

LABOUR AND SOCIAL JUSTICE

SPAIN'S MINIMUM INCOME SCHEME, POLITICAL IMPETUS TO PROTECT THE MOST VULNERABLE

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The main goals of Spain's minimum income scheme (IMV) are to reduce extreme poverty and guarantee a minimum level of income across the country.



The introduction of the IMV has enhanced the protection model for the most vulnerable groups in society and improved interregional distribution. The latest figures from the National Institute of Social Security (INSS) indicate that, as of today, the scheme paid out benefits to more than 660,000 households in which almost 2 million people live.



Yet the IMV draws criticism for its limitations, non-take-up issues and the percentage of applications that are rejected. Ensuring effective and equitable protection requires an ongoing effort.

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INTRODUCTION

Spain's adoption of the minimum basic income scheme (Ingreso Mínimo Vital, IMV) marked a high point of Pedro Sanchez's second government. It consists of a non-contributory benefit aimed at households in situations of extreme poverty. Article 1 of Royal Decree 20/2020 states that the IMV's main goal is to "prevent the risk of poverty and social exclusion among people living alone or in a household when they find themselves in a situation of vulnerability because they lack sufficient economic resources to cover their basic needs".

The IMV seeks to address the ineffectiveness of the previous model, which in various autonomous communities (regions) caused significant problems regarding the access conditions, coverage and adequacy of the benefits for people on the lowest incomes. To counter that, the IMV provides a common income "floor" across the country, which the regions can supplement with their own benefits. Article 2.2 of Law 19/2021 states that the IMV operates "without prejudice to the assistance that the autonomous communities may establish in the exercise of their powers" (Law 19/2021 of 20 December, establishing the minimum income scheme).

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POVERTY IN SPAIN: OUTLINE OF AN ANOMALY

Ever since European Union (EU) sanctioned surveys have enabled the systematic compilation of comparative data on poverty, exclusion and material deprivation, they have laid bare the high rates of people at risk of poverty in Spain in comparison with other countries with similar levels of economic development.

Poverty in Spain is a longstanding problem decried by experts, intellectuals and artists throughout the 20th century. At present, the large majority of households in situations of poverty are made up of adults who are unemployed and/or have low work intensity: they work intermittently, alternating periods of employment (often poorly paid or part-time) with periods of joblessness or inactivity. The problems are compounded in households with dependent persons, particularly minors, in their care. Households with children and young people have much higher poverty rates than those made up of older people, putting especially vulnerable groups at a disadvantage in the face of adversity.

When it comes to countering these situations, the welfare state mechanisms that can protect people from poverty have proven inadequate. Spain has a highly contributory system of cash benefits, be they benefits because of unemployment, sickness or accident, parental responsibilities, disability, or pensions. The rights acquired depend to a great extent on the contributions workers have paid into the social security system. To secure the right requires a minimum contribution, and the generosity of payments is based on how much was put into the pot previously. When working lives are short, intermittent or take place in the informal economy, there is no protection, or if there is, it soon dries up, leaving the worker in the cold.

Meanwhile, non-contributory policies (such as benefits to supplement the wage incomes of poor workers, housing rental assistance programmes, policies to support families with children or minimum income schemes), which could have a high redistributive impact, either do not exist in Spain, have traditionally been underfunded or have little effect in terms of protection. This only exacerbates the situation of the thousands of people and households that are not eligible for contributory benefits and makes for an inefficient state when it comes to redistribution and remedying poverty.

Researchers and social reports by various bodies had repeatedly flagged and decried the inadequacy of protection for the poorest members of society, particularly the most vulnerable children. International agencies also issued recommendations and warnings. The EU institutions have gradually incorporated the matter into their analyses (such as the country reports on Spain) and recommendations (the country-specific recommendations that are part of the European Semester). Many people in Spain feel abandoned for good reason, said Philip Alston, the UN special rapporteur on extreme poverty, in his OHCHR report on his visit to the country in January 2020. He also said that “poverty is ultimately a political choice and governments can, if they wish, opt to overcome it”.

The IMV is the first major effort to overcome this anomaly. The IMV entered the Congress of Deputies, Spain's lower house of parliament, on 10th June 2020, in the shape of a royal decree-law. It was the starting point for parliamentary deliberation lasting several months, during which the Ministry of Inclusion, Social Security and Migration submitted various amendments to the original proposal. In late 2021, the law finally won the approval of the governing parties, Republican Left of Catalonia (ERC), the Basque Nationalist Party (PNV), Ciudadanos (Citizens; liberals) and Compromís (a coalition of leftists and greens from the Valencia region), with the abstention of the PP (centre-right Popular Party), Vox (far right) and EH Bildu (Basque pro-independence leftists). The parties of the government hailed its adoption as a historic milestone and most political groups on the left acknowledged its necessity.

