



TRAVERSING THE CHANGING TIDES OF CHILD SUPPORT



CHILD SUPPORT DIRECTORS ASSOCIATION



Casting the Net on Earning Capacity: Modeling and 14 Factors

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Earning Capacity



Overview

- ⚓ Earning capacity really about economics of **human capital**: earnings from work based on how a Parent “enters” a labor market
- ⚓ Any model should be flexible among all 58 counties, as well as Parent characteristics and barriers
- ⚓ 14 factors: Family Code 4058, with drivers and called out barriers to earning capacity
- ⚓ Challenges: lack of Parent information; lack of third-party data on Parent barriers or characteristics; modeling without an expert in court





Earning Capacity



Overview (cont.)

- ⚓ Parents have earning capacity based on time available: all have time (ability)
 - ◆ Parents have range of skills: no skills/work history to terminal degrees
 - ◆ Age, educational attainment, barriers, location help define “ability”
 - ◆ Local labor market conditions help understand “opportunity”
- ⚓ Parent skills, age, educational attainment, location all have third-party data if known
- ⚓ Parents that have disabilities or lack transportation options have Census data to measure effects from a third-party (non-expert)
- ⚓ Lack of literacy in English, or felony/incarceration background face “barriers” to earnings, but measures from literature (expert)
- ⚓ Blend provides earning capacity estimate: maximum based on info available





14 Factors to estimate earning capacity

Parent history and third-party data critical to assess effects of factors on parent earning capacity

- ⚓ **Parent's Assets**
- ⚓ **Parent's Residence**
- ⚓ **Employment and Earnings History**
- ⚓ **Job Skills**
- ⚓ **Education**
- ⚓ **Literacy**
- ⚓ **Age**
- ⚓ **Health**
- ⚓ **Criminal Record/Incarceration**
- ⚓ **Other Employment Barriers**
- ⚓ **Record of Seeking Work**
- ⚓ **Local Job Market**
- ⚓ **Availability of Employers Willing to Hire.**
- ⚓ **Prevailing Earnings in the Community**





Third-Party Data and Literature



Data from third-parties available for a subset of the 14 factors

- ⚓ California Employment Development Department (EDD), related to federal Bureau of Labor Statistics or BLS
 - ◆ Wage distributions matched to skills of Parent
 - ◆ Average hours worked in location
 - ◆ EDD geography matching has more precision than BLS
- ⚓ Census Bureau has data (by California county) on:
 - ◆ Parent disability;
 - ◆ Parent lack of own transportation;
 - ◆ Parent age;
 - ◆ Parent educational attainment.





Baseline Model Logic



- ⚓ Parent location: local labor market in California
- ⚓ Parent has work history: defines occupation most likely to generate earnings.
 - ◆ Median wage from distribution of wage for that occupation
 - ◆ Educational attainment
 - ◆ Age
 - ◆ Average hours worked in location
 - ◆ Apply barriers
- ⚓ Parent has no documented skills or history:
 - ◆ Assume minimum wage to start, perhaps “no-skill” entry median wage
 - ◆ Then apply average hours worked or fewer based on attorney assessment and want to argue a reduction
- ⚓ These data help quantify parent “ability” and “opportunity”





Parent's Residence



Parent county helps identify job market

Parent may work in a different county than residence, and model user may account for that

- ⚓ Parent county of residence identifies Parent job market generally
- ⚓ That job market then is linked to an occupation (see below) and general job conditions as translated by the local wage distribution as needed
- ⚓ If parent homeless, where they are homeless should be considered their “work” location, if Parent has ability to work otherwise given potential barriers





Record of Seeking Work



- ⚓ Third-party data show Parent is looking for work if not working
- ⚓ A record of seeking work can, if needed, act as a proxy for a lack of data on Parent work history or skills based on job search
- ⚓ Can identify what skills the Parent may have as a beginning on earning capacity in terms of modeling
- ⚓ If no record of seeking work or skills: minimum wage or median wage of no-skill entry jobs





