The Cost of a Child in 2023:
Summary and recommendations

December 2023

Summary

- **The cost of raising a child to age 18 is £166,000 for a couple and £220,000 for a lone parent.**
- An **out-of-work family with two children has less than half the income** required to meet the cost of a minimum acceptable standard of living – this has **fallen considerably since 2016** when over 60 per cent of costs were covered.
- It is not just out-of-work families who are struggling. **A lone parent on the minimum wage has a 24 per cent shortfall, while a couple both working full time on the minimum wage has an 8 per cent shortfall**. A lone parent working full time on median wage still does not have enough to cover the costs, with a 13 per cent shortfall.
- The rise of the childcare cap in universal credit (UC) has made a difference to childcare costs (a substantial expense in raising a child), however **the cost of a full-time nursery place for a child under two is still higher than the cap** in many areas of the UK.
- The reason for the increased shortfall since 2016 is twofold – **benefits have fallen, while costs have risen.**
- **Larger families have, on average, lost more from the cuts to social security since 2016**, as they are disproportionately affected by policies such as the two-child limit and the benefit cap.
- **Recent policy announcements** (uprating benefits by 6.7 per cent, unfreezing local housing allowance (LHA), the rollout of some free childcare for 9 month – 2 year olds) will mean the shortfall should not increase any further next year (benefit capped households will fall further behind), but **will not undo the cumulative impact of years of cuts**.

Recommendations

- **Scrap the benefit cap** – the benefit cap ensures some families receive even less than the inadequate rates of standard benefits. They will also fall further behind next year as costs rise but their income from benefits does not, as the benefit cap is not uprated.
- **Remove the two-child limit** – this would ensure that all children in low-income families are supported – the biggest shortfalls are faced by families with three or more children.
- **Increase child benefit by £20 a week** – this would help all families deal with the rising costs of raising a child, including families who are just above the threshold for means-tested benefits.

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Introduction

CPAG's annual *Cost of a Child* report looks at how much it costs families to provide a minimum socially acceptable standard of living for their children. Since 2012, this report series has systematically monitored the minimum cost of a child. This summary provides the latest calculations for 2023 and outlines the factors affecting the figures.

The calculation

The cost of a child calculation uses the Minimum Income Standard (MIS) for the UK, which is based on what members of the public think are the essential items every family should be able to afford. The cost of an individual child is calculated not by producing a list of items that a child needs, but as the difference that the presence of that child makes to the whole family's budget. These calculations are made for different children according to their birth order, in each year of their childhood, and are added up to produce a total cost from birth to age 18.[1]

The cost of a child in 2023

The scorecard below shows the total cost of raising a child to age 18, and how that compares to the income received by families with two children and different work circumstances. It shows that the cost of a child is £166,000 for a couple and £220,000 for a lone parent.[2]

Scorecard: The Cost of a Child in 2023

A. The additional cost of bringing up a child in 2023	(Minimum cost, averaged for first and second child)	
	Couple	**Lone parent**
1. Basic cost over 18 years	£76,178	£122,411
2. Full cost over 18 years	£166,218	£220,354
B. The extent to which families have enough to cover the minimum cost of living	Net income* as a percentage of minimum family costs – family with two children aged 3 and 7	
	Couple	**Lone parent**
3. Not working	48%	49%
4. Working full time on the minimum wage	92%	76%
5. Working full time on the median wage	110%	87%

Note: 'Basic cost' does not include rent, childcare or council tax. 'Net income' refers to disposable income, after subtracting rent, childcare and council tax. These calculations assume eligibility for universal credit, with entitlements updated to April 2023. Income excludes the cost-of-living payments made available to low-income families in 2023.

