

## *Session B:*

## *Strengthening Policy Analysis*

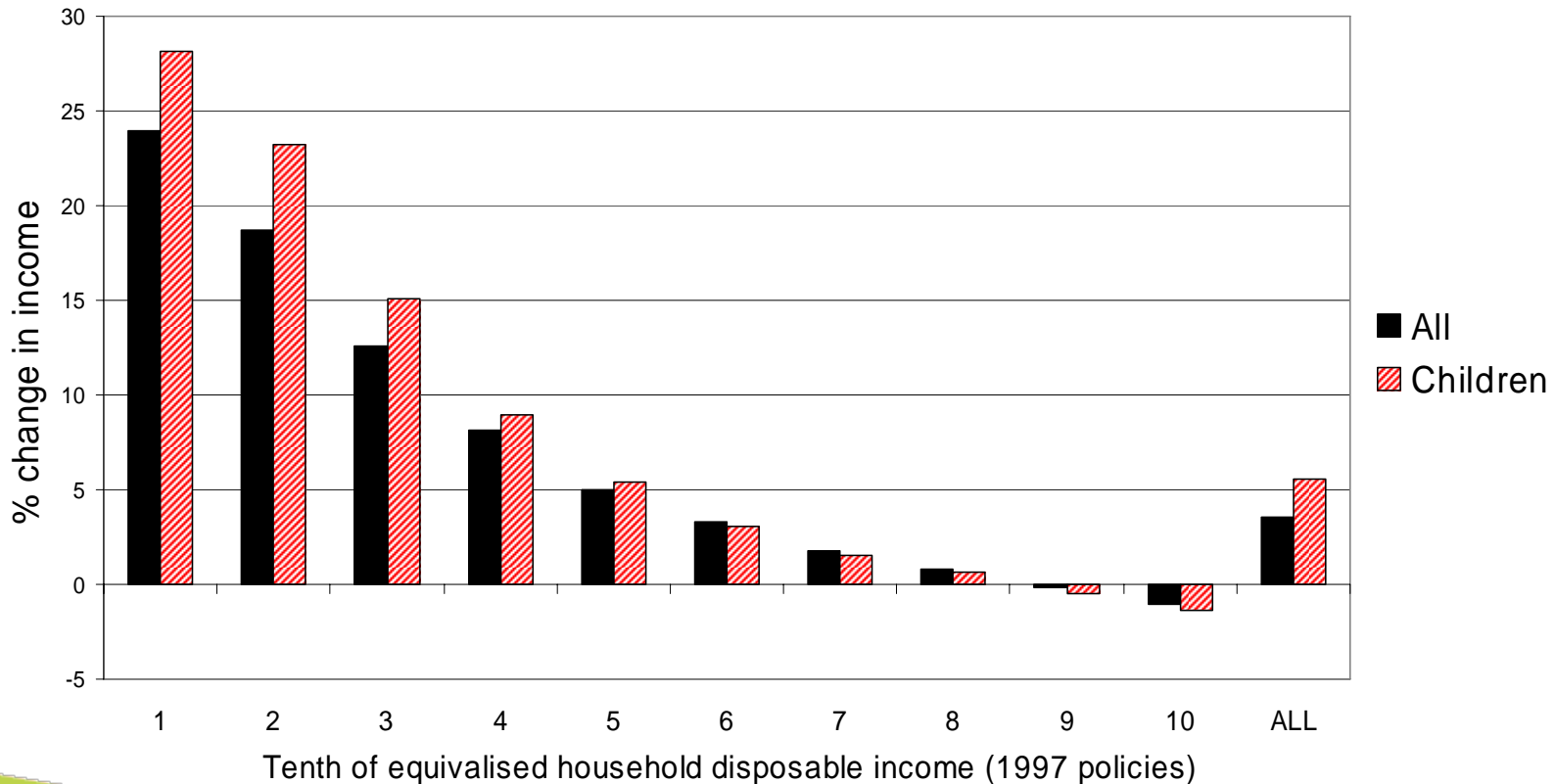
## Projecting Future Policy Impact

- Modelling of policy impact gives us a more than a “rear view mirror“
- Modelling would allow comparison of the impact of different policy instruments and of measures in different countries

## Projecting Future Policy Impact

- But in order to measure policy *change*, we have to be able to say what *unchanged* policy would be: the counterfactual
- For instance, countries have different conventions on what happens to cash benefits and tax brackets in the absence of specific legislation:
  - ➔ Fixed in *cash* terms?
  - ➔ Fixed in *real* terms?
  - ➔ Fixed as a percentage of *earnings*?
- What counterfactual is used makes a big difference

