

# **ANALYSING THE SPANISH MINIMUM INCOME GUARANTEE: FUNDING SOURCES, NEGOTIATIONS, COMPARISONS AND LIMITATIONS**

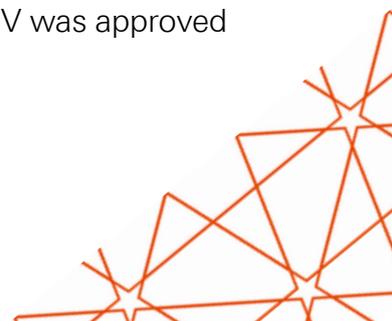
- Around 2.3 million people are estimated to be eligible for the Minimum Income Guarantee (known as the IMV in Spanish).
- Three billion euros per year will be required to fund the measure: 0.24 percent of Spain's GDP in 2019.
- Led by Vox, the far right launched a campaign of aggression in Congress, labelling those calling for the measure as "lazy" and "scroungers".
- Social organizations have pointed to the bureaucratic obstacle course, the conditionality of the measure and the exclusion of migrants with irregular status in Spain as some of the limitations of the IMV.

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The Minimum Income Guarantee (IMV) is not the same as an unconditional universal basic income, but it is a big step in the right direction. In a global context of rising inequality and high structural unemployment, with an economic and social system that produces increasingly ferocious cyclical crises, an economic safety net to sustain citizens is more and more crucial. And Spain is no exception.

The Spanish government recently approved the IMV, a monthly allowance which starts at a minimum of 462 euros and rises by 139 euros for every additional person in the household, regardless of their age. A further 100 euros are added for single-parent families. The maximum allowance will be 1,015 euros. People in receipt of the allowance will also benefit from other types of advantages, such as exemption from university tuition fees for the subsequent academic year and free prescriptions. The allowance can be requested from 15 June, but it will operate retroactively from 1 June.

After several months of painstaking negotiations and considerable differences between the two parties in the coalition government—Unidas Podemos (comprising Podemos and Izquierda Unida) and the Partido Socialista Obrero Español (PSOE)—the IMV was approved



by the Council of Ministers on Friday 29 May. Despite opposition from the right-wing parties, the two parties in government agreed that the measure will be permanent rather than temporary. The Minister of Inclusion, Social Security and Migration, José Luís Escrivá, and the Second Deputy Prime Minister, Minister of Social Rights and Secretary-General of Unidas Podemos, Pablo Iglesias, have stated on several occasions that “the IMV is here to stay”.

The measure brings Spain into line with other European countries with similar minimum income schemes, but it does so at a time when Spain has some of the highest levels of inequality in child wellbeing (sixth in the Organisation for Economic Co-operation and Development (OECD) and fourth in the European Union (EU), placing it behind all European countries except Romania, Bulgaria and Greece), poverty (seventh in the EU, ahead of only Bulgaria, Romania, Greece, Lithuania, Italy and Latvia) and vulnerability among the 27 countries in the Euro zone, even before the COVID-19 crisis.

The government has announced that at the end of June, 255,000 people will receive the Minimum Income Guarantee (IMV). However, according to the government’s calculations, over the coming months, the measure could benefit around 850,000 households or approximately 2.3 million people in total. Of these, 30 percent are minors. Single-parent families will be a key segment of the population receiving the allowance. According to the government, 16 percent of the households expected to benefit from the IMV, or 136,000 family units, are home to children in the care of only one parent. 90 percent of these single-parent households are led by women, indicating the clear role to be played by the measure in mitigating the effects of the gender inequality that was already present in Spain but has been exacerbated by the current crisis.

## **FUNDING THE MEASURE**

Calculations published by the Ministry of Inclusion, Social Security and Migration show that 3 billion euros per year will be required to fund the measure, representing 0.24 percent of Spain’s GDP in 2019. This is not a particularly high cost when compared to the amount spent by neighbouring countries such as France, which spends 10.96 billion euros per year on the Revenu minimum d’insertion, Finland, which spends 740 million per year with a population of just over five million, and Italy, which spends 8.6 billion per year on the minimum income scheme approved in 2019.

