

# THE COST OF A CHILD IN SCOTLAND

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## Key points

- In the UK overall, the cost of bringing up a child exceeds £160,000. Childcare is a key component of this figure, but the cost excluding rent and childcare is still at least £75,000. While UK social security policies help cover some of these costs for out-of-work families, there remains a sizable shortfall.
- In Scotland, families benefit from a range of Scottish government policies (some still being rolled out) to reduce these costs and to improve incomes, as well as from cheaper than average childcare.
- The combined value of these factors will reduce the net cost of bringing up a child by up to 31 per cent (nearly £24,000) for low-income families, once all announced policies are in place.
- This means that a family with two children in Scotland on out-of-work benefits falls about 30 per cent short of meeting their needs, compared to over 40 per cent in the rest of the UK.
- For those not entitled to universal credit (UC) due to the level of their earnings, the gains are much smaller.
- However, the shortfall will be greater for families hit by the benefit cap, which is becoming increasingly common for out-of-work private renters living in high-rent areas.
- The greater cost of bringing up children in the remotest parts of Scotland offsets at least a third of the gains from Scottish government policies to help families.

## 1. Introduction

According to regular calculations carried out for Child Poverty Action Group, the minimum cost of bringing up a child in the UK is around £160,000 in a couple family and £190,000 in a lone-parent family.<sup>1</sup>

These calculations are based on the Minimum Income Standard (MIS), the amount needed for UK households to achieve an acceptable living standard, as specified by members of the public in regular research carried out by Loughborough University for the Joseph Rowntree Foundation.<sup>2</sup>

The cost of a child is based on the additional overall household costs that a child brings to a household at different ages. Some of these costs are directly due to spending on the child, such as the cost of their clothing or childcare. Some are due to differences in overall household costs with and without the child, including for example running a second-hand car to get around (which parents say is needed for a family outside London), rather than relying on public transport (which those without children say is sufficient as a minimum).

The MIS research uses UK-wide prices for most of the goods and services that it includes. The main research on what is needed is carried out in urban parts of England, with regular checkbacks in urban areas of Scotland, Wales and Northern Ireland finding only very minor differences in views about what items should be included in a minimum budget. Two costs that vary significantly across regions, childcare and housing, are separated out of core budgets, making it possible to report both UK-wide excluding these items and on regional variations where they are included.

The cost of a child reports also consider how far benefits, including tax credits and UC, go towards enabling families on low incomes to afford the cost of a child. As a starting point, they find in late 2021 that an out-of-work couple with two children receives only 55 per cent of what they need to cover minimum family costs, and must therefore live a very long way below what the public considers to be the minimum required to meet material needs and participate in society.

Despite the similarities in the cost of bringing up children throughout the UK, several notable differences affect families' costs and resources in Scotland, and these are explored in this report. They include a number of recent policies by the Scottish government, some still in the process of being rolled out, designed to make life more affordable for families with children. Some of these help all families with children, while others are targeted by income. In addition, a significant factor affecting the cost of children to working families in particular is that childcare costs have risen less in Scotland in recent years than elsewhere in the UK.

Section 2 of this report enumerates these differences in policies and in costs. Section 3 then sums up the effect of the differences on different types of household, according to their income and working status. It also shows the cumulative effect on the relationship between income and need for an out-of-work family. Section 4 goes on to look at the particular case of housing costs, which have variable effects on the cost of bringing up a child across Scotland, but are particularly significant where high private rents trigger the benefit cap. Section 5 considers another aspect of high local costs, the additional cost of living in remote areas. Section 6 draws a brief conclusion.

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<sup>1</sup> D Hirsch, *The cost of a child in 2021*, Child Poverty Action Group, 2021

<sup>2</sup> A Davis, D Hirsch, M Padley and C Shepherd, *A minimum income standard for the UK in 2021*, Joseph Rowntree Foundation, 2021

## 2. Differences between Scotland and the rest of the UK in family costs and benefits

This section looks in turn at a range of factors specific to Scotland affecting the ability of families to cover the cost of bringing up children. Most of these are related to specific Scottish government policies designed to help families financially. An additional factor is the lower average amount charged for childcare by Scottish providers compared to those in the rest of the UK.

The range of families affected varies greatly. Some policies give help to all families, some to a wide range of families on low incomes and others mainly to those who are not working. Conversely, lower childcare costs mainly benefit working families. It is not therefore possible simply to enumerate the value of each factor and add them all up to calculate how much families benefit. Rather, this section reports influences according to different family situations, and Section 3 sums up the cumulative effect according to this classification.

