THE COST OF A CHILD IN 2020

OCTOBER 2020

Donald Hirsch

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Child Poverty Action Group works on behalf of the more than one in four children in the UK growing up in poverty. It does not 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. 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

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CONTENTS

ONE
INTRODUCTION

The year 2020 has put unprecedented pressures on families bringing up children. Parents across the world have taken on new challenges due to the coronavirus pandemic in keeping their children healthy and safe as well as properly fed, educated and entertained at a time when they have been required to stay at home, and when many families' livelihoods have been threatened.

In the UK, an additional 2.8 million people successfully claimed universal credit (UC) between January and July either because their earnings were reduced or because they lost their jobs (more often the latter based on January to June figures in which 62 per cent of the increase was accounted for by out-of-work claimants).[1] The government's furlough and self-employed income support schemes, while maintaining incomes and protecting many, were not enough to prevent unemployment from more than doubling in the first two months of lockdown.[2] The government is also paying an extra £20 a week to people on UC, as well as to those on working tax credits. That will slightly soften the blow for those losing their jobs, but £20 does not get anywhere close to compensating for the earnings loss or to closing the wide gap between the level of out-of-work benefits and the true cost of raising a child.

Since 2012, a series of calculations supported by the Child Poverty Action Group has systematically monitored the minimum cost of a child.[3] This ninth report in the series updates those calculations. The report draws on the latest research updating the Minimum Income Standard (MIS) for the UK, which uses public consultations to establish what items families need to provide a minimum socially acceptable standard of living for their children in 2020. Because this research was completed shortly before lockdown, the report's cost calculations do not incorporate any changes in families' requirements caused by the different ways in which people have been living, which are always in continuous flux. In the wake of this unprecedented year, future research by the MIS team at Loughborough University will establish whether there have been long-term changes in what is considered to be a minimum income standard.

This year's report is an interim snapshot of how the cost of a child in 2020 compares to current incomes, relating in particular to the ways in which the state helps families to make ends meet.

Sections 2 and 3 explain the basis of the calculations and set out some regular comparisons, tracking indicators of what has happened to the costs of a child and how the incomes of families on out-of-work benefits and in minimum-wage jobs compare to these costs.

Section 4 highlights the impact of the temporary improvements in benefits on this picture, comparing income adequacy with and without these changes. The data shows, however, that continuing cuts in benefits for some groups has a counter effect on these improvements.

Section 5 notes ways in which low-income families are being further disadvantaged in the present crisis.

Section 6 concludes by considering which measures would need to be continued, and which ones discontinued, to enable families to have sufficient incomes in the future.

Notes

1. Data from DWP StatExplore: increase from 2.77 million to 5.55 million receiving UC
2. The claimant count rose from 1.2 million in March to 2.8 million in May 2020 (ONS data)
3. D Hirsch, L Sutton and J Beckhelling, *The Cost of a Child in the Twenty-first Century*, Child Poverty Action Group, 2012

TWO
THE CALCULATION

The 2012 study of the cost of a child developed a detailed, systematic and updatable method for making such a calculation.[1] This calculation is based on the 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 (see p8).

The calculation of the cost of a child starts with MIS budgets for a range of family types. These budgets are the product of detailed discussions among members of the public, specifying which goods and services a family needs to reach a minimum acceptable standard of living.[2] The costed items in the 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 for a couple with one child. The additional cost of a second child aged six with a sibling aged eight, for example, 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 are added up to produce a total cost from birth to age 18. The calculations are shown both with and without childcare costs, which now comprise about half of all the costs reported for families requiring childcare. Additional housing costs are also included, using a model of minimum costs based on social rents for families with children. Such a costing understates the cost to families of private housing, which is generally more expensive than social housing. Also, families may need to spend considerable sums to rent or buy a bigger home to accommodate additional children.

The minimum income standard

The minimum income standard (MIS) is the income that members of the public think people need to reach a minimum socially acceptable standard of living in the UK. MIS is calculated by specifying baskets of goods and services required by different types of household to meet this need and to participate in society.

MIS research is funded by the Joseph Rowntree Foundation and carried out by the Centre for Research in Social Policy (CRSP) at Loughborough University, which has produced annual MIS updates since 2008. MIS was originally developed in partnership with the Family Budget Unit at the University of York, bringing together expert-based and 'consensual' (what the public think) methods. The research entails a sequence of detailed deliberations by groups of members of the public, which are informed by expert knowledge when needed. These groups work to the following MIS 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.*

This research process involves agreement being reached by groups of members of the public, and then checked and rechecked by subsequent groups. Each group has detailed discussions, stating their rationale for what should be included in a minimum household budget. The standard thus represents a considered, settled agreement on the MIS, rather than a collection of subjective opinions held by individuals.

The MIS distinguishes among 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.

Between April 2019 and March 2020, family budgets were calculated from scratch using a fresh set of deliberative focus groups in which parents were tasked with reaching consensus on the items that need to go into a household budget. These items were costed in April 2020.[3]

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

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 note 1
3. A Davis, D Hirsch, M Padley and C Shepherd, *A Minimum Income Standard for the United Kingdom in 2020*, Joseph Rowntree Foundation, July 2020, available at: jrf.org.uk/report/minimum-income-standard-uk-2020

THREE
THE COST OF A CHILD IN 2020

SCORECARD: THE COST OF A CHILD IN 2020

The following 'scorecard' summarises the cost of a child in 2020 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 2020

A. How much extra a child adds to family costs, and how much social security 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	£71,611	£97,862
2. Full cost over 18 years	£152,747	£185,413
3. Percentage of basic cost covered by child benefit	23%	17%
4. Percentage of basic cost covered by child benefit plus maximum child tax credit	101%	74%
B. The extent to which familes have enough to cover the minimum cost of living	Net income as a percentage of minimum family costs – family with two children, aged three and seven	
Under legacy benefits/UC	Couple	Lone parent
5. Not working	57%/61%	60%/65%
6. Each parent working full time on the National Living Wage	96%/105%	86%/92%
7. Each parent working full time on the median wage	116%/123%	92%/103%

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 include the temporary increases to UC and working tax credit announced in response to the COVID-19 outbreak and due to expire in March 2021.

In making this comparison on the ‘scorecard’ for families receiving benefits and tax credits in different scenarios, we assume that all state entitlements are taken up and paid in a timely way. Since that is not always the case, these comparisons reveal how costs compare to the incomes intended by the design of government policies on minimum pay and benefits, rather than a profile of actual incomes.

