The tax-benefit microsimulation model for the European Union

EUROMOD is a tax-benefit microsimulation model for the European Union (EU) that enables researchers and policy analysts to calculate, in a comparable manner, the effects of taxes and benefits on household incomes and work incentives for the population of each country and for the EU as a whole.

As well as calculating the effects of actual policies it is also used to evaluate the effects of tax-benefit policy reforms and other changes on poverty, inequality, incentives and government budgets.

EUROMOD is a unique resource for cross-national research, designed to produce results that are comparable across countries and meaningful when aggregated to the EU level.

EUROMOD is managed, maintained, developed and updated by a team of researchers in ISER. This is done in collaboration with national experts.

The current version of EUROMOD represents the accumulation of technical developments and expertise over a number of years and involving a large team of people. For more information on the design and development of EUROMOD click here.

www.euromod.ac.uk

Further development for EUROMOD planned as InGRID-2 launches

The continuing extension of EUROMOD – both in its policy scope and functionality – will be an important strand in the four-year InGRID-2 research and infrastructure project.

The new Horizon 2020-financed project – a follow-up to the successful InGRID project – plans for several EUROMOD developments, including a EUROMOD wealth module based on the integration of Household Finance and Consumption Survey (HFCS) data into the model’s existing input data.

The aim of the task is to integrate into EUROMOD both wealth data and related policies for a selection of Euro area countries included in the HFCS. Additionally, there are plans to extend the current scope of EUROMOD’s Hypothetical Household Tool (HHoT) via adjustments to the tool’s input data in order to include policies that have previously been difficult or impossible to simulate using cross-sectional EU-SILC data. These policies include unemployment benefits, maternity/paternity/parental benefits and housing-related benefits. Both these tasks will continue the successful collaboration between University of Essex and CSB Antwerp undertaken as part of the first InGRID project.

InGRID-2 will also see a range of other EUROMOD-related activity. Notably, EUROMOD (not merely the HHoT tool) will be extended to cover maternity, paternity and other parental benefits and HHoT functionality will be improved, particularly in terms of its user-defined analytical outputs, tables and graphics. There will also be financial support provided for attendees at EUROMOD training courses.

InGRID-2 was launched at a kick-off meeting in Leuven on 1-2 June 2017. The project represents both the continuation and enlargement of the existing InGRID research infrastructure, involving a consortium of 19 European partners. Its aim is to facilitate European social sciences research that is focused on social inclusion and exclusion, vulnerability at work and related social and labour market policies from a comparative perspective. The project is coordinated by HIVA (KU Leuven).
Presentations, policy and projects in Zagreb

Hosted in June by the Institute of Public Finance in Zagreb, the EUROMOD user community enjoyed a two-day workshop on Social Protection Policies and Microsimulation, followed by the EUROMOD Annual Project Meeting.

Keynote speakers at the Social Protection Policies and Microsimulation workshop were Holly Sutherland on the use of microsimulation models in the European Union, Daria Popova on ‘Family policies and child benefits in Europe: the state-of-the-art’, Predrag Bejaković on ‘Effectiveness of active labour market policies in Croatia’ and Francesco Figari on ‘In-work benefits across Europe: possibilities for an evaluation through a microsimulation approach’.

Policy speeches were from Katarina Ivankovic Knezievc from the Republic of Croatia’s Ministry of Labour and Pensions and Martin Strmota from the Ministry of Demography, Family, Youth and Social Policy.

The Annual Project Meeting discussed developments in EUROMOD functionality – the new Advanced Statistics Calculator (ASC). A separate session looked at improvements to SILC data. The meeting included a range of presentations on tax and benefit microsimulation analysis at a national level including work on the 2016 Budget of Malta by their Ministry of Finance, and hypothetical changes to personal taxation in Bulgaria.

