The Cost of a Child in 2023

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December 2023

Loughborough University
Centre for Research in Social Policy

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1 Introduction

Throughout 2023, low-income families have continued to experience substantial challenges resulting from the ongoing cost-of-living crisis, with sharp increases in the cost of many essentials. This has added to the existing pressures on family budgets that have resulted from cuts to benefits over recent years, especially the benefit freeze that was introduced in 2016. For parents, it has become increasingly difficult to meet the needs of a child from birth to age 18, with these growing pressures on incomes. The annual Cost of a Child reports, produced since 2012, monitor the changes in the minimum needs of households with children and the associated cost of meeting a dignified living standard, while comparing this to actual incomes on benefits and in low-paid work.

To estimate the overall cost of bringing up a child in the UK today, the report draws upon the Minimum Income Standard (MIS) research, carried out by the Centre for Research in Social Policy at Loughborough University for the Joseph Rowntree Foundation.[1] MIS is based on public consensus about what is needed for a minimum socially acceptable standard of living in urban UK, outside London. This minimum living standard is one that provides for material needs, but also enables participation in society.

Using MIS, the cost of a child calculates the minimum cost of bringing up a child in the UK, at a socially acceptable living standard. In simple terms, the cost of a first or additional child is calculated by comparing the living costs of a household without that child to those of a household with that child. This includes not just the specific, individual needs of that child such as their food and clothing, but also the changing needs of the household in relation to, for example, transport and leisure activities as their family grows. Therefore, while the report initially separates out the overall cost associated with bringing up a child, it also provides evidence relating to the costs for the whole household, and the extent to which benefits and work enable them to meet these costs.

Section 2 contains the headline statistics, providing estimates of the additional cost of bringing up a child from birth to age 18, and a comparison of family incomes with MIS at a household level. This section also looks at how the cost of a child varies over the course of childhood, in particular in relation to childcare.

Section 3 provides an overview of key trends over time, for families in and out of work, particularly focusing on the impact of housing costs and family size.

Section 4 looks ahead to 2024 and how forthcoming policy changes relating to benefits and work will affect the extent to which family incomes meet, or fall short of meeting, the living costs needed for a minimum socially acceptable standard of living.

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1 Padley, M. and Stone, J. (2023) *A Minimum Income Standard for the United Kingdom in 2023*. York: Joseph Rowntree Foundation.

2 The cost of a child in 2023, key indicators

Table 1 shows the additional costs associated with bringing up a child in 2023, for couples and lone parents. Even excluding rent and childcare costs, meeting the needs of one child from birth to 18 years would cost a couple more than £75,000 and a lone parent more than £120,000 (Indicator 1).[2]

Once rent and childcare are included, the costs rise to £166,000 for a couple and £220,000 for a lone parent (Indicator 2). These figures are based on childcare costs in Central England and renting in social housing in the East Midlands, so will be even higher in many parts of the UK such as the South East and London, and higher still if families are in private rented housing.

Table 1 Scorecard: key indicators

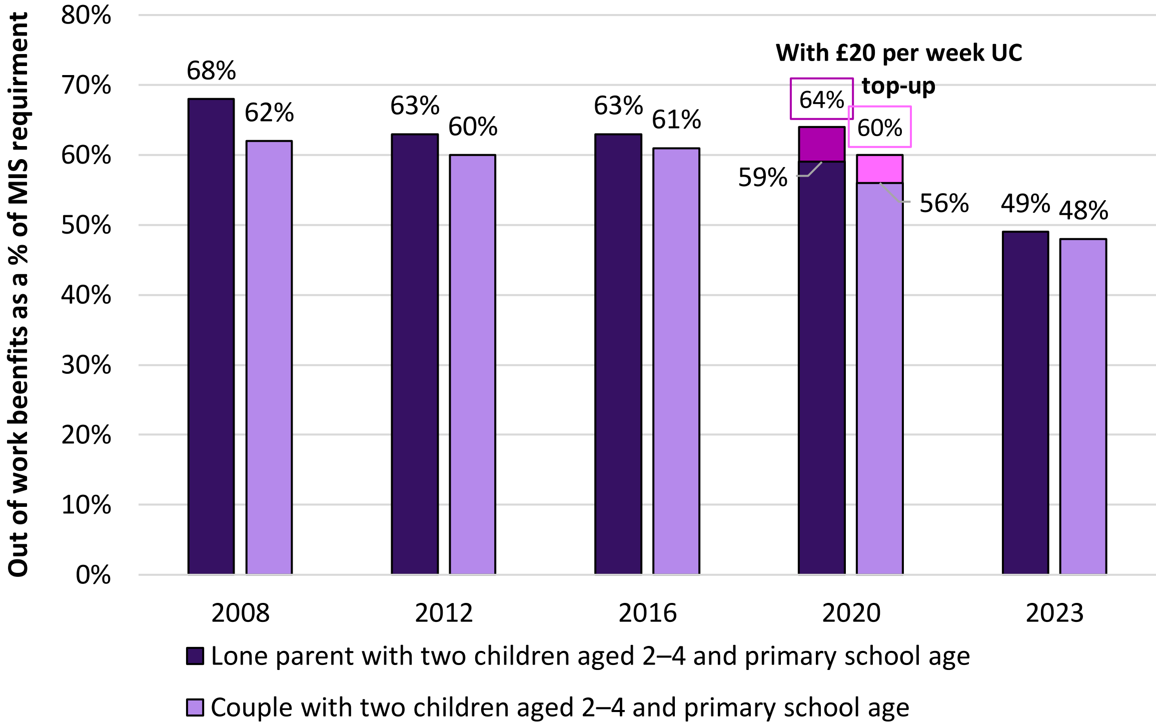
A. The additional cost of bringing up a child in 2023	(Minimum cost, averaged for first and second child)	
	Couple	**Lone parent**
Indicator 1. Basic cost over 18 years*	£76,178	£122,411
Indicator 2. Full cost over 18 years	£166,218	£220,354
B. The extent to which families have enough to cover the minimum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

