THE COST OF A CHILD IN 2022:
SUMMARY AND RECOMMENDATIONS

November 2022

Key findings

- The cost of raising a child to age 18 is nearly £160,000 for a couple and over £200,000 for a lone parent.
- Cuts to the value of social security between April 2021 and April 2022 meant that families have experienced the biggest deterioration in living standards since *Cost of a Child* reports began ten years ago.
- 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.
- In 2021, a couple working full time on the minimum wage, and a lone parent working full time on the median wage, were able to reach a minimum standard of living. They are not able to now.
- The sharp drop between 2021 and 2022 follows a gradual degradation of living standards since 2016 due to cuts to social security. The £20 increase to universal credit (UC), which was subsequently cut, provided temporary respite from the long-term trend.
- Childcare is a key driver of increased costs for in-work families – childcare now comprises around 60 per cent of the lifetime cost of a child for a couple working full time, compared to around 40 per cent in 2012.
- The freeze in the benefit cap threshold since 2016 (when it was reduced from its initial level) means that more and more families are subject to the cap.
- 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.
- In-work families have lost less income as they benefited from the rise in the minimum wage, the reduction in the UC 'taper rate' and the increase in the 'work allowance'. However, they are still worse off than in 2016, especially those with part-time workers.
- Since April 2022 costs have risen sharply, although one-off cost of living payments have mitigated the worst of this rise in costs. However, they do less to cover the rise in costs faced by larger families, as cost of living payments were flat rate and did not reflect household size.
- It is vital that benefits are uprated by at least 10.1 per cent (the September 2022 inflation rate) next year due to sub-inflationary uprating this year.
- Low-income families also need additional help with energy costs to replace the existing support which comes to an end in April 2023.

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- Investment in social security is needed to reverse the long-term damage to living standards. This should include scrapping the two-child limit and benefit cap, and increasing child benefit by £20 a week.

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 gives those calculations for 2022 and outlines the factors affecting the latest figures. It also shows how changes to inflation and government support since April have affected the picture.

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 2022

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 child is nearly £160,000 for a couple and over £200,000 for a lone parent.[2]

Scorecard: The Cost of a Child in 2022

A. The additional cost of bringing up a child in 2022	(Minimum cost, averaged for first and second child)	
	Couple	Lone parent
1. Basic cost over 18 years	£69,621	£113,102
2. Full cost over 18 years	£157,562	£208,735
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	48%	49%
6. Working full time on the 'national living wage'	94%	77%
7. Working full time on the median wage	111%	88%

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 2022.