THE COST OF A CHILD AND HOW IT IS CHANGING

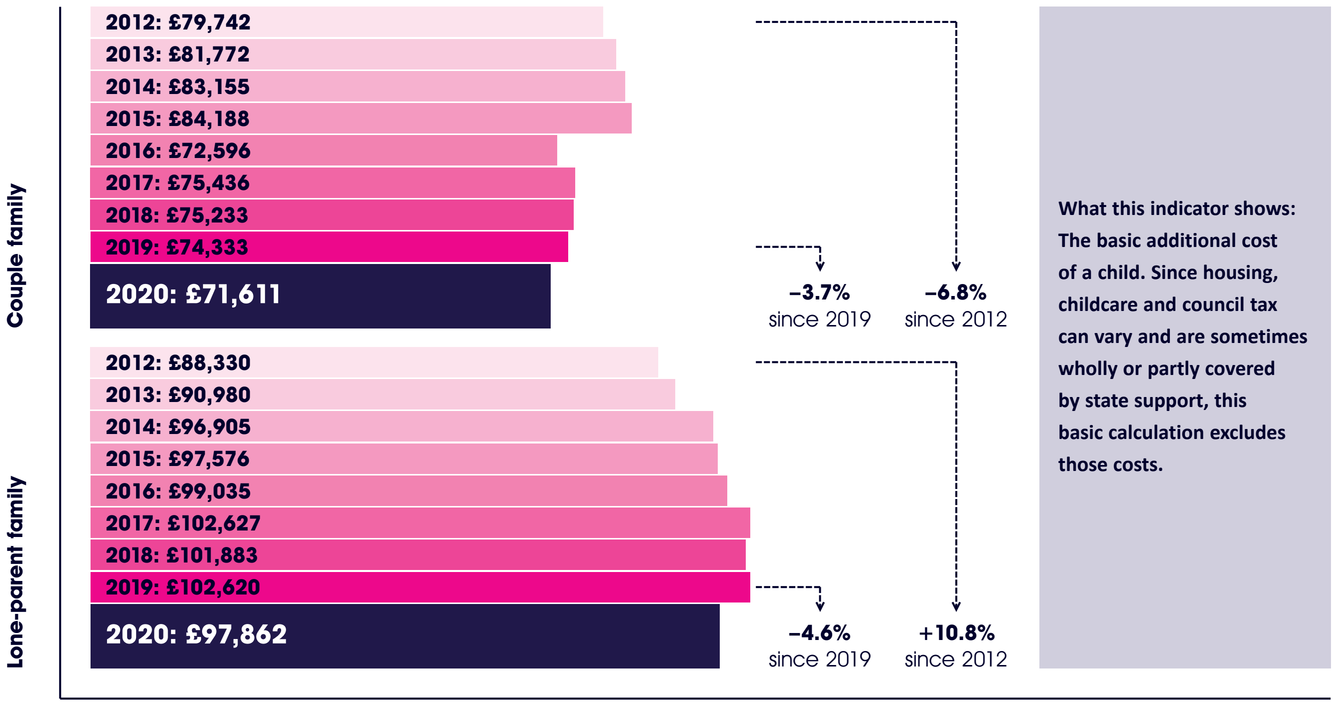
Indicators 1 and 2 reveal the cost of raising a child. As these evolve over time, we can see how this cost is changing, relative to general prices and to earnings.

Overall, in April 2020, the estimated minimum cost of bringing up a child from birth to her or his 18th birthday, excluding rent and childcare costs, was slightly lower than in 2019, following a period of nearly zero inflation. This small decrease is associated with a narrowing of the difference between the cost of running a car (as petrol gets cheaper) and that of using public transport (as fares continue to rise). Part of the cost of having children is the need to use a car rather than public transport, which is considered sufficient to meet one’s needs without children, and this cost difference has reduced.

Once childcare is taken into account, however, the cost of a child has continued to rise, to £153,000 over 18 years for the child of a couple and £185,000 for the child of a lone parent. (The lone parent figure is higher because certain fixed costs of having children are offset by greater adult savings for the couple. Most notably in the case of transport, since the cost of having a car is offset by greater savings on public transport fares when there are two adults not one.) The cost of a child of a lone parent has risen by 20 per cent since 2012.

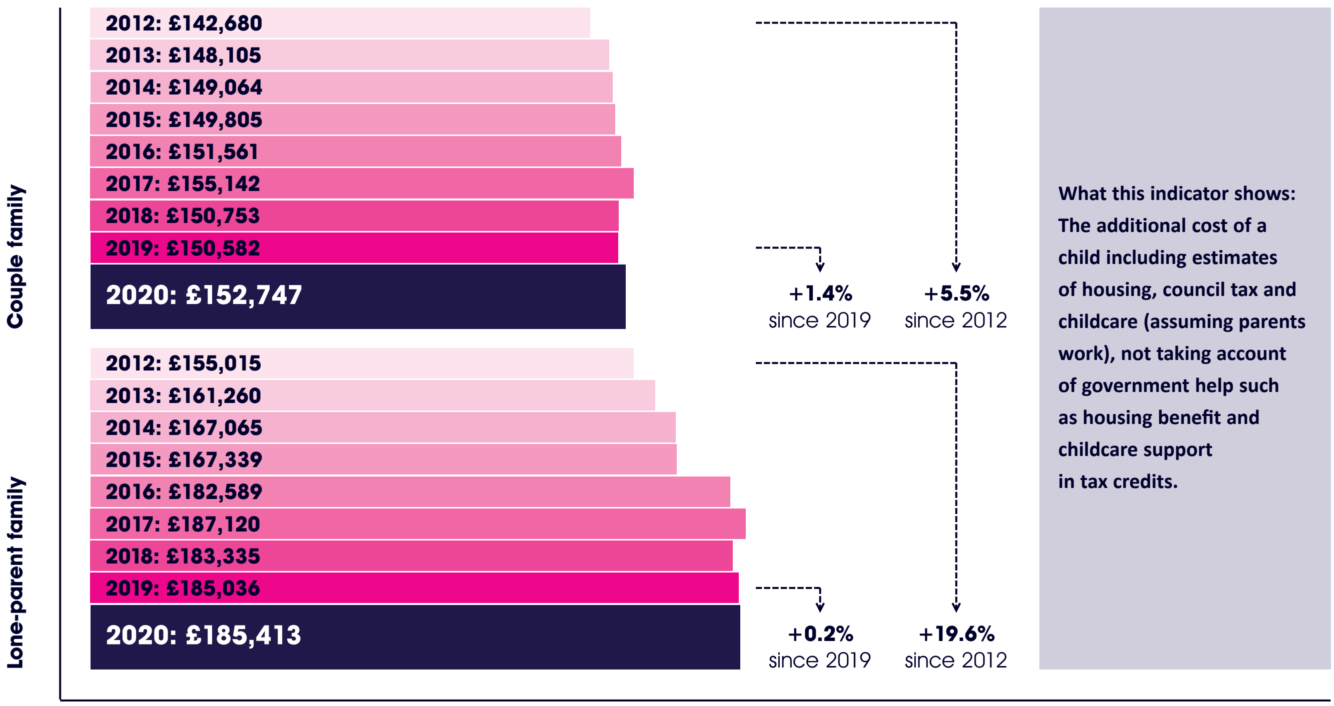
Childcare costs have continued to increase in 2020, having risen almost continuously over the past decade. The trend is for childcare costs to take up an increasing proportion of the overall cost of a child. Childcare costs now comprise the majority of the overall cost of a child for working couples, having risen from 41 per cent of the total in 2012 to 56 per cent in 2020. For lone parents, this percentage has risen from 38 to 46 per cent.

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



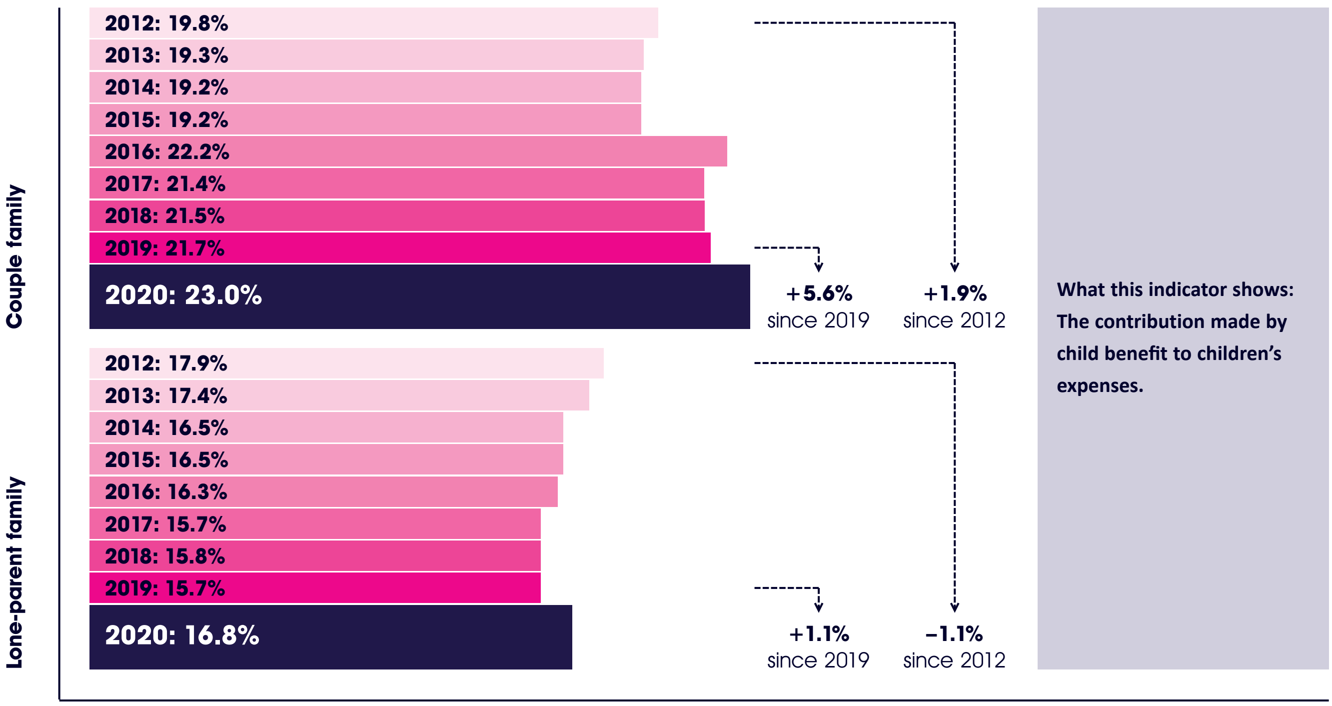
What this indicator shows: The additional cost of a child including estimates of housing, council tax and childcare (assuming parents work), not taking account of government help such as housing benefit and childcare support in tax credits.

