

Do courts know how to incentivize? Behavioral response of non-resident parents to child support obligations



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Research Question

In Germany, the courts define child support obligations in so-called child support guidelines, which are subject to periodic revision. The present study seeks to ascertain the question of whether non-resident parents modify their behavior in response to a €10 increase in their monthly child support obligations.

The German Child Support System

| No. of income groups | Non-resident parent: Allowable net income | Percentage of income | Monthly child support obligations for 2 children | | | |
|----------------------|---|----------------------|---|--------|---------|------|
| | | | Age groups (a child's age in years) | | | |
| | | | 0 – 5 | 6 – 11 | 12 – 17 | ≥ 18 |
| 1. | < €1,500 | 100 | Minimum rates of child maintenance: €281 €322 €377 €432 | | | |
| 2. | €1,501 – €1,900 | 105 | €296 | €339 | €396 | €454 |
| 3. | €1,901 – €2,300 | 110 | €310 | €355 | €415 | €476 |
| 4. | €2,301 – €2,700 | 115 | €324 | €371 | €434 | €497 |
| 5. | €2,701 – €3,100 | 120 | €338 | €387 | €453 | €519 |
| 6. | €3,101 – €3,500 | 128 | €360 | €413 | €483 | €553 |
| 7. | €3,501 – €3,900 | 136 | €383 | €438 | €513 | €588 |
| 8. | €3,901 – €4,300 | 144 | €405 | €464 | €543 | €623 |
| 9. | €4,301 – €4,700 | 152 | €428 | €490 | €574 | €657 |
| 10. | €4,701 – €5,100 | 160 | €450 | €516 | €604 | €692 |
| | ≥ €5,100 | | according to the circumstances of the case | | | |

Notes: Minimum rates of child maintenance are shown in the 1. income group (or at 100%). All values of money are given in € (Higher Regional Court Düsseldorf (2009)). The classification of children into different age groups is defined in the Civil Code. §1612a of the Civil Code regulates the minimum maintenance of minor children by classifying children into three age brackets: 0-5, 6-11 and 12-17. Furthermore, unmarried children of full age are equivalent to the minor unmarried children, until they reach the age of 21, as long as they live in the parental household and are in general education (§1603 (2) sentence 2). For other children of full age, more severe requirements apply. Here, I assume that children aged 21 and over are financially self-sufficient and are not entitled to maintenance. Unlike in Denmark, new biological children who live in the same household are not included in the child support calculation (Rossin-Slater and Wüst (2017)). The lack of consideration of “second families” was criticized, for example, in the wake of the 2008 reform (German Bundestag (2006)).

