THE COST OF A CHILD IN 2017

AUGUST 2017

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Child Poverty Action Group works on behalf of the one in four children in the UK growing up in poverty. It does not have to be like this: we work to understand what causes poverty, the impact it has on children's lives, and how it can be prevented and solved – for good. We develop and campaign for policy solutions to end child poverty. We also provide accurate information, training and advice to the people who work with hard-up families, to make sure they get the financial support they need, and carry out high profile legal work to establish and confirm families' rights. If you are not already supporting us, please consider making a donation, or ask for details of our membership schemes, training courses and publications.

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CHILD POVERTY ACTION GROUP

ABOUT THE AUTHOR

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ONE
INTRODUCTION

Many families in the United Kingdom have found it increasingly difficult to cover the cost of bringing up children in recent years. Costs have risen faster than incomes. Parents are reluctant to see their children go without essentials, yet those on low incomes may face a stark choice between neglecting their children's needs, making severe material sacrifices themselves or going into debt.

Since 2012, a series of calculations supported by the Child Poverty Action Group and the Joseph Rowntree Foundation have systematically monitored the minimum cost of a child.[1] This sixth report in the series updates those calculations. It highlights the growing importance of childcare and housing costs in determining whether families can make ends meet.

THE CONTEXT

The past decade has been unprecedently tough for families on modest incomes. Household costs have risen, while household incomes stagnated. From 2012/13 onwards, general incomes started to grow again, and median income had increased by 7 per cent by 2015/16.[2] Median wages have grown modestly – by roughly 2 per cent in 2015 and in 2016 in real terms, after six consecutive years of falling[3] – and for people over 25 on the statutory minimum, pay is now 15 per cent higher than two years ago (£7.50 rather than £6.50 an hour). Yet there has been no consistent upturn in household incomes. With a return to inflation, the growth in pay has once again turned negative. More importantly for families on low incomes, inflation combined with zero growth in state benefits and tax credits is causing real incomes once again to decline. For those in work, any pay rises are being sharply clawed back through the loss of tax credits. And on top of the benefits freeze, 2017 has seen the introduction of a new round of benefit cuts, including the loss of the family element of tax credits and the restriction of means-tested support to two children, both being gradually implemented for newly claiming families.

This report updates the calculation of the cost of a child for the present year, and goes on to look at how the growing cost of a child is being exacerbated for families facing benefit cuts.

Notes

1. D Hirsch, L Sutton and J Beckhelling, *The Cost of a Child in the Twenty-first Century*, Child Poverty Action Group, 2012

2. Department for Work and Pensions, *Households Below Average Income 1994/95 to 2015/16*, 2017

3. Office for National Statistics, *Annual Survey of Hours and Earnings*, 2015

TWO
THE CALCULATION

The 2012 study on the cost of a child developed a detailed, systematic and updatable method for making such a calculation.[1] This is based on the 'minimum income standard (MIS) for the UK', which researches regularly what members of the public think are the essential items that every family should be able to afford (see p10).

The calculation of the cost of a child starts with MIS budgets for a range of family types. These are the product of detailed discussions among members of the public, specifying which goods and services a family would need in order to reach a minimum acceptable standard of living.[2] The costed items in MIS range from food, clothing and heating bills to modest items required for social participation, such as buying birthday presents and taking a week's self-catering holiday in the UK once a year.

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. For example, the additional cost of a first child for a couple is the difference between costs for a couple without children and a couple with one child. The additional cost of a second child aged, say, six with a sibling aged eight is calculated as the difference between the budget of a family with two children aged six and eight, and that of a family with just an eight-year-old. Similarly, calculations are also made for lone-parent families, whose costs with one child are compared with the cost of a single adult.

These calculations are made for different children according to their birth order, in each year of their childhood, and also added up to produce a total cost from birth to age 18. They are shown both with and without childcare costs (which, for those requiring childcare, now comprise nearly half of all the costs reported here). Additional housing costs are also included, using a model of minimum costs based on social rents for families with children, but this understates the cost to families in private housing, who may need to spend considerable additional sums to rent or buy a bigger home in order to accommodate additional children. Chapter Four considers different housing and childcare cost scenarios in greater detail.

The minimum income standard

The minimum income standard is the income that people need in order to reach a minimum socially acceptable standard of living in the UK today, based on what members of the public think. It is calculated by specifying baskets of goods and services required by different types of household in order to meet this need and to participate in society.

The research is funded by the Joseph Rowntree Foundation and carried out by the Centre for Research in Social Policy (CRSP) at Loughborough University, producing annual updates from 2008 onwards. It was originally developed in partnership with the Family Budget Unit at the University of York, bringing together expert-based and 'consensual' (based on what the public think) methods. The research entails a sequence of detailed deliberations by groups of members of the public, informed by expert knowledge where needed. The groups work to the following definition:

> *A minimum standard of living in the United Kingdom today includes, but is more than just food, clothes and shelter. It is about having what you need in order to have the opportunities and choices necessary to participate in society.*

The minimum income standard distinguishes between the needs of different family types. It applies to 'nuclear' families and to childless adults – that is, to households that comprise a single adult or a couple, with or without dependent children.

For further information, see www.lboro.ac.uk/research/crsp/mis-uk.

Notes

1. D Hirsch, L Sutton and J Beckhelling, *The Cost of a Child in the Twenty-first Century*, Child Poverty Action Group, 2012
2. See www.lboro.ac.uk/research/crsp/research/mis-uk

THREE
THE COST OF A CHILD IN 2017

SCORECARD: THE COST OF A CHILD IN 2017

The following 'scorecard' summarises the cost of a child in 2017 and its relationship to basic family incomes. Each of the seven indicators in the scorecard is then looked at more closely, in graphs showing the change since the costs were first calculated in 2012.

Scorecard: cost of a child in 2017

A. How much extra a child adds to family costs, and how much benefits contribute towards this cost	Minimum additional cost of a child (averaged for first and second child)	
	Couple	Lone parent
1. Basic cost over 18 years	£75,436	£102,627
2. Full cost over 18 years	£155,142	£187,120
3. Percentage of basic cost covered by child benefit	21%	16%
4. Percentage of basic cost covered by child benefit plus maximum child tax credit	94%	69%
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
5. Not working	58%	60%
6. Each parent working full time on the national living wage	87%	82%
7. Each parent working full time on the median wage	108%	86%

Note: 'Basic cost' does not include rent, childcare or council tax. 'Net income' refers to disposable income, after subtracting rent, childcare and council tax.