THE ADEQUACY OF CHILDREN'S BENEFITS

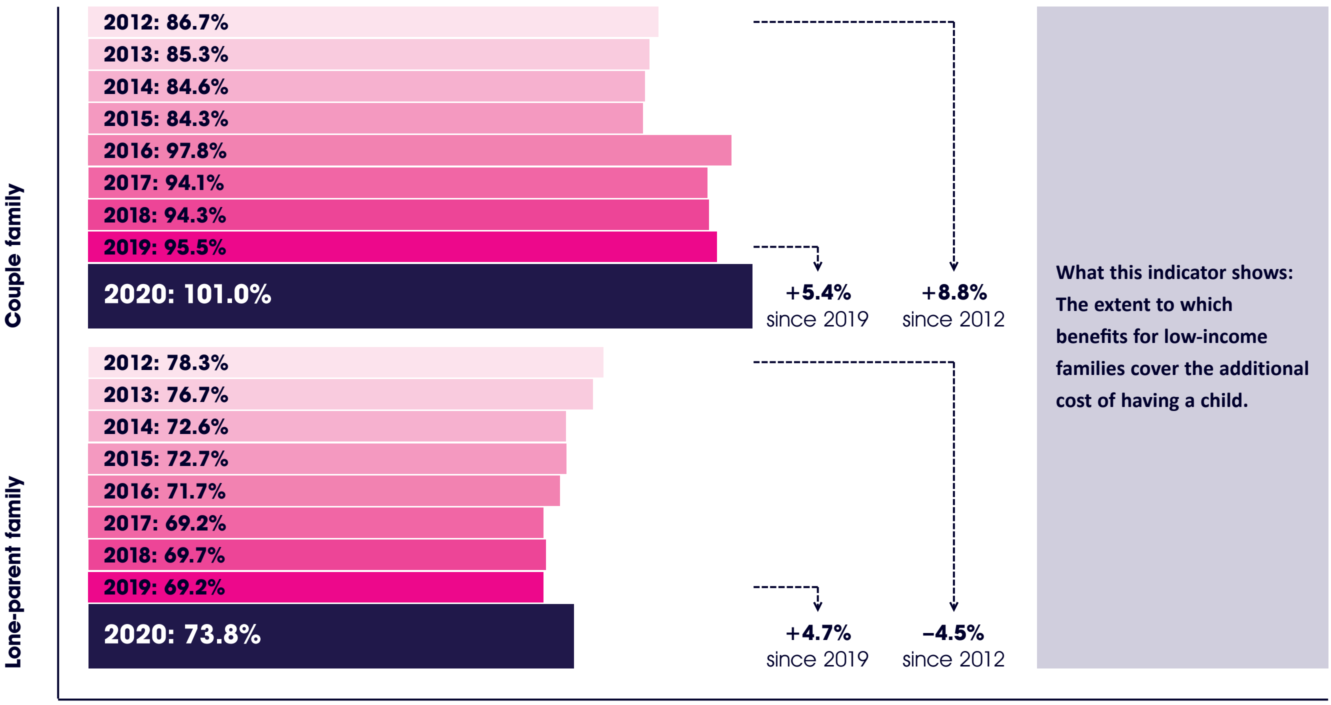
Indicators 3 and 4 show how much of the additional costs of a child, not including childcare, are covered by benefits.

Child benefit and child tax credit increased with inflation in 2020 for the first time since being frozen from 2015 to 2019. In April 2020, child benefit and child tax credit increased slightly faster than prices, which had risen by 0.8 per cent according to the consumer prices index (CPI), while the benefits rose by 1.7 per cent based on the level inflation was the previous September. As noted previously, the cost of a child excluding childcare fell in 2020, and the adequacy of children's benefits rose. For low-income couples with children, the total child-related benefit package rose to the same level as the additional cost of a child for the first time since these data have been produced. For lone parents, however, child-related benefits are still less than three-quarters of the costs of having children. In interpreting this indicator, it is important to bear in mind that for out-of-work families, overall income remains far below what is needed (as shown in Indicator 5) because adult benefits are so low.

Indicator 3
Percentage of basic cost covered by child benefit



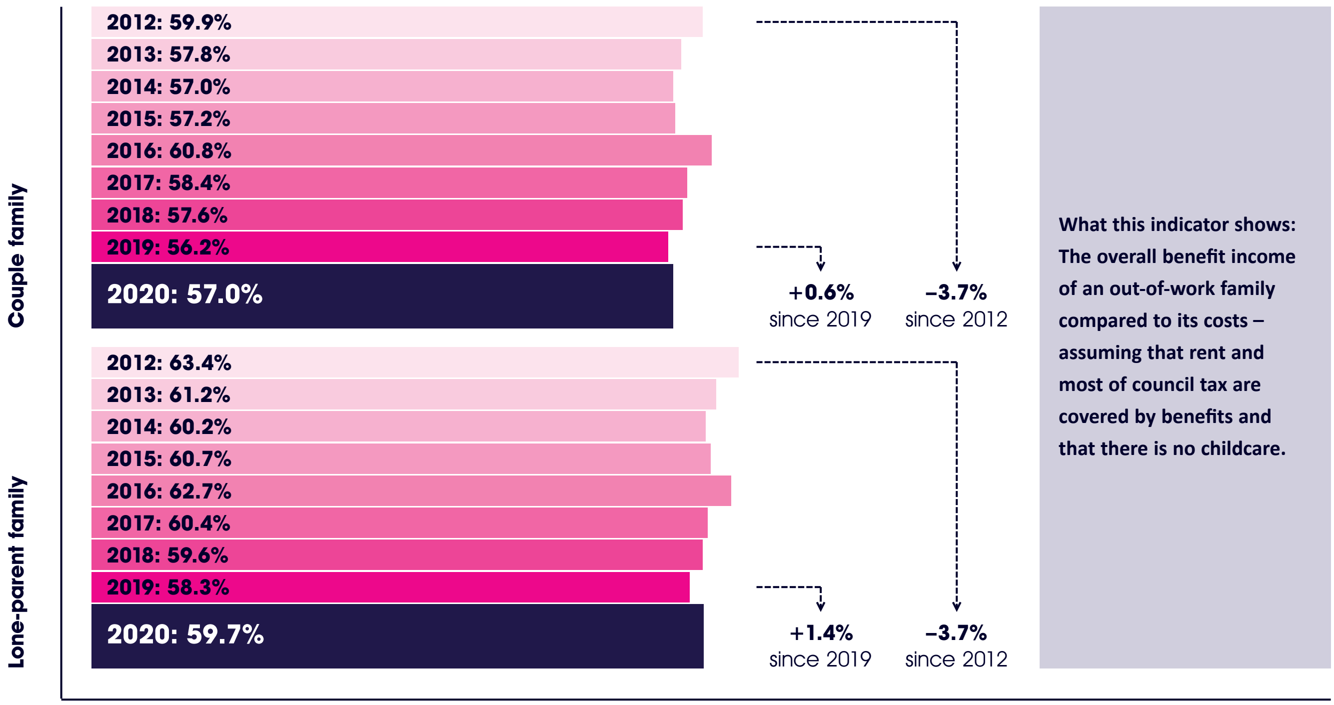
Indicator 4
Percentage of basic cost covered by child benefit plus maximum child tax credit



