



Autoridad Independiente
de Responsabilidad Fiscal

Second Opinion

Minimum Income Scheme

June 15th, 2023

The legal mandate to report annually on the Minimum Income Scheme is fulfilled

Legal basis: Article 31.3 of Law 19/2021. AIREF will issue an annual Opinion on the result of the Minimum Income Scheme (MIS) and the various inclusion strategies and policies

First opinion in July 2022

Focused on design, results and management. First three modules of AIREF's multi-year programme

It is not a simple evaluation

Prevent the risk of poverty and social exclusion
Guarantee minimum income level

Lack of specific targets. 2021 proposal that remains unaddressed

Limitations on the scope of coverage

Analysis of Autonomous Regions under the ordinary regime. AIREF objective: to incorporate Basque Country and Navarre

AIREF's Proposals

Monitor of findings and proposals

The second opinion on the MIS updates the previous one and analyses two new modules

2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
Module 1 Potential design	Module 4 Children and young people (Child supplement)	Module 6 Coverage and scope in situations of transitory poverty	Module 7 The inclusion capacity of the MIS and its effects on the labour market	Module 8 Complementarity and overlaps with other non-contributory benefits
Module 2 Results	Module 5 People with severe material deprivation and single-parent families	Box 1. The employment of MIS beneficiaries in the years prior to receiving the benefit Box 2. The impact of inflation on MIS beneficiaries and the adequacy of compensatory measures		Module 9 International comparison (effectiveness and efficiency)
Module 3 Implementation and management				
UPDATE	NEW	+		

This second opinion corroborates the difficulties in implementing a non-contributory benefit of these characteristics

Second year of MIS implementation:
figures very similar to those of 2021

Little progress to exploit the potential of the MIS

Problems that are also evident in the new Child Support Supplement

Potential scope: Improvement of 5 pp
82% of the poverty threshold defined as 40% of the median income
More than 90% in single-parent households

284,000 beneficiaries
(43,000 starting to receive in 2022)
35% of households that could receive it
(48% in single-parent households)

58% households that would be beneficiaries and do not apply for it (non-take-up)

69% rejection rate

Processing time: 120 days, with a 60% increase in applications

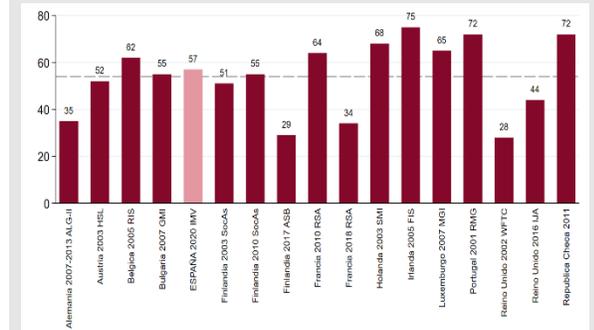
Similar figures also in the processing

47% of annual expenditure over potential (€1.9bn)

Problems in management that are identified in similar models

PROBLEMS COMMON TO COUNTRIES WITH SIMILAR DESIGNS

Average non-take-up in comparable countries that have started similar projects stands at around 50%



PROBLEMS COMMON TO OTHER SOCIAL SUPPORTS WITH SIMILAR DESIGN

Support of €200: 23% executed of 2022 annual expenditure over potential amount, non take-up of 77%

But there are positive data whose effects will have to be evaluated

The MIS is reaching the most vulnerable households

62% of the beneficiaries have received the MIS since 2020

The average duration of the benefit is 20 months

54% of the beneficiaries had not received any wage in the previous three years

80% of the inflationary cost increase in 2022 has been covered in MIS households by the 15% increase measure

Steps have been taken in the right direction

Reduction of application procedures

Initiatives to disseminate the benefit

Compatibility of employment and MIS

Register of social mediators

Launch of a pilot social inclusion project

AIReF insists on its proposal to move towards a more automatic management model

Main problems Identified in the MIS

High non-take-up (58%)

Repeated in Child Support Supplement (76%)

Limited information on vulnerable groups

It is not possible to know the complementarity and overlap with regional minimum incomes

