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NEW FACTS FROM ADMINISTRATIVE PAYROLL RECORDS

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ABSTRACT

Wage garnishment allows private and public creditors to pull money directly out of a worker's paycheck to repay defaulted debt. Despite growing public concern surrounding the effects of strict debt collection mechanisms, a dearth of data has precluded empirical examination of the prevalence of wage garnishment and its effect on U.S. workers. Using administrative payroll data, we document five new descriptive empirical facts about wage garnishment, including its prevalence; duration; stringency; distribution across worker characteristics; and interaction with labor supply. Together, these facts shed light on an important but understudied form of debt collection and lay foundation for future research.

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I INTRODUCTION

When consumers default on their financial obligations, creditors engage in a variety of practices to recoup what they are owed. These debt collection practices can range in severity from placing a simple phone call to pursuing court-ordered wage garnishment. While an effective and transparent system of debt collection is crucial to ensure well-functioning credit markets, some debt collection practices may impose heavy burdens on consumers. Despite both the importance of debt collection for well-functioning credit markets and its potentially damaging effects, surprisingly little is known about the prevalence and impact of different collection practices.

In this paper, we provide new descriptive evidence on an important yet little-studied form of debt collection: wage garnishment. Wage garnishment occurs when the government or a private creditor obtains a court order to recover money a worker owes directly out of her wages. Consumers can face wage garnishment for a range of defaulted debts, including credit cards, student loans, and unpaid medical bills.¹ Unlike other forms of debt collection, garnishment operates directly through a worker's wages and may thus have important consequences not only for individual workers but also for the broader labor market. However, a dearth of data has frustrated attempts to document even basic facts about the reach and impact of this institution.

Drawing on data over a five-year period from ADP, the largest payroll processor in the U.S., we provide the most comprehensive existing descriptive analysis of wage garnishment to date. Because ADP offers employers tools to implement garnishment orders, we can observe not only monthly hours and earnings but also garnishment amounts by type for a large and roughly representative sample of employees. Using these data, we establish five first-order descriptive facts about garnishment that were previously unknown and that will hopefully inform and motivate future study of the topic.

First, we document that garnishment is fairly widespread. In any given month, nearly one percent of all workers in our sample are being garnished for some type of delinquent debt, and roughly 0.11 percent of workers transition into becoming newly garnished. These figures have been increasing in recent years, driven primarily by a rise in new student debt garnishments. The garnishment rates we document are on par with similar statistics for consumer bankruptcy, which has been the focus of considerably more academic research.²

¹The term "wage garnishment" is also sometimes used to refer to payments pre-emptively and often voluntarily deducted from workers' paychecks to satisfy financial obligations to parties other than creditors. For example, voluntary child support payments may come directly out of wages. In this paper, we focus attention on garnishments that occur outside of bankruptcy and that arise as a result of a demonstrated failure to pay creditors or other goods and service providers.

²For example, statistics from the Federal Reserve Bank of New York indicate that 0.08% of consumers with a credit report transitioned into a new bankruptcy during the average quarter in our sample period ([Federal Reserve Bank of New York, 2021](#)).

Second, although many workers in the U.S. experience garnishment, we document that the average garnishment spell is relatively short-lived. Conditional on being garnished, the average worker in our sample is garnished for approximately six months. Garnishment orders at a given job remain active until the worker either pays off the debt or, for non-student loans, files for bankruptcy. These relatively short-lived spells may therefore reflect either low debt levels or high bankruptcy filing rates. This latter possibility provides support for recent empirical work studying possible interactions between bankruptcy filing and state-level differences in regulations that govern garnishment (Lefgren and McIntyre, 2009; Keys, Mahoney and Yang, 2020; Argyle et al., 2021).

Third, garnishment is stringent. The average garnished worker in our sample has 11 percent of gross earnings remitted to creditors each month—a larger income share than the average U.S. household devotes to food in a typical month (U.S. Department of Agriculture, 2020). Given the magnitude of these collections, unexpected wage garnishment may severely strain workers' budgets and cause them to fall behind on other bills, thus perpetuating a cycle of debt. Our findings underscore the need for future research studying the causal impact of wage garnishment and other debt collection methods on worker outcomes, including labor supply, expenditures, personal finances, and physical health.

Fourth, the garnishment burden is unequally distributed. We find substantial heterogeneity in the prevalence of garnishment across industries, age, earnings, race, and education. At the individual level, garnishment rates are particularly high among middle-aged and middle-income workers employed in the manufacturing, healthcare, and transportation industries. At the ZIP code level, garnishment rates are increasing in both the share of residents who are Black and the share of residents without a college degree. These latter two results, which echo the findings from Kiel and Waldman (2015) based on court records from three municipalities, are true even after conditioning on ZIP code income levels. This suggests that the disparities we document may not be fully driven by cross-sectional differences in the ability to service debt.

Fifth, the onset of garnishment does not appear to be associated with substantial changes in labor market behavior. On the intensive margin, we find that there is no meaningful change in hours worked conditional on remaining employed around the time that a new garnishment begins. Similarly, on the extensive margin, we find that newly garnished workers do not appear to separate from their employers at higher rates than their non-garnished co-workers who have been with the firm for the same amount of time. While not conclusive, these results indicate that any causal effect of garnishment on labor supply would need to operate in a manner that does not show up in the simple descriptive statistics we provide.