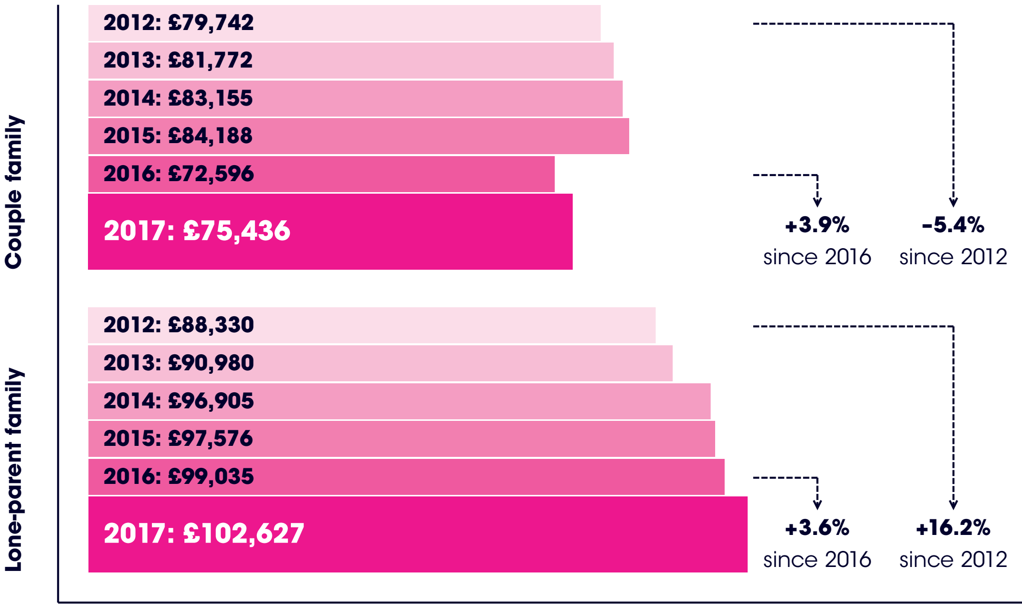
THE COST OF A CHILD AND HOW IT IS CHANGING

Indicators 1 and 2 are indicators of the cost of raising a child. As these evolve over time, we can see how this cost is changing, relative to general prices and to earnings.

Overall, in the year to April 2017, the estimated minimum cost of bringing up a child from birth to her/his 18th birthday, excluding rent and housing costs, rose from about £72,600 to £75,400 for a couple and from £99,000 to £102,600 for a lone parent. These increases of just under 4 per cent reflect price rises and are somewhat greater than the general inflation rate of just under 3 per cent, because the prices of certain essentials, most notably public and private transport costs, have risen particularly quickly. More important, however, is the fact that general prices are now rising after a period of stability and this is putting family budgets under new strain.

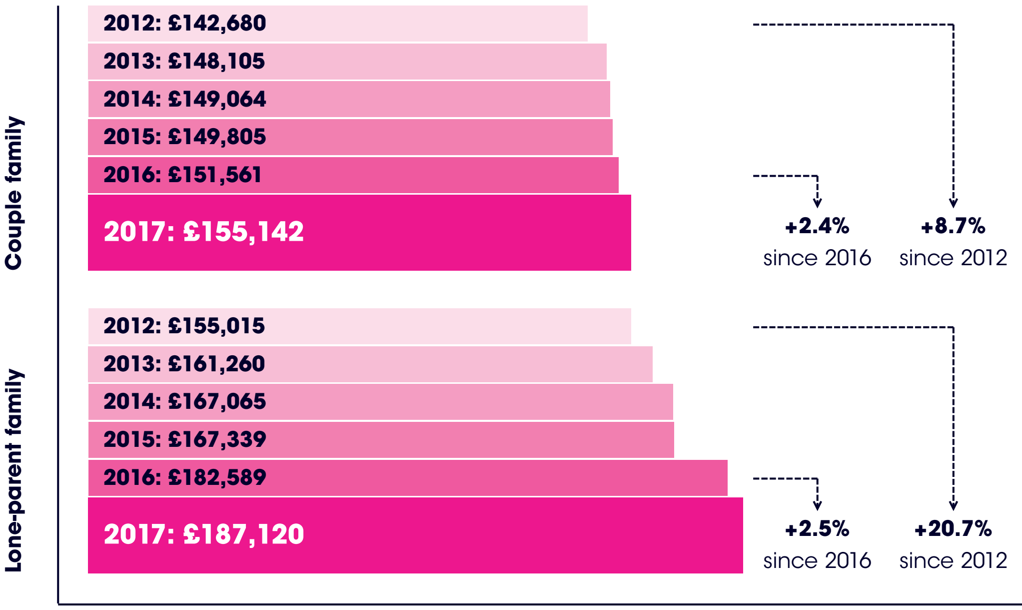
The overall cost of a child, including rent and childcare, has risen from £151,600 to £155,100 for a couple and from £182,600 to £187,100 for a lone parent. This total has increased by about 2.5 per cent. This slower rate of increase is influenced by a modest fall in social rents (by 1 per cent a year) and by stable overall childcare prices, although an increase in the cost of after school clubs has also had an influence. For families renting privately, costs will have risen by more, since private rents rose by about 2 per cent in the past year.

Indicator 1
Basic cost of a child, from birth to age 18



What this indicator shows: The basic additional cost of a child. Since housing, childcare and council tax can vary and are sometimes wholly or partly covered by state support, this basic calculation excludes those costs.

Indicator 2
Full cost of a child, from birth to age 18



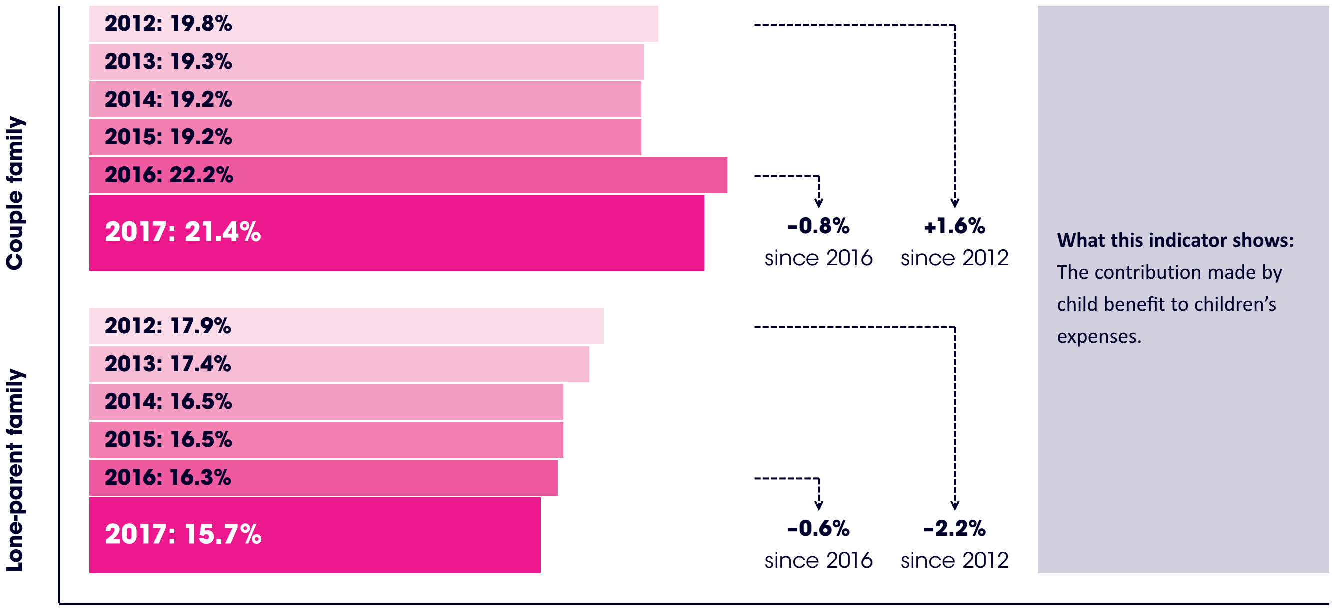
What this indicator shows: The additional cost of a child including estimates of housing, council tax and childcare (assuming parents work), not taking account of government help such as housing benefit and childcare support in tax credits.

