

Economic impact of the social policy “Ingreso Mnimo Vital” in Spain: a multisectoral approach

Topic: Input-Output Modelling: Income Distribution Policies

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In Spain, poverty and social exclusion are atypical in a country with a high-income level, reflecting the inability to generate better conditions and forcing us to think about the need to restructure current public policies. Therefore, migrating towards a social transformation would lead to achieving a real change with equity and economic development, but for this is necessary to implement structural measures that articulate the economic policy decisions taken at different levels.

The current indicators of poverty risk, inequality, low participation of wages in added value, and the gender wage gap reflect the great challenges in terms of social inclusion that must be faced as a result of a series of structural problems, labor market deficiencies, insufficient tax collection, and redistributive capacity, which are expected to have been accentuated after the pandemic.

Spain's economic and social recovery is conditioned to the resolution of these problems, highlighting the need to strengthen fiscal measures aimed at reinforcing growth capacity, fundamentally through the implementation of reforms in the benefits system and in the tax system that guarantee social inclusion. Therefore, these structural adjustment measures could help to recover macroeconomic stability, improve income distribution and implement better development strategies.

This inequality in Spain is accentuated by the low redistributive effect of the State's public policies compared to other European countries. Among the international recommendations has been to reinforce Spain's Income Guarantee System. In this way, the “Ingreso Mnimo Vital” (IMV) approved in 2020 reinforces the different models of minimum income policies that have been implemented with great disparity by the different autonomous communities.

The IMV was designed as a non-contributory Social Security economic benefit. Its main objective is to guarantee the full participation of all citizens in social and economic life, breaking the link between structural lack of resources and lack of access to opportunities in the labour, educational or social spheres. . In other words, IMV was defined to reduce poverty by ensuring a minimum standard of living for households when they lack other financial resources.

The above motivates this research, which aims to evaluate one of the last measures within the Spanish Income Guarantee Program IMV to achieve an inclusive society that strengthens social transformation and guarantees a regular economic income. For this, the impact generated by the IMV on the main macro magnitudes and household disposable income will be measured counterfactually through an Applied General Equilibrium Model. This will be calibrated based on a Social Accounting Matrix constructed for Spain with households disaggregated by income, gender, skill, and age groups, making it possible to detail the effects of the proposed measures on Spanish households. This research is novel because, so far, no research has evaluated the impact generated by the measure in question with the proposed approach, which is relevant for effective social policy programming.

To meet the objective, first, the impact scenario to be simulated is defined. For this purpose, the annual income ranges taken from the household budget survey used for the disaggregation by income decile in the SAM are used. To define the impact vector for the simulation scenario, the weight of each decile in the distribution of the IMV has been recalculated. Finally, for the disaggregation of households by gender, each income decile is weighted by gender based on the

gender distribution of benefit recipients from social security data.

One of the results obtained is that, although the impact has been on the first four deciles, all households show increases in their disposable income. The greatest impact is found in the deciles to which the MVI transfers have been directed in the same proportion as they were targeted. In other words, the households that benefit most are those whose main income earner is a woman, except in the last two income deciles.