

1st OPINION

Minimum Living Income

OPINION 1/22





The mission of the Independent Authority for Fiscal Responsibility, AAI (AIReF) is to ensure strict compliance with the principles of budgetary stability and financial sustainability enshrined in Article 135 of the Spanish Constitution.

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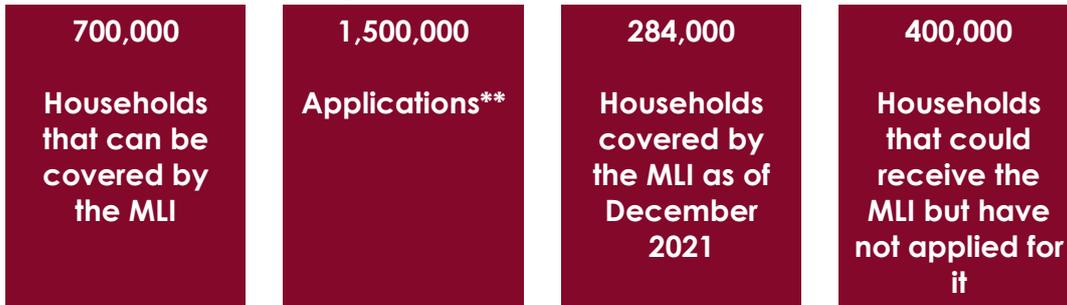
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## The MLI in figures\*



<b>40%</b>	Households that are receiving the MLI at December 2021 out of the number of potential beneficiaries
<b>60 days</b>	Average processing time of the MLI (second half of 2021)
<b>975,000</b>	Cases rejected *** out of the total number of applications decided on
<b>42%</b>	Cases rejected for non-compliance with the income criterion out of the set of rejected cases
<b>22%</b>	Cases rejected for failing to meet criteria related to the definition of home (cohabitation unit) out of the set of rejected cases
<b>57%</b>	Households that could receive the MLI but have not yet applied for it (Non-take-up)
<b>€2.8bn</b>	Maximum potential annual cost of the MLI
<b>€1.6bn</b>	Actual annual cost at December 2021

\* The income and wealth information of the State Tax Administration Agency (AEAT) with which the MLI of residents in the Autonomous Regions under the ordinary regime is managed and with which this evaluation has been performed does not include data on potential beneficiaries in the Basque Country or Navarre. AIREF is working on their incorporation in future opinions.

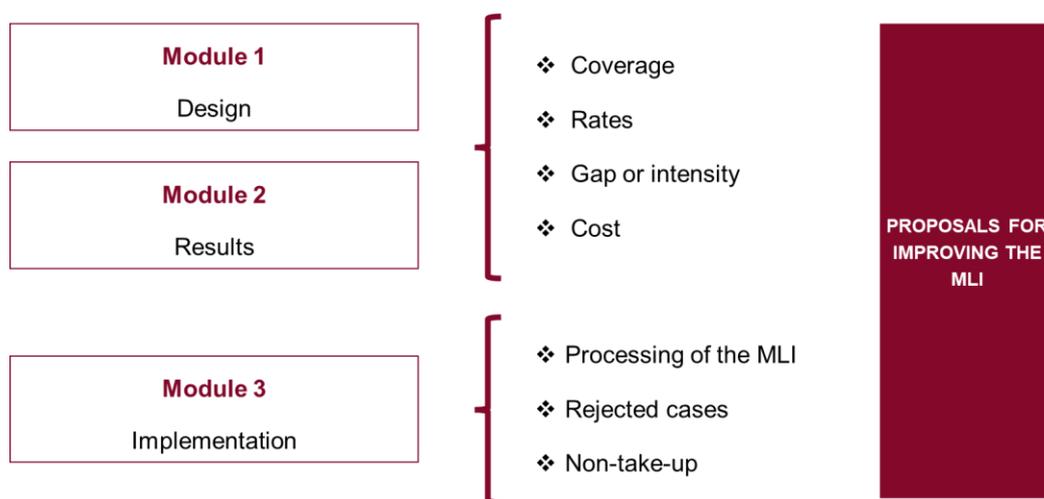
\*\* The term "application" includes cases initiated *ex officio* by the authorities, such as those arising from the dependent child allowance.

\*\*\* The term "rejected" refers to the rejected and inadmissible cases and is not used in this Opinion in an administrative sense. The National Social Security Institute manages all incoming applications through any of the authorised channels and in all cases a decision is issued as appropriate.

# EXECUTIVE SUMMARY

This is the first Opinion to be issued under Article 31.3 of Law 19/2021, of December 20<sup>th</sup>, establishing the Minimum Living Income (MLI). AIReF has planned the content and timing of the opinions for the next four years and has signed an agreement with the National Social Security Institute (INSS) and the State Tax Administration Agency (AEAT) that provides a stable framework for the development of this evaluation, ensuring the future provision of the necessary information. This first Opinion focuses on three aspects of this benefit: its design, its results and its implementation. AIReF has analysed the extent to which the design of the MLI is appropriate for achieving its main objectives; to what extent the MLI has managed to achieve 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 scheme's objectives.

## OUTLINE OF AIREF'S FIRST OPINION ON THE MLI



The Minimum Living Income (MLI) is a financial benefit of the Social Security that is configured as a subjective right and aims to achieve two main objectives: reducing poverty and guaranteeing a minimum level of income for all households in the country, irrespective of the Autonomous Region of residence. In addition, it pursues other objectives, the regulatory

implementation of which is still pending, such as ensuring a real improvement in the opportunities for the social and labour inclusion of the beneficiaries, through employment incentives and the design of pathways, and the reorganisation of the set of State support measures whose objectives overlap with those of this new benefit. Pilot project packages have already been approved for the design of the pathways in partnership with different administrations and entities. The reorganisation of benefits is a commitment included in the Recovery, Transformation and Resilience Plan (RTRP) and is expected to take effect in the fourth quarter of 2023.

The analysis of the design of the MLI shows that the fully implemented MLI would cover 700,000 households<sup>1</sup> and would entail an annual cost of €2.8bn if it were able to reach all of them. In terms of beneficiaries, it would expand the coverage of the minimum income (MI) schemes 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 to the regional income schemes, by increasing the income they could receive. Its design is configured as a floor benefit, that is, it covers part of the households that were previously able to receive MIs and extends coverage fundamentally in those Autonomous Regions in which their income guarantee schemes for the fight against poverty were more limited.

As a result, the MLI together with the MI schemes, if fully implemented, would cover approximately 60% (52% MLI + 8% MI) of households at risk of poverty<sup>2</sup>. At any event, there would still be 540,000 households at risk of poverty without coverage (40% of the total number of households in poverty) that are not entitled to the MLI or the regional minimum income schemes. This percentage of 40% of households that are not covered may change in the coming years if the Autonomous Regions were to modify their MIs as a result of the release of resources from their income schemes due to implementation of the MLI.

At December 31<sup>st</sup>, 2021, the MLI had only deployed part of its potential capacity, since it had reached 284,000 households - 40% of its potential beneficiaries - and had executed 56% of its budget. The number of applications has been high (1.5 million), particularly in the first few months, but a very high percentage were rejected. In addition, there are 400,000

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<sup>1</sup> Excluding the Basque Country and Navarre. See note in the figures section on page 4.

<sup>2</sup> In this Opinion, a household is considered to be at risk of poverty if the income of its members is below 40% of the median income per consumption unit of the population. This criterion has been chosen because the income guaranteed by the MLI stands at values below 40% of the median. Eurostat provides information considering several poverty risk thresholds (40%, 50% and 60% of the median) and none of them is below 40%. Some reference to 60% has also been included.

([https://ec.europa.eu/eurostat/databrowser/view/ILC\\_LI01\\_custom\\_2913203/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/ILC_LI01_custom_2913203/default/table?lang=en)).

households that could receive the MLI but have not applied for it (57% of the potential beneficiaries), a phenomenon known as non-take-up. This phenomenon is more 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 analyses and evaluation of the MLI, which result in regulatory and operational modifications to the benefit and actions aimed at reaching more households entitled to receive the MLI.

Taking into account these findings and with the aim of improving the effectiveness and efficiency of the benefit, AIReF proposes: 1) specifying quantifiable and measurable targets and setting specific deadlines for achieving them; 2) analysing the nature of the wealth of households living in poverty, in particular, the degree of liquidity of their real assets and their valuation and, if necessary, reconsidering the definition of wealth established in order to be a beneficiary of the MLI; 3) studying in detail the applications rejected for reasons related to income and cohabitation unit; 4) further analysing the causes of non-take-up and 5) continuing to work on the fit between the MLI and the minimum income of each Autonomous Region.

In addition, 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 (tax benefits) that pursue the same aim as the MLI. For this purpose, it would be necessary to increase interoperability and the exchange of information between administrations around a joint repository containing the information necessary for its processing, including the needs for its subsequent evaluation in its design.

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 MI schemes receive the benefit with the actual scenario at December 31<sup>st</sup>, 2021. This microsimulator also reports a wide set of indicators relating to administration, 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 managers, social agents and third sector entities.

## SUMMARY OF FINDINGS AND PROPOSALS

FINDINGS	
<b>DESIGN</b> <b>(Module 1)</b>	<p><b>THE SCOPE OF THE DESIGN OF THE MLI</b></p> <ul style="list-style-type: none"> <li>• The law on the MLI does not explicitly establish a quantitative target of poverty reduction. However, the amounts it guarantees indicate that it is aimed at households with incomes below 40% of the median.</li> <li>• The income levels guaranteed by the MLI determine that, if it reached the entire target population, the MLI would cover 700,000 households and would entail an annual cost of €2.8bn. In terms of beneficiaries, it would expand the coverage of the minimum income (MI) schemes of the Autonomous Regions by about 250,000 households and it would improve the situation of over half of the beneficiaries who, while previously covered by the regional income schemes, are able to receive the MLI. Its design is configured as a floor benefit, that is, a portion of its beneficiaries (65%) were previously able to receive MIs, and it extends coverage fundamentally in those Autonomous Regions in which their income guarantee schemes for the fight against poverty were more limited.</li> </ul> <p><b>THE IMPACT OF THE DESIGN OF THE MLI ON POVERTY</b></p> <p><b>Coverage:</b></p> <ul style="list-style-type: none"> <li>• The fully implemented MLI would result in at least 52% of the households in poverty of the Autonomous Regions under the ordinary regime being covered (700,000 households). For their part, the minimum income schemes would also continue to cover 8% of households in poverty that are not covered by the MLI (107,000 households). However, 40% of households in poverty would still not be covered by any income guarantee scheme for the fight against poverty (537,000 households). This percentage of 40% of households that are not covered may change in the coming years if the Autonomous Regions were to modify their MIs as a result of the release of resources from their income schemes due to implementation of the MLI. 33% of households in poverty not covered by the MLI do not meet the income criterion alone, while 30% do not meet the wealth criterion.</li> </ul> <p><b>Gap:</b></p> <ul style="list-style-type: none"> <li>• The fully deployed MLI would play an important role in homogenising the intensity of poverty and, together with the MI schemes, would contribute towards its beneficiaries exceeding 80% of the income level necessary to escape poverty in all Autonomous Regions. Households would remain, on average, at 20 percentage points from the poverty threshold, except in the case of single-parent households, where the gap would be almost completely reduced to the poverty threshold thanks to the MLI.</li> </ul> <p><b>Cost:</b></p>

<b>FINDINGS</b>	
	<ul style="list-style-type: none"> <li>The cost of the MLI in the Autonomous Regions under the ordinary regime would amount to €2.8bn if fully implemented. By acting as a floor benefit, it would cover 60% of the potential cost of the regional incomes, which would “release” up to a maximum of €1.68bn from the minimum income schemes. The cost of eradicating poverty not yet covered either by the fully implemented MLI or by the minimum incomes would amount to about €2.2bn.</li> </ul>
<b>RESULTS AT DECEMBER 2021</b>  <b>(Module 2)</b>	<p><b>RESULTS OF THE MLI AT 31 DECEMBER 2021</b></p> <p><b>Coverage:</b></p> <ul style="list-style-type: none"> <li>The MLI that has been deployed up to December 2021 has reached 40% of its target households (284,000 households out of a total of 700,000).</li> </ul> <p><b>Gap:</b></p> <ul style="list-style-type: none"> <li>A year and a half after its implementation, the MLI has managed to reduce the intensity of poverty by 32% of what it would do if it were fully deployed.</li> </ul> <p><b>Cost:</b></p> <ul style="list-style-type: none"> <li>The MLI has executed 56% of its budget, or €1.6bn per year.</li> </ul>
<b>IMPLEMENTATION</b>  <b>(Module 3)</b>	<p><b>Applications and processing:</b></p> <ul style="list-style-type: none"> <li>Up to December 31<sup>st</sup>, 2021, the INSS had received 1.5 million MLI applications. There was a concentration of applications in the first few months of implementation followed by a downward trend thereafter.</li> <li>The times for deciding on the cases have fallen from an average of 150 days in the first few months to around 60 days in the second half of 2021.</li> <li>Although digital processing has always predominated (65% of applications), over time the use of a mixed procedure has grown, combining web and manual processing.</li> </ul> <p><b>Rejected cases:</b></p> <ul style="list-style-type: none"> <li>Up to December 2021, around 975,000 MLI applications had been rejected. The two main requirements that have not been met are the income criterion (42% of the rejected cases) and the cohabitation unit criterion (22%), mainly because the cohabitation unit declared by the household does not match that which appears in the local register for the address of the application.</li> </ul> <p><b>Non-take-up:</b></p> <ul style="list-style-type: none"> <li>The percentage of households that could be beneficiaries of the MLI but have not yet applied for it (non-take-up) amounts to 400,000 (57% of the 700,000 potential households). Having some type of income (especially from work or economic activities) reduces the likelihood of applying for the MLI by around 30%. 53% of households in a non-take-up situation receive unemployment benefits. The level of income that is received also influences the probability of applying for the MLI since the increase in</li> </ul>

## FINDINGS

income that the MLI implies is lower the higher the initial income that the household receives. The Ministry of Inclusion, Social Security and Migration has promoted various actions and pilot exercises to analyse and reduce non-take-up.

## PROPOSALS

### In the short term:

- **Specify the targets of the MLI so that compliance can be assessed.** This requires specifying the definitions and indicators used, clearly and realistically establishing the objectives of the process and the desired result of the scheme together with the deadlines for achievement, and ensuring that the targets set are quantifiable and measurable and the necessary information is provided for their follow-up. It is also necessary to systematically incorporate the MLI information to monitor the benefit in the Social Security Statistics Portal, as is done for other non-contributory benefits.
- **Analyse the nature of the wealth of households living in poverty, in particular, the degree of liquidity of their real assets and their valuation.** If necessary, reconsidering the definition of wealth set in order to become a beneficiary of the MLI.
- **Perform a detailed analysis of the rejected cases.** It is necessary to carry out a detailed study of the cases rejected for failing to meet the income or cohabitation unit criteria in order to learn more about the characteristics of these households and the impact of the modification of these criteria as from January 2022. It would be of interest to analyse other poverty indicators (ARPE, among others) and to include the information necessary to build them into the MLI application form, as well as to facilitate the interconnection of this information with social services.
- **Continue simplifying the application process for the MLI, further analysing the reasons why potential beneficiaries of the MLI, even when they fulfil the requirements, do not apply for it (non-take-up) and promote institutional advertising of this benefit.** It would be useful to analyse possible bureaucratic barriers and incorporate new user information in the application in order to analyse them by user profile. In addition, a characterisation of non-take-up should be carried out through cross-checking with other administrative databases and with pilot projects that make access to the benefit easier for potential beneficiaries. It would be particularly relevant to see the results of these pilot projects in those Autonomous Regions where non-take-up is higher or among households that have other types of income or benefits. The impact of obligations such as filing income tax returns and registering as a job seeker should also be analysed, for example through experimental analysis. It is important to further publicise the existence of the MLI, with the support of social services and the third sector.

<b>PROPOSALS</b>	
	<ul style="list-style-type: none"> <li>• <b>Within the framework of the Minimum Living Income Monitoring Committee, continue working on the fit between the MLI and the minimum income of each Autonomous Region in order to enhance efficiency in the achievement of the objectives of inclusion and poverty reduction and to optimise the use of public resources. AIReF's participation in this Committee could be useful to provide evidence on the pace and effects of the fit between the two benefits based on the analysis carried out in the successive opinions.</b> It is necessary to strengthen the exchange and cross-checking of information on the beneficiaries of the MLI and of the regional minimum income schemes for management and evaluation purposes, using the mechanisms provided for in the law (Articles 25 and 32 and Fourth Additional Provision) or any others that may be deemed necessary. In addition, a detailed assessment should be made of the complementarity between the MLI and minimum incomes in each Autonomous Region, with the aim of sharing good practices on the measures adopted in each territory to ensure an effective and efficient fit of both schemes and to continue working to implement actions that enhance the link between the MLI and social inclusion and its complementarity with employment.</li> </ul>
<b>In the medium term:</b>	<ul style="list-style-type: none"> <li>• <b>Continue making progress, as information becomes available on the effects that the MLI is having, <i>inter alia</i>, on poverty reduction, inclusion and participation in the labour market, towards a benefit that is initiated <i>ex officio</i> and that is integrated with other benefits and taxes.</b> This requires increasing the interoperability of information between administrations so that information on income, wealth, benefits and taxes of all households is available in a common repository, which can be used to provide all citizens with a draft tax return. This draft, once validated or corrected by each citizen, would allow the administration to initiate <i>ex officio</i> and integrate the benefits to which they were entitled, including the MLI.</li> </ul>

# 1 INTRODUCTION

## 1.1 The Minimum Living Income: context, description and objectives

**This Opinion sets out the first evaluation by the Independent Authority for Fiscal Responsibility, AAI (AIReF) on the design, results and implementation of the Minimum Living Income<sup>3</sup>.** The analysis covers the period between June 2020 and December 2021 and refers to the households residing in the Autonomous Regions under the ordinary regime<sup>4</sup>.

**The Minimum Living Income (MLI), launched in June 2020, is configured as a subjective right and consists of a financial benefit that guarantees a minimum level of income to households in a situation of economic vulnerability.** This new monthly benefit covers the difference between the sum of the income that a household received during the previous year (or sometimes the current year) and a guaranteed income that is determined by law.

**Different international organisations and papers by experts have suggested to Spain the need to strengthen and improve the coordination of the income guarantee schemes existing in the country.** In this regard, the latest pronouncement prior to the implementation of the MLI is contained in the European Council Recommendation on the 2020 National Reform Programme of Spain and delivering a Council opinion on the 2020 Stability Programme of Spain<sup>5</sup>. It states that Spain should “improve coverage and adequacy of minimum income schemes and family support”. Analyses such as those of Ayala *et al.* (2020) show the complexity of the Spanish income guarantee system, in which a wide variety of benefits designed to cover different contingencies coexist with the general poverty prevention schemes

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<sup>3</sup> Article 31.3 of Law 19/2021 of December 20<sup>th</sup>, establishing the Minimum Living Income, provides that the Independent Authority for Fiscal Responsibility will issue an annual opinion on the result of this scheme and the various inclusion strategies and policies.

<sup>4</sup> The income and wealth information of the AEAT with which the MLI of residents in the Autonomous Regions under the ordinary regime is managed and with which this evaluation has been carried out does not have information for the Basque Country or Navarre. AIReF is working on their incorporation in future opinions.

<sup>5</sup> BOE.es - DOUE-Z-2020-70083 Council Recommendation on the 2020 National Reform Programme of Spain and delivering a Council opinion on the 2020 Stability Programme of Spain.

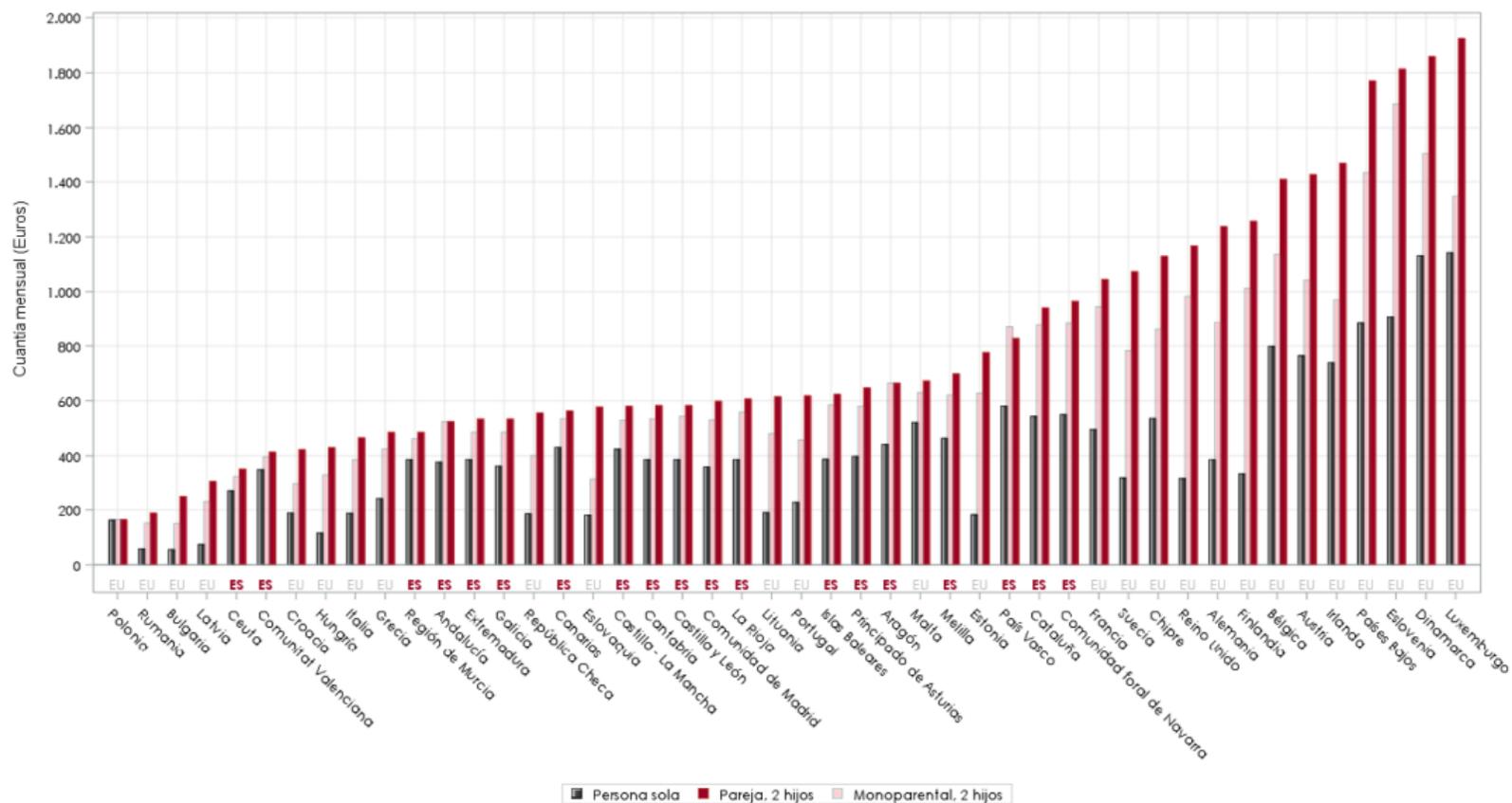
of the Autonomous Regions. In addition, in some Autonomous Regions, the benefit was not a subjective right, but was conditional on budget availability. The reorganisation of benefits has also been proposed by the European Commission and the International Monetary Fund.