Delegates also discussed future developments for EUROMOD, such as integrating parental benefits to policies that can be simulated. The meeting also heard about the changes that will happen during the gradual transition to the European Commission and plans for EUROMOD for 2018-2021, with presentations from Loukas Stemitsiotis from DG Employment, Daniel Daco from the JRC, Emilio Di Meglio from EUROSTAT and EUROMOD’s Executive Director, Jack Kneeshaw.

BOOK NOW! InGRID-2 Autumn School in Cross-Country Microsimulation at ISER

Applications are now open for the next hands-on EUROMOD training course to be held at ISER, University of Essex, on 25-27 October 2017.

The aim of the course is to provide academics, policy practitioners and other interested users with an introduction to the concepts, structure and functioning of EUROMOD.

The course will cover the basics of tax-benefit microsimulation, the logic and structure behind EUROMOD, working with EUROMOD’s user interface, input data, EUROMOD ‘language’ and using existing documentation. The bulk of the course is dedicated to teaching EUROMOD functions which form the building blocks of the EUROMOD ‘language’.

The deadline for applications is 13 August 2017. For further details and to apply, visit http://inclusivegrowth.be/events/InGRID2-call2/InGRID2-Call2
How EUROMOD has become an important tool in the European Semester process

The 2017 European Semester has confirmed the growing importance of EUROMOD for fiscal policy analysis in the European context due primarily to its increasing use by the Joint Research Centre (JRC) of the European Commission.

Analyses based on EUROMOD have been included in 11 Country Reports, more than doubling the uses of the model compared to last year’s Semester. The JRC expects an even larger use of the model for the 2018 Semester, with preparatory work ongoing since May 2017.

Introduced in 2010, the European Semester is a process of coordination and surveillance which ensures that Member States discuss their economic and budgetary plans with their EU partners. The process follows a pre-defined timeline which allows for actions to be taken in time for the adoption of the budgets in the subsequent year. In particular, the Semester starts in November with the European Commission setting the priorities and recommendations for the EU and providing general policy guidance to Member States for the following year and it terminates in May with the publication of the country-specific recommendations from the European Commission. As a part of this process, in February each year the European Commission publishes a Country Report (CR) for each Member State. These CRs evaluate the Members State’s economic situation and the progress made in the implementation of the reform agenda.

Given its level of detail, flexibility and the cross-country consistency of its simulations, EUROMOD represents a precious resource for fiscal policy analysis in the context of the European Semester, and in particular in the preparation of the CRs. The importance of the model is confirmed by the growing number of simulations employing EUROMOD in recent years.

EUROMOD-based analysis included in the CRs has been conducted by JRC in collaboration with country desks from DG ECFIN, DG EMPL and DG TAXUD. The uses of the model have varied across country. Simulations aimed at evaluating reforms to personal income tax or social insurance contributions, including their impact on work incentives, have been conducted in Croatia, Germany, Latvia, Luxembourg, Slovenia and Sweden. In the cases of Denmark, Ireland, Latvia and Poland the simulations assessed the distributional and budgetary implications of reforms to the benefit system. The recently developed Indirect Tax Tool has also proven of great interest, with simulations for France and Spain and a tax shift exercise from labour to consumption implemented in Italy. The JRC expects a growing number of uses of the model related to tax shift in the next Semester, as a number of policy proposals across countries point in that direction. Additionally, the ongoing developments for wealth taxation and labour supply responses will further enlarge the scope of EUROMOD based simulations.

EUROMOD has also been extensively used to simulate the impact of various tax and social benefit reforms under the third Memorandum of Understanding for Greece.

To conclude, EUROMOD is proving itself as a key tool for fiscal policy evaluation in Europe, and not only in the context of the European Semester. Given the many qualities of the model, and its ongoing and foreseen developments, the JRC envisages an even more important role for EUROMOD in the future. Analyses based on EUROMOD have been included in 11 Country Reports.

New Technical Note series

A new EUROMOD Technical Note series has been established which includes documents and papers about EUROMOD – or specific uses of it – that are suitable for sharing with model users and others interested in technical background, and for citing in papers using EUROMOD.

