

THIRD OPINION MINIMUM INCOME SCHEME

Executive summary

OPINION 2/24



Independent Authority
for Fiscal Responsibility



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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, 2-4, 2nd floor

28003 Madrid

+34 910 100 599

info@airef.es

www.airef.es

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The MIS in figures



36%	Households receiving the Minimum Income Scheme (MIS) as of December 2023 out of the total number of potential beneficiaries
19%	Households receiving the Child Support Supplement as of December 2023 out of total potential beneficiaries
56%	Households that could receive MIS but have not yet applied for it (non-take-up)
73%	Households that could receive the Child Support Supplement but have not yet applied for it (non-take-up)
5	Percentage points of the non-take-up explained by regional minimum incomes
40%	Households benefiting from benefit since the start of the MIS (2020)
65%	MIS beneficiary households that had their MIS amounts revised in 2023
30%	Households to which the employment incentive was applied in 2023
30%	Households applying for benefit by current year's income since the MIS came into effect

EXECUTIVE SUMMARY

This is the Third Opinion drawn up by the Independent Authority for Fiscal Responsibility, AAI (AIReF) under Article 31.3 of Law 19/2021, of December 20th, establishing the Minimum Income Scheme (MIS). The MIS is a non-contributory benefit aimed at preventing the risk of poverty for people who lack the financial resources to cover their basic needs.

More than three years after its launch, the benefit still has a non-take-up rate of 56% (potential MIS beneficiary households that do not apply for it), which is very similar to the two previous opinions. As a result, the MIS continues to show room for improvement in its coverage levels. 36% of potential beneficiary households receive it as of December 31st, 2023, which represents 17% of households in severe poverty.

This stagnation in achieving its potential does not preclude the observation of some significant developments resulting from the implementation of the MIS. First, the MIS has expanded the number of households under the umbrella of a last resort benefit compared with the situation prior to its entry into force. Prior to the introduction of the MIS in June 2020, there were 239,227 households receiving regional minimum incomes. As of October 2023, 513,871 households receive the MIS and/or regional minimum incomes. Second, the MIS continues to attract very vulnerable households, as highlighted by the fact that the median duration of the benefit is 30 months and that 40% have been receiving it since the implementation of the MIS in 2020.

Against this backdrop, it is increasingly crucial to further reduce the non-take-up rate in order to achieve the potential effects of the benefit.

Qualitative research through focus groups with entities registered in the Register of Social Mediators reveals that one of the main causes of the non-take-up is the lack of comprehensible, reliable and standardised information for households and for those who accompany them in the process of applying for the benefit.

Furthermore, in this Third Opinion, the evolution of regional minimum incomes has been analysed, and it has been shown that 5 percentage points of the 56% non-take-up rate corresponds to households that are receiving regional minimum incomes in 2023. However, this proportion is higher in the Autonomous Regions where the transfer of beneficiaries to the MIS has been more limited.

The Ministry of Inclusion, Social Security and Migration (MISM) continues to roll out actions to encourage eligible households to apply for the benefit. In this regard, in order to report on the benefit and assist in the application process, the Ministry introduced the MIS bus initiative and information tent between October 2022 and March 2023. Of the 112 municipalities that account for 50% of the households not applying for the MIS, the bus/tent campaign stopped in 38 municipalities of the territory under the common regime. In the remaining 74 municipalities, no stops were made.

In addition to efforts to combat the non-take-up rate, the Ministry of Inclusion has made further efforts over the past year to improve the functioning of the benefit. One example of this is the implementation of the new employment incentive mechanism. 30% of MIS households have increased their earnings from work between 2021 and 2022, with almost 100% of these increases being exempted when determining the amount of the benefit. As a result, in 2023 the percentage of MIS households affected by the income revision fell by 18 percentage points. Whereas in 2022 the Second Opinion on the MIS found that 83% of MIS households had their benefit affected by the income revision, in 2023 this proportion fell to 65%, although the amounts affected by these revisions stand at a median value of €3,000. In addition, the Ministry of Inclusion has published the results of the Inclusion Policy Laboratory, 32 experimental pilot projects that evaluate different interventions to provide causal evidence and facilitate decision-making in the fight against poverty with an impact on various aspects such as education, digitalisation, employment, health and highlighting the importance of social support.

