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The Social and Labour Effects of Minimum Income Schemes – Evidence from Spain

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Declaration

I certify that the thesis I have presented for examination for the PhD degree of the London School of Economics and Political Science is solely my own work.

I declare that my thesis consists of 68,992 words, inclusive of appendices and references.

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Abstract

This thesis examines the social and labour market effects of minimum income schemes through the case of the *Ingreso Mínimo Vital* (IMV), a national policy introduced in Spain in 2020. While minimum income schemes are widely used in high-income countries, there is limited understanding of their impacts beyond narrow poverty metrics, especially in Southern European contexts marked by high unemployment, informality and fragmented welfare provision. The thesis adopts a mixed-methods approach and investigates three critical dimensions: financial wellbeing effects (including both objective material conditions and subjective perceptions), labour market outcomes and recipients' lived experiences of navigating employment decisions under uncertainty generated by the welfare system.

The thesis is organised into five chapters. Chapter 1 sets out the contextual and theoretical framework in which the study is situated. Chapters 2, 3, and 4 present the three empirical papers that constitute the core of the research. Chapter 5 reflects on the broader implications of the findings.

Chapter 2 uses a Synthetic Control Method to estimate the IMV's effect on financial wellbeing. While no significant changes are observed in objective measures (poverty rate, poverty gap, mean income) during its first two years of implementation, high-frequency data reveal improvements in households' perceived financial situation, underscoring the need to integrate subjective wellbeing into policy evaluation.

Chapter 3 uses regional variation in pre-existing benefits in difference-in-differences and event study frameworks to analyse IMV's unemployment effects among single-person households. It finds that increased income support generosity led to higher unemployment – particularly among men, highly educated individuals and those under 50 – while the IMV did not lead recipients to withdraw from the labour force and become inactive.

Chapter 4 draws on 31 in-depth interviews with IMV recipients and six additional interviews exploring non-take-up to examine how welfare system uncertainty affects decision-making. It identifies three behavioural responses – "Escapers" who deal with uncertainty by accelerating employment exit, "Diversifiers" who navigate towards alternative benefits and "Stabilisers" who avoid formal work to preserve existing support. These responses are mediated by individual psychological orientations – including risk tolerance, locus of control

and time orientation – as well as by certain demographic characteristics. Uncertainty also drives non-take-up among eligible households.

This thesis demonstrates that effective social protection requires (1) complementing traditional poverty metrics with subjective financial wellbeing indicators, (2) adopting differentiated activation strategies that recognise heterogeneous employment responses across demographic groups and economic contexts and (3) reducing welfare-induced uncertainty through predictable payments, clearer communication and simplified administration.

Contents

Chapter 1

Introduction

"Everyone has the right to a standard of living adequate for the health and wellbeing of themselves and of their family". So declares Article 25(1) of the Universal Declaration of Human Rights. And yet, poverty remains a pervasive issue, not only in the so-called Global South but also in the high-income countries of the European Union (EU). In 2023, around 16% of the population in the EU lived below the relative poverty threshold – a figure virtually unchanged since 2001 despite years of economic growth (Eurostat, 2025). This poverty is particularly concentrated among vulnerable groups such as children, single mothers, young adults, the unemployed and those with low educational attainment.

Poverty matters because it harms both those directly affected by it and everyone else. Beyond its immediate material consequences, poverty affects employment prospects, mental health, social participation and overall life satisfaction. In a review of existing evidence, Cooper and Stewart (2021) find that children growing up in poverty are more likely to have poor physical health, experience mental health problems, have a low sense of wellbeing, behavioural problems and underachieve at school. Duncan *et al.* (2012) found that these children face lower earnings and work hours in adult life. Their life chances are affected, creating cycles of disadvantage that endure across generations.

Beyond the injustice that this represents to children and later adults, from a societal perspective, poverty represents a waste of human capital and talent, reducing economic productivity and innovation with many "lost Einsteins and Marie Curies" (Bell *et al.*, 2019). At the societal level, poverty contributes to inequality – and thus lower levels of life satisfaction as noted by De Neve and Powdthavee (2016) – fuels political disaffection and places long-term strain on public services through reduced tax revenues and increased social protection spending. In short, poverty limits both individual potential and collective wellbeing, making its eradication a moral, economic and political imperative.