It complements the long-established EUROMOD Working Paper series which mainly contains substantive papers making use of EUROMOD for research or policy analysis, prior to final publication elsewhere.

The first two Technical Notes published are the EUROMOD Modelling Conventions document – the guidelines and protocols that inform the construction of each EUROMOD update – and EUROMOD, CEQ, LIS and TAXSIM: a note on overlaps, differences and complementarities.

If you would like to submit a Technical Note to the series please contact us via euromod@essex.ac.uk.
Growing interest in using EUROMOD for policy evaluation in the Baltic states

Two events in the first half of 2017 demonstrated the increasing interest shown in EUROMOD by policy makers in the Baltic states.

A previous edition of EUROMOD NEWS has looked at the use of EUROMOD in policy making in Latvia and here we focus on Estonia and Lithuania.

Early February 2017 witnessed a unique EUROMOD training course take place in Estonia’s capital, Tallinn. What made the course stand out was the fact that each of the twenty-plus participants were from the same country with very similar backgrounds. Participants were from the Ministry of Finance, the Ministry of Social Affairs, the Bank of Estonia and the Praxis Centre for Policy Studies (home to the EUROMOD national team) and all had very close ties working with Estonian social policy. The training course was led by longstanding EUROMOD team member Alari Paulus and supported by one of the newer additions to the team, Miko Tammik.

While the course material largely followed the standard three-day training offered at Essex, the homogeneity of the group provided a welcome opportunity to add two Estonia-specific exercises depicting one very recent and one planned policy change. These added exercises turned out to be very popular and created a lot of discussion – a key feature of this course. They also gave valuable insight to the organisers in seeing how those people directly involved in designing reforms had envisioned how the law should be interpreted in practice. Bringing these people together in the same room facilitated plenty of dialogue regarding past and future policy changes that created a good deal of added value for the participants.

At the end of the training course it was very encouraging to see concrete ideas from the participants about how they might now use EUROMOD. Analysts from the Ministry of Finance were especially keen on using EUROMOD to analyse the potential impact of tax changes that are currently being discussed by the government. There was also very strong interest in holding future training courses in Estonia, potentially also for academics. Overall the event can be considered a great success and a strong argument can be made for the usefulness of country-specific training courses.

A month or so later, the potential of EUROMOD for policy evaluation was discussed with policy makers in the Lithuanian Ministry of Social Security and Labour. Jekaterina Navicke – a member of the Lithuanian national team – was invited to present the model to the Ministry on 21 March 2017. Other participants included the State Audit Office and the Ministry of Finance. The participants showed interest in modelling reform scenarios, ex-post analysis of the implemented reforms and opportunities for up-to-date evaluation of socio-economic indicators, such as nowcasted at-risk-of-poverty and inequality rates. The State Audit Office was also interested in merging EUROMOD with their macro-economic model for a combined micro-macro analysis and assessment.
Meet the EUROMOD national teams: the German team

In this edition of EUROMOD NEWS, we introduce you to the three members of the German EUROMOD team

The members of the German national team are Peter Haan, Patricia Gallego Granados and Michelle Harnisch from the German Institute for Economic Research (DIW) in Berlin.

Peter Haan is head of the department of Public Economics at DIW Berlin and Professor of Public Economics at Freie Universität Berlin. He holds a Ph.D in Economics from the FU-Berlin. Previously he studied Economics and Political Sciences at Albert-Ludwigs-University Freiburg, Humboldt-University Berlin and University of Toronto. He has been a visiting Fellow at Paris School of Economics, the IFS in London and at ISER at Essex. His recent publications have appeared in the Economic Journal, Journal of Health Economics and the Journal of Econometrics. Peter's research focusses on the distributional implications of the tax and transfer system and of public pensions. For his research he combines microsimulation with structural econometrics. In addition to EUROMOD Peter uses dynamic microsimulation models which allow analysis of the distributional implications on lifetime income and to study the effects of dynamic transfers such as unemployment benefits or pensions.

