Pilot project for the development of a common methodology on reference budgets in Europe

Review of current state of play on reference budget practices at national, regional, and local level

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Abbreviations

AT	Austria
BE	Belgium
BG	Bulgaria
CASA	Centre for Alternative Social Analysis, Denmark
CBS	Consensual Budget Standard
CEEP	European Centre of Employers and Enterprises providing Public services
CPI	Consumer Price Index
CRSP	Centre for Research in Social Policy
CSB	Herman Deleeck Centre for Social Policy
CY	Cyprus
CZ	Czech Republic
DE	Germany
DGH	Deutsche Gesellschaft für Hauswirtschaft
DK	Denmark
EC	European Commission
EAPN	European Anti-Poverty Network
ECB	European Central Bank
ECDN	European Consumer Debt Network
EE	Estonia
EL	Greece
EMIN	European Minimum Income Network
ENIL	European Network on Independent Living
ENSA	European Network of Social Authorities
EPAP	European Platform against Poverty
EPSU	European Federation of Public Service Unions
ES	Spain
EU	European Union
EU-SILC	European Union Statistics on Income and Living Conditions
ETUI	European Trade Union Institute
FEANTSA	European Federation of National Organisations working with the Homeless
FBU	Family Budget Union
FCT	Fundação para a Ciência e a Tecnologia
FI	Finland
FR	France
HHSA	Household Satellite Account, Finland
HR	Croatia
HU	Hungary
IE	Ireland
ILO	International Labour Organisation
IMF	International Monetary Fund
ImPRovE	Poverty Reduction in Europe: Social Policy and Innovation
ISG	The Indicators' sub-group
IT	Italy
LT	Lithuania
LU	Luxembourg
LV	Latvia
MIS	Minimum Income Standard
MT	Malta
NGO	Non-governmental organisation
Nibud	Nationaal Instituut voor Budgetvoorlichting
NL	The Netherlands

OSE	Observatoire Social Européen
PL	Poland
PT	Portugal
RBs	Reference Budgets
RO	Romania
SCP	Sociaal Cultureel Planbureau
SE	Sweden
SI	Slovenia
SK	Slovakia
STATEC	Service central de la statistique et des études économiques, Luxembourg
THL	Terveyden ja Hyvinvoinnin Laitos (National Institute for Health and Welfare, Finland)
UK	United Kingdom
VPSJ	Vincentian Partnership for Social Justice

List of national experts who filled in the questionnaire

AT	Christa LEITNER	ASB Schuldnerberatungen, umbrella organisation of the Austrian debt advice services
AT	Michaela MOSER	University of Applied Sciences, St. Pölten
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FI	Lauri MÄKINEN	Department of Social Research, University of Turku
FI	Anna-Ritta LEHTINEN	National Consumer Research Centre
FR	Pierre CONCIALDI	France's Institute for Social and Economic Research (IRES)
HR	Paul STUBBS	Institute of Economics, Zagreb
HR	Danijel NESTIC	Institute of Economics, Zagreb
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MT	Suzanne PISCOPO	Nutrition, Family and Consumer Studies, University of Malta
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PL	Tomasz PANEK	Warsaw School of Economics
PL	Piotr KUROWSKI	Institute of Labour and Social Policy
PT	José PEREIRINHA	School of Economics and Management (ISEG), University of Lisbon
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SI	Nada STROPNIK	Institute for Economic Research, Ljubljana
SK	Daniel GERBERY	Institute for Labour and Family Research, Comenius University, Bratislava
UK	Donald HIRSCH	Centre for Research in Social Policy, Loughborough University

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Executive Summary

Purposes of the project and of this paper

Over the past 20 years, the European Council, the European Commission and the European Parliament have underlined the importance of inclusion policies and adequate income support. More recently, as part of the Social Investment Package that was adopted in February 2013, the Commission has proposed reference budgets (RBs) as an instrument that can help Member States to design efficient and adequate income support but which also facilitate the Commission's task of monitoring the adequacy of income support in Europe. RBs are priced baskets of goods and services that represent a given living standard. They are widely used in Europe and serve many purposes. However, at the moment, RBs are largely created in isolation from one another, using different methods, so the results are not comparable across countries.

This 'pilot project for the development of a common methodology on reference budgets', funded by the European Commission, has two main objectives. The first is to establish a 'Reference Budgets' Network' that consists of key experts and representative stakeholders, at the national as well as the EU level, to share experience and expertise on RBs. The second important goal is to try to build a consensus on a common theoretical framework and a common methodology for cross-nationally comparable RBs in all EU Member States.

This paper presents an overview of the RBs that have been constructed in EU Member States during the past 40 years or which are being constructed at the moment. It summarises the relevant literature and presents the results of a survey on reference budgets among national experts in the 28 EU Member States. It also discusses the advantages and disadvantages of RBs. Finally, it proposes a number of criteria to which valid and useful RBs should conform. The paper, accordingly, prepares the way for later work in the project, in particular for a second deliverable on a common methodology, as well as for the construction of full, cross-nationally comparable reference budgets based on this common methodology for a selected number of Member States and of a food basket for all 28 Member States.

Overview of current RBs

At a general macro policy level, RBs serve the purpose of being a benchmark against which the adequacy of social benefits or a poverty threshold can be assessed. At a micro-level, the most common purpose is for advising on financial issues and debt. Research institutes and national statistical offices seem to be the largest group of commissioning entities next to national governments and civil society organisations like trade unions and NGOs. The European Commission has recently entered the field. Because RBs are largely developed in isolation from each other, their construction is based on a variety of theoretical and methodological, usually pragmatic, approaches. Many RBs refer to well-known definitions of poverty and an adequate standard of living. In 9 countries, RBs are inspired by the theory of Human Needs of Doyal and Gough (1991) or the capabilities theory of Nussbaum (2000, 2011). In countries were RBs are mainly based on focus group discussions aiming at obtaining a consensus, researchers often refer to the underlying assumptions made by Walker (1987) and Middleton (2001).

Almost half of the RBs in the EU, mostly those under construction or constructed recently, define the target living standard in terms of a 'minimum living standard for full social participation'. A smaller group of RBs referring to a more limited standard of living were constructed earlier, mainly in the EU13 Member States. Most RBs are based on country-level data, while others start with a more local geographical focus and use their capital city or another large city as a point of reference. Almost all RBs are constructed for one or more model families, most frequently, couples with children of various ages and single people, with specific assumptions made about the health and living environment of those concerned, among other factors. Usually, several sources are used

as an information base. Expert knowledge, household budget data, and focus group data figure quite often along with (inter)national and regional guidelines. While it is clear that RBs require regular adjustment and updating, it seems that the frequency with which these are performed and the method used differ greatly between European countries, though almost half of the RBs are adjusted in line with price changes as measured by the Consumer Price Index. Most of the users of RBs are researchers, civil servants, NGOs, representatives of civil society and social workers. A small number of RBs are used by individual consumers and courts. Most RBs are used for the purpose which was initially intended when they were constructed.

Advantages and disadvantages of RBs

The most frequently mentioned, and cited, advantages of RBs are their clear understanding and normative interpretation of human needs or social rights, their potential to integrate 'experience' and 'codified knowledge', the transparency of their theoretical basis and the methodology used to identify needs and to translate them into priced baskets of goods and services, their ability to take account of cultural and institutional differences (like the availability and accessibility of public goods and services) and of the living conditions of particular social groups, and their informative value to guide politicians in making social institutions more acceptable, on the one hand, and to strengthen the financial competence of individual consumers, on the other.

The pitfalls that were most frequently mentioned by the national experts as well as in the literature are mainly related to their use. First, there is the risk that RBs will be improperly used to dictate, or prescribe, 'how people in poverty should spend their money'. Secondly, and closely related to their prescriptive use, there is the danger that they will be blindly used as a 'standard' for measuring poverty or assessing the adequacy of social benefits, neglecting the variations in individual circumstances and structural conditions. Thirdly, there is the risk, when they are used politically to set the level of social benefits, that disincentives to work can be created if the level is too close to or exceeds minimum wages. This risk can at least partly be avoided if RBs are not used for setting benefit levels but rather as a means of raising awareness to illustrate the (non-)adequacy of social benefits. Fourthly, RBs that are based solely on household budget data can suffer from being 'circular' in that they equate the resources needed for the target standard of living with some existing pattern of consumption, which is of course constrained by the command over economic resources of the people concerned. A fifth frequently mentioned disadvantage is the inevitable use of arbitrary judgments to construct them. A final important disadvantage is that they are complicated to construct by being built on interdisciplinary methods with different levels of validity and reliability.

Criteria for a common method, and an outline

It is too early to propose a common method in detail. Nevertheless, even at this stage, it is possible to propose a number of criteria to which a common method should conform and outline some of its features. This relies to a certain extent on the five methodological criteria for a useful indicator adopted by the European Commission.[1] RBs should be valid, and should be perceived to be so, i.e. be acceptable. The methods that are applied to construct them should be robust and reliable over time. The resulting RBs should be comparable in order to be useful for Commission purposes. They should be responsive to policy interventions but not be subject to manipulation. And timeliness is crucial.

An RB that combines the following features would arguably meet these criteria. First, there should be a theoretical framework to provide a credible justification for the method

[1] These are: First, an indicator should capture the essence of the problem and have a clear and accepted normative interpretation. Second, an indicator should be robust and statistically validated. Third, an indicator should provide a sufficient level of cross countries comparability, as far as practicable with the use of internationally applied definitions and data collection standard. Fourth, an indicator should be responsive to policy interventions but not subject to manipulation. Finally, an indicator should be built on available underlying data, and be timely and susceptible to revision.

adopted which leads to a well-defined target living standard. This framework should give guidance when constructing the RB and limit the inevitable degree of arbitrariness. Secondly, the RB should be built using all relevant sources of information, so that the weaknesses of individual sources can be filtered out as much as possible. Thirdly, focus groups composed of ordinary people should play an important role in their construction . Fourthly, the method of construction should be well documented. Fifthly, stakeholders should be involved in the process of setting up RBs and in their dissemination.

A method that would build on the strengths of three approaches - the 'low cost budget methodology' (Bradshaw 1993), the 'MIS methodology' (Bradshaw et al. 2008), and the "Theory of Needs"-inspired approach (Storms and Van den Bosch 2009) - appears to fit this outline well and to offer the best prospect of meeting the criteria.

Review of current state of play on reference budget practices at national, regional, and local level

Introduction

This report is the first deliverable of a pilot project for the development of a common methodology on reference budgets in Europe. This project has two main objectives. The first is to establish a 'Reference Budgets Network' that consists of key EU experts and EU representative stakeholders, as well as 28 national networks of experts on reference budgets, and societal stakeholders. This network will bring together and internally disseminate to all its members the expertise on the development, the implementation, and use of reference budgets in social policy, social assistance, and debt counselling. The second goal of this project is to assess the possibilities for and actively strive towards building a consensus on one common theoretical framework and a common methodology that is able to support the development of cross-nationally comparable reference budgets in all EU Member States suitable for evaluating the adequacy of minimum income support and help designing efficient and adequate income support throughout Europe.

In the literature, there is a remarkable absence of a general overview of the prevailing methods used to construct reference budgets in Europe. Such an overview would be most useful for identifying good and less satisfactory practices for constructing reference budgets in Europe. In order to fill this gap, this paper summarises the literature on reference budgets in Europe as well as the results of a survey on reference budgets among national experts in the 28 EU Member States. By doing so, the paper aims at identifying various practices for constructing reference budgets. In order to support the analysis, we propose a conceptual framework and a list of more precise criteria that will help to evaluate the quality of the methods used for constructing reference budgets. On the basis of this framework, we identify good and less satisfactory practices for constructing cross-country comparable reference budgets in Europe which we compare with the evaluations made by the national experts.

What are Reference budgets (RBs)?

Reference budgets (RBs) can broadly be defined as: "priced baskets of goods and services that represent a given living standard" (Bradshaw 1993:1). They may be developed for representing different levels of living standards and may be designed for a wide range of purposes. The pioneering work of RBs in Europe goes back to social investigators in the 17th century (Deeming 2010). Currently, the use of RBs is a common practice spread – and still spreading – across the European Union. Nevertheless, there is great variation in the way RBs are constructed and used.

The term '*reference budget*' is a synonym for '*budget standard*'. A 'standard' could be interpreted as 'a norm' for how people should behave themselves and spend their money, which is not at all the intention here. Therefore, the project team of the 'EU-funded PROGRESS project on standard budgets' decided in 2008 to use the term 'reference budgets' in order to avoid the prescriptive connotation of the term 'budget standard'. For this reason, we prefer to speak of 'reference budgets' rather than 'budget standards'.

Analytically, three steps exist in the design of RBs (Storms, Goedemé et al. 2013). The first step involves the definition of the targeted living standard. Second, one or more baskets of goods and services need to be composed that reflect the targeted standard of living. Third, the basket(s) need to be priced in terms of private household out-of-pocket payments.

From the start, we would like to make a clear distinction between the concept of reference budgets, poverty thresholds and political standards (see also: Veit-Wilson 1998

from which we borrow the distiction between the latter two)[2]. Reference budgets have already been defined above. An empirical poverty threshold is a level of economic resources that is used to distinguish the poor from the non-poor. If the poverty definition of the Council of the European Communities (1975) is adopted, it refers to the minimum required economic resources that are necessary to avoid exclusion from the minimum acceptable way of life in the society in which one lives. Empirical poverty thresholds may differ depending on needs, circumstances, and social context. If RBs are constructed based on an appropriate procedure, they may allow the identification of empirical poverty thresholds. However, RBs are usually constructed for a limited number of 'model families', that is, hypothetical household types that live in well-defined specific circumstances. It is not straightforward to plug the information of a limited number of model families into an income distribution to measure poverty, given that the living conditions of real households will differ in many respects from those of the model families.

For the purposes of this report, we define political standards as a political criterion of the adequacy of certain income levels for people in particular situations and a particular time (e.g. the adequacy of minimum wages, social benefits, or social assistance). Political budget standards can be based on RBs, but may also build on other tools or criteria. Even when they refer explicitly to RBs, political standards will always be susceptible to political considerations, in ways that may not be appropriate for the original RBs themselves.

Methodology

As mentioned in the introduction, this overview on the current state of play of reference budgets in the EU is based on a literature review and on the outcome of a questionnaire filled out by the lead experts of the 28 national networks on RBs (see the list of national experts, p. 7). In the literature review, we make use of a number of recently written scientific papers that compare the currently used methods for constructing reference budgets (e.g. Fisher 2007, Deeming 2010, Deeming 2011) and we also rely on the results of the 2010 Belgian peer review on reference budgets (Vranken 2010), as well as on some key conclusions of recently completed projects in which the prevailing methods to construct reference budgets in Europe are studied (ecdn 2009, Warnaar and Luten 2009, Bradshaw and Mayhew 2011, Storms, Goedemé et al. 2013). Finally, we rely on the methodological literature on social indicators to assess the required criteria for making a quality assessment of the prevailing RBs in Europe (Citro and Michael 1995, Veit-Wilson 1998, Atkinson, Cantillon et al. 2002, Bradshaw and Mayhew 2011).

The questionnaire that was designed to collect information on prevailing RBs in the European Union is in Annex 3. On the basis of this questionnaire we have collected information on RBs that are in use in the EU Member States -currently or in the last 40 years- and RBs that are still under construction. Although we are within the framework of this project particularly interested in reference budgets that are designed to reflect a decent or adequate standard of living, we extend the scope in this paper to RBs aiming at other living standards in order to sketch a broader and more comprehensive picture of reference budget practices in the European Union. We received a response from all national experts, which means we are able to cover in this report all 28 EU Member States. In total, we discuss in this report 65 different reference budgets.

The questionnaire consists of five parts. Firstly, national experts were asked to describe some key moments in the construction, dissemination and use of RBs in their country

[2] Veit-Wilson (1998) makes a distinction between empirical poverty thresholds and minimum income standards. However, ten years after the publication of his report, the term of minimum income standard (MIS) has also been used to indicate a particular approach for constructing reference budgets (Bradshaw et al., 2008), which is why we refer to a 'political standard' instead of a 'minimum income standard'. Nonetheless, we borrow the definition of a 'political budget standard' from Veit-Wilson's 1998 report on minimum income standards.

and to give references to the main documents. Secondly, some questions were asked about the main characteristics of the RBs, such as the commissioning entities, the geographical focus, the main purposes and the principal users. In the second part, national experts were asked to give information on the methodology that was used to construct RBs, referring to the represented standard of living, the data used and the actors that were involved to construct the baskets, the characteristics of the model families, the covered needs and the methods used to adjust the baskets to changing prices and living standards. Thirdly, the national experts were asked to indicate on a five-point Likert scale the degree to which they agreed or disagreed with two lists of propositions. The first list refers to the positive and negative aspects of RBs in their country, regarding their main characteristics or associated with the actual use by societal stakeholders. The second set of propositions is about the way national RBs could conceivably be used for various purposes. In the fourth block of questions we asked for the principal advantages and disadvantages of RBs and how the latter, according to the view of the lead experts could be avoided. A final and fifth question probes the awareness of national experts of RBs that are constructed in other European Member States.

Outline of the paper

The structure of the report is as follows: the first part starts with a general overview of the RBs in the EU that have been constructed over the past 40 years or are still under construction. In the second part we look at the advantages and disadvantages of RBs, and report on how they are evaluated in the literature and by national experts. The third part highlights the main lessons drawn from this review for the development of a common methodology in order to construct cross-nationally comparable reference budgets. We focus in particular on the lack of a common language and present a conceptual framework for documenting all relevant aspects regarding the construction of RBs. We discuss the most important quality criteria that should help making choices regarding the desirable features of the common methodology. The final part summarizes the findings and draws conclusions.

In this paper, all RBs are indicated by their country code[3] and first year of construction. RBs that are still under construction are presented in *italic*. In case RBs are not in use any longer, the country code is presented in light grey.

[3] (country) abbreviations can be found in the list of abbreviations on page 5.

Part I: General overview of reference budgets constructed in EU Member States during the past 40 years

Introduction

In the following subsections, we present an overview of RBs practices in Europe mainly building on the questionnaire. First, we give an overview of the prevalence of RBs practices in the EU. Second, we discuss the underlying theoretical notions and the methodological principles that are used to construct them. Next, we discuss the organisations or entities that commissioned the development of RBs and describe the purposes for which they were constructed. Subsequently, we focus on the important questions regarding the targeted living standard and the target population. In subsequent sections we discuss the way the baskets are constructed and describe the kind of information or the data used, the actors involved, the selected model families and the way in which the baskets are adapted to changes in prices or living standards. Finally, we give an overview of the practices for which EU RBs are actually used and their main users.

RBs in the European Union

Before discussing specific characteristics of RBs in Europe, we first present a concise overview of the diffusion of reference budget practices in the European Union. For a brief overview with key characteristics of RBs per country, we refer to Annex 2. RBs defined in their broadest sense have been constructed in every European Member State. Countries who were most actively involved in the construction of RBs are Belgium, Croatia, Finland, Germany, Greece, Poland, Portugal, Romania, the Netherlands, Slovenia, Sweden and the UK. In these countries three or more different RBs have been constructed during the past 40 years. Also Ireland is involved very actively in constructing RBs during the last decade, starting with the construction of Minimum Essential Budget Standards (MEBS) for a limit number of model families living in an urban area and extending them to MEBS covering the whole Irish population. Table 1 gives an overview of the prevailing practice of RBs in Europe sorted by current use or past use.

As shown in Table 1, 23 EU countries have constructed RBs in the past four decades that are still being used. In 11 countries, (new) RBs are currently being developed and in 11 Member States RBs have been constructed in the past 40 years that are not used any longer. The oldest RB still in use is the so-called "*Budget type pour un minimum de vie décent*" in France (1952). The methodology of this RB still undergoes periodic revisions and the last update of the budget was carried out at the end of 2013. Also in Bulgaria, the national statistical institute yearly calculates a poverty line, based on a consumer basket of 77 goods and services that goes back to 1953. Finally and similarly, the RB constructed in the Czech Republic in 1950 still is actively used and updated. In 19 European Member States RBs are constructed more than 15 years ago (BE1997, BG1953, CZ1950, DE1975/1989, DK1993, FI1995, FR1952, HR1996, HU1991, IT1997, LT1990, LV1991, NL<1980, PL1981/1993, PT1969/1981, RO1991, SE1978/1981/1985, SI1977/1993, UK1990/1994/1997) and 15 EU countries have developed RBs that are in use, more recently (AT2009, BE2008, DE2013, DK2004, EE2004, ES2009, EL2009/2012, FI2010, IE2006, MT2011, NL2010, PL2002a/2002b, RO2000/2012, SI2009, and UK2008).

A number of RBs have stopped being operational. 16 RBs are not in use any longer, but were constructed during the past four decades[4] (BE1997, BG2009, DE1975, HR1996/2000/2002, LT1990/2004, LU2010, LV1991, PT1981, SI1977, SK2006, UK1990/1994/1997).

[4] Reference budgets that are constructed more than 40 years ago and that are not in use anymore, are not taking into account in this analysis. The questionnaire gathered information on RBs that are in use or were used during the past 40 years (see above p. 14).

Table 1. RBs in Europe, by use and year of construction

	In use	Under construction	Not in use (anymore)
AT	2009	*2014*	
BE	2008	*2014*	1997
BG	1953		2009
CY		*2014*	
CZ	1950	*2014*	
DE	1989, 2013		1975
DK	1993, 2004		
EE	2004a, 2004b		
EL	2009, 2012	*2014*	
ES	2009	*2014*	
FI	1995, 2010	*2014*	
FR	1952	*2014*	
HR			1996, 2000, 2002
HU	1991	*2014*	
IE	2006		
IT	1997	*2014*	
LT			1990, 2004
LU		*2015*	2010
LV			1991
MT	2011		
NL	<1980a, <1980b[5], 2010		
PL	1981, 1993, 2002a/2002b		
PT	1969	*2014*	1981
RO	1991, 2000, 2012		
SE	1978, 1981, 1985		
SI	1993, 2009		1977
SK	1997		2006
UK	2008		1990, 1994, 1997

Source: Own data
Note: N= 66, missing= 0, *Italic= Under construction;* Grey=Not in use (anymore)

For countries like Croatia, Latvia and Lithuania this means that at the moment, no RBs are in use anymore. The Lithuanian Government, on demand of the National Audit Office is required to develop reference budgets in the near future. National experts put forward three main reasons to explain why RBs ceased being used. A first reason refers to the methodology which is considered unsatisfactory with non-realistic estimations and little acceptability as a result (BE1997, HR1996/2000/2002, LT2004, LV1991, SI1977). The RBs constructed in Romania (1991/2000/2012) are referred to as being in use, however, for the same reason of hard acceptability, these RBs are not officially adopted but only applied by scientists. Additionally, another reason frequently mentioned addresses the absence of regular updates of both baskets and method (BE1997, BG2009, DE1975, HR1996/2000/2002, LT1990/2004). Thirdly, some RBs seem to be constructed as a one-time exercise without further intention to implement or disseminate the results or only to illustrate a standard of living for a small specific subgroup (BE1997, BG2009, LU2010, SK2006, UK1994).
Currently, 12 out of 28 Member States (*AT2014, BE2014, CY2014, CZ2014, EL2014, ES2014, FI2014, FR2014, HU2014, IT2014, LU2015, PT2014*) have RBs under construction. For instance, Cyprus (*CY2014*) started recently the construction of a RB in consultation with the ECB, IMF and EU (Troika), and with experts' assistance financed by the ILO. Also the governmental statistical service of Luxembourg (STATEC) started very

[5] Year of first construction cannot be exactly determined, but the RBs were surely constructed before 1980.

recently with the construction of a RB for their country (*LU2015*). Because the construction of the RB in Luxembourg is still in a rather early stage of development, this RB is left out of the analyses that follow.

Until now, RBs have been developed rather independently from each other. Recently, one initiative has been launched to construct RBs on the basis of a common theoretical and methodological framework in order to make their results cross-nationally comparable. In the context of the ImPRovE project (2014) six EU countries (*BE, EL, ES, FI, HU, IT*) started with a pilot project aiming at studying the feasibility of constructing cross-nationally comparable reference budgets based on a common theoretical and methodological framework that builds on (inter)national standards, scientific knowledge and focus groups discussions (Storms, Goedemé et al. 2013). Recently, the statistical office of Luxembourg (STATEC) started to develop reference budgets for Luxembourg using the same method as tested in the ImPRovE project. It is noteworthy to mention that five other countries have also developed reference budgets using a similar method, what we may call a 'Focus group central method'. With this method, focus groups are asked to define reference budgets and seek a consensus about the priced lists of goods and services. For some topics the discussions are informed by experts and in some countries a theoretical framework is also used. The method as initially implemented in the United Kingdom under the title of the 'Minimum Income Standard' (MIS) (Bradshaw, Middleton et al. 2008, Valadez and Hirsch 2014), initiated by the Family Budget Unit (FBU) and the Centre For Research in Social Policy (CRSP) at the Loughborough University (UK2008). Recently, a similar method has been or is being implemented in three European countries (*AT2014, FR2014, PT2014*), while adapting it to their national context. However, this was done without much central coordination, implying that results are not fully comparable (Valadez and Hirsch 2014). Independently of the work done at CRPS, the Vincentian Partnership for Social Justice (VPSJ) in Ireland constructed RBs (2006), making use of a similar method that is based on the work of Middleton (2000). Also in the Nordic countries, in the beginning of the 1990s there has been a collaboration in the preparation and the construction of national RBs. However, not identical, all have a Nordic design, based on the Nordic Welfare state.

To conclude, we can say that anno 2014 RBs are widespread and still spreading across European countries. Namely, all Member States (except for Croatia, Latvia and Lithuania) have currently RBs in use or under construction.

Theoretical and methodological basis

The variety of theoretical and methodological approaches used for the construction of RBs in EU Member States during the last four decades reflects to a considerable extent the historical development of budget standards, as described by Fisher (2007) and Deeming (2010).

At the end of the 19th century, researchers (e.g. Rowntree 1901) aimed at developing budgets that had a 'scientific' foundation, in the sense that these were supposed to correspond to the requirements of physical survival, as determined by medical doctors and other experts. This method was most plausible for the food budget, which at that time was by far the biggest part of low-income households budgets. In practice, the budgets always contained elements of social convention, as the goods used to satisfy food needs were of course those commonly consumed at the time. In practice, the budgets also allowed for some leisure activities and social participation. Subsistence minima in the USSR between 1918 and the late 1950's appear to be also based on this approach (Atkinson and Micklewright 1992: 191-92). More recently, this approach appears to have inspired RBs in EE2004a, IT1997 and RO2000/2012.

Because social conventions inevitably crept in, Rein (1970) and Townsend (1979) criticized the scientific pretensions of the budget standards of Seebohm Rowntree (1901) and others, writing that in fact they amounted to frugal versions of conventional consumption patterns. In the UK, between 1951 and the late seventies no work on

budget standards was done. Nevertheless, in the eighties and nineties of the last century, budget standards were revived in the UK by Jonathan Bradshaw and colleagues within the Family Budget Unit (FBU) and elsewhere (Bradshaw 1993, Parker, Nelson et al. 2000), resulting in RBs UK1990 and UK1997. They used a variety of information, including government guidelines, expert opinion, consumer surveys, and expenditure and consumption data. These researchers did not pretend that the resulting budget standards represented a minimum to live on. They argued that these amounts corresponded to a certain standard of living, described as, e.g. "modest but adequate", or "low cost". This fairly pragmatic approach was taken up also in BE1997 (Van den Bosch 1997).