Yet tackling poverty first requires understanding its multifaceted nature and its contested causes. As Brady (2019) notes, explanations of poverty tend to fall into three broad

theoretical categories: behavioural, structural and political. Behavioural theories attribute poverty to individual actions and choices, such as declining labour force participation, single parenthood or underinvestment in education, even when these behaviours are constrained by adverse circumstances, which authors like Bertrand, Mullainathan and Shafir (2004) or Banerjee *et al.* (2006) have highlighted.

In contrast, structural theories highlight the role of broader macroeconomic and demographic forces that shape individual opportunity. These include labour market segmentation, industrial shifts, spatial and skills mismatches, residential segregation and systemic barriers linked to gender, age, ethnicity or disability (Deaton, 2015). From this perspective, poverty is less a matter of choice than of constrained opportunity.

Political theories frame poverty as the outcome of institutional design and power relations. According to this view, poverty results from collective decisions about resource allocation, taxation, redistribution and social investment (Acemoglu and Robinson, 2013; Atkinson, 2015). Political choices not only shape the structure of opportunity but also determine how risks and rewards are distributed across society.

This thesis engages with all three theoretical lenses, as explored in detail across the three empirical chapters. However, its starting point lies within the political theory tradition: it investigates how institutional design – specifically, income support policies – shapes both poverty outcomes and the behavioural responses of recipients. The analysis centres on Minimum Income Schemes (MISs), also known as Guaranteed Minimum Income or social assistance more generally, which function as the last-resort safety net for individuals who have exhausted other means of support. The thesis focuses in particular on the case of Spain, where the introduction of a new national Minimum Income Scheme – the *Ingreso Mínimo Vital* (IMV) – in 2020 offers a valuable opportunity to study these dynamics.

At its core, this thesis argues for an understanding of poverty and its remedies that touches on multiple dimensions. Attention should not only be directed to objective material conditions such as income but also to how individuals experience and perceive their economic circumstances. Subjective financial wellbeing – how people feel about their financial situation – can diverge significantly from objective measures, influencing decisions about work, consumption and life planning in ways that traditional poverty metrics fail to capture (e.g. Dolan, Peasgood and White, 2008; Lewis, Makridis and Mertens, 2019;

Simpson *et al.*, 2021). These perceptions matter because they shape behaviour and psychological wellbeing, sometimes independently of actual income levels. Moreover, while income support policies aim to alleviate material hardship, their effects on recipients' sense of security, dignity and agency represent crucial but often overlooked dimensions of policy effectiveness.

The relationship between poverty and employment adds another layer of complexity. Employment has long been viewed as the primary pathway out of poverty, offering not only income but also social networks, purpose, skills and pathways to economic mobility (Jahoda, 1982). Yet in contemporary European labour markets, this link has weakened as low wages, reduced working hours and temporary contracts undermine work's capacity to provide a decent standard of living. In-work poverty is now a growing concern across the EU: in 2023, 8.2% of employed people lived in households with incomes below 60% of the national median and the rate has risen over the past two decades in several member states, including Austria, Denmark, Slovakia, Malta, France and Spain (Eurostat, 2025). This suggests that simply having a job is no longer sufficient to guarantee economic security.

Moreover, securing a quality job that is well-paid, full-time and stable can be especially challenging for people living in poverty. Poor health, limited education or training and inadequate access to transportation or childcare can trap individuals in a cycle where poverty limits job opportunities and the absence of quality work in turn perpetuates poverty. Thus, income support and other social inclusion policies have a key role to play.

Furthermore, for those receiving income support, the decision to enter or remain in employment involves complex calculations that extend beyond simple financial incentives. Recipients must navigate not only labour market uncertainties but also the complexities of benefit systems themselves – including eligibility requirements, payment schedules and administrative procedures that can create their own sources of insecurity. How individuals experience and respond to these multiple uncertainties – and how their responses vary based on personal characteristics and economic contexts – fundamentally shapes employment outcomes, the effectiveness of welfare systems and, ultimately, people's ability to secure a life where their basic needs are met.

