

## NOTE ON EU27 CHILD POVERTY RATES

Research note prepared for Child Poverty Action Group

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The purpose of this research note is to provide a comparison of the effect of the 2012 tax-benefit systems on child poverty across the EU27. Our analysis makes use of EUROMOD version G1.4. The underlying micro-data used for the simulations comes from 2010 European Union Statistics on Income and Living Conditions (EU-SILC).<sup>1</sup> Exceptions to the use of EU-SILC 2010 concern Bulgaria, Denmark and Luxembourg, where EU-SILC 2008 is used; and the UK where the 2009/2010 Family Resource Survey (FRS) is used. See Sutherland and Figari (2013)<sup>2</sup> for more information about EUROMOD and Jara and Sutherland (2013)<sup>3</sup> for explanations about baseline results using EUROMOD.

Child poverty is defined as the percentage of children (i.e. individuals aged under 18) living in households with equivalised disposable income below the national poverty threshold. Disposable income is equivalised using the modified OECD equivalence scale. The poverty threshold is 60% of the median equivalised disposable income. For our analysis of pre- and post-tax-and-benefit child poverty, the poverty threshold is kept fixed after the extraction/addition of each income/tax component.

The estimates provided here take approximate account of the non-take-up of some means-tested benefits, where this makes a big difference to incomes: in Belgium, Estonia, Greece, Ireland and the UK. In Italy, Greece and Bulgaria, tax evasion is also taken into account. But generally, it is assumed that the legal rules are universally respected.

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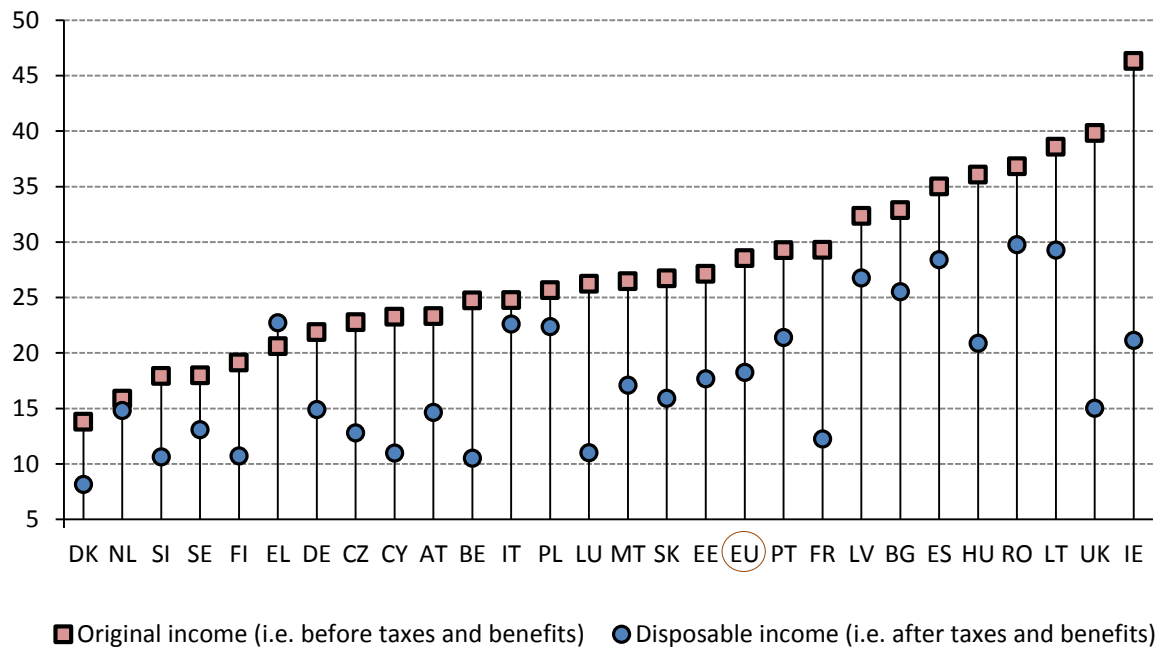
<sup>1</sup> In most countries, the UDB version of EU-SILC is used. However, for Greece, Spain, Italy, Austria and Slovakia the national version of the EU-SILC is used because it includes more variables at the necessary level of detail. For some other countries, additional national variables are added to UDB SILC.

<sup>2</sup> Sutherland H. and F. Figari (2013), "EUROMOD: the EU wide tax-benefit microsimulation model", *The International Journal of Microsimulation* 6(1):4-26.

<sup>3</sup> Jara, H. X., H. Sutherland, et al. (2013), "Baseline results from the EU27 EUROMOD", EUROMOD Working Paper No. EM13/13.

