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What Is the Cost of Living?

Reference Budgets for a Decent Minimum Standard of Living in Finland

Anna-Riitta Lehtinen • Johanna Varjonen • Anu Raijas • Kristiina Aalto



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1 INTRODUCTION

The Constitution of Finland (in its version 11 June 1999/731) guarantees all citizens the right to receive essential subsistence and care, even if their income is insufficient for this or the household faces a situation creating risk, such as unemployment or the birth of a child. This is facilitated by social security – i.e., various services and income transfers offered by the public sector. The secondary task of these services is to prevent inequality between people. In recent years, this target has not been met, as, after the economic recession of the early 1990s, dependence on social security in particular has significantly limited conditions for subsistence for many people in Finland (National Institute for Health and Welfare 2011; also Ahlqvist & Raijas 2004). The level of basic security has dropped in particular, and the income of those relying on basic benefits has clearly fallen behind that of the rest of the population (Kuivalainen 2010; National Institute for Health and Welfare 2011).

The Constitution does not specify the level for a sufficient or decent standard of living – i.e., cite precise cash amounts in euros for social assistance, basic unemployment allowance, study grants, housing allowance, and so on, so such definitions have been given elsewhere. For instance, the amount of the basic component of social assistance is determined by the Ministry of Social Affairs and Health (Ministry of Social Affairs and Health 2010). According to previous research, social assistance should be ample enough to enable socially acceptable living close to the average standard of living among the majority of the population. In practice, establishing such a definition is not easy, since the average standard of living changes over time; as the society's average standard of living rises, the conception of the quantity and quality of commodities all citizens are entitled to changes accordingly (Moisio 2009).

Social structures, economic and technological development, and the market supply continuously create new consumption opportunities for people and increase the options for satisfying personal needs. Various kinds of institutions operating in society, on one hand, and, on the other, people's valuations, preferences, and expectations shape conceptions of what constitutes essential commodities for leading a decent life and the financial resources that should be reserved for their acquisition. Which commodities are defined as indispensable is culture-, time-, environment-, and situation-specific. Therefore, views of what should be considered indispensable commodities for a decent standard of living are in need of constant updating. According to Borgeraas (1987), the decent standard of living guaranteed for all should be sufficient to meet one's physiological, psychological, and social needs and enable full participation in society.

This report is the summary of more extensive and more detailed report in Finnish of compiling a reference budget (see Lehtinen et al. 2010).

1.1 The Purpose of the Study

This study is a part of a more comprehensive research project examining the level of Finnish basic security from various perspectives: 'Back to basics: Basic security and consumption', directed by the research department of the Social Insurance Institution of Finland and co-financed by the Academy of Finland. The National Consumer Research Centre is in charge of the sub-project presented in this report. The purpose of this sub-project is to discern the level of consumption that constitutes a decent minimum standard of living on which a person can 'get by' while feeling part of society in today's Finland. In other words, the study focuses on specifying in concrete terms which goods and services, with what quality, quantity, and price, one needs for leading a decent life. It will establish reference budgets for the level of consumption, which, for the purposes of this study, is called *the decent minimum standard of living*. The decent minimum comprises goods and services needed in everyday life without which life does not go smoothly. The aim is to explore what kinds of commodity acquisitions and reserves constitute the level of con-

sumption meeting the decent minimum standard of living for various types of households. At the same time, the study will also take a stand on what kinds of commodity acquisitions basic security should allow today to guarantee decent quality of life. The study aims to provide food for discussion of the methods used for definition purposes, including how the content of basic security should be determined, which factors affect it, how it should be approached, and who should determine its level and content. The level of consumption meeting the decent minimum standard of living will be approached at both conceptual and practical levels.

Debate is also needed as to what basic security should consist of in real life and in concrete terms. This study will provide material for such debate by showing concretely what can be acquired with a certain amount of money. Another of the objectives is to produce material that can be utilised in various reaches of society, such as loan negotiations with banks, personal finance classes provided by educational institutions in various fields, and work of public authorities to determine the level for social security. The study will also produce a tool for planning and monitoring of subsistence, to be employed in financial and debt counselling. Even ordinary citizens can take advantage of such information in their efforts to manage their personal finances.

This first chapter of the report describes a study compiled at the National Consumer Research Centre, specifying a reasonable level of consumption, which is used as a basis for this study. The second chapter addresses theoretical views on the connection between consumption and well-being and possible ways of measuring these. Chapter 3 concentrates on the basic principles, objectives, and methods employed in preparation of the reference budgets and presents in detail the implementation process for this reference budget project. Chapter 4 describes the reference budgets by consumption expenditure category and the calculation criteria for various types of households. Finally, Chapter 5 presents the conclusions, assessments, and ideas of the research team for further development on the basis of this study.

1.2 The Commodity Basket Method

In this study, the quite detailed commodity lists of the commodity basket method, compiled by Aatola and Viinisalo in 1995, were utilised. These had to be reassessed and updated to correspond with the functions and practices of today's Finnish households. The objectives and principles applied for constructing reference budgets are the same as in Aatola and Viinisalo's study. However, it must be observed that in Aatola and Viinisalo's study (1995b), a commodity basked meeting *a reasonable level of consumption* was defined. In our study, by contrast, the aim is to establish a slightly lower budget, *a reference budget for a decent minimum standard of living*, with an aim of including goods and services considered essential or almost essential by today's consumers. Along with increased international co-operation, the terminology used in the field has become more harmonised and precise. In this project, the terms commodity basket and reference budget have been used (see Section 3.1).

Aatola and Viinisalo (ibid.) developed a normative needs-based budget, using the basic needs of everyday life and habitual household activities as a starting point, which was later utilised for assessment of the sufficiency of minimum security (Aatola & Viinisalo 1999; Kosunen 1999; Forma et al. 1999). The objective was to 'establish a concrete example of what money can buy and how much money is needed for the maintenance of a certain defined standard of consumption – i.e., to specify how much it costs to lead a life providing a reasonable minimum standard of living and level of consumption' (ibid. 21–22). On this basis the researchers deduced a level of consumption described by means of a list of market commodities. Accordingly, the method applied was called the commodity basket method. The objective was to set a transparent model against which the actual situation and personal needs of individual citizens and households can be reflected (Aatola & Viinisalo 1998).

When describing the method, the researchers highlighted that the essential part of the study is which parties select the commodities to be inclu-

ded in the commodity basket and how these are costed. The choices can be based on researcher or expert assessment alone, on empirical research results, or on general opinion of what people generally need. Usually researchers take advantage of all of the above-mentioned methods, but the final selection must be made as part of a normative decision-making process that should capture the essence of the research results and expertise within the field (Aatola & Viinisalo 1995b).

2 THE ROLE OF CONSUMPTION IN PRODUCTION OF WELL-BEING

2.1 Needs and Wants As Determiners of Consumption

The purpose of this study was to produce a list of commodities that are necessities for living in today's world and their cost. To be able to specify what is absolutely essential, one has to contemplate why certain goods and services are necessary. Simultaneously, this leads to even deeper reflection on the connection between well-being, and realisation of a good life and consumption.

International declarations of human rights set forth high-level definitions of what basic security should include. They proceed from basic human needs and the right to satisfy them. In the United Nations definition of relative poverty, poverty is associated with, besides inability to meet basic physiological needs, exclusion from social decision-making and the social and cultural life of society (United Nations 1995). The fundamental basic needs include the need for food, drink, shelter, and personal hygiene. Inability to satisfy these needs may be crucial even for the survival of the person in question (see, e.g., Maslow 1968; Goodin 1988; and Doyal & Gough 1991). Besides needs, people also have wants that are personal and may target any activities, goods, or services. These tend to proliferate as former wants are met, and their number can be infinite. Commercial marketing takes advantage of the diversity of wants and, at the same time, also creates more of them.

In order to meet their needs and wants, people need resources. Resources can be either material in nature (as money is) or immaterial (such as knowledge and skills). How well a person is able to take advantage of his or her resources depends on the environment and the conditions in which he or she operates. One can assume that the use of resources is steered by capabilities, as suggested by Amartya Sen (1995). Commodities are valuable, since they have features enabling various kinds of functionings. Lack of financial resources manifests itself primarily as lack of opportunities and alternatives, and, in a more comprehensive sense, limitation of activities.

In today's consumer society, acquisition of various kinds of commodities is closely linked with achievement of well-being. People's valuations, preferences, and expectations concerning the desired level and quality of well-being change in accordance with the environment and the opportunities available for meeting needs. In addition to representing satisfaction of needs and targeting of resources, the acquisition and utilisation of commodities – i.e., consumption – also stands for making choices, social activity, self-expression, and experiencing something new. People build and express their identities and lifestyles, attach themselves to social groups or differentiate themselves from them, and in sum participate in social activities (Warde 1996, 303–304; Autio & Paju 2005, 27). Scarcity of money weakens opportunities for integration into the surrounding community. Along with the need to limit satisfaction of material needs, a more invisible form of poverty, relative poverty, is increasing, and so are subjective feelings of being financially or socially inferior in comparison to other people. In such a situation, people pay attention more easily to what they are lacking and not so much to the opportunities that they already have at their disposal or how they could better employ their existing resources.