**There were also numerous proposals from different social stakeholders, such as the popular legislative initiative presented by the *Unión General de Trabajadores* and *Comisiones Obreras* unions, which was analysed by AIReF in its study on Minimum Income Schemes in Spain in 2019<sup>6</sup> (Figure 1).** The study offered some considerations on the design of the proposed benefit aimed at improving its effectiveness in eradicating poverty; it proposed simplifying the minimum income system and improving its complementarity with unemployment benefits and other complementary social services; and, finally, it raised the need to frame the benefit in a medium-term budgetary plan and to ensure continuous monitoring and evaluation of the scheme in relation to its effectiveness and efficiency.

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<sup>6</sup> The study on Minimum Income Schemes in Spain ([https://www.airef.es/wp-content/uploads/RENTA\\_MINIMA/20190626-ESTUDIO-Rentas-minimas.pdf](https://www.airef.es/wp-content/uploads/RENTA_MINIMA/20190626-ESTUDIO-Rentas-minimas.pdf)) was commissioned to AIReF by the Council of Ministers in March 2018. For a comparative analysis of the characteristics of the different proposals by trade unions and political parties existing in 2019, see Noguera (2019); see also Aguilar-Hendrickson and Arriba González de Durana (2020).

FIGURE 1. MONTHLY AMOUNTS OF MINIMUM INCOME SCHEMES: EU-28 AND ARS



Source: Minimum income schemes in Spain. AIReF 2019.

**Finally, in May 2020, in the context of the urgency imposed by the pandemic, the MLI was launched** with a design that aimed to cover 830,000 households (including the Basque Country and Navarre) throughout the Spanish territory, in which it is estimated that over 2.3 million individuals live, and with a budget amounting to €3bn.

**The MLI has two main objectives, which are set out in Articles 1 and 2 of the Law and whose potential (design) and effective fulfilment (at December 31<sup>st</sup>, 2021) will be the focus of this first AIReF Opinion. Firstly, the MLI seeks to prevent the risk of poverty** and social exclusion for persons living alone or as part of a cohabitation unit, when they are in a vulnerable situation because they lack sufficient financial resources to cover their basic needs (Article 1).

**Secondly, it aims to guarantee a minimum level of income for people in a situation of economic vulnerability regardless of the support that the Autonomous Regions may establish in the exercise of their powers.** In 2020, all the Autonomous Regions had minimum income schemes, some since the late 1980s. However, the different development of these schemes and, in particular, their unequal level of generosity and, therefore, of capacity to combat poverty, are used in the explanatory memorandum of the MLI to justify its need.

**The effectiveness of the MLI to achieve the expected results is conditioned by factors related to the complex implementation of this type of benefit. The most important of these elements will be analysed in this first Opinion.** The national and international evidence on the functioning of this type of scheme suggests that implementing them is very complex, even when they have a long history. This complexity is due to factors such as the instability of the home address or income of the target recipients, the availability of administrative data to plan and manage the benefit and the information and management capacity of public authorities. These difficulties may lead to problems of access to the scheme, which may even result in individuals or households that are potential beneficiaries not applying for it, referred to as non-take-up (Frazer and Marlier, 2016).

**In addition, the MLI pursues other objectives, such as social and labour inclusion and the reorganisation of State social benefits, which will be evaluated in subsequent AIReF opinions as the policy instruments linked to these objectives are rolled out.** Regulatory implementation of the Law on the MLI has not yet been completed. This will include the design of inclusion pathways for the recipients of this benefit in order to ensure their opportunities for labour and social inclusion are improved, the preparation of an MLI regulation that will include the instruments to strengthen the compatibility of the MLI with employment and the reorganisation of the set of State support measures whose objectives overlap with those of this new policy. Two pilot project packages have already been approved for the design of the

pathways in partnership with different administrations and entities<sup>7</sup>. In addition, the reorganisation of non-contributory benefits is expected to take effect in the fourth quarter of 2023<sup>8</sup>.

**The Ministry of Inclusion, Social Security and Migration conducts an ongoing evaluation and monitoring exercise of the effectiveness of the scheme, which has identified areas for improvement.** Some of these aspects were included in the new wording of the legislation of December 20<sup>th</sup>, 2021 amending the previous Decree Law of May 29<sup>th</sup>, 2020 and are mentioned in the following paragraph. Other actions underway to improve the accessibility of the MLI are related to the development of an application that integrates the full management cycle in order to facilitate its application to citizens and streamline its processing by managers, with a reduction in non-take-up<sup>9</sup>.

**Based on the evidence identified in the Ministry's evaluations and analyses, during the parliamentary processing of the Law<sup>10</sup>, there have been regulatory and operational changes that affect both the administration of the scheme itself and its design.** In particular, these include the following: in June 2020, the launch of a toll-free information number and the creation of web spaces; the automatic conversion of beneficiaries of child benefit who met the requirements to receive the MLI (113,000 beneficiary households *ex officio*, without the need to make an application); in July of the same year, the Social Security approved a protocol for the exchange of information with the Autonomous Regions for the transfer of data of the MLI applications decided on; the INSS (National Social Security Institute) reached agreements with local councils to reduce the application procedures; in September 2020, the deadline for receiving applications without having to submit a claim and for retroactivity of the benefit was extended and the requirement of being registered with the SEPE (State Public Employment Service) to be able to apply for the benefit was delayed; in February 2021, measures were approved to facilitate access for homeless people and vulnerable groups with different characteristics and accreditation by mediating entities, and not only the social services, of the existence of certain situations of need; in October 2021, the design of a supplementary allowance for children, which was launched in January 2022, coverage of young people previously under State guardianship from the age of 18 and improvement in the coverage of people with

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<sup>7</sup> Royal Decree 938/2021 and Royal Decree 378/2022, in compliance with Investment 7 of Component 23 of the Recovery, Transformation and Resilience Plan.

<sup>8</sup> The gradual reorganisation of non-contributory benefits is a milestone provided for in Reform 5 of Component 22 of the Recovery, Transformation and Resilience Plan; the reorganisation plan is expected to be approved in the third quarter of 2022 and the entry into force of the reform has been committed to in the fourth quarter of 2023.

<sup>9</sup> See Section 2.3.3. of this Opinion.

<sup>10</sup> Prior to approval of the law, the MLI was implemented by Royal Decree-Law 20/2020, of May 29<sup>th</sup>, establishing the Minimum Living Income.

disabilities were announced; the possibility that the MLI could be applied for with the income of the current year was made permanent and the requirements on the time spent in the cohabitation unit were reduced; in November 2021, the Social Security added a new functionality to the electronic application form of the MLI to facilitate the identification of applicants; in December 2021, the Register of MLI Mediators was launched with the collaboration of different entities in the third sector. Many of these issues were included in the Law on the MLI adopted in December 2021, which replaces Royal Decree-Law 20/2020, of May 29<sup>th</sup>.

TABLE 1. CHARACTERISTICS OF THE MINIMUM LIVING INCOME IN 2020 AND 2021

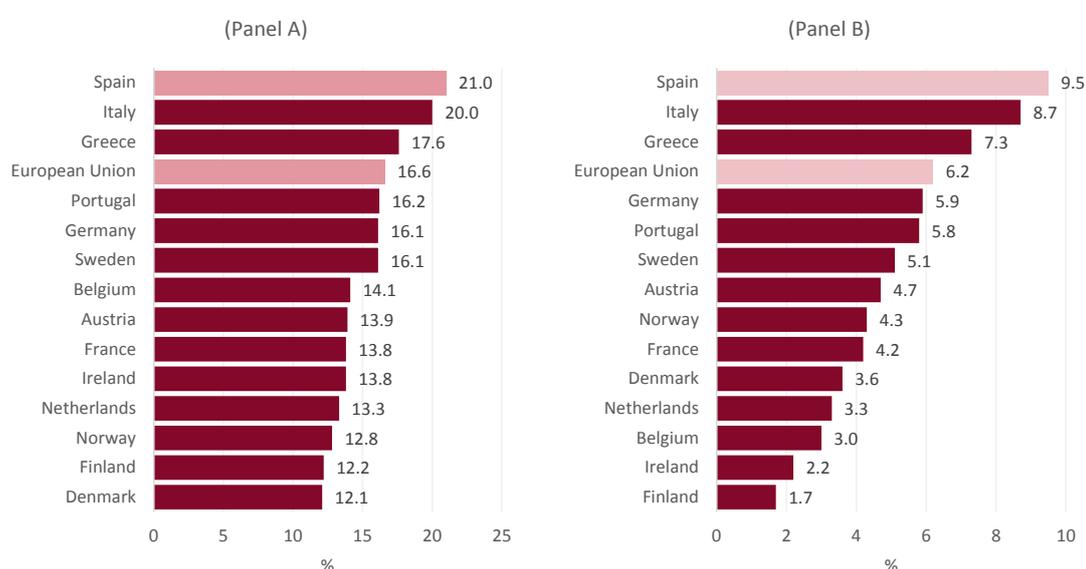
	2020	2021
Beneficiaries and claimants	<ul style="list-style-type: none"> <li>• Members of a cohabitation unit</li> <li>• Persons who are at least 23 years of age and who are not in receipt of a contributory retirement or permanent disability pension or a non-contributory invalidity or retirement pension and who are not related to another person by marriage or <i>de facto</i> status, except for those who are in separation proceedings</li> <li>• Women who are victims of gender-based violence or trafficking or sexual exploitation</li> <li>• Temporary users of a social, health or community healthcare service</li> </ul>	<ul style="list-style-type: none"> <li>• Members of a cohabitation unit</li> <li>• Persons who are at least 23 years of age, provided that they are not related to another person by marriage or <i>de facto</i> status, except for those who are in separation proceedings</li> <li>• Women who are victims of gender-based violence or trafficking or sexual exploitation.</li> <li>• Temporary users of a social, health or community healthcare service</li> <li>• Persons between 18 and 22 years of age previously under State guardianship or full orphans living on their own.</li> </ul>
Access requirements	<ul style="list-style-type: none"> <li>• Legal and effective residence in Spain on a continuous basis during the last year, with exceptions (children incorporated in the cohabitation unit, victims of trafficking or sexual exploitation, women victims of gender violence)</li> <li>• Company equity and non-corporate assets are considered</li> <li>• Having applied for public benefits to which they may be entitled, except for social or similar wages of the Autonomous Regions</li> <li>• Those under 30 years of age must prove that they have lived independently in Spain for at least three years immediately beforehand, with exceptions</li> <li>• Those over 30 years of age must prove one year of residency in Spain immediately beforehand other than that of their guardians, with exceptions</li> <li>• When the beneficiaries are part of a cohabitation unit, this unit must have been continuously established for at least the previous year</li> </ul>	<ul style="list-style-type: none"> <li>• Legal and effective residence in Spain on a continuous basis during the last year, with exceptions (children incorporated in the cohabitation unit, victims of trafficking or sexual exploitation and women victims of gender violence)</li> <li>• Company equity and non-corporate assets are considered</li> <li>• Those under 30 years of age must prove that they have lived independently in Spain for at least two years immediately beforehand, with exceptions</li> <li>• Those over 30 years of age must prove two years of residency in Spain immediately beforehand other than that of their guardians, with exceptions</li> <li>• When the beneficiaries are part of a cohabitation unit, this unit must have been continuously established for at least the previous six months</li> </ul>

Source: Royal Decree-Law 20/2020, of May 29<sup>th</sup>, establishing the Minimum Living Income (repealed); Law 19/2021, of December 20<sup>th</sup>, establishing the Minimum Living Income.

## 1.2 Spain in international poverty indicators

**Poverty rates in Spain are among the highest in the European Union.** In 2020, 21% of households in Spain were at risk of poverty (using 60% of the median income per consumption unit as a reference), more than 4 points above the European Union average (16.6%). In addition, poverty (taking 40% of the median income per consumption unit as a reference) affects 9.5% of households in Spain, compared with the European average of 6.2% (Figure 2).

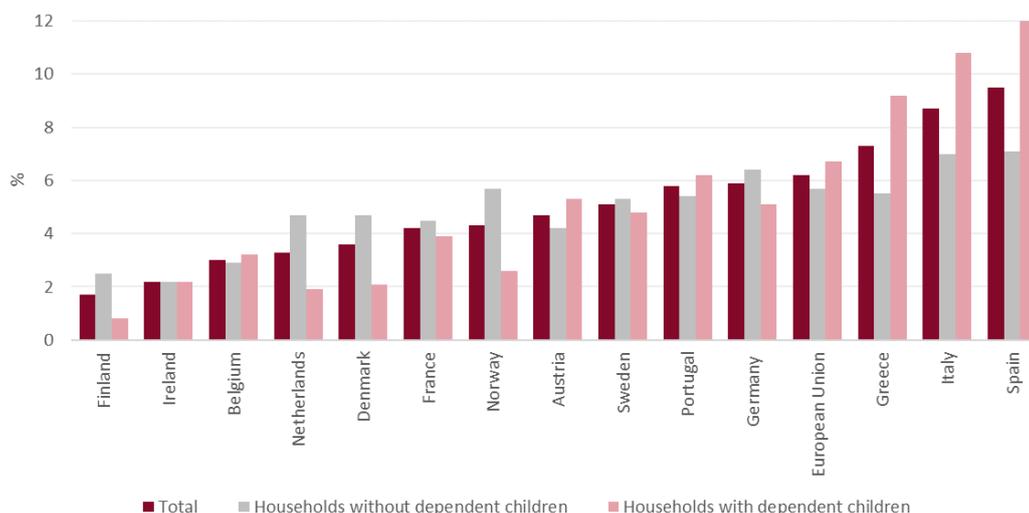
FIGURE 2. PERCENTAGE OF HOUSEHOLDS AT RISK OF POVERTY: INCOME BELOW 60% OF MEDIAN (PANEL A) AND INCOME BELOW 40% OF MEDIAN (PANEL B). 2020



Source: Eurostat, EU-SILC.

**Poverty rates in Spain are particularly high among households with dependent children.** 9.5% of households in Spain are at risk of poverty, with incomes below 40% of the median, but this percentage rises to 12% in the case of households with dependent children (Figure 3). These values are well above the European average, which stands at 6.2% and 6.7%, respectively.

FIGURE 3. PERCENTAGE OF HOUSEHOLDS AT RISK OF POVERTY, BY COUNTRY AND TYPE OF HOUSEHOLD. YEAR 2020



Source: Eurostat, EU-SILC.

**In comparative terms with other EU countries, social spending in Spain is focused on the heading of unemployment, and is below the average in relation to family, housing and social exclusion.** As can be seen in Figure 4, Spain allocates a significant portion of the spending on social benefits to unemployment protection (contributory and non-contributory), 7.2% of total social benefits compared with the EU average of 4.5%, while spending on family and children (5.6%), housing (0.5%) and social exclusion (1%) is lower than the EU average (8.4%, 1.3% and 2.3%, respectively).

FIGURE 4. SOCIAL SPENDING BY TYPE OF POLICY, AS A PERCENTAGE OF GDP AND OF TOTAL SOCIAL BENEFITS. 2019

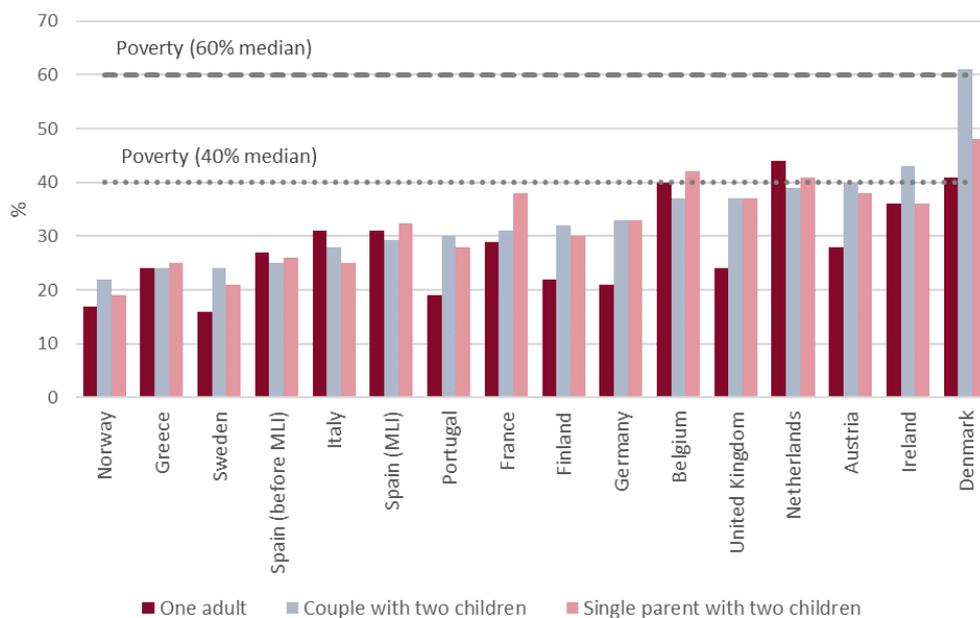


Source: Eurostat, Social Protection Statistics.

**In this context, the MLI reinforces spending on social exclusion, guaranteeing a common minimum income level throughout Spain, which is an improvement**

especially in those Autonomous Regions in which their MI schemes have limited power. Thus, as shown in Figure 5, the MLI has led to a moderate increase in the amount of guaranteed income, which stands at around 30% of median disposable income.

FIGURE 5. GUARANTEED INCOME AMOUNTS BY COUNTRY, BY TYPE OF HOUSEHOLD. YEAR 2020



Source: OECD, Adequacy of Guaranteed Minimum Income Benefits and AIReF.

### 1.3 Modules and objectives of the evaluation

The aim of this first MLI Opinion is to evaluate the scope of the MLI and its impact on poverty. The analysis is structured in three modules with the following objectives (Table 2):

**Module 1. Analysis of the design**, which aims to study the scope of the design of the MLI in terms of beneficiary households and cost and its impact on poverty using different indicators such as coverage, gap and cost.

**Module 2. Analysis of the results**, which aims to quantify the degree to which the MLI, as it has been implemented from its launch until December 2021, has managed to reach its target households.

**Module 3. Analysis of the implementation** of the MLI, which focuses on some of the factors that previous evidence has identified as the most complex for this type of benefit: processing times, analysis of the

reasons for rejection and study of potential beneficiaries who have not yet applied for it (non-take-up).

**These analyses do not exhaust all the possible and necessary actions that must be carried out in relation to this benefit in order to conduct a rigorous analysis of its effectiveness in reducing poverty in Spain and the efficiency of the use of these resources. The law rolling out the MLI establishes a mandate for AIReF to issue an annual opinion on the MLI. Therefore, this institution has prepared a schedule of the opinions that it will perform in this and in the coming years in order to complete this first evaluation (Table 2).** As mentioned above, this Opinion provides a first general analysis of the design (Module 1), the results (Module 2) and the implementation of the MLI (Module 3). This analysis will be repeated and expanded in successive years and AIReF will add other modules in which it will study in detail: the impact of the MLI on people with material needs and single-parent families (Module 4); the impact of the benefit on children and young people with a particular focus on the new child supplement (Module 5); the capacity that the MLI has to cover situations of transitory poverty (Module 6); the inclusive capacity of the MLI and its effects on the labour market (Module 7); the complementarity of the MLI with other non-contributory benefits (Module 8); and the last module envisaged so far will focus on the degree of effectiveness and efficiency of the MLI when comparing this Spanish benefit with other incomes in peer countries (Module 9). Most of these modules (especially 6 and 7) will require a longitudinal and dynamic analysis that takes into account the different past and present situations that the beneficiaries of the MLI go through.

TABLE 2. SCHEDULE OF MODULES TO BE INCLUDED IN AIREF OPINIONS ON THE MLI UP TO 2026

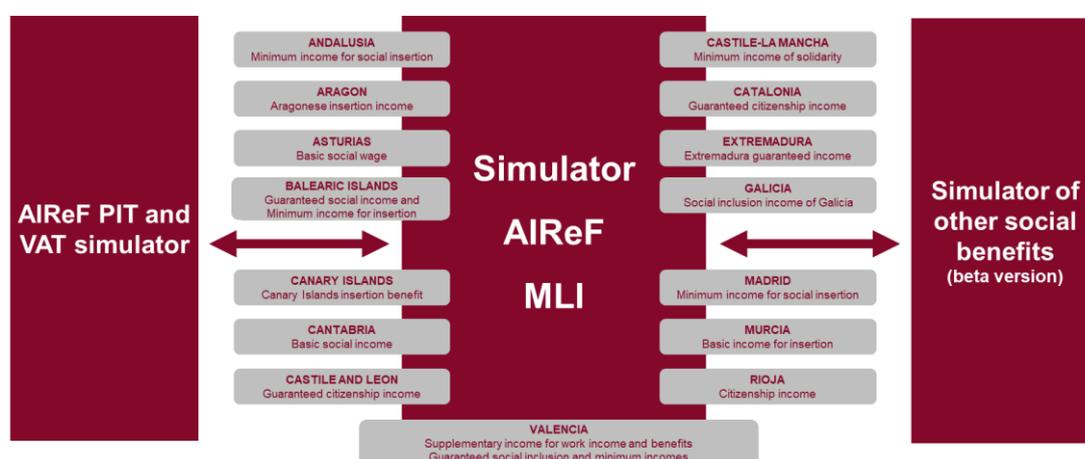
2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
<b>Module 1</b> Potential design	<b>Module 4</b> People with severe material needs and single-parent families	<b>Module 6</b> Coverage and scope in situations of transitory poverty	<b>Module 7</b> The inclusion capacity of the MLI and its effects on the labour market	<b>Module 8</b> Complementarity and overlaps with other non-contributory benefits
<b>Module 2</b> Results				
<b>Module 3</b> Implementation and administration	<b>Module 5</b> Children and young people (Child supplement)			<b>Module 9</b> International comparison (effectiveness and efficiency)

## 1.4 Methodology and data used in the evaluation

In order to develop this Opinion, AIReF has built a microsimulator that firstly determines the scope of the fully implemented MLI and, secondly, allows a comparison of the effects on a set of poverty indicators that this scenario

would have, in which all potential beneficiaries of MLI and MI schemes receive the benefit (Module 1), with the actual scenario at December 31<sup>st</sup>, 2021 (Module 2). This has required incorporating into the simulator each of the variables demanded in the requirements which determine the granting and the amounts of the MLI and of each MI scheme that can be parameterised (household composition, age, income, wealth limits) and calculate, from the same set of administrative microdata with which the MLI is processed, its effects on poverty and its complementarity with the MI schemes (Table 3)<sup>11</sup>. This microsimulator also reports a wide set of indicators relating to administration, decision times, rejections and non-take-up, which make up Module 3.

