



PILOT PROJECT: DEVELOPING A COMMON METHODOLOGY ON REFERENCE BUDGETS IN EUROPE

PROPOSAL FOR A METHOD FOR
COMPARABLE REFERENCE BUDGETS IN
EUROPE

TIM GOEDEMÉ
BÉRÉNICE STORMS
KAREL VAN DEN BOSCH

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Contact: Istvan VANYOLOS

E-mail: Istvan.VANYOLOS@ec.europa.eu

European Commission

B-1049 Brussels

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APPLICA AND HERMAN DELEECK CENTRE FOR SOCIAL POLICY,
UNIVERSITY OF ANTWERP

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TIM GOEDEMÉ, BÉRÉNICE STORMS AND KAREL VAN DEN BOSCH
(HERMAN DELEECK CENTRE FOR SOCIAL POLICY, UNIVERSITY OF ANTWERP)

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Executive Summary

Objectives of the project and of this paper

Over the past 30 years, the Council, the European Commission and the European Parliament have emphasised the importance of active inclusion policies and adequate minimum income support. More recently, as part of the Social Investment Package adopted in February 2013, the Commission proposed the use of reference budgets as an instrument to help Member States design efficient and adequate income support and to facilitate the Commission's task of monitoring the adequacy of income support in Europe. Reference budgets are illustrative priced baskets of goods and services that represent a given living standard. They are widely used in Europe, and serve many purposes. At present, however, reference budgets are largely created independently of one another, using different methods, with the effect that results are not comparable between countries, with very limited potential for cross-national learning. Reference budgets can only be used to assess in which countries income support measures (and incomes in general) are more adequate than in other countries and why this is the case if they are comparable across the EU Member States. Only then it is possible to identify best practices and set up a process of policy learning regarding how different countries succeed in guaranteeing adequate incomes and which policy reforms could lead to a structural improvement of income adequacy.

This pilot project, funded by the European Commission, has three main objectives. The first is to establish a reference budgets network composed of key experts and representative stakeholders, at national and EU level, to share experience and expertise on reference budgets. The second objective is to develop a theoretical framework and a common methodology for developing cross-nationally comparable reference budgets in European Member States. The third goal of the project is to develop comparable food baskets for all 28 Member States and complete reference budgets for a selection of countries.

In a previous paper (Storms et al., 2014), we described the current use of reference budgets in Europe and documented their advantages and disadvantages. We also detailed some preparatory steps for the development of a common methodology. In this paper, we set out in practical terms how to move forward from here, by making a concrete proposal for developing comparable reference budgets in European Member States. We first focus on creating a conceptual framework to characterise reference budgets. We build on widely accepted quality requirements for social indicators to formulate the quality criteria with which the common methodology should comply. We then review the approaches most commonly used for developing reference budgets, assessing them against these quality criteria. Taking this evaluation as a starting point, we propose a concrete procedure that could be used for developing comparable reference budgets across the European Union.

Steps to developing a new methodology

There is currently no standard conceptual framework available that documents clearly all the major choices that have to be made when developing reference budgets. We proposed such a framework in our previous paper. In this paper, we expand on this in order to highlight the characteristics of our approach. When developing reference budgets, researchers should consider the following constituent elements of reference budgets: the purpose, the targeted living standard, the target population, the theoretical basis and the methodology (including the choice of model families, the information base, the selection criteria, the evaluator and the updating procedure). In addition, reference budgets to be used for the purposes set out by the European Commission should comply with minimum quality requirements. They should be valid, and should be perceived to be so, i.e. be acceptable. The method used to develop reference budgets should be robust and reliable. The resulting reference budgets need to be comparable in order to be

suitable for Commission purposes. They should be responsive to policy interventions but not be subject to manipulation. And timeliness is crucial.

A number of different approaches are currently used for developing reference budgets at national level. Those that rely primarily on household budget survey data appear to be subject to several limitations, which make them unsuitable for use when developing comparable reference budgets for the purposes set out in this project. Moreover, the lack of up-to-date harmonised household budget survey microdata files means that such approaches are not feasible. As a result, we need to use fully specified reference budgets. The main benefits of fully specified budgets are: (1) their very explicit nature, which facilitates discussion about the minimum level of resources required for adequate social participation; (2) their comprehensive character and the fact that they require extensive information on the availability, accessibility and cost of publicly provided goods and services, which is helpful for policy evaluation and for cross-national learning; and (3) their empirical assessment of economies of scale and of the cost of additional household members. Furthermore, by measuring explicitly the cost of essential goods and services for private households, reference budgets can show the impact of public goods and services on household budgets in Europe. Current European social indicators largely lack the perspective of the necessary expenses that households have to make for getting access to essential goods and services. At present, social indicators hardly pick up when countries (de-)invest in accessible public goods and services. The main weakness of fully specified reference budgets is their limited robustness, necessitating substantial cross-national coordination for maximising comparability and the requirements to develop reference budgets for specific model families, which vary strongly in their representativeness of the population.

When developing a method for drawing up cross-country comparable reference budgets, it is essential to be clear as to how the concept of comparability between countries should be understood. To the best of our knowledge, the meaning of cross-country comparability is under-theorised in the literature on indicators of poverty and social exclusion. We therefore discuss in more detail the nature of cross-country comparability in the context of reference budgets. We introduce a distinction between procedural comparability and substantive comparability. Procedural comparability is defined as a situation in which the same procedures are implemented for measuring a phenomenon or characteristic on different occasions, i.e. at different times or in different places. For the purposes of this project, substantive comparability is defined as a situation in which at the level of the reference budgets, needs for social participation are satisfied at a similar level. Reference budgets in different countries can only be considered to correspond to a similar targeted living standard if they fully reflect, and differ exclusively for reasons of, cross-country differences in institutions, culture, climate and geographical conditions, and the availability, quality and price of goods and services. We recognise that substantive comparability requires a large amount of data to be collected, and that, as is the case for other social indicators, even with a clear definition of the targeted living standard, cross-country comparability remains an ambiguous concept given the considerable cross-national differences in institutions and living standards. A specified targeted living standard will inevitably tend to remain elusive, to some extent, irrespective of how precisely it is defined. We therefore suggest developing cross-nationally comparable reference budgets for a range of assumptions, on the basis of a clear justification for the inclusion of each item. This ensures that the widely varying situations with which people are confronted are more accurately reflected in the reference budgets (e.g. regarding tenure status and the use of public or private transport). The potential for learning about the effects of different policies is also increased through showing the variation in the cost of essential goods and services for households with varying ability to rely on publicly provided goods and services. In our view, this also implies that reference budgets should be considered to be an instrument for building consensus, rather than to measure the level of some form of consensus currently present in society.

The method proposed in this paper therefore sets out decisive steps to be taken towards developing comparable, fully specified reference budgets that achieve the right balance between cross-country robustness, on the one hand, and sensitivity to the local context, on the other, while explicitly recognising the limitations of fully specified reference budgets. Given the considerable differences in the nature of goods and services associated with different needs (e.g. housing, clothing, food and healthcare), data needs and the availability of the data differ from one basket of goods and services to another, the effect of which being that the robustness and level of substantive comparability will be higher for some baskets than for others.

Proposal for a common method

The proposal we present in this paper builds as far as possible on the respective strengths of various different approaches, and on the lessons learned from the ImPRovE project, a project funded through the Seventh Framework Programme for Research and Technological Development, in which researchers tried, for the first time, to develop cross-country comparable reference budgets for a number of European countries.¹ The approach we propose is designed to maximise both the robustness of the budgets and the potential benefits for policy learning, while remaining feasible in terms of implementation. The approach can be characterised as a mixed-method approach, building as far as possible on all relevant sources of information on the needs and costs of adequate social participation, and on new data collected through focus group discussions. The approach explicitly recognises the normative character of the development of reference budgets, and seeks to turn a significant weakness of reference budgets (the elusiveness of the targeted living standard) into a strength for policy-learning purposes. This is achieved by developing reference budgets for a range of assumptions, relating, in particular, to the extent to which people can rely on publicly provided goods and services. Finally, the approach is geared towards comparable reference budgets, in order to enable cross-country comparisons of income adequacy and policy learning.

We propose to define the targeted living standard as the *minimum level of resources required to adequately participate in society*. Adequate social participation is further defined as the ability of people to adequately take the various social roles one should be able to take as a member of a particular society. Examples of social roles are the social expectations related to being a parent, an employee, a student, a citizen, or a member of an association. In this pilot project, the target population consists of children and people of working age, in good health, without disabilities and living in an urban environment (the capital city). Fully specified reference budgets can only be developed for 'hypothetical household situations' or 'model families'. In this pilot project, reference budgets are developed for three relatively simple 'model families', on the basis of which reference budgets could then be developed for more complex types of household in the future. The three models are: a single-person household (male/female); a single-parent household with two children; and a couple with two children. All three family types are assumed to live in the capital city of the country. The adults are of working age (around 40 years of age). The children are assumed to be a boy in primary education (around 10 years of age) and a girl in secondary education (around 14 years of age). We further assume that all household members are in good health, and that they are well-informed individuals, with the necessary competences to be self-reliant, to make the right decisions with regard to their health and safety, and to be able to act in an economically rational way. Making these assumptions allows us to look for a lower bound for the minimum level of resources necessary for adequate participation, thus increasing the robustness and internal validity of the approach. It is, however, also essential to document how real-life situations deviate from those assumed for 'model families', and to

¹ See <http://improve-research.eu>.

examine the impact this may have on the minimum resources required for adequate social participation.

The research process is organised in six phases, during each of which the country teams and the central team of area coordinators have, respectively, specific tasks to complete. These phases can be summarised as follows:

In the **preparation phase (phase 1)**, an international and national network of researchers and stakeholders is set up. This is a major part of this pilot project and will remain an on-going activity. Furthermore, the coordinating team develops a handbook which provides detailed guidance regarding how the reference budgets can be developed, and summarises most important findings from international research regarding the requirements for adequate health, housing, clothing etc. Harmonised data files are designed to collect the lists of goods and services in all countries in a harmonised and transparent way.

Subsequently, in the **orientation phase (phase 2)**, national research teams, in collaboration with a local network of experts, collect the necessary evidence on the local institutional, cultural, climatological and economic context. To do so, they consult national guidelines and recommendations, the scientific literature and existing studies regarding both factual living patterns and normative positions about what is considered adequate. In addition, the mixed method approach that we adopt also builds on the practice of a consensual approach to the development of reference budgets. Therefore, all country teams organise three focus group discussions involving citizens with different socio-economic backgrounds, to provide guidance regarding the principal normative questions for constructing the reference budgets and to get a first insight in the most common and acceptable purchasing patterns.

In the next phase, country teams draw up complete lists of goods and services, and document these in the data files and in a country report, with a clear focus on the **argumentation (phase 3)** and motivation for including the goods and services on the list. The results of the focus groups organised during the previous phase serve as an important input.

In the fourth phase, a process of **deliberation and pricing (phase 4)** follows. The central team of domain coordinators checks the data files and country reports for inconsistencies within and between countries, and compliance with the common procedures. They also check whether cross-country differences can be explained on the basis of institutional, cultural, climatological and geographical cross-country variations, as well as differences in availability and quality of goods and services, and ask for clarifications if this is not the case. At the same time, country teams carry out a price survey to estimate the cost for households of getting access to all the items on the list of goods and services.

Next, in the **arbitration (phase 5)** phase, country teams adapt the data files and country report in response to the remarks and suggestions made by domain coordinators and resolve outstanding issues. The final reference budgets are documented in harmonised data files and well-documented country reports.

Finally, the process of **dissemination and discussion (phase 6)** should gain momentum through international and national dissemination activities.

Figure 1: Workflow for constructing comparable reference budgets in Europe



We would like to point out that this approach would need to be extended in the future, to include more extensive consultation among the general public. Budget and time constraints prevent us from carrying out such consultations as part of this project. The three focus groups are, however, set up in such a way as to maximise the amount of relevant information obtained for the development of reference budgets. Detailed procedures have been put in place for the recruitment, setup, organisation and analysis of focus groups in all countries, in order to guarantee that this is done in a comparable way. The details of the procedure and the related templates for analysis and reporting are provided in the annex.

We are convinced that the method we propose will allow the cross-country comparability of reference budgets to be maximised, while ensuring sufficient sensitivity to the local context. Furthermore, the resulting reference budgets will be able to serve the purposes set out by the Commission. Further consideration does however need to be given to the question of how best use can be made of reference budgets for cross-national purposes. We will examine this question in more detail in the final report, and will consider how the method proposed here could be strengthened in the future, on the basis of experience gained during the course of this pilot project.

Introduction²

This pilot project for the development of a common methodology on reference budgets in Europe was set up in view of 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 key experts on reference budgets, other experts 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. A second important goal of this project is to assess the possibilities for and actively strive towards building a consensus on a 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.

RBs can broadly be defined as: illustrative priced baskets of goods and services that represent a given living standard (cf. 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). In a previous report for this project (Storms et al., 2014), we documented the use of RBs in the EU. As this review report made clear, the use of RBs is a common practice spread – and still spreading – across the European Union (Storms et al., 2014)³. Nevertheless, there is great variation in the way RBs are constructed and implemented.

Developing a common methodology requires a common language and a list of desirable features of 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 to give due consideration to potential trade-offs between desirable characteristics of the common methodology.

Therefore, in this paper, 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. In this section we also highlight the purposes that should be served by the reference budgets developed in this project and explain the targeted living standard (adequate social participation) and target population (healthy adults in working age and children living in the capital city). Subsequently, we highlight the most

² This report has benefited from the input of many people. In particular we are very grateful to Bea Cantillon, Tess Penne and Sara Stockman for numerous discussions about the possibilities and limitations of developing a method for cross-country comparable reference budgets and to Jonathan Bradshaw, Jean-Pierre Bultez, Elena Carrillo Álvarez, Irene Cussó, Anne Franziskus, Didier Gelot, Anne-Catherine Guio, Donald Hirsch, Alexandros Karakitsios, Bernadette MacMahon, Lauri Mäkinen, Eric Marlier, Manos Matsaganis, Michaela Moser, Peter Saunders, Péter Szivos, István Tóth, Laura Valadez, Anne Van Lancker, Cok Vrooman, Paul Zahlen and all other members of the EU RBs Network's, core team, expert team and country teams for discussions and/or detailed comments on a previous version of the text. We have presented parts of this report at various occasions, including the Social Protection Committee Indicators' Sub-Group (ISG) meetings of 19 June 2014 and 18 November 2014, a Roundtable with members of the EU Reference Budgets Network 10 June 2014 and an EU Stakeholders meeting 17 June 2014. The high level of discussion and critical questions received have helped us to sharpen the argument and improve our proposal for a common methodology. Also, we would like to thank our partners in the ImPRovE project who have endeavoured with us on the first concerted effort to develop comparable RBs for a range of European countries. The lessons learned in this project have an important impact on the current report. Finally, we would like to acknowledge financial support of DG Employment (contract VC/2013/0554) and the Flemish government (Methusalem funding). Of course, we take full responsibility for the contents of this paper and do not claim that it represents the views of those who provided input or funding for its development. Further information on this project and the composition of the EU Reference Budgets Network can be found at <http://referencebudgets.eu>.

³ The characteristics of RBs across the EU will be discussed more extensively in section 3 of this report.

important quality criteria for constructing RBs that should help making choices regarding the desirable features of the common methodology. Both chapters are an updated version of some sections in Storms et al. (2014) and are included in this paper as well, given their relevance for proposing a common methodology. In the subsequent chapter, we make use of these concepts and quality criteria to present various approaches for constructing RBs and to identify the strengths of each of these methods.

Given the important goal of developing a method which allows for cross-national comparison and learning, in section 4 we elaborate on the meaning of cross-country comparability in the context of constructing reference budgets aimed at identifying the minimum necessary resources for adequate social participation. We explain the unavoidably elusive character of the concept of adequate social participation and the ambiguous character of comparability in a context of vast differences in living standards across countries. We conclude that for constructing reference budgets that should serve the purpose of cross-national learning and monitoring, an alternative method is required, which is specifically designed to develop fully-specified reference budgets that maximise cross-country comparability. In section 5 we describe our proposal for developing cross-country comparable reference budgets, which in our view strikes the right balance between cross-country robustness and sensitivity to the local context. The method we propose ensures that reference budgets start from the same targeted living standard, theoretical framework and procedures and includes an international quality control mechanism. While taking the national context as a starting point, reference budgets will be documented in harmonised data files, and discussed in country reports and a comparative report. We conceive our proposal as a mixed-method design, building as much as possible on the best evidence available regarding the goods and services that are needed for adequate social participation. An essential component of the method is the consultation of citizens through the organisation of three focus group discussions. The general setup of the focus groups is discussed in this paper, and the detailed instructions can be found in the annex. Finally, we explain how the approach could be strengthened in the future by implementing a wider consultation of citizens, if more resources would be available.

In section 6 we summarise the report and conclude by briefly elaborating on our expectations regarding the extent to which our proposed method will be able to deliver on the purposes set forth when starting this project.

Overview of choices to be made when developing reference budgets

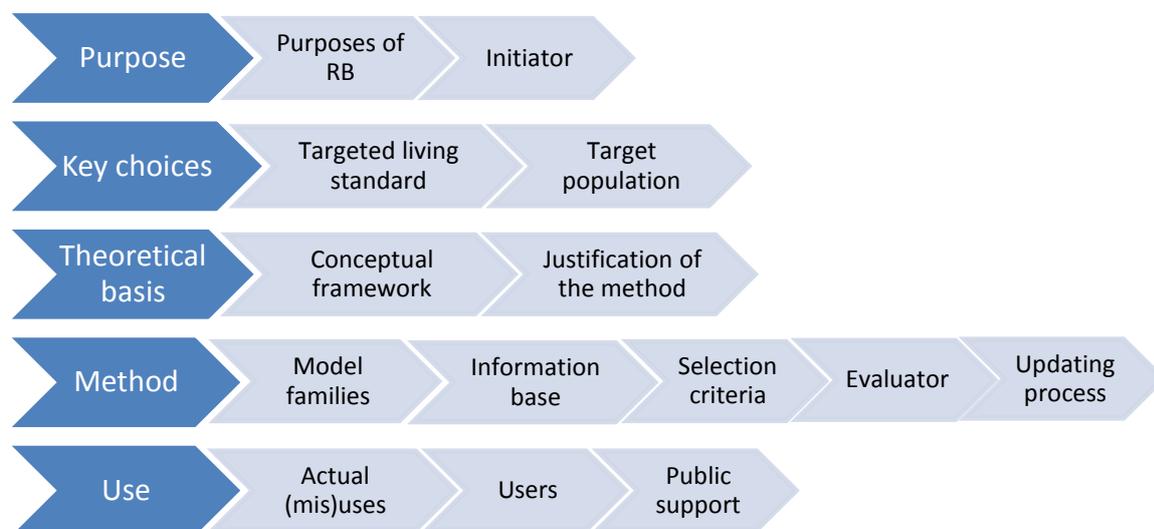
Introduction

Reference budgets currently developed or in use in Member States of the European Union differ in many important respects (Storms et al., 2014). The defining characteristics of RBs can be categorised in several ways. Dubnoff (1985: 285) 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: 18). Veit-Wilson (1998: 21) added a fourth question: (4) enough for how long?

We found it useful to further formalise and order the various choices that are made explicitly or implicitly when developing RBs in the way presented in Figure 1. We make a distinction between the purposes for which RBs are constructed, key choices to be made, their 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 dimensions.

In many cases, several different choices can be valid, depending on the purposes of the RB and the context. 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. At the same time, we are strongly convinced it is important to be explicit about what choices have (not) been made regarding these methodological aspects of RBs.

Figure 2: Constituting dimensions of reference budgets



The purpose

The initial purposes for which RBs are developed should of course determine the choices that are made on other aspects. In this project, a method is proposed and tested to develop reference budgets that should serve the following purposes, as set forth by the European Commission:

- to help Member States to design effective and adequate income support measures;
- to facilitate mutual learning and identification of best practices in the fight against poverty;

- to facilitate the Commission's task of monitoring and assessing the adequacy of income support in Europe;
- to be a helpful tool for the implementation and monitoring of the 2008 active inclusion recommendation and the 2013 Social Investment Package.

If the Commission is to use reference budgets for a range of countries, and if they need to enable mutual learning and monitoring income support in a comparative way, comparability is key (as well as feasibility, of course). In addition, we are convinced well-documented reference budgets can help to better understand and contextualise the social indicators the EU is using. Of course, the reference budgets could also serve many purposes for which comparability and comparison across countries is less important. For instance, well-documented reference budgets can be used as a tool to strengthen the competences of citizens by informing them about their rights, the availability and accessibility of (public) goods and services, and how to live healthily and economically. Also, they can be used for a wide range of other purposes as in budget advice, debt rescheduling and other purposes, as documented in Storms et al. (2014). However, in the current project, these are rather considered to be an (important) by-product of the main purposes. It is important to bear in mind that, given that this is one of the first attempts to construct cross-country comparable reference budgets, an important aim of this project is to assess to what extent the resulting reference budgets can be used for the purposes set forth at the start of this project. We come back to this issue in the conclusion.

Key choices

When developing reference budgets, key choices relate to the targeted living standard and the target population.

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. Ideally, it should be more than a suggestive but vague label, as many labels are not uniformly interpreted (cf. minimum acceptable way of life; modest, but adequate; ...). However, it may often be difficult to give a more precise meaning to the targeted living standard without referring to the actual contents of the RB. An explicit theoretical basis may help to work out a "thicker" description (see below).

We propose for this project, to define the targeted living standard as the minimum financial resources required to participate adequately in society. Adequate social participation is further defined as the ability of people to adequately take the various social roles one should be able to take as a member of a particular society. With regard to the minimum required financial resources, it is important to note that the reference budgets focus on the out-of-pocket payments by private households, in addition to what may already be paid through taxes and social contributions. In other words, we look for the minimum required disposable household income, taking account of subsidised goods and services that are provided free or at reduced prices. A more precise definition and explanation of the targeted living standard, will be provided in a separate document. For now, it is important to make clear we fully recognise that any targeted living standard unavoidably has a degree of elusiveness, regardless of the exact terms in which one tries to define it. Even if it would be perfectly clear what is meant with adequate social participation and if everyone would understand it in the same way, we do not believe there is one particular threshold that could be identified. However, this does not necessarily preclude the possibility of *estimating* a lower bound on the minimum required financial resources by making very specific assumptions about the characteristics of the model families (see below). Still, we are convinced that having one euro less or more than this lower bound would not mean a substantial change in one's ability to participate adequately in society. In this sense, social participation and the associated required resources are fundamentally gradual. We come back to the implications of this elusiveness in section 4.

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 (Dubnoff: 'for whom?'). The population may include all inhabitants of a geographical entity, but may also be limited to a specific subgroup (e.g. families with young children or elderly persons with specific needs). The definition of the target population might frame the research process and influence the evidence that is considered relevant as well as the composition of and discussion within focus groups. The geographical scope (city, region or country) of the RB could be politically charged in countries where sub-national governments have significant powers. Both perceptions about the targeted living standard, and the social circumstances (especially the accessibility of public goods and services) may vary in important ways, resulting in different RBs for different regions. In those cases it is important to explain why the RBs differ across regions, and in what way they are comparable.

Finally, we must make a distinction between the definition of very specific model household types that may be used to construct RBs, and the wider population to which the developed budgets are supposed to apply. Whether the generalization to the wider population is valid is often largely a matter of judgment.

Within this project, the target population can be defined as children and persons in working age in good health, without disabilities, and living in an urban environment (the capital city). The number of model families developed within this pilot project is restricted to three family types:

- A single-person household (male / female)
- A single parent household with two children
- A couple with two children

The adults are in working age (about 40 years old). The children are assumed to be a boy in primary education (about 10 years old) and a girl in secondary education (about 14 years old). Furthermore, we make the following assumptions:

- Health: all household members are in good health. The reason for this assumption is not so much that this is the most common health condition (that is debatable), but rather that costs for health care vary enormously depending on the kind and severity of health problems, each having different implications for the needs of the person affected.
- Competences: family members are well-informed persons, having the necessary competences to be self-reliant, make the right decisions with regard to their health and safety, and are able to act economically (know their social rights and how to access public goods and services, are able to compare prices and buy the products with best value for money, can cook economically and healthily with sufficient variation, etc.).
- Government-provided goods and services: we start from actual provision against actual prices, insofar these are accessible for low-income households. The latter condition implies that sometimes judgment needs to be applied, when accessibility is limited by low supply or other factors. An example are regular dental check-ups in a country with a national health service (NHS). Waiting lists for NHS-linked dentists can be very long, but are not necessarily problematic for annual check-ups, as these can be planned well in time. However, for visits in case of dental pain waiting lists can be too long. In this case national experts could include a visit to a private dentist. Similar arguments may apply to public transport, health care and education.

