

Reference budgets

TOWARDS A COMMON FRAMEWORK FOR DEVELOPING CROSS-NATIONALLY COMPARABLE REFERENCE BUDGETS IN EUROPE

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Séminaire économique, STATEC (LU)
20-02-2013



Outline of the presentation

- The ImPRovE project
- What are reference budgets?
- Why reference budgets
- Problems with current reference budgets
- The ImPRovE-approach: towards a common theoretical and methodological framework
- Some results for Belgium

- Poverty Reduction in Europe: Social Policy and Innovation (ImPRovE)
- 7th Framework Programme; 2012-2016

- CSB (University of Antwerp, project leader)
- CASE (LSE)
- ISER (University of Essex)
- Tárki (Hungary)
- OASeS (University of Antwerp)

- University of Turku (Finland)
- University of Urbino (Italy)
- Vienna University of Economics and Business Administration
- Athens University of Economics and Business
- PSiTIC (Spain, voluntary partner)

The **two central questions** driving the ImPRovE project are:

1. How can social cohesion be achieved in Europe?
2. How can social innovation complement, reinforce and modify macro-level policies and vice versa?

-> 16 work packages (trends in the past, policy, methods, scenarios for the future)

-> one work package on the development of cross-nationally comparable reference budgets for six EU countries:

- BE, FI, HU, GR + ES & IT



Reference budgets are...

... priced baskets of goods and services that represent a given standard of living

Three elements / steps:

1. Define the targeted standard of living (minimum acceptable)
2. Define baskets of goods and services that people should have access to for having the targeted living standard
3. Calculate the price of these baskets for households



Why reference budgets?

Advantages:

- Clear normative interpretation
 - not relativistic \leftrightarrow 60% poverty threshold
- Income in kind (incl. public goods and services) is taken into account
- Empirical equivalence scales can be derived
- Can be used for measuring poverty, evaluating the adequacy of minimum income benefits, determining additional income support, settling income maintenance, debt rescheduling, financial education/debt prevention, policy guidance,...



Why reference budgets?

Disadvantages

- Threatened by many arbitrary elements -> need for good theoretical and methodological framework
- Time intensive method
- Risk of use to prescribe
- Risk of blind use as a 'standard' poverty ceiling



Problems with current reference budgets

Not internationally comparable:

- Definition of socially acceptable living standard
- Method for defining baskets not uniform:
 - Role of focus groups; role of experts
 - Some use household budget surveys
 - Elements of arbitrariness not always well documented / argued
- Procedure for computing the price of baskets is not uniform

⇒ Need for:

- Common theoretical framework
- Common methodology
- Common criteria and agreements



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The ImPRovE Approach

- One common well-elaborated theoretical and methodological framework
- Consensual
- Starts from (inter)national regulations & guidelines
- Important role of experts
- Enriched and approved by focus groups



The ImPRovE Approach

1. Definition of the living standard
2. Common theoretical framework
3. Common Methodological framework
4. Common criteria and agreements



1. Defining the living standard

- Council of the European Communities (1975):

‘Persons beset by poverty: individuals or families whose resources are so small as to exclude them from the **minimum acceptable way of life** of the member state in which they live.’

Resources: goods, cash income, plus services from public and private sources



1. Defining the living standard

European Discourse: Poverty is a multi-dimensional concept that refers to:

- Not having the ability to fully participate in society: exclusion and marginalization from participating in activities that are the norm for other people.
(European council)

Poverty must be defined in a relative way:

- The opportunities to fully participate in society are determined by individual and societal/structural factors



