

# SECOND OPINION

## MINIMUM INCOME SCHEME

OPINION 2/23



Independent Authority  
*for* Fiscal Responsibility



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.

AIReF Contact:

C/José Abascal, 2, 2º planta.

28003 Madrid

+34 910 100 599

[info@airef.es](mailto:info@airef.es)

[www.airef.es](http://www.airef.es)

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Publication date: June 2023

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## The MIS and Child Support Supplement in figures\*



58%	Percentage of households that would be beneficiaries of the benefit and have not applied for it (non-take-up)
47%	Percentage of annual expenditure over potential expenditure
20%	Percentage of annual Child Support Supplement expenditure over potential expenditure
69%	Percentage of denied applications**
120	Days it takes to process an application for MIS-Child Support Supplement
62%	Households receiving the benefit since the start of the MIS (2020)
54%	Percentage of beneficiaries that had not received wages in any of the three years prior to receiving the MIS
38%	Percentage of adult beneficiaries of the MIS who declared wages in 2019 and stopped declaring them in 2020
79%	Percentage of inflation borne covered by the 15%-increase in the MIS

\* The income and wealth information of the State Tax Administration Agency (Spanish acronym: AEAT) with which the MIS 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. These two regions have not provided information for the performance of this evaluation. The Independent Authority for Fiscal Responsibility (AIReF) will continue working on their future incorporation in subsequent Opinions.

\*\* The term "application" includes cases initiated *ex officio* by the authorities, such as those arising from the Dependent Child Allowance. Denied applications include inadmissible, denied, provisionally denied and suspended applications.

## EXECUTIVE SUMMARY

This is the second Opinion to be issued by the Independent Authority for Fiscal Responsibility, AAI (AIReF) under Article 31.3 of Law 19/2021, of December 20<sup>th</sup>, establishing the Minimum Income Scheme (MIS). The MIS is a non-contributory benefit aimed at preventing the risk of poverty for people who lack basic financial resources to cover their basic needs. These welfare benefits protect all those people who, as a result of special or unforeseen circumstances, are not fully covered by the contributory systems.

In Spain, as in many peer countries, the pace of progress of welfare protection systems has been slower than other contributory systems to the point that guaranteed income benefits, such as the Minimum Income Scheme, have not been rolled out until the 21<sup>st</sup> Century. However, welfare protection is, by its nature, more complex than contributory protection, since it has to address the specific needs and circumstances of each of the beneficiaries and design individualised incentives to help their inclusion and integration in the labour market.

AIReF's first Opinion on the MIS already highlighted some difficulties in the design and rollout of the benefit. For example, it found that the MIS had reached 284,000 households out of a potential 700,000. In addition, the first Opinion noted that, as of December 2021, 400,000 households that could receive the MIS had not requested it (57% of the potential beneficiaries).

In 2022, the Ministry of Inclusion, Social Security and Migration launched a number of actions aimed at encouraging eligible households to apply for the MIS and to enhance the effectiveness of the benefit. The MIS Register of Social Mediators has been created. Currently, over ten social entities with the capacity to certify complex situations of MIS applicant household are registered. An intense campaign has also been carried out to publicise the benefit and make it easier to apply for. An example of this is the information bus which has given advice to a great deal of people interested in the benefit across the country. Moreover, the Ministry of Inclusion, Social Security and Migration through the General Secretariat of Inclusion and Social Welfare Objectives and Policies has initiated 34 pilot projects in collaboration with the Autonomous Regions, city councils, third-sector entities and academic institutions. These projects offer specific support depending on the needs of each household in order to promote the social inclusion of the beneficiaries.

Its evaluation using the randomised controlled trial methodology aims to identify best practices that may be scalable and contribute in the future to shaping an inclusion policy based on the results of empirical evidence.

This new Opinion and the boxes that accompany it show how the MIS is reaching very vulnerable households. This is shown by new indicators such as the fact that 62% of the beneficiaries have received the MIS for over 20 months and that 54% of those who receive it had not received any wage in the three years prior to the benefit. In addition, almost 80% of the increase in expenditure resulting from the extraordinary inflation in 2022 was offset in MIS households thanks to the 15% increase in the benefit introduced by the Government in the decree on extraordinary measures to combat price rises.

However, this new Opinion also identifies some findings that demonstrate some degree of stagnation in the last year of the results of the MIS and the limited scope of the new Child Support Supplement. As of December 2022, there were still the same number of MIS beneficiaries as in the previous year; 284,000 households out of the 800,000 eligible for the benefit, which in turn represents 47% of the potential expenditure. This figure is lower in the new Child Support Supplement, which, if fully implemented, could benefit 1.5 million families, while at the end of 2022 it only covered 274,000 beneficiary households.

In addition, these difficulties are evident, not only in the area of results, but also in that of management. Thus, the MIS denial rate in 2022 is 69%, which is very similar to that of 2021. Furthermore, 83% of the beneficiaries of the MIS saw the amount received in their monthly payment modified as a result of the reviews carried out by the National Social Security Institute (INSS). The non-take-up figures stand at the same level as the previous year (58%), while the new Child Support Supplement shows non-take-up in its first year higher than that of the MIS (76%). This Opinion provides a profile of non-applicant households, which might be useful when designing and targeting outreach and support measures for access to the benefit for those groups whose incorporation is proving more complicated. In addition, this Opinion points to the possibility that part of the non-take-up might be explained because the transfer of beneficiaries from the regional minimum incomes (MIs) to the MIS has not yet been completed. However, this hypothesis could not be verified due to the poor quality of the data on the beneficiaries of the regional minimum incomes that the Autonomous Regions provide to the Tax Agency (AEAT) and the INSS.

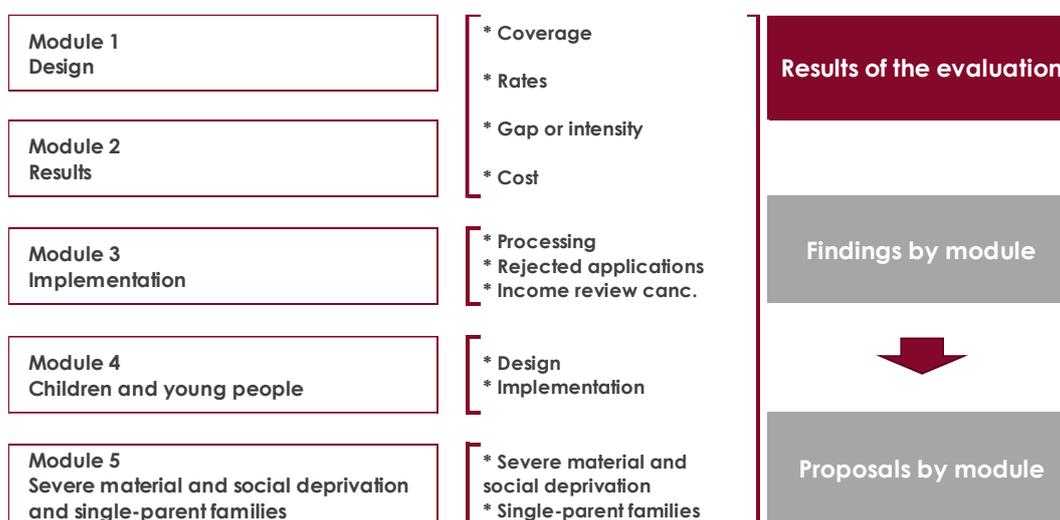
For this reason, the first Opinion already pointed out, and AIReF now highlights, the need to accelerate and strengthen the mechanisms for the exchange of information that the Government has on the vulnerable population, facilitating the interconnection of its data on income, wealth, benefits, taxes and social services assistance. In particular, the importance of the Autonomous Regions speeding up the uniform and consistent uploading of

their regional minimum income payments onto the Digital Social Card and in the AEAT registers is stressed.

In addition, all this information could be supplemented by a universal declaration of income and benefits, which would allow progress towards a new management model for the MIS, the granting of which will be initiated *ex officio* or which would be set up as a negative tax. This information and management system would allow the immediate transfer of the beneficiaries of regional minimum incomes to the MIS and could be used to manage other social benefits or direct transfers in a more targeted manner. Along the same lines, the Government could make greater use of the information available on a monthly basis on applicants' income. This would contribute to reducing the high percentage of adjustments and revisions of amounts observed in MIS payments. In addition, the Government could assess the possibility, relevance and feasibility of simplifying the definition of eligible income for access to the MIS on the basis of the monthly information that it already has. All this would also allow the benefit to be modulated according to the actual needs of the beneficiaries at any given moment in time, improving the MIS's capacity to adapt to unforeseen situations of poverty<sup>1</sup>.

The main findings and proposals of the five modules included in this assessment are described below.

### OUTLINE OF AIREF'S SECOND OPINION ON THE MIS



Source: AIREF.

<sup>1</sup> The law on the MIS (Article 11.5) includes a mechanism for claiming the benefit according to the current year's income. This application can be made from April each year, when the INSS has the tax data for the previous year's allocations. If the INSS finds that the MIS can be granted on the basis of the previous year's income, it recognises the benefit on the basis of the previous year's income, ruling out the household's request to take the current year's income into account. Otherwise, the MIS will be granted on the basis of an estimate of the current year's income.

## FINDINGS AND PROPOSALS

### SECTION I. THE EVOLUTION OF THE MIS

#### The design of the MIS

<p><b>FINDINGS</b></p>	<ul style="list-style-type: none"> <li>• The Law on the MIS still does not explicitly set a quantitative target of households in poverty that it aims to reach.</li> <li>• In 2022, 808,000 households residing in Autonomous Regions under the ordinary regime would have been able to receive the MIS if it were fully rolled out.</li> <li>• Royal Decree 6/2022 on urgent measures and its extension increases the MIS payment by 15%. This contributes to the increase in the benefit expenditure to €4.1bn (only Autonomous Regions under the ordinary regime).</li> <li>• Since the publication of the first Opinion, 11 Autonomous Regions have introduced amendments to regulations governing their minimum incomes to adapt them to the State benefit. There is a general tendency for regional incomes to be subsidiary to the MIS and in most cases supplementary to the State benefit.</li> </ul>
<p><b>PROPOSALS</b></p>	<ul style="list-style-type: none"> <li>• To specify the targets of the MIS in quantitative terms so that compliance can be evaluated as established by Eurostat statistics for the measurement of poverty trends (percentage of the median). This requires specifying the definitions and indicators used, clearly and realistically establishing the targets of the process and the desired result of the programme together with the deadlines for achievement, and ensuring that the targets set are quantifiable and measurable.</li> </ul>

Results of the MIS in 2022

<p>FINDINGS</p>	<ul style="list-style-type: none"> <li>• As at 31 December 2022, 283,811 households were beneficiaries of the MIS, 35% of its potential, a figure similar to the 284,000 beneficiaries at the end of 2021.</li> <li>• In terms of expenditure, in 2022 the MIS amounts to €1.92bn per year (€1.6bn in 2021), 47% of its potential.</li> <li>• 58% of households potentially benefiting from the MIS have not applied for the benefit (57% in 2021). These are concentrated in the Autonomous Regions with the highest number of potential beneficiaries (Andalusia, Catalonia, Valencia and Madrid), in adult-only households and in those whose potential gain does not exceed 30% of the guaranteed income.</li> <li>• 62% of MIS beneficiaries at 31 December 2022 have maintained their benefit since 2020. On average, households receiving the MIS receive the benefit for 20 months.</li> <li>• The administrative data available do not make it possible to identify the degree of real overlap for the transfer of beneficiaries between the MIS and the regional minimum incomes.</li> </ul>
<p>PROPOSALS</p>	<ul style="list-style-type: none"> <li>• 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 minimum incomes) of all tiers of government around a common database that could be supplemented by a universal income declaration with the aim of:             <ul style="list-style-type: none"> <li>○ Moving towards an MIS that is initiated <i>ex officio</i> (or in the negative tax format), thus helping to reduce non-take-up.</li> <li>○ Allowing the immediate transfer of the beneficiaries of the minimum incomes of the Autonomous Regions to the MIS.</li> <li>○ Activating when a situation of unforeseen poverty is identified (crossing of information of universal income declaration and social contributions, TGSS).</li> <li>○ Serving as a model-platform for other social benefits or targeted direct transfers.</li> </ul> </li> <li>• Enriching the current public statistics provided by the Social Security system on the number of MIS beneficiaries on its statistics website. It would be advisable to provide data on the total number of households that receive the MIS each month (outstanding balance), so as to have information on the degree of rollout of the benefit. Currently, only information on the total number of registrations is provided, without counting cancellations.</li> <li>• Accelerating the creation of inclusion mechanisms or pathways that promote a shorter period of time for households collecting the MIS benefit, in line with the experimental evaluation currently being carried out by the Ministry of Inclusion.</li> </ul>

## Evolution of processing

<p><b>FINDINGS</b></p>	<ul style="list-style-type: none"> <li>• Applications increased by 60% in 2022 compared with 2021. However, it is not possible to break down what part of this increase is due to the entry into force of the Child Support Supplement.</li> <li>• The application denial rate in 2022 is 69%, which is very similar to that of 2021. Exceeding the income threshold continues to be the main reason for denial.</li> <li>• 83% of the households benefiting from the MIS have had the amount of their benefit modified as a result of the revisions made by the INSS on the basis of the final information on the income and wealth of the previous year that they receive from the Spanish Tax Agency (AEAT). 40% of households had received less than their final income entitlement, 27% of households had received more, and 16% of households had been permanently removed as they no longer qualified for the benefit according to the new information.</li> <li>• MIS beneficiary households receive on average 97% of their income from two sources: work income and public benefits. This information is available to Social Security on a monthly basis. Verification of the monthly information on these items could allow for improved adjustment of the benefit amount and reduce the size of revisions due to the time lag generated by tax information.</li> </ul>
<p><b>PROPOSALS</b></p>	<ul style="list-style-type: none"> <li>• Extend the use of the available monthly data by governments with the twofold aim of:             <ul style="list-style-type: none"> <li>◦ adjusting the amounts of the benefit to the real-time income of beneficiaries, thus mitigating the impact and size of the revisions.</li> <li>◦ 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.</li> </ul> </li> </ul>

## SECTION II. CHILDREN AND YOUNG PEOPLE

### The design of the Child Support Supplement

<p><b>FINDINGS</b></p>	<ul style="list-style-type: none"> <li>• 1.5 million households are potential beneficiaries of the Child Support Supplement. Of these, 356,000, or 23%, would also be MIS recipients.</li> <li>• The maximum annual expenditure of the Child Support Supplement, taking into account the amount in force in 2022, would be €2bn.</li> <li>• The Law on the MIS does not specify the specific public policy targets for which the Child Support Supplement is established in terms of poverty reduction.</li> </ul>
<p><b>PROPOSALS</b></p>	<ul style="list-style-type: none"> <li>• Specifying the targets of the Child Support Supplement so that compliance can be assessed. This requires specifying the definitions and indicators used, clearly and realistically establishing the targets of the supplement and the deadlines for achievement, ensuring that the targets set are quantifiable and measurable.</li> </ul>

The implementation of the Child Support Supplement as at 31 December 2022

<p><b>FINDINGS</b></p>	<ul style="list-style-type: none"> <li>• As at 31 December 2022, 273,318 households are beneficiaries of the Child Support Supplement. Of these, 122,789 (45% of the total) are also MIS recipients, while the remaining 150,529 households (55% of the total) exclusively receive this supplement.</li> <li>• The median annual amount received by beneficiaries of the Child Support Supplement in 2022 was €667. The annual expenditure on the supplement amounted to €400m.</li> <li>• The supplement has reached 18% of eligible households and has disbursed 20% of the potential annual expenditure.</li> <li>• 76% of the households that could receive the Child Support Supplement have not yet applied for it.</li> </ul>
<p><b>PROPOSALS</b></p>	<ul style="list-style-type: none"> <li>• Enriching the current public statistics of the Social Security portal with the data on the total number of Child Support Supplement beneficiaries in each month, so as to know the evolution over time of the rollout of the Supplement.</li> <li>• Further analysing the reasons why potential beneficiaries of the Child Support Supplement, even when they fulfil the requirements, 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.</li> <li>• Promoting institutional advertising of this supplement.</li> </ul>

## SECTION III. SEVERE MATERIAL AND SOCIAL DEPRIVATION AND SINGLE-PARENT FAMILIES

### Severe material and social deprivation

<b>FINDINGS</b>	<ul style="list-style-type: none"> <li>• Around 34% of people with severe material and social deprivation would receive the MIS if it were fully implemented.</li> <li>• Severe material and social deprivation is most intense among people who would be covered by the MIS.</li> <li>• Mortgage or rent arrears are a more frequent cause of severe material and social deprivation among MIS households than among other households.</li> </ul>
<b>PROPOSALS</b>	<ul style="list-style-type: none"> <li>• Further studying the situation of severe material and social deprivation of all MIS applicants and their perception of poverty.</li> <li>• It would be interesting to analyse other poverty indicators, such as the AROPE (at risk of poverty and exclusion) index, and include them in the MIS application form in order to create a database and facilitate the interconnection of this information with social services.</li> </ul>

### Single-parent families

<b>FINDINGS</b>	<ul style="list-style-type: none"> <li>• Single-parent households in poverty would be the households most covered by the fully implemented MIS and Child Support Supplement.</li> <li>• Single-parent households are the type of household with the best coverage rate at 31 December 2022. The MIS reaches 47% of potential beneficiary single-parent families.</li> <li>• These better MIS results for single-parent households are partly explained by an earlier entry entitlement to the benefit, as well as a higher <i>ex officio</i> conversion from the Dependent Child Allowance.</li> </ul>
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### BOX 1. EMPLOYMENT AMONG MIS BENEFICIARIES

<b>FINDINGS</b>	<ul style="list-style-type: none"><li>• 54% of adult MIS beneficiaries had not received any wages in any of the three tax years prior to the start of the benefit.</li><li>• 38% of the MIS beneficiaries who received wages in 2019 no longer declared them in 2020.</li><li>• The wage income of working MIS beneficiaries fell between 2019 and 2020, while it increased between 2020 and 2021.</li></ul>
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### BOX 2. THE IMPACT OF INFLATION ON MIS BENEFICIARIES

<b>FINDINGS</b>	<ul style="list-style-type: none"><li>• Although the inflation borne in 2022 by low-income earners was higher than that of high-income earners, the gap narrowed over the months.</li><li>• 79% of the increase in spending borne by beneficiary households resulting from inflation has been offset by the 15% increase in the MIS payment approved by the Government. For households with low MIS payments, the 15% increase is not an effective measure to offset inflation.</li></ul>
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# 1. INTRODUCTION

## 1.1. The legislative development of the Minimum Income Scheme

**This Opinion sets out the second evaluation by the Independent Authority for Fiscal Responsibility, AAI (AIReF) on the design, results and implementation of the Minimum Income Scheme<sup>2</sup>.** The analysis focuses on the period between January and December 2022 and refers to households residing in the Autonomous Regions under the ordinary regime<sup>3</sup>.

**The Minimum Income Scheme (MIS), 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.** The benefit is monthly and 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.

**The MIS has continued its process of regulatory and operational development in order to further achieve its objectives<sup>4</sup> and reduce non-take-up.** In addition to those already detailed in the first Opinion incorporated in Law 19/2021, the following regulatory and operational amendments should be noted:

- **Child Support Supplement.** With the publication in the Official State Gazette (*BOE*) of the Law on the MIS on December 21<sup>st</sup>, 2021, a new Child Support Supplement was established with economic effect as at February 1<sup>st</sup>, 2022. Cohabitation units with children that meet all the

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<sup>2</sup> Article 31.3 of Law 19/2021 of December 20<sup>th</sup> establishing the Minimum Income Scheme provides that the Independent Authority for Fiscal Responsibility (AIReF) will issue an annual opinion on the result of this programme and the various inclusion strategies and policies.

<sup>3</sup> The income and wealth information of the AEAT with which the MIS of residents in the Autonomous Regions under the ordinary regime is managed and with which this evaluation has been carried out does not include information for the Basque Country and Navarre, which have not provided information for the performance of this evaluation. AIReF will continue working on their future incorporation in subsequent opinions.

<sup>4</sup> The main objective of the MIS is to guarantee a minimum level of income and 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.

necessary requirements for the granting of the MIS and those set with respect to the maximum limits on eligible income (300% of the guaranteed income of the MIS for their type of household), net wealth (150% of the net wealth threshold excluding the main dwelling corresponding to their type of household) and asset test (assets excluding the main dwelling less than six times the guaranteed income) may be entitled to this supplement.

- **Disability supplement.** With entry into force of the Law on the MIS and with economic effect as at February 1<sup>st</sup>, 2022, a supplement equivalent to 22% of the amount is established for an individual beneficiary in the event that the cohabitation unit includes a person with a recognised degree of disability equal to or greater than 65%.
- **Employment incentive.** On January 1<sup>st</sup>, 2023, Royal Decree 789/2022, of September 27<sup>th</sup>, regulating the compatibility of the Minimum Income Scheme with income from work or self-employed economic activity, in order to improve the real opportunities for social and labour inclusion of the beneficiaries of the benefit, entered into force.
- **The Register of Social Mediators.** The Register of Social Mediators of the MIS has been in operation since December 3<sup>rd</sup>, 2021. There are currently 11 registered NGOs with the capacity to issue certificates attesting to complex situations.
- **Pilot projects for social inclusion.** Two royal decrees have been approved awarding grants for the start-up of pilot projects evaluated through the randomised controlled trial (RCT) methodology. These are: Royal Decree 938/2021, of October 26<sup>th</sup>, 2021 and Royal Decree 378/2022, of May 17<sup>th</sup>, 2022.

A total of 34 pilot projects have been launched, 16 in partnership with Autonomous Regions, 14 with third-sector entities and 4 with Local Governments. Their evaluation using the randomised controlled trial methodology aims to identify best practices that may be scalable and contribute in the future to shaping an inclusion policy based on the results of empirical evidence. In relation to the areas of action, the General Secretariat for Social Inclusion and Social Welfare Objectives and Policies has shared with AIR<sup>e</sup>F that 24 pilot projects include social support, 22 establish measures to promote employment, 19 incorporate digitalisation modules, 13 offer educational support, 6 strengthen aspects relating to health, 5 relating to housing, 4 seek to reduce non-take-up, 3 address situations of energy poverty and 1 includes measures to support entrepreneurship.

