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### **Income distribution and redistribution across Europe: using EU-SILC in two complementary approaches**

A team of researchers at ISER is embarking on a wide-ranging programme of research entitled *Life Chances and Living Standards across the New Europe*. This programme will analyse several aspects of living standards and well-being: incomes, poverty, work and family life, as well as methodological issues relating to survey design and the interpretation of cross-national research. The programme is supported by the UK's Economic and Social Research Council

One particular innovation will be to analyse income distributions using two complementary approaches. The first is a descriptive and evaluative analysis of incomes and poverty rates based on calculations of net household equivalent income directly reported in the survey data. The second is a simulation of the impact of taxes and benefits on household incomes, and their role in determining the level of inequality in different countries. This latter analysis will be carried out using EUROMOD, a microsimulation model based at ISER. Both sets of analysis will be based on EU-SILC data, which means it will be very easy to compare the two sets of outputs.

EU SILC will improve the comparability with other EU-wide indicators and policy-relevant analysis, and it offers the potential for comprehensive annual updates and timely estimates. But a number of challenges are involved in using a harmonised database for a multi-country tax-benefit model as EUROMOD. Comparable microsimulation outputs may require different inputs across countries, reflecting the national tax-benefit systems. In this paper, we will outline the problems faced when using EU-SILC data as the basis for both microsimulation work and traditional income and poverty analysis; and present some suggestions for how to improve the EU-SILC data for tax-benefit microsimulation purposes.

Moreover we will present preliminary estimates of income distributions, poverty rates, and the impact of taxes and benefits on inequality levels in five European countries (Austria, Belgium, Hungary, Italy, and Spain) selected among those characterized by very different inequality levels and redistributive effects of tax and benefit systems.