Figure 1 shows how taxes and benefits affect child poverty across the EU27. Countries are ranked in order of pre-tax-and-benefit child poverty rates, using the measure of equivalised household original income. Risk of poverty estimates using EUROMOD can differ from those provided by Eurostat for several reasons; some of these are mentioned in Jara and Sutherland (2013).

**Figure 1. Child poverty rates before and after taxes and benefits (2012)**

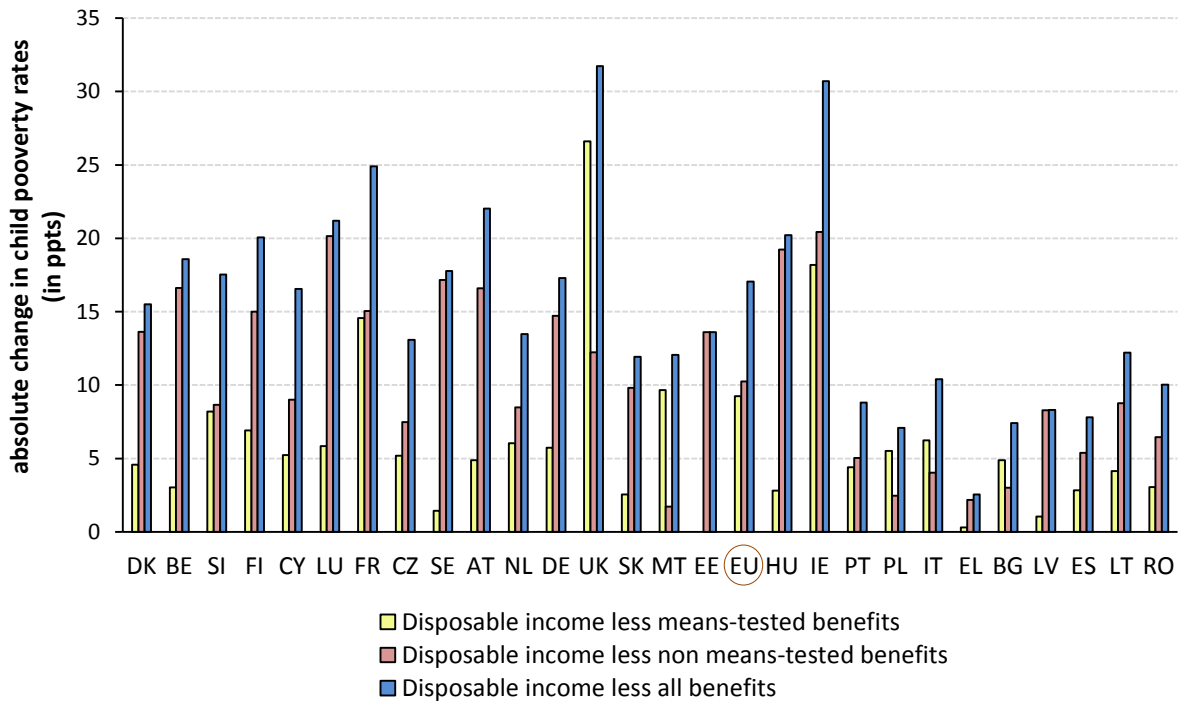


Notes: Countries are ordered according to child poverty rates before taxes and benefits are taken into account. A key to all the country abbreviations is provided in the Appendix (Table A.1). EU refers to the EU27 average.

Source: EUROMOD version G1.4.

Figure 2 shows the absolute change in child poverty when means-tested benefits, non means-tested benefits and the sum of both are excluded from disposable income. Interactions between instruments are not accounted for, when different components are excluded from disposable income. Countries are ranked in order of post-tax-and-benefit child poverty rates, using the measure of equivalised household disposable income. Note that pensions and benefits in kind are not included in the definition of benefits.

