

# **Estimating the Costs of Raising Children in Out of Home Care in Western Australia**

A report for:

Government of Western Australia, Department of Child  
Protection and Family Support

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## 1. EXECUTIVE SUMMARY

This report has been prepared on the instructions of the Western Australian government Department for Child Protection and Family Support to provide up to date research on the costs of (or expenditure associated with) raising children in Western Australia, with a particular focus on children in out of home care.

The estimates presented in this report were calculated using the budget standards methodology. This approach involves identifying a basket of goods and services required by a specific household to meet a particular standard of living. The items in the basket are then costed. There are two broad research methodologies used to calculate the costs of raising children: expenditure based on behavioural based data; and basket of goods or normative based estimates. Each have relative merits. By detailing the assumptions and items in a basket, the budget standards approach is arguably a more logical and transparent approach to estimating costs of children. Items can be readily included or excluded.

The costs of children estimates reported here were derived by both updating past costs of children research undertaken in Australia and by making various adjustments to take account of the context of out of home care. Various items have been costed at current prices, while others have been updated by the Consumer Price Index and other publicly available statistical data.

The estimates reported are based on the 'modest but adequate' living standard which was designed to reflect the behaviour, experience and expectations of middle Australia. Overall, the assumptions are based on the assumption of a couple-adult guardian household. The estimates are presented as the cost of a first child in the household. Various estimates are calculated for:

- Different ages ranges of children
- Different employment status of the second guardian, assuming one is employed full-time;
- Regular costs of children and out of home care adjustments
- Different geographical regions in Western Australia

When childcare costs are removed, the costs of children tend to increase with age. Where applicable, federal government family-related benefits can substantially reduce the overall cost of raising a child, sometimes up to one third of gross costs.

**Cost of foster child estimates by age brackets, Perth,  
Modest But Adequate Living Standard Level (December 2014 dollars)**

<b>Both guardians employed full-time</b>				<b>One guardian employed full-time; other guardian a full-time carer</b>			
<b>Ages 0-2</b>	<b>Ages 3-5</b>	<b>Ages 6-12</b>	<b>Ages 13-17</b>	<b>Ages 0-2</b>	<b>Ages 3-5</b>	<b>Ages 6-12</b>	<b>Ages 13-17</b>
\$38,600	\$35,500	\$32,000	\$21,100	\$15,100	\$13,200	\$17,600	\$21,000

Note: these estimates are gross costs, that is, without consideration of Federal government family-related benefits.

## **2. AUSTRALIAN COSTS OF CHILDREN RESEARCH – AN OVERVIEW**

### **2.1 General Findings**

There is no fixed or absolute cost of a child. The cost of raising a child increases with household income, although the rate of increase in the estimated cost declines with income level. Higher income households have greater living standards, which children share. Such households, for example, are more likely to pay for private education, buy brand name clothes and go on expensive holidays.

The cost of the first child is often greater than that for each subsequent child. This is due to economies of scale resulting from hand-me-downs and shared infrastructure (such as bedrooms and furniture).

Estimates of the cost of a child generally tend to increase with the age of the child. The main exception is when all-day childcare is required for preschool age children to enable the parent(s) to undertake employment.

Depending on the sensitivity of the method used, the cost of a particular child varies according to the situations of the household, such as their geographical location and the working arrangements of the parent(s).

### **2.2 The Studies**

During the last thirty years, there have been an increasing public policy, legal and public interest in the cost of raising children. This has resulted in an increase in research into the costs of raising children in Australia. The major ones are Lovering (1984), Lee (1988), Saunders et al (1998), Percival et al (1999), Percival and Harding (2005), Valenzuela (1999), Henman (2001; 2007; 2012) and AMP-NATSEM (2002; 2007; 2013). See AIFS (2000) for a useful overview and summary.

The results of the earlier studies by Lovering (1984) and Lee (1988) were regularly updated using changes in prices and wages data and published by the Australian Institute of Family Studies in their magazine *Family Matters* and also used in Family Court matters. However, this discontinued

with new, more rigorous and up to date research on the costs of raising children conducted in the late 1990s and early 2000s.

Significantly, the studies by Saunders et al (1998) and Percival et al (1999) recalculated costs of children from first principles using more up-to-date data and more sophisticated methods. As such, they should be regarded as superseding the earlier studies.

Since these significant developments, NATSEM has recalculated the costs using new statistical data from the Australian Bureau of Statistics (ABS) that supersede the 1999 publication. These include Percival and Harding (2005) and AMP-NATSEM (2002; 2007; 2013).

The original work by Saunders et al (1998) has been further extended and updated by Henman (2001; 2007; 2012) to address the costs of children more explicitly and enhance the sensitivity of the research to specific cases. *The results reported in this report have been derived by updating the results of Henman (2001; 2007; 2012) to the present and taking account of the specific circumstances of the Western Australian out of home care context.*

## 2.3 The Different Approaches

Broadly, there are two different approaches to measuring costs of children.

### 2.3.1 Expenditure or behavioural based estimates

This approach uses survey data on the expenditure of Australian households to create mathematical models that relate household expenditure, household type and living standard levels. It is the approach used by Percival et al (1999), Percival and Harding (2005), AMP-NATSEM (2002; 2007; 2013), Valenzuela (1999) and Lee (1988), with the more recent studies using data from the ABS Household Expenditure Survey. This approach provides estimates of the cost of children, or the proportion of household expenditure spent on children, for households at different income levels.

The key *strength* of this approach is that the costs of children estimates are based on what people actually spend. However, this is also a *weakness*, particularly with respect to low-income households, as it fails to obtain an estimate of what community standards regard as necessary to spend on children. Significantly, it can suggest that the costs of raising children is less for sole parents than couple adult households. Importantly, due to the nature of the base data, the approach

is not particularly sensitive to different household configurations, such as geographical location, labour market status of adults and number and ages of children.

### 2.3.2 *Basket of goods or normative based estimates.*

Called the *budget standards* approach, this involves the identification of a basket of goods and services required by a particular household type to achieve a specified standard of living. The basket of goods and services are costed at current prices, with the cost of durable goods averaged over their lifetime (ie. similar to depreciation). Costs of children estimates using this approach measure what is needed to be spent on children to meet community standards, rather than what can be afforded.

This approach is used by Lovering (1984), albeit in a partial manner, Saunders et al (1998) and Henman (2001; 2007; 2012). The Henman study is based on Saunders et al (1998) data, but provides updated and greatly extended coverage of cost of children estimates. Henman's research also provides the only cost of children estimates sensitive to geography, providing estimates for each capital city.

A key *strength* of this approach is that it is sensitive to the circumstances and requirements of different household types, such as geographical location, the number of adults and their labour market status, the age and sex of the children, whether a child has a disability, and housing tenure. Because the estimates are based on a detailed list of goods and services, the assumptions are relatively transparent and therefore more readily open to debate and alteration. As the approach is normative, it also overcomes distortions in measuring the cost of children due to income constraint in low-income households. There are some general limitations to this approach as discussed in Gray (2007) as well in the specific SRPC budget standards case (see Henman 1998; Whiteford and Henman 1998). The estimates used in this approach technically relate to specific household types therefore are not immediately generalisable to provide an overall average. The approach does to some extent makes assumptions about what should be consumed by households to achieve a particular standard of living, rather than measuring what is actually consumed. These assumptions while sometimes based on official guidelines (e.g. nutritional guidelines) these are not always available.

