

MONEY MATTERS

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Reference Budgets for Social Inclusion



Reference Budgets for Social Inclusion

Reference budgets are expenditure patterns for different types of households. Based on the household composition, the disposable income and some other characteristics (like housing situation, possession of a car), an expenditure pattern is given that suits the situation of the household. Reference budgets can be based on empirical data (e.g. budget enquiries) or constructed by budget experts.

Such budgets have been developed in various countries across Europe in the last few years and they are used for a variety of aims, including money and debt advice, poverty measurement, credit scores and purchasing power calculations.

In 2007 some ecdn members co-developed a transnational project on "Standard Budgets" in order to promote the construction of such budgets in countries where they hadn't been used so far. The project also set out to increase the exchange of actors of those countries who had been using such budgets for many years. The project proposal found the support from the EU-Commission under its PROGRESS programme and activities could be started in 2008.

After a kick-off meeting in Vienna three seminars were organised in the Netherlands, Spain and Bulgaria to enhance the exchange on existing budgets and supervise and discuss the development of reference budgets in Austria, Belgium, Bulgaria, Spain as well as two reference budget projects in Finland and Germany.

As one first result of these mutual learning process the decision was taken to use the common term "Reference Budgets" for what has been, and still will be, known under various different names (including Standard Budgets, Budget Standards etc.) in the various countries.

A reference for household spending patterns

Reference budgets – and similar systems – are a widely used tool in debt prevention, debt advice and budget information work.

Budgets that are based on empirical data only, often show deficits for households with a low income. These budgets are thus not quite useful for budget information and debt advice (where balanced budgets are needed). That is why constructed standard budgets are needed, with the empirical data as reference. Such standard budgets are built in a modular way. They combine data from a variety of sources, including household-surveys and by using econometric techniques.

Reference budgets or budget standards, as they are called in some of the countries, are a reference for households' spending patterns. They are not a prescription how individual households should spend their money. Personal circumstances and the real life experiences of low income households must always be taken into account.

Ensuring adequate social protection systems

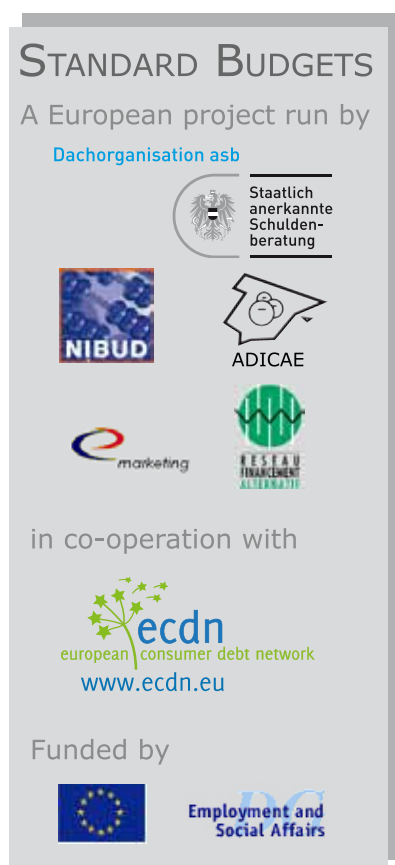
With reference budgets it is possible to trace differences in income and expenditures of a certain type of household due to (changes in) policies. The budgets can make visible which household groups are faced with problems making ends meet. Reference budgets are among the few instruments that draw attention also to intra-household distribution. In the framework of budget advice the well-being of children as an important budget factor can be included more clearly.

Increasing access to adequate financial services

Reference budgets are an important base to calculate what a certain household can responsibly borrow (loan-to-income-ratios) and thus to present alternative – and more responsible – credit scores (as compared with the ones currently used by financial service providers).

Combating poverty and social exclusion

Using reference budgets in the above mentioned areas can be an important contribution to more effectively combating poverty and social exclusion. Budget



STANDARD BUDGETS
A European project run by
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Staatlich anerkannte Schuldenberatung
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ADICAE
marketing
RESEAU FINANCEMENT ALTERNATIF

in co-operation with
ecdn
european consumer debt network
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information and credit scores can reduce problematic debts, and thus stimulate social inclusion. Advising public authorities on purchasing power effects of their policies also stimulates that these policies are directed more towards households and their real needs.