Poor quality of the information sent by the ARs to the AEAT, the INSS and the Ministry of Social Rights

Reviews of payments: 83% of households

67% have had the amount revised
16% result in removals and request to pay back
median amount of €2,500

**AIReF proposal: towards
a new management
model with greater
automation and
integration, around two
pillars**

Single database

Supplement with
universal
declaration of
income and
benefits

Policies of transfers
carried out *ex
officio* or through
negative tax

- Interconnection between data on income, wealth, taxes and overall benefits
- Information on the regions, including the Basque Country and Navarre
- More focused management
- Monthly frequency indicators
- Valid for other benefits

Proposals are also identified that would allow some of the limitations to be mitigated while maintaining the current model

Additional actions could be considered	Improvement in the supply of information (beneficiaries), as well as its exploitation (monthly frequency)
	Promote information on minimum incomes (MIs) in all the Autonomous Regions
	Use the profiling of non-applicants to focus actions on the most significant groups (households without children and those with a limited potential gain in income) and in locations where potential beneficiaries are concentrated
	Accelerate inclusion mechanisms or pathways
Child Support Supplement	Specify targets, improve statistics, advertise the benefit and analysis of the reasons for non-take-up
Severe deprivation and single-parent families	Further study the situation of severe deprivation of MIS applicants and their perception of poverty. Inclusion of poverty indicators in the MIS form

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Box 2: The impact of inflation on MIS beneficiaries and the adequacy of compensatory measures

1

Update Design, Results
and Processing
(Modules 1, 2 and 3)

Modules 1 and 2: Design and results

FINDINGS

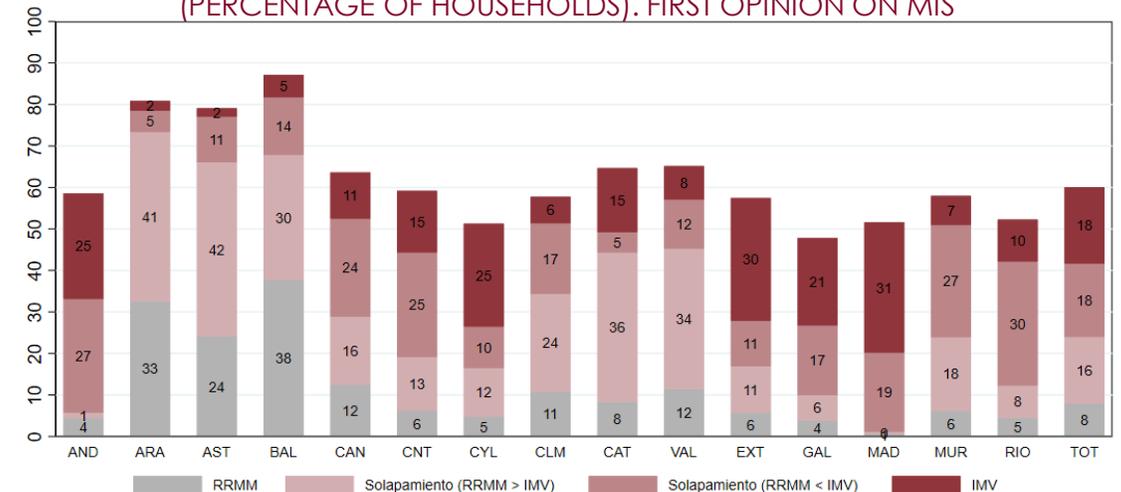
- The MIS benefits 284,000 of the 800,000 households that could receive it (35%). Figure similar to the previous year. (Annual cost €1.9bn, 47% of its potential)
- 469,000 households that would be beneficiaries of the MIS and have not applied for it, non-take-up. 58% of the potential
 - 61% are households without children (single-person + adult-only households)
 - 64% resident in Andalusia, Catalonia, Valencia or Madrid
 - 38% households who would have an income increase of less than 30% if they received the MIS
 - Unknown Transfer from the AR-MIs to the MIS: poor quality of micro-information of the MIs that the ARs report to the AEAT, to the INSS (Digital Social Card). Approx. 80% of the potential beneficiary households of MIs are potential beneficiaries of the MIS