The budget standards research methodology for estimating the costs of raising children has proven to be highly versatile having been adopted in Australia to calculate the costs of non-resident parents

in maintaining regular contact with their children (Henman and Mitchell 2001) and the cost of raising foster children (McHugh 2002). For this reason, they have been accepted for use to inform policy deliberations in family payments, child support, and child protection, as well as inform legal debate in court proceedings in Australia. Most legal cases that have made use of the costs of children estimates have related to allegations of medical negligence resulting in claims for costs relating to raising a child. These have typically been lodged with State Supreme Courts and settled out of court.

### 3. HOW THE BUDGET STANDARDS ESTIMATES ARE CALCULATED

The estimates of the cost of raising a child presented in this report have been calculated using the most up-to-date and sophisticated methods available to take account as much as possible of the specific circumstances of the research context, specifically out of home care in Western Australia.

These estimates are based on work by the consultant to update the results published in Henman (2007; 2012) to account for changes in prices and government policy.

#### 3.1 The Background Research

The key features of the research conducted by the consultant are also those of Saunders et al (1998), on which the more recent work is heavily based.

Costs of children were estimated at two living standard levels:

- A '*modest but adequate*' standard, which represents middle Australia. It 'affords full opportunity to participate in contemporary Australian society and the basic options it offers. It is seen as lying between the standards of survival and decency and those of luxury ... It attempts to describe the situation of a household whose living standards falls somewhere around the median standard of living experienced within the Australian community as a whole' (Saunders et al 1998, p. 63); and
- A '*low cost*' standard representing low-income households. Although this level allows for social and economic participation consistent with Australian community standards, it is a frugal level 'below which it becomes increasingly difficult to maintain an acceptable living standard because of the increased risk of deprivation and disadvantage' (Saunders et al 1998, p. 63).

Since the original research, budget standards have been developed for higher living standards than these two. For example, Saunders et al (2004) created a higher 'comfortably affluent but sustainable' living standard for retirees, and Henman (2008) constructed a '*luxury*' living standard. The budget standard methodology is, however, not readily suited for estimating expenditures required to achieve high and very high living standards. This is because high living standards have high levels of discretionary income, which in turn generate a great variety in the way households choose to spend and save this income. As a result of this variability at high living standards, it becomes problematic to define a *specific* basket of goods and services at these 'affluent' levels (see Saunders, et al 1998, pp. 628-631 for a discussion of these issues). When living standards at high

living standard levels are required, the budget standards methodology is best combined with behavioural data that provides average estimates of expenditure for high-income households.

***In this report, the costs estimates are based on the modest but adequate living standard.***

The original Saunders et al (1998) research involved the identification and costing of over 700 items of household goods and services required by each household type. The cost of household durables, such as furniture and white goods, were amortised over an assumed lifetime.

Over fifty household types were constructed by varying household composition (the number of adults and the number, age and sex of children), the employment status of adults and housing tenure.

Only four specific types of children were used in creating the original household types: a girl aged 3, a girl age 6, a boy aged 10 and a boy aged 14. Since the original research, budgets for a child aged 1 and a girl at 14 have also been developed (McHugh 2002). The estimates reported here used the cost of these children as substitutes for children of other ages and sexes (as explained below). Past costs of children research have calculated cost estimates for households with up to five children.

The cost of children estimates are derived by taking the difference between the budget standards for households with and without children. These estimates have been calculated for each Australian capital city (Henman 2001; 2007; 2012). When the cost of a child is not the first child, the cost is calculated as the marginal cost of adding an additional child.

***In this report, the estimates are based on the assumption of the cost of a first child.***

### 3.2 How the Estimates were Calculated

The research in Henman (2001; 2007; 2012) has been updated using ABS data on changes in prices, specifically the CPI detailed items for each capital city (ABS Cat. No. 6401.0, Table 11). The budget standards components were updated using the most compatible sub-components of the CPI (cf Henman 2001). In short, this approach to updating of costs is sensitive to changes in prices for particular *types* of goods and services in a particular location (i.e. Perth), rather than on average across all goods and services across Australia.

For example, the food costs estimated in Henman (2001) were updated using the food sub-component of the CPI. The December quarter 1998 CPI sub-component food and non-alcoholic beverages for Perth was 65.2. In the December quarter 2014 it was 103.2 (ABS Cat No. 6401.0). Thus food costs were derived by inflating the estimated in Henman (2001) by 58.28% (ie.  $103.2/65.2$ ).

In specific cases where most direct data were available and where they have a tendency to significantly affect the cost estimates, prices for several items were sourced at current costs for this report, not adjusted to changes in prices. For example, housing was updated using most recent private rental statistics. Similarly, childcare costs were based on current market prices in Perth, and more particularly in the City of Stirling in some cases. The selection of Stirling as a ‘representative’ area of Perth was made after consideration of ABS statistics about its relative social and economic dis/advantage and in consultation with the client. See section 4.1 for more details. In addition, variations have been made to parts of the budgets to reflect the particular circumstances of out of home care based on past research by McHugh (2002).

This report presents the costs of raising a child based on age ranges. Because of the significance of childcare and its intersection with education as major life events with flow on consequences to guardian caring responsibility, it makes sense to structure the difference age brackets in relation to developmental and educational transitions, namely toddler, pre-school, primary school and secondary school. These age brackets also usefully reflect considerable changes in expectations from children from childhood to teenager years, with puberty and transition into adulthood. While budget standards are based on baskets of goods and services for specific individuals – namely, child aged 1, girls aged 3, 6 and 14, and boys aged 10 and 14 – these have been used to calculate an average for children within an age range.

## 4. COMPONENTS OF LIFETIME COST OF CHILD ESTIMATE

### 4.1 In general

The following summary relates to items in the ‘modest but adequate’ household budget. The type of items and their quantity are very reasonable. For example, clothing was originally costed in the budget store Target and no trendy brand names were included. Balancing this, in creating the original baskets, no consideration was made for handing down clothing, toys, etc. from older children or from relatives and friends.

The expenditure categories below reflect a minor adjustment to those originally used by Saunders et al (1998). In particular, the costs of child care and of education have been excised from the original Household Goods and Services component in order to make these costs more identifiable.

It needs to be noted that the original basket of goods and services outlined below were prepared in 1997, almost 20 years ago. Since that time, there have been some changes to the nature of items available to children and societal expectations (e.g. gaming machines), which are not readily incorporated into the updated budgets. For further information on the components of cost of children estimates in general, see Henman (1998; 2001) or Saunders et al (1998).