While social inclusion and social protection policies usually have a strong focus on income, there often is a lack in considering expenditure patterns, needs and costs in realistic terms. Reference budgets can help to overcome this lack of information and contribute to discussions about poverty definitions and lines that go beyond income statistics.

In so doing they also feed into discussions about social standards and adequate income systems as they are currently considered in the framework of the EU recommendation on Minimum Income.

Crucial questions

In order to ensure that reference budgets will be used to promote social inclusion and to avoid possible negative effects on people experiencing poverty, four crucial questions – drawn from the questions that were defined by John Veit-Wilson in the framework of a transnational project on social standards – have to be considered:

1. For what: What is the purpose of the budgets? To ensure a decent life in comparison with the standards of 'normal society', or only to meet basic needs?
2. For whom: For every citizen in the society or only for a specific group? Who are the intended beneficiaries, and how are they defined and/or targeted?
3. For how long: What is their time dimension in terms of duration or of policy perspectives?
4. By whom: Who sets the rules and conditions of the budgets and according to which criteria? In how far have people experiencing poverty been involved, and to what extent will they be involved?

Finding answers to these questions is essential before drawing conclusions with regards to the use of reference budgets for social inclusion. ::



Project Activities

The transnational project "Standard Budgets" aims to develop and strengthen the instruments that are needed to (better) use Standard or Reference Budgets.

A handbook will be produced as a reference guide for developing reference budgets, discussing all aspects related to their development and use.

Under the supervision of Nibud, national budgets will be developed in Austria, Bulgaria and Spain.

The development of these budgets is supported by:

- ★ Three European seminars with additional input and feedback from experts in various fields that are relevant to the project (research, debt advice, financial education, consumer protection, public authorities, financial service providers, anti-poverty NGOs).
- ★ Two or more national workshops in each of the countries where reference budgets will be developed, gathering relevant stakeholders, including people experiencing financial exclusion. Findings and results of the project will be presented in national and European publications and leaflets.

The results will also be discussed with relevant stakeholders at the project's final conference, to be held in autumn in Vienna.

[European Conference: "Reference Budgets for Social Inclusion"](#)
20-22 October 2009, Vienna

For further information please contact:

Michaela Moser, ASB Schuldnerberatungen GmbH, PR Office
Gumpendorferstraße 83, 1060 Wien | Austria
Tel. +43-(0)1-96 10 213 | e-mail: michaela.moser@asb-gmbh.at

The UK's New Minimum Income Standard



by Donald Hirsch
Loughborough University

In the United Kingdom, two parallel traditions of compiling budget standards have recently been brought together in a single project whose aim is to report a 'minimum income standard' covering most household types.

The Family Budget Unit at the University of York (FBU) compiled 'low cost but acceptable' budgets in the 1990s, based on baskets of goods and services drawn up by experts. The Centre for Research in Social Policy (CRSP) at the Loughborough University developed a methodology for calculating 'consensual' budget standards involving members of the public reaching agreement about what people need as a minimum.

Now the FBU and CRSP have come together to produce a single 'Income Standard for Britain', based on public consensus informed by expert knowledge. In July 2008, the first budgets were published, indicating how much people need to achieve a minimum acceptable standard of living. The budgets and income calculations for a range of households cover 79% of all households in Britain. The work was funded and published by the Joseph Rowntree Foundation, a large charity based in York that funds social research.

In this method, panels of ordinary people in each household type compile lists of budget items necessary for an imaginary family to achieve a minimum acceptable standard of living. These lists are checked by experts, and where there are difficulties (e.g., with nutritional standards), these are reported to subsequent groups who are able to amend the budgets if necessary.

The budgets include both material possessions and the cost of activities and services required for social participation. All of the groups put a strong emphasis on ensuring that families do not just have basics like food and shelter, but also can afford a minimum of social participation that is necessary to have an acceptable living standard in modern Britain.

The Foundation has published the budgets and a ready reckoner that allows one to calculate the gross earnings that one needs in order to afford this budget. The principal purpose of this information is to serve as a social 'benchmark'. It allows a better understanding of the main measure of income poverty, set at 60% of median income. The results show that most budgets are above this level, and that therefore people classified by the government as living in poverty generally are unable to achieve the living standard defined by ordinary people as a 'minimum'. That result is important in the UK debate where the validity of the existing poverty line is often challenged because of the arbitrary way in which it has been set.