Table 1: Extract from the 2009 Düsseldorf Guideline

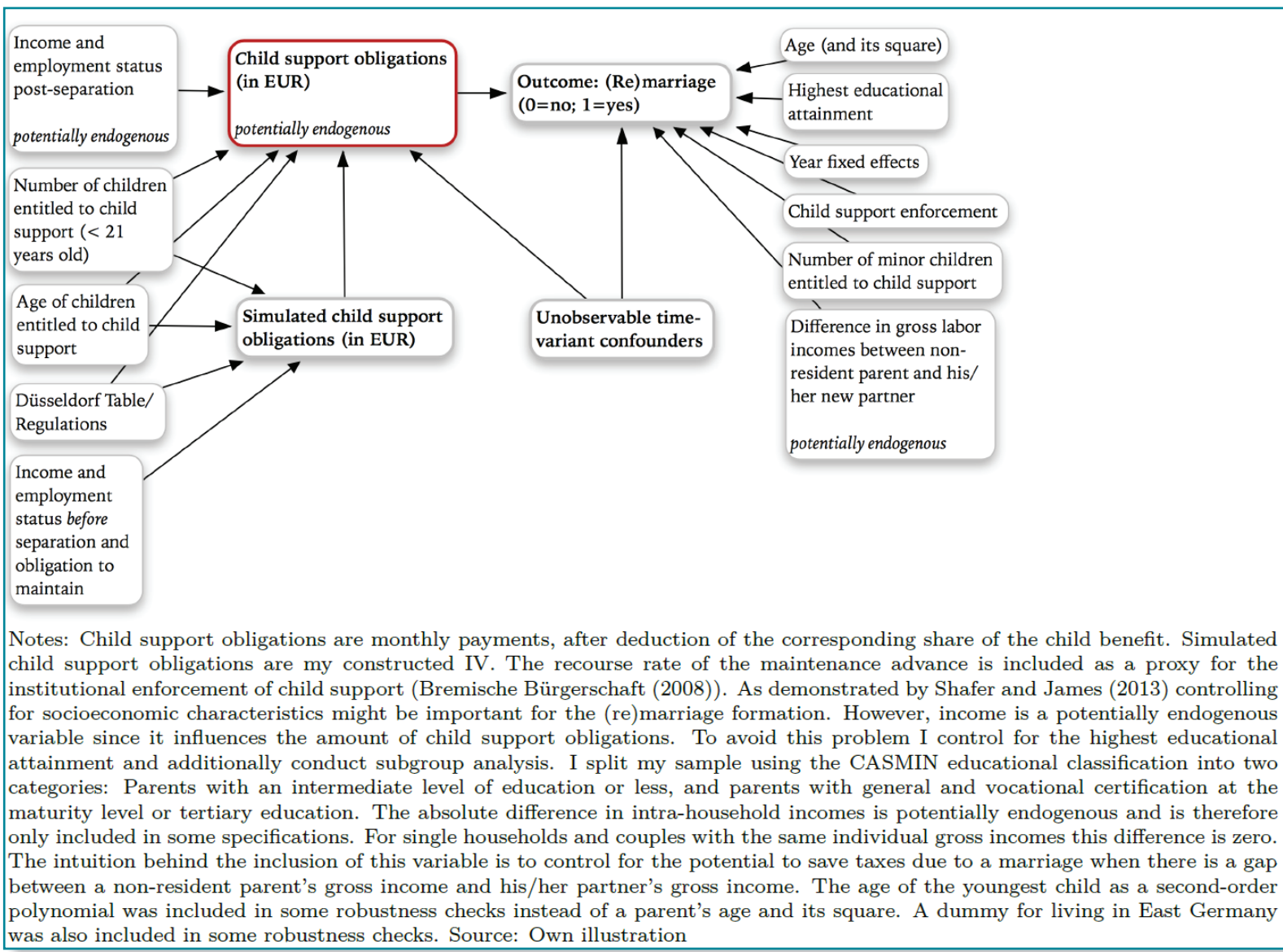
| | Child benefit: for 1. child /for 2. child | Minimum rates of child maintenance | Self-support reserve: Employed /unemployed parent | Non-resident parent allowable income: Income groups thresholds | Number of income groups [†] | Occupational expenditures: Minimum [‡] /maximum amount |
|---------|---|------------------------------------|---|--|--------------------------------------|---|
| 01/1985 | DM 25/50 | change | DM 990/910 | change | 9 | DM 80/240 |
| 01/1989 | DM 25/50 | change | DM 1,100/1,000 | change | 8 | DM 90/260 |
| 07/1990 | DM 25/65 | | DM 1,100/1,000 | | 8 | DM 90/260 |
| 01/1992 | DM 35/65 | | DM 1,100/1,000 | | 8 | DM 90/260 |
| 07/1992 | DM 35/65 | change | DM 1,300/1,150 | change | 9 | DM 90/260 |
| 01/1996 | DM 100/100 | change | DM 1,500/1,300 | change | 9 | DM 90/260 |
| 01/1997 | DM 110/110 | | DM 1,500/1,300 | | 9 | DM 90/260 |
| 07/1998 | DM 110/110 | change | DM 1,500/1,300 | change | 12 | DM 90/260 |
| 01/1999 | DM 125/125 | | DM 1,500/1,300 | | 12 | DM 90/260 |
| 07/1999 | DM 125/125 | change | DM 1,500/1,300 | | 12 | DM 90/260 |
| 01/2000 | DM 135/135 | | DM 1,500/1,300 | | 12 | DM 90/260 |
| 01/2001 | Law on the Proscription of Violence in Upbringing and Modification of Child Support | | | | | |
| | DM 135/135 | | DM 1,500/1,300 | | 12 | DM 90/260 |
| 07/2001 | DM 135/135 | change | DM1,640/1,425 | change | 13 | DM 100/290 |
| 01/2002 | € 77/77 | change | € 840/730 | change | 13 | € 50/150 |
| 07/2003 | € 77/77 | change | € 840/730 | | 13 | € 50/150 |
| 07/2005 | € 77/77 | change | € 890/770 | | 13 | € 50/150 |
| 07/2007 | € 77/77 | change | € 900/770 | | 13 | € 50/150 |
| | € 154/154* | | | | | |
| 01/2008 | Law to Modify Alimony Regulations | | | | | |
| | € 77/77 | change | € 900/770 | change | 10 | € 50/150 |
| | € 154/154* | | | | | |
| 01/2009 | € 82/82 | | € 900/770 | | 10 | € 50/150 |
| | € 164/164* | | | | | |
| 01/2010 | € 92/92 | change | € 900/770 | | 10 | € 50/150 |
| | € 184/184* | | | | | |
| 01/2011 | € 92/92 | | € 950/770 | | 10 | € 50/150 |
| | € 184/184* | | | | | |
| 01/2013 | € 92/92 | | € 1,000/800 | | 10 | € 50/150 |
| | € 184/184* | | | | | |