Prevailing Earnings in the Community



Measured by wage distribution

Data: California EDD and Bureau of Labor Statistics

- ⚓ Parent location provides labor market context
- ⚓ Linked to most recent, annual data on wage distribution
- ⚓ Begin with median wage (middle of distribution) based on “random draw”
- ⚓ Average hours per week using California EDD data (hours distribution not published) x median wage = initial earning capacity estimate
- ⚓ Parent information, as available, adjusts estimate

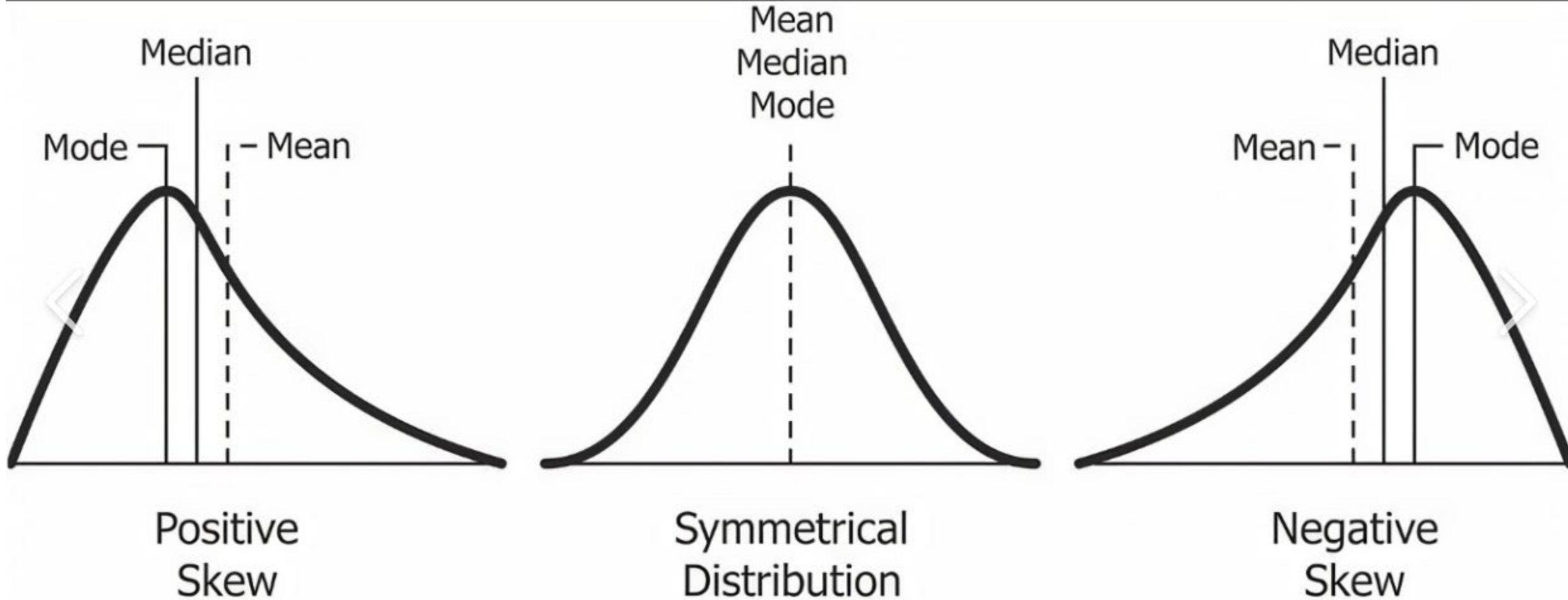




Median and Average/Mean



Data and Labor Markets





Skills/occupation assessment: what does history tell us?