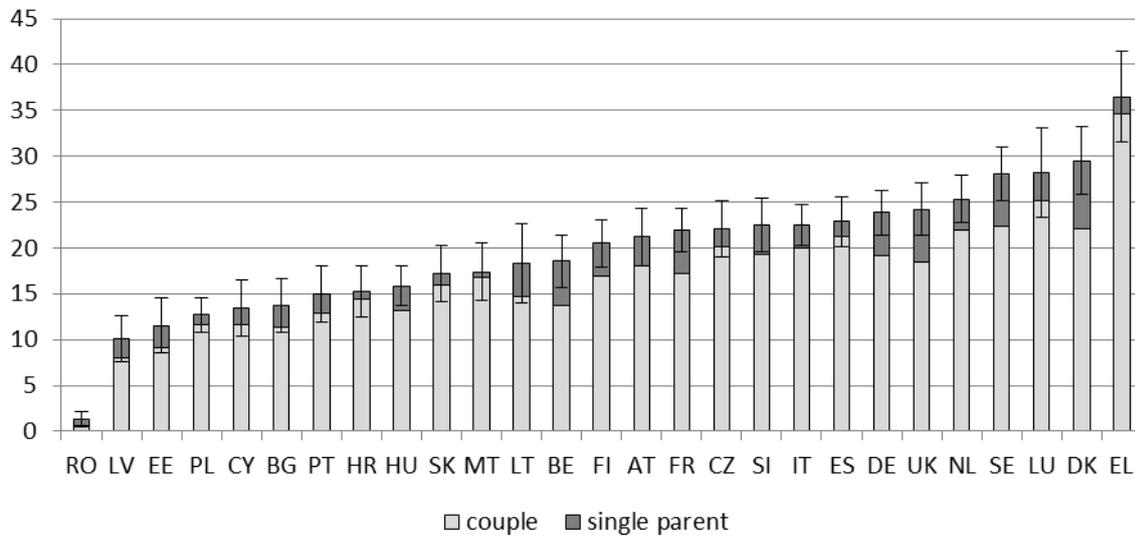
For each family type, and insofar this is relevant for the national context, we will develop RBs for a range of tenure statuses, including tenants paying at prevailing market prices, tenants paying reduced rent, as well as outright homeowners.

Finally, we develop long-term reference budgets which should give people access to the targeted living standard for an undetermined period of time. In other words, the reference budgets include some room for saving in order to gradually replace durables and to be able to cover one-off or yearly costs. This implies that we assume the model households are an 'on-going concern': that they have access to all goods and services that are included in the reference budgets from the moment they should start living on a budget at the level of the reference budgets. In other words, if a young person without any assets would move out to start a new family, the reference budgets would not suffice for covering the initial cost of buying all necessary durables at once.

From these assumptions, it will be clear that the reference budgets are targeted at the minimum financial resources required to participate adequately in society. We believe these assumptions increase the feasibility and internal validity for identifying the minimum resources required for adequate social participation. However, this comes at a cost of lower external validity (see section 2). In real-life situations, more resources will usually be needed because people's budgeting capacities are not always optimal, resources are not always spent in the most optimal or economic way, people could be more often confronted with diseases or lack the information we had access to in order to construct economical reference budgets. By making these assumptions, we focus on the minimum below no-one can go (including someone in good health, with good budgeting capacities and who is well informed) without compromising on her capability to participate adequately in society. At the same time, though, it should be clear that it is of utmost relevance to describe potential consequences of these assumptions for the reference budgets, and to develop in the future reference budgets also on the basis of other assumptions (e.g. in case of specific health problems).

When working with 'model families' to develop an indicator, representativeness of the model family is not the main goal, and cannot be achieved cross-nationally (for a more elaborate discussion in the context of tax-benefit model family simulations, see Van Mechelen et al., 2011). In fact, household structures vary widely across the European Union (e.g. Iacovou and Skew, 2010). As a result, the model families included in this pilot project are chosen as a 'test case' primarily for their simplicity and not because they would represent the most typical situation. As is shown in Figures 2 and 3, the household composition of the model families does nearly nowhere reflect the situation of the majority of the target population. At the same time, it is clear that the 'representativeness' of the household composition varies strongly, and is problematic in the case of Romania. Hence, it is highly recommended to add other model families in the future, such that a wider range of the population is 'covered', in particular in some of the Southern and Eastern EU Member States. An alternative approach would be to select the 'most typical' household composition for every country, but then it would become difficult to compare the minimum cost of adequate social participation cross-nationally, which is the primary focus of the project. At the same time, it should be remembered that household composition is likely to be to some extent dependent on the budget constraints people face (see Iacovou, 2013 for an exploration). Insofar current household composition is not the result of a positive choice, it is relevant to show the cost of living in a household for hypothetical, but not so prevalent, household situations.

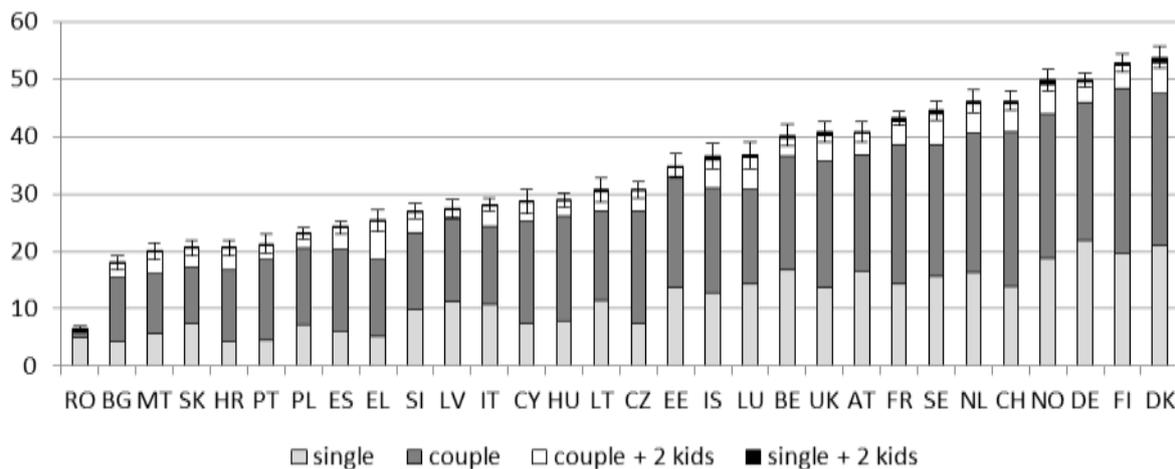
Figure 3: Percentage of children aged between 7 and 16 years old living in a household consisting of a single parent or a couple aged between 30 and 60 years and two children between 7 and 16 years old, 2011



Notes: 95% confidence intervals are shown for the total (living in couple and single parent households) and take as much as possible account of the sample design (see Goedemé, 2013).

Source: EU-SILC 2011 UDB, revision 1, own calculations.

Figure 4: Percentage of the population aged between 30 and 60 years living as a single, in a couple, a single parent with two children aged between 7 and 16 or a couple with two children aged between 7 and 16 years old, 2011



Notes: 95% confidence intervals are shown for the for household types taken together and take as much as possible account of the sample design (see Goedemé, 2013).

Source: EU-SILC 2011 UDB, revision 1, own calculations.

Theoretical basis

Many developers of a RB do not formulate an explicit theory, and appear to find this unnecessary. Yet, one of the more subtle and often implicit though quite fundamental characteristics of RBs concerns the **conceptual framework** within which the developers work. Making such differences explicit is useful to have an informed discussion of the merits and disadvantages of various approaches. In other words, the targeted living standard needs to be embedded in a broader conceptual framework so as to give it a

clear interpretation. Ideally, this conceptual framework makes explicit 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 these needs, the corresponding goods and services and their costs can be identified accurately, or, in other words why the applied method will result in a satisfactory identification of the targeted living standard for the target population. In this paper, in sections 4 and 5 we focus on justifying our proposal for common method. The conceptual framework will be explained in more detail in a separate 'handbook' (see below).

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 model families for which RBs are constructed, the information base, selection criteria and the evaluator. In addition, if the RBs are to be used over a longer time period, an updating procedure is needed. We briefly discuss these five methodological ingredients.

Usually, RBs are developed for a limited number of typical or model households, as it is impractical or unfeasible to construct RBs for all different personal situations observed in the population. Model families are well-defined hypothetical household types that live in well-defined specific circumstances (cf. supra). 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 population⁴. The definition of model households 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 length of time to which the RBs are assumed to apply (a couple of months, a year, a lifetime?).

Second, reference budgets differ with respect to the information base that is used for translating a targeted living standard into a basket of goods and services, and pricing the latter to obtain monetary values. The information base may include (but is not restricted to) scientific literature about human needs; survey data on income, consumption, behaviour and/or attitudes and opinions; 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. Inevitably, the personal experience and judgement by the evaluator are also part of the information base, although its influence should be limited.

In contrast to much of the previous literature, we think it is important to make a clear distinction between what we would call 'expert knowledge' and 'expert opinion'. 'Expert knowledge' is knowledge generated by systematic observation or experiments, which is replicable and verifiable and not much dependent on personal judgement (e.g. a finding cited in the scientific literature, a sample survey estimate). This is distinct from 'expert opinion' which we define as knowledge generated through specific long-term experience

⁴ The latter imposes the need to make yet other assumptions, especially regarding the equivalence scale.

with a certain area, which is to an important extent personal and cannot easily be double-checked or replicated by a third party. Examples are the specific knowledge of social workers, budget counsellors, architects (e.g. in relation to insulation requirements and energy consumption), and many other types of experts. An expert is anyone who has specialized knowledge in specific, well-distinguished domain, based on research, experience, or occupation. An expert need not necessarily have professional or academic qualifications, but it is important that his or her expertise is somehow socially recognized, e.g. by a suitable position in a particular organization.

Third, selection criteria are needed for deciding what information is actually retained from the information base. In the context of consensual budget standards (Deeming 2011) this may involve practical rules for what is meant by 'consensus'. In the case of behavioural and attitudinal surveys thresholds may be set about the number of people that have or do something or consider something essential for a decent living standard. 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. One could define a hierarchy of information bases, or formulate selection criteria dependent on the quality of the information.

Furthermore, dependent on the information base, a number of procedures and techniques have to be chosen to collect or extract data. E.g., when conducting focus groups, researchers have to decide on the number of groups, the criteria for the selection of participants and the procedures for guiding and analysing the discussions. Since these depend on the information base, and they are (or should be) part of the tool-kit of the social scientist, it serves little purpose to discuss these procedures and techniques here further.

Closely related to the choice of the information base, the selection criteria and the technical procedures is a decision about who the evaluators are. (cf. Dubnoff's (1985) question 'enough according to whom'.) 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? In practice, a wide range of actors may be included at different stages in the construction of RBs. 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.

Finally, reference budgets differ in the proposed procedure for updating them. In this context, it is useful to make a distinction between updating and rebasing (cf. Bradshaw et al., 2008). Updating 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 of the baskets of goods and services themselves, 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 updated 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. We come back to the use of the RBs developed in this project in section 6.

Quality criteria for reference budgets

Introduction

Several authors and institutions have specified a range of quality criteria for social indicators. Most of the quality criteria for social indicators are also applicable to the development of RBs. The quality criteria proposed by several international statistical bodies show considerable overlap (Gábos and Kopasz, 2014). We propose five quality criteria which, given the European focus of this project, are inspired by the criteria for social indicators originally formulated by Atkinson et al. (2002) and adopted by the European Commission (2009) in the context of the social Open Method of Coordination (OMC).

- (a) RBs should be valid, transparent and acceptable
- (b) RBs should be robust
- (c) RBs should be comparable
- (d) RBs should be timely and susceptible to revision
- (e) RBs 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 our 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, acceptability and transparency

Validity is the extent to which a concept, conclusion or measurement is well-founded and corresponds accurately to the real world. More succinctly, validity of an instrument is the degree to which it measures what it is supposed to measure. There are many ways in which validity can be assessed, but for RBs *face* validity is very relevant, as this kind of validity is related to acceptability. Both the targeted standard of living, and the way it is translated into a concrete basket of goods and services should be *understandable* and *acceptable* by politicians and the public at large. As emphasised by Citro and Michael (1995: 38), acceptability requires that the RBs are based on a rationale that has some 'face validity'. In other words, citizens and stakeholders 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).

In order to gain the support and confidence of experts and professionals working in the broad field of poverty and welfare state adequacy⁵, RBs should be *transparent* regarding the methodological choices made for constructing the RBs (that is, the method), as well as regarding the content. Transparently documented RBs should include a very detailed list of goods and services, a list of suppliers, an assumed life span of products and a detailed price list.

⁵ This includes not only civil servants and university scholars, but also activists and researchers working for Poverty Organizations, Unions and NGOs.

A useful distinction can be made between internal and external validity. 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, while external validity implies that on the basis of the RBs for the model families, the results can be extrapolated to the wider 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. Furthermore, 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 mean that it suffices to look at the consumption patterns of the average household, or a group of low-income households, to construct RBs as this does not guarantee the RBs correspond to the targeted living standard. In other words, circularity must be avoided (cf. Rein, 1970; Deeming, 2011). RBs should be informed by current consumption patterns, but may not be exclusively determined by them.

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 to take 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.

External validity requires that RBs should be constructed for a sufficient number of well-chosen model families, such that the results can be reasonably generalised to the target population (e.g. on the basis of an appropriate equivalence scale).

Robustness

Second, reference budgets should be 'robust and statistically validated' (cf. Atkinson et al., 2002: 21) or 'statistically defensible' (Citro and Michael, 1995: 38-39). 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 as in the consensual approach, the question arises what the outcome would be if other (though similar) people would have participated in the focus group discussions. Also, a lot may depend on *how* the focus group discussions, researchers and experts contribute to the outcome. It would generally be impracticable to replicate the focus group discussions a sufficient number of times to assess the statistical reliability. However, due to the non-random selection of a small sample of people for participating in focus groups, it should be avoided to give them a representative interpretation (cf. Onwuegbuzie and Leech, 2007).

Nevertheless, the applied method needs to be robust. If the research strategy would be (slightly) different, but equally valid, 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. In the case of focus groups, it implies that seemingly innocuous changes in the procedure and in the way that the issues are presented to the participants should not have a large impact on the results, and that if focus groups are carried out independently, the outcome should be broadly the same.

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 robustness, a key requirement. Comparability can mean many things, and it is important to clarify this characteristic with respect to RBs. First of all, one could understand it in the sense that a RB should incorporate the same basket of goods and services in each country, so that differences in the total amount are the result of price differences only. This seems a much too stringent concept of comparability, as differences in the physical and social context between countries are not taken into account. In other words, it is very likely that the living standard associated with this fixed basket of goods and services means different things in different countries. Secondly, one could assume that RBs are comparable if the same method is followed in all countries. This seems to involve a heroic trust in the robustness and exactness of the method, which is not warranted by current methods given that for the construction of reference budgets unavoidably a number of rather arbitrary choices have to be made (see below).

A third understanding of comparability is to define the targeted standard of living of a RB in terms of a list of functionings or capabilities (things that an individual or household should be able to do or be) that is applicable in all countries (Sen, 1983, 1985a, 1985b). In each country the goods and services corresponding to those functions and capabilities would be identified. This idea seems attractive at least in theory, but in practice this is not so straightforward. The problem is that functionings can be defined at varying level of generality: compare the general functionings of being healthy, of having social relations and of receiving adequate nourishment with the specific functionings of being able to walk 500m, to talk to a friend on the phone and to eat an apple. In theory, a solution to this problem would be to describe the functionings at the level of generality that is as low as possible (i.e. as specific as possible) given the requirement that the functionings should be applicable in all countries. This would be a laborious task, as the number of functionings is likely to be quite large. Moreover, it is an empirical task, as the appropriate level of generality depends on the variety in institutional, cultural and physical circumstances across countries. Therefore, it is crucial to clearly spell out what is meant by cross-country comparability when developing RBs for a range of countries. In section 4 we explain our proposal of how cross-country comparability should be best understood in this project.

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. In other words, RBs 'should be responsive to effective policy interventions but not subject to manipulation' (Atkinson et al., 2002: 22).

Responsiveness implies that an increase or decrease in the out-of-pocket cost of public goods and services should be reflected in the updating process of the RBs. For instance, a reduction in the price of bus tickets on the public network 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. Explicitly building on governmental guidelines and regulations, will ensure that RBs will be responsive to policy changes and policy differences across countries.

RBs should not be susceptible to easy manipulation. This is perhaps a smaller danger during the construction phase, than in the use of RBs. The flexibility and transparency of well-documented RBs make it easy to take things out (or put things in), for reasons of varying validity. Special care is needed if at some point RBs would be used to uprate benefit levels. In this case they risk to be severely politicised⁶. 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. Therefore, we consider it advisable to use reference budgets as a learning tool and yardstick for informing policy makers and the public about social policies, rather than as a tool for determining benefit levels. We are convinced that RBs and their various components can have an important benchmark function for informing adequate levels of minimum income policies, without requiring an automatic link between benefit levels and reference budgets.

At this point, it is necessary 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 (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 this 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. At the same time, it is fair to say that some approaches for constructing reference budgets are more time and resource intensive for first construction and updating than other approaches.

⁶ Also, this is only sensible insofar benefits and reference budgets aim at the same targeted living standard.

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 updating and rebasing the RBs thus need to be defined.

Current approaches: description and discussion in terms of criteria

Introduction

In this section we describe the various approaches to constructing a RB, which have been identified in Storms et al. (2014), and discuss them in terms of the quality criteria developed in section 2. We argue that the approaches can be divided into three kinds: physical survival, expenditure based and fully specified, though some RBs contain elements of the latter two approaches, and are labelled as hybrid. We distinguish four approaches (starred below) which are currently in use and which could be considered for developing cross-country comparable RBs in the EU.

The approaches are:

- Physical survival
- Expenditure based RBs
 - The “Orshansky method”
 - The Citro and Michael approach *
- Hybrid RBs: NL-SCP *
- Fully-specified RBs:
 - Family Budget Unit
 - Consensual method 1 *
 - Consensual method 2 *

Physical survival

This approach was used at the end of the 19th century, when 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 nutritionists 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 foods needs were of course those commonly consumed at the time. The budgets also allowed for some leisure activities and social participation. This is reflected in the rising value (in real terms) of the RBs developed at different periods by Rowntree (Rowntree, 1941; Rowntree and Lavers, 1951; Rowntree, 2000 [1901]). It also motivated the criticism by Rein (1970) and Townsend (1979) that the budget standards in fact amounted to frugal versions of conventional consumption patterns. There is evidence that for Rowntree the supposed scientific foundation of the RB was more a rhetorical device than really a deductive method (cf. Veit-Wilson, 1986). Subsistence minima in the USSR between 1918 and the late 1950’s appear to be also based on this approach (Atkinson and Micklewright, 1992: 191-192).

It is clear that at the present time this approach is neither credible nor relevant for most EU Member States.

Expenditure approaches: the “Orshansky” method

Arguably one of the most well-known and influential examples of the expenditure approach is probably the USA poverty line, as defined by Orshansky (1965, 1969). 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 on average 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.) Later, this approach has also been used elsewhere. For instance, a RB developed in Slovenia in 1993 and 2000 explicitly refers to the Orshansky method. 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).

The approach seems to be based on two, largely implicit assumptions:

- 1) that it is possible to determine in an 'objective' way the food requirements of people, but that this is not true for other needs which may be more social or conventional in nature.
- 2) that households, and in particular those with low incomes spend their total budget in an optimal way, such that if their food expenditure is equal to the expert food budget, they do not only meet their food requirements, but also all other needs for clothing, housing, leisure and so on. This in turn means that their preferences coincide with those of the evaluator who develops the RB.

While these assumptions may have some plausibility, they also seem to be an uneasy mix of normative and empirical arguments. It is noteworthy that in the USA the Orshansky thresholds are regarded as completely out of date (Citro and Michael, 1995). This may be less true for the approach as such, which might be replicated on more recent data. Nevertheless, the Orshansky method seems superseded by other expenditure-based approaches.

Expenditure approaches: the 'Citro and Michael' method *

Citro and Michael (1995) proposed the US poverty thresholds should be derived from consumer expenditure survey data for a reference family of four – two adults and two children. The procedure should be to specify a percentage of median annual expenditure on the sum of three basic goods and services: food, clothing, shelter (including utilities), and then add a small additional amount to allow for other needs. A moving average over three years is used to even out fluctuations over time. The four-person poverty threshold should be adjusted for other family types by means of an equivalence scale. Citro and Michael 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 are thresholds developed by a purely relative approach.

Citro and Michael (1995) find it very important that the results of the method are acceptable, even attractive to policy makers and the public, and therefore give much attention to face validity. Their main argument is that the threshold is based on 'necessary expenditures'. However, this face validity is arguably at least partly a matter of rhetoric, rather than validity in a real sense as defined above. Not all expenditures on food, clothing and shelter cover needs. It is also not very clear why the method is applied for the reference family type, and not for other family types. As Citro and Michael make clear, the level of the threshold is regarded as a somewhat arbitrary convention, rather than a real break in the income distribution.

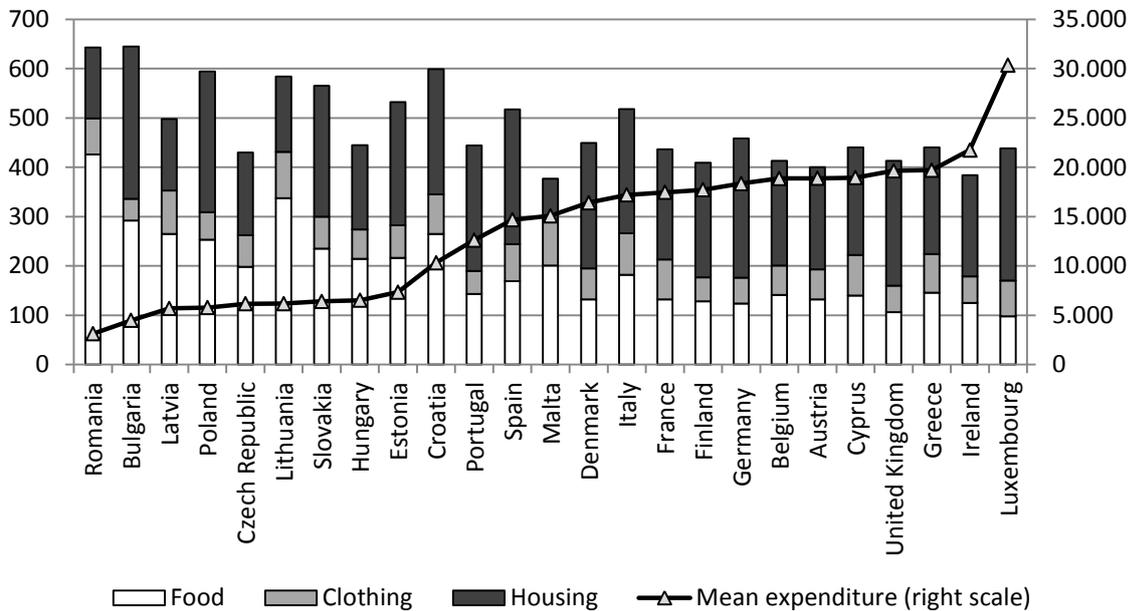
The fact that the RB is based on median expenditure for a household type that is described only in terms of number and ages of its members, make the results easier to extrapolate to the population (the population of the Household Budget Survey used; statistical methods can be applied). On the other hand, differences between households

of the same type (e.g., in good health / not in good health; tenants / owners) are ignored. So external validity comes at a price of less internal validity.

The method is purposely designed to be robust and easy to update. Furthermore, the method is explicitly responsive to the supply of public goods and services on some specific domains. Expenses on health care and pre-school child care are subtracted from household income before this is compared with the threshold (but the RBs themselves do not show changes in required out-of-pocket payments). On the other hand, with respect to other variations in prices of public services, the thresholds may well be responsive in a perverse way. For instance, if school fees are raised, households with children may have to reduce other expenditure, including that on 'necessities' such as food, clothing, shelter, leading to a decline in the threshold.

There are a few arbitrary elements, where governments might make different choices, but once those choices are made, there seems little scope for manipulation. Comparability is not tested, and so difficult to evaluate. Evidently, the approach requires high-quality cross-country comparable household consumption survey data, if to be implemented on a large scale in Europe. At this moment, Household Budget Surveys across the EU are not fully harmonized, and up to date microdata are currently not centrally available⁷. Figure 4 shows that there are important variations across countries in the proportion of their total budget spent on food, clothing and housing by households with two adults and dependent children, which are not always related to the average standard of living of this household type, as measured by mean expenditure (corrected for differences in prices using purchasing power parities). Of course, there may be various reasons for these differences, which do not necessarily invalidate an application of, e.g. the Citro and Michael method in a comparative study. Yet, the figure at the least suggests that such an application is not very straightforward.

Figure 5: Proportion (per thousand) of total budget spent on food and beverages, clothing and housing by households composed of two adults and dependent children, EU Member States, 2005



Source: Eurostat, (hbs_str_t224)
http://epp.eurostat.ec.europa.eu/portal/page/portal/household_budget_surveys/Data/database

⁷ See http://epp.eurostat.ec.europa.eu/portal/page/portal/household_budget_surveys/Publications.

A hybrid approach: the NL-SCP method *

The Netherlands Institute for Social Research (SCP) has proposed and implemented a similar method, called 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). 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. The NIBUD budgets are based on the opinions of experts (e.g. on the required quantity and quality of food), the availability of goods and services, and actual consumption patterns at the bottom end of the income distribution. The method used by Nibud rests on years of experience and detailed knowledge of the actual expenses faced by households (Vrooman, 2009: 384). The resulting baskets have been validated by focus groups of consumers (Hoff et al., 2010). The SCP used only the Nibud budgets for single persons, and derived amounts for other household types using equivalence factors estimated by the Statistics Netherlands from the Dutch Household Budget Survey (Vrooman 2009: 386).