*Basic cost excludes rent, childcare and council tax. Net income refers to income after subtracting rent, childcare and council tax. The calculations assume full eligibility for Universal Credit.
**Income excludes the cost-of-living payments made available to low income famlies in 2023

Indicators 3 to 5 show the extent to which households in different employment situations meet the minimum socially acceptable standard of living based on MIS. In out of work households, benefits provide less than half the income needed to reach the MIS threshold, for both couple and lone parent households. Figure 1 shows how the adequancy of benefits has declined over time, particularly since 2016 when the benefit freeze was introduced. The top-up to Universal Credit during the Covid-19 pandemic in 2020 gave some temporary respite, but by the end of 2021 had been removed. Despite the freeze on working-age benefits being lifted, by 2023 the adequacy of benefits for households with children had fallen substantially. Benefits were not uprated in line with very high rates of inflation in 2022, and even the uprating by 10% in April 2023 was not enough to counteract the enduring impact of years of cuts to social security.

[2] The reason why the lone parent cost is higher is because lone parents do not benefit from economies of scale to the same extent as couple parents, therefore the additional cost of a child is higher for these families.

Figure 1 **Out of work incomes as a percentage of MIS requirements, 2008-2023 (Based on prices and benefits in April of each year)**

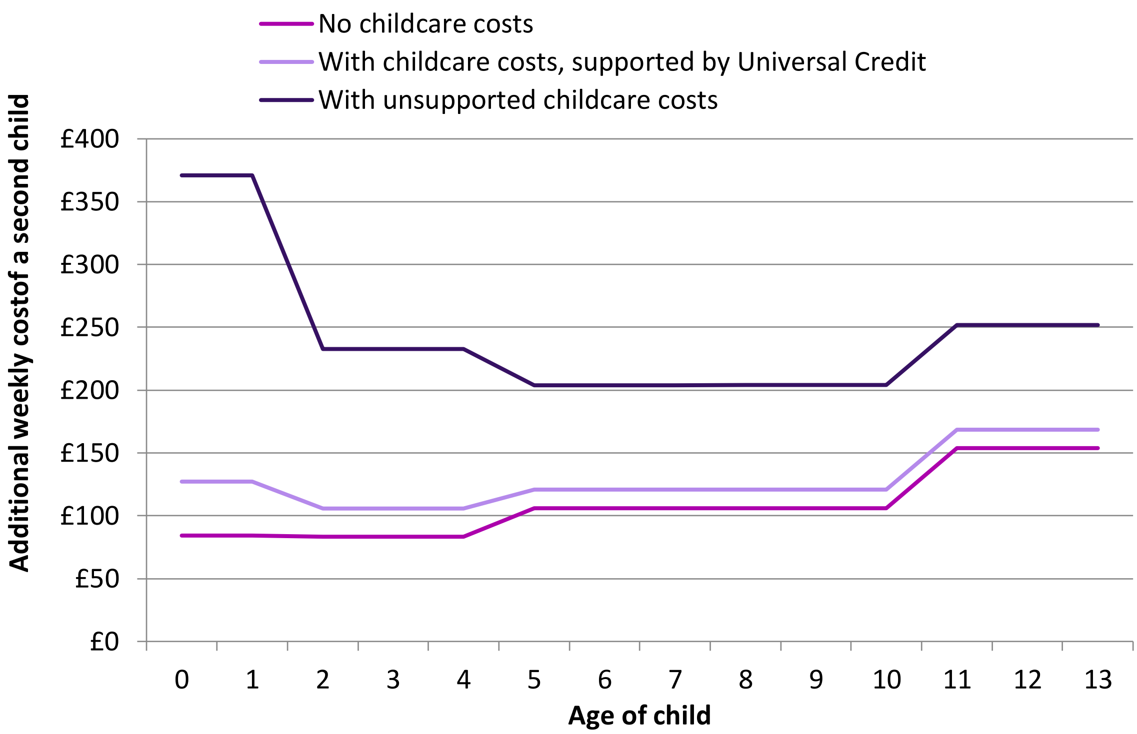


Indicators 4 and 5 show that even for households where parents are working, their income will often fall short of meeting the costs associated with a decent standard of living. A couple both working full time on the National Living Wage still fall short of the MIS standard by 8%, while a lone parent in the same situation will fall short by 24%. Even lone parents with higher earnings, working full time on the median wage, will reach only 87% of MIS; couple parents earning the median wage do have an income which exceeds the MIS requirement, albeit only by 10%.

2.1 Childcare

As noted above, childcare is one of the biggest costs associated with becoming a parent. However, this cost is not evenly distributed across childhood. Figure 2a shows the overall cost of a second child from birth up to secondary school age, for families with different childcare needs and costs, in 2023. Figure 2b shows how this has changed since 2022. Some families will have no childcare costs, for example if they have informal help from extended family, or if their employment situation means that they do not require childcare. For these households, the cost of a child increases with age, as the child's needs in relation to, for example, food and clothing become more costly. This has remained largely unchanged over the past year.