Another obvious application is as a benchmark for the setting of social benefits. At present, pensioners who claim means-tested credits are able to achieve at least the minimum standard of income set by this research. But working age groups relying on means-tested social assistance fall well below the minimum. Those without children are particularly disadvantaged, with their safety-net benefits below half of the minimum. This information will not lead to a sudden correction in benefit levels, but will be relevant to priority setting in the future. ::

For further information and
the full report visit:
www.minimumincomestandard.org



The Common Financial Statement (CFS)

Financial statements are a vital tool in the money advice process to establish the income, assets, and essential expenditure of a person in debt in order to work out how much money is available to repay creditors. Creditors need to know that when reduced debt repayments are offered, these are fair and reasonable. Money advisers need to know that their clients will receive consistent treatment from the people to whom they owe money.

The first CFS was published by the British Bankers' Association (BBA) and the Money Advice Trust (MAT) in November 2002. MAT is a registered charity founded in 1991 to increase the quality and availability of free, independent money advice in the UK. The British Bankers' Association (BBA) is the voice of the banking industry within the UK and is the principle representative body for the banking and financial services sector. The CFS was borne out of a commitment from its sponsors to create a uniform approach to how advisers prepare financial statements, in order to encourage consistent responses from creditors.

In April 2004, the Finance and Leasing Association (FLA) became the third sponsor of the CFS. The FLA is the major UK industry body for the asset finance, consumer finance and motor finance sectors. Since then, use of the CFS has spread, and as we have refined the initial product, new supporters from the creditor sector (including both credit providers and others such as some utility companies), government departments and the money advice sector have come on board. Today the CFS is widely used across the sector.

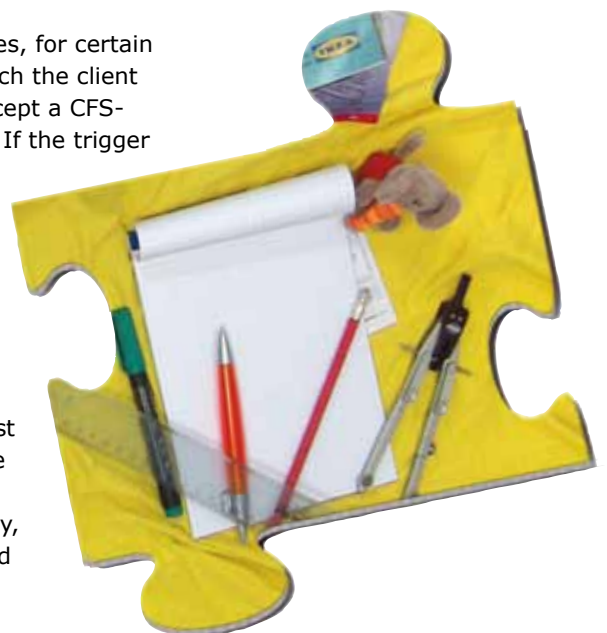
The CFS includes a set of pre-agreed levels, known as trigger figures, for certain areas of discretionary expenditure. If an area of expenditure over which the client has control falls within the 'trigger figures' a creditor should either accept a CFS-compliant offer, or agree to negotiate further with the person in debt. If the trigger figures have been exceeded, an explanation of the reasons for this should be provided by advisers. This will enable creditors to consider exceptional circumstances.

The CFS trigger figures are drawn from Office of National Statistics (ONS) Expenditure and Food Survey (EFS) data. The EFS is a continuous survey of household expenditure, food consumption and income conducted among a set sample of 12 000 households across Great Britain.

Organisations that wish to have access to the CFS trigger figures must sign up for a licence agreement via the Money Advice Trust website. The licence attracts no charge, but is governed by eligibility criteria, such as an expectation that an applicant holds a consumer credit licence. Equally, certain conditions of use apply. There are currently over three hundred organisations that are licensed to use the CFS across the UK. ::

by Louisa Parker
Money Advice Trust (MAT), UK

*For further information and CFS guides
for money advisers and creditors see
www.moneyadvicetrust.org*



Reference Budgets in the Netherlands

by Marcel Warnaar
Nibud - Nationaal Instituut
voor Budgetvoorlichting

Reference budgets in the Netherlands have a long history. Originally, they were used by budget advisors to help people who had become indebted or people who want to get more grip on their household budget.

Most of the figures were calculated from the experience of the budget advisors. In the 1980s, a process started in which the reference budgets have been calculated in a more scientific way.

