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New perspectives of non-take-up in the minimum income benefits in Spain

ABSTRACT

The Minimum Vital Income (Ingreso Mínimo Vital in Spanish) has been in force in Spain since May 2020. It seeks to ensure that all citizens enjoy a minimum income that allows them to survive, to avoid falling into situations of poverty or social exclusion. It has been implemented within the non-contributory system, financed through taxes, and can be complemented by the regional GMIs. It is configured as a subjective right of indefinite duration. The objective of the MVI is to be configured as a minimum income protection net guaranteed by the Spanish Social Security, common among the Spanish Regions and Cities (i.e. Ceuta and Melilla), and which allows the transition from a situation of social exclusion to an active participation in society (RDL 20/2020, of May 29). Among its objectives, it stands out the direct reference to the problem of coverage of the current system, and the need to improve it by homogenizing and involving applicants in the procedures to be carried out and increasing the institutional publicity of the benefit. One of its main objectives, therefore, is to increase the take-up of the guaranteed minimum income (GMI) system.

The relevance is such. The that non-take-up in a benefit can affect both the efficiency (adjustment between costs and benefits) and the effectiveness (in terms of reduction or increase in the expected indicators) of the policy implemented. Non-take-up is defined as the set of individuals or households entitled to receive a benefit who do not receive it because they do not apply for it (Hernanz, et al., 2004). Despite this problem, the literature has traditionally given more relevance to overpayment in benefits since this implies an additional cost for public administrations. The design of targeted public policies for specific groups, together with means- testing instruments, has captured the interest of policy makers (Korpi and Palme, 1998; Matsaganis et al., 2010). However, the phenomenon known as non-take-up has generated a growing interest within public institutions (Eurofound, 2015; European Commission, 2013; Barcelona City Council, 2018). This interest arises due to the effects that non-take-up has on the design of public policies, since the low coverage distorts the objective for which they had been designed. In addition, knowing the elements involving an individual who is likely to receive a benefit does not receive it in the end can improve the design of the benefit (Hernanz et al., 2004).

There are different studies that quantify the percentage of people who are likely to receive a benefit but do not apply for it. In social assistance programs within the OECD it ranges between 40-80% (Hernanz, 2004) and between 20%-60% in the EU28 (Euromod, 2007). More localized studies show similar percentages. Among them, Bargain, et al. (2010), show non-take-up ratios between 40%-50% for social assistance policies in Finland; Fuchs, et al. (2020), for a program analogous to a GMI in Austria, estimate a non-take-up of between 39%-51%; and Bruckmeier et al. (2013), 67% in Germany.

In reference to the Spanish case, the evidence is smaller, highlighting the studies by Levy (2008) and Matsaganis et al. (2010), who estimate a non-take-up of 60% in the minimum complement of contributory pensions and 20% in the non-contributory retirement pension. Khalifi et al. (2016), calculate a non-take-up, for homeless people, of 67% in the Guaranteed Minimum Income (GMI), and the Barcelona City Council (2018), estimates a non-take-up of 22.5% in its pilot project BMINCOME.

However, in the aforementioned literature, there are discrepancies as to which factors are most relevant in explaining why potential beneficiaries do not apply for a benefit, and the relationships between these factors.

This paper has three objectives, first, to quantify the size of non-take-up in the minimum income benefits in Spain, and secondly, to provide new evidence about the non-take-up drivers. With these two analysis, we can assess whether the recent change of the GMI system is a success.

In order to complete both analysis, we analyse the minimum income benefits system in Spain to the 2017 and 2020 year. Using the EU-SILC data, we carry out both analyses. First, using the EUROMOD Tax-benefit microsimulation model for the European Union, we can estimate the number of people entitled, then, comparing our estimations of entitled people with the official register of beneficiaries provide by the Ministry of Inclusion, Social Security and Migration. We can calculate the non-take-up size of the minimum income benefits.

The results show that the non-take-up level is decreasing in Spain, it decreases from 50%-52% rates to 35%, so, in this sense, the new policy is working, but it not matches yet the government previsions.

Secondly, using the two-steps Heckman selection model, we analyse the drivers of non-take-up, in both systems. By this way, it's possible to know if the new benefit changes the non-take-up determinants.

We use a large variety of variables, structure depending on the influence: i) economic, ii) sociological, iii) physiological and stigma and iv) supply side.

The variables used are:

Economic drivers:

i) Economic status of the household head, ii) Income gap, iii) Housing tenure.

Sociological drivers:

i) Education level achieved by the household head, ii) Citizenship, iii) Composition of the household, iv) Gender of the household head, v) Number of children in the household.

Psychological and stigma:

i) The size of the municipality, ii) Geographical location, iii) The household receives another benefits, iv) % of people receiving a benefit in each Region.

Administrative side "supply side"

i) Subjective Right, ii) Duration of the benefit, iii) Amount.

Related to the non-take-up drivers, as the literature says, it is a multidimensional phenome because it is influenced by economic, sociological, psychological and administrative variables. For example, as the necessity of a benefit increases, the non-take-up decreases. The higher the level of education, the higher the probability of non-take-up. Differences according to an applicant's citizenship. Cultural proximity could reduce non-take-up. Bringing social services and population together could reduce the stigma associated with a benefit or It is essential to design public policies correctly in order to reduce non-take-up. The MVI is focusing on the child poverty and the single parent family unit, and it is reflecting in the result. Now, the presence of child into the household is a more important factor.

In conclusion, the MVI is reducing the level of non-take-up in the minimum income benefits system. However, the government's projections have not yet been met. Probably it is happening because there are still difficulties in the application for the benefit and there is a need to simplify the administrative process and increase publicity of the MVI.

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