



THE COST OF A CHILD IN 2021

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Introduction

Child Poverty Action Group'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 report updates those calculations for 2021 and outlines the factors affecting the latest figures.

The calculation

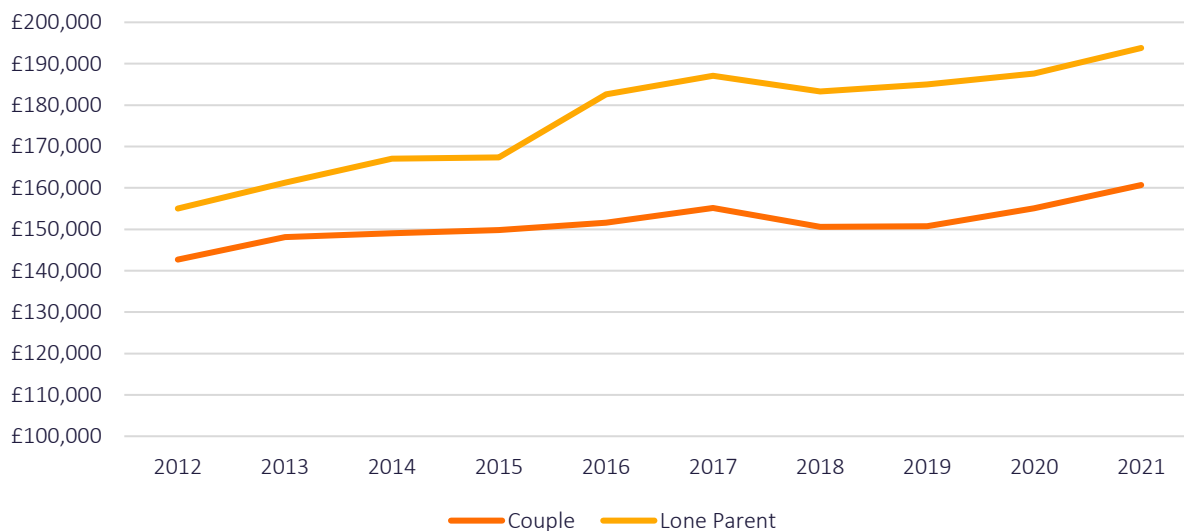
The cost of a child calculation uses the Minimum Income Standard (MIS) for the UK, which is based on what members of the public think are the essential items that every family should be able to afford. The cost of an individual child is calculated not by producing a list of items that a child needs, 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

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

The cost of a child in 2021

The total cost of raising a child to the age of 18 now stands at £160,692 for a couple and £193,801 for a lone parent. Figure 1 shows how the cost of raising a child has changed since 2012.

Figure 1: Cost of raising a child to age 18 from 2012 to 2021 for couples and lone parents



We can see that the total cost of raising a child is the highest it has been since calculations started in 2012. Since 2012, the total cost has risen by 13 per cent for couples and 25 per cent for lone parents. The rise in the last year has been particularly large – 3.6 per cent for couples and 3.3 per cent for lone parents.

What is driving the rise in costs?

The key driver in the rising cost of a child is higher prices (inflation) as opposed to a change in the basket of goods needed to raise a child. From 2014 to 2020 inflation was fairly low - the Consumer Price Index (CPI) averaged 1.4 per cent. But in 2021 inflation has risen sharply.²

In fact, the estimated rise in the cost of a child in 2021 (of 3.6 per cent for couples and 3.3 per cent for lone parents) may underestimate the impact of inflation on costs this winter. This is because the MIS budgets were costed in April when CPI was 1.5 per cent. It has since risen to over 3 per cent, with expectations that it will reach 5 per cent in spring 2022.³ Low-income households spend a greater share of their income on essentials such as energy and food, which are expected to rise especially quickly compared to other goods. This will squeeze the budgets of lower-income families with children even further.⁴

² *Consumer price inflation tables*, Office for National Statistics, 2021

³ *Monetary Policy Report – November 2021*, Monetary Policy Committee, Bank of England, 2021

⁴ *Family spending in the UK: April 2019 to March 2020*, Office for National Statistics, 2021

A final factor which affects families is the cost of childcare. As the UK has one of the most expensive childcare systems in the world, many families spend a large share of their income on childcare.⁵ The average cost of childcare rose by 4 - 5 per cent over the past year.⁶

Are incomes keeping up with costs?

It is important to look at what is happening to incomes as well as costs. The scorecard below summarises the relationship between costs and incomes (earnings in addition to benefit income) for different family types. It uses benefit levels in December 2021, when the universal credit taper rate and work allowance changes had increased the benefit income of claimants in work, but two months after the £20 cut in universal credit.

The scorecard shows that an out-of-work family barely has half of the income they need to cover the cost of a child. A couple with two children can only afford 55 per cent of the minimum budget, and a lone parent with two children can only afford 58 per cent. This has fallen from the 2020 figures of 61 per cent and 64 per cent respectively, due to the £20 a week cut in the universal credit standard allowance in October 2021.

This level of income does not represent the lowest amount for a family not in work. For example, some families will have much lower incomes if they are affected by the benefit cap, the two-child limit or both. The two-child limit prevents families who have a third or subsequent child from accessing support for that child through universal credit or child tax credit. At the same time, the benefit cap means that families in non-working or low-earning households have their benefit income capped – this typically affects families with children in rented accommodation as their living costs are higher. These two policies further reduce the adequacy of a family's income.

