



Social policy through the European lenses: Fiscal policy support in EU-27 using EUROMOD

Kateryna Bornukova and Chrysa Leventi, JRC Seville

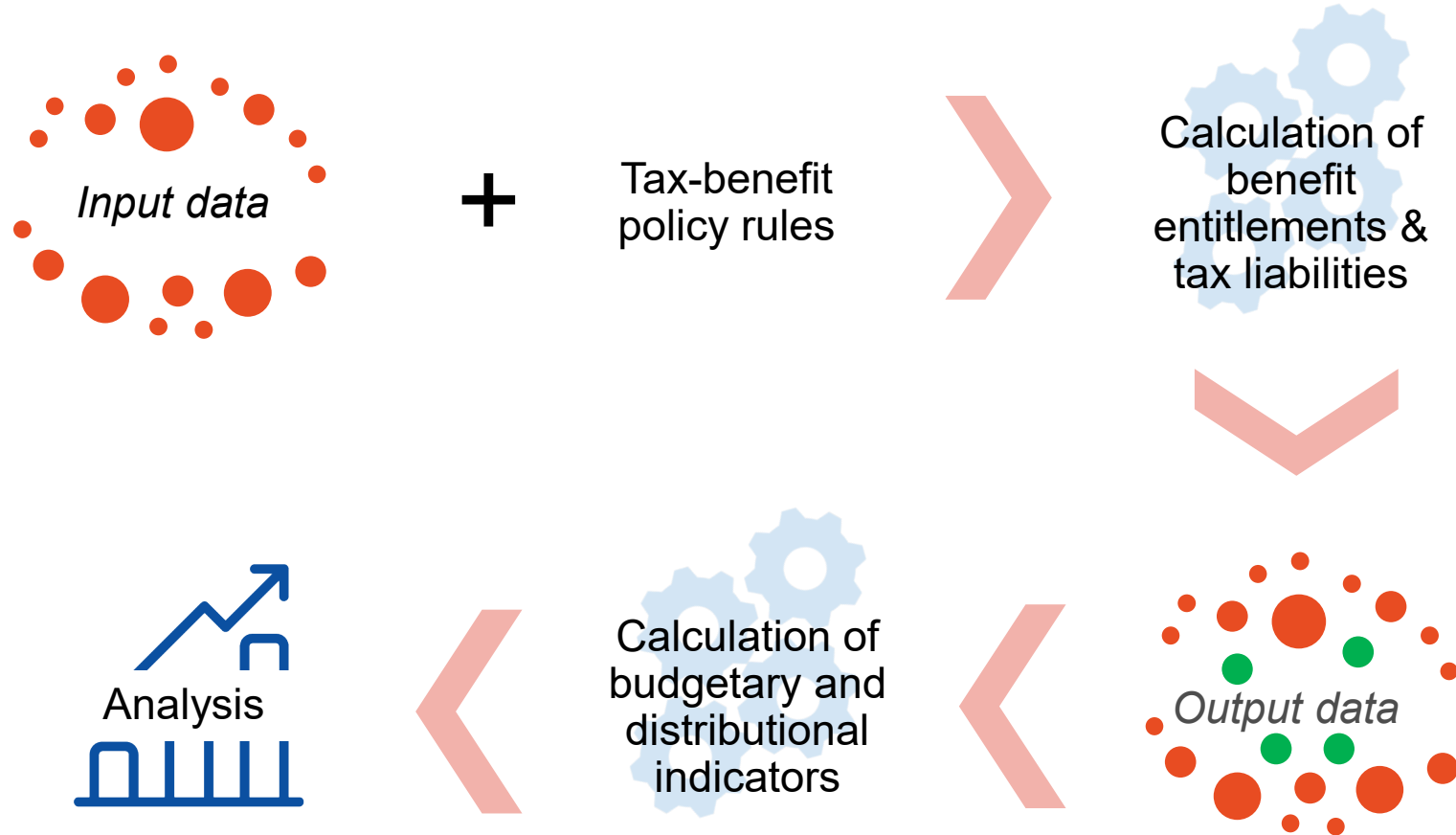
Economic aspects of social policy: funding and redistribution

