



The cost of a child in the twenty-first century

Donald Hirsch, Liz Sutton
and Jacqueline Beckhelling

**CHILD
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Foreword

The Joseph Rowntree Foundation and the Child Poverty Action Group are very happy to have worked together to jointly fund this report. The partnership arose from a common desire to show how much it costs to raise a child, based on what parents themselves agree to be an acceptable minimum standard of living in the UK today. This analysis shows for the first time and in a robust way how much it costs to provide children with a minimum level of participation in society, as well as catering for their needs in terms of food, clothes and shelter. A particularly big issue is the cost of childcare over a child's life, making the lives of working parents a real struggle.

It means we can also compare the cost of a child with the child-related benefits that parents receive and can see that, for most families, they fall short. Inevitably, this means that parents have to make sacrifices in their own standards of living to protect their children's livelihoods. We hope that this research provides a basis for policy development and for wider debate about the cost of raising children and who should be responsible. We know that many children – and their parents – are going without the things they need and this has to be addressed.

Alison Garnham, Child Poverty Action Group

Chris Goulden, Joseph Rowntree Foundation

Executive summary and scorecard

At a time when many families are finding it hard to make ends meet, how much does it cost to bring up a child? This question is of interest to prospective parents and to policy makers who wish to ensure that children are not disadvantaged by growing up in families without the means to support them at an adequate level.

It is not easy to measure the cost of a child, and different studies have taken different approaches. Some have looked at what families actually do spend, which helps show social norms, but to a large extent is determined by what families can afford rather than by what children need. Others have tried to make scientific calculations of how much families of different structure require in order to reach an equivalent living standard. These studies have tended to be rather abstract. Another approach, which has been developed over the past two decades, is to look at what families actually need for a minimum acceptable standard of living, and how children influence that amount. Detailed and regular research on a minimum income standard now makes it possible for this method to be applied systematically to calculating the cost of a child, and it is the approach taken by this report.

Before making a specific calculation, however, a wide range of evidence on children's costs can be brought together to help understand what determines the cost of a child today, and why it matters that children's minimum needs are met. This project considered this evidence in combination with new research asking groups of parents about how having children affects family costs. It found that:

- ◆ There is broad consensus that children's needs today comprise not just an adequate diet and the physical necessities of life, but also the ability to participate in society – for example, by going to birthday parties, taking part in after-school activities and having a modest annual holiday with their families.
- ◆ Not being able to afford these things can have serious consequences for children. Research evidence shows how material hardship and social exclusion can be associated with damage to children's physical health, to their self-esteem and to their long-term development.
- ◆ In today's harsh economic times, there is some acceptance that certain needs can be met more thriftily, but most requirements remain unchanged. In addition, a decline in public transport options has contributed to a consensus that it is untenable for households with children to manage without a car. This introduces a substantial additional expense to the costs of a child.
- ◆ Children do not simply bring additional costs to families, they also change the ways in which families live. For example, adults do not

expect to socialise in the same way before and after they become parents, and this can partially offset some of the additional costs of children. However, this change in patterns of need has to be distinguished from parental sacrifice, where adults on limited incomes severely neglect their own needs in order to meet those of their children. Parents generally prioritise their children's needs, and this means that any unaffordable costs of bringing up a child can be met partly through the hardship faced by parents.

- ◆ In larger families, there are some economies of scale that make each additional child somewhat cheaper, but this relationship is not straightforward. There are some things that larger, but not smaller, families need for a minimum standard of living, such as a tumble dryer and a larger car.

Using the minimum income standard research for 2012, a calculation of the cost of children considers how much the addition of each child increases a family's budget. On average, the first child in a couple costs £89 a week and the second child £81 a week, not including housing and childcare costs. The basic cost of bringing up each child from birth to age 18 is estimated at between £73,000 and £94,000, but for working families who require childcare, the total cost is between £110,000 and £160,000. Many children's costs, such as food, clothing and social participation, tend to rise with age, but this is counterbalanced by the cost of childcare, which is greater the younger the child.

State benefits provide 73 to 94 per cent of these children's costs to non-working families. However, given the inadequacy of adult benefits, which are currently set at well under half of what adults need, benefits overall provide only about 50 to 60 per cent of what a whole family with children requires.

For some working lone-parent families on very low incomes, additional in-work benefits and tax credits can provide the full extra net cost of a child. However, this does not include childcare costs, and families on such low incomes are generally still short of what they need for an adequate living standard (see the scorecard on page 9). As they raise their earnings, the benefits fall away quickly.

Over the past 15 years, there has been a substantial increase in the real value of benefits for children. However, in the past four years, such increases have not kept pace with the actual rise in the minimum cost of children. Families in work have been particularly hit by increases in childcare costs and by reductions in tax credit support. For families on middle to higher incomes, state support for the cost of a child has reduced significantly and, from 2013, some higher earners will receive nothing once their child benefit is withdrawn – the first time since 1946 that there will be no universal payment to families with children.

To monitor the cost of children and the support given by government to support this, the following scorecard gives a simple set of indicators, to be updated annually.

Scorecard

Scorecard: cost of a child in 2012

A. How much extra a child adds to family costs, and how much benefits contribute to this	Minimum additional cost of a child (averaged for first and second child)	
	Couple	Lone parent
1. Basic cost* over 18 years	£79,742	£88,330
2. Cost over 18 years, including childcare	£142,680	£155,015
3. Percentage of basic cost covered by child benefit	20%	18%
4. Percentage of basic cost covered by child benefit plus maximum child tax credit	87%	78%
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	60%	63%
6. Working full time on the national minimum wage	82%	89%
7. Working full time on the median wage	109%	93%

* Net of rent, childcare and council tax

Interpretation of the scorecard and what it will monitor over time

- ◆ Indicators 1 and 2 are indicators of the cost of raising a child. As these evolve over time, it will be possible to see how this overall cost is changing, relative to general prices and to earnings. It will also be possible to see how important childcare is in the additional cost of a child. Currently it represents over 40 per cent of the cost for families requiring full-time cover (although families on low incomes can get up to 70 per cent of these costs covered by tax credits). We have assumed that children under 14 who are not at school or nursery need looking after when their parents are working. In practice, families' childcare requirements vary, but this benchmark gives a basis for monitoring the relative size of childcare costs over time.
- ◆ Indicators 3 and 4 show how much of the additional costs of a child, not including childcare, are covered by benefits. Child benefit (Indicator 3) represents a contribution to these costs for all families (except those earning over £60,000 a year from 2013), and this is only one-fifth of costs, even before childcare is considered. Monitoring this proportion will tell us whether this general contribution to the cost of children is being maintained or allowed to dwindle. Child benefit combined with child tax credit (Indicator 4) represents the contribution that the state makes to the additional cost of a child for families with no, or very low, earnings. At present, the state provides for most, but not all, of the minimum additional cost of a child, meaning that in order to bring up their children at a socially acceptable level, parents may have to find money out of their own very inadequate benefits – a big sacrifice. The movement of this percentage will be a crucial

indicator of the extent to which the state is willing to cover the basic cost of children in families who have the least.

- ◆ Indicators 5 to 7 consider incomes relative to costs from a somewhat different angle. They show the overall adequacy of family income (rather than just additional children's costs) once payments for any childcare and rent, and the amount that the government gives to help pay for these things, have been subtracted. They tell us what families who do not work, who work on the minimum wage or who have medium wages are left with to pay weekly expenses, relative to what they need. They show clearly that at the whole family level, out-of-work benefits fall far short of what is needed for a minimum acceptable standard of living. Families working full time on the minimum wage also fall significantly short of meeting needs, although the tax credit system ensures that they have most of their requirements, and much more than those who do not work. For those working on medium earnings, the situation differs for lone parents and for couples. The former still do not have quite enough, because as their income rises, their in-work benefits fall sharply. For couples with two incomes, the fall is not quite as steep, and this allows a family to make ends meet on median earnings. Monitoring these figures will show the extent to which the whole family income of these three types of family becomes more or less adequate over time.

One feature that is not fully captured by these headline figures is the cost of housing. The total figure shown in Indicator 2 does include some small additions in rent due to the larger homes needed to accommodate children, but these calculations are based on social housing, where rent variations with property size are relatively minor. For those renting in the private sector, on the other hand, an additional room even in modestly priced accommodation can add approximately £25,000 to the lifetime cost of a child. This is potentially covered, at least in part, by housing benefit for people on low incomes, but restrictions on eligible rent levels have reduced this help for many families.

In conclusion, the cost of children is a particularly important issue today for a number of reasons. In recent years, considerable public resources have been allocated to helping families on low incomes, but the scale of this help as a strategy to alleviate poverty has been called into question. As a new welfare system is introduced, it is important to be clear about what families need to meet minimum needs, as well as the potential hardship that may ensue if they fail to do so. This is particularly the case because the measured cost of a child has been rising in recent years, partly because of specific inflationary pressures on certain costs and partly because of changes in what items families need. Annual reporting on the cost of a child and on government help in meeting this cost will show the extent to which families are able to keep up in this changing situation.

Approaches to the cost of children

How much does it cost to bring up a child in the UK today? A child is not a commodity, and having children cannot be reduced to an economic act. Yet at a time when many households are finding it hard to make ends meet, there are several reasons to explore the financial cost of children. Anyone thinking of starting a family will have a close interest in what this will mean for their household budget. Families trying to plan their finances over long periods where costs change may want to know what lies ahead. And when families with children fall on hard times, adequate social protection needs to be based on some estimate of what it costs to provide children with the necessities of life.

There have been various attempts over the years to estimate the cost of children. Some studies have asked how much families actually spend on children's items. These help illustrate the expenses that families incur, but given that spending is constrained by available resources, do not accurately measure how much more families need to spend as a result of having children. Some economic analysis has attempted to use observation of spending patterns to estimate how much more a family needs to spend to reach a given level of wellbeing as a result of having children. This produces interesting but inconclusive results. A third strand of work looks at what children need and how providing these things affects a family's budget. This research can show the extra cost of maintaining a minimum living standard, although not of maintaining an average living standard, as a result of having children.

The cost of an individual child is hard to distinguish from the general costs of family life. Many things that families spend money on are consumed collectively and, even where they are not, the overall wellbeing of a family interacts with that of its individual members. A further complication of measuring children's costs, therefore, is that children's welfare is affected by more than just what is bought for them directly.

Against this background, recent developments in research have greatly improved our tools for understanding the cost of a child. In the 1980s and 1990s, various studies looked at how the public defined necessities for children and at items that might go into family budgets. This led to several estimates of the cost of a child. Since 2008, new research on a minimum income standard for the UK has been estimating what different types of family need in order to reach a minimum acceptable standard of living, as defined by the general public. This combines, for the first time, a method based on public consensus with a set of budgets for whole families. This research is being regularly updated, with new research every two years and annual inflation updates.

This report draws on available research to explore influences on the cost of a child in 2012, and uses a minimum income standard to estimate the annual and lifetime cost of bringing up a child in the UK. Chapter 2 reviews methods that have been used to date to measure the cost of a child. Chapter 3 considers existing evidence about the nature of children's needs that influence their essential costs. Chapter 4 probes further into the influences on the actual costs faced by different families, drawing on new research on how family composition influences family spending and minimum costs. Chapter 5 makes the main calculations for this report, looking at how much each additional child adds to a family's essential costs. Chapter 6 compares this to how much the state gives to families to contribute to the cost of bringing up children. Chapter 7 looks briefly at how costs are changing over time. Chapter 8 draws conclusions.

Measuring the cost of a child: methods used to date

Measurement of the cost of having children has ranged from highly complex and abstract economic analysis to highly simplistic lists of items that families are likely to spend on their children. The variety of methods and answers reflects the fact that the question ‘how much does it cost to have children?’ can be interpreted in a variety of ways. Three strands of work can be distinguished by different forms of question:

- ◆ How much do families spend on their children? This question has led to research on *spending levels*.
- ◆ How much extra would families in general need to spend in order to maintain an equivalent level of wellbeing after having children as before? This question has led to economic analysis on *equivalisation*.
- ◆ How much do families with children need to spend in order to maintain a minimum acceptable living standard, compared to families without children? This question has led to research on *needs*.

