

Raise a child for \$4,500 a year? They're counting dollars, not making sense ^[1]

Author: Schirle, Tammy

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EXCERPTS:

The choice to have a child is exactly that – a choice. For most of us that choice is going to involve some trade-offs and clear changes to the family budget. We are willing to reduce our purchases of things that we love – wine, dinner, theatre – and spend that money on trips to the zoo instead, because we enjoy being parents.

By how much do we have to adjust the family budget to cover the extra costs of having a child? It's not an easy question to answer and economists can take a variety of approaches. Some are clearly better than others.

The Fraser Institute has released estimates suggesting the costs of having children are remarkably low – their “benchmark” is between \$2,500 and \$4,500 a year, depending on the age of the child. The estimates account for a short list of items deemed to meet the “essential needs,” and attempt to exclude items that are shared by adults and children in a household but would have been purchased by adults whether or not they chose to be parents.

What is remarkable is what is missing from the Fraser Institute's estimates. For example, there is absolutely no accounting for childcare – whether provided in the home or not. Three-quarters of married couples are dual-earner families, and licensed childcare is not free. The costs vary substantially across provinces, and some parents find good informal care that is less expensive, but there are clearly costs for the average family. The alternative is to have one parent leave his or her job – foregoing wages – which is also clearly a cost. This may be difficult to quantify, which contributes to the existing wide range of estimates for child costs, but childcare is essential and needs to be accounted for.

Similarly, they do not account for shelter costs associated with having a child. For those who rent, more space is needed for an extra body in a household, and we could compute some minimum extra space and its associated rental cost. For those who own their home, more space is needed as well. Economists typically impute a rental value for home-owners when determining shelter costs. Certainly it is challenging to separate the portion that is adult consumption (I really like my backyard, whether my daughter is playing in the sandbox or not) and the portion that is the child's consumption (my daughter needs space for her bed), but that is not a good reason to disregard the shelter cost entirely.

There are so many details with which to take issue in the Fraser Institute's report – but one of the more laughable is the disregarding of transportation costs because parents “will be able to accommodate up to three children with a standard vehicle.” Have you ever tried fitting three car seats into a Honda Fit?

It is certainly true that a frugal parent can get by with very little – hand-me-down cribs, playpens and clothes are fabulous. I would also argue that we do not need to subsidize the costs of children for middle- and high-income families – I have trouble with the argument that we've done some great deed for society by giving birth. But that doesn't mean subsistence is all a child needs. We should think about what a low-income parent really needs to provide a child a good start in life. Intergenerational income mobility requires that we invest in young children's education and learning opportunities. The suggestion that a four-year-old only needs an investment of \$51.72 for personal allowances, recreation, religion and school supplies is beyond off the mark.

For sensible estimates, I would consider some excellent research conducted by Professor Shelley Phipps at Dalhousie University. Her estimates imply the cost of a first child is just over \$10,000, and subsequent children are a little less expensive.

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