

FAMILY'S RESOURCES AIMED AT CHILDREN'S HUMAN CAPITAL DEVELOPMENT: EVIDENCE FROM RUSSIAN REGION

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Abstract

Since 2016, Russia has been experiencing natural population decline. Government is taking demographic policy measures to increase the number of children in Russian families. Another equally important population characteristic is the quality of human capital, which is predetermined by a range of factors, such as a parents' willingness to develop their children, material resources of the family, government support to families.

Our research aims to identify parents' willingness and opportunities to develop children's human capital. It includes the following stages: 1) assessing dynamics of parents' demand for information on child-related costs; 2) identifying parents' concerns and topics, associated with child-related costs; 3) assessing actual costs, related to children under the age of a year and a half, in the Ural region. The results obtained point to the increasing number of parents trying to forecast child maintenance and care costs. To ensure better quality of human capital, it is essential to pay particular attention to child's health and development in infancy, namely to the availability of baby swimming, massage, enrichment courses for babies and parents, etc. We believe the government should necessarily motivate parents financially and institutionally for their children's human capital development; that will allow to breed achievement-oriented generation.

Key words: child-related costs, demographic policy, development of human capital of children

JEL Code: J11, J13, J18

Introduction

Despite demographic policy measures being implemented to increase the number of children in Russian families, Russia has experienced natural population decline since 2016. Between 2018 and 2035 the population of the Russian Federation is estimated to decline by more than 8 million (Data on Estimated Population Size, 2018), thus the government should

focus on forming human capital according to the needs of the state and society. The crucial role in forming and developing children's human capital belongs to family.

As foreign scholars put it, the results children are going to demonstrate in their adulthood (e.g. cognitive abilities, the level of education and income, etc.) depend on a wide variety of factors. Thomson, Hanson & McLanahan (1994) dwelled upon economic resources and the extent of parents' willingness to develop children; Rauscher (2016) considered financial transfers parents offer to their children for education and socio-economic development; Kiernan & Mensah (2009) elaborated on a combination of such factors as parents' income, the family's status and psychological climate in the family, and the like. Another reason, which has an impact on the birth rate and subsequent proper development of children's human capital, is the limited amount of family's resources. In particular, Becker (1981) demonstrated that increasing the cost of child rearing and may have caused a parental shift toward child quality and away from quantity. Additionally, Almond & Currie (2010) identified that material living conditions may have a significant impact on child's adulthood. Cunha & Heckman (2008) claimed that a 10% rise in parents' investments for children aged 6-7 increases their chances to complete schooling successfully by 64.4%, and consequently, to have higher income in the future by 24.9%.

Russian scientists also have also studied the problem of determining the necessary amount of investments in children's human capital. Antonenko (2019) analysed the total amount of investments in children's human capital in different regions of Russia; Vyalshina (2017) described the clear relationship between the family income and indicators of intellectual and behavioural development of children.

The total amount of investments in children's human capital development is equal to the sum of two elements: 1) the total amount of government's expenditure on providing free education, health services, supplementary development activities for children, and so forth; 2) the total amount of family's expenditure associated with investing in childcare and development, child's education and socialisation. The state monitors the amount of expenditure associated with investing in children's human capital. Federal and regional budgets, which identify costs on education, health services, and the like, are managed annually. If benchmarks envisaged are not implemented, federal and regional authorities define reasons for the deviations. Despite the Federal State Statistics Service not monitoring family's expenditure, it should be studied to assess the amount of families' resources related to children's human capital development. To that end, we believe we should calculate the

amount and cost of goods and services necessary at a certain stage of parental labour. These costs depend on both the age of the child – as their needs change – and the amount and targeting of parents' investments in children's human capital.

Our research aims to assess Russian families' expenditure on children's human capital development, which is especially relevant in the context of actual socio-economic circumstances and negative demographic projections.

1 Data and Methods

1. In our research, we employed data from the Federal State Statistics Service, Wordstat Yandex – a service for estimating users' interest in various fields – and online resources on the issues related to fulfilling parental labour between 2017 and 2020. It is during these years that Russia has been implementing the second part of the Concept on state's demographic policy for the period until 2025, which aims to provide comfortable conditions for families with children (The Concept of the Demographic Policy, 2007).

2. To determine the amount of goods/services necessary at the early childhood stage, we studied parents' discussions at specialised websites, results of research carried out by independent online organisations, periodic publications, and so forth.

