

Using microsimulation in EU-SILC to compute At-Risk-Of-Poverty rate early estimates

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Abstract

Over the past years, the EU-SILC Portuguese team managed to put a considerable effort on anticipating results for poverty indicators, visibly decreasing the gap between the release date and the income reference year. Although further efforts on this path may still be taken, their results will probably be less noteworthy.

However, there is still an open road for short term prediction on trends for these indicators even before the new collection hits the field every year. This paper aims to provide some insights on how to use microsimulation techniques upon information obtained both from the last EU-SILC operation available and from changes in policies rules and parameters in order to preview immediate trends in the At-Risk-Of-Poverty Rate, using the Portuguese database as an example. For instance, EU-SILC for the year n provides valuable information like employee income from both n and $n-1$, through PY010 and PY200 variables, as well as the self defined economic status, which, under certain assumptions, may allow simulating transitions in employment. On the other hand, the modifications of policy rules (mainly fiscal and social policies) also drive an impact that may be estimated at the micro level.

Through the use of these and other procedures, it could be foreseen the availability of advanced short term estimates (e.g., for the following income reference year) on the At-Risk-Of-Poverty.