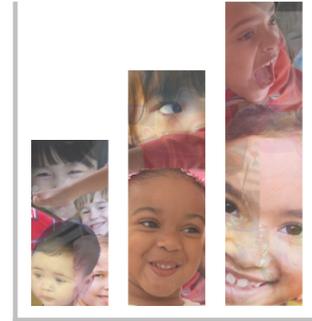


Effect of Male Employment on Child Support Collections

The Story Behind the Numbers Fact Sheet Series takes a closer look at child support program data collected by state, tribal and federal agencies. This series presents the results of data analyses to better understand program performance and caseload trends. Through a deeper understanding of the story behind the numbers, the series aims to inform policy and practice and strengthen program outcomes.

This fact sheet explores the relationship between child support collections and various factors that influence collections.



Many factors can influence child support collections. This brief focuses on three – male employment, child support spending, and the number of child support cases. Since FY 2008, two of these factors – male employment and child support spending – have declined, while the number of child support cases has remained largely unchanged. Analyzing the collective effect of these three factors suggests that child support collections should have declined. In fact, they have once you adjust for inflation. Going forward, it will be difficult to increase child support collections as long as the male employment rate and child support spending remain at their current levels.

Prime-Age Male Employment Rate Declines

The employment rate among prime-age males (those between 25 and 54 years old) declined dramatically during the last recession and has not returned to pre-recession levels. During the early 2000s, an average 87 percent of prime-age males were employed in a given month. That figure fell to a low of 81 percent during the fourth quarter of 2009, the lowest level experienced since this data series began in 1948. It has since increased to 83 percent, but it remains significantly below its pre-recession levels.

In addition to the temporary decline in employment among prime-age males during the last recession, there has been a long-term decline in their employment over time. In the late 1960s, prime-age male employment peaked at 95 percent. But since the 1969/70 recession, employment rates among prime-age males have declined during each

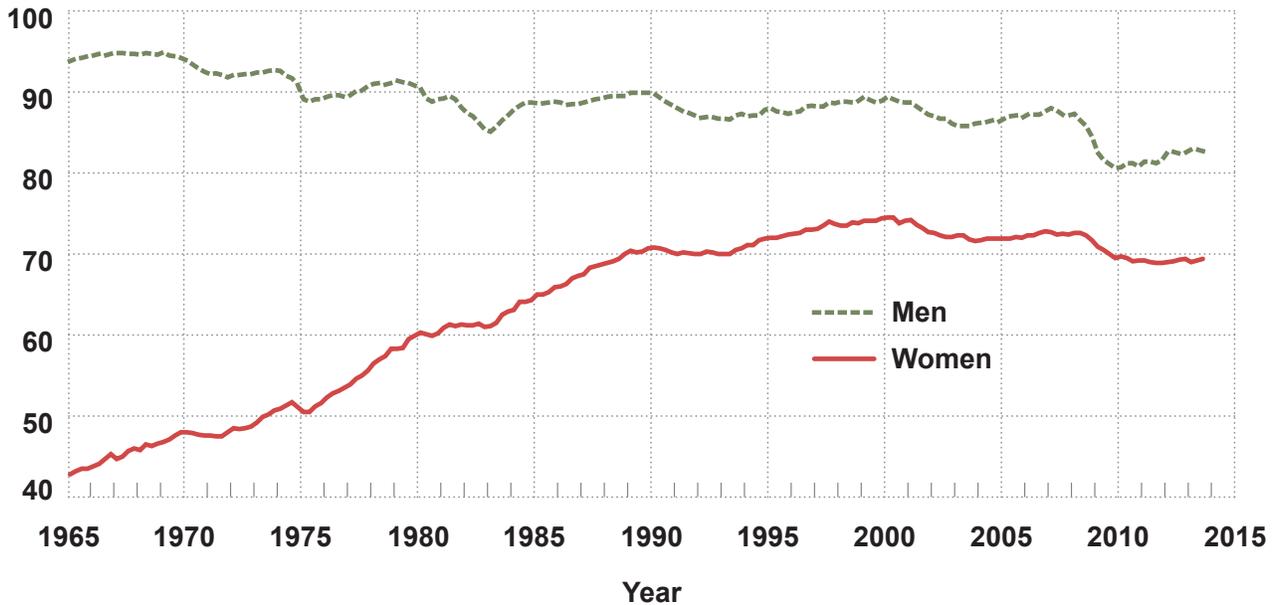
recession and have not returned to their pre-recession levels. Given this historical trend, it is unlikely that the employment rate for prime-age males will reach much above 85 percent in the future.