**Housing.** Estimating the cost of housing is fraught with difficulty. This is due to the great variability of housing and because most of a mortgage is property investment and therefore a form of wealth. The approach used here follows Saunders et al (1998, ch. 3) in using median private rents as a guide. The cost of the child is based on whether an additional bedroom is required, according to the following housing standard. There are to be no more than two persons to a bedroom. Children under five years old may share a bedroom. Children of the same sex may share a bedroom until reaching high school age, whereupon a separate bedroom for privacy and study is required. Given the assumption of a first child, *in this report the cost of housing includes the incremental cost of upgrading from a two-bedroom dwelling to a three-bedroom house in the middle ring of Perth (REIA 2015).*

The housing component also includes insurance (contents for private renters and both contents and building for home purchasers), and rates, water and sewerage, and repairs for home purchasers. *In this report, the cost of repairs and both forms of insurance have been included.*

**Energy.** This estimate represents the additional electrical and gas costs associated with an additional child. The calculations are based on a model of energy use based on household composition and house size. Water usage is included in rates under the housing component.

**Food.** The cost of food for an additional child is based on the cost to feed a child a healthy diet. Only a modest amount of take away meals are included, and there are no restaurant meals.

**Clothing.** The clothing and footwear estimate is based on the cost of a basic wardrobe of clothes, which includes school uniforms and an outfit for special occasions. The assumed lifetime of most items is one year.

**Household goods and services (HGS).** This budget includes over 400 items covering furniture and white goods, cutlery and crockery, linen, cleaning goods and stationery. The costs are spread across an assumed lifetime that is calculated to reduce with the presence of children. The costs of a child involve the additional cost, such as a portable sound system for older children and a wardrobe, plus increased depreciation of durable goods.

**Childcare.** Childcare needs depend on parental employment status. When all parents/guardians work full-time, long day care is required for a child 0 to 4 years old, a child of 5 attends long day care half time, and a child of 6 to 12 years old attends before and after school care and vacation care during school holidays. When one parent is not in the labour force as primary carer, a small amount of occasional care is required for preschool children for respite. Childcare costs are based on current prices in Stirling, Perth. All day care was found to be approximately \$100/day (though children younger than 18 months is often higher), whereas for school age children vacation care was priced at \$59/day, before school care at \$27/day and after school care at \$35/day. In the case of households with one parent who is a full-time carer, casual child care of 8 hours per month of casual babysitting was allocated at \$25/hour.<sup>1</sup> These costs are presented as gross costs, that is, before government benefits are taken into account. Consideration of the contribution of government financial assistance for childcare and other aspects of raising children are discussed in Section 4.4.

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<sup>1</sup> See, for example, <http://www.careforkids.com.au/child-care/stirling/6021>, <http://www.nightnannies.com.au/parents/fees.aspx>, <http://www.babycenter.com.au/a551680/using-a-babysitter> and [http://stirlingchildcarecentre.com.au/wp-content/uploads/sites/7/2014/11/A5-Flyer\\_Price-List\\_Stirling.pdf](http://stirlingchildcarecentre.com.au/wp-content/uploads/sites/7/2014/11/A5-Flyer_Price-List_Stirling.pdf).

**Education.** Although State education is typically regarded as free studies it is now commonplace to incur a range of school related expenses. Educational costs for public schools include general fees, contributions to P&C associations, textbooks, stationery and equipment, fundraising items, school photos, excursions, school sports and school entertainment. Private school fees are not included.

**Health.** Health care costs for a child are based on a generally healthy child without specific health needs. They include annual dental trips, prescriptions and over the counter medications. Visits to the doctor are assumed to be bulk-billed (ie. free), and costs for specialists, orthodontists and opticians are not included. Health costs are net of government benefits provided through Medicare and the Pharmaceutical Benefits Scheme. The base assumption of costing for a generally health child, rather than average costs, is to enable to additional costs above normal good health to be identified separately (see Saunders et al 1998, ch 8).

**Transport.** Child travel costs include the marginal cost of upgrading the family car from a sedan to a larger vehicle to account for increased family size. Only depreciation costs are included. Petrol costs refer to the additional trips made in dropping children to activities, such as leisure, budgeted at two weekly 5 kilometre round trips. School trips were assumed to be en route to work so no extra mileage was included (Saunders et al 1998, 356). Child seats and booster seats are also included. There is no provision for air travel.

**Leisure.** The child's leisure budget is based on the cost of toys, books and other leisure and sporting goods averaged over assumed lifetimes. Video hire, a small amount of attendance at the cinema, zoos, etc, and increased photographic usage are also included. It is important to note that since the original budget standards were prepared in 1997, significant developments in electronic goods and gaming for children have occurred, which are not explicitly included in these updated budgets. However, electronic items may act as substitutes for original items. Costs for an annual week-long family holiday is also part of this budget area. The costs were based on driving to a nearby holiday region and renting an apartment during the school holiday, but not doing peak Christmas, period. The original budget standards did not explicitly include gifts or pocket money for children, based on the assumption that the items that children might receive or purchase are included in the allocated budgets for food, clothing and leisure.

**Personal Care.** This includes basic personal care items such as a toothbrush and shampoo. There is provision for professional haircuts for older children.

**Cost of children estimates.** Table 1 lists the overall costs of raising a first child in Perth based on the Modest But Adequate Living standard level, and in accordance with that explained above. The table provides costs for different age ranges for the child, and provides the estimates for dual parent households in two situations: (a) where both parents work full-time; and (b) where one parent works full-time and the second is not in the labour force (i.e. a full-time unpaid carer).

**Table 1: Cost of child estimates, Perth, Modest But Adequate Living Standard Level (December 2014 dollars)**

Child	Hsng	Engy	Food	Cloth	HGS	ChldC	Educ	Hlth	Tnspt	Leisur	Per C	Total*
<i>Both parents working full-time</i>												
Ages 0-2	\$3,400	\$300	\$2,000	\$1,000	\$1,100	\$25,300	\$0	\$300	\$1,600	\$100	\$1,600	<b>\$36,700</b>
Ages 3-5	\$3,400	\$300	\$2,200	\$600	\$700	\$24,100	\$0	\$300	\$1,600	\$300	\$100	<b>\$33,500</b>
Ages 6-12	\$3,400	\$300	\$3,500	\$700	\$700	\$14,400	\$1,200	\$300	\$1,600	\$900	\$100	<b>\$26,800</b>
Ages 13-17	\$3,400	\$300	\$4,500	\$900	\$900	\$0	\$1,600	\$200	\$1,600	\$1,700	\$500	<b>\$15,600</b>
<i>One parent working full-time; other parent a full-time carer</i>												
Ages 0-2	\$3,400	\$300	\$2,000	\$1,000	\$1,100	\$2,400	\$0	\$300	\$1,600	\$100	\$1,600	<b>\$13,800</b>
Ages 3-5	\$3,400	\$300	\$2,200	\$600	\$700	\$2,400	\$0	\$300	\$1,600	\$300	\$100	<b>\$11,800</b>
Ages 6-12	\$3,400	\$300	\$3,500	\$700	\$700	\$0	\$1,200	\$300	\$1,600	\$900	\$100	<b>\$12,500</b>
Ages 13-17	\$3,400	\$300	\$4,500	\$900	\$900	\$0	\$1,600	\$200	\$1,600	\$1,700	\$500	<b>\$15,600</b>

Source: author's calculations using data from Henman (2007); ABS (6401.0); REIA (2015)

\* Totals may not precisely add up to the figures in the columns due to rounding to the nearest hundred

## 4.2 Costs of children adjustment for out of home care

Estimating the cost of raising children in out of home care introduces a range of questions about the applicability of estimates of the costs of raising children in regular, ‘biologically intact’ households. Considerations about the realities of raising children in an out of home environment may introduce other aspects of raising children not *normally* experienced by other households. For comparison, researchers have considered differences in costs between dual and sole parent households (eg Whiteford 1991; Saunders et al 1998: 599-606).

