



BRIEFING APRIL 2014

SUCCESS FOR ALL

Investing in the Future of Canadian Children in Care

At a Glance

- ◆ Most of the youth “aging out” of care fail to graduate from high school, and many suffer from poorly treated mental health problems.
- ◆ There is not enough support for these youths, and many fall into a life of crime, homelessness, and poverty.
- ◆ The high social and economic costs (7.5 billion over 10 years) indicate that Canadian governments, businesses, and the general public have a collective responsibility to do more.
- ◆ Improving the high school graduation rate can make a big difference in improved quality of life.

INTRODUCTION

Children in foster care have the odds stacked against them as they transition into adulthood. Lacking the financial and moral support that most Canadian children take for granted, they struggle to cope with the challenges of adult life. As a result, children in foster care are far less likely to graduate from high school than the average Canadian and have a much greater likelihood of suffering from mental health problems. Chronic unemployment, unplanned parenthood, homelessness, and incarceration are just some of the problems they encounter, with significant social and economic costs as a result.

Child welfare agencies throughout the country work hard to ensure that the children’s basic needs are met while they are living in the care of the state. However,

these agencies lack the resources necessary to help these children succeed as they “age out” of care. This briefing argues that there is both a humanitarian and a compelling economic case for action.

The purpose of this briefing is to quantify the lost economic opportunity that young people leaving the child welfare system represent for the Canadian economy. Investing in the education and mental health of children in foster care is costly, but the long-term economic and financial returns on such an investment are considerable. With better education and mental health, young adults are more likely to find employment and earn higher wages.

A child “aging out” of foster care today will earn about \$326,000 less income over his or her lifespan, compared with the average Canadian.

The economic case for improving this situation is significant for both government and business. From the point of view of government (all levels), higher earnings mean more income and consumption tax revenues as well as reduced social assistance payments. From the perspective of businesses, it means a more highly skilled and productive workforce. Canada is about to be hit by a slow-motion demographic tsunami due to the aging of our population. Therefore, labour shortages are expected to emerge and intensify, making it much harder to maintain high-quality public services like health and education. Children in foster care represent a large and underappreciated potential source of growth for the economy. By investing more strategically in these children’s skills and education, not only can Canada do the right thing from a social perspective, but it can also help mitigate some of the long-term economic challenges it faces.

There has been a considerable amount of research devoted to the problems and potential solutions to the difficulties that foster children have when exiting the welfare system. However, an analysis of the total lost potential economic contribution or the lost opportunity for the Canadian economy from a macroeconomic perspective has, to the best of our knowledge, not been

completed. Some cost-benefit studies have examined different aspects of the child welfare system in Canada, but they do not derive total estimates of the cost to the Canadian economy attributable to former foster children’s below-average economic outcomes.¹

One of the major findings of our research was that a child aging out of foster care today will earn about \$326,000 less income over his or her lifespan, compared with the average Canadian. Conservatively estimating that approximately 2,291 children age out of foster care every year, the total economic gap between this cohort and the average Canadian cohort of a similar size is \$747 million. This is significant as the difference is cumulative, year-after-year. For example, over a 10-year period, this represents a difference of about \$7.5 billion as each year a new cohort of children ages out of foster care.

As a result of their lower income, the youth aging out of care also require more social assistance (welfare) and pay less income and consumption taxes over their lifetimes compared with their Canadian peers. On a per person basis, we estimated that each former foster child, over his or her lifetime, will cost all levels of Canadian government more than \$126,000 in the form of higher social assistance payments and lower tax revenues.

There are some key points to keep in mind when analyzing the results of this analysis. First, the research focuses on only one aspect of the experience that children-in-care have with the child welfare system across Canada—ie., what happens to children after they exit the system. The important issues and costs involved when children are initially placed in care and the experiences they have while in foster care are not considered in the analysis. Second, the briefing looks at the economic costs to the Canadian economy attributable to the fact that when foster children exit the system their economic circumstances lag far behind children not involved in the child welfare system in Canada. Of course, there are numerous non-economic reasons for helping foster children lead more productive lives after leaving the system that go well beyond economic costs to the Canadian economy. Canada is regarded as one

¹ See, for example, The Office of the Provincial Advocate for Children and Youth, *25 Is the New 21*.

of the wealthiest countries in the world. Therefore, it is crucial for Canada to do whatever it can to improve the lives of foster children if it wants to be considered a just and caring society.