TABLE 3. AIREF-MLI\_MI SIMULATOR

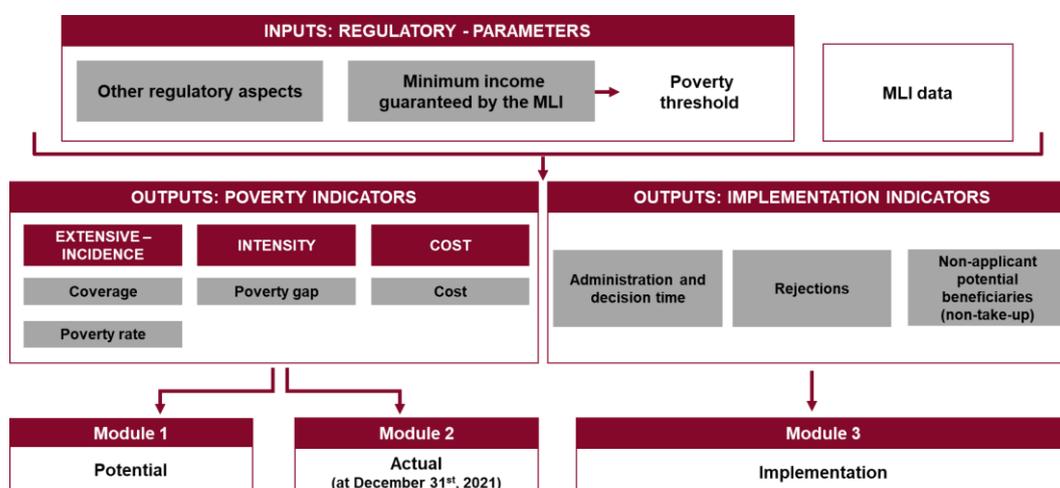


Furthermore, this simulator has been designed to be scalable, so that, for the time being, it incorporates the link to the Personal Income Tax-VAT microsimulator that AIReF already had to a new one on social benefits (in beta phase), which will be essential for analysing in future modules the complementarity of the MLI with other State benefits and taxes (tax benefits) that pursue a similar objective to the MLI<sup>12</sup>.

<sup>11</sup> There are variables included in the MLI and MI regulations which could not be included in the simulator, such as the specific cohabitation unit to be declared by each household at the time of application. Instead, it has been assumed that their cohabitation unit is that which appears in the local register.

<sup>12</sup> This first Opinion already incorporates some elements derived from the relationship of the microsimulators, such as the number of beneficiaries (applicants and non-applicants) who receive other benefits.

TABLE 4. STAGES OF THE AIREF-MLI\_MI MICROSIMULATOR



In addition to the quantitative approach, interviews have also been conducted with MLI managers, social stakeholders and third-sector entities, in order to better understand some characteristics of the MLI administration procedure. However, given the enormous volume of quantitative information that AIReF has handled in this first Opinion, the methodology used has primarily focused on exploiting the data available.

The units of analysis used are households for Modules 1 and 2 and cases for Module 3.

This study analyses the impact of the MLI using the following indicators:

- **Poverty gap or intensity**, meaning the difference between household income and the poverty threshold of each type of household.
- **Poverty coverage**, meaning beneficiary households as a percentage of all households living in poverty.
- **Poverty rate**, meaning the percentage of people living in poverty out of the total population.
- In addition, the **cost** of the designed and implemented MLI is also analysed.

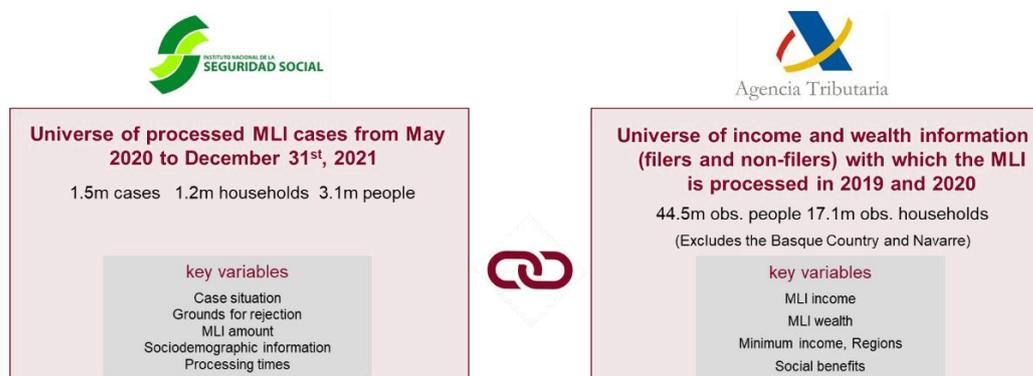
Module 3 of this first Opinion contains an analysis of several aspects of the implementation of the MLI:

- Its processing, the evolution of the number of applications, decision times, processing channels and the final decisions on applications.
- The reasons for the rejection of certain cases and their evolution over the period.
- The extent of non-take-up, i.e., of households that are potential beneficiaries of the MLI but do not apply for it and some of the explanatory factors.

**To carry out the evaluation of the MLI, the universe of administrative data on household income and wealth of the Autonomous Regions under the ordinary regime, provided by the Tax Agency, has been used.** To this end, an agreement has been signed between the State Tax Administration Agency (AEAT), the National Social Security Institute (INSS) and AIREF<sup>13</sup>. This agreement guarantees the future provision of data to AIREF so that it can conduct its annual analyses and opinions. The AEAT has provided the information for 2019 and 2020, duly anonymised, on the income and wealth of 44.5 million people, corresponding to 17.1 million households. These data include information on the minimum income benefits of the Autonomous Regions and other social benefits.

**It has also included the universe of the cases processed between June 2020 and December 2021, transferred by the INSS.** This consists of 1.5 million cases relating to 1.2 million households. The key variables analysed in these cases are the situation of the case, the socio-demographic information it contains, the processing times, the amount of the MLI granted and, as the case may be, the reasons for rejection.

TABLE 5. MAIN DATABASES USED IN THE EVALUATION



Source: AIREF-MLI\_ML micro-simulator.

**In addition, AIREF has used other sources of information from the National Statistics Institute (Spanish acronym: INE), Eurostat and the Ministry of Social Rights and 2030 Agenda with the aim of ensuring the robustness of the data.** With regard to the information from the INE, the Living Conditions Survey (LCS) is used, which is carried out on 38,000 people in 15,000 households. Despite its limitations for the purposes of this Opinion, due to its sampling nature and because it does not include information on wealth, it should be taken into account that it is the official and harmonised source at a European level to

<sup>13</sup> Resolution of April 11<sup>th</sup>, 2022 of the Undersecretary's Office, publishing the Agreement between the State Tax Administration Agency, the National Social Security Institute and the Independent Authority for Fiscal Responsibility, A.A.I., for the transfer of information relating to the Minimum Living Income. [https://www.boe.es/diario\\_boe/txt.php?id=BOE-A-2022-6949](https://www.boe.es/diario_boe/txt.php?id=BOE-A-2022-6949)

calculate the poverty threshold. Aggregate data from Eurostat, such as information from the EU-SILC (European Union Statistics on Income and Living Conditions) survey have also been used for international comparison, together with those obtained from the Report on the Minimum Incomes of the Autonomous Regions (2019 and 2020 data).

## 1.5 Overview of this Opinion

In addition to this first introductory section, this Opinion has two more chapters.

**The second chapter includes the findings of this study and is structured into three sections. The first sets out the evaluation of the design of the MLI** and analyses its scope and the impact of the MLI on poverty, its cost and its capacity to guarantee a common minimum level of income throughout Spain in the event that this benefit and the regional minimum incomes were to reach all households that meet the corresponding requirements.

**The second section presents the main findings of the evaluation of the results of the MLI.** Here, the impact of the MLI implemented at December 31<sup>st</sup>, 2021 is analysed in terms of beneficiaries, intensity and cost with respect to its objective if it had been fully deployed.

**The third section presents the evaluation of the implementation of the MLI** and, in particular, the volume of applications processed, the application channels and the decisions taken on the applications. It also examines in more detail both the reasons for rejected applications and the extent and reason why potential beneficiaries of the MLI do not apply for it (non-take-up).

**Finally, the third chapter of this opinion presents some proposals based on the findings of the analysis.** It includes proposals that could be implemented in the short term and another that would operate as a medium-term goal since it requires more time for its implementation.

## 2 FINDINGS

### 2.1 Evaluation of the design

**This section analyses what results the MLI would obtain if it were fully implemented, i.e. if it reached all the households that meet the requirements to receive it.** The first section studies, given the income levels guaranteed by the MLI, the number of beneficiaries that would be reached if fully implemented and what the cost would be. In addition, a second section examines the impact of MLI on poverty based on the study of different indicators such as coverage, intensity and the poverty gap.

#### 2.1.1 The scope

**The MLI guarantees minimum income levels depending on the type of household regardless of the Autonomous Region of residence.** The amounts of guaranteed income were set on the basis of the amount of the non-contributory pension, which for 2022 stood at 462 euros per month for a household of one adult with no dependent children. This amount rises by 30% for each adult or child and the increases are higher in the case of single-parent households (see Table 6). In addition, these amounts are updated every year.

TABLE 6. MLI GUARANTEED INCOME AMOUNTS. 2020

Guaranteed Income Law 19/2021 2020		
<b>Basic amount</b>		5,538.00
Household type	Factor	Amount
1A 0C	1.00	5,538.00
1A 1C	1.52	8,417.76
1A 2C	1.82	10,079.16
1A 3C	2.12	11,740.56
2A 0C	1.30	7,199.40
2A 1C	1.60	8,860.80
2A 2C	1.90	10,522.20
2A 3C	2.20	12,183.60
3A 0C	1.60	8,860.80
3A 1C	1.90	10,522.20
3A 2C	2.20	12,183.60
4A 0C	1.90	10,522.20
4A 1C	2.20	12,183.60
Other	2.20	12,183.60

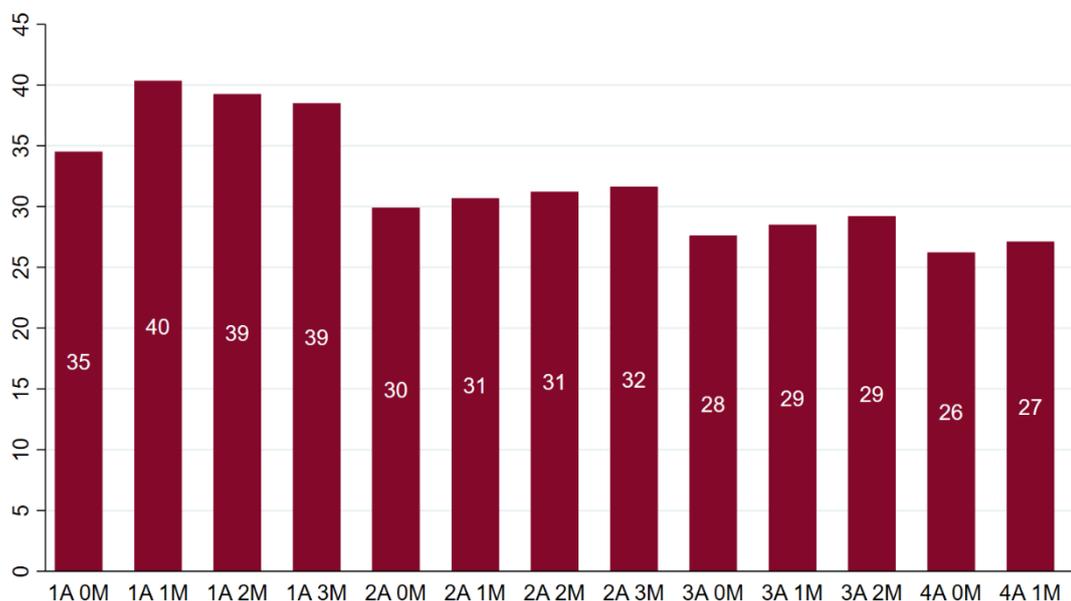
Source: Royal Decree-Law 20/2020, of December 29<sup>th</sup>, establishing the Minimum Living Income.

Although the law does not explicitly set a quantitative target of households in poverty that the MLI aims to achieve in terms of percentage of the national median income, the guaranteed income amounts stand at between 30% and 40%. Thus, as shown in Table 6, a household with one adult with no dependent children would be guaranteed an income of €5,538 thanks to the MLI, which corresponds to 35% of the median household income, while this percentage reaches 40% in the case of single-parent households (see Figure 6). It should be noted that, according to Eurostat, the income corresponding to 40% of the median income for a household in Spain of one adult with no dependent children is estimated at €6,417 per year in 2020<sup>14</sup>.

<sup>14</sup>

[https://ec.europa.eu/eurostat/databrowser/view/ILC\\_LI01\\_\\_custom\\_2913203/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/ILC_LI01__custom_2913203/default/table?lang=en)

FIGURE 6. PERCENTAGE OF THE MEDIAN INCOME GUARANTEED BY THE MLI BY HOUSEHOLD TYPE. 2020.



Source: AIREF-MLI\_MI micro-simulator.

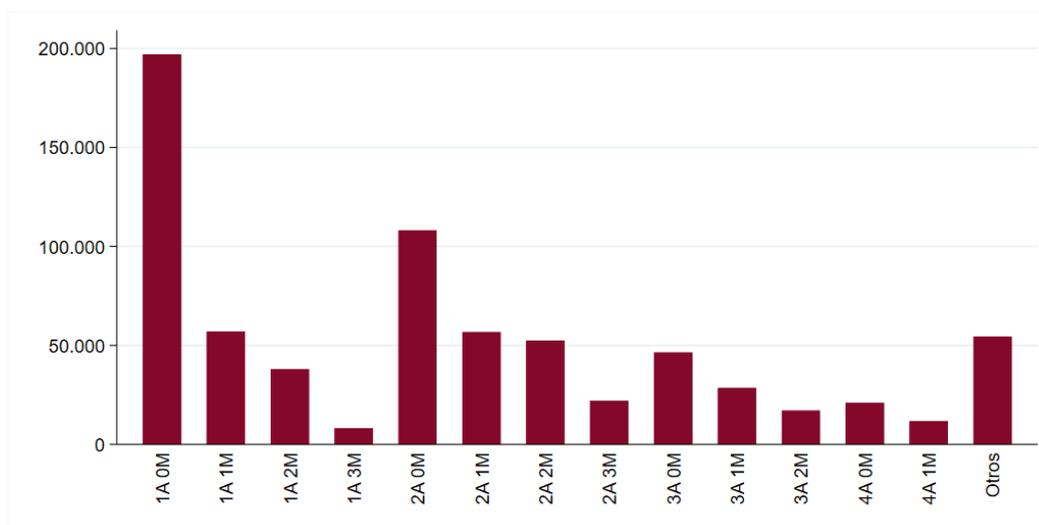
**In this regard, Article 1 of the Law on the MLI refers to the term “risk of poverty” when referring to the objective of the MLI and the explanatory memorandum speaks of “reduction of poverty, especially extreme poverty” without quantifying the specific meaning of this term in relation to the percentages of 40%, 50% or 60% of the median standardised and published by Eurostat.** The report on the regulatory impact of the law and the presentation that accompanied the MLI press conference of the Council of Ministers refer to the concept of “extreme poverty” as income below €2,950 and “very high poverty” as that standing between €2,950 and €4,350, but point out that there would still be beneficiaries above this amount (700,000) given that the income guaranteed by the MLI is above these amounts, standing at €5,538 per year. In short, and despite the fact that the law does not set specific quantitative targets in terms of poverty on which to assess the impact of the MLI, the guaranteed income levels are below 40% of the median, depending on the household type.

**The analysis, based on the aforementioned microsimulator and using the guaranteed income levels and the other parametrisable characteristics of the MLI<sup>15</sup>, shows that the scope of the MLI in the Autonomous Regions under the ordinary regime would amount to 700,000 households, extending the**

<sup>15</sup> To determine whether a household is entitled to receive the MLI, the requirements that can be simulated with the information available (income, wealth and age) have been taken into account. For example, it has not been possible to take into account the cohabitation unit declared by the household, but the one that appears in the local register has been used.

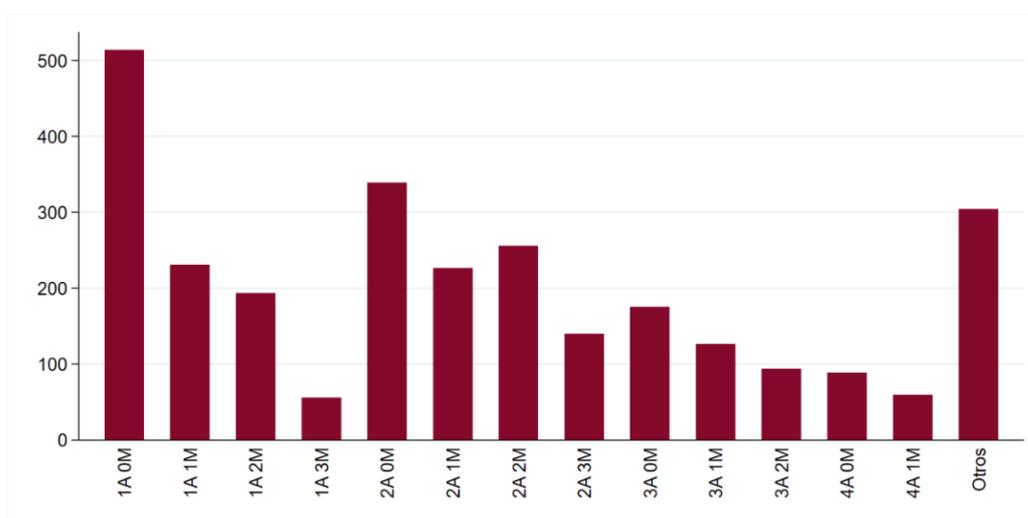
**coverage of the MI schemes by close to 250,000 households.** By household type, these beneficiaries are concentrated in single-adult households with no dependent children, followed by two-adult households with no children (see Figure 7).

**FIGURE 7. MLI BENEFICIARIES BY HOUSEHOLD TYPE (IF FULLY IMPLEMENTED)**



Source: AIREF-MLI\_MI micro-simulator.

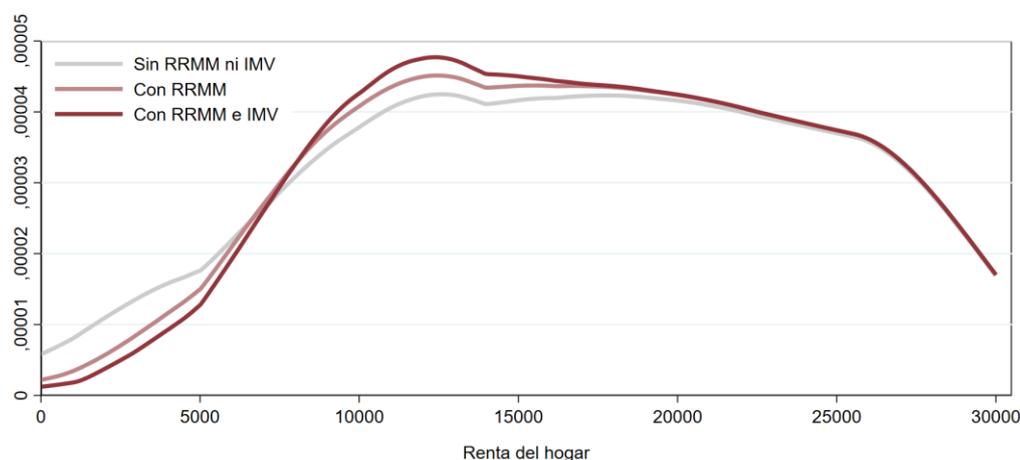
**FIGURE 8. COST OF THE MLI (MILLION EUROS) BY HOUSEHOLD TYPE (IF FULLY IMPLEMENTED)**



Source: AIREF-MLI\_MI micro-simulator.

**In short, the MLI, together with the MI schemes, could change the distribution of household income.** Thus, as shown in Figure 9, a large portion of households with incomes below €5,000 per year would move towards the distribution area between €10,000 and €15,000.

FIGURE 9. DISTRIBUTION OF INCOME BEFORE AND AFTER THE MLI



Note: Households with an annual income of less than €30,000.

Source: Prepared by the authors based on AEAT Population Microdata on income and wealth and AIREF-MLI\_MI Microsimulator.

## 2.1.2 Impact on poverty

### 2.1.2.1 Coverage and rate

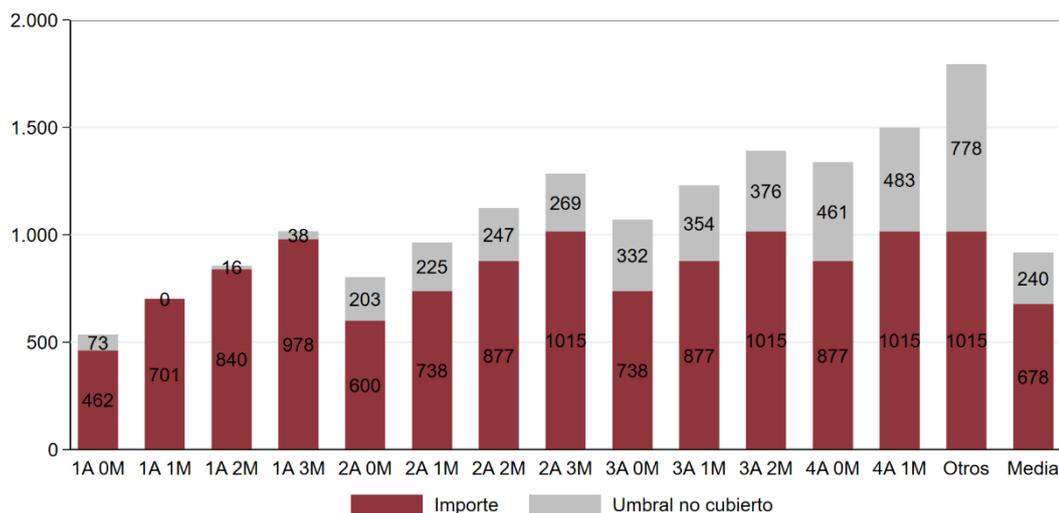
**In this section of the evaluation, 40% of the median income per consumption unit of the population is used as a reference of the household at risk of poverty.** This criterion has been chosen as it allows international comparisons to be made on the basis of official data published by Eurostat, ([https://ec.europa.eu/eurostat/databrowser/view/ILC\\_LI01\\_custom\\_291320\\_3/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/ILC_LI01_custom_291320_3/default/table?lang=en)) which only reports the values of 40%, 50% and 60% of the median income per consumption unit for all European countries<sup>16</sup>. In addition, given that the levels of income guaranteed by the MLI are below 40% of the median, the threshold of 40% seems an appropriate reference to measure the impact of this new benefit on poverty. At any event, throughout this section, figures will also be provided relating to the impact of the MLI on poverty measured as 60% of the median.