In preparing estimates on the costs of raising children in an out of home scenario, this report considered prior research. In particular, it gave considerable attention to the work of McHugh (2002) who was previously tasked to undertake such estimates using the same methodology as this report. Indeed, her report drew on the same original budgets standards research, namely Saunders et al (1998), and also included original research with people working in out of home care to discuss the differences between children in ‘regular’ households, and in out of home care. A synopsis of the findings of that research and how this report adjusted the cost estimates from section 4.1 is outlined below. As a principle the adjustments made in this report to derive the costs of children in foster care from the costs of children, sought to respond to differences in ongoing costs. One-off costs associated with transitioning the child into a new household were not typically included in these estimates, but were expected to be estimated and addressed in an alternative fashion. In particular, the regularity of these one-off costs varies considerably, based on the longevity, or otherwise, of an out of home care placement.

Overall, the majority of carers in McHugh’s (2002: VI) study reported that the general estimates for the components listed above were not adequate in the case of out of home care. That study reinforced previous work, which found that there were many additional costs specific to fostering that needed to be reflected. These are summarized below.

**Housing.** According to McHugh (2002), increased general wear and tear represented the most significant cost differences in the housing and households goods and services components associated with foster care. Most carers reported numerous cases of minor to major damage to furniture, electrical equipment and white goods as well as walls, doors, windows and other fixtures, by foster children. The frequent painting of walls and repairing of damage was seen as a necessity by carers. Further, carers reported varying capacity to cover these costs from State government foster care services. Foster children in short to medium care were typically not covered by carers’

home and contents insurance, while long term carers reported reluctance to claim from their insurers due to the loss of no-claim bonuses, the amount of excess and/or a significant rise in premium payments.

Other housing costs included higher than normal water usage, due to children taking long baths or showers and excess laundry, particularly in cases of bedwetting. Damage to cars and neighbours property was also reported by some carers.

**In lieu of these additional costs of repairs, this report has doubled the estimated child cost for repairs and insurance, representing an additional \$200 per annum increase in the costs of child estimates for children aged 6 and over.** Additional costs for wear and tear are included in the Household Goods and Services component (see below).

**Energy.** McHugh (2002) found more frequent usage of water incurred additional energy costs for running washing machines and dryers and the pumps required to heat water or for rural carers to pump water from water tanks or bores. Although children in general are high energy users and often forget to turn off lights and appliances, carers reported that foster children in particular required lights to be left on all night due to an inability to sleep. For younger children and those with specific medical needs air conditioning and heating were required. Rural carers incurred large costs in oil and firewood. Carers also reported the importance of keeping foster children busy with multiple activities such as TV and video games which added to their energy costs.

In preparing this report, the adjustments made by McHugh (2002) were regarded as excessive. **In this report, the energy costs of children estimates have been increased by 10 per cent.**<sup>2</sup>

**Food.** In McHugh (2002), carers reported that the general estimates for food were found to be close to the estimated costs of children in 'regular' households. However, many carers reported obsessive and abnormal eating behaviours such as over-eating, stealing, hiding and hoarding food. This led to higher consumption of some foods and higher wastage of others as carers tried to correct former dietary deficiencies. McHugh (2002) also reported additional food was needed when carers hosted contact and or access visits between foster children and their birth families.

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<sup>2</sup> While an increase of 10 per cent has been applied to data in Table 1, this may not be evident in the energy column in Table 2 due to presentational rounding to the nearest hundred dollars. The increase is, however, reflected in the overall total cost.

Accordingly, McHugh (2002) increased the original costs of children by 15% to take account of these realities.

The increase used by McHugh (2002) was regarded as too generous as some wastage and socialising costs were included in the original budget. **Consequently, in this report the food costs estimates have been increased by 5 per cent to obtain those for children in out of home care.**<sup>3</sup>

**Clothing and Footwear.** McHugh (2002) reported that this was one of the most problematic areas for carers as children coming into care often presented with little or no suitable clothing. Carers reported children had minimal wardrobes of poor quality and cleanliness. Major costs were incurred when the child was first placed into care, at the change of season, following a growth spurt and when the child started school. Carers suggested an increase in the initial clothing grant and an inclusion for clothing and footwear in the standard subsidy payment.

McHugh (2002) recommended a doubling of the clothing estimates. However, given that the clothing in the original budget standards is largely for clothes with a one year life span, the estimates for one year would purchase a full-wardrobe. Additional lump sum costs are arguably measured separately.

*Accordingly, in this report, no adjustments to the clothing and footwear budget was made for children in out of home care.*

**Household Goods and Services.** McHugh (2002) report that many additional costs were incurred due to the wear and tear and damage to household items as outlined above. The lifetime of items frequently used by children were reduced. The cleaning of carpets and soft furnishings as well as the frequent replacement of mattresses were among the additional costs incurred in this component. Additional items needed to be purchased and stockpiled including extra sheet sets, doonas and doona cover sets and cotton blankets, extra quantities of washing powders, laundry soap, bleach and disinfectant. The storage of extra items was reported as a problem for many carers, the purchase of sheds or the usage of garage space was a common occurrence. McHugh (2002) addressed this by:

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<sup>3</sup> While an increase of 5 per cent has been applied to data in Table 1, this may not be evident in the food column in Table 2 due to presentational rounding to the nearest hundred dollars. The increase is, however, reflected in the overall total cost.

- Reducing the lifetime of certain items used regularly by children by one third;
- Increasing the allocation for cleaning of carpets and soft furnishings;
- Adding additional quantities of washing powder, etc;
- Adding an additional mattress protector, and sheet set;
- Doubling the weekly amount for repairs and maintenance for household appliances for all children from \$1.69 to \$3.37;
- Allocated phone and postage charges increased by one third from \$2.97 to \$3.96.

*In this report, the overall Household Goods and Services estimates were increased by 10 per cent to reflect these additional costs.<sup>4</sup>*

**Childcare and Education.** Neither of these components were separately dealt with by McHugh, and they were not particularly mentioned in the report. *In this report, the education costs were increased by adding private tutoring support.* The cost of this item was included at \$50 per hour, for 40 weeks of the year for school age children. This cost estimate is based on reference to tutoring companies operating in Stirling<sup>5</sup>.

