



The financial case for smaller families

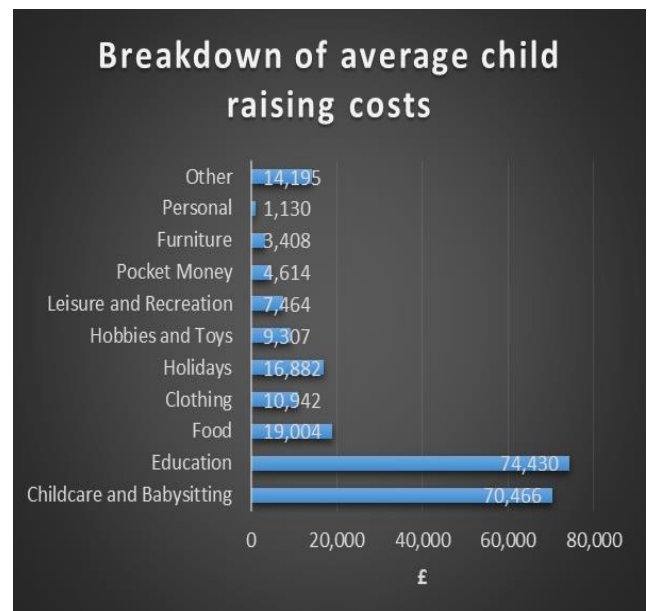
The average cost of raising a child in the UK has risen dramatically over the last decade. Excluding housing, it now costs, on average, almost a quarter of a million pounds to raise a child from birth to age 21.

These costs place enormous pressure on parents, and almost one third of households in the UK are reported to be struggling financially. Having smaller families can therefore relieve stress, improve living standards and allow parents to invest more time and resources into their children, which can positively impact children’s educational attainment and future prospects. Moreover, having fewer children can have far-reaching positive societal benefits, including improving women’s empowerment and reducing environmental degradation. Thus there are few, if any, choices that individuals can make that will have as significant and positive an impact on their financial welfare, the welfare of their children and society as a whole, as choosing to have a smaller family.

The cost of raising a child

The Centre of Economic and Business Research (CEBR) has been carrying out annual research on the average cost of raising a child in the UK since 2003, on behalf of the insurer Liverpool Victoria (known as LV=).¹ This research shows that the average cost of raising a child in the UK has increased significantly over the past decade, rising 50 per cent faster than the rate of inflation over the same period.²

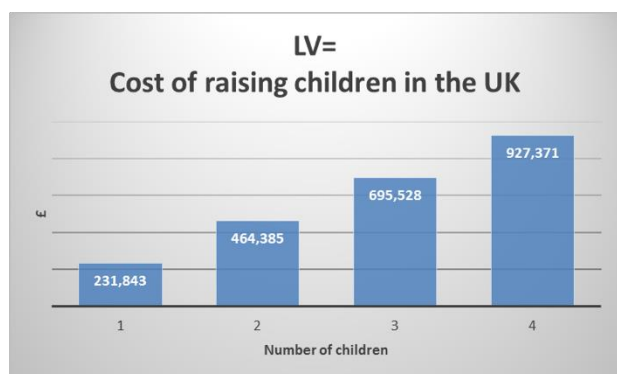
The cost of raising a child from birth to age 21 in the UK is now approximately a quarter of a million pounds, reaching **£231,843** in 2015. Costs are highest during the first few years of a child’s life, with parents expected to spend £63,224 by the time their child reaches the age of four. Between ages five and 17 costs fall, averaging at £8,640 per year, but they rise again dramatically between the ages 19 to 21 to £17,815 a year, due to the significant expense of higher education.³



The average cost of raising a child to 21 is approximately the same as buying a two bedroom

home in the UK (£255,172) and represents an increase of over 60 per cent in costs since 2003. The bulk of these costs are attributable to education and childcare expenses, which are estimated to be £74,000 and £70,000 respectively for one child. However, these estimated education costs are for public education. Parents who hope to provide a private education for their child will have to set aside, on average, almost £373,000 for the privilege.⁴

Based on the above estimated costs of raising a child to age 21, the average UK parent will have to spend almost 40 per cent of their take home pay to raise only one child. According to the LV= “Cost of Child Calculator”, to raise two children to 21, parents will spend £464,385. They will spend £695,528 to raise three children, and those who aspire to have a large family of four children will need to spend, on average, almost £1 million (£927,371).⁵



These estimates from LV= do not, however, take into consideration the potential for households to make certain cost-savings when having additional children. For example, food costs per person are known to fall when buying in bulk, and items such as toys, school books and clothing can be used second hand by additional children.⁶ This means that costs are unlikely to be as high for additional children as they are for a household’s first child.