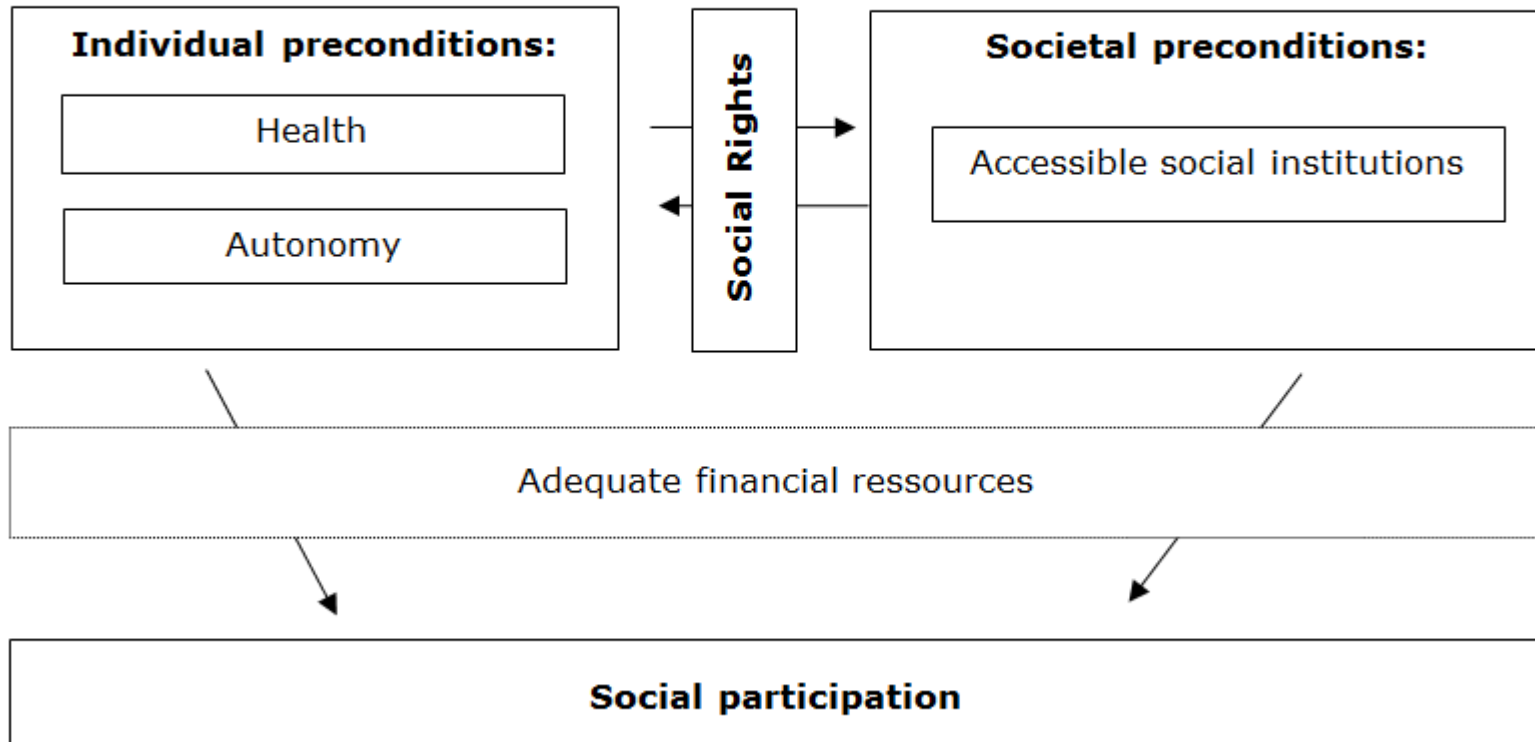
2. Common theoretical framework

Cross national reference budgets should be built on a strong theoretical foundation:

- to start from the same underlying purposes
- to certify that reference budgets are adequate within countries and are comparable between countries
- to ensure comparability in case that arbitrariness cannot be avoided.

2. Common theoretical framework

Figure 1: Preconditions to social participation





2. Common theoretical framework

11 'intermediate needs' as defined by Doyal and Gough (1991)

- Adequate nutritional food and water
- Adequate protective housing
- A safe environment for working
- A supply of clothing
- A safe physical environment
- Appropriate health care
- Security in childhood
- Significant primary relationships with others
- Physical security
- Economic security
- Safe birth control and child-bearing
- Appropriate basic and cross-cultural education



3. Common Method

- Building upon international and national legal standards
 - to make sure that they are socially broadly supported and that they are responsive to policy interventions
- Consensual budgets
 - based on scientific and experientially grounded knowledge



3. Common Method

- Consensual budgets:
 - Role of experts:
 - Translating needs into concrete goods and services, relying on scientific knowledge
 - Starting as much as possible from a normative (\neq prescriptive!) point of view
 - Transparency!