As was true for Citro and Michael, many of the arguments given in favour of this approach (Soede and Vrooman, 2008) do not so much refer to the intrinsic validity of the method, but to the desirable properties of the resulting thresholds from a policy research point of view: e.g. the thresholds are not too high, and are stable over time. Also the use of the NIBUD budgets may provide a degree of face validity. However, the use of an equivalence scale derived from actual expenditure means that this face validity extends only indirectly to the thresholds of family types other than single persons.

In principle, the method could be used in other countries. The SCP has translated the 'modest-but-adequate poverty line to other countries using purchasing power parities, showing inter alia that the Netherlands is in the top three of EU countries with the least poverty (Hoff et al., 2013: 109-110). However, the most valid way would be to determine the initial threshold amounts for the reference household in line with the Nibud method in other countries, too, and to apply suitable empirical equivalence scales (Soede and Vrooman, 2008: 24). A problem would be that the NIBUD budgets are derived in various ways, not all of which are very clearly documented. Arguments frequently refer to rather specific Dutch circumstances.

The NIBUD RB takes the prices and supply of public services into account in a detailed way. So for single persons, the thresholds are responsive to changes in those services. However, as the SCP uses an equivalence scale derived from expenditure data, this will not be true for the thresholds for other household types with respect to some services. E.g., an increase in school fees will not lead to a rise in the threshold for a household with children. Also in the case of the 'generalised budget standard approach', high-quality and comparable household budget survey data are required.

Fully-specified RBs: the FBU method

In the eighties and nineties of the last century, fully-specified budget standards were revived in the UK by Jonathan Bradshaw and colleagues within the Family Budget Unit (FBU) and elsewhere (Bradshaw, 1993; Parker, 2000). They used a variety of information, including government guidelines, expert opinion, consumer surveys and expenditure consumption data and focus groups. These researchers did not aim at budget standards that represented a minimum to live on. They argued that these amounts corresponded to a standard of living, described as "modest but adequate" and "low cost".

The perceived weakness of the FBU approach was that it lacked a clear rationale or guiding idea. Maybe for this reason, rather much weight was given to actual expenditure patterns, in a way which seems questionable from a normative point of view. E.g.,

foreign holidays are included in the budget for two adult families and single men, “on the assumption that behaviourally it was ‘usual’ and affordable for adults without children to go abroad” (Bradshaw et al., 1993: 158). At the same time, the holiday for families with children consists of a self-catering flatlet in Blackpool, “as this type of holiday represents the picture built-up of the average family holiday” from several surveys (Bradshaw et al., 1993: 156). Nevertheless, it is likely that fully-specified RBs would not be around in many EU Member states without the work by the FBU. At the same time, it seems fair to say that the valuable elements of the FBU approach have been adopted by the approaches discussed below.

Fully-specified RBs: Consensual method 1: Ireland and the UK *

In the 90’s researchers at CRSP (UK) took a similar approach to the FBU, but, instead of panels of professional experts, ordinary people of different family or household types were brought together to form budget standards committees considering minimum needs. The developers of these 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 used the focus group methodology to get informed agreement about what constitutes a minimum in a particular society (Middleton, 2000).

A few years later, FBU and CRSP researchers blended the best elements of the two methodologies into a new approach, implemented as ‘Minimum Essential Budgets’ in Ireland (Vincentian Partnership for Social Justice, 2006) and the ‘Minimum Income Standard’ in the UK (Bradshaw et al., 2008). The consensual approach as implemented in Ireland and the UK aims at identifying 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. This approach is based on what groups of citizens think is necessary to achieve a minimum socially acceptable living standard and is informed by expert knowledge where considered relevant by the researchers. Citizens living in different types of households discuss in focus groups the content of baskets of goods and services required to meet their physical, psychological, and social needs. The input of experts is confined to certain areas of the reference budgets, especially food and heating. Following the discussion of various groups, pricing of the agreed lists of goods and services is done by researchers, who translate those lists into weekly budgets for various household types. An essential characteristic is that focus groups are asked to arrive at a consensus regarding the reference budgets (Valadez and Hirsch, 2014).

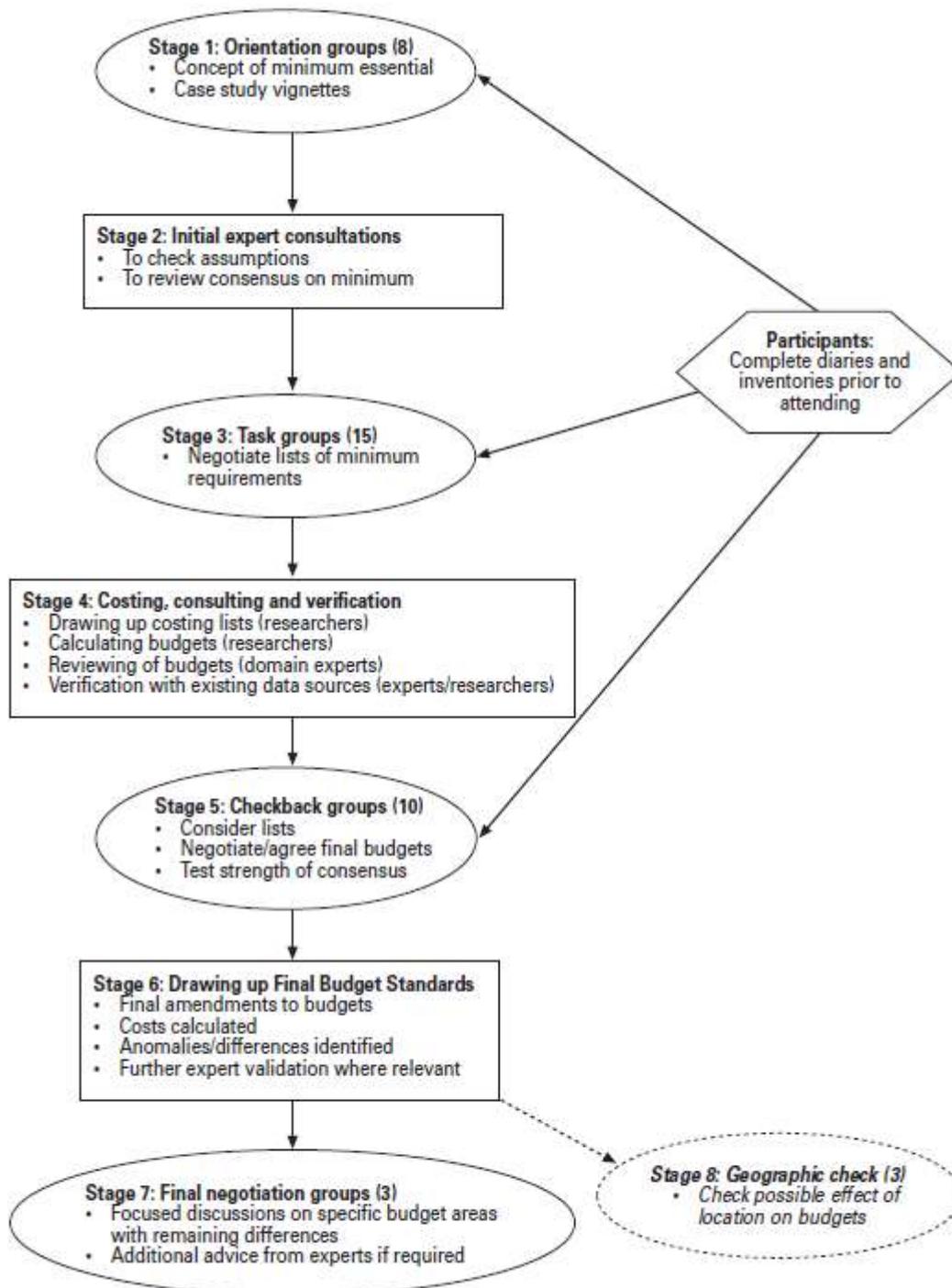
Researchers using this approach do not start from a predefined standard of living, but part of the consensual aspect of this methodology consists of asking groups of ordinary citizens to agree a definition of what is meant by a minimum. Researchers only insist that it should be about “needs”, not “wants”. Even though elements of the targeted living standards differ, in both Ireland and the UK participants in focus groups argued that the acceptable minimum goes beyond survival requirements for food, shelter and clothing; and should also cover psychological and social needs (Valadez and Hirsch 2014).

The consensual method as developed in the UK and Ireland relies on a particular sequence of focus groups with specific roles (orientation groups, task groups, checkback groups and final negotiation groups). Several focus groups are conducted at each stage, and experts are consulted where considered appropriate. Also, focus groups are explicitly given a deliberative role, which should focus participants towards an agreed consensus. An important character of the focus groups is that they are usually organised by household type. In Ireland three focus groups were organised for each family type (one at each stage with an orientation phase included for each group), and at some stages these groups met three to four times for 2.5-3 hours until for all items the number, quality, brand, lifespan and shop was agreed (Vincentian Partnership for Social Justice,

2006). This is somewhat different in the UK, where task groups are organised for each household member of the different model families separately (15 groups in total), while organising separate 'orientation groups' (8 groups). Also, rather than asking task groups to meet several times, they were organised in the form of day-long workshops. In Ireland discussions were organised on the basis of a list of thematic needs (food, clothing, personal care, health related costs, household goods, household services, social inclusion and participation, education, housing, transport, fuel, personal costs, childcare and savings/contingencies), in the UK discussions were organised by a technique of 'walking round' (in imagination) the model family's home. In the check-back stage, in the UK the number of groups was reduced by organising them by family type, rather than for each individual household member separately (10 groups in total). Three discussion groups were organised in the final negotiation phase, consisting of participants of previous discussion groups (Bradshaw et al., 2008).

In both Ireland and the UK, the original studies put much emphasis on having an informed discussion, through asking participants of discussion groups to complete a diary and make an inventory of some of the goods they own in advance of the group discussions, as well as by asking experts to review the budgets (especially regarding food and heating) and to provide input. Also, participants of discussion groups were continuously reminded that they had to focus on 'needs, not wants' and on what is needed for the model family, rather than for themselves (Vincentian Partnership for Social Justice, 2006; Bradshaw et al., 2008). Even though the consensual approach is implemented rather similarly in both countries, a detailed comparison of the UK and Irish baskets shows that in some baskets the quantity or range of items for meeting a particular need are greater in the UK than in Ireland. Some of these differences are due to institutional or cultural differences between the UK and Ireland, but it also appears that subtle differences in the exact wording of the definition of the minimum standard of living also played a role (Valadez and Hirsch, 2014). Following the example of Ireland and the UK, consensual approaches were also applied in other countries, notably in France and Portugal.

Figure 6: The research process of consensual reference budgets, as implemented in the UK



Numbers in brackets are the number of groups held in that stage.

Source: Bradshaw et al., 2008.

Fully-specified RBs: Consensual method 2: Belgium *

Another consensual approach has been developed by Bérénice Storms and colleagues in Belgium (2006-2009). Compared to the UK and Irish methods described above, there are some shifts of emphasis (Storms and Van den Bosch, 2009b, 2009a). In particular, it gives more weight to expert knowledge and expert judgement, as was the case in the

FBU approach. Its conceptual basis is founded on the Theory of Human Needs by Doyal and Gough (1991), which helps in making the links between needs, preferences, goods and services and their private cost more explicit. At the same time, at least three focus group discussions are organised for each model family type (as in the Irish approach), each consisting of one meeting of about 2-3 hours. These focus groups are asked to reflect upon an expert-based budget and to argue why they agree (or not) with it, upon what is potentially problematic or unrealistic about the assumptions behind the model families and which problems people might face regarding the accessibility and quality of public goods and services. This information is used to adapt the lists of goods and services and to carefully motivate the modifications as well as to contextualise the budgets. In other words, rather than aiming at identifying a consensus in society, the emphasis lies on preparing the ground for finding a possible consensus in society for well-motivated RBs, by systematically documenting all relevant information available, including information on institutions, expert knowledge, survey information, social theory and focus group discussions with citizens. Particular attention is given to governmental guidelines, regulations and recommendations so as to maximise the potential for policy learning and policy responsiveness. This approach has inspired the ImPRovE project to test the possibilities of constructing cross-country comparable reference budgets in Belgium, Finland, Greece, Hungary, Italy, and Spain; and is currently also implemented in Luxembourg.

Both consensual methods have several weak and strong points in common. A weak point is that in the construction of fully-specified RBs, a large number of decisions have to be made (either by researchers, experts or focus groups) many of which are to some extent arbitrary, creating a problem of robustness and scope for manipulation. To the extent that focus groups have to be consulted, a revision of the RBs will be nearly as time- and resource intensive as the original development of the RBs. A strong point is that the approach is responsive to the supply of government goods and services, especially if systematic attention is paid to governmental guidelines, and the availability, quality, accessibility and cost of publicly-provided goods and services. Also, using a wide range of evidence may enhance the quality of the arguments for including particular items, and so increase the validity of the RB, and its acceptability for policy makers. At the same time, the participatory character of the approach can enhance legitimacy and acceptability among the general public.

Cross-national comparability requires a new, specifically designed method

As is clear from the previous discussion, none of the existing approaches is specifically designed to be cross-country comparable. Expenditure-based approaches require high-quality comparable household budget survey data, which for the time being are not available. Fully-specified budgets have a particular challenge of robustness, given that for hundreds of items the number, quality, brand, shop and lifespan have to be defined. The latter concern raises the question to what extent this would also undermine cross-country comparability. Before reflecting more upon how cross-country comparability could be maximised, it is crucial to be clear about what we mean with cross-country comparability. Therefore, in this section we first define cross-country comparability. Second, we explain different approaches to reaching comparability. Third, we draw lessons from the ImpROvE project, which is the first attempt to construct comparable reference budgets in a wide range of European countries. Finally, we explain how we will approach cross-country comparability in this project.

A definition of cross-country comparability

In order to reflect upon the cross-country comparability of social indicators in general, and reference budgets in particular, it is necessary to define more precisely what we mean with cross-country comparability. We think it is useful to make a distinction between procedural comparability and substantive comparability. *Procedural comparability* means that the same procedures are implemented for measuring a phenomenon or characteristic at different occasions – different times or different places. Procedural comparability does not necessarily imply comparability in a *substantive* sense, which means that the same phenomenon is captured similarly in different social contexts. To assess whether that is the case requires a criterion that is separate from the procedures used, which is often not available, or is too vague to be of much use. Moreover, substantive comparability is often only partially achieved, and depends on the purpose for which an indicator is used. For instance, in pension studies theoretical replacement rates which adhere to the requirement of procedural comparability are a useful tool for evaluating the generosity of individual pension schemes, but can lead to biased conclusions about the generosity of pension systems as a whole, or their adequacy (that is, they are not substantively comparable for all purposes) (cf. Peeters et al., 2014). However, if a criterion for assessing substantive comparability is lacking, procedural comparability can be the only guiding principle to construct an indicator to be used for comparing countries, by lack of an alternative.

For the purposes set forth in this paper, we define *substantive cross-country comparability* as a situation in which at the level of the reference budgets, needs for social participation are satisfied at a similar level. This definition implies that the reference budgets should be sensitive to the local context in order to reflect cross-country (and within-country) variations in the goods and services that are needed at a minimum to fulfil the needs related to adequate social participation, and their associated cost for households⁸. At the same time, this definition of cross-country comparability requires that reference budgets should not be different for other reasons than those related to relevant differences in the local context. In other words, they may not vary as a result of differences in definition and interpretation of the targeted living standard, the methodology and procedures used to develop the reference budgets or, as a result of the simple fact of working independently. The latter point is important, given (1) the inevitably elusive character of the targeted living standard (see below); and (2) the

⁸ The argument we develop here, applies both to within and between-country differences. Given that in this pilot project reference budgets are developed for the capital city, no representativeness for the country can be assumed.

general lack of robustness of a range of information sources and procedures often used to construct reference budgets (see Storms et al. (2014) and above).

In our view, an ideal situation of full cross-national comparability can be further described as a situation in which differences between reference budgets are limited to those emanating from cross-national variations in: institutional context; climate and geographical conditions; culture; and in the availability, quality and price of goods and services. We briefly elaborate on each of these dimensions, even though we are well aware they overlap to some extent.

i. Institutional differences. This includes both the availability of publicly-provided goods and services, guidelines, and any obligations imposed by the government, but also the way the economy and social life are organised. Examples of the former are typically found in health care, education, child care, social housing and public transport. Particular attention should be given to their accessibility for low-income households. E.g. if the supply of public childcare is so limited that low-income households cannot expect to have access to it, private forms of childcare should be assumed. Limited supply or limited use should be shown by reference to public figures or survey results. In addition, institutional differences relate to requirements imposed on, or expected from citizens. Examples of obligations imposed by the government are requirements for finding work, e.g. the maximum time or distance for travel to work, or health care, e.g. required vaccinations.

ii. Climate and geographical conditions. First, depending on the climate, clothing requirements may differ. Since all EU countries experience both cold and warm periods, though to different degrees, this will affect the proportion of warm vs. light clothing. Next, the climate will be particularly important for the costs of heating and related items (e.g. insulation). Further, geographical conditions may affect transportation options. In some countries, cycling may be a realistic option, while in other countries or cities, hills as well as traffic conditions may preclude this.

iii. Culture. Social expectations regarding the roles that people should be able to play, can be expected to differ in important respects cross-nationally. Also, due to cultural habit, persons and households in different countries may meet the same needs with different culturally-determined goods and services.

iv. Availability, quality and price. Cultural preferences, economic development and the purchasing power of populations may all have an impact on the supply of certain goods and services on the market. It goes without saying that also prices vary strongly across countries. What may be the most economical choice in one country, may be not so economical in another. In all countries, though, the most cost efficient choice should guide the selection of goods and services.

One may wonder whether other factors such as cross-country differences in living standards or economic development should be counted in. We think this is not the case. We consider differences in living standards or economic development only relevant as a reason for differences in reference budgets insofar these affect the minimum resources required for adequately taking the social roles one should be able to take, through their impact on relevant differences in institutions, culture, and the availability, quality and price of goods and services. For instance, if average living standards decline as a result of a crisis, this would not automatically or immediately mean that the minimum resources required for adequately taking social roles, or considerations regarding which roles one should be able to take, would change as well. Rather, this is the case only insofar declining living standards modify social expectations regarding social positions, or affect institutions and the availability, quality and price of goods and services. A similar argument can be made regarding cross-country differences in living standards and economic development.

This definition of cross-country comparability implies that for assessing substantive comparability, and for the construction of reference budgets *tout court*, a massive data

collection effort is required regarding the four factors outlined above. Insofar these data are not available, we cannot be certain to what degree following the same procedures will result in substantive comparability. Therefore, we consider it an important aim of this project to evaluate to what extent substantive cross-country comparability can be assessed, to identify the most important data gaps and to propose ways to overcome data shortcomings. Insofar insufficient information is available, different scenarios of reference budgets will need to be developed in accordance with the requirement of procedural comparability, e.g. computing the out of pocket cost of buying a service on the market vs. assuming one can rely on its publicly-provided equivalent. This is in accordance with our argument that a targeted living standard is too elusive to identify a single monetary threshold for adequate social participation (see also below). Furthermore, it is by showing the out-of-pocket cost of different options, reference budgets reveal how the minimum required resources for adequate social participation can be achieved not only by increasing incomes, but also by making (public) goods and services more available and accessible.

Apart from important data gaps, full substantive comparability may prove a hard to reach ideal as a result of what we called the elusiveness of the targeted living standard. It is worth exploring a little the reasons why the targeted standard of living – the minimum financial resources required to participate adequately in society – remains elusive. We have defined adequate social participation as the ability of people to adequately take the various social roles one should be able to take as a member of a particular society. Maybe there is agreement on which roles are essential and general enough to put on this list. For instance, it could include being a citizen, parent, colleague, and neighbour. However, people have to fulfil those roles in various circumstances, and more importantly, subject to various social expectations. Moreover, people can have different views on which kind of performance of those roles meets those expectations adequately. In other words, social expectations regarding what it means to adequately take social roles may not always be fully crystallised, may show important variations between groups and persons in society, and may prove difficult to observe. Finally (or perhaps specifically), the material requirements for fulfilling those roles differ from person to person and from situation to situation. To give a simple example: in some schools there may be an expectation held by parents and children that children celebrate their birthday by inviting some friends to a movie theatre or indoor playground, or alternatively at home, in others that you provide some treat in school, and in still others there is no such expectation. In turn, the treat can be take-home sweets bought in a shop, or a home-baked cake, or something else.

When constructing reference budgets we try to limit the resulting variation in budgets by specifying the circumstances of persons and households as exactly as reasonably possible, and by assuming specific competences (see section 1 on the characteristics of the model families). Implicitly, we attempt to determine some kind of average of minimum adequacy across social expectations about persons in these circumstances and the goods and services required to meet those. Of course, there are many goods and services which are quite clearly needed by nearly everyone: adequate food and heating in the home are some examples. Equally clearly, many goods and services are luxuries, or only necessary in very specific circumstances. But there is also a grey area, where there is uncertainty and possibility for disagreement, especially in relation to the exact number, quality and lifespan of goods and services. This grey area is likely to differ across countries, and makes the task of constructing reference budgets that are substantively comparable across countries more difficult as for the items in the grey area it may prove near to impossible to evaluate whether the items and their quality and quantities included in various countries correspond to the same level of necessity for adequate social participation.

To sum up, we are convinced that the definition of cross-country comparability we propose is a possible contribution to the literature on social indicators in the European

Union, given that such a definition is largely lacking in scientific and political discussions (e.g. Atkinson et al., 2002; Marlier et al., 2007). At the same time, we recognise that the exact meaning of substantive cross-country comparability will always remain to some extent ambiguous in a context of substantial cross-country differences in institutions and culture, and vast differences in living standards. Besides, this is a challenge of many social indicators, which is made more explicit in the case of RBs as a result of their very concrete character. Yet, indicators aimed at measuring 'adequate social participation', including RBs, face an additional challenge of elusiveness of the targeted living standard, which makes substantive comparability more difficult to assess and achieve. Therefore, a specific method needs to be developed to maximise comparability, provide robustness checks, and allow for sufficient room to develop various options where valid alternatives exist. In addition, this reinforces our argument that reference budgets are illustrative and should be considered an instrument for consensus-building rather than a tool for measuring some form of consensus in society. As is shown by other studies, when doing so, important policy insights can be derived from reference budgets, in spite of the limitations to their robustness.

Approaches to achieving cross-country comparability

The main methodological challenge regarding cross-country comparability consists of identifying a procedure that strikes the right balance between keeping arbitrary and incidental differences in reference budgets across countries in check and maintaining a sufficient degree of sensitivity to the local context. One can imagine two extreme positions in accordance with procedural comparability: starting from the same procedures vs. starting from the same procedures and a single common list of goods and services. At a minimum, for achieving comparability, exactly the same *concepts*, *methods* and *procedures* should be used across countries. Even though there is some discussion about the possibility of equivalence of concepts, methods and procedures across cultures (e.g. Köbber, 1973; Tatje, 1973; Ember and Ember, 2001; van Deth, 2013), without the assumption that EU countries are sufficiently similar to start from the same targeted living standard and to apply the same methods and procedures, cross-national research and learning would become impossible, as it will be extremely difficult to carefully trace reasons for cross-national differences in reference budgets⁹. When aiming at comparability, it is even more important than for national reference budgets to have a clear conceptual and theoretical framework which describes what is meant by the targeted level of social participation, how this relates to social needs and how the latter relate to having access to certain goods and services. In order to make sure that the resulting reference budgets fully reflect cross-national differences, further specifications of the *content* of the baskets should be avoided, neither in terms of goods and services, nor in terms of the 'rules of thumb' and criteria for deciding upon the list of goods and services or pricing the items. By limiting between-country coordination to concepts, methods and procedures, sensitivity to the local context could be maximised so that all differences originating from the four factors outlined above, including those that are more intangible and harder to identify, come to the surface and are reflected in the reference budgets. This is one approach to developing comparable reference budgets.

However, many of the procedures and data sources used in the construction of reference budgets lack the degree of robustness that would be required to ensure that cross-national differences in the resulting budgets are only the result of the four factors outlined above. Certainly, at the present moment limited robustness is an unavoidable characteristic of any kind of fully-specified reference budgets, given that so many choices have to be made about the needs to be covered, the number, quality and type of goods and services to include, their life spans, providers and price. For many of these choices

⁹ This is of course a problem for many EU social indicators in the area of poverty and social exclusion, which are based on the application of the same concepts, methods and procedures in all Member States.

assumptions need to be made and often a range of valid assumptions (including so-called 'rules of thumb' and criteria) can be imagined. Also, in many cases information based on systematic observation is lacking, and to some extent the elusiveness of the targeted living standard cannot be avoided. All these elements challenge the robustness of reference budgets and the degree of substantive cross-national comparability in a situation in which the same methods and procedures would be used, but the venture would be otherwise uncoordinated. An additional, though related problem would be that in such a set-up, it would often be difficult to carefully identify the reasons for many of the differences between the resulting reference budgets across countries, undermining their usefulness for cross-national learning and policy evaluation as well as their credibility if used in a comparative perspective.