This issue is not new, and progress is slow. The situation suggests that larger-scale social changes are required involving multi-sector stakeholders and broad sector cooperation, including active engagement of the private sector. An overarching strategic approach could help to move this policy agenda forward. Given the high social and economic costs of doing nothing, Canadian governments, businesses, and the general public have a collective responsibility to act.

This briefing initially examines how the child welfare system works in Canada. We look at the number of children in care in any given year, placements, and other important issues. We then examine some of the areas where foster children lag behind their peers. After explaining our methodology, we summarize and discuss our estimates of the lost potential economic contribution of children in care. The final section provides some concluding comments and also considers some areas for future research.

OVERVIEW OF CANADA'S CHILD WELFARE SYSTEM

Canada's provinces and territories all have child welfare agencies designed to ensure the safety of children who, for a number of reasons, may not be safe in their homes. Grouped together, the agencies encompass the entire country and are referred to as the Canadian child welfare system. Every child welfare agency has the legal responsibility for investigating reports of child abuse and neglect and taking appropriate steps to protect children. These agencies can be contacted by the public every day of the year.

Canada's child welfare system is highly complex and fragmented. There are some differences between provinces in how child welfare systems are administered. For instance, the age-of-protection for children needing care is not consistent in the provinces. In Ontario, the age-of-protection is under 16 years while in Quebec the

comparable age is under 18. There are also significant differences in the amount of support offered to children in foster care and their foster families, in addition to the differences in the type and extent of extended support offered to the youth aging out of care.

However, all the child welfare systems are similar in that their primary goal is to ensure that children are safe. Some of the common features of the system across Canada's provinces, as outlined by the Canadian Child Welfare Research Portal² (CWRP), are:

- ◆ The best interests of the child must be considered when a child needs help.
- ◆ The parents' primary responsibility for raising their children is respected.
- ◆ The continuity of care is crucial for children.
- ◆ The views of children are important to take into consideration when decisions are being made that affect their future.
- ◆ Culture and heritage should be respected, especially for Aboriginal children.

THE PATH TO WARDSHIP

Hundreds of thousands of referral calls are made every year in Canada about a child in possible need of protection. An initial assessment is made by a welfare agency staff member and, depending on the severity of the case, an investigation is started. Of the total 215,878 investigations in Canada in 2008, 85,440 of them were substantiated. In these cases, child welfare agencies attempt to address the potential risk for the children and to improve the family environment in an effort to keep the children with their families while ensuring their safety.

Although staff intervention manages to keep the majority of the children living with their families, it is not deemed the best option when a child's safety is considered at risk. Of the 85,440 substantiated investigation services in 2008, about 19,599 (or 23 per cent) resulted in out-of-home placements for children. Typically, child welfare

2 Canadian Child Welfare Research Portal, *Frequently Asked Questions*, 2.

agency staff initially explore kinship care—placing children in the homes of extended family members or people with whom the child has a relationship. If there are no suitable arrangements for kinship care, attempts are made to find the children an appropriate foster family to live with. For Aboriginal children, customary care is currently the primary placement alternative. This involves having the child live with a caregiver identified by the Aboriginal community. They can include relatives or people with whom the child has formed a bond over the years.

Of the 19,599 out-of-home placements in 2008, 44.5 per cent resulted in the placement of children with a relative, 7.3 per cent in a group home or residential treatment facility, and the remaining 48.2 per cent were placed in foster care.³

Children placed in the care of the state do not always remain in its care until adulthood. There is a considerable degree of movement in and out of the foster care system. In Ontario, for example, there were 16,951 children-in-care at the beginning of 2011. During the year, 6,487 new children were admitted and a further 2,272 children were re-admitted after having left care. Meanwhile, 8,650 were discharged. In total, child welfare agencies in Ontario cared for 25,710 children throughout the year. (See Table 1.)