**Figure 2. Redistributive effect of benefits, absolute change in child poverty rates (2012)**

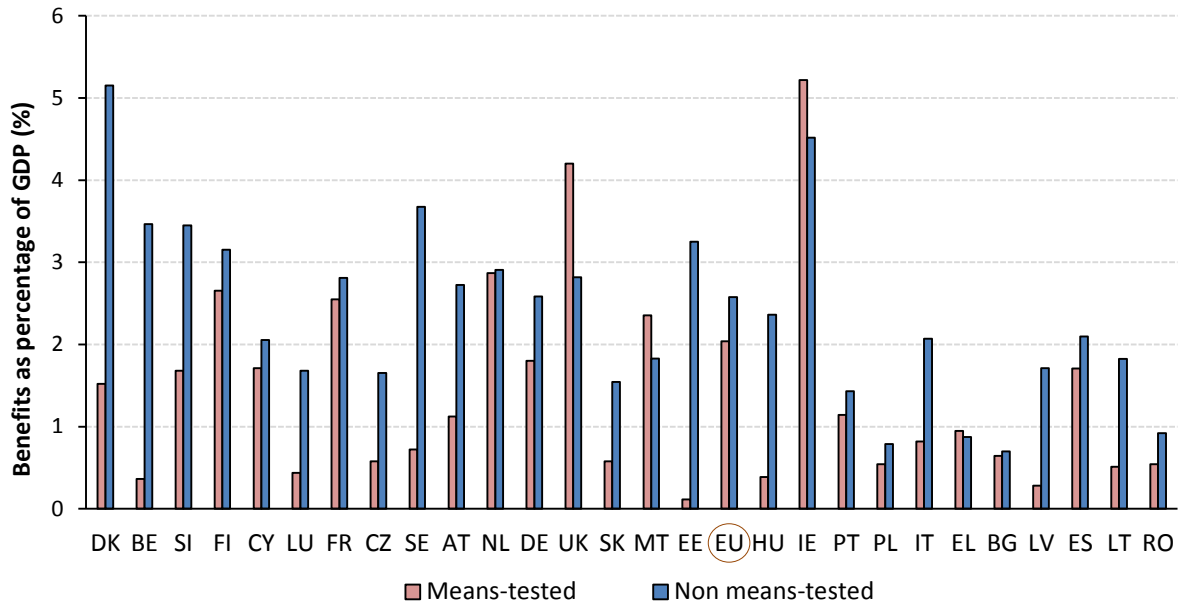


Notes: The poverty threshold is 60% of the median equivalised household disposable income. It is kept fixed after the extraction of each benefit component. Countries are ordered according to child poverty rates after taxes and benefits are taken into account. EU refers to the EU27 average.

Source: EUROMOD version G1.4.

Figure 3 shows benefits as a percentage of GDP divided into means-tested and non means-tested benefits for EU27.

**Figure 3. Means-tested and non means-tested benefits as a percentage of GDP (2012)**

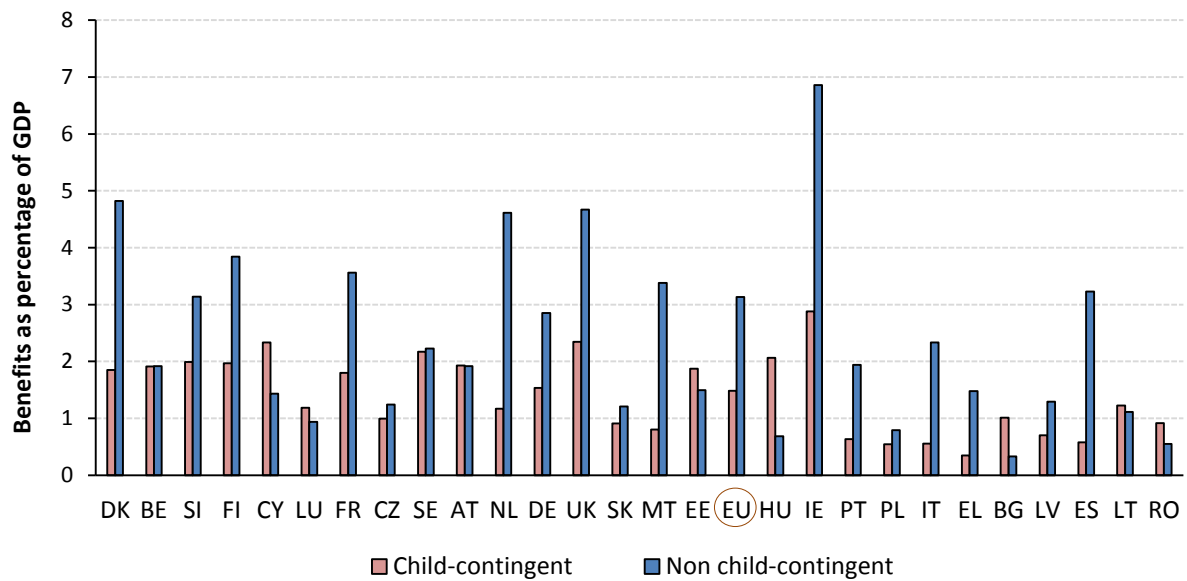


Notes: Basic amounts are in millions of euro. Pensions and benefits in kind are excluded from the analysis. Countries are ordered according to child poverty rates after taxes and benefits are taken into account. EU refers to the EU27 countries.

Source: EUROMOD version G1.4, Eurostat (GDP data extracted on 21.02.2014).