In contrast, Figure 1 shows that the employment rate for females between the ages of 25 and 54 has increased dramatically since 1965, starting at 43 percent and peaking at 74 percent in 2000. Since 2000, the employment rate for prime-age females has declined, as it did among prime-age males, in response to the two recessions that took place during the early 2000s. During the most recent recession, the employment rate among prime-age females did not decline as dramatically as it did among prime-age males. Instead of falling 6 percentage points as it did for prime-age males, it fell 3.5 percentage points. But since 2011, the employment rate for prime-age males has recovered somewhat while the employment rate for prime-age females has remained stuck at 69 percent. Nonetheless, there has been a dramatic change in employment patterns among prime-age men and women. In 1965, for every employed prime-age woman, there were 2.2 employed prime-age men; today that figure is 1.2 prime-age men.

Today, 83 percent of men between the ages of 25 and 54 are working, down from 95 percent in 1969.

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Figure 1: Quarterly Employment Rate for Men and Women 25 to 54 Years Old: 1965-2013
(Percent)



Source: U.S. Bureau of Labor Statistics, Current Population Survey, 1965-2013.

Child Support Collections are Related to Male Employment

This downward trend in male employment is bad news for child support. According to data from the federal Office of Child Support Enforcement's Federal Case Registry, over 90 percent of noncustodial parents are between the ages of 25 and 54 and nearly 90 percent are male. Therefore, it is likely that the employment rate among noncustodial parents has been declining for some time and experienced a significant decline during the last recession.

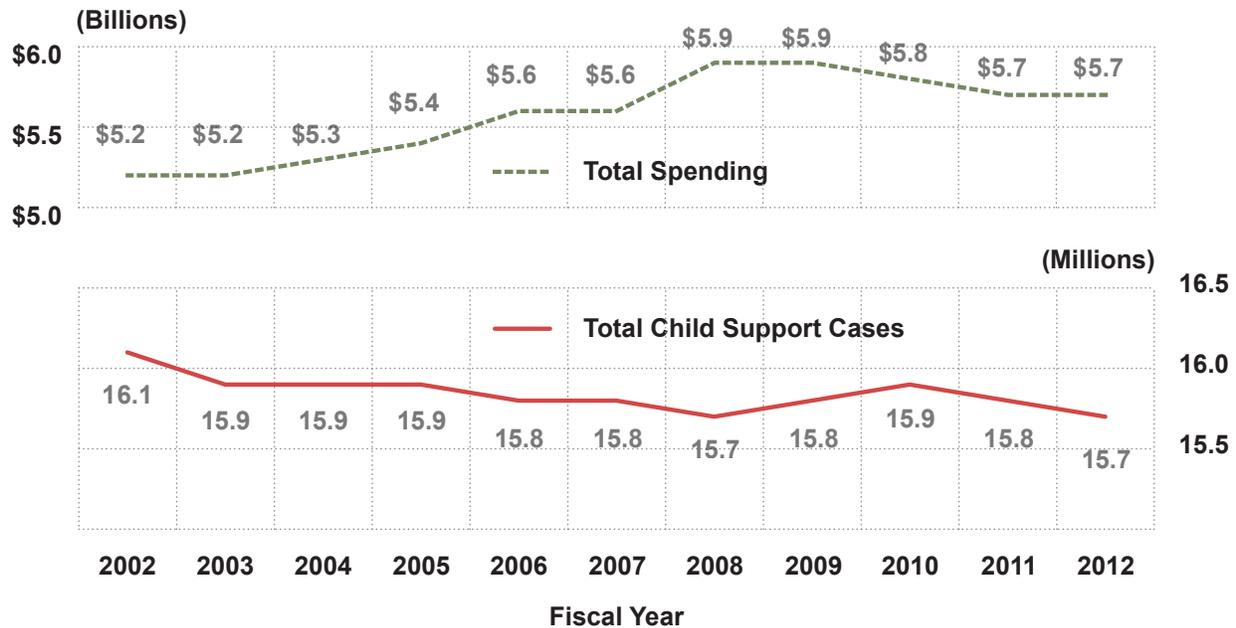
Needless to say, employment among prime-age males is strongly associated with child support payments. Using regression analysis to describe this relationship, we find that a 10 percent reduction in the employment of prime-age males is associated with a 2.2 percent decline in child support collections. Between FY 2008 and FY 2012, prime-age male employment declined by 5 percent. According to the regression results, this decline is associated with a 1.1 percent decline in child support collections, all else equal.¹

