

## The cost of a child is not just about the size of a parent's wallet

*Donald Hirsch presents research into the true cost of a child and whether state benefits are enough to help low income families meet the cost. It found that on average it costs about £80,000 to bring a child up to age 18 before paying for childcare, but that working families requiring full-time childcare would require an additional £60,000 for this purpose. The bad news is that there has been a fall in the adequacy of basic benefits, making it more difficult for low-income families.*



It is back to school season, and as parents fork out to replace Johnny's outgrown school uniform, they nod vehemently at the latest estimates of how much their children will cost to bring up: all such estimates now exceed £100,000. Like many 'surveys' these days, these calculations tend to be a hodge-podge of random data, including anything the authors can think of from the cost of shoes to the level of school fees. Even those that are reasonably systematic tend to have one fundamental flaw. They are based on averages of what families *do* spend, and then used to represent the 'cost' of children as though this is what they *need* to spend.



What is the true cost of having a child? Credit: Harsh 1.0 (CC-BY-NC) via Flickr

A spending-based approach is actually faulty both for richer and for poorer families. A wealthy family that has a child will often want to 'do the best' for them, and use what resources they have available to take them on nice holidays or spend money on their education. On the other hand, a low income family may not be able to afford everything that they feel the child really requires as a minimum (even after the personal sacrifices that many parents make to try to avoid this situation). In both cases, income constraints can have at least as much impact on spending as what a child 'needs'. So is there any way of distinguishing the 'cost' of a child from the size of each parent's disposable income?

This week, the Child Poverty Action Group have published [my answer to this question](#), along with a complete set of estimates of the true 'cost of a child', and of the contribution that the state makes to helping low income families meet this cost. The approach starts from an estimate of what families of different kinds need as a *minimum*: [A Minimum Income Standard for the United Kingdom](#). This research, funded by the Joseph Rowntree Foundation and carried out by the Centre for Research in Social Policy at Loughborough University, regularly asks members of the public to compile lists of what households need in order to achieve a 'minimum acceptable standard of living'. The robustness of this research is demonstrated by the remarkable consistency of its findings in successive waves, each using new groups of participants. It has uncovered quite a strong consensus about which things comprise genuine needs, and which are just 'wants'.

To get from a minimum that different families need to the cost of a child involves a simple set of subtraction exercises. The additional cost of a second child at the age of four, for example, is calculated as the difference between the budget for a family with both a four-year-old and a seven-year-old (the average age gap in two-child families is three years) and the budget for a family with just a seven-year-old (the cost if the second child had not existed). Using this method, we found that on average it costs about £80,000 to bring a child up to age 18 before paying for childcare, but that working families requiring full-time childcare would require an additional £60,000 for this purpose.

A first striking finding of this result is therefore the immense importance of childcare and how it is paid for. This is all the more significant because our findings also show that a traditional single-breadwinner model of paying for children can only work today for people with well above average earnings. We estimate that a single earner would have to make about £35,000 a year to produce a socially acceptable living standard for a couple with two children, well above average earnings of around £24,000. So both couples and single parents in all but higher-paying jobs will often need to work full time in order to reach such a standard. And this requires childcare, whose costs have been shooting up, while state support through the tax credit system has been pruned back.

