

AIReF PUBLISHES ITS FIRST OPINION ON THE MINIMUM LIVING INCOME

- The Independent Authority for Fiscal Responsibility concludes that the MLI has deployed only part of its potential, but has room to become a more powerful instrument in the fight against poverty
- It has reached 284,000 households with 56% of its budget, but could cover 700,000 households if fully implemented, with an annual cost of 2.8 billion
- AIReF notes that there are 400,000 households that could receive the MLI but have not requested it, a phenomenon known as non-take-up
- The number of applications registered at December 31st exceeded 1.5 million, but 73% of those decided on were rejected on the grounds of income, wealth or cohabitation unit
- AIReF proposes specifying quantifiable and measurable targets in order to be able to assess compliance and to carry out a detailed analysis of the applications rejected
- It also makes a series of proposals for improving the effectiveness and efficiency of the benefit, such as simplifying the application process, further analysis of the causes of non-take-up, promoting institutional advertising of the benefit and continuing to work on the fit between the MLI and the Minimum Income of the Autonomous Regions
- In the medium term, AIReF proposes achieving greater integration of the MLI with other benefits and taxes and moving towards benefits that begin *ex officio*.

The Independent Authority for Fiscal Responsibility (AIReF) today published on its website its first Opinion on the Minimum Living Income (MLI), focused on three aspects of this benefit: its design, its results and its implementation. Specifically, AIReF has analysed the extent to which the design of the MLI is appropriate for achieving its main objectives; to what extent it has managed to advance in the achievement of these objectives from its launch in May 2020 to December 2021; and aspects related to its implementation that are relevant to the achievement of the programme's objectives.

The analysis of the design of the MLI reveals that the benefit, at December 31st, 2021, has deployed only a part of its potential capacity, since it has reached 284,000 households, 40% of its potential beneficiaries and has executed 56% of its budget. However, AIReF states that it has the potential to become a more powerful instrument in the fight against poverty and social exclusion since, if fully implemented, it would cover 700,000 households and would entail an annual cost of €2.8bn if it were able to reach all of them. These figures and those of the rest of the evaluation do not include the Basque Country and Navarre as only administrative information is available on income and

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wealth for regions under the ordinary regime. AIReF is working on their future incorporation in future opinions.

In this regard, AIReF notes that there are 400,000 households that could receive the MLI and have not requested it, 57% of the potential beneficiaries, a phenomenon known as non-take-up. This phenomenon, common in international practice due to the complex processing of this type of benefit, is present in households that have some type of income and, in particular, is concentrated among those who would obtain a more limited income increase if they were to become beneficiaries of the MLI. The Ministry of Inclusion, Social Security and Migration conducts ongoing analysis and evaluation of the MLI, which results in regulatory and operational modifications to the benefit and actions aimed at reaching more households entitled to receive the MLI.

At any event, the number of applications has been high, particularly in the first few months, and has exceeded 1.5 million, but a very high percentage were rejected. Specifically, AIReF notes that 73% of the applications decided on have been rejected or deemed inadmissible, although this percentage has fallen over time to 60%. The main reason for rejection or inadmissibility is non-compliance with the income criterion, followed by cohabitation unit and local registration requirements.

If fully implemented, the MLI would expand the coverage of the minimum income programmes of the Autonomous Regions by about 250,000 households. In addition, it would improve the situation of over half of the households that were already entitled under the regional income programmes, by increasing the income they could receive. In this regard, it should be pointed out that its design is configured as a floor benefit, that is, it covers part of the households that were previously able to receive minimum incomes and extends coverage fundamentally in those autonomous regions in which their income guarantee programmes for the fight against poverty were more limited.

As a result, the MLI together with the minimum income programmes, if fully implemented, would cover approximately 60% of households at risk of poverty (defined as those with incomes below 40% of the median). At any event, there would still be 540,000 households at risk of poverty, or 40 per cent of the total number of households in poverty, who are not entitled to the MLI or the regional programmes. This percentage of 40% of households that are not covered may change in the coming years if the Autonomous Regions were to modify their minimum incomes as a result of the release of resources from their income programmes resulting from implementation of the MLI.

Proposals

Taking into account these findings and with the aim of improving the effectiveness and efficiency of the benefit, AIReF makes a series of proposals in the short and medium term. In the short term, it proposes specifying the targets of the MLI so that compliance can be assessed. This includes specifying the poverty definitions and indicators that the MLI uses to set its targets and monitor them, setting specific deadlines for achieving the targets, ensuring that the targets are quantifiable and measurable and systematically incorporating the information for monitoring the benefit into the Social Security Statistics Portal.

In addition, AIReF proposes analysing the nature of the wealth of households in poverty, in particular the degree of liquidity of their real assets and their valuation and, where necessary, reconsider the definition of wealth set in order to become a beneficiary of the MLI. The institution also proposes studying in detail the applications rejected for reasons related to income and cohabitation unit, simplifying the application process and promoting institutional advertising of the benefit, further analysis of the reasons for non-

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take-up and continuing to work on the fit between the MLI and the minimum income of each autonomous region.

In the medium term, AIReF proposes that, as the effects that the MLI is having on poverty reduction, the labour market and social inclusion become known, an assessment should be made on progressing towards a benefit that is initiated *ex officio* by the Government and that integrates the other benefits and taxes that pursue the same aim as the MLI in order to improve efficiency. For this purpose, it would be necessary to increase interoperability and the exchange of information between public authorities through a joint repository containing the information necessary for its processing including in its design the needs for its subsequent evaluation.

A proprietary methodology

In order to develop this opinion, AIReF has built a methodology based on the design of a microsimulation tool that allows a comparison of the effects on a set of poverty indicators of a scenario in which all potential beneficiaries of the MLI and minimum income programmes receive the benefit with the actual scenario at December 31st, 2021.

This microsimulator also reports a wide set of indicators relating to processing, decision times, reasons for rejection and non-take-up. It has been prepared using the universe of microdata on income and wealth of the Tax Agency used for processing the MLI (except data relating to the Basque Country and Navarre) and has been merged with the universe of the MLI applications processed between June 2020 and December 2021 by the INSS (National Social Security Institute). In addition to the quantitative approach, interviews have also been conducted with MLI processes, social agents and third sector entities.

Minimum Income Study

This is not the first evaluation carried out by AIReF in this field. AIReF published the study on [minimum income](#) programmes in Spain in 2019, requested from the institution in March 2018 following the repeated recommendations of the European Council on the need to strengthen the latest network of financial benefits in order to achieve greater progress in poverty reduction, and after Parliament took into consideration the People's Legislative Initiative to establish a minimum income benefit at the proposal of the *Unión General de Trabajadores* and *Comisiones Obreras* trade unions.

The MLI, which seeks to fulfil the recurring recommendations to strengthen and organise the income guarantee programmes existing in Spain, incorporates some elements relating to the design proposed by AIReF, such as setting household income as an essential requirement and ensuring the ongoing and rigorous evaluation of the benefit. However, when designing the benefit, some AIReF proposals were ignored, such as that of framing its design in a medium-term budget plan that offsets the increase in structural expenditure that it entails.