The perceived weakness of the FBU approach was that it lacked a clear rationale or guiding idea. In the 90's researchers at CRSP took a similar approach to the FBU, but, instead of panels of professional experts, ordinary people representing different family or household types were brought together to form budget standards committees considering minimum needs. The developers of this Consensual Budget Standards (CBS) were principally inspired by Walker (1987) who claims that RBs should be based on a dialogue between researchers and respondents. Since essential needs are presumed to be 'socially perceived', the latter should have the opportunity to exchange experiences and opinions with each other. Researchers use the focus group methodology to get informed agreement about what constitutes a minimum in a particular society (Middleton 2001).

A few years later, FBU and CRSP researchers blended the best elements of the two methodologies into the 'Minimum Income Standard' (Bradshaw, Middleton et al. 2008). The Minimum Income Standard (MIS) is the income that people need in order to reach a living standard that includes the fulfilment of basic needs as well as having the opportunities and choices that would allow them to participate in society. MIS is based on what selected members of the British public think is necessary to achieve a minimum socially acceptable living standard and is informed by expert knowledge where considered relevant by the researchers. Participants of focus groups are asked to come to an agreement about a list of goods and services required to meet the physical, psychological, and social needs of a hypothetical model family with a similar household composition as their own. The input of experts is confined to certain areas of MIS, especially food and heating. Following the discussions in various groups, pricing of the agreed lists of goods and services is done by researchers, who translate those lists into weekly budgets for various types of households (Valadez and Hirsch 2014).

Researchers using this 'focus group central approach' approach do not start from a predefined standard of living, but part of the consensual aspect of MIS methodology consists of asking groups of ordinary citizens to agree a definition of what is meant by a minimum. Researchers only insist that it should be about "needs", not "wants". At least in the UK, participants in focus groups argued that the acceptable minimum goes beyond survival requirements for food, shelter and clothing. According to these groups it should include the means for social participation being the key to well-being and mental health, while 'choice' was another common theme (Valadez and Hirsch 2014).

Being developed in the UK (2008), variations on this method have recently been taken up in *AT2014*, *FR2014*, IE2006, *PT2014*.

Bérénice Storms and colleagues in Belgium have developed a somewhat different response to the criticism directed at the FBU approach. In order to provide the targeted standard of living with a stronger foundation, they have formulated an elaborate theory, taking their inspiration from Doyal and Gough's (1991) "A Theory of Human Need". The idea is that since people are social creatures, they need the means for social participation, or more precisely the means to perform adequately the social roles they have to play, such as being a parent, a citizen or a neighbour. Doyal and Gough (1991) posit that each actor has two universal basic needs: 'physical health' and 'personal autonomy'. This follows from their Kantian argumentation that individuals can only act if their physical survival is guaranteed and that they have a degree of freedom to make

choices. At a less abstract level, intermediate needs are identified which must be satisfied at a minimal level. Storms started from a slightly adapted version of Doyal and Gough's list of intermediate needs (ranging from adequate nutrition and clothing to safe childhood and significant relationships), and translated it into 10 baskets of goods and services, relying as much as possible on (quasi-)official guidelines, scientific evidence and expert opinion. Focus groups composed of persons with incomes around the at-risk-of-poverty threshold also play an important role to check the feasibility of living from the resulting RBs in real life. Storms stresses that the identification of needs should always refer to a particular institutional context in which people live and to their personal characteristics and competences. This theoretical foundation has clear links with the basic capabilities approach of Martha Nussbaum (2011), which has inspired a RB in AT2009. The 'Theory of Human Needs' – inspired approach (2013) is now being implemented as RBs under construction in the ImPRovE project (*ES2014*, *FI2014*, *EL2014*, *HU2014*, *IT2014*) and very recently also in *LU2015.*

The approaches to RBs discussed so far have in common that the aim is to work out a complete budget in the sense of a list of priced goods and services. Other methods do this only for part of the total budget (in particular for food), while other components are estimated in a different way, resulting in a total amount for baskets such as clothing or leisure, without actually listing the items in those baskets. (In practice, this distinction is not sharp; even Seebohm Rowntree (1901) did not specify all parts of his budget in equal detail.)

The most well-known of this kind of RB is probably the USA poverty line, as defined by Orshansky (1965). She used "Economy food plans" that were available for many types of families, and she set poverty thresholds at three times the cost of these plans, as the Department of Agriculture had found that families of three or more persons spend about one third of their after-tax income on food. (Different procedures were used for calculating poverty thresholds for two-person households and persons living alone.) The Orshansky method is explicitly mentioned for Slovenia (1993/2009).

The combination of a normative food basket composed by dieticians to satisfy nutritional and energy needs, with baskets for other needs derived from the actual expenditure of low-income households is also observed in the subsistence standards in a number of Eastern European countries in the 1960s, 1970s and 1980s, though this approach was implemented in various ways with varying degrees of sophistication (Atkinson and Micklewright 1992: 192-94).

It is fair to say that there was not much theory behind this method. Orshansky herself made it quite clear that the resulting amounts were not supposed to represent a minimum below which families would be unable to survive or participate in society. The aim was to create thresholds that were regarded as reasonable by politicians and the public, and that could be used to monitor the extent and evolution of poverty. This aim was even more explicit in Citro and Michael (1995), who proposed that the official U.S. poverty thresholds should comprise a budget for the three basic categories of food, clothing, shelter (including utilities), and a small additional amount to allow for other needs. Actual expenditure data should be used to develop a threshold for a reference family of four - two adults and two children. They believe that while the cut-off point is essentially arbitrary, the reference to specific needs (e.g. food) produces poverty thresholds that have a normative cast, which is likely to be more attractive to policy makers and the public than thresholds developed by a purely relative approach.

The Dutch Institute for Social Research (SCP) has proposed and implemented a similar method, which they call the 'generalised budget approach', that has the aim to retain the theoretical and practical advantages of a fully specified budget standard but which is easier to apply (Vrooman 2009; NL2010). The level of the poverty line is determined on the basis of the budgets drawn up by the Dutch National Institute for Family Finance Information (Nibud). There are two variants: the first one is described as a *basic needs* threshold, while the second one is more generous and corresponds to a *modest but*

adequate standard of living. These budgets are based on a variety of information, including dietary recommendations, judgments of experts, and also actual consumption patterns at the bottom end of the income distribution. The resulting baskets have been validated by focus groups of consumers (Hoff, Soede et al. 2010) The complete budget is drawn up for a single person only; amounts for other household types are derived using equivalence factors from another source. It is interesting to note that many of the arguments given in favour of this approach (both by Citro and Michael 1995 and Soede and Vrooman 2008) do not so much refer to the intrinsic validity of the method, but to the desirable proportions of the resulting thresholds from a policy research point of view: e.g. the thresholds are not too high, and are stable over time. This method was also applied in ES2009.

Finally, the home economics approach that is popular in Germany has developed RBs that are intended mainly for counselling purposes (DE1975/2013). Home economics is an applied cross-disciplinary field of study, using a variety of evidence and expertise to make recommendations for actual household keeping. The RBs developed using this approach are based on household budget data. Reference budget data are used as benchmarks when interpreting the finances and expenditures of an individual household, taking into account the specific household circumstances and household style, as well as the disposable income (Preusse 2012). These RBs are developed for various standards of living.

The table below (Table 2) shows the main theoretical background per RB constructed. In the columns "Theory of Human Needs and/or Capabilities Theory" and "Focus group central approach" we list RBs where the researchers explicitly mention these theories or terms. The labels used are not mutually excluding, which is why many RBs are mentioned in more than one column.

Table 2. RBs in Europe, by theoretical background[6]

	Physical survival	Pragmatic approach	Theory of Human Needs and / or Capabilities Theory	Focus group central approach
AT			2009, *2014*	*2014*
BE		1997	2008, *2014*	
BG				
DE		2013		
DK				
EE	2004a/2004b			
EL			*2014*	
ES		2009	*2014*	
FI			1995, 2010, *2014*	
FR			*2014*	*2014*
HR	2002			
HU			*2014*	
IE				2006
IT		1997	*2014*	
LT				
NL		2010		2010
PL		1993, 2002a, 2002b		
PT			*2014*	*2014*
RO	2000, 2012			
UK		1990, 1997		2008

Source: Own data
Note: Italic= Under construction; Grey=Not in use (anymore)

Summing up, it seems that most actors that constructed RBs in Europe took a pragmatic approach, with little explicit reflection on theoretical concepts. Several European RBs contain implicit theoretical notions, by referring to well-known definitions of poverty (Townsend 1979, Ravallion 1994, Ravallion 1998) or definitions of an adequate living standard (Borgeraas 1987, Bradshaw, Middleton et al. 2008). In 12 countries, reference budgets are developed with an explicit reference to a certain theoretical framework. Most often it concerns the theory of Human Needs of Doyal and Gough (1991) and the capabilities theory of Nussbaum (2000, 2011). This is the case for the RBs that are being constructed in the ImPRovE project (*BE2014, EL2014, ES2014, FI2014, HU2014, IT2014*) and for AT2009, *AT2014, FR2014*. In countries were RBs mainly rely on focus group data, national experts frequently refer to the underlying assumptions made by Walker (1987) and Middleton (2001) or for the Netherlands to Vrooman (2009) (NL2010, *PT2014*, IE2006).

It is noteworthy that despite a rather different point of departure, both the consensual approach and the RBs taking their inspiration from a theory of needs or capabilities end up with the same key concepts: social participation, health (well-being) and autonomy (choice). There is at least some convergence also in the methods used to determine the actual baskets of goods and services, as both approaches rely on focus groups and expert knowledge, though with different emphases.

There is however a clear dividing line between RBs which have been fully specified in the sense that all goods and services are listed item by item, and on the other hand RBs where this is not (fully) the case, which tend to be at least partly based on actual expenditure data. Considerations of time and resources are often cited as an argument

[6] Not all RBs are entered in the table, since for some we lacked sufficient information to categorize them.

for the latter. Whether these practical gains come at a cost of reduced validity and acceptability will be discussed in our next report.

Commissioning entity

A commissioning entity is the authority, institute or organisation that takes the initiative to develop the RBs. On the basis of answers given by the national experts in the questionnaire, we can distinguish six types of commissioning entities: the European Commission, government, national consumer agency, university, another research institution, and a civil society organisation.

Regarding the research institutions, one of the two largest categories of commissioning organisations, a distinction must be made between three groups of research associations. First of all, a number of RBs are commissioned by the National statistical offices of the countries in question (BG1953, HU1991, LT2004, and LU2010). Secondly, besides the National statistical offices, another group of research institutions includes organisations that are part of the government (sub agencies) or at least partly depend on governmental support (*AT2014*, FI1995/2010, *FR2014*, PL1981/1993, PT1981/*2014*). For example in Portugal (*2014*), the RB is commissioned by the FCT, the National Funding agency of science. Similarly, in Finland (1995) the National Institute for Health and Welfare (THL) is a research institute under the Finnish Ministry of Social Affairs and Health though it aims at serving both the community and the central government. Finally, there is a third group of independent research institutions, conducting research using own and often also subsidized funding (BE1997, DE1975/2013, DK2004, FI2010, IE2006, NL2010, RO1991, SI2009). For instance, the CASA, the Centre for Alternative Social Analysis is an independent and multidisciplinary research centre in Denmark as is the Herman Deleeck Centre for Social Policy (CSB) in Belgium. In the case of the Netherlands, the SCP, the Dutch institute for social research, financially depending on the national budget, constructed the Dutch RB (2010) together with Nibud (Het Nationaal Instituut voor Budgetvoorlichting) out of their own means.

In 16 Member States, RBs are commissioned by the national government (BE2008, CY2014, CZ1950/*2014*, DE1989, EE2004a/2004b, HR2000, HU1991, IT1997, LT1990, LV1991, PL1981/1993/1995, PT1969, RO2000, SE1981/1985, SI1977/1993/2009 and SK1997/2006). There is only one example (EL2012) of a RB commissioned by a regional government. However, it is rarely the case that the government itself bears the whole responsibility for the commissioning of RBs. In many countries different actors are involved. In some cases the commissioning of RBs happened in cooperation with universities (BE2008), research institutions (CZ1950/*2014*, SI1977, SK1997), the national statistical office (HU1991) or with trade unions (PL1993, RO2000, SI1977). In Romania and Croatia, it was the World Bank and the country office of both, who administered the development of reference budgets in their countries. In Cyprus it was the central government who agreed with the Troika (the ECB, IMF and the EU) to construct a reference budget based on methods chosen by the Ministry of Labour and supported by Troika. Table 3 in Annex gives a detailed description of the entities involved in the commissioning.

A third big group of commissioning entities are part of civil society. There is a wide range of civil society organisations that are interested in RBs. For example, in the commissioning of some RBs trade unions were involved. This is the case for the RBs in countries like Greece (2009), Ireland (2006), the UK (1997), Croatia (1996, 2002), and Slovenia (1977). RBs make it possible for trade unions to use RBs to refer to a point of reference when defending the interests of workers.

Table 3. RBs in Europe, by authority that commissioned or financed their construction

	European Commission	Government (Central/ Regional)	National Consumer Agency	Univer -sity	Other research institutions	Civil society
AT	2009				*2014*	
BE	*2014*	2008		2008	1997	
BG	2009				1953	
CY		*2014*				
CZ		1950, *2014*				
DE		1989			1975, 2013	
DK			1993		2004	
EE		2004a, 2004b				
EL	*2014*	2012				2009
ES	*2014,* 2009					
FI	*2014*				1995, 2010	
FR					*2014*	1952
HR		2000				1996, 2002
HU	*2014*	1991				
IE			2006	2006	2006	2006
IT	*2014*	1997				
LT		1990			2004	
LU					2010	
LV		1991				
MT						2011
NL			<1980a, <1980b, 2010		2010	
PL		1981, 1993			1981, 1993	
PT		1969			1981, *2014*	
RO		2000				2012
SE		1981, 1985	1978		1991	
SI		1977, 1993, 2009			1977, 2009	1977
SK		1997, 2006			1997	
UK						1990, 1994, 1997, 2008

Source: Own data
Note: N= 63, missing= 2*; Italic = Under construction;* Grey = Not in use (anymore)

Another important group in the category of civil society are the non-governmental organisations (NGOs). For instance, in the UK (1990/1994/1997/2008) and Ireland (2006), RBs are developed on the initiative of non-governmental organisations. In the UK the Joseph Rowntree Foundation was involved in all four RBs. The Joseph Rowntree Foundation aims at creating social change by initiating research on for example poverty-related themes and other social problems. Similar in Ireland the Vincentian Partnership for Social Justice (VPSJ), an organisation involved in tackling poverty, was responsible for the start-up of the Irish RBs. Other countries where NGOs are involved in commissioning RBs are France (1952), Malta (2011), and Romania (2012).

Next we observe a number of RBs that are commissioned by the European Commission and constructed relatively recently (AT2009, BG2009, ES2009) or are even still under construction (*BE2014, CY2014*, *FI2014, EL2014, ES2014, HU2014, IT2014*). In most cases, though, the European Commission financially supported projects aiming at constructing RBs as proposed by research organisations.

The RBs constructed in Spain, Bulgaria and Austria (all in 2009) have been developed on the initiative of the European Consumer Debt Network (ECDN). The European Consumer Debt Network is a European network that fights against poverty and more specific against over-indebtedness and financial exclusion. It is a network consisting of counselling services concerning indebtedness, educational organisations, research institutes, etc. In 2007 the ECDN took the initiative to set up a project regarding standard budgets. The cross-country project intended to bring together countries who had been using standard budgets and those who did not yet use them in order to promote mutual learning about standard budgets and social inclusion in general. The project was financially supported by the Directorate-General of Social Affairs and Equal Opportunities of the European Commission as part of the PROGRESS programme (ecdn 2009).

The Belgian (*2014*), the Finnish (*2014*), the Greek (*2014*), the Hungarian (*2014*), the Italian (*2014*), and the Spanish (*2014*) RBs (under construction) are all part of the ImPRovE project.

In the case of six RBs (DK1993, IE2006, NL<1980a/<1980b/2010, SE1978) consumer agencies - organisations representing the interests of consumers - commissioned the construction of the budgets. An important example is Nibud in the Netherlands. While using reference budgets, Nibud is preoccupied with budget counselling and the representation of the interests of private consumers.

It seems that many official entities have recently commissioned the construction of RBs, which may indicate a growing interest in the use of RBs. Clearly, research institutions, governmental organs, and civil society organisations play a major role in taking up the initiative to conduct RBs.

Purposes

Table 4 shows that the 65 EU RBs that are in use or that were constructed during the past 40 years, serve about 238 purposes (i.e. N of responses). This means that, on average, each RB serves about four purposes. We can distinguish between purposes on the macro-level (statistical purposes or referring to general policies) and purposes that are dealing with individual situations. More detailed information about RBs and the purposes for which they are developed is provided in the annex, in Table II.

It can be seen that the majority, approximately over two-third of the RBs constructed in the European Union, are developed with the rather general purpose to assess an adequate standard of living. For example in Malta (2011), a RB was developed as a benchmark for a basic minimum standard of living that is supposed to influence political decisions regarding the incomes of the worse off. Subsequently, more than half of the European RBs are developed to assess the adequacy of social benefits and in addition, nearly one fourth of the RBs are used to assess the adequacy of wages in general or of the minimum wage (BE1997/2008, BG2009, EL2009, HR1996/2002, IE2006, LV1991, MT2011, NL<1980a, PL1981/1993, PT1969, RO1991/2000, UK2008). For example, in Ireland (2006), RBs are developed to bring more attention to the situation of people who are dependent on social welfare benefits or the national minimum wage (Minimum essential budgets, 2005-2006). Seven other RBs (BE2008, BG1953, *EL2014*, HR1996, LT2004, LV1991, NL<1980a) are intended to examine changes in the Consumer Price Index (CPI).

On the theme of poverty, half of the RBs serve the purpose to measure the extent of poverty, and about one third of the RBs are used to assess the validity of relative income poverty thresholds. For example in Italy (1997), a RB was developed in order to obtain an absolute poverty threshold both to measure the extent of poverty as well as to assess the adequacy of relative income poverty thresholds (Trivellato 2013).

Table 4. RBs in Europe, by purpose

Purposes	N of responses	% of RBs
To assess an adequate standard of living	46	70,8
To assess the adequacy of social benefits	38	58,5
To measure the extent of poverty	35	53,8
To assess the validity of relative income poverty thresholds	22	33,8
To generate equivalence scales	14	21,5
To provide a benchmark for assessing the adequacy of wage	16	24,6
For debt counselling	12	18,5
For financial education	13	20
To determine additional income support	11	16,9
To examine the changes in the CPI	7	10,8
For budget counselling	7	10,8
To assess the minimum cost of living	4	6,2
To present alternative credits scores	6	9,2
To assess rent norms	2	3,1
Others	5	7,7
	238	

Source: Own data
Note: N= 65, missing= 0

Finally, about one fifth of the RBs are created to generate equivalence scales (BE2008/*2014*, EE2004a, *EL2014*, *ES2014*, *FI2014*, NL<1980a, *PT2014*, SE1978, SI1977/1993/2009 and UK1990/1994/1997/2008). EE2004b was constructed as an illustration of a methodology to calculate the costs of children as part of a research report commissioned by the Ministry of Social Affairs (Tiit 2004, Sammul, Tiit et al. 2013).

Besides these purposes on the macro-level, RBs are often used as a tool by organisations, on the individual or household level. Approximately eleven RBs are developed to determine additional income support in social assistance (BE2008, DE1989, ES2009, IE2006, MT2011, NL<1980a, PL1981/1993/2002a/2002b, SE1978). Almost one-fifth of the RBs are constructed for debt counselling (AT2009/*2014*, BE2008, DE2013, ES2009, FR1952, IE2006, NL<1980a/<1980b, SE1978/1981), and about the same proportion is used for financial education (AT2009/*2014*, BE2008, DE1975/2013, DK1993, ES2009, FI2010, FR1952, IE2006, NL2010/<1980a/<1980b). To finish, a substantial smaller group of RBs (7/65) are intended to be used for budget counselling (AT2009/*2014*, BG2009, DE1975/2013, FI2010, SE1978) and for the calculation of alternative credit scores as a measure of creditworthiness (BE2008, NL<1980a/<1980b, PL1981/1993, SE1978). For example in the Netherlands (2010), RBs are supposed to provide information on family finance. Consequently, RBs serve as a point of reference for households with a minimum income to suggest how they can manage their financial matters (Hoff, Soede et al. 2010), or to support purchase calculations (NL<1980a/<1980b). Similar in Germany, budgets are developed especially in the context of budget counselling and the teaching of financial literacy (Preuße 2012). RBs are regarded as an objective source of financial information for households to prevent them from falling into debt and help them to make a financial planning. Other purposes intended while constructing RBs are for example the assessment of rent norms. In the Netherlands (NL<1980a/<1980b) RBs are used by financial institutions to adapt rent norms to the financial situations of individual household situations.

To conclude, EU RBs are originally developed to serve a variety of purposes, of which the most common are the assessment of an adequate standard of living, the assessment of the adequacy of social benefits, the measurement of poverty and the assessment of the validity of relative income poverty thresholds. A smaller group of RBs are developed for more micro-economic purposes like financial education, the assessment of alternative credit scores and for budget and debt counselling purposes. However, not all RBs are

actually used for the purposes for which they were initially intended. How RBs are currently used in practice will be discussed below.

Targeted living standard

The basis for developing RBs, and probably one of their most defining characteristics concerns the targeted living standard and the targeted population. The targeted living standard is a response to Dubnoff's (1985) question regarding 'enough to do what?'. In principle, reference budgets could be developed for any targeted living standard, but in practice they have never been developed to identify a 'very high' living standard (cf. Deeming 2011). In Europe, almost half of the European RBs relate to what can be described as 'a minimum living standard that enables full social participation in society' (see Table 5). Except for FI1995, FR1952 SE1978/1985, SI1993, NL<1980a and UK1994/1997 all of the RBs that refer to this standard of living are still under construction (*AT2014*, *BE2014*, *EL2014*, *ES2014*, *FI2014*, *FR2014*, *HU2014*, *IT2014*, *PT2014*), or are constructed during the last decade (AT2009, BE2008, DK2004, EL2009, ES2009, FI2010, IE2006, MT2011, SI2009, UK2008). Although all these RBs relate to the same standard for social participation, for none of them we found a well-defined description of the concept of social participation, except for BE2008 for which social participation is defined as 'the ability of people to adequately fulfil their various social roles. It implies elements of belonging as well as contributing to society' (Storms and Van den Bosch 2009a, Storms and Van den Bosch 2009b).

An equally large group of reference budgets relates to a lower income standard. These RBs appear mostly to be constructed a few years earlier than RBs that relate to a minimum for full social participation. 16 RBs (BE1997, BG1953/2009, DE1989, EL2012, HR1996/2000/2002, LU2010, IT1997, NL2010, PL1981, PT1981, RO1991, SE1981, and SK2006) relate to a slightly higher than subsistence level. Eight of these RBs were developed in the so-called New Member States. This is also, and even more so, the case for RBs that relate to a subsistence level. Except for PT1969 and for *CY2014*, these RBS have exclusively been developed in Eastern European Member States, mostly more than ten years ago (CZ1950/*2014*, EE2004a, HU1991, LT1990, LV1991, PL1993, RO2000/2012, SI1977, SK1997).

Only in two European countries the targeted living standard is higher than minimum, and refer to an average consumption pattern (DK1993, UK1990). In three countries RBs were constructed for various consumption levels (DE1975/2013, LT2004, NL<1980b) or for upper middle class families in Estonia (2004b).

Table 5. RBs in Europe, by targeted living standard

	N	% of RBs
Minimum for full social participation	27	42,9
Minimum for physical needs and limited social participation	16	25,4
Minimum for physical needs	13	20,6
Various consumption patterns	4	6,3
Average consumption pattern	2	3,2
Higher living standard	1	1,6
Total	63	

Source: Own data
Note: N= 63, missing= 2

Besides the target living standard, RBs clearly differ in target population, that is, the group(s) of people for which the reference budgets are supposed to identify the targeted living standard (for whom?). These may be all inhabitants of a city, region, country or wider entity, but it may also be a much more specific subgroup in the population (e.g. families with young children, members of a trade union or elderly people with specific

needs). This is not a trivial question as it is very likely that the definition of the target population will frame the research process and have a non-negligible impact upon the resulting reference budgets. Furthermore, if the reference budgets are to be used as political standards for evaluating social policies, it may be unacceptable for policy makers – and others – that reference budgets, differ from one part of the country to the other. In the section below, we look at the geographical focus of RBs. The targeted subgroups will be discussed in relation to the methodology used (see Annex, Table III).

Geographical focus

11 Member States (BE, EL, ES, FR, HR, IE, NL, PL, PT, SE, UK) start off constructing RBs with both a national and either a regional focus or a municipal focus (see Table 6). Most of them are based on data from specific cities (BE1997/*2014*, BG2009, EL2012/*2014*, ES2009/*2014*, FI*2014*, FR1952/*2014*, HU*2014*, HR1996/2002, IT*2014*, NL2010, PT1969/*2014*, SE1978, UK1990/1997). Others make a distinction between rural and urban areas (IE2006, IT1997, PT1969/1981, RO1991, UK2008) or provinces (voivodeships) in Poland (1981/1993 since 2000). We refer to the Annex table IV for more detailed information.

For instance, Portugal is currently constructing geographically differentiated budgets for three typical municipalities: a rural, an urban and an industrial municipality. As this was done for all regions, RBs for the whole country could be constructed. In Ireland and the UK, the RB developed for urban regions was extended to its rural counterpart. These studies aimed at determining the expenditure required by rural families in order to achieve the same living standards as urban families (Smith, Davis et al. 2010, Collins, Mac Mahon et al. 2012). Similarly, the Italian RB (1997) differentiates between the North, the South, and the Centre of Italy (and also for the type of municipality (metropolitan, medium, small) because of varying price levels of certain goods. In Finland (2010), researchers take the living environment into account for the constructing the housing and mobility baskets.

Table 6. RBs in Europe, by geographical focus

National focus	Regional focus	Municipal focus
AT 2009, *2014*		
BE 2008, *2014*		BE 1997, *2014*
BG 1953		BG 2009
CY 2014		
CZ 1950, *2014*		
DE 1975, 1989, 2013		
DK 1993, 2004		
EE 2004a, 2004b		
EL 2012		EL 2009, 2012, *2014*
ES 2014		ES 2009, *2014*
FI 2010, 1995		*FI 2014*
FR 1952	FR 1952	FR 1952, *2014*
HR 1996, 2000	HR 1996	HR 1996, 2002
HU 1991		*HU 2014*
IE 2006	IE 2006	
IT 1997		*IT 2014*
LT 1990, 2004		
LU 2010		
LV 1991		
MT 2011		
NL <1980a, <1980b	NL 2010	NL 2010
PL 1981,1993, 2002a, 2002b	PL 1981, 1993 (since 2000)	
PT 1981	PT 1969, 1981	PT 1969, *2014*
RO 2000, 1991, 2012	RO 1991	
SE 1978, 1985, 1981		
SI 1977, 1993, 2009		
SK 1997, 2006		
UK 1990, 1994, 1997, 2008	UK 2008	UK 1990, 1997

Source: Own data
Note: N = 65, Missing = 0, *Italic=Under construction;* Grey = Not in use (anymore)

Finland (*2014*), Hungary (*2014*), France (1952), Spain (2009) and Greece (2009/2012/*2014)* used their capital city as a place of reference. The oldest reference budget in France (1952) distinguished between the Paris region and the rest of France. In Portugal, the RB constructed in 1969 was based on data gathered from Lisbon. Similarly, Madrid was used as point of reference for the Spanish RB of 2009. Finally, the RBs in Greece developed in 2009, 2012 and *2014* reflect the situation of people living in Athens.