- **Royal Decree 636/2022, of July 26<sup>th</sup>, regulating the Social Inclusion Seal.** The Social Inclusion Seal is a public seal of the Central State Administration that will distinguish public business entities, public trading companies, private companies, self-employed workers and foundations that help MIS beneficiaries transition from a situation of risk of poverty and exclusion to active participation in society.
- **15% increase in MIS to counteract the impact of inflation.** Royal Decree Law 6/2022 on urgent measures, of March 29<sup>th</sup>, and its extension meant that MIS payments rose by 15% for recipient households between the months of April and December 2022, both included.
- **The MIS information bus.** In October 2022, the Ministry of Inclusion, Social Security and Migration launched a campaign to extend the reach of the Minimum Income Scheme (MIS) through a bus that will stop in over 40 locations in Spain to provide information and advice on the benefit. In addition to this initiative, the Ministry has carried out the institutional communication campaign “*Es lo mínimo*” [This is the minimum] in various media and it has created a YouTube channel in which it explains how to apply for the MIS.
- **The requirement to prove registration as a job-seeker is eliminated.** Royal Decree Law 6/2022, of March 29<sup>th</sup>, on urgent measures abolishes the requirement for MIS beneficiaries to provide evidence of registration as a job-seeker and establishes that the National Social Security Institute (Spanish acronym: INSS) will send the identification of beneficiaries over 18 and under 65 years of age to the public employment services of the Autonomous Region (AR) in which they have their registered address in order to proceed, where appropriate, to their *ex officio* registration as job-seekers and apply the corresponding employment policy instruments.
- **Electricity social voucher.** The Twenty-third Final Provision of Royal Decree Law 6/2022, of March 29<sup>th</sup>, on urgent measures, amends Royal Decree 897/2017, of October 6<sup>th</sup>, regulating the definition of a vulnerable consumer, leading to MIS beneficiaries being considered vulnerable consumers.

The regulatory implementation for the reorganisation of the set of State support measures whose objectives overlap with those of the MIS remains

pending. The reorganisation of non-contributory benefits is expected to take effect in the fourth quarter of 2023<sup>5</sup>.

## 1.2. Spain in indicators of social exclusion and child poverty

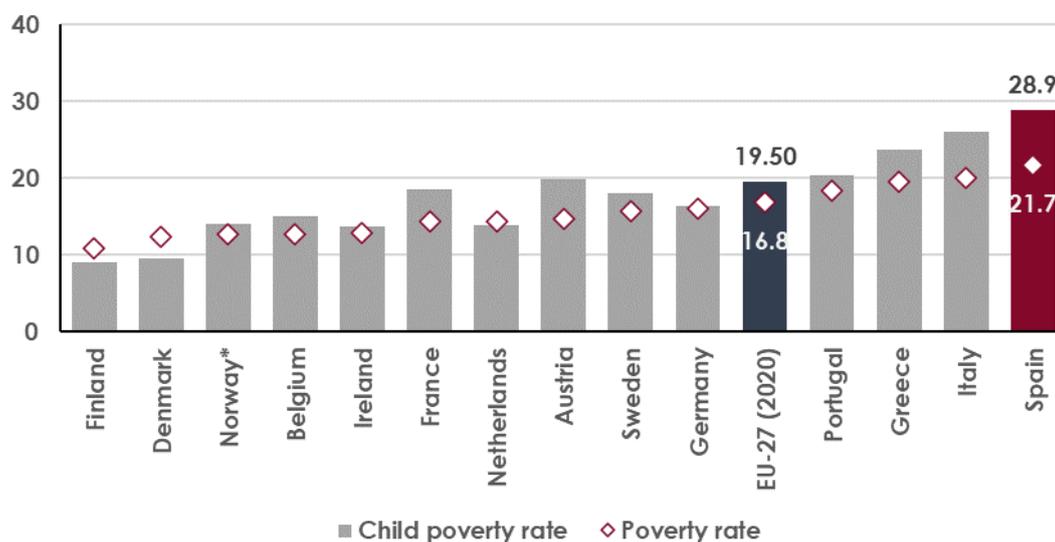
**As a result of the two new modules covered in this second Opinion, relating to the Child Support Supplement and material deprivation, it is important to frame the situation in Spain in the context of peer countries in terms of child poverty and social exclusion indicators.** Eurostat data allow a comparative analysis of Spain with respect to other European Union (EU) countries on two key indicators: the child poverty rate and the AROPE rate. The child poverty rate is defined as the percentage of households with children whose income is less than 60% of the median equivalised net income. In order to build the AROPE rate, the population at risk of poverty or social exclusion is defined as those living in households in one of the following three situations: total income per consumption unit is less than 60% of the median (at risk of poverty), or the unit's working-age people work less than 20% of their potential (low employment intensity) or, lastly, units that suffer from severe material and social deprivation.

**In 2021, Spain is one of the four countries in the European Union with a child poverty rate above 20%** (Figure 1). In most EU countries, including Spain, the child poverty rate is higher than the poverty rate for the total population. Figure 1 shows that in Spain, 28.9% of households with children are in poverty. This percentage is more than seven points higher than the total poverty rate.

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<sup>5</sup> The progressive 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 was 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.

FIGURE 1. CHILD POVERTY RATE, 2021



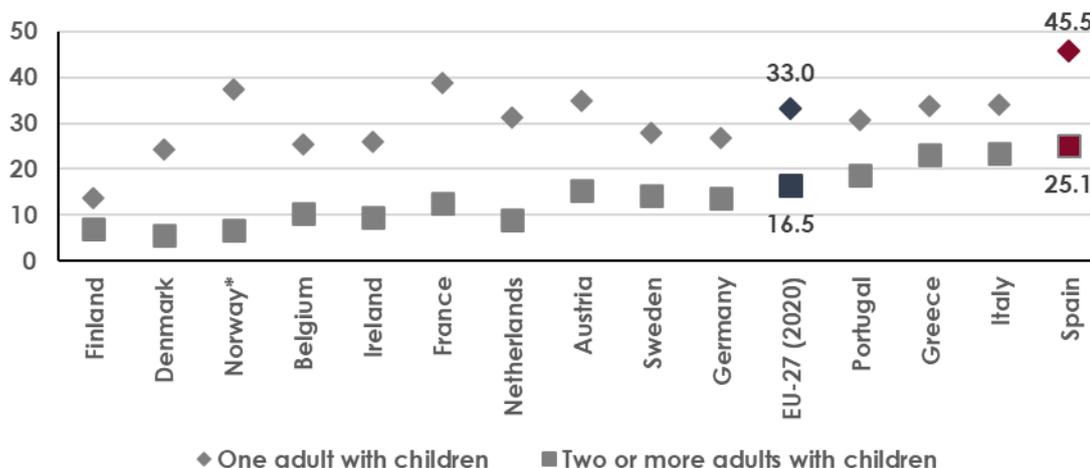
Source: EUROSTAT, Income and living conditions indicator.

Note: Data based on household equivalised disposable income. The poverty line is set at 60% of the median disposable income of each country. Data refer to 2021 for all countries except Norway (2020).

**In single-parent households, Spain also recorded the highest poverty rate in 2021, at 45%** (Figure 2). Single-adult households with children have higher poverty rates than other households with children. The average difference for European Union countries is 16 percentage points. The poverty rate in Spain was over 45% in 2021 for households with one adult and children and is 25% for households with two or more adults and children. Consequently, the difference between the two types of households is 20 percentage points, higher than the EU average.

**In 2021, Spain was the EU country with the second highest percentage of households living in poverty or social exclusion** (Figure 3). The AROPE indicator stood at 27.8% in Spain in 2021, second only to Greece and six percentage points above the EU average. The percentage of people with severe material and social deprivation is 8.3%, two points higher than the EU average.

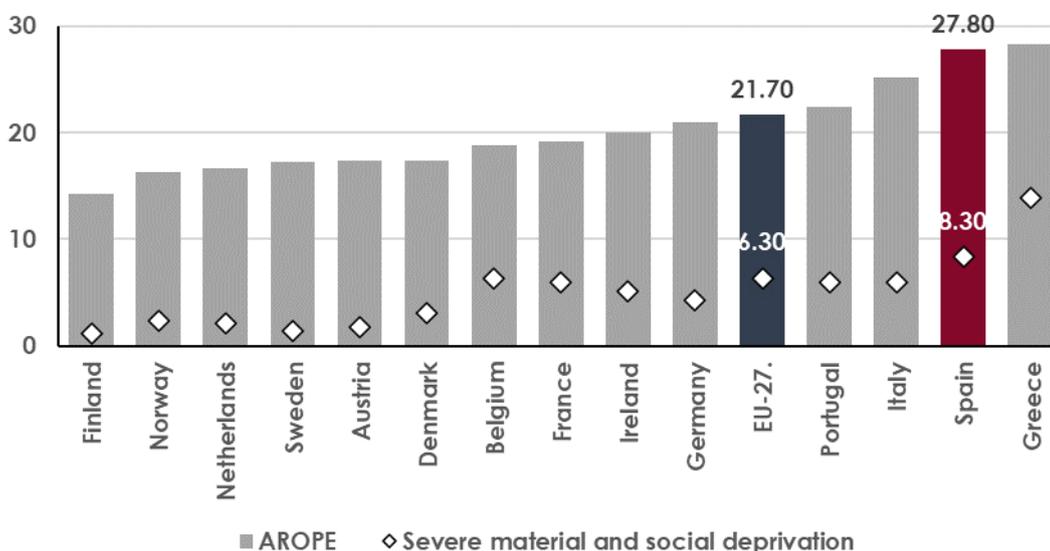
FIGURE 2. POVERTY RATE IN HOUSEHOLDS WITH CHILDREN, BY HOUSEHOLD TYPE, 2021



Source: EUROSTAT, Income and living conditions indicator.

Note: Data based on household equivalised disposable income. The poverty line is set at 60% of the median disposable income of each country. Data refer to 2021 for all countries except Norway (2020).

FIGURE 3. AT RISK OF POVERTY OR SOCIAL EXCLUSION (AROPE) RATING PERCENTAGE OF POPULATION IN A SITUATION OF SEVERE MATERIAL AND SOCIAL DEPRIVATION. 2021



Source: EUROSTAT, Income and living conditions indicator.

Note: Data refer to 2021 for all countries except Norway (2020).

### 1.3. Objectives and chapters of the evaluation

The objective of this second Opinion on the MIS is to update the situation of the design, results and implementation of the MIS as at December 31<sup>st</sup>, 2022, evaluate the functioning of the Child Support Supplement put in place in 2022 and to further analyse the impact of the MIS on especially vulnerable groups and on the dimensions of poverty beyond that strictly related to income. Following this first introductory chapter, Chapter 2 on findings is structured into three large sections with the following objectives:

**Section 1. The evolution of the MIS (update of Modules 1, 2 and 3 included in the first Opinion)**, which aims to describe the degree of progress in the benefit's poverty reduction targets and to document the progress in the processing of the benefit. As a new aspect, this section addresses the adjustment that occurs in the MIS benefit in beneficiary households from the time the INSS receives the definitive data on income and wealth of the previous year from the tax agency.

**Section 2. Children and young people: the Child Support Supplement** (Module 4 of AIReF's multi-year schedule of Opinions on the MIS), which aims to analyse the design and implementation of the new benefit linked to the MIS aimed at households with children.

**Section 3. People with severe material deprivation and single-parent families** (Module 5 of AIReF's multi-year schedule of Opinions on the MIS), which focuses on analysing the degree of material deprivation that affects the group to which the benefit is granted, as well as further reviewing the coverage and reduction in the poverty gap of the MIS in single-parent families.

**This second Opinion also includes two boxes.** Firstly, following the entry into force in 2023 of the MIS employment incentive mechanism, an introductory analysis of Module 7 forecast for 2025 is presented. Specifically, this first box examines the relationship of MIS beneficiaries with the labour market prior to receiving the benefit. The second box studies the impact of inflation on MIS beneficiary households and estimates to what extent the 15% increase in MIS payments between April and December 2022 has managed to offset this impact.

TABLE 1. SCHEDULE OF MODULES TO BE INCLUDED IN AIREF OPINIONS ON THE MIS UP TO 2026

2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
<b>Module 1</b> Potential design	<b>Module 4</b> Children and young people (Child supplement)	<b>Module 6</b> Coverage and scope in situations of unforeseen poverty	<b>Module 7</b> The inclusion capacity of the MIS 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 5</b> People with severe material deprivation and single-parent families			<b>Module 9</b> International comparison (effectiveness and efficiency)
<b>Module 3</b> Implementation and management				

Source: AIReF.

## 1.4. Methodology and data used in the evaluation

In order to develop this Opinion, AIReF has updated the microsimulator<sup>6</sup> on which the analyses presented in the first Opinion were based. While the quantitative approach again predominates in this second Opinion, interviews have also been conducted with MIS managers to gain a more in-depth understanding of the data and the results obtained in the analyses.

Section 1 is based on the calculation of the key indicators already analysed in the first Opinion: coverage and potential expenditure of the MIS. The processing of the MIS is also analysed through the same prism of the first Opinion, providing data on the evolution of the number of applications, decision times and denial percentage, among other data. This Section 1 continues to use the universe of administrative data on household income and wealth of the Autonomous Regions under the ordinary regime, provided by the Tax Agency<sup>7</sup>, as well as the database on the cases processed between

<sup>6</sup> This microsimulator determines the scope of the fully implemented MIS and allows a comparison of the effects on a set of poverty indicators between this scenario, in which all potential beneficiaries of MIS and MI programmes receive the benefit, and the actual scenario at December 31<sup>st</sup>, 2022. This has required incorporating into the simulator each of the variables demanded in the requirements which determine the granting and the amounts of the MIS and of each MI programme that can be parameterised (household composition, age, income, wealth limits) and calculating, from the same set of administrative microdata with which the MIS is processed, their effects on poverty and its complementarity with the MI programmes.

<sup>7</sup> Duly anonymised 2019, 2020 and 2021 information on income and wealth for 47.4 million individuals, corresponding to 18.6 million households. These data include information on the minimum income benefits of the Autonomous Regions and other social benefits.

June 2020 and December 2022, provided by the INSS<sup>8</sup>. These databases are provided annually to AIReF to carry out the evaluation of the MIS under the framework of the agreement signed between the AEAT, the INSS and AIReF<sup>9</sup>.

TABLE 2. MAIN DATABASES USED IN THE EVALUATION



Source: AIReF.

Section 2 is based on the same databases that allows an analysis of the design of the Child Support Supplement and its degree of implementation in 2022, the first year of application of this supplement.

For its part, Section 3 adds information from the INE Living Conditions Survey (LCS) for 2022, which is carried out on 60,000 people in 24,000 households. It is the official and harmonised European source for calculating the poverty line and understanding the dimensions of social exclusion through the indicators of severe material and social deprivation.

Box 1 on the employment of MIS beneficiaries also uses the aforementioned AEAT and INSS databases. Finally, Box 2, which analyses the impact of inflation on households, is based on the INE's Household Budget Survey (HBS) for 2021, which is carried out on 24,313 households and has information on household income and household spending on products according to the ECOICOP classification (European Classification of Individual Consumption by Purpose).

<sup>8</sup> This consists of 2.3 million cases relating to 1.9 million households. The key variables analysed in these cases are the situation of the case, the socio-demographic information they contain, the processing times, the amount of the MIS granted or, as the case may be, the reasons for denial.

<sup>9</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 Income Scheme. [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)

TABLE 3. DATABASES FROM THE INE

<p><b>2021 Household Budget Survey</b></p> <p>19,394 households</p> <p><b>Key variables</b> Household income Expenditure by ECOICOP code</p>		<p><b>2022 Living Conditions Survey</b></p> <p>24,313 households</p> <p><b>Key variables</b> Household income Severe material and social deprivation</p>
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Source: AIRcF.

In addition, 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 data obtained from the Report on the Minimum Incomes of the Autonomous Regions of the Ministry of Social Rights and 2030 Agenda.

## 2. FINDINGS

### 2.1. The evolution of the MIS: Update of Modules 1, 2 and 3 of the first Opinion

**This first section provides the figures updated to 2022 on the evolution of the design and the results of the MIS. It also monitors the progress of the processing of the benefit.** The first section analyses how the MIS figures have evolved in terms of potential expenditure, scope and coverage based on the Tax Agency's income and wealth micro-data for all households under the ordinary regime in 2021. The second section examines the implementation of the benefit in 2022 and its impact on the indicators that measure achievement of the benefit's targets. The third section updates the main figures for the management of the benefit and elaborates on some of the aspects already covered in the first Opinion. Changes to the MIS amounts as a result of the delay in the availability of tax data are also studied for the first time.

#### 2.1.1. Monitoring of the design

**The MIS guarantees minimum income levels depending on the type of household throughout the country.** The guaranteed income of the MIS for an individual beneficiary is set each year at the amount of non-contributory pensions. In 2022, a household with one adult and no dependent children that met all the requirements of the benefit could receive a maximum MIS benefit of 5,899.60 euros per year. This amount of guaranteed income increases as the household comprises more members according to the factor shown in Table 4. Table 4 also specifies the limits of income, wealth and assets that each type of household must meet in order to be eligible for the benefit.

TABLE 4. GUARANTEED INCOME AMOUNTS AND WEALTH LIMITS. 2022

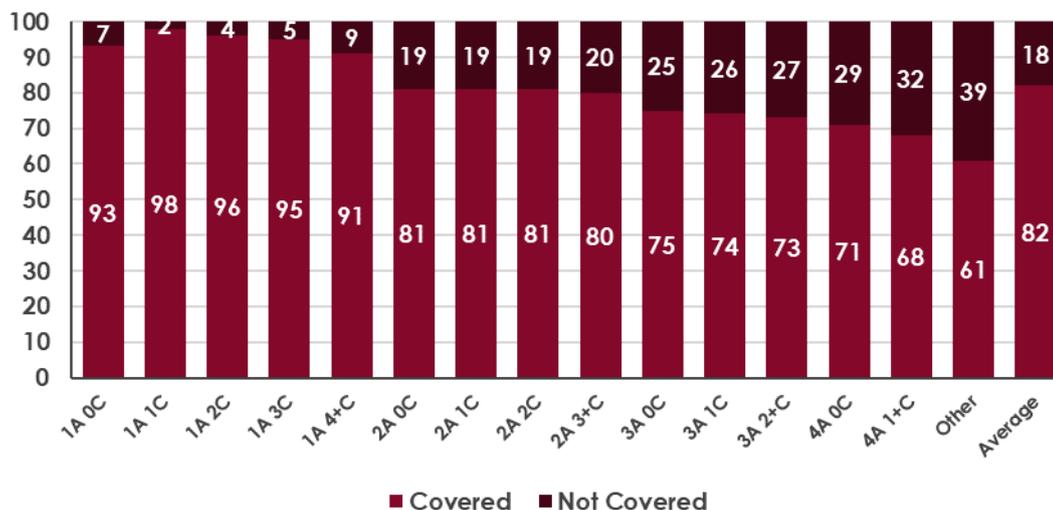
Household type	Income limits		Wealth limits		
	Factor	Guaranteed income	Factor	Net wealth	Non-corporate assets
1A 0C	1.00	5,900	1.00	17,699	35,398
1A 1C	1.52	8,967	1.40	24,778	49,557
1A 2C	1.82	10,737	1.80	31,858	63,716
1A 3C	2.12	12,507	2.20	38,937	77,875
1A 4+C	2.42	14,277	2.60	46,017	92,034
2A 0C	1.30	7,669	1.40	24,778	49,557
2A 1C	1.60	9,439	1.80	31,858	63,716
2A 2C	1.90	11,209	2.20	38,937	77,875
2A 3+C	2.20	12,979	2.60	46,017	92,034
3A 0C	1.60	9,439	1.80	31,858	63,716
3A 1C	1.90	11,209	2.20	38,937	77,875
3A 2+C	2.20	12,979	2.60	46,017	92,034
4A 0C	1.90	11,209	2.20	38,937	77,875
4A 1+C	2.20	12,979	2.60	46,017	92,034
Other	2.20	12,979	2.60	46,017	92,034

Source: AIReF based on Law 19/2021, of December 20<sup>th</sup>, establishing the Minimum Income Scheme.

**As identified in the first Opinion, the law still does not explicitly set a quantitative target of households in poverty that the MIS aims to reach in terms of percentage of the national median income.** To facilitate comparability with the analyses carried out in the first evaluation, in this second Opinion, 40% of the median income per consumption unit will also be used to assess the level of achievement of the benefit's targets, given that it is the closest threshold to the guaranteed income limits set by the MIS.

**Thus, the guaranteed income amounts of 2022 would contribute to reaching 82% of the income level at which a household is considered to be in poverty (40% of the median)** (Figure 4). This represents an improvement of five percentage points in the theoretical scope of the benefit compared with the figure of 77% recorded in the first Opinion.

FIGURE 4. POVERTY THRESHOLD (40% MEDIAN) GUARANTEED BY THE MIS DESIGNED ACCORDING TO HOUSEHOLD TYPE. PERCENTAGES

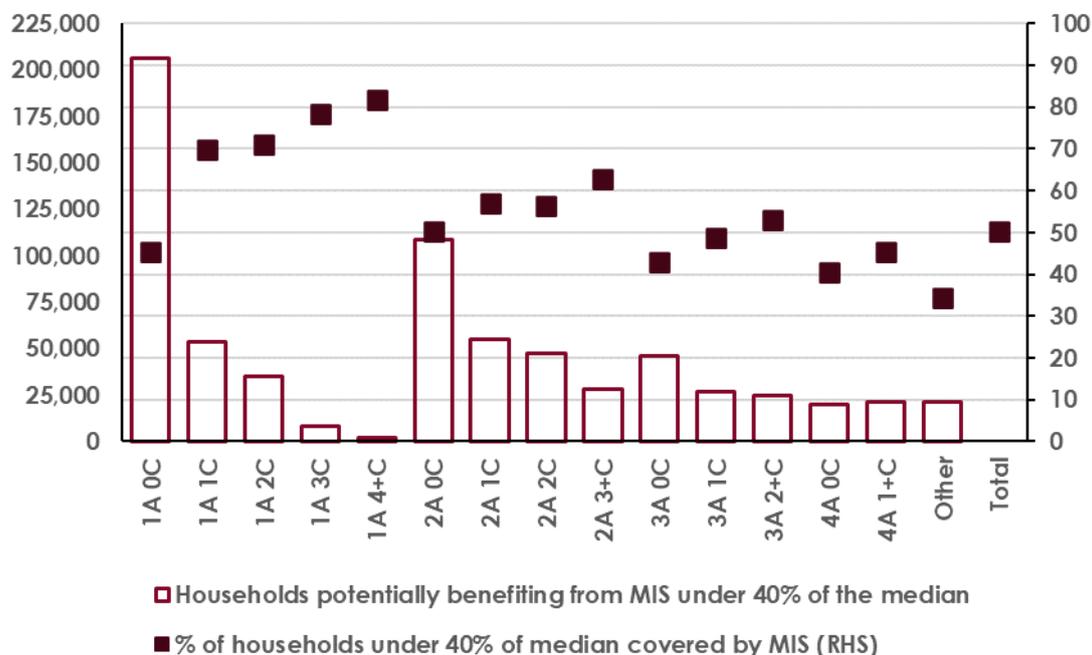


Source: AIREF-MIS\_MI micro-simulator.