In Finnish society today, people use and own many commodities without which they do not think they could manage. In general, those goods and services necessary for human survival can be considered absolutely necessary. By contrast, there are many commodities that are not necessary for survival but make life more comfortable, meaningful, and easy. The level of felt necessity is relative, depending on, for instance, culture, geographical location, and time. *Essential* commodities also vary from one individual to another, since the demographic and personal characteristics and the life situation of the individual in question have an impact on how they are determined. These factors together render it difficult to draw a line between the commodities that are absolutely necessary and those that are not. The various opportunities to act and make choices offered by a consumer society obscure people's sense of what is, in fact, indispensable and necessary for them. Usually, the pressure to acquire commodities is not so much physiological as it is social or psychological, in which case the line between needs and wants becomes blurred.

2.2 Approaches to Defining Essential Consumption

Approaches by which the necessity of commodities may be determined can be classed according to who determines what can be considered a necessity or which principles are the dominant ones applied in the definition process. In a subjective approach, the individual him- or herself is allowed to specify which commodities are essential for him or her (see Aatola & Viinisalo 1995a, 14). In a consensual approach, several individuals or groups participate in the definition process. For instance, people can be presented with a list drawn up by experts or researchers of commodities that have proved essential earlier and be asked to estimate how essential these are for people in general (see Pantazis et al. 1999). Deprivation indicators, by contrast, include commodities that can be considered necessities for living (e.g., Townsend 1979). The definition of essential commodities can also be determined on the basis of various political or administrative principles, of which the determination of the basic component of social assistance in Finland serves as an example. A fifth approach to deciding what is essential consumption is commodity baskets compiled by experts, in which consumption is concretised with the aid of a commodity list, or a basket of items needed to meet the basic needs in life and related activities.

Essential consumption can also be approached by studying the connection between income and consumption, or consumption in quantitative terms (Suoniemi & Sullström 1995; Baxter & Moosa 1996; Deaton 2003). A classic theory describing the connection between income and consumption is Engel's law, according to which the proportion of essential expenses among total expenditure falls as the income of the household rises. Light can be shed on essential consumption by studying the consumption of people with low income levels on the assumption that people with low incomes target their financial resources to the most essential expenditure only (see, e.g., Niemelä 2005; Kosunen 1999). Studies describing consumption in quantitative terms, such as the Household Budget Survey, speak of actual household expenditure on commodities. However, these results do not reveal whether people feel their income level limits their consumption, whether they have to refrain from certain acquisitions, or whether the commodities acquired provide a decent standard of living. It must be borne in mind that one cannot know the quantity or quality of need satisfaction associated with any acquisition of a commodity (Tennilä 1994).

The relativity of essential consumption and delimiting needs and wants are the key problems in definition of the concept of essential consumption. Furthermore, it is difficult to define which commodities are essential, as new commodities enter the market all the time while old ones exit the market. In addition, the individuality of consumers poses a challenge to comprehension of the satisfaction of needs.

Efforts to define essential consumption come close to the definitions of poverty. Defining poverty can be approached from two directions, starting

with either the needs or the resources available for consumption, in most cases meaning income. In most countries, the poverty line is drawn at 50% of the median income. In EU statistics, the criterion used is 60% of the median income. If the poverty line is raised from 50 to 60 per cent, the image of poverty can change significantly. The general problem in this kind of examination is that, as the median income changes, so does the criterion for poverty, since in such examination the proportion of poor people depends on the shape of the income distribution graph and not the actual income level. This was seen in Finland during the economic depression of the early 1990s: the median income dropped but the proportion of poor people remained the same, even though, in reality, the poor had lower incomes than before. In the economic boom of the late 1990s, on the other hand, the median income of the Finnish population rose more rapidly than the income of those with low earnings. In this case, relative poverty increased even though incomes of poor people rose too (Kangas & Ritakallio 2008, 10). The examples mentioned above show that income measures the level of subsistence only indirectly. Income is a resource that enhances well-being. Alongside income, abilities or needs related to life situation have an effect illustrating that the same level of income does not necessarily lead to the same well-being output (see Sen 1995). Actual consumption serves as a more direct measure of subsistence, taking into consideration, for instance, savings not included in examination of incomes.

Poverty is a highly multifaceted phenomenon. Even if a person has low income, he or she can have wealth and other resources with the aid of which he or she can lead a good life. In other words, scarcity of income is only one way to approach the concept of poverty in today's society (Borgeraas & Dahl 2008, 73). Income-based study of standards of living has been expanded by employing an indicator of material deprivation, extending the scope of study to shortages in the level of equipment in households, arrears in paying bills and housing expenses, and choices related to food and leisure. Circumstances in which people both have a low income and suffer from material deprivation can be considered to constitute a case of accumulating social adversity (Statistics Finland 2010).

3 BASIC PRINCIPLES AND METHODS OF REFERENCE BUDGETS

3.1 Principles for Compilation of Reference Budgets

The main purpose of reference budgets is to show the income level required for maintaining a standard of living considered to be a decent minimum and what goods and services are included. Budgets are prepared for various kinds of households, even though it is known that households of the same size and type can have different preferences and living patterns. As its name suggests, a reference budget is *indicative only*. It is not intended to designate how a certain amount of income should be spent. Instead, it shows how much money is needed for getting by without having to cut back on the most indispensable expenses. The reference budgets are relatively meagre when compared to what modern people spend on average and how they live.

Reference budgets used to be called *standard budgets* or *commodity baskets*, but the term *reference budget* is becoming internationally established (see Warnaar & Luten 2009). The latter term describes the purpose of the budgets better than the term 'standard budget' does. Furthermore, since the newer term lacks any requirements for normative content, it may be easier to utilise reference budgets for various purposes. The starting point for compiling budgets is that they be based on today's consumption patterns and the consumer goods on offer. Their purpose is to demonstrate the commodities needed in everyday life and their quantities rather than what they should be like in order to

gain social acceptance (Hirsch et al. 2009; Hirsch 2010).

Before designation of the commodities the budgets will include, *the level* of the desired budget must be decided. In most cases, the name of the reference budget reveals its focus. In this reference budget project, the objective was a budget for a decent minimum standard of living. Secondly, *what type of household* the budgets are prepared for must be determined. Reference budgets have been compiled for households or individuals in various life situations. In this project, reference budgets were produced for four types of household: that of a young single person, an elderly single person, a middle-aged couple, and a couple with two children. These four types were selected since their life situations differ from each other, and, on their basis, it is relatively easy to derive budgets for other types of households as well. Thirdly, these four household types cover almost 50% of all Finnish households.

These budgets can be calculated for *varying time periods*. In many countries, they have been calculated for either one week or one month, since a short-term budget is easier to estimate and apply to one's household on the basis of everyday experience. In the budgets in this study, total expenses are calculated for periods of one month and one year, because certain commodities are acquired only once a year or at even longer intervals.

The method employed has a crucial impact on the compilation of the budget: *whose voice is it that is heard in the content of the budget?* Earlier, reference budgets were drawn up only by experts who based their assessments on statistics and research papers. In certain cases, the experts' views have been found too narrow, since personal life environment, habits, and practises inevitably affect the judgement of what is deemed indispensable. Therefore, in recent years, studies have been utilising more and more often a consensual method, in which consumers participate in the development of budgets alongside experts (Fisher 2007). Consumers' inclusion in the compilation of commodity baskets has made it easier to detect and understand differences in consumption needs from one life situation to another. At the same time, it has become easier to choose products and make decisions on their quantity and quality. Consumers provide valuable information on what general level of consumption the chosen commodities should represent. In the consensual method, discussions about commodities are conducted with the consumers, but the commodities included in the budgets are mostly selected by experts. The co-operation between consumers and experts develops a standard of a type based on social consensus on the commodities each person should be able to afford in the society (Bradshaw et al. 2008). In the preparation of budgets for this study, the consumers were quite closely involved in defining the content of the budgets.

The content of reference budgets gave concrete form to descriptions of expenses derived from consumer choices. With the aid of the budgets, information is gathered on the costs and their quantities, and the cost effect of consumer choices is made more understandable. In choices of commodities, compromises must be made in terms of products, prices, quality, life span, and the needs of each member of the household. For a reference budget to be a useful and practical tool, it must be transparent and flexible. In many countries, decisions-in-principle have been made on products not to be included in these budgets, such as bank charges, pension contributions, taxes, loan payments, tobacco, alcohol, consultation of medical specialists, holidays, or fashion items. The reason for this is that such products or their uses are very personal matters and dependent on the situation of the individual or household in question. Therefore, the expenses they cause are difficult to estimate. When the foundation for reference budgets has been prepared, the products can be changed in accordance with, for instance, each household's own requirements, and this way a personal budget can be prepared with relatively little effort.

In this study, the reference budgets include only expenses the consumers pay themselves. Services provided by society (such as school meals) or financial support (housing allowance) were not included in the expenditure. Certain other factors related to the availability and prices of services could not be taken account of, also. For instance, the distances to a library or shops, or day care charges, will vary

with the municipality, the place of residence, or income.

To ensure that the reference budgets are utilised, they have to be up to date. Therefore, they need regular updating. Prices need to be reviewed on an annual basis, and the commodity content of the budgets every few years.

3.2 The Process for Preparing a Reference Budget for a Decent Minimum Standard of Living

In this project, groups of consumers, experts, and researchers participated in the preparation of reference budgets. The consumers participated especially in the selection of commodities to be included in the reference budgets and the experts in the evaluation of their content. The research team was responsible for the planning and implementation of the study, and it also made the final decisions on the content of reference budgets.