Szczecin, 14 June 2024



EUROMOD

a tax-benefit microsimulation model for the EU



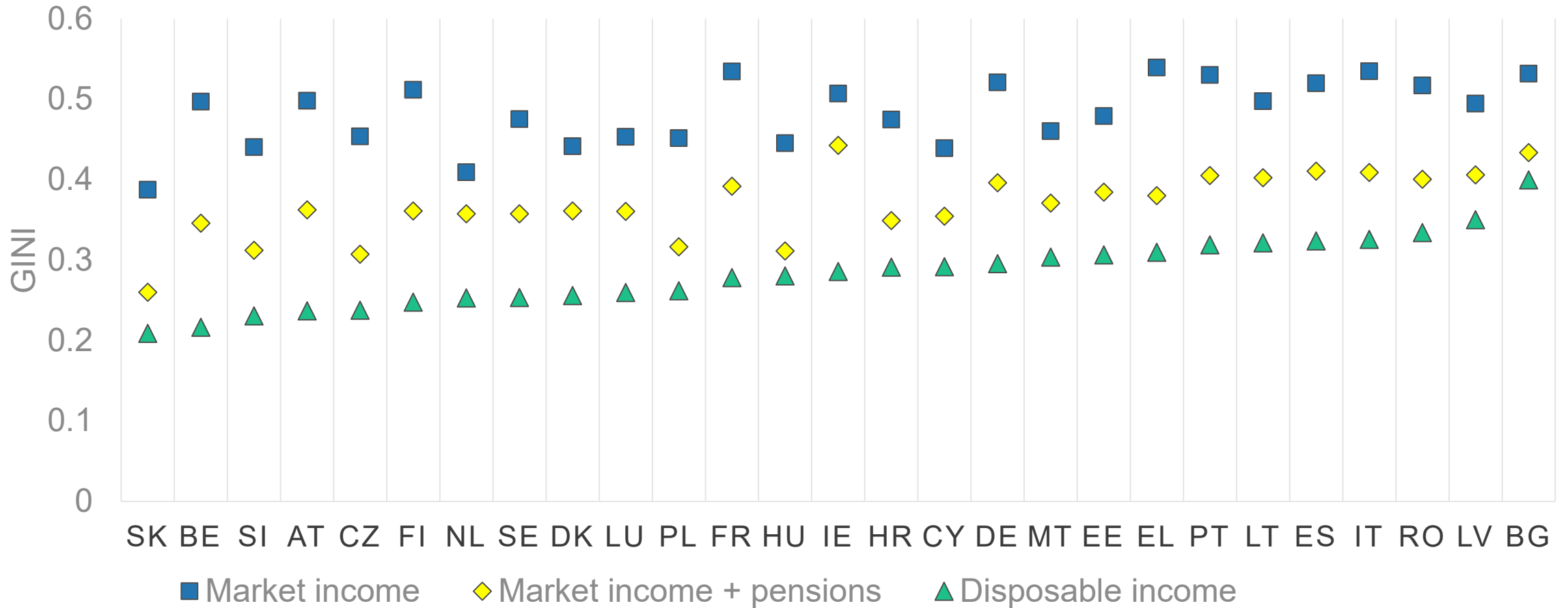
What can we do with EUROMOD?

What is the distributional impact of the tax-benefit systems of EU member states since 2011?

How does an increase of a tax rate or a benefit affect inequality and poverty?

How does a decrease in social insurance contributions affect the revenue of the personal income tax?