Nibud makes two types of reference budgets, a minimal reference budget and an appropriate reference budget. The minimal reference budget gives the articles and services that all households of a certain composition should minimally be able to buy.

The appropriate reference budget gives the amount of money that comparable households are spending on certain expenditure categories. These households are also comparable with respect to income. So, the reference expenditures rise with higher income.

The reference budgets are still used as a benchmark for consumers. Nowadays, it is not the budget advisor anymore who makes all these calculations. People can use the Internet for that. Nibud has this programme on its own website. However, also other organisations and even commercial financial institutions can use this system on their website or in internal software. If they wish to do so, they can buy a license for the software module that calculates the reference budgets.

The number of uses for reference budgets has been growing over recent years. For a couple of years, Nibud has advised local communities on their policy for households with a low income. With the help of the minimal reference budgets, they can investigate what types of households have most difficulties to make ends meet.

Another use of reference budgets is in the area of credit and mortgage norms. The Dutch Guarantee Fund for Home Owners uses a methodology based on the reference budgets to check whether a mortgage is affordable for a consumer.

In 2007 this methodology was adopted by the Dutch mortgage sector as the guideline to offer mortgages to consumers. The guideline works with a 'comply-or-explain' principle. Either mortgage suppliers have to comply with this maximum amount of mortgage for a specific household, or, if they deviate from this norm, they have to give reasons for doing so. They should point out the related risks to the consumer and they have to have convincing reasons why it is sound for this specific household to deviate. The Financial Market Authority has the right to look into these reasons.

Also, the consumer credit market in the Netherlands has adopted codes of conduct for responsible lending. As of 2008, lenders have to investigate the financial position of the consumer. The Nibud reference budgets play an important role in the norms that have been inserted in the code of conduct, which means that they are an important tool in the prevention of over-indebtedness. ::



*Nibud (Nationaal Instituut voor
Budgetvoorlichting) www.nibud.nl*

*Reference budget calculator:
[http://service.nibud.nl/
pba2009/index.html](http://service.nibud.nl/pba2009/index.html)*

More than a Minimum Budget in Sweden

The Swedish Consumer Agency first started to develop a reference budget in 1976. We decided that the standard should represent what we call a reasonable standard of living, or a modest but adequate standard. In the course of time we have revised the calculations on a regular basis, but the decision that the standard should be reasonable has not been altered.

The Swedish reference budget is not a minimum budget. It makes it possible to satisfy a little bit more than the basic needs, for example to take part in social life and have a stimulating spare time, but it does not allow any luxury. What the level of reasonable consumption is must of course be related to the common standard of living in the country. The standard of living in a society changes during different periods of time.

The use of reference budgets in practice

Reference budgets can be applied for many different purposes. In Sweden, the reference budget is used as a reference for the social welfare allowance, which implies that all households should be able to have a reasonable standard of living. There are of course many different methods to establish different levels of consumption. The principle behind the Swedish model of calculating the price of a basket of products has a long tradition. What we actually do is that we calculate the costs for some common budget items for different types of families.

Reference budgets are used by local authorities for budget advice and counselling to individual households, by banks for credit review of households applying for loans, in school teaching and for information in the mass media.

Another important field of application is for analysis of the economic situation of various groups of households, which is fundamental for an efficient design of welfare systems. By model household analysis, a method that is based on the reference budget, it is possible to identify economically vulnerable groups and to evaluate household economic consequences of policy reforms. Model households are theoretically constructed households who are given qualities that apply for many real households. By including both the income and the expenditure sides in the budgets of the model households, it is possible to study the aggregate effect of income, including transfers of various kinds, and price developments.

Applications of reference budgets

★ **Budget advice and debt relief.** Budget counsellors give advice and help regarding debts and debt settlements. They also provide information about everything that has to do with economising and what you can do to make your every day costs cheaper. They give support to all kind of families; families who must economise to have money for the most essential things, as well as families who want help to be able to save money for something special, a holiday trip or something as expensive as a new house. In all these circumstances the reference budget can be used as a guideline and as a reference for discussions. As long as you know how it is calculated and the assumptions and the products it is based on, you know if that standard is the most adequate for a specific family.