However, this Third Opinion on the MIS continues to identify challenges in relation to the effectiveness and efficiency of the benefit. For example, the MIS mediators report a lack of correspondence between the providing of evidence of requirements for access to the benefit and the social reality of certain households, in aspects such as the cohabitation unit, and express their concern about the unresolved situation of vulnerability while households prepare the

application and await the decision on their case file. In this regard, in the new module analysed in this Opinion, AIReF notes the subsidiarity of the mechanism to take into account the current year's income under Article 11.5 of the Law on the MIS in the granting of the MIS. Specifically, of the 836,510 case files (30% of the total) in which the household requests that the current year's income be taken into account, 24% have been approved. Of these 198,300 approved applications, 3,964 (2%) have been granted the benefit on the basis of the current year's income.

The persistence of these challenges, more than three years after the MIS came into force, 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, it is proposed to bring the benefit closer to the public by using *ex officio* award schemes. In other words, accelerating the transformation towards a more automatic model for managing all non-contributory benefits (MIS, Child Support Supplement, unemployment benefits, etc.), in which the potential beneficiary does not have to provide information that the public authorities already have access to or can obtain by cross-checking information, and where it acts *ex officio*. Royal Decree-Law 2/2024, which designs an automatic gateway when the unemployment benefit has run out towards the MIS, subject to the consent of the interested party, moves in the direction of this proposal. In addition, this more automatic management system should be based on more time-linked financial eligibility information. This is not the case in the current design of the MIS, which generally takes information from the previous year without taking into account the real situation of vulnerability of the potential beneficiaries, which hinders the ability of the benefit to address unforeseen situations of poverty.

OUTLINE OF THIRD OPINION ON THE MIS, AIReF

Block I. Context, objectives and applied methodologies		
	PILLARS	ASPECTS ANALYSED
Block II. Evidence from evaluation	Update of the modules included in the first two Opinions on the MIS	<ul style="list-style-type: none"> • The rollout of the MIS • The rollout of the Child Support Supplement • Non-take-up <ul style="list-style-type: none"> • Box 1: Analysis of the MIS bus and information tent • Box 2: The effects of regional minimum incomes on MIS non-take-up • Implementation and management <ul style="list-style-type: none"> • Evolution in processing • The employment incentive
	Module 6	<ul style="list-style-type: none"> • Coverage and scope in unforeseen situations of poverty
		Block III. Proposals

Source: AIReF.

FINDINGS AND PROPOSALS

1. EVOLUTION OF THE MIS AND CHILD SUPPORT SUPPLEMENT

1.1. ROLLOUT OF THE MIS

FINDINGS	<ul style="list-style-type: none"> • The MIS (basic MIS + full MIS) reached 342,856 households at the end of 2023 (20% more than in December 2022). • It reached 36% of its potential beneficiaries (similar to the 2022 figure of 35%). • The number of potential MIS beneficiaries rose from 808,000 households in 2022 to 951,000 in 2023, partly due to the 15% increase in the guaranteed income. • In terms of poverty impact, the MIS reached 17% of households at risk of poverty in 2023 (threshold of 40% of the median). • Annualised MIS spending amounted to €2.5 bn in 2023.
PROPOSALS	<ul style="list-style-type: none"> • Specify the targets of the MIS in quantitative terms so that the level of attainment can be accurately evaluated. This would require specifying definitions and indicators, stipulating clear and realistic process and outcome targets for the benefit and the timescales within which these are to be achieved, thus ensuring that the targets formulated are quantifiable and measurable. In particular, it would be useful to clarify what percentage of median equivalised net income or other poverty indicator should be used to compare the effects of the benefit.

Notes:

Basic MIS refers to the benefit for which the amount is calculated as the difference between the guaranteed income threshold and the household income. Households in which there are no children and which have income below the guaranteed income are the ones who receive this variant of the benefit.

Full MIS (basic MIS + Child Support Supplement) refers to a variant of the benefit in which the basic MIS is received as well as the Child Support Supplement. Households in which there are children and which have income below the guaranteed income receive this variant of the benefit.