The consumer group included, in total, 53 consumers, 43 of whom were selected from the consumer panel of the National Consumer Research Centre and 10 from among the clients of the Guarantee Foundation. The household types the reference budgets were to target were taken into account in the recruitment of consumers. Consumers are best equipped for preparing a budget for a household type resembling their own, since they are familiar with its special characteristics and requirements (cf. Hirsch et al. 2009; Warnaar & Luten 2009). Each consumer took part in three group discussions and completed homework assignments. Five of the discussion groups convened in the Helsinki metropolitan region, one in Oulu (northern part of Finland), and one in Joensuu (eastern part of Finland). Of the consumers, 49 stayed on until the very end of the preparation process. The expert group, consisting of eight people with research and financial counselling backgrounds, evaluated the contents of the draft reference budgets.

Preparation of reference budgets is not a very linear process; instead, it requires several iterations of planning, selection, and analysis stages. The process by which the reference budgets meeting the decent minimum standard of consumption were prepared is described below.

Description of the Stages of Preparation

A. Determining the content of commodity baskets: Which goods and services are essential, and what is the quantity needed?

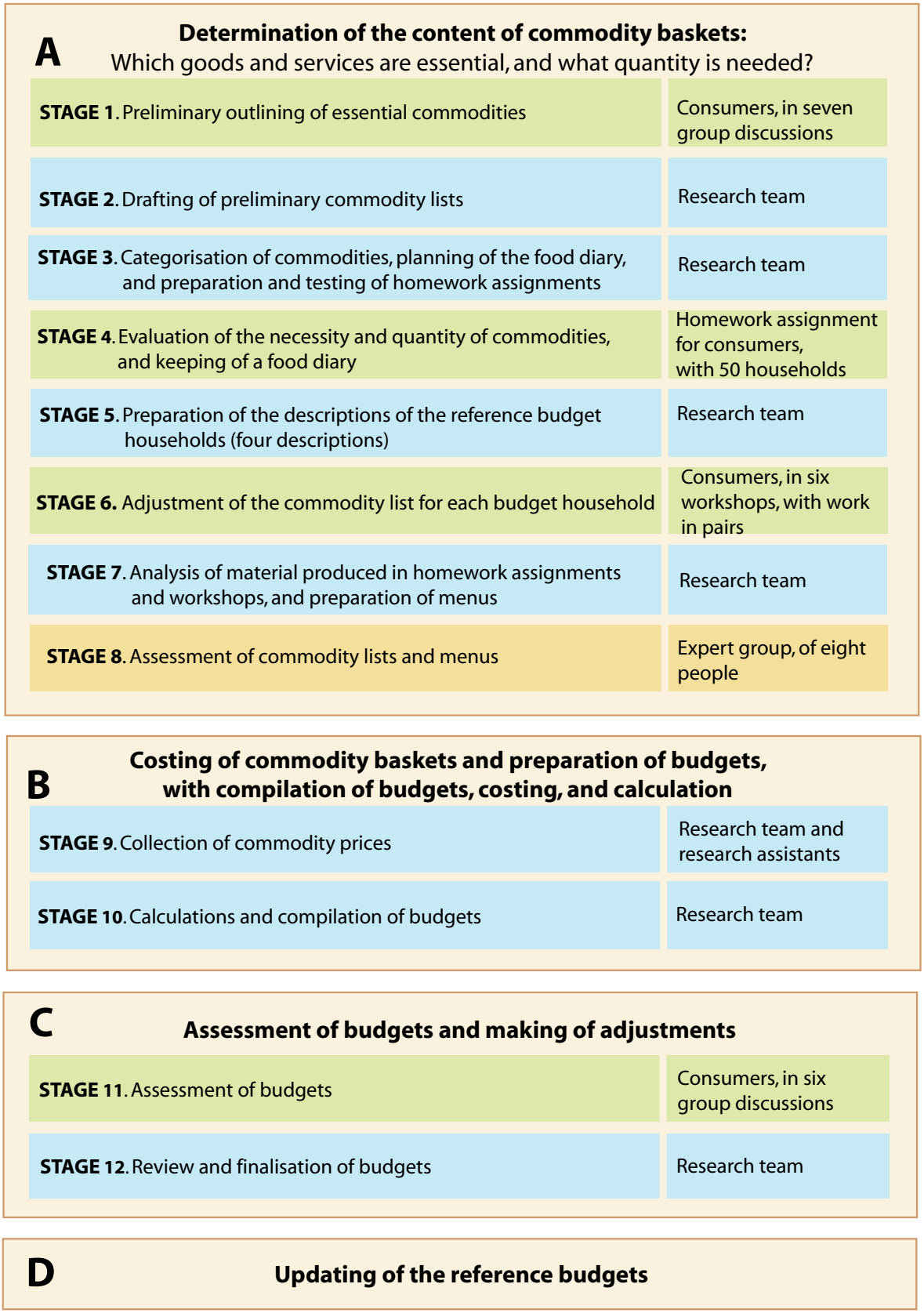
Stage 1: The first focus groups by consumers

The focus groups discussed particularly on consumption in various life situations, consumption patterns, and concrete examples of the kind of consumption that constitutes a decent minimum standard of living in various age groups and households. In the first group discussion, the subject matter was introduced to the participants. The consumers participating in the study were told that the project is part of a more extensive research entity and informed of the purposes of this particular subproject: preparation of reference budgets based on a decent minimum standard of consumption for various types of households. The consumers were instructed to assign the necessary commodities to a level that *facilitates a decent minimum standard of living in which physical, psychological, and social basic needs are met and that enables participation in society* (cf. Borgeraas 1987).

The discussion groups were formed of people in roughly similar life situations, such that there were separate groups for single people, couples, families with children, and clients of the Guarantee Foundation. With people in similar stages of life, it was easier to ponder more deeply which commodities are essential in each life situation.

At the beginning of the session, the participants wrote down three items they considered essential in each of 10 consumption expenditure categories (food, alcohol and tobacco; hygiene and cosmetics; clothing and footwear; household equipment and appliances; consumer electronics; housing; tran-

FIGURE 1. A diagram of the preparation process for reference budgets.



sport; communication; hobbies and leisure; and miscellaneous consumption). The purpose of the list was, on one hand, to lead the participants into consideration of the subject and, on the other, to create an overall picture for them of all areas that would be covered, as well as the level of detail required. The listing of items in various consumption expenditure categories had been tested beforehand in a group discussion with five National Consumer Research Centre employees and the research team.

The actual focus group was conducted on the basis of the consumption expenditure categories mentioned above, so it simultaneously provided the themes for the discussion. In the course of the discussion, the participants pondered what kinds of items the consumers themselves say are crucial for a decent standard of living in various life situations.

Stage 2: Drafting of preliminary commodity lists

On the basis of the first-round group discussions, the forms filled in by the consumers during the group discussions, the commodity baskets of Aatola and Viinisalo (1995b), and other research papers, the research team, also applying their own expertise in the matter, drafted the preliminary highly detailed commodity lists, which were revised several times in later stages of the study. Primarily, the categorisation of commodities followed the categorisation scheme of the Household Budget Survey. In certain respects, minor changes were made, for instance, detergents and other items associated with clothing care or housekeeping were included in the same category. This stage of the work was conducted by the research team.

Stage 3: Preparation of commodity lists for consumer evaluation

The research team prepared homework assignments in which participants in the group discussions were to estimate the necessity of various commodities, the quantities needed, and the service lives of durable goods. The research team tested the assignments with their own nearest and dearest, and, after adjustments, the lists were sent by post to the consumers participating in the study. They were asked to make the evaluations according to either the situation of their household or that of a household resembling their own. In the homework assignments, the consumers had to discern which of the commodities listed were *essential, necessary, not necessary, or not applicable for their household*. In addition, they were asked to specify how many items of each commodity they would need in a year or a month; the life spans of these; and, where services were concerned, the amount of money, in euros, spent on them in a year or a month. Essential commodities were defined as items without which the respondents could not manage. Desirable commodities, on the other hand, were such items as are not exactly essential but make life much easier.

Furthermore, the consumers were asked to keep a food diary, the purpose of which was to gather information on what kind of meals the household members ate during one week. The consumers were asked to describe briefly the contents of their lunches and dinners, whether they ate at home or out, whether they used processed foods in their home meals, and whether they had guests attending the meal, or something else out of the ordinary.

Stage 4: Evaluation of the necessity of commodities, and keeping of a food diary

The consumers filled in the forms at home, describing their household or a household resembling theirs. The latter alternative was offered because the researchers did not want to force the consumers to describe their own household if they were unwilling to do so. In practice, almost all described consumption in a household similar to theirs. In addition, the consumers kept a food diary for one week covering the meals of all household members. All meals eaten in the course of the day were listed in the diary, along with description of the meal, how it was prepared, and where it was consumed. Breakfast, however, was described in the forms only once, since it was assumed to be about the same each day. The consumers were given about a month to fill in the forms, and they were returned in connection with the next group discussion.

Stage 5: Preparation of the descriptions of the reference budget households

The research team prepared descriptions of four types of household for which the reference budgets would be drawn up. The household types were: a single man or woman under the age of 45; a single man or woman over the age of 65; a middle-aged couple; and a family consisting of two parents, a boy of four, and a girl 10 years of age. The households were assumed to live in an urban environment in a rented flat. Moreover, all family members were assumed to be healthy.

