

## *EU Reference Budgets Network*

### *Proposal for a comparable method for reference budgets in Europe*

#### **“Main lessons and areas that need further improvement”**

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## Outline 1

### A. Main lessons

1. It is possible to construct comparable reference budgets
2. The level of these reference budgets is not very relative
3. Providing public goods and services can reduce the income that is needed for adequate social participation
4. Some components offer more scope for cross-national learning than others



## Outline 2

- B. Areas that need further improvement
5. Pricing the budget
  6. Determining life spans
  7. Consultation of citizens is crucial, but focus groups have important limitations
  8. More variation in reference situations
  9. (P.M. Making reference budgets sustainable)
  10. Conclusion: Conditions for successfully constructing complete comparable reference budgets in Europe

## Main lesson 1

### **It is possible to construct comparable reference budgets!**

- Comparability achieved thanks to a theoretical framework, development of detailed instructions and coordination
- National teams were able to decide which items to select, using the common method
- Focus groups
  - accepted the theoretical framework
  - could identify needs and functions that need to be fulfilled
- Robustness remains a problem in particular for some components, affecting comparability.
- Further reflection needed!

## Main lesson 2

### **The level of reference budgets is not very relative.**

- Level of reference budget varies much less across countries than actual incomes
- In countries with a lower standard of living, they can be near the median

## Main lesson 3

### **The minimum income needed for social participation depends on the supply of free or subsidised goods and services of adequate quality by the government.**

- Health care
- Public transport
- Education
- Housing

## Main lesson 4

### Some reference budget components offer more scope for cross-national learning than others: those where:

- Comparability is easier to achieve and more meaningful
- There is a greater (potential) role for governments
- Examples: health care, education, housing, mobility, healthy food
- EU-level effort might focus on these components

## Areas for improvement 1

### Pricing the budget.

- Pricing is crucial and a major job
- In many countries, markets are not particularly transparent, making this task even more difficult.
- More information needed on suitable shops and supermarkets

#### Options :

- Use scanner data, as collected in shops (cf. NL-NIBUD)
  - Promising, as more realistic price data can be collected
  - Feasibility depends on country circumstances
- Work together with National Statistical Institutes (cf. Luxemburg)
  - Infrastructure present in all countries
  - But specific list of goods and services for RBs

## Areas for improvement 2

### Lifespan of clothing, furniture, kitchen utensils etc.

- Generally no information from producers
- Depends strongly on specific circumstances, personal behaviour and preferences.

#### Options :

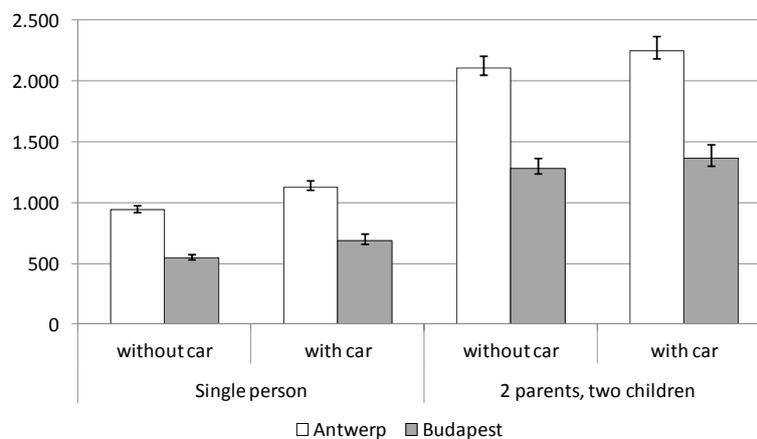
- Collect information on actual lifespans
- Calculate 'reliability interval' for RBs, using reasonable assumptions about the range of lifespans
  - Added advantage: make clear that reference budgets are not exact!



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## Areas for improvement 2

- Impact of varying lifespans by 25% downwards and upwards



We are grateful to Nathalie Schuerman for her contribution to this graph

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## Areas for improvement 3

### Consultation of citizens

- Crucial for acceptability of reference budgets
- Essential for social aspects of consumption
- Within this project, focus groups were used for this purpose
  - But in a too limited way, due to insufficient time and means
- Ways to improve the use of focus groups:
  - Separate groups for orientation and argumentation phases
  - Recruitment of participants through market agencies
    - Effective, though expensive

## Areas for improvement 3

- Focus groups have important limitations anyway
  - Useful as 'reality check'
  - But cannot represent 'the people's voice'
    - Recruitment not representative
    - Discussion can be group-specific
- Better method must meet three conditions:
  - Representative sample: ideally, random sample from population
  - Considered views: people involved must be informed & reflective
  - Openness: public discussions will be more informed and have a bigger impact

## Areas for improvement 3

### Consultation of citizens

Options:

- Deliberative techniques which combine quantitative and qualitative components
  - Surveys, e.g. Eurobarometer
  - Workshops, where citizens discuss issues with experts
- Format to be developed, ideas welcome!

## Areas for improvement 4

### More variation in reference situations

- More family types
- More locations (small cities, countryside)
- More age groups, older people
- Common health problems (e.g. diabetes, wheelchair use)
- Various ethnic groups

## Areas for improvement 5

### P.M. Making reference budgets sustainable

- Arguably, a budget for adequate social participation implies not harming other people,
  - including future generations
  - by avoiding items that are priced unsustainably low
    - socially: if wages are too low
    - ecologically: exhausting natural resources
- A reference budget variant that would be ecologically and socially sustainable would be very interesting
  - but would require a major effort

## Conclusion

### Conditions for successfully constructing complete comparable reference budgets in Europe

- Availability of necessary instruments and resources
  - for pricing
  - for consultation of citizens
  - “Handbook of reference budgets”
- Network of committed and independent researchers
  - meeting regularly
  - sharing a vision of comparable reference budgets
- People, time and sufficient funding