**In 2022, 808,000 households residing in Autonomous Regions under the ordinary regime would have been able to receive the MIS under a full implementation scenario.** This figure includes households that, although they were not listed as eligible according to the available administrative information, have eventually become recipients of the MIS and excludes those which, although they are candidates to receive the benefit *ex ante*, have had their application for the benefit denied. The distribution of potential beneficiaries by household type is equalised. Single-person cohabitation units continue to dominate, followed by couples of adults without children, single-parent households with one child, households with two adults and one or two children and, in sixth place, households with three adults and no children.

**If this figure is reached, and also very much in line with the estimates of the first Opinion, the MIS could reach, at most, 50% of poor households, defined as those whose income is below 40% of the median equalised income.** Figure 5 shows that the coverage continues to vary significantly according to the type of household and it remains noteworthy that the highest degree of potential protection can be seen in single-parent households. The figure also illustrates how, for a given number of adults in the household, the level of coverage is higher the more children it includes.

FIGURE 5. POTENTIAL BENEFICIARY HOUSEHOLDS AND POVERTY COVERAGE AT 40% OF THE MEDIAN BY HOUSEHOLD TYPE



Source: AIREF-MIS\_MI micro-simulator.

**Had it been operating at its potential, the MIS would have had an annual expenditure in 2022 of €4.1bn in the Autonomous Regions under the ordinary regime.** Assessing this figure requires taking into account Royal Decree Law 6/2022, of March 29<sup>th</sup>, adopting urgent measures in the framework of the National Response Plan for the economic and social consequences of the war in Ukraine (hereinafter the RD on urgent measures). The RD on urgent measures and its extension meant that MIS payments rose by 15% for recipient households between the months of April and December 2022, both included.

**Since the publication of the first Opinion, 11 Autonomous Regions have introduced amendments to regulations governing their minimum incomes to adapt them to the State benefit.** Table 5 shows that of these Autonomous Regions, Andalusia, the Balearic Islands and Castile-La Mancha have established the incompatibility of their minimum income with the MIS, although to different degrees. In Andalusia, even though their minimum income becomes incompatible with the receipt of the MIS, a new support is created that will be supplementary and those households that receive less than 100 euros per month from the MIS may apply. In the Balearic Islands, there is full incompatibility between the benefits. However, it is important to stress that this Autonomous Region has increased the levels of guaranteed income for the group covered by its minimum income up to the level of the MIS. In Castile-La Mancha, only those households that were already eligible in the previous year can be beneficiaries of their minimum income, as no new applications are

accepted. For their part, eight of the 11 Autonomous Regions that have updated their regulations establish the obligation to apply for the MIS as a requirement for the household to receive the minimum income. Aragon continues to allow the simultaneous receipt of both benefits and does not make it compulsory to apply for the MIS. This Autonomous Region is noteworthy for having equated the income and wealth test with that of the MIS, albeit setting guaranteed income levels higher than those of the MIS for each type of household.

**An analysis of these regulatory changes shows that there is a majority tendency for the regional incomes to be supplementary to the State benefit.**

In theory, the regional incomes will progressively lose beneficiary households as they are subsidiary to the MIS. The amount of these incomes will also fall as the income received as a result of the MIS is incorporated as eligible income for determining the amounts of the regional minimum income programmes.

**TABLE 5. SUMMARY OF REGULATORY CHANGES IN THE REGIONAL MINIMUM INCOMES SINCE THE ENTRY INTO FORCE OF THE MIS**

Autonomous Region	Regulatory change as a result of the MIS	Validity (if there is a regulatory change)	Compatible with and supplementary to the MIS
Andalusia	Yes	Jan-23	No
Aragon	Yes	Jan-22	Yes
Asturias	Yes	Jun-22	Yes
Balearic Islands	Yes	Jul-22	No
Canary Islands	Yes	Sep-20	Yes
Cantabria	Yes	Jan-22	Yes
Castile and Leon	Yes	Dec-20	Yes
Castile-La Mancha	Yes	Jan-22	No
Catalonia	Yes	Jul-20	Yes
Valencia	Yes	Jul-20	Yes
Extremadura	No		Yes
Galicia	No		Yes
Madrid	No		Yes
Murcia	No		Yes
Navarre	No		Yes
Basque Country	Yes	Mar-23	Yes
Rioja	No		Yes
Ceuta	No		Yes
Melilla	No		Yes

Source: AIReF based on the analysis of the regulations of the regional minimum incomes.

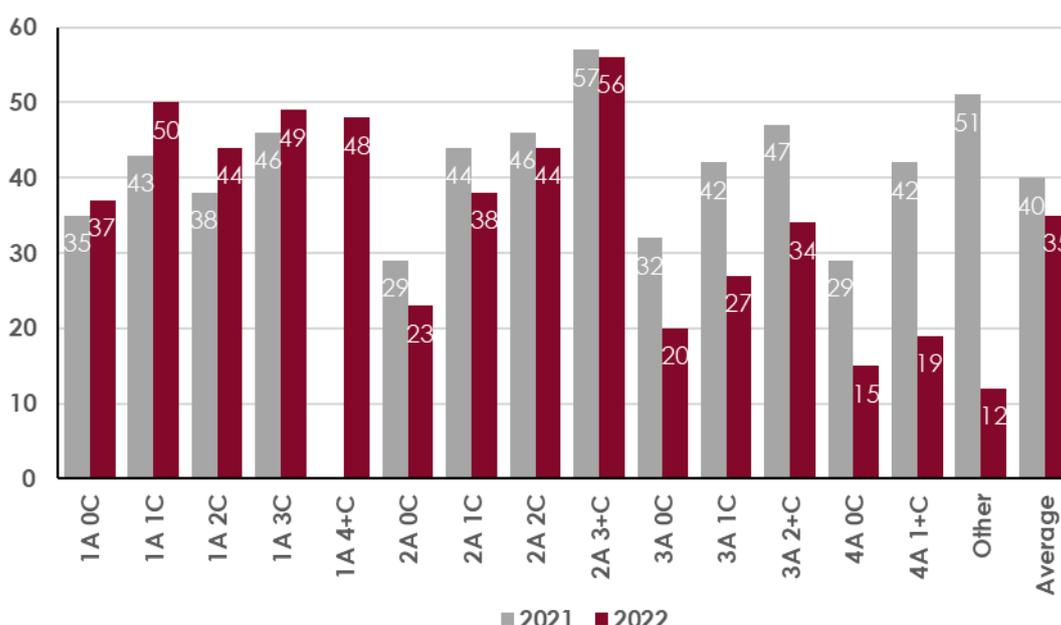
### 2.1.2. Results of the MIS in 2022

This section updates the results achieved by the MIS as of December 2022 and compares them with the 2021 results of the first Opinion and with those that would be obtained if it were fully implemented.

At December 31<sup>st</sup>, 2022, 283,811 households were beneficiaries of the MIS<sup>10</sup>, 35% of its potential, a figure similar to the 284,000 beneficiaries at the end of 2021. In December 2021, the benefit reached 40% of eligible households while in 2022 it reached 35% of potential households.

In addition, this coverage of 35% is heterogeneous by type of household and Autonomous Region, and has changed with respect to 2021. In 2022, the MIS strengthened its presence in single-person and single-parent households, while the degree of implementation in households of two or more adults was lower than that observed in 2021 (Figure 6). For example, for the household with two adults and no children, which is the second largest type of household by number of potential beneficiaries, the degree of coverage in 2022 is 6 percentage points lower than in 2021.

FIGURE 6. DEGREE OF MIS IMPLEMENTATION IN 2022: COVERAGE BY HOUSEHOLD TYPE AND CHANGE WITH RESPECT TO 2021



Source: Prepared by the author based on the merger of the AIReF-MIS\_MI simulator and MIS cases.

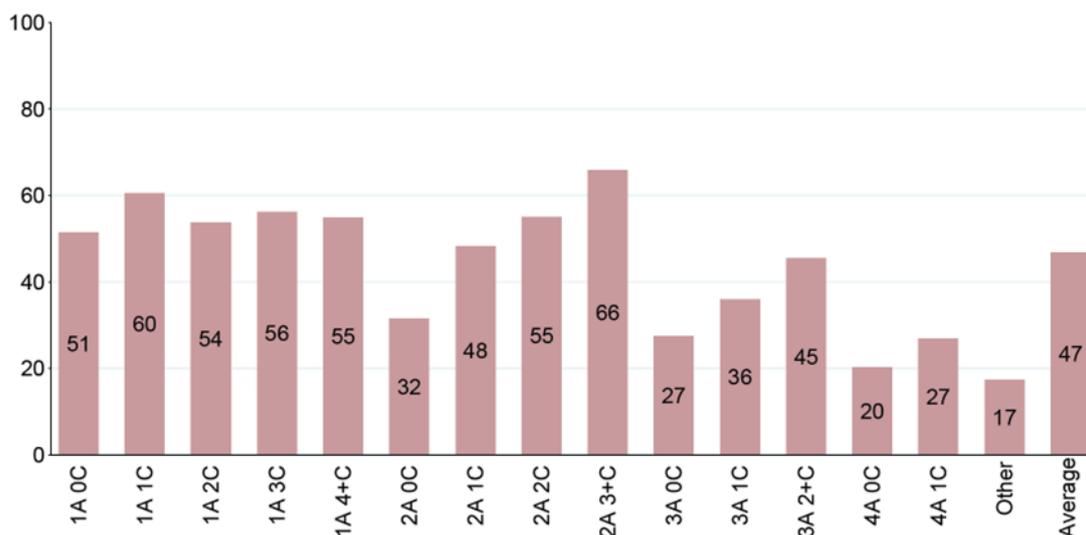
Note: Households with one adult and one child were not disaggregated in the first Opinion on the MIS because the RDL did not include it as a separate category. However, the Law on the MIS does specify it.

In terms of expenditure, in 2022 the MIS amounted to €1.92bn per year (€1.6bn in 2021), 47% of its potential. This figure is lower than that obtained in 2021, when annual expenditure stood at 56% of the expenditure that the benefit

<sup>10</sup> This figure does not include households that are exclusively recipients of the Child Support Supplement.

**would reach if it were fully implemented.** Figure 7 shows how annual expenditure is distributed by household type. The extent of the scope with respect to the potential expenditure follows a distribution equivalent to that shown in Figure 6 for coverage. Particularly noteworthy are single-parent households, for which annual expenditure in 2022 reached over 54% of the potential amount. Households with two adults and children also show a high degree of scope under this indicator. With the exception of one-person households, households that only include adults record a lower annual expenditure in relation to the potential amount.

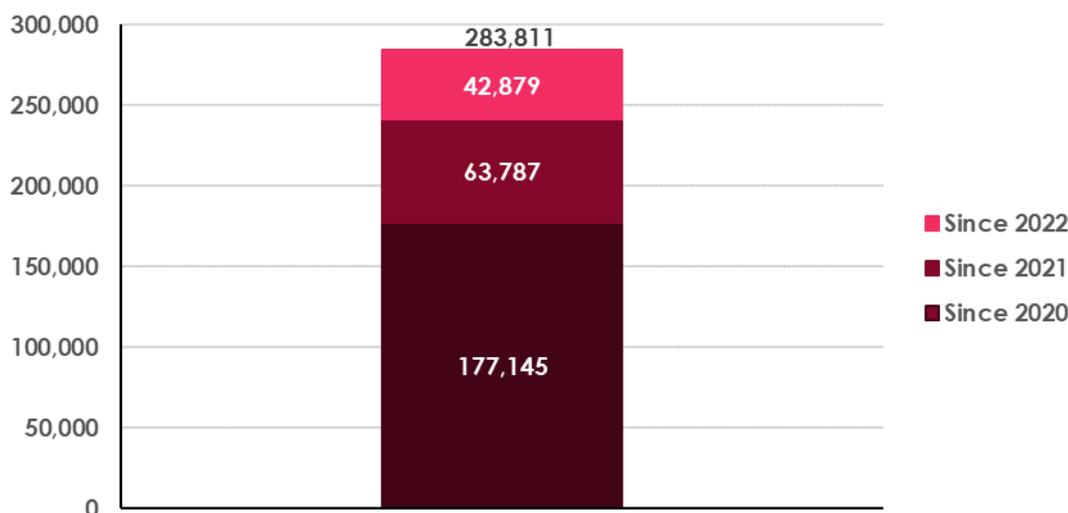
**FIGURE 7. DEGREE OF MIS IMPLEMENTATION: EXPENDITURE BY HOUSEHOLD TYPE**



Source: Prepared by the author based on the merger of the AIReF-MIS\_MI simulator and MIS cases.

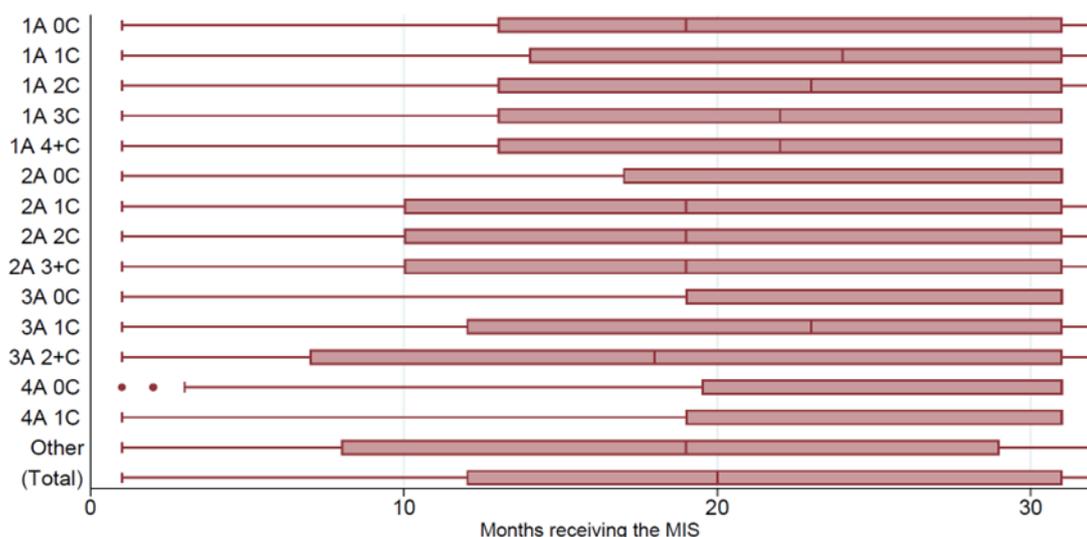
**With regard to the time the benefit is received, at December 31<sup>st</sup>, 2022, 62% of MIS beneficiaries had begun receiving the benefit in 2020** (Figure 8). **Households receiving the MIS receive it for a median duration of 20 months** (Figure 9). In absolute numbers, Figure 8 shows that, out of the total number of beneficiaries at December 31<sup>st</sup>, 2022, 177,145 households had been recipients since 2020, 63,787 since 2021, and 42,879 began receiving the benefit in 2022. From the reverse perspective, 63% of households that began to receive the MIS in 2020 continue to be registered for the scheme at December 31<sup>st</sup>, 2022. Figure 9 shows the distribution of months receiving the MIS for all households that have been recipients of the benefit at some time since its entry into force. The median duration to date for MIS beneficiary households to receive the benefit has been 20 months. Single-parent households and those made up of two adults and no children have recorded relatively longer periods receiving the benefit.

FIGURE 8. YEAR OF RECOGNITION OF THE BENEFIT AMONG BENEFICIARY HOUSEHOLDS AT DECEMBER 31<sup>ST</sup>, 2022



Source: AIReF based on the MIS case database.

FIGURE 9. DISTRIBUTION OF THE NUMBER OF MONTHS COLLECTING THE MIS BROKEN DOWN BY HOUSEHOLD TYPE



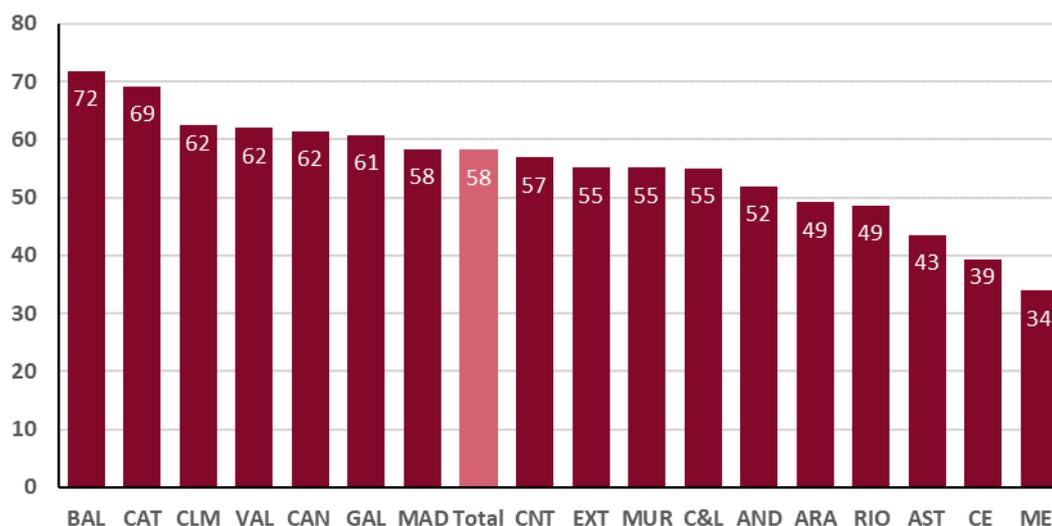
Source: AIReF based on the MIS case database.

### 2.1.2.1. Analysis of non-take-up of the MIS benefit in 2022

**58% of households potentially benefiting from the MIS have not applied for the benefit** (Figure 10). This non-take-up value is similar to that found in the first Opinion, which stood at 57%. By Autonomous Region, Figure 10 shows that the non-application rate is higher than the average in the Balearic Islands (72%), Catalonia (69%), Castile-La Mancha (62%), Valencia (62%), the Canary Islands (62%) and Galicia (61%).

**The Ministry of Inclusion, Social Security and Migration is undertaking several initiatives to reduce the extent of this phenomenon.** In particular, it has launched an information bus that has covered several points across Spain. It has deployed the “Es lo mínimo” institutional campaign with coverage in multiple media, including the creation of a YouTube channel that explains how to apply for the MIS. In addition, the objectives of some of the experimental pilot projects being carried out by the ministerial department include studying the effectiveness of measures aimed at reducing non-take-up. For example, the General Secretariat for Social Inclusion and Social Welfare Objectives and Policies has informed AIReF that the pilot project in collaboration with the European Anti-Poverty Network (EAPN) will evaluate the effectiveness of two types of measures to reduce non-take-up. Firstly, a group of potential beneficiaries will receive face-to-face information near their home to improve knowledge about the benefit. Secondly, another group will receive support and advice during the MIS application process.

FIGURE 10. NON-TAKE-UP BY AUTONOMOUS REGION



Source: AIReF based on data from the AEAT and the INSS.

**In addition to the analysis of potentially explanatory factors that AIReF published in the first Opinion, this second Opinion provides a profile of the groups in which the non-take-up rate is higher.** Specifically, non-take-up households are classified according to three variables: the Autonomous Region of residence of the household, the type of household (single-parent, households with children and more than one adult, single-member households and adult-only households), and finally, the gain that the MIS would entail if applied for and granted (between 0% and 30%, between 30% and 60% and more than 60% of the guaranteed income). From the crossing of these three variables, 204 resulting groups have been analysed. Table 6 shows the 20

groups with the highest number of non-applicants, while Table 7 lists the 20 groups with the highest non-take-up rate.

TABLE 6. RANKING OF THE TWENTY GROUPS WITH THE HIGHEST NUMBER OF NON-APPLICANTS

Position	Autonomous Region	Household type	Potential income gain	Non-applicant households	Non-take-up rate
1	Andalusia	Single-person	Under 30%	15,495	77%
2	Andalusia	Households with only adults	Under 30%	12,959	78%
3	Andalusia	Households with children and more than one adult	Under 30%	11,753	62%
4	Andalusia	Single-person	Over 60%	11,441	37%
5	Andalusia	Households with only adults	Between 30% and 60%	10,163	69%
6	Catalonia	Single-person	Over 60%	10,117	57%
7	Catalonia	Households with children and more than one adult	Over 60%	9,394	65%
8	Andalusia	Households with children and more than one adult	Over 60%	8,780	33%
9	Andalusia	Households with only adults	Over 60%	8,683	55%
10	Andalusia	Households with children and more than one adult	Between 30% and 60%	8,241	50%
11	Valencia	Single-person	Under 30%	8,110	78%
12	Andalusia	Single-person	Between 30% and 60%	8,079	60%
13	Valencia	Single-person	Over 60%	7,691	45%
14	Catalonia	Households with children and more than one adult	Under 30%	7,661	80%
15	Catalonia	Single-person	Under 30%	7,650	77%
16	Valencia	Households with only adults	Under 30%	7,474	86%
17	Catalonia	Households with only adults	Over 60%	7,091	80%
18	Valencia	Households with children and more than one adult	Over 60%	6,941	48%
19	Valencia	Households with only adults	Over 60%	6,890	70%
20	Madrid	Households with children and more than one adult	Under 30%	6,716	82%

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

**By Autonomous Region, the total number of non-applicant households is concentrated in those with a higher number of eligible households (Table 6).** Particularly noteworthy is the presence of Andalusia in the top positions of the classification by number of non-applicant households (Table 6). In fact, 23% of non-applicant households reside in Andalusia. It is followed by the Autonomous Regions of Catalonia, Valencia and Madrid, where 16%, 14% and 11% of non-applicant households, respectively, are concentrated.

**By household type, the non-take-up rates of adult-only households stand out (Table 7). The top places in the total number of non-applicant households are held by single-person households, in line with their high number among potential households (Table 6).** There are no children in 61% of non-applicant households. Specifically, 32% of non-applicant households are single-person households and 29% are adult-only households.