THE ADEQUACY OF FAMILY INCOMES

Indicators 5, 6 and 7 (see pp14–15) 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 left after childcare and rent have been paid but including as income the amount the government gives to help pay for these costs. These indicators tell us what families who do not work, who work full time for the minimum wage or for the median wage are left with to pay weekly expenses, relative to what they need. Since so many parents (and the majority of working mothers) work part time, most low-income families fall somewhere between not working and working full time. These indicators are, therefore, benchmarks that do not describe the multiplicity of situations that apply to individual families. The full-time work examples have historically shown that families on the minimum wage are unable to make ends meet even in the most favourable circumstances in which both parents work full time. For most families on the wages shown, the shortfall will be somewhere between this scenario of full-time work and the calculation for non-working families.

Indicator 5
Disposable family income as a percentage of minimum family costs: out-of-work family

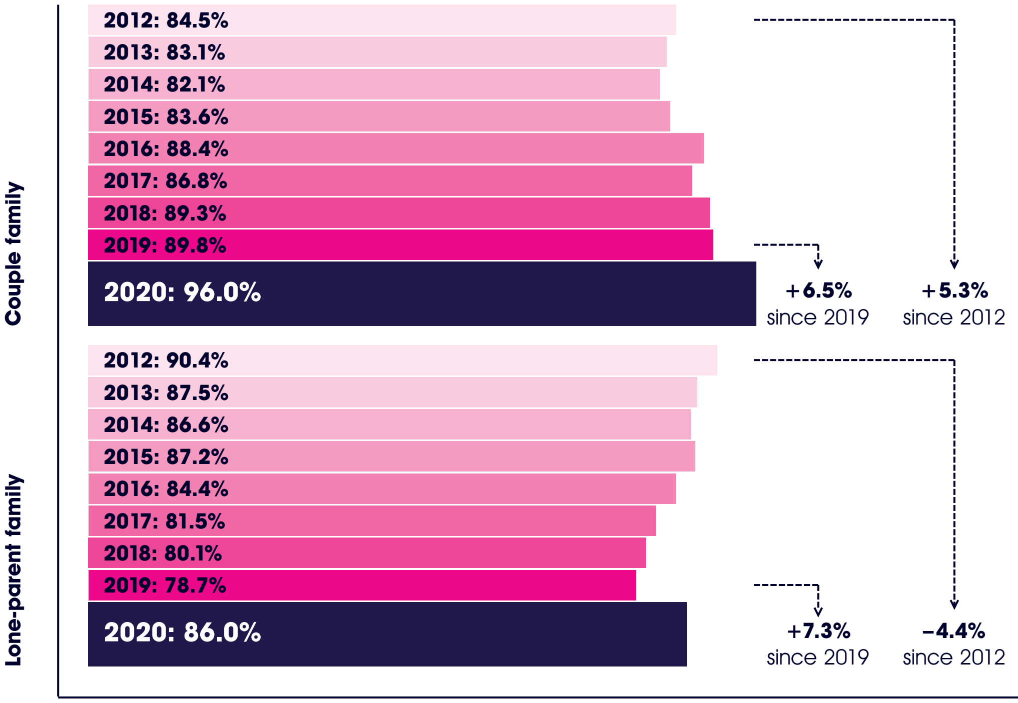


Out-of-work benefits continue to fall far short of what is needed for a minimum acceptable standard of living. When considering these benefits, however, we must also include the additional £20 that is currently being paid to those claiming UC or working tax credits. For out-of-work families, that higher amount goes to UC claimants but not those on the 'legacy benefits', such as jobseeker's allowance. The scorecard shown above distinguishes between these two scenarios, but to show the trend consistently the time series uses the legacy benefit system. This shows that despite a small improvement this year, out-of-work family benefits remain lower relative to costs than in 2012, falling about 40 per cent short of providing families with a minimum acceptable living standard.

For parents who earn the National Living Wage (NLW), pay rose by a third in the five years to April 2020 (from £6.50 to £8.72 an hour). This increase coincided, however, with real-term cuts in tax credits up until 2019. For lone parents, the net effect was a continued decline in the adequacy of working incomes. A couple with both parents working full time gained most from an hourly pay increase. In 2016, there was some improvement in disposable income for such a family. For the next three years, however, disposable income for such families was stuck at about 10 per cent below MIS. In 2020, on the other hand, a 6 per cent increase in the NLW combined with an increase in tax credits and UC, improved disposable income for working families. A working couple is now able to almost reach the MIS on legacy benefits and above MIS if on UC; a lone parent stills falls short but by significantly less than previously (by only 8 per cent if on UC and working full time).

Indicator 6

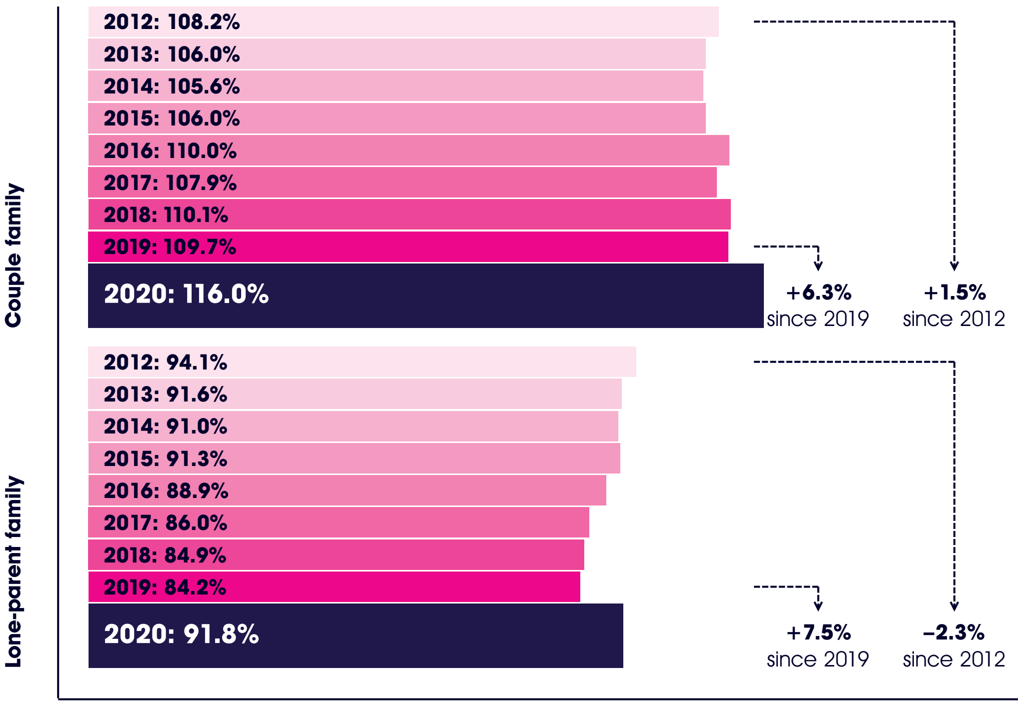
Disposable family income as a percentage of minimum family costs: working full time on national minimum/living wage



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.