3. To assess costs on aforementioned goods/services in the Ural Federal District, we carried out the following stages of analysis:

1) We selected the leading retailers for the regions studied specialising in children's goods, with an important criterion being an access to brick-and-mortar stores in the region and online-stores to place an order. These are 'Detskiy Mir', 'Dochki-Sinyochki', 'Bubl-Gum', 'Rich Family'. Our choice stems from the data of RBK informational agency, E-Pepper online service, and Russian studies examining children's goods market (Kaigorodtseva & Karkh, 2017).

2) We determined the minimum and maximum prices for the groups of children's goods; then we calculated average prices for the groups of goods identified and the average monthly family's expenditure at the early childhood stage.

3) We determined family's expenditure associated with ensuring children's health. To that end, we calculated a share of health expenditure in overall consumer spending of families with children according to the data from the Federal State Statistics Service. In 2017, this share accounted for 2.9% (Data on Incomes, Spending and Consumption Expenditures of

Households, 2018). The average monthly expenditure having been estimated was increased by the percentage calculated.

2 Results

We obtained the following results:

1. Between 2017 and 2020 Russia saw a growing interest in the issue of determining the amount of expenditure on a child. In particular, according to Wordstat Yandex, the number of search queries increased by more than 2.4 times.

2. In 2019, parents took an interest in childcare and support, supplementary expenditure on children and ways for their reimbursement more frequently. The number of Russian Internet users' search queries as of 2019 is presented in Table 1.

Tab. 1: Search Queries of Russian Internet Users as of 2019

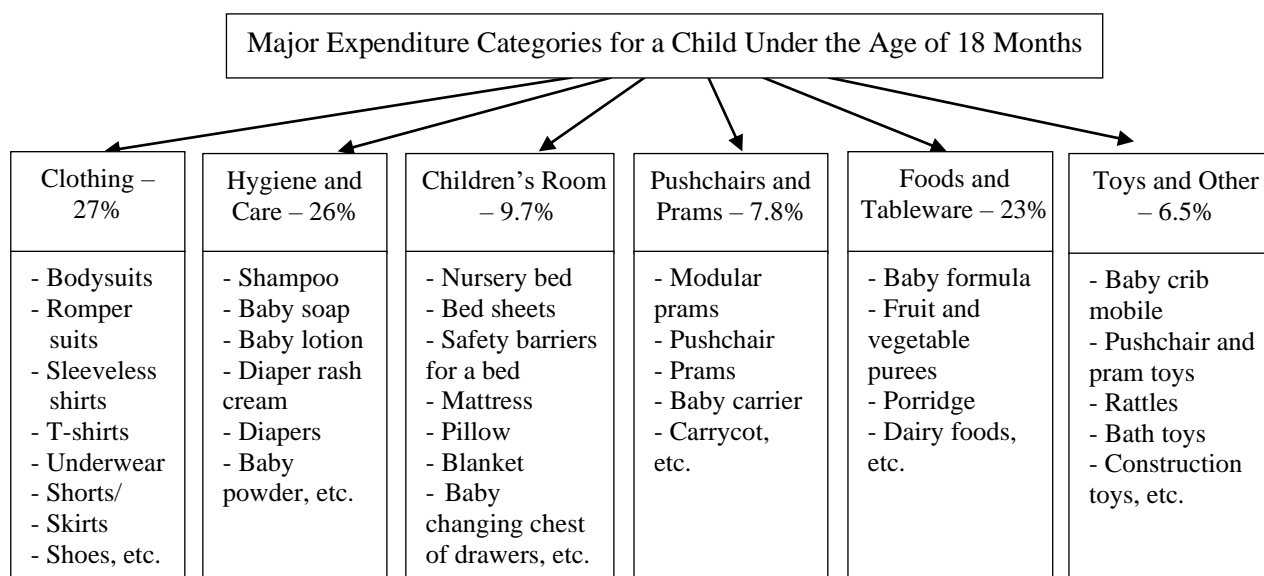
Search queries	Displays
expenditure on children	89152
supplementary expenditure on a child	15600
child maintenance expenditure	12396
expenditure incurred when the child is born	12452
family's expenditure on a child	7152

Source: Data from Wordstat Yandex, 2019

3. We studied discussions between parents on the child maintenance and care under the age of 18 months as well as research of Russian independent online services and social movements in support of mothers and children; thus, we compiled a list of major goods necessary for a child under the age of 18 months (see Figure 1). Subsequently, we calculated prices for all goods purchased within 18 months; then we structured major family's expenditure on a child in the Ural Federal District. The structure is dominated by expenditure on clothing (27%), hygiene and care (26%), foods and tableware (23%).