Although some of the measures reported are still in the process of being implemented, the calculations on their effects consider their eventual value to families, by imagining that they were all in place in 2021.

### *'Universal' measures, helping families regardless of income*

Two significant measures by the Scottish government help reduce the cost of a child to all Scottish families by offering something free: the extension of free school meals throughout primary education and the introduction of free bus travel for all children.

Up to 2021, *free school meals* have been offered for all children in the first three years of primary school in Scotland as in England. To this, the Scottish government has added free school meals for P4 and P5 children by January 2022, with plans to extend this to P6 and P7 children within the parliamentary term.<sup>3</sup> This produces significant savings for families, on the assumption that previously they had to pay for either a packed lunch or a cooked lunch at school, and in future they will not. Some low-income families have already been entitled to free school lunches, but take-up of these is affected by stigma and other barriers, and calculations of the cost of a child have not taken such savings into account. With all pupils entitled, regardless of income, it is more reasonable to assume that families will save the cost of children's lunches during term time.

Once fully implemented throughout primary school, the effect of this policy will be to make the cost of bringing up a child **£1,700 cheaper** in Scotland compared to England, based on the total estimated cost of buying school lunches in the last four years of primary school.

Introducing *free bus travel* for all Scots under 22 years old at the end of January 2022 will make a significant difference to the minimum cost of a child. Even though the MIS research concludes that families with children need a car, older children need to be able to travel independently by public transport, including to get to school and for a limited amount of leisure travel. This is budgeted at £9.60 a week, and free bus travel saves a total of **£3,000** in the lifetime cost of a child in Scotland compared to England.

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<sup>3</sup> An initial commitment to doing so by August 2022 appears to have slipped to 'later in the parliamentary term' according to the Scottish Budget published in December 2021. The roll-out to P6 and P7 children contributes £850 to meeting the overall cost of bringing up a child.

## Help for a wide range of families on low incomes

For means-tested help, the Scottish government uses different criteria for different measures. First of all, two contributions to family income are available to anyone qualifying for a range of other benefits, including UC and working tax credit. About four in 10 children live in such families, some of whom have significant earnings but who are generally in the lower half of the income distribution.

In particular, the introduction of the **Scottish child payment** for children under six years old in 2021, and its planned extension to children under 16 whose families are on eligible benefits by the end of 2022, will make a significant difference to the ability of parents on low incomes to afford the cost of a child. Its value doubles to £20 a week from April. This payment, once fully rolled out, will bring in a total of **£16,700** over 16 years to help cover this cost, and building on other benefits makes an important contribution to family finances.

A second benefit subjected to this broad means test is the **best start grants** paid three times between birth and a child starting school. The first of these, worth £606 for the first and £303 for the second child, replaces the Sure Start maternity grants of £500 paid for the first child only elsewhere in the UK. The other two grants, paid at around the age of 3 and when the child starts school, are each worth £252.50. Taking an average of the first two children, and subtracting the value of the UK maternity grants, in total this gives an additional **£710** per child to Scottish families for children in their early years.

## Benefits targeted at families with little or no paid work

Some entitlements are only made available to families who have no, or very low, earnings. Free school meals for those not in age groups qualifying for the non-means-tested entitlements are available only where parents either receive out-of-work benefits, or get in-work benefits and have very low earnings (a maximum of just £625 a month for those receiving UC, representing one person working 16 hours a week on the minimum wage). This is also true of best start foods entitlements for the under 3s. Neither of these benefits is unique to Scotland.

An additional benefit in this category introduced by the Scottish government is its guarantee that local authorities will pay a minimum **school clothing grant** of at least £120 a year to primary and £150 to secondary school pupils to help them buy school uniforms each year. For these families, the net cost of buying clothing is reduced by a total of **£1,740** over the course of a child's schooling.<sup>4</sup>

## Lower childcare costs for working families

The cost of childcare has accounted for a growing proportion of the cost of a child over the past decade, as childcare fees have grown much faster than general inflation. For full-time working parents, the gross cost of childcare can now be greater than all other children's costs combined.