TABLE 7. RANKING OF THE TWENTY GROUPS WITH THE HIGHEST NON-TAKE-UP RATE

Posición	Autonomous Region	Household type	Potential income gain	Non-applicant households	Non-take-up rate
1	Balearic Islands	Households with only adults	Under 30%	1,208	93%
2	Catalonia	Households with only adults	Under 30%	6,409	92%
3	Balearic Islands	Households with only adults	Between 30% and 60%	917	91%
4	Catalonia	Households with only adults	Between 30% and 60%	5,291	87%
5	Valencia	Households with only adults	Under 30%	7,474	86%
6	Balearic Islands	Households with children and more than one adult	Under 30%	1,086	86%
7	Madrid	Households with only adults	Under 30%	5,870	86%
8	Balearic Islands	Single-person	Under 30%	1,492	84%
9	Cantabria	Households with only adults	Under 30%	527	84%
10	Madrid	Households with only adults	Between 30% and 60%	4,561	84%
11	Rioja	Households with only adults	Under 30%	254	84%
12	Canary Islands	Households with only adults	Under 30%	4,604	83%
13	Cantabria	Households with only adults	Between 30% and 60%	461	83%
14	Galicia	Households with only adults	Under 30%	2,977	83%
15	Castile-La Mancha	Households with only adults	Under 30%	2,245	83%
16	Murcia	Households with only adults	Under 30%	1,798	83%
17	Madrid	Households with children and more than one adult	Under 30%	6,716	82%
18	Valencia	Households with only adults	Between 30% and 60%	6,251	81%
19	Cantabria	Single-person	Under 30%	692	81%
20	Balearic Islands	Households with only adults	Over 60%	1,088	81%

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

**By potential gain, the highest non-take-up rates can be found among households in which the MIS would represent less than 30% of their guaranteed income (Table 7), which could be explained, as analysed in the first Opinion, as they are recipients of other benefits.** Overall, 38% of households not applying for the MIS would receive a benefit of less than 30% of their guaranteed income.

**An explanatory factor for the persistence over time of the number of households not applying for the MIS could be that the transfer of households benefiting from the regional minimum incomes to the MIS was limited. However, the poor quality of the microdata on the beneficiaries and the expenditure of the regional minimum incomes that the Autonomous Regions report to the AEAT and the INSS has prevented AIReF from carrying out the relevant analyses to discover their evolution, their transfer to the MIS or their degree of overlap with the State benefit.** The individualised information provided by the Autonomous Regions to both the AEAT and the INSS is still limited and does not allow a time analysis of beneficiaries and amounts

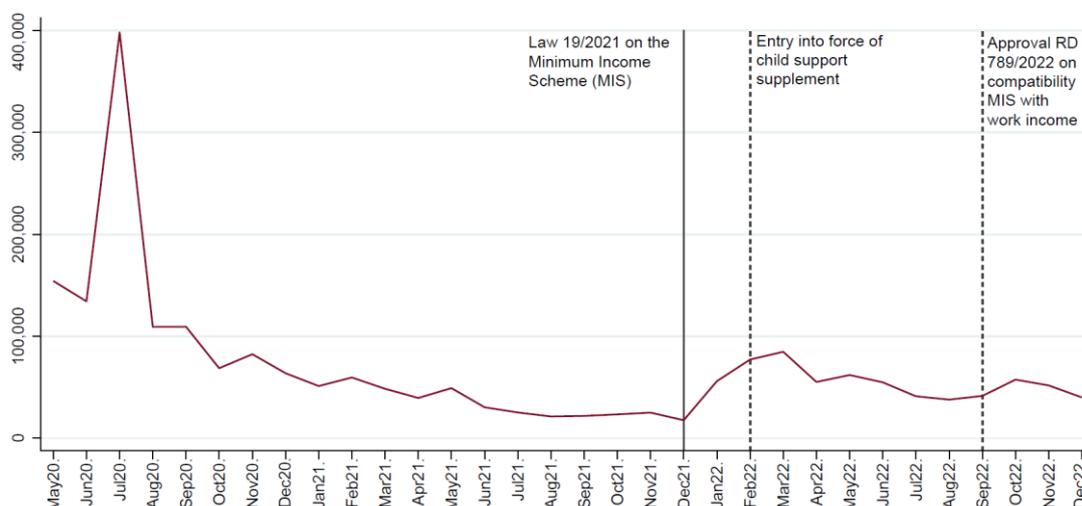
received from the regional minimum incomes. Therefore, the proposals of this study include achieving a uniform and complete dump of the information on public benefits and, in particular, on regional minimum incomes, coordinating the information of the databases of the AEAT with those of the registration of the Digital Social Card of the INSS.

### 2.1.3. Evolution of processing

#### 2.1.3.1. Analysis of applications submitted in 2022

**Applications rose by 60% in 2022 compared with 2021, and the total number of applications received in each month is higher than in 2021 (Figure 11). This is partly explained by the new Child Support Supplement that is processed through a single joint application with the MIS.** It should be borne in mind that, at the time the application is submitted, the household cannot specify whether it is an application solely for the Child Support Supplement or also for the MIS. In other words, the INSS checks in all applications whether they are entitled to the MIS, the Child Support Supplement, or both. This means that it is not possible to breakdown the effect of the entry into force of the Child Support Supplement on the total number of registered applications. Figure 11 shows a slight change in the seasonal pattern of the series of applications received. There was a noteworthy increase recorded from December 2021 with the entry into force of the Law on the MIS, which included approval of the Child Support Supplement. There was also an upturn in September 2022 that did not take place in September 2021. It should be noted that on September 27<sup>th</sup>, 2022, Royal Decree 789/2022 on employment incentives was approved, which will enter into force in 2023.

FIGURE 11. NUMBER OF APPLICATIONS BY MONTH OF APPLICATION



Source: AIReF based on exploitation of MIS cases.

**Despite the aforementioned increase in applications, partially explained by entry into force of the Child Support Supplement, the average decision time stood at 120 days, similar to the figure for the previous year** (Figure 12). The average decision time for approved or denied applications in December 2021 was approximately three months. In the first half of 2022, this time increased to over four months, coinciding with the increase in applications following the entry into force of the Child Support Supplement on February 1<sup>st</sup>, 2022. For applications made in June 2022, there is a reduction in the average decision time (Figure 12), although 40% of applications this month were pending at December 31<sup>st</sup>, 2022<sup>11</sup>. The percentage with this status rises as the year progresses (Figure 13).

**It is important to bear in mind that the reduction in these processing times may not depend exclusively on the management of the INSS.** In this regard, the INSS has informed AIReF that, to gain evidence of the fulfilment of certain requirements, information needs to be requested from other authorities. In order to facilitate the approval of the MIS application, the INSS keeps the case in process for the time necessary to collect the missing information to be sent by the other authorities.

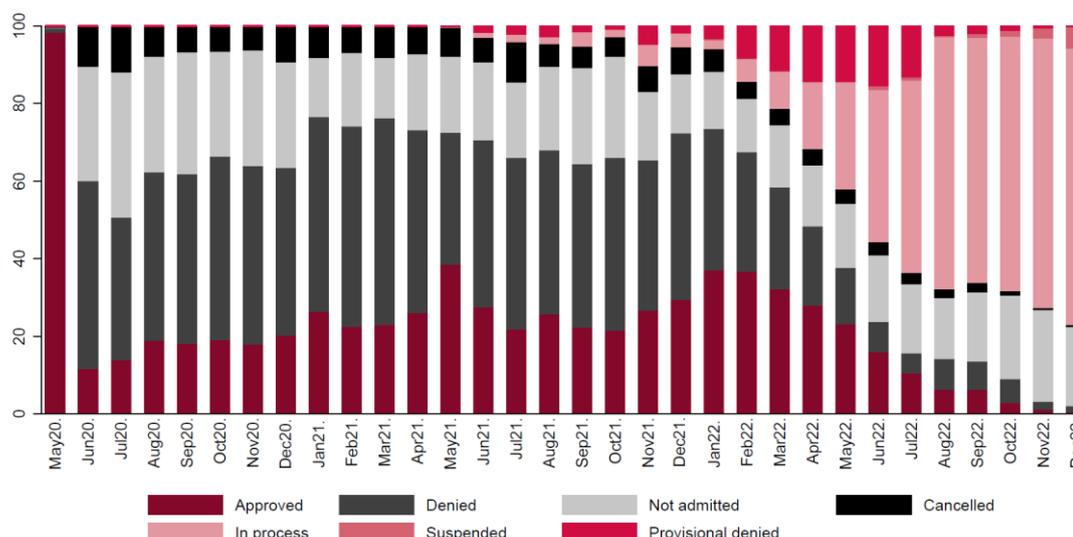
FIGURE 12. AVERAGE DECISION TIME BY MONTH OF APPLICATION (DAYS)



Source: AIReF based on exploitation of MIS cases.

<sup>11</sup> Article 28.3 of the Law on the MIS establishes that the INSS will issue a decision and notify the applicant within a maximum period of six months from the date of entry of the application in its register. If this period has elapsed without notification of an express decision, the application will be deemed to be denied.

FIGURE 13. PERCENTAGE OF CASES BY MONTH OF APPLICATION BY STATUS



Source: AIReF based on exploitation of MIS cases.

With the information available at December 31<sup>st</sup>, 2022, the application approval rate in 2022 remains at figures close to those of 2021 (Figure 14). Figure 14 shows that 31.4% of applications submitted in 2022 were approved and decided on by December 31<sup>st</sup>, 2022. At year-end, 28.6% of the applications submitted in 2021 had been approved. The approval rate for 2022 may vary when applications that are in process or provisionally denied are added to the “Approved” or “Denied/Inadmissible” columns of Figure 14.

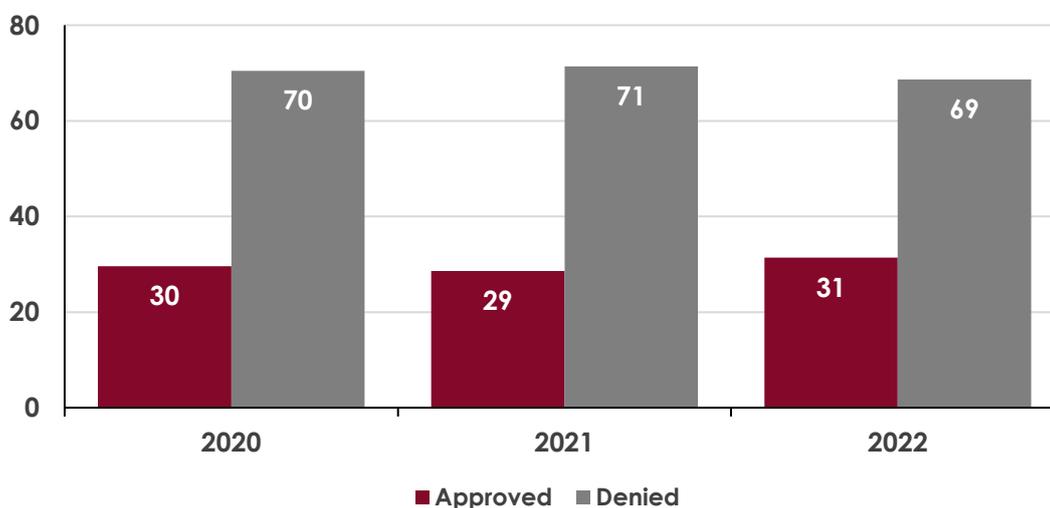
With regard to the origin of the applications approved in 2022, although the *ex officio* conversion from the Dependent Child Allowance appears once again, there were hardly any applications registered as a result of the protocol established with the Autonomous Regions. In February 2022, 37,617 Child Support Supplements were recognised *ex officio*. This method was used to approve 150,000 MIS cases in 2022. While in 2021, the mechanism of exchange of information with the Autonomous Regions established in Article 32 of the Law on the MIS was used to approve 27,000 MIS benefits, in 2022 this protocol resulted in 823 approved cases.

69% of the applications decided in 2022 were denied (Figure 14), and the denial rate is higher in households without children (Figure 15). Within the denied or inadmissible applications, 1,5% of the applications submitted in 2022 were temporarily suspended<sup>12</sup> and 13% were provisionally denied as at December 31<sup>st</sup>, 2022. By household type, the percentage of denials is higher than the average in single-parent households (Figure 15). Inadmissible

<sup>12</sup> The suspension of the right to the Minimum Income Scheme living income is regulated in Article 14 of Law 19/2021, of December 20<sup>th</sup>, establishing the Minimum Income Scheme.

applications are most pronounced in households with one, two, three or four adults without children (Figure 15).

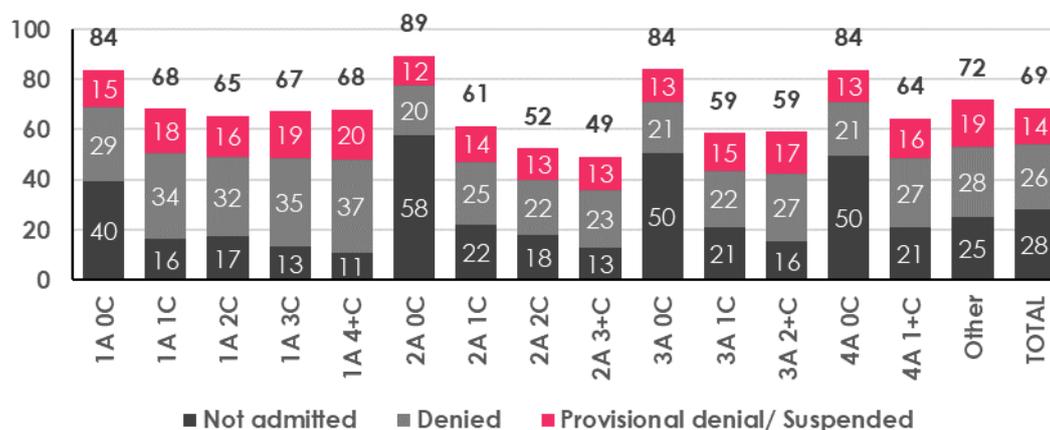
FIGURE 14. PERCENTAGE OF APPLICATIONS DECIDED ON BY STATUS



Source: AIReF based on exploitation of MIS cases.

Note: In 2022, 13% of applications are provisionally denied and 1.5% are suspended and are considered to be denied in this figure.

FIGURE 15. PERCENTAGE OF 2022 APPLICATIONS DENIED BY HOUSEHOLD TYPE

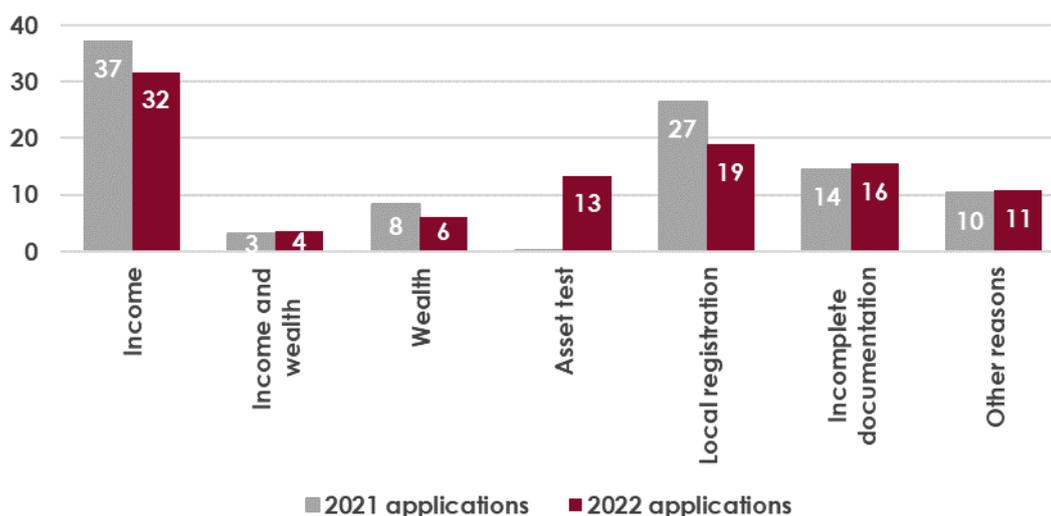


Source: AIReF based on exploitation of MIS cases.

**In relation to the reasons for denial, the reason of *income*, with 32% of all the cases denied, remains the main reason followed by local registration, which accounts for 19% of denials, although this reason decreases in importance with respect to 2021 (Figure 16). In addition, the Law on the MIS establishes a new requirement for access to the benefit: that the value of non-corporate assets excluding the usual residence of the household is below the thresholds set (Table 4 in Section 2.1.1).**

**13% of applications submitted in 2022 and denied as at December 31<sup>st</sup>, 2022 are based on this new asset test.** The reason for denial related to incomplete documentation<sup>13</sup> rises slightly from 14% to 16% and the category that includes other reasons or a combination of reasons remains at around 10%. With regard to this last category, which includes other reasons, it is important to note that in 2021, it included cases that were denied as the beneficiary had not been registered as a job-seeker. However, in 2022 this reason disappears as Royal Decree Law 6/2022, of March 29<sup>th</sup>, establishes that it will be the INSS that sends the information on beneficiaries over 18 and under 65 years of age to the public employment services of the Autonomous Region so that they can proceed to their *ex officio* registration as job-seekers.

FIGURE 16. REASON FOR MIS DENIAL ACCORDING TO THE YEAR OF THE APPLICATION

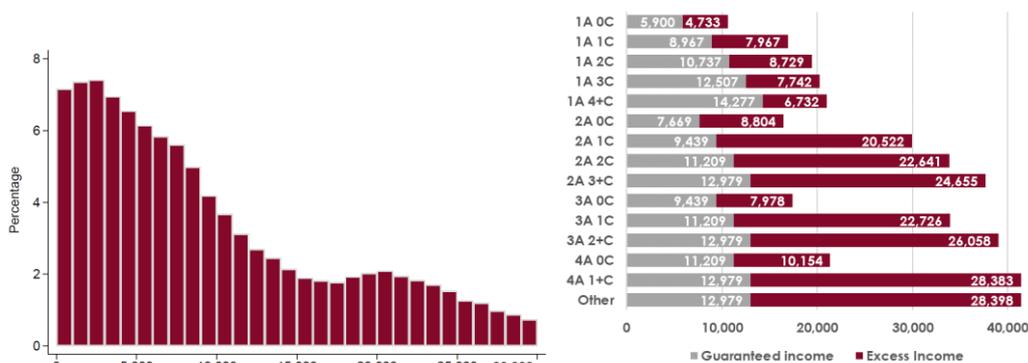


Source: AIRcF based on exploitation of MIS cases.

**Within the cases denied due to income, the reason of exceeding the threshold is higher in 2022 than in 2021.** In 2022, the median excess was €7,802 (Figure 17), while in 2021 the cases denied for this reason had a median excess over the income threshold of €5,400. The increase in the distance to the guaranteed income is greater in households with children, which is consistent with the entry into force of the Child Support Supplement, whose income thresholds are higher than those required for access to the MIS.

<sup>13</sup> The category of *incomplete documentation* includes the failure to provide evidence of the start of separation or divorce proceedings, the failure to provide evidence of a situation of gender-based violence, being a victim of human trafficking or sexual exploitation, and the failure to provide evidence of the relationship of the cohabitation unit.

FIGURE 17. DISTRIBUTION OF EXCESS INCOME OF DENIED CASES AND MEDIAN AMOUNT OF EXCESS BY HOUSEHOLD TYPE



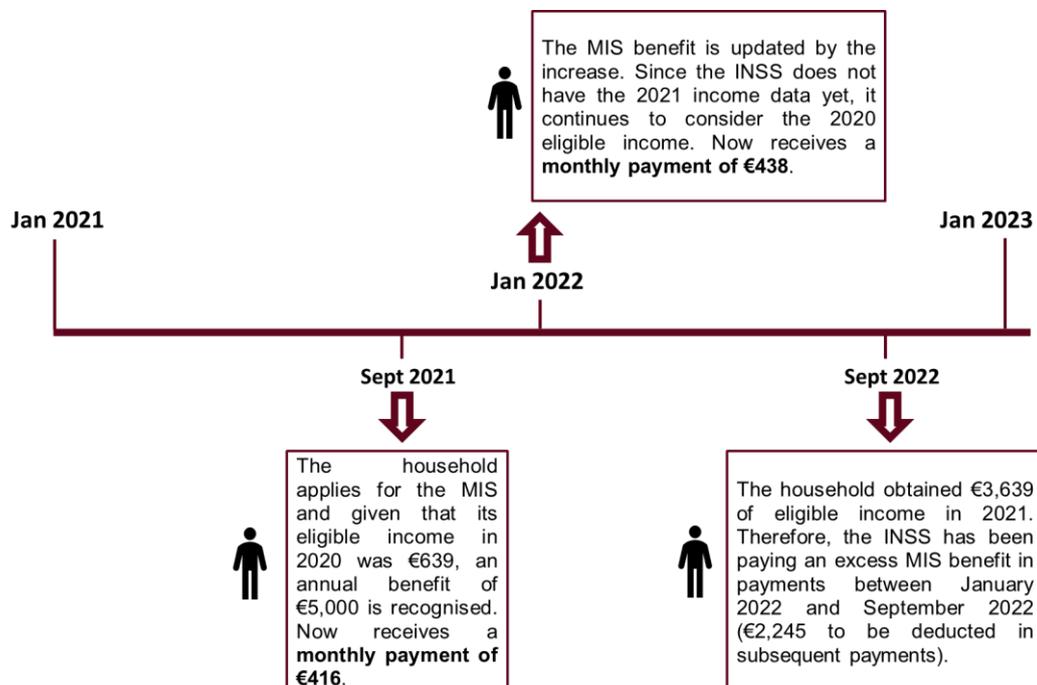
Source: AIRcF based on exploitation of MIS cases and AEAT data.

### 2.1.3.2. Revisions of the amounts of the MIS

**Access to and maintenance of the MIS benefit is conditional on complying with the requirement of financial vulnerability set out in Articles 11 and 13 of the Law.** The combination of income and proceeds obtained during the year prior to enjoyment of the benefit are mostly those considered relevant for verifying compliance with the benefit's financial vulnerability requirement. In the same vein, compliance with the requirement of net wealth and assets is verified according to the valuation at December 31<sup>st</sup> of the year immediately prior to enjoyment of the benefit.

**However, the definitive data on income and wealth from the previous year are not available until quite late in the current year, and always once the income tax campaign ends. This generates revisions of the payments received by MIS beneficiaries.** It is currently therefore only in the last quarter of the year that the INSS can cross-check with the AEAT to verify definitive fulfilment of the income and wealth requirements for the year. It is at that time that the adjustment procedure and claiming of the amounts of the benefit begins and recipients are removed from the benefit when the income amounts are higher than the established limits. Table 8 illustrates by way of an example this time lag between the time required for compliance with the economic vulnerability requirement and the time of verification.

**TABLE 8. EXAMPLE OF A SINGLE-PERSON HOUSEHOLD AFFECTED BY THE DELAY IN THE AVAILABILITY OF TAX DATA ON THE PREVIOUS YEAR**



Source: AIReF.

Table 8 shows one of the possible consequences of the delay in the availability of tax data. Specifically, for the household in the example, the INSS would have been making higher payments than those which corresponded to the household between January and September 2022 (€2,245 in total). Article 19 of the Act regulates the repayment of unduly received benefits. In the case of the example, given that the household continues to be entitled to the MIS, the excess received would be offset in the payments made as from September 2022. However, if the 2021 eligible income had exceeded the amount of the guaranteed income, the beneficiary would be removed from the benefit and the household would be required to repay the amounts received. This would be done by means of the procedure provided for in Royal Decree 148/1996, of February 5<sup>th</sup>, which regulates the special procedure for the repayment of unduly received Social Security benefits, and in the General Regulation on Social Security Collection, approved by Royal Decree 1415/2004, of June 11<sup>th</sup>.

