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# **Minimum Income Benefits in Spain: Impact on Poverty and Dynamics**

## **Abstract**

One of the greatest peculiarities of the Spanish system of minimum income benefits is its complex territorial organization. There is a wide variety of specific means-tested benefits whose management and financing depend on the central government, while the general risk of poverty is covered by the regional governments without any coordination and financing from the central government. In this paper, we aim at providing -through a pioneering study of the use of administrative records- a picture of the possibilities and limits of the current set of welfare benefits focusing especially on its effectiveness both in terms of reducing poverty and increasing the labour participation of recipients. Our findings show that most benefits are clearly insufficient to cover the risk of poverty. We also find that most recipients only stay in the programs for a short time and that participation in work-related activities has a positive effect on the probability of having a successful exit from the programs. The results also show the need for the redesign of the system in order to better articulate existing benefits and employment programs of social services.

**Keywords:** minimum income benefits, poverty, welfare dynamics, Spain

## 1. INTRODUCTION

Minimum income benefit schemes (MIBS) have undergone major changes in most European countries. One of them has been the transition from universal to more selective benefits putting into question the long-standing wisdom that universally designed benefits outperform targeted benefits in terms of poverty reduction (Van Lancker and Van Mechelen, 2015). At the same time, there has been a shift from very centralized to more mixed and decentralized MIBS. The most important challenge has been the difficult balance between the emergence of new social needs, and the limits to increase budgetary resources. Another restriction has been the more traditional one of preserving work incentives.

The global economic crisis that started in late 2007 increased these constraints. The challenges of both improving labour incentives and pursuing greater efficiency in the allocation of benefits have been further intensified, occurring the same with the needs for providing enough coverage to vulnerable households in the face of rising unemployment and poverty. The growth in the number of recipients has placed into question the capacity of the programs and the social services not only to cope with the increased economic needs that the crisis brought about but also to implement adequate activation strategies (Immervoll, 2010). On the other hand, the large variation in coverage offered by MIBS in European countries gave rise to very different impacts of the crisis on poverty rates (Figari et al., 2010, Marchal et al., 2011). In several countries, the growth of social needs went along with a growing constraint on the available resources.

The Spanish experience of minimum income benefits is somewhat singular in this comparative framework. Despite the remarkable transformation of the Spanish welfare state since the mid-1970s, access to social assistance remains underdeveloped for the needs of the population (Guillén and León, 2011). Unlike most countries in the European Union, there is not a MIBS that ultimately forms a homogenous social safety net. The current system is a varied mosaic of benefits –with high levels of horizontal inequity and very different levels of protection for individuals or households with similar needs– while there are remarkable gaps in the protection of certain demographic groups. Some of these features –characteristic of the Mediterranean Welfare States– pose a big challenge to policy

trajectories aiming at providing basic floors of welfare entitlements and rights to all citizens within state territory (Moreno, 2006).

Another peculiarity of the Spanish system is its complex territorial organization. On the one hand, there is a wide variety of specific means-tested benefits whose management and financing depend on the central government. On the other hand, the general risk of poverty is covered by the regional governments without any coordination and financing from the central government. The result, which could serve as a reference for other countries, is a very complex system, with serious problems of coordination and inequality between benefits and territories.

In addition to the abovementioned problems the adequacy levels of most benefits comprising the last safety net are rather low, clearly far from European standards (Marchal et al., 2014). It is not surprising, therefore, that Spain was one of the countries where poverty increased most in the crisis, especially when it is measured with more severe thresholds or using material deprivation indicators (Martínez and Navarro, 2014). Minimum income benefits and the temporary solutions to offer protection for households that had exhausted the right to unemployment benefits (UB) were unquestionably insufficient to meet the increase in demand.

In this paper, we aim at providing a robust picture of the possibilities and limits of the current MIBS focusing especially on its effectiveness both in terms of reducing poverty and increasing the labour participation of recipients. Until now, the organisational problems directly associated with the system, with significant territorial and functional differences, have made this task extremely complex. Using administrative data, this paper provides a pioneering study for evaluating the system. We offer the most exhaustive picture to date of its volume and the way it has evolved over time, and, as an important contribution, of the dynamics of participation in the programs.

The remainder of the paper is organized as follows. Section 2 provides a summary of the main trends of the system in terms of recipients and spending. Section 3 examines the effect of benefits on reducing poverty. Section 4 evaluates the dynamics of program participation and transitions into the labour market. Section 5 concludes.

## 2. EVOLUTION OF THE SYSTEM

The structure of the MIBS in Spain is based on two differentiated components: protection derived from a previous contribution, and non-contributory or welfare protection. Both levels are of a protective nature that translates into the reciprocity of economic benefits (different benefit levels and different lengths of time) and in carrying out actions aimed towards returning to the job market. The philosophy supporting each one of the levels conditions the access, protection and coverage of each type of benefit.<sup>1</sup>

The participation of distinct levels of public administration makes the MIBS more complex in terms of management, design, regulatory capacity and funding of these benefits. On the one hand, the benefits from the Central Government are provided by different public administrative bodies, such as the Public Employment Service,<sup>2</sup> the National Social Security Institute,<sup>3</sup> and the Institute of Elderly Persons and Social Services.<sup>4</sup> On the other hand, in accordance with the current distribution of competencies, the last level of protection is developed by the Autonomous Regions (CCAA) via the so-called Regional Minimum Income (RMI) programs. Given the lack of coordination and financing from the central government, Spain has a diverse mosaic of regional welfare benefits with intense differences in terms of assessing measuring economic needs and eligibility, and defining economic protection or family responsibilities.