Stage 6: The second group discussion and workshop of consumers

In the group discussion session, the participants were assigned, as homework, the task of drafting preliminary lists of essential commodities for the given example households on the basis of the lists provided to them. The participants were familiarised with the example households, and, for the assignment, were divided into pairs representing these household types. Each pair of consumers went through the forms they had had as a homework assignment, discussing the content and specifying those items essential or necessary for each household type given. In the joint discussion, after the work in pairs, the participants gave their evaluation of the homework assignment and the workshop method, for assessment of the study's validity.

Stage 7: Analysis of material produced from homework assignments and the workshop

The material produced in stages 4 and 6 was analysed for specification of the content of commodity baskets. The commodity-specific data were coded by level of necessity and entered into the statistical analysis application SPSS. This enabled compilation of the information on how many respondents had defined each item as essential, necessary, or unnecessary. The items that all or almost all respondents had marked as essential were selected for the commodity basket.

The food diaries were coded and analysed to allow discernment of the most common meal types or dishes. On the basis of the most common meal types, two-week menus were drafted for the example households. In drafting of the menus, in addition to the food diaries, nutritional considerations were taken into account also. In particular, the intake of energy and vegetables was checked against national recommendations with the aid of *the food plate model* of the National Nutrition Council (National Nutrition Council 2005). On the basis of food recipes, lists of foodstuffs were produced for a period of two weeks. The calculation of food expenditure has been explained in detail in a separate publication (Pakoma 2010).

Stage 8: Assessment by the expert group

The expert group assembled early in November 2009. The commodity lists and menus had been sent to the expert group in advance so that they could become acquainted with the commodities, the quantities of goods, and their life spans. The group assessed the commodity baskets in a group discussion on the basis of which the research team further revised the lists.

B. Costing of commodity baskets and preparation of budgets

Stage 9: Specification of commodity prices

The search for commodity prices was conducted in shops in October–November 2009. Most of the commodity prices were collected in the Helsinki metropolitan region in Finland's leading hypermarket chain and also from online shops selling household equipment and furniture. Mail-order catalogues were also utilised, for finding prices of children's clothing in particular. The hypermarket chain mentioned above was chosen as the main source of prices because it covers the whole of Finland, its shops offer an extensive range of products, and the price level is reasonable.

The product prices were collected in November 2009, and they were revised in spring 2010. The general instructions given to the people collecting the prices (researchers and research assistants) was that the items should be mid-priced but still high-quality products, lasting at least the average life span assumed for the product in question. The starting point for preparation of the budgets was that it should be possible to buy the products new, not second-hand. Therefore, only prices of new products were taken into account, and prices for second-hand or sale products were not collected. The food prices were obtained from a price survey carried out in November 2009 addressing the impact of VAT reduction on food prices (see Peltoniemi & Varjonen 2010). In discussions with consumers, the acquisition of clothing and household equipment from flea markets was often mentioned. However, the price level or life span of such products is very difficult to estimate; therefore, no flea market acquisitions were included in the study.

Stage 10: Budget calculations

Different calculation methods were employed for services, disposable items, and goods lasting no longer than a year, on one hand, and durable goods, on the other. In part, the Household Satellite Account classifications drawn up by Varjonen and Aalto (2010) were utilised in the calculations, as were statistical data collected by Statistics Finland and other parties.

The costs of services, disposable items, and goods lasting no longer than a year were calculated by multiplying the unit price of the commodities by the amount needed per household in a year. The purchase price of durable goods was not included in the budget directly; instead, an annual wear and tear value was calculated for these goods and only this share of the costs was included in the budget. Wear and tear was calculated by dividing the purchase price of a good by its service life. Therefore, for instance, the tear and wear value of a washing machine with a purchase price of €400 and estimated service life of 10 years comes to €40 per year. This computed amount of money would have to be saved so that acquisition of a new machine in 10 years' time would be possible. In practice, the combined computed savings for durable goods facilitate making a few new acquisitions a year. As the calculations show, the amounts of money *to be saved*, calculated in accordance with average wear and tear, are rather small for goods with a long service life. On the other hand, in, for example, the case of children's clothing or, say, a bicycle that is replaced often, the savings required (i.e., the annual wear and tear rate) is significantly higher.

C. Assessment and Adjustments of Reference Budgets

Stage 11: Assessment of draft reference budgets

The consumers assessed the draft budgets in the third group discussion. In general terms, the consumers considered the budgets realistic and found the menus on which the food budgets were based to describe reality. A few adjustments were made on the basis of the discussions.

Stage 12: Finalisation and testing of reference budgets

The research team made adjustments in the calculations and compared the results to the calculations of the Finnish Household Budget Survey and the Household Satellite Account. Financial and debt counselling in Helsinki tests reference budgets during 2010–2011.

D. Updating of reference budgets

For the reference budgets to remain useful and utilisable, the price information must be updated annually and the commodity baskets' content every three to five years. In verification of the prices, the consumer price index can be utilised at least to some extent. Regular feedback should be collected on the functionality of reference budgets, in order to develop the method and the content further.

4 REFERENCE BUDGETS FOR VARIOUS HOUSEHOLD TYPES BY COMMODITY CATEGORY

The sections below present the reference budgets for four household types by consumption expenditure category. The consumption expenditure categories differ from the classification used in Statistics Finland's Household Budget Survey. In this study, the classification of the Household Budget Survey was followed in the first round of discussions, but it turned out to be impractical, since the participants categorised their consumption in accordance with their activities. For this reason, the classification was adjusted. It was practical with a view to the discussions but also for the purposes of the reference budget, since these are linked in everyday household activities. For instance, acquisitions of information technology devices and the expenses stemming from their use were treated as a single category. The commodities were classified into seven main categories: food, housing, transport, clothing, household equipment and appliances and their wear and tear, leisure, and health and hygiene.

The household types are a family with two children (aged four and 10), a childless middle-aged couple, a single person under the age of 45, and a single person over 65. For single persons, separate budgets were prepared for men and women. The under-45-year-old is assumed to work regularly, as are both parents in the family with children. One member of the couple still engages in working life.

Budgets include only consumer expenditure that the households pay themselves. However, day-care charges are not included in the calculations, since the charge depends on the income of the household. Furthermore, social benefits, such as support granted for students, discounts for pensioners, housing allowance, and social assistance, have not been taken into account. In the tables describing the expenditure categories, the consumption expenditure has been rounded to full euros even though the calculations were made to the last cent. Table 1 shows the reference budgets, and the following sections the principles used in the calculations.

4.1 Food

Among Finnish households, slightly over 12% of total household expenditure is for food and non alcoholic beverages. This percentage does not include costs for eating out. In Finland, most meals are consumed at home, but eating outside the home is common, since workplace lunches and meals provided by schools and day-care centres are part of everyday life. Food is the second largest expense item of household consumption expenditure after housing. However, over the years, the proportion of food consumption has fallen considerably (Ahlqvist & Ylitalo 2009). Household food consumption patterns probably have changed because of the expanded range of food items acquired for the home and the greater variety of processed food products, and the increase in eating outside the home (Aatola & Viinisalo 1995b, 18–20). Meals eaten outside the home account for about 1/5 of total food expenditure (Varjonen & Aalto 2010, 24-26). This share is not linked with leisure time only; the proportion of workplace lunches is significant (Raulio et al. 2004, 14).

Meals meeting a decent minimum standard of living are easy to define if only access to nutritionally balanced food is taken into account. Nutritional recommendations show clearly the types and amounts of nutrients an adult or a child needs. However, with food – or any other type of consumption, for that matter – it is affected by strong cultural and social factors, as well as other resources available to the consumer, including time, knowledge, and skills. The amount of time available, knowledge, and skills are affected by the acquisition of food, and planning and preparation of meals (Pakoma 2010).

TABLE 1: Reference budgets for four types of households (price information from 2009-2010)

