

## **AIReF REPORTS LITTLE PROGRESS IN THE DEVELOPMENT OF THE MINIMUM INCOME SCHEME**

- **The Independent Authority for Fiscal Responsibility (AIReF) reports that the number of beneficiaries of the Minimum Income Scheme (MIS) remains at 284,000 households, 35% of the 800,000 households that could receive it**
- **In 2022 nearly 470,000 eligible households, 58% of the total, did not apply for the MIS, and 69% of applications were denied**
- **1.9 billion spent in 2022, 47% of its potential annual cost**
- **The benefit is reaching the most vulnerable households as evidenced by the fact that 62% of beneficiaries have been receiving the benefit since 2020 and 54% had not earned any salary in the three years prior to the benefit**
- **The Ministry of Inclusion, Social Security and Migration has implemented a number of actions aimed at encouraging eligible households to apply for the MIS and at improving the effectiveness of the benefit**
- **AIReF was unable to ascertain the transfer of beneficiaries from the regional minimum incomes to the MIS given the lack of quality data supplied by the Autonomous Regions to the National Social Security Institute (INSS) and the Spanish Tax Agency (AEAT)**
- **The lag of the fiscal data used to manage the benefit has led to 67 % of recipient households having their MIS amount revised. 16 % of them lost their right and had earned a median excess amount of 2.500 euros**
- **The evaluation detects a limited reach of the new child allowance, which benefits 274,000 households compared to the 1.5 million eligible families**
- **AIReF proposes moving towards a more automatic MIS management model based on the integration of administrative records in a single database that would allow benefits to be granted automatically or by means of a negative tax**

**The Independent Authority for Fiscal Responsibility (AIReF) today published its Second Opinion on the Minimum Income Scheme (MIS), a non-contributory benefit aimed at preventing the risk of poverty for people who lack the economic resources to cover their basic needs. AIReF identifies difficulties and little progress in the deployment of the benefit, despite the actions aimed at encouraging applications and boosting the effectiveness of the benefit. AIReF also detects a limited scope of the new child allowance.**

Welfare benefits such as the MIS protect all those people who, due to special or supervening circumstances, are not fully covered by contributory systems. In Spain, as in many neighboring countries, the rate of progress of welfare protection systems has been slower than that of contributory systems, to the extent that income guarantee benefits, such as the Minimum Income Scheme, have not been deployed until the 21st

century. Moreover, welfare protection is, by its nature, more complex than contributory protection, as it seeks to address the specific needs of each beneficiaries and faces the challenge to design individualized incentives to foster inclusion and labour market integration.

AIReF's first MIS Opinion already highlighted some difficulties in the design and roll-out of the benefit. For instance, it showed that, as of December 2021, the MIS had reached 284,000 households out of a potential 700,000. In addition, the first Opinion found that 400,000 households that could receive the MIS had not yet applied for it (57% of potential beneficiaries). Despite the government's actions to boost the benefit, the second Opinion keeps finding similar obstacles and little progress in the implementation and management of the MIS.

In 2022, the Ministry of Inclusion, Social Security and Migration has launched numerous actions aimed at encouraging eligible households to apply for the MIS and at increasing the effectiveness of the benefit. For example, more than a dozen social entities have registered in the recently created Registry of Social Mediators of the MIS . These NGOs have been granted the capacity to certify complex situations of households applying for the MIS. Likewise, a thorough media campaign has been carried out to raise awareness of the benefit and ease the application process. The Ministry has deployed an information bus that has stopped in multiple locations throughout the country and has provided advice to any person showing interest in the MIS.

In addition, the Ministry of Inclusion, Social Security and Migration has launched thirty-four pilot projects in collaboration with the Autonomous Regions, City Councils, Third Sector Entities and academic institutions. These projects customize support to the needs of each participant household thus attempting to enhance their social inclusion prospects. Evaluated with RCTs, these pilot projects seek to identify good and scalable practices and therefore contribute to shaping an inclusion policy based on the results of robust empirical evidence.

In the new Opinion, AIReF attests that the MIS is covering highly vulnerable households. As a matter of fact, 62% of beneficiaries have been receiving the benefit since 2020 and 54% had not earned any salary in the three years prior to the benefit. Moreover, nearly 80% of the additional household expenditure stemming from the high inflation registered in 2022 was compensated by the 15% increase in the MIS payroll.

### **The number of beneficiaries has stagnated**

However, AIReF also shows that the MIS has encountered a certain degree of stagnation in the last year and provides evidence of the limited reach obtained by the new child allowance. As of December 2022, the number of MIS beneficiaries stayed the same; 284,000 households out of the 800,000 eligible for the benefit, which in turn accounts for 47% of potential expenditure. This figure is lower in the new child allowance, which if fully implemented could benefit 1.5 million families and by the end of 2022 only fared 274,000 households under the scheme.

AIReF also finds issues related to the management of the benefit. The rate of MIS refusals in 2022 stands at 69%, equivalent to 2021 level. In addition, in 2022 the National Institute of Social Security revised 83% of the MIS benefits once the final income data became available. Specifically, 67% of beneficiaries had their monthly amount revised and 16% had their benefit withdrawn after the revision, for which they were requested to refund a median amount of 2,500 euros.

According to AIReF's analysis, there is still a 58 % MIS non-take-up while the new child allowance in its first year shows a *non-take-up* rate that exceeds that of the MIS (76%).

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This Opinion includes a profile of non-claimant households, which could be useful in the design of policies promoting access to the benefit and their targeting to groups whose incorporation is proving more complicated. Specifically, AIReF shows that 61% of potential beneficiaries who did not apply for the benefit were households without children and that 64% of them live in Andalusia, Catalonia, Valencia and Madrid.

Furthermore, this Opinion suggests that part of the non take-up may be explained by an incomplete transfer of beneficiaries from the regional minimum incomes to the MIS. However, this hypothesis could not be verified due to the lack of quality data on regional minimum income beneficiaries supplied by the Autonomous Regions to the Spanish Tax Agency and the National Social Security Institute.

In this regard, AIReF encourages speeding up and strengthening the exchange of the information that the Administration keeps on the vulnerable population, facilitating the interconnection of data on income, assets, benefits, taxes and social services assistance. In particular, the second Opinion highlights the importance of the Autonomous Regions speeding up a consistent uploading of their regional minimum income payments onto the Digital Social Card Registry and the Spanish Tax Agency's records.

**New management model**

All this information could be complemented by a universal declaration of income and benefits. The latter would allow the creation of a new model for MIS management, such that the benefit would be initiated ex officio or, alternatively, be configured as a negative tax. This management system would enable the immediate transfer of beneficiaries from the Autonomous Regions' minimum incomes to the MIS and could be used to grant other social benefits or direct transfers in a more targeted manner. In the same vein, the Administration could make greater use of the monthly information on applicants' income, so that to mitigate the incidence of MIS amounts' adjustments.

In addition, AIReF recommends assessing the possibility, relevance and feasibility of simplifying the definition of the means test taking into account the administrative data available on a monthly basis. The aforementioned proposal would make it possible to link the benefit amount to the needs of the beneficiaries at any given moment in time, improving the MIS capacity to adjust to situations of supervening poverty.