Therefore, another approach to reach substantive cross-country comparability consists in not only carefully specifying and applying all procedures for constructing reference budgets in a similar way while ensuring that the theoretical starting point is the same, but also in starting from the same list of goods and services. This list should also comprise the arguments in favour of including the goods and services on the list and excluding others, and the rules of thumb and criteria (where applicable) that have guided the development of this list. Starting from this list, in a subsequent step, country teams could adapt the assumptions (criteria, rules of thumb and others), number, quality, lifespans, providers and cost of goods and services to the local context, insofar sufficient evidence is available to justify deviations from the central list with regard to the four factors defined above. The major advantage of this rather standardised approach is that differences across countries reflected in the reference budgets have all been confirmed by national evidence, can be traced and carefully explained, and show for a number of well-defined household types the minimum cross-national variation in net incomes needed to reach a similar level of social participation.

Also the latter approach has its disadvantages. There is a risk that some cross-national differences would go unnoticed because researchers do not find sufficient evidence to justify a deviation from the common list¹⁰, but might have done so if the reference budgets would have been developed independently. Also, the list that is used as a starting point may have an impact (difficult to trace) on the absolute level of the reference budgets in other countries. For instance, reference budgets of other countries can be expected to be somewhat lower if the starting point would be a rather 'restrictive' list of goods and services, and *vice versa* if the starting point would be a rather 'generous' list of goods and services. In other words, the extent to which substantive comparability can be achieved and assessed, critically hinges upon the availability of sufficient information regarding differences in local contexts. It is clear that none of the two aforementioned approaches is fully satisfactory.

Lessons from other attempts to obtain cross-country comparable results

To the best of our knowledge, until now there has been only one concerted effort to construct cross-country comparable reference budgets in Europe, in which exactly the same theoretical framework, methods and procedures have been applied (cf. Storms et al., 2013). In this project (the ImPROvE project¹¹), researchers opted to apply a fully standardised approach, as described above, while applying a modified version of the consensual approach as implemented in Belgium. The participating countries are Belgium, Finland, Greece, Hungary, Italy and Spain¹². First results show that such an

¹⁰ This may result from the elusiveness of the targeted living standard, or the lack of adequate data, or both.

¹¹ <http://improve-research.eu>

¹² Statistics Luxembourg is implementing the same approach, but started somewhat later with developing the reference budgets.

approach proves to be workable in the sense that country teams were able to decide which items on the common list could be retained, which ones should be dropped, and which ones needed replacing, and, in the latter case, were able to find an appropriate substitute (cf. Goedemé et al., 2015). In so doing, country teams made numerous modifications to the original list of goods and services, on the basis of a clear argumentation (and evidence) in terms of institutional, climatological, cultural or economic differences. In this they were helped by the fact that the common list of goods and services mentioned the functions that goods and services should serve. In fact, it is noteworthy that country teams did not suggest any substantial change to the list of functions that goods and services should serve. Apparently, the latter do not vary much across these countries. In addition, focus groups could have a meaningful discussion of the common basket, and offered sensible reasons for adapting it to local circumstances. By starting within each country from a common basket, researchers were in a much better position to explain and justify differences in the baskets of goods and services across countries, than otherwise would have been. Also, with a view to cross-national learning, researchers were able to indicate clearly which cross-national differences were due to each of the four factors outlined above, of which institutional differences are of particular relevance. This was helped by the requirement of actively looking for evidence to justify deviations from the common list of goods and services. As a result, country reports include both a description of the national context (institutional, cultural etc.), and how this affects the reference budgets.

At the same time, currently it is unclear to what extent such an approach risks to underestimate cross-national differences. In spite of the fact that country teams made numerous modifications to the original common list of goods and services, national reference budgets may be biased towards the (Belgian) list that was used as a starting point. Further research will need to clarify to what extent this bias is present.

This approach has some attractive features with regard to the purposes of cross-country comparable reference budgets set forth by the European Commission: given that the impact of institutional cross-national differences on the resulting reference budgets can be carefully identified and illustrated, the reference budgets and their components (education, health care, mobility, ...) can be a useful tool for cross-national learning and help design adequate and efficient social protection schemes. Also, the reference budgets may help to contextualise the EU social indicators, and especially the at-risk-of-poverty indicator, by showing what kind of living pattern is feasible (or not) with an income at the level of the reference budgets. However, the use of a common list of one individual country as a starting point is a rather unattractive feature if the reference budgets are used to evaluate the adequacy of minimum income support schemes. It is not unthinkable that for some Member States the potential of bias in the reference budgets towards the common list will undermine their acceptability for evaluating the adequacy of minimum income support. The latter concern could be attenuated if in future projects one would not start from a list of goods and services of one particular country, but from some 'greatest common denominator' of a wider group of different countries, or by starting from a different approach, as we will describe below.

Importantly, some other lessons can be drawn from this first attempt to construct cross-country comparable reference budgets. First, public guidelines offer important information on systematic differences in social expectations, but they do not provide ready-made information that can be uncritically adopted for reference budgets. An important characteristic of the consensual approach as implemented in Belgium is its reliance on a wide range of information sources to identify social expectations regarding adequate social participation, of which public guidelines and regulations are an important source. In the ImPRovE project, some of the limits of this information source became more clear. Even though it is generally recognised that food customs vary too much in Europe to have a single food guideline for all EU Member States (cf. European Food Safety Authority, 2010), national guidelines regarding adequate food intake seem to vary

quite a lot, and more than what one would expect on the basis of what is necessary for a healthy diet. Also, some food guidelines seemed to be somewhat outdated. This illustrates the importance of checking the extent to which national (food) guidelines structure society and influence social expectations and the extent to which they are in accordance with the most up to date knowledge about adequate food intake.

Second, pricing the baskets in a robust and comparable way remains an important challenge. As is the case for many reference budget projects, in the ImPRovE project, country teams carried out their own price survey for pricing the baskets of goods and services. However, pricing the items in a comparable way in all countries is not as straightforward as one might expect. For instance, clothing should ideally be priced in country-wide chains which offer some choice as regards quality and prices (in accordance with what is minimum necessary for adequate social participation for that particular country). However, such chains do not exist everywhere. For some items researchers could observe large price variations which are sometimes difficult to make sense of. Using price information collected by national statistical institutes, or cooperating with such institutes for this purpose, might improve the validity and the transparency of pricing data, which are of course crucial.

Third, obtaining valid and robust housing cost information from comparable survey data proved to be not straightforward and more research is necessary to arrive at a satisfactory housing cost estimation procedure. Given the importance of the latter two elements (pricing and defining housing costs) for the resulting reference budgets, both factors remain an important challenge to any method that aims for cross-country comparable fully-specified reference budgets.

Tensions between objectives and justification of our proposal

As explained before, there can be some tension between the requirement of cross-country robustness and sensitivity to the local context. The table below summarises the strengths and weaknesses of various approaches to reaching cross-country comparability, in relation to the objectives of the European Commission regarding the use of reference budgets. The table makes a distinction between three stylised approaches in order to illustrate the advantages and disadvantages. A first approach would be to have no, or very limited, cross-national coordination whatsoever. This corresponds to the situation we had in Europe until a few years ago. Reference budgets were developed rather independently, and each country either tried out its own idiosyncratic method, or (more commonly) made some adaptations to a method that had been implemented elsewhere. Even though teams with experience in other countries were consulted, the targeted living standard, the theoretical framework and the exact procedures that were followed for constructing and documenting the reference budgets varied substantially (Warnaar and Luten, 2009; Storms et al., 2014). As a consequence, the resulting lists of goods and services, and their total prices are difficult to compare as it is unclear to what extent differences reflect local circumstances, incidental factors, or different targeted living standards, methods and procedures. Consequently, these reference budgets offer very limited information for substantial cross-national learning, and they cannot be used for contextualising social indicators, or evaluating the adequacy of minimum income benefits *in a cross-national perspective*.

Any serious attempt at cross-national comparable reference budgets, should define at least a common targeted living standard, theoretical framework, methods and procedures. This involves at least some 'procedural coordination' across countries, to ensure that in all countries reference budgets are developed within the same time frame, and that everyone implements the method in exactly the same way. In this case, it can be ruled out that cross-national differences in the reference budgets are the result of different procedures, methods or targeted living standards. However, apart from differences in local contexts, the resulting reference budgets could vary also as a result of the 'elusiveness' of the targeted living standard and the lack of robustness of any

method to develop fully-specified reference budgets and the information sources on which it is based. Nonetheless, it can be expected that – if a sufficiently robust method is used – the order of magnitude of the cross-country differences will first and foremost reflect real cross-national differences in the minimum required resources for adequate social participation. As a result, globally, the reference budgets should allow one to compare cross-nationally the adequacy of income levels and to contextualise social indicators. Yet, it would be difficult to carefully trace the reasons for cross-national differences in the reference budgets. It would be impossible to say for all the items on the lists of goods and services to what extent cross-national variations and similarities would be the result of genuine differences and similarities across countries, or the result of random factors at play. Consequently, even with an extra round of research after the completion of the reference budgets to clarify the reasons for cross-country differences, the latter could not be carefully explained. Evidently, this would seriously limit the possibilities for cross-national learning.

In contrast, in a fully coordinated approach, the question of genuine cross-national differences would from the very start be integrated into the research process to construct reference budgets. By starting not only from full procedural coordination, but also from the same list of goods and services, the research question for each country team is precisely to document the reasons for the changes made to the central list in order to adapt it to the local situation. Therefore, if country teams report their changes to the central list, it can be asked to check whether differences correspond to genuine differences in the national context, or to incidental factors and whether an alternative solution would be equally acceptable and valid or not. By integrating questions of robustness right from the start into the research process, the discussion of these differences can be checked throughout the process not only by referring to other studies regarding the institutional or cultural context or survey data, but it can also become a part of focus group discussions, or other methods to consult citizens. In this way, cross-national robustness is considerably increased, and cross-national differences can be fully justified and explained. As a result, by requiring country teams to document carefully the local situation, and by clearly explaining the reasons for deviating from a common list of goods and services, the potential for cross-national learning is maximised. The resulting reference budgets would not only help national governments to design efficient and effective social protection systems, but will enable them to do so in a cross-national perspective, by allowing them to see immediately how governments in other countries reduce the living cost for low income families. Such an approach might also allow the Commission to monitor the adequacy of minimum income support in a cross-national perspective and to contextualise other social indicators. At the same time though, it may be that by starting from a common list, national policy makers might perceive the resulting reference budgets as biased towards the common list, if it cannot convincingly be shown that this is not the case.

As it turns out, neither of these three approaches to reach cross-country comparability is fully satisfactory. Therefore, our proposal for a method to construct fully comparable reference budgets, will be something in between procedural coordination and a fully coordinated approach. Rather than starting from a single list, during the various stages of the research process country teams will always first start from their local situation for drafting the list of goods and services, after which it is checked to what extent alternative choices, in line with choices made in other countries, would be equally valid or not. To help setting up reference budgets in all countries, examples of reference budgets for several countries will be integrated in harmonised data files, which are used by country teams to develop the RBs for the capital city of their country. Evidently, this approach increases the workload for the coordinating team in comparison with a fully coordinated approach, given that now there will be multiple points of comparison, rather than a single reference point offered by one central list of goods and services. At the same time, though, it would limit the risk that national reference budgets are biased to a common

list of goods and services, without compromising too much on the possibility to carefully track and explain cross-national differences so as to optimise cross-national learning.

Table 1: Approaches to achieving cross-country comparable reference budgets

	No international coordination	Procedural international coordination	Fully coordinated approach
Example	Current situation e.g; reference budgets of the same 'family' as described in section 3	No examples available	ImPRovE project (6 + 1 countries)
Sources of cross-national variation	Differences in targeted living standard, theory, method & procedures Lack of robustness of the method (including random factors) Elusiveness of targeted living standard Differences in the local context	Lack of robustness of the method (including random factors) Elusiveness of targeted living standard Differences in the local context	Lack of robustness of the method and elusiveness of targeted living standard are addressed similarly, and may be expected to have a similar impact cross-nationally Differences in the local context
Potential use for comparative purposes	Little use for international comparative purposes	Reasons for cross-national variation difficult to trace, limits potential for cross-national learning Cross-national evaluation of adequacy of benefits and contextualising social indicators At the national level, helps design efficient and adequate minimum income support and inclusive society, but severe limits to doing this in a comparative perspective	Cross-national learning optimised, differences between reference budgets can be fully explained Unclear to what extent evaluation of adequacy of benefits will be acceptable by Member States Contextualisation of social indicators Helps to design efficient and adequate income support and inclusive society, in a comparative perspective

Proposal for cross-country comparable reference budgets in Europe

In this section, we describe our proposal for a method to construct cross-country comparable reference budgets which maximises the potential for complying with the purposes set forth in this project. To do so, we first set out the underlying principles of our proposal. Next, we describe the proposed approach in some detail. Subsequently, we explain that due to the variation in the nature of goods and services related to different needs (e.g. housing, clothing, food), the approach has to be refined to take account of the specifics of different baskets of goods and services. Thereafter, we highlight how the approach we propose tries to optimise robustness and cross-country comparability. Finally, we explain that if in the future more resources are available, it is highly recommended to expand the approach by setting up a more extensive consultation of citizens.

Principles

We aim at Reference Budgets (RBs) that correspond to the minimum financial resources needed to adequately participate in the various EU Member States. Such reference budgets should be suitable for evaluating the adequacy of income support in Europe and help designing efficient and adequate income support throughout Europe. Also, they should facilitate mutual learning and help the identification of best practices in the fight against poverty. Finally, they should be designed such that they are a helpful tool for the implementation and monitoring of the 2008 active inclusion recommendation and the 2013 Social Investment Package. This implies that they should both be comparable across the EU member states, and also reflect the institutional, cultural, economic and physical conditions in each Member State. With cross-country comparability we mean that at the level of the RBs, needs for social participation are satisfied at a similar level. This implies that principles and procedures used in the development of RBs should be the same as much as possible, while being designed such that RBs reflect cross-national differences in factors that have an impact on the minimum required resources for adequate social participation.

Given this general starting point, we have formulated the procedure sketched below in accordance with the following principles:

1. Reference budgets (RBs) are an **instrument to build consensus** about what should be an adequate minimum income in society. They should reflect the latest state of knowledge about the amount of financial resources that people need at a minimum to adequately participate in society. Their potential for generating consensus should be tested in real life discussions and will become apparent from their use by various stakeholders. In order that reference budgets can fulfil their consensus-building role, the inclusion of goods and services that all people in a certain society should be able to have or use, must be well-motivated and grounded in scientific and experientially-based knowledge. Argumentation and transparent documentation are considered key requirements to allow reference budgets to fulfil their consensus-building role.
2. Reference budgets can be constructed for all kinds of targeted living standards. In this project we develop reference budgets that correspond to the **minimum financial resources needed to adequately participate in society**. In order to be credible and politically useful it should be clear that below the level of the RBs, adequate social participation is not possible.
3. What it means to participate adequately in society is a **normative** question. Therefore, reference budgets should not necessarily reflect actual consumption

patterns. At the same time, it should be avoided that they are interpreted in a prescriptive way. Reference budgets are *illustrative* priced baskets of goods and services. They can be designed in a way that people can learn how to live economically and healthily, but they should not be used to prescribe behaviour.

4. The focus of the reference budgets is on the private cost for households of a certain basket of goods and services that represent the minimum needed for adequate participation in society. The identification of needs should always refer to a particular societal context (that can be characterised on the basis of the availability and accessibility of public goods and services, its climatological and geographical features and cultural characteristics,...) in which people live. Therefore the priced baskets that represent the reference budget should always refer to the private, **out-of-pocket cost for households** (or the disposable household income) which will – *ceteris paribus* – be lower in societies with a higher level of accessible public goods and services.
5. Reference budgets can only be developed for a limited number of **clearly defined model families** to which households in real living situations can be compared. Representing the minimum income needed to adequately participate in society, the members of the model families can be characterised as persons in adequate health, without disabilities, with normal competences and who are well-informed. Adequate health means that persons are able to perform the normal tasks of daily living as required by their social roles without special resources, and also that they do not suffer from health conditions requiring medical treatment or medicines. The reason for this assumption is not so much that this is the most common health condition (this is certainly not the case for many low income families), but rather that health problems vary enormously depending on their kind and severity, each having different implications for the needs of the person affected. The competences of the family members are those of well-informed persons, having the necessary abilities to be self-reliant and to shop and cook economically (i.e. people who know their social rights and how to access public goods and services, are able to compare prices and buy the products with best value for money, etc.). This assumption is motivated by the fact that we are looking for a minimum income. Other characteristics that must be specified in order to guarantee cross-country comparability are the number and ages of the family members, their work or education status, the home tenure status and the kind of housing, and the physical and social environment in which they live (large city, small town, rural). Since many persons do not have the presumed characteristics many (esp. low income) people will need more economic resources to be able to fully participate in society than is indicated by the RB. Therefore, the report accompanying the reference budgets should also clearly describe the real situations in which people live and the extent to which they have access to public goods and services. In future work, it would be useful to modify some of these assumptions, for instance regarding the health status of one of the model family members.
6. The RBs developed in this project integrate a needs- and a rights-based perspective and combine this with a consensual approach. As a starting point for developing reference budgets, both human needs and human rights are taken into consideration. For the identification of essential human needs for participation, both the philosophical and empirical literature is consulted. Health and autonomy are considered universal needs that need to be fulfilled in order to be able to adequately participate in society. A more concrete elaboration of what adequate social participation means in every country, is an empirical question that we will answer on the basis of **a mixed-method approach**. In order to maximise validity and to ensure responsiveness to policies, the approach makes use of a wide range of information sources, including official guidelines and regulations, scientific

literature, survey information, available studies on the availability, cost and accessibility of (publicly-provided) goods and services, expert opinion, and, importantly, original data collection through the organisation of focus group discussions. In this approach, the consultation with citizens is considered key to develop valid and well-motivated reference budgets.

7. The approach we propose aims at optimising the **potential for policy learning**. Therefore, it tries to maximise substantive **comparability** across countries, while taking procedural comparability as a minimum requirement. We explicitly recognise that it is not possible to identify one exact lower bound on the minimum required resources to participate adequately in society due to the elusiveness of the concept of adequate social participation and the lack of data regarding a number of important issues, especially for some countries. Therefore, we will compute for some baskets several options under different assumptions (e.g. regarding tenure status and mobility), reflecting the uncertainties regarding the suitability of some assumptions as well as the great variation in living conditions between people. In this way, the potential for policy-learning is increased through documenting the impact of different living conditions and institutional contexts on the minimum financial resources required for adequate social participation.
8. The previous point also implies that if more evidence based and systematic observation becomes available, **the quality of the arguments and the quality of the reference budgets will improve over time**. In fact, towards the end of the project we will identify the choices made for constructing the reference budgets that would benefit most from more systematic observation. To give just two examples, the quality of RBs would undoubtedly benefit from more systematic information about the lifespans of some goods and about the accessibility of some public services in a wide range of EU Member States.
9. The approach we implement in this project is designed with substantial attention for **feasibility**, such that it can be expanded and updated in the future, while indicating how it can be improved if more resources are available. At the same time, our approach takes into account that many country teams have limited experience with constructing reference budgets, acknowledging that an important goal of this project is capacity building.
10. Finally, the approach and theoretical basis for our proposal are conceived with a view to developing cross-country comparable reference budgets **for European countries**, with functioning democracies and middle to highly developed economies. We do not claim that our approach would be valid or lead to comparable results if it would be applied in very different contexts.

The approach in a nutshell

The procedure of the mixed-method approach we propose for this project is summarised in Figure 1 below. We propose a six-phase procedure for constructing cross-country comparable reference budgets in Europe. The six phases can be summarised under the following headings: (1) preparation; (2) orientation; (3) argumentation; (4) deliberation and pricing; (5) arbitration; and (6) dissemination and discussion. During most of these phases, country teams are leading the process, while in the first and fourth phase the coordinating team of researchers and domain experts is in the driver's seat. In the text that follows, we briefly elaborate on each of these six phases.

Phase 1: Preparation

The first phase consists of three elements: the development of a network of experts & stakeholders, the development of a handbook; and the development of basic data files to collect the detailed lists of goods & services, their quantity, quality, price and lifespan. The construction of reference budgets requires a massive amount of data. Therefore, the

coordinating team and national research teams need to liaise with a wide range of international and local experts and researchers to make sure they can rely on the necessary expertise for constructing the reference budgets. In addition, it is crucial to set up a network of international and local stakeholders for which the reference budgets can be of interest. This is important, as reference budgets are an instrument to build a consensus about the requirements and cost of adequate social participation, and to make sure reference budgets are not misused by policy makers. At the same time, reference budgets are complex and should be disseminated correctly. Both these goals will be served by involving stakeholders from the start. Given the European character of this project, a stakeholder group is formed at the European level and within each participating country.

The handbook and the basic data files are the same for all countries, but need to be adapted to the local context for constructing national reference budgets. This handbook is subject to improvement, as more information will be collected during the project, and especially during phase 2 ('orientation') of the process. The handbook ensures that all RBs refer to the same targeted living standard, brings together the latest state of knowledge on the topics that are relevant for the reference budgets and contains common criteria and procedures for constructing national reference budgets. This includes principles and guidelines which are used for pricing the various baskets which are covered by the RBs.

More in particular, in the first chapter of the handbook, the targeted living standard and the target population are explained, as well as the chosen model families and the procedure for constructing reference budgets. This ensures a minimum level of cross-country comparability. In the subsequent chapter, we elaborate on the rights-based and needs-based perspectives on the minimum resources needed for adequate participation, so as to give a strong theoretical foundation for further developing RBs in Europe. The focus is on what is common to all EU Member States. The rights-based perspective highlights primarily the social roles that people should be able to play and draws on international and European declarations and legislative initiatives. The needs-based perspective draws primarily on the social-philosophical literature as well as on empirical evidence regarding the needs that should be fulfilled in order to be able to adequately participate in society. The result of the chapter is a list of social roles that, at a minimum, people should be able to play, if they want to; and a list of needs, which will help to organise the 'fieldwork' and structure the lists of goods and services.

Subsequently, the handbook will include one chapter for each of the 10 'intermediate needs' that we have identified for organising the process for constructing reference budgets (see below). Each chapter will summarise the latest state of knowledge regarding what is required to fulfil this particular need, and some of the evidence that is available regarding institutional and cultural cross-national differences. Furthermore, the book chapters summarise the main arguments in favour of including or excluding certain categories of goods and services, based on the international literature as well as previously constructed reference budgets. To do so, they focus on the various functions that these good and services need to fulfil, as the latter are likely to be more universal than the goods and services themselves. In addition, each chapter includes some common rules of thumb regarding how the reference budgets can be constructed for that particular need. Finally, each chapter suggests appropriate ways of pricing the goods and services, as these can differ in important ways across the intermediate needs.

In addition to the handbook, harmonised excel sheets are prepared to help to construct the RBs in a way that ensures transparency and easy comparisons across countries. The excel sheets will be organised along the list of intermediary needs, broken down into more specific categories ('functions')¹³. In addition, excel files with detailed example lists

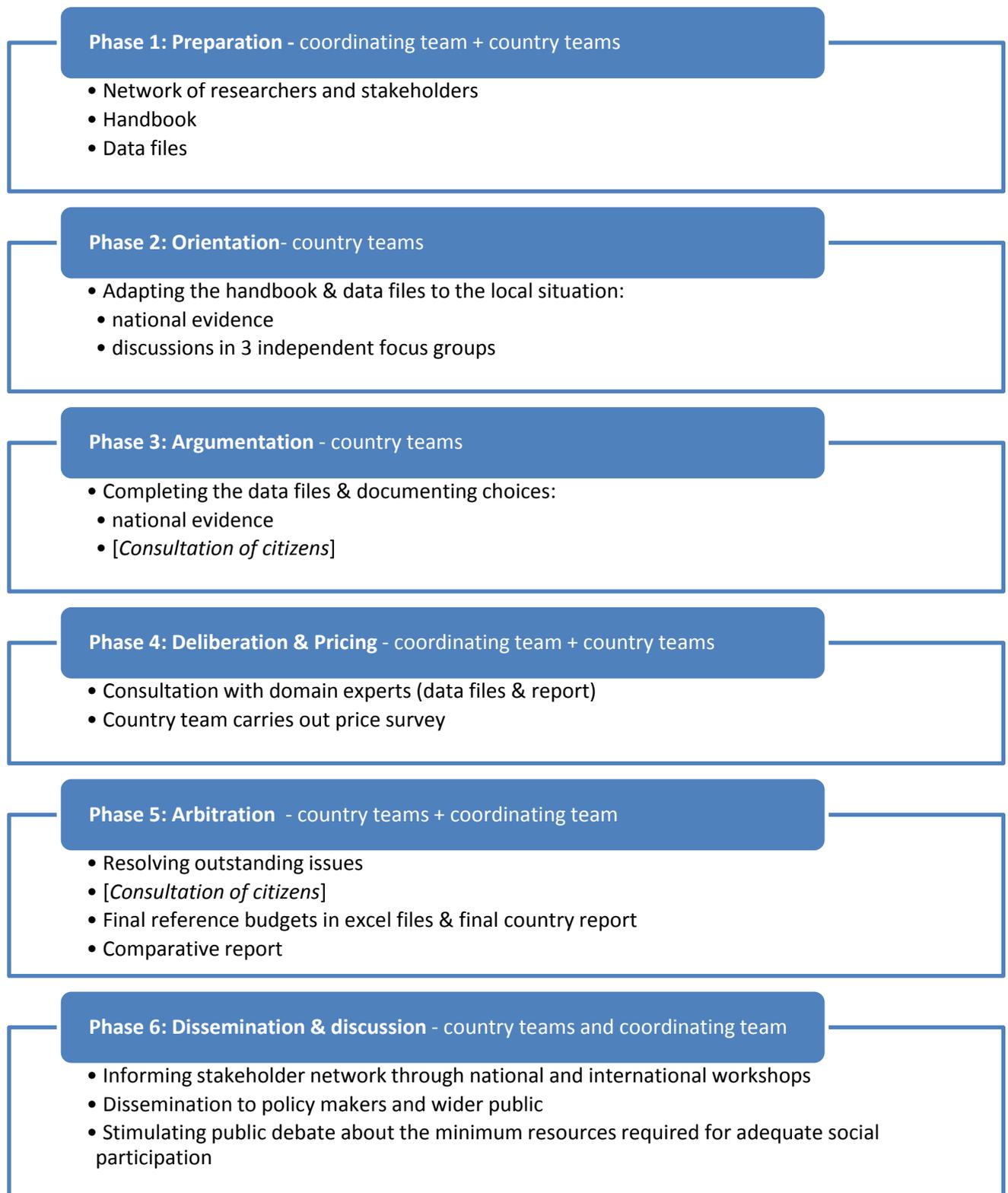
¹³ Later, we could also include an appropriate code so that the goods and services collected in the data files can be easily reorganised in line with the COICOP classification (insofar the latter is sufficiently

of goods and services of reference budgets that are derived from existing cross-nationally comparable reference budgets will be made available to all national partners. These lists are not included as a standard, but rather serve the purpose of making the categories of needs more clear, and help to ensure completeness of the final RBs. In addition, it will help to identify and clarify important variations between countries.