In Scotland, average childcare costs are lower than elsewhere in the UK, according to the annual survey carried out by Coram Family and Childcare. This is largely due to the costs charged by providers in Scotland not having risen as quickly as in England. Figure 1 shows that in the past five years, nursery costs have gone up by nearly 20 per cent in England, despite low general inflation. In Scotland, they have gone up much more slowly – by only 5

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<sup>4</sup> Based on completing six years of secondary school.

per cent in the case of the over-2s. As a result, whereas Scottish nursery costs were very similar to England's in 2016, today they are significantly lower.<sup>5</sup>

Figure 1 – Change in the cost of 25 hours of nursery care



For a working family paying for full-time childcare, this makes a very large difference over the course of a child's upbringing. In Scotland, the total cost of a child is **£7,600** lower than in England as a result of this difference. However, it must be borne in mind that most lone parents, as well as many low-paid couple parents, will be entitled to UC even when working full time, which includes help with childcare. The maximum entitlement is 85 per cent of childcare costs incurred, which means that a Scottish family with £7,600 lower childcare costs than their English equivalent might save only **£1,140** in the net cost to themselves, if they were claiming UC. However, it will sometimes be more than this, because the rise in childcare costs has not been matched by the limit on childcare fees eligible for 85 per cent support (£175 a week for one child, £300 for two or more). In cases where families are at risk of hitting this cap, the more modest recent increases in childcare costs in Scotland are particularly beneficial.

#### Box 1: Two policies being rolled out after January 2022

The calculations in this report use 2021 prices for children's cost and incorporate UK Budget decisions up to the end of 2021, but they also incorporate two key Scottish policies for which there is a commitment, but which were not yet in place by the end of January 2022:

- Extension and increase in the Scottish child payment. The amount will increase from £10 to £20 per child per week in April 2022, and eligibility will extend from under-six year olds to all those under 16.
- Extension by age in eligibility for free school meals, regardless of income. Presently available for P1 to P5, universal free school meals will be extended to those at P6 and P7 later in this parliament (as specified in the latest Scottish Budget; previously the commitment was stated as by August 2022).

<sup>5</sup> Note that this refers to differences in charges by providers. In addition, Scotland gives wider access to the 30 hours a week subsidy to childcare than in England, which restricts it to those working and earning at least the minimum wage for 16 hours a week. However, the cost of a child calculations assume that this subsidy is available for families in both Scotland and England, other than when looking specifically at non-working families, for whom any childcare costs are not included.

### 3. Adding up the effect on incomes relative to children's costs

The benefits of the lower costs and help with income listed in the previous section will help different Scottish families in different ways. Table 1 summarises this by giving three examples of family situations. In practice of course, families will move between these situations in the course of a child's upbringing, but these figures nevertheless help illustrate the total impact of Scottish factors on the ability of families to make ends meet.

They show that families with little or no work can or will soon receive additional benefits in Scotland equivalent to up to a third of the cost of raising a child. While this does not fully make up for the inadequacy of benefits (see Table 2 and Figure 2 below), it demonstrates the substantial difference that Scottish policies are making or will soon make for families. These effects are also substantial for working families receiving UC, with a smaller but still significant benefit for other working families.

Table 1: Total benefit to family, for each child from birth to age 18, of lower costs or higher benefits in Scotland compared to the rest of the UK (includes the effect of scheduled but not fully implemented policies)

	Family with little or no work: qualifies for means-tested benefits, but no childcare costs	Family working full time, paying for childcare and receiving UC	Family working full time, paying for childcare and not eligible for UC
Free school meals P4-P7* (by Aug 2022 or end of parliament)	£1,700	£1,700	£1,700
Free bus travel (from end Jan 2022)	£3,000	£3,000	£3,000
Scottish child payment (full roll-out Dec 2022)	£16,700	£16,700	
Best start grants**	£710	£710	
School clothing grant	£1,740		
Lower-cost childcare		£1,140	£7,600
<b>Total benefit to family</b>	<b>£23,850</b>	<b>£23,250</b>	<b>£12,300</b>
<b>Comparison with total cost of a child, UK***</b>			
Couple parents	£76,167	£83,524	£160,692
Lone parent	£103,100	£116,633	£193,801
<b>Scottish benefit as percentage of total cost</b>			
Couple parents	<b>31%</b>	<b>28%</b>	<b>8%</b>
Lone parent	<b>23%</b>	<b>20%</b>	<b>6%</b>

\*Assumed gain includes those previously entitled to means-tested support, by making it easier to take up when stigma removed.

\*\*Average for first two children, net of UK's Sure Start maternity grants.

\*\*\*Assumes no childcare where little or no work; 85 per cent of childcare covered where working full time and receiving UC.