**Healthcare.** McHugh (2002) reported that general good health did not seem to be the norm for foster children. Carers reported four main issues in relation to meeting the costs of health. There was a lack of information provided to carers about the child's medical background and the lack of either a Medicare or Health Care Card in the child's name when they were placed. The second issue was the substantial costs of over the counter medications due to minor medical complaints the child had when they came into care. The third was the long waiting period of 6-8 months to access urgently required specialist services through the public health system. Lastly, some carers noted the inability to include foster children on their private health cover.

McHugh (2002) addressed these by:

- Including 6 additional visits to the GP in the budgets for all children (assumed to be bulk billed);

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<sup>4</sup> While an increase of 10 per cent has been applied to data in Table 1, this may not always be evident in the Household Goods and Services column in Table 2 due to presentational rounding to the nearest hundred dollars. The increase is, however, reflected in the overall total cost.

<sup>5</sup> Private in-home tutors such as those found on [firstrtutors.com](http://firstrtutors.com) have varying prices. However, these are typically \$50 per hour for Perth and surrounding areas (eg <http://au.kumonglobal.com/page.jsp?id=678&version=au>). Tutoring centres such as Kip McGrath ([www.kipmcgrath.com.au](http://www.kipmcgrath.com.au)) also have varying rates typically charge \$50 per hour.

- Adding the cost of three additional prescriptions at a cost \$3.50 each.

The cost of children estimates are designed to reflect generalised costs over a year, rather than one-offs associated with transition to care. In recognition of the special health needs likely to be associated with caring for children in out of home care, for this report *the health cost estimates of regular children (as summarised in Table 1) were adjusted in several ways to derive the health care costs for children in out of home care.*<sup>6</sup>

1. **Prescription and over the counter medication** costs were increased by 25 per cent. Given the original prescription allocation of Saunders et al (1998), this equates to a total of 4 prescriptions a year for older children, and 7.5 prescriptions per annum for younger children;
2. A **private health insurance policy** for an additional child (based on advice from the client) that includes both health care costs and ambulance cover was added. The cost of the private health insurance policy was estimated at \$65.09 per month.<sup>7</sup>
3. **Professional therapeutic counselling fees.** While per hour costs of counselling vary between practices, a quote was obtained from a local practice in the Stirling LGA for \$180 per one hour appointment<sup>8</sup>. The current Medicare rebate is \$124.50. Out of pocket expense is therefore calculated at \$55.50 per hour session. The budget standard includes net counselling costs for 10 visits per annum for each child aged 6 and above.

Other allied health professional costs that could be considered, but were *not* included in the estimates below, include:

- **General Paediatric services.** The Western Australian government's Child Health Centres provides a range of free paediatric services.<sup>9</sup>
- **Major Dental.** Based on 2013 data the average cost of restorative dental procedures and oral surgery in Western Australia was calculated at \$173.93 and \$149.87, respectively<sup>10</sup>.

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<sup>6</sup> While the following adjustments were applied to data in Table 1, this may not be evident in the health column in Table 2 due to presentational rounding to the nearest hundred dollars. The increase is reflected in the overall total cost.

<sup>7</sup> Quotes were obtained for individual cover for a child including hospital cover, ambulance cover and extras such as dental, optical and physiotherapy. Based on a 13 year old living in Stirling, NIB charges \$65.09 per month, while AHM charges \$70.39 for comparable cover.

<sup>8</sup> <http://www.hannington.com.au/fees.htm>

<sup>9</sup> [http://www.health.wa.gov.au/services/category.cfm?Topic\\_ID=18](http://www.health.wa.gov.au/services/category.cfm?Topic_ID=18)

<sup>10</sup> <http://www.privatehealth.gov.au/healthinsurance/whatiscovered/averagedental.htm>

Orthodontic procedures ranged from approximately \$5000 for metal braces<sup>11</sup> to between \$6000 and \$9000 for Invisalign corrective treatment<sup>12</sup>.

- **Physiotherapy.** Based on current costs in Stirling<sup>13</sup>, an initial consultation is \$80, and a standard child consultation is \$62. Approximately 60 per cent of these costs are typically covered by private health insurance.
- **Occupational Therapy.** Such professional services may be required for children with fine or gross motor skills, and other paediatric conditions. Stirling Health Professionals advise this cost is \$82 for an initial consultation, and \$53 for a standard child consultation. Private health insurance does not always provide rebates for these services, and it is not covered by the insurance product used in the estimates.
- **Dietetics.** Based on two clinics in Stirling<sup>14</sup>, prices are approximately \$105 for an initial consultation and about \$70 for a follow-up consultation. Developing an individualised meal plan costs around \$60.
- **Speech Pathology.** There are no out of pocket cost if services are provided through the WA Child Health Development Services, however, there are long waiting lists. Private providers typically cost \$200 for an assessment and about \$100 for each subsequent therapy session.<sup>15</sup> Private health insurance typically provides rebates on such services.
- **Audiology.** The Australian Government Hearing Services Program provides children with free audiology services and equipment.
- **Paediatrics.** The estimated cost of a consultation is \$260, with a net cost of \$40 after payment of the 85% Medicare rebate.<sup>16</sup> While Medicare rebates cover 85% of the scheduled fee, some specialists charge more than this fee leaving patients with greater out of pocket costs, while some may use their discretion to bulk bill some clients.

**Transport.** McHugh (2002) found that transport costs were specific to geographical locations with the cost for regional carers much higher than for carers in metropolitan areas. Most carers reported that a car was essential and one of their biggest expenses was petrol. As carers tried to maintain foster children in the schools they attended prior to coming into care many made extensive car

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<sup>11</sup> <http://www.oralb.com.au/topics/AffordingandGettingYourMoneysWorthFromBraces.aspx#>

<sup>12</sup> <http://www.invisalign.com.au>

<sup>13</sup> <http://www.stirlingchiropractic.com.au/>

<sup>14</sup> Milestones Clinic in Stirling, <http://www.milestonesclinic.com.au/#!contactus/czpl>; Chris Fonda dietitian, <http://www.chrisfondadietitian.com.au/#!services/c1pna>

<sup>15</sup> [http://www.pmh.health.wa.gov.au/services/child\\_development\\_service/parents.htm](http://www.pmh.health.wa.gov.au/services/child_development_service/parents.htm); Grow Therapy Services (<http://www.growtherapyservices.com/speech-pathology-pricing/>); Chatterbox Speech Pathology WA (<http://www.chatterboxwa.com.au/feesrebates/>)

<sup>16</sup> <http://www9.health.gov.au/mbs/search.cfm?q=Paediatrics&sopt=S>

trips to and from school. Distances and costs were exacerbated if the carers' birth children attended a different school.