**The income guaranteed by the MLI designed contributes to beneficiary households reaching 77% of the threshold at which a household is no longer considered at risk of poverty, except in the case of single-parent households, where this percentage rises to around 100%** (Figure 10). The MLI designed would achieve 100% of the income needed to reach the poverty threshold for households comprising one adult with one or two children (with €701 and €840) and is close to reaching that threshold for one adult living with three children (who are guaranteed €978). However, households made up of two

<sup>16</sup> Eurostat does not publish references of households at risk of poverty using thresholds below 40% of the median.

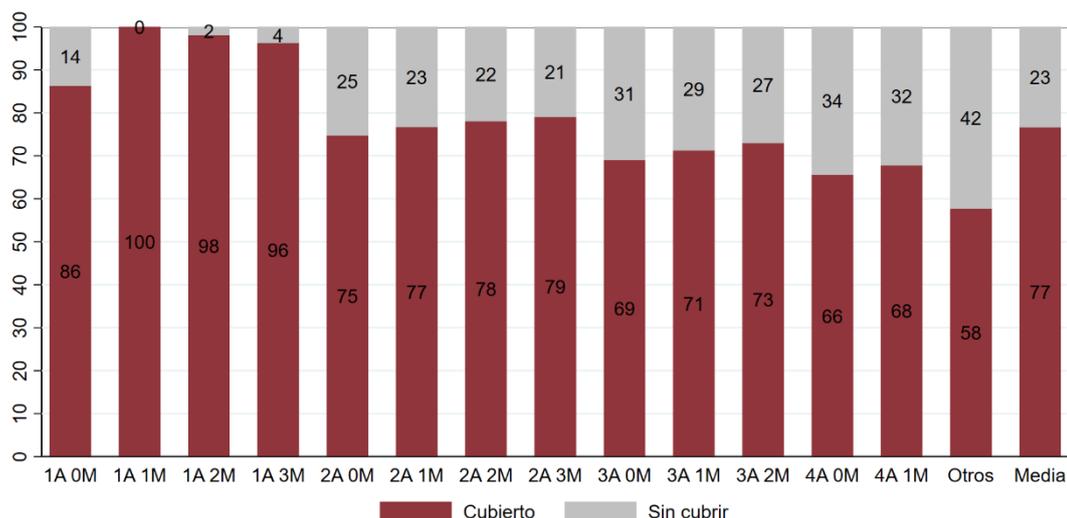
or more adults with or without children are further from the threshold. On average, the income guaranteed by the MLI covers 77% of the income considered necessary to escape poverty, leaving the remaining 23% still uncovered (Figure 11).

**FIGURE 10. POVERTY THRESHOLD (40% MEDIAN) GUARANTEED BY THE MLI DESIGNED ACCORDING TO HOUSEHOLD TYPE. MONTHLY EUROS**



Source: AIREF-MLI\_MI micro-simulator.

**FIGURE 11. POVERTY THRESHOLD GUARANTEED BY THE MLI DESIGNED ACCORDING TO HOUSEHOLD TYPE. PERCENTAGES**



Source: AIREF-MLI\_MI micro-simulator.

**This situation will be improved by the child support supplement linked to the MLI and launched in January 2022, as it increases the guaranteed income among households with children.** The effects of this supplement will be taken

into account in AIReF's next opinion on the MLI, since it came into force outside the time period for which information is available in this analysis.

**Therefore, at December 2021, the capacity of the MLI to reduce the poverty rate is limited, although it does have effects on other indicators, such as the coverage of households in poverty and its intensity.** The fully implemented MLI would reduce the poverty rate by 0.4 percentage points since, as mentioned above, the income it guarantees does not exceed the poverty threshold for almost any type of household. Its results will therefore be seen in terms of reducing the intensity of poverty; that is, in terms of the percentage of households in poverty that would be entitled to the benefit (coverage) or reducing the gap between household income and the poverty threshold (poverty gap).

**If the MLI were fully deployed, it would cover over half of the households affected by poverty.** If the MLI had been fully implemented, it would cover just over 700,000 households (almost 850,000 households including the Basque Country and Navarre<sup>17</sup>), accounting for 52% of the 1.3 million households in poverty in the Autonomous Regions under the ordinary regime<sup>18</sup> (Table 7). This would be an improvement over the minimum income schemes of the Autonomous Regions, which had the capacity to reach 560,000 households if they reached all their potential beneficiaries.

**As a floor benefit, the MLI covers a large part of the households already covered by minimum income schemes, but also extends its coverage to new households.** Of the total 700,000 households that the MLI would cover if it were fully deployed, about 247,000 would be new beneficiaries who were not entitled to receive the regional minimum incomes. In addition, of the remaining 65% who already had access to a minimum income scheme, the MLI improves their guaranteed income in over half of the cases (237,000 households).

---

<sup>17</sup> Estimate for the Basque Country and Navarre made by applying the AIReF\_MLI\_MI Simulator on the data of the Living Conditions Survey (2020). A correction coefficient is used to adjust for the fact that the survey does not contain information on household wealth. This coefficient is calculated by comparing the survey with the tax information in the Autonomous Regions under the ordinary regime.

<sup>18</sup> If the threshold to consider a household at risk of poverty were 60% of the median income of the population, the number of households in poverty would total 3 million.

TABLE 7. DEGREE OF COVERAGE OF HOUSEHOLDS IN POVERTY BY THE MLI AND THE MINIMUM INCOMES OF THE AUTONOMOUS REGIONS UNDER THE ORDINARY REGIME IF FULLY IMPLEMENTED (NUMBER OF HOUSEHOLDS AND PERCENTAGE OF THE TOTAL NUMBER OF HOUSEHOLDS IN POVERTY)

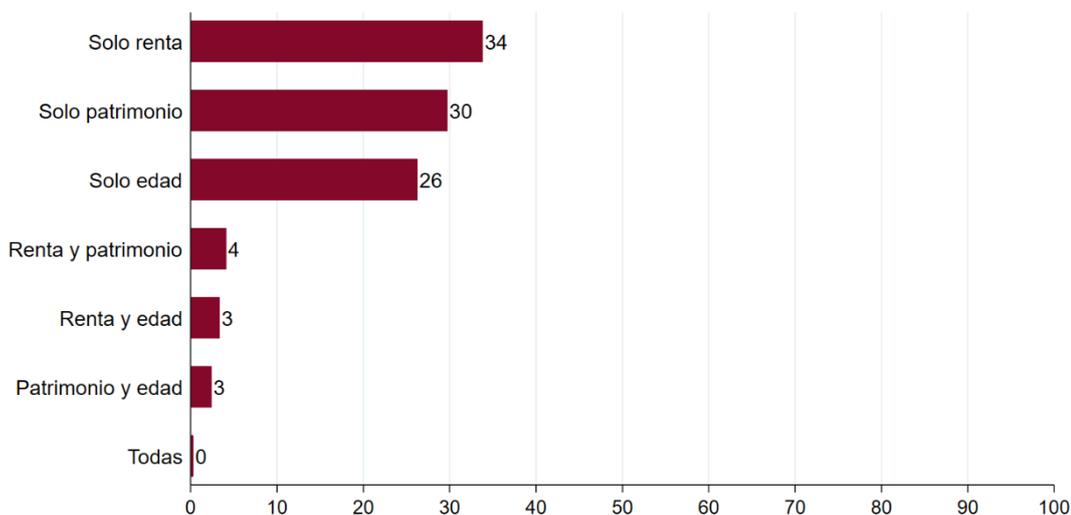
		Eligible MIs			TOTAL
		Yes		No	
		MLI>MIs	MLI<MIs		
Eligible MLI	Yes	237,488 (18%)	215,382 (16%)	247,253 (18%)	700,123 (52%)
	No	107,330 (8%)		537,341 (40%)	644,671 (48%)
TOTAL		560,200		784,594	1,344,794

Source: AIREF-MLI\_MI micro-simulator.

**For their part, the minimum income schemes cover 107,330 households that would not be eligible for the MLI.** Of these, 34% are due to the fact that some income definitions of the minimum income schemes are different from those of the MLI, 30% due to the fact that some MI schemes set looser wealth criteria than the MLI, and 27% due to the fact that certain minimum income schemes cover different ages to the MLI<sup>19</sup> (Figure 12).

<sup>19</sup> Requirements that can be simulated with the available information (income, wealth and age) and, in any case, the same requirements as for the MLI have been taken into account; for example, it has not been possible to consider the cohabitation unit declared by the household, but the one that appears in the local register has been used.

FIGURE 12. MLI REQUIREMENTS NOT COMPLIED WITH BY HOUSEHOLDS IN POVERTY THAT ARE BENEFICIARIES OF MI SCHEMES. PERCENTAGES

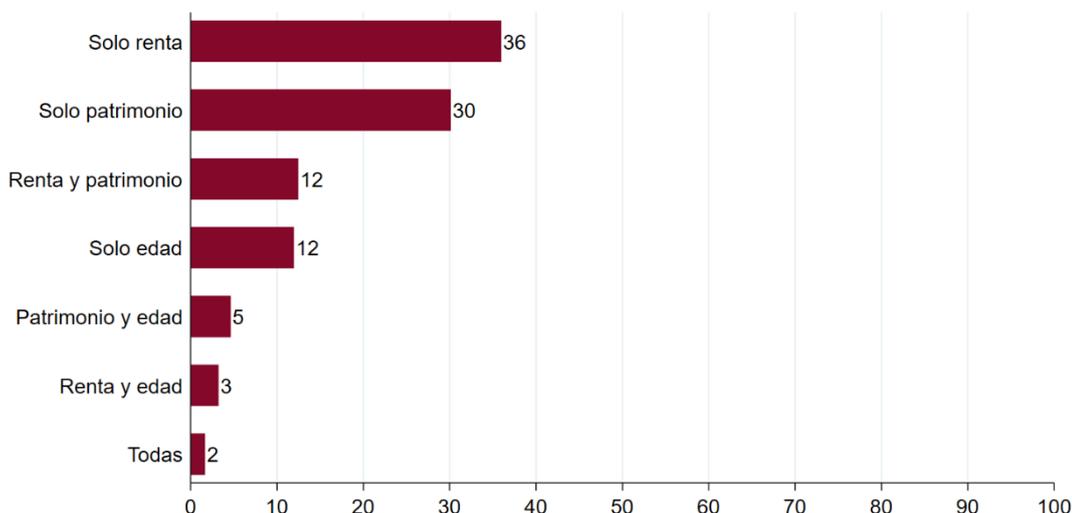


Source: AIREF-MLI\_MI micro-simulator.

**Nevertheless, 40% of households in poverty are still not covered by any income guarantee scheme.** With the MLI fully deployed and assuming that the regional minimum incomes reach all potential beneficiaries, there would still be some 537,000 households in poverty not covered by any scheme. This percentage of 40% of households that are not covered may change in the coming years if the Autonomous Regions were to modify their MLIs as a result of the release of resources from their income schemes due to implementation of the MLI.

**Around 160,000 households in poverty would be eligible for the MLI if only their income were taken into account, but they are not entitled to it as they do not meet the wealth criterion.** The main reasons why households in poverty would not be covered by the fully implemented MLI are that they do not meet the required income and wealth levels to be eligible for this benefit. In particular, almost 36% of these households do not meet the income criteria, a little over 30% do not meet the wealth requirements and 12% do not meet the age requirements (Figure 13). The remaining households in poverty not covered by the MLI fail to meet at least two of these criteria (among them, almost 12% income and wealth, 4.6% wealth and age, 3.2% income and age, and 1.7% fail to meet any of the criteria).

FIGURE 13. REASONS WHY HOUSEHOLDS IN POVERTY ARE NOT COVERED BY THE MLI DESIGNED. PERCENTAGES



Source: AIREF-MLI\_MI micro-simulator.

**By Autonomous Region, a fully implemented MLI would increase the percentage of households covered with respect to the regional minimum incomes, guaranteeing approximately 60% coverage of households in poverty in all territories<sup>20</sup>.** The MLI would succeed in extending the coverage of regional minimum incomes to 18% of households in poverty. In addition, it would absorb 34% of households already covered by minimum income schemes of the Autonomous Regions, which would see resources released, while 8% would continue to be covered by the MI schemes, but not by the MLI.

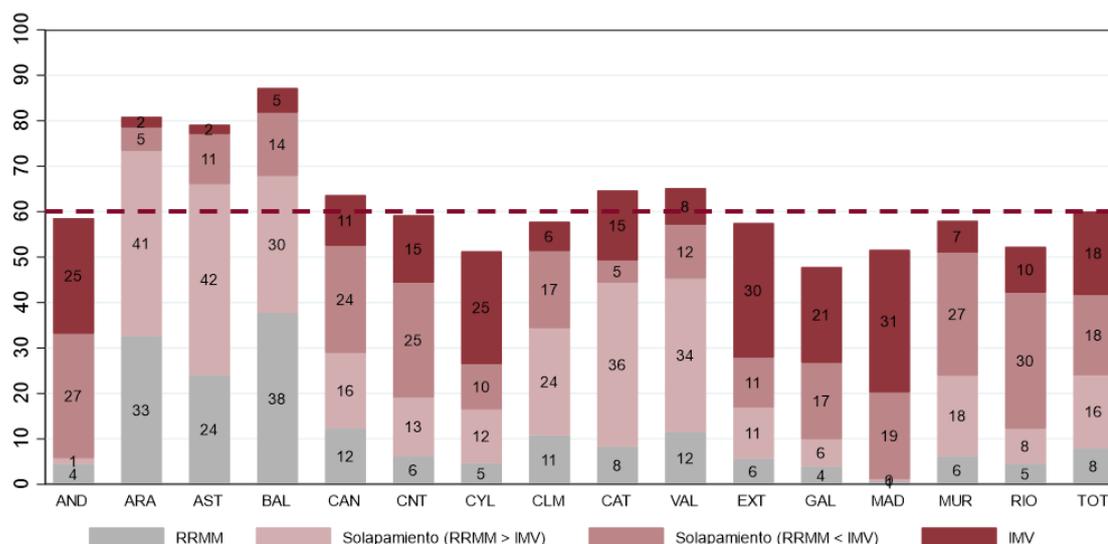
**However, the extension of the MLI in terms of covered households varies considerably by Autonomous Region due to the different scope of their minimum income schemes** (Figure 14). The fully implemented MLI would add 2% of households to those already covered by their own benefits in Aragon and Asturias and 5% in the Balearic Islands. However, the contribution of the MLI in this regard is much greater in the Autonomous Regions where their minimum income schemes are relatively smaller, such as Madrid (adding 31%), Extremadura (30%), Andalusia (25%) and Castile and Leon (25%).

**The percentage of households in poverty not covered by either of these two benefits varies depending on the Autonomous Region of residence and also depends on the effort in terms of coverage that these regional governments have been making.** The Balearic Islands (13%), Aragon (19%) and Asturias (21%) have the lowest percentage of households not covered, while Galicia

<sup>20</sup> This percentage would be 30% if the poverty threshold used was 60%.

(52%), Madrid (49%) and Castile and Leon (48%) have the highest percentage of households in poverty without coverage from either of these two benefits.

**FIGURE 14. COVERAGE OF THE MLI DESIGNED WITH RESPECT TO HOUSEHOLDS IN POVERTY AND THE INCOMES OF THE AUTONOMOUS REGIONS. PERCENTAGE OF HOUSEHOLDS**



Source: AIReF-MLI\_MI micro-simulator.

**In short, the MLI has a limited capacity to reduce the poverty rate, but it covers a large portion of the households that were previously entitled to the minimum income schemes, freeing up those resources, and broadens its scope to jointly provide around 60% of potential coverage regardless of the territory.** In addition, the regional schemes continue to serve households that are not entitled to the MLI and, in some cases, supplement the income guaranteed by the MLI up to higher thresholds. However, even if the two benefits were fully deployed, there would still be 40% of households in poverty that are not entitled to any income guarantee scheme. This percentage of 40% of households that are not covered may change in the coming years if the Autonomous Regions were to modify their MIs as a result of the release of resources from their income schemes due to implementation of the MLI.

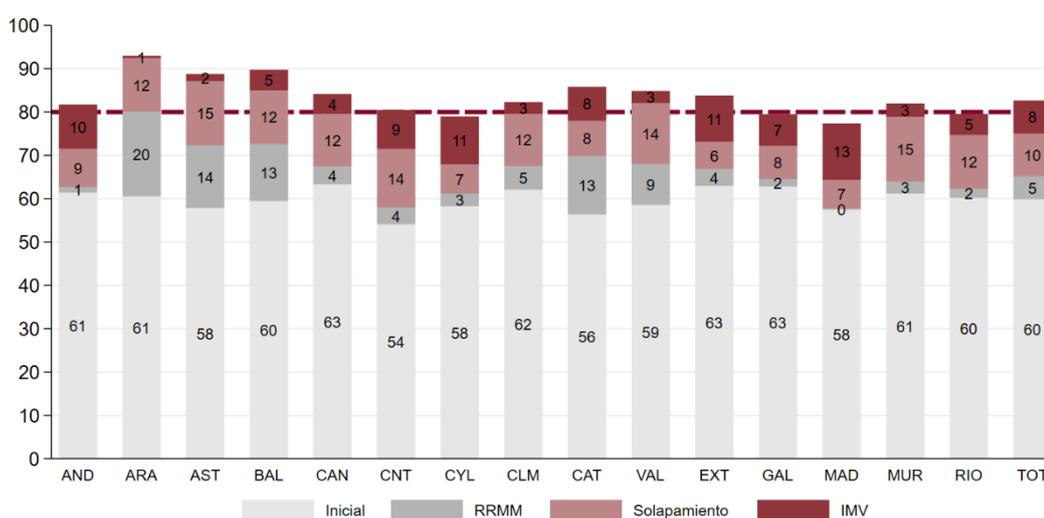
### 2.1.2.2 Gap

**The fully implemented MLI would reduce the intensity of poverty by 8 percentage points of the 40 that separate the income of households in poverty from the threshold and would absorb 10 points of the 15 already covered by the schemes of the Autonomous Regions.** The regional schemes would continue to contribute an average reduction in the gap of 5 percentage points.

**The capacity of the regional schemes to reduce the intensity of poverty is uneven and the MLI would standardise this intensity, placing the gap at around**

**20% in all the Autonomous Regions** (Figure 15). Madrid, Castile and Leon, Extremadura and Andalusia are the Autonomous Regions for which the MLI contributes the greatest reduction in the intensity of poverty, with 13, 11, 11 and 10 points respectively. For its part, the extra contribution of the MLI to this target is very modest in the cases of Aragon, Asturias, Castile-La Mancha, Valencia and Murcia, with 1, 2, 3, 3 and 3 points, respectively, since the regional benefits are more generous than in other Autonomous Regions and the action of the MLI is focused on absorbing part of the reduction in the gap that the minimum income schemes already covered.

**FIGURE 15. DEGREE OF REDUCTION IN THE INTENSITY OF POVERTY DUE TO THE ACTION OF THE MLI AND THE REGIONAL MI SCHEMES, BY AUTONOMOUS REGION**

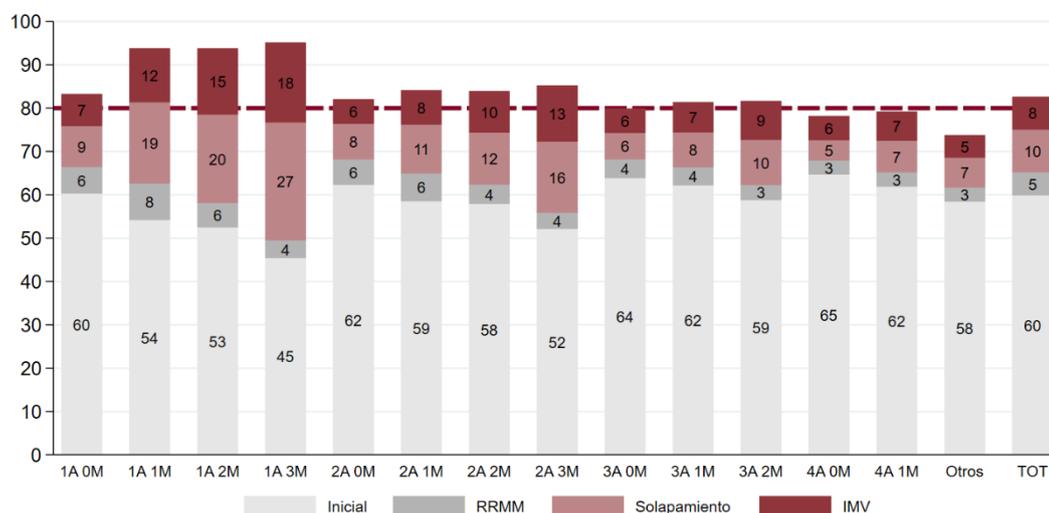


Note: 100 = Poverty threshold.

Source: AIReF-MLI\_MI micro-simulator.

**The MLI contributes to reducing the poverty gap in all types of households and especially in those with a lower initial income** (Figure 16). A fully deployed MLI would add between 12 and 18 percentage points of poverty gap reduction over minimum income schemes in single-parent households and in those consisting of a couple and three or more children. The households that receive a lower additional contribution are those but do not have dependent children.

FIGURE 16. DEGREE OF REDUCTION IN THE INTENSITY OF POVERTY DUE TO THE ACTION OF THE MLI AND THE REGIONAL MI SCHEMES, BY HOUSEHOLD TYPE



Note: 100 = Poverty threshold.

Source: AIReF-MLI\_MI micro-simulator.

### 2.1.2.3 Cost

**Total spending on fully deployed MLI benefits would amount to €2.8bn.** If the Basque Country and Navarre were included, according to our estimates, the cost would amount to €2.8bn.

**With this budget and acting as a floor benefit, the MLI designed would cover, on average, 60% of the cost of the regional minimum incomes if they were fully deployed** (Figure 17). However, once again, there are important differences between the Autonomous Regions. In some, the MLI would be able to cover virtually all of the potential cost of their minimum income. This is especially the case of Madrid, where the MLI would cover 97% of the cost of its benefit. This region is followed by Andalusia and Murcia, in which the MLI would cover 88% and 84% of the cost of their minimum income, respectively. At the other extreme, the Balearic Islands, Catalonia and Aragon achieve coverage of their minimum income schemes of 44%, 43% and 35%, respectively.

