

PROPOSAL FOR MASTER THESIS MPP 2021

Alleviating Poverty in Spain: Evidence of the Minimum Income Schemes (MIS)

1. What is your research topic?

Inequality has been on the rise across the globe for several decades. Although some countries have reduced the number of people living in extreme poverty, significant economic gaps persist and continue growing as the very rich amass unprecedented levels of wealth. The global top 1% earners have captured twice as much of that growth as the 50% poorest individuals. Moreover, the outbreak of the Covid-19 Pandemic is causing deep recessions in the world economy, affecting unemployment, loss of wage income, and collapses in business revenues and thus, exacerbating many existing social inequalities the world over.

According to the last report of AROPE (At Risk Of Poverty and Exclusion), which monitors the EU 2020 Strategy, 25,9% of the population in Spain lives under poverty. The country ranks in the 6th position out the 28 highest poverty rates, with 15,8% of unemployment. Philip Alston, the United Nations' special rapporteur on extreme poverty and human rights, reported last January on his visit to Spain that he had seen areas that "many Spaniards would not recognize as parts of their own country": a shantytown with "far worse conditions than a refugees camp." Moreover, according to the Spanish National Central Bank, the public deficit would skyrocket to a range of between 9.5% and 11.2%, while the public debt would be around 115% and 120%. Consequences of this are yet to be seen, but the worst forecast agrees that the poverty rate will overstep levels from the Great Recession in 2008.

A National Minimum Income Scheme (MIS) was approved in the Spanish Parliament to overcome the weak and fragmented minimum income system (different in each autonomous community) of the country. This measure was included in the legislative program of the Socialist party long ago. It has not been until now, when they came to power, that law was approved in congress. The program plans to cover 850.000 families with an annual cost of 3.000 million euros. This paper will assess the impact of the implementation of the MIS as a

policy aimed to correct the structural problems of access to employment opportunities, which causes great inequality in the country.

2. What is your research question?

The first question to be addressed is whether the MIS is the proper measure against poverty. In this regard, I will first analyze the general framework to classify someone as a poor person. I will then study the policy design and the threshold to be eligible for the program to evaluate the possible effectiveness of the program. In this section, I aim to test whether someone who could be classified as poor is left out of the program, and thus if the program offers a proper coverage for those classified in common literature as poor.

- Poverty measurement: who is classified as poor and why? Where is poverty allocated?
- Is the MIS a good policy measure against poverty?
- Study of the policy design: Who is eligible for this program, and why? Who is the target with the MIS? Who is poor and is left out of the program? Who is not poor and is included in the program?

The second question will apply a simulation of the implementation of MIS to predict the probability to get out of poverty while receiving the MIS and the determinants to stay in poverty.

- Simulation of the implementation of MIS.
 - How many are under the poverty line and will get out with the MIS?
 - Define determinants to fall into poverty and to leave poverty: regions, jobs...
 - Will it cause any social mobility?
3. Why would you like to explore this topic and question? Please let us know why you are curious about your research topic, and why you think your question(s) are worth exploring.

Income disparities and a lack of opportunities are creating a vicious cycle of inequality, frustration, and discontent across generations worldwide¹. Spain is not an exception. Even

¹ UN, Department of Economic and Social Affairs. *Inequality in a Rapidly Changing World*, World Social Report 2020, available at <https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2020/02/World-Social-Report2020-FullReport.pdf>

though the country's inequality rates are much lower than in other developed countries, it is higher than in most advanced European economies.² The inefficient and unfair functioning of the Labor Market in Spain reinforces the precarious opportunities. Also, Spain leads the early abandonment rate of education in the European Union³. With Greece, the Spanish youth unemployment rate is the highest in the eurozone, and it is expected to rise in the following months with the effects of the pandemic. Furthermore, the latest studies⁴ show how the income of children's household greatly influences the income that will be had in the future, underestimating the social mobility that would appear thanks to equal education. For these reasons, The European Council⁵ had urge Spain on several occasions to tackle these deplorable levels of inequality.

Along with Fundación Iseak, one of the most relevant foundations in the socio-economic analysis in Spain, I would like to explore the current poverty situation and its evolution while evaluating one of the recent measures to tackle it.

My motivation behind this topic comes from my own experiences when having work and volunteer in social projects and being the daughter of a social assistance worker. These realities present a solid reason to work in this project, aiming to address the challenges constraining people from living valuable lives. I genuinely believe I could contribute in a meaningful manner to the public debate when exploring the most important steps towards ending poverty in Spain and hopefully serve as an example for others.

4. What are the debates to which your dissertation will relate? These debates can be theoretical, empirical, normative, related to policy, or a combination of these.

²DOMÉNECH,R. (2020). *La desigualdad en España: nuevos datos, viejos problemas*. BBVA Research, Spain. Available at: <https://www.bbvaresearch.com/en/publicaciones/spain-inequality-across-the-nation-new-data-old-problems/>

³Eurostat (2020). *Early leavers from education and training*. Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php/Early_leavers_from_education_and_training

⁴ Atlas de Oportunidades (2020). *The Social Mobility*. Available at: <https://www.cotec.es/fundacionfelipegonzalez/oportunidades/graficos/>

⁵European Council (2020). *RECOMENDACIÓN DEL CONSEJO relativa al Programa Nacional de Reformas de 2020 de España y por la que se emite un dictamen del Consejo sobre el Programa de Estabilidad de 2020 de España*. Available at: https://ec.europa.eu/info/sites/info/files/2020-european-semester-csr-comm-recommendation-spain_es.pdf

My dissertation will be related to policy debates based on empirical results.

5. What is your proposed methodology? • Quantitative • Qualitative • Mixed • Analytical Modelling • Normative • Legal • Other

The proposed methodology in my paper is quantitative as the effectiveness of the IMS is based on empirical results that I will test in R.

6. What type of data do you need? Have you thought about data access? If your data proves to be inaccessible, have you considered a "Plan B"?

For this analysis, I will use the data from the 2019 random distributed survey of The European Union Statistics on Income and Living Conditions (EU-SILC), which aims at collecting timely and comparable cross-sectional and longitudinal multidimensional microdata on income, poverty, social exclusion, and living conditions.

I will use the longitudinal information, that is, referring to the same people at different times over time (in the Spanish case, follow-up is carried out over four years). The survey is designed as a rotating panel. The sample is made up of four-panel subsamples so that each year one of them is replaced by a new subsample. The sample is, therefore, divided into four rotation groups. Thus, it will be possible to know the gross change, that is, the temporal evolution of the variables of interest in each individual and the study of transitions, durations, and intervals between events.

With a comparison between annual household income before and after the application of MIS, it will be possible to evaluate the impacts of the program and observe which other variables of interest make an effect, e.g., education, job maturity...

7. Who are your proposed supervisors? The allocation of the supervisor as well as the submission of the 1st, 2nd and 3rd preferences will be done online, via Moodle

1st: Cristian Traxler

2nd: Dennis Snower

3rd: Simon Munzert