While McHugh (2002) made some minor adjustments, these were regarded here as already encapsulated by the original budget standards methodology. However, some adjustments have been made in this report to the estimated additional mileage associated with children. The original budget standards assumed that children will be dropped off and collected from school by a parent on the way to and from work, and therefore involved no additional mileage. In preparing this report it was instead assumed that the trips to and from school (and vacation care) involved additional mileage, namely a 5 kilometre round trip for drop off and pick up each day of 46 weeks. Additional mileage was also included for transport to additional extra-curricular activities (included in leisure) being 8 kilometre round trips for 40 weeks. The cost per kilometre is calculated at \$0.246<sup>17</sup>. Thus, in this report the only *adjustment made to the transport budget in identifying costs of children in out of home care was to increase mileage for school age children.*

**Leisure.** McHugh (2002) found that most carers reported that they did not receive any extra financial assistance for sporting activities, movies, theme parks, and family outings nor did they receive any extra money to cover items such as birthday and Christmas gifts birthday parties or the purchase of gifts for birth families. Printing photographs for foster children and/or their birth families was seen as an important activity but one that incurred significant cost. In adjusting the costs of children estimates, McHugh (2002)

- Allocated pocket money based on age;
- Provided an additional allowance equal to one week subsidy for the child's birthday and Christmas
- Included an additional \$3 a week to cover small gifts etc. for the birth family.

In this report the *following adjustments were made to the leisure budget in identifying costs of children in out of home care:*

- An annual amount of \$100 per annum to cover gifts;
- Pocket money for school age children at \$4/week for ages 6-11 and \$10/week for ages 12-17.

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<sup>17</sup> This figure has been derived by updating the cost per kilometre used in the original budget standards for petrol, oil, tyres and service and repairs for a 2L vehicle.

- The addition of two extracurricular activities per annum (such as dance, music and sport). The original budget standards considered, but did not include such activities based on less than 50% participation in them at that time. Changes in societal expectations may suggest it is now more appropriate to include them. The cost of this additional item is \$320 per annum for children 6 years and older, and \$100 for younger children.<sup>18</sup>

**Personal Care.** McHugh (2002) found that younger children had higher personal care costs due to the use of disposable nappies, wipes, lotions and creams. Wet or soiled beds were not unusual for children up to the age of six or seven. Higher than normal expenses were also incurred for teenagers for deodorant, acne preparations, skin washes, disposable razors, menstrual products, contraception and hairdressing. For all age groups carers reported high wastage of toothpaste, shampoos, conditioners, and toilet paper used by most children in care. McHugh (2002) increased the allocated amount by 50% for all children except the infant of 12 months.

In this report, however, the view is that much of these mentioned costs were taken into account when deriving the original personal care costs of children. Accordingly, none of the above adjustments were made. However, as a result of advice from the client, the personal care budget has been amended to ensure all haircuts are provided professionally every 6 to 8 weeks, at a cost of \$20.

**Cost of foster children estimates.** Table 2 lists the overall costs of raising a first child in the context of out of home care, in Perth based on the Modest But Adequate Living standard level. The table provides costs for different age ranges, and provides the estimates for dual parent/guardian households in two situations: (a) where both guardians work full-time; and (b) where one guardian works full-time and the second is not in the labour force (i.e. a full-time unpaid carer).

It is important to note that the above outlined adjustments have been made to the figures in Table 1. However, comparing individual cells between Table 1 and Table 2 may suggest that no adjustment has occurred. Rather, this situation arises due to presenting numbers rounded to the

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<sup>18</sup> These costs were derived after considering: cricket membership fees of \$160 a season; Tennis annual fees of \$50 plus match fees; AusKick football fees of \$135 to \$180 per season; and Dance classes of \$14 per class. [www.balcattacc.com.au/GetInvolved/Juniors/JuniorsInformation.aspx](http://www.balcattacc.com.au/GetInvolved/Juniors/JuniorsInformation.aspx); [www.mtlawleytennis.com.au/juniors/membership.html](http://www.mtlawleytennis.com.au/juniors/membership.html); <https://reg.sportingpulse.com/v6/regoform.cgi>; [www.allstardance.com.au/wp-content/uploads/2014/12/2015\\_enrolment\\_pack\\_allstar.pdf](http://www.allstardance.com.au/wp-content/uploads/2014/12/2015_enrolment_pack_allstar.pdf)

nearest hundred dollars. Importantly, the effect of the adjustments will be evident in the overall totals for each row.

**Table 2: Cost of foster child estimates, Perth, Modest But Adequate Living Standard Level (December 2014 dollars)**

Child	Hsng	Engy	Food	Cloth	HGS	ChldC	Educ	Hlth	Tnspt	Leisur	Per C	Total*
<i>Both guardians employed full-time</i>												
Ages 0-2	\$3,400	\$300	\$2,100	\$1,000	\$1,300	\$25,300	\$0	\$1,100	\$2,200	\$300	\$1,700	<b>\$38,600</b>
Ages 3-5	\$3,400	\$300	\$2,300	\$600	\$700	\$24,100	\$0	\$1,100	\$2,200	\$500	\$200	<b>\$35,500</b>
Ages 6-12	\$3,600	\$300	\$3,600	\$700	\$700	\$14,400	\$3,200	\$1,600	\$2,100	\$1,500	\$200	<b>\$32,000</b>
Ages 13-17	\$3,600	\$300	\$4,700	\$900	\$1,000	\$0	\$3,600	\$1,600	\$2,200	\$2,700	\$500	<b>\$21,100</b>
<i>One parent working full-time; other parent a full-time carer</i>												
Ages 0-2	\$3,400	\$300	\$2,100	\$1,000	\$1,300	\$2,400	\$0	\$1,100	\$1,600	\$300	\$1,700	<b>\$15,100</b>
Ages 3-5	\$3,400	\$300	\$2,300	\$600	\$700	\$2,400	\$0	\$1,100	\$1,600	\$500	\$200	<b>\$13,200</b>
Ages 6-12	\$3,600	\$300	\$3,600	\$700	\$700	\$0	\$3,200	\$1,600	\$2,000	\$1,500	\$200	<b>\$17,600</b>
Ages 13-17	\$3,600	\$300	\$4,700	\$900	\$1,000	\$0	\$3,600	\$1,600	\$2,100	\$2,700	\$500	<b>\$21,000</b>

Source: Author's calculations using Table 1, Saunders et al (1998).

\* Totals may not precisely add up to the figures in the columns due to rounding to the nearest hundred

Compared to the costs of children estimates in Table 1, these costs are higher by between 5% (for the 0 to 2 year age group in the household where both adults are employed full-time) to 42% (for the 6-12 year old age group, in the one adult employed full-time).

### 4.3 Geographical variations

Given that prices of goods and services can vary from location to location, costs for raising children can vary geographically. Other geographical considerations can occur due to climates. For example, clothing and heating needs will be different in a cold, wet climate (such as southern Western Australia), compared to a hot, dry climate (such as the Pilbara) where energy costs are more directed to cooling.

Data on price relativities between Perth and other locations in Western Australia are published in the Western Australian Department of Regional Development's *Regional Price Index 2013* (DRD 2013a). Table 3 provides a summary of the relativities between Perth (assumed to be 100) and different baskets of goods and services for eight regions in Western Australia for 2013. Details about the constitution of the regions and components can be found in the Department of Regional Development's *Regional Price Index* (2013b).

