Improving the Incorporation of Wealth Data in Policy Modelling. Converting the Household Finance and Consumption Survey (HFCS) for Microsimulation Purposes

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Paper Abstract: The need for more comprehensive and integrated data on individual well-being is widely recognised. In order to identify better measures of economic performance in a complex economy and thus going Beyond GDP, Stiglitz, Sen and Fitoussi (2009) recommend to consider income, consumption and wealth and to give more prominence to their joint distribution. New household surveys as those developed as part of the Luxembourg Wealth Study and the Eurosystem Household Finance and Consumption Network (HFCS) represent a milestone in the ongoing process to better measure individual well-being. We explore the prospects for using the HFCS dataset as an underlying micro-database for the EU tax-benefit model, EUROMOD. The purpose of this paper is twofold. On the one hand, as the HFCS only contains gross income amounts which are not suitable for redistributive analysis, we derive net incomes by simulating the gross-to-net transition with EUROMOD taking into account all important details of the social security and personal income system. On the other hand, we discuss the expansion of new policy domains introduced into the EUROMOD simulations such as wealth taxation, incentives for wealth accumulation and asset tests determining benefit eligibility. We consider a selection of six EU countries.