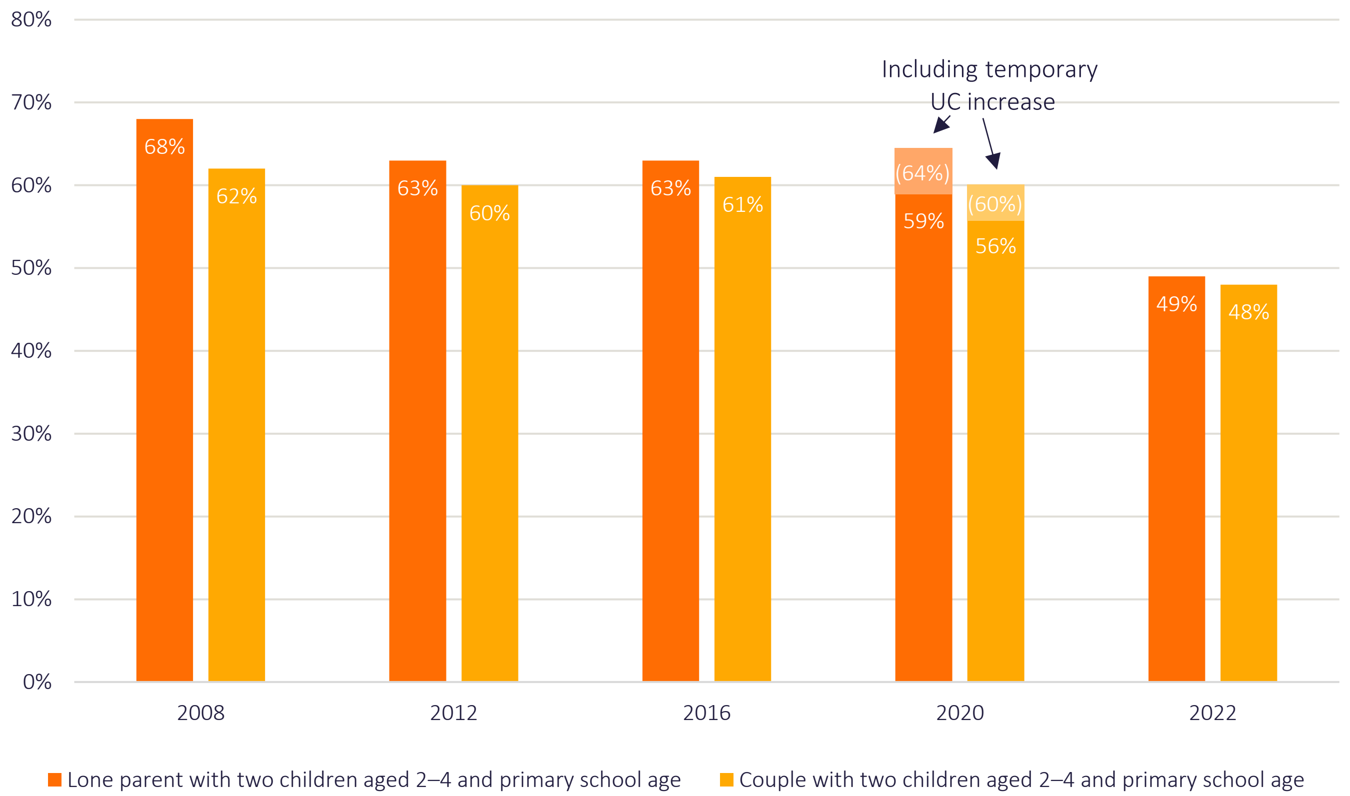
[1] The 2012 study of the cost of a child developed a detailed, systematic and updatable method for making such a calculation. D Hirsch, L Sutton and J Beckhelling, *The Cost of a Child in the Twenty-first Century*, Child Poverty Action Group, 2012

[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.

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 94 per cent of their costs, while a lone parent working full time on the minimum wage can only cover 77 per cent. Alarmingly, a lone parent working full time on the *median* wage can only cover 88 per cent of their family costs. These figures assume full-time work; many parents are only able to work part time.

It is also interesting to analyse how the share of minimum costs covered by income has changed over 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 2022. Most of this reduction has come since 2016: initially because of the benefit freeze, and then as inflation in April 2022 (at 9 per cent) was much higher than in September 2021 (3.1 per cent) which meant benefits rose by much less than the cost of living.[3]

Figure 1: Out-of-work incomes as a percentage of MIS requirements, 2008-2022 (based on prices and benefits in April of each year)



[3] Benefits are normally uprated by the inflation rate in September of the preceding year. In normal circumstances the September inflation rate is at most only slightly different from annual inflation in the following April, however most of the recent rise in prices has taken place since September 2021, meaning there was in effect a large real-terms cut to social security from 2021/22 to 2022/23.

The reduction over time is similar for in-work families, especially the sharp fall in the past year. In 2021, a couple working full time with two children were 6 per cent *above* the MIS level, helped by the temporary increase to UC (equivalent to £1,040 a year). In 2022 the family is 6 per cent below the MIS level. Similarly, last year a lone parent on median wage could just about cover their costs, whereas now they are 12 per cent short.

Key factors affecting family costs and incomes

Childcare

A large area of expenditure for most in-work families is childcare. The persistent rise in childcare costs over the past decade means that childcare now comprises around 60 per cent of the lifetime cost of a child for a couple working full time, compared to around 40 per cent in 2012.

Support with childcare costs is patchy.[4] The biggest gap in financial support for childcare is for children aged under 2. Thereafter some 2-year-olds and all 3- and 4-year-olds qualify for an 'early years subsidy' representing up to 30 hours a week of free childcare. For those on UC, support is available to cover 85 per cent of childcare costs but there are design issues which make the support difficult to access. There is also a childcare cap (£175 a week for one child or £300 for two or more) on the support provided. The caps were set in 2005 (for families on tax credits) at a high level to encourage work opportunities for families, however childcare caps have been frozen since then, meaning that every year more and more families are hit by the cap.

