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The economic cost of behavioural disorders in substitute care

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Abstract

In South Australia, special need loadings are paid to foster carers to compensate them for the additional cost associated with caring for more challenging children. The results showed that loadings are more likely to children who had significant behavioural problems. This situation is discussed in terms of the increasing inelasticity of the labour supply curve applying to foster parents who provide care to children with this characteristic. The magnitude of this effect was estimated using a logistic regression model with loading status as the dependent and conduct disorder as a predictor. It was found that the application of extra loadings (usually a doubling of the payments requested) was over three times higher for children with significant behavioural problems compared with children without these difficulties. This suggests that the baseline analysis of child characteristics may provide quite precise estimates of the potential financial costs of foster-care services.

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1. Introduction

Although a majority of foster parents report altruistic motives for providing care, there is convincing evidence that economic incentives can also play a significant role. Foster parents who receive additional support and stipends are more likely to be retained for longer, and also tend to be more satisfied with their role as carers (Chamberlain et al., 1992). Conversely, the inadequacy of foster-care payments has been cited as a major cause of drop-out and frustration among both former and current carers (Dyer and Evans, 1997; U.S. Department

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of Health and Human Services, 1989). Such dissatisfaction has been not so much related to the unprofitability of providing care, but the inability of payments to cover basic living expenses, including: food, clothing and rent.

A number of broad factors have been identified to account for these problems. Throughout the Westernized world, there has been a dramatic decrease in the availability of suitably trained foster carers. Increases in the cost of living combined with greater numbers of women in the workforce have reduced the number of households able to provide care (Colton and Williams, 1997). At the same time, increased poverty and reported child abuse and the number of children born to single parent families, has increased the demand for placements. Moreover, both of these trends have coincided with reductions in the variability of both placement options and the characteristics of the children requiring placement. Non-family-based placement options have become increasingly rare, particularly in Australia as a result of policy changes (Barber, 2001; Bath, 1997), and the children requiring placement have become harder to place in family arrangements because of their greater behavioural and psychological needs.

One short-term solution to overcoming these problems, particularly in Australia, has been to increase the payments to existing foster carers. Rather than create new placement options or train new foster carers (which is usually a longer term strategy), existing foster carers are offered greater financial incentives to take on more difficult children. This takes the form of a loading based upon the standard payment rate. For example, a parent might be paid 1.5 times (50%) or twice (100%) the usual rate. The advantage of this method is that the government is spared the cost of recruiting and training new carers. At the same time, from the foster carer's perspective, being able to take on more children at a higher rate allows fixed costs (e.g. rent, council rates, phone rental, etc.) to be spread over a larger revenue base. The more children a carer can take, the lower the fixed cost per child, assuming that the additional payment is enough to cover the variable costs of the extra child.

These processes are illustrated in Fig. 1, which shows the hypothetical demand and supply for foster-care services in relation to varying payment rates.

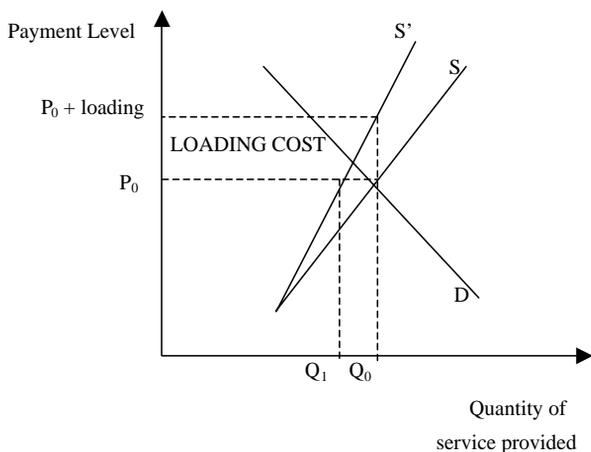


Fig. 1. The supply and demand for foster-care labour.

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