Notes: *If older than 17 years of age (age group 4 in the Düsseldorf Guidelines); [†]if part-time employed also less; [‡]The number of income groups does not include the last group with the highest incomes. The third column “Minimum rates” corresponds to the 100% in the Düsseldorf Guideline (see, e.g., Table 1). The Düsseldorf Guidelines and comments are based on the coordination agreement between the judges of the Family Senate of the Higher Regional Courts of Düsseldorf, Cologne, and Hamm, and the maintenance commission of the German Family Court Day. Additionally, the results of the survey of all Higher Regional Courts are taken into account (Breithaupt (2012)). Source: Drewes and Hollender (1985); Eschenbruch (1990); Gnann (1995); Suhrkamp Verlag (1998); Suhrkamp Verlag (1999); Würz (2011); Breithaupt (2012). Own compilation

Table 2: Main changes in the Düsseldorf Guidelines from 1985-2013

Data & Empirical Strategy

- The German Socio-Economic Panel (SOEP) data from 1984-2013
- Individual fixed-effects instrumental variable models



Notes: Child support obligations are monthly payments, after deduction of the corresponding share of the child benefit. Simulated child support obligations are my constructed IV. The recourse rate of the maintenance advance is included as a proxy for the institutional enforcement of child support (Bremische Bürgerschaft (2008)). As demonstrated by Shafer and James (2013) controlling for socioeconomic characteristics might be important for the (re)marriage formation. However, income is a potentially endogenous variable since it influences the amount of child support obligations. To avoid this problem I control for the highest educational attainment and additionally conduct subgroup analysis. I split my sample using the CASMIN educational classification into two categories: Parents with an intermediate level of education or less, and parents with general and vocational certification at the maturity level or tertiary education. The absolute difference in intra-household incomes is potentially endogenous and is therefore only included in some specifications. For single households and couples with the same individual gross incomes this difference is zero. The intuition behind the inclusion of this variable is to control for the potential to save taxes due to a marriage when there is a gap between a non-resident parent's gross income and his/her partner's gross income. The age of the youngest child as a second-order polynomial was included in some robustness checks instead of a parent's age and its square. A dummy for living in East Germany was also included in some robustness checks. Source: Own illustration

Figure 1: Causal diagram for (re)marriage as an example

| | New biological children (1 = yes; 0 = no) | | | |
|---------------------------------------|---|------------------------|------------------------|------------------------|
| | (1) | (2) | (3) | (4) |
| Panel A: All non-resident parents | | | | |
| Monthly child support obligations Ob/ | -0.0027 (0.0017) | -0.0039** (0.0017) | -0.0042** (0.0016) | -0.0044*** (0.0017) |
| Control variables | no | yes | yes | yes |
| Household category | no | no | yes | yes |
| (Re) married(1 = yes;0=no) | no | no | no | yes |
| Mean, dep. var. | 0.1187 | 0.1187 | 0.1187 | 0.1222 |
| Fst. stage coef. | 0.684*** | 0.673*** | 0.660*** | 0.647*** |
| Fst. stage F-stat. | 100.20*** | 93.28*** | 77.25*** | 63.96*** |
| N | 2,224 | 2,224 | 2,031 | 1,948 |
| Non-resident parents | 348 | 348 | 325 | 320 |
| Av. obs per parent | 6.4 | 6.4 | 6.2 | 6.1 |
| Panel B: Less educated parents | | | | |
| Monthly child support obligations Ob/ | -0.0050** (0.0022) | -0.0061*** (0.0023) | -0.0056*** (0.0019) | -0.0060*** (0.0020) |
| Control variables | no | yes | yes | yes |
| Household category | no | no | yes | yes |
| (Re) married(1 = yes;0=no) | no | no | no | yes |
| Mean, dep. var. | 0.1180 | 0.1180 | 0.1165 | 0.1200 |
| Fst. stage coef. | 0.623*** | 0.613*** | 0.622*** | 0.607*** |
| Fst. stage F-stat. | 59.36*** | 55.05*** | 52.07*** | 46.03*** |
| N | 1,780 | 1,780 | 1,631 | 1,559 |
| Non-resident parents | 274 | 274 | 254 | 249 |
| Av. obs per parent | 6.5 | 6.5 | 6.4 | 6.3 |

Notes: Standard errors are clustered at individual level. All sums of money are in year 2000 real units of €10. Individual's age as a second order polynomial and year fixed effects are always included. Additional control variables include the highest educational attainment (CASMIN-classification), the number of minor children who are entitled to child support and live outside the household. The CASMIN educational classification distinguishes between inadequately completed education (1), general and vocational certification at the compulsory level (2, 3), intermediate level of education (4, 5), general and vocational certification at the maturity level (6, 7), and tertiary education (8, 9). More educated is defined as having a CASMIN > 5, less educated as CASMIN ≤ 5. Significance levels: * 10%; ** 5%; *** 1%; Data: SOEPlong v30.

Table 3: FE-IV (2SLS) regressions for having new biological children of parents younger than 50 years of age

Results

- A €10 increase in a parent's monthly child support obligation is associated with a reduction in the likelihood of having more biological children by about 0.39 percentage points (at about 3% at sample mean) for parents younger than 50 years old.
- There is only weak evidence for a positive (re) marriage incentive.
- I find no change in child care hours, on average.
- Changes in obligations are uncorrelated with parents' short-term labor supply adjustment.