The following short review gives examples of studies shedding light on these three questions. It is not a comprehensive survey of the research, but rather gives an overview of how different studies have approached the issue from varying perspectives.

Spending studies

Conceptually the simplest, and most direct, way of looking at the cost of children involves measuring how much families spend on ‘children’s’ items. The most systematic attempt to enumerate such spending in recent years was the *Small Fortunes* survey, carried out by the Centre for Research in Social Policy for the Joseph Rowntree Foundation in 1997.¹ This survey considered what families spend, on average, on items for children that need to be bought regularly (at least once a year). It did this by interviewing parents, by asking them to make inventories of children’s possessions and by asking them to keep spending diaries. The survey estimated that approximately £50,000 is spent on a child from birth to age 17.

A more recent series of data is a calculation, produced in 2003 and updated annually with inflation, of how much families spend on average on a range of children’s items, carried out by the Centre for Economics and Business Research (CEBR) for Liverpool Victoria. This was based on a compilation of different pieces of survey evidence, including Office for National Statistics Family Expenditure Survey data on toys, leisure, recreation and toiletries, Mothercare estimates of the

cost of baby items, Abbey National research on school costs and Morgan Stanley research on the cost of holidays. This study estimated the cost of a child to age 21 to be £140,398 in 2003. Even accounting for inflation between the two surveys and for the longer period of childhood covered, this study comes to a much higher estimate of the cost of a child than *Small Fortunes* – over twice as high per year of childhood covered, adjusted by the Consumer Prices Index.

Much of this difference could be attributed to the fact that the CEBR study combines evidence from various surveys and methods in a way unlikely to produce an accurate or consistent estimate of how much any one family spends on children's items across the board. However, the *Small Fortunes* survey, while more systematic because it was based on looking at what a sample of real families spent in the round, was also an incomplete account of what children cost. It did not report on items replaced less than once a year, such as items of furniture, nor did it have a way of counting spending on shared family items.

There will always be a considerable level of discretion in identifying what is a 'child's' part of observed family spending, making it inherently problematic to produce a complete and robust estimate of the average cost of children. This is not in itself an argument against such surveys. However, their results must be interpreted with some care. They can provide useful illustrations of the costs attached to items that families typically buy for their children. However, this should not be taken as a direct measure of 'the cost of a child', for two reasons.

First of all, in reality the direct cost of children's items is not the same as the difference between what it costs to live with children and without children. This is partly because family patterns change with the arrival of children: parents do not live identical lifestyles to non-parents. And it is partly because family costs are shared in complex ways. If, for example, families with children typically have larger dining tables than those without children, the cost of a child should include the difference between the cost of a large and a small table. Spending surveys could never fully capture such differences. Even if they enumerated everything that families bought in great detail, they would not show clearly which items a family possessed because of the presence of children.

One alternative might be to measure average spending on children overall by observing the difference between spending in families with and in those without children. However, as pointed out by the *Small Fortunes* report, such a comparison would also be highly problematic, because it would not tell you who in the family benefited from such spending. Indeed, the *Small Fortunes* survey also showed that many parents make huge sacrifices in terms of spending less on themselves to ensure that children's needs are met. Therefore, a 'difference' calculation would greatly underestimate the true cost of children to parents in terms of children's impact on the resources that adults have available to meet their own needs.

The second, closely related, reason to interpret spending surveys with caution is that actual expenditure is constrained by a family's financial resources. When children arrive in a family, spending on them will be heavily influenced by what the family can afford. Some additional resources may become available, including from children's benefits and from additional borrowing or use of savings, but this may also be offset by reduced earnings of a parent spending time as a carer. To say that the amount that a family finds to spend on children represents their 'cost' is rather circular. It takes account neither of the extent to which some families are unable fully to meet a child's needs, nor of the fact that a rich family may lavish spending on its offspring because it can afford to rather than because this is inherently part of the required cost of supporting the child.

Equivalisation studies

If actual spending on children is largely influenced by what families can afford, is there any way of considering the additional cost of maintaining a given standard of living after adding the cost of a child to a family? Various economic studies have tried to tackle this issue through the concept of 'equivalisation'. This is the process of estimating what incomes different types of household need in order to achieve an equivalent living standard – for example, how much more a couple with two children needs than a single person to produce a similar level of welfare.

Since there is no direct way of measuring the welfare level achieved by spending a given amount of money in a given household type, these economic studies rely on proxy measures as indicators of welfare levels. In particular, they take the pattern of a household's spending between different categories of goods and services as an indicator of its welfare level. We can observe that a family of a given type will tend to spend proportionately more on certain categories (such as food) if its income is low. Therefore, spending relatively large shares of income on these categories can be taken as a proxy for having a relatively low standard of living. A household with children would be expected to spend a higher proportion of income on food and other necessities than a household on the same income but without children – since the higher costs faced by the family with children would leave less money for discretionary spending on non-necessities. Thus, on similar incomes, the living standard of the family with children is lower. To estimate the extra cost of achieving an 'equivalent' living standard with the addition of children to a family, one can look for the difference in income between families with and without children who have similar patterns of spending and therefore similar presumed welfare. For example, if families with children on income Y tend to spend the same proportion of income on food and other essentials as families without children who have annual incomes of Y minus £5,000, we would estimate that the average cost of children is £5,000 a year.

Such a principle has been the basis of complex analyses of spending patterns, especially in the 1970s and 1980s. The most influential study in the UK, carried out by McClements,² was the basis for the ‘equivalisation scales’ used for making official estimates of household poverty until being replaced by (more arbitrary) OECD scales in 2003. Estimates of the cost of a child based on this type of analysis has suffered from a number of drawbacks and limitations, enumerated thoroughly in a review of such studies by Banks and Johnson.³ In particular:

- ◆ The use of a single indicator, such as percentage of income spent on food, as an estimate for a living standard is a highly crude way of measuring equivalence, and is sensitive to which indicator is used.
- ◆ Attempts to model whole family budgets this way are also problematic, because evidence from different parts of the budget can point in different directions and, in practice, the result is sensitive to various prior assumptions that are fed into the model.
- ◆ The resulting ‘cost’ of having children relies on a rather abstract concept of the same income being able to purchase a lower level of household welfare, rather than on an account of the different things that people buy in different families in order to reach this welfare level. While such an estimate gives a method for adjusting the value of incomes according to household size that is not entirely arbitrary, detailed attempts to find appropriate equivalisation weightings have come up with varying answers according to the specification of the model rather than a robust or consistent basis for this calculation. ‘The construction of an ideal equivalence scale,’ conclude Banks and Johnson, ‘is likely to defeat the ingenuity of economists.’⁴

Studies of necessities and minimum spending

A third area of study concerns how much extra a household *needs* to spend on children in order to have a minimum acceptable standard of living. This issue is different from the previous two in that it does not seek to establish the general impact of children on living standards or living costs, but rather seeks to consider the cost of bringing up a child at a minimum acceptable level. This is of interest first and foremost in relation to the ability of families on limited means to make ends meet, and to ensure that their children are not deprived. However, it is also of more general interest, since it gives an indication to all families of the minimum cost of bringing up a child.

Several types of research have contributed to our understanding of the cost of providing a child with an acceptable standard of living.

Deprivation studies ask members of the public about the items they consider children should not have to do without because their families cannot afford them. They do not show the overall cost of bringing up a child, but help inform the basis for doing so by distinguishing things

that the public thinks families do and do not need to be able to afford for their children.

Between 1983 and 2011, a total of six surveys asked about children's necessities in these terms, giving a valuable picture of how attitudes to necessities have evolved over time (see Table 1). Note that, although these surveys have not been identical (for example, some have talked to all adults and some just to parents about children's needs), they are sufficiently consistent to be comparable. The 1999 Poverty and Social Exclusion survey found that parents and adults in general have very similar attitudes about what constitutes a necessity for a child. In a list of 27 items that a majority of adults viewed as necessary for children, most had almost identical proportions of parents classifying them as necessities, and in only three cases did the proportion of all adults and parents classifying an item as a necessity differ by more than five percentage points.

Table 1

Surveys of socially perceived necessities for children

Year	Study	Who was asked
1983	Breadline Britain ⁵	All adults
1990	Breadline Britain repeat ⁶	All adults
1995	Small Fortunes ⁷	Parents
1999	Poverty and Social Exclusion ⁸	Parents
2009	Department for Work and Pensions review of children's deprivation indicator ⁹	All adults
2011	Poverty and Social Exclusion repeat ¹⁰	Parents

Budget standards studies, on the other hand, compile complete lists of items that are needed in a household shopping basket (or that are needed for children in such a basket), in order to reach a given standard of living. This follows a tradition dating back to Seebohm Rowntree's enumeration of what a working man requires to support himself and his family.¹¹ A number of budget standards studies have been carried out in recent years, using methods that differ along various dimensions, as shown in Table 2.

Table 2

Budget standards studies of children's needs

Year	Study	What kind of minimum	Based on what
1979	The Cost of a Child (Piachaud) ¹²	'A modern minimum'	Various evidence, author judgements
1993	The Cost of a Child (Family Budget Unit)	'Modest but adequate' ¹³	Normative judgements by experts, spending surveys
		'Low cost' ¹⁴	Scaling down of 'modest but adequate'; evidence about socially defined necessities from <i>Breadline Britain</i>
1994	Family Fortunes ¹⁵	Minimum essential budgets	Consensus among groups of parents
2008 onwards	A Minimum Income Standard for the UK ¹⁶	Minimum acceptable standard of living	Consensus among groups of the public, informed by experts where necessary

All of these studies have had the common objective of considering how much needs to be spent by a family to ensure that children have a sufficient living standard. However, the level of the standard has been described in different ways. Most of the studies shown here have definitions related to a minimum standard below which children should not have to fall. The exception is the 'modest but adequate' budgets of the Family Budget Unit, which sought to define a 'normal' rather than a 'minimum' living standard – for example, where more than half the population owned an item, it was considered relevant for that standard.

It is not clear, however, whether the notion of 'minimum' has always been conceptualised in the same way. Its interpretation can be tempered by terms such as 'bare essentials', used in *Family Fortunes*, or by having a contrasting 'modest but adequate' standard (as in the 1993 Family Budget Unit study: the implication being that a lower standard may in some sense be below adequate). In these cases, there can be a sense that 'minimum' may involve foregoing anything that is not essential to meet a very basic need. On the other hand, where the minimum is simply used to describe an 'acceptable living standard' appropriate for contemporary living, its interpretation more readily encompasses the idea that people expect to live at a certain minimum level sufficient to allow them to participate fully in society.

A second important dimension concerns the basis for identifying the budget. This mainly involves some combination of expert judgements, data about what level of consumption is most common, and consultation of the public ('consensual' methods). After a parallel development of expert and consensual methods, these have come together in the minimum income standard (MIS), which is led by consensual discussions and supported by expert knowledge.

There is no single 'correct' way of making these decisions. However, it could be argued that, even though expert judgements supported by evidence might appear more 'scientific', a consensual method has, in practice, proven to be more systematic and consistent. This is because the expert-led methods have no consistent set of principles for selection, but rather different criteria applying to different types of item – for example, ownership levels, scientific calculation of need and normative judgements, combined in different ways for different commodity types. Consensus-led budgets such as MIS, on the other hand, have the single principle that an item is included if groups agree it is essential for a minimum acceptable living standard, with only a few exceptions (such as minimum heating requirements) where groups cannot be expected to formulate such a standard, so experts do so instead.