However, not all costs associated with raising children are lower for each additional child. For example, childcare and higher education costs, two of the most significant expenses associated with raising children, are the same for the second or third child as they are for the first. Similarly, expenditure on items such as school supplies, pocket money, holidays and general leisure and entertainment usually increases directly in line with number of children.

Furthermore, while primary and secondary school education costs may not be as high for additional children if parents can pass down school books and clothing, there are no guarantees that they will be able to do this; school curricula may be different, children may go to different schools, and books and clothes may not be in suitable condition. Passing down clothes is also dependent on children being of similar shapes and sizes and, in some cases, of the same gender. Thus the costs of having additional children are still likely to be very high.

Even if the costs predicted by LV= for raising additional children are somewhat overestimated for the above reasons, they are likely underestimated overall for various others. Firstly, parents in the UK are, on average, supporting children much later than age 21. According to recent research, many parents are still providing financial support for their children up to the age of 31.⁷ Secondly, these cost estimates don’t take into consideration the opportunity costs of having more children. Parents will have to spend more time at home, thereby potentially interrupting career progression and limiting opportunities for further education and training, and thus potentially reducing their earning power.⁸ Finally, these estimated costs don’t include one of the

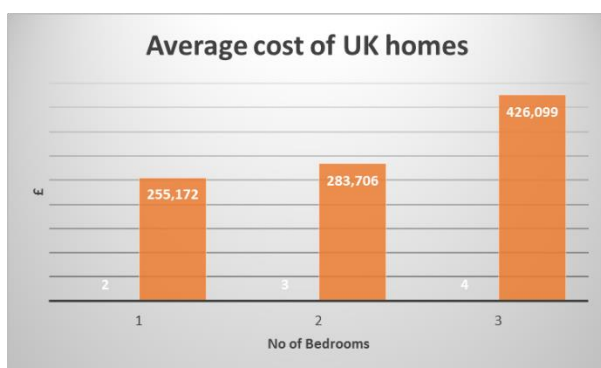
largest expenses involved in having a large family — housing.

Housing costs

The average cost of a two bedroom house in greater London is £864,478. Should parents decide that they need to move to a three bedroom / four bedroom house to accommodate a growing family, they will have to spend an additional £279,414/£421,160.⁹

London, however, is an exceptional case, as it is the most expensive city in which to live in the UK. Still, in Belfast, the cheapest city in the UK in which to buy a house, purchasing a four bedroom home to accommodate a larger family costs parents, on average, £104,548 more than purchasing a two bedroom home (£97,066).¹⁰

Across the UK, the average cost of a two bedroom home is £255,172, a three bedroom home is £283,706 and a four bedroom home is £426,099.¹¹ This means that the average aspiring homeowner and parent will have to spend £487,015 to achieve their goals, and this cost rises dramatically for parents who hope to have larger families.



Not only do parents face significant costs in purchasing homes for themselves and their young children, they are also increasingly involved in housing purchases for their adult children. According to CEBR research, parents, the so-called

“bank of mum and dad”, now provide up to £5bn in loans to children buying their first homes, and will be involved in 25 per cent of all UK property purchases in 2016.¹² This is yet another cost that parents must consider when deciding whether or not to have children.

Average net cost of raising a child in the UK

For their first-born child, parents in the UK receive £20.70/week in child benefit from the government regardless of the income they earn. Over 21 years, parents will receive £22,604.40 in child benefit. Some parents also receive child tax credits from the government. The average, single, first-time parent is entitled to £142.43 every four weeks in child tax credits.¹³ Over 21 years this amounts to £38,883.30. A household where one parent earns the average UK income and the other stays at home is not entitled to any child tax credits; however, it can save up to £70,466 in childcare expenses compared to a household where no parents stay at home.¹⁴

This means that the average net cost of raising a child to age 21 and purchasing a two bedroom home in the UK is **£425,527.30** for a single parent, **£464,419.06** if both parents work and approximately **£393,944.60** for a couple where one parent stays at home. Factoring in tax contributions, and based on average income in the UK, this means that, on average, parents will have to earn at least **£535,015.22** to cover these costs, which do not factor in parents’ own living expenses.