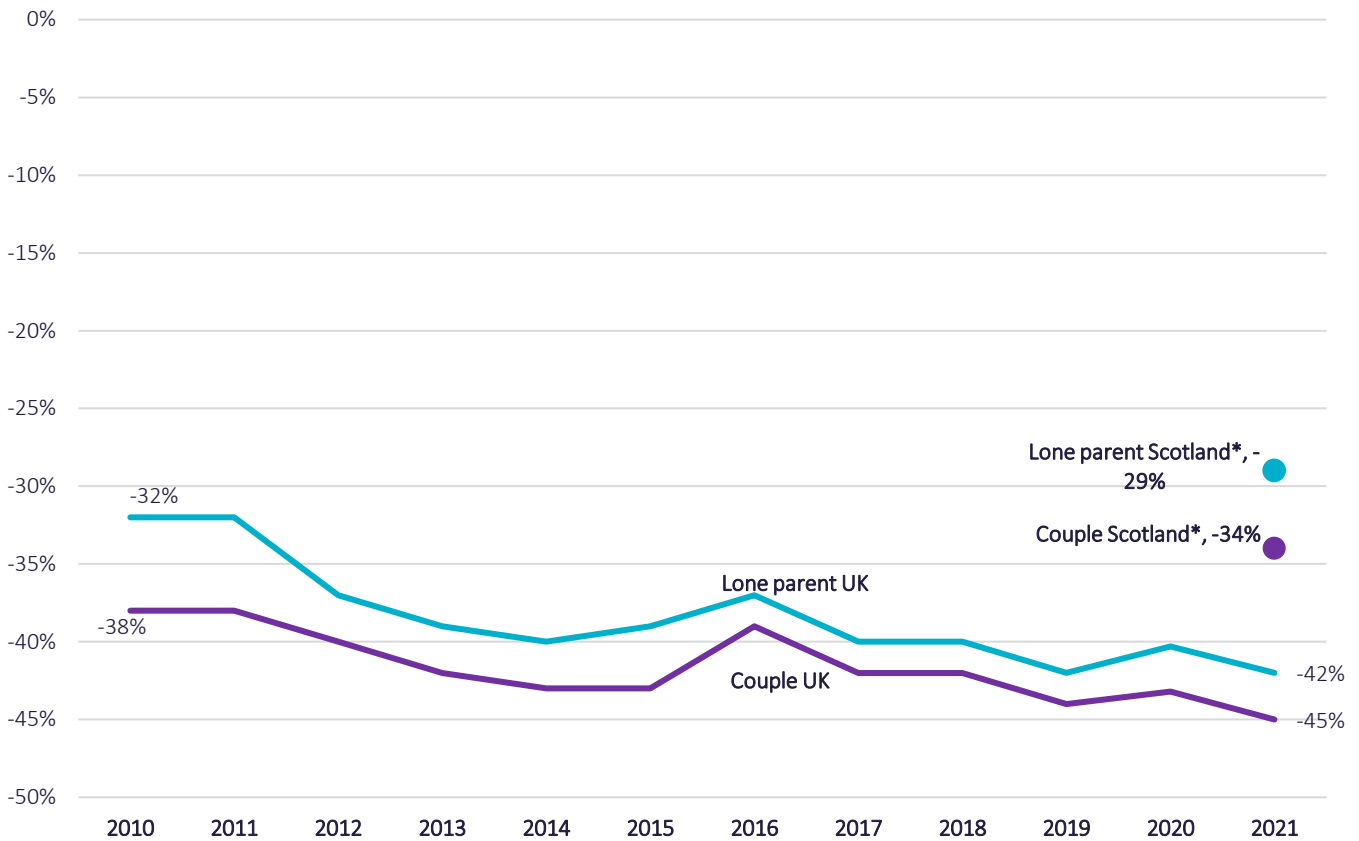
To put this into the context of a seriously inadequate benefits system, Table 2 considers how much difference this would make to a family with two young children, one pre-school and one primary school age, in terms of the value of out-of-work benefits compared to need. In this case, the comparison is not with the additional cost of each child, but rather with costs for the entire family. As referred to above, these have fallen to not much more than half of minimum family requirements. Table 2 shows that in Scotland, these families will fall a third or less short of the minimum (once planned increases to the Scottish child payment and roll-out of universal free school meals in primary schools are factored in). As shown in Figure 2, this is a slightly smaller shortfall than existed a decade ago in the UK, before the benefits freeze and other factors reduced the value of out-of-work benefits. To be clear, families in Scotland still have benefit entitlements that leave them struggling with far less than they require. However, these comparisons show that recent policies substantially erode that deficit.