A further dimension, important for the actual calculation of the cost of a child, concerns whose costs the budget covers. For each of the studies referred to in Table 2, a cost of a child calculation has been made based on itemised costs of what children need at particular ages. Some such calculations refer to children at single years of age (five, eight and 11 for Piachaud; four, 10 and 16 for the Family Budget Unit's modest but adequate budgets), while others cover children in

age ranges (under 11 for the Family Budget Unit's low cost budgets; birth to one, two to four, primary and secondary for *Family Fortunes* and MIS).

As observed in the discussion of average costs, itemised children's costs do not give a complete picture of the cost of a child, since having a child has consequences for overall family spending patterns, and apportionment of shared costs can be highly arbitrary. The Piachaud and *Family Fortunes* budget standards studies looked only at children's spending requirements in isolation, but the Family Budget Unit and MIS studies consider them as part of a whole family budget. This makes it possible to compare overall spending requirements in a given family type (with or without children) with the requirement of the same family type but with one child added. MIS offers greater scope for such a comparison than previous studies, because it allows the cost of any combination of adults and children in a single family household to be calculated (except where there are more than four children, or more than three in a lone-parent family).

Oldfield and Bradshaw, as well as estimating the cost of children of various ages based on itemised analysis of the MIS survey, make a briefer calculation of the additional costs that result from a child being added to a family using the 'deductive' method (the difference between whole budgets of families with different composition).¹⁷ They argue, however, that a weakness of this method is that it gives little idea of where the additional costs arise – for example, what differences are attributable to changes in adult needs, to additional children's needs and to the moderating effects of economies of scale. However, the MIS survey gives enough detail to make it possible to use differences in budgets by family composition both to give a more comprehensive account of the additional cost of having a child and to describe the main factors that lie behind such difference. The analysis later in this report takes this approach.

Approaches to measurement: conclusion

Differences in the approaches to estimating the 'cost of a child' in the studies described in this chapter reflect the need to distinguish between:

- ◆ what families *do* spend and what they *need* to spend on children; *and*
- ◆ what is spent directly on 'children's' items and what is spent overall in families as a consequence of having children.

Thinking about these factors is complex, because they interact. Actual spending on children is influenced by a combination of the family's overall resources, the prioritising of what are seen as children's needs and parents' attitudes to meeting their own needs. Conversely, the perception of need itself can be influenced by what families spend in general on children, as parents may not believe that children should have to go without something that their peers take for granted.

In this context, information on actual family spending on particular children's items gives important background information on contemporary norms that influence family expenses, but no clear-cut account of what it costs overall to have a child. For this, a calculation of the effect of a child on the minimum that a family needs in order to pay for an acceptable standard of living can provide a more robust and coherent answer.

The calculations made later in this report take such an approach. However, rather than just producing an abstract total, they can best be understood by looking first at what influences minimum requirements, drawing on a range of evidence. The following chapter therefore considers the types of cost that arise because of children's needs in twenty-first century Britain, while Chapter 4 looks at aspects of the *structure* of family costs, including the influence of the number and ages of children in the family, as well as at how the things identified as necessary for adults change when they have children.

Notes

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What children need: contributors to the cost of a child

Every parent wants to do the best for their children. Some may interpret this as getting them ‘everything that money can buy’, from a private education to the best quality toys, clothes, holidays and activities. Others may consciously want to limit what their children should expect, not wanting to ‘spoil’ them, and also teaching them that material things are not what make us happy. Yet families also have a concept of what is really necessary for a child, and, although not all agree fully on this, research has shown a considerable degree of consensus over necessities and minimum living standards for children.

Moreover, research shows not just what people regard as necessities, but also how living on a low income and having to go without things can cause hardship (see especially roundups of evidence in Ridge¹ and, for an earlier period, in Kempson²). This evidence is reinforced by research asking parents to discuss what it is that makes certain items so important for children’s wellbeing.³

The following are recurring themes in studies of children’s necessities and the consequences of family hardship.

Meeting basic physical needs is a continuing struggle for some families

Even in hard economic times, Britain remains a well-off society where most people do not think twice about having enough food to eat or a roof over their heads. Much of the discourse about poverty in recent years has been about the need for everyone to participate fully in society, not merely to meet basic physical needs. Yet research shows that, in reality, some families continue to struggle to afford the bare necessities of life.

In some cases, such struggle can be shown directly to result in hardship for children. Pressures on food budgets, for example, can lead parents to make spending choices that they know are unhealthy. For example, some parents in the Centre for Research in Social Policy’s study on credit and debt admitted to favouring ‘junk’ food when under financial pressure, even though they knew it was not healthy – one parent said she had recently bought 40 sausages for 89p. Recent evidence has highlighted a growing awareness of the importance of healthy eating and of the government’s ‘five a day’ campaign, yet there is a perception that eating fresh fruit and vegetables is increasingly expensive.⁴ The recent growth in food banks is one indicator of the difficulty that some families are finding simply in putting food on the table.

Studies of life on a low income show that children continue to live in substandard conditions that disadvantage them in life. Harker describes a particularly revealing case study of a child living in damp accommodation where conditions impacted both on his physical health and on his mental wellbeing via the social impacts: he was being teased at school because his clothes smelled.⁵

However, while research can sometimes uncover direct evidence of children suffering from being deprived of essentials, it far more commonly shows that parents will do everything they can to protect their children from such harm. This is a theme that recurs in studies of life on a low income throughout the past 20 years. In the 1990s, it was a theme of the *Family Fortunes* study⁶ while Kempson notes that women often bear the brunt of poor diet in households with children.⁷ More recently, Strelitz and Lister reported that parents went without food in order to provide for their children – meaning that they were trying to be good parents while often feeling ill and tired because they neglected themselves physically.⁸

In the last main deprivation survey, the number of parents who said that they could not afford three meals a day for their children was not statistically significant.⁹ Yet it would be highly misguided to conclude that providing food and other essentials is no longer an important issue when paying for children. Food comprises 22 per cent of the minimum budget required by a couple with two children in 2012 (excluding rent and childcare).¹⁰ The pressure to afford such basics continues to be an important issue as part of the cost of a child. The risk for families with limited resources is that either children's needs are inadequately met or they are met only at serious cost to the wellbeing of their parents.

Social participation is not an optional extra

Poverty in Britain has in recent years been linked not just to material want but also to social exclusion. Townsend described poverty as being 'excluded from ordinary living patterns', and emphasised the importance of social participation.¹¹ In this view, basic needs do not form a hierarchy in which food, warmth and shelter are essentials and social activity a 'desirable' extra. Rather, having access to both the physical and social norms of life in one's own society are of equal importance. Similarly, the cost of meeting a child's needs have to be considered equally in terms of social and physical aspects.

Research on what the general public views as essentials confirms this view that a 'minimum' should not just be about physical basics, and that no child should be unable to participate in society because of low family income. The majority of members of the general public consistently say that all families need to be able to afford such activities as school trips, swimming and celebrating children's birthdays. However, the extent of social participation considered to be

'necessary' does appear to vary over time. For example, while 63 per cent of parents surveyed in 1999¹² identified a holiday of a week a year as a necessity, only 47 per cent and 46 per cent of parents did so in 1995 and 2009, respectively.¹³

Research on childhood poverty underlines why being able to afford social participation is so important. Not being able to afford to take part in activities with one's peers (for example, paying an entry charge or buying refreshments) profoundly affects children's ability to make and sustain friendships, makes them feel different and results in bullying and stigma.¹⁴ It can also result in boredom and involvement in crime/anti-social behaviour. Not being able to afford to participate in various in- and after-school activities affects children's relationships with teachers and can damage their experience of formal schooling.¹⁵ Horgan found that poor children worried about having to ask parents for small amounts of money in order to participate in, for example, non-school uniform days.¹⁶

Ridge also notes the impact that not being able to afford a holiday or go on day trips has on parents on low incomes. Parents were concerned that they were missing out on shared time together as a family and thus felt that their family relationships were not given the chance to improve as a result, as many lived in stressful situations along with having to cope on a finite budget.

Children in poverty want to fit in, not to stand out

The stigma of childhood poverty is characterised by the effects on children of feeling different, and by their fear that they will be identified and mocked as being lacking. As a consequence, children on modest means put a high priority on fitting in, and this influences perceptions of what things are needed in order to meet a minimum standard consistent with contemporary norms.

Ridge's review demonstrates the difficulties that children may have in making and sustaining friendships, and in fitting in if they lack material goods that others are seen to enjoy.¹⁷ It also points out the sensitivity in how families are helped to meet these needs. From a child's perspective, targeted help, such as free school meals, can be highly stigmatising and embarrassing for children to be seen to receive. Other evidence has shown that the realisation that they do not have what others do can bring severe consequences to children, including depression, isolation and withdrawal.¹⁸ In worst cases, being seen as poor can lead to bullying and intimidation.

One of the most significant aspects of fitting in for children today is having access to technology, which plays a new and special role in the social participation of children and young people. It is important, for example, in allowing children to conduct research and do school work on a computer, in communicating with peers via social networking sites and in cultural participation through access to music

and other media. It thus plays a central role both in children's development and in their peer interactions.

Research conducted for the Children's Society shows the value that children themselves place on items such as MP3 players.¹⁹ The growth of such technology enables more and more young people to access and share their musical or visual experiences. It is important not to see the ownership of such goods simply in terms of status. In some cases, having the latest technological gadget can be part of a competitive process that distinguishes children who own the 'right' things and brands (often at a higher cost) from those who do not. In others, technological items can spread, become much cheaper and commonly owned, and become an everyday part of children's lives – no longer part of the 'competition' with peers, but rather allowing them to communicate and share experiences. This has occurred successively with television, mobile phones and the internet, all of which are considered necessities by families in Britain today.²⁰

On the other hand, where items are part of a competition to be 'fashionable', there is less of a case for labelling them as essential. Children may say that 'branded trainers' are part of what they 'need' – and this is how they responded to the Children's Society survey.²¹ Parents, on the other hand, do not define branded trainers as essential.²² This does not mean that parents pay no attention to whether their children wear clothes that are socially acceptable – they do not think that they should have to wear things that make them look 'poor'. However, they see the futility of having an escalating definition of 'necessity' that involves children competing for social status. These distinctions are far from black and white, and reflect a negotiation between parents and children about, on the one hand, what feels acceptable and, on the other, how to learn to resist the pressures of fashion.

Children can generate significant costs not incurred by adults

Many children's needs simply replicate those of adults. They add to what a household needs to spend on things like food, clothing and accommodation, because more of these items are required for more people. However, children also bring some costs that are distinctively different from those faced by adult-only households.

Transport costs for families with children are changing

A modern family with children faces complex travel requirements to allow its members to work, go to school and participate in society. Until recently, both deprivation surveys and budget standards studies found that households with and without children could nevertheless

meet these requirements using public transport and occasional taxis. In the minimum income standard (MIS) 2012 study, in contrast, there was a strong consensus among parents that public transport is no longer flexible and accessible enough to meet these requirements, so a family with children requires a car. This transforms the minimum transport costs for families with children and distinguishes them clearly from those in households with only adults.

Education creates additional costs

Education is free for children attending state schools in the UK, but families face a number of costs associated with school.

One significant cost is the school uniform. Many parents and social commentators point out that a uniform can be a ‘social leveller’ by disguising social difference through what children wear, and avoiding undue pressures on low-income families to pay for expensive items that are in fashion. However, Citizens Advice has noted that some schools’ practices, such as restricting the supplier, can make it difficult for parents to afford.²³

Parents can also have difficulties in affording some of the ‘optional extras’ associated with schooling, such as school photographs, non-school uniform days, items for raffles, jumble or cake sales and equipment for lessons.²⁴ School trips can represent a significant cost, as can educational materials such as revision guides, which schools may recommend as desirable in promoting children’s educational chances.

An interesting case of additional costs associated with education was the requirement of a computer by families with children, at an earlier stage than the rest of the population. In 2008, MIS groups decided that a computer was essential for children of school age because they needed one to be able to do their homework, but was not yet an absolute necessity for adults. Since 2010, it has been identified as essential for working-age adults too.