Although each year many children exit the system, the courts sometimes decide that it is in the best interests of the child to remain a permanent ward and receive care from the child welfare system. In most cases, the wardship continues until the child is 18 years old. In some provinces, certain children may be deemed eligible for programs that enable them to receive financial and support services to assist them in making the transition to independent living. In Ontario, for example, children are eligible for the Continued Care and Support for Youth program, which provides financial and other forms of support until they are 25 years of age.

Table 1
Children in Care Flows, 2011–12, Ontario
(number)

CIC beginning of year	16,951
CIC admitted throughout year	6,487
CIC re-admitted throughout year	2,272
Total	25,710
CIC discharged	8,650
CIC in care at end of fiscal year (March)	17,060

CIC = children in care
Sources: Ontario Association of Children's Aid Societies.

ABORIGINAL REPRESENTATION

The over-representation of Aboriginal children highlights a troubling reality in Canada's child welfare system. While Aboriginal children represent less than 7 per cent of the youth population in Canada, they make up around 22 per cent of substantiated child maltreatment investigations.⁴ The percentage of Aboriginal children in child welfare systems reaches 60 to 78 per cent in some provinces, notably Manitoba and Saskatchewan. Unfortunately, the rate of Aboriginal over-representation in the child welfare system in Canada is increasing.⁵

The federal government pays for child welfare services on Aboriginal reserves, while the provinces pay for services delivered to children not living on reserves. Child welfare services offered to Aboriginal children ensure that the Aboriginal community is a key part in the lives of children. For instance, staff frequently meet with Elders, band members, and extended family members before making decisions about the future living arrangements for Aboriginal children. The difficulties that the child welfare system in Canada has when dealing with Aboriginal children are magnified by issues such as poverty, community isolation, lack of sound social services infrastructure, and higher living costs in remote parts of the country.⁶

³ Trocmé and others, *Canadian Incidence Study*.

⁴ Trocmé and others, *Canadian Incidence Study*.

⁵ Canadian Child Welfare Research Portal, *Information Sheets*.

⁶ *Ibid.*

CHALLENGES FACING YOUTH AFTER THEY LEAVE CARE

The welfare services for children have shown some success at preparing children for life’s challenges after exiting the system, and many go on to lead productive lives. However, some children are not able to overcome the disadvantages of growing up without a supportive family structure. Many youths in the care of the child welfare system must leave their group or foster homes before they turn 18 (unless eligible for extended care). Without a family to turn to for help and support, they are forced to find shelter, cook, hold a part-time job, and pay numerous bills—all while still going to school.

Young people in Canada are currently living at home for longer periods of time than previous generations, in particular the baby boomers, due in part to the weak Canadian economy and the need to obtain a higher education to help find a well-paying job. Around 40 per cent of adults between 20 and 29 years of age live with their parents. Former foster children do not have this option available to them and instead must fend for themselves at the age of 18 without much support. Then, when they turn 21, financial support is completely cut off in most provinces,⁷ even though more than 80 per cent of these youths have been diagnosed with special needs and close to half of them require medication for mental illnesses. At what could be considered the most crucial junction of their lives—making the difficult transition to adulthood—former foster children are on their own.

Not surprisingly, many of them are overwhelmed and eventually drop out of school. In Ontario, for example, a study found that only 44 per cent of former foster children graduate from high school compared with 81 per cent for the general population.⁸ They also enrol in post-secondary institutions at around half the rate of the general population.⁹ By the age of 21, the

youths are cut off from most financial assistance from their province and must pay for their own shelter, dental care and, if necessary, prescription drugs.

Maltreatment in the parental home is at the heart of their problems. About one-third of the child maltreatment investigations in Canada involve child exposure to domestic violence as the primary case. Child neglect constitutes another third of all investigations, while the remaining third involves physical, sexual, and mental abuse. (See Table 2.) As a result, children in care suffer from a higher prevalence of mental health problems. Data from the 2008 *Canadian Incidence Study of Reported Child Abuse and Neglect* show that 19 per cent of children in substantiated maltreatment investigations were suspected of suffering from depression or anxiety.¹⁰

Table 2
Primary Causes of Substantiated Child Maltreatment Investigations in Canada, 2008*
(number)

Exposure to intimate partner violence	29,259
Neglect	28,939
Physical abuse	17,212
Emotional maltreatment	7,423
Sexual abuse	2,607
Total	85,440

*The numbers in this table represent the causes for substantiated investigations, and do not necessarily reflect the causes of investigations that lead to placement in foster care.
Source: Trocmé and others, *Canadian Incidence Study*.