Out of all the benefits that make up the guaranteed income system, the oldest are those that aim to cover the risk of old age and disability. Their greatest increase took place with the Non-contributory Pensions Act of 1990, which attempted to ensure an economic benefit for

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<sup>1</sup> In this context, the age and household type are decisive factors for accessing the guaranteed income system. Therefore, emancipated young people, or people under 45 years old, with no family responsibilities, present less time of economic protection. The employees with precarious or low paid jobs also show many situations of exclusion.

<sup>2</sup> Subsidy for insufficient contributions, subsidy for having exhausted the contributory benefit, subsidy for people over 45 whose contributory benefit has exhausted, subsidy for review of disability, agricultural subsidy for residents in Extremadura and Andalusia, subsidy for emigrants who have returned to Spain, subsidy for released prisoners, non-contributory Active Placement Income, subsidy for people over 55, and temporary programs such as the Professional Requalification Program and the Employment Activation Program.

<sup>3</sup> Non-contributory maternity subsidy and benefits to supplement minimum contributory pensions.

<sup>4</sup> Non-contributory Social Security retirement and disability pensions, Social Benefits for Disabled People and the old benefits of the National Fund for Social Assistance.

all retired or disabled citizens who needed it. The Act of 1990 also implied an important change in family benefits, with the introduction of a new benefit within the Social Security system for each dependent child. The number of people receiving these benefits has undergone a marked anti-cyclical evolution. Child benefit is still limited to families with very low income, who receive very low annual amounts.

A second block is made up of Regional Minimum Income benefits. Despite only representing a small part of the system -slightly more than 6% of the total expenditure- they are one of the most controversial schemes in the debate on the guaranteed income system, given that it is the only instrument that offers general protection against the risk of poverty and is totally decentralised. This issue has been a permanent feature in its evolution, as regards both the design of the benefits and its funding, which has corresponded exclusively to territorial governments, giving rise to significant differences in both the nature of the benefits and the coverage offered beyond the differences in the cost of living in each territory. Nowadays, there are 19 different RMI benefits, with important differences related to the access requirements, economic protection and activation. The basic question is not only whether the difference between territories implies significant inequalities in the coverage received by households with lower income but if some Autonomous Regions are paying amounts that are below a basic minimum.

Finally, an aspect that separates Spain from the EU average is that although social expenditure is lower, the money spent on unemployment benefits (UB) with respect to other categories of social expenditure is overrepresented. It even occurs in periods when economic growth is more intense and unemployment rates are relatively low.<sup>5</sup> This feature indicates how the unemployment protection system contributes to the functioning of the economic system and the labour market in Spain, characterised by a high level of temporary employment and turnover between working and being unemployed. Regarding the system's redistributive nature, it is necessary to distinguish between unemployment insurance (UI) and unemployment assistance (UA) benefits. The former contains certain redistributive elements mainly associated to its design -application of maximum and

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<sup>5</sup> Social protection benefits as a percentage of GDP amounted to 21.0% in Spain and 24.8% in the EU-28 in 2008, while it was 24.9% and 27.5%, respectively, in 2014. At the same time, expenditure on unemployment protection amounted to 10.8% of total social protection benefits in Spain and 4.8% in the EU-28 in 2008, while it was 10,8% and 5.1%, respectively, in 2014.

minimum benefits and consideration of family burdens.<sup>6</sup> The rotation that structurally characterises the Spanish labour market, together with the prolonged unemployment spells during the recent recession, has caused a considerable number of beneficiaries to shift to the welfare side of protection. Given that the UA level of protection in Spain is among the lowest of the OECD countries, this “welfarisation” trend reduces the redistributive potential of unemployment protection and increases inequality.

*[Insert Figure 1]*

The main feature observed in long-term trends is the way the system has expanded (Figure 1). However, the growth has not been continuous.<sup>7</sup> It first started expanding at the beginning of the crisis in the 80s, when the number of benefits doubled. A second expansion period of benefits occurred during the first half of the 90s, when new benefits were introduced at the same time as a brief but intense recession. The system’s last period of growth was caused by the change of the economic cycle in 2008, which meant that the number of benefits went from just over 4 million before the crisis to nearly 6 million in 2015. This impact is even more defined when the analysis focuses on the set of benefits without taking into account benefits to supplement minimum contributory pensions and child benefits, reaching a historical maximum in the volume of the system, nearly doubling the figure of 1.2 million benefits claimants in 2007 to 2.2 million in 2015.

*[Insert Figure 2]*

The long-term changes in the volume of the MIBS are also noticeable when the expenditure figures are analysed, although there are some subtle differences (Figure 2). The expenditure

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<sup>6</sup> UI benefits are paid to workers who lost their job or whose temporary contract came to an end, who can and want to work, and who have paid UI contributions while working for at least 12 months during the past 72 months (excluding civil servants and workers hired by households). The length of UI entitlement varies between 4 and 24 months, depending on the number of the months contributions were made during the past 72 months. The gross replacement rate is 70% for the first six months of UI receipt and 50% thereafter (60% before July 2012), though the benefit level is subject to a certain upper limit. Moreover, workers who are not eligible for UI due to the lack of the sufficient contribution history or who have exhausted their benefits may qualify for flat-rate UA benefits. The UA benefit is means tested, and its level and duration depend on the number of family dependents and the age of the recipient.