3. Common Method

- Consensual budgets:
 - Role of citizens:
 - Help experts to translate needs into concrete goods and services
 - Ensure acceptability
 - Method:
 - No survey: mixture of needs and wants
 - Focus groups: focus on public reference groups, interaction effects



3. Common Method

- Determination of adequate minima for need satisfaction, two extremes:
 - Lower limit: a minimum budget needed by well-informed and competent persons who are in perfect health (ImPRovE)
 - Upper limit: a level of resources that will be sufficient in all kinds of circumstances, and for all citizens irrespective of their competences and health



4. Common criteria and agreements

About:

- Scale: national, regional or sub regional level?
- Selection of model families: to agree on a joint list of representative model families
- Pricing: depreciation period, modest/median prices?
- Adjustment of budgets over time: prudent with adjustments by indexation

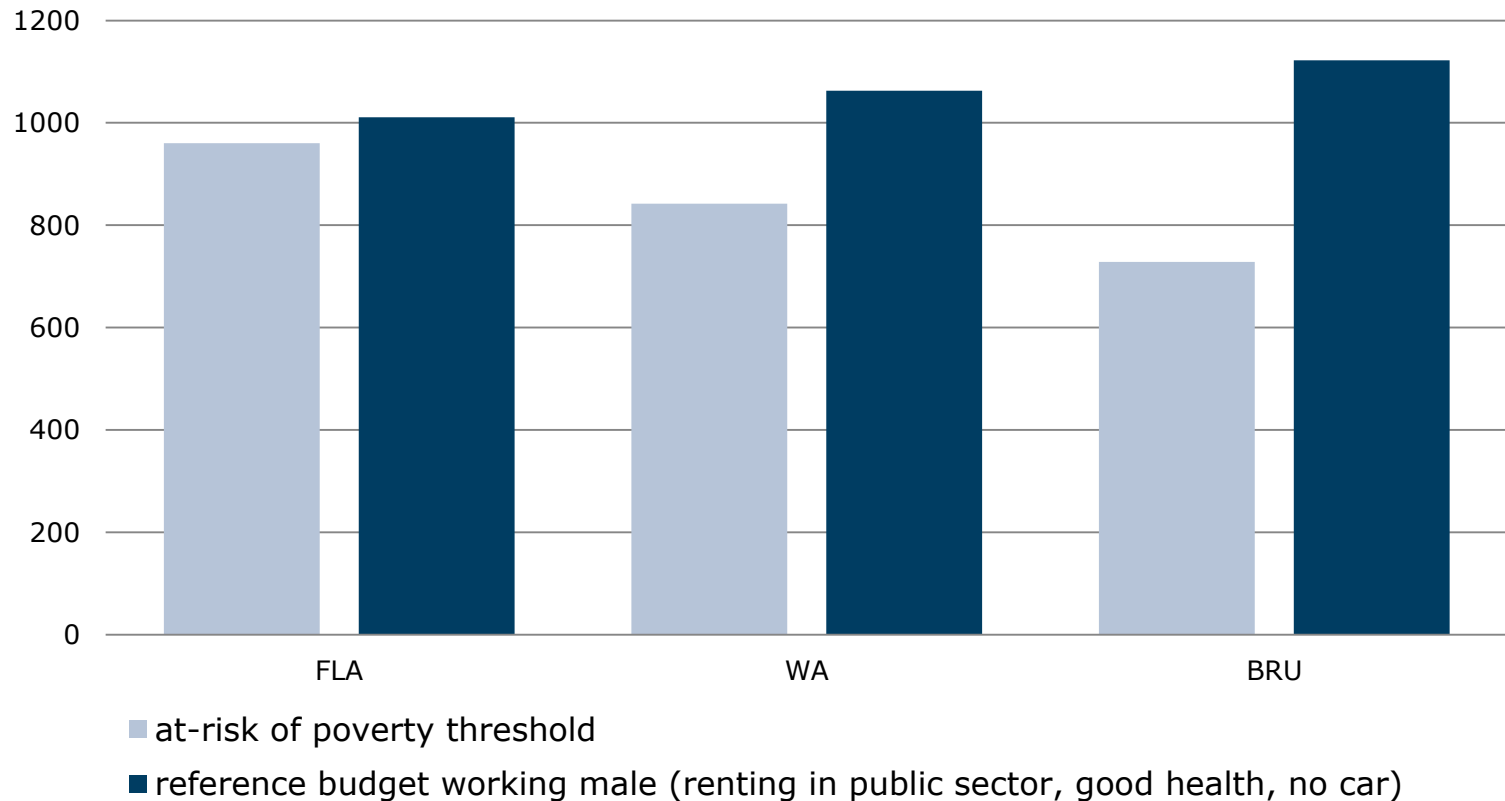


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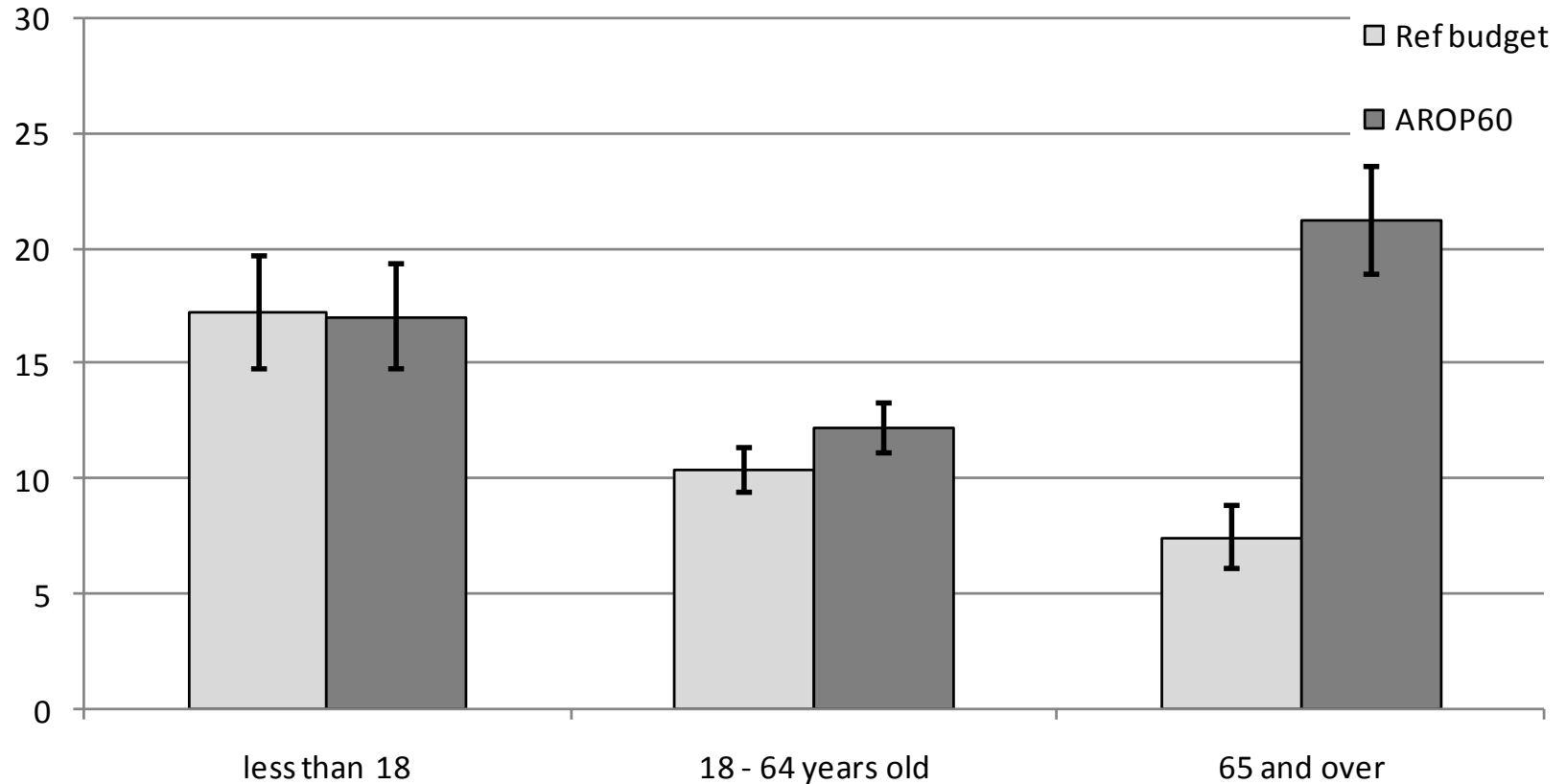
Some results for Belgium