Our paper contributes to a large empirical literature studying various aspects of consumer financial distress. A natural focus in this literature has been on bankruptcy which, for many

people, is the main source of relief from financial hardship. The widespread availability of data on consumer bankruptcy has facilitated work on many aspects of the institution. For example, recent empirical work on the topic has significantly advanced our understanding of why consumers file for bankruptcy (Indarte, 2020; Keys, Mahoney and Yang, 2020; Argyle et al., 2021), how bankruptcy affects equilibrium credit market outcomes (Gross et al., 2021), what the causal effects of receiving bankruptcy protection are for individual consumers (Dobbie and Song, 2015; Dobbie, Goldsmith-Pinkham and Yang, 2017), and how the broad based debt relief offered through the bankruptcy system affects aggregate outcomes during economic downturns (Auclert, Dobbie and Goldsmith-Pinkham, 2019). The facts we document in this paper provide new information about what happens to many consumers prior to filing for bankruptcy protection.

Our paper is also closely related to the much smaller literature on debt collection. Most existing work on debt collection focuses on consumers' informal experiences with debt collectors that occur prior to the onset of formal wage garnishment. For example, several papers explore how state statutes targeting debtor harassment affect outcomes such as bankruptcy filing (Dawsey, Hynes and Ausubel, 2013) and credit provision (Fedaseyeu, 2020; Fonseca, 2021; Romero and Sandler, 2021). In related theoretical work, Fedaseyeu and Hunt (2018) and Drozd and Serrano-Padial (2017) explore how creditors' use of third-party collectors and the use of information technology by those collectors affect equilibrium credit supply and consumer welfare. Our paper contributes to this literature by focusing on wage garnishment, which is the most direct and formal means outside of the bankruptcy court by which creditors and third-party debt collectors are able to recoup defaulted payments.

Outside of our paper, there are relatively few academic studies focusing on wage garnishment itself. Dobbie and Song (2015) show that receiving Chapter 13 bankruptcy protection increases labor earnings and argue that this occurs in part because bankruptcy shields some earnings from garnishment. Similarly, Cheng, Severino and Townsend (2021) show that borrowers fare better when settling debts through the court rather than through informal negotiations and argue that this is because limits on court-ordered garnishment rates result in more borrower-friendly repayment plans. The only other large-scale empirical explorations of wage garnishment that we are aware of are two ADP white papers that describe the prevalence of wage garnishment in 2013 and 2016 using similar data as we use here (ADP, 2014, 2017). Our work describes how these rates have evolved over time and provides new facts on the stringency, duration, distribution, and labor market correlates of wage garnishment. Our hope is that these facts will provide a useful basis for future work studying the effects of wage garnishment on both individual workers and equilibrium credit and labor market outcomes.

II INSTITUTIONAL BACKGROUND AND DATA

II.A Institutional Background on Wage Garnishment

When a borrower defaults on a loan, creditors can turn to property seizure, bank garnishment, or wage garnishment to collect the money owed. To obtain a wage garnishment, private creditors must file in state court. While procedures vary by state, borrowers must receive notice of the creditor's filing. A borrower's timely response can lead to time-consuming judicial proceedings, including, in rare cases, a trial. Most often, however, the borrower fails to respond within the required period (generally 20-50 days), and the creditor wins a default judgment. The creditor can then request that the court issue a garnishment order, which requires the defaulted borrower's employer to withhold a portion of the borrower's paycheck. This withholding—wage garnishment—begins around a week to two months after notice is sent to the borrower. Garnishment stops when the debt is paid off or the worker files for bankruptcy. If the worker leaves her job during garnishment, the creditor must receive a new judicial order to commence collections through a new employer. For federal student loans, the government can bypass the judicial system and begin garnishment 45 days after sending notice to the borrower.

The amount that creditors can deduct from a worker's paycheck is regulated at the federal level by the Consumer Credit Protection Act of 1968 (CCPA). This legislation lays out a suite of borrower protections that limit the extent to which private creditors or other parties can garnish wages. While the bill's drafters initially considered a flat ban on wage garnishment, the final legislation simply shielded a portion of each paycheck from garnishment while allowing states to adopt more stringent limitations if desired. The CCPA also prohibits employers from dismissing employees because of a single garnishment. However, the law does not create a private cause of action, so enforcement depends on Department of Labor intervention. In addition, employers can still legally dismiss employees for garnishments beyond their first.

Both state and federal law limit the size of garnishment payments. Under the CCPA, the weekly amount that a private creditor can garnish may not exceed the lesser of 25 percent of disposable earnings or the amount by which disposable earnings exceed 30 times the federal minimum wage. For student loans, the federal protections are stronger and limit garnishments to at most 15 percent of disposable income. State legislation places further limits on private creditor garnishment. Today, four states have banned private creditor garnishment entirely and twenty-three have enacted laws that lower the garnishment ceiling below the federal level. Due to differences in state regulations and the definition of disposable earnings across states, we calculate garnishment rates using the fraction of *gross* earnings deducted.³

³For the purpose of determining garnishment amounts, "disposable earnings" is defined as all earnings left over

II.B Data

We use anonymized administrative payroll data from ADP, which processes payroll for over 20 million U.S. workers each month. This dataset captures worker-level information needed to generate paychecks and W2s, including hours, earnings, retirement contributions, taxes, basic demographics, and a variety of garnishment variables. The full payroll dataset spans 10 years, with monthly observations for each worker and job. If a worker receives multiple paychecks per month in a given job, ADP aggregates all the variables to produce one observation per worker-job-month.