The scorecard also shows that out-of-work households can cover less than half their costs (48 per cent for a couple family, 49 per cent for a lone-parent family). In-work families can cover more of their costs, but even they struggle to meet the cost of the minimum acceptable standard of living. A couple working full time on the minimum wage can cover 92 per cent of their costs, while a lone parent working full time on the minimum wage

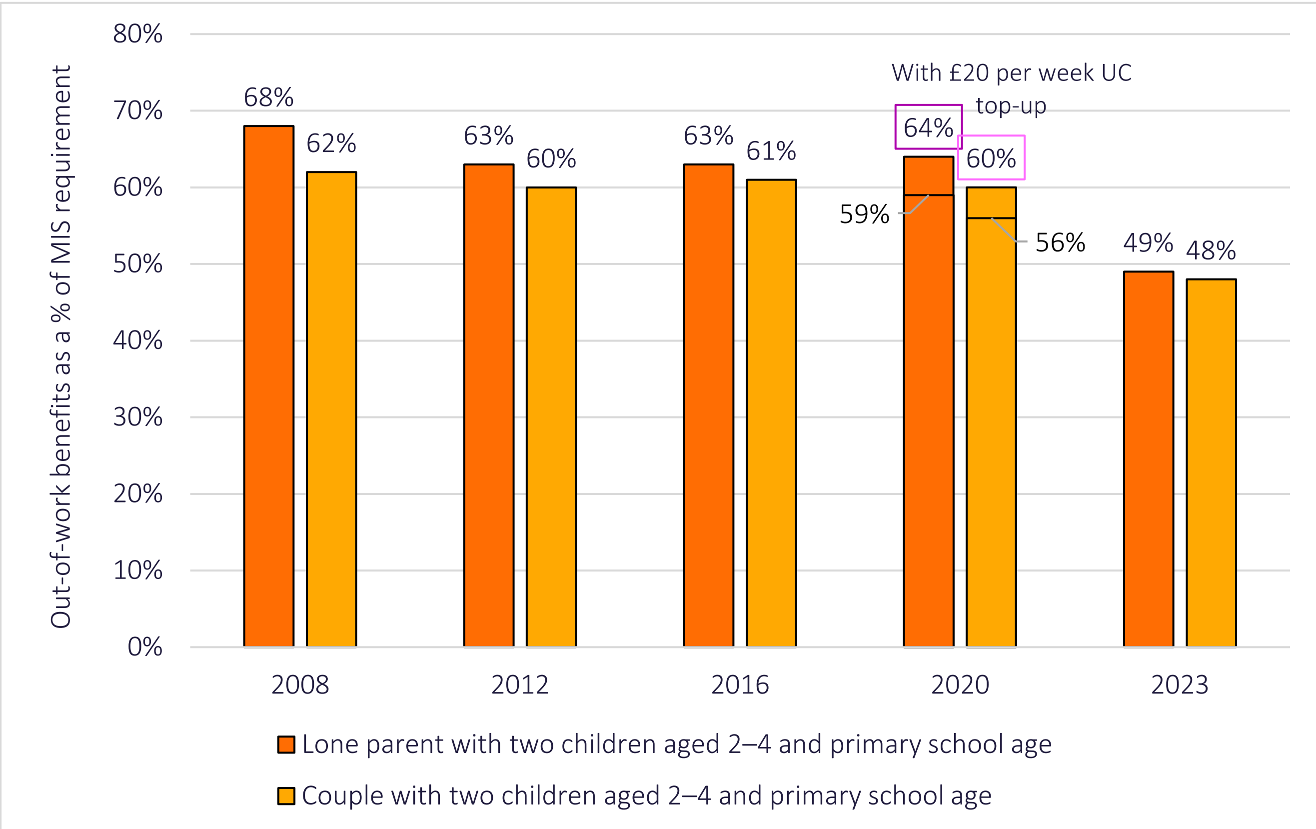
[1] The 2012 study of the cost of a child developed a detailed, systematic and updatable method for making such a calculation. D Hirsch, L Sutton and J Beckhelling, *The Cost of a Child in the Twenty-first Century*, Child Poverty Action Group, 2012

[2] The higher cost for the lone parent is due to certain family economies of scale, most notably the fact that having a family car is associated with a greater saving in public transport for a couple, given that for adults without children, a car is not deemed essential.

can only cover 76 per cent.[3] Alarmingly, a lone parent working full time on the *median* wage can still only cover 87 per cent of their family costs. These figures assume full-time work; many parents are only able to work part time.

