



The Netherlands Institute for Social
Research

Policies to reduce poverty in the Netherlands

*CPB Netherlands Bureau for Economic Policy Analysis
&
The Netherlands Institute for Social Research (SCP)*

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Armoede stijgt rap: 1,1 miljoen Nederlanders kunnen niet rondkomen

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Little change in poverty rate – nearly 8% of Dutch households are poor

SIRE

1 OP DE 13 KINDEREN IN ONS
LAND LEEFT IN ARMOEDE

Laten we het dáár eens over hebben

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NOS NIEUWS • ECONOMIE • 08-02-2017, 02:00 • AANGEPAST 08-02-2017, 13:53

Steeds meer Nederlanders
komen niet uit armoede



Simulating anti-poverty policies

- 38 tax-benefit policies: children, people of working age, pensioners.
- 3 tax-benefit systems: basic income, negative income tax and basic needs allowance.
- Use CPBs static tax-benefit microsimulation model MIMOSI to simulate effects on poverty, income inequality and gov. budget.
 - *Nationally representative sample of 240000 persons.*
- Use CPBs behavioural microsimulation model MICSIM to simulate effects on labour supply.

Poverty definition

- We define poverty as follows:

"An individual actor is poor if he or she consistently lacks the means to obtain the minimum necessities of her community."