<sup>7</sup> The evidence on the long-term determinants of changes in expenditure growth and the number of recipients of minimum income benefits is very limited in Spain. Ayala and Pérez (2005) found that institutional factors were more important in the changes in the caseloads than macroeconomic conditions. In a more recent contribution, Ayala and Triguero (2017) found that the economic cycle has a great influence on the number of recipients.



remained relatively stable until the start of the crisis, rising sharply from 2008 until it peaked in 2010 (nearly 22 billion euros). As from this date, it began to drop progressively while the number of beneficiaries remained more or less stable, causing the system to lose part of its protection capacity.

### **3. HOW MUCH DO THE MINIMUM INCOME BENEFITS REDUCE POVERTY?**

#### **3.1. Adequacy of benefits**

The primary goal of MIBS is to act as the final economic safety net in the fight against poverty. However, in practice, the fear that the benefits could favour a lower workforce participation or the option itself in some schemes for more categorical and selective benefits have meant that the amounts have been established by taking into account other references.

When analysing the effects of the system on poverty, one of the most relevant issues is how to measure the adequacy of the different benefits. When the amounts are compared with the statutory minimum wage (SMW) -and indirectly with the changes in price levels-, a significant difference is observed in Spain between the evolution of the contributory benefits and those that guarantee income (Ayala, 2016). While the former showed a clear upward trend in respect to the SMI until halfway through the last decade, in the case of the latter there were no considerable fluctuations in this relationship. A second comparison can be made by relating the amounts of the benefits with the GDP per capita. In the case of minimum income benefits, the approximation has been much slower than in contributory benefits, with less noticeable effects during periods of recession. While in the economic boom prior to the crisis the benefit levels clearly separated from mean income (below a 20 percent), the length and intensity of the recent recession failed to take the indicator to previous levels, with the improvement, furthermore, mainly taking place during the first two years of the crisis (23 percent).

The most common approach to measure adequacy is comparing benefit levels and poverty lines. These can be estimated using the Spanish Living Conditions Survey (SLCS). Due to the fact that the poverty line (60% per cent of median income) has dropped since the beginning of the crisis -as a consequence of its relative nature-, the gap between the level of transfers and the poverty line in the system's set of benefits has been narrowing. However,

most benefits are clearly insufficient to cover the risk of poverty when the size of the household increases, with benefit levels below a 50% of the poverty threshold.

When considering this same indicator for European Union countries, both the variety of results and the limited economic sufficiency of the Spanish Minimum Income scheme become obvious (see Figure 3).<sup>8</sup> Whereas in countries like Denmark the benefits practically cover the total risk of poverty and the indicators of Anglo-Saxon countries are not far off 75%, most countries offer levels between 50% and 70% of the poverty line. These are higher than the average of the Spanish Autonomous Regions. However, the average value hides a great diversity of results, with marked differences among RMI schemes.

*[Insert Figure 3]*

### **3.2. Effects on poverty rates**

The usual procedure to estimate the poverty-reducing effect of these benefits is to compare the difference between the poverty rate that results from considering household disposable income and the rate that would have been if only primary incomes were considered – disregarding the received transfers and adding the income taxes paid. The usual criticism of this approach is the acceptance of the unrealistic assumption that taxes and benefits do not affect the poverty rate and that if households had only primary incomes they would not change their behaviour (Ravallion, 2016). However, the simplicity of such calculations has made their use generalized.

Using this procedure with data from the Living Conditions Survey-2015, the set of both contributory and welfare social benefits manage to reduce poverty to less than half (Table 1).<sup>9</sup> This overall effect is not evenly distributed by population groups. Benefits affect women more than men, with a distinctly lower effect on young people and children, although they were the most affected groups of the crisis in terms of generational costs (Coppola and O'Higgins, 2016). The opposite occurs with older individuals. The effect clearly decreases as the number of children in the household grows. The impact is very reduced in the case of immigrants from outside the EU, with a strong differentiation

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<sup>8</sup> The benefits included in the comparison are the RMI schemes in the case of Spain.

<sup>9</sup> We use a specific exploitation of the survey provided by the Spanish Statistical Office (Instituto Nacional de Estadística, INE) that allows differentiating contributory and non-contributory benefits.

depending on the labour status. The contribution to poverty reduction is much lower in the case of employed and unemployed people, and there is a very different impact in each region.

*[Insert Table 1]*

It is possible to disaggregate the effects on poverty according to types of benefits and types

*[Insert Table 1]*

of households. Contributory pensions concentrate nearly half the total of said reduction. The second type of benefit that contributes the most to reducing poverty are UB (nearly 9%), with the contributory benefit having a greater effect (practically two thirds of the impact). At the opposite end are child benefits that, despite affecting a very high number of households, hardly change the poverty rate.

This set of results repeats in most of socioeconomic categories, though with subtle differences. Coverage problems in the case of children stand out especially. In general, for these groups and households with children, the main instrument to avoid poverty is UB and, to a lesser degree, RMI schemes. The increasingly high child poverty rates in Spain are closely related to the insufficiency of the protection for low-income workers, the increased probability of unemployment and family responsibilities. In these households, child benefits hardly affect the risk of poverty, only having a moderate effect in larger households. In the case of immigrants from outside the EU, their main form of protection against poverty is RMI schemes.

The limited incidence of the benefits that make up the final economic safety net is also patently obvious when comparing the added effect of the different benefits not classified as pensions in EU countries (Eurostat, 2017). Spain, together with other Mediterranean countries and some Eastern European countries, is included in the group where the impact of monetary benefits on the poverty rate is the lowest. As a result, one of the reasons why the poverty rate in Spain has remained so high for such a long time would be the reduced protection capacity of the guaranteed income system making a limited contribution towards reducing it.