Parents prioritise development opportunities, which affect life chances

In thinking about the essential costs of bringing up children, parents tend to prioritise those things that they think may help children develop and hence offer them the best chances in the future. For example, in one study of parents’ definitions of children’s necessities, groups of parents repeatedly singled out swimming as a specific necessity (while regarding other sporting and leisure activities as more interchangeable), due to the importance to children of learning to swim.²⁵ In the same study, parents prioritised toys in early childhood that had educational or developmental value, compared with those that were just for enjoyment.

What happens in childhood can influence life chances and this affects children's needs, both in this specific, and in a more general, sense. Children who are happy and form healthy relationships with family and friends are more likely to thrive and to succeed in school. This contributes to the rationale for providing adequate resources to allow children to have these things. The opportunity to cement family relationships, for example, is part of the rationale for having some kind of family holiday. Hirsch and Smith also point to the importance to families of having space in their homes to sit together and have a family meal.²⁶

A reduction in overall living standards may modify attitudes to necessities but so far does not appear to have caused a fundamental change

A striking finding among the MIS 2012 findings is that the great majority of items identified as minimum requirements in 2012 were identical or very similar to those identified in research for the original 2008 budgets – which took place mainly in 2007, before the onset of harsh economic times.²⁷ In certain areas of social participation, there has indeed been some significant reduction in the level of social participation deemed necessary. In MIS 2012, parents specified considerably less frequent meals out than they had in the past, and also reduced the value of birthday and Christmas presents that partnered parents need to spend on each other. Moreover, groups of parents discussing children's necessities in the 2009 recession questioned whether a full holiday was essential, or whether the minimum family break should be a long weekend away²⁸ – although in 2012, MIS groups continued to define a full week's holiday as necessary. It is important to note that where the extent of social participation defined as necessary has altered in the ways described above, the *type* of social participation and its justification generally remains the same. Respondents are still very clear that families need to spend time together socialising. Parents tend to emphasise the social importance of leisure activities more than their material aspects, and thus are finding ways of specifying participation in a more thrifty manner.

The definitions of necessities are similar but not identical among fathers, mothers, all adults and children

Whose perspective should we take when defining what children need and therefore the minimum cost of raising them? The views of the adult population as a whole have some relevance, particularly when the cost of a child is being related to taxpayers' support for families. On the other hand, parents have closer knowledge of what it takes to raise a child, and mothers typically more so than fathers, as they have been shown to take much greater responsibility for spending affecting

children.²⁹ And children themselves clearly have an interest, along with a perspective of their needs that might not be identical to that of their parents.

In practice, research has shown a great similarity in the definition of children's needs among these different groups. As referred to in Chapter 2, there is a remarkably close correspondence between the items listed as children's necessities by all adults and by parents only. In discussing family budgets in greater detail, the MIS project has not detected any marked difference between mothers' and fathers' views – in mixed parents' groups, mothers can sometimes be better informed about the details of children's needs and available products, but there is no clear tendency for fathers and mothers to come to different judgements.

The most marked difference in attitudes to necessities appears to be between parents and children, judging from the Children's Society list of items that children identify as needed³⁰ compared with equivalent lists by adults.³¹ Children appear to be more inclined to list items as essential because it is socially expected that you should have them, and include branded trainers in their list. However, two important caveats must be noted. The first is that the overlaps between children's and adults' lists are greater than the differences, and there is much commonality in the stated rationales. Both children and adults emphasise the importance of children being able to participate in family life and to interact with their peers, as part of 'social participation', even though there are certain differences in what they judge as necessary in order to do so. The other caveat is that the Children's Society asked children what is needed for a 'normal life', which it was felt would be most meaningful to them, and this may not be interpreted in the same way as questions to adults about whether an item is a 'necessity' for a child.

The estimates of the cost of a child in this report rest on judgements made by parents about family budgets. This method has been chosen because it is parents who have direct responsibility for financing and managing most of the spending that meets children's needs. As shown, it is not the only perspective on the cost of a child, but neither does it entail a radically different view of what children need from the views of other adults or of children.

Notes

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How parents view family spending requirements: new evidence

How do patterns of household need and spending change when people have children and when families grow larger? As discussed in Chapter 1, the overall amount that households spend is influenced by the actual resources that they have available, not just by what family members actually need. However, parental attitudes towards needs and how they should be prioritised influence who and what they spend their money on. The cost of children in different types of family must be seen in this light.

As part of the current research, we asked groups of parents to discuss their experiences of how spending patterns and spending needs are affected by the composition of families. This chapter considers the general findings of this research in terms of how families view the consequences of children for family spending. It goes on to explore specific impacts of family composition on the cost of a child, drawing both on the experiences of families described in this new research and on the ongoing minimum income standard (MIS) research into what different families need for an acceptable standard of living.

How life changes with children: general findings

To help understand how family composition affects household costs, we conducted three focus groups of parents, and asked them to discuss the changes that occur in families as a result of having children. These groups were tasked with identifying the influence of having a child, and the influence of having different numbers and ages of children, on the spending needs of families. They were asked to think about this in the context of how life changes when someone has a child and reflect on how families actually allocate resources to different areas of spending, rather than only thinking about needs in the abstract.

Parents in this research were clear that life changes fundamentally as a result of having children, so that the presence of children does not just create an ‘add on’ to meet their needs in addition those of adults, but rather affects how the whole family lives and consumes. They also pointed to some additional changes that occur for larger families. In particular, several overall themes emerged.

New responsibilities bring changing lifestyles

Participants told us that when they became parents, they were aware of the need to be responsible adults as they were now in charge of meeting someone else's needs in addition to their own. Parents had to be organised and outside activities could no longer be spontaneous as everything had to be planned in advance. They talked about how they were unable to 'pop out' without arranging childcare in advance and how this meant that their needs as adults were subsumed by the needs of their children:

'You go from being able to do what you want to being controlled with everything that you do. You've got somebody else now who totally depends on you to do everything for them.'

This responsibility affected all aspects of parents' behaviour, from how much alcohol they drank, the choices they made about what they spent their money on, to the need to teach their children the correct behaviour and values.

Parents prioritise meeting children's needs

Of considerable concern were the financial constraints that parents felt under because of, for example, giving up their jobs to provide care or having to pay for childcare. However, having responsibility for children meant that parents diverted their resources, prioritising meeting their children's needs above their own:

'I mean, I went from just going out and spending silly money on whatever I wanted to. Now I'm having to think about baby clothes, baby formula, everything else that encompassed a child, so you're right, everything I wanted didn't matter, it was everything that they needed.'

There were several instances of favourite sports having to be forgone or small cars reluctantly having to be sold because they could no longer accommodate their growing families. Parents reported that they rarely ate out as a couple and had fewer holidays – particularly holidays abroad:

'I haven't been abroad since I had children. I'm not begging to go, it's something that I've noticed.'

Time is particularly important to families as a scarce resource

Many parents perceived lack of time to be their greatest challenge. Lack of time affected their relationships with partners and how they dealt with their family's needs. Parents believed it very important to spend time with their partners, but recognised that the needs of the children came first. A particular issue for parents of three or more

children, or for those with young children, was the time needed to get everyone ready to get out of the house in the mornings. Parents with larger families pointed out that, because there were more children, their parental time had to be stretched further. This led to some concern about their children suffering from a lack of individual attention:

'They get less time with myself and my wife. We've got four young ones, so it is quite hard to give a lot of time to one of them in a go, so they probably suffer a bit from that.'

Some parents also felt that having children a few years apart meant that parental attention could be more evenly distributed, as when their children grew older they were more able to do things together as a family. As children grew older, it became easier for them to understand that a younger child's needs had to take precedence to their own.

Parents perceived that those children without siblings would have more time devoted to them on an individual basis and that babies were automatically afforded more attention because of the immediacy of their needs. Parents with more than two children and/or a combination of older and younger children felt especially squeezed for time. Meeting the needs of several children combined with the demands that very young children placed on parents made it difficult to get things done and to ensure that everyone received attention. Therefore, these parents had to meet their family's needs in the most convenient way possible. Time and convenience were major reasons given for the need for 'white' goods and consumer items that helped parents organise and manage their family's needs.

Having a large family brings some economies of scale, but also some distinctive extra requirements

In some respects, the additional cost of each extra child in a family should diminish. Economies of scale mean that it is not always necessary to buy so much additionally for each successive child, particularly in the case of items that only need to be bought once. For example, if a family cannot cope adequately without a car once the first child arrives (as the 2012 MIS research found), this will impose an additional car purchase cost that will not recur when the second child arrives.

However, in some cases, having a large family creates new categories of needs. For example, families consider that a tumble dryer becomes essential once a family reaches a certain size. For this reason, the additional cost of each successive child does not fall as systematically as might otherwise be the case.

Moreover, regardless of the average cost per child, parents in large families faced bigger overall costs that made them think about children's costs differently. Those with three or more children explained how they needed to be more resourceful the more children they had and that they became more careful about what they spent:

'When I was younger I used to spend quite a lot on clothing, so with my first born I did the same. I think I bought a baby top, the first top I bought her cost a lot ... and she wore it once and then two weeks later, I said ... she can wear that top again, and [wife] said it was stained and I realised quickly that you can't, so I would still go out and buy stuff, but then when our second was born I think I started getting more conscious about how you spend your money and everything.'

Parents balance meeting children's needs and managing their expectations

A key issue for all parents in this research was how best to meet their children's different needs and expectations about clothing, and personal items such as toys and games, as well as making sure they could go on outings and take part in activities. However, above all, parents with more than one child wanted to ensure that they were being seen to be fair to each of their children. For certain items, this involved being pragmatic and basing decisions on immediate need. An example given was where a child had holes in his shoes which took priority over other children's needs in the family.

Parents also explained that they wanted to make sure that all their children were treated equally unless there was an obvious and immediate need for something for one child ahead of others in the family. This tended to take two forms. First, there were those parents who tended to spend the same amount on all their children for Christmas and birthdays regardless of the age of their children. In this way, they could consider that they had acted fairly:

'In our house they have the same for their birthday, the same for their Christmas... Regardless of age.'

Other parents, particularly those with larger families, felt that if older children wanted an item that cost more they should have it, as younger children would not be aware of the cost or feel deprived if the monetary value of their presents was less:

'This year my oldest wanted a DS so we got him a DS and that was considerably more money than we spent on the 18-month-old and the baby, so I think that's more important as they get older.'

Parents also mentioned that they managed their younger children's expectations by promising them that when they grew up they would also be able to go on outings that their older siblings had been on or receive the more expensive items that their older siblings had now:

'I mean, my oldest she went to France with the school, so when the middle one went up to secondary school, [I said] you can go on the French trip, but I did say don't ask to go skiing because your sister didn't go, so you can go to France, and I said to the youngest one, when you get to that point you can go to France, but please don't ask me to go skiing because you won't be allowed to go.'

The impact of family composition on meeting particular family needs

We can now look more specifically at the effect of family composition on how much households need to spend in particular consumption areas. The following draws both on the discussion groups carried out for this study and on the main minimum income standard research. In some cases, where indicated, the MIS specifications have been modified in 2012 to take account of findings for the present study. More commonly, these findings have helped interpret or contextualise the minimum requirements specified by MIS.

Homes, space and household items

The number, ages and gender of children affect the need for more bedroom space. Parents highlighted the need for enough bedrooms to accommodate their children. For example, one parent of four children stated that, although his daughter was sleeping in one room, his three boys were sharing another, which he felt was too crowded. He was less concerned about having more downstairs space. Another parent of a young boy and girl who were sharing a room knew that, at some point, she would need to move house to enable them to have their own bedrooms. Other parents believed that they needed more living space as their children grew up and required their own downstairs space. Parents also believed that the gap between children can affect the need for additional bedroom space because of the need for privacy when children reach their teenage years:

‘... my boys have got a seven-year age gap, so when my 18-year-old was slightly younger I wouldn’t expect like a 14-year-old lad to share a bedroom with a seven-year-old lad, because once they hit the teenage years they need their privacy, you know.’