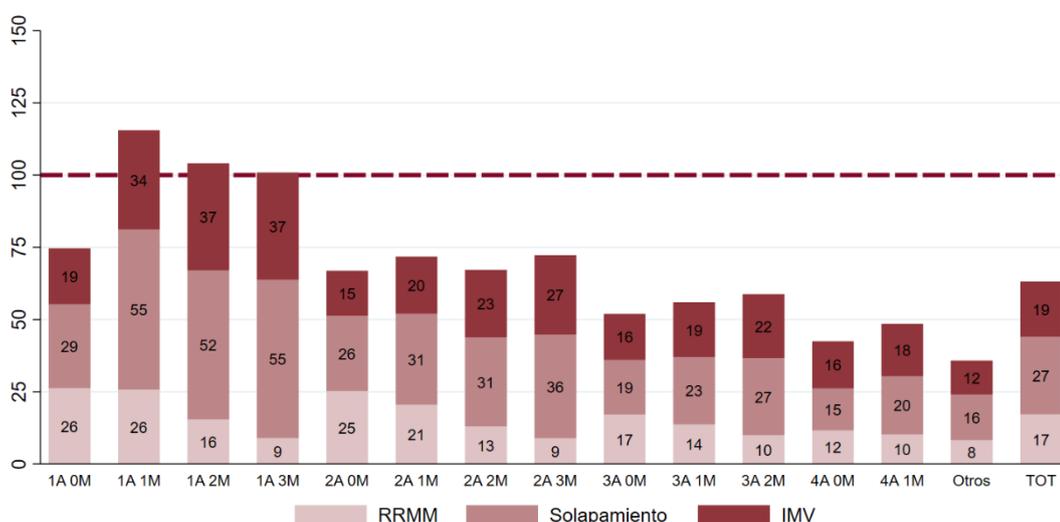
FIGURE 17. PERCENTAGE OF THE COST OF REGIONAL MINIMUM INCOMES COVERED BY A FULLY IMPLEMENTED MLI



Source: AIREF-MLI\_MI micro-simulator.

**The absorption by the MLI of 60% of the budget of the minimum incomes of the Autonomous Regions would free up sufficient resources to cover three quarters of the cost that would be necessary to eradicate poverty** (Figure 18). The total resources of the Autonomous Regions under the ordinary regime released as a result of a fully implemented MLI would amount to approximately €1.6bn. These funds would be enough to cover 73% of the cost of eradicating poverty not covered either by the MLI or by the MIs, which would total around €2.2bn.

FIGURE 18: PERCENTAGE OF THE COST OF POVERTY ERADICATION COVERED BY SUPPORT TO COVER POVERTY BY HOUSEHOLD TYPE



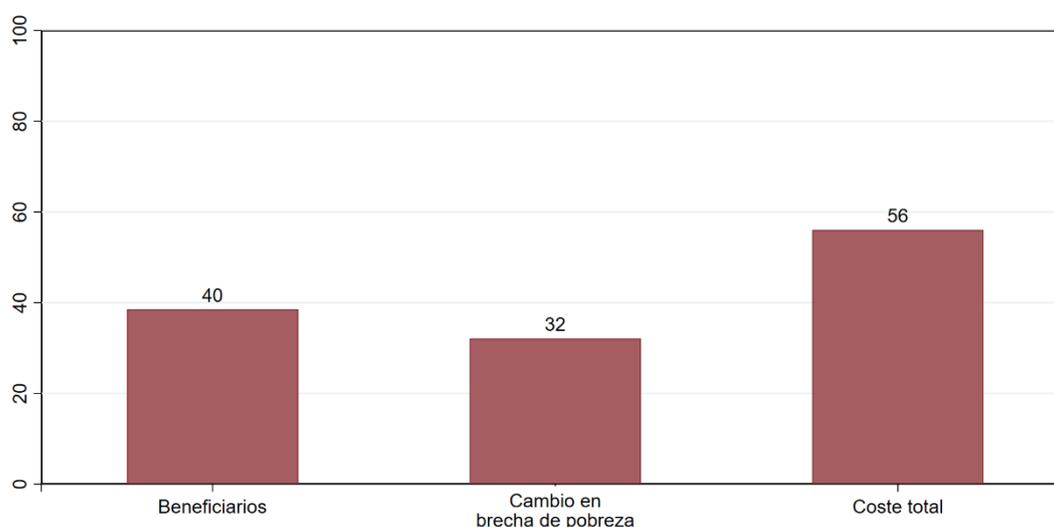
Source: AIREF-MLI\_MI micro-simulator.

## 2.2 Evaluation of the results

**This section compares the results achieved by the MLI at the end of 2021 with those that could be achieved if it were fully implemented.** The degree of implementation of the MLI in terms of beneficiaries, reduction in the poverty gap and executed expenditure is studied, comparing the figures actually achieved with its potential capacity, described in the previous section. Unlike in that section, it has not been possible here to study the joint results of the MLI and the minimum income scheme as quality information is not yet available<sup>21</sup> on a full year of coexistence of both types of benefits. In addition, the transfer of the beneficiaries of MIs to the MLI will take time to complete.

**After the first year and a half since its launch, the rollout of the MLI has reached 40% of potential beneficiaries, which means a total of 284,000 households and €1.6bn per annum<sup>22</sup>.** It has reached 40% of its intended beneficiaries, reduced the poverty gap by about 32% of what it would have done had it been fully implemented, and managed to execute 56% of its budget (Figure 19).

**FIGURE 19. DEGREE OF IMPLEMENTATION OF THE MINIMUM LIVING INCOME UP TO DECEMBER 2021**



<sup>21</sup> To analyse the coexistence of the MLI and the MIs, it is necessary to have information relating to 2021, which would be the first full year of implementation of both types of scheme, since in 2020 the MLI was only in force for half a year and partially deployed. AIReF is working with the information available on the minimum incomes published in the Minimum Income Reports, that extracted from the Register of Social Benefits (provided by the INSS) and that obtained with the tax information provided by the Tax Agency. The comparison of all this information shows important discrepancies resulting from the time of collection and the methodology used for its preparation.

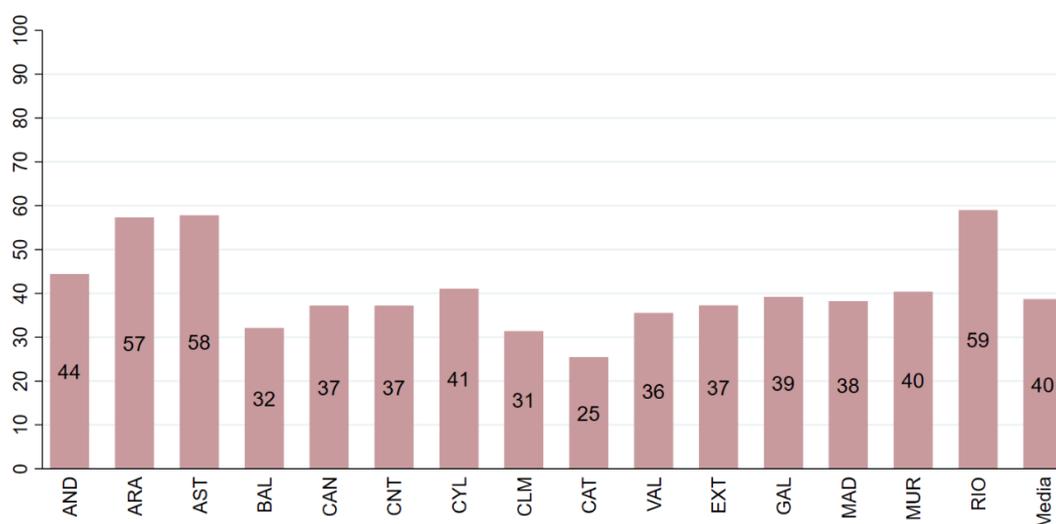
<sup>22</sup> These values mean covering 22% of households at risk of poverty and 26% of its cost of eradication.

Source: Prepared by the authors based on the merger of the AIReF-MLI\_MI Simulator and MLI cases

## 2.2.1 Coverage

**The MLI has reached 40% of its potential beneficiary households. This percentage varies by Autonomous Region.** The Autonomous Regions under the ordinary regime with most beneficiaries with respect to their potential are Rioja (59%), Asturias (58%) and Aragon (57%), while those with the least beneficiaries with respect to their potential are Catalonia with 25% and Castile-La Mancha with 31% and the Balearic Islands with 32% (Figure 20).

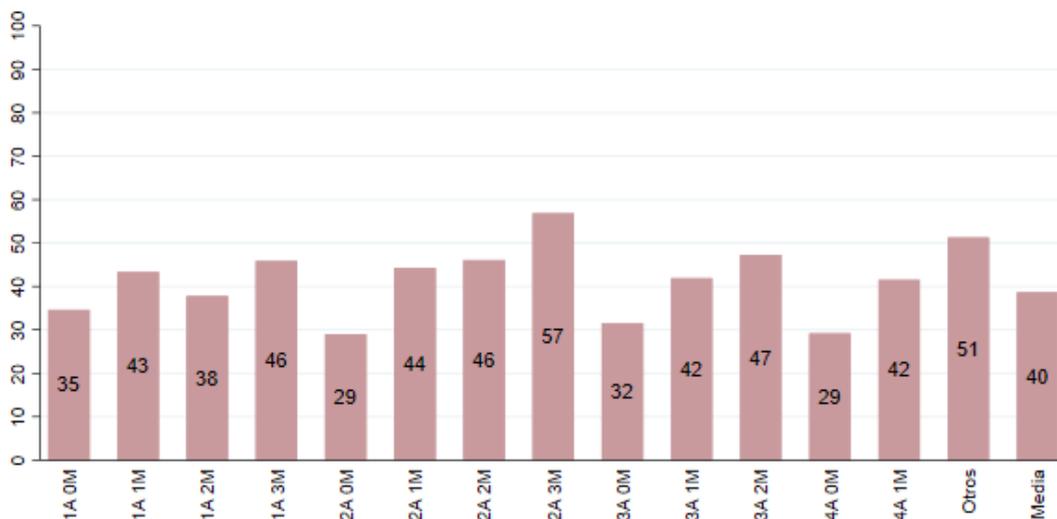
FIGURE 20. DEGREE OF MLI IMPLEMENTATION: COVERAGE BY AR



Source: Prepared by the authors based on the merger of the AIReF-MLI\_MI Simulator and MLI cases

**Also noteworthy is the higher coverage of households with dependent children. This is partly explained by the automatic conversion of households receiving the dependent child allowance (113,000 households, 40% of the total number of registered cases).** The MLI has been better able to reach households with dependent children. Between 38% and 57% of households with dependent children have received the MLI, with the best-covered case being that of households with two adults and three children. However, the percentage of households without children that have been beneficiaries of the MLI ranges between 29% and 35% (Figure 21). The reasons that may explain this include the transfer to the MLI of households that received the dependent child allowance, which was carried out *ex officio* by the INSS at the start of the implementation of the MLI.

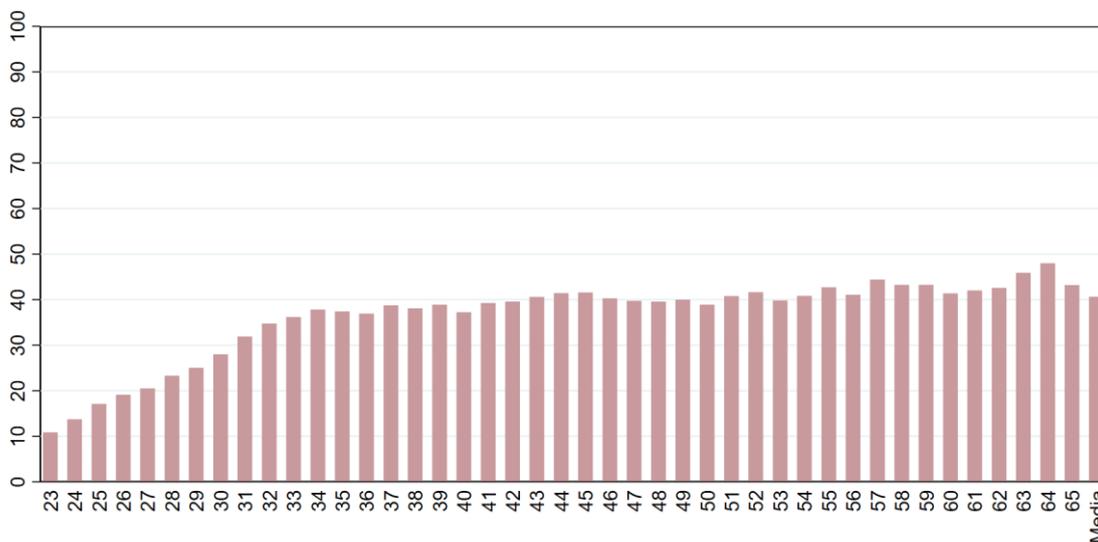
FIGURE 21. DEGREE OF MLI IMPLEMENTATION: COVERAGE BY HOUSEHOLD TYPE



Source: Prepared by the authors based on the merger of the AIReF-MLI\_MI Simulator and MLI cases

**There are no significant differences by age, except for the youngest group, for whom the MLI requirements are more stringent.** In the period analysed, those under 30 years of age had to prove three years of independent residence in Spain, which could justify the lower coverage of the MLI in these age groups. The requirement has been relaxed since January 2022 to two years of independent residency. Therefore, the profile in Figure 22 could change in the next analysis period.

FIGURE 22. DEGREE OF MLI IMPLEMENTATION: COVERAGE BY AGE

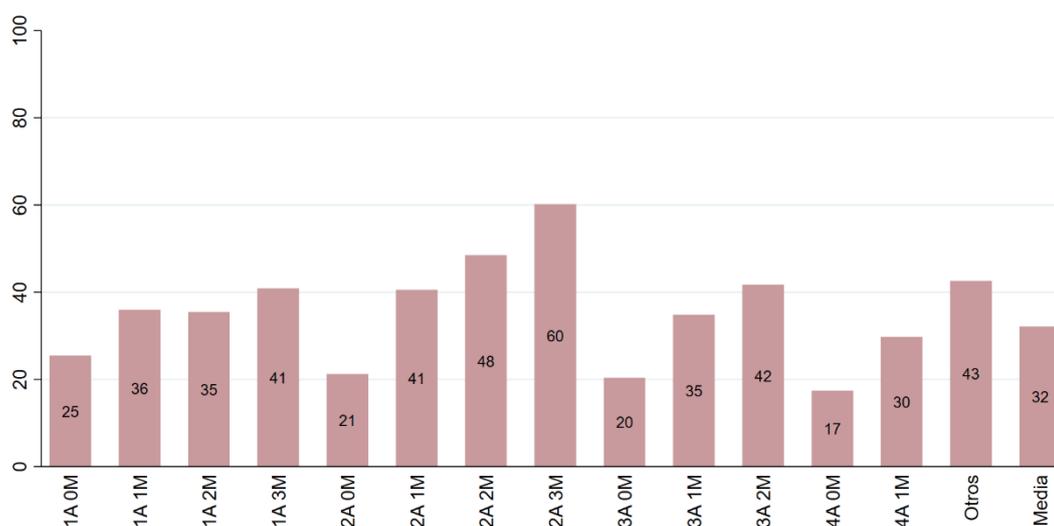


Source: Prepared by the authors based on the merger of the AIReF-MLI\_MI Simulator and MLI cases

## 2.2.2 Gap

The MLI has managed to reduce the intensity of poverty by 32% of the capacity it would have had if it were fully deployed, with a lower degree of reduction among households without dependent children. Thus, the gap has been reduced to between 17% and 25% of its potential in households with adults without children, while this interval rises to figures between 35% and 60% in households with children (Figure 23).

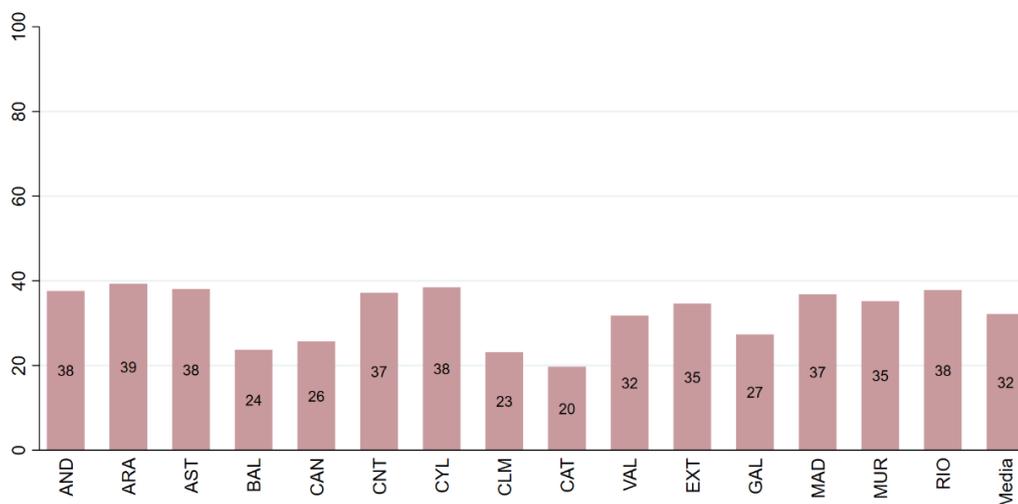
FIGURE 23. DEGREE OF MLI IMPLEMENTATION: GAP BY HOUSEHOLD TYPE



Source: Prepared by the authors based on the merger of the AIReF-MLI\_MI Simulator and MLI cases

The benefit has been more effective in reducing the intensity of poverty in some Autonomous Regions than in others (Figure 24). In Aragon, the gap has been reduced by 39% and this region is followed by Andalusia, Asturias, Castile and Leon and Rioja, all with 38%. At the opposite end, Catalonia, Castile-La Mancha and the Balearic Islands reduce it by 20%, 23% and 24%, respectively.

FIGURE 24. DEGREE OF MLI IMPLEMENTATION: GAP BY AUTONOMOUS REGION

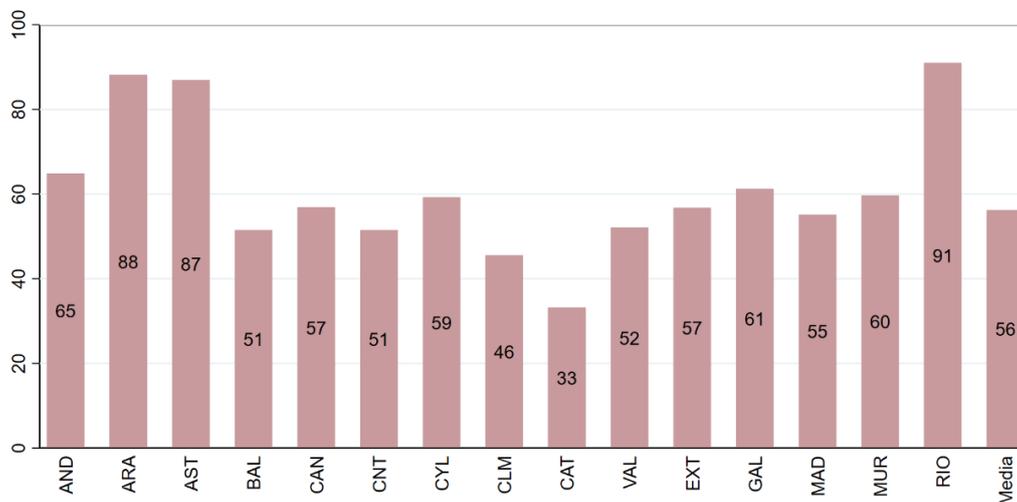


Source: Prepared by the authors based on the merger of the AIReF-MLI\_MI Simulator and MLI cases

### 2.2.3 Cost

Since its implementation, the MLI has executed 56% of the budget planned for a year, that is, around €1.6bn per year, although this percentage varies depending on the Autonomous Region. In the case of the regions of Rioja, Aragon and Asturias, 91%, 88% and 87% of the potential were reached, respectively, while Catalonia recorded the lowest percentage, with 33% (Figure 25).

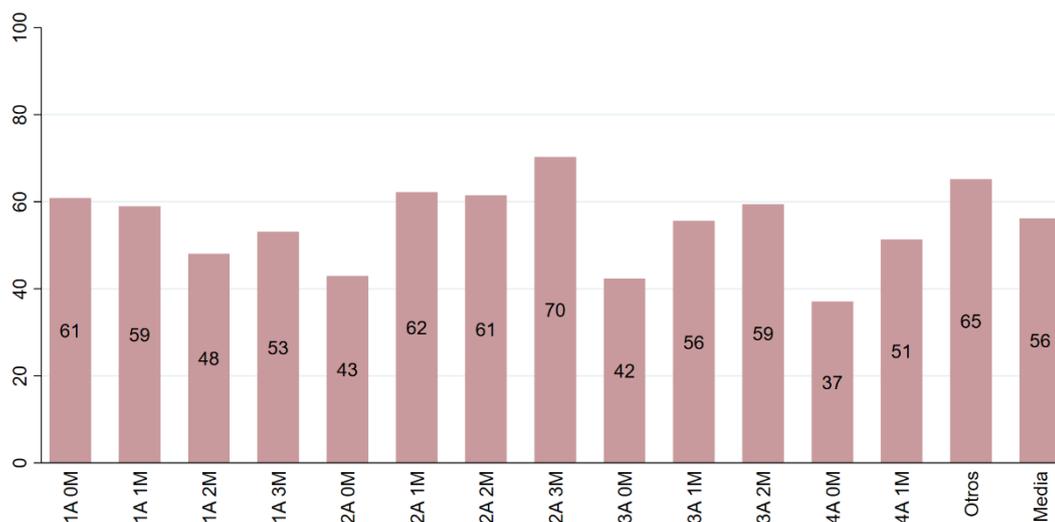
FIGURE 25. DEGREE OF MLI IMPLEMENTATION: COST BY AUTONOMOUS REGION



Source: Prepared by the authors based on the merger of the AIReF-MLI\_MI Simulator and MLI cases

**Execution of the expenditure has been lower in households without children comprising more than one adult.** Over 60% of the planned expenditure has been executed for both couples with dependent children and adults living alone; the former is partly explained by the *ex officio* transfer of households receiving the dependent child allowance. However, in households without children consisting of more than one adult, the expenditure incurred has been below 43% (Figure 26).

FIGURE 26. DEGREE OF MLI IMPLEMENTATION: COST BY HOUSEHOLD TYPE



Source: Prepared by the authors based on the merger of the AIReF-MLI\_MI Simulator and MLI cases

## 2.3 Implementation evaluation

**This section analyses some of the factors that previous evidence has identified as the most complex for this type of benefit:** processing times, analysis of the reasons for rejection and study of potential beneficiaries who have not yet applied for it (non-take-up).

**The number of applications has been high, particularly in the first few months, but a very high percentage were rejected. In addition, 400,000 households that could receive the MLI have not applied for it (57% of the total), a phenomenon known as non-take-up.** This phenomenon is more 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.