#### **4. EFFECTS OF BENEFITS ON LABOUR MARKET PARTICIPATION AND JOB FINDING**

As mentioned above, one of the main goals of the reforms of MIBS has been fostering the transitions into employment of the recipients of the safety net. (Re)entry into the labour market is a determining element when it comes to designing the benefits of the guaranteed income system (Rodriguez-Cabrero, 2013). In this vein, MIBS are part of the poverty debate. Traditionally, the disincentive to find a job has been related to the benefits, especially in the non-contributory level. Recipients in long-term unemployment have been associated with the stereotypes of inactivity and passivity. In fact, control measures are more severe when the unemployment situation has been prolonged. However, this dominant focus does not consider the role of benefits protecting families and preventing their economic deterioration (Carter and Witworth, 2016). This debate has intensified in recent years in countries such as Spain, characterised by high levels of unemployment beneficiaries and employment insecurity, where the access to a job does not guarantee exiting poverty.

Regarding unemployment benefits, the standard economic theory predicts that reciprocity generates a disincentive to find a job faster -benefits increase the reservation wage of individuals and reduce the intensity of search for a job. In this context, there is an extensive empirical literature that examines the effects of different aspects of UBs, such as benefit generosity or potential benefit duration, on post-unemployment outcomes. However, although many studies report fairly consistent effects in the expected direction, it is also true that most of them show surprisingly modest negative effects on either unemployment duration, exits to a job or post-unemployment earnings.<sup>10</sup> Furthermore, there is no reason to believe that there is any simple direct link between these micro findings on incentive effects and changes in the aggregate unemployment rate (Howell et al., 2007; Howell and Rehm,

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<sup>10</sup> Some studies (Katz and Meyer, 1990; Van den Berg, 1990; Lalive et al., 2006) find a (small) negative relationship between more generous benefits and either unemployment duration or job exits. Regarding the impact of potential duration, the studies usually find a negative effect, implying that longer potential durations bring about longer effective durations, although the effects are not very large (Lalive et al., 2006; Van Ours and Vodopivec, 2006). Some studies (Gregory and Jukes, 2001; Schmieder et al., 2016) find a negative relationship between more generous UI and post-unemployment earnings, while others (Tatsiramos, 2009; Caliendo et al., 2013) find a positive relationship.

2009).<sup>11</sup> As for RMI, there is still considerable asymmetry between the attention given to the hypothesis of high efficiency costs in the programs and the real knowledge of how the recipients enter and leave them, or about how long the benefit reciprocity periods really last (Aust and Arriba, 2005). Until now no comparable information has been available in Spain and, furthermore, the programs are excessively complex to draw an overall picture of results. In addition, the task of relating the possible results with the variety of objectives included in each program is extremely intricate.<sup>12</sup>

We have tried to contribute to this issue by examining the permanence in the reciprocity status and the transitions to employment of those who receive UA benefits, on the one hand, and those who receive a RMI benefit, on the other hand. Both aspects can only be addressed using detailed longitudinal data. It is the very first time that the Spanish administrative records are used to investigate the dynamics of participation in these programs. In the case of UA benefits, we have made use of monthly microdata files on the unemployed recipients provided by the Public Employment Services (PES) which have been linked together thanks to the existence a unique identifier for each person. Based on the information of individuals who started unemployment subsidies episodes in the period 2007-2014, we have carried out an aggregate analysis of duration and entry-exit into the unemployment system. An analysis of the dynamics of UA benefits by monitoring individuals who started receiving the benefit in January 2007 (followed up until December 2011) and in January 2010 (followed up until December 2014) have also been performed. In the case of RMI benefits, we created a longitudinal database of administrative records, with information from all Autonomous Regions (except Catalonia). Over half the observations contain longitudinal information covering more than a decade (2005-2015). The wealth of information, with over 600,000 observations corresponding to the different spells of participation in each program, provides a more exact picture in respect to what

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<sup>11</sup> Two key shortcomings of micro empirical studies are that they do not usually distinguish between the unemployed who receive UI and UA benefits and that the period of observation regarding the receipt of benefits and the exit to a job is relatively short.

<sup>12</sup> The evidence available to date in Spain is concentrated in the cases of the Community of Madrid (Ayala and Rodríguez, 2007a, 2007b, 2010), Catalonia (Casado and Blasco, 2009; Riba et al., 2011) and Basque Country (De la Rica and Gorjón, 2017).

was previously known about both the characteristics and living conditions of households with less resources and the possibilities and limits of the RMI.

As regards UA benefits, firstly, the results of the aggregate analysis of duration and entry-exit into the unemployment system (see Table 2) suggest that most people who receive UB (particularly those who receive subsidies) tend to spend a *relatively short period* under their coverage when considering a period of several years: the average would be between 25% and 30% of the time encompassing seven or eight years and only taking into account the people with re-entries into the system. In fact, there is a majority that consumes very short periods, although they enter again several times, as well as another significant group with fewer re-entries who receive the benefits for slightly longer periods. However, there is a relatively reduced proportion of individuals who remain unemployed for extended periods and are detached from the job market (around 10%, although this proportion varies with the economic cycle).

*[Insert Table 2]*

Secondly, upon studying the entries into the subsidy according to type of benefit and comparing what happened between 2007-2011 and 2010-2014, there was an increase in registrations of the people receiving UA benefits of all sorts, although it was more marked in some benefits than in others. On the other hand, the importance of the benefits for having exhausted UI benefits has increased, which now play a relevant role in softening the effects of the employment crisis. This behaviour of the entries highlights the trend towards *welfarisation* during the crisis as a consequence of the overflow of the insurance level to deal with the high unemployment situation.