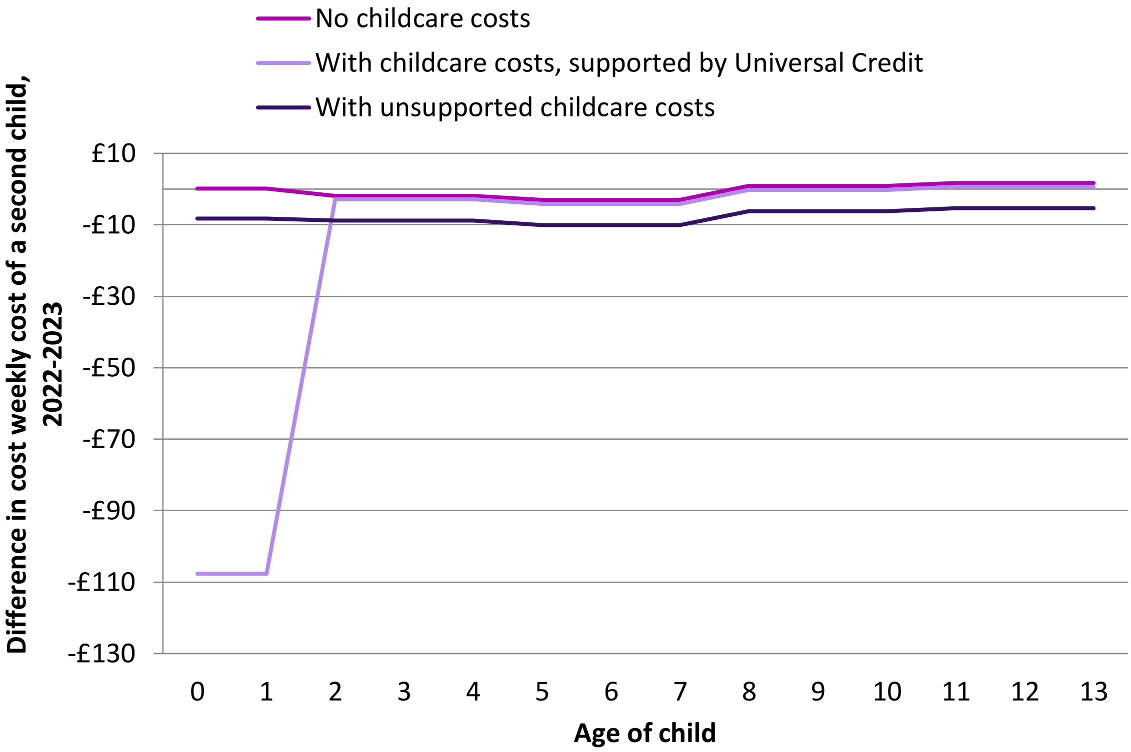
Figure 2a Additional cost of second child of a couple, by age and childcare status, 2023



In contrast, for those who do have to pay for childcare and do not receive any means-tested support with these costs from the state, the additional cost of raising a child is highest in the first two years of their life, and this again looks similar in 2022 and 2023. This is both because childcare tends to be more expensive for younger children, due to factors such as the need for lower ratios of staff to children for younger age groups, and because the universal state provision of up to 30 hours of free childcare per week does not currently become available until children are at least two years of age.[3]

[3] 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

Figure 2b **Change in the additional cost of second child of a couple, by age and childcare status, since 2022, in 2023 prices**



Families receiving Universal Credit can receive up to 85% of their childcare costs for any age of child, up to a maximum cash value. As shown in Figure 2a, this means that the very high cost associated with having a child under the age of two years is mitigated for those receiving support with their childcare costs via Universal Credit. However, in this scenario, we do see a change during the past year. In 2022, families receiving support with their childcare costs through Universal Credit were still bearing a notable proportion of the childcare costs for under-twos, as the cap on support was falling far short of the full cost of childcare in this age group. However, in June 2023, this cash threshold was increased from £149 a week to £219 for one child, and from £255 to £375 a week for two children. This change has had a marked and positive impact on the costs of having a very young child, bringing the additional cost closer to that for a primary school aged child, who would only need before- and after-school childcare.

This change will be particularly beneficial for families who are employed on low incomes, for whom the prohibitive cost of early-years care may often mean that full-time work is not financially viable. However, while this is a welcome step in the right direction, it does not mark an end to the difficulties with balancing childcare and work for lower-income families. Those on moderate incomes who are not eligible for Universal Credit, and those who are

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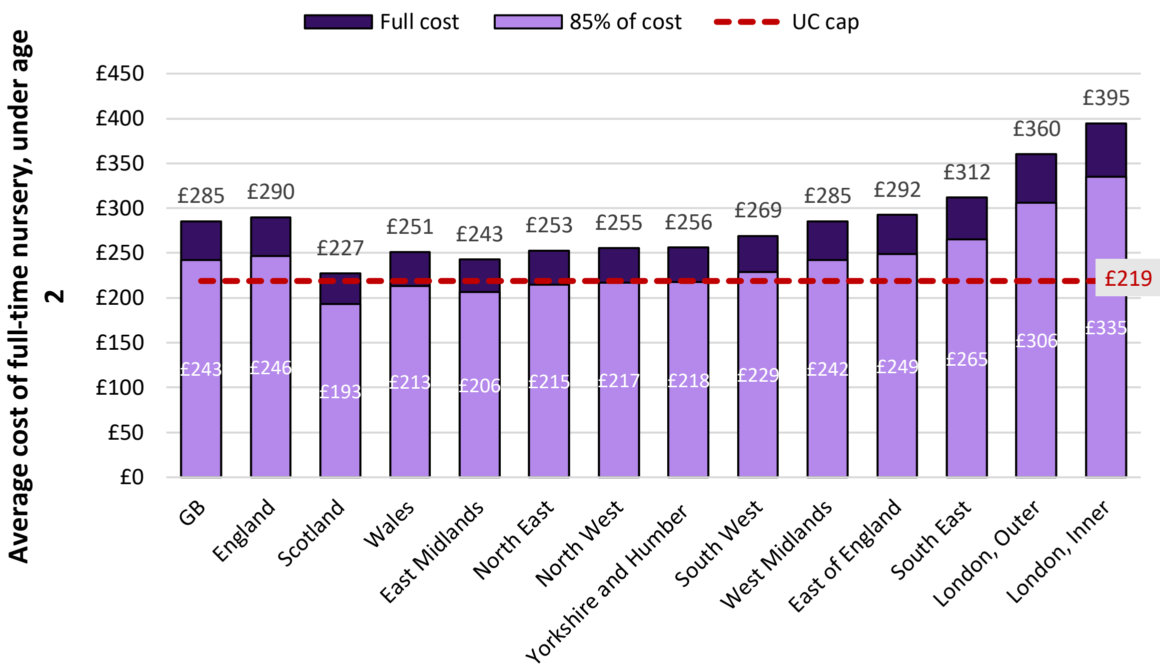
provision, receiving the full 30 hours of free child care is contingent on parents working at least 16 hours per week.

still receiving legacy benefits, will not benefit from this change. Furthermore, in areas of the UK where childcare is more expensive, the increased cap will still be inadequate to cover enough of their childcare costs that it would make financial sense for them to work, or increase their hours of employment. Figure 3 shows that in many areas of the UK, the maximum of £219 per week for one child provided by Universal Credit would fall far short of even 85% of the cost of a full-time nursery place for a child under two. In Inner London, parents would need to cover an additional £176 per week over and above the support provided by Universal Credit.

