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SPAIN: The general failure of regional minimum incomes and the disappointing deployment of the national minimum income scheme

Submission to the UN Special Rapporteur on Extreme Poverty and Human Rights: Thematic report on Social Protection

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Other Western European countries set up minimum income schemes in the 1950s, 60s or 70s, but Spain did not. And the return of democracy did not make a big enough difference. All European countries have one form or another of minimum income scheme; the last two to set their own up being Greece and Italy, in 2017 and 2018 respectively.

As I proceed to show, the redistributive capacity of Spain's *programmes* is very limited. And we are talking about *programmes*, plural, because Spain has a regionally fragmented system of social assistance, utterly insufficient, and with enormous differences between regions in terms of coverage, adequacy and conditionality.

The 1978 constitution established that social security should be maintained "for all citizens (to) guarantee adequate social assistance and benefits in situations of hardship".[1] Social security had been central to the Moncloa pacts of 1977 between the governing party and opposition, as well as unions and business representatives. In the middle of a global oil crisis and in parallel to the constitutional drafting process, unions swallowed the pill of austerity in the form of structural reforms. They signed off on wage rise ceilings eight to ten points below the rocketing inflation rate, which bordered 30%, and accepted that employers would have more leeway to lay off their staff. In addition to that, the Moncloa pacts settled that a new social security system would include national healthcare – later separated from social security in the 1980s –, public pensions and unemployment benefits. Both the Moncloa pacts and the constitution envisioned that the implementation of social security could be decentralised, but the constitution also made clear that it would be financed centrally.[2]

Over time, the new democratic regime developed a social security system with public pensions, including non-contributory pensions, unemployment protection and other economic benefits for those temporarily unable to work for different reasons. But with hundreds of thousands of workers in long-term unemployment or in precarious jobs, too many people were being left behind or simply excluded from the system. A complementary non-contributory mechanism was necessary to respond to the urgent needs of people in poverty, too often ignored by the

[1] Article 41: "*Los poderes públicos mantendrán un régimen público de Seguridad Social para todos los ciudadanos que garantice la asistencia y prestaciones sociales suficientes ante situaciones de necesidad, especialmente en caso de desempleo. La asistencia y prestaciones complementarias serán libres*."
[2] Article 149(1)(17): "*El Estado tiene competencia exclusiva sobre las siguientes materias: (…) Legislación básica y régimen económico de la Seguridad Social, sin perjuicio de la ejecución de sus servicios por las Comunidades Autónomas*."

labour market. The constitution simply stated that the regions and nationalities would set up complementary social assistance schemes.[3] All of them assumed such responsibility in their respective statutes of self-government in the 1980s. Inspired by the French *revenu minimum d'insertion* of 1988, the Basque social assistance scheme was set up in 1989, followed by all other Spanish regions by 1995.

Based on the interpretation of the right to social assistance by the European Committee of Social Rights,[4] it is clear that the Spanish model of social assistance is far from meeting the human right to social security, which includes social assistance.

In the opinion of the independent authority for fiscal responsibility (AIREF), created in 2013 in application of the memorandum of understanding between Spain and the European Union, minimum income schemes are potentially a key policy instrument to protect against poverty, but due to their fragmentation and generally low amounts of the social benefits, too many people remain inadequately covered or not covered at all.[5]

The number of recipients went up from one to three million between 2007 and 2016, but this number is partly misleading due to its uneven territorial distribution. The three regions that already had the highest coverage in 2007 – the Basque Country, Asturias and Navarra – are the very same ones that increased the coverage the most in the following decade: 5.2% more households in Navarra, 4.1% more in the Basque Country and 3.3% in Asturias. Catalonia, and the more impoverished Andalusia and Castilla-La Mancha experienced the smallest growths, with less than 1%.[6] Furthermore, within this period there were two moments when progress stopped or even reversed. The second one was in 2015, precisely when progressive forces and unions started to consider more seriously the possibilities of a central scheme of social assistance for the whole of Spain, which would see the light in June 2020. The first stop, indeed retrogression, happened at the peak of the economic crisis, in 2011-12. At a time of rocketing redundancies and diminishing unemployment benefits, regional authorities followed the austerity agenda and introduced legal changes imposing more sanctions and making accessibility of benefits contingent upon a stricter set of requirements.[7] During the years of crisis, several regions – Basque Country, Navarra, Murcia, Catalonia, La Rioja and Madrid – made access more difficult by hardening the residency requirement to request the benefit, and a number of them – Valencia, Cantabria and Catalonia, among others – introduced benefit cuts of more than 5%.[8] Furthermore, the cuts were being applied on benefits that were, with the exception of Navarra and the Basque Country, "manifestly insufficient," to echo the conclusion of the European Committee of Social Rights in 2014.[9] Spain's Ministry of Health acknowledged in 2013 that the minimum income schemes did not reach far enough to cover