Given this broader understanding of poverty, its causes and its remedies, this thesis addresses three interconnected research questions regarding Minimum Income Schemes. First, *how do*

MISs affect recipients' financial wellbeing, both objectively and subjectively? Second, *what impact do these schemes have on labour market outcomes?* Third, *how do minimum income recipients make employment decisions under the uncertainty generated by the welfare system?* These questions guide the empirical investigation that follows, examining Spain's new national Minimum Income Scheme through multiple analytical lenses to provide a comprehensive understanding of how institutional design shapes material conditions as well as human perceptions and agency.

The remainder of this introduction is structured as follows. First, I situate MISs within the broader landscape of European welfare states, outlining their evolution, diversity and growing relevance, while identifying key limitations in our understanding of these income support policies. Second, I outline the research questions, methodological approach as well as key contributions and scope of the thesis. Third, I present the Spanish case, highlighting its institutional configuration and its implications for the design and effectiveness of minimum income support.

1.1. Minimum Income Schemes in Contemporary European Welfare States

1.1.1. European Welfare State Models: Patterns and Performance

Emerging in the 19th century, European welfare states have developed into complex systems of cash benefits, in-kind services and regulations designed to enhance citizens' wellbeing. The backbone of these systems consists of cash transfers, which fall into two main categories: contributory benefits (conditional upon previous labour market participation and financial contributions) and non-contributory benefits (granted independently of work history). Today's welfare states address multiple dimensions of social protection, including old-age pensions, health care, long-term care, unemployment support, disability assistance, family benefits, housing subsidies and education.

Though each European nation has developed its distinctive welfare architecture reflecting unique institutional, political, cultural and socioeconomic contexts, scholars have identified common patterns. Esping-Andersen's (1990) influential framework outlined three welfare regime models. The Social-Democratic/Nordic model (exemplified by Sweden, Denmark and Finland) provides universal services financed through progressive taxation, offering citizens substantial independence from market forces and family support networks. The Conservative/Continental model (found in Germany, France and Belgium) centres on social

insurance mechanisms linked to occupational status, aims to preserve traditional family structures and provides moderate decommodification, i.e. independence from market forces. The Liberal/Anglo-Saxon model (typified by the UK and Ireland) emphasises market dominance, offering basic safety nets for the poorest while encouraging private insurance and service markets for others.

Spain falls into what Ferrera (1996) later identified as a distinct Southern European/Mediterranean model encompassing also Italy, Portugal and Greece. Understanding this regime type is crucial for analysing Spain's approach to minimum income provision, as it explains many of the design and implementation features of these schemes. This regime features generous contributory pensions for specific occupational groups and universal health care, while providing comparatively limited support for the unemployed, families and the poor – precisely the groups that Minimum Income Schemes are designed to reach. This model relies on extended family networks and charitable institutions to provide economic support and care services – functions that in more expansive welfare states are delivered through public institutions. This helps explain why Spain lacked a national Minimum Income Scheme until 2020 and why regional schemes remained fragmented and limited in scope, as will be explained in more detail in subsection 1.3.2. below.

Another defining characteristic of Southern European welfare states is their pronounced labour market dualisation, as documented by Emmenegger *et al.* (2012). A protected segment of workers enjoys strong employment protections, job stability and seniority-based wages, while a more precarious segment faces flexible rules, job instability and variable compensation structures. This particularly affects women, young people, low-skilled workers and immigrants, exacerbating social inequalities. This dualisation is particularly pronounced in Spain, as I detail in 1.3.1 below.

Building on these typologies, Fenger (2007) proposed a Post-Communist/Eastern European model that emerged following the 1989 transitions. This regime type, encompassing countries like Poland, Hungary and Czechia, is characterised by a hybrid structure combining remnants of socialist-era universal programmes with market-oriented reforms. It features relatively comprehensive social insurance coverage but with benefit levels often inadequate to ensure genuine social protection. It is characterised by relatively low social expenditure, weak institutional capacity and high levels of informal support and inequality.

The effectiveness of these welfare models in reducing poverty varies considerably. In 2023, social transfers reduced the EU-wide at-risk-of-poverty rate (i.e. the share of people with an equivalised disposable income below 60% of the national median equivalised disposable income) from 42.8% before transfers to 16.2% afterward or a 62% reduction (Eurostat, 2025). Continental and Nordic welfare states demonstrate the strongest poverty-reducing effects, with Belgium and Finland lowering their at-risk-of-poverty rates by 73% and 70% respectively. In contrast, Southern European and some Eastern European systems achieve more modest reductions, with Greece and Lithuania lowering their at-risk-of-poverty rates by 56% and 47% respectively. Spain's performance aligns with this Southern European pattern, reducing its poverty rate by 54%. This performance reflects the institutional limitations of the Mediterranean welfare model and underscores the potential importance of strong income support schemes.