Redistribution through tax/ben systems

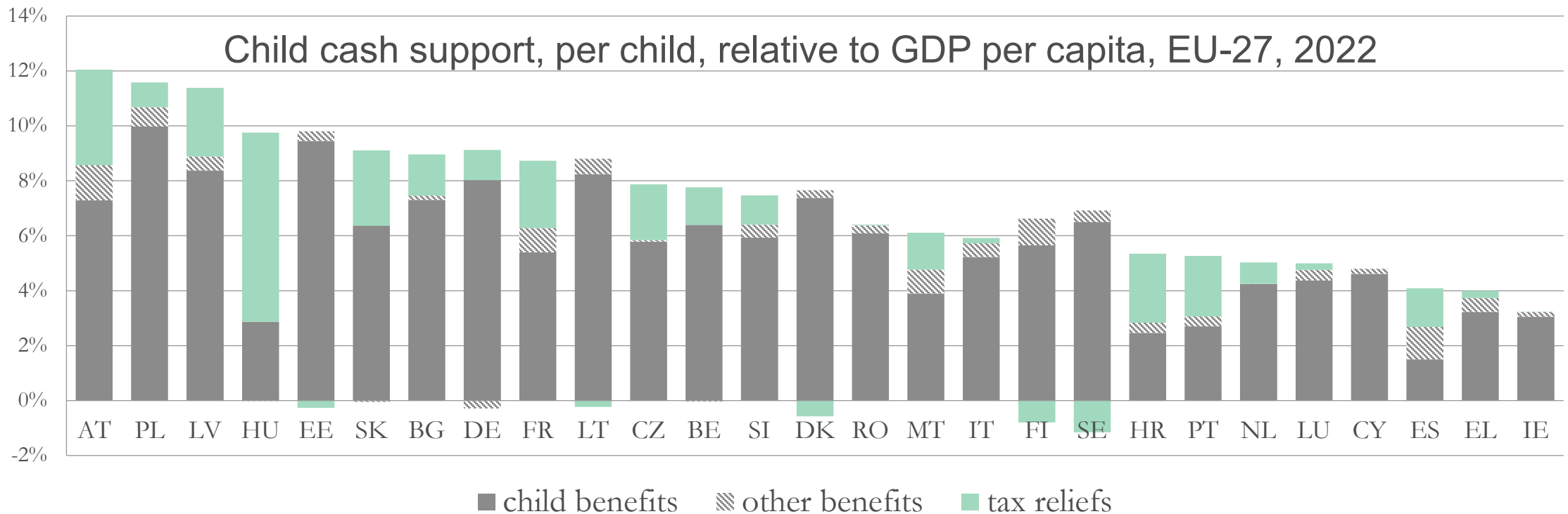


Support to EC policy initiatives



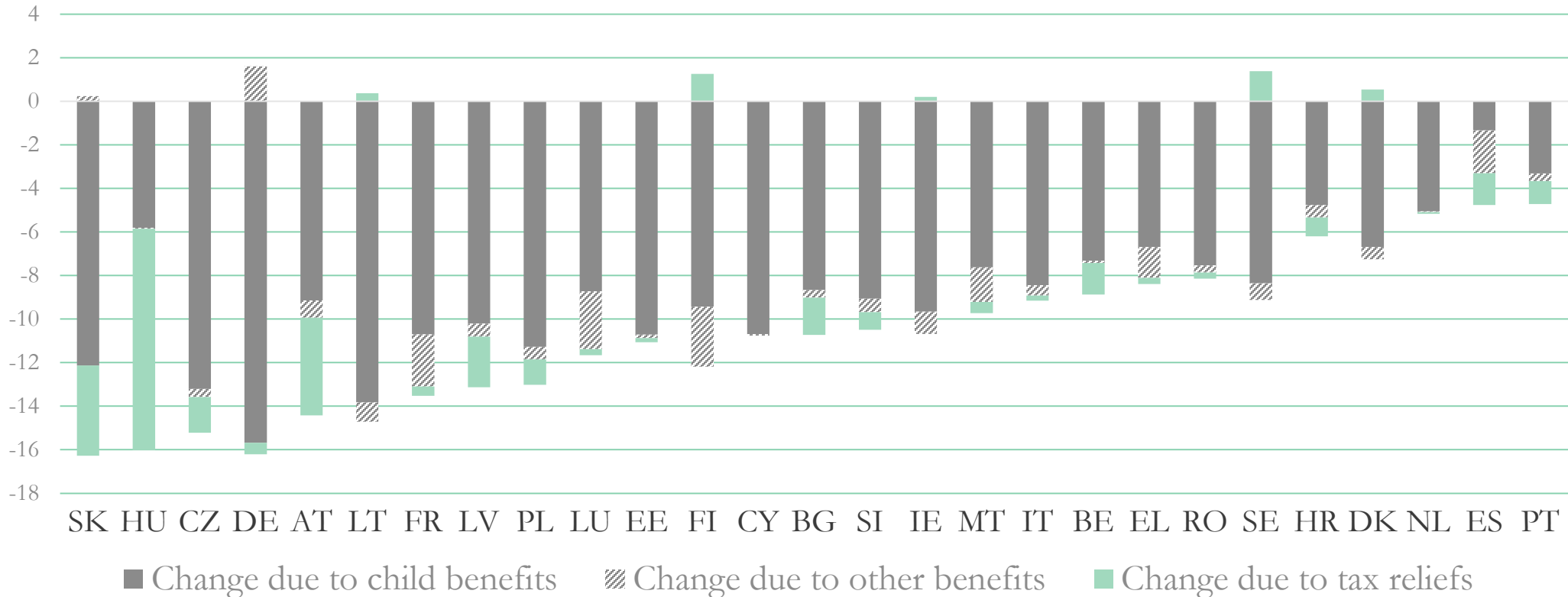
Monitoring the implementation of the **Child Guarantee Recommendation**

- **Objective:** see how much countries spend on children through benefits & taxes (tax credits) and how that impacts child poverty



Bornukova, K., A. Hernández, and F. Picos. *Investing in children: the impact of EU tax and benefit systems on child poverty and inequality*. JRC Working Papers on Taxation and Structural Reforms, 2024.