RANKING OF THE TEN GROUPS WITH MORE NON-APPLICANTS

Posición	CCAA	Tipo de hogar	Ganancia potencial de renta	Total de hogares no solicitantes	Tasa de non take-up
1	Andalucía	Unipersonal	Menos del 30%	15.495	77%
2	Andalucía	Hogares de solo adultos	Menos del 30 %	12.959	78%
3	Andalucía	Hogares con hijos y más de un adulto	Menos del 30 %	11.753	62%
4	Andalucía	Unipersonal	Más del 60 %	11.441	37%
5	Andalucía	Hogares de solo adultos	Entre el 30 % y el 60 %	10.163	69%
6	Cataluña	Unipersonal	Más del 60 %	10.117	57%
7	Cataluña	Hogares con hijos y más de un adulto	Más del 60 %	9.394	65%
8	Andalucía	Hogares con hijos y más de un adulto	Más del 60 %	8.780	33%
9	Andalucía	Hogares de solo adultos	Más del 60 %	8.683	55%
10	Andalucía	Hogares con hijos y más de un adulto	Entre el 30 % y el 60 %	8.241	50%

Source: AIReF based on the merger of the AIReF-MIS_MI simulator and MIS cases.

COVERAGE OF HOUSEHOLDS IN POVERTY OF THE MIS + REGIONAL MI PROGRAMMES (PERCENTAGE OF HOUSEHOLDS). FIRST OPINION ON MIS



Source: AIREF-MLI_MI micro-simulator. Report 1st Opinion MIS.

Modules 1 and 2: Design and results

FINDINGS

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PROPOSALS

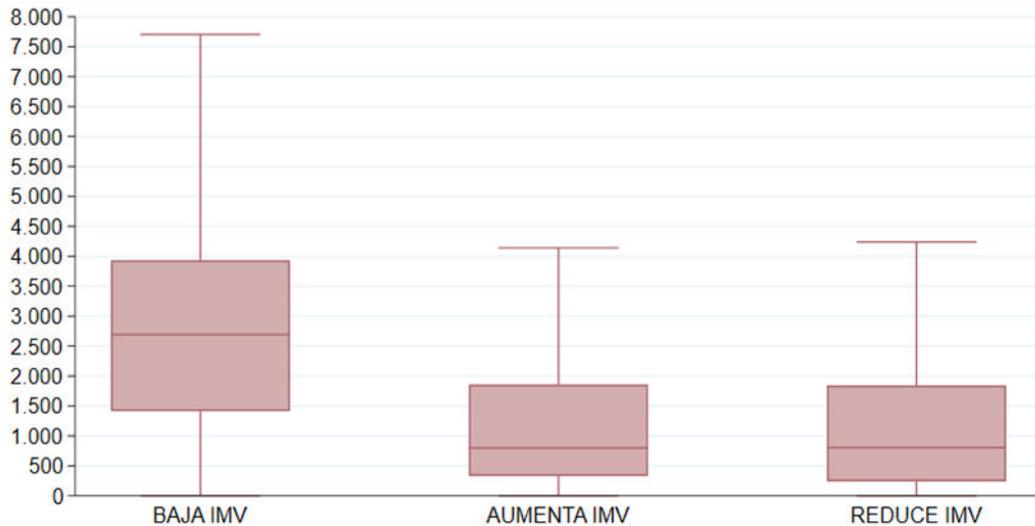
- In line with the first opinion, to accelerate the transformation towards a new, more automatic MIS management model based on the integration of governmental sources of information on income, wealth, taxes and total benefits (including AR minimum incomes) of all tiers of government around a common database that could be supplemented by a universal income declaration with the aim of:
 - Moving towards an MIS that is initiated *ex officio* (or in the negative tax format), thus helping to reduce non-take-up.
 - Allowing the immediate transfer of the beneficiaries of the AR minimum incomes to the MIS.
 - Activating when a situation of unforeseen poverty is identified (crossing of information of AEAT and social contributions, TGSS).
 - Serving as a model-platform for other social benefits or targeted direct transfers