These findings correspond with the MIS specification, which in most cases assumes one bedroom per child. It suggests that bedroom space is the key priority in determining whether homes feel big enough for a family.

A few parents with four children considered additional bathroom space to be important. In these cases all the children were girls, and parents felt that they were currently all trying to access it at the same time.

Having more than one child and having children of different ages increases the likelihood of needing to repair and replace household items. Parents talked about how older girls and boys had a tendency to spill things on carpets, creating stains, while younger children could often be more destructive by, for example, drawing on furniture and wallpaper and by breaking things.

Household appliances

Across household types, it is agreed that a modern home requires a fridge, a freezer, a microwave and a washing machine. Tumble dryers,

however, are not considered essential for households in general. But parents considered them to be vital in households with more than two children who are close together in age and, in particular, if they are babies and/or toddlers. Parents explained that this was because the amount of washing increased with the number of children and, without good weather, the likelihood was that laundry would not dry quickly enough for when it was needed. This was particularly the case in households with very young children, as they were often sick and clothing needed washing more frequently. Tumble dryers were considered essential if parents worked during the day and, given the British weather, were unable to rescue washing from washing lines in the event of a downpour. Tumble dryers provided a convenient and easy way of getting the family's clothes dry and ready in the limited time they had available.

This distinction between needs in larger and smaller families has been built into the MIS specifications.

Computer access and use

The main MIS research has highlighted how important it is for households with children to have a computer at home.¹ Parents in this research explained how having a large family affected the need for additional computers. Parents told us that they often took last place in being able to access a computer. They felt that when there were two or more school-age children in the household it was essential to have an additional computer. This is because school work was perceived to put considerable pressure on children to have access to computers, which grows as school progresses. Parents also discussed how gender played a part in affecting access to household computers, pointing out that older children disliked spending time in each other's rooms. One group of parents suggested that an additional computer within the home could take the form of a netbook, a cheaper form of computer which provides internet access:

'Two netbooks for the cost of a laptop so why not buy two netbooks instead of a laptop? That way if you've got more than one kid... They're half the price of the normal laptop. You can get a decent netbook for £200.'

The requirement for an additional computer where there is more than one school-age child has been built into the MIS specification.

Handing down and sharing clothes, toys and equipment

In principle, in larger families, handing down and sharing items could provide an important economy of scale. However, when specifying minimum requirements, it is difficult to assume that certain items will be shared, the feasibility of which may be influenced by a number of factors, including gender and storage space.

Having children many years apart was considered by the parents' groups to mean that items could not be handed down, and parents in such situations had to start again in terms of buying baby equipment and clothing. Items had either gone out of fashion or a lack of storage

space meant they could not be kept or they were unsuitable because they had not been stored properly:

'It depends if you've got the space to save them [pushchairs] ... I didn't get rid of the pushchairs, they were just in the garage. I kept meaning to put them on eBay and never got around to it ... I was pregnant with the youngest. Sometimes though if you store things, things get a bit damp, get a bit rusty, you don't want that for a baby do you?'

The smaller the age gap between the children, the more likely it was that parents could reuse or pass on items, such as plug socket covers, stair gates and sterilising equipment, while some items, such as feeding bottle teats, were bought new for each child. Having children close together also affected the need for additional items, such as a buggy board, a double pushchair and additional car seats, which could be costly.

Specifications for MIS requirements for various family combinations have been adjusted accordingly.

Parents noted that it was important for children to have a say about what they owned and wore, but that this developed once they were mixing with other children at school. They felt that children became more discerning about their clothes and their own personal items at this stage. This was primarily because they were socialising more with their peers, spending time at friends' houses and seeing what they had:

'Things like bedding and stuff, they wouldn't choose bedding or anything until they were seven or eight years when they've been at school and want to be like their friends when they go to other people's houses and see what their peers have got and everything else...'

'That's about when my two started to pick what they wanted.'

This affected what clothes they chose to wear most frequently and hence how worn out clothes or bedding became, which could affect how suitable they were for passing down to subsequent children. Having both girls and boys also affected what clothing could be passed on within the family.

The number of times clothing was worn also affected whether it could be handed on to other children within the family. School uniforms were a case in point as they are worn so frequently and, in many cases, washed so often. This could affect the lifespan of jumpers and this, as these parents note, affected whether children were marked out as poor or as different:

'At the school my son's at there is no option, you buy the school shirt and jumper from school, it has the logo on it, you can't get them anywhere else, and Reception's are beautiful, well it's blue and gold; blue and gold go great, and as the children get older the colour fades and you can spot the children who have got older siblings because their jumpers are a lighter shade of blue.'

'Also the school has second-hand uniform sales twice a year.'

'There are children who are wearing someone else's second-hand jumper, so it doesn't make them stand out is the point I'm making.'

Transport

Parents agree that a car is needed in order to meet the needs of families with children: an important extra cost compared with adults without children who, in urban areas, specify that a car is not generally essential. Larger families also face additional costs if a different kind of car is required.

The number and ages of children affect the need for a bigger family car in order to transport children safely. For example, it was considered impossible to fit three car seats into the back seat of a Ford Focus. It also proved difficult to fit a family of three or more children into the back seat of an estate car, especially if all of the children needed car seats. One parent had swapped the family's estate car for a minibus when he found out he was expecting a fourth child. A seven-seater was considered the minimum acceptable size of vehicle for a family of four children and two adults, but there was recognition that there was no boot space if pushchairs were required. A roof rack was then put forward as a solution. Not having a car in families with three or four children would mean that children would not be able to take part in activities outside the home as the logistics would be difficult to manage. In addition, having several younger children would make it difficult to get anywhere safely via public transport.

Social participation

As discussed, the presence and number of children in a household can have an important effect on the ways in which people participate socially, including taking part in activities outside the home, consuming alcohol and giving presents.

A familiar refrain among parents was that they had little leisure time to themselves since having children and this was particularly the case among larger families. They were unable to do things without their children, or without having childcare in place for younger children. As such, in many cases their whole lifestyle underwent a change. For example, socialising took place with other families who also had children and this meant going to each other's houses rather than going out doing 'adult' things. Parents also told us that, since having children, their own social lives were subordinate to the overall needs of the family and consisted of doing things as a family together, rather than individually:

'As a family we do lots of things, we do camping, biking, you know, walks.'

'A lot of our socialising is done together as a family. We don't go down the pub, we go around each other's houses and we've all got children of similar ages so we'll take it in turns around houses and do it that way.'

Parents reported that they ate out less often since having children, as well as drinking less alcohol in the home. Parents did believe,

however, that it was very important to eat out together (as a family, no matter how big) because it gave parents a break from cooking and provided the opportunity to educate children about the correct behaviour and table manners required in public. However, in MIS 2012 the minimum frequency with which a family should be able to eat out has reduced since 2008, to just three times a year.

One of the reasons for restricting how much alcohol they consumed at home was that parents were aware that they may need to take their child to hospital if there was an emergency. They also felt that they could not function properly the next day if they had over-indulged the night before.

These perspectives help explain why MIS parents' groups have specified a lower minimum requirement for adults eating out and drinking alcohol inside and outside the home when they have children compared with when they do not. When a couple has a baby, the total MIS budget for social participation and for food (which includes eating out) actually falls. The limited needs of the baby in these categories are outweighed by reductions. It also explains why some aspects of socialising outside the home, such as an occasional drink with colleagues after work, have been considered part of an essential minimum for adults without children, but not those with children.

Family composition also affects perspectives about social participation for children. Parents stressed that, even in large families of three or more children, each child should be able to take part in two activities a week (as specified by MIS), despite the logistical difficulties that this could entail. Parents with more than two children highlighted the extent to which they had to negotiate with their children who could do what and when:

'So and so's got a party to go to but the other one needs a taxi to the pictures, and then you have to juggle your time. I mean I had an instance the other week and the middle one was saying, "Mum can you pick me up from town at 5:30?" I said, "No, I can't, I've got to be at Brownies at that time." You know, I said, "It's five o'clock or you're walking, final offer." "Right, deal." That's what came back.'

Of major concern to parents was the need to ensure that their children could participate with the rest of their peers. This was particularly the case when making sure their children had items other children had:

'My son has a DS, he got it for Christmas and it was a family present so his grandparents and my husband and I we all put together to have that... But part of the decision, because I think they're ridiculously expensive and my initial reaction when he said that's what he really, really wanted, he'd go without everything else for Christmas if he could have one of these, and my initial thinking was, no that's ridiculous they're £150. But then we talked about it and realised that he's the only child in his whole year group that didn't have one.'

Parents with children of different ages prioritised their older children's need for clothing because of concerns about them fitting in with their

peers. For example, unless there was an immediate need, older children took priority as they were more likely to mix with others and socialise with friends. What their children's peers wear and think about certain styles can affect what their children wear and feel about themselves, thus influencing how well they fit in.

This greater importance of children's perceptions among older children also affected attitudes to birthday and Christmas presents. Parents noted that the items teenagers tended to want for birthdays and Christmas were bigger and more expensive than the items younger children wanted:

'They get more expensive and again when they get to teenage years, the things that they like cost a lot more... I could buy one object for my teenager and if I spend the same amount on my 11-year-old it will be loads. He doesn't want the big telly or the PS3 and what have you, he's 11 he's into other things and they cost a lot less.'

Conclusion: perspectives on family spending and the cost of a child

Drawing on the perspectives of parents, there are several overlapping issues related to the cost of a child:

- ◆ The actual consequences of having a child on how much is spent on adults and on children. Unsurprisingly, where there are more 'mouths to feed', there is less money to spend on each individual. But the fact that parents prioritise children's spending means that there is a particularly noticeable cutback on what is spent on adults. And in larger families, some children's requirements take priority over others, albeit in the context of parents wanting to be fair.
- ◆ The extent to which these consequences mean that needs go unmet. Parents talked about making sacrifices, but also about doing without some things (such as foreign holidays) that were not necessarily a basic requirement of life. Whether the cost of meeting the needs of an additional child will involve deprivation for another member of the family depends on overall family income.
- ◆ The extent to which families believe that needs change, or can be met in new ways, when family circumstances alter. Parents in this research described the different ways that both adults and children lived according to who else was in their family. For example, adult patterns of socialising are not going to be the same when they have children as when they do not, because of their responsibilities and time constraints. Assessments of what is required for an 'acceptable' standard of living will be influenced by this context. This means that, in practice, the additional costs of a child can, in some respects, be partially offset by reduced costs elsewhere in the family budget, particularly if the arrival of the first child is associated with a less expensive budget for adult socialising.

The discussions with parents showed that it is hard to separate these features very clearly, but each is an aspect of the cost of a child. The evidence shows that, while the calculations in the following chapter interpret the cost of children to mean the net additional household spending requirements arising from the presence of a child, there are other important aspects to such costs. In particular, the findings underline that adults typically do make material sacrifices when they have children – even though they often do so willingly as a feature of family life, which brings other, more intangible, benefits.

Notes

- 1 A Davis, D Hirsch and N Smith, *A Minimum Income Standard in the UK for 2010*, Joseph Rowntree Foundation, 2010, pp13-14

This chapter sets out our calculations for the cost of a child in 2012, in a form that will be easily updatable on an annual basis. As concluded at the end of Chapter 2, the most robust and coherent measure of the cost of a child involves:

- ◆ looking at what households of different types *need* to spend to achieve a minimum acceptable standard of living; *and*
- ◆ considering how these overall household spending requirements *increase* as the consequence of having one or more children.

Thus, the following calculations are based on the *difference in the cost of household necessities* associated with each additional child.

We look below first at an overall calculation of the additional cost of children and then at how this compares with what the state gives to families in different situations to help them cover these additional costs.

Calculation of the cost of a child

We use the following method to calculate the additional cost of having a child in the family in 2012.