A number of similar measures already exist at the regional level in the Spanish State, including the minimum income scheme in the Basque Country and the Guaranteed Minimum Income (RMI) programme in a number of autonomous communities, as well as other government subsidies that will be replaced or supplemented by this new measure. If, for example, a household in Andalusia currently receives 620 euros from the RMI and would be eligible for 701 euros under the new IMV, the central government will

pay the remaining 81 euros. The total expenditure on measures of this kind in 2019 was 1.517 billion euros, resulting in a total annual cost of approximately 4.5 billion euros. However, the cost for 2020 will be somewhat lower as the scheme was put in place halfway through the year.

In addition to the direct capital transfers and loans proposed by the European Commission and the issuance of national public debt, the Spanish government is also considering fiscal measures to fund the IMV and other policies needed to tackle the COVID-19 crisis. At the start of the year, before the lockdown, two taxes were approved but have not yet been implemented: the digital economy tax, known as the Google Tax or GAFA Tax, and the tax on financial transactions (TFF), also known as the Tobin Tax. The former will impose a 3 percent tax on online advertising, intermediation and sales of user data in Spain on companies billing more than 750 million euros globally and at least 3 million in Spain, and is estimated to raise 1.2 billion euros per year. The TFF will levy a 0.2 percent tax on the purchase of shares in companies with a market capitalisation exceeding 1 billion euros and would raise 850 million euros per year.

Another measure proposed by Unidas Podemos is a tax on large fortunes, which would tax estates topping 1 million euros by 2 percent, with an exemption of 400,000 euros for the first home, 2.5 percent for those exceeding 10 million euros, 3 percent above 50 million euros and 3.5 percent over 100 million euros. This tax would replace the current Wealth Tax, administered by the autonomous communities, which several regions governed by right-wing parties have abolished or imposed 100 percent exemptions upon, such as the Community of Madrid and Andalusia. It could raise up to 11 billion euros per year or 1 percent of Spain's GDP according to the party's calculations.

## THE POLITICAL BATTLE FOR THE NARRATIVE

Several figures on Spain's more traditional liberal right had previously voiced the need for an allowance to mitigate the effects of the current crisis on a section of society that was already experiencing alarming levels of poverty even before the pandemic. A paradigmatic example is that of the former Minister of Economic Affairs in the previous Partido Popular government and current Vice-President of the European Central Bank (ECB), Luis de Guindos, who argued for the importance of social containment measures such as a minimum income guarantee, but emphasised that they should be "temporary emergency measures". Other liberal voices have advocated temporary measures to channel money directly to families, such as "helicopter money", a direct but sporadic transfer to citizens to reactivate consumption.

However, just as they have done with every political move made by the government since the pandemic began, the two right-wing parties in opposition—the traditional right-wing conservative Partido Popular and the far-right Vox—launched a scathing political and media campaign against the IMV and its proponents. It comes as no surprise that

liberal and far-right yet economically liberal parties that seek to defend the elite and whose only proposals during the crisis have been the same as those in their political manifestos before it (lowering taxes, facilitating dismissals and excluding irregular migrants from the health system) have attacked a social measure that not only protects certain sections of the population from tumbling into extreme poverty but also allows them to reject jobs offering precarious conditions for relatively low wages. In short, the IMV shields the working classes from the corporate power that has always been protected by right-wing political forces.

In their now typical narrative of lies and hatred for minorities and disadvantaged groups, the far right has incessantly attacked the IMV throughout the approval process on the premise that anyone who disagrees with their rhetoric or defends minority groups does so for public money or other economic reasons. In aggressive social media campaigns and declarations by the party's leaders, Vox has branded those who called upon the government to implement the measure or supported it out of solidarity with the people who need it "lazy" and "scroungers" for opting to live off others rather than look for work. They have attempted to foster greater polarisation among the population (another of the party's main strategies) by accusing those who need or call on the state to provide a guaranteed income of "wanting to live off people who do want to work and make a living", in the recurring words of the leader of the far-right party, Santiago Abascal.