And finally, as regards the beneficiaries' entry into the labour market, measured by the proportion of these people who find work, it tends to grow with the potential duration. The data on re-entries support the idea that a significant part of the people who exhaust UA move subsequently towards employment more or less near the time of the exhaustion of benefits. The data show that among the beneficiaries with short-term entitlements a low percentage stopped receiving the benefit due to finding a job. The percentages of exhaustion of these beneficiaries are high but they also subsequently re-enter the system, meaning that their transitions to employment must be relatively significant.

Turning now to the dynamics of RMI schemes, the data (see Table 3) reveal an evident concentration of beneficiaries that stay for a short time (the duration of over half that entered into the programs during the eleven years considered was under a year and the average duration was less than two years). As a result, the RMI for most households was only a temporary aid. However, one out of every ten households were in the program for over five consecutive years. These durations are lower than those estimated in other countries (Immervoll *et al.*, 2015, Königs, 2015), which is a reason for relativizing the possible criticism that people end up becoming dependent on RMI, though it has to be taken into account that the amounts are considerably lower in Spain and only a part of the Autonomous Regions permit indefinite duration. When only taking the reference of the households that have entered as from 2012, the predominance of short stays stands out, with nearly 80% of the entries staying for under 24 months and an average duration of all the spells of 15 months.

*[Insert Table 3]*

In short, the durations on balance are brief, although there is a far from negligible number of long duration entries (more than five years), an important permanence of those currently in the programs (over a quarter have been there for more than four years), and a significant rate of re-entries (40% who left have entered again) related to the precarious labour conditions affecting this type of jobs. It has also been verified that there is a problem of dependence: the longer someone is in the program, the probability of leaving becomes smaller. This state of affairs is influenced by the employment shock that took place during the long period considered, with the labour market making it increasingly difficult to find an alternative other than receiving the benefit.

In the RMI dynamics analysis one of the least known aspects is probably the effect of the social and occupational integration measures that accompany the payment of the benefit. It is difficult to evaluate the real efficiency of the activation strategies in the RMI programs due to the difficulties to find good outcomes indicators. We consider as reference the type of exit and, more specifically, whether the reason for having achieved economic independence was through employment. The most prominent result of the analysis shows that nearly 60% of the total left the system due to administrative reasons. On the other

hand, almost 20% had a successful exit. However, it is worth mentioning the great difficulties encountered by the participating households to leave the programs of their own accord, intensified further due to the worsening of the labour market, as revealed by the decline of nearly 10 percentage points of the share of successful exits between 2005 and 2008.<sup>13</sup>

To summarise, our findings on the dynamics of recipients of both types of benefits point out to (1) relatively short spells of unemployment, contrary to the notion of chronicity; and (2) considerable turnover (entry into and exit from UA and RMI schemes). They suggest the existence of much heterogeneity in the behaviour and outcomes of UA and RMI recipients but also an important degree of attachment to the labour market and commitment to find a job and try to exit the benefit system. In other words, they would not confirm the thesis that there is a relevant number of individuals who show a preference to remain unemployed or inactive, who do not carry out activities to end this situation or that the mere fact of receiving benefits reduces their incentives to return to work, making them chronic recipients. In addition, the existence of a relatively large degree of mobility should also lead to revise the activation programs and the idea that moving to employment always implies leaving poverty. In this vein, possible ways of flexibility to simultaneously receive benefits and earn wages might be further explored.<sup>14</sup>

## **5. CONCLUSIONS**

Up until now, the response of the MIBS in Spain to the new social needs has gone along the line of increasing the number of benefits, extending the regulations with certain access-related exceptions or designing special programs. Nevertheless, extending the map in order to respond to very specific needs has generated several loopholes and obstacles, basically in

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<sup>13</sup> If the type of exit is regarded as an output of the programs, and the promotional activities of life and labour skills in which the beneficiaries participate are considered an input, an approach can be made to the effectiveness of the policies developed, even though the possible selection bias of participants. It seems that participation in work-related activities has a positive effect on the type of exit, with a difference of nearly seven percentage points between the successful exits of people who participate in activities focused towards employment and those who only join in actions aimed at improving social skills. There is also a much higher percentage of successful exits in the measures geared towards incorporating participants into the labour market as soon as possible, in comparison with more general work-related activities.

<sup>14</sup> As a result of the labour insecurity context, the employment incentives or other flexible formulas for calculating earned income are part of the debate in RMI as a way to promote the access to the labour market (OECD, 2005).



relation to uncovered situations of need and complex administrative procedures. In this regard, it would be necessary to simplify and standardise the administrative procedures and access requirements. Moreover, the system needs also higher budgetary resources. Without improvements of adequacy ratios, it is difficult to think of long-lasting reductions of poverty and a shorter gap in respect to the EU average.

The findings of the paper also allow for recommendations related to the capacity of these benefits to favour entry into the labour market. In this sense, the case of Spain includes three differentiating elements as regards the structure of expenditure on active policies: the greater weight of recruitment subsidies, the low amount spent on the Public Employment Service and the relatively modest expenditure destined towards vocational training. This unequal distribution should make us wonder if the expenditure on active policies should be reorganised. Employment subsidies have significant indirect effects (deadweight loss, replacement and displacement) which substantially limit their efficiency when they are used in a generalised manner. Consequently, the social services should bring them closer together in underprivileged groups.

Synchronising measures constitutes a challenge for improving the effect of labour market policies on people's employment perspectives and the additional employment indicators. This is crucial for whoever is at either end of their professional career and for the most vulnerable groups. The empirical literature on evaluation of active labour market programs shows that the most profitable active policies for helping unemployed people in their transition from being out of work to having a job are generally job search programs, particularly activation programs, which try to encourage unemployed people to continue or even increase their search for work after they have commenced a period of unemployment. Obviously, this would be coupled with measures favouring the demand side of the labour market, aimed at increasing not only the quantity but also the quality of jobs.