	SINGLE F UNDER 45, €/MONTH	SINGLE M UNDER 45, €/MONTH	SINGLE F OVER 65, €/MONTH	SINGLE M OVER 65, €/MONTH	COUPLE, €/MONTH	FAMILY WITH CHILDREN, €/MONTH
FOOD	**283**	**283**	**200**	**200**	**518**	**815**
PREPARED AT HOME	150	150	200	200	403	532
WORKPLACE LUNCHES	116	116	0	0	116	231
EATING OUT, RESTAURANTS ETC.	17	17	0	0	0	52
CLOTHING	**47**	**40**	**33**	**29**	**88**	**219**
WOMEN'S CLOTHING AND FOOTWEAR	47		33		48	48
MEN'S CLOTHING AND FOOTWEAR		40		29	40	40
CHILDREN'S CLOTHING AND FOOTWEAR						132
HOUSEHOLD EQUIPMENT AND APPLIANCES AND THEIR WEAR AND TEAR	**138**	**138**	**139**	**139**	**174**	**213**
HOUSEHOLD APPLIANCES	7	7	9	9	9	12
CONSUMER ELECTRONICS AND INFORMATION TECHNOLOGY	18	18	18	18	19	21
COMMUNICATION FEES	81	81	81	81	101	111
HOUSEHOLD MOVABLES	20	20	20	20	29	42
HOUSEHOLD PRODUCTS	12	12	11	11	16	27
ELECTRICITY	**16**	**16**	**16**	**16**	**22**	**34**
INSURANCE FOR HOUSEHOLD CONTENT	**6**	**6**	**6**	**6**	**8**	**19**
LEISURE AND HOBBIES	**34**	**34**	**44**	**44**	**62**	**89**
HOLIDAY TRAVEL	12	12	13	13	19	21
HOBBIES	6	6	6	6	13	10
LEISURE EQUIPMENT AND ACCESSORIES	16	16	25	25	30	55
HEALTH	**22**	**22**	**25**	**25**	**31**	**39**
MEDICINES	5	5	6	6	6	12
ACCESSORIES	9	9	9	9	9	9
MEDICAL SERVICES	8	8	10	10	16	18
PERSONAL HYGIENE	**37**	**37**	**36**	**36**	**54**	**69**
SKIN CARE	6	6	6	6	8	11
COSMETICS	7	7	7	7	7	8
HAIR CARE	15	15	15	15	31	39
PERSONAL HYGIENE	9	9	8	8	8	11
TOTAL, €/MONTH, excl. housing and transport	**583**	**576**	**499**	**495**	**957**	**1 497**
HOUSING/RENT						
HELSINKI	**654**	**654**	**800**	**800**	**1,091**	**1,338**
METROPOLITAN REGION	**618**	**618**	**756**	**756**	**1,031**	**1,264**
TOWN, more than 100,000 inhabitants	**552**	**552**	**674**	**674**	**920**	**1,128**
TOWN, 60,000–100,000 inhabitants	**418**	**418**	**510**	**510**	**696**	**854**
TOWN, 20,000–59,999 inhabitants	**391**	**391**	**477**	**477**	**651**	**799**
TOWN, fewer than 20,000 inhabitants	**338**	**338**	**414**	**414**	**564**	**692**
TRANSPORT						
Monthly tickets, in Helsinki and Espoo, for internal traffic	**43**	**43**	**43**	**43**	**86**	**108**
Monthly ticket, in Vantaa, for internal traffic	**50**	**50**	**50**	**50**	**99**	**124**
Monthly ticket for regional traffic in the capital region	**89**	**89**	**89**	**89**	**178**	**178**
Monthly ticket in the rest of Finland; 40 journeys	**70**	**70**	**70**	**70**	**140**	**175**
CAR (á 0,43/km)	**0**	**0**	**0**	**0**	**0**	**537**
OTHER VEHICLES	**2**	**2**	**2**	**2**	**4**	**15**

Food Expenses in the Reference Budget

The background material for drafting of food budgets included, besides the group discussions, food diaries kept by the consumers participating in the study. On the basis of the food diaries, one could perceive what kinds of food different types of households consumed and what kinds of meal rhythms they had. From this information, it was possible to plan two-week model menus and compile food budgets for various types of households. Each day includes five meals: breakfast, lunch, dinner, and two snacks. The breakfast, afternoon snack, and evening snack have been described only once, and lunch and dinner on a daily basis.

The meals were broken down into food recipes and these further into lists of ingredients, which were then costed. This showed which food items, in what quantities, were needed for preparation of the meals and what they cost. The menus also included a few meals consumed outside the home, the great majority of which are workplace lunches or meals provided by school or day-care institutions. The cost of a workplace lunch used in the calculations is the taxable value of workplace canteen and cafeteria lunches, €5.50/day (Tax Administration 2009). Meals served by schools or in day care have not been included in the expenses, since they are free in Finland. The menus of single persons under 45 years of age and the family with children also include a freetime restaurant meal once every two weeks. The price of eating out has been calculated in accordance with a pizza meal served in a pizzeria (see www.kotipizza.fi). The calculations do not include special foods for festivals/feasts or meals served for guests. Holidays have been taken into account in the annual calculations in such a manner that school, day-care, or workplace meals have been replaced with the expenses of meals prepared at home. Included in the meal expenses are also soft drinks and a beer every two weeks, and sweets for children on *candy day* each week, €2.50 per child a week. Sweets, soft drinks, and beer were included on the basis of expert discussions and the opinions of consumers.

Calculation of the meal prices took into account, in addition to portion size, also the number of household members. For perishable foodstuffs, such as minced meat, fish, or dairy products, the whole package size had to be calculated in the meal price even if the recipe did not require the contents of a full package. On the other hand, for non-perishable foodstuffs, it was recognised that the remaining amount can be utilised later for another meal. Wastage of five per cent has been added to meal expenses for fruit and vegetable peels and other discarded food.

4.2 Housing

Housing is an important part of the reference budget, since a flat is a necessity for everyone considered in the study and it accounts for the greatest proportion of total consumption expenditure. However, the designation of housing expenses is difficult, since there are so many alternative forms of accommodation. The most common forms of accommodation in Finland are owner-occupied and right-of-residence dwellings, with rented flats accounting for only 31% of all permanent dwellings in 2008 (Statistics Finland 2009). Housing expenditure also largely depends on the size and standard of equipment of the flat as well as the site and area of residence. In recent decades, housing has become more expensive in Finland, and, at the same time, regional differences in housing prices and rent levels have increased. The regional differences in housing expenses have an equalising effect on differences in income levels (Niemelä 2008, 43). In Finland, society provides support for housing in many ways. The most important form of support, along with tax-deductibility of housing loans, is the housing allowance paid to those with a low incomes, which, despite its importance, has not been included in the calculations.

Housing Expenses in the Reference Budget

In Finland, housing prices and rents vary greatly between different parts of the country and also between city centres, suburbs, and sparsely populated areas. The dwelling used in the reference budget is a rented flat of a particular size, the rent of which

is decided upon on the basis of the average rent per unit of residential floor area in each locality. In addition to rent, electricity and household insurance were included in housing expenses. On the other hand, possible housing allowance was not taken into account. Statistics on rent levels for flats are based on the average rent per square metre. This has been used as the main criterion in these calculations as well, even though the participants in the group discussions considered the number of rooms more important. The flats selected, usually have the number of rooms brought up in the discussions – i.e., 1–2 rooms for a single person, three rooms and a kitchen for a couple, and four rooms and a kitchen for a family with children. More space was reserved for aged single persons than for those under 45, since older people spend more time at home and, therefore, it is important that they have enough space for recreational uses.

The sizes in square metres, presented below, have been selected through examination of the average sizes of flats with the above-mentioned number of rooms that are on the market. The sizes of flats by household type are 45 m2 for a single person under 45, 55 m2 for a single person over 65, 75 m2 for a middle-aged couple, and 92 m2 for a family with a four- and 10-year-old child. Rent levels vary from one locality to another. The rent figures per square metre and average monthly rents for each household type, by place of residence, have been collected on the basis of statistics for non-subsidised rental flats. Table 2 shows the housing costs calculated in the reference budget, including rent, electricity, and insurance for household movables.

4.3 Transport and Travel

Transport from one place to another is a necessity in today's society. Housing and transport are linked with each other. In urban areas, distances are smaller and public transport frequent, whilst in rural areas public transport does not function as well (see Niemelä 2008). Regional differences in transport alternatives came up also in group discussions, especially in attitudes toward whether a personal car is a necessity. In addition to needs to commute and run errands, the participants in group discussions also considered travel related to social intercourse and hobbies *essential*. Public transport was brought up as the most important form of transport, and, in the capital region and central areas of other large towns, it was deemed to function well. Use of a bicycle or a personal car was also mentioned. The popularity of public transport probably derives from the fact that the interviews were carried out in towns and most participants in the study lived in areas where they had access to public transport.

A car was considered indispensable in areas beyond the reach of regular public transport, but many people considered it a necessity also for families with children who have access to well-functioning public transport. Life was deemed to become unreasonably difficult in sparsely populated areas if there is no car available. Finland has become motorised: according to statistics, almost all childless couples and two parent families with children have a car at their disposal. Often people explain the use of a car by needs to commute and run errands, but

TABLE 2: Housing expenses in the reference budget, in euros (at 2009 price levels)

Household type	Electricity, €/year	Insurance for household content, €/year	Rent (Helsinki*) €/year	Total housing expenses, €/month	Total housing expenses, €/year
Single person under 45	189	68	7,852	675	8,109
Single person over 65	189	68	9,596	821	9,853
Couple	264	100	13,086	1,120	13,450
Family with children	405	224	16,052	1,390	16,681

* Rent calculated in accordance with the average monthly rent in Helsinki on the basis of statistics for non-subsidised rented flats.

it is mostly used for leisure-time travel (Kalenoja & Kiiskilä 2008). Even in cities, transporting children to their hobbies without a car often involves major difficulties. In the participants' experience, for visiting relatives who live further away, a car is clearly a less expensive way to travel than public transport is in families with children. It is also more comfortable and flexible than public transport.

Transport Expenses in the Reference Budget

On the basis of the notions presented above, in the Helsinki metropolitan region, monthly public transport tickets were designated as essential transport expenditure. In addition, a bicycle was defined as a necessity. The use of a car was described as essential for families with children (about 300 km/week) even when they have access to public transport. The per-kilometre costs for use of a car were obtained with the help of the Automobile and Touring Club of Finland's car expenses calculator (2010). The hiring of taxis, to which those without a car will probably have to resort on occasion, was left outside the calculations, since most of the consumers did not consider it necessary.