by Vilhelm Nordenankar
Swedish Consumer Agency
Konsumentverket



www.konsumentverket.se

- * **Credit review when banks are to grant loans**
- * **Debt collection.** When a person does not pay their bills in due time the creditor can turn to the Enforcement Authority to collect the money. But the debtor is also guaranteed by law to keep a certain amount of money for their own and their family's support. The reference budget has been used as a guideline how this guaranteed amount of money can be computed.
- * **Public investigations related to household finances**
- * **Analysis of the economic development of various household groups**
- * **School teaching:** 'Keeping tabs on your money'
- * **Information over mass media**

Computation of the social welfare allowance

In Sweden, the amount of social welfare allowance granted to different households was previously determined on the basis of different standard amounts, though it was not really known what such allowances could cover. If the person receiving the allowance could not cope and therefore had to refer to the social welfare office and apply for more money, then it was always the person receiving the allowance that was blamed for not being economical while, in reality, the fact was that the money was insufficient for them to cope.

Today, with the reference budget used as a reference for the social welfare allowance, both social welfare officers and the persons seeking assistance are surer that the allowance is actually sufficient for what is necessary.

According to the Swedish social welfare legislation:

1. A person who completely or partially is without any means to maintain him- or herself shall nevertheless have an opportunity to cope with his or her maintenance through the support of society. The allowance is payable first when the personal income together with other allowances and payments are insufficient. One must always first exhaust all other opportunities for maintenance. For example, work if there is work available.
2. Each individual should be entitled to be able to have a standard that may be defined as 'a reasonable standard of living'. A reasonable standard of living does not mean that a person should live at a luxury level but neither does it mean that a person should only live at subsistence level, where a person actually stays 'alive' but does not have a 'life'. One should be able to participate in the life of the community, like ordinary citizens do. It should be possible to eat nutritious food and be satisfied, to have clothes for different weather and situations, to keep the home clean and tidy; to have furniture and equipment at home for rest and recreation, to be able to devote some time to leisure activities, and to read books, newspapers and watch television. Access to information is actually an important feature of a democracy.
3. The allowance shall reinforce the capacity of the person receiving the allowance to live an independent life. In order to be able to live an independent life, a reasonable standard is required and it is also necessary that the allowance is not paid out in small portions whenever there is a shortage of money for food, some item of clothing, etc., but on the contrary, that the person receiving the allowance can plan and have some freedom to decide how the money should be used. The allowance should not make people passive but encourage them to become active and participate in the life of the community.

The aim of the social welfare allowance is thus to achieve 'a reasonable living standard' for all citizens. What standard level can be defined as 'reasonable' in various countries depends, of course, upon the finances and economic circumstances of the majority of people in the specific country. If the majority is well off, a 'reasonable standard of living' in such a country is possibly higher than in a country where

Example: the need for social welfare allowance could be calculated as follows:

1. The composition of the household:

1 man, 1 woman, 1 boy 10 years old,
1 girl 4 years old.

2. Disposable income of the household per month:

Wages, unemployment benefit, sickness allowance, pension, etc.*

The man:	EUR 200
The woman:	EUR 600
Child allowance	EUR 190
Housing allowance	EUR 200
Other sources of income	EUR 0
Total disposable income	EUR 1 190

* Net income, i.e. less taxes

3. What is the sum of the household's expenses per month?

Rent	EUR 600
Electricity	EUR 30
Home insurance	EUR 20
Trade union membership	EUR 40
Travel to work	EUR 80
Childcare	EUR 0
Medical care	EUR 30
Daily expenses according to the Swedish Reference budget for a household of this composition, including the following budget items: Food, Clothing and footwear, Hygiene, Recreation/leisure, Consumables, Newspaper/radio/TV/telephone	EUR 825
Total expenses	EUR 1 625

4. If the total expenses exceed total income, the difference is provided as a monthly social welfare allowance:

Total expenses	EUR 1.625
Total income	- EUR 1 190
Social welfare allowance	EUR 435

most people have harsh economic conditions. In a more prosperous society the social welfare allowance should then perhaps be sufficient for more budget items and more luxury goods.

There are certain advantages if a society can afford a rather high standard of the social security benefit. People who lack money cannot be consumers who act in a market. Many people who live in bad economic conditions lose their self-respect, they may get depressed, sick and get psychological problems or their children may fall out. It has an influence on the whole family and it costs society a lot of other money. Some research lately emphasises the social importance of the consumption connected to activity, participation and integration in society.

Reference budgets could be used as a guideline when setting the level of the national basic retirement pension.