Reciprocally, the opposite case to that shown in the diagram may occur. A household could have been receiving less than the amount to which it was entitled between January and September 2022. In this case, the shortfall in the amount received would lead to an increase in the MIS payments as from September.

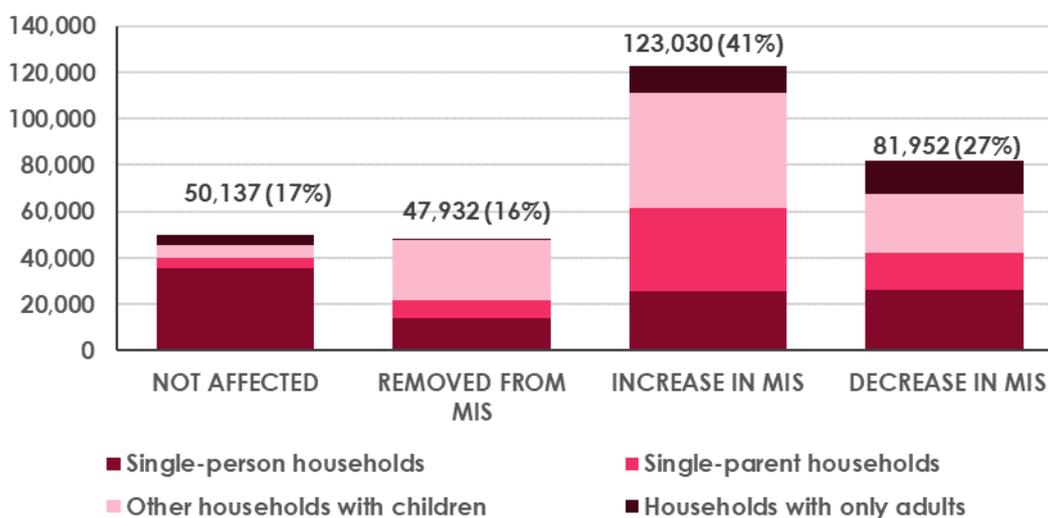
The delay in the availability of tax information affected 83% of MIS beneficiary households in 2022. 43% had received more than they were entitled to, while

**40% had received less.** In order to analyse the importance of this phenomenon, two extractions from the MIS management database have been used. The first extraction was made on June 26<sup>th</sup>, 2022 before the INSS received the definitive file from the AEAT corresponding to 2021, while the second took place on December 31<sup>st</sup>, 2022 when the amounts had already been adjusted according to the definitive 2021 file on income and assets of the AEAT. We can therefore observe the evolution of the information recorded in each file before and after the cross-checking with the 2021 tax data, which took place around September 2022. This analysis makes it possible to classify the total number of registered MIS cases into four categories: those that result in the removal of the beneficiary from the MIS benefit as they have income higher than the guarantee limits, those who remain registered with a reduction in the amount of the MIS, those that remain registered with an increase in the amount of the MIS and, lastly, those that remain registered with the same amount of MIS. Figure 18 shows the total number of households in each of these categories broken down by composition. Thus, of the total of 303,051 cases registered in June 2022, following the review:

- **47,932 (16% of the total) were REMOVED from the list of MIS beneficiaries, when in June they were REGISTERED.**
- **81,952 (27% of the total) remain REGISTERED and the amount of their MIS falls.**
- **123,030 (40% of the total) remain REGISTERED and the amount of their MIS rises.**
- **50,137 (17% of the total) remain REGISTERED and the amount of their MIS remains unchanged.**

**The impact of this delay is heterogeneous according to the type of household. Particularly noteworthy is the incidence in the category “REMOVED from the MIS” of households with children, and single-person households among those whose amounts remained unchanged** (Figure 18). The composition does not show a group of households particularly affected by upward or downward revisions.

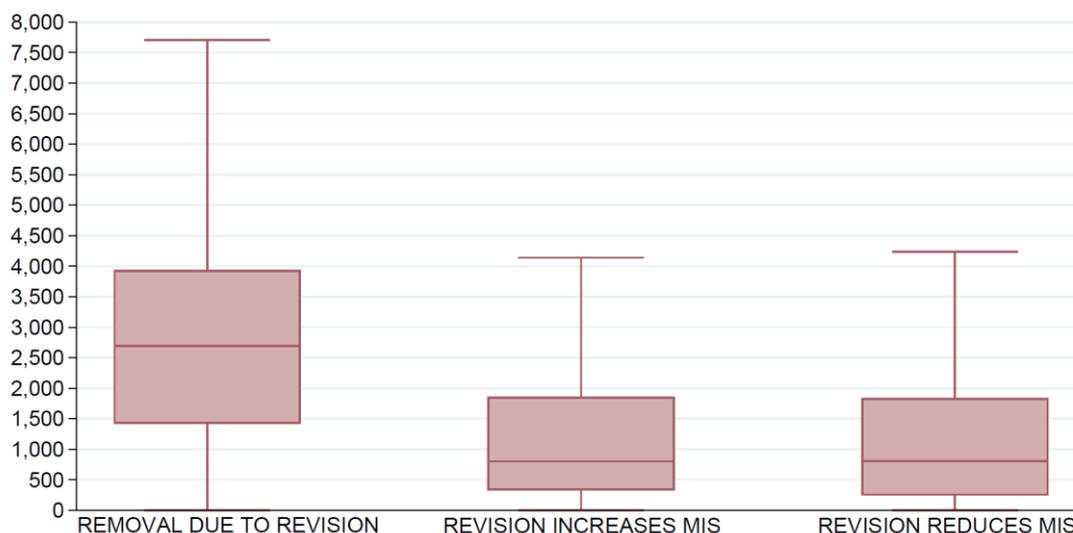
FIGURE 18. MIS-RECIPIENT HOUSEHOLDS IN JUNE 2022 AFFECTED BY THE INCOME REVISION AS A RESULT OF THE CROSS-CHECKING WITH 2021 TAX DATA



Source: AIRcF based on INSS management data.

The households removed are those that have higher amounts affected by the revision, with the median sum standing at €2,500 (Figure 19). For their part, households whose amounts were revised upwards receive a median increase of almost €1,000. Finally, the median amount of the decrease for households subject to a downward revision of the MIS benefit stands at a little under €1,000.

FIGURE 19. DISTRIBUTION OF AMOUNTS NOT RECEIVED BY HOUSEHOLDS OR UNDULY RECEIVED BETWEEN JANUARY AND SEPTEMBER 2022



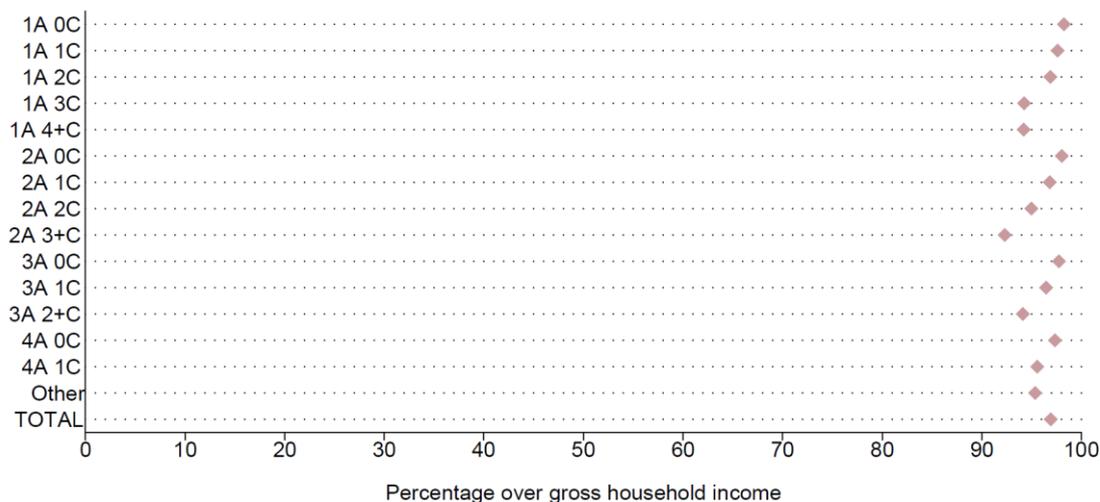
Source: AIRcF based on INSS management data.

**Two mechanisms have been launched to mitigate the impact in the categories of “Removal due to revision” and “Revision reduces MIS” as from the next revision in September 2023. Although some of the mismatch explained would be addressed, they do not manage to offer a comprehensive solution or address the cases of households that receive a lower amount than they are entitled to.** Firstly, Royal Decree 789/2022, of September 27<sup>th</sup>, moves further towards the compatibility of the MIS with income from employment or self-employment. Thanks to this regulatory development, a part of the increases in income from work or economic activity will be exempted from the calculation of income for determining the amount of the household's MIS. Therefore, the reclaimed amounts may decrease. Secondly, Article 19 of the Law on the MIS has been amended by Article 81 of RDL 20/2022 of December 27<sup>th</sup> on measures in response to the economic and social consequences of the war in Ukraine. As a result of this amendment, amounts not exceeding 65% of the monthly amount of non-contributory pensions will not be repayable when at least one beneficiary is a child. The full non-contributory pension as of January 2023 has a basic amount of €484.61. Therefore, households with a child will only be required to repay unduly received amounts above €314.99.

**Finally, it should be noted that MIS beneficiary households receive on average 97% of their income from two sources: income from work and public benefits** (Figure 20). Figure 20 shows that, for all types of households, the sum of income from work and benefits is on average close to 100% of the household's gross income. Information from the two main sources of income of MIS beneficiary households could potentially be available from the INSS on a monthly basis.

**Based on the above findings, it will be proposed in the last section to further analyse the use of the data made available by the INSS on a monthly basis with the aim of adjusting the amounts of the benefit and thus mitigating the incidence and size of the revision. In addition, consideration will be given to the possibility, relevance and feasibility of simplifying the definition of income eligible for access to the MIS** on the basis of the information on income from work and public benefits on which the public authorities have monthly information. This will make it possible to adjust the benefit to the household's circumstances at any moment, thus strengthening the capacity of the MIS to address situations of unforeseen poverty.

FIGURE 20. PERCENTAGE OF THE SUM OF INCOME FROM WORK AND BENEFITS OVER THE HOUSEHOLD'S GROSS INCOME IN MIS BENEFICIARIES



Source: AIReF based on INSS and AEAT data.

## 2.2. Children and young people: the Child Support Supplement (Module 4)

### 2.2.1. The design of the Child Support Supplement

The Law on the MIS establishes a new Child Support Supplement that entered into force in February 2022. For eligible families, the Child Support Supplement grants a monthly sum of €100 for each child under the age of three, €70 for each child aged between three and six and €50 for each child over the age of six<sup>14</sup>. A household is entitled to the Child Support Supplement if it meets the access requirements regulated in Article 10 of the Law on the MIS. In particular, with regard to the situation of financial vulnerability, the thresholds are extended with respect to those set in order to be able to receive the MIS. Specifically, to be a beneficiary of the Child Support Supplement, the household with children must provide evidence that, in the year prior to application, they had eligible income lower than 300% of the guaranteed income of the MIS, net wealth lower than 150% of the corresponding threshold and non-corporate assets for a value lower than six times the guaranteed income. Table 9 specifies the income and wealth limits of the Child Support Supplement for 2022 for each type of household. It is important to highlight that, given the expansion in financial requirements, there are households

<sup>14</sup> The Royal Decree on Urgent Measures and its extension also increased the Child Support Supplement payments by 15% for recipient households between the months of April and December 2022, both included.

potentially eligible to receive the MIS and the Child Support Supplement, while others can only benefit from the Child Support Supplement.

TABLE 9. AMOUNTS OF INCOME AND WEALTH LIMITS FOR THE CHILD SUPPORT SUPPLEMENT, 2022

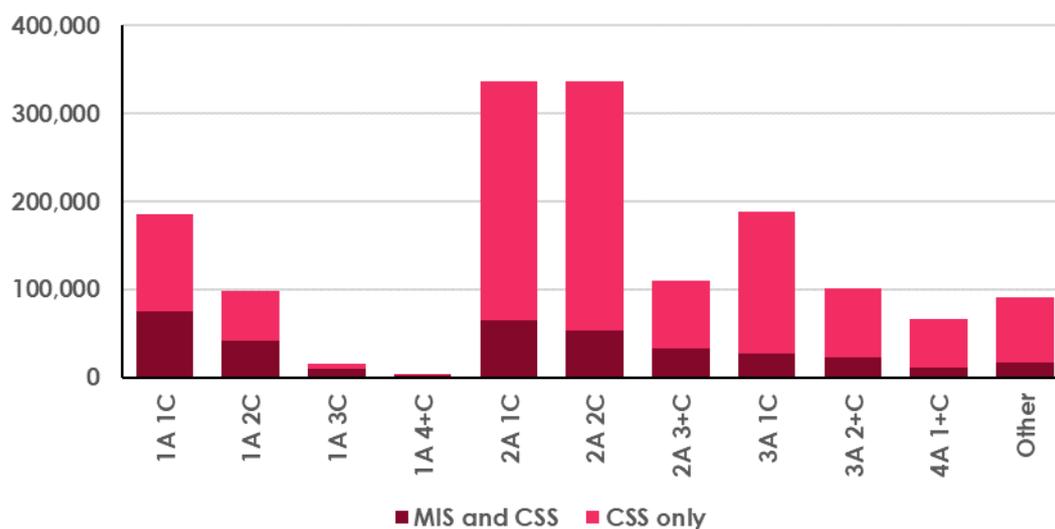
Household type	Income	Net wealth	Non-corporate assets
1A 0C			
1A 1C	23,008	37,167	49,557
1A 2C	28,318	47,787	63,716
1A 3C	33,628	58,406	77,875
1A 4+C	38,937	69,025	92,034
2A 0C			
2A 1C	28,318	47,787	63,716
2A 2C	33,628	58,406	77,875
2A 3+C	38,937	69,025	92,034
3A 0C			
3A 1C	33,628	58,406	77,875
3A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

Source: AIReF based on Law 19/2021, of December 20<sup>th</sup>, establishing the Minimum Income Scheme.

**According to the estimates made using the AIReF microsimulator, full implementation of the Child Support Supplement would result in 1.5 million beneficiary households, of which 356,664 (23%) would also be MIS recipients.** Figure 21 shows the distribution of households potentially benefiting from the Child Support Supplement by household type. Two-adult households with dependent children account for 50% of Child Support Supplement beneficiaries if the supplement were to be fully rolled out.

**The maximum annual expenditure of the Child Support Supplement, taking into account the amount in force in 2022, would be €2bn.** If the total of potentially eligible households received the Child Support Supplement, 2.6 million children would be covered by the supplement (of these, 75% aged between six and 18, 16% aged between three and six and the remaining 9% would be under three years of age).

FIGURE 21. TOTAL HOUSEHOLDS POTENTIALLY BENEFITING FROM THE CHILD SUPPORT SUPPLEMENT, BY TYPE OF MIS HOUSEHOLD



Source: AIReF based on the AIReF-MIS-Child Support Supplement microsimulator with data from the AEAT.

**As for the MIS, the law does not specify the specific public policy targets pursued by the Child Support Supplement in terms of reducing poverty or child poverty<sup>15</sup>.** The income limits to access the Child Support Supplement stand above the poverty threshold, particularly in single-parent households. It is therefore complex to deduce the targets pursued by the Child Support Supplement in terms of poverty reduction.

<sup>15</sup> Eradicating child poverty in the ordinary fiscal territory would mean, on the basis of the administrative data with which this Opinion is drawn up, an annual expenditure of €9bn. The MIS and the Child Support Supplement would cover, respectively, 24% and 12% of the amount necessary for households with children to exceed the poverty threshold in Spain. A fully implemented Child Support Supplement would allocate €1.15bn of its potential expenditure of €2bn (56% of the potential) to households in poverty.

### 2.2.2. The implementation of the Child Support Supplement as at December 31<sup>st</sup>, 2022

In order to analyse the rollout of the Child Support Supplement in its first year of existence, the procedure for applying for and granting this supplement is detailed below. On the one hand, the INSS has recognised *ex officio* the supplement for those households that as of January 2022 were already recipients of the MIS or for which their case was being processed and which complied with the requirements of the benefit<sup>16</sup>. In any other case, in order to receive the Child Support Supplement, a household must submit the MIS application, whether it is entitled to both benefits or only eligible for the supplement. For example, a household whose MIS application was denied before December 31<sup>st</sup>, 2021 would have to reapply for the MIS in order to be eligible for the Child Support Supplement. Furthermore, a former MIS beneficiary whose benefit was withdrawn before January 1<sup>st</sup>, 2022 would also have to reapply for the benefit in order to be taken into account for the Child Support Supplement.

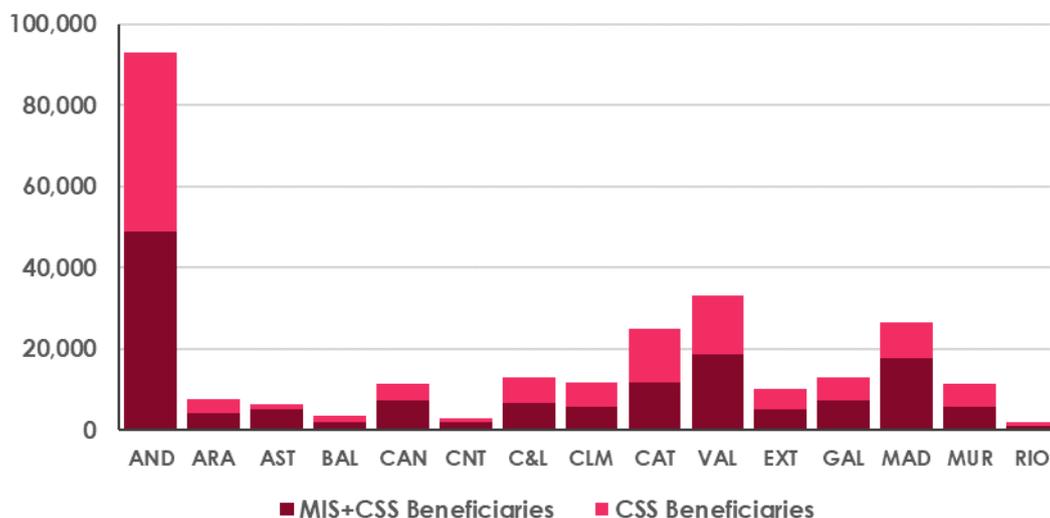
**As at December 31<sup>st</sup>, 2022, of the 1.5 million potential households benefiting from the Child Support Supplement, there are 273,318 households receiving it. Of these, 150,529 (55% of the total) are also MIS recipients, while the remaining 122,789 households (45% of the total) exclusively receive this supplement.** There are 502,994 children living in these households receiving the benefit (12% under three years old, 17% between three and six years old and the remaining 71% between six and 18 years old). By Autonomous Region, Andalusia accounts for 34% of the beneficiaries of the Child Support Supplement; followed by Valencia, Madrid and Catalonia with 12%, 10% and 9%, respectively (Figure 22). With regard to the type of household, particularly noteworthy are those with two adults and one, two or three or more children and single-parent households with one child (Figure 23).

**The median amount received by beneficiaries of the Child Support Supplement in 2022 was €667. The annual expenditure on the supplement amounted to €400m of the €2bn that it would entail if the programme were fully rolled out.** In aggregate terms, the annual expenditure for the Child Support Supplement recognised in 2022 amounts to €400m, 48% allocated to households that are exclusively beneficiaries of the Child Support Supplement and 52% to households that also receive the MIS.

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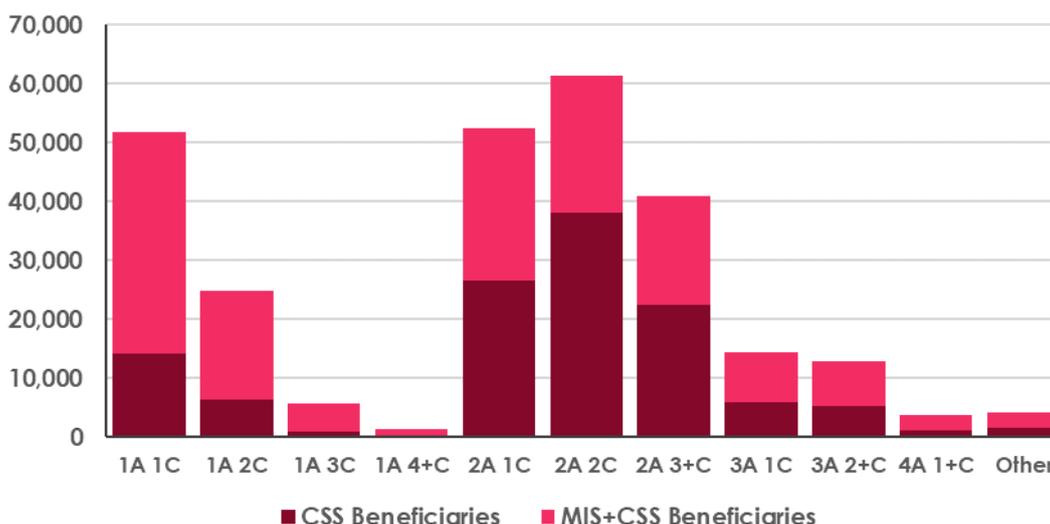
<sup>16</sup> Households benefiting from the economic allowance per dependent child without disability or disability lower than 33% that met the requirements for access to the Child Support Supplement, and for whom the amount was equal to or greater than the sum they had been receiving, have been recognised *ex officio* and therefore must opt for one of the two benefits.

FIGURE 22. TOTAL NUMBER OF BENEFICIARY HOUSEHOLDS OF THE CHILD SUPPORT SUPPLEMENT IN 2022, BY AR



Source: AIRcF based on INSS data.