1.1.2. Minimum Income Schemes: Effectiveness and Core Debates

An important component of these European welfare states is Minimum Income Schemes (MISs) – also called Guaranteed Minimum Income (GMI). Dating back to the "Golden Age of welfare state expansion" (1945–1975), these schemes have been established in all EU countries either as lower-tier programmes alongside primary income replacement benefits or as a principal instrument for delivering social protection (Ferrera, 2005; Marchal and Marx, 2024). These non-contributory cash benefits aim to ensure a decent minimum standard of living for both working and non-working individuals alike who are ineligible for social insurance payments (such as unemployment or pension benefits) or whose entitlements have expired (Frazer and Marlier, 2016; Almeida, De Poli and Hernández, 2025). This positions MISs within the realm of social assistance rather than social insurance. However, they differ from other forms of targeted social assistance in their broad-based scope: rather than addressing the specific needs of particular groups such as the unemployed or families, MISs are available for a wider population, providing protection against the general risk of poverty itself.

The primary justification for MISs lies in their potential to reduce poverty, yet evidence on their effectiveness remains mixed (e.g. Marx and Nelson, 2012; Figari, Matsaganis and Sutherland, 2013; Peña-Casas and Bouget, 2013; Immervoll, Jenkins and Königs, 2015; Frazer and Marlier, 2016; Marchal and Sióland, 2019; Natili, 2020; Almeida, Poli and

Hernández, 2022; Immervoll *et al.*, 2022; Marchal and Marx, 2024; Almeida, De Poli and Hernández, 2025).

Peña-Casas *et al.* (2013) found that while for minimum income recipients, the benefit constitutes a significant source of income, if one takes into account the whole population of poor households, MISs accounts only for a small fraction of their income (i.e. under 10% of total income). Frazer and Marlier (2016) noted that while MISs typically have a greater impact on reducing the severity of poverty rather than lifting beneficiaries above the poverty line, in most EU countries, they have only a limited impact on the reduction of both the number of people at-risk-of-poverty and the depth of this poverty.

This limited effectiveness stems from three key factors that affect all MISs: adequacy (the extent to which benefit levels provide sufficient resources), coverage (the proportion of those in need who fall within eligibility conditions) and take-up (the percentage of eligible individuals who actually receive the benefit).

Recent analysis by Almeida, De Poli and Hernández (2025) using EUROMOD simulations reinforces previous findings. Coverage rates remain low in most countries, with only nine EU member states covering more than 50% of their poorest populations. Cyprus, France and Ireland have the highest coverage, while Bulgaria, Latvia and Poland rank among the lowest. In terms of adequacy, no country has minimum income benefits sufficient to lift households to a level equal to 60% of median income (Aprea *et al.*, 2025) and more than half of EU countries provide minimum income levels that fall below the extreme poverty threshold (defined as 40% of the national median income) (Almeida, De Poli and Hernández, 2025). Generosity is particularly low in Bulgaria, Czechia, Hungary and Romania, while Denmark, Finland, Ireland and the Netherlands offer comparatively high levels of support.

Take-up also represents a critical weakness of EU Minimum Income Schemes. While comprehensive EU-wide estimates are not available to date, studies in a limited number of countries point to non-take-up ranging from 29% in Finland to 62% in Belgium (Marc *et al*., 2022). Factors affecting non-take-up include information gaps; application complexity; language and digital barriers; administrative capacity limitations; social stigma; and low perceived benefit-cost ratios of claiming as authors like Kleven and Kopczuk (2011), Immervoll *et al.* (2022) and Janssens and Van Mechelen (2022) have documented.