**Table 3: WA Regional Price Index, by region and basket component, 2013**

Region	Basket	Food	Tobac /Alc	Clothg	Housg	HE&O	Hlth +PC	Transpt	Recr/ Educ
Kimberley	114.7	114.5	113.6	116.9	125.6	109.7	103.7	108.8	106.5
Pilbara	118.6	101.5	108.4	109.0	139.8	108.9	129.6	112.0	111.7
Gascoyne	110.0	110.0	109.0	119.4	120.7	106.0	104.8	105.9	95.6
Goldfields	104.1	106.5	105.4	108.7	97.4	104.2	119.0	101.8	111.0
Mid West	102.8	104.3	104.6	121.6	97.5	104.1	115.4	100.2	104.4
Wheatbelt	100.5	103.6	107.4	127.1	96.1	100.3	108.7	102.0	94.8
Peel	99.7	101.2	100.3	102.5	98.2	99.5	108.5	103.9	93.8
South West	99.9	98.6	102.8	112.2	95.0	100.9	100.7	100.2	106.7
Great Southern	97.6	102.4	101.2	104.9	85.6	100.9	111.2	100.0	103.9

Source: DRD (2013a)

Table 2 was varied to take account of geographical differences in prices using the Western Australian Department of Regional Development's *Regional Price Index 2013* (DRD 2013), as summarised in Table 3. Data from the DRD report enables adjustments for different components of the cost of children estimates based on relativities between Perth and other regions in Western

Australia for different types of goods and services. In deriving geographical variations of the costs of foster care within Western Australia, the Perth costs presented in Table 2 were varied according to price relativities between regions based on matching component groups in both the budget standards and the Regional Price Index (RPI) for 2013. In particular,

- the housing component in the estimates was adjusted using the housing component of the RPI;
- the food component in the estimates was adjusted using the food component of the RPI;
- the clothing and footwear component in the estimates was adjusted using the clothing component of the RPI;
- the household goods and services component in the estimates was adjusted using the household equipment and operations component of the RPI;
- the health component in the estimates was adjusted using the health component of the RPI;
- the transport component in the estimates was adjusted using the transportation component of the RPI;
- the leisure component in the estimates was adjusted using the recreation and education component of the RPI;

The energy, childcare, education and personal care components for Perth were not adjusted using the RPI because applicability of the latter to these categories cannot be assured.

Table 4 provides the annual costs of foster care for each child and household type for different regions in Western Australia. Table 4 also presents the average differences between Perth and each region. Regional variations range from the Great Southern region, where costs for raising a child in out of home care are on average 0.9 per cent lower than Perth, to the Pilbara region, where costs are on average 11.2 per cent higher than in Perth.

**Table 4: Cost of foster child estimates, by WA region, Modest But Adequate Living Standard Level, Relative to Perth (December 2014 dollars)**

Child	Perth	Kimberley	Pilbara	Gascoyne	Gold fields	Mid-West	Wheat belt	Peel	South West	Great Southn
<i>Both guardians employed full-time</i>										
Ages 0-2	\$38,600	\$40,400	\$40,800	\$40,000	\$39,100	\$39,100	\$39,000	\$38,800	\$38,600	\$38,400
Ages 3-5	\$35,500	\$37,100	\$37,600	\$36,700	\$35,900	\$35,800	\$35,700	\$35,600	\$35,400	\$35,200
Ages 6-12	\$32,000	\$34,000	\$34,500	\$33,400	\$32,800	\$32,600	\$32,300	\$32,100	\$32,000	\$31,900
Ages 13-17	\$21,100	\$23,300	\$23,800	\$22,600	\$22,000	\$21,800	\$21,400	\$21,100	\$21,100	\$21,000
<i>One guardian employed full-time; one guardian full-time carer</i>										
Ages 0-2	\$15,100	\$16,800	\$17,300	\$16,500	\$15,600	\$15,600	\$15,500	\$15,300	\$15,100	\$14,900
Ages 3-5	\$13,200	\$14,800	\$15,200	\$14,400	\$13,600	\$13,600	\$13,400	\$13,300	\$13,100	\$12,900
Ages 6-12	\$17,600	\$19,600	\$20,100	\$19,000	\$18,300	\$18,200	\$17,900	\$17,700	\$17,600	\$17,400
Ages 13-17	\$21,000	\$23,200	\$23,700	\$22,500	\$21,900	\$21,700	\$21,300	\$21,100	\$21,100	\$20,900
<b>Ave</b>		<b>+8.9%</b>	<b>+11.2%</b>	<b>+6.5%</b>	<b>+3.1%</b>	<b>+2.5%</b>	<b>+1.4%</b>	<b>+0.5%</b>	<b>-0.1%</b>	<b>-0.9%</b>

Source: calculated from Tables 2 and 3

#### 4.4 Government Benefits

Australian Government benefits, relating to the child for whom costs are estimated, depend on taxable household income and the primary carers' income. Government benefits are available to assist in the cost in raising children. Such costs can reduce the gross costs of raising children estimated here. However, as such benefits are largely means-tested, care is required in calculating the extent to which such support is available in this particular case. Moreover, the ability of foster parents to access various Federal government benefits may be fraught, not straightforward and should be considered on a case by case basis.

However, in order to give some indication of the level of Federal government support that may be applicable, Table 5 outlines benefits that 'regular' families would be anticipated to receive based on policy settings at December 2014. Given that many of these benefits are means-tested, the estimates below are based on a household with a total taxable private household income of \$2358 per week or \$123,000 per annum.<sup>19</sup>

**Table 5: Annual estimated government child-related benefits applicable to foster child**

<b>Government Benefit</b>	<b>FTB Part A</b>	<b>FTB Part B</b>	<b>CCB</b>	<b>CCR</b>
<i>Both guardians employed full-time</i>				
Ages 0-2	\$0	\$0	\$1,300	\$7,500
Ages 3-5	\$0	\$0	\$1,300	\$7,500
Ages 6-12	\$0	\$0	\$1,200	\$6,600
Ages 13-17	\$0	\$0	\$0	\$0
<i>One guardian employed full-time; one guardian full-time carer</i>				
Ages 0-2	\$0	\$4,300	\$0	\$0
Ages 3-5	\$0	\$4,300	\$0	\$0
Ages 6-12	\$0	\$3,100	\$0	\$0
Ages 13-17	\$0	\$3,100	\$0	\$0

Source: Centrelink Estimator <sup>20</sup>.

<sup>19</sup> This figure is based on Perth's average weekly household private income (including imputed rents) of \$2148 in 2011-12 (ABS Cat No 6523.0, Table 19) inflated by 9.8% to account for December 2014 income using Western Australian Average Weekly Earnings, all persons, ordinary time earnings (ABS Cat No 6302.0 Table 13E).

<sup>20</sup> [www.centrelink.gov.au/RateEstimatorsWeb/publicUserCombinedStart.do](http://www.centrelink.gov.au/RateEstimatorsWeb/publicUserCombinedStart.do)

Where access to the above benefits is possible, they affect the net costs of raising a child in out of home care. To illustrate, Table 6 replicates Table 2, but after receipt of government benefits. Government benefits reduce the gross cost of a child for all but one situation where no benefits are payable, from 15% to up to a third of gross costs.