Working families fare better, as although they too lose out from the £20 cut, they benefit from the recent reduction in the taper rate, increase in the work allowance and rise in the minimum wage. A couple with two children working full-time on the minimum wage has enough income to cover the cost of a child (assuming both parents are able to work). However, it is alarming that a lone parent working full-time on the minimum wage can only cover 89 per cent of the amount needed to provide their family a minimum standard of living.

Among families working part time, the proportion of costs covered by their income in December 2021 will be considerably lower than in 2020, as they lost more from the £20 cut than they gained from the taper rate and work allowance changes.

⁵ *Is childcare affordable*, OECD, 2020

⁶ M Jarvie, S Shorto and H Parlett, *Childcare Survey 2021*, Coram Family and Childcare, 2021

Scorecard: The Cost of a Child in 2021

A. How much extra a child adds to family costs, and how much benefits contribute to this cost	Minimum additional cost of a child (averaged for first and second child)	
	Couple	Lone parent
1. Basic cost over 18 years	£76,167	£103,100
2. Full cost over 18 years	£160,692	£193,801
3. Per cent of basic cost covered by child benefit	22%	16%
4. Per cent of basic cost covered by child benefit plus maximum child element of universal credit	95%	70%
B. The extent to which families have enough to cover the minimum cost of living	Net income as a percent of basic cost – family with two children aged 3 and 7	
	Couple	Lone parent
5. Not working	55%	58%
6. Working full time on the minimum wage	106%	89%
7. Working full time on the median wage	127%	102%

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 December 2021.

Looking ahead

The cost of a child is the highest it has been since records began, and will likely rise further in 2022 with energy and food prices set to increase substantially.⁷

The government has announced that the value of benefits will be increased by 3.1 per cent (in line with September 2021 inflation).⁸ However, families will not benefit from these higher rates until April 2022 when inflation is projected to be even higher at 5 per cent. This means that, in 2022, it will be even harder for many lower-income families to cover the cost of a child.

There are a variety of policies that would help put money in the pockets of families so they have enough to provide a minimum standard of living for their children:

- Remove the two-child limit – this would ensure that low-income parents are supported with the costs of each child
- Scrap the benefit cap – this would give more income to families who currently manage on even less than 58 per cent of what is needed to meet the minimum income standard
- Increase child benefit by £10 per week – this would help all families deal with the rising cost of living

⁷ *Monetary Policy Report – November 2021*, Monetary Policy Committee, Bank of England, 2021

⁸ <https://www.gov.uk/government/news/state-pension-and-benefit-rates-for-2022-to-2023-confirmed>

Appendix

The following tables set out the basis for the cost of a child calculation.

Table A1: Additional basic costs in 2021, excluding rent, childcare and council tax (£ per week)

Age	Couple parents				Lone parent		
	First child	Second child	Third child	Fourth child	First child	Second child	Third child
0	48.57	58.84	83.05	60.28	96.55	60.42	78.74
1	48.57	58.84	83.05	60.28	96.55	60.42	78.74
2	46.90	58.54	82.52	58.28	94.88	60.11	78.21
3	46.90	58.54	82.52	56.76	94.88	60.11	78.21
4	46.90	58.54	82.52	56.76	94.88	60.11	78.21
5	68.88	72.81	99.22	74.98	116.86	74.39	94.91
6	68.88	72.81	97.02	74.98	116.86	74.39	71.48
7	68.88	72.81	97.02	74.98	116.86	74.39	71.48
8	68.88	72.88	94.87	92.30	116.86	74.46	71.54
9	68.88	72.88	94.87	92.30	116.86	74.46	71.54
10	68.88	72.88	94.87	134.03	116.86	74.46	71.54
11	109.56	112.04	114.56	114.56	157.55	113.62	110.70
12	109.56	112.04	114.56	112.04	157.55	113.62	110.70
13	109.56	112.04	112.04	112.04	157.55	113.62	113.62
14	109.56	112.04	112.04	112.04	157.55	113.62	113.62
15	109.56	108.33	108.33	108.33	157.55	156.85	156.85
16	109.56	108.33	114.49	108.33	157.55	156.85	156.85
17	109.56	108.33	114.49	108.33	157.55	156.85	156.85

Table A2: Additional full costs in 2021, including rent, childcare and council tax (£ per week)

Age	Couple parents				Lone parent		
	First child	Second child	Third child	Fourth child	First child	Second child	Third child
0	295.72	327.13	345.13	322.36	353.94	328.71	340.82
1	295.72	327.13	345.13	322.36	353.94	328.71	340.82
2	167.23	200.01	217.78	193.54	225.45	201.59	213.47
3	167.23	200.01	217.78	192.02	225.45	201.59	213.47
4	167.23	200.01	217.78	192.02	225.45	201.59	213.47
5	144.08	169.16	189.35	165.11	202.30	170.73	185.04
6	144.08	169.16	187.15	165.11	202.30	170.73	161.61
7	144.08	169.16	187.15	165.11	202.30	170.73	161.61
8	144.08	169.22	185.00	182.43	202.30	170.80	161.67
9	144.08	169.22	185.00	182.43	202.30	170.80	161.67
10	144.08	169.22	185.00	134.03	202.30	170.80	161.67
11	184.76	208.38	204.69	204.69	242.98	209.96	110.70
12	184.76	208.38	204.69	208.38	242.98	209.96	110.70
13	184.76	208.38	208.38	208.38	242.98	209.96	119.83
14	94.63	94.63	208.38	208.38	152.85	119.83	119.83
15	94.63	94.63	94.63	94.63	152.85	152.85	152.85
16	94.63	94.63	94.63	94.63	152.85	152.85	152.85
17	94.63	94.63	94.63	94.63	152.85	152.85	152.85

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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.