Child poverty reduction

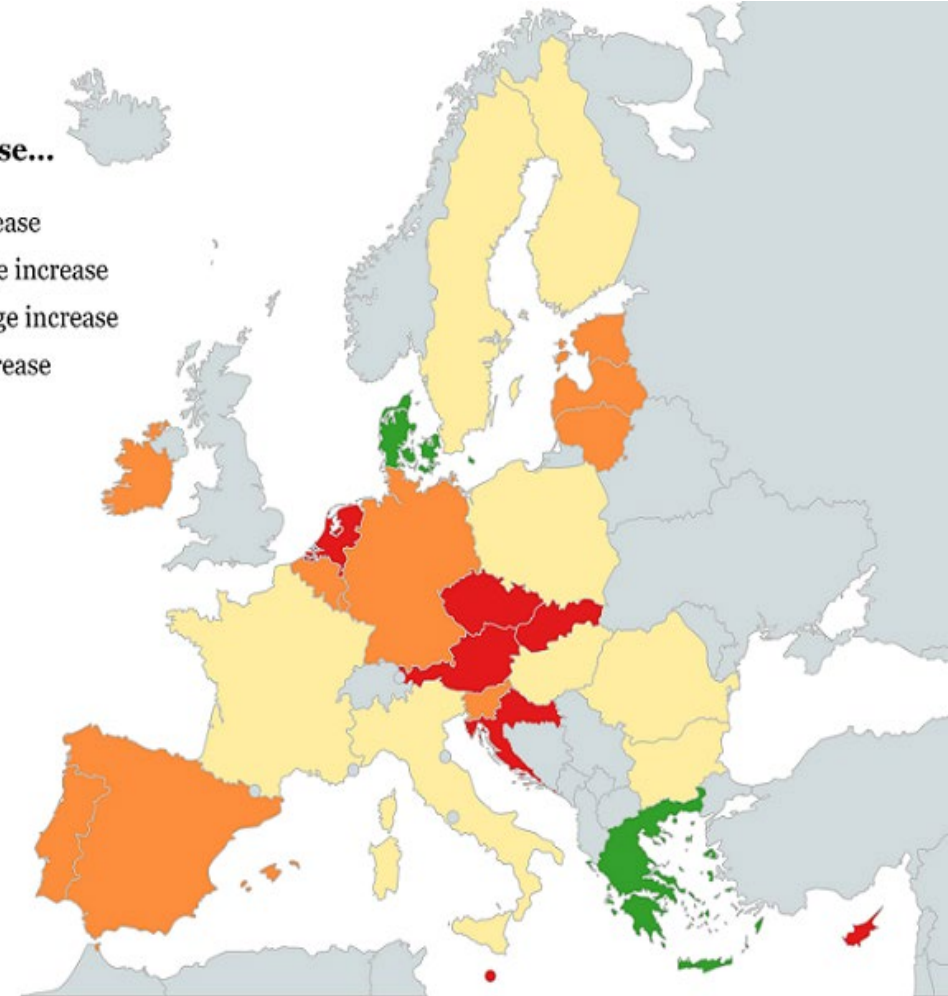
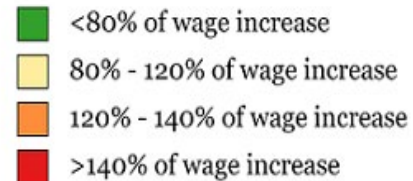


Bornukova, K., A. Hernández, and F. Picos. *Investing in children: the impact of EU tax and benefit systems on child poverty and inequality*. JRC Working Papers on Taxation and Structural Reforms, 2024.

Fiscal Drag and Benefit Erosion

- **Fiscal drag** (also known as '*bracket creep*') occurs when an increase in taxpayers' incomes pushes them into higher tax brackets, leading to higher tax burden
- **Benefit erosion** occurs when wage increases (to compensate for inflation) lead to reductions in the value of means-tested benefits

Direct taxes increase...



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Leventi, C., Mazzon, A., & Orlandi, F. (2024). *Indexing wages to inflation in the EU: fiscal drag and benefit erosion effects*. EUROMOD working paper series