As a result, the output of the first phase includes a handbook, harmonised data files that will be used to compose national lists of goods and services and to collect the prices of all the items on the list, and a broad network of international and national experts and stakeholders.

detailed for this purpose), or on the basis of fixed costs, living costs and reservation costs, a classification that is often used for budget counselling and debt advice. The Classification of Individual Consumption by Purpose (COICOP) is an official and widely used classification of goods and services consumed by private households. Organising the excel files on the basis of this classification allows for an easy comparison with household budget survey data and indexation on the basis of product-specific consumer price indices.

Figure 7: Workflow for constructing comparable reference budgets in Europe



Phase 2: Orientation

During the orientation phase of the process, country teams lay the foundation for developing reference budgets for their country by validating and contextualising the theoretical framework and by collecting basic information that will give orientation to the development of the reference budgets in all subsequent phases.

The research process in this phase is closely interconnected with fresh data collection regarding well-informed opinions of citizens through the organisation of three focus group discussions. More in particular, country teams look for evidence regarding the following questions:

1. Which are the social roles that all people should be able to play?
2. What activities are associated at a minimum with these roles?
3. What needs must be fulfilled in order to be able to adequately play these roles and carry out the activities listed above?
4. What broad categories of goods and services are required to fulfil these needs?
5. To what extent can and should people rely on publicly-provided goods and services for adequately playing these social roles and carrying out the activities listed above (e.g. health care, education, transport,...)? Are there any problems with quality, accessibility and cost (e.g. informal payments) that should be taken into account?
6. To what extent can and for which items should people rely on second hand goods (e.g. clothing, durables,...); as well as informal exchanges of goods and services (e.g. food, child care,...) for adequately playing their social roles?
7. To what extent and for which items can and should people rely on 'production for own consumption' (in particular food) for adequately playing their social roles?
8. For what goods and services can and should people rely on the cheapest on the market and for what types of goods and services should more choice be possible (e.g., branded products be included in the list of goods and services)? What would be appropriate providers/stores of the various goods and services?

The first four research questions serve two purposes: (1) to validate the theoretical framework and to test its acceptability in the local context; (2) to give flesh and blood to what it means to adequately participate in a particular society. On the basis of international declarations and conventions a minimum list of social roles that people in all EU Member States should be able to take is derived and described in the aforementioned handbook. However, it may well be that in some countries formal or informal institutions are such that the list should be expanded. Therefore, country teams will need to check relevant national and regional guidelines and legislation. In addition, the list will be validated through discussions in three focus groups. The final (country-specific) list of social roles and related activities will help to specify lists of goods and services and to argue why specific goods and services are needed.

However, many social roles require similar goods and services (e.g. being a parent and being an employee both require food and clothing). Therefore, the fieldwork (and the list of goods and services to be identified for the reference budgets) is organised in accordance with a list of needs. As explained in the handbook, this list of needs is derived from the Theory of Human Need, developed by Doyal and Gough (1991). The leading 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 & Gough (1991) posit that each actor has two universal basic needs: 'physical health' and 'personal autonomy'. At a less abstract level, ten intermediate needs are identified (ranging from adequate nutrition and clothing to safe childhood and significant relationships), which

must be satisfied at a minimal level. In this project, we start from a slightly adapted version of Doyal and Gough's list of intermediate needs to translate it into 10 baskets of goods and services. As is the case for the list of social roles and related activities, this list of needs and their corresponding broad categories of goods and services will be validated and contextualised on the basis of national guidelines and regulations and the relevant literature, as well as three focus group discussions in all EU Member States.

Questions 5-8 aim at giving more concrete guidance to the construction of reference budgets and at documenting reasons for cross-national differences. All these questions have a factual and normative component. The factual component relates to the extent to which people rely on publicly-provided goods and services, second hand goods, informal exchanges, production for own consumption, the 'cheapest' products on the market and the providers they tend to frequent. Also, it relates to the question to what extent there is a social gradient in the latter consumption patterns. Knowledge about these factual patterns is a requirement in order to make a well-informed normative judgement about what is an appropriate consumption pattern for the minimum needed for adequate social participation. As we know from behavioural economics and social psychology, people tend to be inadequately informed about what others in society do, think or have (cf. Crano, 1983; van der Pligt, 1984; Krueger and Clement, 1997; Monin and Norton, 2003; Thaler and Sunstein, 2009; Wojcieszak and Price, 2009)¹⁴. Therefore, country teams need to collect first evidence on actual consumption patterns and on opinions related to these consumption patterns, as well as, crucially, on the availability, quality and accessibility of publicly-provided goods and services. Relevant information sources include results from existing surveys, a review of other quantitative and qualitative studies and public guidelines and regulations. In a second step, the normative judgement will be discussed in three independent well-informed discussion groups. Three groups (of about 8 persons each) are not sufficient to make a final, let alone representative, judgement about this, but it will provide guidance regarding what, of the various alternatives to be calculated for the reference budgets, would be the most suitable options for each country. It is likely that for some of these questions, no evidence is available, so that the focus group discussants are the only source of information.

Ideally, the consultation of citizens is carried out on the basis of a well-informed representative and sufficiently large sample of the relevant population. However, given current practices in reference budgets research, as well as budget and time constraints in this project, this consultation will be done in the format of three focus group discussions. These focus groups will be composed of persons with different socio-economic backgrounds and discussions will be carried out in the same way in all participating countries. Each topic is discussed first in the format of a 'brainstorming session', followed by a discussion of the common list included in the handbook (questions 1-4) or input provided on the basis of the available evidence (questions 5-8). Detailed instructions regarding the recruitment, organisation, interpretation and analysis of the focus group discussions can be found in Annex 1.

The output of this phase can be summarised as follows:

- Detailed documentation of the national actual situation regarding questions 1-8, which will feed into the country report and serves as a basis for well-informed discussions;
- Insofar discussions of focus groups come to similar conclusions: an adapted and refined list of social roles, activities associated with these roles and refined data files which reflect these adaptations as well as a documentation of the arguments in favour of or against the acceptance of this list;

¹⁴ For a recent accessible illustration, see <https://www.ipsos-mori.com/researchpublications/researcharchive/3466/Perceptions-are-not-reality-Things-the-world-gets-wrong.aspx> (last consulted November 2014).

- Insofar no agreement within or between focus groups exists: open issues for which baskets of goods and services containing two or more alternative options will be developed;
- Information on the extent to which the international theoretical framework (the needs- and rights-based perspective) is confirmed by people living in all 28 Member States, and how it should be adapted to reflect better the state of affairs in various countries.

Phase 3: Argumentation

On the basis of the guidance received from the previous round of discussions, national and regional guidelines and regulations, the collection of additional evidence and, where needed, expert opinion¹⁵, country teams draft a first proposal for national reference budgets (that is, a detailed and complete list of goods and services including their quality, quantity, lifespan and provider). For some baskets, rather detailed well-motivated recommendations will be available from the handbook (e.g. regarding food, health care, ...). For a wide range other goods and services, no such detailed international guidelines can be given, but examples of other reference budgets will help to translate the lists of activities and guidelines of phase two into concrete sets of goods and services. The focus in this phase is on developing complete lists of goods and services that reflect the minimum that is needed for adequate social participation, as well as a careful argumentation for including all items on the list and excluding others. The input by focus groups on the basis of the previous phase is key. For reasons of feasibility and focus on argumentation and informed discussion, this first draft of RBs will be done by the country teams, building on all relevant sources of information. It is essential the argumentation for composing the list of goods and services is well documented, including the background information which has informed the argumentation.

Of course, sometimes rules of thumb are required and the argumentation will unavoidably be more solid for some items than for others. Therefore, it is essential all 'choices' are transparently documented and motivated. In cases where alternative equally valid options would be suitable, various alternatives should be documented, especially if these relate to the consumption of publicly vs. privately provided goods and services. The list of goods and services will be documented in harmonised excel files developed by the coordinating team, and a country report explaining the argumentation for the inclusion of all the goods and services on the list. The latter document will also include, insofar possible, a discussion of the extent to which actual living conditions and consumption patterns differ from those assumed for the list (and the underlying model families).

Given the normative character of the exercise, and to make sure the list of goods and services is complete and acceptable, it should be developed in interaction with the consultation of citizens. Due to budget and time constraints, in this project this

¹⁵ As explained in section 1, in contrast to much of the literature on reference budgets, we think it is important to make a clear distinction between what we would call 'expert knowledge' and 'expert opinion'. 'Expert knowledge' is knowledge generated by systematic observation or experiments, which is replicable and verifiable and not much dependent on personal judgement (e.g. a finding cited in the scientific literature, a sample survey estimate). This is distinct from 'expert opinion' which we define as knowledge generated through specific long-term experience with a certain area, which is to an important extent personal and cannot easily be double-checked or replicated by a third party. Examples are the specific knowledge of social workers, budget counsellors, architects (e.g. in relation to insulation requirements and energy consumption), and many other types of experts. An expert is anyone who has specialized knowledge in specific, well-distinguished domain, based on research, experience, or occupation. An expert need not necessarily have professional or academic qualifications, but it is important that his or her expertise is somehow socially recognized, e.g. by a suitable position in a particular organization.

consultation will be limited to the discussion of the food basket in the three previously mentioned discussion groups¹⁶. In a first step, on the basis of national food-based dietary guidelines an adequate food basket that allows for a healthy diet will be developed in close cooperation with a nutritionist. On the basis of this food basket, a week menu will be developed. The acceptability of this menu in terms of variation, feasibility (e.g. regarding cooking fresh meals) and taste will be discussed, as well as the required kitchen equipment. In addition, focus groups will discuss other (social) functions of food and will suggest the additional requirements for meeting these functions. Detailed instructions of how this is to be done are included in Annex 1 of this report. On the basis of the results in the three focus groups, the country teams develop a well-motivated complete list of goods and services for the food basket.

The output of this phase can be summarised as follows:

- A first draft of reference budgets for each country, with alternative options shown where relevant. The lists are recorded in a harmonised data file
- A list of arguments regarding the list of goods and services (including their quality, life span, and providers).
- A revised country report with more detailed information on the national situation, that is, a translation of the need-specific handbook chapters to the national situation.

Phase 4: Deliberation & pricing

Deliberation

During the fourth phase, the country teams put everything together and send it to the coordinating team. The domain coordinators (that is, coordinating researchers responsible for specific baskets of goods and services) review the drafted reference budgets, the argumentation, and the evidence on which country teams have drawn for justifying the choices made. Domain coordinators pay particular attention to the following issues:

- The completeness of the documentation and the consistency between the country report and the national data file
- Potential inconsistencies between reference budgets for households with and households without children
- Choices based on opinion, where factual evidence is available
- Inexplicable differences across countries

Domain coordinators check whether differences between reference budgets can be explained on the basis of clearly documented cross-national differences in institutional, cultural, climatological and physical context, as well as differences in the availability and quality of goods and services. Domain coordinators may ask for clarifications from country teams and point to needs of better documentation. On the basis of the questions raised, country teams collect additional evidence, refine the country report and prepare the next phase.

The output of this phase can be summarised as follows:

¹⁶ The first part of the discussion will revolve around the questions mentioned in the orientation phase, whereas the second part of the discussion will be devoted to the argumentation phase, with a focus on the food basket.

- A list with choices that are not sufficiently well motivated with suggestions for modifications to make the reference budgets consistent between model families and across countries
- Suggestions for additional evidence

Pricing

During the deliberation by the international team of domain coordinators, country teams carry out a price survey for all items currently on the list of goods and services. This should be done in accordance with the principles agreed during phase 2, e.g. regarding the type of shops, the amount of second hand goods, the balance between public and private providers etc. It is important for the consistency of the RBs, as well as for international comparability, that all goods and services are priced at the same moment in time. The output of this activity is an excel file with a complete list of priced items.

The price survey needs to adhere to the same principles cross-nationally. However, in some countries more accurate price data exist than in other countries. Detailed instructions will be provided in a separate document.

Phase 5: Arbitration

On the basis of the input provided by the coordinating team, country teams draft the final version of the reference budgets. As before, where various plausible alternatives exist, these will be documented, such that the impact on the final cost of the reference budgets can be estimated. This will provide substantial information for policy learning, especially insofar it relates to different costs between public and private providers.

In order to achieve a higher degree of substantive comparability and to increase the validity of the reference budgets, it is highly recommended that in future projects arbitration regarding the lists of goods and services and their characteristics is organised in close consultation with groups of citizens.

On the basis of the final country reports, the coordinating team drafts a comparative report.

The output of the final phase can be summarised as follows:

- An excel file with the detailed, final priced list of goods and services included in the reference budgets
- A final country report, explaining the national situation and the choices made for defining the reference budgets, including a clear documentation on matters that led to fierce discussions or where agreement could not be reached
- A comparative report, in which the results of all country reports are brought together.

Phase 6: Dissemination and discussion

An essential final phase of the construction of reference budgets consists in adequately disseminating the results to all relevant stakeholders and stimulating public debate about the minimum resources required for adequate social participation. This should be done through the international and national stakeholder networks set up during the first phase of the process and an active dissemination strategy through relevant media. Such a dissemination process pays particular attention to:

- Explaining the aims of the exercise and the basics of the methodology;
- Explaining the contents of the list and the argumentation regarding its composition;

- Explaining how reference budgets can be used and how they should not be used or interpreted, paying particular attention to the underlying assumptions. In particular, their illustrative character is explained and it is made clear that they should not be interpreted in a prescriptive way;
- Policy conclusions.

Best practices of dissemination and use of reference budgets should be exchanged through the network.

Variations between baskets

The approach described above can be applied to all relevant baskets of goods and services covered by reference budgets. To some extent the pace of the process can be different for different baskets and for practical reasons not all baskets can be developed simultaneously. Hence, careful planning is key. More importantly, the argumentation phase and the pricing procedure will differ to some extent from one basket to another given that for some needs the nature of essential goods and services, the availability of public guidelines and regulations, the type of providers and the structure of the market is very different than for others. For instance, public guidelines for adequate clothing are largely lacking, there is usually no (or only a limited) public or subsidised provision of garments, and the market of clothing is relatively transparent. This can be contrasted with health care, for which public guidelines are prominent (e.g. regarding required and recommended vaccinations), public provision is usually widely available, and pricing is also transparent, at least in the public sector; and also with housing for which usually some guidelines and some public provision is available, but the market is usually not transparent. This implies that for some baskets, researchers will have to rely more strongly on some information sources and judgement than for other baskets, that for some baskets robustness will be larger than for others, and that, consequently, comparability will most likely be higher for some baskets than for others. In order to maximise comparability, more detailed procedures for each of these will be provided in the 'handbook' mentioned before.

It is worth pointing out that because of its specific character, for the housing basket we propose to rely much more strongly on survey data than for the other baskets. The standard approach for constructing a basket is to specify the nature, number and quality of the necessary items in that basket, and then to price those items. However, housing is different from e.g. clothing in that it is very heterogeneous – every dwelling is different from any other in some respect –, local price variations may be quite substantial and the market for housing has low transparency. In other words, the range of housing prices for dwellings with similar minimum quality characteristics is likely to be relatively wide, and the availability of dwellings which adhere to the minimum requirements at the lowest prices may be very limited. These circumstances imply that it is very difficult if not impossible to attach a particular price to a reference dwelling with particular characteristics. Moreover, it is less easy to move house than to change clothing. For those reasons we propose to estimate the cost of housing from survey data, i.e. EU-SILC (European Union Study of Income and Living Conditions) data; by doing so, minimum quality requirements of housing can become the object of discussion, and illustrative prices of dwellings which comply with these requirements can be estimated. In other words, we propose to estimate for various tenure statuses (renting in the private market, the public market and outright homeownership) the distribution of housing costs for qualitative dwellings of appropriate size and show the housing cost at various points in this distribution (e.g. the 30th percentile and the median). Insofar possible, these estimates should take account of regional variations in housing costs, and correct for underestimates in housing costs as a result of the budget constraints that people face. These estimations will be done in a harmonised way by the coordinating team, and sent to country teams for validation and discussion.

Robustness and comparability: checks and balances

In the previous section, we describe at some length the important challenges to cross-country comparability posed by an endeavour to construct fully-specified reference budgets in a large number of countries. Therefore, we consider it useful to highlight how the approach we propose tries to maximise robustness and comparability.

The cross-country comparability of reference budgets is mainly challenged by the elusiveness of the targeted living standard, the lack of robustness in the procedures and data sources to develop fully-specified baskets of goods and services, and a requirement of substantial coordination to ensure procedural comparability and high quality everywhere.

In the proposed approach limits to robustness and clarity of the targeted living standard are addressed by (1) providing a conceptual elaboration of the targeted living standard in the 'handbook'; (2) building on a wide range of data sources, which should help to get grip on the elusiveness of the targeted living standard and to strengthen the argumentation regarding the items included in the baskets of goods and services; (3) adhering to rather strict assumptions regarding the characteristics of the model families, such as their health status, competences and access to information; (4) developing each basket of goods and services starting as much as possible from existing public guidelines, as well as a clear description of the institutional and economic context; (5) by applying a step-wise analytical procedure to develop the baskets of goods and services, starting from the social roles people should be able to play, the social expectations related to these roles, the needs associated with these and the functions goods and services need to fulfil (an important lesson of the ImPRovE project is that by focusing first on needs and functions, the 'grey' area of what can be considered necessary items (and their quantities and qualities) can be reduced); (6) by making sure that all baskets and their related argumentation are checked by an external reviewer with particular expertise in the basket concerned.

Procedural comparability is stimulated by: (1) carrying out the research process in a step-wise, coordinated way: after each phase, country teams are required to communicate the state of affairs in a country report to the coordinating team, which reviews it and sends it back to the country teams; (2) developing detailed procedures for each basket of goods and services, documented in a handbook; (3) developing tools for collecting data in a harmonised way (harmonised excel files, a script and power point presentation for carrying out the focus group discussions; and (4) building in a phase of deliberation, during which domain coordinators carefully review the applied procedures, contents and argumentation of each basket of goods and services. An international team of domain coordinators takes care of the development of the handbook and the coordination of the research process.

Undoubtedly, this procedure is no guarantee for robustness and substantive comparability for the reasons mentioned before (see section 4), and other procedures (such as the ones applied in the ImPRovE project) could be a valid alternative. Nonetheless, we are convinced that the procedures we propose help to optimise robustness and comparability while actively stimulating that RBs reflect the local institutional and economic context. By the end of the project, it should be evaluated to what extent we succeed in maximising robustness and comparability, and how the approach should be strengthened in the future.

Necessary additions to the approach: consultation of citizens and stakeholders

As we have stressed before, the consultation of citizens and involvement of stakeholders is key, due to the normative and very concrete character of the exercise. The validity and acceptability of the reference budgets could be enhanced by increasing the interaction with discussion groups of citizens, especially in phase 3 and 5. Furthermore, a more

extensive consultation of citizens would be useful to fill some of the gaps in factual knowledge regarding actual consumption patterns as well as the accessibility and availability of publicly-provided goods and services.

The added value of additional consultations of citizens would be highest, if (1) it would involve a representative sample of citizens; (2) the consultation ensures that collected opinions and views are well-informed regarding factual patterns, the targeted living standard, and the type of information that is exactly required.

In this project, the consultation of citizens is limited to three focus group discussions. The analysis of focus group discussions is a qualitative research technique that aims at collecting data in which group interactions during a discussion among 6-12 persons are considered to be the main source of information (cf. Morgan, 1996). The results of the focus group discussions that are organised within this project are regarded as particular examples of how focus group discussions could proceed, accepting the fact that every focus group discussion is different, which may also be true for their outcome. Therefore, the qualitative and incidental character of focus groups remains fully respected and groups are mainly used to collect arguments, experiences and opinions that are relevant for the choices to be made to develop lists of goods and services that represent the minimum needed for adequate participation in society, in line with the most widespread and 'handbook type' use of focus groups in qualitative research projects. It would be interesting to give focus groups a more deliberative character during the 'arbitration phase' by asking them to come to an agreement on the exact contents of the reference budgets, taking all the previously formulated arguments into account. Such 'deliberative focus groups' are common in consensual reference budgets as implemented in Ireland and the UK (cf. Middleton, 2000; Vincentian Partnership for Social Justice, 2006; Bradshaw et al., 2008) and would strengthen the participatory character of the RBs while offering a test case for the persuasiveness of the arguments developed in phases 2 and 3. Insofar people disagree with one another or with the RBs developed by researchers, discussions provide relevant contextual information regarding how the RBs should be interpreted and their argumentation strengthened. If people come to an agreement on the contents of the RBs in the focus groups, this can be an additional argument in the debate on what people need at a minimum, even if the focus groups cannot be interpreted in a representative way (e.g. Onwuegbuzie and Leech, 2007).

An alternative to focus group discussions which warrants further research, could consist of the use of deliberative techniques which combine a quantitative and qualitative component (e.g. 'deliberative polling'). The purpose of deliberation as a research technique is to uncover the public's informed, considered and collective view on a normative question. Usually, this kind of research involves a larger number of people than is possible with focus groups, so that the participants can be more representative for the population as a whole. There are many forms of deliberative research, including workshops, focus groups, polls and consultation. Common features are that the aim is to reach people's informed and considered judgments through a process of public reasoning, and that the process involves researchers providing information. There is also an expectation that the beliefs and values of participants may be transformed by involvement in the research. The intended endpoint is the generation of a consensus on the issue of deliberation (Burchardt, 2014).

A particular method of deliberative research is deliberative polling, which was developed to address two challenges in modern democracies: how to get both a representative and an informed view of what the public thinks and feels about an important public issue. It tries to achieve this by undertaking a three-staged process: survey of a random representative sample, an informed deliberation among a random representative group selected from the survey sample and a post-deliberation survey. Deliberative polls seek to address the limitations of 'top-of-mind' opinion surveys by giving participants the time and support they need to learn about an issue and to move from raw uninformed opinion to more considered judgment (Fishkin and Rosell, 2004). In a modified form, such a

combination of quantitative and qualitative techniques would also be very useful for reference budgets research.

The aims and characteristics of deliberative research seem very well aligned with what we want to achieve in the construction of RBs. Furthermore, surveying a representative sample offers the possibility to fill some of the data gaps encountered in the orientation phase of the research process. Another advantage of deliberative research (or at least of deliberative workshops) is that the whole process is more transparent and more open to scrutiny than is the case for focus groups. However, before embarking on a full-scale deliberative research project on RBs, we need to resolve open questions like what kind of information to provide to whom in what way, the format and duration of the workshop or event, the number and recruitment of the participants, and so on. Small-scale experiments would seem necessary.

Apart from consulting citizens more extensively, it is advisable for future initiatives to inform and consult stakeholder organisations at all stages of the project to make sure that all relevant experts are consulted, that stakeholders are well aware of the strengths and weaknesses of the approach and of the appropriate applications of reference budgets, as well as to generate sufficient support for the use of the developed reference budgets for policy-making and evaluation purposes.

Summary and conclusion

The aim of this project is to develop and test a method that could be used for constructing cross-country comparable reference budgets in EU Member States, and to build sufficient capacity for implementing this method. In this paper, we first develop a conceptual framework for describing and constructing reference budgets in a comprehensive way. In addition, we discuss how commonly agreed quality criteria of social indicators can be applied to reference budgets. Subsequently we describe current methods in constructing reference budgets and evaluate their principal strengths and weaknesses in light of these quality criteria.