Module 3: Evolution of processing

FINDINGS

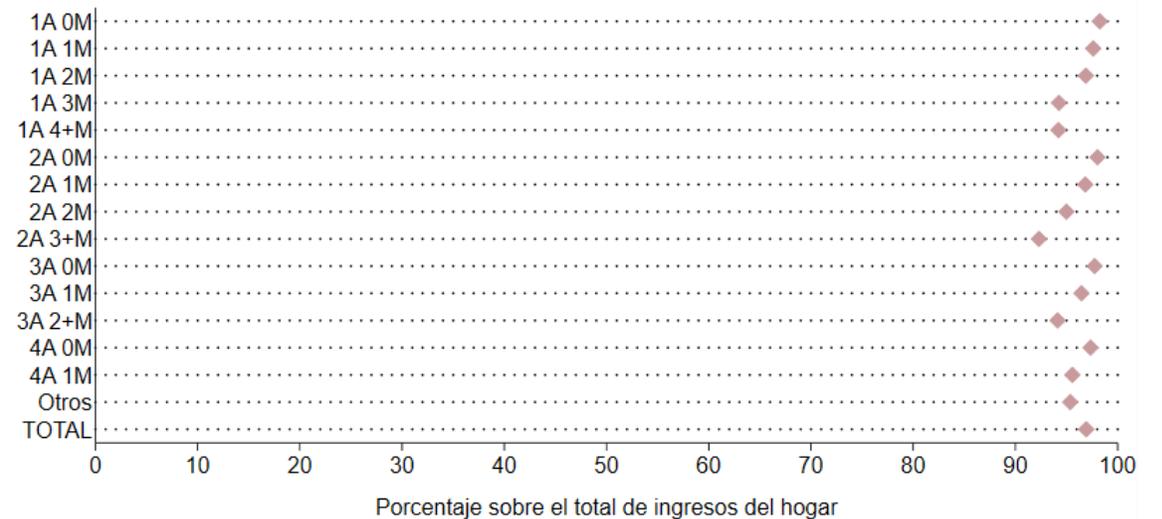
- In 2022, 69% of the applications submitted were rejected. Average processing time: 120 days. Both figures are similar to those of the previous year despite the increase in applications, which is partially explained by the Child Support Supplement (60% increase)
- The delay in tax information has caused 83% of households to have their MIS amounts revised: 27% are revised downward and 40% upward. 16% are removed from the MIS and are asked to return a median amount of €2,500
- MIS beneficiary households receive 97% of their income from work or benefits, which is information available on a monthly basis from the INSS

DISTRIBUTION OF AMOUNTS NOT RECEIVED BY HOUSEHOLDS OR UNDULY RECEIVED BETWEEN JANUARY AND SEPTEMBER 2022



Source: AIReF based on INSS management data.

PERCENTAGE OF THE SUM OF INCOME FROM WORK AND BENEFITS OVER GROSS HOUSEHOLD INCOME IN MIS BENEFICIARIES



Source: AIReF based on INSS and AEAT data.

Module 3: Evolution of processing

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- In 2022, 69% of the applications submitted were rejected. Average processing time: 120 days. Both figures are similar to those of the previous year despite the increase in applications, which is partially explained by the Transport Supplement (60% increase)
- The delay in tax information has caused 83% of households to have their MIS amounts revised: 27% are revised downward and 40% upward. 16% are removed from the MIS and are asked to return a median amount of €2,500
- MIS beneficiary households receive 97% of their income from work or benefits, which is information available on a monthly basis from the INSS

PROPOSALS

- Extend the use of the available monthly data by authorities (AEAT and TGSS) with the twofold aim of:
 - Adjusting the amounts of the benefit in real time to the income of the beneficiaries, thus mitigating the incidence and size of the revisions
 - Assessing the possibility, relevance and feasibility of simplifying the definition of eligible income for access to the MIS, thus enhancing the ability of the MIS to address situations of unforeseen poverty.

