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Changes in household expenditure associated with the arrival of newborn children

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Research question

- “What changes in household expenditure are associated with the arrival of newborn children in couple families?”
- Published research has not looked at changed family financial circumstances associated with the arrival of newborns.
- Cannot distinguish between the expenditure effects associated with a newborn and the expenditure effects of the Baby Bonus.



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Data source

- Waves 6 and 7 of the Household, Income and Labour Dynamics in Australia (HILDA) Survey, corresponding to 2006 and 2007.
- Twenty-five household spending items in the HILDA Self Completion Questionnaire, plus housing and child care costs.
- Many of these spending items did not appear in earlier waves.



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Data sample

- Women, aged between 15 and 45 in 2007, living with the same male partner in both 2006 and 2007 (n=1,367).
- Sample selection effectively yielded couple family households with very few changes in residents between 2006 and 2007.
- 307 newborns in sample – 126 first-borns, 118 second-borns and 63 third- or subsequent-borns.



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Methodology

- Fixed effects regression models used to estimate the effects of the arrival of a newborn baby on household expenditure categories.
- The coefficients estimated by these models represent *change* in expenditure, not the *absolute level* of expenditure.
- Separate variables created for first-born, second-born and third- or subsequent- born babies.



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Time-varying control variables

Birth/adoption of sibling in previous or following year

Education (both parents) – currently enrolled in a course of study

Employment status (both parents)

Household financial year disposable income

Income support (both parents)

Long-term health condition (both parents)

Major city/other

Housing tenure



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Household incomes

- Average real growth rate in disposable household income was 10.8% for families with newborns, compared to 6.4% for other households.
- The growth rate in disposable income differed by the birth order of the newborn: 9.9% for first-borns, 14.6% for second-borns and 5.1% for third- or subsequent-borns.
- Low rate of income growth associated with third- or subsequent-borns reflects lack of growth in private incomes.



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Results

Change in annual household expenditure (2007 dollars) associated with newborns, by parity. Each row is a separate regression

Expenditure category	Birth order		
	1st	2nd	3rd, 4th, etc
Groceries	58.23	-16.48	-147.70
Meals eaten out & takeaway	-285.77	434.07*	257.70
Adults' clothing	221.75	-168.82	125.58
Children's clothing	433.92**	127.91	87.26
Child care (typical week) ^(a)	-1.62	-26.97*	-10.24
Education	-192.51	-121.19	13.47
Health	662.07**	622.54**	648.09**
Transport	17.04	2744.90	3060.33

(a) Not annualised as data on the number of typical weeks were not available

Note: *p<0.05, **p<0.01

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Results

Change in annual household expenditure (2007 dollars) associated with newborns, by parity. Each row is a separate regression

Expenditure category	Birth order		
	1st	2nd	3rd, 4th, etc
Housing	-4069.01	-71.00	645.68
Furniture & appliances	186.05	-92.17	-377.35
General insurance	-103.64	-134.94	-45.44
Electronic goods	-125.86	107.94	544.39
Telephone & internet	-46.20	-36.38	-195.67
Holidays	-641.21	-163.99	381.31
Alcohol & cigarettes	-268.49	0.62	-232.62

Note: *p<0.05, **p<0.01



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Extension to the project

- We are currently extending the project with analysis of 2008 data.
- Analysis of 2008 data does not support anecdotal reports that a substantial number of families have “wasted” their Baby Bonuses on plasma TVs and other consumer electronic items.



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Conclusions

- Families adjust their household expenditure in response to the arrival of newborn babies.
- The arrival of a newborn child is associated with increased household expenditure on health care.
- First-born babies are associated with increased household expenditure on children's clothing.



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Conclusions (cont.)

- Second-born babies are associated with increased household expenditure on meals eaten out or takeaway and decreased expenditure on child care.
- Significant results were not observed for expenditure on housing, furniture and electrical appliances, however, these expenses were not captured in this research if they were incurred more than about twelve months prior to the 2007 survey.



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Policy implications

- Supports financial assistance associated with the birth of children.
- This research does not support reports in the press that couples are often spending their Baby Bonus on electronic goods, holidays and alcohol.
- Families may have been changing their spending patterns within each broad spending category, however this was unobservable.



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Full paper & contact details

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