In the second part of the paper, we explain the approach we propose to construct comparable reference budgets that can be used for EU (in addition to national) purposes. Reference budgets can become a tool for cross-national learning, monitoring, and exchanging best practices, only if they are sufficiently comparable in terms of their targeted living standard, target population and model families and procedures for constructing the reference budgets. Without a sufficient degree of comparability, it is not possible to assess the impact of cross-country differences in institutional contexts on the minimum level of resources required for achieving the targeted living standard, and set up a process of cross-national learning about how the adequacy of incomes can be improved in the most effective and efficient way (Storms et al., 2011). At the same time, reference budgets should be responsive to the local context, in order to be (perceived as) valid, legitimate and relevant by national stakeholders and citizens. For this project, the targeted living standard is defined as 'adequate social participation'. In other words, we develop reference budgets that aim to reflect the minimum financial resources required to participate adequately in society. Adequate social participation is further defined as the ability of people to adequately take the various social roles one should be able to take as a member of a particular society. We fully recognise that the targeted living standard is unavoidably to some extent elusive. Also, even when applying very precise assumptions regarding the model families for which reference budgets are developed, reference budgets are essentially illustrative, as a range of equally valid options is likely to exist. Therefore, it is important to develop reference budgets under various assumptions, for instance in relation to tenure status and the degree to which households can rely on publicly-provided goods and services for meeting their needs. In this way, the potential for policy learning is enhanced by showing the impact of various assumptions on the cost of private households to participate adequately in society.

Fully-specified reference budgets can only be developed for a range of specific hypothetical household situations, so-called 'model families'. Without common model family assumptions, cross-national comparison and learning is impossible. In this project, reference budgets are developed for three model families: a single-person household (male / female); a single parent household with two children; a couple with two children. All three families are assumed to live in the capital city of the country. The adults are in working age (about 40 years old). The children are assumed to be a boy in primary education (about 10 years old) and a girl in secondary education (about 14 years old). Furthermore, we assume that all household members are in good health, they are well-informed persons, having the necessary competences to be self-reliant, make the right decisions with regard to their health and safety, and are able to act economically.

Of course, these assumptions are not entirely realistic in real life situations, but by making these assumptions, a lower bound on the minimum financial resources for adequate social participation can be estimated, limiting the risk that reference budgets are criticised of being too high. Also, any deviation from this lower bound would be more or less arbitrary. The model families have been chosen for their simplicity, and because they offer the 'building blocks' for constructing reference budgets of more complex household situations. A preliminary analysis shows that the prevalence of households with a similar composition as those assumed for the model families varies strongly across Europe and is extremely low in some Eastern European countries. In principle this is not

problematic for the purposes set forth in this project, but it illustrates the need to develop reference budgets in the future for additional (country-specific) model families.

As is apparent from our review of current practices in constructing reference budgets, current methods and procedures have not been designed for the purposes set forth in this project. At the same time, the meaning of cross-country comparability in the context of reference budgets (and social indicators more generally) is under-theorised. We introduce a distinction between procedural comparability and substantive comparability and explain that in the context of vast differences in living standards, the substantive comparability of reference budgets is unavoidably ambiguous. Procedural comparability means that the same procedures are implemented everywhere for measuring a phenomenon or characteristic. Substantive comparability is defined as a situation in which at the level of the reference budgets, needs for social participation are satisfied at a similar level. This definition implies that the reference budgets should be sensitive to the local context in order to reflect cross-country and within-country variations in the goods and services that are needed at a minimum to fulfil the needs related to adequate social participation, and their associated cost for households. Reasons for cross-country differences include variations in institutional contexts, culture, climate and geographical conditions and differences in the availability, quality and price of goods and services. Therefore, substantive comparability requires a massive data collection effort so as to document the institutional, climatological and physical, cultural and economic factors that determine what adequate social participation means in different local contexts and how related financial resources vary. In this project we aim at going beyond the proposed procedural comparability by setting decisive steps forward in collecting this information, and at identifying important data needs that should be met to improve the validity, reliability, persuasiveness and comparability of reference budgets in the future. In addition, comparability is enhanced not only by using the same procedures in all countries, but also by applying substantial coordination and feedback in the actual construction of the reference budgets, while building strongly on detailed documentation of the local context.

In the EU-funded ImPRovE project (Storms et al., 2013)¹⁷, we developed and implemented common procedures to develop baskets of reference budgets in six EU Member States. Results of this project show the importance of thorough international coordination and some of the important challenges that remain for constructing reference budgets in diverse EU countries, while maximising cross-country comparability. Even though the method developed in ImPRovE would be suitable for cross-national learning, uncertainties need to be resolved regarding its strong degree of cross-national standardisation by starting in all participating countries from the same list of goods and services. Even though research teams in all participating countries have been able to make substantial modifications to this list to adapt it to the local context on the basis of national guidelines and regulations, survey data, available studies on the accessibility and quality of publicly-provided goods and services as well as discussions in focus groups, the approach risks being criticised for being insufficiently sensitive to the local context.

Therefore, in this paper we propose an alternative approach, which builds as much as possible on the strengths of various practices and the lessons learned from the above mentioned ImPRovE project. The approach we propose is designed to be feasible, while at the same time maximising robustness and potential benefits for policy learning. It can be characterised as a mixed-method approach, which builds as much as possible on all relevant sources of information regarding the needs and cost of adequate social participation and new data collection through focus group discussions. The approach explicitly recognises the normative character of this question, and tries to turn an important weakness of reference budgets (the elusiveness of the targeted living

¹⁷ <http://improve-research.eu>.

standard) into a strength for policy-learning purposes by developing and presenting reference budgets for a range of assumptions, especially in relation to the extent to which people can fall back on publicly-provided goods and services for ensuring adequate participation. The common set of procedures we propose consists of 6 phases, each with a different emphasis as regards the work to be done by country teams and by a central international team of domain coordinators. These phases can be summarised as follows:

1. **Preparation:** the establishment of an international network of research teams and stakeholders, with representatives in all participating countries. The development of a handbook which provides detailed guidance regarding how the reference budgets can be developed for the various baskets of goods and services. The design of harmonised data files to collect the lists of goods and services in all countries in a harmonised and transparent way.
2. **Orientation:** national research teams, in collaboration with a local network of experts, collect the necessary evidence on the local institutional, cultural, climatological and economic context. Organisation of three focus groups, to provide guidance regarding the principal normative questions for constructing the reference budgets and to get a first insight in the most common and acceptable purchasing patterns.
3. **Argumentation:** country teams draw up complete lists of goods and services, document these in the data files and in a country report, with a clear focus on the argumentation for including the goods and services on the list. The results of the focus groups organised during the previous phase serve as an important input.
4. **Deliberation and pricing:** the central team of domain coordinators checks the data files and country reports for inconsistencies within and between countries, and compliance with the requirement of procedural comparability. They also check whether cross-country differences can be explained on the basis of institutional, cultural, climatological and geographical cross-country variations as well as differences in availability and quality of goods and services, and ask for clarifications if this is not the case. Country teams carry out a price survey to price all the items on the list of goods and services.
5. **Arbitration:** country teams adapt the data files and country report in response to the remarks and suggestions made by domain coordinators and resolve outstanding issues. The final reference budgets are documented in harmonised data files and well-documented country reports.
6. **Dissemination and discussion:** the results are disseminated and discussed through and by the network, all relevant stakeholders and citizens.

Given the different nature of some baskets of goods and services, the exact procedures for the argumentation and pricing phase differ to some extent from one basket to the other. This is especially the case for housing, where we propose to make use of survey data to estimate illustrative values of housing costs under various assumptions in relation to the tenure status of model families. Also, for some baskets, more information will be available than for other baskets and for some it is more easy to distinguish necessity from desirability. Therefore, the robustness and comparability of some baskets of goods and services will be higher than for others. Also, for some purposes, it may be suitable to use particular baskets, rather than the reference budgets as a whole.

We would like to emphasise that this approach should be expanded in the future with more extensive consultation of citizens. Budget and time constraints prevent us from doing so in this project. However, the three focus groups will be set up in such a way as to maximise their informative value for the construction of reference budgets. Detailed procedures have been developed for the recruitment, setup, organisation and analysis of focus groups in all countries, to guarantee this is done in a comparable way. These details and their related templates for analysis and reporting are provided in the technical

annex of this report. Towards the end of the project, we will review the proposed method and make proposals of how it could be strengthened in the future, in light of the lessons learned by implementing it in this pilot project.

By way of conclusion, it is useful to reflect on the extent to which the reference budgets that will result from this method could be used for the purposes set forth by the Commission. The primary purposes that these reference budgets should serve are:

- to help Member States to design effective and adequate income support measures;
- to facilitate mutual learning and identification of best practices in the fight against poverty;
- to facilitate the Commission's task of monitoring and assessing the adequacy of income support in Europe;
- to be a helpful tool for the implementation and monitoring of the 2008 active inclusion recommendation and the 2013 Social Investment Package.

It is worth stressing that only if reference budgets are sufficiently comparable across EU Member States, they can be used to assess in which countries income support measures (and incomes in general) are more adequate than in other countries, and why this is the case. Only then is it possible to identify best practices and set up a process of policy learning regarding how different countries succeed in guaranteeing adequate incomes and how member states could redesign their policies to organise adequate income support in the most effective and efficient way.

In this report we underscored that the proposed approach aims at developing reference budgets for mainly *illustrative* purposes: we aim at procedural comparability, but cannot be certain to what extent we achieve substantive comparability; the RBs can only be developed for a limited number of model families based on a restricted range of specific hypotheses relating to household situations; they are developed for the capital cities only, which implies that no account is taken of within-country variations; and different interpretations regarding the targeted living standard may prevail. However, we believe that the proposed procedures to construct fully-specified reference budgets can be very helpful for contextualising, monitoring and assessing the adequacy of income support (and incomes in general). Even when the targeted living standard assumed by the reference budgets does not correspond to the one that income support (implicitly or explicitly) in a specific country tries to achieve, components (e.g. specific baskets) of reference could be used in the assessment of income support measures. Moreover, by showing the impact of the availability, accessibility and cost of publicly vs. privately provided goods and services in a comparative framework, reference budgets developed on the basis of the approach set forth in this project will help Member States to design effective and adequate income support measures on the basis of cross-national learning. Importantly, the main merit of reference budgets is that they do not only show how adequate social participation can be reached by increasing people's incomes, but also by reducing their essential costs by providing quality services, and by empowering vulnerable groups and individuals in society by increasing their access to information. Because the approach we propose builds upon the collection of all relevant information, country reports will contain an up to date review regarding the quality, accessibility and cost for private households of (publicly-provided) goods and services. By maximising comparability and ensuring standardisation of procedures, data files and country reports, as well as by focusing on a clear argumentation for the inclusion of the goods and services covered by the reference budgets, the potential for mutual learning will be optimised.

However, it should be stressed that it is of utmost importance that a) the reference budgets are largely accepted by national public authorities, stakeholders and citizens as a valid instrument for assessing the adequacy of national social policies and b) reference

budgets should be used in an appropriate way, that is to say as *illustrative and contextualising* tools to assess these policies. Reference budgets can show to what extent essential needs can be covered by income support measures, and which services would be beneficial to improve or extend. This use of reference budgets is possible due to their adaptability and flexibility. As a result, they can help to draw up a roadmap for progressively extending income support measures to guarantee an adequate level of resources. Through their extensive documentation and setup, they could be used as a tool for empowering citizens, i.e. to better inform people about their rights, about how they can live more healthily and economically and strengthen their competences to participate in society. Also, by documenting and taking due account of the local context, as well as by building as much as possible on national and regional guidelines and regulations, the reference budgets developed in this project aim to forge acceptance by policy makers, politicians and other stakeholders. Due attention will be paid to this issue during the dissemination phase.

The reference budgets developed in this pilot project should be considered as a step forward in a longer-term process to develop valid and sufficiently robust, comparable and legitimate reference budgets in Europe. As stressed earlier, one of the aims of the project is to identify needs for further capacity building, to evaluate an approach to developing reference budgets in a coordinated way in 28 Member States, and to identify important data and methodological needs that should be resolved in the future. Therefore, even though important progress will be made, many questions will remain unsolved.

Comparable reference budgets will bring a new perspective to the current list of social indicators, namely the perspective of the cost of essential expenditures that people face. This perspective is currently only marginally covered by the commonly agreed EU indicators. Therefore, it could point to new policy lessons, and be a useful tool for contextualising existing indicators. At the same time, it should be clear that because of their complexity, detailed character and limits to robustness, they do not offer a 'one-size-fits-all fixed threshold' that could replace existing indicators or could be used as a complementary poverty threshold or indicator to estimate poverty in a straightforward way.

Annex 1: Script for orientation focus groups: recruitment, discussion and analysis

Storms Bérénice, Stockman Sara, Penne Tess, Van den Bosch Karel, Goedemé Tim

Introduction

In this technical annex, we describe the process for recruiting, organising and analysing the focus group discussions that have taken place in this project. This annex is adapted from a text that was written for the country teams that developed the national budgets. It can be used by persons interested in setting up reference budgets themselves, or who want to understand the technical details of how reference budgets were developed in this project. It is set up as a list of guidelines, rather than a research report.

As is explained in this report, the consultation of citizens provides an essential input for constructing reference budgets, especially regarding the identification of cultural norms and social expectations, the contextualisation of the theoretical framework and the underlying assumptions of the reference households¹⁸. In the proposed method, citizens are actively consulted during various phases of the research process for informing and evaluating the construction of the reference budgets: phase 2 (orientation), phase 3 (argumentation) and phase 5 (arbitration). Due to financial and practical constraints, in this pilot project the consultation of citizens is organised through three focus group discussions in all EU Member States. It goes without saying that ideally, such a consultation is organised during all three aforementioned phases for constructing the reference budgets. Given that it is the first time reference budgets are constructed in a comparative framework for so many countries, we considered it key to validate the conceptual and theoretical framework in the focus groups. At the same time, without a consultation of citizens too much information is lacking to develop a food basket which also covers the social functions of food. Finally, we considered it essential to test the acceptability of the food basket during group discussions. Therefore, the script we developed for the focus groups covers the main elements of both the orientation and the argumentation phase. This has resulted in a relatively long and detailed topic list. The script was tested several times before finalisation to ensure its feasibility. However, it would be more comfortable if group discussions would be organised separately for the different phases of the research process.

Given that the purpose of this project is to maximise comparability across countries, it is essential the focus groups are recruited, organised and analysed in a harmonised way. In this annex we describe the detailed instructions that have been communicated to all national teams. This script includes various documents which require translation into the language that will be used for the discussion in the focus groups. This is not a trivial task, as the meaning of the concepts should be conserved, while making sure the concepts used in the discussion are sufficiently accessible and clear for the participants. One should devote sufficient time to think this carefully through, and to check with others, e.g. colleagues (by translation and back translation) whether they agree with the translation of the most important concepts and questions. Documents that need to be translated are:

- The questionnaire for recruitment (Annex 1.1)
- A consent form for each participant (Annex 1.7)
- A weekly menu for each participant (Belgian example Annex 1.10)

¹⁸ During the discussion groups, we prefer the use of the term 'reference households', rather than 'model families', as the latter may invoke the wrong connotation.

- The PowerPoint on reference family (separate document)
- The PowerPoint on the food basket (separate document)
- The PowerPoint with questions for the moderator (separate document)
- The Excel template for reporter (separate document)
- Three topic lists (see below): for moderator, reporter and assistant

This technical annex is structured as follows. In the main part, we provide concrete guidelines of how to plan the work, how to recruit members for participating in the focus groups, how to prepare and carry out the focus group discussions and how to analyse them. In the appendix of this technical annex, you can find a brief literature review which explains a range of choices we have made for this stage of the research process, as well as several supporting documents for organising the focus groups, either as an illustration or guideline, or as a format that needs to be translated into the relevant language. In addition, there is a PowerPoint presentation, which guides the group through the discussion. Before the organisation of the focus groups, several skype trainings were organised for national teams, with Q&A sessions. In addition, some training materials have been developed which were made available to national teams and which are available upon request from the authors.

We have done our utmost best to make this 'script' as clear as possible, but undoubtedly questions will remain, either before, or after the organisation of the first focus group. Please do not hesitate to get in touch with us for clarifications, or should you encounter unexpected problems. Finally, we would highly recommend to have a small 'test focus group' with several colleagues, given that a minimum of practice considerably improves the quality of the focus group discussions.

Planning of focus groups

Time line

It is impossible to give accurate estimates of the time required to organise a focus group. For small focus group studies, the following time line can be found in the literature (e.g. Morgan, 1998) and is supported by others (Simon, 1999; Rio-Roberts, 2011): two weeks for planning, one and a half week for recruiting participants, followed by half a week of reminder calls, moderating three groups can be done in one week, and analysis and reporting requires two weeks. However, practice shows that it often may take more time to recruit participants to compose well-balanced, mixed groups.

Table 2: Stylised time schedule for the organisation of focus groups

	weeks					
Activity	1	2	3	4	5	6
planning						
recruiting						
moderating						
analyzing						

In order to decrease the risk that – carefully selected – participants do not show up, make sure that a reminder through mail or SMS is sent to the participants one week before the actual focus group and, if possible, another reminder call two days before. Make room arrangements (cf. specifications below) sufficiently in advance (at least one

or two weeks). Check the IT facilities (laptop, beamer, screen are needed) in the room and collect the necessary material.

Location of the focus group and room arrangements

The focus groups should take place in the capital (or the reference city). The location should be carefully selected. Think about:

- Accessibility with public transport
- Parking facilities
- Signs to indicate the location of the room
- The comfort of the room:
 - Choose a sufficiently large room with facilities for a projector and enough power outlets.
 - Be sure that the room is not noisy so that participants and the moderator can hear each other well and the (sound/video) recording is intelligible.
- Seating arrangements
 - The table should be arranged beforehand. Put the tables in a circle, a square or a rectangle. People can choose their own place and get a name card. Moderator and reporter are not sitting next to each other, but e.g. in front of each other. The assistant, on the other hand should sit next to the moderator.
 - Make sure everybody can see one another
 - Make sure everybody can see the screen

Sampling of the focus groups

Number of focus groups, composition and recruitment

A rather wide range of opinions can be found in the literature regarding the composition of a focus group and the recruitment of participants (Freeman, 2006; Kitzinger, 1994; Morgan, 1996). Table 3 presents the sampling and recruitment criteria for the focus groups. These criteria are based on the advantages and disadvantages put forward by the available conventional literature on the composition of focus groups (Krueger, 1993; Kitzinger, 1994; Sasson, 1995; Morgan, 1996; Morgan, 1998; Bloor et al., 2001; Hollander, 2004; Freeman, 2006; Blanchard and Vanderlinden, 2009; Vicsek, 2010; Acocella, 2012) as well as own research (Devuyt et al., 2014). In order to ensure a good composition of the focus group, the recruitment questionnaire in Annex 1.1 should be used. For more detailed information about the theoretical justifications for the choices made, we refer to the brief review of literature on the composition and recruitment of focus groups in Annex 1.2.

Table 3: Presentation of the recruitment criteria for focus groups

Number of focus groups	1 test group + 3 focus groups
Number of participants per focus group	8-10 persons (slight over-recruitment required)
Selection criteria	<ul style="list-style-type: none"> ○ Households live in the capital city (or the reference city). ○ Adults are between 30 and 50 years old (Q2). ○ Participants have never been involved in developing reference budgets (Q 13=no). ○ All household members are in good health (Q6=no OR Q7=very good or good).

Composition	<p>Each focus group is composed of:</p> <ul style="list-style-type: none"> ○ Participants with different socio-economic backgrounds. Socio-economic background is measured by activity status (Q8-Q9), level of education (Q10-Q11), and financial burden of household-related costs (Q12). To ensure a mix of socio-economic backgrounds, focus groups should be composed of a mixed group of participants with high scores, medium scores and low scores on the variables. ○ Men and women (Q3) should be represented equally or nearly equally. ○ Both couples and singles, with and without children (Q4-Q5): nearly two thirds of participants are parents with at least one child between 8 and 16 years.
Recruitment	<p>Period of planning and recruitment: 8/12/2014 – 5/1/2015.</p>

Role of the moderator, reporter and assistant

To moderate a focus group, three persons are required, who need to work closely together. The reporter makes notes, while the moderator is concentrating on making sure the group discussions proceed well. A third person takes the function of assistant. His/her role consists of projecting the slide show and in recording the answers of the participants on the slides. The moderator and the reporter should be well informed about the research topic and the conceptual framework, they should be well trained and should have technical expertise regarding planning, organizing and conducting focus groups. All focus groups are to be conducted by the same two well-trained and well-informed persons. Both may change roles during the break of the group discussion, if this facilitates the concentration and the co-operation. An important qualification of the reporter is that he/she types fast and can support the moderator when necessary. Reporter, moderator and assistant should be neutral persons. This implies that these tasks are probably best performed by other persons than the researchers directly involved in constructing the reference groups, e.g. colleagues with experience in moderating focus groups. They should be capable of summarizing the answers given by the participants, and translate them into the conceptual framework.

In what follows we describe more concretely the roles of the moderator, the reporter and the assistant.

Role and tasks of the moderator

At the start of the meeting a skilled moderator should make sure the focus group participants:

- Feel at ease;
- Have a good understanding of the purpose of the research and the type of information that will be extracted from the focus group discussions;

- Know the course of the discussion (use the PowerPoint and questions for the moderator¹⁹)
- Are well aware that during the discussion they are expected to refer always to a well-defined reference household, rather than their own household.

During the discussion the moderator should ensure that participants arrive at a shared understanding of the social positions that all members of the reference household should be able to take and to a common understanding of the needs* that should be fulfilled in order to be able to take these positions (see the topic list below). Next, the moderator should encourage a lively discussion on the contents and the acceptability of an adequate food basket (see topic list) and should ask concrete questions on the purchasing patterns that should be taken into account when composing the various baskets of the reference budgets* (see topic list). For the latter two parts it is important that the moderator always asks the participants to carefully motivate their viewpoints. Participants do not have to reach a consensus, but it is important to check to what extent all participants agree, and the reasons participants put forward for not having the same point of view.

Furthermore, the moderator is expected:

- To cover all topics and ask all essential questions (marked in blue colour in the topic list below) literally;
- To be well aware of the meaning of concepts that are used in the focus group discussion. Therefore, he/she should carefully go through Annex 1.4 with words to avoid and their alternatives and be familiar with the definitions of the important concepts (see Annex 1.5);
- To summarise the main conclusions after each discussion topic and to ask whether participants can agree with the conclusion.
- To respect the time that is reserved for each of the three parts;
- To leave sufficient room for interaction in order to guarantee that focus group participants have the time to reflect upon their own views and opinions;
- To keep participants focused, engaged, attentive and interested;
- To stay impartial, avoiding guiding questions, suggestive indications, expressions of agreement or disagreement by facial expressions;
- To limit side conversations and to encourage one person to speak at a time (essential for optimal recording);
- To pay attention to non-verbal expressions (nodding, expressions of disagreement, confusion, looking as if one wants to say something but being interrupted,...);
- To ensure that the discussion is not dominated by one individual or a certain group of individuals; all participants should be actively and individually encouraged to express their opinion.
- To avoid as much as possible problematic silences, problematic speech (strategic shaping of comments), socially desirable bias and conformism with the most popular opinion;
- To complete together with the reporter the debriefing form immediately after the focus group discussion. This is an important check to see whether the moderator and reporter have the same understanding of what happened (Annex 1.6).

¹⁹ This is a PowerPoint with all questions that should be asked by the moderator for each part. It is a tool for the moderator to use during the discussion and to make sure that all important questions are asked.

Role and tasks of the reporter

The role of the reporter is essentially one of an observer, making accurate notes of what is happening during the focus group. When necessary, the reporter should assist the moderator in monitoring the time, in summarizing the discussion at the end of each part, or in reframing questions in case of misunderstanding.

More concretely the reporter is expected:

- To take notes of the participants' answers in the format that has been delivered (See the related excel file: Template Reporter);
 - To type "XXX" when he/she missed something;
 - To note also non-verbal communication (e.g. L=laughing, F=frowning, C: crying, S=silence);
 - To type important quotes literally.
- To complete notes afterwards;
- To complete the debriefing form together with the moderator.

Role and tasks of the assistant

The role of the assistant is more a technical one. He or she is responsible for the projection of the slides and for completing the slides with the answers of the participants. By completing the slides, the participants have a clear overview of the discussion.

The assistant is expected:

- To record the discussion on tape or video (check if the recorder is running!);
- To be able to edit a slide show and a PowerPoint presentation in particular;
- To be able to type very fast and without errors;
- To be able to listen carefully to the participants and summarize all the information by using key words;
- To be able to summarize and bring information together in a clear and structured way;
- To understand the subject of the discussions;
- To know the sequence of the slide show by heart.

Preparation of the focus groups

In preparation to the focus group discussion, the moderator and the reporter take care all documents and materials mentioned in the check list below are available in sufficient number.

Check list:

- The list of participants (Annex 1.3)
- Recruitment questionnaires in case socio-demographic information is still lacking for one or more participants (Annex 1.1)
- The debriefing note (Annex 1.6)
- A few pictures of the reference household to hang in a visible place and to give to the participants (cf. separate document)
- The following documents, translated into the appropriate language:
 - The questionnaire for recruitment (Annex 1.1)
 - A consent form for each participant (Annex 1.7)
 - A weekly menu for each participant (Belgian example Annex 1.10)
 - The PowerPoint on the reference family (separate document)
 - The PowerPoint on the food basket (separate document)

- The PowerPoint and questions for the moderator (separate document)
- The Excel template for reporter (separate document)
- The topic list (cf. below): one for the moderator, one for the reporter and one for the assistant
- Recorder or camera (+ extra batteries)
- Something to monitor time
- Three computers (laptop, tablet): one for the reporter, one for the assistant and one for the moderator (a copy of the script in print could also do for the moderator)
- Projector
- Screen
- Room arrangements (drinks and snacks, cups and glasses)
- Pens
- Name cards
- Incentives for the participants (small gift or amount of money)

The topic list

➔ Estimated time: 160 minutes

For reasons of maximising cross-country comparability, the following contains an extended topic list with concrete questions for the moderator. These questions, marked in blue colour should all be asked literally. However, the exact words should be translated such that the meaning is conveyed in an accessible and understandable way. It is highly recommended to check with colleagues (by translation and back translation) whether the meaning of the translated words corresponds to the concepts used in the theoretical framework.