Some RBs, including four out of six ImPRovE RBs (*BE2014, ES2014, FR2014, IT2014*), do not refer to capital cities, but use other large or medium sized cities (BE1997, BG2009, EL2009/2012, HR2002, NL2010, SE1978, UK1990/1997) while constructing RBs on the national or municipal level. For example, whereas the RBs (1990, 1994, 1997 & 2008) developed in the UK are assumed to be representative for the entire territory, pricing was done based on the city of York for two RBs (1990 & 1997). For the Swedish RB (1978) prices were collected from medium-sized cities, predominantly from Örebro. This city was considered representative for an average location in Sweden in terms of prices and commodities.

The geographical scale for which the RBs can be regarded as relevant or valid differs among the European Member States. It is obviously not possible to create budgets that apply to all likely scenarios. Nevertheless, it is important to create RBs as representative as possible for all people to which these budgets are intended to apply and who will possibly make use of them. Most Member States have tried to achieve this by

distinguishing between budgets for urban and rural areas or by choosing a reference city or municipality, they consider to be reasonably representative for the rest of the country.

Information base

With regard to the data used for constructing reference budgets, several sources are frequently utilized across European Member States. In Table 7, the various data sources for the construction reference budgets are identified. For a more detailed overview of the information base per country, we refer to the Annex, Table V.

Table 7. RBs in Europe, by information base

	N of responses	% of RBs
Expert knowledge	47	77,0
Household budget data	41	67,2
Focus group decisions	22	36,1
(Inter) national and regional guidelines	22	36,1
Survey data (excl. household budget surveys)	15	24,6
Market research	3	4,9
Other	3	4,9
Total	153	

Source: Own data
Note: N= 61, missing=4

It can be observed that more than two thirds of all reference budgets (47/61) make use of expert knowledge. Expert knowledge must be understood in a broad sense, and includes scientific evidence about the goods and services needed to fulfil universal human needs in addition to the input of one or more individual experts. Nonetheless, it is remarkable that expert knowledge rarely is the only data source used to construct reference budgets. Denmark (2004) Germany (1975), Greece (2009) and Latvia (1991) appear to be the exceptions. It has to be noted that, the Danish minimum budget (2004) that was worked on mainly by experts on poverty is an elaboration of the earlier constructed standard budget (1993) which did rely on several information bases (e.g. different experts, official standard and recommendations and statistical data). In 30% of the cases, RBs combine expert knowledge with focus group data as important information bases.

Moreover, household budget surveys (HBS) are frequently combined with expert knowledge. Only a few countries use household budget data exclusively to develop reference budgets (BG1953, CZ1950/*2014*, DE1989/2013, LT1990/2004). It is noteworthy that a fair number of countries are also using survey data other than household budget data. For instance, Bulgaria (2009) uses online survey data, while Finland (1995) relies on polls (Gallup) in order to examine habits, perceptions, and necessities of individuals. The United Kingdom (1990/1997) uses the national Breadline Britain surveys, whereas Slovakia makes use of cross-country comparable survey data such as EU-SILC (SK2006) as well as results of national research on living conditions (also for DK1993), consumption behaviour of certain groups and attitudes of the population (SK1997). In contrast, the national expert of Croatia reports that surveys conducted by trade unions have been used to construct reference budgets (HR1996/2002). In addition, RBs in Austria (AT2009) and the Netherlands (<1980a/<1980b) are reported to rely partly on market research. Finally, Sweden uses data and research results from the Swedish Consumer Agency (SCA) and other governmental agencies and organisations for retrieving information on for example commodity prices and commonalities, household consumption, or spare time habits (verket 2009). As for the Netherlands, the authors use a large scale housing survey, commissioned by the Ministry of Housing, Communities and Integration to derive the gross rent for the baskets (Soede 2011). The Belgian researchers also rely on survey

data (incl. household budget data) as a validation source to identify for example goods and services that are commonly used but not selected as essential by scientists and focus groups. Furthermore, they rely on housing surveys to calculate housing costs for quality housing. Finally, it is important to mention that most of these RBs do not exclusively rely on survey data, France (1952) and Croatia (1996, 2002) being a notable exception.

Many countries build their RBs to some extent on (inter)national and regional guidelines (about one third or 22/61 of the RBs). For example, countries use fixed tariffs (AT2009) or food dietary directives (AT2009/*2014*, BE1997/2008, DK1993 (standards and recommendations on consumption standards), *EL2014,* ES2009/*2014,* FI1995/2010/*2014*, FR1952*, HU2014,* HR2000*,* IE2006, IT1997/*2014,* LU2010, MT2011, NL<1980a/<1980b, PT1969/*2014*, RO2000, SE1985, UK1990/1997/2008) as guidelines for the baskets. The reference budgets developed on the basis of the ImPRovE method also build to an important extent on (inter)national and regional guidelines for constructing their baskets about health, personal care, housing, mobility or safety in childhood.

Furthermore, 22 out of the 61 RBs are reported to use focus group decisions in order to construct reference budgets. In Ireland and the UK for example, researchers use the input from focus groups very intensively in order to construct RBs (Collins, Mac Mahon et al. 2012). Despite the fact that Denmark (1993) did not use focus groups discussions, the RB constructed in 1993 was tested widely by holding detailed interviews about the assessment and the acceptability of the budget with the different types of households represented in the developed standard budget. Interestingly, almost all constructed reference budgets that rely to some extent on focus groups discussions are still in use. The three RBs that are not in use any longer were never actually used (BG2009 was constructed for information purposes only) or have been substituted by another RB that is also relying on focus group data (UK1994/1997). As is the case for expert knowledge, focus group decisions only rarely constitute the sole information base for constructing reference budgets, the United Kingdom 1994 RBs being a notable exception. Common scenarios are the combination with focus groups and/or with household budget data, or the combination of expert knowledge with inter(national) guidelines or recommendations. 11% of all EU RBs combine focus groups with household budget data, 30% combine experiential knowledge with expert or scientific knowledge and 20% use guidelines together with focus group data.

Apart from those mentioned above, other data sources reported in the questionnaires mainly refer to administrative data (*CY2014*) or own field research (AT2009, MT2011, NL<1980a/1980b, UK1990).

Finally, we would like to reiterate that while one in five RBs is solely based on one data source (BG1953, DE1975/1989/2013, CZ1950/*2014*, EE2004a/2004b, HR1996/2002, LT1990/2004, LV1991, UK1994), most RBs combine the information of two (one in three) or more (35% of all RBs) data sources to construct reference budgets.

Actors involved

In the process of constructing reference budgets, various actors play different roles and are involved at several points of time. Table 8 displays the actors involved in constructing reference budgets. In the same vein as the previous sections, an elaborated table of actors involved per country can be found in the Annex, table VI.

Table 8. RBs in Europe, by actors involved

	N of responses	% of RBs
Researchers	48	75,0
Experts in different areas (e.g. nutritionists, health care specialists,…)	44	68,8
National Bureau of statistics	26	40,6
National civil servants	19	29,7
NGOs & representatives of civil society	16	25,0
People experiencing poverty	14	21,9
Social workers	5	7,8
Regional civil servants	3	4,7
Counsellors	3	4,7
Municipal civil servants	2	3,1
	180	

Source: Own data
Note: N= 64, missing= 1

It appears that in the majority of cases (48/64), researchers are one of the actors involved. From the questionnaires, it can be derived that researchers are nearly involved in all cases during the entire process of the development of reference budgets, whereby they mostly assist in the preparation, pricing of the products and construction of the baskets. They additionally function as moderators of focus group discussions. However, their main role is keeping the entire construction of reference budgets on the right track.

Additionally, two-third of the reference budgets also (externally) engages experts on various domains (PL2002a/2002b, EL2009), such as nutritionists (BE2008/*2014*, DE1975, DK1993, EE2004a, EL2009/2012/*2014*, *ES2014*, HR2000/HR2002, IE2006, *IT2014*, LU2010, MT2011, PT1981, RO2000, SI1977/1993/2009, SE1978), health care specialists (DK1993, *EL2014*, IE2006, *IT2014*, MT2011, PT1969, SI1977/1993/2009), (home) economists (DE2013, DK1993, IE2006, MT2011, RO2000, SE1978, SI1977/1993/2009), sociologists (DK1993, SI1993, MT2011), physiotherapists (*ES2014*), social workers (*ES2014*), educationalists and experts in leisure time (*ES2014*, IE2006, MT2011), experts in financial advice (DK1993, ES2009, IE2006), trade union representatives (DK1993, RO2000), housing (IE2006) and energy experts (DK1993, EL2009, HR2002, IE2006, MT2011). The roles they play mainly consist of pricing, evaluating and commenting on the baskets and therefore are, more often than not, involved in the entire process. Notably, in Croatia two reference budgets (1996/2002) have been constructed exclusively by experts from trade unions.

National bureaus of statistics also turn out to be highly relevant in the process of constructing RBs. In more than one third of the cases (26/64) national bureaus of statistics have been involved in constructing reference budgets. Involvement ranges from preparation of background information (BG2009), to taking the lead in all steps of constructing the reference budgets (LU2010).

In about 30% of the RBs national civil servants have been involved, whereas in about one out of five RBs NGOs & representatives of civil society have been involved. Representatives of the national Ministry of Social Affairs, Ministry of Health or Ministry of Social Security and Labour are most frequently mentioned as contributors to the construction of reference budgets. Both NGOs & representatives of civil society and national civil servants play a role in the preparation and validation of the baskets, and dissemination of the results (AT2009, BE2008, BG2009, FI1995/2010/*2014*).

Various other actors have been involved in constructing reference budgets. Over one fifth of the cases involve people experiencing poverty, mostly as a member of a focus group.

Five out of the 64 cases have relied on social workers (AT2009, BE1997, *BE2014*, *IT2014*, NL1980a), regional or municipal civil servants (*CY2014*, MT2011, SE1985), and counsellors (AT2009, DE1975/DE2013). Remarkably, while most RBs have been constructed by involving multiple actors, a few countries indicated only one group of actors contributed to the process of constructing RBs. For instance, the BE1997 and DK2004 RBs were exclusively constructed by researchers, while the FR1952 RBs were developed by NGOs.

Model families

Since needs and possibilities vary among individuals, a reference budget that represents a given living standard will never be sufficient for all individuals to reach that standard. Therefore, reference budgets are usually constructed for one or more specific model persons or families, with clearly defined characteristics. In some cases, varying underlying assumptions are made about the competences of the household members and the societal context they live in. In order to apply RBs to individuals or households with specific characteristics, such as disability, additional research is required. For a more detailed overview of the model families described here, we refer to table VII in the Annex.

Table 9. RBs in the EU by the number of model families

Number of model families	N	% of RBs
1	7	13,2
2	2	3,8
3	7	13,2
4	6	11,3
5	3	5,7
6	4	7,5
7	2	3,8
8	2	3,8
10	1	1,9
11	1	1,9
15	1	1,9
19	1	1,9
20	1	1,9
'Undefined number'	15	28,3
Total	53	

Source: Own data
Note: N= 53, missing= 12

As can be seen in Table 9, most EU Member States use one or more model families to construct reference budgets, but there is a great variation across these countries. Out of 53 cases, seven RBs develop contain information for only one model family, most often referring to a single person (EE2004a, LT1990/2004, RO2012) or a couple with children (LU2010, PT1969/1981). In contrast, most RBs are constructed for various model families. The largest number of model families is found for the RBs constructed in Germany in 2013: they have developed RBs for 20 model family types, using household budget data. In three other countries, RBs have been developed for more than 10 model families, including Belgium (2008), Denmark (1993) and the UK (2008).

The number of model families is not always definable, depending on the method and data used to construct RBs. In two cases, the RB was constructed for an average inhabitant (LV1991) or an average medium sized family (RO2000). In 15 out of the 53 cases national experts have indicated that RBs in their country are not constructed for specific model family types as such, but rather for model persons with different characteristics,

with the aim to combine these different individual types to households of different sizes. This method applies mainly to RBs constructed using household budget data or other survey data (BG1953, CZ1950/*2014*, DE1975/1989, EE2004b, HR2000, HU1991, IT1997, NL<1980a, RO1991, SI1977/1993/2009, SK1997). In these cases, the number of model families stays undefined and combinations of various individual types can be made, using regression analysis or derived equivalence scales. In the Netherlands (<1980a) for example, they constructed a minimum budget for a single person on the basis of which they frequently published 10 model families. Another example is Slovenia, where the researchers argue that all reference budgets constructed in their country can be calculated for a various number of household types based on different individual consumer types.

Furthermore, various countries calculate a budget for one or more model families, which ought to be transferred to other household types by using equivalence scales. This does not only the case for RBs that build on household budget data, but for example also for the Swedish RBs constructed for single adults, couples and children of different ages, allowing for the addition of an unlimited number of children and/or adults to the household. Taking into account the number of household members, budgets can be calculated for all kind of household types. In some countries, researchers have developed an online tool that also allows calculating a reference budget for a range of family types depending on the household sizes and various background characteristics. Among others, the Netherlands, Belgium, and the UK developed such an online tool, for which they also make use of derived equivalence scales for an additional adult or child in the household.

Table 10. RBS in Europe by the type of involved model families

	N of responses	% of RBs
Couple with children	47	92,2
Single	43	84,3
Couple	40	78,4
Lone parent	36	70,6
	166	

Source: Own data
Note: N= 51, missing= 14

In Table 10, we report the frequency with which RBs have been constructed for a number of model families. A considerable number of RBs in Europe are constructed for a single person (43/51), and even more of the RBs are developed for couples with children (47/51). Furthermore, almost a quarter of the cases is constructed for childless couples and/or for lone parents. Most RBs are calculated for more than one family type and a considerable number of RBs was constructed for all four types included in the table (AT2009, BE2008/*2014*, CZ1950/*2014*, DK1993/2004, EE2004b, EL2012/*2014*, *ES2014*, FI1995/*2014*, *FR2014*, IE2006, IT1997, NL<1980a/<1980b/2010, *PT2014*, RO1991, and SE, SI, SK, UK for all RBs). Annex (Table VII) provides a more detailed overview of the number and type of model families used for the construction of RBs in Europe.

When constructing reference budgets, various differentiations of characteristics within model families can be made (see Table 11). The most popular differentiation is age: age of children (48/55) and age of adults (27/55). Some countries, such as the UK, Ireland and Belgium, make notably more differentiations (at least six characteristics are differentiated)

Table 11. RBs in Europe by the main characteristics of involved model families

	N of responses	% of RBs
Age of children	48	87,3
Age of adults	27	49,1
Employment status	22	40,0
Housing tenure	18	32,7
Living environment	11	20,0
Marital state	9	16,4
Health	8	14,5
Ethnic background	3	5,5
	146	

Source: Own data
Note: N= 55, missing= 10

For 40 % of the RBs, a distinction is made by employment status, meaning that budgets are constructed separately for households where one or more members are unemployed. Taking into account both age and employment status, various RBs are constructed for – single and/or couple- pensioners (BE2008, BG1953, DK1993, CZ1950/*2014*, *FR2014*, HR1996/HR2002, IE2006, MT2011, PL1993, SK1997, UK1997/2008). In Romania (2012) and in Lithuania (2004), RBs have been constructed for pensioner households only.

Tenure status is another important characteristic of the model families that is varied for constructing RBs (BE1997/2008/*2014*, DE2013, EL2009/2012/*2014*, *ES2014*, *FI2014, FR2014*, HR1996/2002, IE2006, *IT2014,* NL<1980a/<1980b, SE1981, SI1977). Variations relate to the status of owner versus tenant or the difference between private and social rent. Furthermore, in 20% of the cases differentiations are made according to living environment (EL2012, ES2009, FI2010, HR2002, IE2006, IT1997, LT1990/2004, PT1981, RO1991, UK2008). Among others, RBs in Germany (1989), Finland (2010) and in the UK (2008) take into account regional variation by calculating housing prices separately. Another important factor that often differs between urban and rural regions is the accessibility of public transport. For example, RBs in Belgium (2008) and in the UK (2008) argue that for many rural households, the same level of access to opportunities and services can only be achieved through the use of a car (Hirsch, Davis et al. 2010, Smith, Davis et al. 2010).

Of the 55 cases, nine RBs allow for variations in marital state (BE2008, ES2009, HR2002, IE2006, LT1990, PT1969, SE1981, UK1990/1997). The characteristic health is differentiated in the construction of eight reference budgets (BE2008, ES2009, HR2002, IE2006, NL<1980a, SE1981, UK1990/1997). Finally, only three cases (BE2008, UK1990/1997) have differentiated according to ethnic background when constructing their RBs. An overview of the characteristics differentiated for all RBs is to be found in Annex (Table VIII).

Most reference budgets constructed for different household types make some additional assumptions about individual characteristics and societal circumstances. Among others, the MIS budgets in the UK assume that the household members are in good health and that none of them is disabled. The 2008 budgets were calculated based on the needs of people in urban areas that have reasonable access to public transport (Bradshaw, Middleton et al. 2008, Hirsch, Davis et al. 2009). In Ireland, Portugal and France, the same assumptions are made regarding the RBs. In the ImPRovE project, it is assumed that all adults of the model families are of active age and that all family members are in good health. Furthermore, it is assumed that adults are well-informed persons, having the necessary competences to be self-reliant and consume economically. Regarding the housing conditions, they develop RBs for tenants in private and public housing, for outright homeowners and for homeowners that have to pay mortgage. Moreover, RBs are constructed for an urbanized environment (Storms, Goedemé et al. 2013). In Denmark, the authors of the 1993 and 2004 reference budgets also define some underlying

assumptions. They assume healthy household members, with employed adults that have sufficient skills and access to information. Moreover, they make the assumption that public services, shops and public transport are accessible (Hansen and Hansen 2004). In Malta (2011), the study focuses on low-income households which are assumed to be entitled to financial assistance. Furthermore, the research team has assumed that there are no serious health problems or disability conditions (McKay, Farrugia et al. 2012).

Adjustments and updates

To make sure that RBs continue to represent as accurately as possible the targeted standard of living over time, regular adjustments and updates are necessary. Yet, it appears that the frequency by which these adaptations are performed differs between European countries. The questionnaire distinguished between adjustments of RBs to changes in prices and the update of baskets in response to changes in the standard of living. Whereas adjustments of prices might take place in the short or medium term, updating is a longer-term process of changing the composition of some or even all baskets because certain items become obsolete and out-dated.

In almost half of the cases (16/38) adjustments to price changes are made (or were made) using the Consumer Price Index (CPI) (cf. Table 12) (DK1993/2004, EE2004b, FI1995/2010, LV1991, PT1969/1981/2014, RO2000/2012, SE1978/1981, SI2009, SK1997/2006). Another group of 15 RBs (AT2009, BE2008, DE1975/1989/2013, EE2004a, EL2012, FR1952, IE2006, IT1997, LT1990, NL<1980a, SE1985, UK1997/2008) is not updated using the aggregate Consumption Price Index, but by using price indices for each category of expenditure. 13 other RBs (BE2008, BG2009, FI1995/2010, HR1996/2002, MT2011, NL<1980a, PL1993, *PT2014*, RO1991, SE1978 and SI1977) are (or were) adjusted by regularly doing a new price survey for the goods and services included in the basket. Some exceptions like the Netherlands use household budget surveys to make sure RBs (<NL1980b) fit price changes evolutions. For the Dutch RB constructed in 2010, the index of actual expenditure (volume + price) on food, clothing, and shelter according to National Budget Survey is used. Finally, Lithuania (LT2004) used a Pensioners' Consumer Price Index (PCPI) based on data gathered in the household budget survey.

Given that a fair number of RBs have recently been constructed or are still under construction (see Table 1), these have not been updated yet (*BE2014*, DE2013, *CY2014*, *EL*2009*/2014*, *ES2014*, *FI2014*, *FR2014*, *HU2014*, *IT2014*). The same is true for RBs that were only developed as a one-time exercise or as a pilot study (AT2014, BE1997, LU2010, MT2011, SI1993 (revised in 1997 and 2009). Finally, the absence of adjustments due to a lack of human resources is mentioned for HR1996, 2000 & 2002. These reasons partly explain the rather large number of missing cases (26).

Table 12: Adjustments of reference budgets to changes in price evolutions

	N of responses	% of RBs
Adjustments with the Consumer Price Index	16	42,1
Adjustments with price indices for each category of expenditure	15	39,5
With prices of products and services	13	34,2
	44	

Source: Own data
Note: N= 38, missing= 27

The majority of the RBs (19/53) are (or were) adjusted annually (AT2009, DE1989, EE2004a, EL2012, HU1991, LT1990/2004, IE2006, IT1997, NL<1980a/<1980b/2010, RO1991, SE1978/1981/1985, SI2009, SK1997, UK2008), which is an indication that this updating frequency is both feasible and desirable. Nevertheless, some RBs are adjusted monthly (BG2009, LV1991, FR1952) or, on a four-yearly basis (PL1993 and RO2000/2012). EE2004b, FI1995/2010 and HR2000 are adjusted at irregular intervals to

changes in prices. In Belgium, the RB constructed in 2008 undergoes adjustments to item-specific price indices every six months.

Changes in composition of the baskets of goods and services seem to be applied with longer time intervals. RBs like BE2008, DE1989, EE2004b, FI2010, IE2006, NL2010 and SI2009 make such updates every five years. Similarly, Italian national experts (IT1997) would recommend more regular revisions within a time span of five years instead of their rather irregular adaptation. Other national experts, reporting on RBs that were not updated so far also favour this choice (AT2009, DE2013, HR1996/2000/2002, PT1969/1981). In some cases, the composition of the baskets is revised on an annual basis. This is the case for LT1990/2004, NL<1980a, PL1993 and RO1991. Some RBs are revised at irregular time intervals, for example FI1995/2010, FR1952 and UK1997.

These updates most often happen in cooperation with experts (BE2008, DE1975, DK1993, HR1996/2002, IT1997 and NL<1980a) and focus groups (BE2008, NL<1980a/2010). A similar number of RBs (CZ1950, DE1989/2013, IT1997, PL1993, SI2009 and EE2004b) use statistical data to update RBs so that they continue to represent the standard of living for which they were constructed. For instance in Italy, the RB constructed in 1997 was updated in 2009, with the definition of a new absolute poverty threshold more in line with the living standard.

Use of RBs in Europe

Table 13 presents an overview of the prevailing RBs practices in the European Member States according to the purposes for which these are used. As we are interested in the actual use of RBs, we exclude from this discussion the RBs that are still under construction or that are not used anymore. The figures in the second column show the number of RBs according to the purpose for which they were initially developed. The figures in the third column refer to the objectives for which RBs are successfully used. RBs can be used for other purposes than they were originally developed for, which is why the number in the third column sometimes exceeds that in the second column. The figures in the fourth column refer to the percentage of RBs that are actually used for the purpose that they were constructed for. As can be seen, this is the case for the large majority of reference budgets.

17, respectively 18 RBs were successfully used as a benchmark against which, mostly researchers and civil society stakeholders, assess an adequate living standard (AT2009, BE2008, BG1953, CZ1950, EL2009, FI1995/2010, FR1952, HU1991, IE2006, MT2011, NL<1980a/<1980b, PL1981, RO2000, SE1978, SK1997) or assess the adequacy of social benefits (AT2009, BE2008, CZ1950, DE1989, FI1995/2010, MT2011, NL1980a/1980b, PL1981/1993/2002a/2002b, SE1978/1985, SI2009, SK1997, UK2008). Countries that use(d) RBs as a political standard are Lithuania where LT1990 was used as an eligibility criterion for social assistance benefits until 1997. Also in the Czech Republic (1950) and Slovakia (1997), RBs serve predominately as eligibility thresholds for assessing entitlement for social assistance and other minimum benefits. The same is true for Germany where social benefits are based on DE1989, which is legally defined as 'Regelbedarf zur Sicherung des Lebensunterhalts[8]'.

[7] Later on social assistance is based on so-called State Supported Income, which is set by the government on the basis of willingness and financial ability of the government to finance social assistance benefits.

[8] On 9 February 2010, the Federal Constitutional Court declared the arbitrary use of the methodology for deriving the Regelbedarf unconstitutional. The decision was based on the following considerations (Federal Constitutional Court, 2010): 1) the method used by the legislature (expenditures of families in the lowest quintile based on sample survey data on income and expenditure by the Federal Statistical Office) assessing the guarantee right of every German citizen to a subsistence minimum that is in line with human dignity is conceived as a justifiable, and hence a constitutionally permissible method for realistically assessing the subsistence minimum for a single person. The sample survey on income and expenditure reflects the expenditure behaviour of the population in a statistically reliable manner. The choice of the lowest 20 per cent of the single-person households stratified according to their net income

In countries for which national experts explicitly mention that RBs are not used as a political standard and that the level of social assistance benefits does not refer to what is empirically defined as a basket of goods and services that represents a certain standard of living, it is not always clear (AT, BE, DK, EE, HR, IE, RO) on which base the level of social benefits or minimum wages is set. The amounts of minimum benefits seem often to be set in a political strategic way and in view to keep a certain "distance" to minimum wages or they go back to the level for pensioners (DK), which not has been based on certain reference budget. In Croatia, until recently, the law set the base for calculating social assistance at 22,5% of the at-risk-of-poverty threshold for a single person using the 60% median income threshold. However, the new Law on Social Welfare which came into effect on 1 January 2014 introduced a new Minimum Guaranteed Social Benefit which, at the moment, is higher than this but which is not set in the law nor in associated regulation and, therefore, can be said to be arbitrary.

In the case that RBs could not be successfully implemented, national experts give three main raisons. First of all, in some countries RBs do not catch much political attention (EL2012, PL1993) or politicians find it difficult to use them as a benchmark against which the adequacy of social benefits can be assessed in a political environment that emphasizes the need for incentives to work (UK2008). Secondly, the methods used for some RBs are sometimes criticized (see footnote 8 for DE1989). Thirdly, RBs are not actually used for a certain purpose because they are not yet disseminated to the relevant actors (e.g. BE2008 is not yet disseminated to financial counsellors).