Table 2: Out-of-work benefits as a % of minimum costs for family with children aged 4 and 8, UK and Scotland

	Out-of-work family with children aged 4 and 8	
	Couple parents	Lone parent
Weekly costs, net of rent, council tax and childcare	£482	£389
Benefits available, UK*	£266	£225
Shortfall £, UK	£216	£164
Shortfall %, UK	<b>45%</b>	<b>42%</b>
Value of additional benefits in Scotland (when all announced policies are in place)	£53	£53
Total value of benefits in Scotland	£319	£278
Shortfall £, Scotland	£163	£111
Shortfall %, Scotland	<b>34%</b>	<b>29%</b>

\*UC plus child benefit, minus typical contribution to council tax for an out-of-work family. In Scotland, this contribution may be lower. Where it leads to a zero council tax contribution, this will further reduce the shortfall in the overall budget shown in this table by approximately one percentage point.

Figure 2: How far families on out-of-work benefits fall short of MIS, 2010-2021 (% shortfall, family with two children aged 4 and 8)



Scotland figures for 2021 include the future increase in the Scottish child payment to £20. Figures for 2020 and 2021 exclude the temporary UC increase. Annual fluctuations in 2012, 2016 and 2020 influenced by periodic reassessment of MIS specifications, so the long-term trend is the most relevant.

#### 4. Housing costs

Social rents are 12 per cent lower in council housing but similar in housing association properties in Scotland compared to England; market rents are about 17 per cent lower on average in Scotland.<sup>6</sup> However, there are large variations in the rents paid in different localities within Scotland.

The treatment of housing costs in calculating the cost of a child is somewhat complex, as it depends on the assumptions made about housing sectors with and without children. The main MIS budgets assume that the minimum housing cost of a family with children is renting social housing, but for households without children, the possibility of accessing such housing is too small for this to be used as a baseline, so MIS assumes private renting for such households. As a consequence, the housing ‘cost’ of a first child can actually be negative, as it compares the rent on a private flat before having children to the social rent on a small house with a child, which can be

<sup>6</sup> Author’s calculations from Chartered Institute of Housing, *UK Housing Review 2021*, compendium. Figures are for 2019.



lower. Additional children in social renting bring some additional cost as larger accommodation is needed, but these costs are small.

In reality, a growing proportion of the population are relying on private renting, even with children, and it is in these cases where having children can be very expensive because of the need to pay a higher rent on a larger property. In Scotland, around four times as many children live in private rented housing than in 1999 – about one child in six, although this is still lower than in the UK overall, where it is one in four.<sup>7</sup>

For low-income households in the private rented sector, the cost incurred depends not only on the rent charged but also on the extent to which this is taken into account in UC entitlements. Many families have entitlements restricted by the local housing allowance (LHA), because rent above the permitted local level is not counted.

Even families with private rents that are within the allowance are increasingly having entitlements curtailed by the benefit cap, especially if they live in areas with expensive housing, since the fixed level of the cap takes account neither of local rent variations nor of the general increase in rents over time. This means that in an area with a high LHA, entitlements before the cap, including a large housing element, can be much higher than the level permitted by the cap. When the benefit cap was introduced, it mainly affected only larger families in the most expensive areas, but today, even a couple with two children in a medium-rent area can fall foul of the cap.

Scotland has a particularly wide range of rent levels in different areas, reflected in differences in LHAs, which are based on the 30<sup>th</sup> percentile of market rents. The highest-rent housing market area, Lothian, has some of the highest LHAs in the UK outside London, with only a handful of areas in the home counties being higher. In nearby North Lanarkshire, permitted rents are only half as high.

Figures 3 and 4 show where the benefit cap bites for a couple with two children in different parts of Scotland. They show this both for two- and three-bedroom homes, since a family of four will only receive support for three bedrooms in cases where the children are of different sexes and at least one is aged over 10.