Figure 1 shows how the share of MIS requirements covered by an out-of-work family has evolved since 2008. In 2008, an out-of-work lone parent with two children could cover 68 per cent of their minimum costs (62 per cent for a couple), considerably higher than the 49 per cent (48 per cent for a couple) in 2023. Most of this reduction has come since 2016 due to cuts to social security such as the benefit freeze (2016-2020) and the freezing of LHA.

Figure 1: Out-of-work incomes as a percentage of MIS requirements, 2008-2023



The reduction over time is similar for in-work families, especially the sharp fall in the past year. In 2023, a couple with two children working full time on the minimum wage had a £51 a week shortfall – the highest since 2016. In 2020 and 2021 there was no shortfall because of increased social security during COVID.

Key factors affecting family costs and incomes

Childcare

A large expenditure for most in-work families is childcare, and support for childcare costs is patchy.[4] The biggest gap in financial support for childcare is for children aged under 2.[5] Thereafter some 2-year-olds and all 3- and 4-

[3] The minimum wage here is the so-called 'national living wage' for workers aged over 23.
[4] For more detailed information on childcare see the full report.

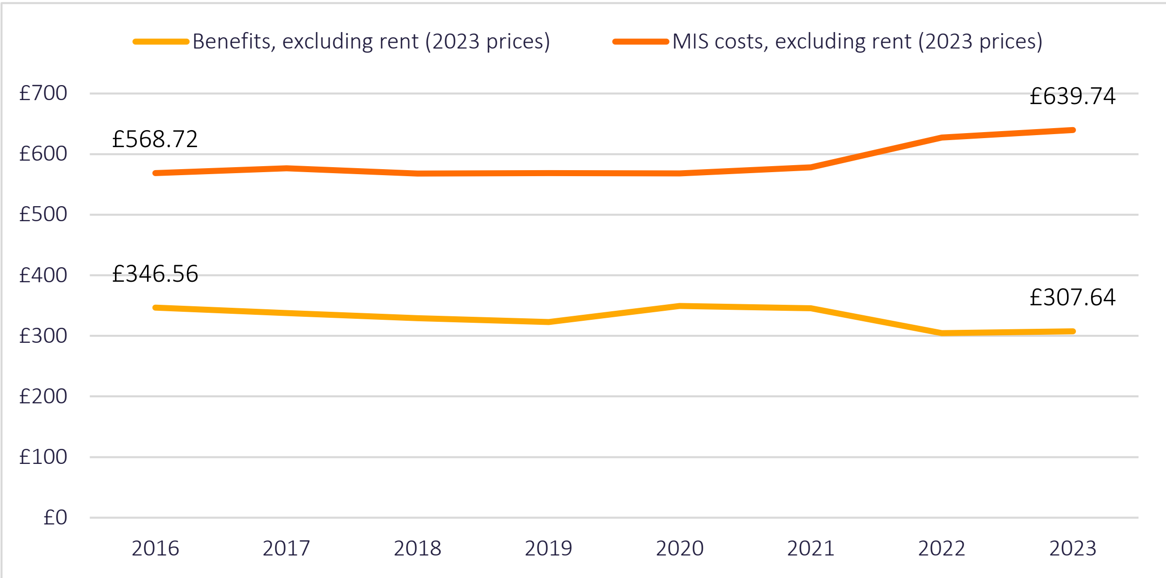
year-olds qualify for free childcare entitlement for up to 30 hours a week, but only 15 hours if both parents do not work for 16 or more hours a week at the minimum wage rate. For those on UC, support is available to cover up to 85 per cent of childcare costs but there are design issues, which can make the support difficult to access.

