analytic approach, that is, by assessing whether the gains stemming from support collected for birth-related costs are sufficient to offset the costs of the associated reduction in compliance. Such an analysis is well beyond the scope of this report. A more realistic approach may be for policymakers to at least acknowledge the detrimental impact on compliance when considering the pros and cons of charging fathers for birth-related costs. It bears noting that, under the current policy regime in which all support is passed through to custodial parents, the costs of lying-in orders (reduced compliance with current support) are borne by custodial parents, whereas the benefits of such orders (recovery of birth costs and receipt of federal incentive payments) are accrued by the counties and the state.

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