[3] Article 148(1)(20): "*Las Comunidades Autónomas podrán asumir competencias en las siguientes materias: (…) Asistencia social*."
[4] María Dalli, "The content and potential of the right to social assistance in light of Article 13 of the European Social Charter," *European Journal of Social Security* 22, no. 1 (2020), 10-13.
[5] AIREF, *Los programas de rentas mínimas en España* (Madrid: AIREF 2019), 82-94 and 98.
[6] Manuel Aguilar Hendrickson and Ana Arriba González de Durana, "Crisis económica y transformaciones de la política de garantía de ingresos mínimos para la población activa," *Panorama Social* 29 (2019), 95-96.
[7] Koldo Casla, "The rights we live in: protecting the right to housing in Spain through fair trial, private and family life and non-retrogression," *International Journal of Human Rights* 20, no. 3 (2016), 292-93.
[8] Noemi Bergantiños, Raquel Font and Amaia Bacigalupe, "Las rentas mínimas de inserción en época de crisis. ¿Existen diferencias en la respuesta de las comunidades autónomas?," *Papers: Revista de Sociología* 102, no. 3 (2017), 415.
[9] European Committee of Social Rights, *Conclusions XX-2: Spain* (2014), 26.

the minimum needs of at least two thirds of the more than 700,000 families that had no income whatsoever.[10]

The different regional schemes vary substantially in terms of coverage, adequacy and governmental effort. For example, Madrid and the Basque Country are two of the richest regions, with similar levels of GDP per capita. The Basque Country has one third of Madrid's population and half the level of poverty: 6.4% of the population in the Basque Country, 12.3% in Madrid, are below 40% of the median equivalised disposable income. Yet, the Basque scheme reaches 2.3 times more people and public expenditure is 2.6 times greater. With just over 8% of the country's population, nearly 38% of recipients of a regional minimum income live in the Basque Country, Navarra or Asturias, and the three regions accumulate 43% of all of Spain's public spending on minimum income. For example, despite having a similar population in terms of size, for every household receiving a minimum income in Castilla-La Mancha, 18 people receive it in the Basque Country, where the benefit is between 25% and 50% higher depending on the family size. If we use a single benchmark for the whole of Spain, the Basque programme covers 88% of those in greatest need, for 23% in the case of Madrid. With the exception of Navarra, La Rioja and the Basque Country, the vast majority of regions leave out at least half of the population meeting the objective criteria, that is, people who theoretically are entitled to this form of social assistance. Almost eight in ten people in Spain are unable to get the economic support they need.[11]

In light of all this, in 2018 the European Committee of Social Rights reiterated the conclusions of their previous report and found Spain in non-conformity with the European Social Charter on the grounds of the excessively burdensome requirements of length of residence in the region, the arbitrary age restrictions, the time limit of the benefit in a number of regions, and the general inadequacy of the amounts.[12] In a nutshell, as observed by research from the International Monetary Fund, Spain's minimum income schemes fail to reduce the risk of poverty, inequality and social exclusion due to a series of bureaucratic hurdles and big gaps in terms of adequacy and coverage.[13]

In the context of Covid-10, in June 2020, Spain's progressive coalition government launched a *national* or central "minimum vital income" scheme that would complement the regional ones. It was meant to ensure a basic floor – between 469 and 1,033 Euro in 2021, depending on the size and composition of the household – on top of which the regional authorities could provide additional benefits.[14] With one in four children living in households below 60% of the country's median income, Spain has the dishonour of having one of the highest child poverty rates in the European Union.[15]

Far from being a revolutionary measure, social assistance schemes exist in other European countries, and in fact Spain's regions have had them since the 1990s, albeit not always with

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[10] Ministerio de Sanidad, Servicios Sociales e Igualdad, *El Sistema Público de Servicios Sociales: Informe de Rentas Mínimas de Inserción – Año 2012* (Madrid: Ministerio de Sanidad 2013), 45.
[11] All the data of this paragraph is from 2018. Adrián Hernández, Fidel Picos and Sara Riscado, *Moving towards fairer regional minimum income schemes in Spain, JRC Working Papers on Taxation and Structural Reforms* (Brussels: European Commission 2020), 12.
[12] European Committee of Social Rights, *Conclusions XXI-2: Czech Republic, Denmark, Germany, Poland, Spain, UK* (2018), 147.
[13] Svetlana Vtyurina, *Effectiveness and Equity in Social Spending - The Case of Spain. Working Paper 20/16* (IMF: Washington DC 2020), 21.
[14] Royal Decree-law 20/2020, of 29 May, to establish the minimum vital income (BOE 154).
[15] Eurostat, Children at risk of poverty or social exclusion (data extracted in 2020).

satisfactory result, as indicated earlier. Provided it was set up as complementary to existing regional programs, a centrally managed minimum income scheme had the potential of helping out many people and alleviating the most severe forms of poverty and social exclusion.

