Exercise 6: Working with income lists (*DefIl)*

Modifying the benefit cap using benefit lists (*DefIl*)

# Objectives

We will analyse the distributional and budgetary effects of excluding child benefit from the benefits cap.

# Directions

* Open UKMOD and access the UK policy descriptions.
* Copy the *UK\_2026* system and call the copy *UK\_2026\_ex6*.
* Analyse existing simulation of the benefit cap.
* Identify the income list used to evaluate benefits subject to the benefit cap.
* Alter the income list to omit child benefit.
* Save the model changes.
* Run both *UK\_2026* and *UK\_2026\_ex6*.
* Use the Statistics Presenter’s *Baseline/Reform* template to analyse effects of the reform.

Exercise 6: Working with income lists (*DefIl)*

Step-by-step solutions and further information

# Step 1: Add a new system

*This step is the same as for Exercise 1 – see the notes to that exercise for extended details.*

* Open the UK model, by clicking on the UK country flag.
* To work more easily with the *UK\_2026* system, limit the display by right-clicking on the system name (*UK\_2026*), selecting *move to hidden system box* and then selecting *all systems but selected*.
* Right-click the system heading (*UK\_2026*) and select the option *copy/paste system*, entering the new system name *UK\_2026\_ex6*.

# Step 2: Analyse the *bcap\_uk* policy

* Access the search tool by pressing Ctrl+F to find the policy *bcap\_uk*.
  + You could also search for all instances of “benefit cap”, which would indicate relevant components via text under the *Comment* column.
* Expand the *bcap\_uk* policy by double clicking on it.

Figure 1: The bcap\_uk policy

A screenshot of a computer

Description automatically generated with medium confidence

Explore the policy to consider what functions are used, how they relate to one another, which income list(s) are used, which benefits are affected, what is the tax unit for analysis, what variables are generated, etc. Refer to the comment column to gain a quick appreciation for what each of the policy’s components do.

# Step 3: Implement the desired reform

We will implement the reform via the income list that aggregates the benefits subject to the benefit cap (*il\_bencap*).

* Navigate to the top right cell of the EUROMOD display (Ctrl+Home).
* Open the search tool and find references for *il\_bencap*.

Figure 2: Components of the il\_bencap income list

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* Note that *Child benefit* is included in the comment column under the list of *Benefits capped*, defined by variable *bch­\_s* (as in Exercises 2, 3 and 4).
* Adjacent to *bch\_s* (row 8.24.12), under the *UK\_2026\_ex6* system, replace *+* with *n/a*.

# Step 4: Run the model and analyse the output

*This step is similar to Exercise 2 – see the notes to that exercise for extended details.*

* Save the model.
* Run the model for the two systems of interest (*UK\_2026* and *UK\_2026\_ex6*).
  + Remember to change the Dataset to *training\_data*.
* Start the Statistics Presenter and select the Baseline/Reform template.
* Select output data to assume for the *baseline* and *alternative* scenarios.
* Inspect the results.

Figure 3a: Inspect the results

A screenshot of a computer

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Figure 3b: Inspect the results

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