Figure 3 Average price of full-time childcare for children aged under two at nurseries, by region, 2023

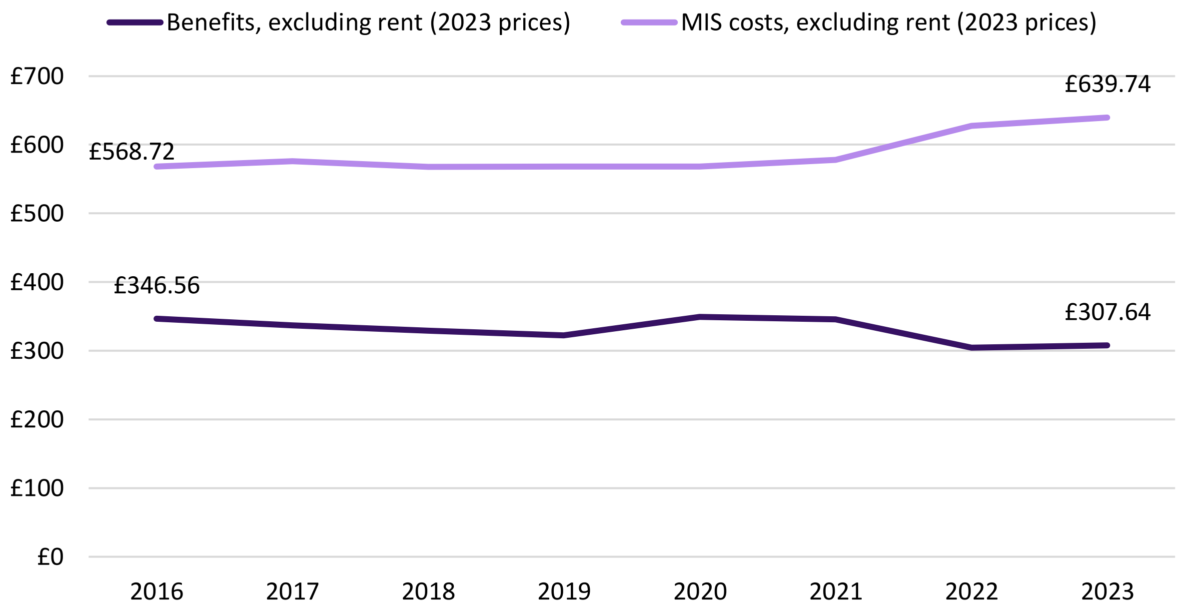


Source: Coram Family and Childcare (2023) Childcare Survey 2023

3 Shortfalls in household incomes since 2016

This section compares the incomes of households with children with the MIS benchmark over time, for non-working parents and those in low-paid work. Figure 4 shows the MIS threshold for a couple with two children aged 3 and 7, in 2023 prices, since 2016, when the benefit freeze began. At this point the gap between income from benefits and MIS was already more than £200 per week in 2023 prices, and remained consistently at around this level until 2021. However, between 2021 and 2022, the value of out-of-work benefits for this household fell by 12% in real terms. This was in part due to the removal of the £20 per week uplift to Universal Credit – but even excluding this, the real-terms value of benefits still fell by 5% during this period. In contrast the cost of reaching MIS increased by 9%. This increase reflects the ongoing cost of living crisis that really took hold in April 2022, with inflation rising to 9% and domestic fuel prices increasing substantially above general inflation. Benefits were uprated in April 2022, but only by 3.1%, and therefore failed to keep pace with the rapid rise in the cost of living experienced by UK households.

Figure 4 Weekly out-of-work benefits compared with the MIS budget for a couple with two children aged 3 and 7, in 2023 prices



The especially stark situation for non-working families living in the private rental sector is shown in Figure 5 (lone parents) and Figure 6 (couple parents). For both family types, the cost of renting in the social and private sector has increased markedly since 2016, and the gap between what families need to have a socially acceptable standard of living, and their income from out-of-work benefits, has therefore grown. But those in the private rental sector are especially disadvantaged, with their shortfalls in income being consistenlty greater than for households living in socially rented housing.

Figures 5 and 6 also demonstrate the disproportionate risk of having an inadequte income for larger families. For both lone parents and couples, and again especially for those in private rented housing, the extent to which their income falls short of what is needed for an adequte living standard increases sharply once they have a third child. In 2023, this is exacerbated by the two-child limit, which affects all third children born after April 2017; the additional financial burden borne by larger families is markedly larger in this most recent year in comparison with 2016.

Figure 5 **Change in weekly income shortfalls for non-working lone parent families by tenure, 2016-23, in 2023 prices**