Finally, two other purposes for which RBs are successfully used are poverty measurement[9] (AT2009, BE2008, DK2004, EE2004a[10], EL2012, HU1991, IT1997, MT2011, NL<1980a/2010, PL1981/1993 and SE1985) and financial or debt advice. Countries that use RBs in the context of both financial and debt advice to individual consumers are: AT2009, BE2008, DE2013, ES2009, FI2010, IE2006 and, NL<1980a/<1980b/2010. In Malta (2011) and Denmark (1993) RBs are successfully used for financial educational purposes and in Sweden (1978) RBs serve as a tool during debt counselling sessions.

after leaving out the recipients of social assistance as the reference group for ascertaining the standard benefit for a single is constitutionally unobjectionable. It is also constitutionally unobjectionable that a certain percentage of the expenditure of the lowest quintile is considered as expenditure that is relevant for assessing the standard benefit. 2) However, the reduction of expenditure items requires an empirical basis for their justification; estimates conducted "at random" are not a realistic way of ascertaining the amount. Because the structural principles of the statistical model have been abandoned without a factual justification, the amount of the standard benefit has not been ascertained in a constitutional manner. More concretely some reductions for goods and services which are not relevant to the standard benefit (e.g. furs, tailor-made clothes and gliders) were made without it being certain whether the reference group (lowest quintile) has incurred such expenditure at all. Other expenditure items (e.g. educational costs) were completely left out of account, without any reasoning for this being provided. Moreover, the update of the amounts for 1998 to the year 2005 on the basis of the development of the current pension value is conceived as an inappropriate change of standard, which shows no relation to the subsistence minimum. In addition to this, the social allowance for children before completing the age of 14 does not meet the constitutional requirements because the reduction of 40 per cent from the standard benefit of a single is set freely without an empirical and methodical foundation. The legislature has not ascertained the specific need of a child on the basis of a differentiated survey of the need of younger and older children. As a final point, the sample survey on income and expenditure only reflects the average need and therefore it can only been used in usual situations of need but not for assessing a special need arising due to atypical need situations that goes beyond it. This lack of a provision that provides for a claim to receive benefits for securing a current special need is incompatible with the guarantee right of every German citizen to a subsistence minimum that is in line with human dignity.

[9] See also Bradshaw and Mayhew (2011)

[10] EE2004a for example is used by Statistics Estonia as an indicator of absolute poverty. In 2012 the absolute poverty rate according to that indicator was 7,3% (compared with 18,7% when the Eurostat at-risk-of-poverty rate is used).

Table 13. RBs in Europe, by successful use (only for RBs in use)

	purpose	successful use	successful use as % of original purpose
To assess an adequate standard of living	23	17	73,9
To assess the adequacy of social benefits	20	18	75,0
To measure the extent of poverty	17	13	64,7
To assess the validity of relative income poverty thresholds	8	10	87,5
To generate equivalence scales	6	7	100,0
To examine changes in the Consumer Price Index	3	3	66,7
To present credit scores	6	5	83,3
For debt counselling	11	10	81,8
For financial education	11	11	90,9
To determine additional income support by Social Welfare Offices	11	9	81,8
To provide a benchmark for assessing the adequacy of wages	11	8	63,6
For budget counselling	4	3	50,0
To assess the minimum costs of living	3	3	66,7
To assess rent norms	2	3	100,0
For tax payment		2	
Others	5	5	80,0
	141	127	

Source: Own data
Note: N= 38, missing= 0 (purpose); N= 34, missing= 4 (successful use)

Table 14 presents the main users of RBs in European Member States. As RBs are used for various purposes, it is not surprising that many actors take advantage of it. The most common users are researchers, national civil servants, NGOs experts and representatives of civil society, which is not very surprising, given that these actors mostly commissioned the construction of RBs (see Table 13). In one third of the cases, social workers also take advantage of RBs. They frequently use RBs as a benchmark to assess a decent standard of living (BE1997/2008, IE2006, NL<1980a/<1980b, SE1978) in the context of financial/debt counselling or in the context of financial education (AT2009, BE2008, DE2013, NL2010, SE1978). It is also in this context that individual consumers make use of RBs. In seven countries, RBs are actually used by courts (BE2008, DK1993, FI2010, FR1952, IE2006, NL<1980a/<1980b, SE1978). It is probably not coincidental that the implementation in the juridical sector occurs mostly in countries were RBs are used by a broad range of users.

Examples of other main users mentioned by national experts are for instance teachers (NL<1980a) and educators (home economists) in MT2011, parties in the Dutch parliament (NL2010) or a counselling service of the German savings Banks Association (DE2013).

Table 14. RBs in Europe, by main users (only for RBs in use)

	N of responses	% of RBs
Researchers	25	75,8
National civil servants	19	57,6
NGOs and representatives of civil society	16	48,5
Social workers	11	33,3
Experts in different fields	13	39,4
Individual consumers	9	27,3
Courts	8	24,2
Municipal civil servants	7	21,2
Regional civil servants	4	12,1
Other	7	21,2
	117	

Source: Own data
Note: N= 33, missing=5

Part II Advantages and disadvantages of reference budgets

In this section, we discuss the advantages and disadvantages of RBs as these have been identified in the literature review and through the answers of the national experts to the questionnaire. In the questionnaire, we asked national experts to sum up the most important advantages and disadvantages of the reference budgets used in their country (up to a maximum of three) and to indicate how they think these disadvantages could be avoided. In addition, national experts were asked to agree or disagree to some propositions referring to the positive and negative aspects of national RBs on a five-point Likert-scale.

Advantages

The main advantages of reference budgets that are mentioned in the literature as well as in the questionnaire are related to the purposes for which RBs can be used and to the characteristics that should be present to guarantee wide and appropriate use (for a full list of the advantages and disadvantages that were mentioned by the national experts: see Annex, Table IX and X). The most common mentioned advantage of reference budgets is that they can fulfil the purpose of understanding and operationalising an adequate living standard. Other frequently mentioned beneficial purposes are the potential of reference budgets to serve as a benchmark for assessing the adequacy of social benefits, or to nurture the social policy debate about poverty and standards of living. In addition, a lot of experts considered reference budgets a useful instrument for measuring poverty or for assessing the validity of the relative 60% poverty line. Finally, the educational and guiding purpose of reference budgets was summed up a couple of times as an important advantage. The five main advantageous characteristics of reference budgets are their clear normative interpretation, their ability to take account of the availability and accessibility of public goods and services, the transparency of the approach, their flexibility, and their 'common sense' character, which will be discussed below.

Reference budgets have a **clear understanding and a strong normative interpretation**. More than half of the national RBs were evaluated positively by experts on the aspect of 'clear understanding'. The priced baskets of goods and services give a very concrete and consistent operationalisation of what should be a decent living standard. Perhaps in contrast to the past, researchers are currently convinced that the construction of reference budgets is also an exercise which involves judgment (Fisher 2007). According to Saunders (1998) "the crucial question is not how to avoid making such judgments, but rather how relevant they are and what degree of acceptance they attract." For the construction of European RBs, many authors are referring to concepts such as dignity, social rights and social participation, and are deriving their budgets from baskets of goods and services that are required for fulfilling essential human needs. The scope of these needs is thus broadly defined to encompass what is needed to participate fully in society. This requires among others the inclusion of food, shelter and health care, but also leisure, mobility, and social relations.

Who is to decide which satisfiers are sustaining needs and which are only relevant for wants, and on the basis of which arguments should the dividing line be drawn? What is needed for subsistence levels of living can perhaps be determined more accurately and with greater scientific precision than is the case for higher standards of living (Saunders, Chalmers et al. 1998). But as came out of the questionnaire, in the view of national experts, national RBs that relate to full social participation clearly give policy makers and the general public a better understanding of what a decent standard of life represents than RBs that relate to a minimum for physical needs.

The ability of RBs to **take account** of cultural and institutional differences, such as the availability of **public goods and services** and the way they facilitate access to social rights, is mentioned by the national experts as well as in the scientific literature (Saunders, Chalmers et al. 1998, Storms, Goedemé et al. 2011, Hirsch, Bryan et al.

2013, Storms, Goedemé et al. 2013) as a second advantage of reference budgets. This is particularly relevant in the current context of the European Union, where countries can learn from each other's best practices. This feature of RBs could also be very valuable when RBs would be used for constructing empirical poverty lines. The problem that most income studies neglect non-cash income, and especially publicly-provided goods and services, has been recognised for a long time by researchers, and a number of studies address this issue (e.g. Smeeding, Saunders et al. 1993, Garfinkel, Rainwater et al. 2006). Researchers have spent a lot of ingenuity trying to devise better valuation methods, but fundamental conceptual and practical problems remain or are not satisfactorily resolved (Marical, Mira d'Ercole et al. 2008, OECD 2008, OECD 2011, Verbist, Förster et al. 2012). By contrast, when constructing RBs, public goods and services can be included at the price that private households have to pay for them and changes in the provision or price of public goods and services are taken into account through the adaptation of the reference budgets (i.e. if a government raises school fees, this could immediately be reflected in the reference budget for families with children). This is more straightforward than constructing some measure of 'extended income', as has been done in the studies cited above. Of course, the accessibility of publicly provided goods and services as well as the question whether they meet minimum quality standards should be the object of a separate analysis and be taken into account when constructing the baskets and described transparently. In the questionnaire, experts indicate that most of the national RBs take account of the ways in which public goods and services are organised and whether or not they facilitate access to social rights.

The **transparency** of well-documented RBs is identified as a third significant advantage of RBs by national experts as well as in the literature (Saunders, Chalmers et al. 1998, Fisher 2007, Bradshaw, Middleton et al. 2008, Nordenankar 2009, Vrooman 2009, Warnaar and Luten 2009, Deeming 2010, Moser, Kemmetmüller et al. 2010, Vranken 2010, Lehtinen, Varjonen et al. 2011, Pereirinha and Branco 2013). Describing transparently which theoretical concepts and methodological assumptions are underlying the construction of the RBs, extensively documenting how RBs are calculated and showing the rationale behind the many choices that are made regarding the quality, the frequency and the life span of goods and services as well as regarding their prices makes it possible for scientific experts as well as for the general public to verify whether the choices made are relevant and acceptable for the targeted population and the targeted living standard. Doing so, the budgets can become the subject of a meaningful societal debate. The responses to the questionnaire show that two thirds of national RBs are conceived by national experts as sufficiently transparent in documenting the underlying choices.

Additionally, another advantage of reference budgets that is frequently mentioned in the literature (Bradshaw 1993, Saunders, Chalmers et al. 1998, Fisher 2007, Warnaar and Luten 2009, EAPN, in: Vranken 2010) is their **flexibility**. Specific items can be included or excluded taking account of particular living conditions of citizens (e.g. disabled people, families living in a rural area) or adjusting for changes in society. At the same time, the flexibility of RBs involves a risk. Although they are developed to estimate a threshold that enables full participation in society, there is always a risk that politicians or other societal stakeholders will strip them from some parts in order to adapt them to their political agenda (Vranken 2010). At the same time, if this would be the case, RBs can show very clearly what the impact of these changes are on the targeted living standard.

Last but not least, another prevailing advantage of RBs that is frequently listed by the national experts in the questionnaire as well as discussed in the literature is related to their '**consensual character**'. Frequently, the consensual method was mentioned as a favourable method to create a socially agreed and legitimate benchmark (Bradshaw, Middleton et al. 2008, Soede and Vrooman 2008, Vincentian Partnership for Social Justice 2008, Lehtinen, Varjonen et al. 2011, Concialdi 2013, Pereirinha and Branco 2013, Storms, Goedemé et al. 2013). The term 'consensual' refers to the essential input from what Doyal and Gough (1991) call 'experiential knowledge' which will complement the

'codified knowledge' provided by the experts. A lot of authors refer to Walker (1987) who criticized the use of survey methods to gather this 'experiential knowledge'. According to him, questionnaires ask people for immediate responses to questions about complex and sensitive issues to which few of them will previously have given much thought. Making use of this methodology generates what he called 'a consensus by coincidence' which he contrasts to 'consensus by consent' that comes out of an interactive process by group discussions. The national experts indicated that more than half of the RBs have a broad acceptance among various groups in society.

Disadvantages

Because of these advantages, RBs have a great potential to be successfully used in scientific research as well as in political, juridical or educational contexts. However, one should not be blind for the pitfalls associated with the development of reference budgets and the limitations associated with their use. We also asked national experts to sum up the most important disadvantages of the reference budgets developed in their country (up to a maximum of three) and to indicate how they think these disadvantages could be avoided.

The pitfalls that were frequently mentioned by the national experts as well as in the literature are the unavoidability of arbitrary and subjective choices, the risk of prescriptive use, the blind use of reference budgets as 'standard budgets' without adjusting for specific circumstances, the risk of circularity in case they rely too strongly on real consumption patterns of low income groups, their risk of creating disincentives to work when they are automatically linked to the level of benefits and finally the fact that constructing them is a complicated task that is costly and time consuming.

The disadvantage that is most often mentioned is the inevitable use of **arbitrary** judgments to construct RBs. Criteria of need seem not to be independent of personal judgements of experts or of actual consumption patterns of low-income groups. In this regard, national experts often refer to the lack of theoretical or methodological support and criteria when making decisions on which satisfiers to include, fixing quantities and qualities, and prices. To overcome the threat of arbitrariness, many authors mention that there is a strong case for both relying on a sound theoretical and methodological framework and on input from the community to complement scientific knowledge for making decisions on which needs RBs should fulfil and which satisfiers are sustaining those needs (Saunders, Chalmers et al. 1998, Bradshaw, Middleton et al. 2008, Warnaar and Luten 2009, Vranken 2010, Storms, Goedemé et al. 2013). In addition, unavoidable arbitrary decisions should be transparently documented to make it possible that reference budgets become the subject of meaningful societal debate (Storms, Goedemé et al. 2013).

Second, there is the risk of **prescriptive use** of reference budgets that would subject people in low income households to consumption standards that are far from actual consumption patterns and that would dictate 'how people in poverty should spend their money (Vranken 2010). Authors who are relying on 'A theory of human need' of Doyal and Gough or on the capability approach of Amartya Sen (1985) and Martha Nussbaum (2011) see this as a contradiction to their objective, which is offering a reference framework for determining the necessary minimum income that allows people to fully participate in society and for which autonomy, including freedom of choice, is an essential human need. In order to avoid this risk of prescriptive use, participants in the peer review on 'Using Reference Budgets for Drawing up the Requirements of a Minimum Income Scheme and Assessing Adequacy' recommend to use reference budgets as awareness-raising instruments that can illustrate the (non-)adequacy of social benefits, rather than using reference budgets to determine benefit levels. Secondly, they emphasise the need to always take account of the personal circumstances and the real life experiences of low-income households and to include a variety of people from different socio-economic backgrounds to act as their own budget standards committee to ensure that reference budgets are informed by the experiences of people. Thirdly, they

recommend conducting surveys about living conditions and quality of life and income and spending patterns to overcome the problem of the prescriptive use of RBs. Finally, well-informed societal stakeholders that are fully committed in the process of constructing and disseminating RBs, could promote and carefully watch the proper use of RBs by politicians, budget counsellors, and other actors. Although the prescriptive use of RBS is an often mentioned risk, national experts indicate that more than 80% of national RBs have not been used in a prescriptive way.

Closely related to the prescriptive use of RBs is the risk that reference budgets are blindly used as a '**standard' ceiling** for measuring poverty or assessing the adequacy of social benefits, neglecting the variations in individual and structural preconditions. This risk is related to the fact that RBs often are constructed for a limited number of 'model family types' or 'model persons', whereas in reality expenditures can vary significantly according to the specific needs within a household. (E.g. households with a dependent older person need a larger budget for health care and personal care then households that consist of healthy, non-dependent older persons. Also, the budget for housing can vary significantly from city to city or in the different parts of the country.) When reference budgets are used for policy purposes and evaluating the adequacy of minimum benefits, it is necessary to take account of the particular circumstances and characteristics of 'real families'. Storms, Goedemé et al. (2013) argue that existing surveys and focus group discussions can provide useful insights in the way the poverty threshold should be adjusted (for some population groups).

RBs should of course be realistic, but especially if they make extensive use of household expenditure data, there is a significant risk of **circularity** by equating the resources needed for the target standard of living with some level of existing consumption patterns, which are constrained by people's command over economic resources (Rein 1970, Saunders, Chalmers et al. 1998, Fisher 2007).

Reference budgets that are constructed to **indicate what is needed to survive (i.e. physical needs for food shelter and clothing)** represented "rather narrow conceptions of relative deprivation" (Townsend 1952, Townsend 1962, Townsend 1979), where human needs are interpreted as being predominantly physical needs, rather than as social needs" (Townsend 2006). In response to the latter criticism of Townsend, recently developed RBs refer to concepts such as 'physical, mental and social well-being' (Bradshaw, Middleton et al. 2008, Vincentian Partnership for Social Justice 2008, Lehtinen, Varjonen et al. 2011), 'social inclusion' (ecdn 2009) or 'social participation' (Konsument Verket 2008, Storms and Van den Bosch 2009b, Statens Institutt for forbruksforsking 2011).

Another challenge of RBs that is stressed by some national experts relates to a particular way of using them. In case they are used as a benchmark for defining the level of social benefits, they can be perceived as creating **disincentives to work** in countries where they come too close to or exceed minimum wages. Using RBs as a benchmark Storms, Peeters et al. (2013) conclude that minimum wages in Belgium are too low for one earner families to enable them full participation in society, especially when they have to pay rents at market prices. Similar studies in the UK and Ireland show that minimum wages are not high enough to get most families up to an acceptable standard of living (Justice 2011, Hirsch, Bryan et al. 2013). In order to tackle this important challenge, policy makers may decide to enhance the level of social benefits and minimum wages in order to enable all citizens full participation in society. At the same time, reference budgets can show how measures that are intended to increase the accessibility and affordability of public goods and services will have a direct impact on the level of RBs and the spending capacity of low-income families, reducing the need for increasing benefit levels and avoiding the creation of unemployment traps.

A final disadvantage of RBs that is often mentioned in the scientific literature as well as by national experts is that **constructing and maintaining RBs is a complicated task that is costly and time consuming** (Saunders, Chalmers et al. 1998). According to

the national experts the methodology is found to be a complex task, which includes interdisciplinary methods with different levels of validity. This may lead to a lack of public understanding or acceptance. RBs thus risk to be easily 'misunderstood, misinterpreted, wrongly applied or dismissed' and sensitive to criticism. Also, when implemented badly, this can reduce legitimacy and awareness. Although the misuse is frequently mentioned as a risk by national experts, their responses show that 80% of EU-RBs are never used for other purposes than those for which they were intended. Moreover, they also indicate that this disadvantage can be minimised by providing adequate information and better dissemination of the RBs and by greater exposure and application of the budgets as a basis for debating the adequacy of social benefits. Constructing RBs is also time-consuming. Even though less costly, and as mentioned by many national experts, there is a big risk that RBs become obsolete if there are no means for regular adjustments or updates or if there is a lack of consensus on the appropriateness of price indices for updating the RBs.

Part III Lessons for developing a common methodology to construct cross-nationally comparable RBs in the EU

Developing a common methodology requires a common language and a list of desirable features to be included in the methodology. A common language is needed to be able to have a constructive discussion about all elements that are relevant to a common methodology. From the literature review, it appears that such a common language is lacking to some extent. In addition, it is important to have a clear list of criteria with which the common methodology should comply (as much as possible) and give due consideration to potential trade-offs between desirable characteristics of the common methodology.

Therefore, in this section, we first present a conceptual framework for describing RBs. This conceptual framework may also be interpreted as a checklist of items to be taken into account when constructing RBs. Even though the degree to which all choices regarding this checklist are clearly documented is in our view an important characteristic of high quality RBs, this conceptual framework in itself does not propose criteria for choosing one method over another.

Subsequently, we highlight the most important quality criteria for constructing RBs that should help making choices regarding the desirable features of the common methodology. We build on widely accepted criteria for social indicators, and interpret and explain these criteria with an application to RBs. To the extent possible at this stage, in the last subsection we draw some tentative conclusions for the development of a common methodology.

The constituting characteristics of reference budgets

Reference budgets can be characterised in several ways, and it is useful to briefly discuss the critical constituting elements that can differ between RBs. Dubnoff (1985) summarised the critical factors of an instrument determining 'how much income is enough' in three questions: (1) enough to do what?; (2) enough for whom?; (3) enough according to whom? (cf. Deeming 2011). Veit-Wilson (1998) added a fourth question: (4) enough for how long? These questions can easily be extended to include for instance the initial purpose of constructing an indicator, its capacity to generate wide public support and how it is used in practice. More formally, we can extend the framework and summarise the basic constituting dimensions of RBs in accordance with a rather classical research design, as pictured in Figure 1. The configuration of specifications regarding these dimensions will determine the fitness for using the RBs as empirical poverty lines, political standards, their reliability, validity and cross-national comparability, as well as other potentially preferable qualities (see below). We are convinced that these elements are not only dimensions that could be used for characterising RBs, but they also represent critical analytical elements that should be thought about when designing RBs for the purposes set forth in this project. We would like to stress that the elements presented below do not in themselves include a judgement about whether one method would be preferable to another, but at the same time, we are strongly convinced it is important to be very explicit about what choices have (not) been made regarding these critical constituting dimensions of RBs. The answers to the questionnaire show a strong variation on many of the dimensions discussed below. At the same time, it is clear that we were not able to pick up all critical elements on the basis of the questionnaire and that in the case of many RBs several of the choices made are not clearly documented and substantiated.

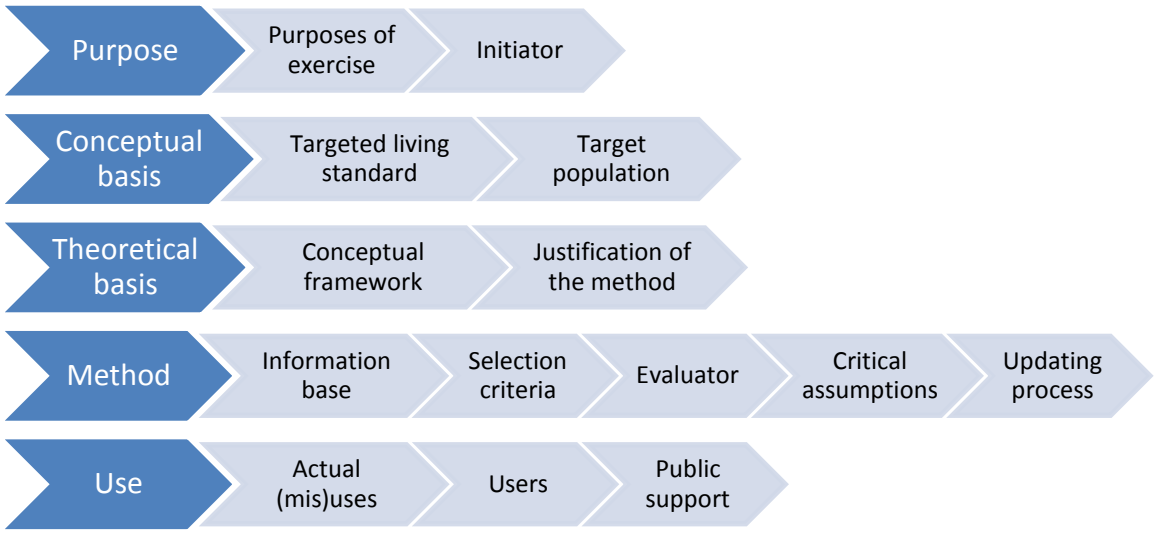

Figure 1. Constituting dimensions of reference budgets

More precisely, we make a distinction between the purposes for which RBs are constructed, their conceptual and theoretical basis, the method that is used for developing the RBs, and their use in practice. In the text that follows, we briefly discuss these five dimensions.

The purpose

As indicated before, the **purposes** for which RBs have been designed in the past are numerous. The initial purposes for which RBs are developed are not trivial to the end-result of the research process: a choice for one purpose rather than another often implies that one method, information base or choice of evaluator is better suited than another one. As mentioned earlier, within this project we are particularly interested in RBs that could be used for evaluating the adequacy of income support in Europe and help designing efficient and adequate income support throughout the European Union. In addition, the RBs should be able to provide a sound basis for operationalising empirical poverty thresholds and contextualising the at-risk-of-poverty threshold. Importantly, part of this constituting dimension also relates to who set forth the purposes and took the initiative of developing or funding the development of RBs.

The conceptual basis

One of the most defining characteristics of RBs concerns the targeted living standard and the target population, that is, the **conceptual basis**. The *targeted living standard* is a response to Dubnoff's (1985) question regarding 'enough to do what?'. In principle, RBs could be developed for any targeted living standard. Obviously, if one wants to be able to construct RBs or evaluate their validity, the targeted living standard requires a more precise definition than simply attaching a label to it, as labels such as those listed in the questionnaire and discussed in Part I of this report are not uniformly interpreted.

At the same time, RBs clearly differ in *target population*, that is, the group(s) of people for which the RBs are supposed to identify the targeted living standard (for whom?). These may be all inhabitants of a city, region, country or wider entity, but may also be a much more specific subgroup in the population (e.g. families with young children or elderly persons with specific needs). The definition of the target population is not trivial either. In principle one could define any target population and observe whether the resulting RBs differ across target populations (this question is particularly relevant when defining the geographical scope). However, it is very likely that the definition of the target population will also frame the research process and have a non-negligible impact upon the resulting RBs. For instance, discussions in focus groups (and their composition) will most likely differ if focus groups need to define RBs that are applicable to a small

part of the country or a much wider region. Similarly, if RBs build on survey data, the target population influences the part of the sample that can be used for extracting relevant information.

If the RBs are to be used as political standards, for policy makers – and others – it may be unacceptable that RBs differ from one part of the country to the other. However, in countries where sub-national governments have significant powers, both perceptions on the targeted living standard, and the social circumstances (especially the accessibility of public goods and services) may vary in important ways. In that case, it is important to specify explicitly what is understood by inter-regional comparability, similar to what should be done for achieving cross-country comparability (see below). Obviously, there is no general solution and researchers should always adduce arguments for the choices they make (Storms, Goedemé et al. 2013).

Finally, it is important to note that there is a clear difference between the definition of very specific hypothetical household types that may be used to construct RBs, and the wider population to which the developed budgets are supposed to apply (with or without some modifications). Even though RBs can usually be developed only for a limited number of hypothetical household types, they are often applied to a wider target population, possibly on the basis of an equivalence scale. A clear description of the targeted living standard and the target population are essential for evaluating the validity and cross-country comparability of the RBs (cf. the internal and external validity of RBs discussed below).

The theoretical basis

Defining the targeted living standard and the target population do not suffice as a **theoretical basis** for developing RBs. Explicitly, or implicitly, the construction of RBs involves a decision about how needs of the target population for achieving the targeted living standard are conceived, what needs are taken into account and how they relate to the necessary financial resources to fulfil these needs. In other words, the targeted living standard needs to be embedded in a broader *conceptual framework* so as to give it a clear interpretation. This conceptual framework should among others make clear how the link between needs, preferences, the living environment, reference group effects, resources, the social context, capabilities, and living standards is conceived (see also Ringen 1995, McKay 2004, Goedemé and Rottiers 2011). Furthermore, the theoretical basis should include a *justification of the method*: it should explain how one supposes these needs, their corresponding appropriate satisfiers and the cost associated with getting access to the satisfiers can be accurately identified. The analytical distinction between these concepts is important, even though it may not be made in practice. Making the theoretical basis explicit is not only important from the point of view of transparency, but is first and foremost a matter of good scientific practice. At this point, we would like to stress that the theoretical basis is not necessarily a completely elaborated social theory or theory about well-being (this could be the case though). At a minimum, the theoretical basis should offer a clear interpretation of the targeted living standard and a well-elaborated justification of why the applied method will result in a satisfactory identification of the targeted living standard for the target population.

The method

A wide range of **methods** have been designed to construct RBs. In this context, we use the term method to denote the complete set of procedures that are applied for identifying monetary values that correspond to the targeted living standard for the target population. These procedures involve a decision upon the information base, selection criteria, the evaluator, underlying assumptions, and the updating procedure. We briefly discuss these five methodological ingredients.