FIGURE 23. TOTAL NUMBER OF BENEFICIARY HOUSEHOLDS OF THE CHILD SUPPORT SUPPLEMENT IN 2022, BY HOUSEHOLD TYPE

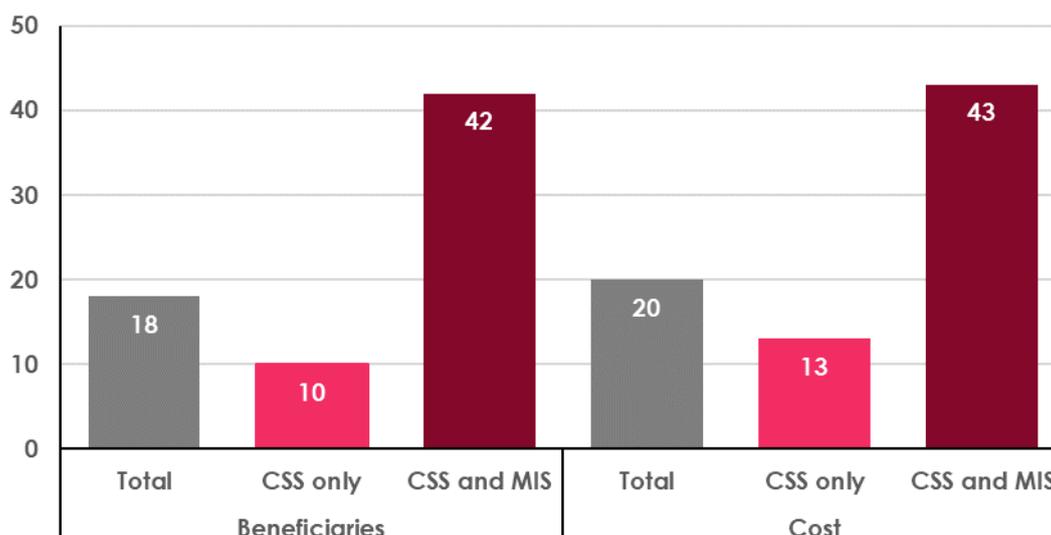


Source: AIRcF based on INSS data.

**In view of the data recorded by the Child Support Supplement in 2022, the supplement has reached 18% of eligible households and has disbursed 20% of potential annual expenditure** (Figure 24). As at December 31<sup>st</sup>, 2022, the Child Support Supplement reaches 18% of potentially eligible households. If we consider exclusively households that could only benefit from the Child Support Supplement, but not the MIS, this indicator falls to 10%. In contrast, the supplement reaches 42% of the households that are entitled to receive both the MIS and the Child Support Supplement. Finally, the annual expenditure for

2022 represents 20% of the total potential expenditure for the Child Support Supplement, drops to 13% for households with the Child Support Supplement only and exceeds 40% for beneficiaries of both benefits.

FIGURE 24. DEGREE OF IMPLEMENTATION OF THE CHILD SUPPORT SUPPLEMENT UP TO DECEMBER 2022



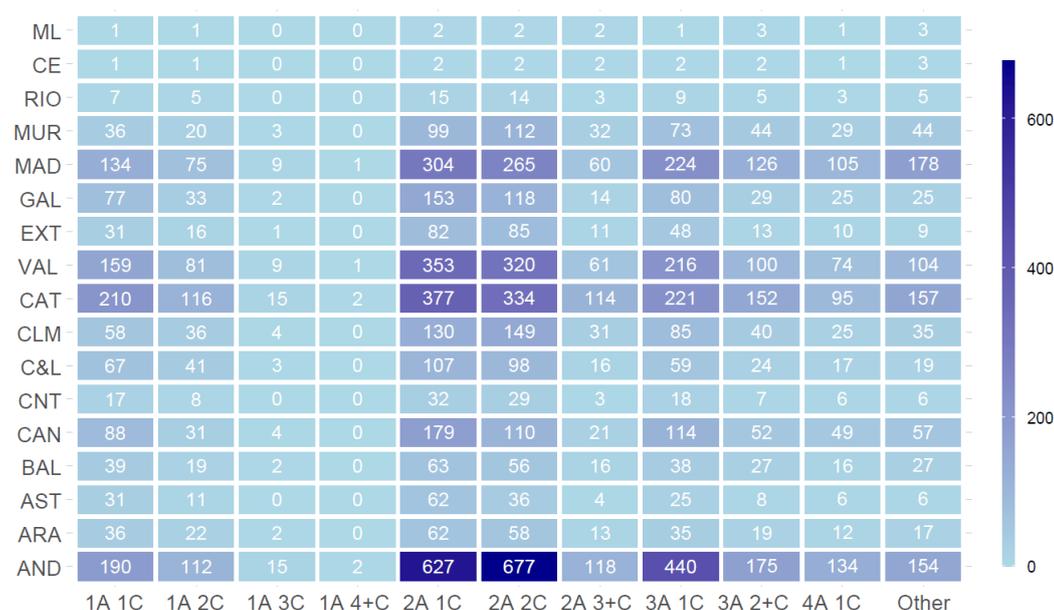
Source: AIReF based on the results of the AIREF-MIS-CSS microsimulator.

**This level of reach in the effects of the Child Support Supplement in 2022 with respect to its potential capacity is explained by a non-take-up rate of 76%. The largest regions - Andalusia, Valencia, Catalonia and Madrid - concentrate the largest number of non-applicant households.** 76% of potentially eligible households had not applied for the supplement by December 31<sup>st</sup>, 2022. Figures 25 and 26 show heat maps that provide a descriptive approximation of the incidence of this phenomenon, broken down by type of household and Autonomous Region of residence. Thus, Figure 25 shows the number of households not applying for the Child Support Supplement (measured in hundreds) in each of the categories resulting from crossing Autonomous Region and household type. The Autonomous Regions and household types with the highest number of beneficiaries of the Child Support Supplement are also the categories that concentrate the highest number of non-applicant households. In other words, achieving a significant reduction in the overall non-take-up rate would largely depend on reducing the figures shown in Figure 25 in Andalusia, Valencia, Catalonia and Madrid in households with one and two children with two adults or single parents.

**Figure 26 shows the heat map according to non-take-up rates, that is, the percentage of non-applicant households over those potentially eligible.** From this perspective, which does not take into account the absolute size of the phenomenon, non-take-up is more pronounced in households with one child and three or four adults, followed by couples with one or two children. The

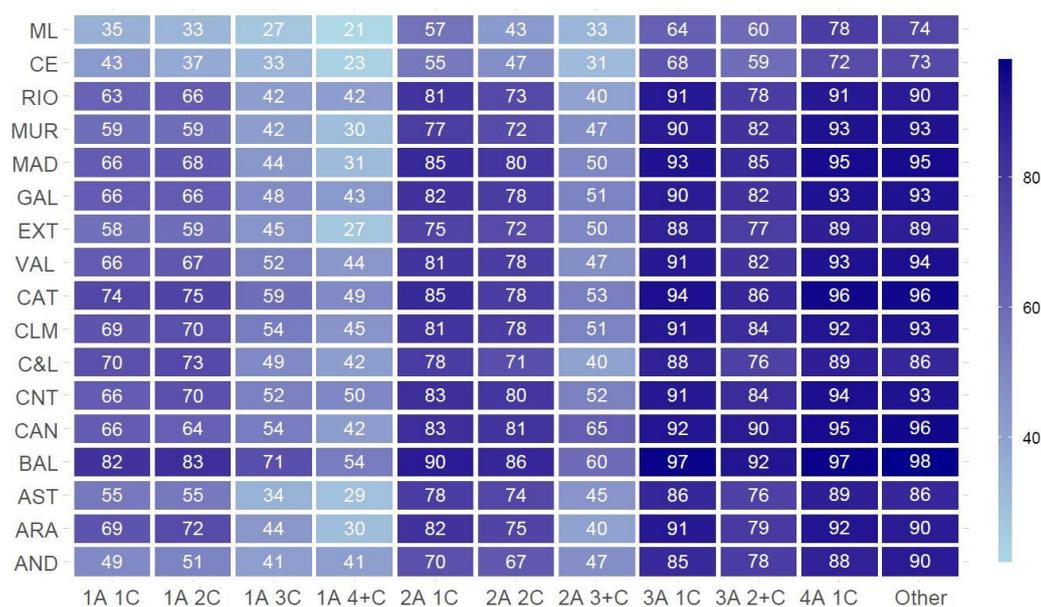
territorial incidence measured through the rate is slightly different from that seen in Figure 25, with Autonomous Regions such as the Balearic Islands and Catalonia appearing particularly affected. These regions are also affected by this phenomenon in the MIS.

**FIGURE 25. TOTAL NUMBER OF HOUSEHOLDS NOT APPLYING FOR THE CHILD SUPPORT SUPPLEMENT (MEASURED IN HUNDREDS OF HOUSEHOLDS) BY AR AND HOUSEHOLD TYPE**



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

**FIGURE 26. NON-TAKE-UP RATES FOR THE CHILD SUPPORT SUPPLEMENT BY HOUSEHOLD TYPE AND AR**



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

**The lower the household income, and the greater the amount to be received from the supplement, the more likely it is for the household to apply for the Child Support Supplement** (Table 10). Specifically, Table 10 shows the results of a probit model estimated on the population of households potentially benefiting from the supplement that includes controls by household type, Autonomous Region and household asset level. The dependent variable takes value 1 if the household has applied for the Child Support Supplement as at December 31<sup>st</sup>, 2022. Theoretically, the higher the income, the lower the household's incentive to apply for the Child Support Supplement should be, since the amount of the MIS would converge to zero and, after the corresponding threshold, the household would only be entitled to the supplement. This hypothesis would be confirmed in the results of Table 10. Looking at the estimated coefficients, an increase in the eligible income of €10,000 means that applying for the Child Support Supplement is 0.4% less likely. Finally, €100 more in the amount corresponding to a household from the Child Support Supplement means that the application is 5.5% more likely to be made.

TABLE 10. RESULTS OF THE PROBIT MODEL TO ESTIMATE THE DETERMINANTS OF APPLYING FOR THE CHILD SUPPORT SUPPLEMENT

	<i>Dependent variable: 1 Applies; 0 Does not apply</i>	
	<b>Coefficient</b>	<b>Odds ratio</b>
Income (tens of thousands of €)	-0.004***	0.996***
Amount of the Child Support Supplement (hundreds of €)	0.053***	1.055***
Constant	-0.950***	0.387***
Note 1:	P***<0.01	
Note 2:	Control variables are included for household composition, ARs and assets.	

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

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

### 2.3.1. People with severe material and social deprivation

**Article 1 of the Law on the MIS states that the benefit is aimed at preventing the risk of poverty and social exclusion. The concept of social exclusion includes people who are part of cohabitation units affected by a situation of severe material and social deprivation.** In order to build the AROPE rate, the population at risk of poverty or social exclusion is defined as those living in households under one of the following three situations: those with total income per consumption unit below 60% of the median (risk of poverty), or those

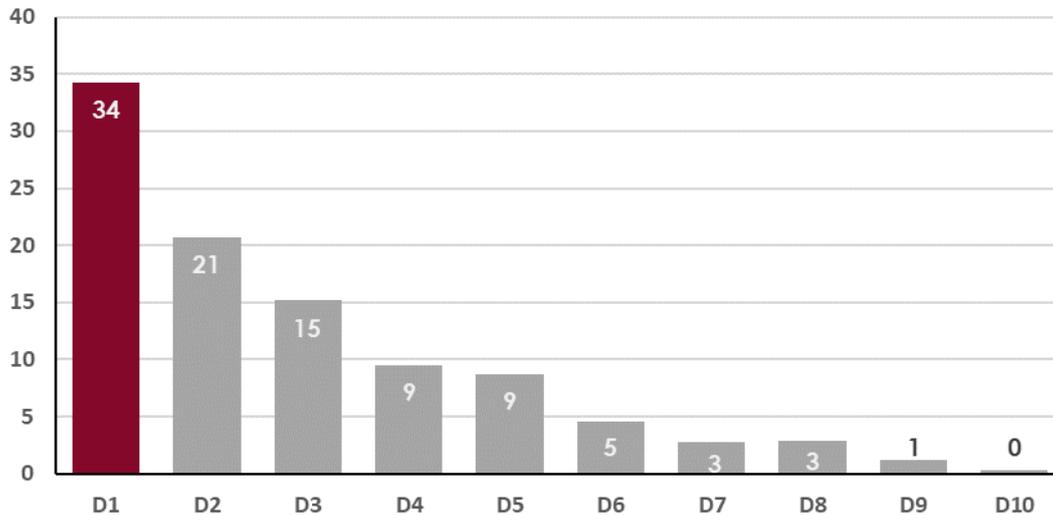
whose people of working age worked less than 20% of their potential (low intensity in employment) or, finally, those that suffer severe material and social deprivation. People with severe material and social deprivation are those who report suffering deprivation in at least seven items in a list of 13<sup>17</sup>.

**As with the risk of poverty, the fully implemented MIS would not achieve full coverage of people suffering from severe material and social deprivation. Around 34% of people with severe material and social deprivation would be potential beneficiaries of the MIS** (Figure 27). The Living Conditions Survey is the product of official statistics that provide information on severe material and social deprivation in Spain. There are two methodological alternatives for estimating the degree of coverage of the MIS in this group. Firstly, it could be chosen to simulate the households and people potentially eligible for the MIS and explore the degree of overlap with the severe material and social deprivation in this group and outside it. Since the LCS does not contain information on household wealth, this first approach has been discarded. Secondly, it is possible to start from the position of potential MIS beneficiaries in the distribution of equivalised disposable income in the AEAT data. 90% of potential MIS beneficiaries are in the first decile of equivalised net income using AEAT data. As the LCS provides a representative sample, it can be assumed, without loss of generality, that with the survey data MIS recipients will also be almost entirely in the first decile of equivalised disposable income. As shown in Figure 27, the LCS makes it possible to estimate that 34% of people with severe material and social deprivation in Spain are in the first decile of equivalised disposable income. Under the assumption that there would be an exact overlap between MIS beneficiaries and those with severe material and social deprivation, the benefit would cover a maximum of 1.2 million people, 34% of the total of the 3.5 million with severe material and social deprivation.

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<sup>17</sup> Of these 13 items, seven are defined at the household level and six at the personal level. At the household level: 1. Cannot afford to go on holiday at least one week per year. 2. Cannot afford a meal of meat, poultry or fish at least every other day. 3. Cannot afford to keep the home at an adequate temperature. 4. Unable to meet unforeseen expenses (of €800) 5. Has had delays in the payment of expenses related to the main home (mortgage or rent, gas bills, communal expenses...) or in instalment purchases in the last 12 months. 6. Cannot afford a car. 7. Cannot replace damaged or old furniture. At the personal level: 1. Cannot afford to replace damaged clothes with new ones. 2. Cannot afford to have two pairs of shoes in good condition. 3. Cannot afford to meet friends/family for a meal or a drink at least once a month. 4. Cannot afford to participate regularly in leisure activities. 5. Cannot afford to spend a small amount of money on themselves. 6. Cannot afford Internet connection.

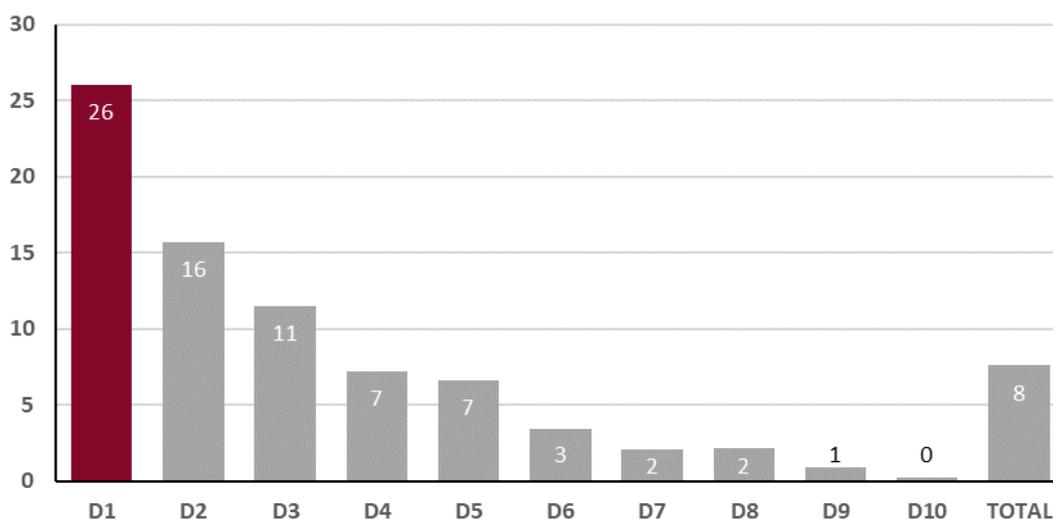
FIGURE 27. PERCENTAGE BY DECILE OF EQUIVALISED DISPOSABLE INCOME OF THE TOTAL OF PEOPLE WITH SEVERE MATERIAL AND SOCIAL DEPRIVATION



Source: AIRcF based on the INE's 2022 Living Conditions Survey.

**Severe material and social deprivation is more intense among people who would be covered by the fully implemented MIS** (Figure 28). The percentage of people reporting material and social deprivation in at least seven items is ten percentage points higher in the first decile than in the second. This indicator falls as we move up the distribution of equivalised disposable income.

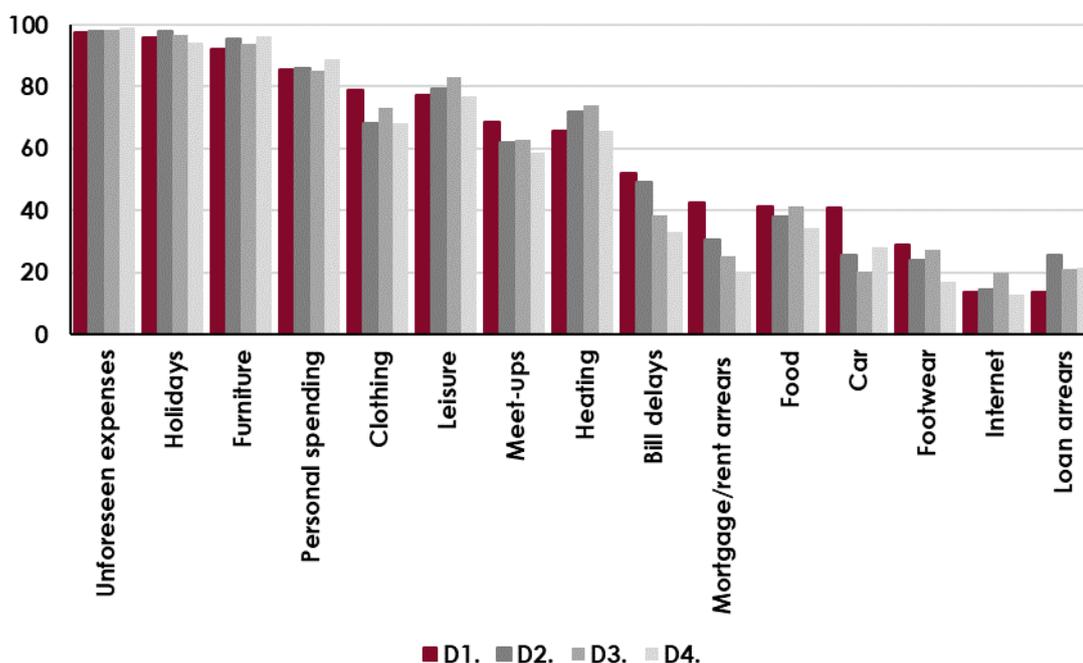
FIGURE 28. PERCENTAGE OF SEVERELY MATERIALLY AND SOCIALLY DEPRIVED PEOPLE IN EACH DECILE OF EQUIVALISED DISPOSABLE INCOME



Source: AIRcF based on the INE's 2022 Living Conditions Survey.

The main causes of material and social deprivation are similar between people potentially covered by the MIS and those who would be excluded from the benefit (Figure 29). As can be seen in Figure 29, the main reasons why people suffer from severe material or social deprivation are: being unable to meet unforeseen expenses, being unable to afford to go on holiday at least one week per year, being unable to replace damaged or old furniture and being unable to spend a small amount of money on themselves. The percentage of people with severe material and social deprivation reporting each of these reasons is practically the same in the first decile (in which the potential beneficiaries of MIS would be located) and in the following ones. It should be noted, however, that in the fifth most important reason for decile 1 there is a discontinuity of ten percentage points with decile 2. Specifically, the percentage of people with severe material and social deprivation in decile 1 who state that they cannot replace damaged clothes is 78%, while in decile 2 it is 68%.

FIGURE 29. PERCENTAGE OF PEOPLE WITH SEVERE MATERIAL AND SOCIAL DEPRIVATION WHO SUFFER DEPRIVATION IN EACH ITEM

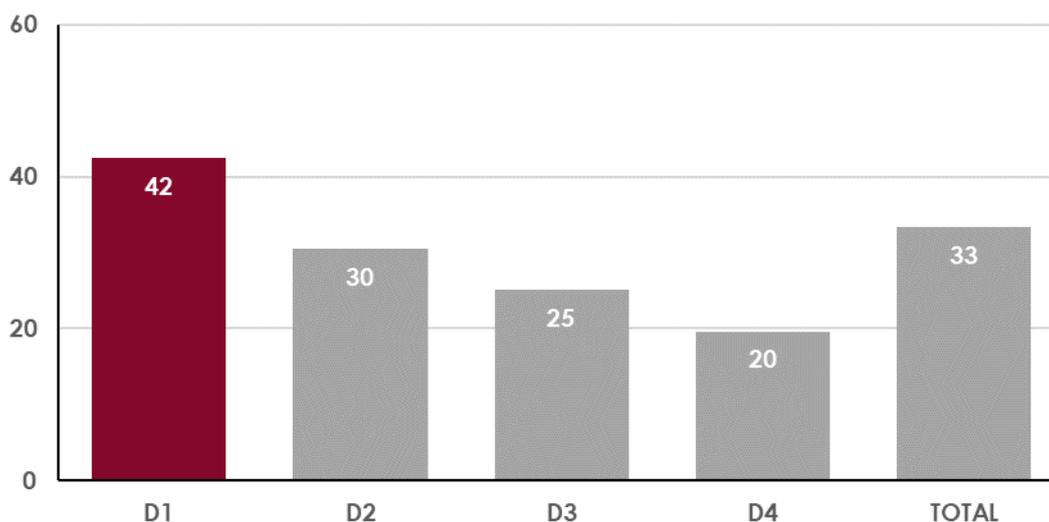


Source: AIRcF based on the INE's 2022 Living Conditions Survey.

For less prevalent causes of material deprivation, such as mortgage or rent arrears, people with severe material and social deprivation and potential MIS beneficiaries do experience greater deprivation than those outside the scope of the benefit (Figure 30). Figure 30 shows that 42% of people with severe material and social deprivation who would be covered by the MIS (decile 1 of equivalised disposable income) have been forced to delay the payment

of the mortgage or rent in the last 12 months. This percentage is 12 percentage points lower at decile 2 (30%) and even lower at deciles 3 (25%) and 4 (20%).