One year after its implementation, the minimum income scheme had fallen way short of expectations. The administration only dealt with 34% of the nearly one million applications received between June and October 2020, approving 14% and rejecting the other 20%.[16] By the end of 2020, only 460,000 people were beneficiaries,[17] still far from the one to two and half million that had been initially estimated. According to Oxfam, in June 2021, more than 1.5 million people living in poverty did not have access to the minimum income scheme, with nearly 600,000 households with no reliable income at all.[18]

Numbers aside, a number of issues remained unclear and were concerning. For example, the coverage was rather arbitrarily limited to people between 23 and 65 years of age. Considering that most disadvantaged families find themselves at the lower end of the digital divide, many did not have the means to claim the benefit without assistance face-to-face at the local level. Only in December 2021 did the government set up the registry of charities and social workers and mediators that are meant to help the means-test in the application process.[19]

It also remains to be seen what effects the central scheme will have on regional programmes, as some regional authorities might feel tempted to ignore the constitution and simply defund their benefits altogether letting the central government assume the cost instead. Needless to say, should that happen, it would result in little or no gain for people that need the State's support the most.[20]

Time will tell if and how these and other questions are answered, and what impact the minimum vital income has in the mid- and long-term. As well as a victory, it was also the expression of a huge policy and political failure. As said earlier, the regions and nationalities had had the power and the responsibility to protect the most vulnerable for more than three decades. However, by and large they failed to do so.

Time will also tell if the wider structural changes promised by the PSOE-United Podemos coalition ever see the light of day. On the one hand, one might think that the austerity of the 2010s was a reaction, obsessive or not, to a specific crisis, and that it will not go on in the 2020s. Political discourse appears to have changed direction in European politics, with a generally more permissive approach to public spending. On the other hand, the 1992 Maastricht criteria remain in place, as does the 2011 constitutional reform according to which the repayment of public debt trumps social or any other form of public expenditure – new Article 135. Despite the reddish colour of the coalition, in June 2020, the Financial Times reported that, due to the fiscal constraints, Spain was being "less generous than other European states in its way out" of the Covid-19 crisis, adding that it would take balanced budgets between 2030

[16] María Zuil, "El IMV sigue sin llegar a los hogares: solo lo recibe un 6% del millón que lo ha pedido," *El Confidencial* (21 October 2020).
[17] Cinco Días, "Los 460.000 beneficiarios del ingreso mínimo estarán obligados a presentar declaración del IRPF," (24 March 2021).
[18] Oxfam Intermón, *Armando el Puzle: Avanzando hacia el sistema de garantía de rentas que deberíamos tener* (June 2021).
[19] Ministerial Order ISM/1375/2021, of 3 December (BOE 294).
[20] EAPN, *El Ingreso Mínimo Vital un año después: La perspectiva autonómica* (2021).

and 2040 simply to return to the debt-to-GDP ratio of 2019.[21] Financial markets will follow their own rules about what is deemed acceptable and what not, and countries seeking funds via public debt will not be able to ignore them. This question matters greatly not only in Spain's context, but in relation to global political economy. Since the early 1980s, governments in advanced economies have increasingly relied on public debt at the expense of taxation, lowering the pressure on the wealthiest strata while diminishing the size of the welfare state.[22] With historically low interest rates, in 2020, governments around the world incurred into huge debt to pay for the emergency and palliative measures during the pandemic and its aftermath. Governments are accountable to those they rely on for revenue. That is one of the reasons why it is so important for a healthy democracy that people sustain their government through a fair tax system. Otherwise, creditors call the shots about what governments should be spending taxpayers' money on. However, it would be adventurous to suggest that a radical change in the tax strategy will follow Covid-19. The former European commissioner in charge of budgeting, Günter Oettinger, admitted that the EU's coronavirus recovery plan for 2021-24, which Oettinger himself contributed to bring to life, is "unfair (to) future generations," because the debt is meant to be paid off between 2028 and 2058, "when we all will have passed away."[23]

[21] Daniel Bombey, "Spain's tight budget puts squeeze on coronavirus response," *Financial Times* (24 June 2020).
[22] Wolfgang Streeck, "How Will Capitalism End?," *New Left Review* 84 (2014).
[23] Politico, "Brussels Playbook" (15 June 2020).