ADP classifies garnishments into one of five categories: tax, student loan, child support, bankruptcy, and other (creditor) garnishments. The child support category contains both voluntary payments, in which a parent agrees with the court to pay through his wages, and involuntary payments, in which the court extracts delinquent support. The “other” garnishment category primarily includes payments for delinquent private creditor debt or medical debt, though additional court-ordered payments (i.e. for fees or unpaid parking tickets) may also show up in this category. For every paycheck, ADP records the amount of money deducted to satisfy each type of garnishment; we can also see the number of active garnishment orders within each category. However, we cannot distinguish between unique garnishment orders.

We focus our analysis on the student loan and other creditor garnishment categories, which contain garnishments triggered by delinquency and default.⁴ Because student loan garnishments were not separately broken out from the “other” garnishment category prior to March 2014, we limit our sample to months between April 2014 and December 2019.

Given the computationally prohibitive size of the full dataset, we run our analysis on a 3% random sample of workers. We can follow each worker in our sample within and across any ADP jobs held between April 2014 and December 2019. If a worker appears in multiple ADP jobs in a given month, we add hours, earnings, and garnishment amounts across jobs, take the maximum garnishment count across jobs, and keep the industry and size of the higher-earning job. Throughout our analysis, we weight all our statistics by industry and firm size to adjust for overrepresentation of both large employers and industries like manufacturing.

after legally required deductions have been made. These required deductions may vary by state but will typically include deductions for federal, state, and local taxes as well as the employee’s share of Social Security, Medicare and state unemployment insurance taxes.

⁴Because our data for child support and tax garnishments combine voluntary and involuntary payments, we do not focus on these categories. Bankruptcy garnishments are excluded since our field in the data includes payment plans agreed upon during Chapter 13 bankruptcy, and thus are not involuntary payments to creditors.

III RESULTS

This section establishes five new facts about wage garnishment in the United States. While these facts are inherently descriptive and are not intended to bear a causal interpretation, we view them as important in their own right and as a useful potential starting point for future work on the topic.

III.A Fact 1: Garnishment is Widespread

Pooling across our entire sample, we find that approximately 0.8 percent of U.S. workers were being garnished for some reason in any given month between April 2014 and December 2019. This prevalence statistic depends both on the proportion of workers who start a new garnishment in a particular month (incidence) and on the proportion of workers who remain in a state of garnishment from the prior month (duration). Because an individual garnishment order can span multiple months, we should expect lower incidence than prevalence. Indeed, only 0.11 percent of workers in an average month transition into a new garnishment spell.

Figure I plots the evolution of these prevalence (Panel A.) and incidence (Panel B.) statistics over time separately by garnishment type. The overall prevalence of garnishment has risen substantially during the last several years. In April 2014, roughly 0.6 percent of workers were being garnished; by December 2019, this figure had increased to more than one percent.⁵

The increase in the overall garnishment rate is driven primarily by a rise in student loan garnishments during the second half of the sample. This can be seen by comparing the light blue and dark blue lines in Panel A. of **Figure I**. The prevalence of both student loan and private creditor garnishments remained roughly constant between 2014 and 2017. Between 2017 and 2019, however, the fraction of workers being garnished for delinquent student loans roughly doubled while the fraction of those being garnished for other reasons increased by only about 10 percent. At the end of the sample period, approximately 0.75 percent of all workers were being garnished for at least one non-student debt, and 0.41 percent of workers were being garnished for at least one student loan.

⁵While not included in these statistics, the prevalence of child support garnishments is even higher, at 2.6%.

