

“Income inequality and the effect of public policies in the European Union: what happens with enlargement?”

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We consider the European Union (EU) as an entity for which to measure inequality and the equalising effect of taxes and benefits. This provides indications of the degree of cohesion within the Union, as a whole as well as the contribution that public policies make to reducing inequality. Inequality and redistribution within countries is also of interest, in particular because the policies differ across national boundaries. This paper uses Generalised Entropy inequality indices to explore how these tax-benefit policies affect inequality at the EU level as well as within- and between- countries. Using EUROMOD, the EU tax-benefit microsimulation model, allows us to use measures of both gross primary incomes and disposable incomes (after taxes and benefits). Starting with the pre-2004 countries of the EU15 it considers the size and direction of the EU-level effects with the addition of four New Member States (Estonia, Hungary, Poland and Slovenia) to the analysis.