Figure 4 shows benefits as a percentage of GDP divided into child contingent and non-child contingent benefits for EU27. Child contingent benefits include benefits for lone parents, benefits for families with children, pregnancy benefits, birth allowances and grants, maternity and paternity benefits. In the case of Spain, Luxemburg, Austria and the UK they also include child tax credits. In all countries, educational grants are considered as part of child contingent benefits. Note that several benefits might have child-related components (i.e., in some countries the unemployment benefit amount might increase if the recipient has children). However, these benefits are not considered as child contingent.

**Figure 4. Child contingent and non-child contingent benefits as a percentage of GDP**

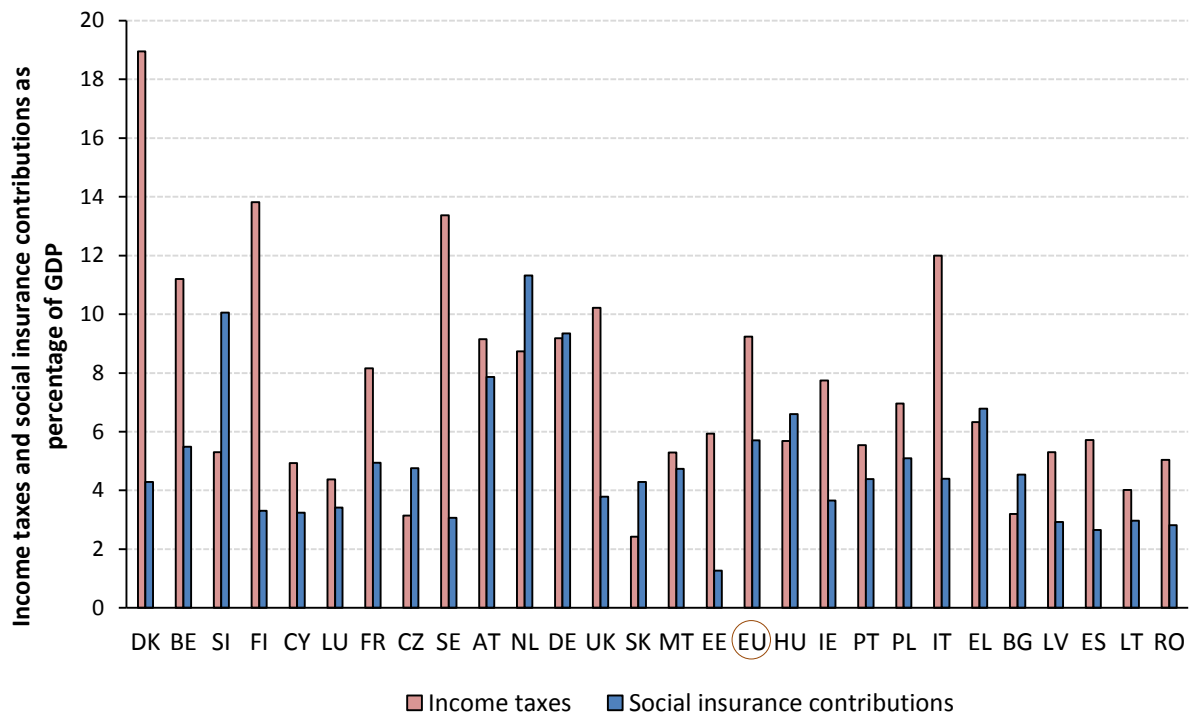


Notes: Basic amounts are in millions of euro. Pensions and benefits in kind are excluded from the analysis. Countries are ordered according to child poverty rates after taxes and benefits are taken into account. EU refers to the EU27 countries.

Source: EUROMOD version G1.4, Eurostat (GDP data extracted on 21.02.2014).

Figure 5 shows direct taxes and social insurance contributions as a percentage of GDP for EU27.

**Figure 5. Income taxes and social insurance contributions as a percentage of GDP (2012)**



Notes: Basic amounts are in millions of euro. Income taxes only include direct taxes. Social insurance contributions include employee and self-employed contributions. Countries are ordered according to child poverty rates after taxes and benefits are taken into account. EU refers to the EU27 countries.

Source: EUROMOD version G1.4, Eurostat (GDP data extracted on 21.02.2014).

## Appendix

**Table A1. Country abbreviations**

Country	Abbreviation
Belgium	BE
Bulgaria	BG
Czech Republic	CZ
Denmark	DK
Germany	DE
Estonia	EE
Ireland	IE
Greece	EL
Spain	ES
France	FR
Italy	IT
Cyprus	CY
Latvia	LV
Lithuania	LT
Luxembourg	LU
Hungary	HU
Netherlands	NL
Malta	MT
Austria	AT
Poland	PL
Portugal	PT
Romania	RO
Slovenia	SI
Slovakia	SK
Finland	FI
Sweden	SE
United Kingdom	UK

Source: <http://publications.europa.eu/code/en/en-370100.htm>