

New developments in the national guaranteed minimum income scheme in Spain

ESPN Flash Report 2021/15

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In May 2020, the Spanish government introduced a minimum guarantee scheme, the Minimum Living Income (Ingreso Mínimo Vital) as a national non-contributory Social Security benefit. Although Decree-Law 20/2020 is currently awaiting parliamentary approval, it is already a big step forward in the protection against poverty. A new assessment is planned this month, which may be followed by further adjustments.



Description

Since 2015, the need to improve minimum income scheme (MIS) programmes throughout the country and the idea of creating a national MIS have been on the political agenda (Aguilar and Arriba, 2020). In December 2019, the left-wing coalition government agreement included the creation of the Minimum Living Income (Ingreso Mínimo Vital; hereafter MLI), together with a decisive increase in child benefit and a general income guarantee mechanism for families with no or low income. The socio-economic emergency resulting from the COVID-19 pandemic accelerated its implementation, to protect those populations without access to the measures put in place to tackle its consequences.

In May 2020, the Spanish government launched a new national MIS, the MLI (RDL 20/2020, 29 May). Previously, non-contributory income protection for the working-age population was based on unemployment assistance benefits and regional minimum income schemes (RMISs) (Ayala et al., 2016; Rodríguez-Cabrero et al., 2016).

The MLI is a Social Security non-contributory cash benefit that aims to guarantee a minimum income level to those households (including one-person households) who have insufficient economic resources to cover their basic needs, i.e. who are in a situation of “economic vulnerability”. It is configured as a subjective right to a cash transfer, and is expected to boost social and labour inclusion opportunities.

Beneficiaries of this new scheme must live independently and have had legal and effective residence in Spain for at least one year prior to applying (with some exceptions). Primary beneficiaries must be older than 23 and younger than 65 years old.

A household is considered to be “economically vulnerable” when its monthly average income in the previous fiscal year is lower than the monthly income guaranteed by the MLI. Labour income of all members of the household together with other benefits or pensions, both contributory and non-contributory, are taken into account, except RMISs. Also, the value of resources and assets owned by the beneficiaries, excluding the main residence, must be less than three times the annual amount of MLI.

Like other MISs, the MLI guarantees a certain income level. In 2020, the MLI for a one-person household was €462; it is €469.93 in 2021 (this amount is equivalent to the non-contributory old-age benefit). 30% (i.e. €138 in 2020 and €140.98 in 2021) is added to this amount for each additional member, and 22% (€100 in 2020; €103.38 in 2021) for single-parent households (irrespective of the number of children). The maximum amount that can be received by one household is 220% of the basic MLI amount (€1,015 in 2020 and €1,033.85 in 2021) per month. The amount of the benefit is reviewed annually, taking account of the household income in the previous year. The benefit is paid for as long as the need persists.

MLI is financed by the Central State, and managed by the National Social Security Institute (NSSI). Autonomous

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Communities have the possibility of signing agreements with the central government on taking over the management of the scheme (as the Basque Country [in September 2020] has already done).

In September 2020, nearly one million applications had been received and 320,000 had been processed, of which only 90,800 were approved (Congress of Deputies, 2020). At the end of September 2020, important amendments were made to the MLI legislation aimed at improving access to and effective coverage of the new scheme, and streamlining the bureaucratic load: certain requirements (such as the requirement to be registered as a job seeker) were, for example, removed, and the regional administrations were allowed, for people applying for a transfer to the MLI, to certify certain requirements for which no documentary evidence exists (RDL 28/2020 of 23 September and RDL 30/2020 of 29 September).

Proposals for new amendments to the MLI legislation are now being submitted to the Spanish Parliament. The MLI regulatory development is also pending, including new measures insufficiently specified in RDL 20/2020 (such as measures to promote social and labour market inclusion or to make work pay). A new assessment is planned this month, which may be followed by further adjustments.

Outlook and commentary

The MLI is a big step forward in the organisation and effectiveness of the income guarantee system in Spain. It provides a common basis for more integrated and comprehensive social assistance protection in line not only with EU Country Specific Recommendations but also with the demands voiced by main social actors. Despite this, the new scheme faces major challenges and difficulties.

The first challenge that faces the MLI is the need to ensure broad coverage of its potential beneficiaries. Initial estimations were that it would reach at least 850,000 households, but in November (latest data available at the moment of writing this Flash Report) only around 160,000 households were receiving the benefit (MISSI, 2020). As denounced by trade unions, third sector entities, regional administrations and the media, the avalanche of initial applications clogged up the administrative apparatus of the NSSI (Caritas, 2020). Moreover, the documentation for accessing the MLI is complex and demanding. The transfer of recipients from the RMIS to the MLI lacks a unified protocol. Finally, certain requirements (such as the means-test based on the income received by the household in the previous fiscal year) are very demanding for vulnerable populations.

Other challenges concern the coherence with and integration of the MLI into the guaranteed income system. Thus, MLI is to be introduced in parallel with the gradual winding-up of the main Child Benefit scheme (PFHC, Prestación Familiar por Hijo a Cargo) (except for those children with disabilities over 33%). After the transfer of those households already receiving PFHC to MLI, no new applications may be submitted.

An additional challenge is how to adapt the RMISs to the new situation created by the MLI. The income guaranteed by the MLI is above the level guaranteed by most of the RMISs, which are now placed in a subsidiary position. As the MLI will guarantee a minimum income to many of their current recipients, the RMISs are forced to redefine their role.

Finally, the new MLI does not remedy the lack of integrated pathways between unemployment assistance and social exclusion benefits (i.e. essentially MLI and RMISs). The orientation of the MLI

towards poverty and social exclusion does not help to stem the fragmentation and inconsistent protection provided by the Spanish minimum income guarantee system.

Further reading

Ayala, L., Arranz, J., García, C. and Martínez, L. (2016), *The income guarantee system in Spain: trends, results and necessary reforms*, PROGRESS axis. EU programme for Employment and Social Innovation. Madrid.
<https://bit.ly/3nFrGcL>

Aguilar, M. and Arriba, A. (2020), "Out of the wilderness? The coming back of the debate on minimum income in Spain and the Great Recession". Soc Policy Adm. 54: 556–573.
<https://doi.org/10.1111/spol.12605>

Caritas (2020), "Un impacto sostenido tras el confinamiento. La realidad de las familias acompañadas por Cáritas". Observatorio de la Realidad Social. La crisis de la COVID-19, 2. 7 September 2020.

Congress of Deputies (2020), *Committee on Work, Inclusion, Social Security and Migration*, 7 October 2020.
<https://bit.ly/2UOKyCI>

Rodríguez-Cabrero, G., Arriba, A., Marbán, V., Montserrat, J., and Moreno-Fuentes, F.J. (2016), "ESPN Thematic Report on minimum income schemes: Spain". *European Social Policy Network* (ESPN), Brussels: European Commission.
<https://bit.ly/349wKPB>

MISSI (Ministerio de Inclusión, Seguridad Social e Inmigración) (16 December 2020), *El Ingreso Mínimo Vital llega en diciembre a 160.000 hogares en los que viven más de 460.000 personas* [Press release]

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