- ◆ Based on the minimum income standard (MIS) research for April 2012, we look at minimum costs for households without children and with children of various ages. The research only covers ‘nuclear’ families – ie, households comprising a single adult or a couple plus dependent children. It distinguishes between children’s costs in four different age categories: birth to one, two to four, primary school age and secondary school age.
- ◆ To calculate the cost of, say, a five-year-old who is the first child of a couple, we subtract the cost of a couple without children from that of a family with one child aged five. In the case of a lone-parent family, we subtract the cost of a single adult from that of a lone parent with one child.
- ◆ To calculate the additional cost of a second child aged five, we consider first the cost of a family with children aged five and eight. (This assumes a three-year age gap, which is the median for two-child families, identified from Family Resources Survey data.) We then subtract from this the cost of a family with just an eight-year-old, which would have been incurred had the second child not arrived: the difference is the additional cost of the second child.
- ◆ We repeat this for a third and (in the case of couples) a fourth child, in each case looking at the additional costs of the youngest child at a specified age by comparing family costs with and without that child. In each case, we assume age gaps equal to the median in gaps by birth order in the given family size.

- ◆ For each child by birth order, this produces an 18-year sequence of additional costs, starting from the year following birth and ending with the year following the seventeenth birthday. We can then look both at the average costs of a child and at variations during the course of childhood.

The average cost of a child in 2012 is shown in Table 1. The MIS research, on which these costs are based, covers couples with up to four children and lone parents with up to three children.

Table 1

The additional cost of each child, 2012

All additional costs	Couple parents				Lone parent		
	First child	Second child	Third child	Fourth child	First child	Second child	Third child
Total cost over 18 years	£154,785.71	£130,573.86	£140,874.75	£125,527.78	£171,994.73	£138,036.03	£124,650.26
Average per year	£8,599.21	£7,254.10	£7,826.37	£6,973.77	£9,555.26	£7,668.67	£6,925.01
Average per week	£164.92	£139.12	£150.09	£133.74	£183.25	£147.07	£132.81
Excluding rent, childcare and council tax							
Total cost over 18 years	£83,567.57	£75,915.89	£79,398.55	£73,469.82	£94,232.90	£82,427.30	£89,246.08
Average per year	£4,642.64	£4,217.55	£4,411.03	£4,081.66	£5,235.16	£4,579.29	£4,958.12
Average per week	£89.04	£80.88	£84.60	£78.28	£100.40	£87.82	£95.09

Table 1 shows that, on average, the day-to-day costs of a child come to about £80 to £100 a week, with childcare adding substantially to this amount. Over 18 years, each child can cost over £100,000 to bring up when the cost of childcare is included, or £70,000 to £95,000 when it is not.

How are these costs comprised? It is difficult, using the ‘additional costs’ method, to give a clear-cut breakdown of how much different children’s items contribute to the overall costs, since the comparison ‘overall household costs’ includes some ways in which adult or whole-family needs are met differently when household composition changes. However, the following features are of interest.

- ◆ When the first child arrives, the biggest additional cost is transport. Based on detailed discussion with groups of members of the public, MIS assumes that the arrival of this child triggers the need for a car, in order to achieve an acceptable living standard. This typically accounts for between one-third and one-half of the overall additional cost of the first child. Most of the other additional costs are divided roughly evenly between clothing, household goods and personal goods and services, such as toiletries and health costs.
- ◆ Some costs initially decrease with the arrival of the first child. For example, the minimum cost of social and cultural participation is slightly lower for a couple with a young child than for a couple without children. As discussed in Chapter 4, different patterns of social participation when people have children account for that effect. However, we must interpret this result with some caution because MIS looked in more detail at costs for families with children than those without children in 2012, and this may have helped

cause the research to identify more tightening of social participation budgets for the former since the onset of the recession.

- ◆ The net additional cost of the first child is greater in a lone-parent family than for a couple. This is largely because for those areas where parents have lower specified spending requirements than adults without children, the benefit is only felt once for a single adult rather than twice for a couple. Food costs do not go up much overall when the first child arrives, partly because they include eating out and are subjected to the lower cost of leisure activities. However, even when this effect is taken into account, a single older child increases the net cost of food substantially compared with if there were no children.
- ◆ The additional costs of the second and subsequent children are composed differently from that of the first child. Additional motoring costs are less: once a family owns a car, the costs of increasing mileage or even getting a larger car as the family grows are small relative to the baseline cost of ownership. On the other hand, the cost of meeting the social participation needs associated with additional children is no longer offset by lower costs for adults, as it is when they become parents. The single greatest category of additional costs for a second child is therefore social participation, followed by food.
- ◆ Most additional costs are greater when children are older than younger. For example, each additional secondary school-age child typically adds about twice as much to the food budget and 1.5 times as much to the clothing budget as a baby does. The obvious exception to this pattern is childcare (see page 43).
- ◆ In general, modest economies of scale reduce the additional cost for each child, although not by much. The effect is limited in part because, in some cases, there is a 'tipping point' that puts costs up disproportionately for an extra child – a 'diseconomy of scale'. For example, fuel costs typically increase by two to three times as much for a third child than for a second child, because running a tumble dryer, specified only where there are at least three children, consumes a large amount of electricity. The results are also influenced by where exactly the scale economies occur. The additional cost of a second child in a couple family is relatively low, in large part because food costs increase by relatively little for the couple's second child. This may be because packet and portion sizes happen to be well suited to this size of family, producing better value for money than for larger or smaller ones.
- ◆ Housing costs do not figure as prominently in these calculations as they may for some families. We assume in all cases that households are social tenants, and social rents do not change very dramatically as the size of families and homes increase. In reality, for families renting or buying their homes privately, additional housing costs are likely to be greater. It is impossible to produce a standard minimum cost in these sectors, where prices vary greatly. However,

the potential size of such costs can be illustrated by considering the official figures for a modest private rent, used by the government in setting caps on local housing allowance rates. Using the average of these rates for local housing market areas in England, we can compare rents for different sized properties. Adding a second bedroom is associated with an additional rent of £29 a week, a third costs £28 and a fourth costs £25. These equate to an additional lifetime cost of around £25,000 a year per child. For out-of-work families and those on very low incomes, at least some of this cost will be covered by housing benefit (although many families unable to find such a modest rent have to contribute themselves), but for working families who are not on very low earnings, this support is withdrawn.

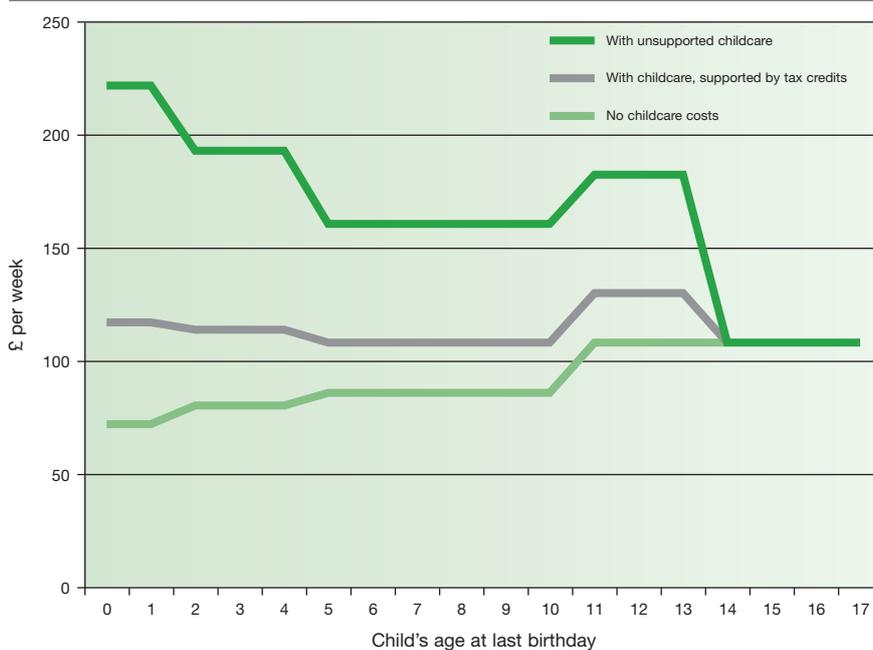
- ◆ It is interesting to note that these calculations of the cost of children suggest that they are higher, relative to adult costs, than have been assumed in measuring household incomes. The ‘equivalence scales’ referred to earlier in this report assume that a child under 14 costs 20 per cent as much as a couple without children. Our calculations suggest that the true figure is around 21 per cent for a child from birth to age one, rising progressively to 37 per cent for a secondary school-aged child. This finding is important because it shows that estimates of poverty rates, which assume that the threshold below which a household is in poverty is substantially higher for a family with children than without, if anything underestimate this difference. A supplementary calculation shown in Appendix 2 estimates what poverty rates would be if these calculations of relative needs were taken into account.

The total cost of children at ascending ages escalates in terms of day-to-day living costs, but reduces in terms of childcare. Children above the age of 14 are assumed not to require childcare, younger school-age children typically get about 30 hours of free ‘care’ at school, and children aged three and four have a 15-hour entitlement at a nursery or other childcare setting – but below that age, there is no free entitlement.

Figure 1 shows, in the lower line, that for a family not paying for childcare, the overall cost of a first child rises by about 50 per cent from infancy to secondary school age. However, for the many couples who both need to work in order to make ends meet, the cost of childcare reverses this picture. For those working full time and receiving no help from the state with childcare costs, children are easily the most expensive during the initial period before any entitlement to free nursery or school provision, when about two-thirds of additional costs are attributable to childcare.

Figure 1

Additional cost of first child of a couple, by age and childcare status, 2012



On the other hand, for those on low incomes who are entitled to tax credits, the effective additional cost of childcare is reduced by 70 per cent. The effect, shown by the middle line in Figure 1, is to make overall costs for low-income families in work potentially fairly even during the course of childhood, with the higher family contribution to childcare in the early years being similar to the lower cost of other aspects of bringing up younger children. However, the net cost is still higher in the early years than in the teenage years, a reversal of the situation from before April 2011 when the childcare tax credit was more generous, paying 80 per cent rather than 70 per cent of childcare costs. Then, bringing up a child on low earnings cost about 5 per cent less in infancy than at secondary age, rather than about 8 per cent more today.

Note that the jump in costs shown at the age of 11 in Figure 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. On the other hand, a schoolchild’s childcare needs are assumed to continue until age 14, so there are three years when both of these costs combine. In reality, changes are likely to be more 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.

The state's contribution to the additional cost of children

The state makes many types of contribution to the cost of bringing up a child, not least by providing services, such as school education, healthcare and some childcare, free of charge. The measure in this report has considered the cost of a child that families need to find out of their income *after* the provision of such services. The state also uses benefits and tax credits to help support the incomes of families with children. How much do these income transfers offset the additional cost of having children, for various types of family?

In addressing this question, we should certainly not assume that the state's role is to make having children cost-neutral for families. In most cases, we expect families to play the main role in providing for their children. There are two main reasons for the state to have a role. One is to transfer at a general level some resources from people without children to those who have them. This is partly an acknowledgement of the fact that society values children, and wants to make some collective contribution to the cost of supporting them. It can also be seen as a means of redistributing money across the lifecycle, between those who are at a cheaper and more expensive period of their lives. The second reason for income transfers, and one that has become more dominant in recent years, is to ensure that all families have the means to bring up their children at some minimum level – in particular, to keep them out of poverty. This second basis, taken to its logical conclusion, could point to the state paying most, or all, of the cost of bringing up a child at a minimum level, in families depending wholly on the state for their income. It is not the role of this report to address the politically controversial issue of whether this is desirable, but the calculations below inform the debate by measuring how close the system gets to providing for minimum family needs.