THE ADEQUACY OF CHILDREN'S BENEFITS

Indicators 3 and 4 show how much of the additional costs of a child, not including childcare, are covered by benefits.

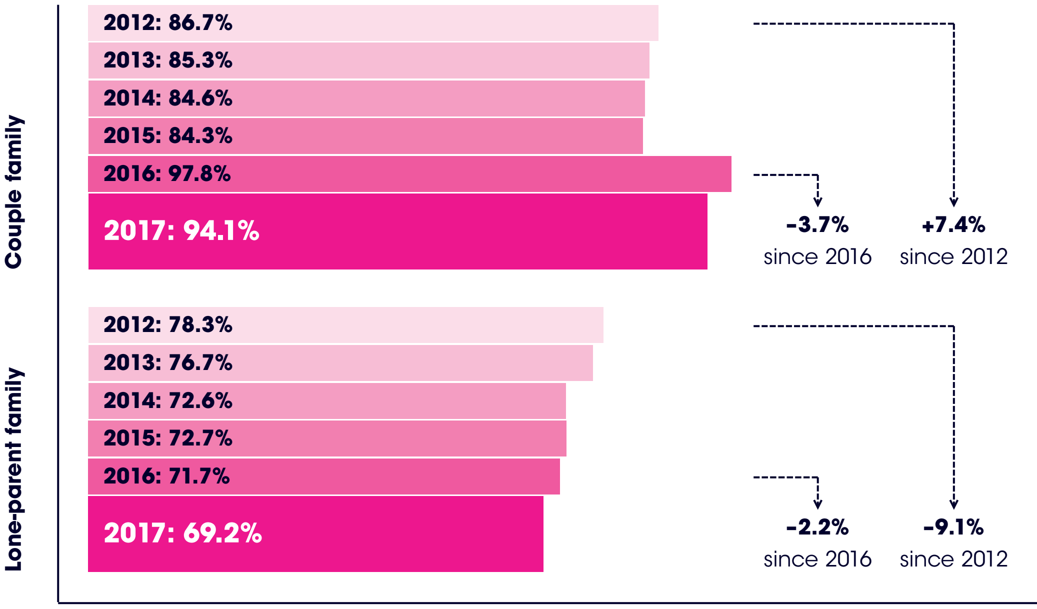
Child benefit and child tax credit rates have not changed since 2015. The return of inflation means that the adequacy of benefits is now falling. Child benefit now covers barely a fifth of the cost of a child for a couple, and less than a sixth for a lone parent. For those receiving maximum benefits, the overall benefit package now falls 31 per cent short of covering the cost to a lone parent of bringing up a child, up from 22 per cent in 2012. For a couple, it is only 6 per cent short, an increase in the shortfall since last year but a decrease since 2012, influenced by a more modest assesment of minimum costs made by couple parents in 2016, in the wake of years of austerity.[1] It is important to bear in mind that while children's benefits still cover the bulk of the *additional* cost of a child, adult benefits fall so far short of covering the cost of adults that families fall far short of meeting their costs overall, as shown in Indicator 5.

Indicator 3
Percentage of basic cost covered by child benefit



Indicator 4

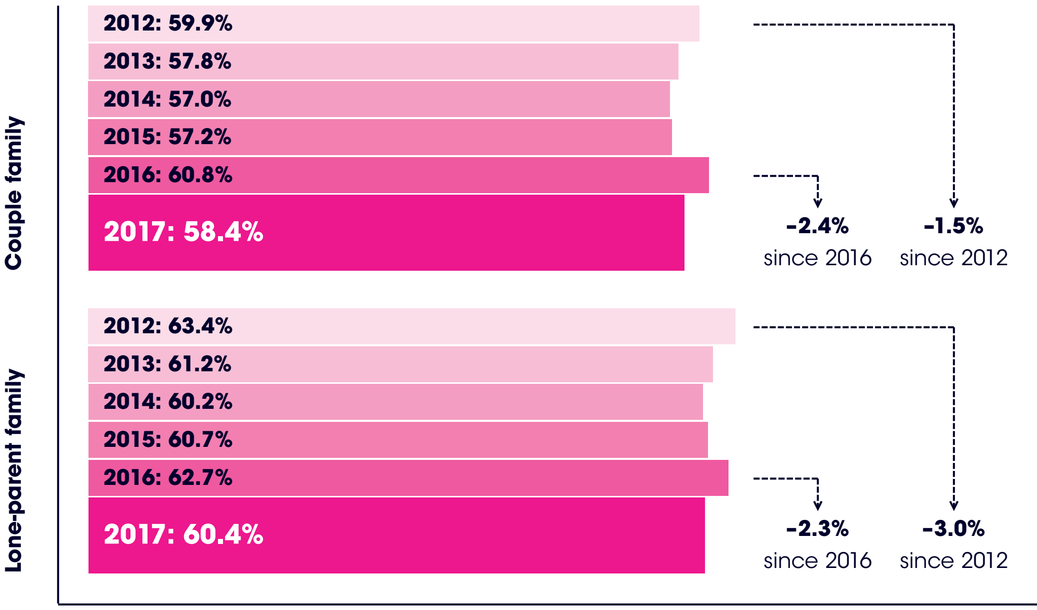
Percentage of basic cost covered by child benefit plus maximum child tax credit



What this indicator shows: The extent to which benefits for low-income families cover the additional cost of having a child.

Indicator 5

Disposable family income as a percentage of minimum family costs: out-of-work family



What this indicator shows: The overall benefit income of an out-of-work family compared to its costs – assuming that rent and most of council tax are covered by benefits and that there is no childcare.