4.4 Clothing

Many factors affect the clothing choices of consumers, and their emphases vary with age, for instance. According to studies, among Finns, the main factors affecting choices of clothing are the intended use, price, comfort, durability, suitability, washability, and material. Clothes are selected according to the situation in which people intend to wear them, and they can be washed at home (see Timonen et al. 1998 and Peura-Kapanen 2000). No statistics are available on how often different types of clothes are bought in Finland. Furthermore, very little is known of the actual life span of clothes, and several factors affect it. In addition to the material, one of the most important factors affecting the durability of clothing is the quantity of clothes. When the quantity of clothes is small, the same clothes are worn more often, and they wear out more quickly. By contrast, if a person has a wide range of clothing, on average, each item is worn less frequently, which provides for greater variation. In such a case, the need to renew the clothing supply is reduced. The life span of clothes can also be lengthened by means of careful maintenance (Aalto 1998). Because of great differences in acquisitions, prices, durability, and wearing habits, the determination of principles for calculation of clothing expenses requires compromises, and the transparency of these principles is important.

From group discussions with consumers, it clearly emerged that acquisition of clothes for oneself is postponed if money is tight. On the other hand, consumers are reluctant to make compromises on children's clothing needs. New clothes need to be bought for children particularly twice a year, most often in spring and autumn, since the old ones no longer fit or are too worn out. Many clothing acquisitions for small children are made at flea markets, while many teenagers no longer accept second-hand clothes. No support was given for acquisitions of footwear for adults from flea markets, and, even in the case of children, consumers would be reluctant to buy any other types of shoes than ones that have not been worn much, such as dress shoes. In the discussions, people pointed out that flea market acquisitions are a way to save money but no-one can be obliged to make them. Money can also be saved if clothes are mended or refashioned. The ability to mend clothes was considered very useful, but, once again, no one can be required to do so.

In Finland, people need clothes for three seasons. The same clothes can be worn in autumn and spring, but winter and summer require their own clothing. The consumers also emphasised that clothes are needed for various special events, such as parties. In addition, extra sets of clothing are necessary so that clothes do not need to be washed so often.

Clothing and Footwear in the Reference Budget

The purpose of the reference budget is to guarantee a reasonable stock of clothing and footwear for the whole family. Items need to be replaced such that decent clothes and footwear are available for various situations. This will guarantee the ability to dress appropriately for every season and for different types of occasions. The lists of clothing items have been prepared on the basis of the needs contemplated during group discussions and through updating of the product lists for the commodity basket compiled earlier at the National Consumer Research Centre (Aatola & Viinisalo 1995b). A probable life span has been assigned to each item, since very few items of adult clothing or footwear are replaced every year. It is very difficult to compute an estimate of the share of children's clothing received other than through direct purchase, so this opportunity to save on expenses has not been taken account of in the budget calculations. Furthermore, sale prices have not been considered in the calculations. Therefore, the cash amounts used for the calculations are normal, unreduced prices of new, reasonably priced clothes.

In assignment of life spans for clothing, advantage has been taken of the life span estimates for clothing given in the commodity basket compiled by the National Consumer Research Centre (ibid.) and the Table of Probable Life Spans of Clothing and Home Textiles, prepared by the Federation of Finnish Washing Industries and the standardisation association TEVASTA, which is utilised, for instance, in compensation for products damaged in laundry services to consumers. Furthermore, the views on durability of clothing held by consumer and expert participants in the National Consumer Research Centre discussions have been considered. On the basis of this information, the research team has allocated estimated life spans to clothing and home textiles.

4.5 Household Equipment and Appliances and Their Wear and Tear

4.5.1 Household Movables

In this study, household movables are considered to include any items, big or small, needed for the purposes of eating, resting, personal hygiene, or security, such as furniture, home textiles, tableware, and cooking utensils. Furniture and carpets are classified as durable goods, whereas home textiles, tableware, and cooking utensils are semi-durable. There are large differences in the life spans of commodities in this category. Since all items in this group are expected to have a life span of more than a year, an annual cost is calculated for them in the same manner as for other durables and semi-durables. The size of the household has an effect on how many pieces of certain items are needed, such as towels or bed linen in personal use, or tableware needed for meals. On the other hand, in most cases, certain pieces of furniture, such as a dining table or a sofa, are needed in same quantities regardless of the size of the household.

Household movables include goods that increase the comfort of living. With regard to personal well-being, it is important to be able to make the flat and its physical surrounding such that it feels like home and is enjoyable to spend time in (Raijas 2008). The meaning of items related to home decoration as a factor increasing the level of comfort came up in the group discussions, but they were not included in the reference budget.

People's essential everyday activities constitute the foundation for observations made in this study. What people do and how they do it is the decisive factor for what commodities a household needs (Aatola & Viinisalo 1999, 95). In this study, the commodity listings are based on the assumption that households act as independent units. For instance, each household is assumed to take care of

its own food preparation, in which case its members have the necessary utensils for the purpose. It is also assumed that the household members use the items in the right manner and follow the user instructions, thus prolonging their life and preventing damage. The lists of commodities were based on the lists used in the budget for reasonable consumption prepared by Aatola and Viinisalo (1998). They have been complemented; updated; and, finally, revised on the basis of consumer and expert assessments to include products deemed essential by today's standards.

The consumers are of the opinion that such furniture included in the commodity baskets as beds, mattresses, a dining table with chairs, an office chair, a desk, a bookcase, a sofa, a chest of drawers, a coat rack, a TV stand, a mirror, and lighting fixtures is part of Finnish interior decoration. In the calculations, the service life used for all pieces of furniture is 15 years, except for children's bed linen, the life span of which was estimated to be seven years. The price range for furniture is wide because the items are very different. In the discussions, the consumers expressed the opinion that it is possible to create as stylish a home with more reasonably priced furniture and textiles as with more expensive ones. Furniture is not always bought new; some pieces may be received as gifts and others bought second-hand. However, in this study, no account has been taken of donations or flea market acquisitions.

Home textiles include bedding, towels, tablecloth, curtains, and carpets. Each member of the household has been reserved one blanket and pillows and two sets of bed linen and towels, and an extra set of each is reserved for potential house-guests. In the calculations, the life spans of home textiles range from five to 10 years. These relatively short life spans were agreed on since home textile reserves are small. The textiles are in use almost all the time; therefore, they wear out.

Tableware and cooking utensils are needed for consuming and preparing meals and for storage of food. The category includes a dinner service and utensils, and kitchenware for preparing and storing food and the kitchen utensils. The point of departure is that the household prepares and consumes most of the daily meals at home. Different household types have similar kitchenware and utensils, but their quantities vary according to the size of the household. The estimated life span of tableware and kitchenware is 15 years, except for cutting boards, which are replaced every five years for hygiene reasons, and the frying pan, the coating of which is presumed to wear out within three years.

The lists of tableware and kitchenware were long and detailed. In most homes, there is a particularly large number of kinds of single items in this category. In the discussions, the participants reflected their own household and its needs against so-called normal life and exceptional situations. On the other hand, they admitted that it is possible to get by with only a few tableware items, though this is not enough, for instance, for entertaining guests. Consumers are of the opinion that a decent minimum standard of living includes a small dinner service. It was easy for the participants to estimate which items of tableware and kitchenware were essential but was difficult for them to estimate their life spans. In practice, new ones are bought as old ones break down or wear out.

4.5.2 Consumer Electronics and Information Technology

The household equipment and appliances for inclusion in the reference budgets for a decent minimum standard of living given for the consumers' evaluation were such as are used or owned by 50% of households as indicated by Statistics Finland. According to Aatola and Viinisalo (1999), the level of minimum social security should include at least equipment and appliances owned by three quarters of households.

The consumers were quite unanimous in their views on the ownership of household equipment and appliances, and the frequency of appliance use at home followed the statistical data of Statistics Finland on ownership of durable consumer goods. A washing machine was deemed essential for each household, as clothing and textile reserves were small and the use of housing-company-specific laundry rooms was considered difficult. The

consumers felt that they cannot reserve time in the laundry room during the hours that would best suit them, especially if they need the washing machine often, since use of the laundry rooms in housing companies is often limited to 8am–8pm.

The consumers were also unanimous as far as information technology is concerned. In their opinion, essential equipment in a household includes a computer, an Internet connection, a mobile phone, a telephone subscription, and a local newspaper. Outside the capital region, a newspaper was considered an important factor connecting the reader to happenings in the local municipality.

According to the participants, an Internet connection is a necessity today, and that connection has to be available at home. In Finland today, it is practically impossible to access various essential services, such as those for payment of bills, anywhere else but on the Internet. Both younger and older participants were of the opinion that completing transactions on devices available in public spaces is difficult because of the surrounding noise. They also mentioned that in, for instance, rural areas, public computer and Internet access may be far away. If a connection is not available at home, a car is needed for ability to access online services.

As for consumer electronics, the essential items were considered to be a television set, a radio, a set top box, a DVD and a CD player, and the TV licence fee. A DVD player is important, but the participants in the discussion pointed out that a computer can serve the same purpose, so no separate device is needed for that. A digital TV recorder was considered essential, especially in families with children. It replaces other recording devices, such as a videocassette player.

Consumer Electronics and Information Technology in the Reference Budget

In the reference budget, it is assumed that, as is customary in Finland, the rental flat is equipped with a stove, a refrigerator, and a range hood, so these have not been included in the (monthly) budget. The budget takes into account the purchase price, life span, and wear and tear of household equipment and appliances. The maintenance and repair costs of the devices deemed important by the consumers have been included in the calculations of wear and tear. Household equipment and appliances are estimated to last 8–14 years.