MIS-Child Support Supplement: a variant of the benefit in which only the Child Support Supplement is received. Households whose income exceeds the guaranteed income (but does not exceed the Child Support Supplement thresholds) receive this benefit, and therefore do not receive the benefit for the difference from the threshold, but receive the Child Support Supplement.

1.2. ROLLOUT OF THE CHILD SUPPORT SUPPLEMENT

FINDINGS	<ul style="list-style-type: none"> • The Child Support Supplement (MIS-Child Support Supplement) reached 338,507 households at the end of 2023 (24% more than in December 2022). • It reached 19% of potential beneficiaries (similar figure in 2022, 18% of potential beneficiaries). • Annualised Child Support Supplement spending stood at €768m in 2023.
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1.3. NON-TAKE-UP

FINDINGS	<ul style="list-style-type: none"> • 56% of MIS-eligible households do not apply for the benefit in 2023, which is in line with the 58% published in the Second Opinion. • 73% of Child Support Supplement-eligible households do not claim the benefit in 2023. This indicator is 3 percentage points lower than the level published in the Second Opinion (76%). • In the qualitative work, lack of information is a key issue in the discussion with MIS mediators on the reasons for non-take-up. • The MIS bus stopped in 38 municipalities out of the 112 that account for 50% of the non-take-up (5 stops in municipalities with a low concentration of non-take-up). Specifically, the municipalities in which the bus stopped account for 28% of the non-take-up. • Of the 56% of the non-take-up for the MIS, 5 percentage points correspond to households receiving regional minimum incomes in 2023. This proportion is higher in the Autonomous Regions where the transfer of beneficiaries to the MIS has been more limited. • Since the entry into force of the MIS, the transfer of beneficiaries from regional minimum incomes to the State benefit has freed up €510m, 11% of the spending of the Autonomous Regions on their regional minimum incomes.
PROPOSALS	<ul style="list-style-type: none"> • Automatically bring benefits closer to the citizen by using <i>ex-officio</i> award schemes. • Strengthen individualised information and support campaigns, especially among potential beneficiaries of the Child Support Supplement, which shows a high non-take-up rate. • Ensure continuity in the publication of standardised and comparable statistics on the beneficiaries and monthly amounts of the regional minimum income programmes contained in this Opinion.

1.4. IMPLEMENTATION AND MANAGEMENT

FINDINGS	<ul style="list-style-type: none"> Households applying for the MIS can go through a maximum of five stages: pre-application, application, processing, decision and the life of the benefit. Throughout this process, the main challenge identified by MIS mediators is access to understandable, reliable and standardised information for households and for those who support them in the process. MIS mediators highlight three difficulties: the lack of correspondence between the providing of evidence of the requirements and the social reality of certain households, the unresolved situation of vulnerability while the decision is being prepared and awaited, and the challenges in issuing the certificates inherent to their status as mediators. 40% of MIS households have been receiving the benefit since 2020. The median duration of MIS beneficiaries is 30 months. The analysis of the working lives of MIS beneficiaries in this Opinion shows that 70% were not employed in the quarters prior to the entry into force of the MIS. 65% of MIS beneficiary households had their MIS amounts revised in 2023 (83% in 2022). 25% of MIS beneficiaries in 2023 were asked to reimburse amounts paid and 7% had the benefit withdrawn. In 2023, the employment incentive was launched and applied to 30% of MIS beneficiary households. It has led to an median income improvement of €2,400 per year (among the beneficiaries of the incentive) at a cost of €287m and has contributed to a decrease in the number of claims due to revisions of amounts.
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2. MODULE 6. COVER AND SCOPE IN UNFORESEEN SITUATIONS OF POVERTY

FINDINGS	<ul style="list-style-type: none"> Article 11.5 Law on the MIS establishes a specific mechanism to take into account the current year's income. Since the entry into force of the MIS, 30% of MIS applications (836,510 case files) have requested that the current year's income be considered. 24% of these applications were approved. Of these 198,300 approved applications, 3,964 (2%) have had their benefit recognised in accordance with the current year's income.
PROPOSALS	<ul style="list-style-type: none"> Verify the financial requirements for MIS benefits using data more closely linked to the present rather than the previous year.



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José Abascal, 2-4, 2nd floor

28003 Madrid

+34 910 100 599

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 @AIReF_es