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<sup>7</sup> <https://www.ons.gov.uk/economy/inflationandpriceindices/articles/ukprivaterentedsector/2018>

Figure 3: Benefit cap impact on weekly income of couple with two children in private rented sector, by Scottish housing area: two bedrooms

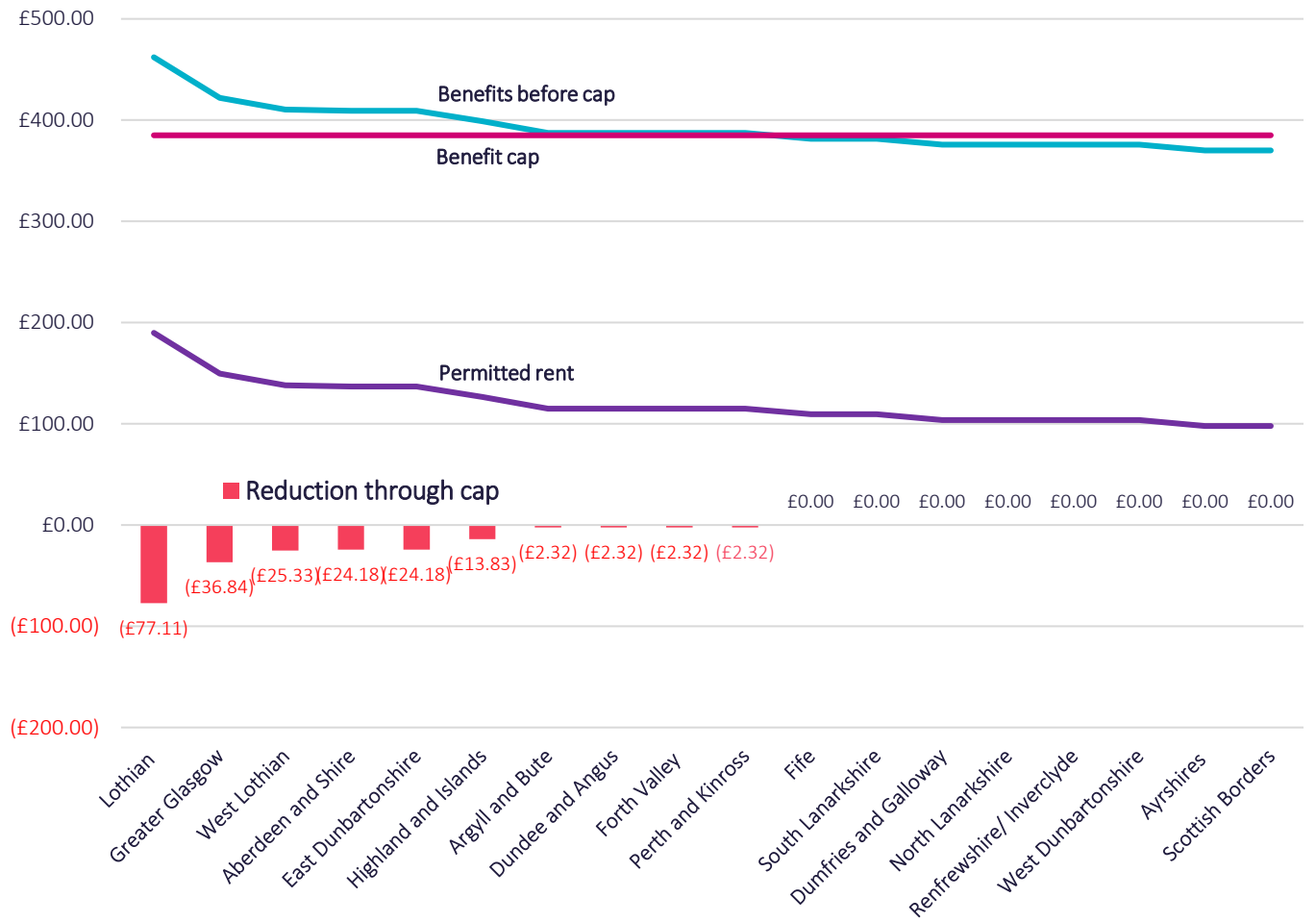
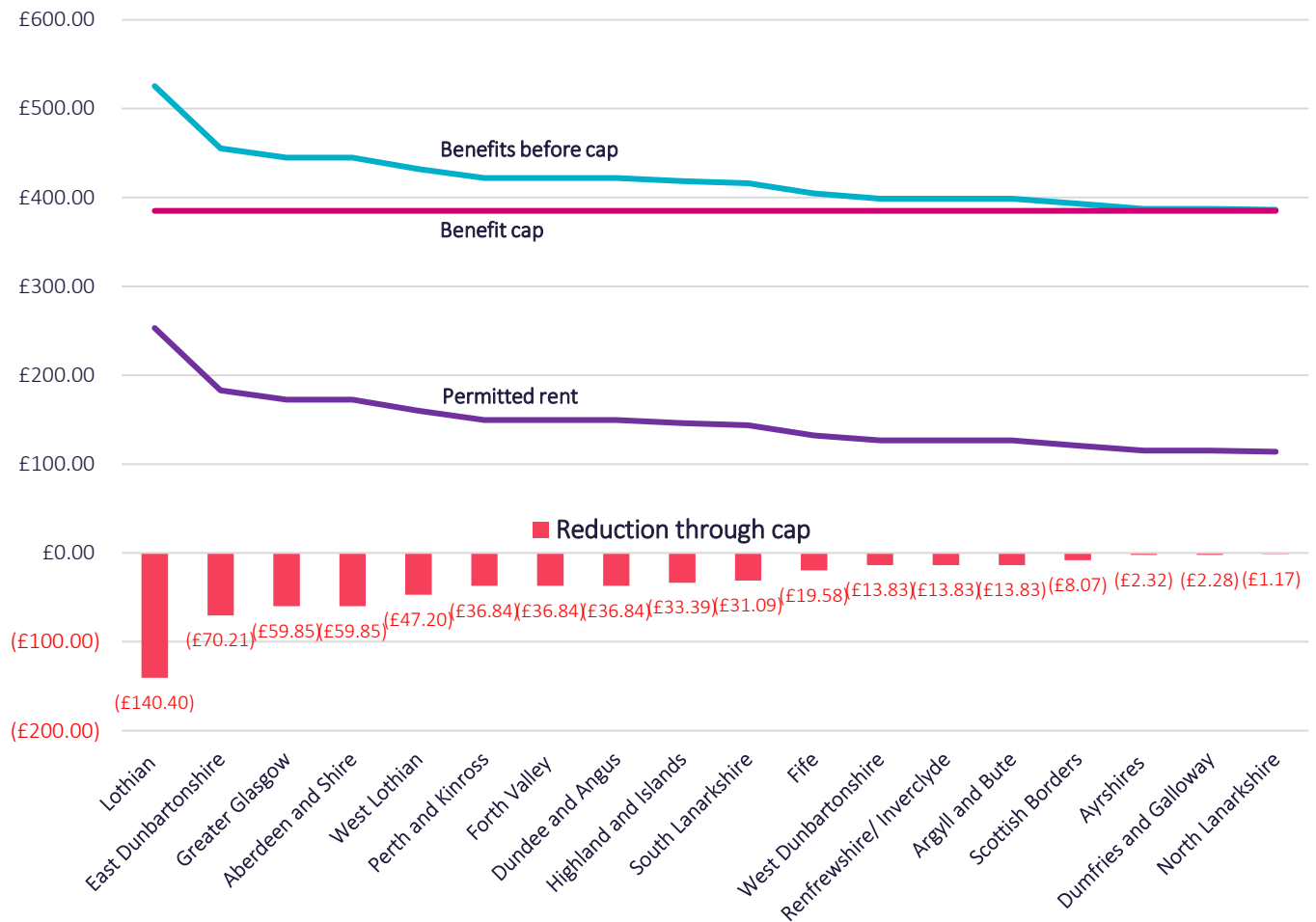