As for the coalition government, the two right-wing and far-right parties have attacked its social rhetoric and accused it of using the minimum income guarantee to forge clientelist networks and encourage dependency on the public system. Even the leader of the Partido Popular condemned the Prime Minister of Spain for "leading the country to its destruction" by establishing a population which is dependent upon the public sector.

However, the difficult social situation and electoral considerations obliged the Partido Popular to change its vote at the last moment. On the evening of Wednesday 10 June, all the parties in Congress, including other right-wing parties such as Ciudadanos and the Partido Nacional Vasco (both of whom belong to the European group Renew Europe), voted in favour and the IMV was definitively approved. Only Vox abstained. The far-right party dismissed the minimum income guarantee as "madness" and repeated the spurious, racist arguments that the IMV would exert a "pull effect" that would attract "millions of illegal immigrants" to Spain. The text of the measure clearly specifies that, in addition to the requirements made of Spanish citizens, migrants must have lived in Spain for at least three consecutive years and have a permanent, full-time work contract in a company able to demonstrate its solvency. Therefore, the arguments put forward by Vox are based purely on racist premises and the party seeks merely to protect the people who the government intends to make pay for the income guarantee: the upper classes, with a rise in taxes on their revenues and wealth.

## CRITICISM FROM SOCIAL SECTORS

The slogan repeated by the government throughout the current crisis—“We won’t leave anybody behind”—is far from having unanimous support among social sectors and movements in Spain. Many social movements and other political actors have criticised the shortcomings of the IMV, which will cause many people to fall between the cracks, and the conditions and requirements imposed on applicants.

The strongest criticism has come from movements supporting migrants, including those with irregular status. The number of people in this situation in Spain varies greatly depending on the source, but social organizations have calculated that around 800,000 migrants have not been regularised. Not only irregular migrants but also people surviving by working in the informal economy are denied access to the IMV, abandoning a broad sector of the population, who will be unable to escape poverty and may even fall into deeper destitution.

Another condition that has been widely criticised is the decision to exclude people under 23 years old, with the exception of those with children. In such a difficult labour context for young people, with unemployment levels on the brink of exceeding 20 percent of the working-age population, many sectors have expressed their disbelief at the decision to exclude this age group from the IMV.

Other criticism has focused on the condition that recipients of the minimum income guarantee must look for work. Social movements that have been calling for a universal basic income for years have always condemned this condition, explaining that forcing people who apply for this type of assistance to continually search for work places them under immense psychological and bureaucratic pressure and can cause severe harm to beneficiaries in acute crises such as this. Similarly, the difficulty of the bureaucratic procedures required to apply for the IMV have been subject to criticism, especially given that the Ministry of Finance holds the necessary information on almost all citizens and could approve the allowance almost automatically. Other factors such as the extreme digital divide that persists in Spain, low education levels, lack of experience and skills in dealing with the public authorities, the inaccessibility of some of these institutions for people in rural areas and the ongoing closure and saturation of many such institutions due to the state of alarm and lockdown measures make it very difficult for people to request the IMV and could leave many people behind. As a result, a number of social sectors have called for the procedure to be simplified and even automated.

It will not be an easy task for Spain to rebuild its economy and overcome the COVID-19 crisis, but, in the words of the Managing Director of the International Monetary Fund, Kristalina Georgieva, “Spain has taken appropriate action to protect the most vulnerable people in this crisis”. During the coming months, the effectiveness of the measure will

be put to the test and its shortcomings will come to light. The future of Spanish society is dependent upon the efficacy of the minimum income guarantee, while the fight for wider-reaching tools such as the universal basic income will depend on its acceptance within society.