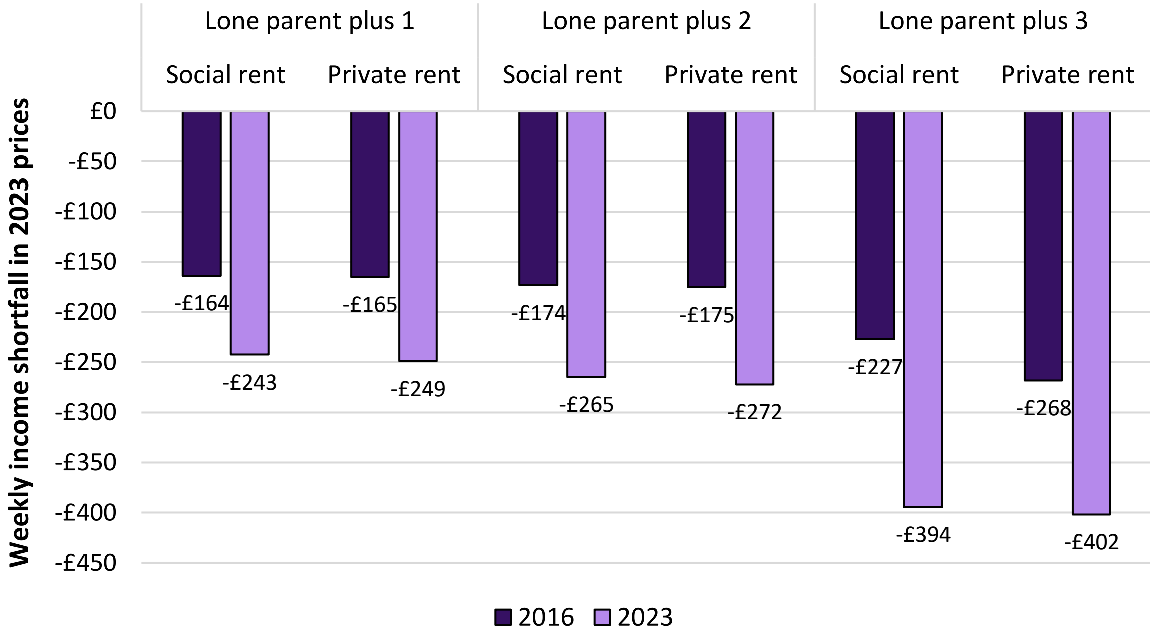
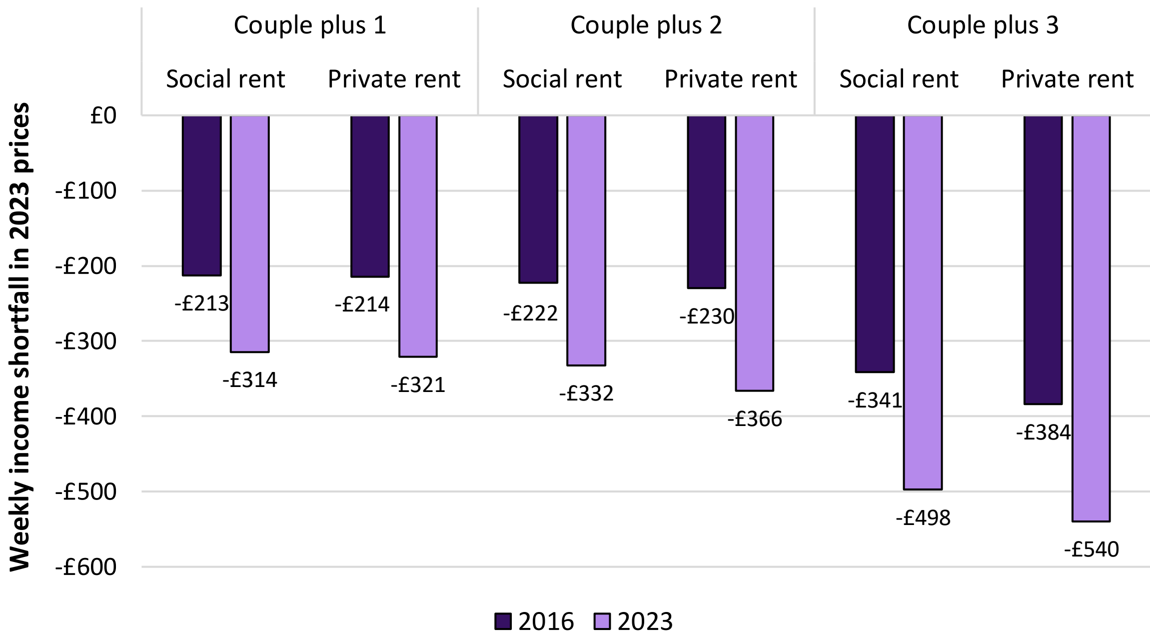


Figure 6 **Change in weekly income shortfalls for non-working couple parent families by tenure, 2016-23, in 2023 prices**

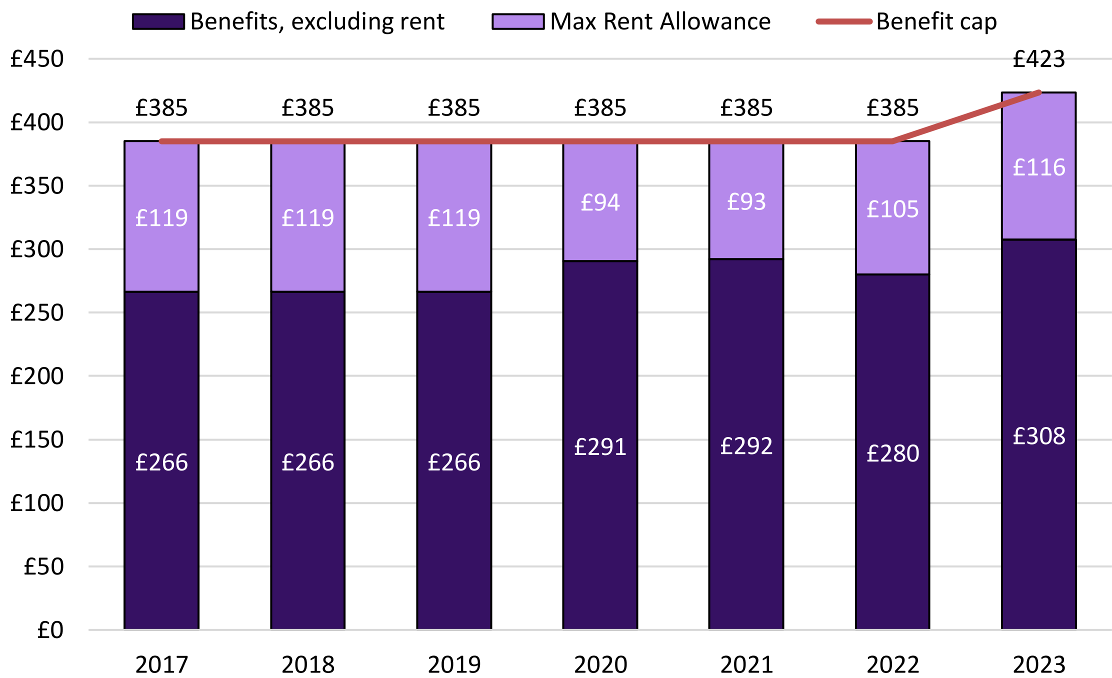


Alongside the freeze in working-age benefits, the income of out-of-work households has also been limited by the benefit cap. The cap remained fixed at £385 per week for households with children outside London from 2016 until April 2023, at which point it was increased to £423 per week.