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The Child Support Supplement (Module 4)

Module 4: Design and results of the Child Support Supplement

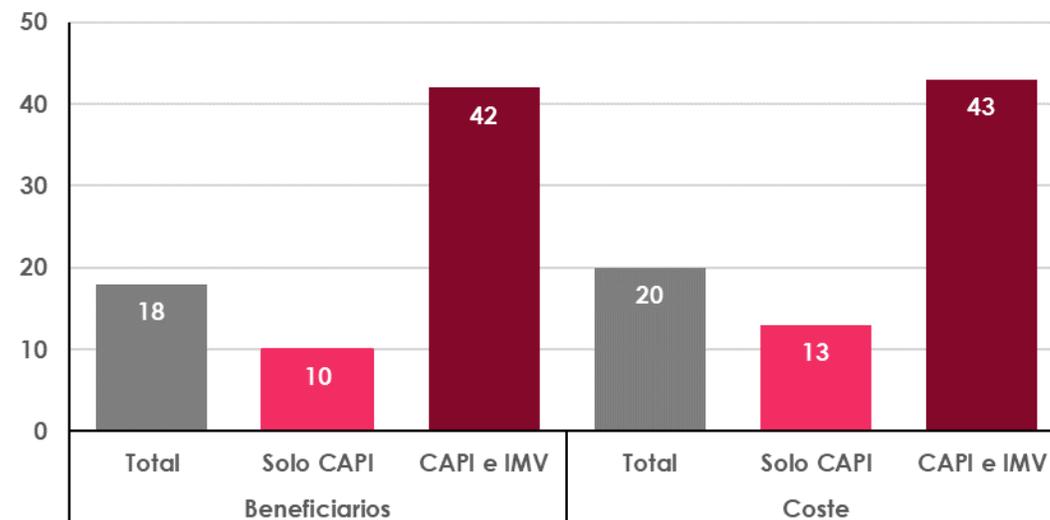
FINDINGS

- This supplement is a benefit aimed at both potential MIS beneficiaries with children and non-MIS beneficiaries. Income and wealth limits higher than MIS (x 3 and x 1.5, respectively). €100 under 3 years old, €70 from 3 to 6 years old, €50 from 6 to 18 years old
- 274,000 Child Support Supplement beneficiary households, 18% of the 1.5 million eligible households. Annual cost in 2022: €400m (20% of the potential €2bn)
- The percentage of households that would be beneficiaries but have not applied for it amounts to 76%

AMOUNTS OF CHILD SUPPORT SUPPLEMENT INCOME AND WEALTH LIMITS. 2022

Household type	Income	Net wealth	Non-corporate assets
1A 0C			
1A 1C	23,008	37,167	49,557
1A 2C	28,318	47,787	63,716
1A 3C	33,628	58,406	77,875
1A 4+C	38,937	69,025	92,034
2A 0C			
2A 1C	28,318	47,787	63,716
2A 2C	33,628	58,406	77,875
2A 3+C	38,937	69,025	92,034
3A 0C			
3A 1C	33,628	58,406	77,875
3A 2+C	38,937	69,025	92,034
4A 0C			
4A 1+C	38,937	69,025	92,034
Other	38,937	69,025	92,034

DEGREE OF IMPLEMENTATION OF THE CHILD-SUPPORT SUPPLEMENT UP TO DECEMBER 2022



Source: AIReF based on the results of the AIREF-MIS-CSS microsimulator.

Module 4: Design and results of the Child Support Supplement

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PROPOSALS

- Further analyse the reasons why potential beneficiaries of the Child Support Supplement do not apply for it (non-take-up). It is proposed that an experimental analysis be conducted of whether the non-take-up rate would fall if an application for the Child Support Supplement differentiated from the MIS was designed
- Promote institutional advertising of this supplement