Blend from an economics standpoint, separate factors

- ⚓ Skills and occupation similar: what does work history tell us about Parent ability to earn income performing a specific occupation?
- ⚓ Occupational codes and labels match to wage distribution and other data based on location
- ⚓ Wage information begins earning capacity estimate process through defined skills





Parent age and work experience are linked generally

Labor markets generally reward higher-age workers to a point

- ⚓ Census data exist for each county in California
 - ◆ There are not data based on years of work experience that are third-party data
- ⚓ Quarterly Workforce Indicators from Census Bureau, that can be annualized, provide average monthly earnings by age groups (median wages x average hours worked x 52/12)
- ⚓ Age groups include: 14-18, 19-21, 22-24, 25-34, 35-44, 45-54, 55-64, 65-99





Ability to earn income linked to educational attainment

- ⚓ Census data exist to estimate educational attainment and changes in average earned income by county
- ⚓ Educational attainment is continuous by years of education, but...
- ⚓ Census uses categories for their estimates
 - ◆ Less than high school, no diploma
 - ◆ High school graduate (includes equivalency)
 - ◆ Some college or associate's degree
 - ◆ Bachelor's degree
 - ◆ Graduate or professional degree
- ⚓ Certifications not asked in American Community Survey (ACS)





Classic barrier to gaining access to or maintaining a job

Health issues can restrict Parent job searches and also earnings capacity

- ⚓ Census data exist for all 58 counties in terms of effects on monthly income earned by workers with health concerns that create an inability to work
 - ◆ Key is that Parent data suggests there is a disability or health concerns that undermines an ability to earn income
- ⚓ Census data measure differences in earnings if a health concern exists or does not exist
 - ◆ There is not a continuum of health problems considered in the Census data





Lack of Parent Transportation



Lack of Parent's Discretionary Transportation links to Census Data

- ⚓ Census data exist for all 58 counties in terms of ability to get to work by mode of transportation: differences in average earnings for each of the modes below (median wage x average hours worked x 52/12)
- ⚓ Census data show multiple ways for someone to go to work or if the Parent worked from home:
 - ◆ Car, truck, or van - drove alone
 - ◆ Car, truck, or van - carpooled
 - ◆ Public transportation (excluding taxicab)
 - ◆ Walked - No Transport
 - ◆ Taxicab, motorcycle, bicycle, or other means
 - ◆ Worked from home



Other barriers to becoming or remaining employed

Lack of third-party data across geographies and from a governmental source

- ⚓ Literature sources on these are available and referenced
- ⚓ Model can or cannot use effects of felony convictions/incarceration or literacy
- ⚓ Felony/Incarceration: more opportunity than ability all other skills and information equal
- ⚓ Literacy: Some concerns over literacy as affecting ability to work
- ⚓ Literacy: Literature focuses on reduced opportunity and ability





Geography dictates Parent labor market

Data and conditions different from region to region

- ⚓ California EDD has 31 “regions” in California it tracks in terms of wages, average hours worked, and other factors
- ⚓ Occupations: what people do
- ⚓ Employment: what industries hire workers
- ⚓ Annual forecasts by EDD also identify entry-level skills for each occupation



Availability of Employers Willing to Hire

Local labor-market conditions

Geography tells this story

- ⚓ Unemployment rate: % of local residents that participate in the labor force that are actively seeking work, but not employed
 - ◆ Measure of relative labor supply
- ⚓ Occupational (Location) Quotient or OQ: ratio of concentration of an occupation versus a larger area (statewide concentration), measure of relative labor demand
- ⚓ Wages and average hours worked reflections of these conditions in model, with some time lag