The topic list consists of four parts. An introductory part, a first part with a discussion on the theoretical underpinnings of the reference budgets, a second part in which participants discuss the content of an adequate food basket and a third part with a discussion on purchasing patterns. We would like to remind the reader that this topic list is more elaborate than we would have preferred, and covers the main elements of both the orientation phase and the arbitration phase (insofar it concerns the food basket). In an ideal situation, separate focus groups should be organised for each of these phases.

Introduction

➔ Estimated time: 10 minutes

Welcome

- Give every participant an individual welcome;
- Ask for their names and give them a name-card (with first names only) and put it visibly on the table in order to facilitate discussion and to facilitate the work of the reporter;
- Stimulate informal chatting before starting.
- Offer participants a drink;
- If some details about personal or household characteristics are still lacking, ask the respondents, before the discussion starts, to fill-in the recruitment questionnaire (Annex 1.1)
- Ask participant to sign the list of participants (Annex 1.3).

Introduction and research goals

- Introduction of moderator, reporter and assistant: name, function, age, family situation;
- Introduction of participants: name, age, family situation.

Explain the goals of the research and the group discussions and let them sign the consent form (Annex 1.7)²⁰.

Goal: You take part in a research project in which 28 countries are developing cross-country comparable reference budgets*²¹. These reference budgets can be defined as illustrative priced baskets of goods and services that every citizen needs at the minimum to participate adequately* in society. We use different information sources to construct these reference budgets. One important information source is the everyday experience of people. This is the reason why we have invited you today. We will discuss with you three topics. Firstly, we will ask you some questions regarding the needs that according to your opinion should be fulfilled so that people can participate adequately in society. In a second part we will discuss with you the content of a food basket that represents all items that people need in order to eat healthily and to take part in social and cultural life in this city. Thirdly, we want to discuss the purchasing patterns that are common in our society and that according to your opinion we should take account of when composing the baskets of the reference budgets*.

- It is very important that you know from the beginning that we will not discuss your own housekeeping, family situation or household income, but that during the discussion we will always refer to a reference household, which I will present to you immediately.
- The discussion will take about two and a half hours.
- It is normal that there may be disagreements during the discussion. This is not a problem. We are interested in all opinions. Every argument you put forward has its own added-value. In case of a disagreement, it is important to discuss with each other, so that we can take note of your arguments. Throughout the discussion you might refine or change your original conviction or maybe on the contrary, you may stick to your original position because you find it more robust than the proposed alternatives. This is all part of the game as long as there is mutual respect for other opinions. After discussing the different topics we will summarize your opinions and ask every one of you to say if you agree or not agree with the conclusions.
- We would like to record this discussion in order to make sure we do not leave out anything that has been said from the transcripts. Everything will be processed anonymously; all names and personal information details will be deleted after the analysis. Does anyone have some difficulties with the fact that the interview will be taped? (If this is the case, please try to convince the person concerned by stressing that the tapes will be deleted when the data have been processed and that for analysing and reporting no names will be mentioned. In case of resolute refusal you should make clear that, unfortunately, participation is no longer possible.)
- Let each participant sign the consent form (Annex 1.7).

²⁰ In some countries, it may be more appropriate / habitual to ask to sign the consent form during the recruitment phase.

²¹ All words marked with * are concepts explained in the list with definitions below (see Annex 1.5)

Presentation of the reference household

For presenting the reference household, the assistant uses the PowerPoint with the information on the reference family.

The reference family that is central to the discussions and is projected has the following characteristics (the assistant shows slides 1 to 4 of the PowerPoint): a couple with two children, a boy of 10 years and a girl of 14 years old. The family lives in the capital, in a dwelling which is in accordance with minimum quality criteria. All family members are in a good health and are able to run the household budget economically. We know very well that in reality a lot of families do not live in these circumstances. But for developing reference budgets we are looking for the limit under which it is hardly possible for almost all people to participate adequately in society, so we will discuss the content of a basket with essential goods and services for people with these characteristics.

Part I: social participation and needs

→ Estimated time: 60 minutes

For part I the assistant uses the PowerPoint about the reference family

In this first part we aim to discuss the theoretical framework in which the targeted living standard* is embedded. More specifically we will discuss the concept of adequate social participation* and the needs* that should be fulfilled to enable this.

Adequate social participation

Goal: to gauge to what extent the participants can agree on a list with social positions that every adult and child who lives in similar circumstances of the reference household **should be able** to take in your society (≠ actually take).*

- People do not live isolated in a society, but are part of smaller and bigger social networks such as the family network, the school network, or the neighbourhood, among others. A first question that we have for you is on these networks and more specifically on the positions that people should be able to take in these networks. Here are some examples of social positions (slide 5 and afterwards slide 6 (for the children) of the PowerPoint on the reference family is shown by the assistant). Being:
 - parent
 - member of an association
 - citizen
- Which other social positions* should any woman and man like the woman and man we just presented be able to take in our society if they want to (the assistant projects the reference family on slide 5 (the parents))? This is an illustrative list of examples, should other social positions be added? If so, which ones?
 - The assistant should write down the social positions* that are mentioned in the first column of slide 5 – 6 of the PowerPoint on the reference family.
 - Ask for generalisations in case the positions are too detailed (e.g. member of a football club=member of a sporting association).
 - If people ask for more details about the characteristics of the family (members) (E.g. Are the adults working? Are they representing a cultural majority/minority?), ask them to discuss this (E.g. According to your opinion should all adults like the adults we just presented in our society be able to work or to look for work when they want?).

- If only a limited number of positions are mentioned, you could ask participants to think about their own social networks and which positions they believe everyone should be able to take.
 - Repeat for the children (see slide 6 of the PowerPoint): *Which are the social positions* in our society that any child like the children we just presented should be able to take if they want to?*
- Let them brainstorm on the essential social positions* for adults and children for about 10 minutes.
- After the brainstorm, the assistant should show slide 8 of the PowerPoint on the reference family so that the moderator can check the positions with the list and discuss the ones that are not mentioned by the group. Here you can see the positions that will be presented in all European countries.
 - *If I compare the social positions you have mentioned with this list, I can see ...*
 - In case some positions are not mentioned: *Do you conceive these positions as essential? Should everybody in society be able to take these positions if one chooses for this? Why so, why not?*
 - In case some positions mentioned are not at the list: *Do you conceive these positions as essential? Should everybody in society be able to take these positions if one chooses for this? Why so, why not?*
 - Ask for differences when living situations change: *According to your opinion, do these essential social positions differ between couples and singles, between families with and without children, or between employed and unemployed people?*
 - Ask for common agreement on the list of positions: *Do you agree with the list, are there any positions lacking/redundant?*
- Formulate a conclusion, summarize and look for confirmation (ask for arguments in case of disagreement). *Please note that the argumentation that people put forward is the most important kind of information that we are looking for.*

*Human needs**

Goal: Gain insight into the extent to which the participants agree on the needs that should be fulfilled for every member of society to enable adequate social participation.*

- In a first instance we will ask participants to sum up the things that people should be able to do or to have in order to function well and to be accepted by others in the above mentioned social positions*. In a second instance we will ask them to compare their answers with a list of essential intermediate needs* that should be fulfilled at the minimum to make adequate social participation* possible.
- *Keeping in mind the social positions that every member of a society should be able to take, what do you believe the reference family **should be able to do and to have at the minimum** (≠ actually do; = cannot adequately participate without) in order to function well and to be accepted by others?* Ask for short answers, this is a first brainstorm. Activities as well as goods and services can be mentioned here. For instance, for being a good parent, one should be able to take care for the children, to give them a good education, to play with them once in a while. For doing this, the reference household should have at its disposal: adequate food & kitchen equipment, school books, toys, ...
 - Ask for each social position* the essential activities and broad categories of goods and services. The assistant should write them down in the second and third column next to the social positions* mentioned earlier (see slide 5 (for

- the parents) – 6 (for the children) of the PowerPoint on the reference family).
- Regarding the needed satisfiers, make clear that we are not only looking for paid goods and services (e.g. babysitting by family members of friends as a favour).
 - Let them brainstorm for about 15 minutes.
 - Repeat –as many times as necessary- that we are looking for the minimum/essential requirements that every citizen **should be able to do or to have**.
 - Of course people have different preferences, however we are not looking for their actual behaviour but about what the members of the reference household (cf. characteristics of reference family type) **should be able to do or to have** when taking the above social positions*.
 - Ask them about *what would change if assumptions regarding the reference family were altered? What would be different if this couple would have no children, if the adults were single or if their employment status would change?*
 - Ask the participants: *Are you sure that only those activities and satisfiers are summed up that everybody should be able to do at the minimum in order to participate adequately (you can't participate adequately without)*
 - After the brainstorm activity, ask all participants: *Do you agree with the list, do you think something is redundant, or something is lacking?*
 - Formulate a conclusion, summarize and look for confirmation
 - Now we want to ask you to group these activities and needed goods and services in broad categories according to their characteristics, more specifically you should think about the needs that they fulfil. For instance healthy food, kitchen equipment are essential items to have sufficient and nutritious food. Hence, the broad category that brings these products together is "Food". What are the other needs underlying the list of activities and satisfiers?
 - After participants discussed the needs*, the assistance shows slide 9 of the presentation, in which the following intermediate needs* are mentioned:
 - Nutritious food
 - Protective housing (incl. energy, water, ...)
 - Health & Personal care
 - Suitable clothing
 - Rest & Leisure
 - Security in childhood (education, child care, leisure)
 - Significant primary relationships
 - Mobility
 - Security
 - Life Long Learning
 - In case one or more intermediate needs* are not mentioned during the discussion, please ask: *What do you think about these needs? Are they essential or not essential according to your opinion?*
 - *Why, why not?*
 - *If yes: For which kind of activities are they necessary? Which essential goods and services should people have at their disposal at the minimum.*

- In case other intermediate needs* are mentioned than the ones should in slide 9, take note of this and ask again: **Do you consider these needs as essential. Why? Why not?**
- Ask explicitly for common agreement on the intermediate needs*: **Do you agree that all needs mentioned until now should be fulfilled in order to enable people to play all their essential social roles? Do you think of other needs that are not mentioned yet?**
- Formulate a conclusion, summarize everything that is said after each and look for confirmation. Ask for arguments in case of disagreement.

_ Break (10 minutes)_

Part II: food basket

→ Estimated time: 40 minutes

In the second part of the discussion we would like to discuss with you in detail the necessary goods and services of one of the discussed needs, namely the need for food.

- In a first part the food basket and an example of a healthy weekly menu is presented to the focus group participants. You should tell them that this is developed by a professional nutritionist and based on dietary guidelines (see slides 1-3 of the PowerPoint on the food basket).
- The assistant presents the basket and the menu by projecting the PowerPoint (see slides 4-10 of the PowerPoint on the food basket) and the moderator goes through it step by step.
- Make clear that the first part is about the necessities for a healthy diet and that in the next part the other functions of food will be discussed. Ensure that the picture and tables presented in the PowerPoint on slide 4 till 9 are not discussed in detail but with reference to the weekly menu (see slide 10).
- Ask about the general acceptability after the assistant showed slides 4 - 10:
 - **Is the overall healthy food basket acceptable and feasible for the family type?** (show slide 10 again and give them a copy of the menu (cf. Annex 1.10))
 - Do you have any first remarks?
 - **Have we forgotten something regarding the food items** (show slides 4-7)? If yes, ask to motivate why additional items are necessary
 - **Have we forgotten necessary items in the basket of the Kitchen equipment** (show slide 8-9)? If yes, ask to clarify why additional items are necessary
 - **Could we leave items out and still have a food basket that allows the family to prepare, consume, conserve and serve healthy food?**
 - **Do things change if this couple would have no children, if the adults were single or if their employment status would change?**
 - Formulate a conclusion, summarize everything that is said and check whether everyone agrees with the conclusion.

- Is it acceptable to presuppose all meals are cooked at home?
 - If yes, why?
 - If not, why/when not? What instead?
- Does this healthy food basket enables you to cook and eat (show slide 10):
 - Tasty?
 - Well-varied?
 - If yes, why?
 - If not, why/ not?
 - What should be changed?
- Formulate a conclusion, summarize and look for confirmation (no consensus needed per se if good arguments are provided). Ask for arguments in case of disagreement.
- In the second part the social functions of food will be discussed
 - Are there any other reasons why people need food besides ensuring a good health? Think about the social positions and the activities you mentioned in the first part of the discussion.
 - Let them brainstorm about 15 minutes.
 - The assistant presents the list of social functions of food (see slide 11) of the PowerPoint on the food basket.
 - Now I'm going to show you a list of social functions of food that we found in the literature. Could you say for each of these functions if according to your opinion these are essential for fulfilling the social roles that we discussed and if yes, what kind of food you think should be included and what should be an acceptable minimum?
 - Should other functions be added to this list? Could you say what kind of food-related items you think are necessary for an acceptable minimum?
 - Are there any other food-related items/satisfiers needed for adequate participation in society than those mentioned in the healthy food basket?
 - Why are these necessary? In which circumstances, related to which positions?
 - What should be conceived in this regards as an acceptable minimum? (qualities, amounts, frequencies)
 - Formulate a conclusion, summarize everything that is said after each discussion point and look for confirmation (no consensus needed per se if good arguments are provided). Ask for arguments in case of disagreement.
- Finally, the moderator checks the feasibility of the assumptions made
 - Do you think it is realistic to assume that everyone has the capacity to:
 - Cook a healthy meal on a daily basis?
 - To shop economically?
 - In which situations are these assumptions realistic/not realistic?
 - Are these assumptions realistic for all kind of family types (single, single parent, couple, couple with children)?

- Formulate a conclusion, summarize everything that is said after each discussion point and look for confirmation (no consensus needed per se if good arguments are provided). Ask for arguments in case of disagreement.

Part III: Purchasing patterns

→ Estimated time: 40 minutes

We've reached now the last part of the discussion. In this part we want to ask you some concrete questions on the purchasing patterns that we should take into account when composing the food basket and the other baskets of the reference budgets.

The questions that follow should be repeated for the different baskets, especially if you are developing complete reference budgets. If not, please only discuss the following questions in the context of the food basket, unless you have sufficient time left.

Purchasing patterns food basket

- In order to get access to food and kitchen equipment for which goods and services should people like the ones in our reference family rely on:
 1. production by the market (private market, shops);
 2. home production;
 3. informal exchange by family and friends;
 4. production by the state in the form of public goods and services.

In case of 2) and 3) ask:

- Do most people rely on them? Who does/doesn't? Why? How often?
 - If you have reliable survey information on this topic, you should not ask this question to the participants, but you better give them this information (e.g. in our country x% of food is the result of own production) and ask:
- Is it realistic/feasible for all people living in the circumstances like our reference family? And for other people? Why? Why not?

In case of 4) ask:

- Are the public goods and services that are mentioned sufficiently accessible, of sufficient quality and variety? Does this suffice? Why? Why not?
- Are people expected to pay informal payments for making use of the public good or service that is mentioned? (*With special focus on health care, the educational system, mobility,...*) in which circumstances? Should we take this into account in a minimum budget for social participation?

Formulate a conclusion, summarize and look for confirmation (no consensus needed per se if good arguments are given). Ask for arguments in case of disagreement.

Purchasing patterns other baskets

The assistant shows slide 12 of the PowerPoint on the food basket

Now I want to repeat these questions for each of the following baskets: clothing/ furniture/ electronic devices/ personal hygiene products / mobility/ education / health care

Repeat all the above questions for each item summed up on slide 12 separately.

Choice of shops and pricing

Finally, we will ask some questions to the focus groups participants about the choice of shops and the pricing of essential goods and services that should be included in the baskets of the reference budgets.

In case you have some survey information on these topics, please do give this information to the participants as an input to the discussion

- Are there any items for which people can rely on second hand goods without the risk of functioning inadequately because of this?
- Are second hand items cheaper than new ones, and if yes, ask:
 - If it is always accepted that people buy second hand goods?
 - If there is a sufficient supply of second hand goods in the capital?
- For what kind items that are bought at the market, it is defensible that people should always rely on low priced products when thinking about a minimum budget* that enables adequate participation?
 - Is it defensible to buy only the store's own-brand products?
 - For what types of products should more choice be possible?
- Are there situations in which bargaining about the prices of certain goods and services is appropriate to be assumed in a minimum budget for adequate social participation?
 - In which cases and for which kind of goods and services?
- According to you, which providers/stores are appropriate for this family to buy specific products at low prices?
 - Why do you think of these shops?
 - What requirements should shops, used in a minimum budget, comply with (e.g. reachable by all people in all circumstances, warranty service, at home delivery...)?
 - Does anything change if people have / do not have a car?
- Should people be able to frequently visit a limited number of stores to buy certain types of products? Or should they look for the cheapest products in a range of stores?
- Does anything change if assumptions regarding the reference family are altered? What would be different if this couple would have no children, if the adults were single or if their employment status would change? And what about having a car or not?

Formulate a conclusion, summarize the results and check whether everyone agrees with the conclusions. No consensus is needed per se, ask for arguments in case of disagreement.

The discussion has come to an end, thank all participants for their inputs. Give them the reward (if applicable), and explain where they will be able to find the results of the project (<http://referencebudgets.eu>).

Notes on the focus group discussions

- The reporter should use the excel templates and write down the answers of each participant, also including literal quotes if possible

- He or she should write down other relevant non-verbal information such as body language, (dis)agreements and how these are reached, emotional moments, dominant participants, changes in opinion,...
- In case the discussions are going too quickly, and the reporter cannot write down all the information, fill out a sign and indicate the exact time (e.g. XXX 02:20), so that afterwards you can easily look up the discussion fragment on the tape.
- The reporter should not hesitate to ask to repeat what participants said in case things are going too fast.
- The reporter should complete the excel template afterwards if necessary (listen to the tapes when some information is missing (cells with XXX)).
- The reporter should write down a brief conclusion for each row in the second last column in each focus group
- Full agreement among respondents on ...?
- Points of disagreement
- In the last column, the reporter mentions general remarks, such as difficulties, errors or misunderstandings
- Save this file and make a copy
- Send this copy to sara.stockman@uantwerpen.be and bereniceML.storms@uantwerpen.be

Debriefing

Finally, immediately after the focus group discussion the reporter, together with the moderator should fill out the debriefing report (cf. Annex 1.6).

Send a copy of the debriefing note to sara.stockman@uantwerpen.be and bereniceML.storms@uantwerpen.be.

Analysis

Description of the participants

As a first step in the analysis of the focus group discussions we expect you to fill out table I which summarizes the composition of each discussion group and the main characteristics of the participants. For each focus group the number of participants, the socio-economic background of the participants, the employment status, the family situation, the sex as well as the location of the focus group should be filled out. In this way it is easier to detect the likelihood of bias due to the composition of focus groups and it may contribute to an enriched analysis in which the particular characteristics of participants or composition of a focus group is taken into account.

Table 4: Focus group composition and number of participants by characteristics

	number of participants	Socio-economic background			Family situation				Sex		Location of focus group
		High	Medium	Low	Single	Couple	Single with Children	Couple with children	Male	Female	
FG1:											
FG2:											
FG3:											
TOTAL											

Analysis of the results

In the next step, the moderator, reporter, and if necessary the assistant, should fill in the analysis template (see separate document) based on the answers and arguments that arose from the focus group discussion serving as a first step in the analysis of the focus group conversations. Doing so, questions about the participants’ views regarding part I, part II and part III should be answered. To do so, you should use the template added in an additional document and illustrate your answers with literal quotes originating from the focus group discussion followed by the sex, age and socio-economic status of the person to which the quote refers.

Send a copy of the analysis template to: sara.stockman@uantwerpen.be and bereniceml.storms@uantwerpen.be.

Annex 1.1: Questionnaire for recruitment

Focus groups on the development of cross-nationally comparable reference budgets (Focus group nr ...) & (Participant nr...)		
Name:		
Address:		
(Mobile) phone number:		
Email address:		
1. What is your place of birth?	Place:	
2. What is your date of birth? (day/month/year)	Date:/...../.....	
3. Gender:	<input type="checkbox"/>	Female
	<input type="checkbox"/>	Male
4. What is your household situation?	<input type="checkbox"/>	I live alone
	<input type="checkbox"/>	I live with my partner without children
	<input type="checkbox"/>	I live alone with my children
	<input type="checkbox"/>	I live with my partner and children
	<input type="checkbox"/>	Other, specify:.....
5. In the case you have children who live in your household: could you indicate their age?	Child 1: years
	Child 2: years
	Child 3: years
	Child 4: years
	Child 5: years
	Other: years
	
6. Do you, your partner or your children have any longstanding illness or longstanding health problem?	<input type="checkbox"/>	No
	<input type="checkbox"/>	Yes
7. How is your health in general?	<input type="checkbox"/>	Very good
	<input type="checkbox"/>	Good
	<input type="checkbox"/>	Fair
	<input type="checkbox"/>	Bad
	<input type="checkbox"/>	Very bad

8. What is your activity status?	<input type="checkbox"/>	Work 100%			
	<input type="checkbox"/>	Work 50-99%			
	<input type="checkbox"/>	Work < 50%			
	<input type="checkbox"/>	Parental leave			
	<input type="checkbox"/>	Unemployed			
	<input type="checkbox"/>	Studies			
	<input type="checkbox"/>	Pension			
	<input type="checkbox"/>	Other.....			
9. (only for couples) What is the activity status of your partner ?	<input type="checkbox"/>	Work 100%			
	<input type="checkbox"/>	Work 50-99%			
	<input type="checkbox"/>	Work < 50%			
	<input type="checkbox"/>	Parental leave			
	<input type="checkbox"/>	Unemployed			
	<input type="checkbox"/>	Studies			
	<input type="checkbox"/>	Pension			
	<input type="checkbox"/>	Other.....			
10. What is the highest level of education you successfully completed?	<input type="checkbox"/>	No formal education, primary education			
	<input type="checkbox"/>	Lower secondary education			
	<input type="checkbox"/>	Upper secondary education, post-secondary non-tertiary education			
	<input type="checkbox"/>	Tertiary education (bachelor or equivalent, master or equivalent, doctoral degree or equivalent)			
11. (only for couples) What is the highest level of education your partner successfully completed?	<input type="checkbox"/>	No formal education, primary education			
	<input type="checkbox"/>	Lower secondary education			
	<input type="checkbox"/>	Upper secondary education, post-secondary non-tertiary education			
	<input type="checkbox"/>	Tertiary education (bachelor or equivalent, master or equivalent, doctoral degree or equivalent)			
12. When you think of your household's total daily costs and housing costs, including payments on mortgage or rent, insurance and service charges, on a scale from 1 to 5, are these costs:	1	2	3	4	6
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	No burden at all				A heavy burden
13. Have you ever been involved in a research on reference budgets?	<input type="checkbox"/>	Yes			
	<input type="checkbox"/>	No			

Annex 1.2: Brief review of literature on the composition and recruitment of focus groups

Recruit participants from various socio-economic backgrounds

A first discussion point regards the choice between a homogeneous and heterogeneous composed focus group. Generally speaking, researchers adhering to a realist perspective tend to favour a homogeneous group of participants as regards their socio-economic status (Krueger, 1993; Krueger, 1994; Krueger and Casey, 2000; Freeman, 2006) since they are interested in the individual opinions derived from focus groups, while trying to reduce as much as possible the interaction effects. According to them, a breakdown in homogeneous subgroups enables the comparison between different groups, increasing the external validity (Freeman, 2006). Krueger and Casey (2000) add that in homogeneous groups it is easier for participants to express their 'real' opinions, being among peers from the same status. However, there is also an important part of the literature which favours the use of heterogeneous groups. The advantage of mixed focus groups is that the different socio-economic backgrounds of people contribute to diversity in the group which can challenge participants to make their opinions and arguments explicit and which enables the researcher to highlight contrasting opinions (Smithson, 2000). For contextual constructivists, heterogeneous groups are preferable since they help to provide insight into processes of interaction and into how ideas are constructed in a sociocultural context (Kitzinger, 1994; Hollander, 2004; Freeman, 2006).

We construct reference budgets that should represent what is necessary for adequate social participation*. What adequate social participation* means, and the needs that are related to these, is likely to vary across groups in society. While the feasibility of reference budgets is sometimes best assessed by people with relatively low incomes, acceptability of the budgets is a matter of concern for all members of society. In the peer review on 'Using Reference Budgets for Drawing up the Requirements of a Minimum Income Scheme and Assessing Adequacy', it is recommended to recruit people from different socioeconomic backgrounds in order to shine a light on possible existing inequalities and conflicts in society, while enhancing the external validity of the results and helping to contextualize the RBs, making them more representative and empirical-based (Vranken, 2010). Moreover, some researchers have defended that heterogeneous focus groups prevent the degradation of the minimal norm, which might occur in homogenous groups that consist only of people with a lower socio-economic status. In our experience also the opposite may occur: people with access to few resources may tend to overestimate the average living standard in society, whereas relatively rich people may underestimate the resources required at the minimum as they have little experience with what it means to do without a large number of goods and services. For instance, in a small-scale study in which variations of group compositions were used, Devuyst et al. (2014) found that persons living on low incomes seemed to attach more importance to a range of goods and services included in the baskets as compared to participants living on middle and high incomes. Clearly, involving participants from different income groups stimulates participants to take a public perspective (Deeming, 2010; Vranken, 2010) and helps to bring in information on the range of living standards in society as well as about what it means to do without a number of goods and services.