THE ADEQUACY OF FAMILY INCOMES

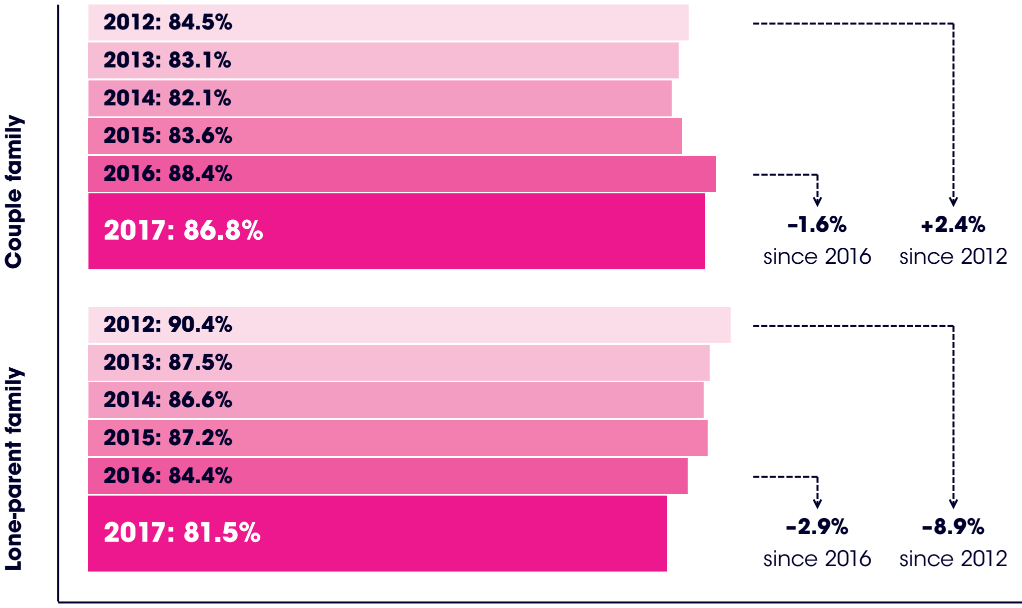
Indicators 5 to 7 go on to consider incomes relative to costs from the perspective of the whole family, rather than just the additional cost of children. They show the adequacy of family income after any childcare and rent have been paid (but including as income the amount the government gives to help pay for these things). They tell us what families who do not work, who work for the minimum wage or who earn the median wage are left with to pay weekly expenses, relative to what they need.

Out-of-work benefits continue to fall far short of what is needed for a minimum acceptable standard of living. As shown in Indicator 5, these have fluctuated since 2012, with a relative improvement for couple families in 2016 associated with more modest requirements, but a deterioration in 2017. Both couple families and lone parents who rely on benefits now have to forego about 40 per cent of the budget that is needed for a socially acceptable minimum.

Despite the introduction of the National Living Wage, low-paid families are still unable to earn enough to meet their families' needs, even if they work full time. Indeed, the freeze in benefits has meant that a 4 per cent increase in the National Living Wage in 2017 has not prevented those depending on it and on tax credit support from facing a growing gap between income and costs. A lone parent with two children now falls nearly 20 per cent short of making ends meet, even working full time on the National Living Wage. This is nearly double the shortfall for the same type of family on the minimum wage in 2012. These trends reflect how better pay on its own will not allow working families to make ends meet as long as their help from the state fails to keep up with rising prices. An important factor in this is that most of the additional pay is being clawed back in reduced tax credits through the means test.[2]

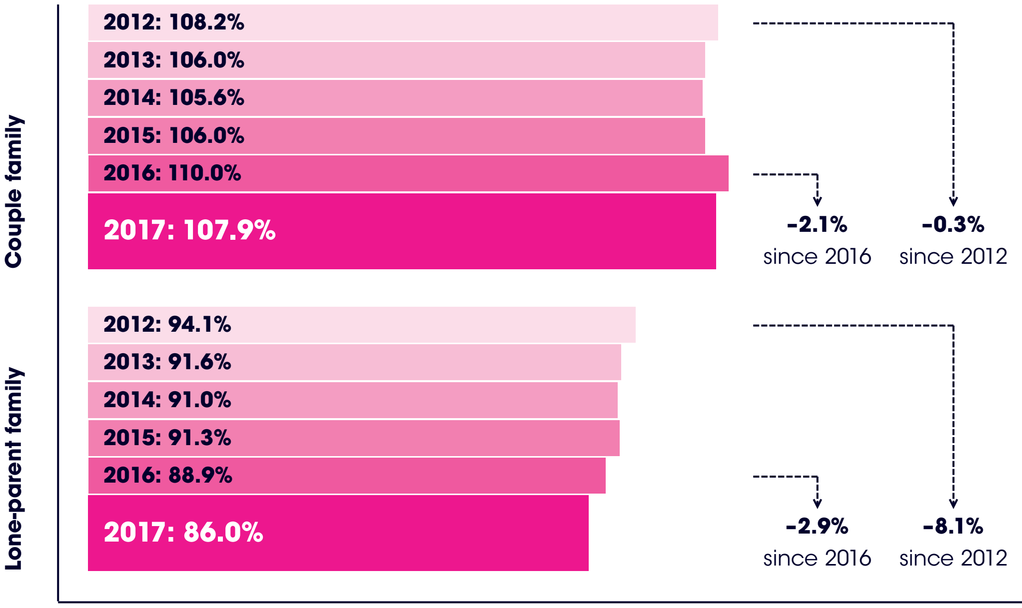
For families on median earnings, the contrast between lone parents and couple families is particularly pronounced. The former now fall 14 per cent short of an adequate income even with a reasonably paid job, more than twice as much as in 2012, burdened in particular by the high cost of childcare. For a couple with two young children, on the other hand, median wages are still enough to get 8 per cent above the minimum. Such couple families will also be less vulnerable to future benefit cuts than lone parents. A couple working full time on median wages does not receive any support from tax credits or universal credit (although they do receive child benefit), whereas a lone parent on such a wage still relies on this support to help support childcare if they pay for it.

Indicator 6
Disposable family income as a percentage of minimum family costs: working full time on national minimum/living wage



What this indicator shows: The overall income of a family whose parent/s work(s) full time (37.5 hours) on the national minimum/ living wage, after paying for childcare, rent and council tax, as a percentage of budget requirements.

Indicator 7
Disposable family income as a percentage of minimum family costs: working full time on median wage



What this indicator shows: The overall income of a family whose parent/s work(s) full time (37.5 hours) on the median wage, after paying for childcare, rent and council tax, as a percentage of budget requirements.

