An Introduction to EUROMOD

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Outline

• Tax-benefit microsimulation
• What is special about EUROMOD?
• A little history and current state of play
• Academic research and policy needs
• Developments and future plans and possibilities
Tax-benefit microsimulation models

- Tax-benefit models deal with income, re-calculating income components (taxes and benefits) for households from micro-datasets under different scenarios
  - Policies
  - Economic environment
- Typically: income taxes, social contributions and cash benefits
  - + sometimes indirect taxes, non-cash incomes
- Main indicators/outputs
  - Risk-of-poverty and income inequality
  - Budgetary cost of changes
  - Gainers and losers from policy changes
  - Work incentives... and inputs for LS models
- EUROMOD is a special tax-benefit model
What is special about EUROMOD? 1/2

1. 28 countries in a common framework
   • Cross country comparisons, EU-level analysis, “policy swaps”

2. Open access: “the most used microsimulation model in the world”
   • Data access to managed separately

3. Highly flexible and transparent
   • Comparability
   • Easy to simulate major reforms to policy structures
What is special about EUROMOD? 2/2

• Flexibility and disciplined structure
• Purpose-built software: “tax-benefit modelling” language; user interface; “plug-ins” for special purpose analysis
• Spin-off models
  • Extended/adapted national model components e.g.
    • SORESI in Austria (social ministry in partnership)
    • Mefisto in Flanders (academic project)
    • Scottish part of UK model used by Scottish Parliament
    • Slovakia, Latvia, Greece, Italy, ...
  • Models for non-EU countries using EUROMOD platform as a short-cut
    • South Africa, Namibia, Serbia, FYR Macedonia, Russia, ...
• Expert users can
  • Link to labour supply or macro models
  • Extend policy scope
A little history and current state of play

- EUROMOD was built because of difficulties in making national model calculations comparable: first constructed by an EU15-wide project; funded by various EC FP grants (1996-2008)
- Our 20th anniversary in September!
- Since 2009 supported by DG-EMPL of European Commission
  - Extension to EU-28
  - Micro-data from EU Statistics on Income and Living Conditions (EU-SILC)
  - Regular updates & software development
- Cooperation between a network of national experts in each country & University of Essex development team
- Latest release: 2012 data and policies 2011-14/15 for EU-28 (includes Croatia for the first time!)
- Just started working on next update: 2016 policies; data 2014
EUROMOD: ways it can be used

• Effects of policy changes (actual, proposed, illustrative, “borrowed”)
  • National or EU level

• Economic changes and the effectiveness of existing policies
  • E.g. Automatic stabilising effects

• “Nowcasting” the income distribution and understanding the drivers of short-term change

• With linkage to other models ….. providing a distributional/micro perspective within many other types of analysis.
Narrowing the gap between academic research and policymaking

- EUROMOD is a tool for BOTH academic policy-relevant research AND analysis to inform policy-making directly.
- EUROMOD’s flexibility and huge range of options is motivated by the varied needs of academic research.
- But may inhibit policy use because of the specific expertise required.
- Plans to develop customised interfaces for particular policy needs.
- EUROMOD training materials being developed; existing courses successfully involve both communities.
- Newsletter, conference, Working Paper series...
Current developments include:

- State-of-the-art Hypothetical Household Tool (HHoT)
- Indirect taxes (using HBS+EU-SILC) – pilot work for 4 countries
- “Nowcasting” AROP for the EU-28
Developing the EUROMOD infrastructure: future plans and possibilities

• Extending policy scope with additional micro-data (more indirect taxes, wealth and property taxes…)

• Linkage to other models

• Easy-access simplified national model interfaces (input & output)

• Customised interfaces for particular user groups

• More non-EU models spin-offs; national and multi-country

• More EU spin-off national models
  • Different types; encouraging greater integration ....
Thank you!

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