Mental illness and traumatic childhood experiences make homelessness a big problem among former children in care. This unfortunate outcome has been confirmed by a report dealing with youths on the streets by the Public Health Agency of Canada. Its analysis of homeless children in Toronto found that 43 per cent of youths between 16 and 21 years of age had a history of involvement with Toronto’s child welfare system. These homeless young people were much more likely to report childhood maltreatment compared with homeless youths with no prior experience with the child welfare system.

7 In Ontario, some financial support may be extended until the age of 25 for youth in post-secondary education and training. Ministry of Children and Youth Services, *New Resources and Supports*.

8 Ontario Association of Children’s Aid Societies, *Child Welfare Report 2012*.

9 Ibid.

10 Trocmé and others, *Canadian Incidence Study*.

The study also found that very few homeless youths with prior involvement with child welfare had lived without shelter in the past seven days. Not surprisingly, living without some form of shelter was highly correlated with mental health issues and substance abuse.¹¹

As noted in the previous section, the Aboriginal community is, unfortunately, over-represented in Canada's child welfare systems. The rate of poverty for Aboriginal children in Ontario is twice as high as the general population of young people in the province and they are six times more likely to commit suicide. Also, teen pregnancy among Aboriginal females is nine times higher than the average for the province, as are substance abuse problems. Many of the problems encountered by Aboriginal youths are linked to a legacy of colonization, isolation, and the loss of land and culture.¹²

ESTIMATING THE COSTS TO SOCIETY

The previous section highlighted some of the challenges facing children aging out of care as they transition into living on their own. They are equipped with far less education and suffer from more mental health problems than the average young adult. As a result, they earn less income, pay less in taxes, and are significantly more likely to draw on social assistance.

In this section, we quantify the economic impact of the fact that former foster children struggle economically after leaving the child welfare system in Canada. We forecast the outcomes of a cohort of 19-year-old children in care, estimating their earnings, taxes paid, and government assistance received over their life span. The analysis considers many of the issues discussed in the previous section, including education, mental health problems, and the plight of Aboriginal children.

11 Goldstein and others, *Youth on the Street and Youth Involved With Child Welfare*.

12 Ibid.

DATA SOURCES AND METHODOLOGY

To estimate the potential economic benefits of investing in the education and mental health of children aging out of care, data on their current economic performance were needed. Yet, Canada collects remarkably little data on foster children as they age out of care. While provincial welfare agencies collect and report on a number of attributes of children in care, there are virtually no official national surveys to monitor their progress after they leave the system. To overcome this problem, we used the information available on these children to develop a profile for a typical cohort of youth aging out of care. This profile was then used to estimate the economic performance of this cohort.

The first challenge was to get an approximate estimate of the number of children who age out of care every year. Conveniently, the recently released 2011 Census had counted the number of children in foster care for the first time. The census counted 47,885 children and youth in care in 2011; 11,455 of whom were aged 15 to 19.¹³ Among this group, 2,291 (one-fifth) were assumed to be 19 years of age. The objective of this analysis was to estimate and compare two scenarios:

1. The status quo scenario—This is a forecast of the outcomes of these 2,291 youth in care who are 19 years of age, over their entire lifetimes.
2. An investment scenario—This provides an alternative outlook in which the cohort of 2,291 foster children matched their peers in the level of education and mental health status.

The economic benefit of investing in the education and mental health of children aging out of care would then be estimated as the difference in outcomes between the

13 The census may not include children living in group or institutional care. Thus, combined with the high level of movement in and out of the child welfare system, the estimate in the census may be considerably underestimating the total number of children who were in care at some point during the year. For the purposes of this briefing, the number was deemed a good, albeit conservative, estimate.

two scenarios. The outcomes measured include market income (wages and salaries, pension income, and investment income); income taxes paid; consumption taxes paid; and social assistance payments received. While it is arguably unrealistic to expect children in care to completely match the Canadian average of their peers in education and mental health, this analysis nevertheless represents a best-case scenario, providing an estimate of the maximum potential return on investment.