Figure 7 shows how the benefit cap has severely restricted the amount that households in the private rental sector are able to claim to cover their rent via the housing element of Universal Credit. In 2023, a couple with two children would hit the benefit cap with a rent of £116 per week; but only 16 out of 152 England broad rental market areas have a local housing allowance (LHA) rate for a three-bed property that is lower than £116 at this time.

Therefore, even if these households were renting a property that would fall within the cost deemed reasonable by the LHA restrictions, these households would still be unable to meet this cost via the 'safety net' of the social security system, and would most likely have to cut back in other everyday areas of expenditure such as food and heating their home, and/or take on debts to cover these rent costs.

Figure 7 Weekly out-of-work benefits for a couple with two children aged 3 and 7, showing maximum entitlement for the housing element of Universal Credit due to the benefit cap



Figures 8 and 9 show the situation for working parents who are earning the National Living Wage and are employed either full or part time. Figure 8 shows that lone parents are unable to reach MIS even if they are working full time, and that this situation has worsened considerably since 2016.

There was some temporary respite in 2020 and, to a lesser extent, in 2021 due to the additional support provided to low-income households during the Covid-19 pandemic, in particular the £20 per week uplift to Universal Credit. However, by 2022, with the removal of these additional sources of support and the escalating cost of living crisis, the situation had become worse for these households, including for those in full-time work. Even in households with two parents working full time on the National Living Wage, their income was falling short of MIS by more than £50 per week.

Figure 8 **Weekly income shortfall relative to MIS for a lone parent with two children aged 3 and 7, working part time or full time on the National Living Wage, in 2023 prices**

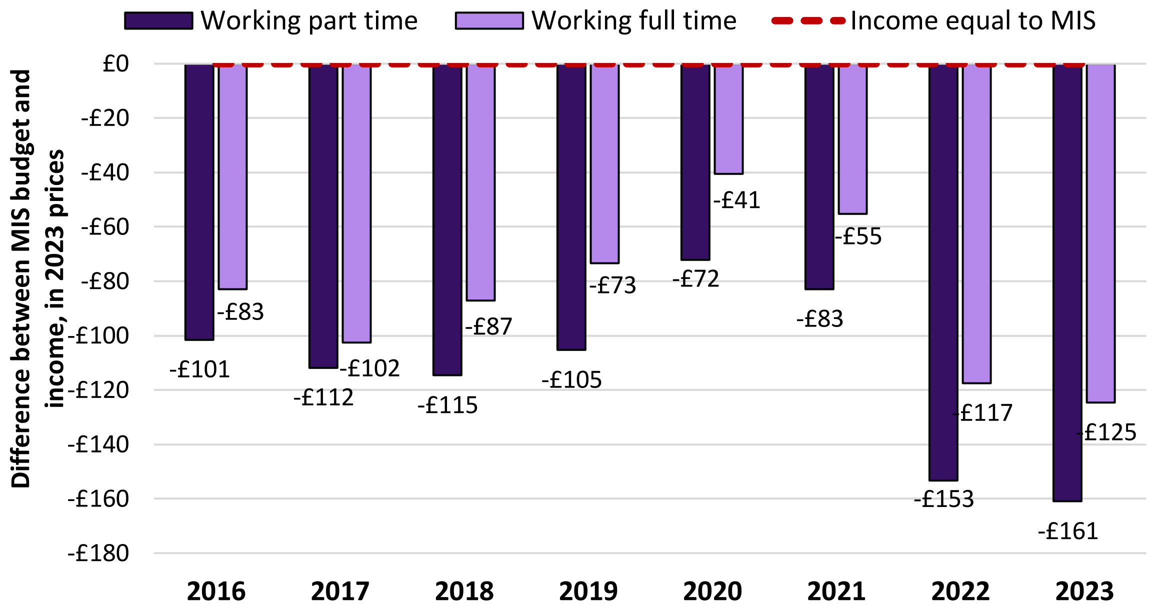
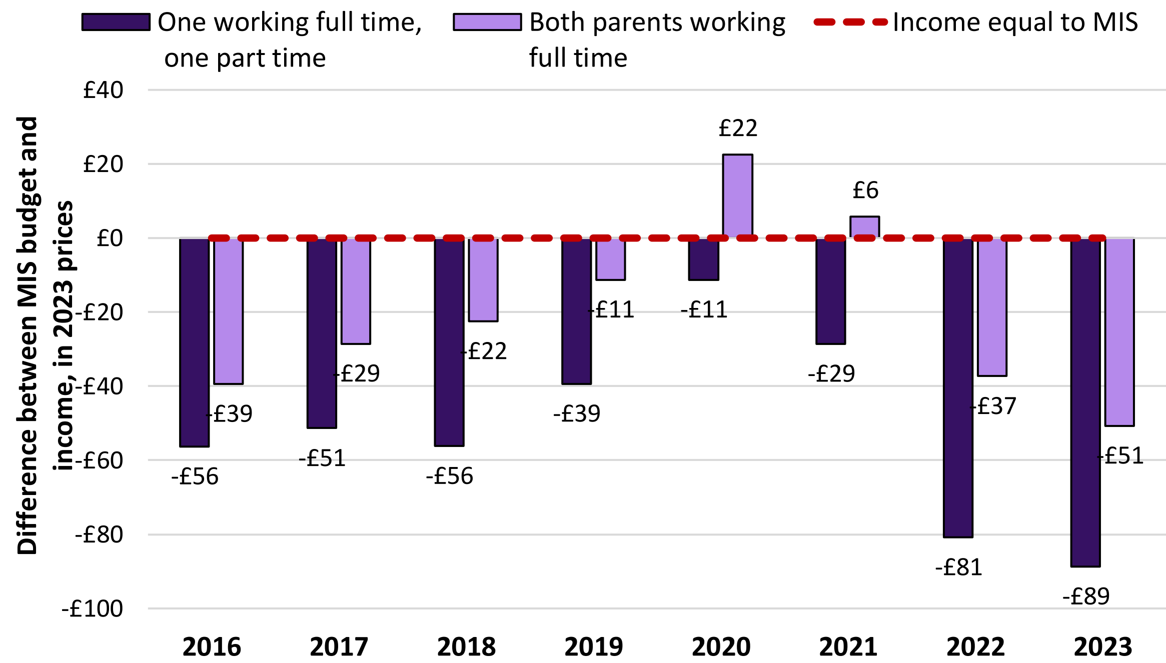