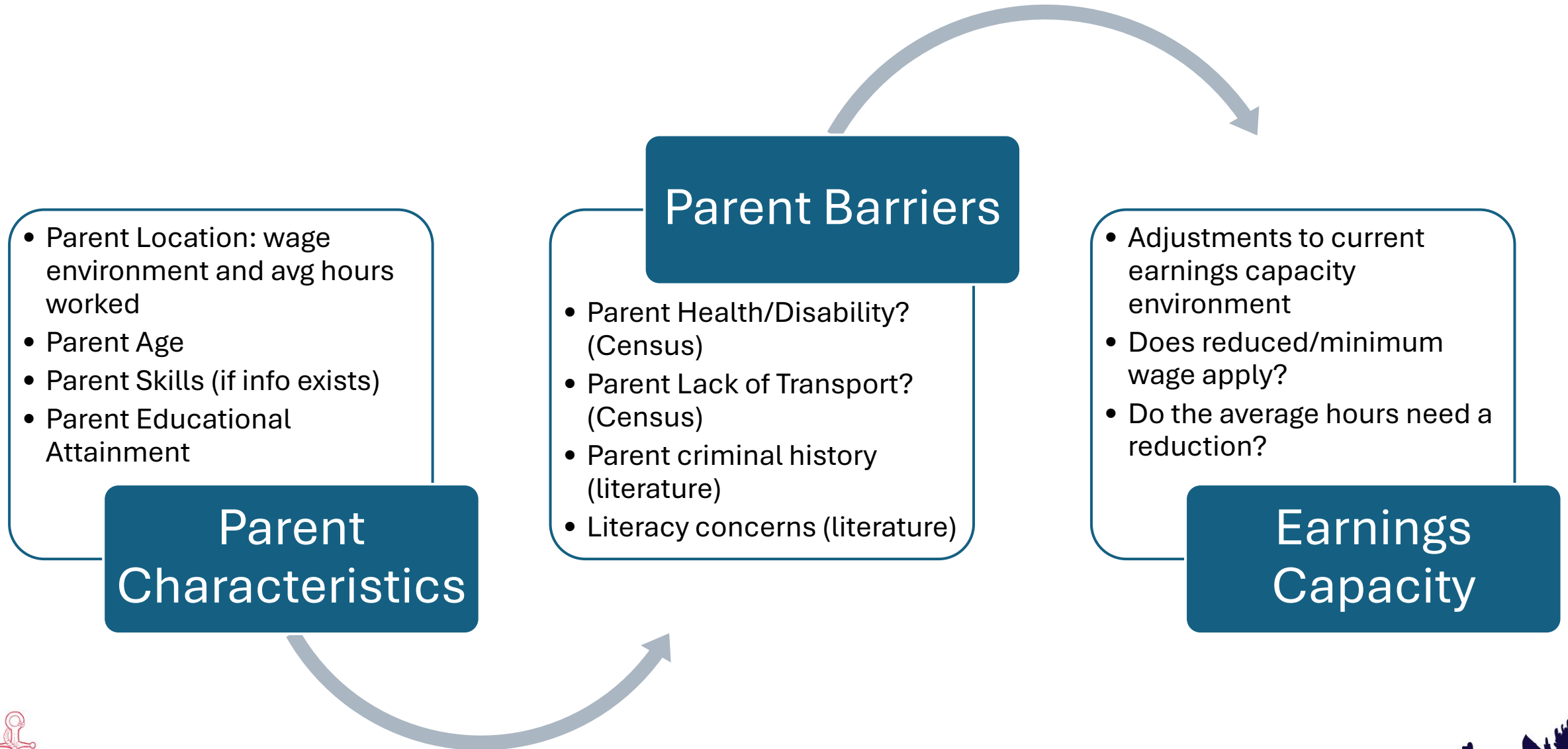
Income not from working (non-earned income)

Third-party data needed to verify assets

- ⚓ Outside scope of model, would potentially affect final judgment
- ⚓ This is income not-earned, should not affect time available to earn income or “ability” versus Parent choice based on amount of assets available and income earned from those assets



Model Flow





Summary



14 factors: mix of available third-party data and Parent background info

- ⚓ Data allow economic logic to model earning capacity
- ⚓ Caveats exist: lack of third-party data to completely model 14 factors
- ⚓ Literature exists to craft an argument for some factors
- ⚓ Start with worker randomly selected from local labor market, and then adjust to information known for Parent in question
- ⚓ Earning capacity is a statement of the ability and opportunity to generate income from working in this model and economics





Thank You!

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