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DESIGN AND SCOPE OF THE IMV

The IMV is a non-contributory, means-tested social security benefit administered by the state (except in the Basque Country and Navarre, where management has been decentralised). It is a “floor” benefit, i.e. it caters for part of the households that were already eligible for support through regional guaranteed income schemes for fighting poverty. In practical terms, it extends coverage, particularly in regions where minimum income schemes were weakest.

Across Spain's various autonomous communities, the IMV operates alongside minimum incomes schemes that have not been withdrawn or supplementary benefits devised by the regions to cover situations of adversity that state legislation fails to deal with acceptably (in the opinion of the regional law-making body). Those regions have the flexibility required to tailor their support to their territory's specific needs. The regions where IMV coverage far exceeds regional minimum incomes schemes are generally those with lower-than-average incomes and higher at-risk-of-poverty rates (like Andalusia, Galicia or Extremadura). This produces a healthy interregional redistribution effect.

The IMV guarantees minimum income levels according to the composition of the beneficiary household. The amount of guaranteed income is based on the value of a one-person non-contributory pension, which in 2020 stood at 462 euros a month. In 2024, thanks to an extraordinary increment of 6.9%, that amount now stands at 604 euros. The amount increases by 30% for each adult or child. The IMV provides special protection for single-parent households and establishes a single-parent supplement of 22% of the monthly amount of a one-person non-contributory pension. There is a similar supplement for households containing people with severe disabilities. The child support supplement (CAPI, in the Spanish acronym), which has been in operation since 2022, has raised the monthly amounts received by households with children: 100 euros for each child under 3 years, 70 euros for each one between 3 and 6 years old and 50 euros for each child over 6. To qualify as a beneficiary of the CAPI, the household with children must demonstrate that in the year prior to the application they had countable income under 300% of the value of the IMV guaranteed income, a net worth below 150% of the corresponding threshold and non-corporate assets to a value lower than six times the guaranteed income. Such broad coverage from the point of view of incomes extends potentially eligible households to strata of

society with incomes above the poverty lines, but more modest asset situations.


The IMV has a significant impact on the incomes of the most disadvantaged groups, though it falls well short of eradicating poverty. According to calculations by the Independent Authority for Fiscal Responsibility (AIReF),¹ full implementation of the IMV would have provided cover for approximately 700,000 households (excluding Navarre and the Basque Country) (AIReF 2022: 4). It would have accounted for 52% of the 1.3 million households in a situation of poverty in the regions served by the common system. This hypothetical situation would have been an improvement on the regions' minimum income schemes, which had a capacity to cover 560,000 households had they reached all their potential beneficiaries, according to the AIReF estimate. The fact that many regions have not withdrawn their benefits (or have created supplementary benefits with the resources that would previously have been allocated to their regional schemes and which the IMV now covers) significantly increases the number of households potentially covered by both schemes.²

The design and theoretical amounts in a full implementation scenario limit the IMV's capacity to lift households above the severe poverty line, but it is quite effective in reducing its intensity. In other words, it reduces the “poverty gap”, which is the technical name for the shortfall between a household's income and the poverty line.

Law 19/2021 that finally passed in the Congress in December 2021 lays down that the IMV is designed to contain employment and inclusion incentives to avoid the so-called “poverty trap”. The real implementation of this provision came after January 2023, as a result of regulatory development (Royal Decree 789/2022). The incentive structure introduced seeks to ensure that if recipients start a job or increase the number of hours they work they do not lose equivalent amounts of the benefit, allowing them to retain part of that increase in income. The reach and impact of this recent measure has yet to be properly assessed in any other piece of research.

¹ The AIReF is a public watchdog which in three reports has provided the most comprehensive appraisals of the scheme to date.

² The AIReF estimated 107,000 households were eligible for a regional income, but not eligible for the IMV (AIReF 2022: 37).



In addition, the Ministry of Inclusion, Social Security and Migration promotes inclusion schemes to complement the IMV. These are pilot projects that are tested through randomised tests. The schemes (developed by the public administration and social organisations across Spain) use Next Generation EU funds, drawing on the results of an assessment in progress, to inform future public administration action funded with its own resources. It is a novel approach that introduces administration sponsored research using public resources as an instrument to guide evidence-based public policy.