HOW MUCH FAMILIES NEED AND THE ADEQUACY OF BENEFITS: FURTHER DETAIL

The following table and graphs update those published in the 2012 *The Cost of a Child in the Twenty-first Century*. For more detail on their interpretation, see Chapter Five of that report.[3]

- Table 3.1 shows the additional cost of children, according to their birth order and whether they are brought up by one or by two parents. This shows that, in general, the cost of each successive child in the family tends to fall with economies of scale, but that this is not a straightforward relationship. The arrival of a first child brings some general additional costs (notably the cost of a car, which is not considered essential for families without children), but also brings some economies in terms of the ways in which adults tend to specify their own needs as parents, compared with before they were parents. Since these savings are not repeated with subsequent children, the relative cost of the first child is not as great as it would otherwise be. Moreover, there are some features of having additional children that can bring new types of cost. For example, a tumble dryer is not considered essential until there are at least three children in the family, and some larger families need a larger car.
- Figure 3.1 shows the relationship between the age of a child and weekly costs according to whether a family needs to use childcare and, if so, whether the family's income is sufficiently low to get help

Table 3.1
The additional cost of each child, 2017

	Couple parent				Lone parent		
	First child	**Second child**	**Third child**	**Fourth child**	**First child**	**Second child**	**Third child**
Total cost over 18 years	£151,529.50	£158,754.82	£171,644.53	£160,897.74	£205,764.06	£168,475.89	£157,344.67
Average per year	£8,418.31	£8,819.71	£9,535.81	£8,938.76	£11,431.34	£9,359.77	£8,741.37
Average per week	£161.46	£169.15	£182.88	£171.43	£219.23	£179.50	£167.64
Excluding rent, childcare and council tax							
Total cost over 18 years	£78,320.87	£72,550.74	£85,041.30	£78,119.59	£124,655.27	£80,597.93	£86,013.35
Average per year	£4,351.16	£4,030.60	£4,724.52	£4,339.98	£6,925.29	£4,477.66	£4,778.52
Average per week	£83.45	£77.30	£90.61	£83.23	£132.81	£85.87	£91.64

paying for it through tax credits. This graph shows that, for families paying for all of their childcare costs, the cost of children is greatest when they are youngest, while for those without childcare costs, the reverse is true. Tax credits help even out the cost of a child over the lifecycle, by giving working families on low incomes support with childcare. This means that with tax credits, net childcare bills when children are in their early years are similar in scale to the additional cost of feeding, clothing and in other ways providing for children at secondary school. For those on universal credit, which pays up to 85 per cent of childcare costs rather than 70 per cent under tax credits, net costs are more tilted towards higher ages. (Note that the jump in costs shown at the age of 11 in Figure 3.1 is due to the simplified assumption that day-to-day costs are the same for any child aged 5–11 and the same for any child aged 11–18, so the increased cost of a secondary school child comes all at once. On the other hand, a schoolchild's childcare needs are assumed to continue until age 14, so there are three years when both of these costs combine. In reality, changes are likely to be more gradual, but it is reasonable to assume that the growing cost of a child at secondary school will start to kick in before the expense of childcare ceases.)

Figure 3.1
Additional cost of first child of a couple, by age and childcare status, 2017

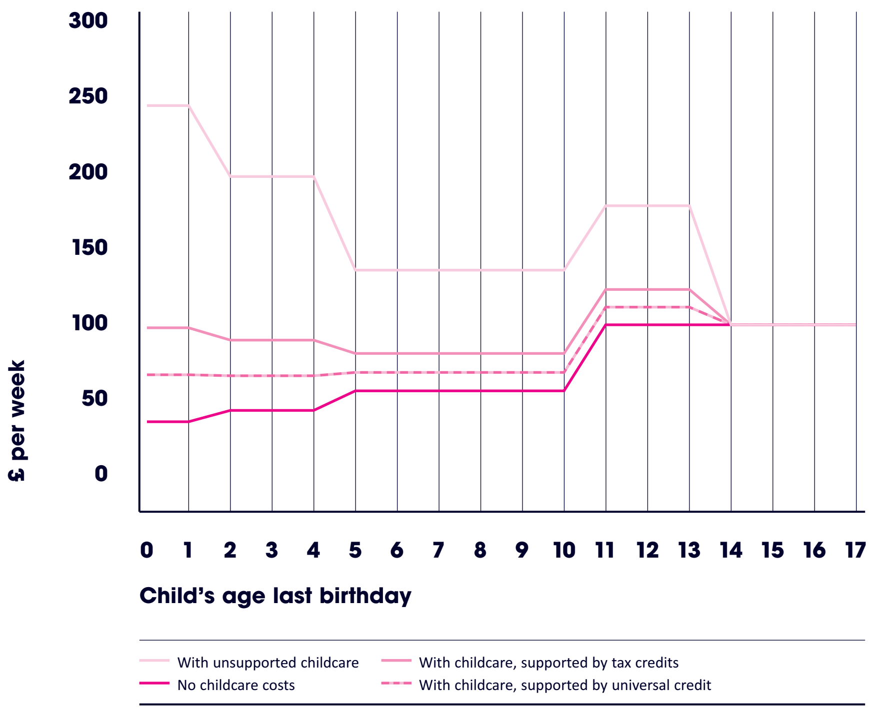
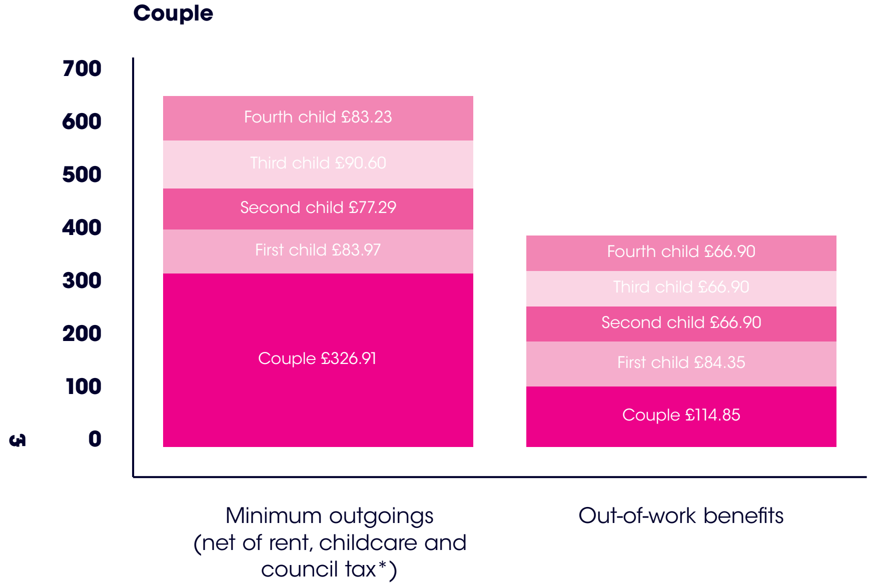
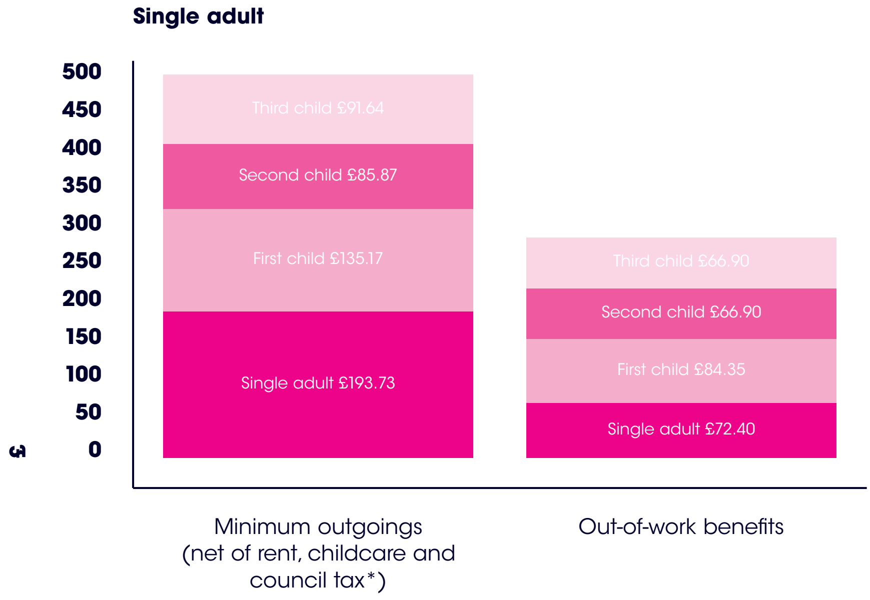