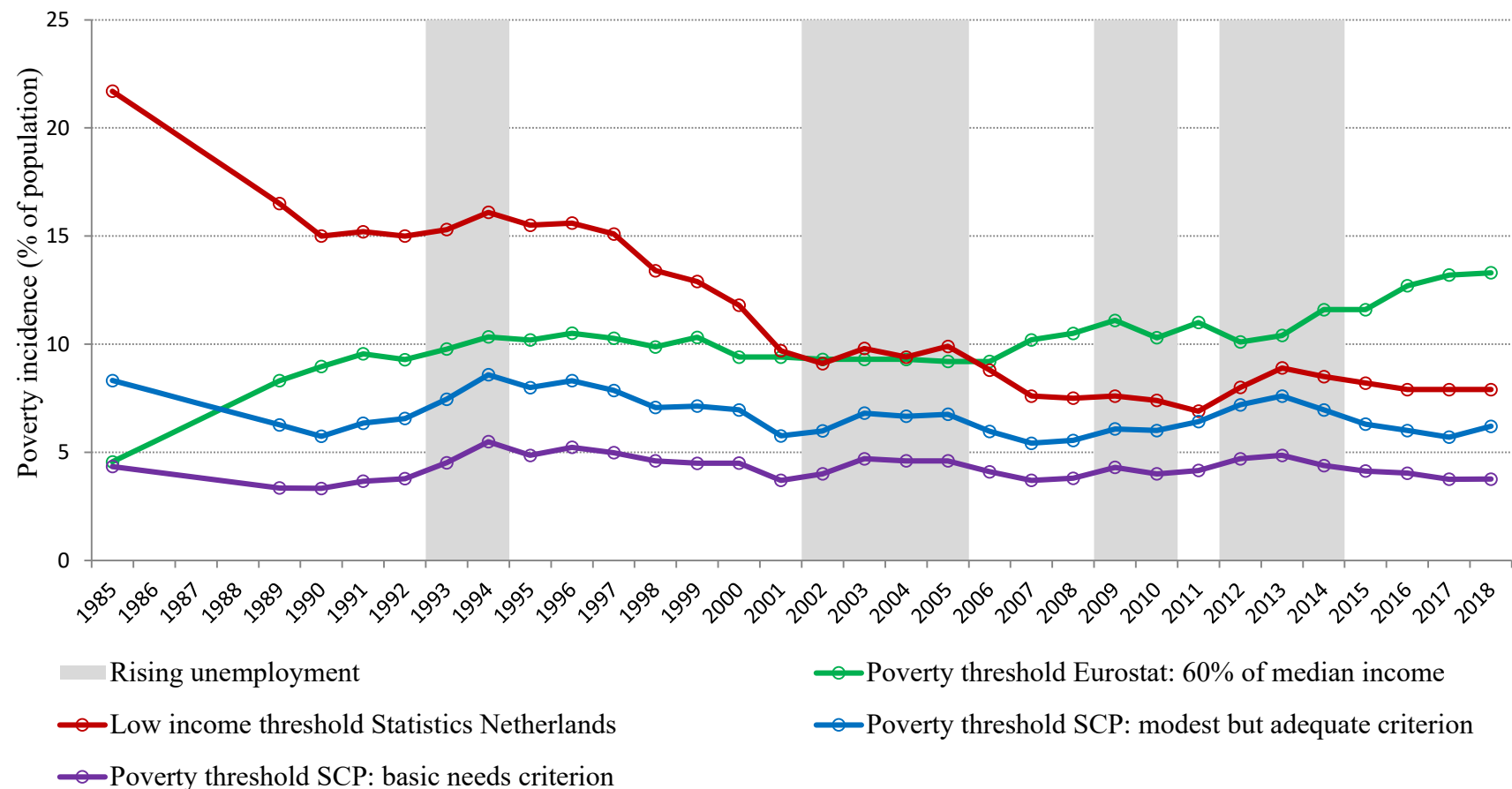


The basic needs and modest but adequate budgets for a single-person household in 2017 (monthly amounts in euros)

Basic needs		Additional cost of social participation and recreation	
Rent (gross)	443	Contributions and subscriptions	18,5
Gas/fuel	60	Receiving visitors	19,5
Elektricity	20	Visiting friends and family	5,5
Water	9	Holiday/going out	39
Telephone, television and internet	54	Extra transport	13,5
Insurance	45		
Contributions and subscriptions	2		
Transport	14		
Clothes and shoes	56		
Furniture	74		
Home and garden maintenance	24		
Food	201		
Laundry and cleaning products	6		
Persoonal care	21		
Various	10		
Total basic needs	1039	Total social participation and recreation	96