Figure 9 **Weekly income shortfall relative to MIS for a couple with two children aged 3 and 7, working part time or full time on the National Living Wage, in 2023 prices**



4 The changing policy context

The past three years have seen a number of temporary sources of financial support for low-income households, including the £20 uplift to Universal Credit, help with domestic fuel costs, and means-tested cost of living payments. However, these short-lived policies will do little to keep families out of low income and poverty in the long term. With an estimated 4.2 million children living below the poverty line in 2021-22,[4] there is clearly an urgent need to address the inadequacy of the current system for the wellbeing of children in both non-working and working households.

There has been some recognition of the crippling financial effects of childcare costs for working families; as noted in section 2.1, an increase in the maximum that parents are able to claim for childcare via Universal Credit means that those with very young children may now have more scope to increase their overall income via employment. Looking ahead, it is proposed that from September 2024, 15 hours of free childcare will be extended down to the age of nine months for working parents, and this will increase to 30 hours in September 2025 - potentially helping make work financially viable for those with younger children. However, because this provision is conditional upon parents working a minimum number of hours per week, it risks excluding some of the most financially vulnerable groups. Parents who are, for example on zero-hours contracts or more generally in temporary or insecure work, are unlikely to be able to provide evidence of regular hours of work, and may therefore be unable to take full advantage of any enhanced provision.

There was some limited good news for low-income households in the November 2023 Autumn Statement. For those in the private rental sector, the freeze on the local housing allowance (LHA) was finally lifted, with maximum allowable rents returning to be linked to the lower 30% of local rental prices, although just for 2024-25 with the freeze returning in 2025-26. This means that the housing element of Universal Credit should now more closely reflect the actual cost of housing for low-income households, albeit under the assumption that such housing is available and of acceptable quality.

In addition, it was confirmed that benefits would be uprated in line with inflation (at a rate of 6.7%); nevertheless, the cumulative and lasting impact of the four-year benefit freeze means that benefit levels are still lagging well behind increases in living costs. Moreover, although the absolute value of benefits is set to increase, many non-working households will see no increase in income as a result of this, because the benefit cap has been kept at its current level. As shown in Section 3 of this report, many households will hit the benefit cap before the cost of their rent has been fully accounted for; for these households, neither the benefit uprating nor the increase in the LHA will have any demonstrable impact on their overall household income, and they will be left to negotiate ongoing increases in the cost of living from their already stretched budgets.

For working households, the National Living Wage is set to increase from £10.42 to £11.44 an hour in April 2024, and the rate will for the first time be extended to all adults aged over

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[4] Department for Work & Pensions (DWP), 23 March 2023, [Households below average income: for financial years ending 1995 to 2022.]()

21. While this is a welcome development, it will still leave many households falling short of what they need for an adequate standard of living, and for households claiming Universal Credit their earned income is clawed back so the impact of these changes, particularly for second earners in couple families, may be minimal. As shown in Figure 8, even working full-time on the National Living Wage, a lone parent with two children falls £125 short of MIS; an additional £1 per hour will not be nearly enough to counteract this shortfall.

5 Conclusion

Child poverty is a persistent issue in the UK, with financial struggles just part of everyday life for many families, even those in work. In this report, we have outlined the cost of raising a child to have a minimum socially acceptable standard of living in 2023, and have shown that the inadequate levels of current benefits and earnings will leave many families unable to achieve this minimum. The past three years have been especially difficult, with the dual challenges of the Covid-19 pandemic and the ongoing cost of living crisis stretching family incomes further and further. While inflation has started to ease, with CPI falling to 4.6% in October 2023, compared with 11.1% in October 2022, it still remains much higher than in recent history, and prices are likely to continue rising, albeit at a slower rate. Moreover, the cumulative effect of the extremely high rates of inflation during 2022 and the first half of 2023 cannot be undone, and the measures announced by the UK Government in the 2023 Autumn Statement do not go nearly far enough to undo the damage caused by years of cuts to and restrictions on the social security system. More enduring and radical solutions to address income inadequacy are needed if we want to ensure that children, their parents, and all other households in the UK, are able to reach and maintain a decent and dignified standard of living.

About the authors

Professor Matt Padley is Co-Director of the Centre for Research in Social Policy (CRSP), where he has pioneered work on retirement living standards in the UK, as well as leading research on living standards in London. He works across the established Minimum Income Standards (MIS) programme, leading on data analysis, and the application and development of MIS in the UK and globally. His research focuses on public conceptions and understanding of living standards, and how these can be used within public policy. He has worked with colleagues in Mexico, Singapore, Portugal, Thailand and South Africa, supporting the development and application of MIS in these countries.

Dr Juliet Stone is Research Fellow at CRSP, where she focuses on quantitative analysis of income adequacy. She also provides support for qualitative work, including the collection of focus group data for calculation of the Minimum Income Standard for London. She has a background in social epidemiology, health inequalities and social determinants of population processes. Her research interests stem from a broad focus on understanding the consequences of differential socioeconomic circumstances from a life course perspective, and include family and household dynamics, health inequalities and the social implications of housing policy.