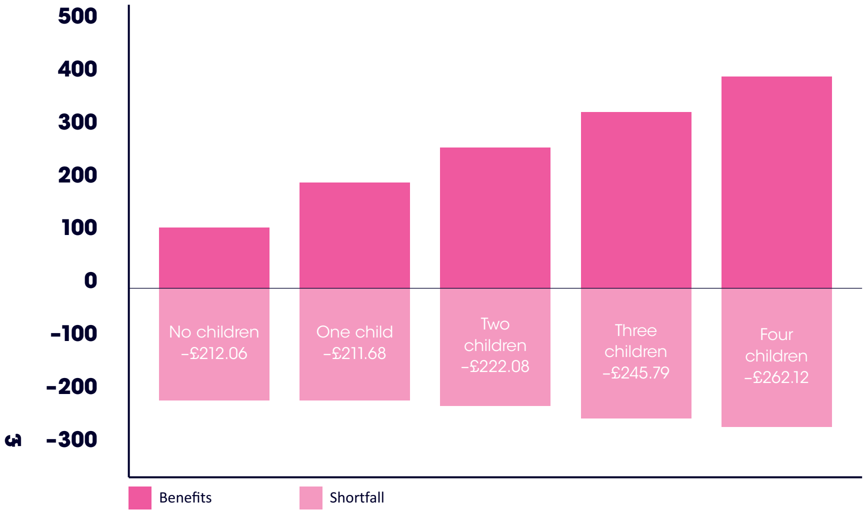
Figure 3.2
Cumulative weekly costs and benefit entitlement for successive children, non-working families, 2017





*except the portion of council tax not covered by benefits

Figure 3.3
Adequacy of out-of-work benefits for couple families



Note: Combined bars show minimum spending requirements, net of rent, childcare and council tax.

- Figures 3.2 and 3.3 show how much the state contributes to the cost of a child, in the case of families without any income from work. Figure 3.2 shows that benefit entitlement is more generous, compared to costs, for children than for adults. For the first child of a couple, additional benefits very slightly exceed additional cost. For other examples shown here, additional benefits for children are between 62 per cent and 86 per cent of additional costs; still much higher than for adults, where it is well under a half. This means that a family with children has a greater percentage of their costs covered by benefits than those without. However, as shown in Figure 3.3, having additional children increases the shortfall, in absolute terms, between benefit income and needs, with the exception of the first child of a couple.

Notes

1. See D Hirsch, *The Cost of a Child in 2016*, Child Poverty Action Group, 2016
2. For details see M Padley and D Hirsch, *A Minimum Income Standard for the United Kingdom in 2017*, Joseph Rowntree Foundation, 2017
3. D Hirsch, L Sutton and J Beckhelling, *The Cost of a Child in the Twenty-first Century*, Child Poverty Action Group, 2012

FOUR
THE IMPACT OF BENEFIT CUTS

Working-age benefits, for families both in and out of work, have been subject to persistent and multi-faceted cuts over the past few years. Some of these cuts are highly selective – eg, the benefit cap targets those with the highest benefits, due to factors such as household size and housing costs. Others hit all families – most notably, the freeze in child benefit and tax credit levels and the abolition over time of the child tax credit family element. In 2017, two important general cuts and one major selective cut started to take effect.

- The freeze on benefits, first implemented in 2016, started to have significant impacts on the ability of families to make ends meet, as prices started to rise after a period of stability.
- The removal of the family element, received by all families receiving child tax credit (which include 7.3 million of the country's 12.9 children[1]) and in most cases worth over £500 a year, started to take effect in 2017. It is being implemented only for 'new families' – ie, those whose oldest child was born on or after 6 April 2017.
- The limit of child tax credit entitlements to two children (with some exceptions[2]), severely reducing the income of around 3 million children in larger families. This policy also only comes in with 'new families', affecting those with a third or subsequent child born on or after 6 April 2017.[3] Thus, rather than making individual families worse off, it makes future support for the family types affected far more frugal. From 1 November 2018, this limit will also apply to all new claims for universal credit.

There has been widespread reporting and analysis on the overall impact of benefit cuts, and child poverty is forecast to rise sharply in the next few years.[4] But how and when are these cuts going to impact particular types of family, and

Table 4.1:
The effect of cuts on children's benefits, relative to the cost of a child

Policy	Effect and timing	Reduction in children's benefits relative to children's costs (weekly, excluding rent and childcare; average for all ages, couple family)		
		First child (cost £84.45)	**Second child (cost £77.30)**	**Third child (cost £90.60)**
Benefits rising slower than inflation	Benefits, tax credits and universal credit rose by 1% from 2013 to 2015 and zero at least until 2019. Benefits will have risen by 3% between 2012 and 2019, while prices are projected to have risen by 12%.	**£7.30** real-terms reduction in children's benefits = **9%** of cost of first child	**£5.80** real-terms reduction in children's benefits = **7%** of cost of second child	**£5.80** real-terms reduction in children's benefits = **6%** of cost of third child
Loss of family element of child tax credit and universal credit equivalent	Applies to families with oldest child born on or after 6 April 2017. Some families could therefore continue to get family element until 2035 under present policy.	Loss of **£10.45** = **12%** of cost of first child		
'Two-child limit' on child tax credit and universal credit entitlements	Applies to third or subsequent children born on or after 6 April 2017. Some families with existing awards will continue to get additions for such children until early 2030s under present policy.			Loss of **£53.20** child tax credit = **59%** of cost of third child*
Benefit cap	Reduction from £500 to £384 a week outside London since 2016 means a couple with three children with social rent is hit by cap for first time: in 2017, social rent of £91 reduces housing benefit by £39 a week, leaving less to cover post-rent costs.			Loss of **£39** = **43%** of cost of third child*

*Note that in the examples shown, where benefits are reduced through the 'two-child limit', they would not be high enough to hit the benefit cap, so these two losses are alternatives rather than being simultaneous.

how will this affect their ability to cover the cost of bringing up children? The following analysis summarises the impact of current benefit cuts in this framework.