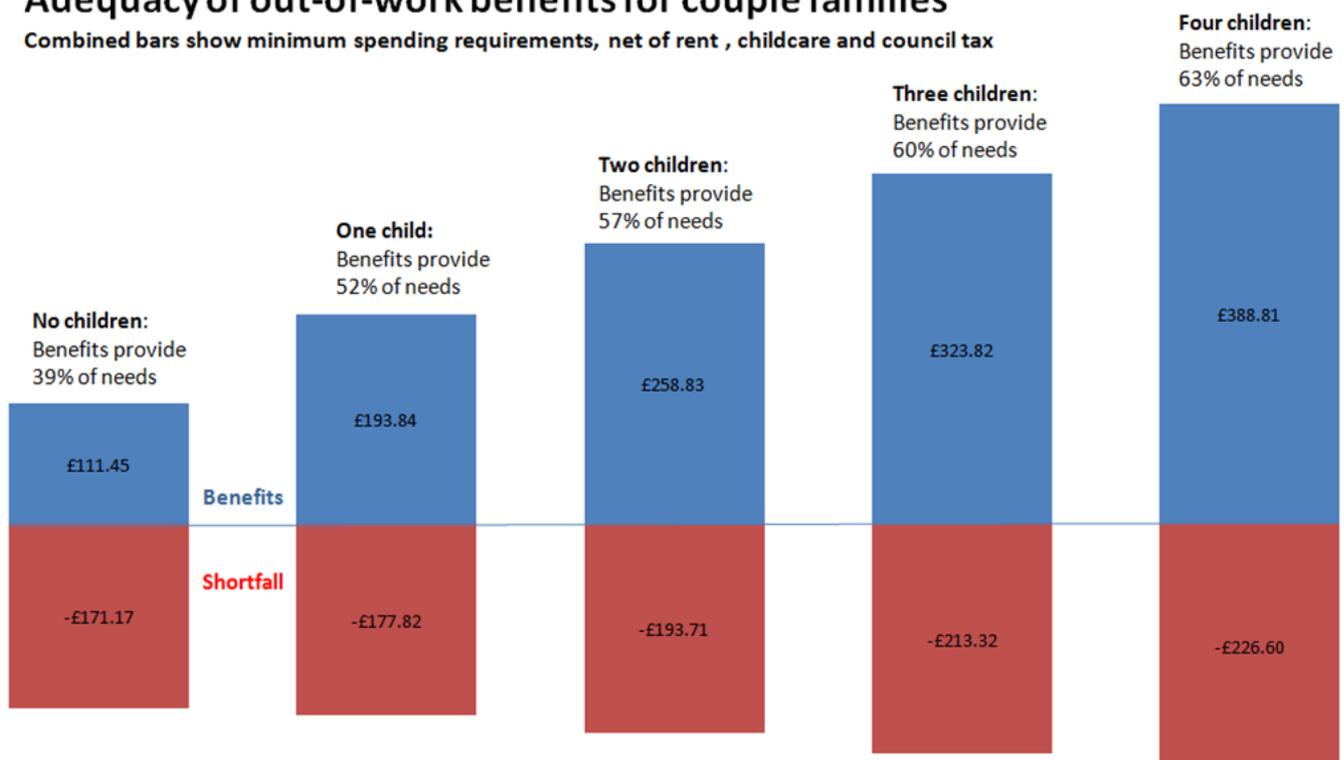
These changes have produced interesting results for the structure of children's costs as they progress in age. In general, things like food, clothes and social participation become costlier as children grow older. For anyone facing the full cost of childcare, this is more than outweighed by the greater care requirements of younger children (especially before school age). However, during the last decade, as both childcare tax credits and free early years provision became more generous, the net cost of an older child and a younger child, including the private contribution to childcare, became more or less the same for a working family on a low income. More recently, the reduction in the generosity of the tax credits have changed this equation, making life more expensive for such families when their children are younger.

A more general question about state support is how far basic benefits for children go in covering their additional costs. Here again there have been considerable improvements in recent years. Children's benefits for out-of-work families are today about 50 per cent higher in real terms than in 1997, twice the increase in average household incomes over the same period.

As a result, these benefits now typically cover most (around 80-90 per cent) of the additional cost of having a child. However, adult benefits are much meaner, as shown in the first bar of the diagram below – so whole families fall far short of getting what they need. An interesting feature of this diagram is that as you have more children, the system becomes more generous relative to your needs in percentage terms, but the absolute shortfall grows. Looked at another way, a parent who makes personal sacrifices to meet the needs of their children will find this harder and harder with more other mouths to feed. This week's [Save the Children](#) report showing that a quarter of parents in poverty have skipped meals in the past year.

## Adequacy of out-of-work benefits for couple families

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



The good news is that a decade of growth in benefits for children helped reduce child poverty by a third

(from 1998 to 2010). The bad news is that the generosity of children's benefits relative to need has peaked, and is starting to decline. Child Benefit has been frozen, and safety-net benefits are being pegged to the Consumer Prices Index, which in recent years has been [rising more slowly](#) than a minimum household budget, due to rapid rises in the cost of essential items such as food and public transport. The resulting fall in the adequacy of basic benefits is likely to have a greater impact on the lives of the poorest families than all the government's ambitious plans to restructure the welfare system.

*Note: This article gives the views of the authors, and not the position of the British Politics and Policy blog, nor of the London School of Economics. Please read our [comments policy](#) before posting.*

### **About the author**

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