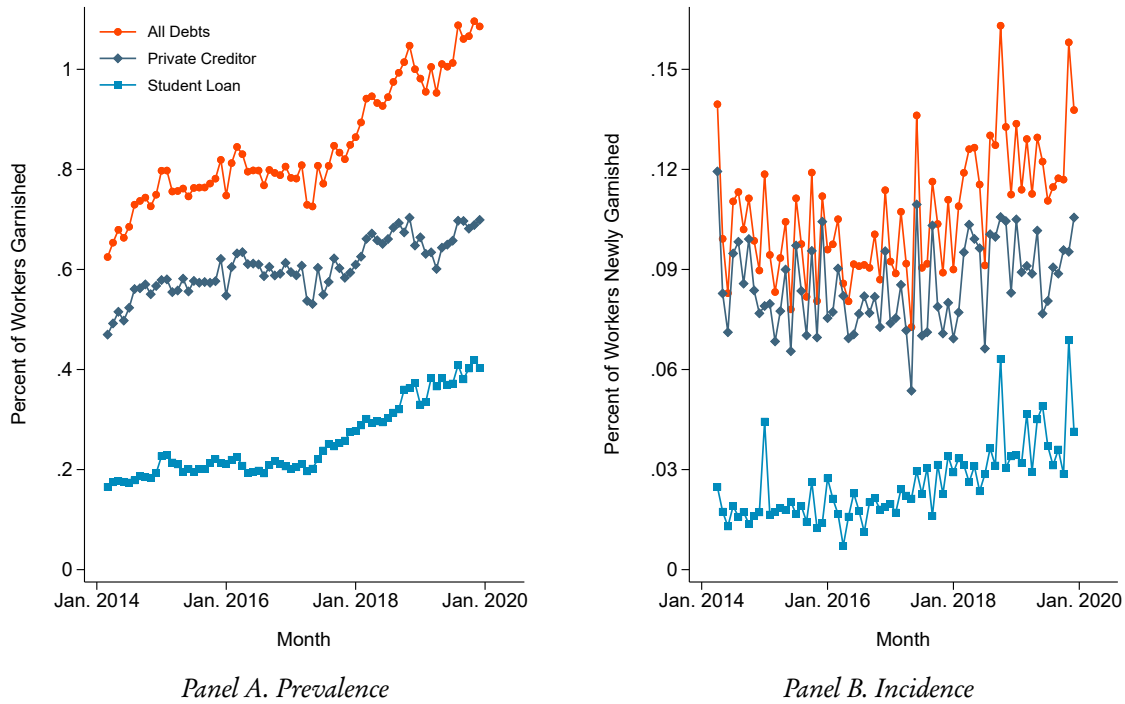


FIGURE I
Trends in the Prevalence and Incidence of Wage Garnishment

NOTE.—This figure plots monthly trends in the prevalence (Panel A.) and incidence (Panel B.) of wage garnishment. Prevalence is measured as the percent of all workers in a given month who are being garnished that month. Incidence is measured as the percent of workers in a given month that begin a new garnishment that month. The sample is limited to the 46 states that do not prohibit private creditor garnishments.

Panel B. of Figure I plots the noisier time series for incidence. Paralleling the results from Panel A., the figure reveals an increase in overall incidence from an average of 0.11 percent in the years 2014–2015 to 0.13 percent in the years 2018–2019, driven primarily by a rise in the incidence of student loan garnishments.

Contrasting the results in Panel B. with those in Panel A. also reveals that there is a larger relative gap in incidence between private creditor and student loan garnishments than there is in prevalence. On average, over the full sample, a worker is roughly three times more likely to begin a new private creditor garnishment spell in a given month as they are to begin a new student loan garnishment spell. However, that same average worker is only about twice as likely to be currently experiencing private creditor garnishment than they are to be experiencing a student loan garnishment. The larger relative gap in incidence could be driven, in part, by longer student loan garnishment spells—a statistic explored in the next section.

These trends reveal the broad impact of garnishment in the U.S.: by 2019, nearly 1 in 100 U.S. workers experienced a creditor wage garnishment in any given month. To better understand the

gap between prevalence and incidence, the next section examines garnishment duration.

III.B Fact 2: Garnishment is Short-Lived

Garnishment orders at a given job remain active until the worker pays off the debt, or, for non-student loans, discharges the debt in bankruptcy. Because we cannot observe separate garnishment orders, we measure garnishment duration using “spells.” We define a spell as consecutive months of garnishment within a job, beginning when a worker who did not experience a garnishment during their previous month in a job has a garnishment this month. We exclude spells that began during a worker’s first month in the job or ended during their last month. If workers with particularly large debt burdens separate from their jobs at higher rates, excluding right-censored spells will lead us to underestimate spell length.

Figure II plots the distribution of garnishment spell lengths by garnishment type. Pooling across student loan and private creditor garnishments, the average garnishment spell lasts for approximately 5.4 months. Student loan garnishments tend to last longer than other creditor garnishments: the mean student loan spell length is 7.47 months, compared to a mean of 4.54 for other creditor garnishments. This difference in means reflects, in part, the long right tail of student loan garnishment duration. The median length for student loan garnishment is 4 months, with a 25th percentile of 2 months and a 75th percentile of 9 months; the median length of other creditor garnishments is 3 months, with a 25th percentile of 1 month and a 75th percentile of 5 months.

The relatively longer duration of student loan garnishments could reflect multiple factors. First, private debt can be discharged in bankruptcy, while federal student debt cannot. This differential ability to obtain bankruptcy relief—and thus pause garnishment—could naturally lead to shorter spells for non-student loans. Second, the lower statutory 15 percent limit on student loan garnishment could cause the same amount of debt to be spread out over more repayment months. Finally, note that any gap in garnishment will generate multiple spells under our definition. That is, a garnished worker who dips below the statutory threshold every week in a month (for example, by working 20 hours at the minimum wage each week) ends her previous spell and starts anew. If this behavior is common, we should see many workers with short consecutive spells. However, in our data, the average worker who starts a private creditor garnishment spell starts only .21 new spells within a year; the average worker who starts a student loan garnishment spell starts only .12 student loan spells in the within a year.