Figure 4: Benefit cap impact on weekly income of couple with two children in private rented sector, by Scottish housing area: three bedrooms



These graphs show that in a two-bedroom property, a family of four living in rented accommodation has income seriously curtailed in a third of Scotland’s local housing market areas, losing between £13 and £77 a week from the benefit cap. For those with older children who require three bedrooms, the benefit cap bites in all areas, and in all but three of them the loss is significant, between £8 and £140 a week. For those living in Lothian with the greatest loss, this effectively makes it almost impossible to survive in the private rented sector without suffering acute material hardship, going into debt or accessing discretionary housing payments, which are however under-accessed, possibly due to a lack of awareness.<sup>8</sup>

<sup>8</sup> See <https://www.gov.scot/publications/discretionary-housing-payments-in-scotland-1-april-2020-to-31-march-2021/>

## 5. Cost variations in remote areas of Scotland

While costs in urban areas of the UK are broadly similar, in remote areas of Scotland, items such as food, domestic fuel and travel bring much greater costs. These have been documented in two reports adapting MIS to reflect life and costs in remote rural Scotland, which show that a minimum acceptable standard of living can cost substantially more in those areas.<sup>9</sup> Many of these costs, particularly related to travel, are related to adults' costs, such as travel to work, which would be incurred with or without children. However, having to pay more for items such as food, clothing and household goods is bound to make the additional cost of a child greater. While the research does not provide sufficient detail to make a full calculation of these additional costs associated with remoteness, the following table gives an illustration of such costs.