Patricia Gallego Granados is a doctoral student at DIW Berlin. Previously, she studied Economics at the Universitat Pompeu Fabra and Public Policy at the Hertie School of Governance. Her interest in tax-benefit systems goes back to her Master Thesis, in which she analysed the changes in tax-benefit systems introduced during the crisis years in EU member states. In her current research Patricia analyses wage differentials observed in labour markets such as the gender wage gap and the part-time pay penalty.

Michelle Harnisch is an Economics student at the Humboldt University in Berlin.

How long has the team been working with EUROMOD?
Peter Haan has been a member of the team since 2010. Patricia joined the team in 2012 and Michelle just joined this year.

Some highlights of recent research by the German EUROMOD team
Currently, Patricia is involved in joint research with Michal Myck from the Polish Team and Paola de Agostini from the Core Team regarding the implicit equivalence scales of tax benefit systems from a cross country perspective using EUROMOD. In the past, the German team has used EUROMOD to conduct research on a European Unemployment Insurance scheme in a study commissioned by the Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection. Together with Andre Decoster and Kevin Spiritus from the Belgian EURMOD team our former colleague Richard Ochmann proposed an imputation method to integrate indirect taxation into EUROMOD. This extension allows the study of the distributional and fiscal implications of shifting from direct to indirect taxation.

Where they turned up
Since the last edition of EUROMOD NEWS, newly-published journal articles using EUROMOD include:


Let us know of your journal publications using EUROMOD, and don’t forget to submit your articles to the EUROMOD working paper series!
Reducing poverty and inequality through tax-benefit reform and the minimum wage: the UK as a case-study
EUROMOD Working Paper Series EM13/17

Authors
Anthony B. Atkinson
Chrysa Leventi
Brian Nolan
Holly Sutherland
Iva Valentinova Tasseva

Publication date 26 Jun 2017

Abstract
Atkinson’s book Inequality: What Can Be Done? (Harvard University Press, 2015) sets out a range of concrete proposals aimed at reducing income inequality, which cover a very broad span but include major changes to the income tax and social transfers system and the minimum wage. These are framed with specific reference to the UK but have much broader relevance in demonstrating how substantial the impact on inequality of such measures could be. This paper assesses the first-round effects of these tax, transfer and minimum wage reforms on income inequality and poverty based on a microsimulation approach using EUROMOD. The reforms involve a significantly more progressive income tax structure, a major increase in the minimum wage to the level which is estimated to represent the ‘Living Wage’, and alternative routes to reforming social transfers – either to strengthen the social insurance element or to restructure the entire system as a Participation Income (a variant of Basic/Citizen’s Income). The results show how the first-round effects of either set of tax and transfer proposals would be to substantially reduce the extent of income inequality and relative income poverty and the paper draws out how the two approaches differ in their effects. The additional impact of raising the minimum wage to the Living Wage is modest, reflecting in particular the position of beneficiaries in the household income distribution and the offsetting effects on household income of the withdrawal of means-tested cash transfers.

A variety of indicators evaluated for two implementation methods for a Citizen’s Basic Income
EUROMOD Working Paper Series EM12/17

Author Malcolm Torry

Publication date 31 May 2017

Abstract
Debate about Citizen’s Basic Income – an unconditional and nonwithdrawable income for every individual – is shifting in character. An earlier phase related to the proposal’s desirability; then followed debate about its feasibility; and now attention is turning to questions of implementation. A significant symptom of this new phase is the recent consultation on implementation of a Citizen’s Basic Income held by the Institute of Chartered Accountants in England and Wales. The consultation considered four implementation methods. This working paper operationalises characteristics of two of the implementation models in terms of changes that might be required in existing UK tax and benefits systems, and evaluates the implementation methods in relation to a wider variety of indicators than previous exercises of this kind: poverty and inequality indices, tax rate rises required for revenue neutrality, household disposable income gains and losses, households’ abilities to escape from means-testing, and marginal deduction rates. The advent of EUROMOD G4.0+ and updated FRS data enables the results to be more up to date as well as more comprehensive.

