

Third Opinion on Minimum Income Scheme

**AIReF NOTES THAT MINIMUM INCOME SCHEME
CONTINUES TO SHOW ROOM FOR IMPROVEMENT**

- The Independent Authority for Fiscal Responsibility (AIReF) notes that, more than three years after it was launched, the Minimum Income Scheme posts a non-take-up rate of around 56%, a similar figure to the two previous Opinions
- Since its launch, the MIS has increased the number of households covered by a last-resort benefit and reaches very vulnerable groups, but there is still room for improvement in its design, roll-out and management
- In May 2020, when the MIS was launched, there were some 240,000 households in receipt of minimum income, compared with 515,000 households in receipt of the MIS and/or minimum income in October 2023, with the main progress concentrated in the first year of the scheme
- In December 2023, 342,856 households were receiving the MIS, 36% of potential beneficiaries and 17% of households in severe poverty
- 5 percentage points of the 56% non-take-up rate correspond to households that were receiving minimum income in 2023 but have not yet applied for the MIS
- AIReF stresses the need to implement reforms in the design of the MIS to improve its effectiveness and efficiency
- It proposes making benefits more accessible to citizens by using *ex officio* award schemes and information linked to the present time when assessing compliance with the financial requirements

The Independent Authority for Fiscal Responsibility (AIReF) published its Opinion on the MIS on its website today, which updates the modules from the previous two years and deploys a new module on the scope in situations of severe poverty. In the Opinion, AIReF notes the positive impact that the launch of a benefit such as the MIS has had on social protection in Spain, but it continues to see room for improvement in the deployment of its potential, the management of the benefit and the cover and scope of severe poverty.

AIReF notes that the MIS has increased the number of households under the umbrella of a last-resort benefit in Spain compared with the situation before it came into force. Before the launch of the MIS in May 2020, 240,000 households received regional minimum income benefits. As of October 2023, 515,000 households receive the MIS

and/or regional minimum income benefits. Moreover, the MIS continues to attract very vulnerable households, as highlighted by the fact that the average duration of the benefit is 30 months and that 40% have received it since the MIS was launched in 2020.

However, more than three years after its launch, the MIS maintains a non-take-up rate of 56%. This rate refers to the percentage of potential MIS beneficiaries who do not apply for it. The figure is very similar to that in the two previous Opinions, which points to the lack of progress of the benefit. Specifically, in 2023, 342,856 households received the MIS, 36% of the 951,702 households that could have received it and 17% of households in severe poverty. In this context, AIReF believes that it is increasingly crucial to further reduce the non-take-up in order to achieve the potential effects of the benefit.

In this Opinion, AIReF has analysed the effect of minimum income on the non-take-up rate and it shows that 5 percentage points of the 56% correspond to households that are receiving a regional minimum income benefit in 2023. This proportion is higher in the Autonomous Regions where the transfer of beneficiaries to the MIS has been more limited, such as Catalonia, Asturias and Valencia.

AIReF has also extended its evaluation of the MIS using qualitative techniques by conducting focus groups with the bodies registered as social mediators, which underlined, among other aspects, the lack of comprehensible, reliable and homogeneous information and the absence of personalised attention in line with the evidence identified by the pilot projects drawn up by the Ministry of Inclusion.

In the Opinion, AIReF also includes the actions that the Ministry of Inclusion, Social Security and Migration (Spanish acronym: MISM) continues to take to encourage people to apply for the benefit. To provide information on the benefit and help complete the application, between October 2022 and March 2023, the MISM carried out a bus and information tent initiative that stopped in 38 municipalities in the territory of the scheme which, based on the spatial analysis of the non-take-up carried out in this evaluation, account for 28% of the non-take-up total.

The Ministry has also gone further in improving the functioning of the benefit with initiatives such as the new employment incentive mechanism. Specifically, AIReF notes that 30% of beneficiary households of the MIS have increased their earnings from work between 2021 and 2022, with a substantial part of these increases being exempt when determining the amount of the benefit. Moreover, this incentive has had an indirect effect by leading to a reduction in the number of households affected by the income revision. In addition, the Ministry has published the results of the Inclusion Policy Laboratory. These 32 experimental pilot projects evaluate different actions that provide causal evidence and facilitate decision-making in the fight against poverty by impacting various aspects such as education, digitalisation, employment, health and highlighting the importance of social support.

Pending challenges

Despite the initiatives, AIReF continues to identify challenges in relation to the effectiveness and efficiency of the benefit. For example, the MIS mediation bodies report a lack of correspondence between the accreditation of the access requirements to the benefit and the social reality of certain households, in aspects such as the cohabitation

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unit of certain types of families, households with registered but absent members, extended families or non-formalised cohabiting couples, by way of example. AIReF also notes the subsidiarity in the mechanism of granting the MIS to take into account the current year's income under Article 11.5 of the Law on the MIS. Specifically, of the 836,510 files (30% of the total) in which the household requests to take into account the current year's income, 24% have been approved. Of these 198,300 files approved, 3,964, or 2%, have been granted the benefit using the current year's income.

Proposals

The persistence of these challenges leads AIReF to stress the need to implement reforms in the design of the MIS to improve its effectiveness and efficiency. In line with the first and second Opinions, AIReF proposes making benefits more accessible to citizens by using *ex officio* award schemes. In other words, to speed up the transformation towards a more automatic model for managing all non-contributory benefits (MIS, CAPI, unemployment benefits, etc.) and to act *ex officio*. Royal Decree-Law 2/2024, which provides for an automatic gateway to the MIS when the unemployment benefit is exhausted, subject to the consent of the interested party, moves in the direction of this proposal.

In addition, it is proposed that the MIS should introduce a reform that allows verification of the economic requirements for access to and revisions of the benefit using data that are more closely linked to the present (e.g. social security contributions) and thus reduce the frequency and amounts of revisions and reimbursements and better identify situations of severe poverty.