For couples on the NLW in which one parent does not work full time, the position has also improved significantly. For example, a NLW-earning couple with one parent working full time and one working half time can almost make ends meet if receiving UC at its current rate. Their income would be £4 (1 per cent) below the MIS. If the temporary uplift in UC were discontinued, however, their income would be £24 (6 per cent) below the MIS. For a lone parent working half time, the situation remains less favourable with income falling £38 (15 per cent) short of the MIS level even on current rates of UC. These patterns are shown below in Section 4.

It is also worth noting that a lone parent working full time and requiring childcare can for the first time make ends meet if earning an average wage and claiming UC. Importantly, however, these results are based on the higher rates of benefits paid during the COVID-19 crisis. The government plans to discontinue these rates at the end of March 2021. Even on median pay, in such a situation, a lone parent would fall at least 14 per cent short of meeting the minimum income requirement, rather than having 3 per cent more than that requirement as at present.

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

The following table and graphs update those published in the 2012 report, *The Cost of a Child in the Twenty-first Century*.[1] (For more detail, see Chapter Five of that report.)

Table 3.1 shows the additional cost of children, according to their birth order and whether they are brought up by one or two parents.

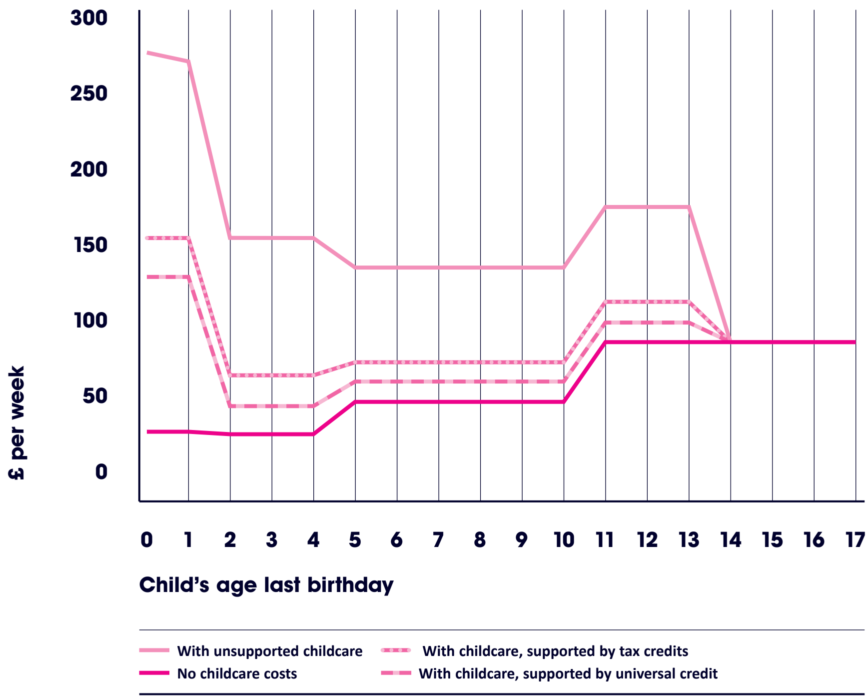
Table 3.1
The additional cost of each child, 2020

	Couple parents				Lone parent		
	First child	**Second child**	**Third child**	**Fourth child**	**First child**	**Second child**	**Third child**
Total cost over 18 years	£140,893.64	£164,599.70	£174,769.24	£165,632.49	£194,607.40	£176,219.36	£159,571.17
Average per year	£7,827.42	£9,144.43	£9,709.40	£9,201.81	£10,811.52	£9,789.96	£8,865.07
Average per week	£150.11	£175.37	£186.21	£176.47	£207.34	£187.75	£170.01
Excluding rent, childcare and council tax							
Total cost over 18 years	£67,765.92	£75,455.81	£84,071.21	£78,812.28	£111,724.41	£83,999.02	£85,590.46
Average per year	£3,764.77	£4,191.99	£4,670.62	£4,378.46	£6,206.91	£4,666.61	£4,755.03
Average per week	£72.20	£80.39	£89.57	£83.97	£119.04	£89.50	£91.19

In general, the cost of each successive child in a family tends to fall with economies of scale, but this decline is not straightforward. 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 how adults specify their own needs as parents, compared with before they were parents. Since such savings are not repeated with subsequent children, the relative cost of a first child is diminished. Moreover, there are some features of having additional children that bring new costs. 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 childcare and, if so, whether the family's income is sufficiently low to get help paying for childcare through tax credits. For families paying for all of their childcare costs, the cost is greatest when the children are youngest, most particularly before they are eligible for the up to 30 'free' hours per week of childcare now available to three and four years olds whose parents work. For those without childcare costs, on the other hand, expenses increase with the child's age.

Figure 3.1
Additional cost of first child of a couple, by age and childcare status, 2020



By giving working families on low incomes support with childcare, tax credits help even out the cost of a child through childhood. The combination of the early years' entitlement and tax credits reduces net childcare bills for a pre-school child to a level similar in scale to the additional cost of feeding, clothing and in other ways providing for children at primary school. The net cost of a child is, therefore, similar at pre-school and primary school ages. By secondary school age, however, the costs rise significantly. For those on UC, which pays up to 85 percent of childcare costs rather than the 70 percent paid by tax credits, net costs become higher for families with older children.

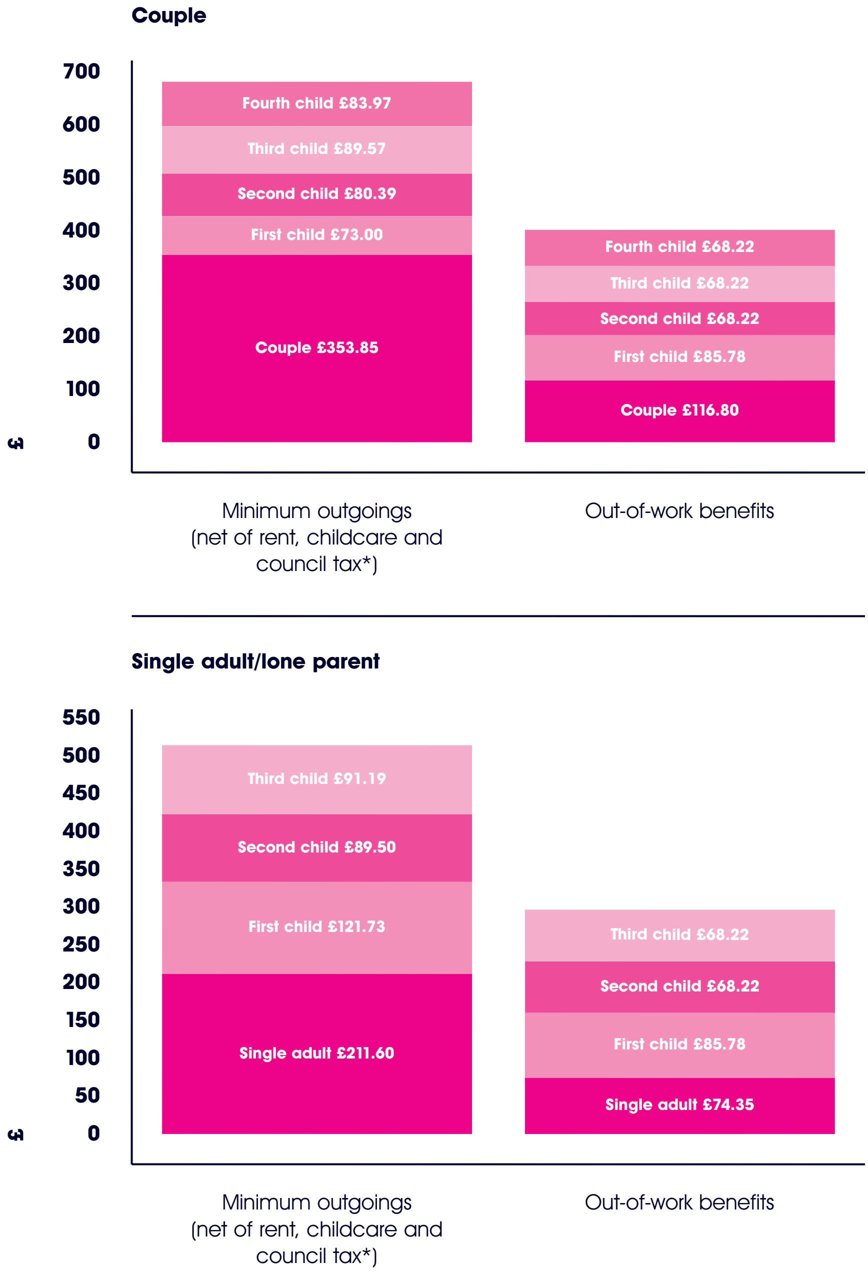
Note that the jump in costs shown at the age of 11 in figure 3.1 is due to the simplified assumption that day-to-day costs are the same for any child aged 5–11 and the same for any child aged 11–18; so the increased cost of a secondary school child comes all at once at age 11. A child's childcare needs are assumed to continue until age 14, giving three years when childcare costs combine with increases due to attending secondary school. In reality, changes are likely to be 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.