Other Factors are Related to Child Support Collections

Two other factors are associated with child support collections over time: 1) spending on the child support program; and 2) the number of child support cases. As shown in Figure 2, child support spending peaked in FY 2008 and has declined nearly 4 percent since then. One reason child support spending has declined is because federal spending on the program has declined due to a change in federal policy. As part of the Deficit Reduction Act of 2005, the federal government no longer provides federal matching funds to state child support programs on incentive payments. This policy went into effect in FY 2008, but the prior policy was reinstated for two years as part of the American Recovery and Reinvestment Act (ARRA). Since 2011, when ARRA ended, federal spending has been significantly lower. Another reason child support spending has declined is because state spending declined due to the recent recession. State revenues were strongly affected by the recession, which resulted in significant state budget cuts. State revenues have finally returned to their FY 2008 levels, but state spending still lags behind.²

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Figure 2: Child Support Spending and Cases: FY2002-FY2012



Source: U.S. Department of Health and Human Services, Office of Child Support Enforcement, Annual Report to Congress and Preliminary Data Report, various years.

A second factor that influences child support collections is the number of cases being served by the child support program. In general, the more cases in the program, the more child support can be collected. Figure 2 shows that the number of cases declined between FY 2002 and FY 2008 and has remained relatively stable since then. It is worth noting, however, that the composition of child support cases has been changing over time. Cases receiving welfare have been declining, while cases that involve children born outside of marriage have been increasing. These two trends have opposite effects on collections.³

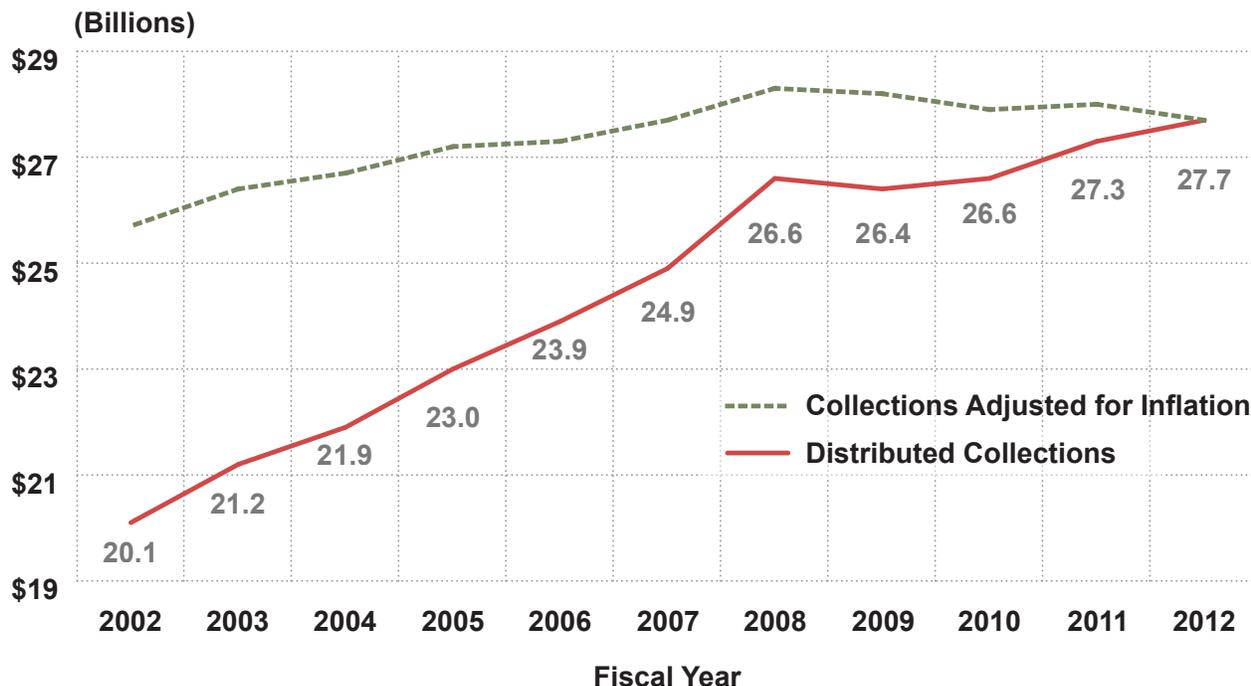
The regression analysis described earlier also examines the relationship between child support collections and these two factors. According to this analysis, a 10 percent decline in child support spending is associated with a 5 percent reduction in collections, and a 10 percent decline in the number of child support cases is associated with a 3 percent reduction in collections. These regression results suggest that changes in these two factors were associated with a 2 percent decline in child support collections between FY 2008 and FY 2012, all else equal.