Variations in MISs' design and performance reflect broader welfare state configurations. Bahle, Hubl and Pfeifer (2011) linked welfare state models to how MISs operate within them, combining indicators of scope, generosity and governance. In the Nordic type, generous unemployment insurance systems mean that MISs plays a residual role for smaller populations. The Anglo-Saxon type relies on integrated, centralised minimum income programmes as central elements of social protection, given weaker contribution-based unemployment insurance. Continental systems are characterised by categorical differentiation between groups, often including targeted unemployment assistance above MISs levels. Thus, some groups are more strongly referred to the general MISs scheme than others. The Southern European type has traditionally featured limited unemployment protection and rudimentary MISs systems, though recent reforms have moved toward more inclusive schemes (Eichhorst *et al.*, 2023). Finally, Eastern European countries, while quite diverse, typically provide low benefits across both MISs and contributory systems.

It is important to note that MISs rarely operate in isolation. As Marchal and Marx (2024) observe, to assess the full extent of last-resort income support, we must consider the broader package of benefits including child allowances, housing or heating subsidies and income tax provisions. However, even when accounting for these complementary support mechanisms, minimum income protection packages remain insufficient to protect out-of-work individuals against poverty in virtually all EU countries. Only the Netherlands succeeds in bringing single-person households up to the poverty threshold. While Nordic and Continental European countries, along with the UK, demonstrate relatively better performance in this regard, significant gaps in protection remain across welfare systems.

Critically, this literature focuses on objective poverty measures, namely monetary poverty, meaning we know much less about the effects of MISs on subjective financial wellbeing. Yet research shows that subjective perceptions can be more instrumental than objective conditions in affecting overall wellbeing, health and decision-making (Layard and De Neve, 2023). While studies have examined the relationship between income support and broader subjective wellbeing measures (e.g. Kolev and Tassot, 2016 for 38 countries including EU countries; Nordheim and Martinussen, 2020 among OECD countries; McKay, Bennett and Dunn, 2023 in a review of unconditional cash transfers), typically finding positive associations, research specifically examining how MISs affect subjective *financial* wellbeing remains scarce. The few studies outside of Europe examining subjective financial

wellbeing effects of social assistance yield contradictory results, with some finding improvements (Muir *et al.*, 2017 for Australia) and others documenting decreases in recipients' perceived economic conditions because of stigma (Gassmann, Martorano and Waidler, 2022 for Kyrgyzstan).

Another central tension in MISs' design involves balancing adequacy with work incentives. Perhaps no aspect of minimum income policy generates more debate than this relationship. Traditional leisure-consumption models (Murray, 1984; Moffitt, 2002) suggests generous benefits might discourage employment by: (1) incentivising the unemployed to remain jobless, (2) encouraging the working poor to maintain low work intensity and (3) potentially motivating workers above the eligibility threshold to reduce their labour supply to qualify for benefits. This could theoretically trap beneficiaries in poverty rather than supporting exits from economic precarity. The magnitude of these disincentives is determined by the generosity of benefits, how quickly generosity is reduced as income increases (i.e. the withdrawal or taper rate) and how earnings are taxed through income tax systems and social insurance contributions.

Nonetheless, job search theory suggests that income support can subsidise the job search process, enabling individuals to spend more time finding jobs that better match their skills and preferences (Mortensen, 1987). This could lead to improved employment outcomes over time, challenging disincentive narratives. The timing of effects may also vary, with short-term disincentives potentially giving way to longer-term improvements in job quality and stability.

Still, the disincentive perspective continues to dominate policy debates, with countries adopting varying strategies in response. First, some maintain low benefit levels to provide strong work incentives, though this undermines poverty alleviation. In most EU countries, the maximum benefits entitlements for the majority of household types falls below the income that could be gained from a 40-hour work week at the country-specific statutory minimum wage (Coady *et al.*, 2021).

Second, countries have made MISs receipt conditional on work-related obligations, requiring beneficiaries to register with public employment service; sign integration/insertion contracts or employment plans; engage in job search activities; accept job offers; or participate in activation measures whether training, personal development or community

service (Frazer and Marlier, 2016; Peris-Cancio, 2021). While the stringency of these requirements varies, most countries apply sanctions for non-compliance with these activation obligations.