Factors of the income inequality in the Baltics: income, policy, demography
EUROMOD Working Paper Series EM11/17

Author Jekaterina Navicke

Publication date 31 May 2017

Abstract
This paper aims to disentangle the driving factors behind the changes in income inequality in the Baltics since the EU accession, distinguishing between primary income effect, discrete changes in tax-benefit policies and demographic effect. Evaluation of the three effects was based on counterfactual scenarios, which were constructed using taxbenefit microsimulation and re-weighting techniques. Decomposition of the total change in inequality showed that income and policy effects are dominant in the Baltics. Policy effects were inequality reducing before the crisis and for the period after the EU accession as a whole. Income effects were inequality increasing before the crisis and as a whole. Despite rapid demographic changes in the Baltics, the demographic effects on income inequality were marginal and in general inequality-increasing.

Effects of tax-benefit policy changes across the income distributions of the EU-28 countries: 2015-2016
EUROMOD Working Paper Series EM10/17

Author EUROMOD

Publication date 16 May 2017

Abstract
This paper provides a short country-by-country harmonised analysis of the distributional effects on household disposable income of direct tax and cash benefit and pension policy changes between 2015 and 2016. It shows how changes (or non-changes) in policies have affected household incomes, relative to what would have happened if they had been simply indexed by CPI, and abstracting from changes in population characteristics or the distribution of original gross incomes.

Decomposition of changes in the EU income distribution in 2007-2011
EUROMOD Working Paper Series EM9/17

Authors Alari Paulus
Iva Valentinova Tasseva

Publication date 10 May 2017

Abstract
We summarise and decompose changes in the household disposable income distribution in 2007-2011 across 27 EU countries to study the impact of the Great Recession on household incomes and the key factors contributing to it. Using microsimulation techniques and applying the EU tax-benefit model EUROMOD in combination with EUSILC household microdata, we separate direct (first-order) effects of tax-benefit policy on the income distribution from the effects of changes in household market incomes and characteristics. There is substantial variation in income dynamics between and within countries. We find that in most countries, changes in market income and population characteristics had a poverty- and inequality-increasing effect, while policies were more often poverty- and inequality-reducing. However, there is no clear country-level correlation between the two effects in this period.

Improving poverty reduction in Europe: what works best where?
EUROMOD Working Paper Series EM8/17

Authors Chrysa Leventi
Holly Sutherland
Iva Valentinova Tasseva

Publication date 10 May 2017

Abstract
We provide evidence of the relative cost-effectiveness of different types of policy instrument in reducing poverty or limiting its increase, comparing within and between seven diverse EU countries. We do that by measuring the implications of increasing/reducing the instrument size within its national context, using microsimulation methods. We consider commonly-applied policy instruments with a direct effect on household income: child benefits, minimum income components of social assistance, income tax lower thresholds and minimum wages and a benchmark case of changing the size of the whole tax-benefit system. We find that the assessment of the most cost effective instrument may depend on the measure of poverty used and the direction and scale of the change. Nevertheless, our results indicate that the options that reduce poverty most cost-effectively in most countries are increasing child benefits and social assistance while reducing the former is a particularly
poverty-increasing way of making budgetary cuts.