In the reference budget, the costs of information technology equipment and consumer electronics, and also communication fees, have been combined into one. The information technology equipment and its related costs were considered essential expenses in today's Finland. The expenses also include subscription each year to a newspaper sent to the home address, a television licence fee, a broadband charge, and mobile phone usage fees. The mobile phone usage fees were estimated to be €20 a month per family member. The life spans of equipment range from five to 16 years. The communications fees are high in the monthly budget. With the exception of housing and transport expenses, they are the single largest expense item outside the capital region. The computer chosen for the budget was a laptop computer, because of its reasonable price and portability.

4.5.3 Household Products

In the reference budget, household products have been classified into semi-durable and non-durable items. In this study, diverse cleaning and textile care equipment as well as other household items, such as basic tools needed in small repairs, were classified as semi-durable household products. For the purposes of this study, non-durable household products were considered to include various washing detergents and cleaners as well as disposable paper products, packing supplies related to housekeeping, and other household items that wear out relatively quickly. The quantity of most semi-durable products needed at home is the same regardless of the size of the household, but the bigger the household, the more non-durable and disposable items are needed. The amount of research data on the ownership and necessity of household products is low. These products did not raise much debate in the group discussions either, but people were una-

nimous in stating the necessity of the items included in the commodity list.

The basic assumption in this reference budget, as well as in the previous commodity basket study (Aatola & Viinisalo 1995b), was that basic cleaning equipment is sufficient for cleaning purposes. The cleaning cloths chosen for the reference budget were durable micro-fibre cleaning cloths, which reduce the need for cleaning agents. In this study, other items included among household products were a fire alarm, a basic tool kit, scissors, and a torch.

The necessary quantities of cleaners have been estimated on the basis of the instructions on the package and the frequency of use, based on an estimate or on studies. In estimation of the consumption of products, assumptions are made of how frequently the home is cleaned, even though cleaning habits are known to be personal. When estimating the quantities of detergents and cleaners, we assumed that the home is cleaned fairly often, in which case cleaning does not require more than a few detergents (Aulanko 1991, 25), a neutral washing-up liquid, and all-purpose cleaner.

The cleaning agents considered most essential have been included in the reference budget. The group discussions indicated that a dishwasher proved to be essential only in families with children, and for that a separate detergent and rinsing agent are needed. The consumption of laundry detergent has been calculated on the basis of a practical study of Finnish laundry habits (Aalto 2002).

Households need a variety of disposable paper products and packing materials. The assumption is that plastic bags distributed by shops are mainly used as bin liners for mixed waste. Also, biological waste can be placed ecologically in bags made of newspapers, so biodegradable bags have not been included in the reference budget. Some other non-durable household items (such as light bulbs, batteries, and candles) have also been factored into the budget.

Household Products in the Reference Budget

The number of household products included in the reference budget is small. In this category in particular, households tend to have many *necessary*-category items that are not, however, essential. Annual expenses for household products, naturally, vary in the reference budget in accordance with the size of the household. The majority of the costs of household products included in the reference budget come from non-durable items and agents. Disposable paper products and packing materials, in particular, cause relatively large expenses, more than 65% of total household product expenditure. The equipment for cleaning and clothing care, on the other hand, lasts a long time and its monthly and annual costs remain low.

4.6 Leisure

Group discussions of leisure and related consumption yielded a diverse list of leisure opportunities, since needs for leisure activities are very personal. Some persons listed particular opportunities to spend leisure time, and others observed the situation from a more general angle, pointing out that people should have at least one hobby that takes them away from everyday life. It can be a special hobby or, alternatively, some other way of spending leisure time that does not require as high a level of commitment. Physical exercise (physical training exercises, use of a gym, swimming, running, walking, or roller-skating) and the required equipment and fees came up in the debates most often. The cultural activities mentioned included the cinema and theatre, music and concerts, books, and newspapers and magazines, often combined with visits to the library. Other activities giving the benefit of exercise, such as picking berries, fishing, yard work, and gardening, were also mentioned often. In families with children, a visit in an amusement park is part of summer fun.

Physical exercise alone was not considered sufficient leisure activity if lacking a social dimension. That is why visits to meet friends and relatives were mentioned as an important activity. In Finnish culture, giving gifts is also part of social interaction. Invitations to graduations, birthday parties, and other events also require donations for a gift. Furthermore, people also had wishes for an opportunity for self-improvement in their leisure time – for instance, taking classes at Adult Education Centres. The groups also discussed holiday travel. A very common conception was that one inexpensive trip a year domestically or in neighbouring areas (e.g., in Tallinn or Stockholm) belongs to the decent standard of living.

Leisure Expenditure in the Reference Budget

This reference budget is lean where leisure activities are concerned. An annual allowance of €100 has been reserved per person for a trip within the home country and €25 for visits. Another €25 has been reserved per year for cultural activities, which means one theatre play or a couple of visits to the cinema. In the budget of a family with children, €40 has been added for toys and €5 for children's school trips for one year. Cultural and physical activities can be alternatives for each other. Some money was also allocated in the budget for gifts. An allowance of only €100 was budgeted for a family with children for a trip in the home country, since the assumption is that the trip is made by car. The expenditure consists of miscellaneous expenses (entry fees etc.). The leisure expenditure described above was considered essential for enabling social participation – for instance, in the form of attending family parties. Pets and weekly pocket money for children are not included in the reference budget.

4.7 Health and Hygiene

In the focus groups, responsibility for personal health was almost unanimously included as one of the essential health-related matters. The consumers were of the opinion that health-care services and medicines should be available for everyone but each person should enhance his or her personal health via exercise and physical training. According to the consumers, those who need basic health care and medicines should have access to them. Similar products were included in the reference budget for all household types; only their quantities varied.

Health and Hygiene Expenses in the Reference Budget

The reference budgets for a decent minimum standard of living proceeded from the assumption that the household members are in good health and do not have food allergies or other health complaints. The members of the household are assumed to use public-sector health services or occupational health services. Prescription medicines have not been included in the calculations, since making even a rough estimate of the average cash amount spent on these per month would be very difficult. In the discussions, most drugs were found essential only in families with children. One visit to the health centre has been included in the budget calculations for all other households except those of over-65-year olds, for whom three visits have been included. The budget allows one appointment with a specialist and one with a dentist each year for both adults and children. Some essential health-related items have been taken account of in the reference budget. The only medicines included in the budget are painkillers and vitamin D, which, according to nutritional recommendations, is necessary in Finland because of the dark winter. Travel expenses due

to illness were not included in the health expenditure either, even though some will inevitably arise, since a personal car was considered a necessity only for families with children. In Finland, the social security and health-care system compensates for, besides medical expenses, also part of the travel expenses related to medical appointments (see Paltta 2008).

The hygiene products included in the reference budget are items meant for personal cleansing and care. A large proportion of both male and female consumers considered make-up products important, along with skin-care items. Because of that, a product group of colour cosmetics, consisting of the most common cosmetics products found in supermarkets, was devised for the budget. They were costed, and 50% of the cash amount was included in the budget. The hair care includes hair-care products and a visit to the hairdresser or barber every two months. Also, a separate, optional product group was compiled for hair-care products. As in the case described above, they were costed and 50% of the cash amount was included in the budget. Hygiene products are either disposable or durable items. The range of hygiene products on the market is enormous, but the panellists were unanimous with respect to the qualities and quantities of items to be included in the budget.

5 CONCLUSIONS AND DISCUSSION

5.1 Assessment of the Method and the Level of Reference Budgets

The consensual method, relying strongly on the views of consumers, has been an interesting and fruitful way of preparing reference budgets. So far, the consensual method has been employed for the purpose of preparing reference budgets in only a few countries, such as Great Britain, Ireland, and the Netherlands. The EU project for preparation of reference budgets, in progress simultaneously with this project, supported the implementation of the new method (Warnaar & Luten 2009). The consensual method is labour- and time-consuming, since it involves a large number of participants and the work progresses stage by stage. The number of consumers has to be sufficient to ensure that as comprehensive a picture of consumption in diverse circumstances and households is obtained as possible.

The reference budgets for this study were prepared with the aid of about 50 consumers, who made a commitment to work with the reference budgets for a period of about six months. The consumers set to work to ponder their own consumption habits and their necessities from various perspectives with great enthusiasm. Each participant brought his or her personal point of view and experiences to the group discussion, which is one of the strengths of the method. Therefore, the budgets are based on 50 takes on everyday reality.

The Standard of Living Portrayed by the Budgets

The first reference budgets in the United States and Great Britain were compiled to describe the level of minimum subsistence. The research team is of the opinion that this is the only possible way when the preparation of budgets is started *from scratch*. The higher above the subsistence level (the minimum standard) one goes, the more problems will arise, derived from the difficulty of describing the variety of consumption alternatives associated with different kind of lifestyles (Aatola & Viinisalo 1998).

These reference budgets for a decent minimum standard of living are close to what can be considered the minimum level of consumption. The discussions conducted were started with a clean slate in order to contemplate what kind of consumption is essential in life. The consumers accepted the research team's definition of consumption for a decent minimum standard of living, including also

the opportunity to participate in society. In order to ensure that the reference budgets would reflect reality as closely as possible, the consumers did not receive any preliminary information prior to the first group discussion, since the objective was that the consumers would take part in the process purely from their own starting points. In the recruitment letter, only the name of the project was mentioned. In the first group discussion, the consumers were given a brief introduction to the idea of reference budgets, the level for which the budgets were prepared, and the timetables for group discussions.