Transparency

All the material related to the reference budget is published so that anybody can see in detail how it has been calculated and which products are included. This transparency is very important, as it makes it possible for everybody to judge for themselves if the standard is high or low, and if it is reasonable in different situations to have that standard.

Everybody has an opinion about how much money is needed for different budget items estimated from their own experience or rather on what they think they know. The transparency of the reference budget facilitates this kind of discussion.

If somebody argues that a person could cope with for example half of the sum that is calculated for clothing and footwear, they must also be able to tell what clothes or shoes are unnecessary or unreasonable and therefore should be taken away. Usually, that is not so easy. ❖❖

Arguments for and against reference budgets

Sometimes arguments are raised against reference budgets computed on specified goods, services and needs of consumption rather than income.

For example:

- ★ It is impossible to calculate an adequate standard because people's needs vary a lot, so there will be an injustice between people.
- ★ It is not desirable to tell people what to consume. A reference budget based on specified products will have that effect.
- ★ Reference budgets might raise the costs of benefits.

However, it is very easy to argue against these statements:

- ★ There will be no greater justice without reference budgets, because then people will be left to other people's judgement in each situation. Households who have the power to speak for themselves will probably come out better. And you cannot tell from a certain income if it will be enough to reach a certain standard of living.

- ★ A reference budget based on specified goods will not have the effect of telling people what to buy if it is used in the right way. The assumption is that every article represents a function and not a certain product.

For example we assume that a woman needs something to wear when visiting friends. We choose a dress for this purpose and register a price of the dress. If she prefers, she can buy a blouse and a skirt or a pair of trousers instead. The objective is to find out what amount of money is needed to make it possible for people to have a reasonable standard of living. Then it is up to them to buy what they want, but it is guaranteed that they have the possibility to reach that standard.

- ★ If a reference budget will raise the benefit costs it means that people today are not paid to live on the calculated standard.

That does not mean that the method is wrong but maybe the content or the knowledge about what different things cost.



Minimum Essential Budget Standards in Ireland

by Bernadette
Mac Mahon D.C.
The Vincentian Partnership for
Social Justice

Since 2000 the Vincentian Partnership for Social Justice (VPSJ) has been engaged in an effort to establish the cost of a minimum essential standard of living for different households in Ireland. A Minimum Essential Standard of Living (MESL) is defined as one which meets a person's physical, psychological, spiritual and social well being. The Vincentian Partnership for Social Justice is an NGO which was established in 1996 to work for social and economic change tackling poverty and exclusion. As a result of working with people in disadvantaged communities the VPSJ is very aware of the considerable struggle of people on low incomes to live with dignity. From 2000 onwards the VPSJ has undertaken a number of studies to raise awareness of the daily reality of living on a low income and to provide data on the cost of an acceptable standard of living.

★ **2000–2001: One Long Struggle – A Study of Low Income Families**

This report showed that it was impossible to live with dignity and provide children with adequate food, clothing, etc. on the lowest social welfare rates or on the national minimum wage.

★ **2003–2004: Low Cost but Acceptable Budget Standards**

The principal aim of this study was to provide detailed information on the actual cost of a low cost but acceptable living standard for three household types: lone parent and two children, two parents and two children, and pensioner couple.

★ **2006: Minimum Essential Standard of Living for Six Households**

Using the Consensual Budgets Methodology of the Family Budget Unit (FBU) of the University of York and the Centre for Research in Social Policy, University of Loughborough (CRSP) this study provides detailed information for six household types:

- ★ one adult and two children (age 3 and 10)
- ★ two adults and two children (age 3 and 10)
- ★ two adults and two children (age 10 and 15)
- ★ pensioner couple (age 66–69)
- ★ lone female pensioner (age 70+)
- ★ single adult male (age 25+).

Methodology – Consensual budgets

The current methodology used by the Vincentian Partnership for Social Justice is a combined approach, i.e., the Consensual Budget Standards informed by expert opinion. In order to construct a Minimum Essential Budget Standard, people living in the household types for which it is designed are brought together in focus groups to act as their own budget standard committees. Each focus group is carefully sampled to include people from different social backgrounds and economic circumstances. The actual expenditure choices and judgements that are made by people in real life on the ground as they manage their money contribute to the final consensus. Ultimately, the people themselves are the 'experts' (Middleton, 2000:62–23). As the need arises, experts in nutrition, heating, etc. are consulted.