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 (not taking account the benefit cap or the two-child limit with respect to children born after April 2017). Benefit entitlement is more generous, compared to costs, for children than for adults. For the first child of a couple, additional benefits are around £12 a week higher than the additional costs. For other examples, additional benefits for children are between 70 and 85 per cent of additional costs. This figure is still much higher for children than adults, for whom legacy benefits provide only a third of minimum living costs. Even with the additional £20 COVID-19 payment, UC provides far less than half of minimum living costs. Families with children have a greater percentage of their costs covered by benefits than families with no children, provided that they are not subject to the two-child limit.

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.

Moreover, the highest entitlement shown in figure 3.2, the £407 entitlement of a couple with four children, will now rarely be paid. This amount is already above the benefit cap limit outside of London and only £35 below the London benefit cap, which also takes account of housing benefit paid as well as the basic benefit amounts shown. Figure 3.4 shows how for many families receiving housing benefit, the benefit cap can reduce disposable income. This reduction no longer just hits the largest families but potentially a couple with two children also. The net effect in cases which the cap as shown is lower than maximum benefit entitlements is to increase still further the shortfall in disposable family income compared to minimum costs.

Figure 3.2
Cumulative weekly costs and benefit entitlement for successive children, non-working families, 2020

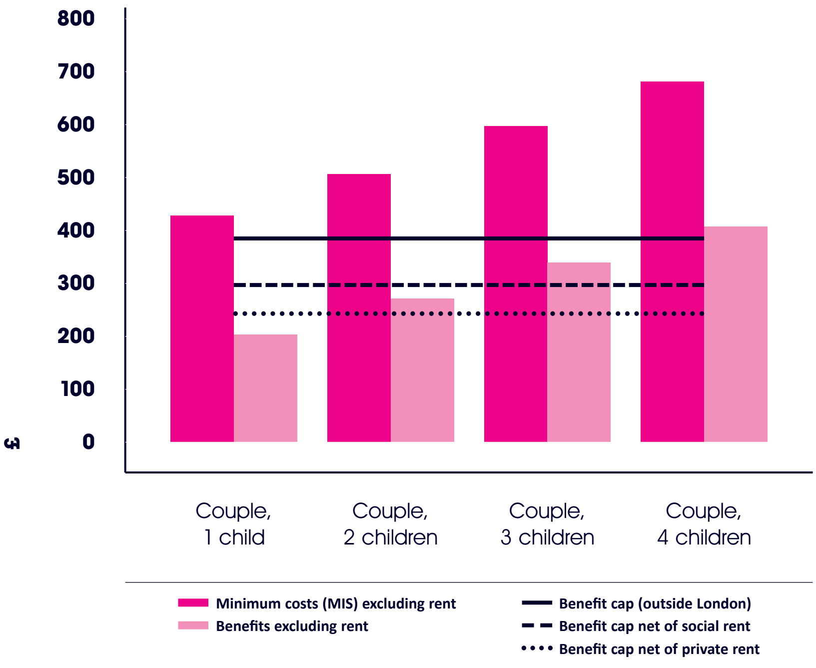


Note: Applies to children born before April 2017, and therefore not subject to the two-child limit.
For universal credit recipients, add £20 to the adult rate.
*Except the portion of council tax not covered by benefits.

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. Universal credit rates £20 higher.

Figure 3.4
Total family income requirements, benefit entitlements (excluding rent) and benefit cap



Explanation: The first set of bars shows the total income requirements for an out-of-work family, excluding rent. The second set of bars shows that benefits, net of rent, are much lower. The solid line, the benefit cap outside London, shows that for a couple with four children, maximum benefit income is capped at a level slightly lower than the full benefit entitlement. However, the benefit cap also includes housing benefit, which covers rent; so the maximum after-rent income with the cap is much lower. The dashed line shows disposable income after deducting a typical social rent, showing that the cap would also hit a couple with three children, in social housing, reducing their disposable income. The dotted line shows that in the case of a modest private rent (at the lower quartile of actual rents), even a couple with two children would be hit by the cap.

Notes

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

FOUR
THE BENEFIT REGIME DURING COVID-19 PANDEMIC

The decision by the government at the beginning of the lockdown to 'strengthen the safety net'[1] has produced a mixed picture in terms of the adequacy of benefit, tax credits and UC to help families achieve adequate incomes.

That has helped some families who can access work to make ends meet. For other families, the effects of previous cuts have not been reversed and in some cases continue to be rolled out. Moreover, this analysis of the ability to make ends meet with a given amount of work is a snapshot, since during the present unstable period there is the possibility of earned incomes falling and costs rising. Section 5 reviews some of the influences that are causing particular hardship for low-income families in the present period.

The £20 a week addition to the basic rates of UC and working tax credit, introduced temporarily from April 2020 to March 2021, improves family incomes for low-income working families and for out-of-work families on UC but not for out-of-work families still on the legacy benefits that preceded tax credits. This 'COVID bonus' helps protect people coming on to the benefits system, who will only be eligible for UC, and also gives an incentive for some people already on legacy benefits to switch voluntarily to UC, even if that would not be in their longer term interests. For example, someone losing a disability-related supplement not available under UC may become worse off once the COVID bonus disappears.

The additional £20 a week is a flat rate for any family and therefore not sensitive to need based on family size; so larger families gain less relative to their needs than smaller ones. The bonus does, however, significantly enhance family disposable incomes. For example, for a non-working lone parent with two children, the £20 increases disposable income by 9 per cent.

Figure 4.1a and 4.1b illustrate the extent to which working and being supported by in-work benefits can now get families close to and even above the MIS if working full time, as well as getting some families with part-time workers almost to that level. That is most clear-cut in the case of families eligible for UC, in which the COVID bonus is combined with a higher rate of support for childcare costs than under tax credits. Figure 4.1 shows that for some families, working on the NLW can potentially increase income from not much more than half what is needed for a minimum living standard to at or above the MIS level. This result is particularly pronounced for couple families, who can only get from half to two-thirds of what they need out of work. If parents work and are supported by UC, including the COVID bonus, then the family can reach MIS even if both parents do not work full time. As shown in Figure 4.1b, for lone parents, there is still an in-work shortfall but if working full time, this shortfall is £30 less on UC with the COVID bonus compared to £70 less on tax credits without the bonus.

It is encouraging that the benefits system is improving the extent to which people can reach adequate incomes through work. It is important to note, however, a number of respects in which the system is not improving income adequacy for everyone, and in particular presents a number of issues for non-working families.