The next step involved building the profile of this cohort of 19-year-olds. Data from the Ontario Association of Children's Aid Societies' (OACAS) Gateway to Success Survey¹⁴ were used to estimate the high school graduation rate among foster care children,¹⁵ while the Canadian Incidence Study¹⁶ data were used to estimate the other characteristics, including sex, Aboriginal status, and mental health condition. In the status quo scenario, the high school graduation rate was set at 44 per cent, while 19 per cent were assumed to suffer from depression. In the investment scenario, the high school graduation rate of the cohort was raised to 89 per cent,¹⁷ while the prevalence of depression was reduced to only 6 per cent.¹⁸ Given that sex and Aboriginal status are not modifiable attributes, they were identical under both scenarios.

To build a full profile, the cohort of 2,291 young adults was slotted into 16 groups, based on their sex, education, ethnicity, and mental health status. The 16 groups reflect the different possible combinations of characteristics for the foster children.¹⁹ The profile of the cohort

changes significantly in the investment scenario (compared with the status quo), reflecting the increase in the number of high school graduates and a reduction in depression symptoms in the latter. (See Table 3.)

After completing the profile, we created estimates for the expected economic performance of each person in each of the 16 groups. (See Table 3.) There were four economic performance outcomes measured: market income, income taxes paid, social assistance, and consumption taxes received. These outcomes by age, sex, Aboriginal status, and education level were obtained from the 2006 Census.²⁰ Since the census does not include information on mental health, data from the 2010 Canadian Community Health Survey²¹ were used to estimate the impact of mental health on economic performance.

To build a full profile, the cohort of 2,291 young adults (aged 19) was slotted into 16 groups, based on their sex, education, ethnicity, and mental health status.

To estimate the outcome of the cohort of 19-year-olds over their entire lifetimes, a forecast of their economic performance had to be computed. This was done based on current data, with adjustments made to incorporate an annual productivity growth of 1.1 per cent. For example, if one of the 19-year-olds in the cohort belongs to Group 4 (Aboriginal female with a high school diploma who does not suffer from depression), her future expected income in 10 years is projected to be equal to the current income of 29-year-olds with her characteristics, increased by approximately 1.1 per cent per year to reflect expected productivity growth. To discount the value of future benefits, as is common in such analyses, we used a discount rate of 3.5 per cent.²²

14 Ontario Association of Children's Aid Societies, *Child Welfare Report 2012*.

15 Due to the lack of national data, the Ontario high school graduation rate was used and assumed to apply across Canada.

16 Trocmé and others, *Canadian Incidence Study*.

17 This figure is based on data from the 2011 National Household Survey, which shows that 89 per cent of all youth in Canada aged 20 to 24 had a high school or equivalent diploma. Statistics Canada, *2011 National Household Survey*.

18 This figure is based on data from the 2010 Canadian Community Health Survey, which shows that 6 per cent of all youth aged 18 and 19 in Canada suffered from a mood disorder. Statistics Canada, *Canadian Community Health Survey*.

19 Since there are four attributes (age, sex, education, and mental health) and each attribute has two possible states, the cohort can be divided into $2^4 = 16$ groups.

20 The census does not collect information on consumption taxes paid. A flat rate of 7.3 per cent of income was applied to estimate consumption taxes.

21 Statistics Canada, *Canadian Community Health Survey*.

22 This rate is as recommended by Moore and others, "Just Give Me a Number!"

Table 3
Profile of Foster Children by Group

Group	Sex	Graduated high school	Aboriginal	Suffers from depression	Number of people	
					Status quo scenario	Investment scenario
1	Female	No	No	No	398	95
2	Female	No	Yes	No	110	26
3	Female	Yes	No	No	313	733
4	Female	Yes	Yes	No	86	203
5	Male	No	No	No	416	99
6	Male	No	Yes	No	115	27
7	Male	Yes	No	No	327	766
8	Male	Yes	Yes	No	90	212
9	Female	No	No	Yes	93	6
10	Female	No	Yes	Yes	26	2
11	Female	Yes	No	Yes	73	44
12	Female	Yes	Yes	Yes	20	12
13	Male	No	No	Yes	98	6
14	Male	No	Yes	Yes	27	2
15	Male	Yes	No	Yes	77	46
16	Male	Yes	Yes	Yes	21	13
Total					2,291	2,291

Source: The Conference Board of Canada.