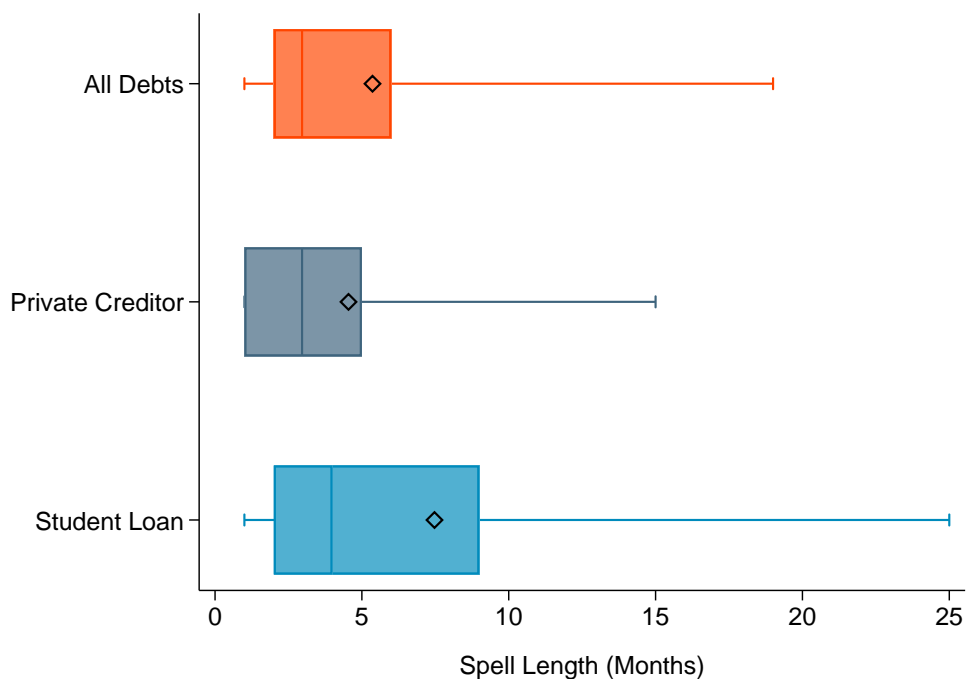


FIGURE II
Distribution of Garnishment Spell Duration by Garnishment Type

NOTE.—This figure plots the distribution of garnishment spell lengths by garnishment type. A garnishment spell is defined to include all consecutive months of garnishment within a job, beginning when a worker who did not experience a garnishment during their previous month in a job has a garnishment this month. The figure excludes garnishment spells that begin on a worker’s first month in a job or end on the last month. Each box plot in the figure reports the 5th, 25th, 50th, 75th, and 95th percentiles of the distribution of garnishment spell lengths for a given garnishment type. The mean garnishment spell length for each type is indicated with a black diamond.

III.C Fact 3: Garnishment is Stringent

While garnishments may be relatively short-lasting, they absorb a substantial portion of workers’ paychecks. [Figure III](#) plots the distribution of garnishment stringency by garnishment type, where stringency is the fraction of a garnished worker’s monthly gross pay remitted to creditors. Mean stringency is roughly 10 percent for student loan garnishments and 11 percent for private creditor garnishments. While the means are similar, differences emerge in dispersion: the interquartile range for private creditor garnishments is roughly 6.9 percentage points, compared to just 3.2 percentage points for student loan garnishments. The larger dispersion in private creditor stringency likely reflects the patchwork of state regulations restricting private creditor garnishments.

Pooling across all garnishment types, the average garnished worker loses approximately 10.7 percent of her gross earnings to garnishment in a given month. As a point of comparison, this

is roughly equal to the average share of household income spent on food in a given month (U.S. Bureau of Labor Statistics, 2020). Garnishment may therefore pose a large economic burden on those who experience it. While the ability for creditors to garnish wages at these rates may facilitate expanded access to credit, future work should further investigate the potential burdens this places on workers by estimating the causal impact of garnishment itself on worker outcomes.