Parents who live in a comparatively cheap city like Belfast will, on average, have to earn at least **£296,520.24** to purchase a two bedroom home

and raise a child to age 21, while parents who live somewhere like London, where an average two bed home costs over £800,000, would have to earn at least **£1,261, 386.42** to do the same.

Impact of rising costs on parents and children

Due to the staggering costs of raising children, many households in the UK are struggling financially. According to research by the Joseph Rowntree Foundation (JRF), four in ten of those living in households with children in the UK — or 8.1 million people — are living on less than they need. That figure has jumped by almost 29 per cent since 2009 — or 2.2 million people.¹⁵ The report also notes that “traditional families in which one parent stays at home to raise children have seen a drastic deterioration in their living standards.” The proportion of such households living with less than they need surged from 37.7 per cent in 2009 to 51.3 per cent in 2013. The biggest increase came in just one year, rising by more than a quarter between 2012 and 2013.¹⁶

Having smaller families can therefore relieve financial pressure on parents, allowing them to afford greater standards of living for themselves and their children, and freeing up resources which can help improve children’s welfare, educational attainment and future prospects.^{17,18}

Large families, on the other hand, limit resources available to children and contribute greatly to child poverty. According to research from the University of York and the JRF, in the UK, “fifty per cent of children in four [or more] child families are poor compared with only 23 per cent in one child families. Children in three [or more] child families constitute 42 per cent of all poor children.” These

patterns are not exclusive to the UK and are observed across Europe: “all countries except Denmark in the original 15 European Union countries have a higher child poverty rate in three [or more] child families than in one child families.”¹⁹



Non-financial benefits of having smaller families

Reducing the financial burden that parents face can have many positive non-financial benefits. It can reduce stress and free up leisure time, which can give parents a more relaxed lifestyle, as well as giving them more time to enjoy with their children.²⁰ This helps to explain why in a survey of 35,000 mothers carried out by the University of Pennsylvania, it was found that parents’ happiness often falls when they have more than one child.²¹

There are also many [benefits to having fewer children from a feminist perspective](#), such as reducing maternal mortality, reducing female poverty and improving women’s empowerment.²² This is why the International Centre for Research on Women has found that the overall well-being of women and girls improves as the number of children they have falls.²³ Moreover, having a

smaller family is an environmentally sustainable choice, as population growth is a major contributor to climate change and environmental degradation.²⁴

Conclusion

The average cost of raising a child in the UK has increased dramatically over recent years, and in 2015 reached almost a quarter of a million pounds before housing costs are even considered. To purchase an average two bedroom home and raise a child to age 21 in the UK, parents will have to earn at least half a million pounds. These dramatic costs are imposing huge burdens on households across the UK, and many are struggling financially.

Having smaller families can therefore allow parents to afford greater standards of living for themselves and their children, which is proven to have positive benefits for children's welfare and future prospects. There are also many non-financial benefits to having smaller families, such as reduced stress, more relaxed lifestyles and more leisure time to enjoy with children. These benefits of small families help to explain why studies have found that parents' happiness often decreases as family size grows. Moreover, having smaller families can have positive impacts on women's empowerment, and help to reduce environmental degradation. Therefore, choosing to have a smaller family is a decision that can improve the finances, welfare and living standards of families, as well as having far-reaching positive consequences for society as a whole.

¹Raising a child more expensive than buying a house. (n.d.). Retrieved July 14, 2016, from <https://www.lv.com/about-us/press/article/cost-of-a-child-2016>

²The cost of raising a child. (n.d.). Retrieved July 14, 2016, from <https://www.lv.com/life-cover/cost-of-a-child>

³Raising a child more expensive than buying a house. (n.d.). Retrieved July 14, 2016, from <https://www.lv.com/about-us/press/article/cost-of-a-child-2016>

⁴Collinson, P. (2016). Cost of raising children in UK higher than ever. Retrieved July 14, 2016, from <http://www.theguardian.com/lifeandstyle/2016/feb/16/cost-of-raising-children-in-uk-higher-than-ever>

⁵The cost of raising a child. (n.d.). Retrieved July 14, 2016, from <https://www.lv.com/life-cover/cost-of-a-child>

⁶Deaton, A., & Paxson, C. (1998). Economies of Scale, Household Size, and the Demand for Food. Retrieved July 14, 2016, from https://www.princeton.edu/rpds/papers/Deaton_Paxson_Economies_of_Scale_Household_Size_and_Demand_for_Food_JPE1998.pdf