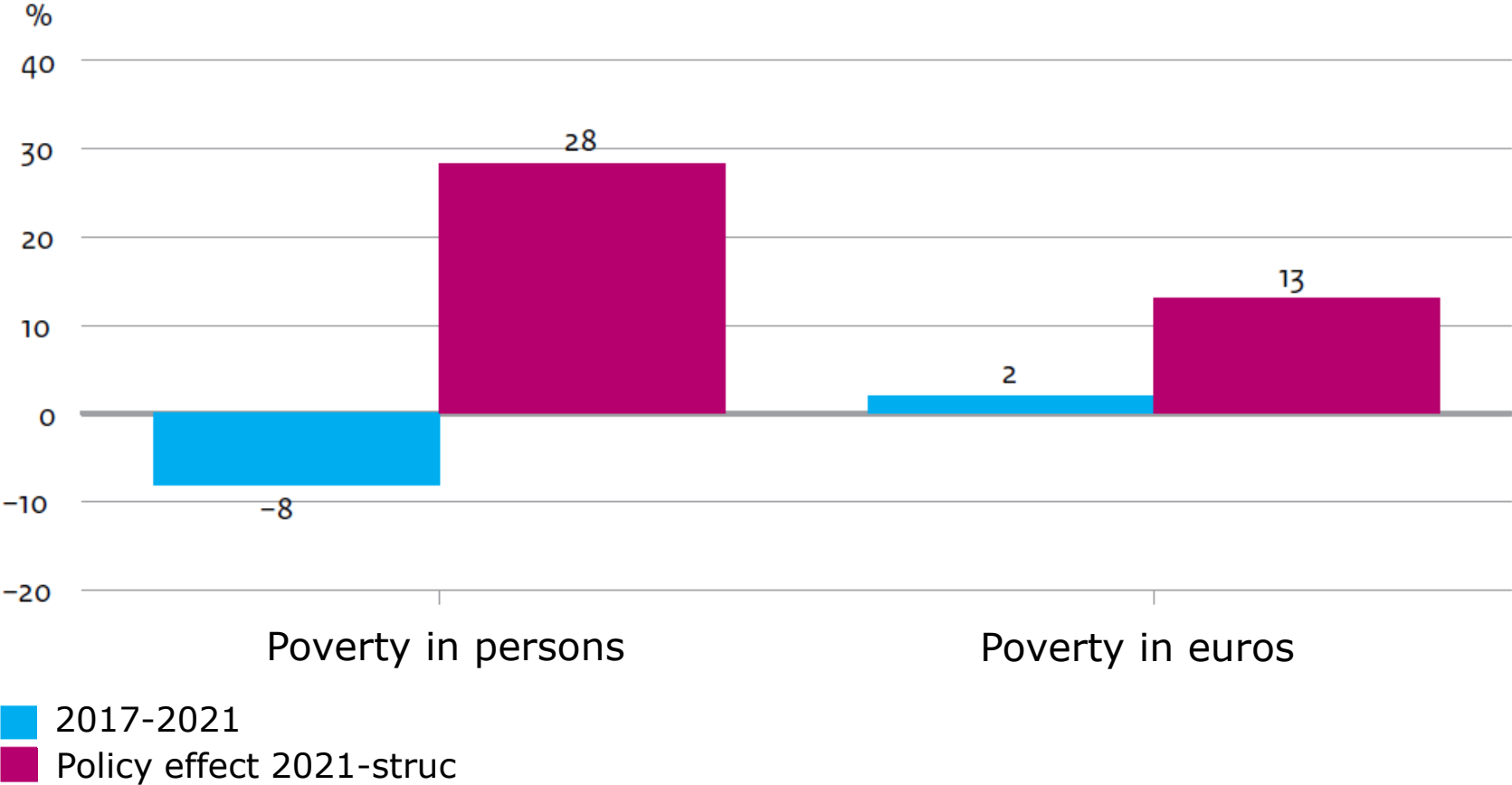


Poverty in the Netherlands, 1985-2018





Policies to reduce poverty: baseline scenario





Selected policies to reduce poverty

Measures with a budgetary impact of €1.0 bn euros

	Poverty (persons, %)	Poverty (euros, %)	Employment (%)	Gini (%)
Raise child budget	-7.3	-3.3	-0.2	-0.4
Increase child allowance	-4.2	-2.1	-0.1	-0.2
Increase working tax credit	-0.6	-0.2	0.1	0.0
Increase soc. assistance benefit	-17.9	-7.9	-0.7	-0.7
Increase care allowance elderly	-1.9	-2.0	-	-0.9
Increase tax credit elderly	-1.8	-2.4	-	-0.5
Increase rent allowance	-11.2	-7.8	-0.1	-1.1
Increase care allowance	-5.6	-4.7	-0.1	-0.7
Increase general tax credit	-2.0	-1.3	0.0	-0.3



Selected policies to reduce poverty (cont'd)

Budget neutral reforms of the tax benefit system

	Poverty (persons, %)	Poverty(€, %)	Employment (%)	Gini (%)
Basic income variant 1: • €1060 p/m for a single hh • Social assistance benefit and tax credits abolished • Allowances and child benefit maintained • BI deducted from state pension, unempl. and disability benefit • Inc. tax: 52.7 (37.1) & 70.4 (49.5)	-45.3	-62.4	-6.4	-10.0
Basic income variant 2: • €1235 p/m for a single hh • Soc. assistance benefit, tax credits and allowances (except rent) abolished • Child benefit increased to €300 • BI deducted from unempl. and disability benefit • Inc. tax: 56.5 (37.1) & 75.4 (49.5)	-60.5	-62.3	-8.3	-11.7



Selected policies to reduce poverty (cont'd)

Budget neutral reforms of the tax benefit system (cont'd)

	Poverty (persons, %)	Poverty(€, %)	Employment (%)	Gini (%)
Negative income tax: • Make all tax credits refundable • Income tax rates: 38.5 (37.1) & 51.3 (49.5)	-14.8	-19.3	-0.9	-2.1
Basic needs allowance: • Integration of child budget, rent allowance and care allowance into one allowance with one withdrawal rate and one asset test • Income tax rates: 37.2 (37.1) & 49.6 (49.5)	11.0	13.1	0.6	-0.7



Conclusions

- With around a million people (6%) living below the threshold, poverty remains a tenacious problem in the Netherlands.
- Poverty is especially prevalent among the youngest and oldest cohorts of the population, and among (non-western) migrants.
- Planned policies of previous governments, if implemented, will cause poverty to rise by around 25 percent over the next decades, everything else equal.
- Reducing poverty is possible but costs money and/or jobs.
- Of all policies with a budgetary impact of €1.0 bn euros, increasing social assistance benefit achieves the largest reduction in poverty.
- Raising child budget for households with more than two children is a relatively efficient way of reducing child poverty.