Out-of-work benefits

The most straightforward comparison is between the additional cost of a child and the maximum amount that a family can receive in benefits and tax credits in respect of that child, if the family does not work. This is the sum of child benefit and child tax credit. This is added to the income support entitlement of a single adult or couple to comprise the basic level of benefits received by the family to cover basic living costs. Rent and council tax are outside this system and (up to certain limits in the case of rent) are reimbursed fully through housing benefit and council tax benefit. The following calculations exclude rent and

council tax from both the spending needs and the benefits received by out-of-work families.

Figure 1 shows how the additional cost of each successive child in the family (averaged over all ages) compares with the additional amounts received in benefit. It shows that:

- ◆ Adults without children get only about half their needs met by the benefits system.
- ◆ A much higher proportion of children's needs are provided for than adult needs. In the examples shown, additional benefits provide between 73 per cent and 94 per cent of the extra cost of a child. This hides greater variation if we take into account variations in cost by age. For children under the age of two, in some cases, benefits provide slightly more than the minimum additional cost of the child. In contrast, a lone parent gets less than two-thirds of what is needed for the additional cost of a second child of secondary school age.

Figure 2 shows that two things happen when a family gets larger. The first is that benefits provide a growing proportion of overall family needs. The second is, however, that the absolute amount by which a family falls short of meeting these needs increases. This is because the need grows by more than the benefit entitlement.

The effect on children's wellbeing depends on how resources are allocated, and whether resources other than benefits are deployed. In one scenario, non-working families spend exactly what they receive in benefits, and allocate them evenly in proportion to each category of family need. In this case, we could say that a couple with four children is in a somewhat better position than a couple with one child, because benefits allow them to provide for just over 60 per cent of the minimum needs of their family, rather than for just over 50 per cent (although having four children in hardship can be seen as tougher than having one child, even if the hardship level for each is slightly less).

In reality, however, most parents would do everything in their power to avoid their children having to grow up so far below a minimum acceptable standard of living. If, instead, they make sacrifices in meeting their own needs, run up debts, use up savings or obtain help from family, friends or a former partner, they will potentially find it *harder* to meet the needs of more, rather than fewer, children. This is because the amount available from such sources may stay the same regardless of the number of children, but the absolute amount that the family is short of covering minimum requirements is greater in a larger family.

Figure 1
Cumulative costs and benefit entitlement, non-working families, 2012

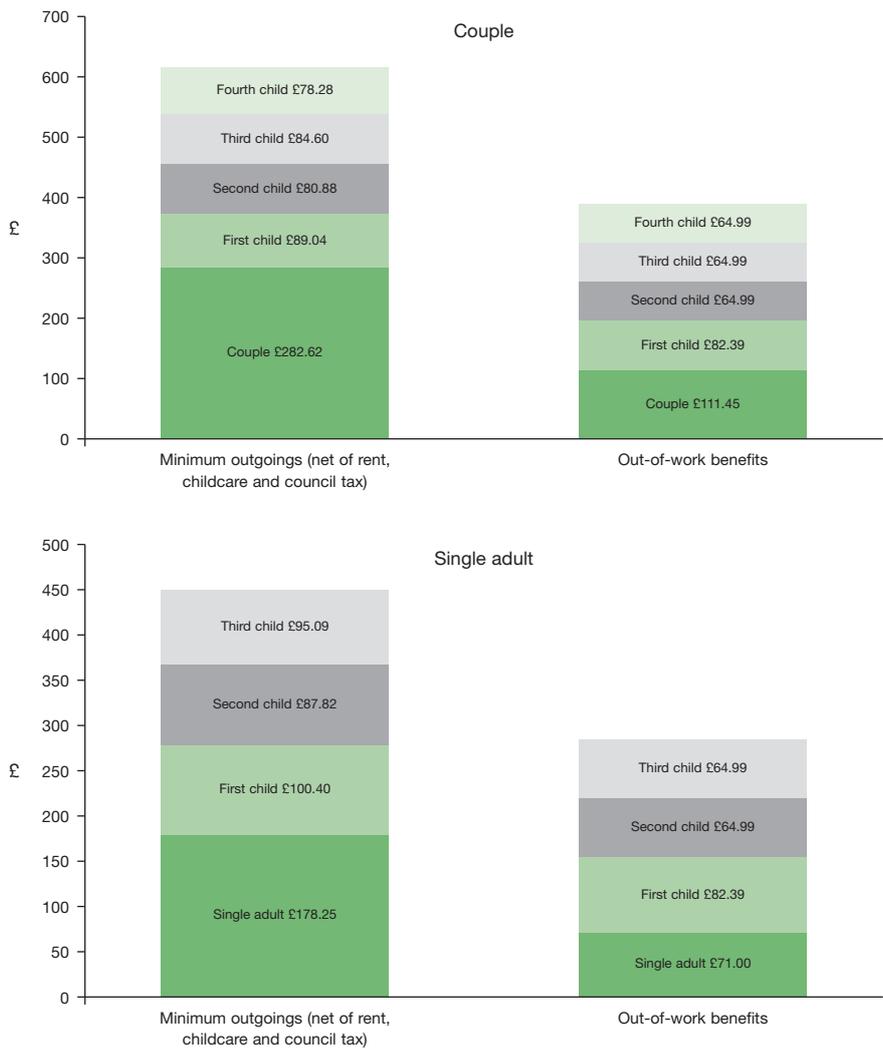
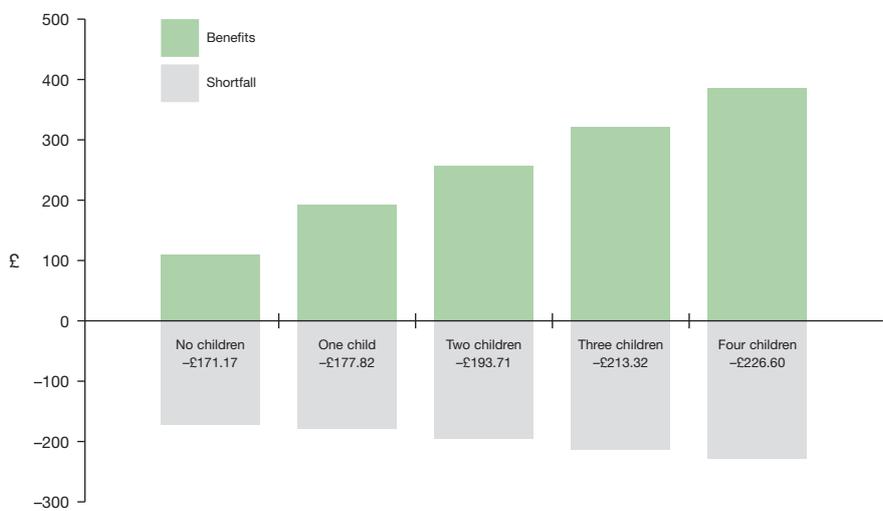


Figure 2
Adequacy of out-of-work benefits for couple families



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

In-work support

Under the present tax credits system and the future universal credit system, the state makes substantial contributions to the cost of a child. The greater part of this contribution is means-tested and, from 2013, no support for children will be given irrespective of a family's means.

Consider first a family on very low wages, but working at least the number of hours required to trigger in-work support: 16 hours for a lone parent and a combined 24 hours for a couple. If family income remains below the threshold at which support begins to be means-tested (the 'disregard' level), the family will receive at least as much for an additional child as if it was on out-of-work benefits – the full child tax credit plus child benefit. In addition, the arrival of the first child may trigger an increase in housing benefit (by more than any increase in rent) and in working tax credit. The amount of income disregarded in calculating housing benefit and council tax benefit rises with each child, so on a given income a family on low pay could be getting its full rent reimbursed if it has more children, but has to cover some of its rental costs if it has fewer children. In the case of working tax credit, a single person without children receives a lower rate than other family types, so a lone parent gets substantially more (at present an additional £37.45 a week) as a result of having children.

All this makes it theoretically possible for the lowest paid families, in certain circumstances, to receive additional in-work benefits for a child that exceed the minimum additional cost of that child. For example, a lone parent with one child, working 20 hours a week on the minimum wage would currently earn £121.60 a week and get £37.45 more in working tax credit than a single person on the same wage, receive £38.76 more in housing benefit and council tax benefit and, in addition, receive the full child tax credit and child benefit amounts shown in Figure 1 on page 47. This means that the lone parent with one child would have £158.60 extra to cover the cost of a child whose additional cost is around £115 to £120 a week depending on age (including the family contribution to the cost of childcare for a younger child). However, this is as much as anything a reflection of the very limited support of a working single person without a child – including minimal help with housing costs.

Furthermore, it is important to note that such cases arise only for the lowest paid adults whose inadequate earnings would leave them well short of what they need, whether or not they have children – even with the help of benefits. Once earnings rise above this basic level, in-work benefits fall off sharply. It is hard to generalise about the extent of state support across many different circumstances of in-work families. However, as shown in the scorecard on page 9, benefits tend to cover a greater proportion of additional children's costs for low-paid lone parents than for couples with children. This reflects the fact that a single person on low pay starts much further below the level that meets her/his needs than a couple. Even with in-work support, a

lone parent needs considerably higher wages than a two-earner couple in order to reach a minimum acceptable standard of living.¹

While means-tested support for children is withdrawn rapidly with rising income, the size of this support, especially for families requiring childcare, is large enough for some families on close to average earnings to still receive it. However, since 2012, the point at which child tax credit disappears completely has been lowered. This means that more families on middle incomes than in the past receive only child benefit from the state. This is worth £20.30 a week for the first child, which represents between 17 per cent and 29 per cent of the basic additional cost of the first child, but as little as 8 per cent for a young child including childcare. For additional children, child benefit is worth only £13.40, and this provides 13–23 per cent of the basic additional cost of a second child, but as little as 6 per cent when including full childcare costs.

From 2013, for the first time since 1946 when Beveridge's family allowances were introduced, some families in the UK will foot the entire financial cost of bringing up their children, with no direct help from the state. Any family with someone earning over £60,000 a year will receive no child benefit or other payment to help with children's costs.

Notes

- 1 A Davis, D Hirsch, N Smith, J Beckhelling and M Padley, *A Minimum Income Standard for the UK in 2012: keeping up in hard times*, Joseph Rowntree Foundation, 2012

This report establishes benchmarks of children's costs and the contribution of the state in supporting them, which can be monitored over time in the future. We have not been able to look in detail at the history of such costs and of benefits. However, we do know that the minimum cost of children has been rising faster than the Consumer Prices Index (CPI) in recent years, for several reasons:

- ◆ The prices of some essential items such as food, water and domestic fuel, which comprise a larger part of an essential basket of goods and services than the average basket on which inflation indices are based, have risen relatively rapidly. Analysis of this effect suggests that the cost of a constant minimum basket has risen by over 10 per cent relative to the CPI in the past decade.¹
- ◆ Childcare has risen particularly rapidly in price: since 2008, by about 30 per cent outside London and 50 per cent inside London, compared with 14 per cent CPI inflation.
- ◆ In 2012, a reanalysis of the minimum basket of goods and services first carried out in 2008 by the minimum income standard project found that changing requirements have increased the cost of children since that time. Although some minimum costs, related to social participation, are being specified at a more modest level than in 2008, transport costs have risen sharply. This is because parents now agree that a car is essential for a family with children, since public transport has become insufficiently flexible and accessible to meet families' minimum requirements.² This has had a particularly large effect on the additional cost of the first child in the family, whose arrival triggers the need to run a car.

The amount the state gives a family to help meet additional costs of children has also been changing. Over the past 15 years, there has been a step change in such support for families on a low income, introduced with the advent of the tax credit system, reinforced by some increases in child tax credit at the end of last decade, and to be carried through to a large extent into the universal credit system. In 1997, for example, an out-of-work family with two children aged under 11 received £64.65 a week in children's benefits; now they receive £147.38. Even correcting for inflation (using the 'Rossi' index, the standard inflation measure for considering the value of household incomes net of housing costs), this is a 53 per cent increase. Real household incomes have risen by only half this amount over the same period. We can thus say with some confidence that the present situation where most of a child's additional costs are paid for by the benefits system is relatively favourable in historic terms. This is due to the effort to allocate resources into reducing child poverty.