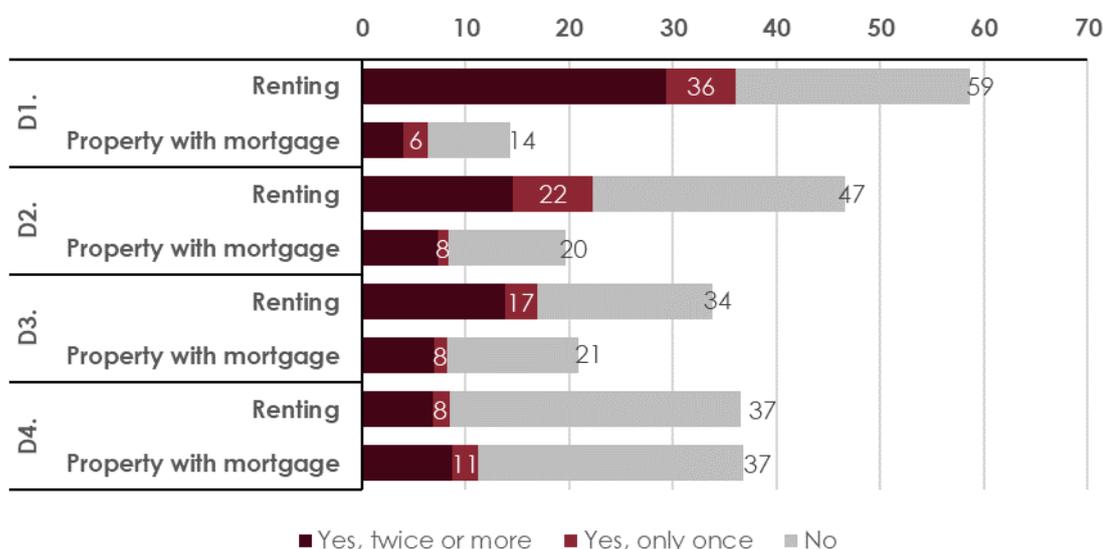
FIGURE 30. PERCENTAGE OF PEOPLE WITH SEVERE MATERIAL AND SOCIAL DEPRIVATION WHO HAVE HAD SOME DELAY IN MORTGAGE PAYMENTS OR HOUSING RENT



Source: AIRcF based on the INE's 2022 Living Conditions Survey.

**When the vulnerability around the housing of households in severe material and social deprivation is explored, it is observed that the percentage of people with severe material and social deprivation who rent their home is more than ten percentage points higher in the group that would be covered by the MIS (Figure 31).** In decile 1, or the MIS target group, 59% of people live in rented accommodation, compared with 47% and 34% in deciles 2 and 3, respectively. In turn, 61% of people renting in the group covered by the MIS (36% of households in the first decile) have been in payment arrears, while this indicator for those who fall outside the protection of the MIS stands at 50% of people in deciles 2 and 3. The percentage of people who own a home with a mortgage increases with the level of income. Thus, while in the group associated with potential MIS beneficiaries, the percentage of people with a mortgage is 14%, it rises to 20% in deciles 2 and 3 and 37% in decile 4. Mortgage arrears are relatively less frequent than rent arrears and the percentage decreases as the level of income increases.

FIGURE 31. PERCENTAGE OF PEOPLE ACCORDING TO HOUSING TENURE AND MORTGAGE OR RENT ARREARS. BREAKDOWN BY DECILE OF EQUIVALISED DISPOSABLE INCOME



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

### 2.3.2. Single-parent families

The Law on the MIS expressly states the intention that the benefit should especially protect single-parent households<sup>18</sup>. As shown in Table 4 in Section 2.1.1, a single-parent supplement of 22% is established on the amount of guaranteed income corresponding to the household. In addition, Royal Decree 789/2022 regulating the compatibility of the MIS with income from work or self-employed economic activity contains a differentiated and more favourable scheme for single-parent households.

The first two Opinions on the MIS drawn up by AIReF have shown that this special protection for single-parent households is reflected in the potential effects of the benefit. Figure 6 of the first Opinion shows that the theoretical scope of the MIS is higher in single-parent households, a point that is confirmed in Figure 4 of Section 2.1.1 in this second Opinion. The coverage and reduction of the poverty gap is also greater in this type of household under the assumption that the MIS will be fully implemented (Figures 11 and 16 of the first Opinion and Figure 5 of this second Opinion).

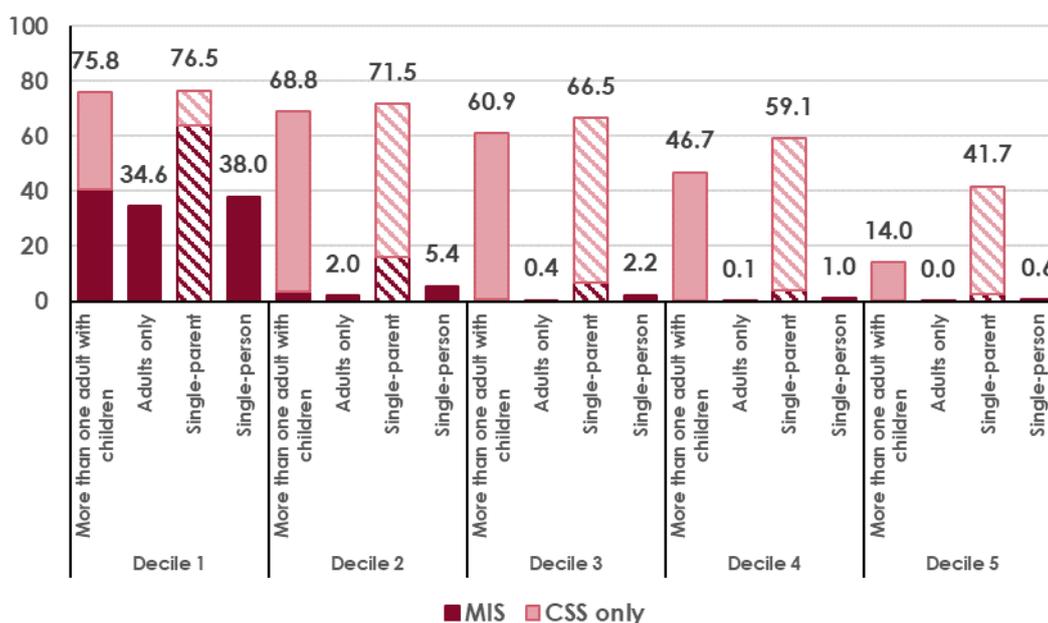
This section compiles and summarises the main effects on poverty reduction in single-parent households compared with other types of households. To do this, as in the rest of the Opinion, in order to study the group of potential beneficiaries, the AEAT data on income and wealth for 2021 are used. In turn,

<sup>18</sup> Article 13.2.c) of the Law on the MIS establishes what is meant by single-parent household.

the INSS data with the information on applications as at December 31<sup>st</sup>, 2022 will also be used to calculate the degree of deployment in the estimated theoretical effects.

**Single-parent households would have, if fully implemented, the highest MIS and Child Support Supplement coverage** (Figure 32). 76.5% of single-parent households in decile 1 of equivalised disposable income would be covered by either the MIS or the Child Support Supplement – 63.8% by both the MIS and the Child Support Supplement and 12.7% by Child Support Supplement alone (Figure 32). Second, households with more than one adult with children in decile 1 would reach coverage of 75.8%, followed by single-person households with 38% and, lastly, adult-only households with 34.6%. In deciles 2, 3, 4 and 5, Figure 32 shows that single-parent households remain the type with the highest coverage, with a higher preponderance of those receiving only the Child Support Supplement.

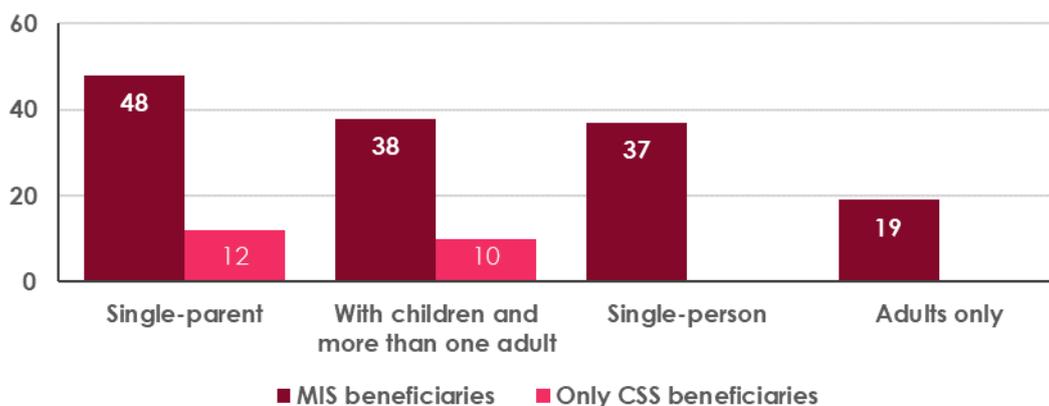
**FIGURE 32. HOUSEHOLDS COVERED BY MIS AND CHILD SUPPORT SUPPLEMENT BROKEN DOWN BY INCOME DECILE AND BY HOUSEHOLD TYPE**



Source: AIReF based on the AEAT microsimulator.

**With respect to the other types of household, the degree of scope of the MIS at December 31<sup>st</sup>, 2022 of single-parent households has been generally higher** (Figure 33). 48% of single-parent households potentially benefiting from the MIS and the Child Support Supplement receive these benefits as at December 31<sup>st</sup>, 2022. 38% of eligible households with children and more than one adult have been reached, while below this are single-person and adult-only households for which benefits have reached, respectively, 37% and 19% of total potential beneficiaries.

FIGURE 33. DEGREE OF SCOPE OF THE EFFECTS OF THE MIS AND THE CHILD SUPPORT SUPPLEMENT, BROKEN DOWN BY HOUSEHOLD TYPE

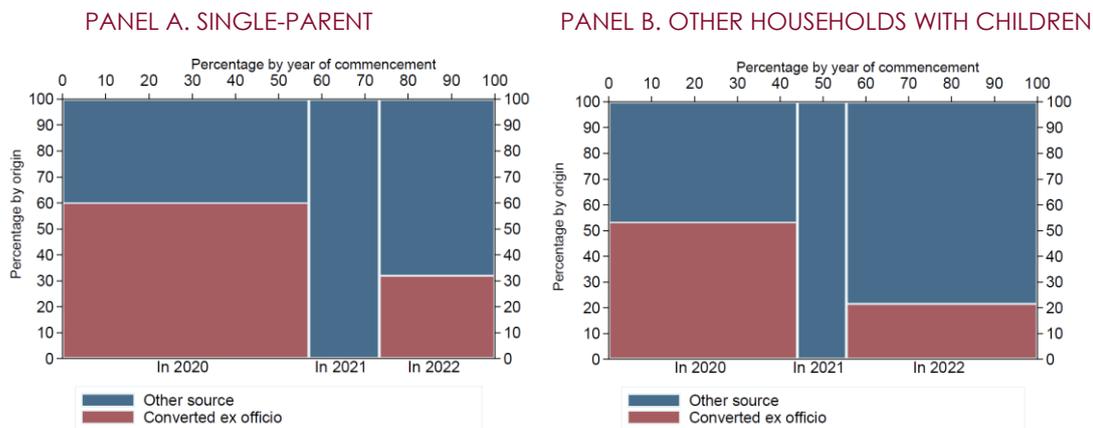


Source: AIR<sup>o</sup>F based on the AEAT microsimulator.

**The *ex officio* conversion to the MIS and the Child Support Supplement from the Dependent Child Allowance has had greater relative importance for single-parent households** (Figure 34). In particular, Panel A of Figure 34 shows that 60% of the single-parent households that started receiving the MIS in 2020 came from the conversion. In the case of other households with children, this conversion affected 53% of their approved cases in that year (Figure 34, Panel B). The conversion from the Dependent Child Allowance to the Child Support Supplement that took place in 2022 has also had a differential impact on single-parent households. 32% of the cases approved for single-parent households in 2022 come from conversion (Figure 34, Panel A), while in the other households with children, this figure stands at 21% (Figure 34, Panel B).

**Single-parent households signed up for the benefit earlier than other households with children** (Figure 34). For single-parent households, 56% of all MIS or Child Support Supplement benefits were approved in 2020 (Figure 34, Panel A), while in other households with children, this percentage is 43% (Figure 34, Panel B).

FIGURE 34. DISTRIBUTION OF APPROVED MIS AND CHILD SUPPORT SUPPLEMENT CASES BY YEAR OF COMMENCEMENT AND ORIGIN



Source: AIRcF based on the AEAT microsimulator.

**Box 1. The employment of MIS beneficiaries in the years prior to receiving the benefit**

**The MIS is compatible with income from work, although the amount of the benefit, in these first three years, is reduced by the same amount as the increase in this type of income**, that is, for each euro of additional income that the beneficiary adds to their income, the amount of the MIS is reduced by the same amount. Royal Decree 789/2022, which comes into force in 2023, exempts from the calculation of income certain percentages of the increase in wages or income from self-employment that occur in households benefiting from the MIS.

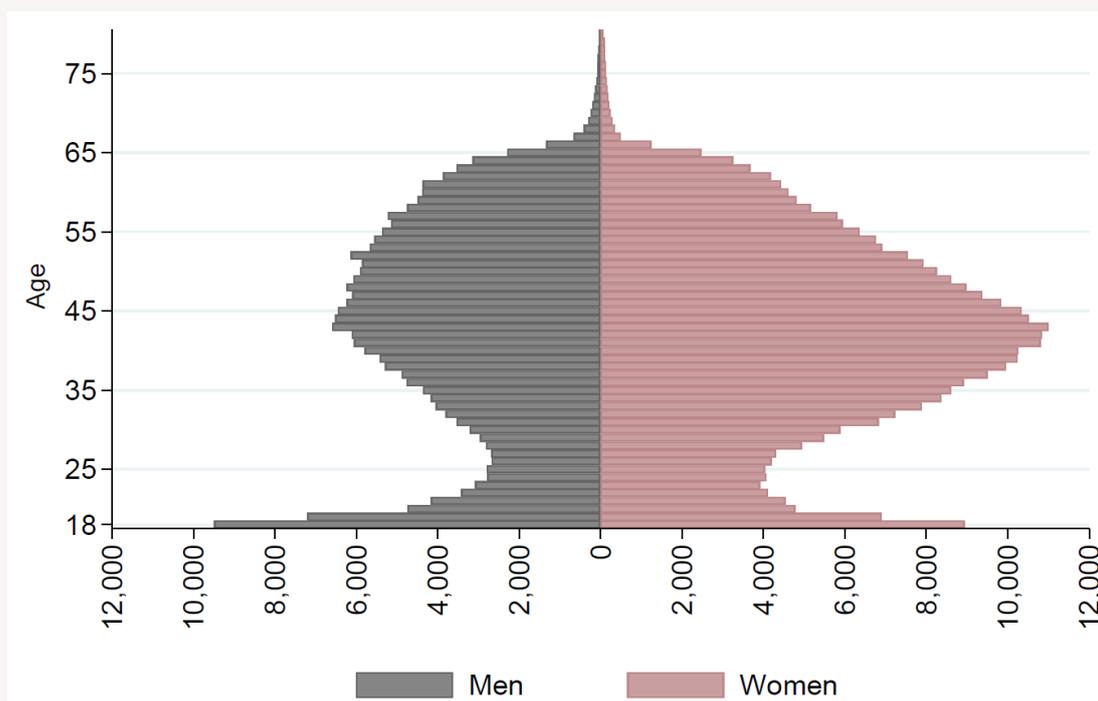
**The study of the direction and extent to which the MIS may have affected the labour supply requires a prudent approach given the complexity underlying the phenomenon and will be addressed more fully in Module 7 of this evaluation.** From a theoretical point of view, several hypotheses could be raised. From the most classical perspective, it could be argued that the MIS could produce disincentive effects both on the decision to work or not (extensive margin) and on the number of hours worked (intensive margin) by guaranteeing a level of income in the household. However, as already explained in this Opinion, there is a time lag between the generation of the right to receive the benefit and the moment it is actually received. Abstracting from the case in which the MIS is applied for with the income of the year, participation in the labour market in year  $t$  will have an impact on the amount of the household's MIS in year  $t+1$ . If we add to this the fact that potentially eligible households are likely to exhibit little capacity to smooth out consumption over their lifetime, the disincentive effect on the labour supply could be mitigated.

**This box examines the employment performance of adult MIS beneficiaries before and in the early years of receiving the benefit. A descriptive (non-causal) approximation will be made based on the annual wage data at the person level collected in the tax records of the AEAT.** To measure the real effect of the benefit on employment, from an empirical point of view, the question could be addressed from a counterfactual estimate. This would require having data available on a monthly basis. This would provide the key variables for the months before and after the application and the start of benefit receipt. The estimation of the causal impact on employment will be made in the fourth Opinion on the MIS (Module 7), once there is a longer period from the start of the benefit and the data on working lives have been incorporated.

**In order to understand the dynamics in employment, it is important to start from the distribution of adult beneficiaries by age and sex. Women account for 59%, while by age group 52% of beneficiaries are between 35 and 54 years old**

(Figure B\_1.1). Since the start-up of the benefit in May 2020, 575,761 adults have been beneficiaries of the MIS at some point. Specifically, Figure B\_1.1 represents the combined distribution of both variables as a population pyramid. For the analysis of this box, the subgroup composed of beneficiary adults between 35 and 54 years of age who have been receiving the benefit since 2020 will be studied in detail.

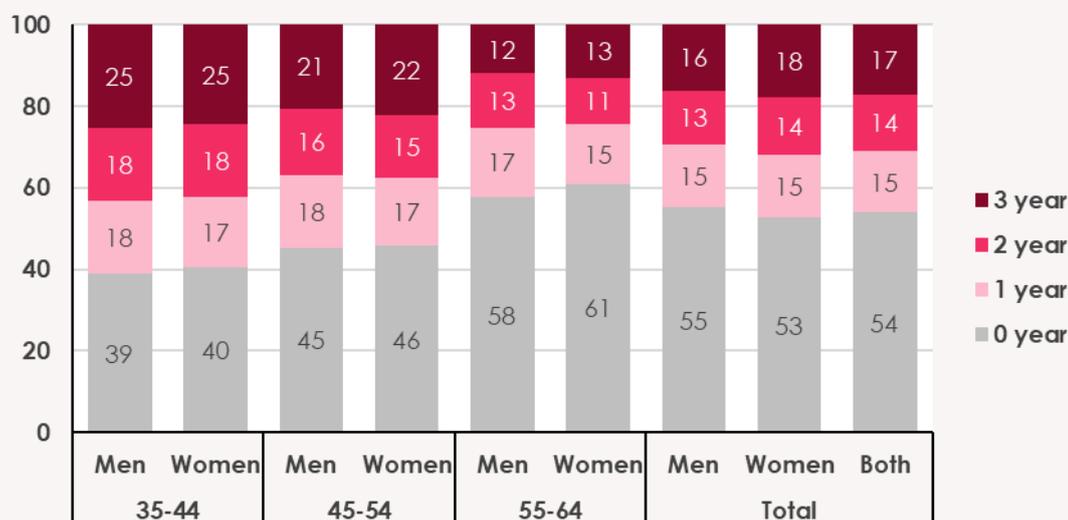
**FIGURE B\_1.1. POPULATION PYRAMID OF ADULT MIS BENEFICIARIES**



Source: AIRcF based on INSS data.

**54% of adult MIS beneficiaries had not received any wages in any of the three fiscal years prior to the start of the benefit** (Figure B\_1.2). In turn, 15%, 14% and 17% of the beneficiaries registered this type of income in one, two or three previous years, respectively. The socio-demographic breakdown of Figure B\_1.2 reveals that there are no notable differences by sex, while by age the lowest percentages of participation in employment are seen between 55 and 64 years of age, a range for which 58% of male beneficiaries and 61% of women had obtained no wages in the three years prior to 2020.

FIGURE B\_1. 2. NUMBER OF YEARS WITH POSITIVE WAGES BEFORE RECEIVING THE MIS IN 2020. PERCENTAGE OF TOTAL ADULTS BY AGE AND SEX



Source: AIRcF based on INSS and AEAT data.

**The analysis of changes in employment status (extensive margin flows) shows that 38% of the group of beneficiaries who start receiving the MIS in 2020 and were receiving wages in 2019 stop reporting positive wages in 2020 (Figure B\_1.3).** Figure B\_1.3 illustrates the transitions in annual wages for the group of adults aged between 35 and 54 who begin to receive the MIS in 2020. For each of the years 2019, 2020 and 2021, Figure B\_1.3 shows two possible wage receipt statuses: "Without wages" or "With wages". In each year, the height of the bar represents the percentage of adults in one status or another. The flows also represent the transitions between statuses in each year. The width of these flows is also proportional to the number of adults who make each transition. Thus, for example, 18,593 of the 48,240 beneficiaries aged 35-54 who started with positive wages in 2019 receive zero wages in 2020. In contrast, 9% of those who started from zero wages in 2019 move to positive wages in 2020. That is, 8,430 of the 93,345 beneficiaries aged 35-54 who started from zero wages in 2019 receive wages in 2020.

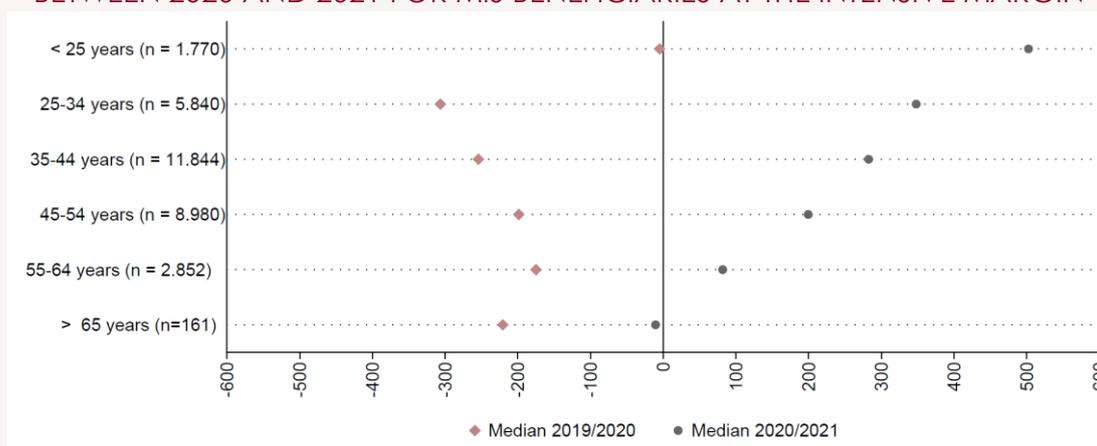
FIGURE RE\_1. 3. TRANSITIONS IN ANNUAL WAGES BETWEEN 2019, 2020 AND 2021 FOR ADULTS AGED 35-54 WHO START RECEIVING THE MIS IN 2020



Source: AIRcF based on INSS and AEAT data.