**Nowcasting: timely indicators for monitoring risk of poverty in 2014-2016**

**EUROMOD Working Paper Series EM7/17**

**Authors** Katrin Gasior, Olga Rastriagina

**Date** 10 May 2017

**Abstract** The at-risk-of-poverty rate (AROP) is one of the three indicators used for monitoring progress towards the Europe 2020 poverty and social exclusion reduction target. Timeliness of this indicator is crucial for monitoring of the social situation and of the effectiveness of tax and benefit policies. However, partly due to the complexity of EU-SILC data collection, estimates of the number of people at risk of poverty are published with a significant delay. This paper extends and updates previous work on estimating (‘nowcasting’) indicators of poverty risk using the tax-benefit microsimulation model EUROMOD. The model’s routines are enhanced with additional adjustments to the EU-SILC based input data in order to capture changes in the employment characteristics of the population since the data were collected. The nowcasting method is applied to twenty-seven EU Member States. Median income and AROP rates are estimated up to 2016. The performance of the method is assessed by comparing the predictions with actual EU-SILC indicators for the years for which the latter are available. If nowcasts are unreliable we explain the main reasons behind the differences between the nowcasted and SILC-based indicators. For countries with stable and reliable results we discuss the main drivers behind the nowcasted trend.

**Baseline results from the EU28 EUROMOD: 2011-2016**

**EUROMOD Working Paper Series EM6/17**

**Authors** Mattia Makovec, Miko Tamnik

**Date** 3 May 2017

**Abstract** This paper presents baseline results from the latest version of EUROMOD (version G4.0+), the tax-benefit microsimulation model for the EU. First, we briefly report the process of updating EUROMOD. We then present indicators for income inequality and risk of poverty using EUROMOD and discuss the main reasons for differences between these and EU-SILC based indicators. We further compare EUROMOD distributional indicators across all EU 28 countries and over time between 2011 and 2016. Finally, we provide estimates of marginal effective tax rates (METR) for all 28 EU countries in order to explore the effect of tax and benefit systems on work incentives at the intensive margin. For a subset of countries for which 2014 EU-SILC data are available in EUROMOD, we also compare poverty and inequality indicators and METR across countries and over time between 2013 and 2016. Throughout the paper, we highlight both the potential of EUROMOD as a tool for policy analysis and the caveats that should be borne in mind when using it and interpreting results. This paper updates the work conducted in the EUROMOD Working Paper EM3/16.

**The end of cheap talk about poverty reduction: the cost of closing the poverty gap while maintaining work incentives**

**EUROMOD Working Paper Series EM5/17**

**Authors** Diego Collado, Bea Cantillon, Karel Van den Bosch, Tim Goedemé, Dieter Vandelaanoot

**Date** 31 Mar 2017

**Abstract** How can poverty reduction be improved and at what cost? Available evidence suggests that social investment strategies and employment policies are important but not sufficient. In order to reduce the number of people below the relative at-risk-of-poverty threshold of the EU, countries must develop not only effective employment policies but also ensure adequate social protection. This implies increasing social transfers for working and nonworking households, while protecting work incentives. In this paper we show that this is not a cheap option. We calculate the hypothetical cost of closing the poverty gap while maintaining the existing average labour market participation incentives at the bottom of the income distribution. We do it in three of the most developed welfare states of the EU, representing different welfare regimes, namely Belgium, Denmark and the United Kingdom. Results show that this would require around two times the budget needed to just lift all disposable household incomes to the poverty threshold. The cost would obviously be lower in countries with smaller poverty gaps and with weaker participation incentives. Furthermore, the results suggest that for anti-poverty strategies to be effective other factors should be considered more carefully, including the drivers of rising inequalities in market incomes, and especially the downward pressures on low wages, as well as the most appropriate magnitude of financial work incentives.