First of all, reference budgets differ with respect to the *information base* that is used for translating a targeted living standard into concrete monetary values. Depending on the approach, the information base may serve the identification of needs, satisfiers, the price of satisfiers to private households and monetary thresholds. The information base may

include (but is not restricted to) scientific literature about human needs; income, consumption, behavioural and/or attitudinal survey data; experientially-grounded knowledge (that is, knowledge generated by people during a focus group discussion); expert opinion; official guidelines and regulations (formulated at the international, national, regional or local level); and price surveys and indices. Additionally, also personal experience and judgement by the evaluator may be part of the information base, although that is generally not preferable. We think it is important to make a clear distinction between what we would call 'expert knowledge' and 'expert opinion', given that these two qualitatively different types of information are sometimes not distinguished. We define 'expert opinion' as the transmission of knowledge generated through specific long-term experience in and acquaintance with a certain area, which is to an important extent personal and cannot easily be double-checked or replicated by a third party. We may think of specific knowledge of social workers, budget counsellors, architects (e.g. in relation to insulation requirements and energy consumption), and many other types of experts. This is distinct from what we call 'expert knowledge', that is, knowledge generated on the basis of systematic observation, which is replicable and verifiable and much less dependent on personal judgement (e.g. a finding cited in the scientific literature, a sample survey estimate or the observation of a governmental guideline). It is needless to say that not only the information base, but also the method used for collecting relevant data from the information base may differ across RBs (e.g. recruiting criteria for focus groups and the approach for conducting the focus group discussions; the formulation of questions in a questionnaire;…).

A second crucial element of methods used for constructing RBs relates to the definition of clear *selection criteria* for deciding what information is actually retained from the information base. In the context of consensual budget standards (Deeming 2011) the selection criteria involve a practical operationalisation of what is meant by 'consensus'. In the case of behavioural and attitudinal surveys this may involve setting thresholds about the number of people that have or do something or consider something essential for a decent living standard. Other methods may need to decide upon whose opinions about the minimum necessary are taken into account (e.g. excluding the very rich or very poor); in the case of experientially-grounded knowledge it may involve a procedure for discussion and criteria regarding what is considered a consensus as well as possibly some voting procedure in case a consensus cannot be reached; if price surveys are used it may involve criteria of what products and what price levels are taken into account and which ones are not. Last but not least, if multiple information bases are used, selection criteria need to be specified in case the various information sources contribute conflicting information.

Closely related to the choice of the information base and the selection criteria is a decision about who the *evaluators* are: who decides upon the targeted living standard, the theoretical basis, the information base, the selection criteria and reconciliation in case of competing arguments or findings? It should be clear that the answer to Dubnoff's (1985) question about 'enough according to whom' is not restricted to the evaluator, but also depends on the information base and the selection criteria. In practice, a wide range of actors may be included in the construction of RBs, with varying degrees of impact on the theoretical basis, the method applied and the final outcome. In previous studies, the actors involved included researchers, civil servants, national offices of statistics, experts, a random selection of the population, people experiencing poverty, NGOs and representatives of civil society, among others, who have been involved at different stages of the research plan and with varying degrees of decision power.

In many cases, the construction of RBs rests on a long list of *critical assumptions* that emanate from the theoretical basis, the methodological procedures, and more or less arbitrary practical considerations that are required to make the study feasible. On a theoretical level these assumptions may relate to the nature of essential human needs and the relation between the targeted living standard and the list of needs that should be covered by the resulting RBs as well as to the appropriate method for constructing the

RBs (e.g. to what extent are the information base and selection criteria able to capture what is needed for identifying accurately monetary thresholds that reflect the targeted living standard for the target population?). These assumptions are an essential part of what we described as the 'theoretical basis'.

Many other practical assumptions that do not necessarily relate to fundamental issues or can be given a theoretical foundation may also have to be made. It may for instance be impractical or unfeasible to construct RBs for all different personal situations observed in the population. In that case RBs may be constructed for a limited number of 'model families'. This may involve a choice about the composition of the household, their needs, their competences, their environment (geographical area, access to (public) goods and services, …), their daily activities (unemployed, retired, working, …), etc. It is clear that the defining characteristics of the model families have to be sufficiently specific to facilitate data collection and allow for constructing realistic RBs, but at the same time should be chosen in a way that they are not overly specific and may be used to infer to the wider target population[11]. From a cross-national perspective, the latter requirement may partially conflict with the requirement of developing RBs in all countries for a sufficient number of model families with similar characteristics. Importantly, the construction of RBs also implies some assumptions regarding the existing capital of people (are they supposed to be able to start a living on the basis of the resulting monetary thresholds or do we suppose they already have access to a range of goods and services?), and the duration for which the RBs are assumed to remain adequate for having the targeted standard of living (a couple of months, a year, a lifetime?).

Finally, reference budgets differ in the proposed procedure for *updating* them. In this context, it is useful to make a distinction between uprating and rebasing. Uprating may be defined as a procedure to adapt RBs to a new point in time, only by changing the cost of the reference budget, but not the composition of the baskets of goods and services, such that the purchasing power of the RBs can be assumed to be kept constant. Usually, this involves indexing the RBs to the target year on the basis of a consumer price index or a price survey. In contrast, rebasing involves applying the entire method or large parts of it anew. In practice, there are large differences between RBs in relation to how they are updated and with what frequency they are uprated or rebased.

Use

Even though this is not necessarily an inherent characteristic of RBs, RBs differ strongly in how they are **used in practice**. Some RBs may lend themselves rather for one purpose than another, depending for instance on whether they consist only of a total monetary value or of detailed priced baskets of goods and services. One important pitfall includes the misuse of RBs as a way to prescribe how people should spend their money, rather than to show which income is needed at a minimum to have access to a certain living standard. Depending on the actors involved in the designing process of the RBs, the solidity, credibility and acceptability of the theoretical basis and applied method, as well as the quality and intensity of the dissemination of the RBs to the public, RBs may be more or less often used and generate less or more public support.

Essential quality criteria for reference budgets for empirical poverty thresholds and political standards

The constituting elements of reference budgets need to be considered thoroughly, otherwise the resulting RBs can only be 'valid by coincidence'. However, the degree to which the constituting elements of RBs are clearly described does not in itself determine the quality of RBs. If RBs are to serve as a solid basis for evidence-based policy making, they need to comply with additional basic principles. Obviously, these principles include standard scientific criteria such as reliability, validity, and cross-national comparability. Several authors and institutions have specified a somewhat wider range of quality criteria specifically for social indicators. Even though RBs are most meaningful as a social

[11] The latter imposes the need to make yet other assumptions, especially regarding the equivalence scale.

indicator if they are used as a benchmark for something else (e.g. a poverty threshold, a minimum income benefit), most of the quality criteria for social indicators are also applicable to the development of RBs. The quality criteria proposed by several international bodies show considerable overlap (Gábos and Kopasz forthcoming). Given the European focus of this project, we start from the criteria originally proposed by Atkinson, Cantillon et al. (2002) and adopted by the European Commission (2009) in the context of the social OMC. The five methodological criteria that should guide the construction of social indicators adopted by the European Commission (2009: 3) are the following (literally quoted):

(a) An indicator should capture the essence of the problem and have a clear and accepted normative interpretation
(b) An indicator should be robust and statistically validated
(c) An indicator should provide a sufficient level of cross countries comparability, as far as practicable with the use of internationally applied definitions and data collection standards
(d) An indicator should be built on available underlying data, and be timely and susceptible to revision
(e) An indicator should be responsive to policy interventions but not subject to manipulation

In the following paragraphs, we discuss how each of these five quality criteria apply to RBs and add some additional, more specific, requirements. It is important to bear in mind that the following arguments reflect the perspective of developing RBs that can function as an instrument for Member States to design efficient and adequate income support and help the Commission in its task to monitor the adequacy of income support in Europe.

Validity, transparency and acceptability

First of all, an indicator should capture the essence of the problem and have a clear and accepted normative interpretation. If RBs are to capture the essence of the problem (that is, present a monetary threshold and underlying baskets that correspond to the targeted living standard), they need to be valid. *Internal* validity in this context means that RBs should accurately describe the minimum necessary resources for achieving the targeted living standard (for the model families, if applicable), while *external* validity implies that the RBs do this adequately for the target population. The principle of internal validity requires a positive answer to the following question: do the obtained RBs really correspond to the targeted living standard for the model families? In other words, a real family with the characteristics and circumstances of the model families should be able to achieve the targeted living standard with an income equal to the monetary threshold indicated by the RBs, not just in theory, but also in real life. This means that the theoretical basis and the applied method should ensure that all relevant human needs are taken into account, all necessary satisfiers are included and that a realistic pricing procedure is used. In addition, constructing realistic RBs that can be used as a benchmark against which the adequacy of social benefits can be assessed requires that specific needs and costs that arise from living on a low income are given due consideration. For instance, this may require taking account of what some have called the *poverty premium*, that is, the increased cost people experiencing a situation of poverty often face for some basic goods and services compared to the richer part of the population as a result of their low income situation (cf. Hirsch 2013). This may also require to take account of the fact that 'scarcity captures the mind' (Mullainathan and Shafir 2013), that is, situations of low income may reduce people's household competences and budgeting capacities. The same holds for other needs that may arise (e.g. as a result of stress) as consequence of living for a long period of time on low income.

At the same time, external validity implies that the RBs should be based on realistic assumptions. The assumed characteristics and circumstances of the model families should not be too distant from actual, observable situations. Also, the resulting RBs should not be too different from actual consumption patterns, such that the public would consider them unrealistic. In other words, RBs should take culture and the functioning of local markets into account. This does not necessarily mean that it suffices to look at the consumption patterns of some part of the population (e.g. of the twentieth percentile or the 'average household') to construct RBs: the method should ensure these consumption patterns correspond to the targeted living standard. In other words, circularity must be avoided (cf. Rein 1970, Deeming 2011). RBs should be informed by, but may not be exclusively determined by what is. Actual consumption patterns are not only the result of people's preferences, but also of the budget constraints they face. If one wants to find out how much is needed for achieving a specific living standard, one cannot do this by first choosing an income level and subsequently observing a consumption pattern.

In addition, external validity requires that RBs should be constructed for a sufficient number of well-chosen model families, such that the results can be validly generalised to the target population (e.g. on the basis of an appropriate equivalence scale). The extent to which the RBs do correspond to the targeted living standard for a target population can only be evaluated if:

- The targeted standard of living and the target population are clearly defined
- It is well argued why the applied method leads to the desired outcome
- The applied method and all relevant assumptions are clearly documented

An additional important criterion thus includes a well-argued theoretical basis and *verifiability*, the possibility to replicate the research (cf. Hoff, Soede et al. 2010). Verifiability requires in turn *transparency* regarding the choices made for constructing the RBs (that is, the method). Transparently documented RBs could include a very detailed list of goods and services, a list of suppliers, an assumed life span of products and a detailed price list. However, this transparency, as essential as it is to us, may also increase the risk of RBs to be used in a prescriptive way. We nevertheless consider the criterion of transparency essential and emphasise that prescriptive use of RBs should be avoided by actively providing adequate information about how RBs could and how they should not be used.

An indicator should be *understandable* and *acceptable* by politicians and the public at large. As emphasised by Citro and Michael (1995), acceptability requires that the RBs are based on a rationale that has some 'face validity'. In other words, the general public should be able to understand rather easily the basics of the method, without needing to bother too much about the technical details. Also, if the RBs are to generate wide public support, the resulting monetary amounts should broadly correspond to what people intuitively believe are the minimum necessary resources for achieving the targeted living standard. At the same time, on a more detailed level RBs should not necessarily correspond to people's intuitions, but rather be acceptable after an informed discussion (cf. the concept of 'informed consensus' as in Middleton 2000). The question may be asked for whom the budgets should first and foremost be acceptable. For those living on low incomes (or those supposed to live on an income at the level of the RBs)? For politicians (who decide for instance on benefit levels)? For tax payers? For the public at large? As also stressed by Atkinson et al. (2002: 21), adopting a participatory approach involving those at risk of social exclusion and organisations that represent their views (as well as other stakeholders) can be an advantage for ensuring that the general principles are understandable and can rely on public support. This, however, should be done in such a way that the general scientific quality criteria of validity, reliability, and cross-national comparability are not compromised (cf. Hoff, Soede et al. 2010). Finally, in the context of this project it is worth asking the question whether some methods have more face validity in some countries than in others. Possibly, there is a trade-off here between

cross-national comparability and adopting in each country a method that would produce a RB that corresponds best to local popular views on the matter.

Reliability, robustness and triangulation

Second, reference budgets should be 'robust and statistically validated' (cf. Atkinson et al. 2002: 21) and 'statistically defensible' (Citro and Michael 1995: 38-39). This requirement refers, among others, to reliability: is the method prone to errors? If it were to be replicated, would the resulting RBs strongly differ? For RBs based on survey data this implies that questions need to be designed in a way that they can be understood by respondents in a similar way. It also requires an adequate statistical reliability of the estimates for a reasonably sized sample. In other words: "Where data are derived from sample surveys, these surveys should comply with the best practices and highest standards of survey research methodology. The methods adopted should minimize errors arising from ambiguous questions, misleading definitions, bias resulting from non-response, and interviewer or coder mistakes." (Atkinson et al., 2002: 21) Whereas statistical reliability can be assessed on the basis of relatively standardised methods in the case of survey-based measures, this is not so for methods that (also) involve other, rather qualitative, data sources. For instance, if RBs are based on focus group discussions, the question arises what the outcome would be if other (randomly chosen) people would have participated in the focus group discussions. In this case, it could be impracticable to replicate the focus group discussions a sufficient number of times to assess the statistical reliability. This raises the question to what extent a future update would be the result of changes in population needs, adequate satisfiers, and prices and to what extent it would be the result of the fact that the focus groups are composed of other persons. Similar questions arise with regard to the researchers or experts involved for the construction of RBs: to what extent would the outcome differ if the exercise would be done by others? Most likely, a lot depends on *how* the focus group discussions, researchers and experts contribute to the outcome. For instance, when focus group discussions are used to generate knowledge about why some satisfiers are needed for meeting certain needs, this is different from asking focus groups to estimate the life span of a list of (non-)durables. The 'sampling variability' of the latter is very likely to be overall more substantial than that of the former. In addition, the former purpose may even not require a random sample of people, but rather requires a sample of people interested in the subject and willing to contribute to a better understanding of the targeted living standard.

Moreover, the applied method needs to be robust. If the research strategy would be (slightly) adapted, the resulting RBs should not be too different. In the case of survey-based methods, this means that small changes in wording, the order of questions in the questionnaire or the chosen thresholds regarding the number of people that have something or consider something important should not strongly affect the results. Furthermore, as stressed by Atkinson et al. (2002: 22), the method should be reliable over time: results should not be liable to unpredictable or inexplicable fluctuations. It is noteworthy that many of the RBs developed across Europe build on several information bases rather than on one (see Part I). This helps to increase their robustness, as this allows for building on the strengths of various information bases rather than one, it limits the necessity of relying on personal judgement by the evaluator constructing the budgets and it gives room for 'internal triangulation'.

Cross-country comparability

If the reference budgets are to facilitate cross-national learning and help the Commission in its monitoring task regarding the adequacy of minimum income support, it is clear that cross-national comparability is, along with validity and reliability, a key requirement. In this context, doubts about whether cross-national differences in RBs are a result of differences in the conceptual starting point, method or interpretation need to be avoided. This calls for a common conceptual and theoretical basis and the application of a similar method in all countries. As mentioned earlier, it also requires that RBs are constructed for the same (or very similar) model families in all countries. Furthermore, special

attention should be paid to assumptions that are not based on principles with a strong theoretical or methodological foundation, and are to some extent arbitrary. In these cases, making similar decisions in all countries to be compared is crucial. At the same time, this does not mean that the local social, economic and institutional context should be left out of consideration. Quite to the contrary, it is essential that the local context is adequately taken into account when developing RBs. Otherwise, the resulting monetary values will not correspond to a similar living standard across countries. In other words, cross-country comparability does neither mean that the contents of the RBs are the same nor that the total cost of the baskets is the same across countries. However, it does imply a need for substantial international coordination to filter out all the differences in contents of the baskets that cannot be justified. Therefore, it will be necessary to draw up a list of what cross-national variations are allowed and those that should be avoided so as to maximise cross-national comparability. Cross-national variations that could be allowed in terms of contents, quality, number and price of goods and services include most likely variations resulting from availability in local markets, climatological differences, differences in the accessibility and cost for private households of public goods and services, as well as systematic cultural differences, insofar it can be shown that taking account of these differences is necessary for ensuring the RBs correspond to the targeted living standard.

Responsiveness and manipulation

If reference budgets are to provide a basis for policy evaluation and evidence-based policy making, they should be able to show whether a significant policy change increases the private cost for achieving the targeted living standard or not. At the same time however, they should not be susceptible to easy manipulation by policy-makers, such that superficial policy interventions could affect the indicator without substantially changing the situation of the population. In other words, RBs 'should be responsive to effective policy interventions but not subject to manipulation' (Atkinson et al. 2002: 22).

This implies that an increase or decrease in the cost of (public) goods and services should be reflected in the updating process of the RBs. For instance, a reduction of public transport costs should result in a decrease of the reference budget. Alternatively, if requirements for being available for work in the public unemployment insurance system change, so that one has to accept a job within a larger distance from home than before, this could be reflected in the allocated budget for transportation. The more the method explicitly builds on governmental guidelines and regulations, the more RBs will be responsive to policy changes. This should however be balanced with the requirement of validity: governmental guidelines and regulations may be interpreted as an important observable part of what is considered the targeted living standard, but it should always be checked whether it does not contradict other, possibly more valid information (need for triangulation).

On top of that, RBs should not be susceptible to easy manipulation. This can be avoided by diversifying the information base, but also by varying the model families in sufficient number. Special care is needed if at some point RBs would be used to uprate benefit levels. In this case, they risk to be severely politicised. This requires a clear documentation with sufficient arguments regarding all aspects related to the construction of the RBs ('active transparency'). It should also be acknowledged that some data sources may become less suitable than others. For instance, participants in focus group discussions may behave differently if they are convinced they are participating in a largely theoretical exercise of defining a minimum acceptable living standard compared to the case they are convinced that the resulting RBs would directly impact upon the level of minimum income support and taxation. Of course, the reason for concern depends on how the focus-group results feed into the final budgets. Again, a distinction could be made between using focus group discussions to define quantities of goods and services or as a source for collecting arguments about why particular items should be included in the baskets of goods and services. People can rather easily change their

opinion about quantities depending on the purpose of the RBs, but it is more difficult to adapt arguments regarding why something should be included or excluded.

At this point, it is important to stress the potential role of stakeholders. We are convinced it is important to actively involve all kinds of stakeholders, so that the conceptual and theoretical basis as well as the method applied is widely understood and can rely on broad acceptance and a wide support base. If the RBs are understood and supported by stakeholder organisations, the latter can be an important ally in avoiding manipulation of the RBs (in construction or use) by politicians. At the same time, it should be clear that the role of these stakeholders should be kept in balance. We are convinced that not only the authority that commissioned or financed the construction of RBs, but also the stakeholder organisations, should not have a direct influence on the composition and level of the resulting RBs, so that the budgets do not risk to be (perceived to be) inappropriately influenced by them.

Operational feasibility, timeliness and potential for revision

If reference budgets are to be developed for all EU Member States and regularly be updated, due consideration should be given to feasibility (cf. Citro and Michael 1995: 39; Atkinson et al. 2002: 23). Given that, so far, no RBs have been constructed for all EU Member States in a single cross-national effort with the aim to achieve cross-nationally comparable results, their development requires a substantial investment. Even though cross-country comparability is central, the practical feasibility of the project requires building as much as possible on the available knowledge, experience and existing expert networks in each Member State. From experience, we know that developing RBs for the first time is much more resource and time intensive than doing it a second time, and this regardless the applied method. This is so because networks need to be established, a conceptual and theoretical basis needs to be developed and a suitable method has to be adapted to the national circumstances. Many of these issues require much less resources if the exercise is replicated a second or subsequent time.

Special attention needs to be paid to the time span and method for updating the RBs. If RBs are to function as an important tool for policy-makers, they need to be *timely* and *susceptible to revision*, without risking regular breaks in series (cf. Atkinson et al. 2002: 23). A suitable time interval and method for uprating and rebasing the RBs thus need to be defined. Even though some methods may require a larger time investment the first time they are used for constructing RBs, they may be much less costly if they have to be applied anew for updating or extending the existing RBs.

Elements of an evaluation

Even though it is too early to suggest a common method on the basis of this report and the quality criteria formulated above, we believe some elements of such a method can already be sketched:

First, we defined reference budgets as priced baskets of goods and services that represent a targeted living standard for a given target population. Some of the RBs and the methods on which they are based as discussed in Part I do not comply with this definition. The RBs similar to the Orshansky measure consist of baskets of goods and services on only one or a few domains, extrapolated by various methods to a complete budget, without a concrete elaboration in terms of a list of priced satisfiers. This extrapolated part can even be quite sizeable, as is the case for the Orshansky measure itself (Orshansky 1965, Orshansky 1969). There are clear disadvantages to such an approach. First of all, this type of extrapolations usually lack a strong theoretical or empirical foundation. Second, the direct responsiveness to policy interventions of such a measure is limited to those baskets that are explicitly specified. For instance, if the cost of health care for private households is part of the extrapolated budget, a policy change which decreases this private cost will not directly show up in the total reference budget, and it is uncertain whether it will show up indirectly. In the literature the limited amount of time and resources needed for constructing this kind or reference budget is often

mentioned as an advantage. However, we suggest this advantage is outweighed by problems of validity and the lack of direct responsiveness to policy changes.

Second, as we argued in the previous section, robustness requires that RBs do not depend on limited information base. Many national experts indicate that RBs that were constructed using a single information base lack robustness and credibility. It is clear that some information bases are more suitable for some purposes than for others. Therefore, it is useful to briefly review the strengths and weaknesses of each kind of information base, on the basis of the quality criteria identified above. Table 15 summarises some of the strengths and weaknesses of various information bases. We would like to highlight three approaches that have been adopted in a number of countries and that try to build on the strengths of a combination of these information bases: the 'low cost budget methodology' (Bradshaw 1993), the 'MIS methodology' (Bradshaw, Middleton et al. 2008), and the 'Theory of Human Needs' – inspired approach as originally implemented in Belgium (Storms and Van den Bosch 2009, Van Thielen, Deflandre et al. 2010). All three approaches build on survey data, focus group discussions and some form of expert knowledge, although they give different weight to the various sources of information. All three approaches mentioned above have been labelled 'consensual' in the sense that they try to observe some form of 'consensus' in society about the goods and services that are needed at a minimum for achieving the targeted living standard. It is too early to draw conclusions about the ideal weight each of these information sources should receive in a common methodology for constructing cross-country comparable RBs in the European Union. However, it is clear that a combination of information sources is needed to obtain sufficient information for constructing robust and valid RBs, building as much as possible on the strengths of each of these information sources.

Table 15. Some strengths and weaknesses of various information bases for constructing reference budgets

Source	Strengths	Weaknesses
Survey data	• Representativeness • High number of respondents can consulted in a cost-effective way • Possible to estimate statistical reliability • Easy to compute sensitivity tests	• Risk of circularity • Risk that in opinion surveys questions are not formulated unambiguously • 'Consensus by coincidence' (but sensitivity checks are easy) • Well-informed discussion / opinion unfeasible • Difficult to measure reasons why some items should (not) be included
Focus group discussions	• Experientially-grounded knowledge otherwise not available during *informed* group discussion • Well-informed check of acceptability, with room for contextualisation • Possibility to focus on arguments and reasons why something is important or not	• Representativeness very expensive in time and money: random sample not feasible or desired • Robustness: important role for moderator and setup of discussion; composition of focus groups is crucial • Robustness: a 'reliable' estimate not possible in the statistical sense; only limited 'sample size' feasible • High speed interaction: it is not always possible to discuss thoroughly all relevant items of RBs • Popular beliefs vs. scientific observation
Official guidelines and regulations	• Show 'official' consensus • Maximise responsiveness to policy interventions • Possibility to show private cost / benefits of governmental goals	• May be lacking or dated • May be influenced by other concerns (budgetary, strategic, feasibility, …) • Extra care is needed to avoid manipulation • No consistent updating mechanism
Scientific literature	• Strong foundation through years of systematic observation and discussion	• Not always conclusive • Does not cover all areas of life • May be somewhat detached from real living conditions
Personal expert knowledge	• Possible to have informed discussion • Possible to focus on arguments and reasons why something is important or not	• Robustness • May lack credibility and acceptability

A third lesson we may draw is that the credibility of reference budgets can be strongly undermined if they are not well documented and if they are perceived as overly arbitrary and based on too many ad-hoc decisions. In other words, transparency is essential, as well as clear and persuasive principles or rationales which can guide and motivate the various decisions made. Furthermore, it is clear that to maximise cross-national comparability, a common approach is needed where arbitrariness cannot be avoided (e.g. for the definition of model families). In our view, the need for many other ad-hoc decisions can be strongly reduced if RBs do not only rely on a common approach, but if researchers can also fall back upon a common theoretical and conceptual framework which explains the targeted living standard in more detail and shows how it relates to human needs and societal preconditions. Such a framework does not only offer a common fall-back position in a cross-national context, but offers also guidance in the case that several information sources may contradict one another.

Part IV Summary and conclusions

Introduction

Over the past 20 years, the European Council, the European Commission, and the European Parliament have underlined the importance of inclusion policies and adequate income support in Conclusions, Recommendations and Resolutions. More recently, the European Parliament (2010) and the Commission (2013) have recognised the instrumental role reference budgets (RBs) could play for helping Member States to meet the objectives of adequate minimum income protection and effective social inclusion in the EU. In particular, as part of the Social Investment Package that was adopted in February 2013, the Commission has proposed reference budgets as an instrument that can help Member States to design efficient and adequate income support but also facilitate the Commission's task of monitoring the adequacy of income support in the EU. Broadly defined as "baskets of goods and services that represent a given living standard", RBs are widespread in Europe and are becoming more rather than less popular, as they serve many purposes. However, at the moment, RBs are largely constructed in isolation from each other and are based on different methods and underlying assumptions so that they are not comparable across countries.

This 'pilot project for the development of a common methodology on reference budgets', funded by the European Commission, has two main objectives. The first is to establish a 'Reference Budgets Network' that consists of key EU experts and EU representative stakeholders, as well as 28 national networks of leading experts on reference budgets, other experts and societal stakeholders. The network will bring together the existing expertise on the development, implementation and use of reference budgets in social policy, social assistance and debt counselling, in particular for assessing the adequacy of minimum income support in Europe and for helping to design efficient and adequate systems of income support. A second important goal is to assess the possibilities for building a consensus on a common theoretical framework and a common methodology to serve as a basis for the development of cross-nationally comparable reference budgets in all EU Member States, and, indeed, helping to build such a consensus.

Up to now there has been no general overview of the prevailing methods used to construct RBs in Europe from which lessons could be drawn for developing cross-nationally comparable RBs. The present paper fills this gap by summarising the literature on RBs in Europe together with the results of a survey among national experts in the 28 EU Member States on those constructed over the past 40 years. With a view to identifying good and less satisfactory practice for constructing RBs suitable for the purposes stated above, it has also examined the advantages and disadvantages of RBs and proposed a conceptual framework, along with a list of more precise criteria, for assessing the reliability, validity and cross-country comparability of methods of constructing them as well as of those which currently exist.