The outcomes varied widely across the 16 groups, and across time. For instance, the average market income for a 19-year-old non-Aboriginal female with a high school education and no depression was estimated at \$16,115 in 2013, increasing to \$67,184 in 2043 (constant 2013 dollars) by the time she turns 50. In comparison, the average market income of a male Aboriginal 19-year-old who suffers from depression and does not graduate from high school was estimated at \$9,568 in 2013 and projected to reach only \$32,073 by 2043 (constant 2013 dollars). Mortality rates by age and sex from Statistics Canada were applied to account for deaths of cohort members as they age. There were no remaining cohort members by the year 2095.

Finally, the economic benefits of investing in the education and mental health of youth aging out of care were simply estimated as the difference between the two scenarios in the performance of the cohort. Note that in each of the two scenarios, cohort members who belong

to the same group will have similar outcomes. Thus, the only reason the total outcomes differ in each scenario is the distribution of people across the 16 groups. As there are more people with high school diplomas and fewer people with mental health problems in the investment scenario, the overall outcome of the cohort improves over the status quo.

RESULTS

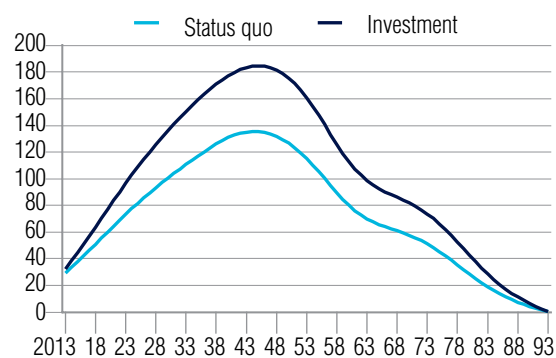
The aggregate results of the analysis are shown in Table 4. Not surprisingly, the analysis shows that there are very significant improvements in the projected economic performance of youth aging out of care. Chart 1 tracks the aggregate total income of the cohort of youth aging out of care from the time they are all 19-years-old in 2013 until the year 2095. The chart clearly shows a striking difference between their total combined incomes earned under each of the two scenarios, showing strong gains under the investment scenario.

Table 4
Aggregate Results
(2013 \$ millions)

	Status quo	Investment	Difference	Net present value of difference:
Market income (total)	5,946	8,164	2,218	747
Impact on government finances:				
A. Income taxes collected	1,065	1,582	517	169
B. Consumption taxes collected	432	593	161	54
C. Social assistance paid (welfare)	1,685	1,529	-156	-65
Impact on government finances (A+B-C)	-188	646	834	289

Source: The Conference Board of Canada.

Chart 1
Total Market Income of Cohort, 2013–2093
(2013 \$ millions)



Source: The Conference Board of Canada.

In fact, investing in the education and mental health of a single cohort of 2,291, young adults aging out of care could increase the overall market income of the cohort by \$747 million over their lifetimes.²³ From a macroeconomic perspective, this implies that, if former foster children earned an income closer to the average because of higher education or fewer mental health issues, the Canadian economy would see tangible long-term gains in productivity, labour availability, and output. It is important to note that these figures represent the economic benefits of investing in only

one cohort. As a new cohort emerges out of care every year, the benefits of investing in the education and mental health of the youth accumulate and grow over time. Continued long-term investment in education and mental health is estimated to provide permanent gains of up to 0.15 per cent of Canada's GDP.

On the fiscal side, improving the youths' education and mental health tangibly improves the federal and provincial governments' balance sheets. The investment scenario shows that governments can save \$65.5 million in social assistance payments, and raise an additional \$169 and \$54 million in income and consumption taxes, respectively, over the course of this cohort's lifespan. In aggregate, the overall total improvement to Canada's government finances is \$289 million.