**The impact of in-work benefits on employment and poverty**

**EUROMOD Working Paper Series EM4/17**

**Authors** Dieter Vandelaanoot, Gerlinde Verbist

**Publication date** 31 Mar 2017

**Abstract** Tax and benefit systems play an important role in determining work incentives at both, the extensive and the intensive margin of labour supply. The aim of this research note is to provide a comparative analysis of work incentives in selected EU countries. Our analysis makes use of EUROMOD and representative household microdata from nine EU countries (Belgium, Bulgaria, Germany, Italy, Lithuania, Hungary, Austria, Finland and the UK) to provide a description of the distribution of short- and long-term participation tax rates and marginal effective tax rates in 2015, for people currently in work; and to characterise individuals facing low work incentives. Our results highlight the important variation in the distribution of work incentives across our selected countries. Unemployment insurance schemes play a significant role in short-term participation tax rates, although to different extents across countries. Our analysis further highlights differences across countries in terms of the population subgroups with low incentives to work and discusses the relevance of using a relative or an absolute threshold for such definition.

**Low incentives to work at the extensive and intensive margin in selected EU countries**

**EUROMOD Working Paper Series EM3/17**

**Authors** Holguer Xavier Jara Tamayo, Katrin Gasior, Mattia Makovec

**Date** 31 Mar 2017

**Abstract** This article studies the impact of design characteristics of in-work benefits on employment and poverty in an international comparative setting, taking account of both first and second order labour supply effects. We use the micro-simulation model EUROMOD, which has been enriched with a discrete labour supply model. The analysis is performed for four EU-member states: Belgium, Italy, Poland and Sweden. The results show that design characteristics matter substantially, though the specific effects differ in magnitude across countries, indicating there is no one-size-fits-all solution. Throughout the analysis, numerous trade-offs are uncovered: not only between employment and poverty goals, but also within employment incentives itself (extensive vs. intensive margin). Taking account of behavioural reactions attenuates the impact on poverty outcomes, signalling the importance of bringing these effects into the empirical analysis.
Providing evidence for policy-making across the EU

The latest Research Notes of the Social Situation Monitor have now been published – with three from EUROMOD

ISER is a member of the Social Situation Monitor Network of the European Commission, which carries out policy-relevant analysis and research on the current socio-economic situation in the EU. The work of the network includes an online repository of relevant indicators, the organisation of research seminars and the production of mini studies (Research Notes) on policy relevant issues. In 2016, the EUROMOD team at ISER contributed with three Research Notes.

The first one focused on changes in income distribution during the Great Recession. We disentangled the effects of tax-benefit policies from effects of changes in household market incomes or household characteristics. The analysis shows that in most countries changes in market income and population characteristics have been driving increases in inequality while policy changes were more often inequality-reducing.

While the first Research Note provides lessons learned from the effects of the crisis and the policy response, a second Research Note focused on the current income situation and the production of timely indicators to monitor progress towards the Europe 2020 poverty and social exclusion reduction target. EU-SILC data – used to calculate the target indicators – usually lags two to three years behind due to the complexity of the data collection. To produce timely indicators, we used the nowcasting method to estimate the median income and the poverty rate up to 2016. The paper extends and updates previous work on estimating these indicators and assesses the performance of the method by comparing the nowcasted results with actual EU-SILC indicators for years for which the latter are available.

The third Research Note analysed work incentives in selected EU countries. It provides a comparative analysis of how tax and benefit systems incentivise the take up a job (extensive margin) and to work/earn more (intensive margin). The use of microdata allowed us to characterise the mean level and distribution of work incentives at the population level and to provide a portrait of the individuals facing low work incentives in each country. We showed that numerous factors contribute to differences in the distribution of work incentives across countries. In most countries, unemployment insurance schemes represent the most important component driving the incentive to take up a job but to different extents depending on the generosity or the duration of the benefit in each country. At the intensive margin, in most countries, reduced income taxes contribute the most to the incentive to increase working hours or wages, followed by social insurance contributions.

All three Research Notes as well as contributions from our partners and work from previous years can be accessed online.

EUROMOD-related research presented at conferences

6th World Congress of the International Microsimulation Association (IMA 2017), 21-23 June 2017, Moncalieri, Torino
Holly Sutherland delivered a keynote presentation on ‘Quality Profiling Microsimulation Models: the Case of EUROMOD’ and a number of other presentations included EUROMOD-related research – see programme and parallel sessions (PDF).