General overview of reference budgets in the EU

RBs that are currently used in the EU or have been constructed in the past 40 years, serve various *purposes.* A distinction has been made here between macro-level purposes, concerned with general policy, and micro-level purposes, focused on individual financial situations. At the macro-level, the majority of RBs are aimed at creating a benchmark against which an adequate standard of living, or the adequacy of social benefits, can be assessed or which can be used to measure the real extent of poverty. At the micro-level, advising on finance and debt counselling represent the most common purposes. Research institutions and national statistical offices seem to be the largest group of *commissioning entities* next to national governments and civil society organisations like trade unions and NGOs. Recently, the European Commission has started to fund a research project aimed at constructing RBs in the EU as a possible means of monitoring the adequacy of income support. Because RBs are largely developed in isolation from each other, their construction is based on a variety of *theoretical and methodological, usually pragmatic,*

approaches. Apart from referring to well-known definitions of poverty and an adequate standard of living, there tend to be few references to theoretical concepts. In a number of countries, RBs are developed within a particular theoretical framework, most often relating to the theory of Human Needs of Doyal and Gough (1991) and the capabilities theory of Sen (1980, 1985, 1993) and Nussbaum (2000, 2011). In countries where RBs are based mainly on focus group discussions aimed at achieving a consensus, researchers often refer to the underlying assumptions made by Walker (1987) and Middleton (2001).

Consequently, although many countries refer to the definition of social participation to define the *target living standard*, this concept is almost nowhere clearly defined. Almost half of the RBs in the EU relate to what is termed a 'minimum living standard for full social participation'. Most of these RBs are still under construction or have been constructed recently. A smaller group of RBs referring to a more limited standard of living were constructed earlier, mainly in the EU13 Member States. Only two countries have a RB where the target living standard is higher than the minimum, which relates to an average consumption pattern.

A difference in *geographical focus* among the EU Member States is evident as regards the construction of RBs. Whereas most are based on country-level data, others start with a more local focus and use their capital city or another large city as a point of reference while aiming to construct budgets for the whole country. A minority differentiate between urban and rural areas.

As no single basket of goods and services can be suitable for everyone, in most EU countries, RBs are constructed for one or more *model families*. Couples with children and single households are most frequent chosen and specific assumptions are made about the health and living environment, among other factors. A large proportion of RBs are differentiated according to the age of children and adults, for example, by constructing separate budgets for pensioners.

Several sources are used as an *information base* to determine which goods and services model families need in order to reach a target living standard. Expert knowledge, household budget data and focus group information are quite often used; in two-thirds of the countries, RBs are built to some extent on (inter)national and regional guidelines. Although regular *adjustments and updates* are necessary to ensure that RBs continue to represent as accurately as possible the target standard of living over time, it seems that the frequency with which these are made and the method used differ greatly between countries. In almost half of the Member States, however, RBs are adjusted for price changes using the Consumer Price Index.

Most of the users of RBs are researchers, civil servants, NGOs, representatives of civil society and social workers. A small number of RBs are used by individual consumers and courts. Most RBs are used for the initially intended purpose and when this is not the case, it is often due to a lack of alignment with political intentions, a perception that the method used is inadequate or a failure to disseminate the RBs adequately to all the relevant actors.

Advantages and disadvantages of reference budgets

In order to suggest some essential steps for developing a common methodological and theoretical framework for constructing cross-nationally comparable RBs, it also useful to take account of the advantages and disadvantages of RBs as they have been identified in the literature and by national experts across the EU as well as of possible ways that disadvantages can be avoided. The most frequently mentioned advantages are their clear normative interpretation, their potential to integrate 'experience' and 'codified knowledge', the transparency of the theoretical basis and the methodology used to identify needs and to translate them into priced baskets of goods and services, and their ability to take account of cultural and institutional differences, such as the availability and

accessibility of public goods and services, as well as of the living conditions of particular social groups.

The pitfalls that were most frequently mentioned by the national experts, as well as in the literature, are mainly related to their use. First, there is a risk that RBs will be improperly used to dictate 'how people in poverty should spend their money'. Secondly, and closely related, is the danger that they will be blindly used as a '*standard' ceiling* for measuring poverty or assessing the adequacy of social benefits, neglecting the variations in individual circumstances and structural conditions. The risk of being prescriptive can be avoided when RBs are used not for determining benefit levels but rather as a means of raising awareness to illustrate the (non-)adequacy of social benefits. In this regard, focus group discussions and surveys of living conditions should be used as an information base to check if RBs are feasible and acceptable and not too far from reality. They can also provide useful insights into the way that the poverty threshold derived should be adjusted for some population groups. At the same time, RBs should not rely too much on actual consumption patterns if these are inadequate for ensuring full social participation. There is a significant risk of *circularity* here in that the resources needed for the target standard of living are equated with some existing pattern of consumption, which is constrained by the command over economic resources of the people concerned. This risk of circularity is especially acute for RBs that are based solely on household budget data.

A further risk is that when RBs are used as a political standard to assess the level of social benefits, the level calculated can create *disincentives to work* in countries where it comes too close to, or exceeds, minimum wages. In this regard, RBs can show how measures that are intended to increase the accessibility and affordability of public goods and services have a direct impact on the spending capacity of low income families and show how the need of increasing benefit levels can be reduced by reducing the need for out-of-pocket payments by low income households for essential goods and services.

An additional frequently mentioned disadvantage is the inevitable need for *arbitrary* judgments to construct RBs. To reduce the extent of arbitrariness, many authors argue that there is a strong case for relying both on a sound theoretical and methodological framework and on experience and scientific knowledge to identify the needs which RBs should cover and how they should be met.

A final important disadvantage of RBs is that they are *complicated to construct* since they require the use of methods from several disciplines with differing levels of validity and reliability. For this reason, they should be built so far as possible on strong and robust information sources.

Lessons for developing a common methodology to construct cross-nationally comparable reference budgets

A common conceptual framework

A common language and a common set of criteria are needed in order to discuss the elements that are relevant for the development of a common methodology. From the review of the literature, it is apparent that such a common language is to some extent lacking at present. This paper has presented a conceptual framework for describing reference budgets, drawing a distinction between the purposes for which they are constructed, their conceptual and their theoretical basis, the method used for developing them and their use in practice. These five dimensions are discussed briefly below.

First, it is important to make explicit the *purposes* which RBs should fulfil. The purpose tends to have a non-trivial effect on the end-result of the research process: a choice of one purpose rather than another often implies that a particular method, information base or choice of evaluator is more suitable than another.

Secondly, to construct RBs or assess their validity, a precise definition is required of the living standards targeted and the target population. Both will frame the research process and have a non-negligible effect on the budgets which result.

Thirdly, the *theoretical basis* should provide a clear interpretation of the target living standard and a well-argued justification of why the method applied will result in a satisfactory identification of this for the target population. The needs that are taken into account, how they are to be met and the associated costs should be accurately identified.

Fourthly, the procedures that are applied to identify the budget needed by the target population to reach the target living standard should be transparently described. These procedures involve decisions about five *methodological elements:* (1) the information base that is used for translating the target living standard into concrete monetary values and the method used for collecting data from the information base, (2) the definition of clear selection criteria for deciding precisely what information from the base is used, especially when multiple methods result in conflicting information, (3) the evaluator that makes decisions on the constituent elements, (4) the underlying theoretical and practical assumptions, and (5) the updating procedure.

Fifthly, the nature and extent of *use* of reference budgets in practice provide a lot of information about their credibility, acceptability and support among the general public.

Quality criteria

Even though it is a matter of good scientific practice to describe clearly the constituent elements of reference budgets, this does not in itself determine their quality. If RBs are to serve as a solid basis for evidence-based policy making, they need to comply with additional basic principles, in particular, the five methodological criteria that guide the construction of the indicators adopted by the European Commission. First, *an indicator should capture the essence of the problem and have a clear and accepted normative interpretation*. If RBs are to capture the essence of the problem, they need to be valid. Internal validity in this context means that budgets for the model families selected correspond to the target living standard, while *external* validity means that they do this adequately for the target population, i.e. real families with the characteristics and living conditions of the model families. In addition, external validity requires that RBs should be constructed for a sufficient number of well-chosen model families. Moreover, verifiability, defined as the possibility of replicating the estimation process, transparency regarding all constituent elements and acceptability should be added as criteria that are required to give RBs a clear normative interpretation.

Secondly*, an indicator should be robust and statistically validated.* Whereas statistical reliability can be assessed on the basis of relatively standard methods in the case of survey-based indicators, this is not so for methods that involve other data sources like focus group discussions or expert knowledge. Nonetheless, the applied method should be robust and reliable over time. In this respect, by building on the strengths of multiple information sources, internal triangulation could ensure that broadly similar results can be derived.

Thirdly*, an indicator should provide a sufficient level of cross country comparability, as far as practicable with the use of internationally applied definitions and data collection standards.* This cross-national comparability is a key requirement if RBs are to help the Commission in its monitoring task. As mentioned above, cross-country comparability requires a common conceptual and theoretical basis and the application of a similar method in all countries. At the same time, it should take account of cultural, climate, economic and institutional differences between countries.

Fourthly*, an indicator should be responsive to policy interventions but not subject to manipulation.* In the context of RBs, this means that if the cost of (public) goods and services is increased or reduced, this should show up when RBs are updated. The more the method explicitly builds on government guidelines and regulations that fit in the conceptual and theoretical framework, the more RBs will be responsive to policy changes. On top of this, RBs should not be susceptible to easy manipulation. This can be avoided by diversifying the information base, by varying the model families sufficiently and by keeping the role of the various stakeholders in balance.

Fifthly, *an indicator should be built on available underlying data and be timely and susceptible to revision.* Obviously, the development of cross-nationally comparable reference budgets requires a substantial investment. It is therefore important to build them so far as possible on the available knowledge, experience and existing expert networks in each Member State. If RBs are to function as an important tool for policy-makers, a suitable time interval and a method for updating and rebasing them have to be defined. Even though some methods may require a larger investment of time when they are initially used for constructing RBs, they may be much less costly if account is taken of the subsequent need for updating or extending budgets.

Elements for an evaluation

This report is not aimed at proposing a common method for constructing RBs in Europe. Nevertheless, in the light of the quality criteria described above and the advantages and disadvantages of RBs which are often mentioned, some elements of a common method can already be suggested. First, it is evident that not all existing RBs in the EU, as discussed in part I, comply with the definition of 'priced baskets of goods and services that represent a target living standard'. This is the case for RBs which rely on only one or a few baskets, or cover only one or a few domains, and which are often extrapolated to represent a complete budget, without a concrete description of the set of priced goods and services that can satisfy all physical and social needs for full social participation. Such extrapolations usually lack a strong theoretical and methodological foundation and their validity can be questioned.

Second, it is equally evident that robustness and credibility requires that RBs should not depend on a single information base. Three approaches have been adopted in a number of countries with the aim of building on the strength of using a set of information bases in combination: the 'low cost budget methodology' (Bradshaw 1993), the 'MIS methodology' (Bradshaw et al. 2008), and the 'Theory of Human Needs' –as originally implemented in Belgium (Storms and Van den Bosch 2009a; Van Thielen et al. 2010). All three approaches are based on a combination of survey data, focus group discussions and some form of expert knowledge. All three have been labelled 'consensual' in the sense that they try to observe some form of 'consensus' in society as regards the goods and services that are needed as a minimum for achieving the target living standard. It is too early to draw conclusions about the ideal weight to attach to each of the three. However, it is clear that a combination of all three is needed to obtain sufficient information for constructing robust and valid RBs.

A third lesson that can be drawn from this review is that the credibility of RBs can be strengthened markedly if they are well documented and make use of clear and persuasive principles, or rationales, to guide and motivate the various decisions made. At the same time, it is also clear that arbitrariness cannot fully be avoided. Accordingly, and to maximise cross-national comparability, a common approach is needed that is based on a common conceptual and methodological framework, which explains the target living standard in some detail and shows how it relates to human needs and societal conditions.

To be continued

This paper is a first step towards identifying the possibilities for developing high quality cross-nationally comparable reference budgets in the EU and what is required to do this. Some elements are suggested above concerning the starting-point for a second deliverable, defining a common methodology for constructing such RBs and for a third deliverable consisting of the construction of full RBs based on this methodology for a selected number of Member States and a food basket for all 28 Member States. A fourth deliverable will include a user-friendly data base containing information on the RBs for well-defined household types living in the capital city region. This will be accompanied by a fifth deliverable comprising a guidance note describing the way the RBs constructed could be extended to other types of household in all regions of the Member States concerned. All the results of the project will be consulted with the Indicators Sub-group

of the Social Protection Committee and presented at a final conference (in 2015) involving a range of interested groups, such as policy makers, civil society organisations, and representatives of local, regional and national authorities.

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Annex 1. Tables

Table I. RBs in Europe, by authority that commissioned the construction

RBs	Authority that commissioned the construction
AT 2009	DG Employment and Social Affairs-Community Programme PROGRESS
AT 2014	ASB commissioned FH St. Pölten; the project is funded by the Austrian Research Foundation FFG: The Austrian Research Promotion Agency (FFG) is the national funding institution for applied research and development in Austria.
BE 1997	Researchers of the Centre of Social Policy
BE 2008	Thomas More UC (RB for Flanders) and Federal government (RB for Belgium)
BE 2014	European Commission (ImPRovE project).
BG 1953	National Statistical Institute
BG 2009	ASB Schuldnerberatungen Gmbh, the partner in charge of financial affairs within the framework of the EU project Standard Budgets
CY 2014	Not yet disclosed
CZ 1950, *2014*	National Government and the Research Institute for Labour and Social Affairs in Prague (calculations)
DE 1975	An agricultural organisation specialised in calculation data for family households (KTBL)
DE 1955, 1989	Federal Government
DE 2013	German Society for Home Economics and organisation supporting scientific research of the German Savings Banks Association
DK 1993	The National Consumer Agency of Denmark
DK 2004	Center for Alternative Social Analysis (CASA)
EE 2004a	Statistics Estonia
EE 2004b	Ministry of Social Affairs
EL 2009	The General Confederation of Workers
EL 2012	The regional government of Western Greece.
EL 2014	European Commission (ImPRovE project).
ES 2009	ECDN (European Consumer Debt Network) & DG Employement, Social Affairs and Inclusion.
ES 2014	European Commission (FP7 programme)
FI 1995	STAKES (nowadays THL)
FI 2010	Social Insurance Institution in Finland, National Consumer Research Center
FI 2014	European Commission
FR 1952	UNAF
FR 2014	ONPES
HR 1996	Union of autonomous trade unions of

RBs	Authority that commissioned the construction
	Croatia (In Croatian: Savez samostalnih sindikata Hrvatske - SSSH)
HR 2000	The World Bank (Croatia Country Office)
HR 2002	Independent trade unions of Croatia (In Croatian: Nezavisni hrvatski sindikati - NHS)
HU 1991	Central Statistical Office
HU 2014	Part of a FP7 research project (ImPRovE)
IE 2006	The VPSJ, EAPN. The Social Policy Institute, Trinity College Dublin, MABS ndl and Kellbar Foundation USA
IT 1997	The Inquiry Commission on Social Exclusion
IT 2014	European Commission (ImPRovE project).
LT 1990	Ministry of Social Security and Labour
LT 2004	Statistics Lithuania
LU 2010	Institut National de la Statistique et des Etudes Economiques du Grand-Duché de Luxembourg (STATEC)
LV 1991	Central government
MT 2011	Caritas Malta (a non-governmental Church organisation)
NL <1980a, <1980b	NIBUD
NL 2010	Own funding SCP + NIBUD
PL 1981, 1993, 2002a, 2002b	Ministry of Labour and Social Policy + Institute of Labour and Social
PT 1969	MCPS, Ministério das Corporações e Previdência Social
PT 1981	A Research Centre (CESIS, Centro de Estudos para a Intervenção Social)
PT 2014	FCT, National Agency for research
RO 1991	Institute for Quality of Life Research (ICCV), Romanian Academy of Sciences
RO 2000	Romanian government and the World Bank – but only for the poverty assessment reports, not directly for policy purposes
RO 2012	The National Council of the Elderly
SE 1978	SCA
SE 1981	The parliament
SE 1985	The Swedish government
SI 1977	Research Fund of Slovenia (1977, 1982 and 1984). In 1982 and 1986: Government of the Republic of Slovenia, Chamber of Commerce of Slovenia, Association of Trade Unions of Slovenia, Social Security Ministries/Funds of Slovenia (Health Insurance, Pension and Disability Insurance, Social Care, Child Protection, Employment Service), and Education Fund/Ministry + Housing fund/ministry (1982)
SI 1993	Ministry of Science and Technology, Ministry of Labour, Family and Social

RBs	Authority that commissioned the construction
	Affairs
SI 2009 (revision of RB1993, slight different method and targeted living standard)	Ministry of Labour, Family and Social Affairs
SK 1997	The Research Institute for Research in Labour, Social Affairs and Family and working group at the Ministry of Labour, Social Affairs and Family
SK 2006	The State Secretary of the Ministry of Labour, Social Affairs and Family and its team.
UK 1990, 2008	Joseph Rowntree Foundation
UK 1994	Joseph Rowntree Foundation, States of Jersey
UK 1997	UNISON, age concern, Zaccheus

Source: Own data
Note: Italic: Under construction; Grey: Not in use (anymore)

Table II. RBs in Europe, by purpose

Purposes	RBs
To assess an adequate standard of living	AT 2009, *2014* BE 1997, 2008, *2014* BG 1953, 2009 CY *2014* CZ 1950, *2014* DK 1993 EL 2009, 2012, *2014* *ES 2014* FI *2014,* 2010, 1995 FR 1952, *2014* HR 1996, 2002 HU *2014,* 1991 IE 2006 IT *2014* LT 1990 LU 2010 LV 1991 MT 2011 NL <1980a, <1980b PL 1981, 1993 PT *2014* RO 1991, 2000, 2012 SE 1978 SI 1977 SK 1997, 2006 UK 1990, 1997, 1994, 2008
To assess the adequacy of social benefits	AT 2009, *2014* BE 1997, 2008, *2014* CY *2014* CZ 1950, *2014* DE 1989 EL *2014*

	ES *2014* FI 1995 FR 1952, *2014* HR 1996, 2002 IE 2006 IT *2014* LT 1990, 2004 NL <1980a, <1980b PL 1981, 1993, 2002a, 2002b PT *2014* RO 1991, 2000, 2012 SE 1978, 1985 SK 1997, 2006 UK 1990, 1997, 1994, 2008
To measure the extent of poverty	AT 2009, *2014* BE 2008, *2014* BG 1953 DK 2004 EE 2004a EL 2009, 2012, *2014* ES *2014* FI *2014* HR 1996, 2002, 2000 HU 1991, *2014* IT 1997, *2014* LU 2010 LV 1991 NL <1980a, 2010 PL 1981, 1993 PT *2014*, 1981 RO 1991, 2000, 2012 SK 2006 UK 1990, 1997, 1994, 2008
To assess the validity of relative income poverty thresholds	AT 2009, *2014* BE 1997, 2008, *2014* EL *2014* ES *2014* FI *2014* HR 1996, 2002 IE 2006 IT 1997, *2014* LU 2010 NL <1980a PL 1981, 1993 PT *2014* SK 2006 UK 1997, 1994, 2008
To generate equivalence scales	BE 2008, *2014* EE 2004a EL *2014* ES *2014* FI *2014* NL <1980a

	PT *2014* SE 1978 SI 2009 UK 1997, 1994, 1990, 2008
To examine the changes in the Consumer Price Index	BE 2008 BG 1953 EL *2014* HR 1996 LT 2004 LV 1991 NL <1980a
To present alternative credits scores	BE 2008 NL <1980a, <1980b PL 1981, 1993 SE 1978
For debt counselling	AT 2009, *2014* BE 1997 DE 2013 ES 2009 FR 1952 IE 2006 NL 2010, <1980a, <1980b SE 1978, 1981
For financial education	AT 2009, *2014* BE 2008 DE 2013, 1975 DK 1993 EE 2004b ES 2009 FI 2010 FR 1952 IE 2006 NL 2010, <1980a, <1980b
To determine additional income support	BE 2008 DE 1989 ES 2009 IE 2006 MT 2011 NL <1980a PL 1981, 1993, 2002a, 2002b SE 1978
To provide a benchmark for assessing the adequacy of wage	BE 1997, 2008 BG 2009 EL 2009 HR 2002, 1996 IE 2006 LV 1991 MT 2011 NL <1980a PL 1981, 1993

	PT 1969 RO 1991, 2000 UK 2008
To assess rent norms	NL <1980a, <1980b
For budget counselling	AT 2009, *2014* BG 2009 DE 2013, 1975 FI 2010 SE 1978
To assess the minimum costs of living	SI 1977, 1993, 2009 SK 1997
Other	EE2004b NL <1980a PL 1981, 1993 SI 1993

Source: Own data
Note: Italic: Under construction; Grey: Not in use (anymore)

Table III. RBs in Europe, by targeted living standard

RB	Minimum for physical needs	Minimum for physical needs and limited social partici-pation	Minimum for full social participa-tion	Average consump-tion pattern	Higher consump-tion standard	Various consump-tion patterns
AT			2009, *2014*			
BE		1997	2008, 2014			
BG		1953, 2009				
CY	*2014*					
CZ	1950, *2014*					
DE		1989				1975, 2013
DK			2004	1993		
EE	2004a				2004b	
EL		2012	*2009, 2014*			
ES			2009, *2014*			
FI			1995, 2010, *2014*			
FR			1952, *2014*			
HR		1996, 2002, 2000				
HU	1991		*2014*			
IE			2006			
IT		1997	*2014*			
LT	1990					2004
LU		2010				
LV	1991					
MT			2011			
NL		2010	<1980a			<1980b
PL	1993	1981				
PT	1969	1981	*2014*			
RO	2000, 2012	1991				
SE		1981	1978, 1985			
SI	1977		1993, 2009			
SK	1997	2006				
UK			1994, 1997, 2008	1990		

Source: Own data
Note: Italic: Under construction; Grey: Not in use (anymore)

Table IV. RBs in Europe, by geographical focus

RBs	National	Regional		Municipal	
AT	2009 *2014*				
BE	2008, *2014*	2008	Wallonia/Flanders/ Brussels	1997	Antwerp
BG	1953			2009	Varna
CY	*2014*				
CZ	1950, *2014*				
DE	1955, 1975, 1989, 2013				
DK	1993, 2004				
EE	2004a, 2004b				
EL	2012			2012 *2014* 2009	Athens Patras Western village Greater Athens (Pireaus and the suburbs)
ES	*2014*			2009 *2014*	Madrid Barcelona
FI	2010 1995			*2014*	Helsinki
FR	1952			1952 *2014*	Paris Mid-size cities
HR	2000 1996			1996 2002	All counties and Zagreb Zagreb Split Rijeka Osijek Vukovar Zadar Varaždin Pula Dubrovnik Slavonski Brod
HU	1991			*2014*	Budapest
IE	2006 2006	2006 2006	Urban Rural		
IT	1997	1997	+ North/Centre/South areas	*2014*	
LT	1990, 2004				
LU	2010				

RBs	National	Regional		Municipal	
LV	1991				
MT	2011				
NL	<1980a <1980b	2010	60 km radius of Hilversum		
PL	1981, 1993, 2002a, 2002b	1981, 1993 (since 2000)	Provinces and Voivodeship		
PT	1981	1981 *2014* 1969	Rural and Urban areas Rural/Urban/ Industrial areas Provincia	1969	Lisbon
RO	2000, 2012				
	1991	1991	Rural and Urban areas		
SE	1978, 1981, 1985				Örebro
SI	1977, 1993, 2009				
SK	1997 2006				
UK	1990, 1994, 1997, 2008		+ Rural England and Scotland 2008		

Source: Own data
Note: Italic: Under construction; Grey: Not in use (anymore)

Table V. RBs in Europe, by information base

	Household budget data	Other survey data	Expert knowledge	Focus group decisions	Guidelines	Market research
AT			2009	2009, *2014*	2009, 2014	
BE	1997	1997	1997 2008, *2014*	2008, *2014*	1997 2008, 2014	
BG	1953	2009		2009		
CY	*2014*	*2014*	*2014*			
CZ	1950, *2014*					
DE	1989, 2013		1975, 2013			
DK	1993, 2004		1993, 2004		1993	
EE	2004a, 2004b		2004a, 2004b			
EL			2009, 2012, *2014*	2012, *2014*	*2014*	
ES	2009		2009, *2014*	2009, *2014*	2014	
FI	1995, 2010	1995	1995, 2010, *2014*	2010, *2014*	1995, 2010, *2014*	
FR	1952	1952, *2014*	*2014*	*2014*	1952	
HR	2000	1996 2002				
HU	1991		1991, *2014*	*2014*	*2014*	
IE			2006	2006		
IT	1997		*2014*	*2014*	1997, 2014	
LT	1990					

	Household budget data	Other survey data	Expert knowledge	Focus group decisions	Guidelines	Market research
	2004					
LU	2010	2010	2010		2010	
LV			1991			
MT	2011	2011	2011		2011	
NL	<1980a, <1980b		<1980a, 2010	<1980a, 2010		
PL	1981, 1993, 2002a, 2002b		1981, 1993, 2002a, 2002b			
PT	1981, *2014*		1969, 1981, *2014*	*2014*	1969	
RO	1991, 2000, 2012		1991, 2000, 2012		2000	
SE		1978	1978			
SK	1997, 2006		1997			
SI	1977, 1993, 2009		1977, 1993, 1997 2009			
UK	1990, 1997, 2008	1990, 1997, 2008	1990, 1997, 2008	1990, 1994, 1997, 2008	1990, 1997, 2008	1990, 1997, 2008

Source: Own data
Note: Italic: Under construction; Grey: Not in use (anymore)

Table VI. RBs in Europe, by actors involved

	Prepara-tion	Construc-tion RBs	Focus groups	Update	Entire project	Not defined
Researchers	AT 2009 EL 2009 EL 2012 FI 2010 FI 1995 PL 1981, 1993 SK 1997	AT 2009 BG 1953 BG 2009 *EL 2014* *ES 2014* NL 1980a NL 1980b FI 1987 FI 2010 *FI 2014* *HR 2000* HU 1991 *HU 2014* PL 1981, 1993 UK 2008		NL <1980a NL <1980b HU 1991	*AT 2014* BE 1997 BE 2008 DE 1975 DE 2013 DK 1993 DK 2004 IE 2006 IT 1997 LT 1990 NL 2010 PT 1981 *PT 2014* SE 1978 SK 2006 SI 1977 SI 1993 SI 2009	*CY 2014* EE 2004a EE 2004b *FR 2014* UK 1990 UK 1997