Dividing the \$289 million by the total number of children used in our profile (2,291) gives an average saving per person of more than \$126,000. This finding implies that provincial and federal governments could invest up to \$126,000 to improve the education and mental health of foster children, and still receive a positive return on their investment. The overall efficiency of the Canadian economy would improve and, more importantly, many foster children would be in a position to participate more fully in the Canadian economy and no longer be marginalized.

23 Discounted at an annual rate of 3.5 per cent.

Table 5**Sensitivity Analysis**

(net present value of change relative to status quo; 2013 \$ millions)

	High school graduation rate		
	54 per cent	64 per cent	74 per cent
Market income (total)	142	285	427
A. Income taxes received collected	31	62	94
B. Consumption taxes collected	10	21	31
C. Social assistance paid (welfare)	-14	-29	-43
Impact on government finances (A+B-C)	56	112	168

Source: The Conference Board of Canada

As stated earlier, it is beyond the scope of this briefing to determine the feasibility of achieving these targets in education and mental health. Nevertheless, these estimates provide a good indication of the lost economic potential of not acting.

SENSITIVITY ANALYSIS

Given the complexity of the problem, it would be unrealistic to assume that the mental health and education levels of youth aging out of foster care can be improved overnight to reach the Canadian national average. As a result, it would be informative to estimate the potential gains from more gradual improvements. With this goal in mind, a sensitivity analysis featuring three new scenarios was conducted to estimate the impact of incremental changes in the high school graduation rate of a cohort of youth aging out of care.

The three new scenarios are: (1) increasing the graduation rate by 10 percentage points, (2) by 20 percentage points, and (3) by 30 percentage points. In each of the scenarios, no progress in mental health was assumed.

Table 5 summarizes the results for each cohort aging out of care. Increasing the high school graduation rate by 10 percentage points (to 54 per cent) yields \$142.5 million in additional market income, which increases further to \$285 and \$427 million as the high school graduation rate is raised by 20 and 30 percentage

points, respectively. Meanwhile, government fiscal balances improve by \$55.9 million (\$24,400 per person), \$111.8 million (\$48,800 per person), and \$167.7 million (\$73,200 per person), respectively, under each scenario.

The sensitivity analysis shows that the potential gains from investing in the education of one cohort of youth aging out of care remain significant, even with small improvements in the high school graduation rate. The child welfare system costs Canadian taxpayers a large amount of money, but falls just short of providing youth enough support as they enter adulthood. An additional amount of support is relatively small compared with the overall cost of the child welfare system,²⁴ but it can make a big difference and vastly improve the outcomes of this vulnerable segment of our population.

A CALL TO ACTION

The foster care agenda is one example of the much broader problem of overall child welfare in Canada. The United Nations Committee on the Rights of the Child recently pointed at Canada's track record on child welfare, suggesting that Canada lags behind its peers in this area, particularly for Aboriginal, disabled, and immigrant children.²⁵

The number of children in care in Canada, relative to its population, is far higher than in the United States and the gap has widened over time.²⁶ Examples of initiatives undertaken in other countries to address the needs of children in care include providing funding incentives for employing children aging out of care and setting targets for adoption placements.²⁷

24 According to some estimates, a child entering care as an infant can cost taxpayers up to \$1 million by the time a child reaches 20 years of age. Wyatt, "National Data Lacking on Numbers."

25 thestar.com, *UN Confronts Canada*.

26 In 2007, Canada was estimated to have had 67,000 children in care. (Mulcahy and Trocmé, *Children and Youth in Out-of-Home Care*.) This compares with 488,000 in the United States. (U.S. Department of Health and Human Services, *Trends in Foster Care and Adoption*.) Mulcahy and Trocmé indicate the number has increased significantly since 1992, whereas the U.S. data show a drop from 559,000 in 1998 to 400,000 in 2012.

27 Canadian Coalition for the Rights of Children, *Right in Principle, Right in Practice*.

This issue is not new, and progress is slow. The situation suggests that larger-scale social changes are required involving multi-sector stakeholders and broad sector cooperation, including active engagement of the private sector. An overarching strategic approach could help to move this policy agenda forward. Given the high social and economic costs of doing nothing more, Canadian governments, businesses, and the general public have both a financial interest in acting and a collective responsibility to act.