Social Protection Policies and Microsimulation workshop, 12-13 June 2017, Zagreb
Holly Sutherland, Daria Popova, Francesco Figari gave keynote presentations and a range of other presentations featured EUROMOD-based analysis – see programme (PDF).

Daria Popova presented ‘Secondary earnership and in-work poverty in the EU’ work conducted with Xavier Jara.

Corruption, Tax Evasion and Institutions (BICEPS conference), 11-13 May 2017, Riga
Anna Zasova presented ‘Tying benefits to earnings when tax evasion is high’; Alari Paulus presented ‘Measuring the fiscal and equity impact of tax evasion: evidence from Denmark and Estonia’, worked conducted with Salvador Barrios, Bent Greve, M. Azhar Hussain, Fidel Picos and Sara Riscado.

2017 International Association for Research in Income and Wealth (IARIW) – Bank of Korea (BOK) Special Conference, 26-28 April 2017, Seoul
Xavier Jara presented ‘Putting Subjective Well-being to Use for Ex-ante Policy Evaluation’, work conducted with Erik Schokkaert.
EUROMOD: introducing the team

In this edition of EUROMOD NEWS, Katrin Gasior, Senior Research Officer, describes her work

What is your background? I studied Sociology and Educational Science at the University of Vienna and started to work at the European Centre for Social Welfare Policy and Research in Vienna while finishing my Master’s Degree. It was also at that time that I got involved in the EUROMOD project as a member of the Austrian National Team. Finding it quite confusing in the beginning, EUROMOD soon became my favourite project to work on, not least due to the great cooperation with the core Essex team. This is why I was more than happy to join the team last June.

What are your research interests? I am very interested in comparative research on modern welfare societies and social security systems with a focus on social inclusion and poverty. More specifically, I am interested in the different mechanisms of social policy systems and their impact on the income situation of private households and specific population sub-groups such as women, migrants and families with dependent children.

Which countries do you work on? I am responsible for Austria, Cyprus and Denmark. I am happy with the variation of these three countries in terms of complexity of the policy systems, simulation possibilities and characteristics of the systems.

Do you have any special responsibilities? I am responsible for revising the do files for the EUROMOD input data, in case we spot bugs or we decide to include new variables. Apart from this, I am helping Eurostat to generate their Flash Estimates. The Eurostat team uses EUROMOD and the nowcasting method developed by my colleagues to estimate timely indicators on poverty and income inequality. I am also working on our hypothetical household tool with the catchy name HHoT. It is an EUROMOD application for generating your own input data based on stylised households. This allows you to carry out analysis on households that are less well captured in EU-SILC such as for example multigenerational households or to generate a dataset with variables that are not included in EU-SILC. We will use the hypothetical data to simulate benefits that we cannot simulate using EU-SILC due to missing information (for example on employment history).

What are you working on at the moment? At the moment, I am working on the HHoT baseline report. A report with country specific results for well described households. It shows nicely how country systems differ from each other. The last month, I was working with Xavier and Mattia on our paper on work incentives at the extensive and intensive margin which we are planning to extent to all EU countries. I also started my PhD in Applied Social and Economic Research here at ISER this January, a project that will keep me busy for some time.

What do you enjoy most about working with EUROMOD? I really like the comparative character of EUROMOD. I learned so much more about the Austrian system by comparing it to other countries than by only focusing on the sometimes crazy details of one single system. I also like the mix of research and policy work and to see that my work has an impact. However, I tend to get lost in policy related and infrastructure work and would really like to focus more on research. But I guess the PhD is an important step in the right direction.

Would you like to share any recent highlights? I helped the Ethiopian team to develop their own microsimulation model within the project SOUTHMOD. Now, my colleague Chrysa and I will have the chance to use this model and also the models of other African countries to work on a comparative paper. This is going to be a challenge but I am looking forward to learn more about the very different social context in African countries.