

Child Support Policy and Household Decision Making Dissertation Abstract

Hugette Sun

University of Wisconsin - Madison

As part of the Family Support Act of 1988, states are required to maintain child-support rules. These rules determine the payments that flow from a non-custodial parent to a custodial parent for support of their children. State laws vary and the required payments can be substantial. Consequently, child support rules have the potential to alter behavior. The essays in my dissertation examine the effects of child support policies on household behavior.

My first essay develops a simple model of child support and divorce or separation, highlighting the specific conditions that must be true for differences in child support payments to affect whether or not a couple decides to divorce, given a specific shock to match quality. The benefit of using a model is that it provides an internally consistent framework to evaluate why parents make certain decisions, as opposed to just observing the decision. The model makes it clear that variation in child support guidelines across states should affect some marriages and not others. I examine the implications of the model, using individual-level data from the 1996 panel of the Survey of Income and Program Participation, which I combine with data on state-level child support guidelines and child support enforcement drawn from annual reports from the Office of Child Support Enforcement. I find that there is a significant negative effect of child support on the probability of divorce. Furthermore, this effect is a result of a state's presumptive guidelines as opposed to differences in child support enforcement measures, which is a factor that has not been considered in previous work. The effect varies in magnitude with the amount of support that needs to be paid. These estimates are not very sensitive to conditioning on divorce law or using an expected support payment.

My second essay explores how differences in child support guidelines affect marital decisions. If each spouse knows the amount of support that would need to be paid upon divorce (and also knows with some probability how many children they will have and that divorce is a possible outcome of the marriage), they will take these factors into account when they decide initially to marry. Thus, the match quality distribution of those who marry will differ across states. Put differently, child support will affect marriage: in some states, those with lower match qualities will not get married, while in other states, otherwise identical couples will marry. Using data from the 1979 National Longitudinal Study of Youth, I examine the effect of cross-state differences in child support policy on marital decisions.

My third essay (joint with John Hore) examines how differences in child support guidelines affect the labor supply of women prior to divorce. Previous studies have shown that married women tend to work more hours leading up to divorce. In the 31 states that use the "Income Shares" model to determine child support obligations, the amount of support that a woman receives is inversely proportional to the share of combined income that she earns. In these states, married women have less incentive to work prior to divorce. Comparing the "Income Shares" states to other states provides plausibly exogenous variation in the labor market incentives of women prior to divorce. Looking at these states relative to states that follow the "Percentage of Income" model, which depends only on the father's income, we examine the role these incentives might have on the labor supply of women.