Many studies indicate that some former foster children in Canada don't do as well as average children over a broad range of economic and non-economic indicators.

Governments—Because Canada's current child welfare system is fragmented, the federal government should lead an overarching strategy to move this policy agenda forward. All levels of government should assist in implementing a coherent strategy, including targeted education and mental health investments. In particular, tailored initiatives to address the over-representation of Aboriginal children in care needs to be a priority. Moreover, all levels of government should cooperate to collect comparable and consistent national data on children during their stay in care as well as after they leave the system. Data collection would serve to track progress and enhance accountability.

Businesses—For both economic and humanitarian reasons, businesses have an interest in acting. As the population ages and labour becomes scarce, it will be in the best interest of business to take leadership on this issue. Leadership includes taking a proactive stance by facilitating the integration of youth aging out of care into the labour market. One way to achieve this is by offering children in care greater opportunities for skills training and employment by working with child welfare agencies or through public-private partnerships. By

supporting children in care, businesses can also build a stronger connection with the communities in which they operate.

Public—The general public should be aware of the special needs of children in care, support innovative ideas for efforts to improve their plight, engage with their employers, and assist in integrating these children into strong and stable communities.

CONCLUSION AND FUTURE RESEARCH

Provinces in Canada receive thousands of calls each year concerning children who have encountered difficulties living with their families. Intervention from child welfare groups manages to keep the vast majority of these children with their families. However, for some children, remaining in their families is not an option and they end up in the care of child welfare services in the provinces. While most of these children eventually exit the system and become productive members of society, some do not. A number of studies indicate that some former foster children in Canada do not do as well as average children over a broad range of economic and non-economic indicators.

Our analysis focused specifically on the fact that former foster children have less education and more mental health issues compared with youths not involved in the child welfare system. These are areas where intervention can be effective in turning the lives of former foster children in a more positive direction. It is obviously more challenging to earn a living without sufficient education and dealing with issues such as depression, especially in today's more knowledge-based economy.

Given the high social and economic costs of doing nothing more, Canadian governments, businesses, and the general public have a collective responsibility to act.

We have estimated the lost economic opportunity, defined as the economic cost to the Canadian economy as a result of the fact that former foster children do not do as well as children not involved in the child welfare system, by projecting the income of 2,291 19-year-olds. The 19-year-olds were divided into different groups based on ethnicity, sex, education, and mental health. The fact that there were more foster children in groups with lower incomes due to less education, for instance, resulted in a sharp divergence in total market income between foster children and non-foster children of \$747 million over their lifespans. Foster children also require higher transfers in the form of welfare payments from the federal government and pay less income and consumption taxes compared with non-foster children. The weaker participation of foster children in the Canadian economy costs the government more than \$126,000 per year per child. Government investment in improving the education and mental health of former foster children could increase their income closer to that of non-foster children and lower the cost to government. At a time of ongoing fiscal deficits, this is an important consideration. Currently, a number of former foster children remain marginalized from Canadian society and this diminishes Canada's goal of becoming one of the most just and caring societies in the world.

This briefing is the first of what could be a number of Conference Board reports dealing with the issue of foster children and other exposed or marginalized populations. As noted in the introduction, our analysis focuses on only one slice of the entire experience that foster children have while in care—what happens to them from an economic perspective when they exit the system. Future areas of research could include analysis of other aspects of the foster care system in Canada. In addition, we may consider refining the model in order to provide more detailed results and additional breakdowns such as the impact of the higher rate of youth pregnancy and contact with the judiciary system. There is also a need to look at some of the different aspects of the foster care experience that could be improved to close the gap in the income earned by former foster

children and average children that currently exists in Canada. A promising area of research could possibly build upon the analyses carried out in the U.S.,²⁸ which found that improvements in factors such as placement history for children and educational services were more beneficial for the future health and employment prospects of former foster children compared with leaving care resources or the type of activities that foster children participated in with their families. If this research could be duplicated in Canada, it may be possible to assist child welfare services on the most promising areas to devote tight financial resources to in the future.

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**Success for All: Investing in the Future of
Canadian Children in Care**

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