Although we recognize the advantages of working with a homogeneous focus group, following the recommendations of the European peer review (Vranken, 2010), we are convinced that in the framework of constructing reference budgets, focus groups with participants from different socio-economic backgrounds are to be preferred since they ensure a more nuanced discussion (Bloor et al., 2001). From experiences with focus groups in Belgium and the UK, we have learned that heterogeneous composition of focus groups can facilitate a lively discussion between people with various forms of expertise and different points of view regarding the acceptability, the feasibility and the completeness of the various baskets. Being confronted with a wider range of opinions,

participants will feel the urge to provide a more in-depth explanation of their point of view which can result in better argued interaction.

Over-recruitment of people with a low socio-economic status

The organisation of mixed focus groups is confronted with certain challenges that should be taken into account. In particular, the 'expectation states theory' says that it is common for high-income participants to dominate the group discussion at the expense of the participants with a lower socio-economic status, potentially resulting in a false confirmation of the dominant opinion by all other contesters (Berger et al., 1972). Hence we should make sure that there exists a good balance in the composition of the focus group. It is recommended to ensure that more people from vulnerable groups (e.g. low-income groups) are well-represented. This will endorse free expressions of thoughts and will make the focus group members feel more confident (Devuyst, et al., 2014).

Compose a focus group with people holding a mix of different background characteristics

Besides the socio-economic background, other characteristics like gender, residence and ethnic background can determine the course of the discussion (Hollander, 2004). Consequently, one should aim at a mix of people with different characteristics instead of supremacy of one particular group. In order to test the acceptability and feasibility of the reference budgets among different groups, we recommend a balanced group composed of men and women, with different employment status. However, given the limited number of focus groups we will not be able to test the acceptability of the baskets for all different minority groups in society, neither for different regions. Therefore, it is important to recognise that the reference budgets developed in this project will rather reflect the minimum needed for specific family types of the dominant culture, living in a particular city.

Compose focus groups with people from the household type and age for which the reference budget is developed

It is important that participants can identify themselves to some extent with the reference household, and that they can understand their needs. Morgan (1996) recommends to conduct different focus groups for each relevant segment of the research population. Ideally, this means we should organize at least two to three focus groups for each family type for which we construct reference budgets. However, at this stage, we will not organise focus groups for the various reference households separately, as the discussions will focus on relatively broad questions, and as we have resources to organise only three focus groups (one focus group discussion for each household type would not make much sense). Therefore, we look for participants at active age (30-50), while targeting at a mixture of singles, single parents, couples and couples with children, with preferably a higher weight for adults with children. Also, as discussed in the

Composing a focus group consisting of 'strangers' is preferable

Some authors state that participants who already know each other are more likely to engage in a profound discussion (Sasson, 1995). In contrast, others discourage the use of (partly) pre-existing groups because they have their own dynamic (Morgan, 1998). Our own experience suggests that focus groups consisting at least partly of strangers, are more practicable and less chaotic. In order to stimulate diversity and independence of opinion, we strongly recommend to limit the number of people who know one another as much as possible. Anyhow, the extent to which people will reveal personal information and take part in the conversation actively, varies substantially between persons and discussion groups (Devuyst, et al., 2014; Storms, 2012). An experienced professional moderator is of crucial importance to make sure all persons take part in the discussion.

Recruit at least eight participants

In order to determine the number of participants in one focus group, one should keep in mind the manageability of the discussion. Focus groups that are too big (more than ten people) will often result in chaotic discussions and make it hard to ensure that all voices are heard. On the other hand, when focus groups are too small (less than five people), problematic silence can arise and only a narrow view on what is needed to obtain a particular standard of living can result due to the unmet relevant socio-economic selection criteria. As it is impossible to guarantee that all recruited candidates will attend the discussion, a small amount of over-recruitment is advisable (Morgan and Krueger, 1997). In this project, we recommend to recruit 8 to 10 persons to ensure focus group discussions with about 6 to 8 participants, and without running the risk of having a group that is too big.

The number of focus groups

The number of focus groups needed, will vary from research project to research project as it depends on the point on which data-saturation is reached. Data-saturation is reached when a clear structure occurs and new focus groups do not add any new information (Krueger, 1994). Given that data-saturation is not to be predicted, no decisions on the number of focus groups can be taken in advance (Stewart et al., 2007). Depending on the value of the information that already has been gathered and on the amount of new arguments that tend to come up, one can decide if additional focus groups are necessary. Even though data saturation is a promising concept, it is at the same time a vague one (Carlsen and Glenton, 2011), since it is difficult to know when saturation is reached. In practice, in many cases the number of focus groups is defined in advance regardless of the point at which data-saturation can be established, given the existence of constraints on time and resources (Devuyst, et al., 2014).

Morgan (1996) posits that if we divide the population into homogenous groups, the total amount of focus groups increases equally. In general the use of two up to five focus groups for each subgroup is considered being appropriate (Morgan, 1996). Since we have chosen for heterogeneous focus groups we do not need to conduct various focus groups for different socio-economic groups in the population. However, we already mentioned that it would be favourable to conduct focus groups for the different family types, but unfortunately we are limited by the given time and resources of the project. In this project, we ask each national team to organise and report on at least three focus group discussions. If feasible, we strongly recommend the organization of a pilot focus group to test the time needed, the difficulty and comprehensibility of the questions and the workability of the used material.

Recruitment office

The most ideal way to recruit focus group participants would be turning to a professional recruitment bureau. When informed thoroughly, a recruitment bureau is able to invite a representative mix of people that meet the selection criteria. However, we do not know whether high quality recruitment companies are available in all 28 participating countries, and sometimes recruitment companies can be very expensive. We kindly ask to check for existing recruitment companies and to ask for their price. This information will help us to define the budget needs in case there is a follow-up project. In the likely case that the price of recruitment companies is higher than recruiting yourself, we advise for this pilot project to rely on intermediate persons and organisations. This is less costly, but nevertheless time consuming and depending on the local context and available social networks. We advise you to look at the list of involved organisations for your country that are well aware of the project (see separate document) and to contact them for helping you to recruit participants that meet the selection criteria. When recruiting indirectly by means of associations and intermediate persons, it is recommended to stay in touch with the participants and let them fill in the recruitment questionnaire, to avoid recruitment

based on wrong criteria. Moreover, the participants should be motivated to attend the discussion to ensure equal involvement and in-depth discussions. Obviously, the engagement that is required of focus group participants implies a latent selection (Vicsek, 2010).

However, we recommend that not all participants are to be members of an association, since this can have an influence on their point of view on what is minimally needed for adequate social participation*. In any case, it should be made clear that people participate on an individual basis in the focus group discussions and not as a representative of the organisation through which they are recruited, as we are interested in their own personal opinions. Instead of contacting organisations you can also recruit people directly by help of local welfare offices, public services or firms. To facilitate the recruitment we give a non-exhaustive list of possible recruitment channels:

- local welfare offices
- poverty experts
- associations working with people in poverty
- social workers
- trade unions
- firms
- parents' associations
- other civil society organisations
- public services
- ...

When various potential candidates have filled in the recruitment questionnaire, a mixed focus group can be composed relying on the information about the different background characteristics of the participants. The chosen participants should be informed as soon as possible about the location, date and time frame of the focus group discussion. Make sure all participants can arrive at the focus group meeting by helping with information on public transport, bike routes or parking availability. Finally it is important to send a couple of reminders in advance, to make sure most candidates will attend the focus group discussion.

Annex 1.4: Words to avoid and alternative options

NOT TO USE	TO USE INSTEAD
Basic needs	Human needs*
Full participation	Adequate participation*
Model family	Family type/ reference household
Poverty line	A minimum for adequate social participation*
Wants* or preferences*	Needs

Annex 1.5: Definitions of important concepts

Adequate social participation	The ability of people to adequately play the various social roles* one should be able to play as a member of a particular society*.
Human needs	By building on the Theory of Human Need (Doyal and Gough, 1991), we identify health and autonomy as universal needs that need to be fulfilled in order to be able to adequately participate* in society.
Intermediate needs	Universal human needs* can be translated into 'intermediate needs' or 'satisfier characteristics'. In this project we will make use of the following non-exhaustive list of intermediate needs: nutritious food, adequate housing, suitable clothing, adequate personal care & health care, sufficient rest and leisure, security, a safe childhood, mobility, maintaining social relations and lifelong learning. These needs are used as a tool for developing the corresponding baskets of goods and services that together reflect the targeted living standard*.
Reference budgets	Illustrative priced baskets of goods and services that represent a targeted living standard*.
Social inclusion	Social inclusion is both a process and the result of a process that starts from human dignity and that aims at adequate participation by improving societal institutions and empowering vulnerable citizens (Storms, 2012).
Social position	The place that people take in formal or informal social networks. We focus on social positions defined in broad terms (e.g. being a mother, being an employee, being a citizen,...) which society* recognises as those that its members should be able to take at the minimum and at least those that are necessary to fulfil essential societal functions (e.g. reproduction, education, social cohesion).
Social role	The expected, socially recognized, pattern of behaviour of an individual who occupies a given social position*. It serves as a strategy for coping with recurrent situations and dealing with the roles of others. The term, borrowed from theatrical usage, emphasizes the distinction between the actor and the part. A role remains relatively stable even though different people occupy the position. Role expectations include both actions and qualities: a teacher may be expected not only to deliver lectures, assign homework, and prepare examinations but also to be dedicated, concerned, honest, and responsible.

<p>Society</p>	<p>A human society can be seen as a network of interrelationships connecting individuals together in a particular territory, while making them subject to a common system of political authority and dominant cultural expectations. It is important to recognize that society in this sense is not a fixed social entity. In fact, systems of political authority and cultural expectations may be multi-layered, with some forms being worldwide, some European, some 'national' and others being rather regional or local. At the same time, societies can be plural, that is, they can be deeply divided along cultural, religious, ethnic or other lines (e.g. Nagata, 2001).</p>
<p>Targeted living standard</p>	<p>The targeted living standard in this project can be described as the minimum financial resources needed to participate* adequately in society.</p>
<p>Wants, needs & preferences</p>	<p>Needs differ from wants and preferences because of the subjective character of the latter two. Needs are what all people should be able to have for adequate participation in society. Preferences and wants express the subjective and personal wishes of a person. In contrast with needs, they are not existential. When wants and preferences are not met, adequate social participation* is not necessarily threatened, while the reverse is true if needs* are not met (Doyal and Gough, 1991).</p>

Annex 1.6: Template debriefing

<p>Country:</p> <p>Number focus group:</p> <p>Date:</p> <p>Duration:</p> <p>Number of participants:</p>	
<p>Debriefing notes on:</p> <p>Active involvement of the participants</p> <p>Understanding of the questions</p> <p>Criticisms</p> <p>Special events</p>	
<p>Do respondents agree on the essential social positions* that everybody should be able to take? If not, what were the main discussion points?</p>	
<p>Do respondents agree on the activities that people should be able to play? If not, what were the main discussion points?</p>	
<p>Do respondents agree on the intermediate needs*?</p>	
<p>What are the main points of agreement and disagreement regarding the necessities for a healthy diet?</p>	
<p>What are the most important other functions of food that were mentioned?</p>	
<p>What are the most striking points (agreements/disagreements) regarding the purchasing patterns?</p>	
<p>Were the assumptions about the reference household sufficiently specific? Did participants mention other characteristics that were relevant for the discussion, but which were not pre-defined (e.g. working or not; tenure status)?</p>	

Annex 1.7: Consent form to participate in a discussion group on reference budgets

You have been invited to participate in a discussion group on reference budgets. These discussion groups are organised in 28 European countries and are part of a project financed by the European Commission. The aim of this project is to develop cross-nationally comparable reference budgets that represent goods and services that people need at the minimum to participate adequately in society.

You can choose whether or not you want to participate in the discussion group and stop at any time. Although the discussion will be tape recorded, your responses will remain anonymous and no names will be mentioned in the report.

We want to hear many different viewpoints. There are no right or wrong answers to the questions we will pose and it is normal that your view or opinion is not always in agreement with the rest of the participants. By taking part in the discussion group, you commit yourself to respecting the opinion of others and to keep all responses made by the participants confidential.

I understand this information and agree to participate under the conditions stated above.

Signature:

Date:

Annex 1.8: Things that need emphasizing

- We are looking for what is needed at the minimum for the represented family that lives in the described circumstances and with the given kind of characteristics. We are not looking for what goods and services are needed for people living in poverty.
- It is about what the family types in general need at the minimum to ensure adequate social participation*, not about personal preferences.
- It is not about what this reference household would do, but what it should be able to be or do at the minimum under these presented assumptions (when they work, have a certain age, have two children of a certain age, live in a particular city, in a particular housing type,...).

Annex 1.9: Tips and tricks

- The assistant should project the picture with the reference household as often as possible and the moderator should regularly refer to it as the reference family for which we are developing the reference budget. Additionally, the stylised picture of the family should be shown in print on a visible place and some pictures should be laid on the table for the participants.
- Keep repeating that we are looking for what this particular family (and not what the participant) needs *at the minimum* in order to be able to participate adequately in your society.
- Repeat as often as necessary the assumptions about the family type we are referring to
- Give a close look to Annex 1.5 and be sure that you understand well, and are able to explain well all important concepts
- Use synonyms and other wording when explaining what should be understood by adequate social participation* (e.g. =being able to fulfil all social roles* one should be able to play as a member of a society, =avoid people from functioning inadequately)

Annex 1.10: Example weekly menu

Menu	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Breakfast	brown bread margarine cheese Jam yogurt coffee or tea	brown bread margarine cheese jam yogurt coffee or tea	brown bread margarine cheese jam yogurt coffee or tea	brown bread margarine chicken breast yoghurt coffee or tea	brown bread margarine chicken breast yoghurt coffee or tea	brown bread margarine cheese yoghurt jam coffee or tea	brown bread margarine cheese jam yoghurt coffee or tea
Lunch	brown bread margarine chicken breast raw vegetables dressing Choco	brown bread boiled ham raw vegetables dressing margarine	brown bread Boiled ham raw vegetables dressing margarine Choco	brown bread cheese raw vegetables dressing margarine	brown bread cheese raw vegetables dressing margarine	brown bread chicken breast winter turnip soup margarine cheese	brown bread boiled ham parsnip soup margarine
Dinner	winter salad with goat cheese poached fish with steamed broccoli potato gratin	chicory with apple grilled vegetables turkey steaks cinnamon pudding	Leek soup potatoes from the oven with herb cheese spicy carrots	pancakes with mushrooms pasta salad with ham carrot cake	fish cakes vegetarian moussaka	winter turnip soup vegetarian meatloaf vegetable puree	lettuce burger potatoes from the oven grilled pineapple
Snacks	skimmed yogurt kiwi pear cheesecake with lemon	cinnamon pudding pear apple	apple banana vanilla cookies	apple Banana kiwi cheese cookies with cherries	pear banana semi-skimmed yoghurt Brownie	kiwi pear semi-skimmed yoghurt Mango mousse	apple semi-skimmed yoghurt vanilla cookies
All day	water	water	water	water	water	water	water

Annex 2: Minority point of view

An important part of this pilot project consists of building a broad support base for a method for constructing reference budgets which can serve the purposes of cross-national learning, monitoring of minimum income protection and contextualising social indicators across countries. Therefore, a consortium of people with experience of developing reference budgets was brought together. As is explained in the paper, cross-nationally a wide range of approaches are used. For several months we have had an open discussion and many exchanges about the method to be developed in the scope of this pilot project. Nonetheless, the Irish and British team have resigned from the project as the approach proposed in this paper was considered to be too different from the one they currently use. The note below explains the point of view of Bernadette Mac Mahon, director of the Vincentian Partnership for Social Justice.

Why it is problematic to develop reference budgets which start from research input and a theoretical framework, validated in discussion groups.

Bernadette Mac Mahon

The consensual budgets standard methodology is rooted in the principle that the people with lived experience of a particular standard of living are the experts regarding that standard. Focus groups are established of representatives of particular household types drawn from different socio-economic backgrounds. Through a series of meetings and as a result of time given to open debate and discussion, they reach a negotiated consensus. Their experiences and consensus form the foundations in the establishment of what is needed for a minimum acceptable/essential standard of living. The opinions and views of experts are consulted regarding the adequacy of the budgets drawn up by focus groups. The responses of experts to their work are studied and discussed by the focus groups and when necessary amendments are made to the negotiated consensus.

Starting from research input and a theoretical framework risks imposing a view of what is correct or proper for a given standard. It risks being prescriptive and of placing 'expert' opinions ahead of the lived experience of representatives of the households under consideration. The views of experts inevitably influence members of the public. When there is a limited time frame for discussion prescribed lists inevitably confine discussions on material which focus groups would provide in a more open approach to their engagement.

The proposed methodology starting from research and theoretical framework reduces the role of focus groups to a secondary role while the consensual budget standards methodology gives a deliberative role to the lived experience of representatives of particular household types. The VPSJ recognises the role of 'experts' and has experienced the willingness of focus groups to reach a re-negotiated consensus in the light of responses of experts to their work. It is difficult to accept that a particular standard of living, developed by representatives of the household type and drawn from different socio-economic backgrounds, through a series of facilitated meetings and incorporating the views of experts, is less valid than that drawn up by experts who involve to a very limited degree people with the lived experience of the particular standard of living.

The experience of ten years work with focus groups has given the VPSJ the confidence in the validity and reliability of the outcomes of giving primacy to the negotiated consensus arrived by focus groups (which involved consultation with experts). It is worth noting that when our data is published on our website, is the subject for discussion at roundtables and is reviewed by peer groups that there has been a

general acceptance of the validity and reliability of the data. The proposed common methodology acknowledges that giving focus groups a deliberative role would strengthen the participatory character of the Reference Budgets (Page 56 - Proposal for a method for comparable reference budgets in Europe, December 2014)

However in the proposed common methodology the final say is not given to representatives of a particular household type drawn from different social economic groups. Their agreement is not accepted as essential.

Your Understanding of Consensus and how to arrive at one

In the consensual budget standards method as used by the VPSJ consensus is about consent and agreement. In this context focus groups are the central research tool, bringing together mixed groups of individuals to have open discussion and deliberation on what is required for a socially acceptable standard of living.

The VPSJs understanding of consensus has 3 main elements:

- Based on identifying a public understanding of what is a minimum acceptable standard of living
- It relies on the view and on our experience that there is a pre existing common view about what members of the public regard as needs and not wants.
- This consensus is not always explicit or pre-formulated or widely articulated. It is implicit and usually requires exploration and negotiation. Members of the public with a shared experience of a particular reality explore together what can be accepted by all its members as a reasonable position.

We have difficulty in believing that consensus about a particular standard of living can be validly arrived from a starting point of prescribed lists based on expert opinion and drawn from theoretical principles and considered by focus groups in the manner outlined in the proposed methodology

In practical terms, the most significant limitation of the proposed methodology is that it does not involve detailed consideration of items for inclusion by focus groups. The experience of the VPSJ has shown that it is only when asked to identify items that focus groups can engage in a meaningful way in discussion about the differences between needs and wants. Being asked to discuss abstract issues such as people's roles, or to validate lists of items, does not achieve this.

Presenting people with lists already drawn up by experts limits the power of groups to meaningfully discuss and negotiate what is included. The identity of the groups responsible for presenting detailed lists is of paramount importance. It is difficult to see how theoretical principles or views of experts in matters such as life-span, quantities, and quality can provide an adequate basis for decision-making. Groups, made up of members of the public, can base their decisions on experience of a lived reality.

The views of the group of the public representing a particular household type can be overridden by experts without any explicit endorsement from other groups of members of the public. Where different judgements are made in different parts of the process there is no valid way of saying that the final decision represents a consensus.

Summary of how consensus is achieved.

Work with focus groups using the consensual budget standards methodology commences with an orientation session in which a shared understanding is arrived at, agreed and accepted about important concepts e.g a minimum essential standard of living, needs, wants, household types etc. The orientation session also deals with other matters e.g purpose and method of work. During this session members are also asked to do some home work e.g. diary of weekly household shopping, inventory of clothing items.

Focus groups engage in a discussion on what is meant by a minimum essential standard of living and are then asked to identify what is required to enable this standard. They reach an initial consensus without the input of expert opinion or theoretical framework impacting on their judgement.

Participants arrive at an agreement on needs as a group reaching a consensus on the actual goods and services required to meet these needs. Participants are given time to deliberate on what is required before giving their consent that the standard is socially acceptable.

It is only after the initial engagements with the focus groups that the views of experts are required. Proposed adjustments are brought back to the focus groups for discussions and consent. This ensures that the lived experience of people representing the households under consideration have the first and final word in the process. The VPSJ has found over the course of the last 10 years that focus groups for the most part are willing to discuss and accept the view of experts on their work (if necessary further negotiation between focus groups and experts takes place) Three different focus groups are established for each household type.

Consensus is arrived through an iterative process, involving 3 different focus group for each household type, which takes place over a number of stages of focus group work and consultation and dialogue with experts.

How the proposed approach could be modified to make it more valid and comparable while keeping feasibility in check.

From the perspective of the VPSJ the significant difference in the theoretical position outlined in the proposed methodology and that underpinning the consensual budget standards methodology would demand fundamental changes. As already stated focus groups are given a primary and deliberative role in the consensual budget standards methodology while in the proposed methodology experts and theoretical frameworks are given the primary role in the decision-making.

In the context of the proposed methodology and the existing time and financial constraints the following points are outlined for consideration-

At a minimum, the following changes to the proposed method for developing reference budgets for food, may enable open discussion and a more deliberative role for focus groups.

- i\ Do not present the weekly food menu, developed by a nutritionist at the first stage.
- ii\ First, provide the opportunity for open discussion on the type and variety of food which would be required for a minimum acceptable standard, with reference to the national guidelines on healthy eating
- iii\ Subsequently, discuss the social aspects of food
- iv\ Refrain from asking the nutritionist to draw up the menus until after they have received guidance from both the focus groups and experts.

The above changes may facilitate open discussion, and a truer consensus to be reached from the focus groups. However, the deliberative stage of the research undermines the input of the focus groups, and reduces it to an informative role with decisions on the content of the lists of goods and services finally being made by the research team.

This is just a starting point, covering the initial stages of negotiating food budgets which has so far been spelled out in detail. With non-food budgets, where decisions are harder to abstract into general principles rather than specifics about particular types of item, a key criterion would be to give groups the chance at least at some level to draw up lists not just to validate or amend them.

Reply from the authors of the report to the note by Bernadette Mac Mahon

The ongoing work on reference budgets has up to this moment not crystallized into a single, generally accepted method in this domain. The note above reflects this, and we thank Bernadette Mac Mahon for drafting it. In this reply we do not want to repeat the reasons and arguments for the choices we made, as these have been presented and motivated extensively in our report. However, we briefly highlight three points.

First of all, we would like to stress that the difference between Bernadette Mac Mahon's and our point of view is certainly not fundamental. We both aim at consensual reference budgets that are based on both the opinions and views of members of the public, as expressed in focus groups, and on relevant results from studies on food, hygiene and other research as well as official guidelines and recommendations. Where we disagree is about the best way to gather and combine these different kinds of evidence, and how to resolve any differences in outcomes between them. Even so, for the moment it is not clear what impact these different choices have at the end on the final baskets of goods and services.

Secondly, we repeat that our proposal has been made with a view towards producing comparable reference budgets within the European Union, primarily to be used for EU-level purposes, while Bernadette Mac Mahon appears to refer to a context that is mainly national. At the same time, as we stress in the report, we agree with Bernadette Mac Mahon that it would be opportune to expand in future projects the consultation of citizens throughout the process of developing reference budgets, especially if this could be done in a more robust and representative way. By doing so, especially phase 3 and 5 could be considerably enriched.

Thirdly, we are of the opinion that the capabilities and self-confidence of members of the public should not be underestimated. It has been our experience, as well as those of others in many other countries, that people in focus groups have no problem in making numerous remarks and adaptations to lists of goods and services composed by researchers on the basis of a range of information sources. In a project for comparable reference budgets, it is essential that reference budgets start from the same theoretical and empirical basis, and build on an elaborate documentation of the local institutional, social, economic and cultural context. The consultation of citizens through a number of focus groups has an important place in this, but other sources of information should be consulted to ensure group discussions are well-informed. Given that cross-country comparability is considered key in this project, it is currently difficult to see how in this pilot project cross-country comparability could be guaranteed if focus groups would be given the last say, as they consist of a relatively small and not representative sample of the population.

Reference budgets can be used for various purposes and in various contexts. Which method is most appropriate depends partly on purpose and context. Perhaps the biggest challenge for reference budgets researchers is to convince policy makers and other stakeholders to accept the results as valid. In this respect, no specific approach is clearly superior to others in all countries. We should work together to strengthen the development and use of reference budgets in the European Union.

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This pilot project, funded by the European Commission, has three main objectives. The first is to establish a reference budgets network composed of key experts and representative stakeholders, at national and EU level, to share experience and expertise on reference budgets. The second objective is to develop a theoretical framework and a common methodology for developing cross-nationally comparable reference budgets in European Member States. The third goal of the project is to develop comparable food baskets for all 28 Member States and complete reference budgets for a selection of countries.