2008 – Upating the figures and establishing a website

The 2006 figures were upated for 2007 and 2008. To uprate the cost of the minimum essential items, inflation for each category (e.g. food, fuel, household goods etc.) was taken into account. For 2007, the inflation figures were taken from the peri-

For a detailed description of the methodology and further information see www.budgeting.ie



od mid June 2006 to mid June 2007. For 2008 the inflation period used was mid June 2007 to mid June 2008. To update income, changes in social welfare payments and the National Minimum Wage (NMW) were taken into account for each year.

The website www.budgeting.ie gives a detailed breakdown of income and expenditure for each household type and compares the findings of the study across the period 2006–2008. It is planned that the figures will be updated on an annual basis, thus allowing the changes in the financial situation of the households in this study be tracked over a period of time.

The aims of the study

- ★ Make available detailed information on the actual cost of a minimum essential standard of living for six household types.
- ★ Provide the foundations for a national database for minimum essential budget standards, which can be developed and modified for application to different family types.
- ★ Lobby for a more adequate level of income for people in receipt of social welfare payments and the minimum wage.

Principal findings of the 2006 study

- ★ An MESL was not possible for five of the six household types.
- ★ Households unable to reach an MESL
 - ★ struggle to cope on a daily basis,
 - ★ have unmet physical, mental, spiritual and social needs,
 - ★ become trapped in poverty.

Changes during the period 2006–2008

- ★ In the period 2006–2007 social welfare transfers and an improvement in the National Minimum Wage increased the number of households in this study for whom a Minimum Essential Standard of Living (MESL) was possible.
- ★ The impact of the 2008 social welfare increases (smaller than 2007) is being eroded by inflation. There was no change for 2007 to 2008 in the number of households with an MESL.
- ★ An MESL is not in place in 2008 for:
 - ★ lone female pensioners (state pension)
 - ★ households with adolescents
 - ★ single adult males

Impact of the work to date

While this is difficult to evaluate, the following developments have been registered:

1. The launch of each study was attended by a wide range of policy-makers including representatives of Government Departments, Trade Unions and NGOs.
2. There was considerable media coverage.
3. Questions were asked and responded to in the National Parliament.
4. The findings are being increasingly used in national pre-budget submission and post-budget responses.
5. The data is being used by NGOs working with people in poverty to help them manage their income.
6. The data from the different studies continues to be used in efforts to raise awareness of the impact of an inadequate income on households and on the need to increase social welfare payments and the national minimum wage to make possible a minimum essential standard of living.

The challenges ahead

- ★ To continue to lobby for social welfare payments and the National Minimum Wage which meet the cost of an MESL.
- ★ To keep the figures updated.
- ★ To commence MES budgets for rural households and for people with a disability. ::

Reference Budgets for Social Inclusion

Reference budgets are expenditure patterns for different types of households. Based on the household composition, the disposable income and some other characteristics (like housing situation, possession of a car), an expenditure pattern is given that suits the situation of the household. Reference budgets can be based on empirical data (e.g. budget enquiries) or constructed by budget experts.

Reference budgets have been developed in various countries across Europe over the last few years. They have been used for a variety of aims and have proved to be an effective instrument with regards to promoting social inclusion.

Experiences from many countries give evidence that the budgets can be widely used

- ★ to support debt and budget advice processes
- ★ to reduce problematic debt
- ★ to increase access to adequate financial services
- ★ to present alternative credit scores and contribute to responsible lending
- ★ to discuss poverty measurement and ensure adequate social standards

ecdn and some of its members have set out to enforce the exchange of experiences with using reference budgets for social inclusion and to encourage organisations from across Europe to (further) develop and use reference budgets in the future.

In addition to and in combination with

- ★ safeguarding access to money and debt advice
 - ★ guaranteeing the right to basic financial services
 - ★ improving debt settlement processes
 - ★ establishing guidelines for responsible lending
 - ★ developing and implementing high quality financial education programmes,
- reference budgets are of great use in fighting over-indebtedness and promoting financial well-being.

Reference budgets should be regarded as an essential instrument for working towards a social Europe for all, and their development and use needs to be supported accordingly.

For further information and recommendations go to
www.referencebudgets.eu and ww.ecdn.eu

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Château de Cartier, Place Albert Ier, 38
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Editorial Office | Subscriptions

ASB Schuldnerberatungen GmbH
Bockgasse 2 b, 4020 Linz | Austria
office@ecdn.eu

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