

ImPRovE Final Conference

**IMPROVING POVERTY REDUCTION IN EUROPE:
LESSONS FROM THE PAST, SCENARIOS FOR THE FUTURE**

Session A2:

Constructing high-quality reference budgets: Lessons for the future

The policy relevance of reference budgets

Jonathan Bradshaw

Antwerp

4 February 2016

Definition

- ◆ “Reference budgets are a basket of goods and services which when priced can represent a standard of living.”
- ◆ Many possible policy uses

Start with some history

- ◆ Rowntree – **poverty threshold**
- ◆ Beveridge - **minimum income standard**
- ◆ Watts –
 - ◆ **Standard of living norm**
 - ◆ **Deriving equivalence scales**
 - ◆ **Comparing living standards between areas and**
 - ◆ **Overtime**
- ◆ New York Community Council - **assessing eligibility for services**

More history

- ◆ Family budget unit
 - ◆ Setting living standards – modest but adequate/low cost
 - ◆ Influence benefit levels
 - ◆ Ignored by Government
 - ◆ Used in the courts
 - ◆ Foster care allowances
- ◆ Minimum income standard
 - ◆ Compared with benefit levels and
 - ◆ Poverty threshold
 - ◆ SET THE LIVING WAGE

Aspirations of the European Commission in CSB reference budget work?

- ◆ Need to find a replacement for the relative at-risk-of-poverty measure
- ◆ Minimum income guarantee across the EU
- ◆ PROBLEMS WITH BOTH

Reference budgets as a poverty threshold

- ◆ Reference budgets are an expenditure construct.
- ◆ Reference budgets are normally produced for a selection of model families.
- ◆ Equivalence scales are problematic
- ◆ In practice we find that reference budgets are well above the 60% of median income poverty thresholds and if they were to be applied poverty would increase hugely – especially child poverty.

UK MIS 2015 compared with the poverty threshold

	Single	Pensioner couple	Couple plus two children	Lone parent plus one child
2015 MIS	£196.16	£264.04	£484.48	£291.14
2013/14 60% median threshold	£182	£272	£416	£304
MIS as % of the poverty threshold	108	97	116	96

Reference budgets for assessing adequacy of benefits or wages

- ◆ The same issues
- ◆ Benefits much lower than MIS

UK MIS 2015 compared to benefits and wages

	Single	Pensioner couple	Couple plus two children	Lone parent plus one child
2015 MIS	£196.16	£264.04	£484.48	£291.14
Out of work safety net as a % MIS	40%	96%	57%	57%
Annual earnings needed to reach the safety net	£17102	NA	£20024	£26725
Weekly shortfall of the national minimum wage	-£53.63	NA	-£75.38	-£38.72

Reference budgets for assessing adequacy of benefits or wages

- ◆ The same issues
- ◆ Benefits much lower than MIS
- ◆ New national living wage ignores the family endowment problem
- ◆ Whose needs should wages meet?

Conclusion

- ◆ In addition to the huge practical problems inherent in the CSB reference budget project
- ◆ Still problems in using reference budgets as poverty thresholds
- ◆ Assessing benefit levels
- ◆ Especially in fixing living wages

Twitter

@profjbradshaw