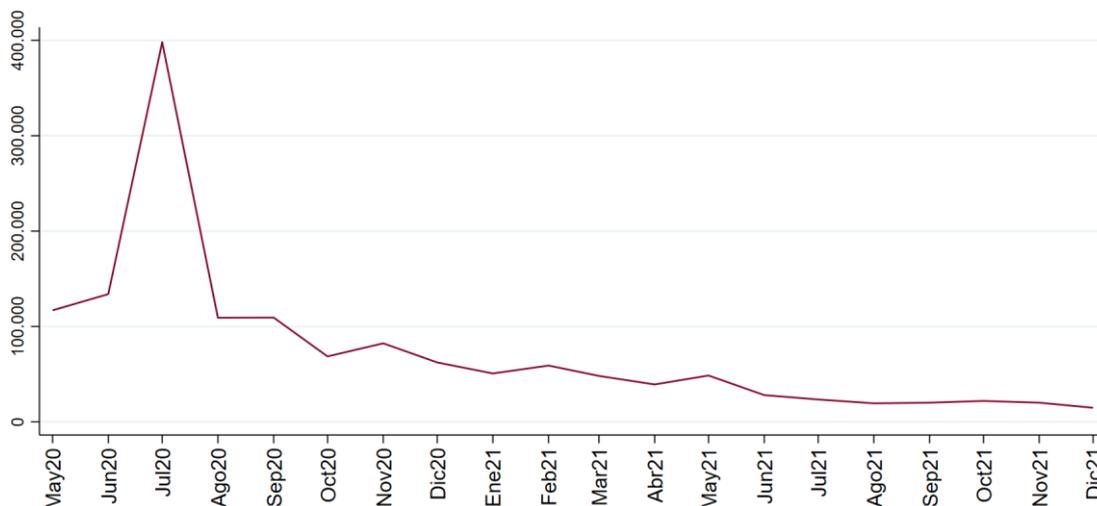
### 2.3.1 Processing

**Up to December 31<sup>st</sup>, 2021, 1.5 million MLI applications were made<sup>23</sup>. The applications were concentrated in the first few months and have subsequently fallen to 15,000 applications registered in December 2021.** Since its rollout and up to December 31<sup>st</sup>, 2021, the INSS received 1,475,000 MLI cases. Of these, 1,327,000 cases were decided on, 117,000 were cancelled and 31,000 were still pending. The maximum number of applications took place during the first few months of implementation of this benefit, amounting to 400,000 in July 2020. Applications declined in the following month and have been on a downward trend ever since (Figure 27).

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<sup>23</sup> This figure includes the 113,000 cases processed *ex officio* in order to transfer to the MLI households benefiting from the dependent child allowance (May 2020) or MI of an Autonomous Region that uses the protocol established for this purpose (as of December 2020). These cases processed *ex officio* account for almost 10% of the total applications and 40% of the beneficiary households.

FIGURE 27. NUMBER OF MLI APPLICATIONS PER MONTH BETWEEN MAY 2020 AND DECEMBER 2021



Source: Prepared by the authors based on exploitation of MLI cases.

**The times<sup>24</sup> for deciding on the cases have been decreasing in the period studied to around two months in the second half of 2021.** The applications received in the first month that the MLI was in force took 150 days on average to be decided on and the average decision time remained above three months during the first six months of operation of the benefit. Since the start of 2021, these times dropped to around two months one year after its launch<sup>25</sup> (Figure 28).

<sup>24</sup> These times include the periods in which the interested party is required to provide documentation that cannot be obtained from other administrations, which lengthens the procedure for reasons not attributable to the INSS.

<sup>25</sup> Figure 26 shows that, at December 31<sup>st</sup>, 2021, 8% of cases were in process since August 2021. A decision on these cases would increase the average decision time of the cases, which could stand at around two months.

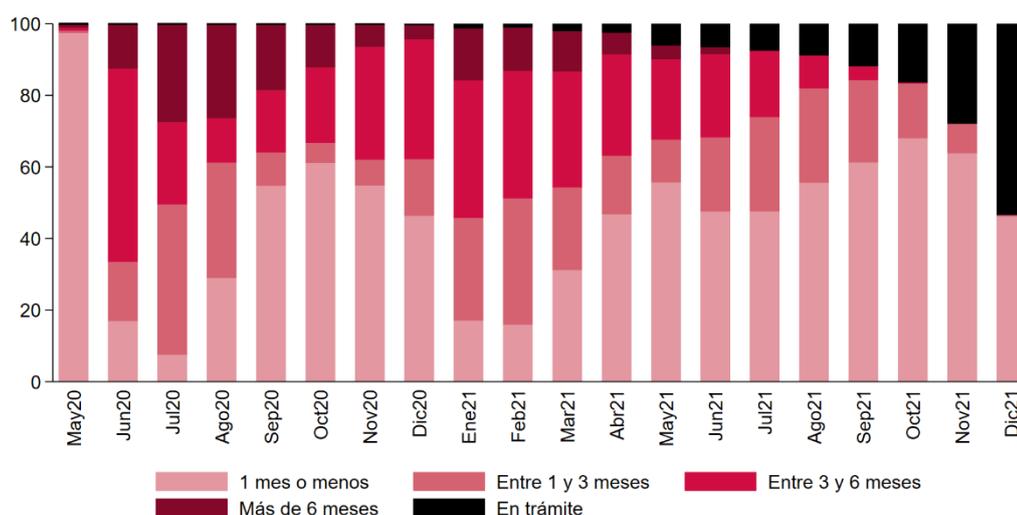
FIGURE 28. DECISION TIME FOR APPLICATIONS BETWEEN JUNE 2020 AND AUGUST 2021



Source: Prepared by the authors based on exploitation of MLI cases.

The percentage of cases that have required more than three months to be decided on has exceeded 40% for much of the period analysed, but fell to close to 20% in the second half of 2021. The MLI establishes a maximum period of six months for a decision on the application. Once that time has elapsed, it is deemed to have been refused on the grounds of implied rejection, although the INSS expressly decides on all applications submitted even beyond six months. However, at the end of the period analysed, 80% of the cases were being decided on in under three months (Figure 29).

FIGURE 29. PERCENTAGE OF CASES DECIDED ON BY DECISION TIME

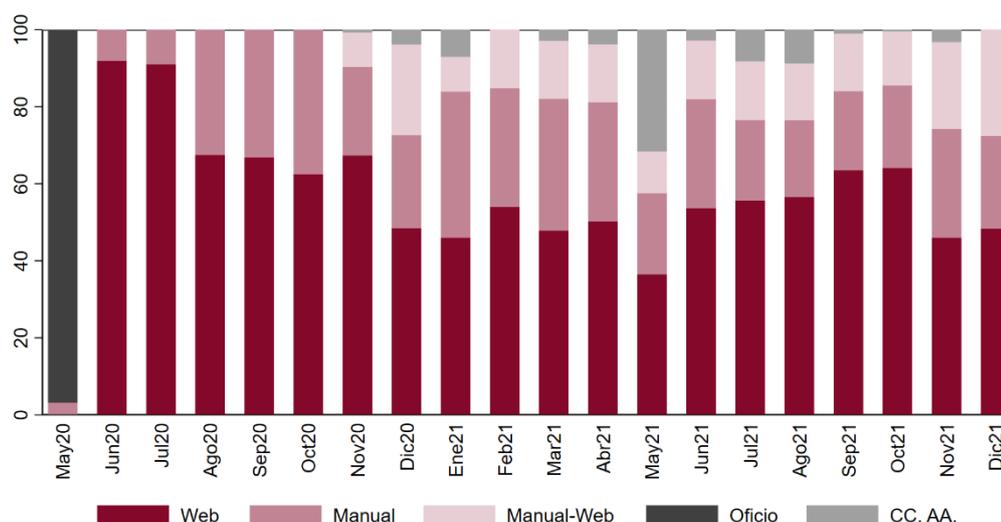


Source: Prepared by the authors based on exploitation of MLI cases.

In the first month the MLI was in force, the cases of the beneficiaries of dependent child allowance who met the requirements of the MLI were processed *ex officio*, which meant the incorporation of 113,000 applications. At 1 December 31<sup>st</sup>, 2021, this number of applications accounts for 40% of the total approved cases. This explains, to a certain extent, the greater coverage of the MLI among households with children.

**65% of cases have been processed via the website although the percentage has fallen over time in favour of the manual and mixed channel.** The prominence of the channels for processing applications has changed over time, although digital processing has always predominated. 65% of the applications have been processed online, which was the dominant channel in the first few months of the benefit, coinciding with the limited opening of mobility as a result of the pandemic. Alongside digital processing, 20% of applications have been processed manually. Over time, the use of a mixed procedure, combining online and manual processing, has grown (Figure 30).

FIGURE 30. EVOLUTION OVER TIME OF THE CHANNEL FOR PROCESSING APPLICATIONS

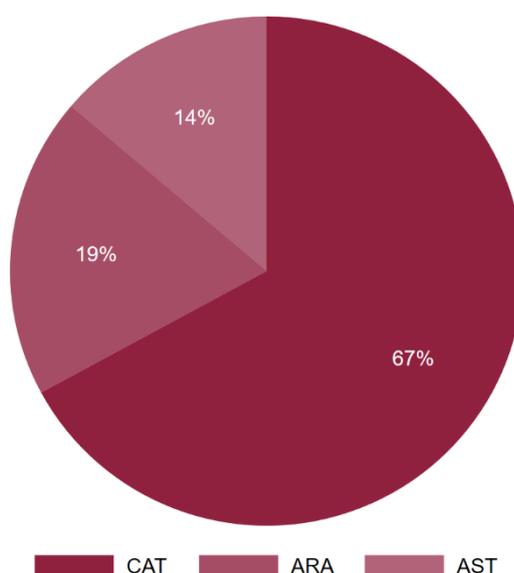


Source: Prepared by the authors based on exploitation of MLI cases.

**Finally, since December 2020, some of the applications have been processed through the protocol put in place by the Ministry of Inclusion, Social Security and Migration for the Autonomous Regions to send *ex officio* the applications of the beneficiaries of their minimum incomes.** The Autonomous Regions under the ordinary regime that used the protocol put in place by the Ministry of Inclusion, Social Security and Migration pursuant to Article 32 of the Law on the MLI for their administrations to cooperate in the processing of MLI applications by the beneficiaries of their regional minimum incomes were Catalonia, Aragon and Asturias (Figure 31).

**In addition to this protocol, the Law on the MLI provides for different forms of cooperation with Autonomous Regions and Local Governments in processing the MLI.** Article 25 provides for the possibility that it is the Autonomous Regions or Local Governments that initiate the administrative procedure for recognition of the benefit when they sign the corresponding agreement with the INSS. In addition, the Fourth Additional Provision provides for the conclusion of agreements with the Autonomous Regions that set out formulas for processing the MLI. Furthermore, the INSS sends information to the Autonomous Regions and to the Local Governments on the decisions on the cases in order to facilitate recognition and control of benefits under the responsibility of these public authorities.

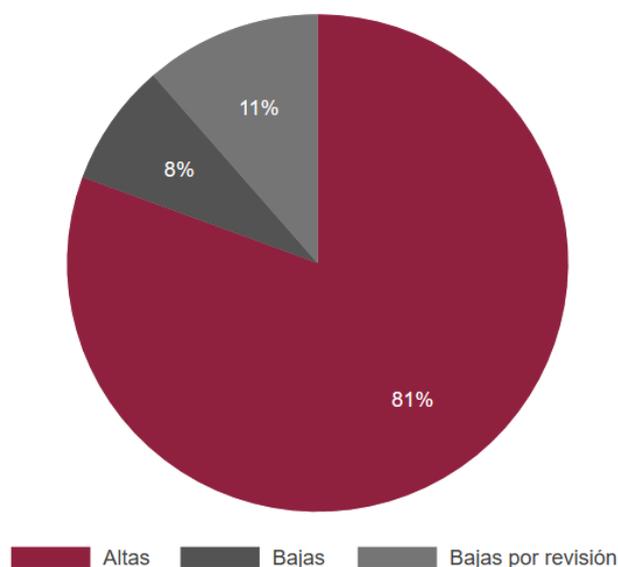
**FIGURE 31. PERCENTAGE OF CASES MANAGED THROUGH THE PROTOCOL ENABLED BY THE INSS FOR SENDING THE APPLICATIONS OF THE BENEFICIARIES OF MINIMUM INCOMES, BY AUTONOMOUS REGION**



Source: Prepared by the authors based on exploitation of MLI cases.

**Reviews of compliance with the requirements for a household to be an MLI beneficiary have resulted in the termination of 19%, around 67,000, of the approved cases.** The INSS carries out checks to verify compliance with the requirements during the life of the benefit, as laid down in the legislation. Specifically, 11% of the cases were terminated due to applicants exceeding the income or wealth requirements (Figure 32) and 8% were terminated as a result of information provided by the applicant. In December 2021, 284,000 cases of the more than 352,000 approved by the Autonomous Regions under the ordinary regime since its launch remained valid.

FIGURE 32. SITUATION OF CASES APPROVED AFTER REVIEW

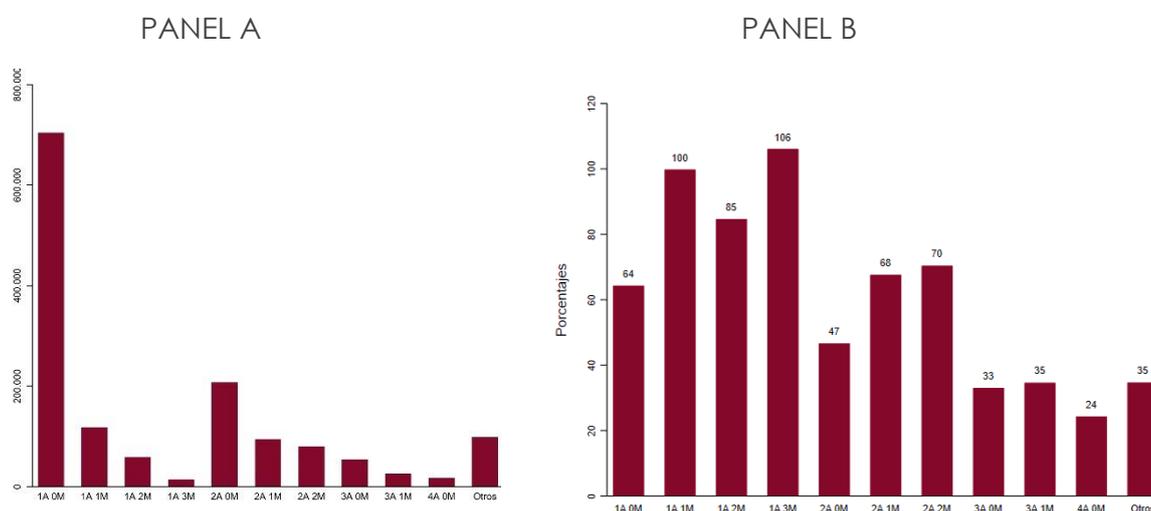


Source: Prepared by the authors based on exploitation of MLI cases.

**Finally, of the nearly 1.5 million MLI applications, the vast majority come from single-person households (about 48%),** followed, at some distance, by households in which two adults live with no children (14%) and by single-parent households with one child (8%) (Figure 33).

**When the type of applicant household is analysed in relation to the incidence of poverty in households, there is a greater inclination to apply for the MLI in households where only one adult lives with children - single-parent households.** These are followed by households with two adults and one or two dependent children and single-person households.

FIGURE 33. NUMBER OF MLI APPLICATIONS (PANEL A) AND PERCENTAGE OF APPLICATIONS OVER HOUSEHOLDS AT RISK OF POVERTY (PANEL B), BY HOUSEHOLD TYPE



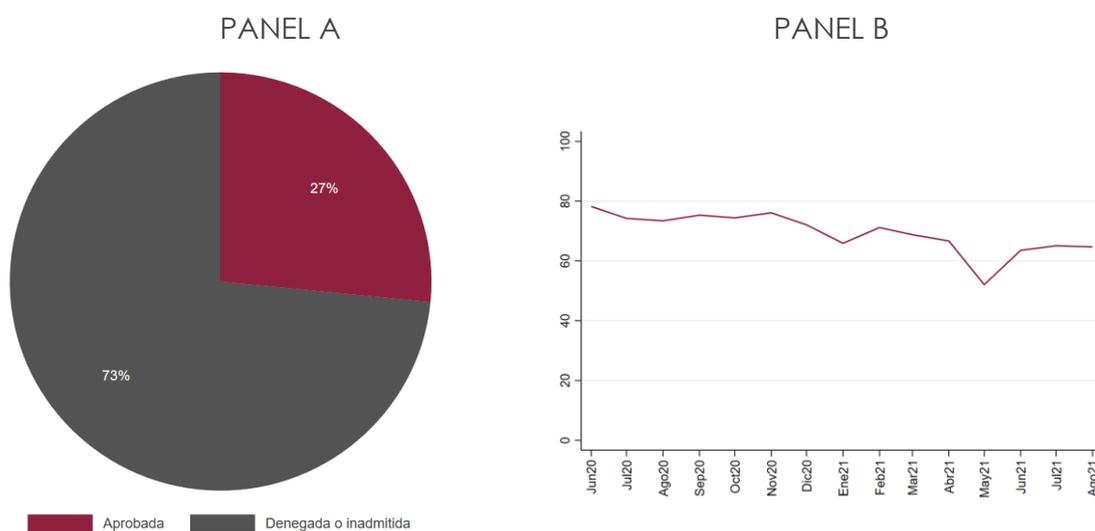
Source: Prepared by the authors based on exploitation of MLI cases.

### 2.3.2 Rejection of applications

In the period between its launch and December 31<sup>st</sup>, 2021, 352,000 applications were approved, 27% of those for which a decision was issued. However, 975,000 applications - 73% - were rejected due a failure to meet some requirement (Figure 34, Panel A). If the cases processed *ex officio* by the Government are not taken into account, which have a rejection rate of under 2%, the percentage of rejected applications stood at around 80% over 2020. In addition, at December 2021, 117,000 applications had been cancelled and 31,000 cases were still pending.

In 2021, the percentage of rejected applications seems to have fallen slightly and would stand at around 70%, approaching 60% in August, the last few months with a percentage of pending applications under 10% (Figure 34, Panel B).

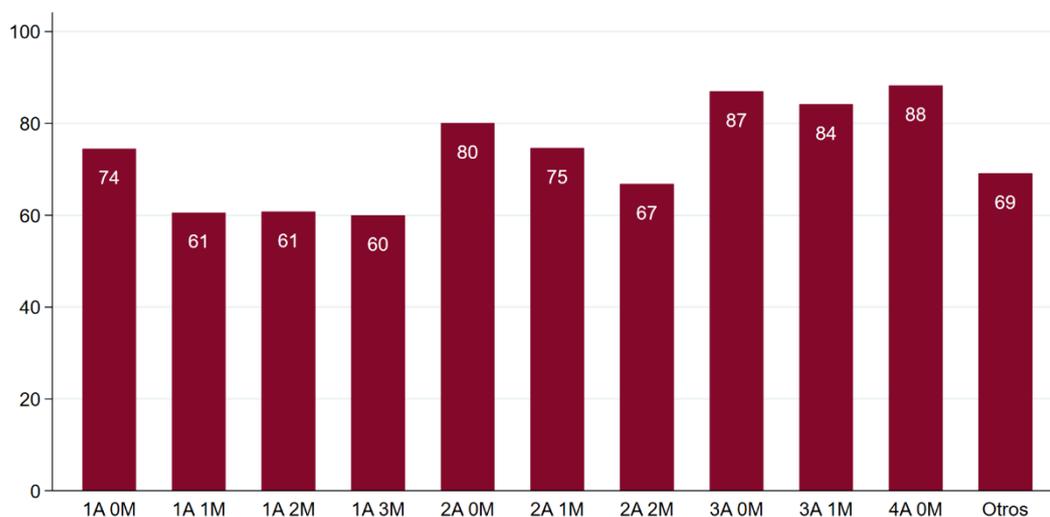
FIGURE 34. PERCENTAGE OF APPLICATIONS DECIDED ON BY STATUS (PANEL A). PERCENTAGE OF REJECTED APPLICATIONS BY MONTH OF APPLICATION (PANEL B)



Source: Prepared by the authors based on exploitation of MLI cases.

**The rejection rate is lower in single-parent households.** Applications from households consisting of one adult and one or more children have a rejection rate of 60%, compared with 74% for adults living alone. This percentage rises with the number of adults who make up the household (Figure 35). This result is conditioned by the cases processed *ex officio*, which come from the dependent child allowance for households with children, and in which the percentage of rejections is very low.

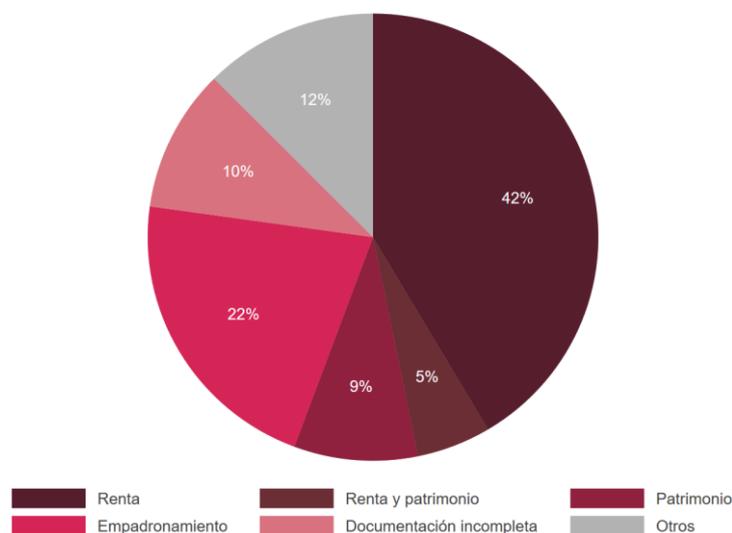
FIGURE 35. PERCENTAGE OF REJECTED APPLICATIONS BY HOUSEHOLD TYPE



Source: Prepared by the authors based on exploitation of MLI cases.