	Prepara-tion	Construc-tion RBs	Focus groups	Update	Entire project	Not defined
National Civil servants	AT 2009 LT 2004 SK 1997	FI 1995 LV 1991 RO 2000, RO 2012		RO2000 SE 1985	PT 1969 SE 1978 SI 1977	*CY 2014* DE 1989 EE 2004a, EE 2004b MT 2011
National bureau of statistics	AT 2009 BG 1953 BG 2009 HR 2000 PL 1981, 1993 RO 1991 RO 2012 SK 1997	ES 2009 HU 1991 NL <1980a, NL <1980b RO 2000 SE 1981		HU 1991 LV 1991 NL <1980a, NL <1980b RO2000	DK 1993 IT 1997 LT 2004 LU 2010 SE 1978	*CY 2014* DE 1989 EE 2004 *FR 2014* MT 2011 RO 2012
Experts	AT 2009 EL2009 EL 2012 MT 2011 PL 1981 SK 1997 RO 1991 RO 2000	*EL 2014* ES 2009 *ES 2014* FI 1995 FI 2010 *FI 2014* *HU 2014* MT 2011 PL 1981, 1993, 2002a, 2002b *PT 2014*	FI 2009	HR 2000	BE 2008 DK 1993 HR 2000 HR 2002 IE 2006 LU 2010 PT 1969 SE 1978 SI 1977 SI 1993 SI 2009	*CY 2014* EE 2004 *FR 2014* SE 1981
People experien-cing poverty	EL 2012	*EL 2014*	AT 2009 *AT 2014* *BE 2014* *ES 2014* FI 2010 *FI 2014*		BE 2008 IE 2006	

	Prepara-tion	Construc-tion RBs	Focus groups	Update	Entire project	Not defined
People with other social back-grounds			NL 2010 UK 1994 UK 2008 *AT 2014* BE 2008 ES 2009 *ES 2014* FI 2009 *FI 2014* *HU 2014* NL 2010 *PT 2014* UK 1994 UK 2008			*FR 2014*
NGOs and representatives civil society	EL 2009	BG 2009 FI 1995 *FI 2014*	BE 2008 BG 1953 MT 2011 *PT 2014*		*AT 2014* FR 1952 IE 2006 SE 1978	DE 1989
Social workers			AT 2009 BE 1997	NL <1980a		
Counsellors	AT 2009				DE 1975 *DE 2014*	

Source: Own data
Note: Italic: Under construction; Grey: Not in use (anymore)

Table VII. RBs in Europe, by number and used model families

	Number of model families	Single	Couple	Lone parent	Couple with children
AT	7 (2009), 3 (2014)	2009, 2014	2009	2009, 2014	2009, 2014
BE	3 (1997), 19 (2008)	1997, 2008, *2014*	2008, *2014*	1997, 2008, *2014*	1997, 2008, 2014
BG	3 (2009) Undefined (1953)	1953, 2009	1953, 2009	1953	2009
CZ	Undefined	1950, *2014*	1950, *2014*	1950, *2014*	1950, *2014*
DE	Undefined number based on 6 model persons (1975/1989), 20 (2013)	1989, 2013	2013		1989, 2013
DK	15 (1993) 4 (2004)	1993, 2004	1993, 2004	1993, 2004	1993, 2004
EE	1 (2004a) Undefined (2004b)	2004a, 2004b	2004b	2004b	2004b
EL	5 (2012), 6 (*2014*)	2009, 2012, *2014*	2009, 2012, *2014*	2012, *2014*	2009, 2012, *2014*
ES	4 (2009/*2014*)	2009, *2014*	2009, *2014*	*2014*	2009, *2014*
FI	4 (*2014*), 7 (2010), 5 (1995)	*2014*, 2010, 1995	*2014*, 2010, 1995	*2014*, 1995	*2014*, 2010, 1995
FR	8 (1952), 6 (*2014*)	*2014*	*2014*	1952, *2014*	1952, *2014*
HR	3 (1996/2002) Undefined (2000)		1996, 2002		1996, 2002
HU	Undefined (1991), 2 (2014)	1991		*2014*	1991, *2014*
IE	6	2006	2006	2006	2006
IT	Undefined (1997), 2 (*2014*)	1997	1997	1997, *2014*	1997, *2014*
LT	1 (1990/2004)	1990			

	Number of model families	Single	Couple	Lone parent	Couple with children
LU	1 (2010)				2010
LV	Average inhabitant				
MT	3 (2011)		2011	2011	2011
NL	Undefined (<1980), 5 (2010)	<1980, 2010	<1980, 2010	<1980, 2010	<1980, 2010
PL	8	1993	1993		1993
PT	1 (1969, 1981) 10 (*2014*)	*2014*	*2014*	*2014*	1969, 1981, *2014*
RO	Average family (2000) 1 (2012)	1991, 2012	1991	1991	1991
SE	Undefined	1978, 1985, 1981	1978, 1985, 1981	1978, 1985, 1981	1978, 1985, 1981
SI	Undefined (1977) Undefined based on: -4 consumer types (1993) -2 consumer types (2009)	1977, 1993, 2009	1977, 1993, 2009	1977, 1993, 2009	1977, 1993, , 2009
SK	Undefined (1997)	1997	1997	1997	1997
UK	6 (1990), 4 (1997), 11 (2008)	1990, 1997, 2008	1990, 1997, 2008	1990, 1997, 2008	1990, 1997, 2008

Source: Own data
Note: *Italic: Under construction*
Grey: Not in use (anymore)

Table VIII. Rbs in Europe, by differentiated characteristics of model families

	Age of children	Age of adults	Employment status	Health	Living environment (urban/rural)	Ethnic background	Marital state	Housing tenure
AT	2009, *2014*							
BE	2008, *2014*	2008	2008	2008		2008	2008	1997, 2008, *2014*
BG	1953, 2009	1953	1953					
CZ	1950, *2014*	1950, *2014*	1950, *2014*					
DE	1975, 1989, 2013	2013	1975					2013
DK	1993, 2004	1993, 2004	1993, 2004					
EE	2004b							
EL					2012			2009, 2012, *2014*
ES	2009, *2014*		2009	2009	2009		2009	*2014*
FI	1995, *2014*	2010, 1995			2010			*2014*
FR	1952, *2014*							*2014*
HR	1996, 2002	1996, 2002	1996	2002	2002		2002	1996, 2002
HU		1991						
IE	2006	2006	2006	2006	2006		2006	2006
IT	1997, *2014*	1997			1997			*2014*
LT	1990		1990		1990, 2004		1990	
LU	2010							
MT	2011	2011	2011					
NL	2010, <1980a, <1980b	2010, <1980a, <1980b		<1980a				<1980a, <1980b
PL	1981, 1993, 2002a, 2002b	1981, 1993, 2002a, 2002b	1981, 1993, 2002a, 2002b				1993	
PT	1969, 1981,	1969, *2014*	1969		1981		1969	

	Age of children	Age of adults	Employment status	Health	Living environment (urban/rural)	Ethnic background	Marital state	Housing tenure
	2014							
RO	1991		1991		1991			
SE	1978, 1985, 1981	1978		1981			1981	1981
SI	1977, 1993		1977					1977
SK	1997		1997					
UK	1990, 1997, 2008	1990, 1997	1990, 1997	1990, 1997	2008	1990, 1997	1990, 1997	

Table IX. Advantages of reference budgets in Europe according to national experts (by characteristics and purposes of RB)

PURPOSES	Clear normative interpretation	Transparency	Based on social consensus	Relative to societal context (e.g. accessibility of public services)
Understanding and operationalisation of an adequate standard of living (20 x)	Tangible meaning Encompass an entire "living standard" rather than separating off necessities in isolation Present actual cost of living Depart from an integrated view of family needs, rather than from statistics about the current expenditures	It is transparent i.e. contains a high visibility of elements considered to be parts of adequate living standards	Developed from bottom up: outcome of social consensus, supported by expert knowledge Taking on board both theoretical concepts as well as "common sense" Normative concept and must therefore be socially validated: consensual method is well suited for this purpose	Detailed and realistic understanding of what a decent standard of living represents in a certain society Minimum acceptable threshold below which people risk social exclusion in its own national context Related to contemporary life Localised to the country's situation and broken down to main expenditure categories

Benchmark for assessing the adequacy of social benefits and minimum incomes (12 x)	Illustrate the costs of children Allow a public discussion of the adequacy of minimum income	Reliable Inform Solid basis	Adequacy of social benefits can become transparent and legitimate if consensus is reached RBs provide a socially agreed empirical benchmark	
Feeds social policy debate about poverty and standards of living (12 x)	Evidence based policy and decision making More objective debate Easy to convey Increase awareness on individual as well as on family needs and costs Physical and social needs in the centre of attentions	Reliable information for policy makers Reduce political arbitrariness		Take account of/ give insight in the way public goods and services are organised and facilitate or not facilitate access to social rights

An instrument to measure poverty or to assess the validity or to supplement the relative 60% poverty line (10 x)	Clearer and more intuitive poverty benchmark contribute by facts to calculation and explanation of the poverty line		Moves beyond income based indicators as measured in the EU wide at-risk-of-poverty rate It is influenced to a lesser extent by the economic cycle (contrary to the relative poverty measure)
Instrument for educational purposes and advice (6 x)	Can be used for financial education, debt advice Edification It helps to meet better people people's needs by advice or counselling Offers good guidelines, Educational tool for public health	Possible to monitor level of expenditures in various types of households	

Other	Degree of detail and transparency Increase legitimacy You can control every cost in the budget Valid data for different purposes Objective and neutral if designed appropriately	The focus groups consist of people from different socio-economic backgrounds and as a result they provide data for all the population and are not focused on people experiencing poverty This understanding is based on a consensus on otherwise supposedly highly subjective issues RBs take advantage of the of citizens' expertise to fill the gap between general and (sometimes) abstracts needs and the detailed commodities necessary to fulfil these needs in the day-to-day life Methods of construction (including organisational aspects – involving of various stakeholders)	If regularly evaluated and constructed in relation to multiple household types, it is flexible enough to meet individuals' different needs and to adjust to changes in society

Table X. Disadvantages of reference budgets in Europe according to national experts

DIMEN-SION	Subjective/ arbitrary (13x)	Not adjusted to individual and societal differences and changes over time (13x)	Complex, costly & time consuming (11x)	Lack of public understanding or acceptance (8x)	Prescriptive (6x)	Restricted minimum instead of full participation(4x)
Defining living standard		Differences in circumstances of each individual make it difficult to claim literally that anyone below the threshold is unable to participate in society RBs could neglect relative aspect of standard of living if not well designed or updated	The concept of adequate income can be sometimes unclear It is very hard to define a reasonable or modest but adequate minimum budget	When people are not prepared to take the necessary steps to understand the rationale and methodology, RBs, can be misunderstood, misinterpreted, wrongly applied or dismissed	RB may be misunderstood as a normative concept	Level of the subsistence minimum was set at quite restricted level. It wasn't intended to serve as a mean to support fully-pledge participation in society
Theoretical /methodological framework	Lack of a firm theoretical/methodological support for in terms of specific items and quantities The criteria for listing the goods, fixing quantities and their pricing are not clear	It is difficult to get 100% consistency across countries when making comparisons	Includes interdisciplinary methods with different levels of validity which makes it difficult to assess the validity of the methodology as a whole.	RB with normative budgets might not be accepted by civil society	Rather than looking at current general consumption patterns, the methodological approach might easily fall into the prescriptive trap – outlining how a basic minimum standard of living 'should be', in preference to 'as is'.	It can stress the idea of a minimum standard of living and overlook the idea of social participation

Method of construc-tion	Many arbitrary choices when constructing Rather determined by a certain group of stakeholders or ideologies	Budgets are not calculated separately for employed and unemployed. Not taking into account differences between central and peripheral areas (city x village) The need to update constantly the RBs to changes also from a socio-cultural point of view (it's not an easy task).	Methodologically complex task to carry out, especially if seasonality in consumption patterns is also to be considered The development of the first set of RBs using the consensual budgets methodology can be time consuming and labour intensive. There is a risk of an "extreme" technical procedure which can exclude the participation of others social stakeholders.	Many methodological choices/assumptions must be made to construct RBs, this could potentially arouse many criticisms Lack of agreement about specific items	Ignore leisure

Data used	If not based on various sources of data it can reflect subjective ideas of experts Generating consensus in focus groups needs large N in order to avoid arbitrary responses	It is constructed taking into account limited household types, whereas in reality expenditures can vary significantly according the specific needs within a household	Sometimes the information which is needed for RBs development is not easy to be collected and can bias final results	Challenges in getting a broad acceptance among various groups in society due to indefinite number of possible consumption patterns	If RBs are not scrutinized extensively in focus groups on a regular basis they may reflect the ideas of experts and not of those people involved

Implement ation / use		Policy makers often prefer simple answers. The RB provide answers for specific households but not a universally applicable answer RBs calculated for a small number of household types are limited in use RBs not regularly updated are not applicable Inter-personal and/or inter-temporal incomparability	Existing RBs are not too broadly known and accordingly their use is rather limited If implemented badly, it may reduce legitimacy and awareness, which may spill-over to social benefits.	May be (mis-)used to "prescribe" a certain "minimal" lifestyle to people with low income Risk of not used as a benchmark, but as a standard RBs are a sensitive issue in less developed markets and countries with huge income disparities. In such cases they can be used improperly as a political tool for different purposes	Can be misused as a way of reducing higher social insurance payments to just a basic/minimum level

Annex 2. Brief overview of RBs in 28 European Member States

AUSTRIA		
	2009	**2014**
Name	RBs for Essential Household Expenses in Austria	MIS Method (FH St. Pölten)
Year of first construction	2009	2014
State of use	In use	Under construction
Key moments	31.12.2007 – 31.3.2010: asb Schuldnerberatungen as the leading partner in the EU funded project – Standard/Reference Budgets – An instrument to prevent and fight overindebtedness and financial inclusion - within the European Community Programme for Employment and Social Solidarity – PROGRESS Mutual Learning on Social Inclusion And Social Protection (VP/2007/012) End of 2009: Finalisation of first Austrian Reference Budget for 5 household types	2013: Idea to develop budgets according to the MIS method; asb commissioned FH St. Pölten University of Applied Science 2013/2014: Project to develop budgets for three household types according to the MIS method and to compare them with the existing budgets
Geographical focus	- Entire country	- Entire country - but with the restriction of assumed life in a bigger city with good public transport
Data used	- Expert knowledge - Focus group decisions - Fixed tariffs - Own research	- Focus group decisions - Data based on RB1
Last update	2013	n/a

BELGIUM			
	1997	**2008**	**2014**
Name	"Low cost" budgetten voor België	Reference budgets for social participation	Reference budget for social participation
Year of first construction	1997	2008	In process, finished 2014
State of use	Not in use	In use	Under construction
Key moments	1996: Start of project 1996: Visit to budget standard researchers in Liverpool and York 1997: Publication of results	2006: first request from local welfare offices 2008: RBs for social participation for Flanders 2009: request from Federal government to develop Belgian RBs 2010: RBs for social participation for Brussels and Walloon 2011: Peer Review on reference budgets 2013: REMI: online tool with RBs for assessing additional financial support by local welfare offices 2013: Stufi: online tool with RBs for assessing additional financial support by university colleges	2012: Start of the project. 2012 - 2014: Compiling the baskets October 2013: Collecting the prices for food budget January 2014: Test focus group February - March 2014: Focus group discussions April 2014: Collecting the prices for clothing, food, health and personal hygiene. Summer 2014: Collecting the prices for other baskets Autumn 2014: Calculating the full budget Winter 2015: Calculating the poverty line based on the reference budget
Geographical focus	- Antwerp (capital city)	- Entire country - Flanders, Brussels, Wallonia	Antwerp
Data used	- Derived from the "Low Cost" budget for the UK - CSB-survey; among the 65+ in Antwerp - Expert knowledge - (Inter)national or regional guidelines	- Expert knowledge - Focus group decisions - (Inter)national or regional guidelines	- Expert knowledge - Other survey data - Focus group decisions - (Inter)national or regional guidelines
Last update	n/a	2013	n/a

BULGARIA		
	1953	**2009**
Name	Household Budgets	RBs for information purposes
Year of first construction	1953	2009
State of use	In use	Not in use
Key moments	1953-1961: the selection of the households is based on economic branch principle 1961 – nowadays: the selection of the households is based on territorial principle	2007: start of the project 2008: partners' meetings and seminars 2009: workshops and peer reviews 2009: presentation of RBs during the international conference 2009: RBs publication
Geographical focus	Entire country	Varna
Data used	- Household budget data	- Focus group interviews - Online surveys
Last update	2011	n/a

CROATIA			
	1996	**2000**	**2002**
Name	Union of autonomous trade unions of Croatia (hrv. Savez samostalnih sindikata Hrvatske - SSSH) – Trade union Trade Union Basket (Sindikalna kosarica)	World Bank, The Minimum Food Basket; Absolute Poverty Line estimation (the food basket is an essential part of poverty line estimation)	Independent trade unions of Croatia – (hrv. Nezavisni hrvatski sindikati - NHS) – Trade union Trade Union Basket (Sindikalna kosarica)
Year of first construction	1996	2000	2002
State of use	Not in use	Not in use	Not in use
Key moments	1996: methodology was developed and RB was calculated 2001: methodology changed 2009: methodology changed. Since 2010 RB has not been calculated.	2000: Construction on the basis of the 1998 HBS 2006: Revised based on 2004 HBS. Used as parts of one-off poverty estimations, not updated or maintained in the meantime	In 2001-2002: experts developed the methodology 2002: first basket was calculated 2006: methodology has been changed. Since 2011 RB has not been calculated any more.
Geographical focus	Entire country	Entire country	Municipal
Data used	Trade union surveys	International and national guidelines (protein and energy requirements)	Trade union surveys
Last update	2009	2005	2006

CYPRUS	
	2014
Name	RB for Guaranteed Minimum Income (GMI)
Year of first construction	2014
State of use	Under construction
Key moments	2012: first request from Troika (IMF, ECB, EC) July 2013: announcement of the plan to introduce the GMI by the government of Cyprus Sep 2013: Start of consultations with ILO and RB experts Nov 2013: Start of impact assessment by the Economics Research Centre of the University of Cyprus
Geographical focus	- Entire country
Data used	- Household budget data - Administrative data - Expert knowledge
Last update	n/a

CZECH REPUBLIC		
	1950	***2014***
Name	RB for nutrition and food consumption	RB for nutrition and food consumption
Year of first construction	1950	2014
State of use	In use	Under construction
Key moments	1950s – first proposal for recommended nutritional benefits, revision was done circa after 10 years based on a metabolic studies (people), experimental research (animals), epidemiological and clinical research together with the changing quality of food products and also changes in a work environment (automation, mechanization)	Inspiration by previous RB from 1950s, 1990s and current developments in reference values for nutrition in DACH (Germany, Austria and Switzerland) based on scientific background. Based on these nutrition values, optimisation was done for selected groups of inhabitants for the determination of the basic living subsistence on the basis of minimal cost of consumer prices.
Geographical focus	Entire country	Entire country
Data used	Household budget data	Household budget data
Last update	2014 (work in progress)	2014 (work in progress)

DENMARK		
	1993	**2004**
Name	Danish Standard budget Forbrugerstyrelsens familiebudget – et standardbudget for danske husstande	A minimum budget
Year of first construction	1993	2004
State of use	In use	In use
Key moments	1990: The National Consumer Agency of Denmark took initiative to develop and prepare A Danish standard budget. 1991: A preliminary project was finished 1993: The presentation of the first Danish Standardbudget prepared by the Center for Alternativ Social Analysis – CASA 2001: The Danish standard budget was revised and updated by the Center for Alternativ Social Analysis	1999: Center for Alternativ Social Analysis took initiative to develop a form of minimumbudget – 1999: As a basis standard of living. 2004: It was develop further in a form of minimumbudget – a budget for an acceptable living. Developed on the basis of the Danish Standard budget June 2013: The Expert Committee on Poverty published their report containing a recommendation for an economic poverty line. In the report they used the minimumbudget
Geographical focus	Entire country	Entire country
Data used	Household budget data	Expert knowledge
Last update	2001	2010

ESTONIA		
	2004	**2004**
Name	RB for subsistence minimum	RB for child maintenance costs
Year of first construction	2004	2004
State of use	In use	In use
Key moments	-	-
Geographical focus	Entire country	Entire country
Data used	Household budget data	Household budget data
Last update	2012	2013

FINLAND			
	1995	**2010**	**2014**
Name	Mitä eläminen maksaa? Tarvebudjetti vähimmäisturvan arvioinnin tukena	Mitä eläminen maksaa? Kohtuullisen minimin viitebudjetit (What is the cost of living? Reference budgets for a decent minimum standard of living in Finland)	Reference budget for social participation
Year of first construction	1995	2010	In process, finished 2014
State of use	In use	In use	Under construction
Key moments	Developing the method (tarvebudjettimenetelmä, similar that was used by Rowntree in his classical work) 1991: Collecting the prices for the first time 1993: Updating the prices using Consumer Price Index 1995: First publish (about the method used) 1995: Second publish (about the baskets) 1997:Updating the baskets and collecting the prices 1998/1999: Third publish (modified theory & baskets)	May- Jun 2009: First focus group discussions Jun – Jul 2009: Researchers compiled list of commodities and homework assignments for the participants Aug 2009: participants kept food diaries Sep 2009: 2nd round of focus group discussions Sep – Nov 2009: constructing baskets Oct – Nov 2009: Pricing of the baskets Nov 2009: Group of experts evaluated the baskets Nov 2009: Focus groups evaluated the drafted baskets 2010?: Finishing and testing of the budget 2013 – 2014: Updating of the basket	2012: Start of the project. 2012 - 2014: Compiling the baskets October 2013: Collecting the prices for food budget January 2014: Test focus group February - March 2014: Focus group discussions April 2014: Collecting the prices for clothing, food, health and personal hygiene. Summer 2014: Collecting the prices for other baskets Autumn 2014: Calculating the full budget Winter 2015: Calculating the poverty line based on the reference budget
Geographical focus	Entire country	Entire country	Helsinki
Data used	- Household budget data - Other survey data - Focus group decisions - (Inter)national or regional guidelines	- Household budget data - Other survey data - Focus group decisions - (Inter)national or regional guidelines	- Expert knowledge - Other survey data - Focus group decisions - (Inter)national or regional guidelines
Last update	1997	2014	n/a

FRANCE		
	1952	**2014**
Name	1. Budgets types pour un minimum de vie décent	n/a
Year of first construction	1952	2014
State of use	In use	Under construction
Key moments	1947: Start of the work 1952: First publication of the results 1952-1965: Regular methodological improvements Since then, periodic revisions of the methodology. Last revision in 2012	2011: Call for tender 2012: Launch of the project - Literature survey, questionnaire to foreign research teams - Definition of key methodological points 2013: Organisation of focus groups 2014: First publication expected
Geographical focus	Entire country Since 2012, distinction between : - The Paris region - France without Paris	"Mid-size" cities
Data used	- Household budget data - Other survey data - (Inter) national or regional guidelines	- Other survey data - Focus group decisions - Expert knowledge
Last update	End 2013	n/a

GERMANY			
	1975	**1989**	**2013**
Name	Data for calculation of time and money budgets of private households	Standard rate of basic social security - NEW	Reference data for household budgets
Year of first construction	1975	1989	2013
State of use	Not in use	In use	In use
Key moments		2003: Social minimum for elderly people and those who are not in the labor force because of health reasons 2005: Social minimum for persons (and their families) who do not have any job or a job paid below basic social security	2008: First contact to the EU-project "Standard budgets" 2009: Workshop in Münster to determine the demand of reference data 2010: First approach in data calculation 2011: Workshop to present first results 2014: Workshop to present the first publication and explain the use of the data in counselling
Geographical focus	Entire country	Entire country	Entire country
Data used	Expert knowledge	Household budget data	Household budget data
Last update	1991	2014	n/a

GREECE			
	2009	**2012**	**2014**
Name	Empirical estimate of absolute poverty	Cheapest basket of goods consistent with dignified living	Reference budget for social participation
Year of first construction	2009	2012	In process, finished 2014
State of use	In use	In use	Under construction
Key moments	2008: start of project 2009: preliminary results 2010: main publication	2012: Definition of items and quantities in RB1 (by type of household). Collection of prices in three localities: in Athens, in the city of Patras, and in a village in Western Greece. Computation of extreme poverty line equal to the cost of RB1 by type of household and by locality. Estimation of extreme poverty rate in 2012. 2013: Estimation of extreme poverty rate in 2013 and in 2009.	2012: Start of the project. 2012 - 2014: Compiling the baskets October 2013: Collecting the prices for food budget January 2014: Test focus group February - March 2014: Focus group discussions April 2014: Collecting the prices for clothing, food, health and personal hygiene. Summer 2014: Collecting the prices for other baskets Autumn 2014: Calculating the full budget Winter 2015: Calculating the poverty line based on the reference budget
Geographical focus	- Greater Athens (including Pireaus and the suburbs)	- Entire country	- Athens
Data used	- Survey data - Expert knowledge	- Expert knowledge - Focus group decisions	- Expert knowledge - Other survey data - Focus group decisions - (Inter)national or regional guidelines
Last update	2010	2013	2013

HUNGARY		
	1991	**2014**
Name	Subsistence minimum	Reference budget for social participation
Year of first construction	1991	In process, finished 2014
State of use	In use	Under construction
Key moments		2012: Start of the project. 2012 - 2014: Compiling the baskets October 2013: Collecting the prices for food budget January 2014: Test focus group February - March 2014: Focus group discussions April 2014: Collecting the prices for clothing, food, health and personal hygiene. Summer 2014: Collecting the prices for other baskets Autumn 2014: Calculating the full budget Winter 2015: Calculating the poverty line based on the reference budget
Geographical focus	Entire country	Budapest
Data used	- Expert knowledge - (Inter) national or regional guidelines	- Expert knowledge - Other survey data - Focus group decisions - (Inter)national or regional guidelines
Last update	In 2013 for 2012 (always ex-post)	n/a

IRELAND	
	2006
Name	MEBS for six household types in urban areas MEBS – Minimum Essential Budget Standards
Year of first construction	2006
State of use	In use
Key moments	2000: One Long Struggle - A Study of Low Income Housholds – - 118 households dependent on social welfare transfers or the National Minimum Wage. 2004: Low Cost but Acceptable Budget Standards for Four Households 2009: Decision to expand the study to include rural areas Addition of Infant, Young Adult, Single Adult (female) Individualization of budget data to enable compilation of budgets for more household types To include households types with 3 and 4 children 2010: Launch, Conference and Publication
Geographical focus	Urban
Data used	- Expert knowledge - Focus group decisions
Last update	2013

ITALY		
	1997	**2014**
Name	Absolute poverty thresholds	Reference budget for social participation
Year of first construction	1997	In process, finished 2014
State of use	In use	Under construction
Key moments	1996: Establishment of a national research group aimed at elaborating a new indicator of absolute poverty in addition to the relative poverty threshold. National experts and researchers were involved with the support of the national bureau of Statistic (ISTAT) 1997-2002: Definition of the absolute poverty threshold updated yearly according to the consumer price indexes 2003: The yearly release of the absolute poverty threshold was stopped in order to modify the elaboration of the threshold 2009: The new absolute poverty threshold was defined. The new release started from 2005 up now	2012: Start of the project. 2012 - 2014: Compiling the baskets October 2013: Collecting the prices for food budget January 2014: Test focus group February - March 2014: Focus group discussions April 2014: Collecting the prices for clothing, food, health and personal hygiene. Summer 2014: Collecting the prices for other baskets Autumn 2014: Calculating the full budget Winter 2015: Calculating the poverty line based on the reference budget
Geographical focus	Entire country	Milan
Data used	- Household budget data - National guidelines	- Expert knowledge - Other survey data - Focus group decisions - (Inter)national or regional guidelines
Last update	2013	n/a

LATVIA	
	1991
Name	Subsistence level consumer basket
Year of first construction	1991
State of use	Not in use
Key moments	1991: A government regulation stipulating the composition of the subsistence level consumer basket was issued Since 1991: The composition of the basket has remained unchanged; the value of the basket is regularly updated using the CPI. The data from 1998 onwards is publicly available
Geographical focus	Entire country
Data used	Expert knowledge
Last update	2013