Table 4.1 gives an overview of four key benefit cuts presently in the process of implementation.

Of the four cuts shown in Table 4.1, all but the last one, the benefit cap, will affect both working and non-working households. Under universal credit, the amount lost by a working family will, in those three cases, be the same as those on out-of-work benefits. It is also worth noting that working families with childcare costs will potentially benefit from the higher rate of reimbursement of these costs under universal credit (85 per cent) than under working tax credit (70 per cent), and from the increase in 'free' childcare hours for three and four year olds (from 15 to 30 hours) later this year.

The figures in Table 4.1 show the impact on the ability of families to cover the cost of a child, bearing in mind that most families affected had too little to cover this cost even before the cuts. The first row of the table shows how the **benefit**

freeze is gradually eroding the adequacy of children's benefits, requiring families to find between an additional 6 per cent and 9 per cent of children's costs in 2019 compared to 2012. Initially, the impact of this freeze was limited by relatively low inflation: CPI inflation was zero in 2015 and 0.7 per cent in 2016. Since then, inflation has picked up, rising to 2.9 per cent in May 2017, and is forecast by the Office for Budget Responsibility to remain at over 2 per cent throughout the forecast period (up to early 2022).

The longer the freeze goes on, the more severe the erosion of the buying power of children's benefits will become. Moreover, for new families, the l**oss of the family element** of CTC will further reduce support by an amount equivalent to 12 per cent of the cost of the first child.

The effects of the '**two-child limit**' and (for out-of-work families) the **benefit cap** are much more severe. The former will create an additional shortfall for larger families worth over half the cost of bringing up a third child. More specifically, the maximum a family can obtain to cover the £90 cost of this child will be reduced from £66.90 to £13.70 – since the only remaining entitlement for a third or subsequent child will be child benefit. For a three-child family outside London in social housing, the benefit cap already reduces out-of-work benefits by around £40. In this case, the withdrawal of the third child's child tax credit of £53.20 will reduce benefit income to below the level that it is capped, so the cap will no longer apply. On the other hand:

- A couple with three children with a private rent of £142 a week (the average lower quartile rent for a three bedroom rental in regions outside London[5]) would still exceed the benefit cap by £37.20: this reduction will be additional to the £53.20 benefits loss. The total loss of £90.40 is almost exactly the same amount as the total needed for the third child.
- For a couple with four children, with the youngest two born on or after 6 April 2017, the CTC reduction would double to £106.40. Such a family would only lose additional money from the benefit cap if rent outside London is at least £158 a week.

Figure 4 considers how these factors combined will affect disposable family income relative to costs in the next five years, as well as how they have done so between 2016 and 2017. It considers the case of non-working families. For working families, the effect of the policies shown on income changes will be identical under universal credit – eg, the loss of the family element of £10.45 a week (called the 'first child supplement' in universal credit) will eventually reduce all entitlements by this amount, including working families whose benefits are being 'tapered'. Overall, working incomes are higher than shown, and hence overall shortfalls lower, but the change will be identical. The exception is the effect of the benefit cap, which does not apply to working families, and this effect is only shown as a supplementary section of the shortfall bars, where applicable. Note that the income projections made here are based on a continuation of current policy, including the benefits freeze. This freeze currently applies until 2019, and it is not yet known if it will be continued after that date. The projections assume inflation will revert to 2 per cent a year from 2019, in line with its official target, but if minimum costs rise faster or slower than this, the effect of the freeze will be more or less severe.

Several important observations emerge from Figure 4.

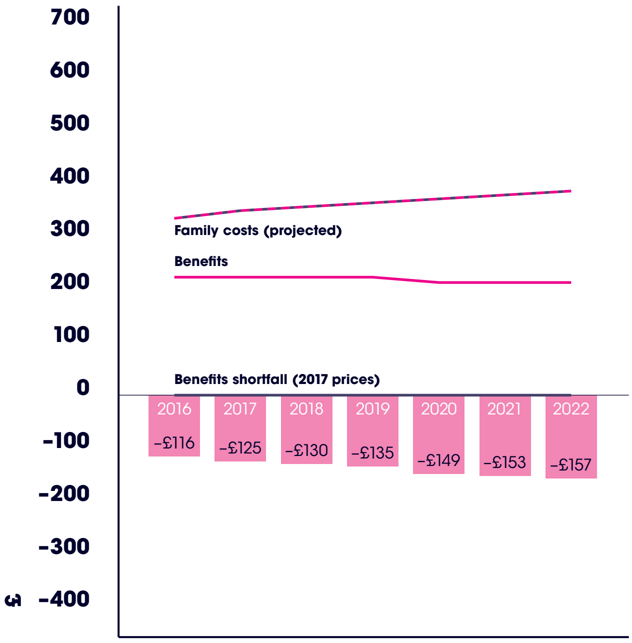
- Shortfalls in benefits will grow steadily in all cases if the benefits freeze continues.
- Families with younger children will, in addition, start seeing lower benefits due to the abolition of the family element and the 'two-child limit' in the next few years. For example, Figures 4a and 4e show that in 2020 there will be an additional drop in entitlements for families with an oldest child aged three and Figures 4c and 4g show that this will be the case in 2022 for families with an oldest child aged five. These are all cases of families whose first child was born after April 2017. A steeper drop for a family whose third child was born this year, compared to a three-child family last year, is shown on the left of Figures 4c and 4g.
- Families with older children will not see the same additional cuts in the period under review, because (unless policy is changed) they will continue for some years to be entitled to the family element and benefits for the third child as a result of children having been born before April 2017. However, note that because the cost of a child (other than childcare) rises with age, these family types already have shortfalls considerably larger than families with younger children. Over the longer term, as families with children born after 2017 grow older, it will become even harder to cope on benefits that have been reduced. For example, the cost of a third child increases from £66 a week for a baby to £105 for a secondary school child – making even more severe over time the implications of cutting third-child benefits from £66.90 (child tax credit plus child benefit) to £13.70 (child benefit only).