More recently, however, there have been reductions as well as increases in the generosity of transfers to families with children. Above-inflation increases in child tax credit were continued until 2011.

On the other hand, child benefit has been frozen in real terms. For families in work, tax credit entitlement fell in 2011 as a result of a steeper 'income taper' (the amount of tax credit withdrawn for each additional pound earned) and the lowering of the proportion of childcare fees eligible for support, from 80 per cent to 70 per cent.

What has been the net effect of higher costs and changes in entitlement on the adequacy of children's benefits since 2008, when the minimum income standard level was first calculated? Taking the measure shown in the scorecard on page 9, we estimate that benefits then provided a similar proportion of children's costs for couples as today, but a higher proportion of lone parents' costs. The deterioration for lone parents is attributable to the greater relative burden of covering the cost of a car in a smaller family, combined with more limited savings in adult leisure budgets. Specifically:

- ◆ In 2008, the benefits system provided about 86 per cent and 84 per cent of the additional cost of two children in couple and lone-parent families, respectively. Today it covers 87 per cent and 78 per cent.
- ◆ Had children's costs only risen by the CPI, the present system would be more generous, providing 91 per cent and 89 per cent respectively, because overall, benefits have risen faster than the CPI.
- ◆ In fact, the increases in benefits intended to cut child poverty were just enough to compensate for the relatively high inflation rate of a 'minimum' basket. Had the contents of this basket remained unchanged, the percentage of children's needs covered by benefits would have remained the same.
- ◆ Hence, the main overall change in the adequacy of benefits in the period 2008 to 2012 arose from a net increase in the value of necessities required by lone-parent families. For them, benefits now provide only 78 per cent rather than 84 per cent of a larger 'basket'.

Notes

- 1 D Hirsch, *A Minimum Income Standard for the UK in 2011*, Joseph Rowntree Foundation, 2011
- 2 A Davis, D Hirsch, N Smith, J Beckhelling and M Padley, *A Minimum Income Standard for the UK in 2012: keeping up in hard times*, Joseph Rowntree Foundation, 2012

Bringing up children has never been cheap. A large part of the cost has always been covered by parents, who accept that their resources are likely to be most stretched during the period of life when they have children. However, there are several reasons why, in 2012, an appreciation of the cost of a child is particularly important.

First, we could potentially be at a significant turning point in the history of child poverty and related policies. Between the 1970s and the 1990s, there was a fundamental change in the distribution of poverty in Britain, from a phenomenon most commonly affecting pensioners to one where children were most at risk. Subsequently, a combination of improved employment rates for parents and substantial additional income transfers from government helped reduce child poverty substantially, albeit not by as much as ambitious government targets. Today, the role of income transfers is being de-emphasised in favour of measures to address social causes of poverty. The risk of such a strategy is that if more children live in families with very low incomes, unable to afford what are considered their essential needs, they will be damaged regardless of any other type of non-financial assistance that is given to their parents. It is thus important to monitor the extent to which families on low incomes are helped to afford the essentials of life as new anti-poverty strategies unfold.

Second, the changing cost of children is more important to measure now than it may once have been, because of the important influence it is having on families' ability to meet children's needs. In recent years, increases in children's benefits have been outstripped by rising costs. This is partly because some essential items, such as food and childcare, have been rising in price substantially faster than general inflation. It is also because spending needs can change. As the example of declining public transport and the need for cars has shown, public service cuts as well as any cuts in income transfers can affect whether families are able to afford the minimum.

Finally, awareness of the cost of children is particularly important as the old social security and tax credit system is replaced by universal credit. In setting the levels of the new credit, policy makers need to be aware of the effect that they will have not just on headline poverty rates but also on family incomes relative to the actual costs they face.

This report has explored what needs lie behind the considerable cost of bringing up a child, why it is important to meet these needs and how the cost can be measured. The indicators that it has established will be revisited annually, to monitor how costs are changing and how government policies are affecting the ability of families to afford them.

Appendix One

The main calculations

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

Table A1

Additional costs 2012, £ per week

1. Excluding childcare, rent or council tax	Couple				Lone parent		
	First child	Second child	Third child	Fourth child	First child	Second child	Third child
Age last birthday							
0	69.25	59.17	64.45	49.76	80.61	65.22	58.30
1	69.25	59.17	64.45	49.76	80.61	65.22	58.30
2	76.93	66.60	73.32	58.30	88.30	72.66	67.10
3	76.93	66.60	73.32	58.30	88.30	72.66	67.10
4	76.93	66.60	73.32	58.30	88.30	72.66	67.10
5	82.99	72.91	79.04	66.32	94.36	78.96	72.82
6	82.99	72.91	78.12	66.32	94.36	78.96	71.90
7	82.99	72.91	78.12	66.32	94.36	78.96	71.90
8	82.99	73.66	77.94	67.09	94.36	79.71	71.73
9	82.99	73.66	77.94	67.09	94.36	79.71	71.73
10	82.99	73.66	77.94	100.01	94.36	79.71	71.73
11	105.06	95.72	99.07	99.07	116.42	101.78	167.30
12	105.06	95.72	99.07	95.72	116.42	101.78	167.30
13	105.06	95.72	95.72	95.72	116.42	101.78	176.19
14	105.06	95.72	95.72	95.72	116.42	101.78	101.78
15	105.06	105.06	105.06	105.06	116.42	116.42	116.42
16	105.06	105.06	105.06	105.06	116.42	116.42	116.42
17	105.06	105.06	105.06	105.06	116.42	116.42	116.42

2. Including childcare, rent and council tax	Couple				Lone parent		
	First child	Second child	Third child	Fourth child	First child	Second child	Third child
Age last birthday							
0	222.21	155.24	165.41	140.59	240.54	163.59	159.26
1	222.21	155.24	165.41	140.59	240.54	163.59	159.26
2	193.17	145.27	156.88	131.73	211.51	151.32	150.66
3	193.17	145.27	156.88	131.73	211.51	151.32	150.66
4	193.17	145.27	156.88	131.73	211.51	151.32	150.66
5	160.60	112.94	123.96	101.12	178.93	118.99	117.75
6	160.60	112.94	123.04	101.12	178.93	118.99	116.83
7	160.60	112.94	123.04	101.12	178.93	118.99	116.83
8	160.60	153.31	162.49	141.51	178.93	159.37	156.28
9	160.60	153.31	162.49	141.51	178.93	159.37	156.28
10	160.60	153.31	162.49	110.14	178.93	159.37	156.28
11	182.66	175.38	183.62	183.62	201.00	181.43	103.01
12	182.66	175.38	183.62	175.38	201.00	181.43	103.01
13	182.66	175.38	175.38	175.38	201.00	181.43	107.01
14	108.24	108.24	175.38	175.38	126.58	107.01	107.01
15	108.24	108.24	108.24	108.24	126.58	126.58	126.58
16	108.24	108.24	108.24	108.24	126.58	126.58	126.58
17	108.24	108.24	108.24	108.24	126.58	126.58	126.58

Basis of the above calculations

Cost of first child at age x = cost of a family with one child aged x minus cost of adult/s in that family without children

Cost of second child at age x = cost of a family with children aged x and $x+2$ minus cost of a family with child age $x+2$

Cost of third child at age x = cost of a family with children aged x , $x+3$ and $x+5$ minus cost of a family with children aged $x+3$ and $x+5$

Cost of a fourth child at age x = cost of a family with children aged x , $x+3$, $x+6$ and $x+8$ minus cost of a family aged $x+3$, $x+6$ and $x+8$

Interpretation

The above formulae represent, say, the cost of a third child at age five as being the difference between that child living in a family with two older siblings, and the cost of a family in which those older siblings were the only children. That is, they show in each case the difference that the addition of the youngest child to the family has made. The age differences used are based on survey evidence of median age differences in families of various sizes. Where an older sibling has reached age 18, her/his costs are ignored.

Appendix Two

Equivalisation and poverty rates

As a supplementary part of the present research, we estimated how poverty would be distributed across different groups if equivalence scales were guided by the relative needs of different family types as measured by MIS. We drew from the latest available data on income distribution, for 2009/10, and matched this with information from MIS.

First, we estimated equivalence weightings based on relative needs in MIS. These calculations follow the additionality basis used in this report to estimate the relative needs of different types of family member. The calculations are shown in Table A2.1. They show needs after housing costs (and exclude childcare). The calculations suggest that equivalence scales underestimate considerably the relative needs of single people and of children aged five to 14, and overestimate the relative needs of couples and of pensioners.

These equivalisation weightings were applied to the income distribution shown in the Family Resources Survey for the latest year for which detailed data were available, 2009/10. This exercise looked only at the household types covered by MIS, where the household comprises a single person or couple plus any dependent children and no one else – about 80 per cent of all households. For these households, we calculated a new set of ‘equivalised’ incomes from the Family Resources Survey, and recalculated the poverty threshold using the median of this distribution. In doing so, we retained the official equivalence weightings for those households (such as those containing multiple family units) whose requirements are not covered by MIS.

As expected, the results, shown in Table A2.2, show a substantial increase in the risk of poverty for children, and a decrease in the risk for pensioners. Working-age adults, many of whom are parents and so have their household incomes affected by children, also have a small increase in poverty risk. By this estimate, child poverty could be about 800,000 more than reported. Moreover, it suggests that children comprise one-third of individuals in poverty, rather than one-quarter on official figures.

Table A2.1

Equivalisation using MIS 2011 data

Single unit households without children	Minimum budget after housing costs £	Weighting relative to base case	Comparison with OECD equivalence scale (after housing costs)	Interpretation			
<i>Base: couple plus 2</i>	262.10	1.00	1.00				
Single	165.57	0.63	0.58	Equivalence scales underestimate costs for singles relative to couples			
Couple pensioner	208.05	0.79	1.00	Equivalence scales overestimate cost for pensioners relative to working age			
Single pensioner	135.52	0.52	0.58	Ditto, though partly offset by underestimating singles' costs			
Families with children	Minimum budget after housing costs £	Weighting relative to base case	Child category	Additional cost per child	Additional cost weighted average of couple and lone parent scale	Comparison with OECD equivalence scale	Interpretation
<i>Base: couple plus 2</i>	262.10	1.00					
Couple plus 2 – babies	372.79	1.42	Baby of couple	0.21	Baby: 0.21	0.20	Baby about right
Lone parent plus 2 – babies	276.93	1.06	Baby of lone parent	0.21			
Couple plus 2 – pre-school	383.71	1.46	Pre-school with couple	0.23	Pre-school: 0.23	0.20	Equivalence scales slightly underestimate pre-school
Lone parent plus 2 – pre-school	287.85	1.10	Pre-school with lone parent	0.23			
Couple plus 2 – primary	409.52	1.56	Primary with couple	0.28	Primary: 0.28	0.20	
Lone parent plus 2 – primary	313.66	1.20	Primary with lone parent	0.28			Equivalence scales greatly underestimate school age, up to 14, where they are about right
Couple plus 2 – secondary	455.49	1.74	Secondary with couple	0.37	Secondary: 0.37	0.20 under 14	
Lone parent plus 2 – secondary	367.53	1.40	Secondary with lone parent	0.39		0.40 14-plus	

Table A2.2

Estimated poverty rates 2009/2010 (after housing costs)

Group	Risk of poverty (%)		Number in poverty (million)	
	Official	Informed by MIS	Official	Informed by MIS
Children	29%	35%	3.8	4.6
Working-age adults	22%	25%	8.0	7.8
Pensioners	16%	9%	2.6	1.1

Note:

These are approximations, and the results must be treated with caution. However, the evidence presented here suggests strongly that the higher poverty rates observed for children than for other groups in the population actually underestimate quite substantially the extent to which children are more likely than others to live in a household whose income is low relative to its needs.

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