In the case of RMI schemes, the economic crisis caused new types of households to enter into the programs, warranting a review of some of the social and economic integration strategies. As a result, RMI schemes face the double challenge of having to satisfy a demand for which the resources invested to date are clearly insufficient, as well as adapt the intervention strategies of social services to these new profiles. The general balance shows

that these beneficiaries generally receive benefits in Spain for shorter periods than in other countries. Nevertheless, there are still long episodes and significant rates of re-entries. Furthermore, the noted fact that the longer a person is in the programs reduces the probability of exiting creates the obligation to review which type of strategies most contribute to improving the autonomy of the recipients. After analysing the data there appears to be a higher number of successful exits in the case of strategies designed to integrate the participants into the labour market as soon as possible in comparison with more general work-related measures.

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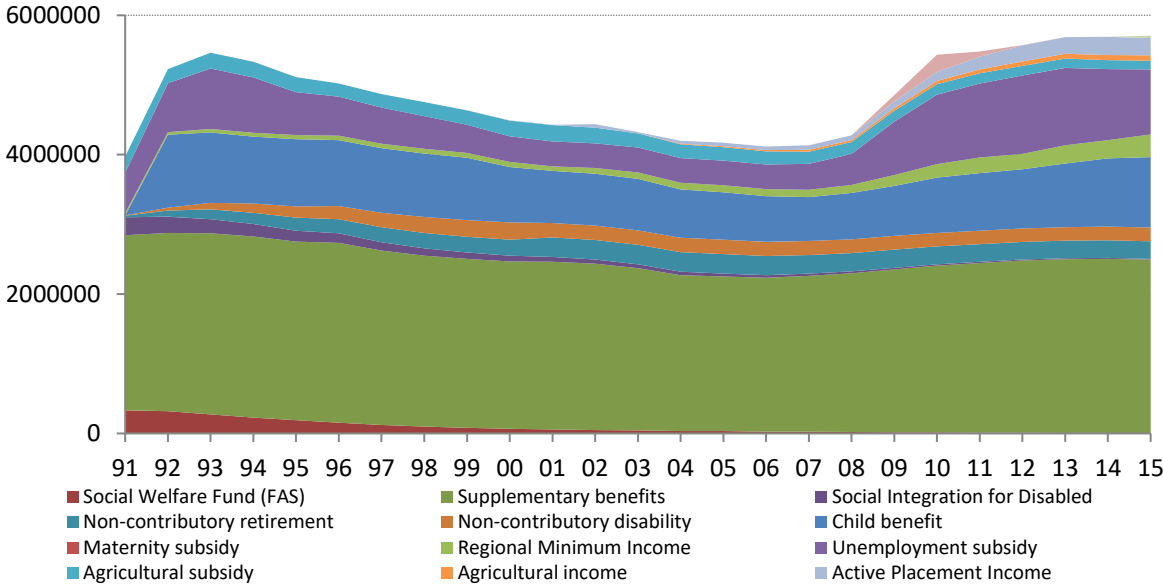
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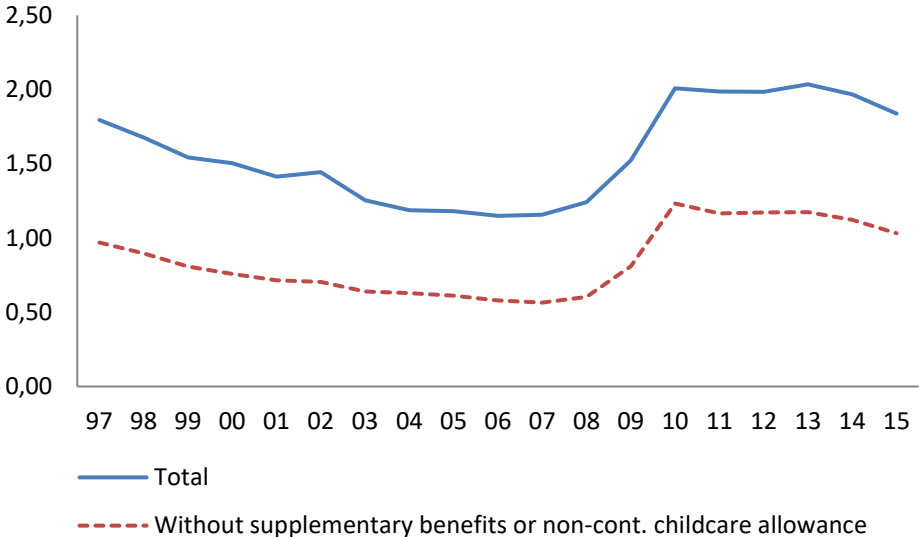
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Figure 1. Number of recipients of minimum income benefits, 1991-2015.