**Table 6: Net cost of foster child estimates (after Federal government benefits), Perth, Modest But Adequate Living Standard Level (December 2014 dollars)**

	Both guardians employed full-time			One guardian employed full-time; other a full-time carer		
	Gross costs	Net costs	Diff (%)	Gross costs	Net costs	Diff (%)
Ages 0-2	\$38,600	\$29,800	-23%	\$15,100	\$10,800	-28%
Ages 3-5	\$35,400	\$26,600	-25%	\$13,200	\$8,900	-33%
Ages 6-12	\$32,100	\$24,300	-24%	\$17,700	\$14,600	-17%
Ages 13-17	\$21,100	\$21,100	0%	\$21,100	\$18,000	-15%

Source: Author's calculations from Tables 2 and 5

In addition to the benefits listed above, the Australian government also provides a Youth Allowance to eligible families to dependent children (in full-time study or unemployment) above the age of 16. It is noted, that if Youth Allowance is paid, then Family Tax Benefit Part A is not paid for that child. Carer-related payments on behalf of children with disability can also be paid. These payments have not been considered here.

#### 4.5 Other considerations in the costs of raising children

**Lost opportunity cost.** The lost opportunity cost of having a child is the cost of lost wages resulting from a parent leaving the workforce to care for their child. Apart from direct salary loss, it also includes the career costs from such an absence from the workforce, such as delayed promotions and salary increments. These latter costs are considerable.

Apart from direct salary loss, Breusch and Gray (2004) estimate that in 2001 having one child reduces a woman's lifetime earnings by about 31 per cent, whilst the second child costs an additional 14 per cent and a third child an additional 9 per cent. Given that whether a parent leaves the workforce could be seen as a matter of personal choice, an alternative estimate of the cost of a child is the expenditure required to enable parents to remain in the workforce, namely the cost of childcare. *Lost opportunity costs are not considered in the calculations in this report.*

**Time costs of care.** When child care is provided by parents, child care has no monetary cost. However, there is a time cost associated with such 'gratuitous' care. This is because the parent(s) is required to spend time caring for the child they would have otherwise used on other activities. Research into this time cost shows that it is usually considerable (see Craig 2002; Bradbury 2004). *Time costs of care are not considered in the calculations in this report, except in the inclusion of the purchase of child care to enable employment.*

**Children 18 years and older.** Current budget standards research on the costs of children does not explicitly measure costs of children who are financially dependent – either in full or part – on their parents or guardians after reaching the age of 18, as would be the case for children undertaking tertiary education or who are unemployed. Similarly, the costs do not include major expenses such as parental contributions to significant birthday celebrations (eg. 18<sup>th</sup> and 21<sup>st</sup>), engagement parties, weddings and the child's first car. Although unmeasured, when parents have to meet or contribute to the costs of children over 18, they are likely to be substantial.

In recent years, government support to middle income households for children in this age group has greatly reduced. Research by NATSEM (AMP-NATSEM 2002; 2007; 2013) using the expenditure or behavioural approach, has calculated costs of raising children up to mid-20s. The University of Melbourne (2015) has also produced an overview of the likely costs that tertiary students are likely to face.

## 5. REFERENCES AND SOURCE DATA

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## **6. ABRIDGED CURRICULUM VITAE FOR DR PAUL HENMAN**

*Dr Paul Henman* is Associate Professor in Sociology and Social Policy at the University of Queensland. He has conducted national and international social policy research for over a decade. He is published widely in academic, governmental, professional and popular outlets, and his work has received widespread media attention. Paul is Australia's leading expert on the costs of children. Paul has conducted and published original research on the cost of raising children in Australia and innovatively calculated geographical variations in such costs. Since late 2001, he has provided expert reports on the costs of raising a child in over one hundred and thirty legal cases and has given in-court testimony several cases. On the basis of his expertise on the costs of raising child, during 2004-05 Paul served on the Federal Ministerial Taskforce to evaluate Child Support policy. Paul's research into the costs of children uses the budget standards methodology, a methodology on which he has conducted other research, including estimating the costs of contact of non-resident parents and calculating equivalent living standards in capital cities. Having worked within the university, government and community sectors, Paul appreciates the needs of different users of social research.

### **Qualifications & Professional Awards**

B.Sc.	University of Queensland, 1987
B.Sc.Hons (1st, computer science)	University of Queensland, 1989
Ph.D. (sociology & social policy)	University of Queensland, 1996
Grad.Cert.Ed (Higher)	University of Queensland, 2008
MIM Holdings Award, for best honours result in Computer Science (1989)	

### **Professional Membership**

Executive Member, Australian Social Policy Association  
Member, Social Policy Association (UK)  
The Australian Sociological Association

### **Employment**

Current Associate Professor in Sociology and Social Policy  
School of Social Science  
The University of Queensland

### Some Relevant Publications

- Paul Henman, *Quarterly updates on the costs of raising children*, The University of Queensland.
- Paul Henman and Andrew Jones (2012) *Exploring the use of residual measures of housing affordability in Australia: methodologies and concepts*, AHURI Final Report No. 180, Melbourne, AHURI.
- Bruce Smyth and Paul Henman (2010) 'The distributional and financial impacts of the new Australian Child Support Scheme', *Journal of Family Studies*, 16(1): 5-32
- Paul Henman (2008) 'Equivalent Salaries in Five Australian Capital Cities' *Australian Journal of Social Issues*, 43(4), 615-630.
- Paul Henman (2007) 'Updated costs of children using Australian budget standards' in *Costs of Children: research commissioned by the Ministerial Taskforce on Child Support*, Occasional Paper No. 18, Department of Families, Community Services and Indigenous Affairs, Canberra.
- Paul Henman (2001) *Updating Australian budget standards costs of children estimates*, Policy Research Paper No. 7, Australian Department of Family and Community Services, Canberra.
- Paul Henman and Kyle Mitchell (2001) 'Estimating the Costs of Contact for Non-resident Parents: a budget standards approach', *Journal of Social Policy*, 2001, 30(3), 495-520.

### Recent Research Grants & Consultancies

- 2012-14 Expert Advisor, 'A new healthy living minimum income standard for low-paid and unemployed Australians', *Australian Research Council (ARC) Linkage Grant*.
- 2011-14 'Technologies of Performance, Technologies of Governance: The bane, benefits, ethics and future of performance measurement in government' *ARC Discovery*.
- 2010 'Exploring the use of the residual income measure for assessing housing stress and adequacy' *Australian Housing and Urban Research Institute Grant*
- 2008-11 'The management and financing of lifetime care with adults with disabilities', *ARC Linkage Grant*
- 2006-07 Queensland Department of Industrial Relations, Consultancy on the Equivalent Cost of Living in Capital Cities
- 2004-05 Member, Ministerial Taskforce on Child Custody and Child Support

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