Assessment of the Consensual Method

In the first round of group discussions, the National Consumer Research Centre panellists were divided into groups by family type, and the clients of the Guarantee Foundation, who have experienced financial difficulties, formed a group of their own. In the following rounds, the participants were grouped, according to the reference budgets being prepared, into families with children, single persons, etc. Combining the National Consumer Research Centre panellists and clients of the Guarantee Foundation for discussions contributed to a lively and wide-ranging debate. As more discussions were held and the homework and pair assignments were completed, even quite strong opinions heard at the beginning started to become moderated and approach each other. Where reaching of consensus is concerned, the decisive parts of the study were the contemplation required for the comprehensive home assignment and pair assignment, the act of proportioning essential consumption to one's personal household, and going through all the lists of commodities. With help from such exercises, the consumers were able to perceive the overall picture of consumption needs, and they had to weigh the alternatives in concrete terms and decide which goods and services are essential or necessary. The homework assignment stimulated lively debate and many references were made to it in later discussions. The role of the experts was to assess these lists of essential commodities.

The rate of success or value of the reference budgets largely depends on how accurately they reflect reality. This means that, in addition to identifying the essential products, the decisive factors are how accurate the estimates of the quantities of products consumed, the price level, and the life span of products actually are. International studies, the calculations made for measuring the unpaid household production, and quality surveys for commodities could be utilised in assessment of the wear and tear of durable goods. In decision on the quantities of products, several statistics, calculations, and the Household Budget Survey were employed. Evaluation of the quantities and life spans of commodities was also difficult for the consumers, but most of them had some kind of hunch as to the durability of items.

The prices and quality of products on the market vary a lot, and they are usually interdependent. The price level chosen is neither the lowest nor the highest but quite average, and, therefore, the durable goods are expected to last a reasonable time. Low-quality or cheap products were not included in the study. The gathering of price information is made easier by the fact that much of the information is available on the Internet. Information on price levels of food items, and the differences in prices between various trade groups in different parts of Finland, was gathered from a food price survey of the National Consumer Research Centre related to the reduction in value added tax (Peltoniemi &Varjonen 2010).

The consumption level described by the budgets is low if compared with what Finnish people have spent on average as indicated by the Household Budget Survey. In our budgets the proportions of housing and transport expenditure are large, and so is the share of food. The reference budget for food would be even bigger if it included more eating out and if food were not prepared at home so often. Furthermore, the amount of cash reserved for leisure and hobbies is small, even though, in recent years, the average consumption expenditure on these has grown substantially in all age groups and for families. However, the reference budgets prepared enable consumption that meets a decent minimum standard of living and allows participa-

tion in society. Participation in society is reflected throughout the budget, in the form of decent clothing, proper nutrition and eating out, and the opportunity to obtain and transmit information. In comparison to the norm applied for debt settlement purposes, the reference budgets are abundant with respect to housing and transport, but in other respects, the differences in consumption levels are not very great. The basis for social assistance and the norm applied for debt settlement purposes is the amount of cash with which one has to get by. The starting point for the reference budget, on the other hand, is the content of consumption meeting a decent minimum standard of living – i.e., what products and services are considered to belong to consumption meeting that standard in today's society.

5.2 Discussion

The purpose of this study was to define, with the aid of the reference budgets prepared, the content of essential consumption and the related expenditure, and to develop the methodology for compiling reference budgets. It has been discerned what level of consumption constitutes a decent minimum standard of living (i.e., one on which a person can subsist while feeling part of society in today's Finland). Particular emphasis is placed on the fact that the budgets are indicative only. It is important to remember that, given the same resources, various households can achieve quite different standards of living. For instance, a household taking advantage of the budget needs to be able to make plans, prepare food, or take care of clothing at home. The level of consumption allowed by the reference budgets is lower than the actual consumption in many households today and falls behind the actual number of, for instance, household appliances acquired. In spite of this, the research team estimates that, relying on these budgets, households could lead a life meeting the decent minimum standard of living.

The studies made provide very little information on which individual products are fundamental for living today. In a way, research avoids taking a stand on the content of consumption. This fits well with a liberal approach that has been prevalent in Finnish society for several decades now: people are unwilling to take a stand on what the content of a good life is; they would rather ensure provision of a sufficient amount of resources. The defining factor for a good life is the opportunity to make choices and, that way, achieve self-realisation (Hagfors & Kajanoja 2010). From the point of view of the social security system, it is also easier to distribute money than goods. According to individualistic liberalism, only the individual him- or herself can know what constitutes a good life under particular circumstances. The more resources – e.g., cash – an individual has, the more choices he or she has, and the better life he or she can lead. This notion differs from the Aristotelian view, which includes an idea that the content of a good life can be objectively defined in each given situation (Sihvola 1994). Applied to consumption meeting a decent minimum standard of living, this would mean that it is possible to designate the commodities that belong to the commodity basked enabling the level of consumption meeting this standard.

When the level of basic security was set, a decision was made on the amount of cash that society has undertaken to guarantee to people living on basic security. It is impossible to allocate this amount of cash without any idea of what kind of life one can lead on it. In any case, on some grounds, at some point in time, some kind of content for basic security has been determined by someone, even though no-one wants to reveal this, in order to avoid accusations of normative bias.

This study provides fruit for public discussion by pointing out in concrete terms what money in accordance with the reference budget can buy. The research team hopes that the study will encourage debate on what basic security should consist of in reality and in concrete terms. The reference budgets are about being part of society, not merely surviving. The reference budgets prepared are not meant to specify where the poverty line is, but if consumption is below them, the households lack resources for being active and participating in society. The conceptions of a decent minimum standard of living held by the consumers who par-

ticipated in the study give strong support for these assessments. The involvement of consumers has expanded the views of and provided concrete form for expenses derived from various alternatives. Other social structures, such as good public services, also have an indirect impact on the reference budgets, since they increase opportunities to participate in society. In such a case, the budgets can be smaller in terms of price or quality (Storms 2010 & Van den Bosch 2010). The European Union has determined deprivation indicators in accordance with which financial deprivation is experienced if the household cannot afford the following: facing unexpected expenses; a one-week annual holiday away from home; payment of rent or the mortgage (housing loan); a meal with chicken, another meat, or fish every second day; and keeping the home adequately warm. In addition, people feel deprived if they cannot afford a washing machine, colour television set, telephone, or personal car. (Guio 2009.) In addition to the deprivation indicators mentioned above, the list addresses matters that are significantly more comprehensive in nature. People have to be able to eat nutritious food and to participate and lead decent lives in accordance with their life situation in today's society.

Debate is needed on who should determine the level of basic security and on what grounds. Experts have prepared both reference budgets and justifications for the level of social assistance. That budgets have to be drawn up for various types of households creates challenges, to say the least. For an outsider, it is easy to say what is reasonable or unreasonable consumption for a certain household. On the other hand, it is difficult to contemplate in depth the opportunities available for someone else's household or its living patterns. Each case constitutes a unique context. Life situations, experiences, knowledge, and skills affect one's judgement all the time. This was also evident in the group discussions held. Even though reference budgets have already been compiled for several decades, no universal instructions or practices have yet been established. The reference budget is always an agreement among the people who are preparing it (Saunders 1998; Aatola & Viinisalo 1995b). The consensual method is capable of answering several questions and addressing many details better than are reference budgets compiled in accordance with expert methods, but they still require research and work by the experts for making calculations and costing the items.

There are many opportunities for further development of reference budgets. The Netherlands, Sweden, and Great Britain are advanced users and makers of reference budgets. Their selections of commodities for reference budgets are comprehensive, and they take into account different requirements on the basis of health (e.g., allergy) or income levels. The criteria for calculation of expenditure are also well established, for which reason it is possible to monitor long-term changes in these countries. In this study, reference budgets were prepared for four household types, but more would be needed, representing households of different sizes and with people of different ages, as have been used in other countries. Furthermore, in housing expenses, owner-occupied dwellings could also be taken into account, alongside rented housing. Major changes in the income structure of the household, such as retirement, divorce, a death, or children moving out of the childhood home, could also be taken into account (see Storms & Van den Bosch 2010). It is also necessary to consider, for instance, various types of special diets in the food budget.

Utilisation of Reference Budgets

In other countries, reference budgets have been useful tools for certain private or public organisations. The purpose of this project was also to produce material that can be utilised as reference data, teaching material, or a practical tool. The choice of commodities for the reference budgets has taken into account the various activities of households, since it is important to observe them in counselling situations, where it is of crucial importance to establish an overall picture of the customer's situation. It is important to test the usability of reference budgets in practical situations so that they can be improved and developed further. Reference budgets can be employed, for instance, in loan negotiations with banks, in personal finance classes provided by

educational institutions, by public authorities in order to determine the level of social security, or in financial and debt counselling in the planning and monitoring of the clients' subsistence. Furthermore, ordinary citizens can use such information for personal financial management purposes.

Review of the prices and updating of the content of commodity baskets in order to ensure up-to-date information is closely related to usability of reference budgets. However, the arduousness of the method makes it difficult to update the commodity baskets and check the contents, so it cannot be repeated too frequently. Updating the prices is easier than checking the content, since the former can be done by taking advantage of consumer price indices and other price surveys.

The consumer-oriented method has produced material for more extensive reflection on the opportunities to bring consumption within more moderate boundaries for economic or ecological reasons, or on a voluntary basis, for instance, by seeking a more peaceful lifestyle. Application of a sustainable development perspective in consumer choices for reference budgets would provide additional information on changes in consumption habits, which is a topical issue in the debate surrounding climate change.

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