Third, many countries have also introduced mechanisms to smooth employment transitions, including tapered withdrawal rates, partial earnings disregards where a proportion of income is not counted to calculate the benefit amount or in-work benefits that allow recipients to retain part of their MIS while taking paid work (Frazer and Marlier, 2016; Almeida, De Poli and Hernández, 2025). In some countries like Ireland and Malta, benefits are tapered not with increased earnings but with time in employment. However, smoothing transitions out of benefits in this way implies a higher fiscal cost, creating a trade-off between equity and efficiency which countries resolve in different ways. For instance, some countries like the Netherlands or Denmark combine high generosity with high benefit withdrawal rates, while countries like Bulgaria and Estonia combine low generosity with low benefit withdrawal rates thus prioritising employment incentives over the primary objective of poverty alleviation (Coady *et al.*, 2021).

Over recent decades, conditionality has intensified while benefit generosity and eligibility have often narrowed, reflecting both theoretical concerns about welfare dependency and post-2008 austerity imperatives (Coady *et al.*, 2021; Soler-Buades, 2025a). This has created what Gamble (2018) terms a shift from "welfare" to "workfare", where labour market activation increasingly takes precedence over income protection. As Marchal and van Mechelen (2017) noted in their analysis of 19 EU MISs, many countries – mainly Southern and Eastern European ones – adopt predominantly negative incentives to increase labour market participation rates (i.e. lower benefit levels, strict activation requirements, narrow eligibility criteria or time limits), rather than enabling measures like education, vocational training and other services to promote employability.

While the disincentive argument features prominently in policymaking, empirical evidence paints a more mixed picture. Some studies do find disincentive effects (e.g. Bargain and Doorley, 2011 for France; Marinescu, 2018 for a review of US and Canadian studies; Moffitt, 2023 for a review of US studies). Yet others find no statistically significant impacts on labour supply (e.g. Fusco, Tenikue and Van Kerm, 2021 for Luxembourg; Biegert, Brady and Hipp, 2022 for 22 European countries and the USA; Pac and Berger, 2024 for the USA) or establish that disincentives disappear after a few months (e.g. Terracol, 2009 for France;

Bargain and Vicard, 2014 for France). Some studies even find that MISs increase employment (e.g. de la Rica and Gorjón, 2017 for the Basque Country, Spain; Biegert, 2019 for 20 European Countries and the USA; Bibler, Guettabi and Reimer, 2023 for Alaska).

The employment effects of income support may differ across demographic groups. Labour market "outsiders" – typically women, young people, migrants and low-skilled workers in precarious employment – face lower opportunity costs when reducing work hours to qualify for benefits compared to those with stable employment, potentially reinforcing existing inequalities (Coady *et al.*, 2021). Effects also vary according to economic conditions as found by Card *et al.* (2015) and Ayala and Melnychuk (2024).

These variations suggests that context matters as the same policy design may produce different employment effects depending on the policy's design, labour market conditions and recipient characteristics.

Importantly, most of these studies assume recipients make decisions based on predictable benefits while uncertainty primarily originates in labour markets with unpredictable job availability, duration or take-home pay (see Chan and Moffitt, 2018 for a review) – an assumption increasingly divorced from reality. Modern benefit systems often feature complex eligibility criteria, opaque calculation methods, frequent reassessments, discretionary decision-making and administrative errors as authors like Herd and Moynihan (2019) and Nielsen and Nielsen (2024), among others, have documented. This creates administrative burden and uncertainty about benefit entitlements that can transform safety nets into sources of economic insecurity (e.g. Cecchini, 2024 for Germany and Denmark; Griffiths and Wood, 2024 for the UK). Yet while studies document uncertainty within welfare systems, few examine how this specifically affects employment decisions or benefit participation.

1.1.3. The Limitations of Current Understanding: Key Research Gaps

The preceding review of Minimum Income Schemes across Europe reveals several limitations in our understanding of their multidimensional impacts that constrain both academic understanding and policy effectiveness. Building on these gaps, four key research limitations motivate this thesis.

First, the exclusive focus on objective poverty measures neglects the psychological dimensions of economic security. The above section noted the limited research on subjective financial wellbeing, which represents a conceptual limitation. The assumption that objective income improvements automatically translate into enhanced wellbeing overlooks how policy uncertainty, stigma and other experiences might affect recipients' sense of security independently of material gains. This gap is particularly problematic because subjective perceptions drive behaviour and life satisfaction in ways that income measures alone cannot capture. Yet no study has examined how MISs affect population-level financial confidence, especially during economic crises when these schemes are most needed.