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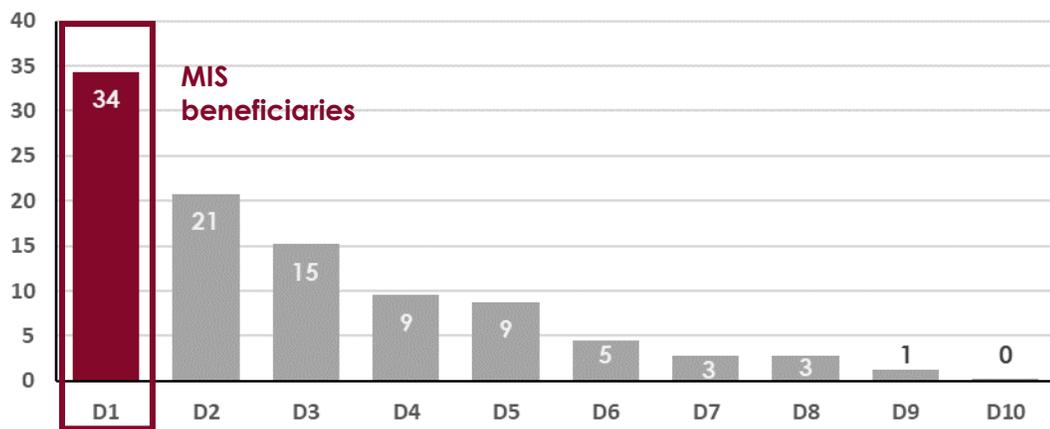
People with severe material and social deprivation and single-parent families (Module 5)

Module 5: Severe material and social deprivation and single-parent families

FINDINGS

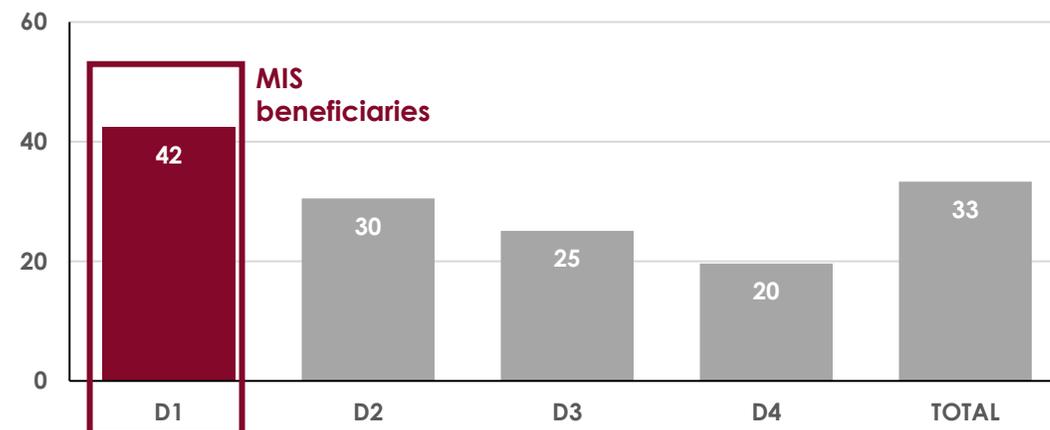
- People in severe material and social deprivation are those who report suffering deprivation in at least seven items on a list of thirteen
- The fully implemented MIS would cover around 34% of people suffering from severe material and social deprivation
- The intensity of severe material deprivation is higher in households that would be covered by the MIS
- Single-parent households are the households most covered by the MIS (48% MIS) compared with other households with children (38%). They were incorporated earlier into the benefit and have benefited more from *ex officio* conversion from the dependent child allowance

DISTRIBUTION OF PEOPLE WITH SEVERE MATERIAL AND SOCIAL DEPRIVATION BY INCOME LEVEL (DECILES)



Source: AIReF based on the 2022 Living Conditions Survey. INE.

PERCENTAGE OF PEOPLE IN SEVERE MATERIAL AND SOCIAL DEPRIVATION WHO HAVE HAD SOME DELAY IN MORTGAGE PAYMENTS OR HOUSING RENT BY INCOME LEVEL (DECILES)



Source: AIReF based on the 2022 Living Conditions Survey. INE.