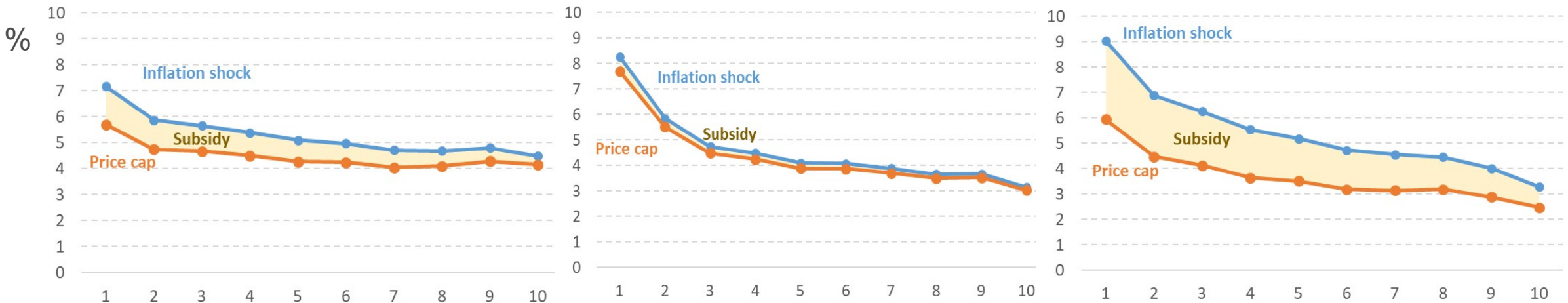
Distributional effects of inflation and price caps

% loss of household equivalent income

Austria

Germany

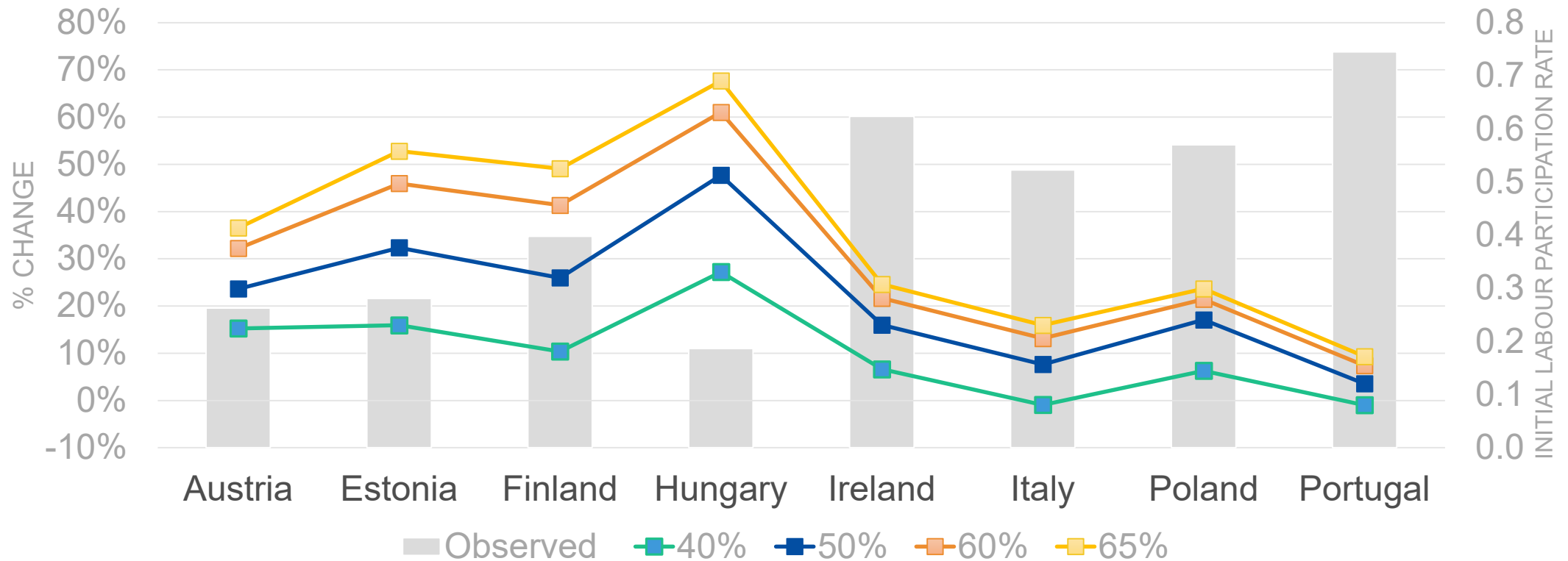
Netherlands



Amores, A. F., Christl, M., De Agostini, P., & De Poli, S. (2023) *Limiting Prices or Transferring Money?* JRC Working Papers on Taxation and Structural Reforms.

Barcelona targets and labour supply

% change in mothers' labour participation rate for different Barcelona targets of childcare provision



Narazani, E., García, A. A., Christl, M., & Figari, F. (2022). *The impact of alternative childcare policies on mothers' employment for selected EU countries*. JRC Working Papers on Taxation and Structural Reforms.

Thank you!



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