LITHUANIA		
	1990	**2004**
Name	Minimum Standard of Living (MSL)	Pensioners' consumer price index (PCPI)
Year of first construction	1990	2004
State of use	Not in use	Not in use
Key moments	1990: request from National Government to develop Lithuanian RBs	2004: for retirement pensions indexation; however it was never applied
Geographical focus	Entire country	Entire country
Data used	Household budget data	Household budget data
Last update	2008	2011

LUXEMBOURG		
	2010	**2015**
Name	n/a	n/a
Year of first construction	2010	2015
State of use	Not in use	Under construction
Key moments	2010: Publication of a pilot project in the STATEC Report on Labour and Social Cohesion	
Geographical focus	Entire country	
Data used	- Household budget data - Census data, price records for CPI (to cost out the basket) - Expert knowledge - Food dietary guidelines	
Last update	n/a	

MALTA	
	2011
Name	A Minimum Budget for a Decent Living: A research study by Caritas Malta focusing on three low-income household categories (MBDL Study)
Year of first construction	2011
State of use	In use
Key moments	In the first phase the research team agreed their methodology In the second phase relevant local and European literature was studied and analysed with respect to the Maltese socio-economic background The construction, design and pricing of the Minimum Basket of goods and services were carried out in the last phase
Geographical focus	- Entire country
Data used	- Household budget data - Household budgetary survey - Experts - National guidelines, one month expenditure
Last update	n/a

NETHERLANDS			
	1980	**1980**	**2010**
Name	RBs for higher income households	RBs for minimum income households	Consensual budget standards for the Netherlands
Year of first construction	<1980a	<1980b	2010
State of use	In use	In use	In use
Key moments		2009: RBs used for alternative poverty measurements 2009: RB for social participation developed	2007: Start project Netherlands Institute for Social Research (SCP)/ National Institute for Family Finance Information (Nibud) 2008: Focus groups 2009: Publication in Dutch 2010: Publication in English
Geographical focus	- Entire country	- Entire country	- 60 km radius of Hilversum (Amsterdam-Utrecht area)
Data used	- Household budget data - Field research	- Household budget data - Expert knowledge - Focus group decisions - Field research	- Expert knowledge - Focus group decisions
Last update	2014	2014	2011 (major); annually in 'Armoedesignalement' (Poverty Survey) based on specific indexation

POLAND				
	1981	**1993**	**2002a**	**2002b**
Name	Minimum income (*minimum socjalne*)	Minimum of existence (*minimum egzystencji*)	Support Income for Families (*Wsparcie Dochodowe Rodzin*)	Level of Social Intervention (*próg interwencji socjalnej*)
Year of first construction	1977	1993	1997	2009
State of use	In use	In use	In use	In use
Key moments		1981: Start/minimum income/social minimum officially calculated by Institute after so called Augusts' Agreement of trade unions with government 1995: Minimum of existence published but calculations for data from 1993 1995-1997: First analysis of minimum of existence in regional perspective (report IPiSS „Polska Bieda" [Polish poverty], ed. Prof. Stanisława Golinowska) 2001: First presentation of regional minimum of existence 2006: Frequently presentations of minimum of existence by regions and by size of locations (cities)		
Geographical focus	- Entire country - Regions/Voivodships	- Entire country - Regions/Voivodships	- Entire country - Regions/Voivodships	- Entire country - Regions/Voivodships
Data used	- Household budget data - Expert knowledge	- Household budget data - Expert knowledge	- Household budget data - Expert knowledge	- Household budget data - Expert knowledge
Last update	2013	2013	2013	2013

PORTUGAL			
	1969	**1981**	**2014**
Name	A Fixação do Salário Mínimo Legal Interprofissional: Mecanismo da Sua Actualização.	Linha de Pobreza Absoluta em Portugal, 1980/81.	RAP, Rendimento Adequado em Portugal
Year of first construction	1969	1981	2014
State of use	Not in use	In use	Under construction
Key moments	n/a	n/a	2012: Nine orientation groups (focus groups) 2013: Ten task groups (focus groups) 2013: Five verification groups (focus groups) 2013: Cconstruct budgets for various types of households 2014: Three final groups (focus groups) 2014: to construct geographically differentiated budgets
Geographical focus	- Lisbon - Other regions ("Provincia")	- Entire country - Rural Areas - Urban Areas	One municipality considered as non-atypical + 3 municipalities for geographical variation
Data used	- Expert knowledge - International guidelines	- Expert knowledge - Household Budget Survey	- Focus group discussions - Expert knowledge - Household Budget Data
Last update	1969	1981	n/a

ROMANIA			
	1991	**2000**	**2012**
Name	Minimum Decent Living Baske and Subsistence Minimum Threshold	Monthly Minimum Consumption Basket (Coşul Minim de Consum Lunar)	Monthly Minimum Consumption Basket for the Elderly (Coşul Minim de Consum Lunar pentru persoanele vârstnice)
Year of first construction	1991	2000	2012
State of use	In use	In use	In use
Key moments	1991 – researchers led by Gheorghe Barbu from the Institute for Quality of Life Research (ICCV), Romanian Academy of Sciences, compute the "minimum standard of living", "subsistence threshold", and also an "adjusted minimum standard of living" that took into account "the economic realities of Romania", and set a lower monetary value for the minimum living standards. All three indicators were computed based on a normative approach, separately for urban and rural areas, for families with different number of members and also with different occupational statuses. 2000– the scientific coordination is taken by Adina Mihailescu, and the adjusted indicator is no longer computed. The normative approach remains. Minimum living standards are computed for lone-parent families as well.	1991: Government Decision no. 843/20.12.1991 regarding the appointment, organisation and functioning of the National Indexing Commission, published in the Official Gazette no. 03/15.01.1992 1999-2000: Negotiations among social partners on the construction of the minimum basket 2000: Government Emergency Ordinance no. 217/24.11.2000 published in the Official Gazette 606/25.11.2000 regarding the Approval of the Monthly Minimum Consumption Basket 2001: Law no. 554/17.10.2001 published in the Official Gazette 672/24.10.2001, regarding the Approval of the Emergency Ordinance no. 217/24.11.2000 2002: Appointment of the National Commission for Indexing and Underlying the value of the Monthly Minimum Consumption Basket	2012: The National Council of the Elderly requested data from the National Institute of Statistics regarding the average value of the monthly consumption basket for a single elderly person and for a couple formed of two elderly persons, from both rural and urban areas 2012: Based on further data provided by the Research Institute for the Quality of Life, the National Council of the Elderly continued their investigation in what concerns the real minimum expenses of the elderly persons. 2012: The National Council of the Elderly described methodologies used by the Research Institute for the Quality of Life and the National Institute of Statistics did not offer, in their opinion , a reference budget adjusted to the specific needs of their target group (the elderly). Therefore, own methodology and a RB model for the single elderly person from an urban area
Geographical focus	Entire country (but computed separately for rural and urban areas)	- Entire country	- Entire country
Data used	- Household budget data - Expert knowledge	- Household budget data - Expert knowledge - (Inter) national or regional guidelines	- Household budget data - Expert knowledge
Last update	January 2012	2003	n/a

SLOVAKIA		
	1997	**2006**
Name	Subsistence minimum (Životné minimum)	Concept of Absolute Poverty Line in Slovakia
Year of first construction	1995-1997	2005-2006
State of use	In use	Not in use
Key moments	1995: the Slovak Government approved the resolution No. 978 which established base for the "Project of identifying subsistence minimum in the conditions of the Slovak Republic" 1995-1996: Working group was created at the Ministry of Labour, Social Affairs and Family, which consisted of representatives of relevant ministries and other bodies from the public administration, representatives of trade unions, and researchers. The main task was to prepare new act on subsistence minimum. 1997 – New Act on subsistence minimum was prepared and approved (valid from January 1998).	All work was done within one period
Geographical focus	Entire country	Entire country
Data used	- Household budget data - Other survey data	- Household budget data - EU-SILC
Last update	Without regular updating (only inflation taken into account for purpose of adjusting amounts of subsistence minimum)	n/a

SLOVENIA				
	1977	**1993**	**1997**	**2009**
Name	Living costs in Slovenia	A method for assessment of minimum costs of living	Minimum costs of living	Minimum costs of living
Year of first construction	1977	1993	1997	2009
State of use	Not in use	Not in use	In use	In use
Key moments	1977: Assessment of living costs by household types. 1978: Research project "Living costs in Slovenia" that should have provided a method for estimating living costs on a continuous basis. 1982: Method further developed. 1984: Living costs in 1983 and 1984 were calculated. 1986: Method simplified. Calculations updated. 2000: Abandoning the method since non-realistic estimations.	1994: Research project on the method for assessment of minimum costs of living. Minimum costs of living were estimated for seven household types using the Orshansky (1965) method.	1997: The Ministry of Labour, Family and Social Affairs introduced the minimum income; in the framework of the Phare Technical Assistance Programme building on the 1994 method for assessment of minimum costs of living. 2001: The method and calculations resulted in the amount of minimum income and the equivalence scale included into the 2001 amendments to the Social Assistance Act.	2008: The Ministry of Labour, Family and Social Affairs wants update of minimum income level. 2009: contract Institute for Economic Research. 2009: A study on the minimum costs of living building on the 1998 method. 2010: The minimum costs of living were adopted as the amount of net minimum wage in the Minimum Wage Act 2010: Revision by Social Assistance Benefits Act
Geographical focus	Entire country	Entire country	Entire country	Entire country
Data used	- Household budget data - Expert knowledge	- Household budget data - Expert knowledge	- Household budget data - Expert knowledge	- Household budget data - Expert knowledge
Last update	2001	n/a	2011	Annually

SPAIN		
	2009	**2014**
Name	Family Reference Budgets (ES) / Standards Budgets (UE)	Reference budget for social participation
Year of first construction	2009	In process, finished 2014
State of use	In use	Under construction
Key moments	2009: First RBs in Spain 2010: Online tool with RBs as a financial support.	2012: Start of the project. 2012 - 2014: Compiling the baskets October 2013: Collecting the prices for food budget January 2014: Test focus group February - March 2014: Focus group discussions April 2014: Collecting the prices for clothing, food, health and personal hygiene. Summer 2014: Collecting the prices for other baskets Autumn 2014: Calculating the full budget Winter 2015: Calculating the poverty line based on the reference budget
Geographical focus	Madrid	Helsinki
Data used	- Household budget data - Expert knowledge - Focus group decisions	- Expert knowledge - Other survey data - Focus group decisions - (Inter)national or regional guidelines
Last update	2009	n/a

SWEDEN			
	1978	**1981**	**1985**
Name	Reasonable Living Cost (*skäliga levnadskostnader*), Swedish Consumer Agency (SCA) (*Konsumentverket*)	Subsistence level, reservation amount (*Existensminimum, Förbehållsbelopp*) Swedish Enforcement Authority (Kronofogdemyndigheten)	Riksnorm för försörjningsstöd (National standard for social assistance)
Year of first construction	1978	1981	1985
State of use	In use	In use	In use
Key moments	1976: The SCA began constructing a RB 1978: The SCA's RB was finished and made publicly available 1984: Major revision of the RB 1995-96: Major revision of the RB 2007-08: Major revision of the RB 2012: Revised ways of collecting data on consumer prices	1996: The current system for debt restructuring is put in place, with the intention of keeping the subsistence level higher than the national standard for social assistance 2008: Revision of subsistence level shows that the initial intentions have not been met	1979: National Board of Health and Welfare (NBoHW) requested advice on social assistance standards. 1985: NBoHW issues its 1st norms to serve as guidance for social assistance benefit 1996: Changes to the calculations of the standard including a separation between household and individual expenses, and an exclusion of medical expenses and expenses for durable goods 1998: New legislation: national standard as basis for social assistance benefit levels
Geographical focus	Commodity prices: middle-sized town (Örebro) 2000: 27 municipalities (price collection was made by CSA in 1998) 2009: 10 representative (in terms of size and location) urban areas around the country. 2013: 5 representative urban areas.	- Entire country	Entire country
Data used	- Swedish Consumer Agency's - Expert knowledge - Focus group decisions	- Partially based on SCA's reference budget.	- Swedish Consumer Agency's (SCA)
Last update	2014	2014	2014

UNITED KINGDOM				
	1990	**1994**	**1997**	**2008**
Name	FBU modest but adequate budget	Loughborough consensual budget standards	FBU low costs budget	A Minimum Income Standard for the United Kingdom
Year of first construction	1990	1994	1997	2008
State of use	Not in use	Not in use	Not in use	In use
Key moments	1985: Group of social scientists form the family budget unit. 1987: Papers published 1989-1990: Joseph Rowntree Foundation funded research project at the University of York on budget standards, results published. 1993: Final Report.	1987: The consensual budget standards (CBS) method developed in the 1990s at CRSP took a similar approach to the FBU, but, instead of panels of professional experts, ordinary people representing different family or household types were brought together to form budget standards committees considering minimum needs.	1998: Hermione Parker begins to publish a series of low costs budgets based on funding from Trade Union UNISON and voluntary body Age Concern as follows	2006: The Joseph Rowntree Foundation decided to support a joint project by the FBU in York and CRSP to bring together the approaches of RB2 and RB3. The first results published in 2008. From 2009 onwards, JRF has supported CRSP to update the budgets annually, with regular reviews and rebases of the content of the budgets, every two years from 2010.
Geographical focus	- Entire country	- Entire country	- Entire country	Initially GB (not including Northern Ireland), subsequently whole of UK. Separate studies for rural England and for remote rural Scotland
Data used	- Household budget data - (Inter) national or regional guidelines - Focus group decisions - Expert knowledge - Breadline Britain surveys - Market research survey	- Focus group decisions	- Household budget data - (Inter) national or regional guidelines - Focus group decisions - Expert knowledge - Breadline Britain surveys - Market research survey	- Focus group decisions
Last update	1993	n/a	1998	2013

European Commission

Annex 3. Questionnaire

Pilot Project for the Development of a Common Methodology on Reference Budgets in Europe

Questionnaire on the Current State of Play of the Development and use of Reference Budgets in the European Union

15 February 2014

Dear National expert,

As announced in our recent email exchange, we are sending you a questionnaire for you to complete. It has been designed to collect information on the construction and use of reference budgets in the 28 EU Member States -both at present and in the past- and to describe the different methods used to construct them. The information collected through the questionnaires will feed into the first deliverable of the project which will present an overview of the state of play as regards the use of reference budgets at national, regional, and local level in the EU.

Reference budgets can be defined as "**priced baskets of goods and services that represent a given living standard**" (Bradshaw, 1993). They are developed by different actors for various purposes, making use of different methodologies (Storms, Goedemé & Van den Bosch, 2011). For the purposes of this questionnaire, we would like you to collect information on reference budgets understood in the broadest sense.

The term 'reference budget' is a synonym for 'budget standard'. A 'standard' could be interpreted as 'a norm' for how people should behave themselves and spend their money which is not at all the intention here. In 2008, the project team of the 'EU-funded PROGRESS project on standard budgets' decided to use the common term 'reference budgets' in order to avoid the prescriptive connotation of the term 'budget standard'.

As you know, the project has very short deadlines. We, therefore, kindly ask you to send the questionnaire back to us by the **24st of February at the latest.** Please rename the file as follows: 'RBquestionnaire_countryname' (e.g. RBquestionnaire_Belgium).

We would be grateful if you could also please send relevant **documents and papers on reference budgets for your country (including those in the national language).** This will help us to write a full literature review – including examples of good practice and less satisfactory ones- on the construction and use of reference budgets in the EU.

Many thanks for completing the questionnaire as best as you can. Do not hesitate to consult other national experts if need be.

Please, send the completed questionnaire as soon as possible, and at the latest by the 24st of February, to: berenicemL.storms@uantwerpen.be; nathalie.schuerman@uantwerpen.be

Thank you in advance.

Best regards,
Bérénice Storms
On behalf of the CSB and Applica team,
Tim Goedemé, Tess Penne, Nathalie Schuerman, Sara Stockman, Bérénice Storms, Karel Van den Bosch, Terry Ward
Bea Cantillon & Loredana Sementini

RBs = Priced baskets of goods and services that represent a given living standard. They can be constructed by different actors (researchers, governments, NGOs, …) for various purposes (to assess an adequate standard of living, to give financial advice, to generate equivalence scales, …), making use of various data (expert knowledge, focus groups decisions, budget surveys,…) and referring to different standards of living (subsistence, modest, average, ….).			
1	**General background information on reference budgets (RBs) in your country.**		**GO TO**
1.1	**Have RBs been constructed in your country?**	O YES, RBs have recently been constructed (in the last ten years) or are being constructed in (regions in) our country O YES, RBs were constructed (more than ten years ago), and are still used O YES, RBs were constructed (11-40 years ago), but are not used at all or hardly at all any longer O NO, RBs have not been constructed in (regions in) our country in the last 40 years	→ **1.3** → **1.3** → **1.3** →**1.2**
1.2	**If RBs have not been constructed in your country in the last 40 years, it is interesting to know why. If there is a specific reason (e.g. political or financial issues,…), please indicate this.**		→ **4**

1.3	**Please fill in the information for each RB that has been constructed /is being constructed in your country in the table below. If the number of RBs constructed in your country exceeds 4, please add an extra column or fill out the questionnaire twice.**					
		Example	RB1	RB2	RB3	RB4
	Name	RBs for social participation				
	Year of start	2006				
	Year of first construction	2008				
	Key moments (year + clarification)	Example				
	Geographical focus a) Entire country b) Specific regions (please specify)…… c) A specific city or town, namely…	a) b) Flanders, Wallonia and Brussels				
	Last update	2013				

		Example	RB1	RB2	RB3	RB4
	Who constructed the RB?	Thomas More UC, UA, ULG				
	Can you identify the lead experts?	Bérénice Storms				
	Main references/ documents	Storms & Van den Bosch, K. (2009a), Wat heeft een gezin minimaal nodig? Een budgetstandaard voor Vlaanderen, Leuven: Acco. Storms, B., Goedemé, T., Van den Bosch, K., & Devuyst, K. (2013), Towards a common framework for developing cross-nationally comparable reference budgets in Europe *ImPRovE Working Papers* (pp. 31p.). Antwerp: Herman Deleeck Centre for Social Policy (University of Antwerp).				

Based on the RBs specified in question 1.3, please indicate the characteristics in the column(s) applicable below. **Number of columns to fill in = number of RBs constructed in your country**					
		RB1	RB2	RB3	RB4
1.4	**For what purposes were RBs developed in your country?** ***(multiple answers are possible)*** a) To assess an adequate standard of living b) To assess the adequacy of social benefits c) To measure the extent of poverty d) To assess the validity of relative income poverty thresholds e) To generate equivalence scales f) To examine changes in the Consumer Price Index g) To present credit scores (i.e. represent the creditworthiness of a person) h) For debt counselling i) For financial education j) To determine additional income support by Social Welfare Offices k) To provide a benchmark for assessing the adequacy of wages (esp. minimum wage where available) l) Other (please specify):……				

		RB1	RB2	RB3	RB4
1.5	**With respect to the previous question (1.4): for what purposes have RBs successfully been used?** ***(multiple answers are possible)*** a) To assess an adequate standard of living b) To assess the adequacy of social benefits c) To measure the extent of poverty d) To assess the validity of relative income poverty thresholds e) To generate equivalence scales f) To examine the changes in the Consumer Price Index g) To present alternative credit scores (i.e. represent the creditworthiness of a person) h) For debt counselling i) For financial education j) To determine additional income support k) To provide a benchmark for assessing the adequacy of wage (and esp. minimum wage where it exists) l) Other (please specify):……				
1.6	**If not all initial purposes have been successfully met, please indicate the main reasons for this.**				

		RB1	RB2	RB3	RB4
1.7	**For each purpose mentioned in question 1.5.: indicate which groups make actually use of RBs? (Make a combination of letters a-l with m-t)** m) Researchers n) Civil servants (specify at national regional or municipal level) o) Experts in different fields (e.g. nutritionists, health care specialists, …) p) NGOs and representatives of civil society q) Courts (e.g. for assessing debt repayment arrangements) r) Individual consumers s) Social workers t) Other (please specify): ……				

2. The next questions deal with the methodology that is used to construct RBs.					
		RB1	RB2	RB3	RB4
2.1	**Do RBs in your country draw on particular scientific theories or concepts? If yes, please give references to these.**				
2.2	**What standard of living do RBs relate to in your country?** a) Minimum for physical needs (food, shelter, clothing) b) Minimum for physical needs and limited social participation c) Minimum for full social participation d) Average consumption pattern e) Higher living standard f) Consumption patterns of various income groups g) Other (please specify):……				
2.3	**What data are used to construct RBs in your country? *(multiple answers are possible)*** a) Household budget data b) Other survey data (please specify):…… c) Expert knowledge d) Focus group decisions e) (Inter) national or regional guidelines f) Other (please specify):……				

		RB1	RB2	RB3	RB4
2.4	**What actors are/were involved in the construction of RBs in your country? *(multiple answers are possible)*** a) Researchers b) Civil servants (specify at national, regional or municipal level) c) National bureau of statistics d) Experts in different areas (e.g. nutritionists, health care specialists, …) e) People experiencing poverty f) People with other social backgrounds (please specify): …… g) NGOs and representatives of civil society h) Social workers i) Other (please specify): ……				
2.4.1	**Could you please specify at what stage(s) in the construction of the RBs the actors above (2.4) are/were involved?**				
2.4.2	**With regard to the construction of the RBs in your country, could you please give us more information about the role that is/was played by the actors above (2.4)**				
2.5	**On how many different model families or household types is the construction of RBs in your country based on?**				

		RB1	RB2	RB3	RB4
2.5.1	**For which household types have RBs been constructed? (multiple answers are possible)** a) Single b) Couple c) Lone parent d) Couple with children e) Other (please specify): ……				
2.5.2	**How have other characteristics been differentiated to construct RBs? *(multiple answers are possible)*** **RBs vary according to:** a) Age of children b) Age of adults c) Employment status (employed, unemployed, inactive) d) Health e) Living environment (urban/rural) f) Ethnic background g) Marital state h) Housing tenure i) Other (please specify):…… ……				

		RB1	RB2	RB3	RB4
2.6	**What needs are covered in RBs in your country? *(multiple answers are possible)*** a) Food b) Clothing c) Personal hygiene d) Healthcare e) Housing f) Leisure g) Mobility h) Security i) Education j) Lifelong learning k) Social relations l) Control over one's environment m) Other (please specify): ……				
2.7	**How are RBs adjusted to price changes evolutions in your country?** a) With the Consumer Price Index b) With price indices for each category of expenditure c) With prices of products and services d) Other (please specify):…… ……				
2.7.1	**With what frequency are RBs adjusted in your country and when was the last adjustment?**				
2.7.2	**In your view, is this frequency feasible and/or desirable? (please indicate the frequency you consider feasible/ desirable)**				

		RB1	RB2	RB3	RB4
2.8	**How are the baskets updated to changes in standards of living in your country? (please specify)**				
2.8.1	**With what frequency are the baskets updated in your country and when was the last update?**				
2.8.2	**In your view, is this frequency feasible and/or desirable? (please indicate the frequency you consider feasible/ desirable)**				

3. The third set of questions concerns the positive and negative aspects of *RBs that are constructed in your country.* Please indicate to what extent you agree or disagree with the following statements					
3.1	The answers are provided by using a five point Likert-scale, ranging from 1 = 'totally disagree' to 5='totally agree'. Please indicate the correct number in the according column. **(totally disagree 1 2 3 4 5 totally agree; 9= don't know)**				
3.1.1	**RBs in my country:**	RB1	RB2	RB3	RB4
3.1.1	**RBs in my country:**	RB1	RB2	RB3	RB4
	• Give policy makers and the general public a *clear understanding of what a decent standard of living* represents				
	RBs in my country:	RB1	RB2	RB3	
	• Have a *broad acceptance* among various groups in society				
	• Are *abused* in the sense that they are *used for other purposes* than those set forth in question 1.4				
	• Are used in a *prescriptive* way (i.e. to show how people should spend their money)				
	• Are sufficiently *transparent* in documenting the underlying choices made when constructing them				
	• *Take account* of the way *public goods and services* are organised and facilitate or not facilitate access to social rights (e.g. higher RBs in case of low accessible health care and vice versa)				

3.1.2	**In my view, RBs in my country:**	RB1	RB2	RB3	RB4
	• Can be used as a *valid benchmark* against which to assess the *adequacy of social benefits*				
	• Can be used to provide a *valid benchmark* against which to assess *the adequacy of wages* (esp. *minimum wage* where available)				
	• Can be used as *a valid method for measuring the extent of poverty*				
	• Can be used as a *valid benchmark* against which to assess the *validity of the 60% relative poverty threshold*				
	• *Generate equivalence scales* that can be used to adjust income levels for differences in household composition and needs				
	• *Inflate* or would inflate the social benefits in a way that is *too costly* for society				
	• Can provide valuable information to be used in *financial or debt advice*				
	• Can be used as a *valid benchmark* against which to assess an *adequate standard of living*				
	• *Can* be used by *Social Welfare Offices* as an instrument *to determine the level of additional income support*				
	• Can be used as valuable instruments to *examine changes in the Consumer Price Index*				

		RB1	RB2	RB3	RB4
3.2	**Are there other positive or negative aspects of RBs in your country other than mentioned above? If yes, please specify.**				
3.3	**In your view under what conditions could the RBs developed in your country be used as a benchmark to determine an adequate level of social benefits in the EU?**				

4. Advantages and disadvantages of RBs		
4.1	**In your view, what are the most important advantages of RBs (up to a maximum of three)?**	1. 2. 3.
4.2	**In your view, what are the most important disadvantages of RBs (up to a maximum of three)?**	1. 2. 3.
4.3	**In your view, how can these disadvantages be avoided or minimised?**	

5. It is possible that we are not aware of the existence of RBs in particular (European) countries. Could you please indicate the countries for which you know reference budgets have been constructed either recently (less than ten years ago) or in the past (11- 30 years ago)?

		In the past	Recently
	Austria	AT	AT
	Belgium	BE	BE
	Bulgaria	BG	BG
	Cyprus	CY	CY
	Czech Republic	CZ	CZ
	Germany	DE	DE
	Denmark	DK	DK
	Estonia	EE	EE
	Greece	EL	EL
	Spain	ES	ES
	Finland	FI	FI
	France	FR	FR
	Croatia	HR	HR
	Hungary	HU	HU
	Ireland	IE	IE
	Italy	IT	IT
	Lithuania	LT	LT
	Luxembourg	LU	LU
	Latvia	LV	LV
	Malta	MT	MT
	The Netherlands	NL	NL
	Poland	PL	PL
	Portugal	PT	PT
	Romania	RO	RO
	Sweden	SE	SE
	Slovenia	SI	SI
	Slovakia	SK	SK
	United Kingdom	UK	UK
	Other (please specify): ……		

6. To end, we would like to have your opinion of the questionnaire and additional remarks you want to make	
6.1	Do you have any comments or concerns regarding the questionnaire?
6.2	Have we overlooked particular issues concerning RBs which you think are important? If so, please indicate which and clarify why the missing aspects are important.

Thank you very much for completing this questionnaire

Send it back as soon as possible (*24st of February the latest*) to: bereniceml.storms@uantwerpen.be; nathalie.schuerman@uantwerpen.be, so we can quickly start with incorporating the results

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