

# ESTIMATING THE COST OF RAISING CHILDREN

## Setting the Agenda for Canada

CAMPAIGN 2000  
END CHILD & FAMILY POVERTY



FAMILY SERVICE TORONTO  
For People. For Change.

Estimating  
the cost is not  
as simple as  
you'd think



### Challenges:

- Different understandings of children's well-being
- Existing data do not capture diversity in family needs

## THE COST MATTERS FOR:

Family Planning  
and  
Budgeting

Creating  
Public  
Policies

Developing  
Services for  
Families

Crafting effective  
child poverty  
reduction policies  
requires knowing  
the cost of raising  
a child

## THE COST MATTERS TO:



Parents



Policy  
Makers



Decision  
Makers



The cost of raising  
a child is a key  
determinant of a  
child's well-being

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## WHAT SHOULD BE INCLUDED?

"To thrive children need not just food and material goods but care and affection that promotes health, cognitive development and social and emotional wellbeing."  
(Waldfoegel, 2006)



Healthcare



Food



Education



Childcare



Recreation



Housing



Clothing



Transportation



Personal Care



Costs can differ based on family ethno-cultural practices, geographic location, disability and health status of children



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## HOW TO CALCULATE COST?

Method	Details	Tells Us	Positives	Negatives
<b>Expenditure Survey</b>	Uses data on household expenditures to estimate cost of raising children.	How much do families actually spend on children?	Uses actual expenditure data to show how real families allocate spending.	Ignores different families' preferences in decision making and certain cost allocations done arbitrarily.
<b>Equivalence Scale</b>  Includes the Engel and Rothbarth and Complete Demand System (CDS) approaches	Compares data on household expenditures to determine how much more income a household with a child needs to be as well off as a similar household without a child.	How do children affect families' expenditure patterns?  How much money do families with children need to be as well off as comparable families without children?	Engel and Rothbarth: easy to estimate, account for incremental increases with more children, & account for changes in consumption due to changes in income per person (income effect). CDS based on economic theory; captures income effect & substitution among different expenditure categories	Engel and Rothbarth measures may not use suitable proxies for well-being and they do not directly estimate actual cost of raising children.  CDS requires detailed data often not fully available.
<b>Budget Standard</b>	Estimates the cost of goods and services that a household requires to meet the needs of a child.  Requirements defined by scientific and professional norms in combination with expenditure data.	How do children affect a family's expenditure patterns?  How much do families need to spend on their children?  How much money do families with children need to be as well off as comparable families without children?	Transparency - anyone can see what is in the basket.  Flexibility - can scale to a chosen standard of living.	Subjectivity - who determines what goes in the basket?  Variances between the budget standards and actual household behaviour and expenditures.

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## RECOMMENDATIONS



1

Use the method best suited to the purpose

- Public policy - Budget Standard.
- Comparing well-being of families with and without children - Equivalence Scale.
- Family decision-making - Expenditure Survey or Complete Demand System.

2

Create a comprehensive and detailed Canadian standard budget

- Goal is to have a national budget that can be adjusted by region, culture, family size & need due to disability.
- Should reflect expert norms and develop new norms where they do not exist.
- Consult a broad range of parents.

3

Develop estimates based on national data using Complete Demand System

- Incorporate a range of budget categories related to goods and services consumed by children.
- Restructure and expand Statistics Canada's Survey of Household Spending for more detailed data on child related costs and design in longitudinal form.

4

Develop cost estimates using Budget Standard and Complete Demand System

- Develop cost estimates for a diversity of families with various structures, incomes and living in different demographic settings.
- Use Budget Standard estimates for public policy purposes.
- Use Complete Demand System estimates to guide private decision-making processes.