4. Table 2 presents assessments of family's expenditure on a child under the age of 18 months in the Ural Federal District. We estimated the financial aid for the reproduction of the population in the Ural Federal District. To that end, we compared the average monthly family's expenditure on a child under the age of 18 months with the subsistence level for a child.

Fig. 1: Major Expenditure Categories for a Child Under the Age of 18 Months



Source: developed by author

Tab. 2: Family’s Expenditure on a Child Under the Age of 18 Months in the Ural Federal District as of 2017

	The Ural Federal District	Sverdlovsk Region	Tyumen Region	Chelyabinsk Region	Kurgan Region
Average monthly family’s expenditure for a child under the age of 18 months, RUB	12514.69	13138.38	12307.29	12307.54	12305.54
Average monthly subsistence level for a child under the age of 16, RUB	10905.5	10381.5	13517	9732.75	9990.75
Average monthly available resources per member of family with children, RUB	22346.77	22373.74	26365.67	19520.34	16577.48
Ratio of monthly family’s expenditure for a child under the age of 18 months to average subsistence level	1.15	1.27	0.91	1.26	1.23
Ratio of average monthly available resources per member of family with children to average monthly family’s expenditure for a child under the age of 18 months	1.79	1.70	2.14	1.59	1.34

Source: authors’ calculations

According to the table, monthly family's expenditure for a child in the Ural Federal District is 15% higher than the subsistence level while indicators considered vary in the regions. Concurrently, average monthly available resources per member of family with children are 1.3 times higher than average monthly family's expenditure for a child under the age of 18 months.

3 Discussion

As the results obtained suggest, the number of parents who attempt to forecast expenditure on a childcare and maintenance is increasing. On the one hand, the reason for that may lie in a more responsible attitude towards the issues of the childbirth and their development among the group of reproductive age population. More specifically, the concept of parenthood in modern Russia comprises the semantic core with the following word combinations: being a parent is responsible, the mother's duty is to love, the parents' priority is to raise a decent, happy, confident and responsible person, and so forth (Safonova *et al.*, 2019).

On the other hand, a more rational parents' approach may be due to the negative tendencies of the socio-economic situation in Russian families. They are the following: a reduction of the real income of the population, the low level of average monthly available resources per member of families with children as opposed to those without children (Data on Income and Expenditure of the Population, 2018). To offer an example, in 2018, average monthly available resources per member of families with several children accounted for only 40.8% of those for families without children (Data on Incomes, Spending and Consumption Expenditures of Households, 2018). Parallel to this, the excess of average monthly available resources per member of family with children over average family's expenditure on a child under the age of 18 months suggests that parents have an opportunity to provide comfortable conditions for childbirth and their development.

The results also testify to the inadequate attention parents give to the issues of children's human capital development at the early stage. In particular, more than 70% of expenditure on a child under the age of 18 months account for foods, hygiene products and clothing. As a rule, parents do not forecast expenditure associated with additional early development activities, which contribute to improving health and increasing mental capacity, such as swimming and massage for babies, enrichment courses for both parents and babies, and so forth. Additionally, the considerable excess of actual family's expenditure over the subsistence level for a child indicates that the government does not adequately address all

needs of children under the age studied, which in turn, may have a negative impact on the effectiveness of the demographic policy being implemented.

Conclusion

The results of our study demonstrate the inconsistency in the tendencies associated with children's human capital development. Parents in the Ural Federal District have an opportunity and willingness to provide comfortable conditions for childbirth and children's development, which is supported by the excess of average monthly available resources per member of families with children over average family's expenditure on a child and by the increasing number of parents who attempt to forecast expenditure associated with childcare and maintenance. At the same time, it is necessary to pay particular attention to children's health and development since their early childhood to ensure the quality of human capital; however, the major expenditure on a child in the first 18 months of their life is related to addressing their physiological needs, whereas both parents and the state give little attention to planning additional early development activities for children. According to specialists, to ensure the quality of human capital, parents should give special attention to the issues of physical and mental development of children since their very early age. The government should in turn provide financial aid and institutional support to encourage parents to develop human capital of their children, which will have a long-term positive impact on the quality of human capital.

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