Module 5: Severe material and social deprivation and single-parent families

FINDINGS

- People in severe material and social deprivation are those who report suffering deprivation in at least seven items on a list of thirteen
- The fully implemented MIS would cover around 34% of people suffering from severe material and social deprivation
- The intensity of severe material deprivation is higher in households that would be covered by the MIS
- Single-parent households are the households most covered by the MIS (48% MIS) compared with other households with children (38%). They were incorporated earlier into the benefit and have benefited more from *ex officio* conversion from the dependent child allowance

PROPOSALS

- Further study the situation of severe material and social deprivation of all MIS applicants and their perception of poverty.
- It would be of interest to analyse other poverty indicators (AROP, among others) and to include them in the MIS application form in order to create a database and facilitate the interconnection of this information with social services

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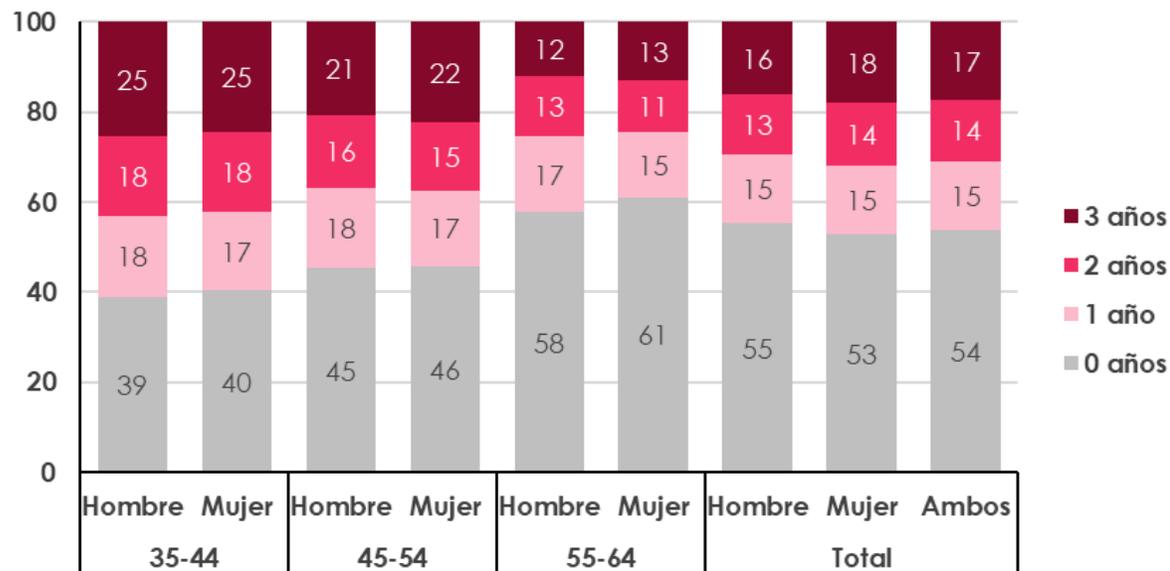
Box 1: Employment of
MIS beneficiaries in the
years prior to receiving
the benefit

Box 1: Employment in MIS beneficiaries in the years prior to the benefit

FINDINGS

- 54% of MIS beneficiaries had not received wages in any of the three years prior to the MIS
- 38% of MIS beneficiaries who received wages in 2019 (18,593 adults), while not yet receiving the MIS, stopped reporting wages in 2020 when receiving the MIS

NUMBER OF YEARS WITH POSITIVE WAGES BEFORE THE MIS



Source: AIReF based on INSS and AEAT data.

TRANSITIONS IN ANNUAL WAGES FOR MIS BENEFICIARY ADULTS AGED 35-54



Source: AIReF based on INSS and AEAT data.