Table 3: Minimum weekly budgets, remote Scotland compared to urban UK, selected items, 2021

	Urban UK			Remote Scotland, mainland			Scottish islands		
	Couple no children	Couple with children aged 3 and 7	Additional cost per child	Couple no children	Couple with children aged 3 and 7	Additional cost per child	Couple no children	Couple with children aged 3 and 7	Additional cost per child
Food	£83.13	£112.43	£14.65	84.64	117.08	£16.22	£92.25	£126.70	£17.23
Clothing	£15.98	£44.66	£14.34	18.14	49.26	£15.56	£21.25	£50.20	£14.48
Household goods	£12.22	£27.56	£7.67	13.46	28.64	£7.59	£14.89	£30.34	£7.72
Personal goods and services	£31.38	£41.59	£5.11	32.35	40.23	£3.94	£33.90	£42.26	£4.18
Transport	£86.65	£102.10	£7.72	144.78	157.01	£6.12	£117.34	£130.52	£6.59
Social and cultural participation	£73.63	£97.73	£12.05	74.62	106.56	£15.97	£74.62	£115.33	£20.35
<b>Total</b>	<b>£303.00</b>	<b>£426.07</b>	<b>£61.54</b>	<b>367.99</b>	<b>498.78</b>	<b>£65.40</b>	<b>£354.26</b>	<b>£495.36</b>	<b>£70.55</b>

Table 3 shows that budgets for key items for a child growing up in the Scottish islands can add about £9 a week more than for a child in urban UK. The greatest difference arises from the cost of social participation, linked in particular to the greater cost of an annual holiday. While these additions will not be exactly the same for children of every age, this result suggests that the total cost of a child over 18 could be of the order of **£8,000 greater** in remote rural Scotland than in urban areas. Note that this wipes out at least a third of the Scotland-related gains to families enumerated in Table 1 above.

<sup>9</sup> D Hirsch and others, *A Minimum Income Standard for Remote Rural Scotland*, Inverness: Highlands and Islands Enterprise, 2013; A Davis and others, *The cost of remoteness - reflecting higher living costs in remote rural Scotland when measuring fuel poverty*, Scottish government, 2021

## 6. Conclusion

The steady rise in the cost of raising a child and the failure to match this with improvements in help from the state has left many families in the UK struggling to make ends meet. This report has shown that in Scotland, families are significantly better off in this regard, as a result both of Scottish government policies seeking to address the problem and childcare costs that have not risen as fast as in England. It is important to emphasise that this does not mean that families in Scotland escape hardship, and benefit levels remain well below what families need. However, it is encouraging to observe that policies at the Scottish level have made a substantial and not a negligible difference. This shows that child poverty and family hardship can be influenced by Scottish government decisions and not just by those of the UK government.

At the same time, families in Scotland as in other parts of the UK are affected by local variations in costs. In remote areas, higher costs at least partially offset the effect of Scotland's more generous benefits. And in some expensive urban areas, high rents can make benefits hopelessly inadequate for some, as the operation of both the LHA and the benefit cap leave families highly exposed.

Even for families not held back by the benefit cap, benefits can be reduced by the two-child limit for child tax credit and UC, leaving larger families in particular in deep poverty. The Scottish child payment is not subject to the two-child limit, but this brings only £20 a week to the family for an additional child, rather than the £68.60 in additional UC and child benefit for a child not subject to the limit. These contrasts show that the ability of Scottish families to provide adequately for their children continues to be influenced by decisions taken in both Edinburgh and Westminster.

### About the author

Professor Donald Hirsch is director of the Centre for Research in Social Policy, Loughborough University, where he leads the Minimum Income Standard (MIS) for the UK programme.

### About CPAG in Scotland

The Child Poverty Action Group (CPAG) in Scotland works for the one in four children in Scotland growing up in poverty. It doesn't have to be like this. We use our understanding of what causes poverty and the impact it has on children's lives to campaign for policies that will prevent and solve poverty — for good. We provide training, advice and information to make sure hard-up families get the financial support they need.