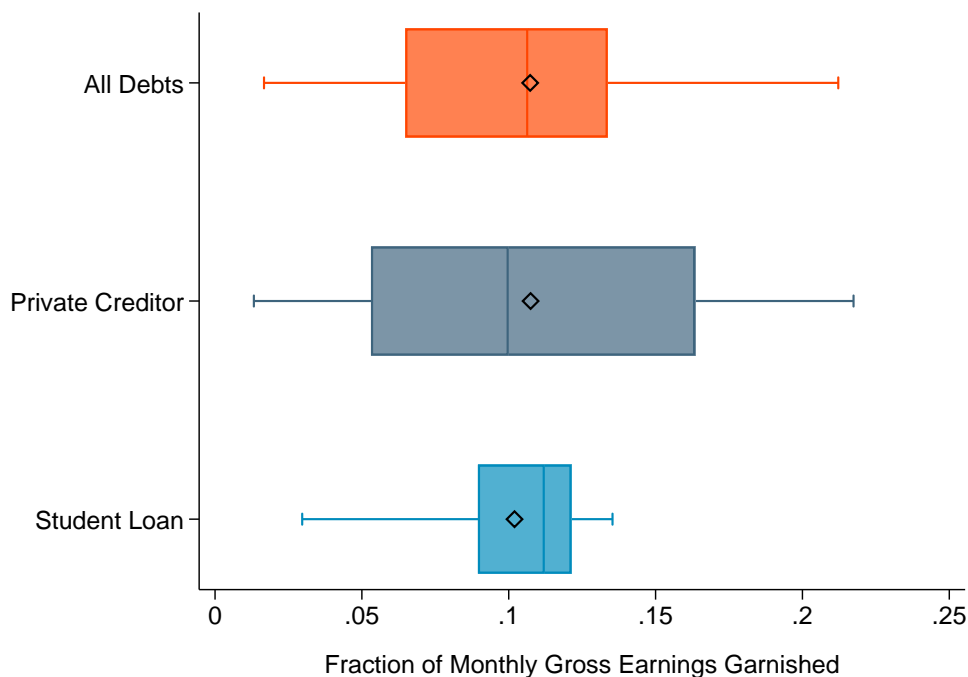


FIGURE III
Distribution of Garnishment Stringency by Garnishment Type

NOTE.—This figure plots the distribution of garnishment stringency by garnishment type. Garnishment stringency is measured as the share of a workers’ total gross pay deducted due to garnishment in a given month. The sample includes only worker-months for which a garnishment of the indicated type is observed. Each box plot in the figure reports the 5th, 25th, 50th, 75th, and 95th percentiles of the distribution of garnishment stringency by garnishment type. The mean share of monthly gross earnings deducted for each type is indicated with a black diamond.

III.D Fact 4: *The Garnishment Burden is Unequally Distributed*

The aggregate statistics presented so far mask considerable heterogeneity across workers. In this section, we first examine heterogeneity using worker-level covariates available in the raw ADP data: wage level, worker age, and industry.⁶ We then turn to ZIP code-level data to document

⁶We also studied garnishment rates by gender. We find no significant differences for any type of garnishment, except for child support. Approximately 4.7% of men are garnished each month for child support; for women, it is dramatically lower, at .4%.

how garnishment rates are distributed across race and education levels. **Figure IV** presents these results.

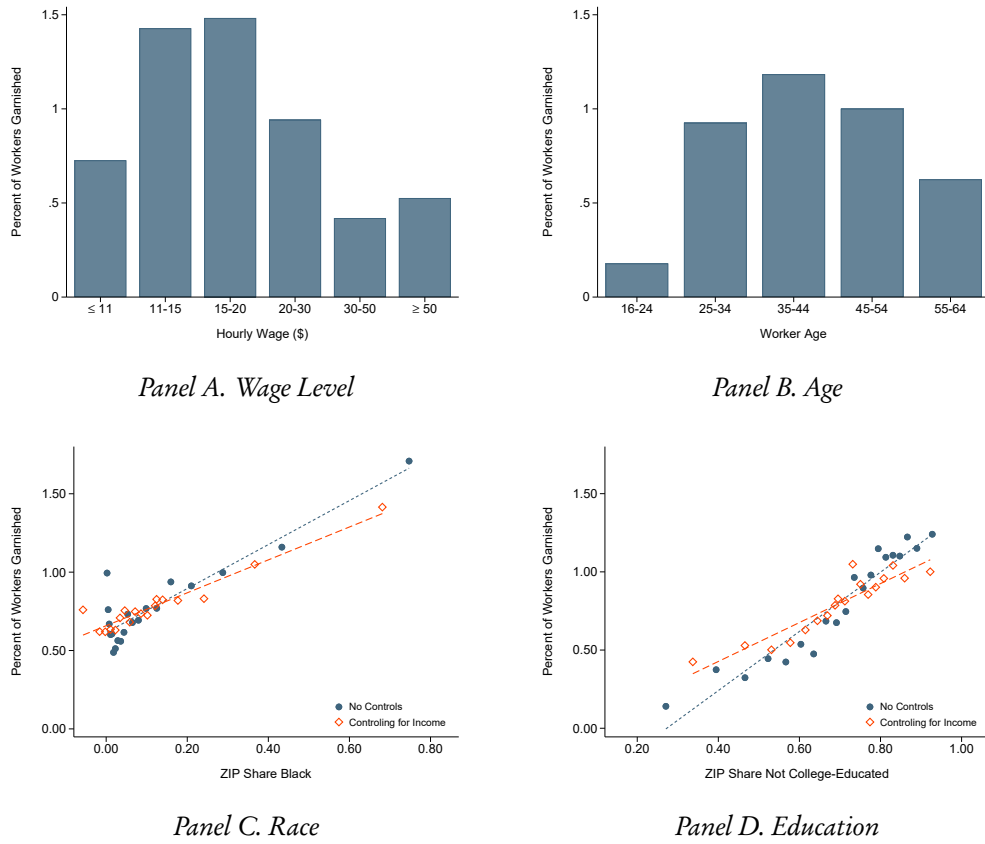


FIGURE IV
Garnishment Prevalence by Worker and ZIP Code Characteristics

NOTE.—This figure documents heterogeneity in the prevalence of garnishment across various worker and ZIP code level characteristics. Garnishment prevalence is measured as the percent of all workers in a given month who are being garnished that month. The sample is limited to the 46 states that do not prohibit private creditor garnishments. The data pool all months from January 2014 to December 2019. Panel A. includes only hourly workers and plots prevalence rates across the distribution of worker wage levels. Panel B. includes all workers and plots prevalence rates by worker age. Panels C. and D. present binscatter plots of the monthly garnishment rate by ZIP code characteristics. Each dot in these figures plots the garnishment rate within an equal-sized bin of the sorting variable measured on the x-axis. Dashed lines report the OLS fit between the two variables in the underlying microdata. Blue dots report raw averages, whereas orange diamonds first residualize both the x and y variables on worker-level income and report means of these residuals within bin. ZIP code characteristics are taken from the 2010 Census.