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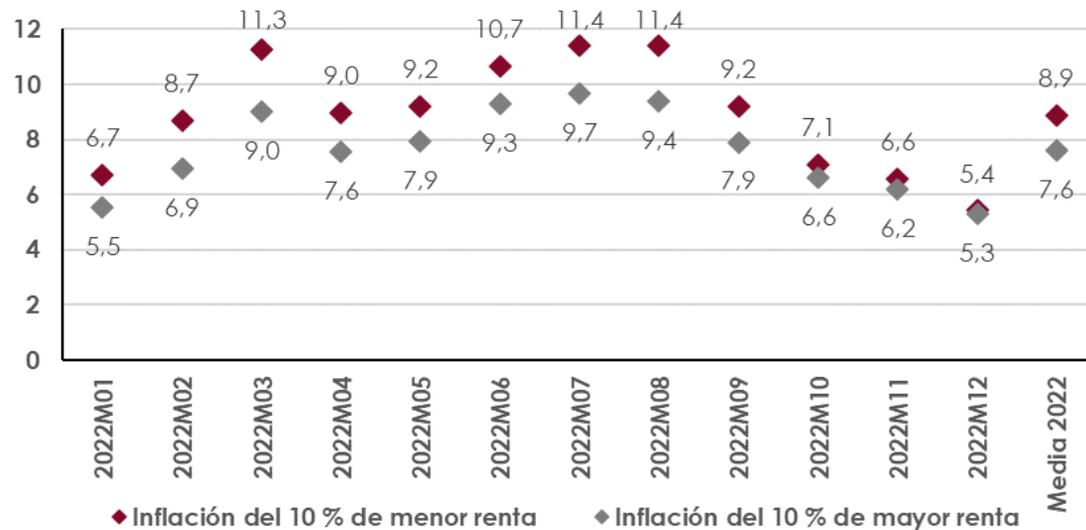
Box 2: The impact of inflation on MIS beneficiaries and the adequacy of compensatory measures

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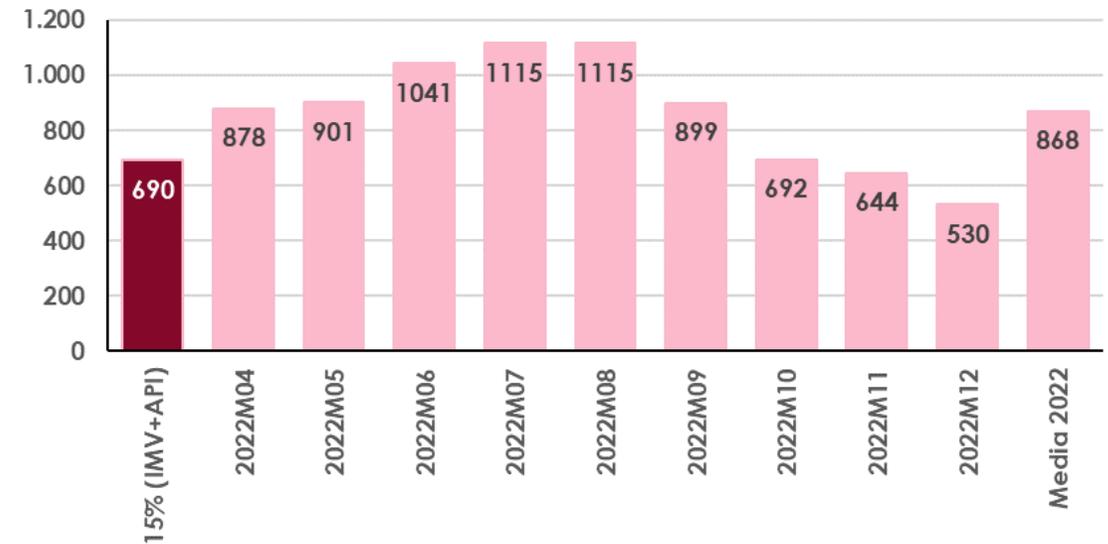
FINDINGS

- Although the inflation borne in 2022 by low-income earners was higher than that of high-income earners, the gap narrowed over the months.
- 79% of costs resulting from inflation have been offset by the 15% increase in the MIS payment approved by the Government in the measures to mitigate inflation
- In households with low MIS payments, the 15% increase is not an effective measure to offset inflation

YEAR-ON-YEAR HOUSEHOLD INFLATION DECILE 1 VS. DECILE 10



MIS INCREASE COMPARED WITH COSTS AS A RESULT OF INFLATION (EUROS)



Source: AIReF based on data from the Household Budget Survey, 2021 and the INE CPI 2022.

Source: AIReF based on data from the INSS MIS cases, data from the Household Budget Survey, 2021 and the INE CPI 2022.



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