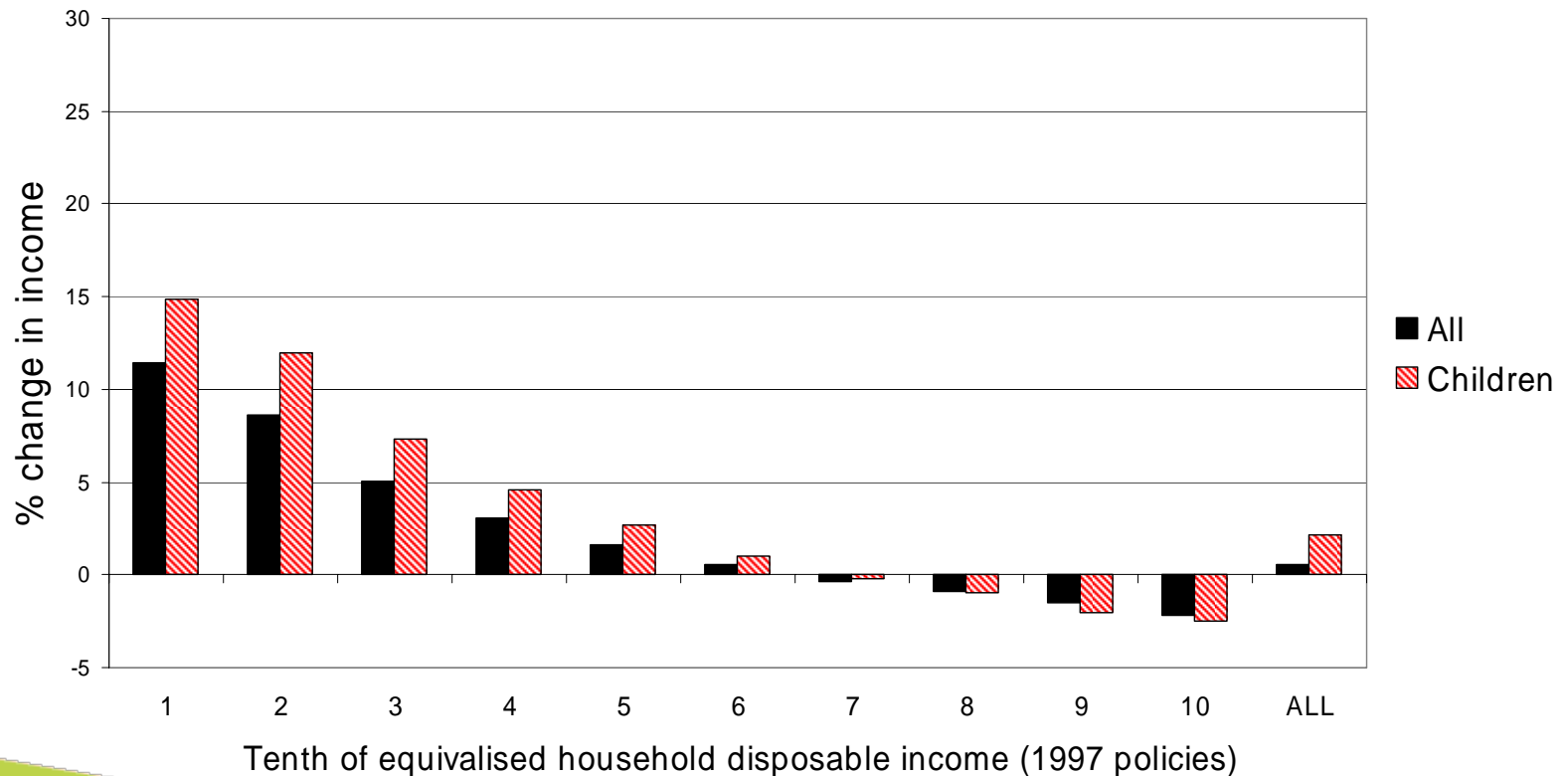
### Impact of policy change in the UK 1997-2004: Compared to price-linked base



Source: Hills and Sutherland (2004)



## Impact of policy change in the UK 1997-2004: Compared to earnings-linked base



Source: Hills and Sutherland (2004)

## Projecting Future Policy Impact

- And in projecting the impact of policy against key social indicators we need to take care in specifying the measure
- Rising incomes mean that the relative poverty line is a moving target, so the impact of policy change may partly be about keeping up with that target.

### Impact of policy change in the UK 1997-2004: Numbers below relative and fixed poverty lines