Appendix A – Costs by age and birth order

Table A1 Additional basic costs in 2022, excluding rent, childcare and council tax (£ per week)

Age last birthday	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
COUPLE																		
First child	£18.77	£18.77	£15.99	£15.99	£15.99	£48.79	£48.79	£48.79	£48.79	£48.79	£48.79	£98.30	£98.30	£98.30	£98.30	£98.30	£98.30	£98.30
Second child	£77.34	£77.34	£76.18	£76.18	£76.18	£98.88	£98.88	£98.88	£98.95	£98.95	£98.95	£146.68	£146.68	£146.68	£146.68	£97.38	£97.38	£97.38
Third child	£107.03	£107.03	£105.87	£105.87	£105.87	£131.23	£128.64	£128.64	£126.13	£126.13	£126.13	£151.21	£151.21	£146.68	£146.68	£97.38	£101.98	£101.98
Fourth child	£70.90	£70.90	£68.06	£66.29	£66.29	£93.41	£93.41	£93.41	£113.55	£113.55	£173.86	£151.21	£146.68	£146.68	£146.68	£97.38	£97.38	£97.38
LONE PARENT																		
First child	£99.98	£99.98	£97.19	£97.19	£97.19	£130.00	£130.00	£130.00	£130.00	£130.00	£130.00	£179.50	£179.50	£179.50	£179.50	£179.50	£179.50	£179.50
Second child	£81.79	£81.79	£80.63	£80.63	£80.63	£103.33	£103.33	£103.33	£103.40	£103.40	£103.40	£151.14	£151.14	£151.14	£151.14	£178.99	£178.99	£178.99
Third child	£101.94	£101.94	£100.79	£100.79	£100.79	£126.15	£98.85	£98.85	£98.92	£98.92	£98.92	£146.66	£146.66	£151.14	£151.14	£178.99	£178.99	£178.99

Table A2 Additional basic costs in 2022, including rent, childcare and council tax (£ per week)

Age last birthday	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
COUPLE																		
First child	£227.09	£227.09	£87.39	£87.39	£87.39	£68.47	£68.47	£68.47	£68.47	£68.47	£68.47	£117.98	£117.98	£117.98	£20.17	£20.17	£20.17	£20.17
Second child	£376.01	£376.01	£237.93	£237.93	£237.93	£208.91	£208.91	£208.91	£208.98	£208.98	£208.98	£256.72	£256.72	£256.72	£20.17	£20.17	£20.17	£20.17
Third child	£403.78	£403.78	£265.71	£265.71	£265.71	£239.35	£236.76	£236.76	£234.25	£234.25	£234.25	£259.33	£259.33	£256.72	£256.72	£20.17	£20.17	£20.17
Fourth child	£357.35	£357.35	£217.59	£215.82	£215.82	£191.22	£191.22	£191.22	£211.36	£211.36	£184.17	£259.33	£256.72	£256.72	£256.72	£20.17	£20.17	£20.17
LONE PARENT																		
First child	£378.99	£378.99	£239.29	£239.29	£239.29	£220.37	£220.37	£220.37	£220.37	£220.37	£220.37	£269.88	£269.88	£269.88	£172.07	£172.07	£172.07	£172.07
Second child	£375.42	£375.42	£237.34	£237.34	£237.34	£208.32	£208.32	£208.32	£208.39	£208.39	£208.39	£256.13	£256.13	£256.13	£158.32	£172.07	£172.07	£172.07
Third child	£388.39	£388.39	£250.31	£250.31	£250.31	£223.96	£196.66	£196.66	£196.73	£196.73	£196.73	£146.66	£146.66	£158.32	£158.32	£172.07	£172.07	£172.07

Appendix B – Shortfalls in income by family type, 2016-23

Table B1 Weekly income shortfalls for non-working, lone parent families by number of children and tenure, 2016-23, in 2023 prices

	Weekly income shortfall relative to MIS, 2023 prices					
	In social rented housing			In private rented housing		
Year	One child	Two children	Three children	One child	Two children	Three children
2016	-£163.72	-£173.62	-£227.42	-£165.20	-£175.34	-£278.14
2017	-£173.02	-£185.79	-£244.13	-£179.03	-£192.73	-£299.34
2018	-£184.31	-£185.49	-£245.78	-£191.79	-£193.96	-£299.69
2019	-£188.28	-£190.65	-£252.97	-£198.83	-£202.65	-£311.35
2020	-£157.44	-£158.08	-£235.99	-£157.44	-£166.69	-£301.16
2021	-£168.70	-£170.38	-£283.56	-£171.84	-£186.98	-£316.74
2022	-£239.87	-£258.16	-£386.41	-£247.38	-£266.60	-£409.39
2023	-£242.55	-£264.80	-£394.39	-£249.74	-£273.14	-£412.97

Table B2 Weekly income shortfalls for non-working, couple parent families by number of children and tenure, 2016-23, in 2023 prices

	Weekly income shortfall relative to MIS, 2023 prices					
	In social rented housing			In private rented housing		
Year	One child	Two children	Three children	One child	Two children	Three children
2016	-£212.77	-£222.16	-£342.15	-£214.25	-£239.89	-£393.74
2017	-£226.81	-£239.08	-£360.97	-£232.82	-£262.19	-£418.18
2018	-£237.77	-£238.44	-£360.78	-£245.25	-£261.00	-£416.99
2019	-£243.99	-£245.80	-£366.99	-£254.53	-£273.47	-£429.17
2020	-£219.91	-£218.77	-£362.87	-£219.91	-£278.31	-£428.04
2021	-£232.46	-£232.27	-£389.48	-£235.60	-£299.31	-£457.80
2022	-£308.14	-£322.78	-£484.02	-£315.64	-£377.77	-£551.70
2023	-£314.31	-£332.10	-£489.99	-£321.50	-£383.13	-£556.92