In April 2023 the childcare cap in UC was increased for the first time (to £219 a week for one child or £375 for two or more), meaning many families will not have to spend as much out-of-pocket for childcare. However, the cap is still too low for many areas of the UK. In Inner London, parents would need to find an additional £176 per week over and above the support provided by UC to cover the costs of a full-time nursery place for a child under 2.

Rising costs/falling social security since 2016

Figure 2 shows how the MIS threshold for a couple and weekly out-of-work benefits have evolved since 2016, when the four-year benefit freeze began. We can see that in 2016 the gap between the two was already £222. Then over time, especially the past three years, benefits have fallen while costs have risen. For an out-of-work couple with two children, weekly costs have risen by £70, while weekly benefits have fallen by £40 – leaving the shortfall at £332.

Figure 2: Weekly out-of-work benefits compared with the MIS budget for a couple with two children aged 4 and 7, in 2023 prices



This shortfall is even greater for larger families – for a couple with three children in private rented accommodation, the shortfall now stands at £540. A key reason for this greater shortfall for larger families is the two-child limit, which affects third and subsequent children born after April 2017 (there are some limited exceptions to the policy). As well as having the greatest shortfall, the rise in the shortfall has been largest for families with three or more children.

[5] In September 2024, 15 hours of free childcare is expected to be introduced for children from the age of nine months for working parents, increasing to 30 hours in September 2025. For both the current and extended provision, receiving the full 30 hours of free childcare is contingent on parents working at least 16 hours per week.

The calculations so far assume that families can access all of their social security entitlement. However, the benefit cap means that this is not the case for many out-of-work families. Since 2016 the rise in costs has been much greater than the rise in the cap (only uprated once, in 2023).

In 2023, a couple with two children would hit the benefit cap with a rent of £116 per week. Only 16 out of 152 England broad rental market areas have an LHA rate for a three-bed property that is lower than £116 at this time. This means that families would most likely have to cut back in other everyday areas of expenditure such as food and heating their home, and/or take on debt to cover these rent costs.[6]

Policy context and recommendations

Recent policy announcements (uprating benefits by 6.7 per cent, unfreezing LHA, the rollout of more free childcare for children 9 months – 2 years old) will mean the shortfall should not rise any further next year (for non-benefit capped families), but they will not undo the cumulative impact of years of cuts. Far more needs to be done to reverse the long-term decline in family incomes and help the 4.2 million children currently living in poverty:

- **Scrap the benefit cap** – currently out-of-work households hit by the benefit cap receive even less income than the 48/49 per cent shown in the above scorecard. They will also fall further behind next year as costs rise and the cap is frozen. Removing the benefit cap would substantially reduce the depth of poverty for the 250,000 children living in families affected by the cap, and cost just £250 million.[7]
- **Remove the two-child limit** – this would ensure that all children in low-income families are supported – the biggest shortfall is faced by families with three or more children. It is the most cost-effective way to reduce child poverty. Removing the two-child limit would lift 250,000 children out of poverty and mean 850,000 children are in less deep poverty, at a cost of only £1.3 billion.
- **Increase child benefit by £20 a week** – this would help all families deal with the rising costs they will face next year. It would also reduce child poverty by 500,000, reduce the depth of poverty for many more, while also providing additional financial security for eligible families above the poverty line.

About CPAG

Child Poverty Action Group works on behalf of the more than one in four children in the UK growing up in poverty. It doesn't have to be like this. We use our understanding of what causes poverty and the impact it has on children's lives to campaign for policies that will prevent and solve poverty – for good. We provide training, advice and information to make sure hard-up families get the financial support they need. We also carry out high profile legal work to establish and protect families' rights.

[6] See Resolution Foundation, *A temporary thaw*, 2023 for further analysis
[7] The results presented here are based on UKMOD version B1.03 UKMOD is maintained, developed and managed by the Centre for Microsimulation and Policy Analysis (CeMPA) at the University of Essex. The process of extending and updating UKMOD is financially supported by the Nuffield Foundation (2018-2021). The results and their interpretation are the author's sole responsibility.