Cuts to social security since 2016

The large drop in the proportion of minimum costs met by benefit incomes has happened since 2016. Although there have been some policies to boost family incomes since then (eg, the reduction in the UC taper rate and the increase in the minimum wage), there have been far more policies that have cut incomes, eg, the benefit freeze, benefit cap and two-child limit.[5] The net effect of these policies depends on the circumstances of a household, but in summary:[6]

- The losses have been less for in-work families due to the rise in the minimum wage, the reduction to the UC taper rate and the increase to the UC work allowance. However, working families are still generally worse off than in 2016, especially those with part-time workers.
- The freeze in the benefit cap threshold since 2016 (when it was reduced from its initial level) means that more and more families are subject to the benefit cap.[7]
- Losses have been greater for larger families as the two-child limit affects families with three or more children, and the benefit cap disproportionately impacts larger families because their generally higher entitlement and need makes them more likely to reach the cap.

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[4] For more detailed information on childcare see the full report.

[5] Although the minimum wage is not the best policy instrument for boosting the incomes of low-income households as its badly targeted towards low-income households (lots of second earners in higher income households) and also high marginal tax rates mean low-income households do not benefit as much from the increase.

[6] For more comprehensive analysis see the full report.

[7] The long-term trend is that more families will be affected – although the current number of households capped (130,000) is lower than the peak in March 2021 (190,000) as more households became capped due to the £20 a week increase in the standard allowance of UC.

What has changed since April?

Rapid inflation has continued to push up the cost of raising a child throughout 2022. It is impossible to precisely forecast inflation for winter 2022/23, but we can look at how the cost of energy and other items changed between April and September 2022 and compare this to the cost of living support payments over 2022/23.[8]

Table 1: Increases in weekly income shortfalls for different families since April 2022

Cost/income	Family with two children aged 3 and 7	
Change in weekly costs since April 2022	**Couple**	**Lone parent**
October 2022 rise in energy price cap	-£17.86	-£16.89
Inflation for other items (Apr-Sep 2022)	-£17.70	-£13.08
Total Loss	*-£35.56*	*-£29.97*
Additional support provided to families with the rising costs of living in 2022/23		
Cost of living payments	£12.50	£12.50
£400 winter fuel support	£15.38	£15.38
Total support	*£27.88*	*£27.88*
Net effect	-£7.68	-£2.09

Note: See Appendix 3 of the full report for details of calculations.

Table 1 shows the cumulative effect of rises in costs since April 2022 and one-off social security payments. We can see that costs have risen substantially for families – an additional £35 a week is needed for a couple (£30 for a lone parent) to meet a minimum standard of living. The additional support has covered most of the rise in costs for a couple and a lone parent with two children, although there is still a shortfall. As the cost of living payments were flat rate (and did not account for household size), the larger the family, the greater the shortfall.

Looking ahead

Even before accounting for the rise in costs in April, families are less able to reach a minimum standard of living in 2022 than at any other point since MIS began 10 years ago. The drop was particularly sharp this year as benefits only increased by 3.1 per cent in April when inflation was at 9 per cent.

Since April, the energy price cap freeze and one-off cost of living payments have mitigated most, but not all, of the additional shortfall this winter. But this support is only temporary and costs, particularly of energy, will increase further in 2023.

It is therefore vital that benefits are uprated by at least 10.1 per cent (the September 2022 inflation rate) to counter the loss families experienced this year, and that additional help is provided with energy costs to replace the temporary support currently in place. This support should be through permanent increases in social security, not one-off payments.

[8] The £150 council tax relief is accounted for in the previous calculations rather than in this post-April section.

However, in order to reverse the long-term decline in family incomes more needs to be done than simply increasing benefits by inflation and taking account of short-term spikes in energy prices. Taking only these steps would leave far too many families and children struggling. With almost 4 million children currently living in poverty here in the UK it's essential that government puts more money in the pockets of families to help reverse the rising shortfall they face:

- **Scrapping 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 they do not benefit from any uprating (as the cap is not uprated with inflation).
- **Removing the two-child limit** – this would ensure that all children in low-income families are supported.
- **Increasing child benefit by £20 a week** – this would help all families deal with the rising costs they will face next year.

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.