With regard to the evolution of those receiving wages in the three years, the median wage income of MIS beneficiaries falls between 2019 and 2020, while it rises between 2020 and 2021 (Figure B\_1.4). Figure B\_1.4 analyses the evolution of annual wages in adults who recorded positive wages in the three years 2019, 2020 and 2021 and who have received the benefit since 2020 and remain registered as at December 31<sup>st</sup>, 2022. It can be seen that for all household types the median wage income falls between 2019 and 2020 and rises between 2020 and 2021. For the majority group, adults aged between 35 and 44, the median is €-254 between 2019 and 2020 and €283 between 2020 and 2021.

FIGURE B\_1. 4. CHANGE IN ANNUAL WAGES BETWEEN 2019 AND 2020 AND BETWEEN 2020 AND 2021 FOR MIS BENEFICIARIES AT THE INTENSIVE MARGIN



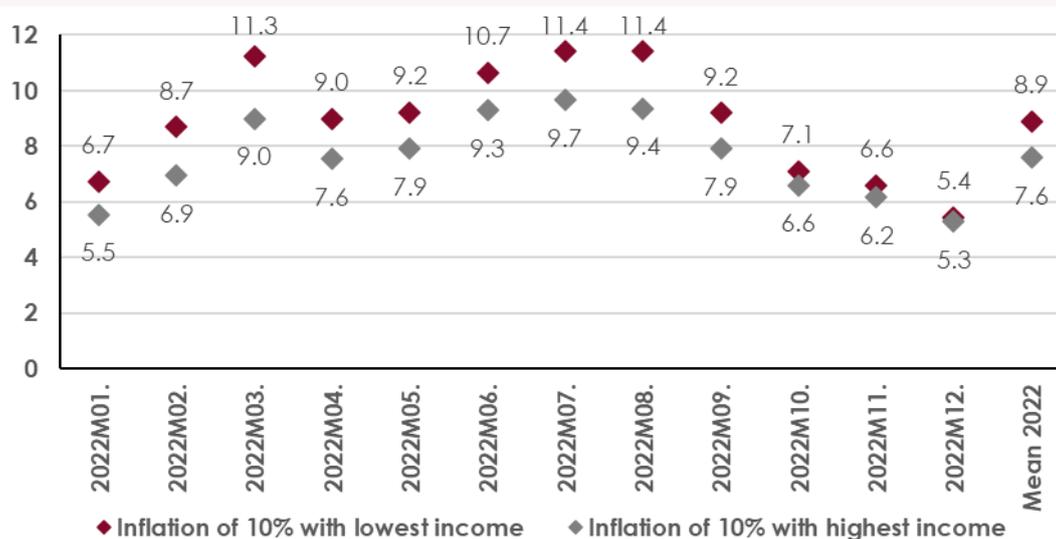
Source: AIRcF based on INSS and AEAT data.

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

**In order to mitigate the effects of inflation among the most vulnerable, the Royal Decree on urgent measures increases MIS payments by 15% between April and December 2022.** Article 45 of Royal Decree-Law 6/2022, of March 29<sup>th</sup>, recognises an increase of 15% in the amount of the MIS corresponding to the months of April, May and June 2022. Royal Decree Law 11/2022, of June 25<sup>th</sup>, extends it until December 2022. The legislation expressly establishes that the purpose of this measure is to cushion the impact of the inflationary spiral on groups of special economic vulnerability, as would be the case of households benefiting from the MIS.

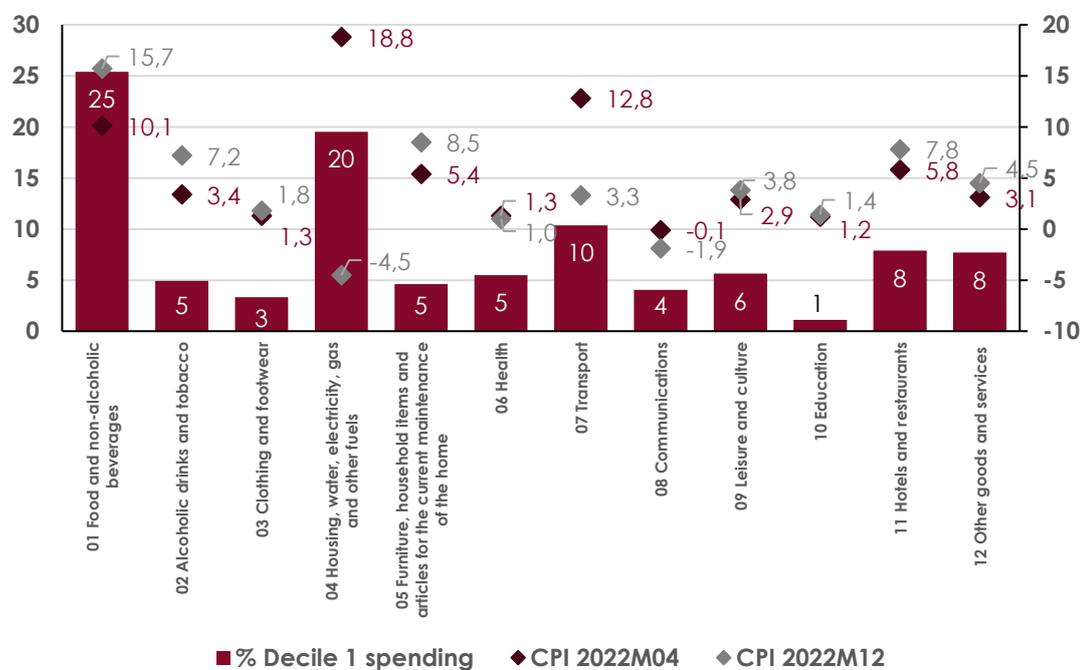
**Although the inflation borne in 2022 by low-income earners was higher than that of high-income earners, the gap narrowed over the year** (Figure B\_2.1). In 2022, the first decile of equivalised net income (10% of households on the lowest income) suffered average inflation of 8.9% while the upper decile recorded a CPI of 7.6%. Figure B\_2.1 shows that the difference in year-on-year rates is 2.4 percentage points in March 2022, when the measure of the 15% increase in MIS payments is adopted. In April and May 2022, both inflation and its gap between the lower and upper deciles fall. In July and August 2022, inflation borne by low-income households reached its annual peak and recorded a CPI of 11.4%. As from September 2022, inflation rates start to moderate and the gap between the lower and upper parts of the distribution narrows. As shown in Figure B\_2.2, this progressive equalisation in inflation rates between high and low incomes is mainly explained by a significant fall in the CPI in group 4, which accounts for a higher percentage of total spending in the first decile of equivalised net income.

FIGURE B\_2. 1. INFLATION BORNE BY THE BOTTOM 10% OF HOUSEHOLDS AND THE TOP 10% OF HOUSEHOLDS



Source: AIReF based on data from the Household Budget Survey, 2021 and the INE CPI 2022. Note: 10% of households with the highest and lowest household disposable income per equivalent consumption unit.

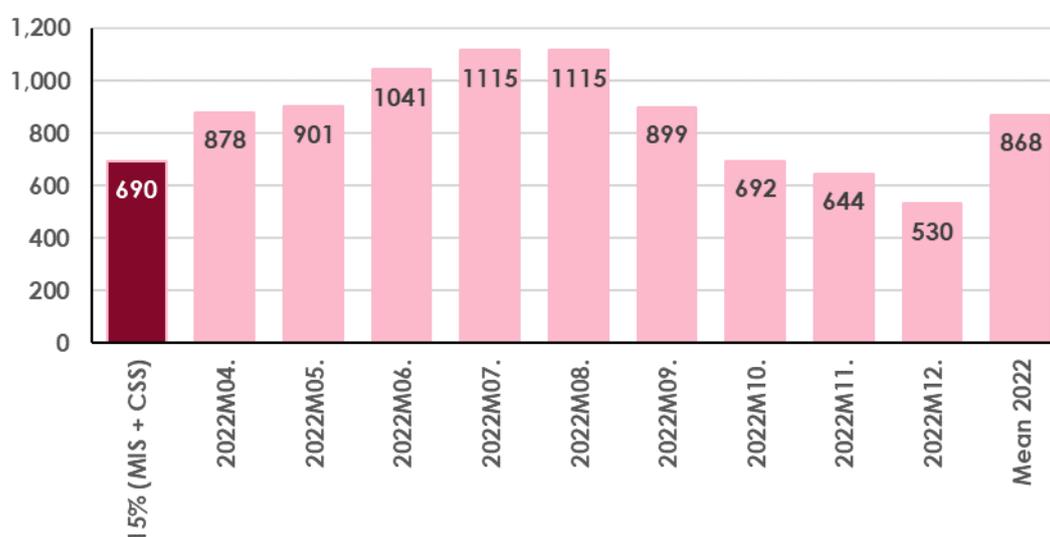
FIGURE B\_2. 2 PERCENTAGE OF EXPENDITURE BY GROUP AND YEAR-ON-YEAR CHANGE IN INFLATION IN THE MONTHS OF APRIL AND DECEMBER 2022 IN FIRST DECILE HOUSEHOLDS AND FOR THE TOTAL



Source: AIReF based on data from the Household Budget Survey, 2021 and the INE CPI 2022. Note: In Group 4 the expenditure corresponding to imputed rents and in Group 12 the pocket money to resident children and remittances to non-resident household members have been eliminated as there are no prices for those expenditure chapters in the CPI subclasses.

**According to the estimates made, the 15% increase in MIS payments would have offset 79% of the additional expenditure caused by inflation in MIS beneficiary households** (Figure B\_2.3). If we take the inflation recorded in July and August 2022, the expenditure for MIS beneficiary households would have increased by €1,115 euros in year-on-year terms, while on average they would have received €690. Therefore, the 15% increase would only cover 62% of the increase caused by inflation. In contrast, if the effect of the measure is compared with the data on inflation incurred in November and December 2022, the additional income would be sufficient to cover the extraordinary spending caused by inflation<sup>19</sup>.

**FIGURE B\_2. 3 INCREASE IN INCOME DUE TO THE 15% INCREASE IN THE MIS AND INCREASE IN EXPENDITURE DUE TO INFLATION IN DECILE 1**



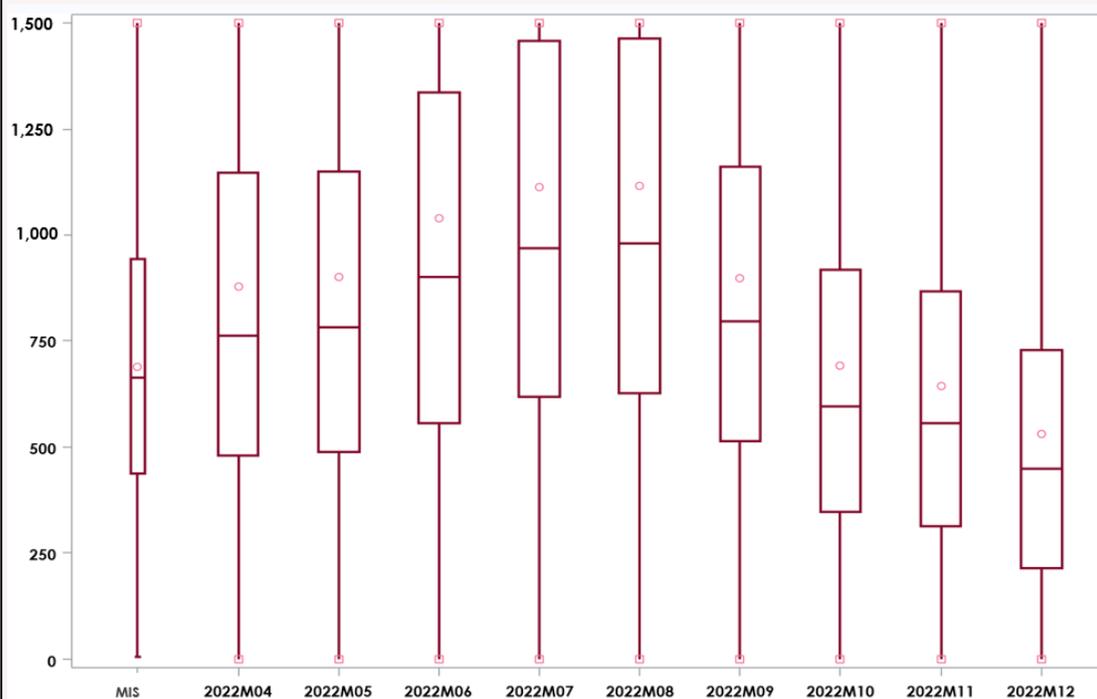
Source: AIReF based on data from MIS cases from the INSS, data from the 2021 Household Budget Survey and the INE's 2022 CPI.

**This analysis finds that the 15% increase in MIS payments may not be an effective measure to compensate for inflation in beneficiaries whose eligible income is close to the guaranteed income.** The amount of the benefit is the result of subtracting the household's eligible income from the guaranteed income. Therefore, in households with eligible income strictly greater than

<sup>19</sup> The estimate shown in this Box must be interpreted according to two keys. First, in the first decile of equivalised net income in the HBS, total household expenditure exceeds reported income. Second, the 15% increase in MIS payments is not equivalent to a 15% increase in the disposable income of these households for two reasons: 1. The amount of the benefit is the result of subtracting the household's eligible income from the guaranteed income. Therefore, in households with eligible income strictly greater than zero, the 15%-increase in the payments represents lower additional income than if the total household income was indexed by 15%. 2. The eligible income for access to the MIS benefit is lower than the total disposable income of the household since there are types of income that are exempt from the calculation.

zero, the 15% increase in the payments represents lower additional income than if the total household income was indexed by 15%. Figure B\_2.4 shows the distribution of both the additional income resulting from the measure (figure to the left of the chart, MIS) and the extra expenditure borne by the beneficiary households, taking as a reference the inflation of the different months of the year. The level of dispersion in both indicators is high, as shown in the figure. If a certain household receives a low monthly MIS payment as its income is close to the guaranteed income threshold, its additional income as a result of the 15% rise will also be low and therefore the possibility of offsetting inflation costs will be limited. Therefore, the design of the measure reduces the possibility of cushioning the costs resulting from the increase in inflation the closer the beneficiary's income is to the guaranteed income threshold of the MIS.

**FIGURE B\_2. 4. 15% INCREASE IN MIS AND INCREASES IN SPENDING DUE TO INFLATION IN DECILE 1**



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



## 3. PROPOSALS

**AIReF has prepared nine proposals based on the findings of the analysis.** The proposals seek to address some aspects of the benefit and the supplement in which room for improvement has been identified in terms of effectiveness and efficiency.

**In relation to the MIS benefit, the following is proposed:**

- **Specifying the targets of the MIS in quantitative terms so that compliance can be evaluated as established by Eurostat statistics for the measurement of poverty trends (percentage of the median).** This requires specifying the definitions and indicators used, clearly and realistically establishing the targets of the process and the desired result of the programme together with the deadlines for achievement, and ensuring that the targets set are quantifiable and measurable.
  - Specifically, it would be useful to clarify what percentage of the median equivalised net income is used as a poverty line on which to compare the effects of the benefit.
- **In line with the first Opinion, it is proposed to accelerate the transformation towards a new, more automatic management model based on the integration of governmental sources of information on income, wealth, taxes and total benefits (including minimum incomes) of all tiers of government around a common database that will make it possible to manage the direct benefits and transfers of all tiers of government in a more targeted manner: This information could also be supplemented by a universal declaration of income and benefits with the aim of:**
  - Moving towards *ex officio* MIS processing (or in the form of a negative tax), thus helping to reduce non-take-up.
  - Allowing the immediate transfer of the beneficiaries of the minimum incomes of the Autonomous Regions to the MIS.
  - Being triggered when the existence of unforeseen poverty is detected (which could be identified by the cross-checking of AEAT information with Social Security social contributions).
  - Serving as a model or platform for other more targeted social benefits or direct transfers.

The non-take-up rate remains stable at around 58% after more than two years since the launch of the benefit. As analysed in the first Opinion, the phenomenon of non-take-up may be the result of various reasons. As time passes, the lack of information on the existence of the MIS could have less explanatory power, while other causes might be the main reason for the persistence in the volume of non-applicant households. Among these other causes of non-take-up in the international comparison, the observation of the bureaucratic obstacles associated with providing evidence of fulfilment of the requirements of the application process is frequent. Thus, this second Opinion repeats the proposal to continue the work of integrating the existing information into the administrative records in order to reduce the transaction costs for the applicant household and, eventually, reach the scenario in which the *ex officio* generation of the application can become a reality.

This second Opinion has provided evidence on the process of regulatory adaptation of regional minimum incomes as the effects of the MIS unfold. Without uniform, complete and integrated data, it is not possible to analyse the complementarity between benefits or the degree to which the MIS is replacing previous beneficiaries of the regional minimum incomes. An accurate estimation of the extent to which public expenditure redistributes and reduces poverty requires the compilation of data benefits received by the household from all tiers of governments that is as high-quality and granular as possible. In this regard, this second Opinion proposes to accelerate the integration of the information available in the different local, regional and national government records to improve the effectiveness and efficiency of public resources aimed at reducing poverty and promoting social inclusion.

- **Enriching the current public statistics provided by the Social Security system on the number of MIS beneficiaries on its statistics website. It would be advisable to provide data on the total number of households that receive the MIS each month (outstanding balance), so as to have information on the degree of rollout of the benefit. Currently, information is only provided on the total number of registrations, without counting those removed from the benefit.**
  - The Social Security portal allows an Excel file to be downloaded with the accumulated data on persons in households benefiting from the MIS by province and household type. As of the date of publication of this second Opinion, the file provides data on the accumulated totals between June 2020 and May 2023 of the total households registered. According to this statistic, the total number of approved cases since the launch of the MIS stands at 627,957.
  - This statistic does not make it possible to know the number of beneficiaries who are receiving the MIS at any given moment. This

Opinion has shown that 284,000 households (excluding the Basque Country and Navarre) receive the MIS at December 31<sup>st</sup>, 2022, that is, the total number of active households remains the same as the preceding year.

- Since the total number of potential households has remained relatively stable over the two years in which the MIS has been evaluated, knowing the total number of households that receive the MIS at any given time (outstanding balance), and not only the number of households registered without knowing those that have been removed, is a necessary and complementary indicator to the cumulative total in order to assess the degree of scope of the benefit.
- **Accelerating the creation of inclusion mechanisms or pathways that promote a shorter period of time for households collecting the MIS benefit, in line with the experimental evaluation currently being carried out by the Ministry of Inclusion.**
  - This Opinion has shown that, on average, households that begin to receive the MIS continue to be beneficiaries after 20 months. In addition, 62% of the total number of beneficiaries as at December 31<sup>st</sup>, 2022 have been beneficiaries since 2020.
  - The preamble of the Law on the MIS establishes that the benefit introduces an incentive system that seeks to “avoid the generation of what social policy experts have called 'poverty traps', that is, the mere existence of the benefit inhibiting the recipients' goal of social and economic inclusion". The Ministry of Inclusion is carrying out 34 pilot projects that are being assessed on an experimental basis in order to attempt to discover which of these pathways might be most effective. The results of these analyses will provide good practices that can be used by the relevant public authorities when designing inclusion policies.
  - This Opinion proposes accelerating the work of creating these pathways in order to encourage households to remain for a shorter period of time in the situation of need that led them to apply for and receive the MIS.
- **Extending the use of the available monthly data by public authorities 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.

The Social Security system has monthly data on the benefit payments of both those it manages directly and those integrated in the Digital Social Card. In addition, the monthly income from social contributions can be used to approximate a person's monthly income from work. There are also other relevant sources of information, such as monthly income tax withholdings and the reporting of contracts to public employment services.

This Opinion has shown that on average 97% of MIS households' income comes from benefits or work. In addition, it has been estimated that 83% of MIS households have their case revised once the previous year's tax information is uploaded into the system and 43% of them are requested to return part of the benefit, or, the amount they receive is reduced as a result of the revision.

Integrating and using information on public benefits and income from work would result in a more up-to-date adjustment of the benefit, thus mitigating situations of excesses or shortfalls in the amounts of MIS payments. In addition, extending the use of the available monthly data would make it possible to assess an income test more closely linked to the household's circumstances at each moment in time, thus strengthening the ability of the MIS to address situations of unforeseen poverty.

- **Further studying 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 (AROPE, 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.
  - The percentage of applications denied in the year continues to far exceed the approved cases. This fact could indicate that there are situations of need perceived by households that do not translate into compliance with the requirements for access to the benefit.
  - It is proposed to further study the circumstances and use, for example, the MIS application form to include the necessary questions to build the AROPE in the LCS.
  - Furthermore, it is proposed to take advantage of a household's approach to the MIS, even if it does not end up as a beneficiary, in order to redirect them to the support they may need and which is provided by the social services in their place of residence.

**In relation to the Child Support Supplement, the following is proposed:**

- **Specifying the targets of the Child Support Supplement so that compliance can be assessed.** This requires specifying the definitions and indicators used, clearly and realistically establishing the targets of the supplement

and the deadlines for achievement in order to ensure that the targets set are quantifiable and measurable.

- The income and wealth limits for receiving the Child Support Supplement mean that the potential beneficiaries of the supplement are households with a very different financial situation to that of households receiving the MIS.
- However, the Law on the MIS regulating the Child Support Supplement does not specify the public policy targets for which this supplement is designed.
- It is proposed that these targets be specified and, in particular, that it be clarified whether the Child Support Supplement seeks, in any way, to contribute to the reduction of child poverty.
- **Enriching the current public statistics of the Social Security with the data of the total number of Child Support Supplement recipients in each month, so as to know the evolution over time of the rollout of the supplement.**
- **Further analysing the reasons why potential beneficiaries of the Child Support Supplement, even when they fulfil the requirements, do not apply for it (non-take-up) and promoting institutional advertising of this benefit.**
  - This second Opinion has shown that 76% of households that could benefit from the supplement had not yet applied for it as at December 31<sup>st</sup>, 2022.
  - Furthermore, on this date, 10% of eligible households were receiving the supplement, but not the MIS.
  - Although this Opinion analyses 11 months of the life of the supplement since it came into force in February 2022, it is considered appropriate to further study the underlying causes of this phenomenon. Specifically, it is proposed to analyse whether the non-take-up rate would fall if an application for the Child Support Supplement differentiated from the MIS was designed.
  - In addition, as it is conceived as a supplement to the MIS and processed jointly, there could be some potential beneficiaries who mistakenly associate the income and wealth limits with those of the MIS and believe that they are not eligible for the Child Support Supplement. It is proposed to study whether this hypothesis may explain part of the observed non-take-up. Specifically, it is proposed that an experimental analysis be conducted to verify whether the non-take-up rate would fall if an application for the Child Support Supplement differentiated from the MIS was designed. On the basis of the findings of these analyses, the appropriate measures promoting the advertising of the

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supplement and the understanding of its requirements should be assessed.

The President of AIReF

A handwritten signature in blue ink, appearing to be 'C. H. Sánchez', enclosed within a blue oval scribble.

**Cristina Herrero Sánchez**