

## Do State Child Support Enforcement Programs Reduce Gender Disparity in Retirement Wealth?

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Women retire with less money than men do. Single-female-headed households accumulate considerably less wealth than married couples, and single females hold less wealth than single males. (Deere & Doss, 2006; Schmidt & Sevak, 2006). Using a regression-based decomposition of the gender disparity in retirement income, Bardasi & Jenkins (2004) find that the gap is largely due to the differential returns to individual characteristics rather than differences in individual characteristics. Among the characteristics that yield differential returns between men and women, the asymmetric financial consequence of marital discontinuation and single parenthood is considered to be an important cause of gender disparity in retirement wealth.

While marriage is often known as a wealth-enhancing institution and discontinuation of marriage hurts retirement wealth for men and women (Wilmoth & Koso, 2002; Hao, 1996), divorce and out-of-wedlock childbearing are found to create greater financial damage to women than to men (Burkhauser, Duncan, Hauser, & Bernsten, 1990 and 1991; Wilmoth & Koso, 2002; Yamakoshi & Keister, 2006). After divorce women experienced a significant decline in standard of living while men experienced a significant increase (Weitzman, 1985; Duncan & Hoffman, 1985). Some studies even find slight increases in men's standards of living following divorce (Smock, 1993 and 1994; Peterson, 1996).

Pervasive nonpayment or underpayment of child support may explain such disparate impact of divorce and non-marital childbearing between men and women. In 2005, 58% of all custodial mothers were not receiving any child support from noncustodial parents, and historically the receipt rates have been even lower (U.S. Census Bureau, 2006). Governmental initiatives on enforcing child support in the U.S. began in the mid-1970s primarily to serve single-parent families on welfare programs. Under Title IV-D of the Social Security Act, each state designed their own child support enforcement programs and achieved varying levels of improvement in receipt rates. Literature suggests that tougher child support enforcement can alleviate poverty, reduce welfare caseloads, and increase labor supply among women (Huang, Garfinkel and Waldfogel, 2004; Hu, 1999). While evidence of the negative effect on male employment is lacking, tougher enforcement lowers disposable incomes of noncustodial parents, usually men.

This study investigates whether state child support enforcement programs reduce gender disparity in retirement wealth in the U.S. It is hypothesized that child support enforcement improves women's wealth accumulation by mitigating the financial cost of marital disruption and non-marital childbearing, while it reduces wealth for men who are obliged to pay child support. As the growing number of single women and single mothers approach retirement, it is important to examine to what extent the U.S. child support policy plays a role in wealth accumulation of men and women. Of particular interest is whether stronger child support enforcement alleviates the problem of disparate financial consequences of divorce and non-marital childbearing between men and women.

During recent decades, the enforcement measures became increasingly stronger, and also the gender disparity in post-divorce standard of living has narrowed or disappeared (Braver & O'Connell, 1998; Schmidt & Savek, 2006; Seltzer, 1994). However, whether or not the narrowed gender gap in post-divorce standards of living is due to success in child support collections has never been carefully examined. Literatures indicate that child support receipt rates did not improve as adverse trends in demographic composition continued to offset enforcement efforts (Lerman & Sorensen 2001; Case et al. 2003; Freeman & Waldfogel 1998; Sorensen & Halpern 1999; Hanson et al. 1996; Beller & Graham 1993). Also, custodial mothers are still poorer than noncustodial fathers in the U.S., which would lead to disparate standards of living between the male and female elderly (U.S. Census Bureau, 2006).

This study utilizes the variation across states and over the years in enforcement efforts and enforcement effectiveness to estimate how the strength of enforcement affects wealth accumulation at retirement for men and women. Using a sample of men and women near retirement age drawn from the recent waves of the Panel Study of Income Dynamics (PSID), this study will examine how much of the observed gender disparity in retirement wealth can be explained by differential returns to marital history between men and women, and in what magnitude the state child support enforcement programs have helped and can help in reducing the disparity. The regression residuals approach as proposed in Rich, Garfinkel & Gao (2007) provides the measure of strength of the state child support enforcement programs. Alternative measures of the strength of state child support enforcement programs are also considered. These policy variables are then merged to the PSID sample by the state of residence and relevant years.

Specific hypotheses to be tested are:

- (1) Stronger child support enforcement reduces the disparate consequences of divorce or single-parenthood between men and women.

The wealth holdings by individual households are regressed on gender, marital history variables, and policy variables. Other characteristics that may also determine retirement wealth are controlled for. The coefficient on the triple-interaction term ("female\*single\_parent\*tough\_enforcement" or "female\*divorce\*tough\_enforcement") measures the difference-in-differences-in-differences (DDD) estimator of how the state policy affects the differential consequences of marital history on men and women. The DDD estimators on the above interaction terms are expected to be positive.

- (2) Stronger child support enforcement reduces the unexplained portion of gender wealth gap.

The well-known Oaxaca decomposition, which is widely used in the wage gap literature, is performed in order to obtain the "unexplained" portion of wealth differentials between genders. The unexplained differentials are then regressed on the series of variables that indicate the strength of child support enforcement. It is hypothesized that the coefficients on child support enforcement variables will be negative.

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