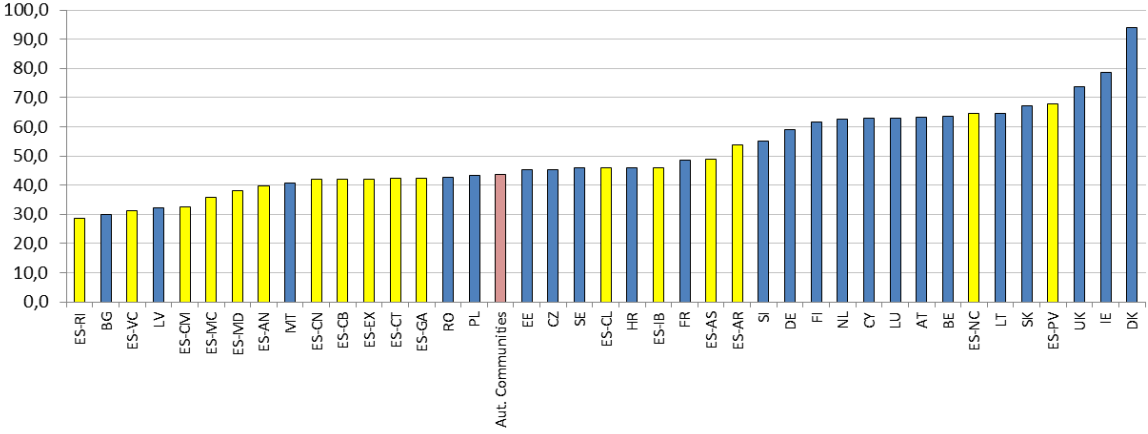
Source: authors, based on the records of the Ministry of Employment and Social Security, and the Ministry of Health, Social Services and Equality.

Figure 2. Expenditure on minimum income benefits over the GDP, 1997-2015.



Source: authors, based on data from the Spanish National Accounts and the records of the Ministry of Employment and Social Security, and the Ministry of Health, Social Services and Equality.

Figure 3. Adequacy of Regional and European Minimum Income schemes, 2014 (couple with two children, national thresholds).



Source: authors, based on the MISSOC Comparative Tables Database, data from the Autonomous Regions and EU-SILC (Eurostat).



Table 1. Effect of benefits on poverty rates by types of benefits and types of households, 2015 (threshold: 60% of median income).

	Retirement pensions	Non-contributory old age pensions	Unemployment insurance	Unemployment subsidy	Contributory disability	Non-contributory disability	Education grants	Contributory family benefit	Non-contributory family benefits	Universal family benefits	Regional Minimum Income	Housing subsidy	Contributory sickness	Non-contributory sickness
<b>Gender</b>														
Men	-27.0	-0.1	-6.0	-2.8	-4.7	-0.1	-0.3	-0.2	-1.2	-0.1	-3.3	-0.1	-0.8	0.0
Women	-23.1	-0.2	-5.8	-2.5	-3.6	-0.1	-0.3	-0.3	-1.2	-0.3	-3.6	-0.1	-0.5	0.0
<b>Age</b>														
<16 years old	-3.2	-0.2	-9.8	-3.5	-2.7	-0.2	-0.2	-0.7	-3.1	-0.9	-5.8	-0.2	-0.6	0.0
16-25	-5.0	0.0	-6.3	-3.0	-3.4	-0.1	-1.8	0.0	-1.5	0.0	-5.8	-0.2	-0.6	-0.1
26-35	-11.6	0.0	-8.0	-3.3	-5.6	-0.3	0.0	-1.0	-1.6	-0.3	-3.8	0.0	-0.5	0.0
36-45	-9.1	-0.2	-11.0	-3.7	-2.6	-0.2	-0.2	-0.4	-1.9	-0.6	-3.5	-0.1	-0.8	0.0
46-55	-6.6	-0.1	-7.4	-3.4	-5.3	-0.3	-0.5	0.0	-0.9	0.0	-5.4	-0.2	-1.1	0.0
56-65	-23.9	0.0	-6.3	-5.1	-14.4	0.0	-0.3	0.0	-0.7	0.0	-4.0	0.0	-1.9	-0.1
66-75	-67.0	-0.1	-1.0	-0.3	-0.7	0.0	0.0	0.0	-0.4	0.0	-0.4	0.0	-0.1	0.0
>75	-48.0	-0.3	-0.9	-0.2	-1.1	0.0	0.0	0.0	-0.4	0.0	-1.2	0.0	0.0	0.0
<b>Type of household</b>														
One person: male, <30 years old	0.0	0.0	0.0	0.0	0.0	0.0	-21.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
One person: male, 30-64 years old	-5.4	0.0	-6.8	-1.4	-6.0	0.0	0.0	0.0	0.0	0.0	-1.5	0.0	-2.6	0.0
One person: male, >65 years old	-73.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
One person: female, <30 years old	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
One person: female, 30-64 years old	-4.3	0.0	-5.6	-3.3	-5.4	0.0	0.0	0.0	-0.2	0.0	-3.0	0.0	-1.5	0.0
One person: female, >65 years old	-23.4	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.4	0.0	0.0	0.0
2 adults without children, at least one person >65 years old	-63.9	-0.1	-0.7	-0.3	-1.0	0.0	0.0	0.0	-0.1	0.0	-0.2	0.0	0.0	0.0
2 adults without children, both <65 years old	-11.0	0.0	-7.6	-5.6	-10.9	-0.3	0.0	0.0	-0.2	0.0	-4.8	0.0	-1.8	-0.2
Other households with no dependent children	-34.1	-0.2	-6.5	-3.4	-8.9	-0.2	-0.1	0.0	-1.1	0.0	-2.6	-0.1	-1.0	0.0
One adult with at least one dependent child	-0.9	0.0	-13.5	-1.0	-1.7	0.0	-2.1	0.0	-1.1	-0.8	-4.4	-0.4	0.0	0.0
Two adults with one dependent child	-4.2	0.0	-12.9	-3.3	-5.0	-0.5	-0.7	-2.2	-1.0	-0.2	-3.3	0.0	-0.1	0.0
Two adults with two dependent children	-1.9	0.0	-10.4	-5.4	-1.9	0.0	-0.2	-0.4	-1.7	-1.2	-4.8	-0.2	-1.1	0.0
Two adults with three or more dependent children	-0.2	0.0	-4.1	-1.4	-2.8	0.0	0.0	0.0	-3.3	-0.3	-5.9	-0.2	0.0	0.0
Other households with dependent children	-11.1	-0.5	-6.3	-3.2	-3.9	-0.2	-0.9	0.0	-4.3	0.0	-9.0	-0.1	-0.8	0.0
<b>No. persons in household</b>														
1 person	-25.9	-0.1	-2.2	-0.7	-2.0	0.0	-0.3	0.0	0.0	0.0	-0.9	0.0	-0.8	0.0