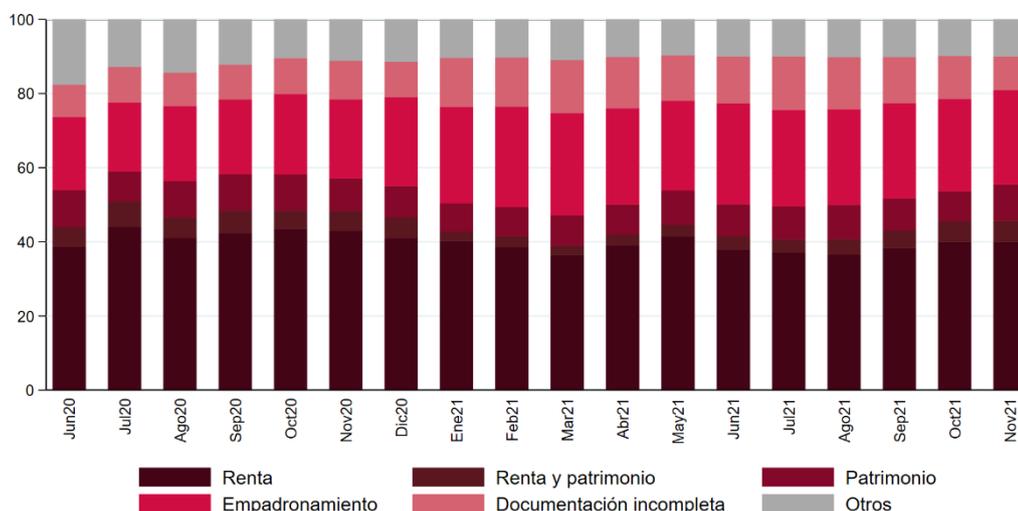
The main reason for rejection is a failure to meet the income criteria (42%), followed by the requirements related to the cohabitation unit (22%). 9% of applications are rejected for a failure to meet the wealth criteria and 5% for simultaneous failure to meet both the income and the wealth criteria. In addition, there are also reasons of form: incomplete documentation accounts for about 10% of rejections throughout the period. The remaining applications (12%) are rejected due to a failure to meet a broad set of other reasons (Figure 36). In addition, as shown in Figure 37, the relative importance of the various grounds for rejection has remained virtually stable throughout the period.

FIGURE 36. GROUNDS FOR REJECTION OF THE MLI



Source: Prepared by the authors based on exploitation of MLI cases.

FIGURE 37. EVOLUTION OF THE GROUNDS FOR REJECTION OF MLI APPLICATIONS

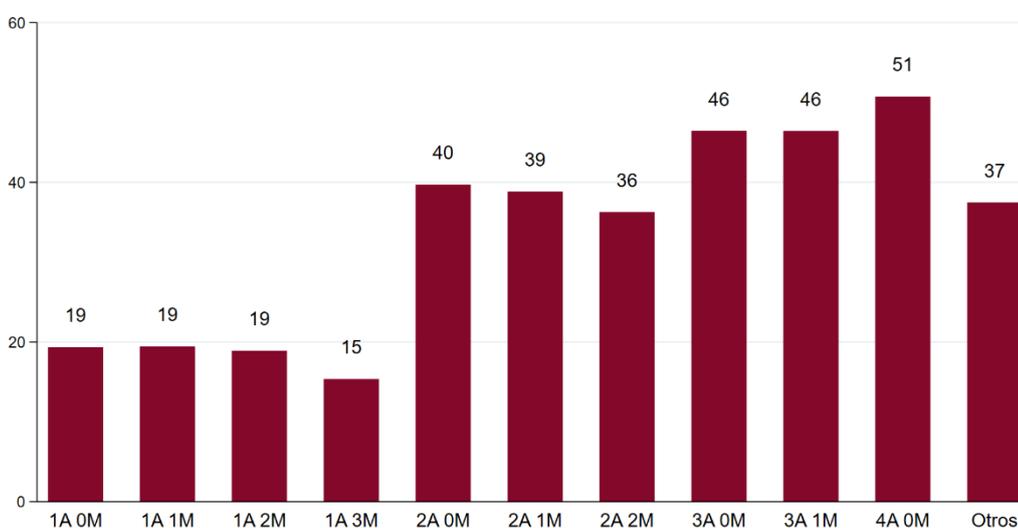


Source: Prepared by the authors based on exploitation of MLI cases.

**Regarding the cases rejected on the grounds of income**, more than 400,000 applications were rejected for exceeding the income limits established for the MLI.

**The rate of rejection due to income is higher among households in which more than one adult lives.** Specifically, the percentage of rejection in households where more than one adult lives, with or without dependent children, exceeds 36%. However, this percentage is lower than 20% in households where only one adult lives with or without children (Figure 38).

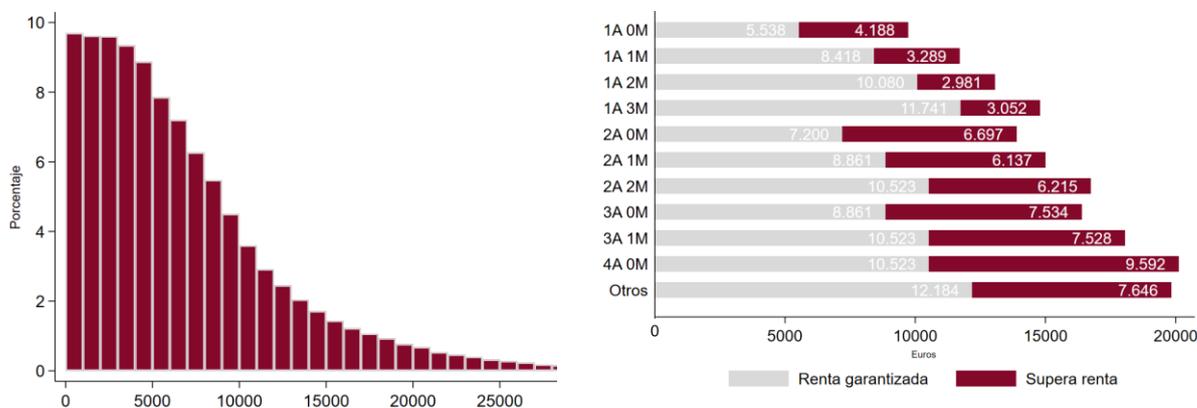
FIGURE 38. RATE OF REJECTION DUE TO INCOME BY HOUSEHOLD TYPE



Source: Prepared by the authors based on exploitation of MLI cases.

**The cases rejected due to income exceed the threshold set by 70% and this percentage is higher in households with two or more adults.** Half of the households whose an application is rejected for exceeding the income threshold exceed it by more than €5,400 (median excess income). This figure is higher among households with more than one adult (Figure 39). The fact that households with adults exceed the amount established in the income requirement to a greater extent than other types of households suggests that these applicants perceive a greater sense of need as a result of the higher number of household members, despite their income.

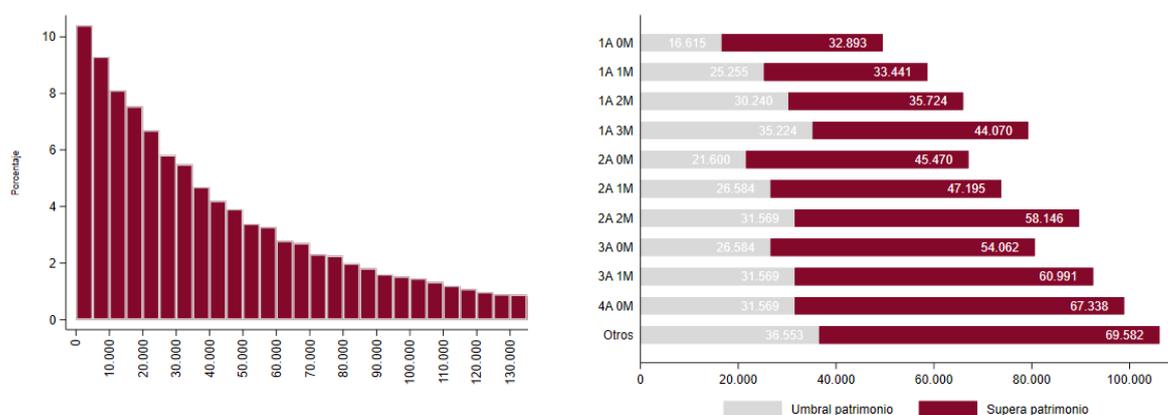
FIGURE 39. DISTRIBUTION OF EXCESS INCOME FROM REJECTED CASES AND MEDIAN AMOUNT OF EXCESS BY HOUSEHOLD TYPE



Source: Prepared by the authors based on exploitation of MLI cases.

Approximately 87,000 applications were rejected for exceeding the wealth limit established in the requirements. Thus, as shown in Figure 40, households whose case is rejected for this reason exceed twice the threshold, with a median excess amount of €40,000.

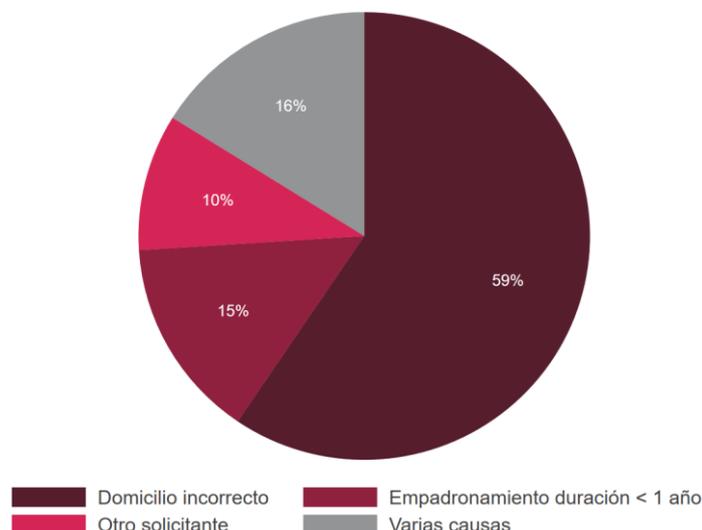
FIGURE 40. DISTRIBUTION OF EXCESS WEALTH FROM REJECTED CASES AND MEDIAN AMOUNT OF EXCESS BY HOUSEHOLD TYPE



Source: Prepared by the authors based on exploitation of MLI cases.

Failure to meet the requirements related to the cohabitation unit represents the second most common cause for rejection of MLI applications and has led to the rejection of 210,000 cases (Figure 41). In 59% of these cases, the reason for rejection is due to the fact that the cohabitation unit declared by the household does not match that which appears in the local register at that address. 15% of the cases rejected for these reasons do not meet the required registration period (one year in the analysis period) and 10% are rejected because the MLI was also requested by another member of the household.

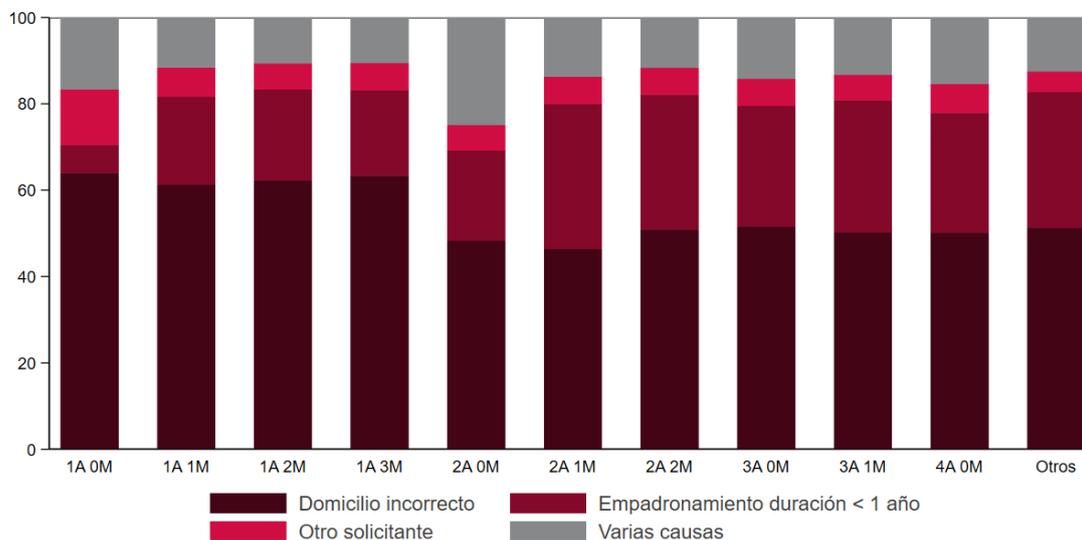
FIGURE 41. GROUNDS FOR REJECTION OF THE MLI RELATED TO THE COHABITATION UNIT



Source: Prepared by the authors based on exploitation of MLI cases.

**Cases that are rejected because a different address is declared to the one that appears in the local register are more frequent amongst households with only one adult, with or without children.** In these households, the incorrect address affects 60% of the rejected cases. However, in households with more than two adults, it is close to 40% (Figure 42). The complexity of registration situations is evident in households made up of a single adult, where rejections due to more than one applicant per household are more frequent, in relative terms, than in other households. This reason for rejection due to there being more than one applicant per household may have been mitigated over 2021 and 2022 given that in 2021 the regulation of the MLI was relaxed to allow the existence of several applicants within the same registered household.

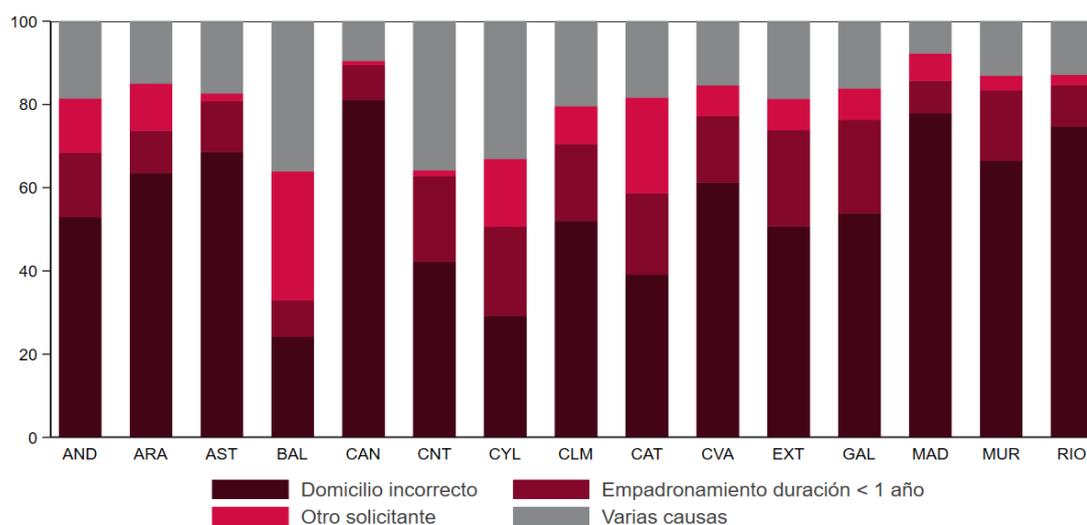
FIGURE 42. MLI CASES REJECTED DUE TO THE LOCAL REGISTRATION CRITERION BY HOUSEHOLD TYPE



Source: Prepared by the authors based on exploitation of MLI cases.

**Rejections due to declaring an address that does not match that of the register are also more frequent in cases from some Autonomous Regions with high rates of resident populations but whose origin is another region.** Thus, it is in the regions of the Canary Islands and Madrid where the applications rejected for this reason stand at 80% and 70%, respectively (Figure 43).

FIGURE 43. MLI CASES REJECTED DUE TO LOCAL REGISTRATION CRITERION BY AUTONOMOUS REGION

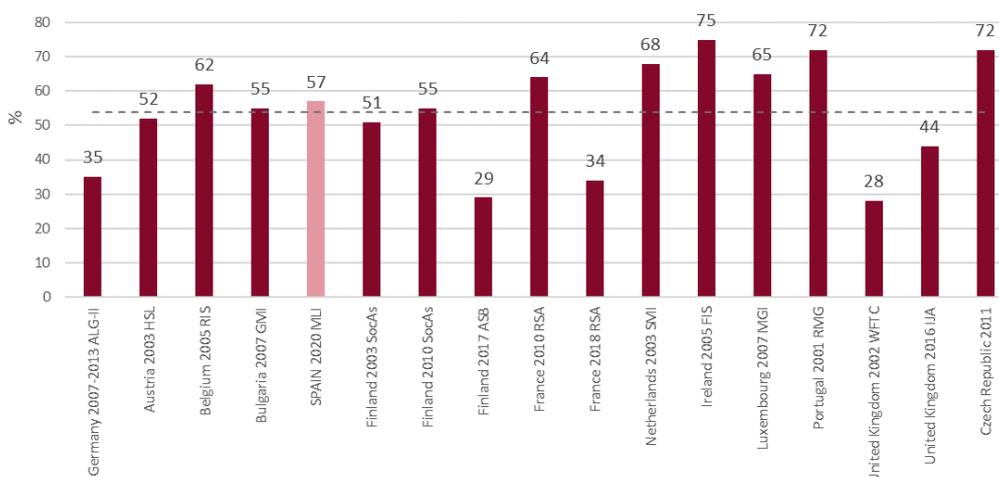


Source: Prepared by the authors based on exploitation of MLI cases.

### 2.3.3 Potential beneficiaries who do not submit an application (non-take-up)

**Households that could be beneficiaries of this benefit, but have not applied for it, amount to 57%.** Of the total number of households that meet the observable requirements of the MLI and that could therefore receive this benefit, 57% have not applied for it. This phenomenon, known as non-take-up, is common to this type of scheme. There are few comparative studies that estimate this figure and, in most cases, the estimates are made using different types of data and different calculation formulas (see a summary in Eurofound 2015; Marc *et al.* 2022). Taking into account these precautions and the fact that Figure 44 sets out data from schemes that have different characteristics and have been in place for very different numbers of years, the information from different countries shows the difficulties of reaching the target groups for these types of schemes. In some of them, the percentage of people who, even meeting the requirements of the scheme, do not apply for it, exceeds 70%.

FIGURE 44. NON-TAKE-UP IN DIFFERENT INCOME GUARANTEE SCHEMES IN OTHER COUNTRIES

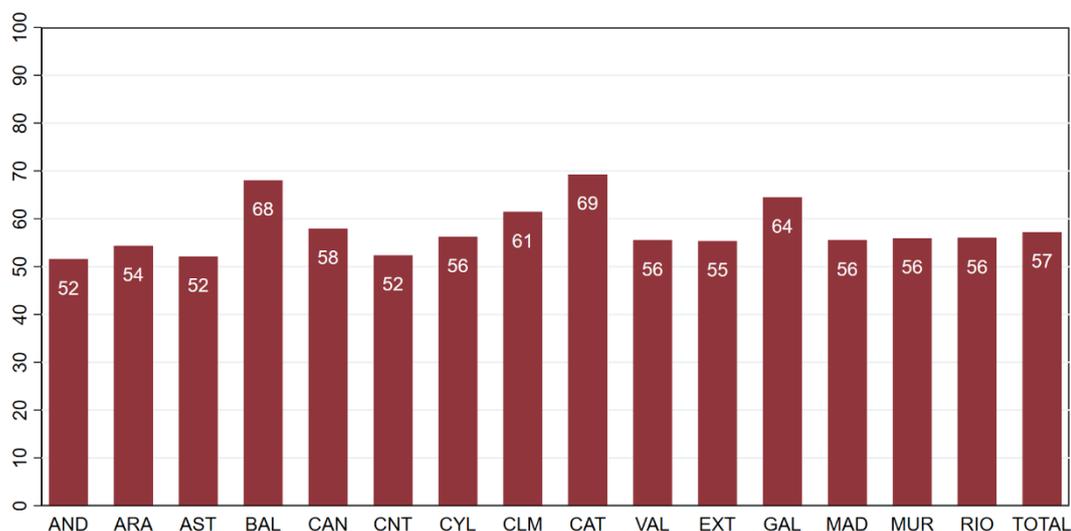


Source: Prepared by the authors based on Eurofound 2015; Marc *et al.* 2022 and author's calculations.

**In the case of the MLI, the non-take-up varies between Autonomous Regions.**

In Catalonia, the Balearic Islands and Galicia, this phenomenon is somewhat higher, with 66%, 61% and 59% of potential beneficiaries who have not yet applied for the MLI, respectively. At the other end are Asturias (44%), Rioja (45%), Andalusia (46%) and Aragon (46%) (Figure 45).

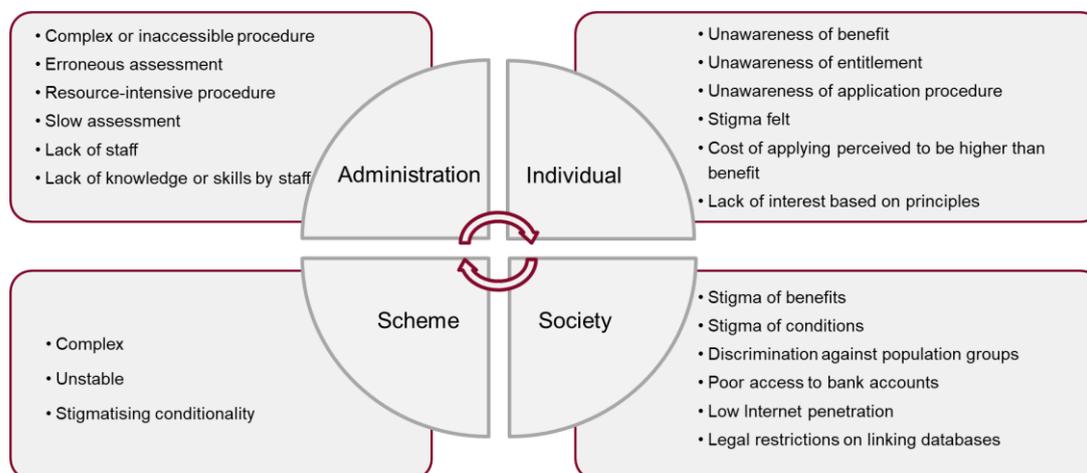
FIGURE 45. NON-TAKE-UP BY AUTONOMOUS REGION



Source: Prepared by the authors based on the merger of the AIReF-MLI\_MI Simulator and MLI cases

**Social scientists and scheme managers have identified several causes that can explain the non-take-up and have classified them into four groups: scheme characteristics** (unstable, very complex or with stigmatising conditions), **administration** (inaccessible procedure, erroneous assessment, need for certain resources that are lacking, slow decision-making or insufficient knowledge or skills of the staff), **traits of the beneficiary individuals** (unawareness of scheme, unawareness of whether or not they meet the requirements of the procedure, feeling of stigma, excessive cost or effort in relation to what will be received, lack of interest) **or the social context** in which the benefits have been implemented (stigma, discrimination against certain groups, poor access to bank accounts or the Internet, data access restrictions) (Table 8).