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RESULTS: AN EFFECTIVE TOOL WITH ROOM FOR IMPROVEMENT

According to information from the National Social Security Institute (INSS, in the Spanish acronym), in July 2024 IMV benefits reached 639,968 households containing 1,928,430 people, including beneficiaries who claim the Child Support Supplement (438,974), either in combination with the IMV or who only receive the CAPI. The average monthly amount of the benefit per household is 492 euros, although there is a significant difference in payments depending on whether they receive the full stipulated amounts or smaller amounts (in addition to other incomes) or just the CAPI (because their incomes are too high to be eligible for the IMV benefit). The gross monthly amount of IMV payments now comes to 347 million euros, a figure that has doubled in the last two years.

The latest figures from the National Institute of Social Security (INSS) indicate that, as of today, the scheme paid out benefits to more than 660,000 households in which almost 2 million people live. Comparing these figures to the active beneficiaries who were receiving the benefit twelve months previously (in September 2023), there was a healthy increase of 29,2 %. This suggests a continuous incorporation of new beneficiaries into the scheme.

We are seeing an incomplete rollout, then, but one which, two years after its final approval, is exhibiting a healthy dynamism. The number of households covered is now higher than the figure reached by the regional minimum income schemes in 2021.³ The fact that these benefits are being maintained in some regions, or that other benefits that supplement the IMV have appeared, suggests that on the whole there has been a substantial improvement in protection of the most vulnerable groups in society over the last few years, mitigating shortcomings and omissions of the previous model.⁴

Yet this does not detract from the fact that the scheme remains open to criticism over problems and deficiencies regarding its design, reach and implementation. A good deal of this criticism can be partially or entirely overcome in the years to come as limitations and difficulties are rigorously assessed and improvements are made.

The main criticism has focused on the pockets of people who, while they are objectively or subjectively facing situations of economic hardship and risk, receive no support through the IMV, or the support they do receive is insufficient. This manifests itself, first, in a legal framework that restricts or denies the right to certain groups who look to claim it or who have not been recognised as “deserving” the support (young people, recently arrived immigrants or migrants in an irregular situation in Spain). Second, we find segments of the population that, while they have the right to receive support, fail to seek it (the “non-take-up” phenomenon). Third, it is important to note the high percentage of applications that are rejected. It is worth highlighting, then, that while the IMV may have mitigated situations of major economic vulnerability, large pockets of households with incomes below the poverty line remain excluded from any kind of protection, or the protection they do receive offers little security from the burdens they face (to meet the cost of housing or other basic goods, for example).

³ There were 305,000 recipients in 2020. Since then, there have been no figures on the beneficiaries of surviving schemes, either in their original form or modified in some way (Ministry of Social Rights and the 2030 Agenda 2022: 208).

⁴ Manuel Aguilar and Ana Arriba have estimated that the IMV increases the volume of resources allocated to the lowest income groups by between 2.5 and 3 billion euros, on top of the approximately 1.7 billion euros the regions allocated to their minimum income schemes in 2022 (Aguilar and Arriba, 2024).

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CONCLUSION

Thanks to the collective efforts of numerous organisations and the political impetus of the Socialist government, first, and the progressive coalition, later, Spain today has a much more robust and effective guaranteed income system than it did a few years ago. The IMV plays a crucial role in that system, thanks to its capacity to reach groups that had traditionally been under-protected. There are lingering gaps, as we have pointed out, but there is also the political will to debate and assess them with a view to improving protection. Should the will endure, there is every reason to believe that in the course of this process the protection of the most vulnerable groups in Spanish society will be significantly enhanced and Spain will cease to be the anomaly it was for so many years.

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One of the most significant achievements of Pedro Sanchez's second government was the introduction of the Spanish minimum income scheme (IMV). This non-contributory benefit is aimed at households in situations of extreme poverty. Its main purpose is to reverse the situation of poverty and social exclusion of people and households that lack sufficient economic resources to cover their basic needs. It also pursues the goal of guaranteeing a minimum income across the country.



Since its inception the IMV has made a significant improvement to social protection in Spain. According to figures from July 2024, it reached 639,968 homes and benefited 1,928,430 people. While the programme has been criticised for its limited reach, it has succeeded in mitigating poverty and improving interregional distribution, particularly where poverty rates are highest.



Despite the progress, certain groups such as young people, immigrants or migrants in an irregular situation fall outside the legal framework of the IMV. In addition, some people who have the right to the support do not seek it and a large number of applications are rejected. It requires an ongoing effort to refine the programme and ensure effective and equitable protection for the most vulnerable members of society.