Regional Poverty Thresholds, Belgium, 2008



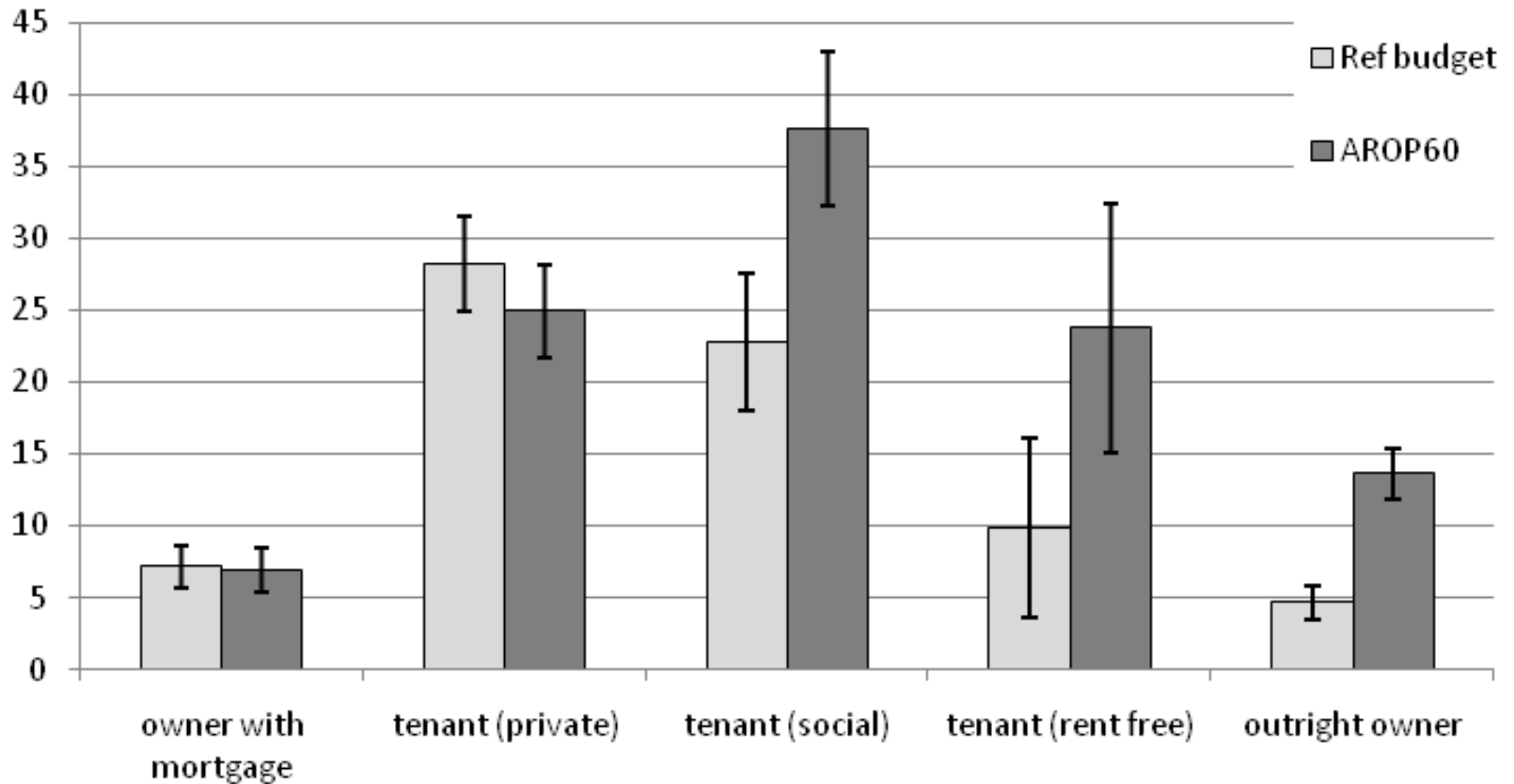
Some results for Belgium

Percentage living in a household with a disposable household income below the poverty line, 2008



Some results for Belgium

Percentage living in a household with a disposable household income below the poverty line, 2008



- Reference budgets are a useful addition to the current poverty line
 - Level of relativity is not predetermined, but interpersonal and inter-societal variations are the result of empirical research
 - Produce more valid results
 - Need for a common theoretical and methodological framework
- How far can we get?
 - WP13 of ImPRovE: Pilot project with six European Countries (2012-2014)



Thank you for your attention!

Paper available soon

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