2 people	-46.3	0.0	-3.4	-1.7	-3.7	-0.1	-0.1	0.0	-0.1	-0.1	-1.8	0.0	-0.5	-0.1
3 people	-22.8	-0.2	-8.5	-3.3	-6.8	-0.4	-0.6	-0.8	-0.8	-0.1	-2.6	-0.1	-0.5	0.0
4 people	-8.2	0.0	-9.8	-4.7	-4.1	-0.1	-0.2	-0.3	-1.8	-0.7	-5.3	-0.2	-1.4	0.0
5 people	-9.5	-0.2	-5.4	-2.3	-3.7	0.0	-1.0	0.0	-2.8	-0.1	-7.0	-0.1	0.0	0.0
6 people	-11.9	-1.4	-0.5	-3.0	-4.8	0.0	0.0	0.0	-5.9	0.0	-8.2	0.0	0.0	0.0
7 people	-5.0	0.0	-17.7	-0.2	0.0	0.0	0.0	-0.5	-9.5	0.0	-1.3	0.0	-0.2	0.0
<b>Citizenship</b>														
Spain	-31.3	-0.1	-5.2	-2.6	-4.9	-0.1	-0.4	-0.2	-0.9	-0.1	-2.8	-0.1	-0.7	0.0
Foreigner (rest of EU-28)	-17.6	-0.1	-9.0	-1.4	-0.7	0.0	0.0	-0.2	-1.2	0.0	-3.1	0.0	-0.5	-0.2
Foreigner (rest of world)	-4.0	0.0	-4.7	-1.7	-1.3	0.0	-0.5	-0.3	-1.7	-0.3	-5.7	-0.3	-0.7	0.0
<b>Labour market status</b>														
Working	-11.1	-0.1	-10.6	-4.5	-3.6	-0.2	-0.4	-0.4	-1.1	-0.5	-3.0	-0.1	-1.1	0.0
Unemployed	-7.3	-0.1	-7.6	-4.0	-3.2	-0.2	-0.4	-0.3	-1.1	0.0	-5.7	-0.1	-0.6	0.0
Retired	-63.6	-0.1	-1.5	-0.5	-3.0	0.0	0.0	0.0	-0.4	0.0	-0.6	0.0	-0.1	0.0
Other inactivity	-15.1	-0.2	-5.5	-2.3	-5.7	-0.1	-0.4	-0.2	-2.0	-0.3	-4.5	-0.1	-0.8	0.0
<b>TOTAL</b>	<b>-24.9</b>	<b>-0.1</b>	<b>-5.9</b>	<b>-2.6</b>	<b>-4.1</b>	<b>-0.1</b>	<b>-0.3</b>	<b>-0.2</b>	<b>-1.2</b>	<b>-0.2</b>	<b>-3.5</b>	<b>-0.1</b>	<b>-0.7</b>	<b>0.0</b>

Source: authors, based on the Living Conditions Survey 2015 (INE).

Table 2. Evolution of the duration (in months) of unemployment subsidy episodes, according to year of starting.

Panel (a): duration of first episode

Year of entry	No. years	People	Duration						
			Average	S.D.	10%	25%	50%	75%	90%
2007	8	482751	13.9	16.4	3	6	9	17	24
2008	7	663729	14.3	14.7	4	6	10	19	25
2009	6	1404290	12.8	12.0	4	6	7	18	24
2010	5	1753923	11.4	10.3	3	6	7	13	24
2011	4	1336979	12.9	9.6	4	6	10	18	25
2012	3	1323996	12.4	7.9	4	6	11	18	25

Panel (b): accumulated duration of all the episodes

Year of entry	No. years	People	Duration						
			Average	S.D.	10%	25%	50%	75%	90%
2007	8	414170	29.4	21.8	6	12	25	42	60
2008	7	490260	28.0	19.3	6	12	25	40	55
2009	6	1011987	22.5	16.0	6	8	20	32	46
2010	5	1077922	18.4	13.6	5	7	15	25	39
2011	4	685126	18.4	11.6	5	7	18	25	36
2012	3	614601	15.7	9.0	5	7	15	23	28

S.D.: standard deviation

Note: the data from 2013 and 2014 are not offered because they are near the end of the observation period of 31 December 2014, and could lead to censorship problems from the right wing.

Source: authors, based on records from the Public Employment Service.

Table 3. Distribution of the duration (in months) of the regional minimum income programs (all entries).

	<b>All</b>	<b>Ongoing</b>	<b>Completed</b>
<1 year	54.2	25.3	78.2
1-2 years	16.3	22.4	10.5
2-3 years	9.1	15.4	3.5
3-4 years	5.7	10.4	1.5
4-5 years	5.7	9.5	3.1
5-6 years	3.6	5.7	2.0
6-7 years	2.2	4.3	0.6
>7 years	3.4	7.0	0.8
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Average duration	22.3	34.8	12.3

Source: authors, based on the administrative files of RMI recipients.