⁷Sheffield, H. (2015). UK parents are financially supporting their children until they reach the age of 31, survey finds. Retrieved July 14, 2016, from <http://www.independent.co.uk/news/business/news/uk-parents-are-financially-supporting-their-children-until-they-reach-the-age-of-31-survey-finds-a6791056.html>

⁸Letablier, M. T., Math, A., Thevenon, O., & Thevenon, A. (2008). The costs of raising children and the effectiveness of supporting parenthood policies in European countries: A Literature Review." Retrieved July 14, 2016, from https://www.researchgate.net/profile/Antoine_Math/publication/32221161_The_costs_of_raising_children_and_the_effectiveness_of_supporting_parenthood_policies_in_European_countries_A_Literature_Review./links/02bfe50d1d5599eff6000000.pdf

⁹Average Prices of UK Family Homes Revealed - Affirmative. (2015). Retrieved July 14, 2016, from <https://www.affirmativefinance.co.uk/blog/average-prices-of-uk-family-homes-revealed/>

¹⁰Average Prices of UK Family Homes Revealed - Affirmative. (2015). Retrieved July 14, 2016, from <https://www.affirmativefinance.co.uk/blog/average-prices-of-uk-family-homes-revealed/>

¹¹Average Prices of UK Family Homes Revealed - Affirmative. (2015). Retrieved July 14, 2016, from <https://www.affirmativefinance.co.uk/blog/average-prices-of-uk-family-homes-revealed/>

-
- ¹²The Bank of Mum and Dad' is now a £5bn UK mortgage lender and will be involved in 25% of ALL UK property purchases in 2016. (n.d.). Retrieved July 14, 2016, from <http://www.cebr.com/reports/the-bank-of-mum-and-dad-is-not-a-5bn-uk-mortgage-lender-and-will-be-involved-in-25-of-all-uk-property-purchases-in-2016/>
- ¹³Tax credits calculator. (n.d.). Retrieved July 14, 2016, from <https://www.gov.uk/tax-credits-calculator>
- ¹⁴Tax credits calculator. (n.d.). Retrieved July 14, 2016, from <https://www.gov.uk/tax-credits-calculator>
- ¹⁵Bingham, J. (n.d.). 'Drastic' decline in living standards for stay-at-home parents. Retrieved July 14, 2016, from <http://www.telegraph.co.uk/news/politics/11353614/Drastic-decline-in-living-standards-for-stay-at-home-parents.html>
- ¹⁶Bingham, J. (n.d.). 'Drastic' decline in living standards for stay-at-home parents. Retrieved July 14, 2016, from <http://www.telegraph.co.uk/news/politics/11353614/Drastic-decline-in-living-standards-for-stay-at-home-parents.html>
- ¹⁷Downey, D. B. (1995). When bigger is not better: Family size, parental resources, and children's educational performance. *American Sociological Review*, 746-761.
- ¹⁸Small family size increases the wealth of descendants but reduces evolutionary success. (n.d.). Retrieved July 14, 2016, from https://www.lshmt.ac.uk/newsevents/news/2012/small_family_size_increases_the_wealth_of_descendants_but_reduces_evolutionary_success.html
- ¹⁹Bradshaw, J., Finch, N., Mayhew, E., Ritakallio, V. M., & Skinner, C. (2006). Child poverty in large families. Retrieved July 14, 2016, from <http://eprints.whiterose.ac.uk/73203/1/Document.pdf>
- ²⁰The benefits of smaller families. (2015). Retrieved July 14, 2016, from http://www.populationmatters.org/documents/families_smaller.pdf
- ²¹Partner Children = Happiness? The Effects of Partnerships and Fertility on Well-Being. (n.d.). Retrieved July 14, 2016, from <http://onlinelibrary.wiley.com/doi/10.1111/j.1728-4457.2005.00078.x/abstract>
- ²²The benefits of smaller families. (2015). Retrieved July 14, 2016, from http://www.populationmatters.org/documents/families_smaller.pdf
- ²³Fertility and Empowerment. (n.d.). Retrieved July 14, 2016, from <http://www.icrw.org/taxonomy/term/134>
- ²⁴Population and climate change. (2015). Retrieved July 14, 2016, from http://www.populationmatters.org/documents/population_warming.pdf