For those on out-of-work legacy benefits, the COVID bonus does not apply. For the first time, an out-of-work family on basic benefits is penalised for not switching to UC, being £20 a week worse off. While the possibility of improving income by moving on to UC can help some families, there will not be the option of moving back to the old system after the return to the lower rates. This could particularly disadvantage families transferring from employment and support allowance (ESA) to UC because of the loss of disability premiums.[2]

People affected by the benefits cap have missed out on the COVID bonus, and some of those not far below the cap have not seen its full effects because their income has risen to the level of the cap. Those missing out include most non-working families with three or more children, who are typically subject to the benefits cap if they receive help with their rent.[3] Such families will be no better off as a result of increases in benefit rates. For example, an out-of-work couple with two children, paying a modest £512[4] a month or more in rent and living outside London, is no better off this year than last because their total benefits already reached the cap in 2019. Since the benefits cap has not increased with inflation, such families have missed out not only on the £20 a week COVID bonus if they are on UC but also on the inflation upratings.

The growing number of families with a third or subsequent child born after April 2017 still face the huge disadvantage of the two-child limit, which gives no means-tested benefits to help meet the needs of these subsequent children. This applies to families working on benefits as well as those on out-of-work benefits. As a result of this measure, a family with three children loses £54.27 a week, almost three times the amount gained from the COVID bonus.

Figure 4.1a
Weekly disposable income by work status, couple with two children aged four and seven (pay based on National Living Wage)

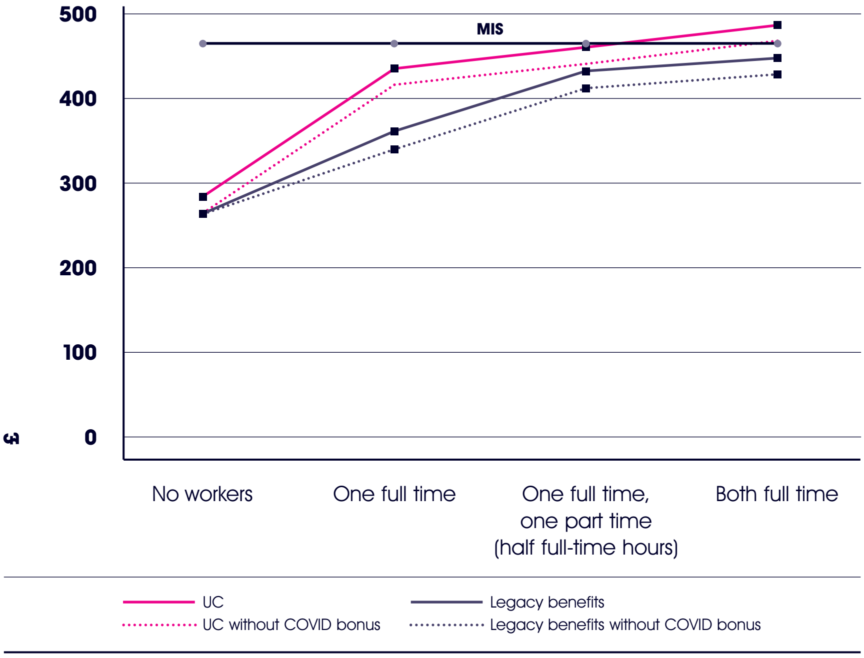
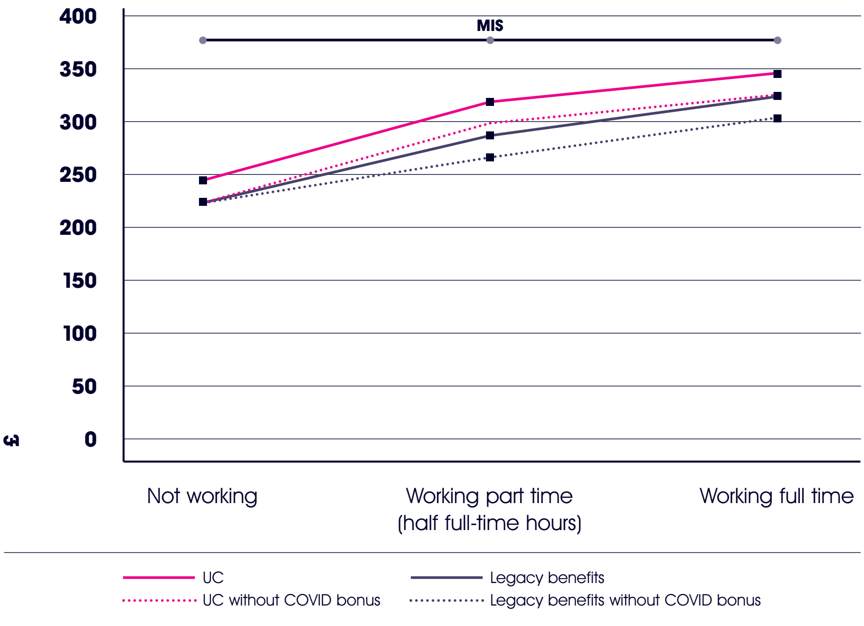


Figure 4.1b
Weekly disposable income by work status, lone parent with two children aged four and seven (pay based on National Living Wage)



Notes

1. HM Treasury, 'The Chancellor Rishi Sunak provides an updated statement on coronavirus', 20 March 2020, available at: gov.uk/government/speeches/the-chancellor-rishi-sunak-provides-an-updated-statement-on-coronavirus

2. For example, someone in the work-related activity group of ESA who is eligible for other disability-related benefits currently receives a disability premium of £34.95 or severe disability premium of £66.95 a week, neither of which will be available under UC.

3. D Hirsch, *The Cost of a Child in 2018*, Child Poverty Action Group, Chapter 5, 2018

4. Three-quarters of private rents for three-bedroom homes in England are at least £615 a month, according to the Valuation Office Agency's statistics.

FIVE
FACTORS IMPACTING LOW-INCOME FAMILIES DURING COVID-19 PANDEMIC

The additional hardships that so many families have faced during the COVID-19 lockdown are inevitably greater for those whose low incomes were making life a struggle even before the crisis.

It is too early to give a full picture of people's experiences. These experiences will become clearer as research becomes available. It is worth noting a number of points related to costs and incomes for these families that make it especially hard for them to cope.

The changing balance between spending inside and outside the home has disadvantaged the poorest families

For many better-off families, the lockdown has created narrower lives, with less travel and fewer leisure and cultural activities outside the home. That can make life cheaper than normal during lockdown. On the other hand, for families who always had limited resources for activities outside the home, there were no such savings to be made. For many, life at home has become more expensive with greater demands on food and home energy, as well as the need to buy additional personal and health products to keep safe and healthy during the pandemic. The net result can be to increase the cost of a child for families on low incomes.

This phenomenon can be quantified as follows:[1]

The fifth of households with the lowest income normally spend 27 per cent of their income on groceries and utility bills (which are likely to increase during lockdown), compared to 20 per cent on transport and leisure/cultural activities (the costs of which are likely to fall).

The richest fifth of households by income, in contrast, spend 18 per cent on groceries and utilities but 29 per cent on transport and leisure.

Thus, being well-off means having about one and a half times more money to spend in a category in which the costs are likely to decrease. On the other hand, being badly off means having about a third more money to spend but in a category in which costs are likely to increase.

People in lower paid occupations have been more vulnerable to reduced hours and job loss

The lowest-paid jobs in the UK are in sectors such as transport and hospitality that have been heavily affected by the lockdown. Better-paid workers, particularly in office-based jobs, have greater control and flexibility over their working lives, so have been more likely to be able to continue working. That has been quantified as follows.[2]

More than half of workers in the bottom fifth of the population by income are in sectors that have been locked down, in which home working is not possible. In contrast, only about a quarter of the fifth of people with the highest incomes are in such sectors.

Mothers, particularly those with low qualifications and especially lone mothers, are more likely to have constraints to home working than fathers

Many low-income families are highly dependent on mothers' incomes, but it is mothers who are more likely to be in occupations that are highly vulnerable to COVID-19. This takes several forms.[3]

First of all, there are marked differences in the proportions of mothers who work in the type of job likely to be affected by lockdown: about one in four working mothers compared to one in six working fathers. These differences are exacerbated by other forms of labour market disadvantage, with more than a third of low-qualified mothers working in lockdown-affected sectors.