The top two panels of **Figure IV** plot the prevalence of garnishment by wage level and worker age. Panel A., which includes only hourly workers, reveals a non-monotone relationship between garnishment prevalence and wage level, with the highest rates for middle-earning workers. Approximately 0.73 percent of all workers earning less than \$11 an hour are garnished in any given month. The garnishment rate rises to 1.48 percent for workers who make between \$15 and \$20

an hour, then declines back to 0.53 percent for those earning \$50 an hour or more. Consistent with these results, we also find that the industries with the highest fraction of middle-income work—manufacturing, health care, and transportation—have the highest levels of garnishment prevalence (1.08, 1.08, and 1.39 percent, respectively). In contrast, finance, a high-income industry, has a low garnishment rate of 0.49 percent, and food service, a relatively low-income industry, has a rate of only 0.64 percent.

Garnishment prevalence also peaks in middle age. Panel B., which includes all worker-months in our sample, shows that 1.18 percent of workers aged 35-44 experience garnishment each month, compared to 0.18 percent of workers aged 16-24 and 0.63 percent of workers aged 55-64. These hump-shaped relationships likely reflect both life-cycle patterns in the accumulation of debt and income-based differences in the ability to service that debt.

Our ZIP code-level demographic data allow us to further examine garnishment burdens by race and education. The bottom two panels of [Figure IV](#) present these relationships using bin-scatter plots, which first divide the observations into equal-sized bins along the x-axis and then compute the garnishment rate within each bin. In Panel C., we sort worker-months into bins based on the share of Black residents living in the worker's ZIP code. In Panel D., we sort according to the share of residents in the ZIP code who do not have a college degree. Each dot in the figure represents the mean garnishment rate within a bin; the dashed lines report the OLS fit between the two variables in the underlying microdata. We plot both the raw relationship (blue circles) and a version of that relationship that controls for worker-level income (orange diamonds).

Panel C. shows that garnishment rates are significantly higher among workers who live in neighborhoods with a high share of Black residents. The monthly prevalence of garnishment is approximately 0.6 percent in ZIP codes with the lowest share of Black residents and rises about three-fold to 1.7 percent in ZIP codes that are more than 75 percent Black. This gap narrows only slightly when we control for workers' individual-level income.

Panel D. repeats this analysis using the fraction of ZIP code residents without a college degree as the sorting variable. Garnishment rises sharply as the education level in a worker's ZIP code falls. In ZIP codes where more than 70 percent of residents have a college degree, the garnishment rate is roughly 0.14 percent. This rate rises to 1.24 percent for the least-educated ZIP codes, where less than 10 percent of residents are college-educated. As with race, this relationship is attenuated slightly but remains strong and positive when we control for individual worker-level income.⁷

While these descriptive facts indicate that the burden of garnishment is highly unequally dis-

⁷We see similar disparities by race and education for child support garnishment. ZIP codes that are 75% Black (noncollege) have a child support garnishment rate of approximately 4.1% (4.2%), and ZIP codes that are 25% Black (noncollege) have child support garnishment rate of 2.8% (0.6%).

tributed across workers, they cannot speak directly to the underlying causes of that dispersion. Determining the sources of this unequal distribution is an important topic for future study. In particular, the results for race and education, which condition on worker-level income, indicate that the dispersion we find may not be fully explained simply by differences across workers in the ability to service debt.

III.E Fact 5: Garnishment Appears Not to Impact Workers' Labor Supply

The beginning of a new wage garnishment generates a reduction in the worker's effective wage rate. This reduction in wage rate could affect labor supply through either standard income and substitution effects or behavioral factors such as discouragement. This section presents a descriptive examination of how hours worked and job turnover rates change around a worker's first garnishment.

Panel A. of [Figure V](#) plots job survival curves separately for garnished and non-garnished workers beginning in the second month of tenure. Because we can only observe garnishments conditional on a worker remaining in her job, we restrict the sample of garnished workers to include only those whose first garnishment begins in their second month of tenure. Including those whose garnishments begin later would bias comparisons to non-garnished workers, who are not mechanically required to remain in the sample. The nearly identical survival rates of the garnished and non-garnished groups indicate that garnishment is not associated with a change in separation rates. While garnished and non-garnished workers are clearly different in many dimensions, this simple descriptive fact is consistent with a potentially small causal effect of garnishment on worker turnover.

Panel B. of [Figure V](#) turns to the intensive margin by showing how workers' hours trajectories evolve around the onset of their first observed garnishment. To focus on the intensive margin, we limit the sample to hourly workers who experience a garnishment at some point and are present in their jobs both 12 months before and 12 months after their first garnishment begins.

The figure reveals that the onset of garnishment is not associated with any meaningful changes in hours worked, at least at the job subject to garnishment. The median number of hours is roughly constant at about 166 per month and does not exhibit any sharp changes around the time that garnishment begins. As with the extensive margin results, the lack of any descriptive change in hours worked is striking. For example, while workers could be adding hours in an informal, unobserved job, we might then expect to observe a reduction in labor supply at the garnishing employer due to substitution effects.⁸ While the tight links between garnishment,

⁸Notably, we do not observe any drop in either gross income or hours worked leading up to garnishment. This suggests that garnishments are not triggered by loss of income. However, workers may be driven into financial duress by expense shocks, which cannot be observed in our data. This would be consistent with the findings of [Low \(2021\)](#)

indebtedness, and default render causal identification in this setting extremely challenging, the descriptive evidence we present in this section is consistent with a small causal effect of garnishment on workers’ labor supply behavior.