Notes

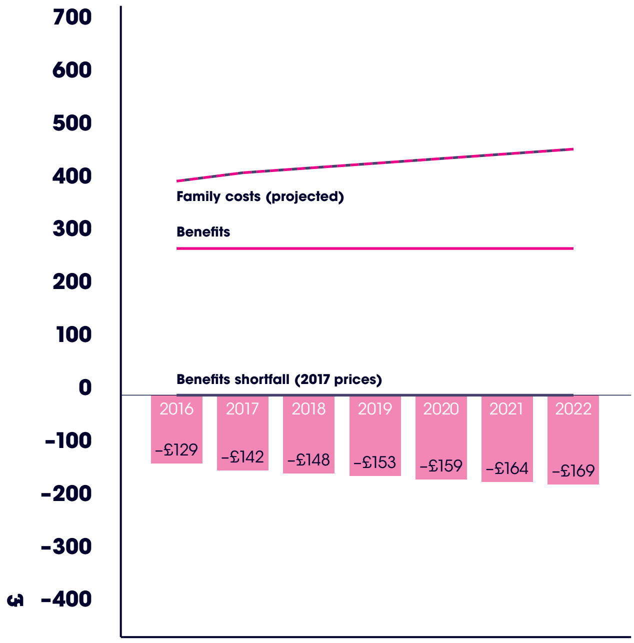
1. HMRC, *Child and Working Tax Credits Statistics, UK Finalised Annual Awards in 2015–16*, 2017
2. Author estimate from HMRC, *Child and Working Tax Credits Statistics, UK Finalised Annual Awards in 2015–16*, 2017
3. See www.cpag.org.uk/content/ask-cpag-online-what-are-exceptions
4. A Hood and T Waters, *Living Standards, Poverty and Inequality in the UK: 2016–17 to 2021–22*, Institute of Fiscal Studies, 2017
5. Valuation Office Agency, 2017

Figure 4
Family costs compared to family benefits, 2016–22 under current policies, weekly, for non-working family (working families on universal credit will experience the same changes in benefit level, other than benefit cap)

e: Lone parent, 2 younger children (aged 0 and 3)



f: Lone parent, 2 older children (aged 10 and 14)



g: Lone parent, 3 younger children (aged 0, 3 and 5)

h: Lone parent, 3 older children (aged 10, 12 and 14)

FIVE
CONCLUSION

After a short period of price stability, the cost of a child is once again starting to rise. For the first time in post-war history, these cost increases are not being matched by increases in support given to families from the state. While this policy persists, the struggle that low-income families face to make ends meet will become steadily harder.

At the same time as this incremental deterioration in family support, additional cuts are hitting various families at different times. Some are only affecting newly created families, so could potentially continue to come on stream over the next two decades. Others, such as the benefit cap, are already limiting families' incomes to well below the level that they need to meet the cost of children.

These cuts are particularly painful for non-working families, who already have little over half what they need to cover family costs. For them, the 'safety net' of means-tested support no longer merits this name, since it does not offer the safety of an income capable of covering essentials. Families unable to cover their costs on benefits must either undergo serious hardship, fall back on the help of their families or go into debt.[1] Working families on low earnings often face similar choices, and are being hit by the same set of cuts as outlined for non-working families in this report. Several measures can potentially offset these cuts for those in work: the increase in support for childcare, the raising of tax allowances and increases in the minimum wage. However, none of these measures are proving adequate to reverse the effects of benefit cuts,[2] partly because they are not well targeted on low-income families.

The lesson from this evidence is that selective measures to help struggling families will not succeed in doing so if set against a backdrop of general and specific cuts in benefits, tax credits and universal credit. In the 2017 autumn Budget, any policies to improve family incomes will lack credibility if the benefits freeze persists. This makes the next few months a crucial test of whether commitments to help those who have been worst hit by hard economic times are anything more than warm words.

Notes

1. K Hill, A Davis, D Hirsch and L Marshall, *Falling Short: the experiences of families living below the Minimum Income Standard*, Joseph Rowntree Foundation, 2016
2. M Padley and D Hirsch, *A minimum income standard for the United Kingdom in 2017*, Joseph Rowntree Foundation, 2017

APPENDIX
THE MAIN CALCULATIONS

The following table sets out the basis for the cost of a child calculation.

Table A1 Additional costs 2017, £ per week

1. Excluding childcare, rent and council tax	Couple				Lone parent		
Age last birthday	First child	Second child	Third child	Fourth child	First child	Second child	Third child
0	50.12	47.69	65.90	50.23	99.49	48.07	55.85
1	50.12	47.69	65.90	50.23	99.49	48.07	55.85
2	57.95	55.54	73.71	58.13	107.31	55.93	63.66
3	57.95	55.54	73.71	57.74	107.31	55.93	63.66
4	57.95	55.54	73.71	57.74	107.31	55.93	63.66
5	71.28	61.21	79.29	63.52	120.65	61.60	69.24
6	71.28	61.21	79.44	64.94	120.65	61.60	69.39
7	71.28	61.21	79.44	64.94	120.65	61.60	69.39
8	71.28	62.03	80.26	64.26	120.65	62.41	70.21
9	71.28	62.03	80.26	64.26	120.65	62.41	70.21
10	71.28	62.03	80.26	122.80	120.65	62.41	70.21
11	114.32	104.57	124.27	124.27	163.69	104.96	114.22
12	114.32	104.57	124.27	104.57	163.69	104.96	114.22
13	114.32	104.57	104.57	104.57	163.69	104.96	104.96
14	114.32	104.57	104.57	104.57	163.69	104.96	104.96
15	114.32	113.80	113.80	113.80	163.69	163.30	163.30
16	114.32	113.80	113.80	113.80	163.69	163.30	163.30
17	114.32	113.80	113.80	113.80	163.69	163.30	163.30

2 Including childcare, rent and council tax	Couple				Lone parent		
Age last birthday	**First child**	**Second child**	**Third child**	**Fourth child**	**First child**	**Second child**	**Third child**
0	249.30	263.85	275.99	260.32	307.08	264.24	265.94
1	249.30	263.85	275.99	260.32	307.08	264.24	265.94
2	202.15	216.74	228.83	213.25	259.93	217.13	218.78
3	202.15	216.74	228.83	212.86	259.93	217.13	218.78
4	202.15	216.74	228.83	212.86	259.93	217.13	218.78
5	139.80	146.72	158.73	142.96	197.59	147.11	148.68
6	139.80	146.72	158.87	144.38	197.59	147.11	148.83
7	139.80	146.72	158.87	144.38	197.59	147.11	148.83
8	139.80	147.54	159.69	143.70	197.59	147.93	149.64
9	139.80	147.54	159.69	143.70	197.59	147.93	149.64
10	139.80	147.54	159.69	122.80	197.59	147.93	149.64
11	182.85	190.09	203.70	203.70	240.63	190.48	114.22
12	182.85	190.09	203.70	190.09	240.63	190.48	114.22
13	182.85	190.09	190.09	190.09	240.63	190.48	111.04
14	103.41	103.41	190.09	190.09	161.19	111.04	111.047
15	103.41	103.41	103.41	103.41	161.19	161.19	161.19
16	103.41	103.41	103.41	103.41	161.19	161.19	161.19
17	103.41	103.41	103.41	103.41	161.19	161.19	161.19

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