TABLE 8. CATEGORIES OF THE REASONS FOR NON-TAKE-UP

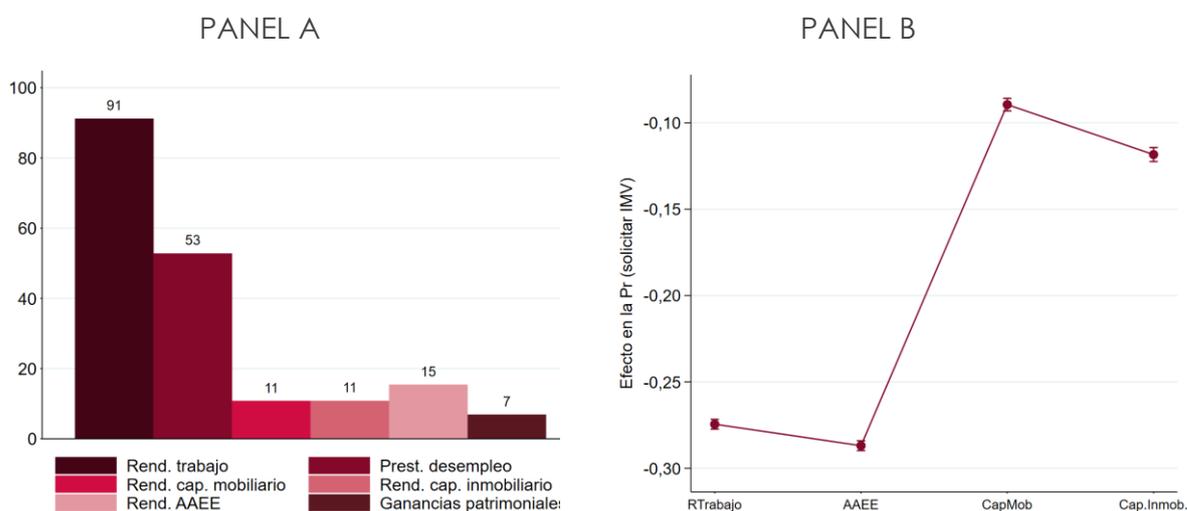


Source: Eurofound 2015.

**In this Opinion, some of the factors that help explain the extent of non-take-up in the case of the MLI have been analysed.** The type of data available in this evaluation does not allow an exploration for the case of the MLI of all the possible reasons identified by the previous evidence. However, efforts have been made to characterise households that meet the age, income and wealth requirements that entitle them to be beneficiaries of the MLI, but which have not applied for the benefit and to analyse some possible determining factors.

**There is a positive and significant relationship between not applying for the MLI and having some source of income (extensive margin).** Thus, 91% of eligible households that do not apply for the MLI (households in a non-take-up situation) receive income from work. In particular, 53% of non-take-up households receive unemployment benefits (classified as income from work). The percentage of households in a non-take-up situation that have other types of income is lower and stands at around 12% (Figure 46, panel A).

FIGURE 46. PERCENTAGE OF *non-take-up* INCOME-EARNING HOUSEHOLDS, BY TYPE (Panel A) and PROBABILITY OF APPLYING FOR MLI (AMONG POTENTIAL MLI BENEFICIARY HOUSEHOLDS) OF INCOME-EARNING HOUSEHOLDS, BY TYPE (Panel B)



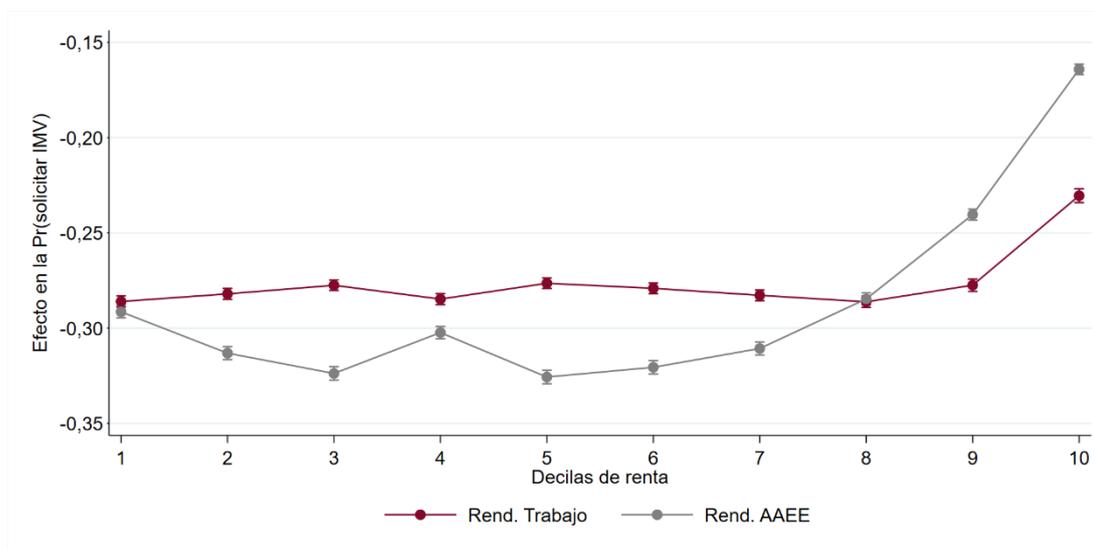
Note: PANEL B: Conditional regression by Autonomous Region, number of children, income level and age.

Source: Prepared by the authors based on the merger of the AIReF-MLI\_MI Simulator and MLI cases

**More relevant than knowing whether households that do not apply for the MLI have a certain income or not is whether, among the potential beneficiaries of the MLI, those who have at least a certain type of income apply with greater or lesser probability. Thus, as shown in Panel B of Figure 46, households that have (at least) income from work or economic activities (from among the potential beneficiaries) are 30% less likely to apply for the MLI than those that do not.** This result is stable among households residing in the same Autonomous Region, with the same number of children, in the same income and age range.

**In addition, the probability of applying for the MLI among households that receive income from economic activities is somewhat lower among households whose main source of income comes from work.** This result is stable and significant for all income levels and across the Autonomous Regions, number of children and age of the head of household.

FIGURE 47. PROBABILITY OF ELIGIBLE HOUSEHOLDS APPLYING FOR THE MLI, BY INCOME TYPE AND DECILES



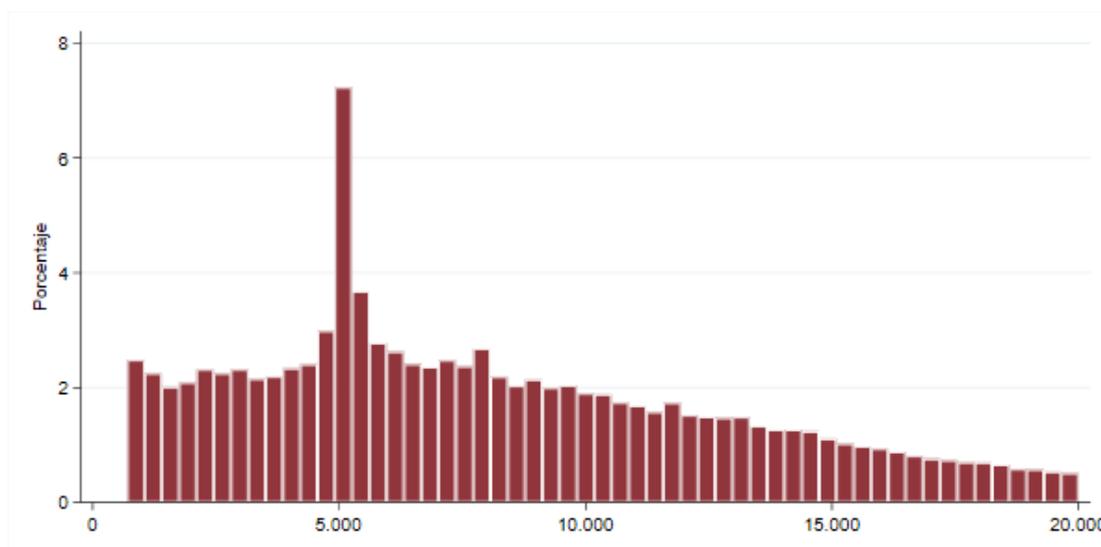
Note: Conditional probability by Autonomous Region, number of children and age

Source: Prepared by the authors based on the merger of the AIReF-MLI\_MI Simulator and MLI cases

**Furthermore, there is a concentration of income of households in a non-take-up situation around the amount corresponding to unemployment benefit<sup>26</sup>, which is compatible with the MLI** (Figure 48). In 2020, the unemployment benefit amounted to €430.27 per month, below the income guaranteed by the MLI for an adult. The receipt and duration of unemployment benefit is conditional on having previously worked and the age of the applicant. Therefore, the requirements for access to unemployment benefit are different from those of the MLI, even on common issues such as the consideration of cohabitation unit or family unit.

<sup>26</sup> The data used in this evaluation do not directly identify the recipients of non-contributory unemployment benefits, although there is a concentration around the amount of the benefit.

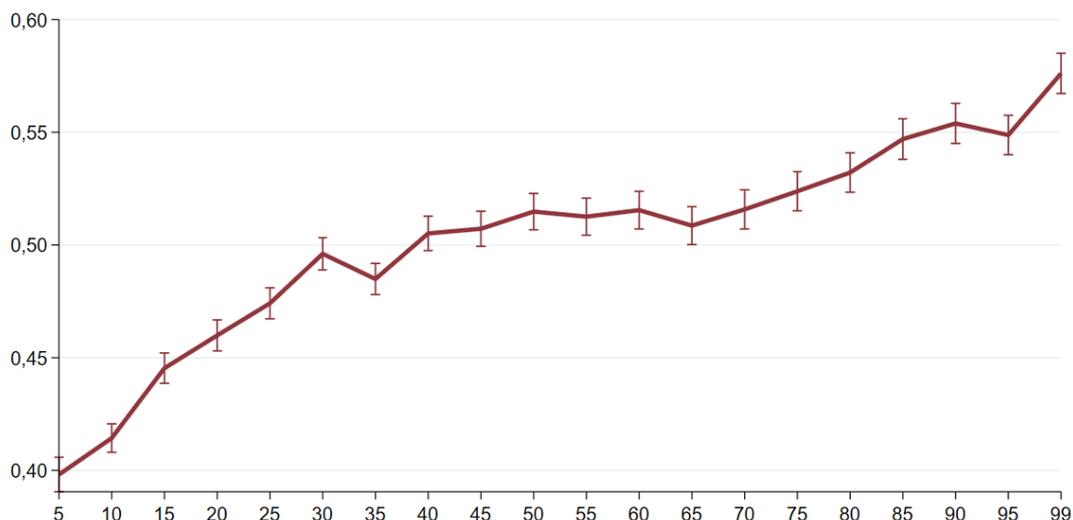
FIGURE 48. DISTRIBUTION OF NON-TAKE-UP HOUSEHOLD INCOME



Source: Prepared by the authors based on the merger of the AIReF-MLI\_MI Simulator and MLI cases

In addition to the fact of having an income or not, the level of income of the potential applicant (intensive margin) and, in particular, the gain from the MLI, positively affects the probability of applying. In other words, those households where the gain from the MLI is smaller are less likely to apply for this benefit (Figure 49). In particular, 41% of households where the MLI represents a 5% increase in income apply for the benefit; however, when this increase is 90%, the percentage of applicant households rises to 55%. This suggests that, as previous evidence has shown, households close to the eligibility threshold may perceive that the costs of the application in terms of time, red tape or other matters are not offset by the benefit they would obtain (Bargain *et al.* 2012; Bruckmeier and Wiemers 2010; Fuchs *et al.* 2019).

FIGURE 49. HOUSEHOLDS' PROBABILITY OF APPLYING FOR THE MLI BASED ON THE INCOME GAIN THAT IT WOULD MEAN FOR THE HOUSEHOLDS

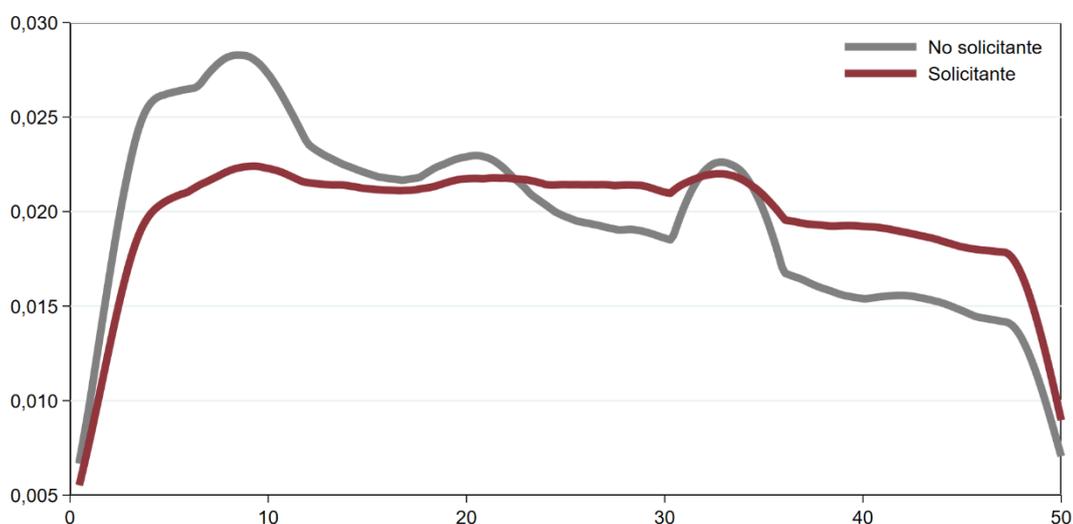


Note: Conditional probability on the number of children in the home, Autonomous Region and age.

Source: Prepared by the authors based on the merger of the AIReF-MLI\_MI Simulator and MLI cases

**In addition, and in line with the above result, it is observed that eligible households that do not apply for the MLI are concentrated among those that would obtain a small income gain when receiving it.** When the increase in income is greater than 20% of household income, the percentages of applicants and non-applicants for the MLI are close (Figure 50).

FIGURE 50. DISTRIBUTION OF APPLICANTS AND NON-APPLICANTS ACCORDING TO POTENTIAL GAIN FROM RECEIVING THE MLI



Source: Prepared by the authors based on the merger of the AIReF-MLI\_MI Simulator and MLI cases

**The Ministry of Inclusion, Social Security and Migration has promoted various actions to reduce non-take-up.** Firstly, a survey was carried out of the households identified as potential beneficiaries during the design of the benefit that had not applied for the MLI, despite continuing to meet the requirements to receive it. Only 2% of the 90,000 selected households answered the survey, sent by SMS with the collaboration of the AEAT. Most of the respondents stated that they did not meet the requirements and had doubts about its compatibility with other benefits. In addition, less than half of that 2% accepted support in making the application. A pilot project is also being conducted in all the Autonomous Regions to locate the non-take-up and an information campaign on the MLI is planned for the autumn. The MLI Mediators Register launched in December 2021 may also contribute to reducing this phenomenon.

## 3 PROPOSALS

**AIReF has prepared two types of proposal based on the findings of the analysis.** Firstly, it presents a set of short-term proposals that seek to address the most problematic aspects of the benefit identified in this analysis. Secondly, a medium-term proposal is set out which aims for greater integration of the MLI with other benefits and taxes while moving towards *ex officio* action by the Government so that it can act more effectively in caring for people in vulnerable situations.

### 3.1 Short-term proposals

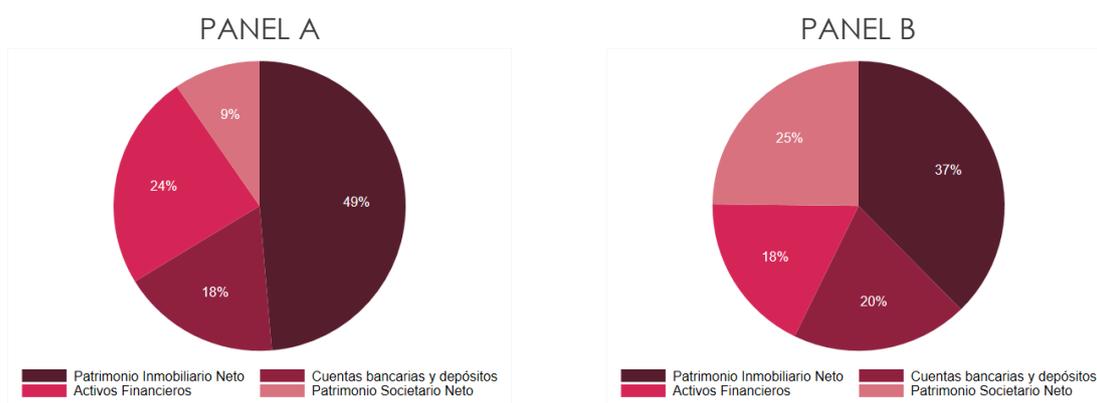
**Proposal 1: Specify the targets of the MLI so that compliance can be assessed.**

In this regard, it is necessary to:

- Specify the poverty definitions and indicators that the MLI uses to set its targets and monitor them.
- Clearly and realistically establish the objectives of the process and the result the scheme aims for. With regard to the latter, the European Pillar of Social Rights Action Plan itself recommends that each country set its poverty reduction targets. In addition, it would be advisable to identify the coverage to be achieved, poverty rate and the reduction in the poverty gap to be achieved.
- Set reasonable deadlines for achievement of both process and outcome objectives. Given the complexity of these schemes, establishing implementation deadlines for certain process targets (for example, budget that must have been executed within a certain period of time, requests that should have been received or decided on, time spent in deciding on them, among others) can help anticipate difficulties and measure the necessary resources. In addition, set the deadlines by which the MLI performance targets are expected to be met.
- Ensure that the targets set are quantifiable and measurable and systematically incorporate the information for monitoring the benefit to the Social Security Statistics Portal.

**Proposal 2:** Analyse the nature of the wealth of households living in poverty, in particular, the degree of liquidity of their real assets and their valuation. If necessary, reconsidering the definition of wealth set in order to become a beneficiary of the MLI. The wealth composition of households living in poverty is concentrated in real estate assets (Figure 52, Panel A).

FIGURE 51. COMPOSITION OF THE NET WEALTH OF HOUSEHOLDS IN POVERTY (PANEL A) VS. OTHER HOUSEHOLDS (PANEL B)



Source: Prepared by the authors based on the merger of the AIReF-MLI\_MI Simulator - MLI cases.

**Proposal 3:** Carry out a detailed analysis of the rejected cases due to non-compliance with the requirements related to income and the cohabitation unit and, where appropriate, reformulate them.

- Perform a survey among applicants whose cases have been rejected on the grounds of income when this differs significantly from the threshold and among households of two or more adults to learn about their situation and the reasons for their perceived need. It would be of interest to analyse other poverty indicators (ARPE, among others) and to include them in the MLI application form, as well as to facilitate the interconnection of this information with social services.
- Carry out a detailed study of the cases rejected due to the cohabitation unit in order to learn more about the characteristics of the households whose cases are being rejected and the impact of the change in these criteria as from January 2022. For example, analysing the importance of people's geographic mobility or the importance of the number of adults.

**Proposal 4:** Continue simplifying the application process for the MLI, further analysing the reasons why potential beneficiaries of the MLI, even when they

**fulfil the requirements, do not apply for it (non-take-up) and promote institutional advertising of this benefit.**

- Analyse possible bureaucratic barriers linked to administrative language, the requirements and the waiting times to obtain an appointment in person. It would be useful to incorporate new user information in the application (for example, educational level, language, etc.) in order to learn how different barriers can affect each user profile.
- Perform a characterisation of non-take-up by cross-checking with other administrative databases, for example, sociodemographic databases or those containing employment or benefit information. Continue to launch experimental pilot projects to make access to the benefit easier for potential beneficiaries. It would be particularly relevant to see the results of these pilot projects in those Autonomous Regions where non-take-up is higher or among households that have other types of income or benefits.
- Analyse the impact of the obligation to file income tax returns and the obligation to register as a job seeker. For this purpose, an experimental analysis can be carried out.
- Improve publicity of the existence of the MLI with the support of social services and the third sector.

**Proposal 5: Within the framework of the Minimum Living Income Monitoring Committee, continue working on the fit between the MLI and the minimum income of each Autonomous Region in order to enhance efficiency in the achievement of the objectives of inclusion and poverty reduction and to optimise the use of public resources. AIReF's participation in this Committee could be useful for providing evidence on the pace and effects of the fit between the two benefits based on the analysis carried out in the successive opinions.**

- Strengthen the exchange and cross-checking of information on the beneficiaries of the MLI and of the regional minimum income schemes for management and evaluation purposes, using the mechanisms provided for in the law or any others that may be deemed necessary.
- Standardise the definitions and metrics of the different sources of information on minimum income schemes to ensure their compatibility.
- Evaluate in detail the complementarity between the MLI and minimum incomes in each Autonomous Region. In this regard, it

should be remembered that the European Pillar of Social Rights Action Plan sets the target of reducing the number of people at risk of poverty in European countries by 15 million by 2030. Therefore, within the Monitoring Committee, and in relation to the analysis of complementarity, it may be appropriate to study the resources that the MLI releases from the MI schemes.

- Share good practices on the measures adopted in the Autonomous Regions to ensure an effective and efficient fit of both schemes in each region.
- Continue to work on launching actions to strengthen the link between the MLI and social inclusion and its complementarity with employment.

### 3.2 Medium-term proposal

**Proposal 6:** Continue to advance, in the medium term and as information becomes available, on the effects that the MLI is having on poverty reduction, inclusion and participation in the labour market, towards a benefit that is initiated *ex officio* and continue moving towards integration with other benefits and taxes with the same objectives with the aim of improving efficiency.

This requires the following steps to be taken:

- Previously and in the short term, it is necessary to increase interoperability and the exchange of information between administrations, so that information on income, wealth, benefits and taxes of all households is available in a common repository.
- With the above information, the Government could provide all citizens with a draft tax return. This draft would contain all the information on income (including all benefits), wealth and household composition of each person, both taxpayers and non-taxpayers.
- Once validated, or corrected, by each citizen, it would allow the Government to initiate *ex officio* and integrate the benefits to which they were entitled, including the MLI.

**When the Government has this information in a single system, it would be possible to move towards different integration alternatives. By way of example, two possible alternatives are cited:**

- **Example 1:**

**The MLI (and other benefits that pursue the same objectives) could be integrated into Personal Income Tax** as a negative tax and extended to the entire population (both those who file and those who do not file returns), harmonising the amounts with the Personal and Family Minimum, which, as its legislation establishes, pursues an objective similar to that of the MLI: “To meet basic personal and family needs” (Article 56 of Law 35/2006).

- **Example 2:**

**All State social benefits and tax benefits for income support purposes could be integrated into a single benefit.** An initiative such as this was launched a few years ago in the United Kingdom, which has been integrating several benefits and tax credits (housing support, unemployment and disability benefits and tax credits to support families or employment...) into one scheme now known as Universal Credit. The design of this benefit includes employment incentives to reduce the poverty trap.

**In the medium term, this proposal would contribute to:**

- **Eliminating potential duplication, overlap** or gaps in coverage that may occur in relation to the fit with other tax credits and benefits that pursue the same purpose.
- **Facilitating integration** with other benefits that pursue the same purpose (labour inclusion).
- **Reducing social signalling costs** by not having to be applied for by the person
- **Reducing procedural costs both for beneficiaries and for the Government and non-take-up.**

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