Secondly, more mothers than fathers are key workers. To keep working, mothers who are key workers have had to juggle childcare with working outside the home. Again, more than a third of mothers but only one in six fathers are in this situation. In this case, however, better-educated groups are most affected. Mothers educated to degree level are most likely to be key workers, especially outside the health sector.

Finally, the chances of being in a job in which one is typically able to work at home is by far the highest among well-educated fathers – about half are in these sectors. This compares to only around one in six lone mothers with low educational qualifications.

All of these factors mean that low-income lone mothers face the double pressure of coping with the extra childcare responsibilities of lockdown while being the least-well placed to do so. These pressures particularly apply to mothers who have low qualifications, which make them less likely to be in jobs allowing them to work at home.

Black, Asian and minority ethnic families are facing added disadvantage

People from some Black, Asian and minority ethnic (BAME) backgrounds were more likely to face disadvantage even before COVID-19. For example, the majority of children with parents of Bangladeshi or Pakistani origin, and almost half with Black parents, have family income of less than 60 per cent of the median after housing costs.[4] The additional risks that BAME families have experienced during the COVID-19 crisis have exacerbated these disadvantages. As well as having higher infection and death rates, BAME groups face greater economic risks and pressures.[5]

- Families of Bangladeshi or Pakistani origin have been far more vulnerable to the economic effects of lockdown than average. One in three workers in these groups were working in 'lockdown-affected sectors' pre-crisis, twice the average for all ethnicities.
- Black workers are greatly over-represented in key worker occupations. Nearly half of Black workers whose jobs were not affected by lockdown are in such occupations, compared to a quarter among the population generally.

Notes

1. Following data is from R Crawford, A Davenport, R Joyce and P Levell, *Household Spending and Coronavirus*, Institute for Fiscal Studies, 2020
2. R Blundell, M Costa Dias, R Joyce, X Xu, 'COVID-19 and inequalities', *Fiscal Studies*, 41(2), 2020, pp291–319
3. See note 2
4. Department for Work and Pensions, *Households Below Average Income, 1994/95 to 2018/19*, 2020
5. See note 2

SIX
CONCLUSION

At the start of the 2010s, children's costs were rising rapidly while family incomes stagnated. Over the course of that decade, costs remained high, childcare costs in particular rose further and benefits were frozen and in some cases cut.

This year (2020) started with some lifting of austerity, with the end of the benefits freeze. The COVID-19 crisis brought a substantial increase in some benefits to help those unable to work who are ineligible for furloughing or for the self-employed income support scheme. For many families, these increases have been dwarfed by reduced incomes, resulting either from the COVID crisis itself or from the rolling out of cuts still in the pipeline.

The willingness of the government to strengthen the safety net demonstrates that it is possible, where there is a will, to find additional resources to help the worst-off families. It also demonstrates what happens when increases in minimum wages and improvement of in-work benefits are combined. At present, these changes are making it possible for some working families to reach the MIS with working patterns that would previously have fallen short of covering minimum family costs. The government would do well to consider the case for making the COVID bonus permanent. A permanent bonus would not in itself undo all the cuts made over the past decade, or those still in the pipeline, but it would be a start on which to build a fairer and more adequate social security system.

If the government were to accept that the present crisis has shone a spotlight on the hardships experienced by families struggling to survive on inadequate incomes, it could start to transform these families' prospects with four simple measures:

- Continue the £20 addition to UC and working tax credit beyond the present deadline of 31 March 2021;
- Extend this addition to include jobseeker's allowance, so that non-working families on legacy benefits are also covered;
- Abolish the benefit cap, which penalises families with the highest costs; and

- Abolish the two-child limit, which penalises families with three or more children that require support to cover family costs.

These immediate measures would recognise that in the wake of a decade of austerity, many families with children have been left with far too little income to cover their minimum costs. The figures produced in this report on the cost of a child provide a useful benchmark for those arguing for a more adequate level of social security. Families without work typically have benefit entitlements that are around 40 per cent short of meeting their minimum needs. Some have argued for much higher child benefit as a highly effective mechanism for putting money directly into families' pockets at a time of crisis.[1] On the other hand, there would be a high cost attached to paying an amount adequate to meet children's needs through child benefit, which is paid to the majority of families. A balanced long-term strategy should include an increase in child benefit to restore its real value before the cuts of the past decade as well as increases to more targeted payments such as UC and child tax credit, which have also been eroded in recent years. It is well beyond the scope of this report to propose a comprehensive new system to enable families to cover the cost of their children, but the findings have made amply clear why such a system is now needed.

Notes

1. R Morris, M Orton and K Summers, *Social security responses to COVID-19: the case for £50 child benefit, per child per week*, Discover Society, April 2020, available at discoversociety.org/2020/04/15/social-security-responses-to-covid-19-the-case-for-50-child-benefit-per-child-per-week

APPENDIX
THE MAIN CALCULATIONS

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

Table A1 Additional costs 2020, £ 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	42.61	56.76	65.12	64.16	89.44	58.25	61.35
1	42.61	56.76	65.12	64.16	89.44	58.25	61.35
2	40.93	56.42	63.06	62.87	87.76	57.91	59.28
3	40.93	56.42	63.06	50.21	87.76	57.91	59.28
4	40.93	56.42	63.06	50.21	87.76	57.91	59.28
5	62.47	70.54	78.32	67.79	109.30	72.02	74.55
6	62.47	70.54	88.06	67.79	109.30	72.02	74.55
7	62.47	70.54	88.06	67.79	109.30	72.02	74.55
8	62.47	70.60	86.72	67.86	109.30	72.09	74.61
9	62.47	70.60	86.72	67.86	109.30	72.09	74.61
10	62.47	70.60	86.72	125.14	109.30	72.09	74.61
11	102.40	109.02	123.73	123.73	149.24	110.51	113.03
12	102.40	109.02	123.73	109.02	149.24	110.51	113.03
13	102.40	109.02	109.02	109.02	149.24	110.51	110.51
14	102.40	109.02	109.02	109.02	149.24	110.51	110.51
15	102.40	101.60	101.60	101.60	149.24	148.79	148.79
16	102.40	101.60	105.60	101.60	149.24	148.79	148.79
17	102.40	101.60	105.60	101.60	149.24	148.79	148.79

Source: Minimum Income Standards

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	278.24	314.64	316.88	315.92	335.47	316.13	313.11
1	278.24	314.64	316.88	315.92	335.47	316.13	313.11
2	155.74	193.48	194.00	193.81	212.97	194.96	190.22
3	155.74	193.48	194.00	181.15	212.97	194.96	190.22
4	155.74	193.48	194.00	181.15	212.97	194.96	190.22
5	134.82	165.13	166.80	156.27	192.05	166.62	163.03
6	134.82	165.13	176.54	156.27	192.05	166.62	163.03
7	134.82	165.13	176.54	156.27	192.05	166.62	163.03
8	134.82	165.20	175.20	156.34	192.05	166.69	163.09
9	134.82	165.20	175.20	156.34	192.05	166.69	163.09
10	134.82	165.20	175.20	125.14	192.05	166.69	163.09
11	174.76	203.62	212.21	212.21	231.99	205.11	110.62
12	174.76	203.62	212.21	203.62	231.99	205.11	110.62
13	174.76	203.62	203.62	203.62	231.99	205.11	116.63
14	86.28	86.28	203.62	203.62	143.51	116.63	116.63
15	86.28	86.28	86.28	86.28	143.51	143.51	143.51
16	86.28	86.28	86.28	86.28	143.51	143.51	143.51
17	86.28	86.28	86.28	86.28	143.51	143.51	143.51

Source: Minimum Income Standards

CHILD POVERTY ACTION GROUP