Child Support Collections Reflect Inflation

Given that two of the three key factors associated with child support collections (prime-age male employment and child support spending) have declined since FY 2008, one might wonder why actual child support collections declined only in FY 2009 and not in subsequent years. In fact, child support collections have declined once inflation is taken into account. In general, wages and prices increase every year and this is reflected in higher child support collections. If child support collections are examined after adjusting for inflation, Figure 3 shows that child support collections peaked in FY 2008 and have declined 2 percent since then.⁴ Even on a per case basis, collections on these cases have declined.

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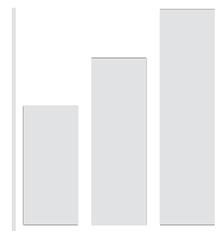
Figure 3: Total Child Support Distributed Collections in Nominal Terms and Adjusted for Inflation: FY2002-FY2012



Source: U.S. Department of Health and Human Services, Office of Child Support Enforcement, Annual Report to Congress and Preliminary Data Report, various years (Distributed Collections). U.S. Bureau of Labor Statistics (Consumer Price Index - Urban Consumers).

Conclusions

Child support collections face two headwinds going forward: 1) a lower employment rate among prime-age males; and 2) lower levels of spending on the child support program. As a result, unless these factors improve, it will be difficult to achieve large increases in child support collections in the future.



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References

- ¹ The regression analysis uses state-level quarterly data from the second quarter of 2002 to the fourth quarter of 2012 to measure the relationship between child support collections and prime-age male employment. The dependent variable is child support distributed collections. The primary explanatory variables are cases, child support administrative expenditures, and employment among prime-age males. Child support distributed collections are from OCSE-34A Part 1 line 8, column G; child support IV-D expenditures are from OCSE-396A line 7, column (A+C); IV-D cases are from the Federal Case Registry; prime-age male employment is from the U.S. Census Bureau's Longitudinal Employer Dynamics Extraction Tool. A linear time trend and indicators for three of the four quarters were also included in the regression analysis. Full results are available from Elaine Sorensen at elaine.sorensen@acf.hhs.gov.
- ² For state revenue trends, see: U.S. Census Bureau press release titled "Census Bureau Reports State Government Tax Collections Reach High of Nearly \$800 Billion in Fiscal Year 2012" (April 11, 2013).
http://www.census.gov/newsroom/releases/pdf/tax_collections_revenue3.pdf
For state expenditure trends, see: The National Association for State Budget Officers. State Expenditure Report: Examining Fiscal 2011-2013 State Spending.
[http://www.nasbo.org/sites/default/files/State Expenditure Report \(Fiscal 2011-2013 Data\).pdf](http://www.nasbo.org/sites/default/files/State%20Expenditure%20Report%20(Fiscal%202011-2013%20Data).pdf)
- ³ Maureen A. Pirog & Kathleen M. Ziol-Guest. "Child Support Enforcement: Programs and Policies, Impacts and Questions." *Journal of Policy Analysis and Management* 25:4 (2006): 943-990.
- ⁴ Inflation is measured using the Consumer Price Index – Urban Consumers from the U.S. Bureau of Labor Statistics.