

## *Session B:*

## *Strengthening Policy Analysis*

## Strengthening EU Policy Analysis with Microsimulation

- Which sort of model?
  - ➔ Different models for different questions
- Questions that tax-benefit microsimulation models are good at answering
  - ➔ What works? Level, structure and impact of social spending
- Comparability across the EU?
  - ➔ A vision
  - ➔ Lessons from experience with EUROMOD

## Models to match the questions

- Typical family calculations
  - ➔ Answers to “what-if” questions about impact of policy and policy change on particular family types
  
- Tax- benefit microsimulation model calculations
  - ➔ **Budgetary, distributional and incentive** effects, consistently, for existing policies and policy changes
    - a. distinguishing the effects on social indicators of **level** of spending, the **structure** of policy instruments and the **national context** (characteristics of the population)
    - b. using illustrative or experimental changes to facilitate policy learning (what might work?)

## An example: swapping 2003 child-targeted policies across countries

### Scaling factors to achieve budget neutrality

	Austria	Spain	UK
<i>Austrian child policies</i>		0.15	0.73
<i>Spanish child policies</i>	10.60		7.21
<i>UK child policies</i>	1.42	0.25	
<b><i>monthly average spending per child 2003 prices</i></b>	<b>220 €</b>	<b>33 €</b>	<b>174 €</b>

Source: Euromod (Levy, Lietz and Sutherland, forthcoming, "Strategies to support children in the European Union")

## Issues for EU analysis

- Typical family calculations
  - ➔ Choice of family characteristics (which dimensions; which types)
  
- Tax- benefit microsimulation model calculations
  - ➔ Availability of comparable micro-data (quality, time period, content)
  - ➔ Common framework, common assumptions and/or common technical “language”
  - ➔ Need for extensions of the current “state of the art” to improve comparability and relevance

### A vision

- A modelling framework which includes typical family analysis and tax-benefit microsimulation PLUS capacity to analyse or incorporate the effects of (e.g.)
  - ➔ behavioural response to policy changes
  - ➔ indirect taxes
  - ➔ subsidies and non-cash benefits
  - ➔ non-cash private incomes
  - ➔ tax evasion and non take-up of benefits
  - ➔ regional differences
- making use of (e.g.)
  - ➔ a gendered approach to policy analysis and the measurement of income distribution
  - ➔ alternative data inputs (for validation and special purposes)
  - ➔ comparisons with non-EU countries
- This requires significant research and development!

## The New Member States and candidate countries

- A new FP6 project “Improving the Capacity and Usability of EUROMOD” (I-CUE): A Design Study within the Research Infrastructures programme
  - ➔ Feasibility studies for the inclusion of the 10 NMS within the EUROMOD framework: working with experts from the NMS
  - ➔ Design improvements to EUROMOD to facilitate understanding/use of 25+ systems and datasets, based on experience with the EU15 model.
    - Co-ordinated by the University of Essex in partnership with the European Centre for Social Welfare Policy and Research, Vienna

## Lessons from experience (and hindsight)

- It is worth experimenting even with poor-quality data: to help define what is really required and to demonstrate the value of the approach. (Data validation and robustness information should always accompany results.)
- Different types of analysis may be appropriate and useful at different points in the Social Inclusion Process.
- Model development and use is best seen as a dynamic and continuing process.
- The whole vision should be kept in mind, even when starting with the simplest typical family model.
- This allows for the advantages of “uneven development”.