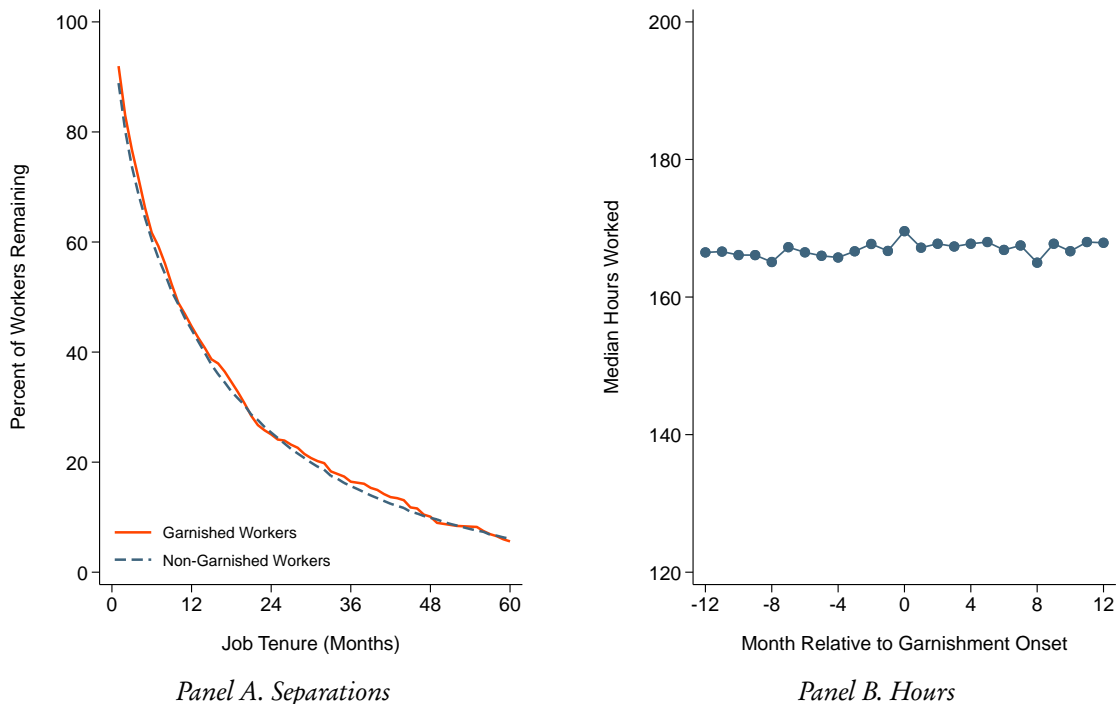


FIGURE V
Labor Supply Responses to Garnishment Onset

NOTE.—This figure shows how job turnover and hours worked change around the onset of a workers’ first garnishment. Panel A. plots job survival curves for garnished and non-garnished workers beginning in the second month of tenure. Each line reports the share of workers of a given type remaining in their job as of a given number of months after the start date. For garnished workers, the sample includes only those whose first garnishment begins in the second month of tenure. Panel B. plots median hours worked per month relative to the month in which garnishment begins. The sample in this panel is restricted to hourly workers who are garnished at some point and are present in their jobs both 12 months before and 12 months after their first garnishment begins. If a worker drops out of the job for a particular month during this two-year interval they are kept in the sample and recorded as having worked zero hours during that month.

IV CONCLUDING REMARKS

Garnishment is a common debt collection mechanism, with nearly 1% of workers in the United States experiencing creditor garnishment every month. However, there exists little information on this important step between default and bankruptcy. We fill this gap by providing the first

and Ganong and Noel (2022), who show that most mortgage defaults are triggered by expense rather than income shocks.

comprehensive empirical exploration of creditor garnishment. We document that garnishment is common, short-lived, and stringent. We also document its unequal distribution, and we show that it seems not to interact with labor supply.

Given the stringency of garnishment, the lack of descriptive association with either intensive or extensive margin labor supply is particularly surprising. [Dobbie and Song \(2015\)](#) find that bankruptcy protection—which frequently relieves debtors of their garnishments—leads to an increase in employment. Of course, bankruptcy could impact labor supply through mechanisms other than garnishment relief. It’s also possible that garnishment *does* affect labor supply, despite what our descriptive analysis suggests. Because we can only see workers who are garnished at ADP firms, we cannot accurately measure job-finding rates. We thus cannot capture workers who might, for example, seek supplementary income through firms not covered by the ADP data. In addition, the hourly workers we study may lack the flexibility to adjust their labor supply in the short- to medium-run. Finally, and most importantly, our lack of debt data prevents us from addressing selection into garnishment. Future work could estimate causal effects of garnishment on individuals and businesses using more detailed information on individuals’ financial situations.

The new descriptive evidence in this paper motivates two additional lines of inquiry for future work. First, future work should delve into the demographic disparities in garnishment, including investigating the role garnishment and other punitive debt collection measures play in racial wealth inequality. Second, future work may investigate the welfare impacts of garnishment, including whether the currently observed garnishment regimes are the most efficient for equilibrium credit market outcomes.

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