Second, our understanding of the employment effects of income support remains incomplete and methodologically limited. Beyond the mixed empirical findings discussed above, most studies face limitations that this thesis addresses. While the relationship between income support and work generates intense policy debate, some studies focus on aggregate employment effects while paying insufficient attention to how these effects vary across economic contexts and individual characteristics. Moreover, many existing studies suffer from methodological limitations that constrain their policy relevance. They often rely on ex-ante simulation models that make strong assumptions about beneficiary behaviour, particularly regarding take-up rates and work preferences. Few studies conduct ex-post analyses using causal inference methods and those that do, often struggle to disentangle the impact of cash transfers from accompanying employment services or activation requirements. Additionally, most evidence comes from periods of economic stability, limiting our understanding of how these policies function during crises, which is precisely when they become most crucial.

Third, the literature's neglect of how uncertainty within welfare systems shapes recipient behaviour represents a theoretical blind spot. While in subsection 1.1.2., I noted that modern welfare systems create administrative complexity and unpredictability, existing research fails to theorise how this uncertainty affects decision-making, particularly employment behaviour. The standard economic models assume recipients respond to financial incentives based on predictable benefit schedules, yet real welfare systems generate their own forms of uncertainty through opaque eligibility rules, volatile payments and discretionary administration. To date, no study has systematically examined how recipients perceive and interpret this uncertainty, the strategies they develop to navigate it and the ways in which

these responses are mediated by individual psychological orientations and other personal characteristics. Moreover, this uncertainty may generate work disincentives that operate through different mechanisms than traditional economic models predict, with recipients potentially avoiding employment not due to economic disincentives but out of fear of the unpredictable consequences that accepting work might have on their benefit security.

Fourth, we lack deep understanding of the mechanisms underlying observed policy effects. Most quantitative studies can establish whether policies "work" but struggle to explain why, for whom and under what circumstances they achieve their intended effects. This mechanistic gap is particularly problematic for minimum income policies because their effectiveness depends not only on benefit design but also on how recipients interpret, experience and respond to institutional arrangements. Understanding these processes requires moving beyond aggregate outcomes to examine the lived experiences, decision-making processes and coping strategies that individuals develop when navigating welfare systems. Qualitative research could illuminate these mechanisms, but few studies combine quantitative causal identification with in-depth qualitative investigation of recipient experiences.

These gaps are not merely academic concerns: they have real policy implications. If we misunderstand how MISs actually affect people's lives, we risk designing interventions that fail to achieve their intended goals or, worse, that inadvertently harm those they seek to help.

1.1.4. The Renewed Significance of Income Support Policies

These research gaps have become increasingly urgent as MISs gain renewed importance in contemporary European policy discussions. Several converging trends highlight why understanding the multidimensional impacts of these schemes is now a research priority with significant policy implications, as noted by Cantillon, Goedemé and Hills (2019).

Structural economic transformations in recent decades – including globalisation, technological changes and the transition toward service-dominated economies – have reshaped labour markets, creating increased polarisation between highly-educated workers with access to stable, well-compensated employment and less-educated individuals facing unemployment or precarious work arrangements. As previously noted, in-work poverty has become increasingly prevalent across the EU (Eurostat, 2025).

Traditional contributory social insurance systems – designed primarily for male breadwinners in stable industrial employment – have become increasingly ill-equipped to address these emerging risks. The 2008 financial crisis and subsequent eurozone crisis exposed the limitations of existing welfare arrangements, particularly in Southern European countries where rising unemployment overwhelmed social protection systems. More recently, authors like Immervoll *et al.* (2022), Eichhorst *et al.* (2023) or Marchal and Marx (2024) noted that the Covid-19 pandemic highlighted protection gaps for self-employed, platform and temporary workers, prompting many countries to introduce emergency income support measures. The cost-of-living crisis has further underscored the importance of MISs, as rapidly rising prices for essential goods and services have pushed many households into financial distress regardless of their employment status, thus demonstrating the need for universal income floors that can respond quickly to economic shocks when traditional insurance mechanisms prove insufficient. These crises have driven renewed policy attention toward establishing more comprehensive minimum income guarantees.

The European policy landscape has also evolved significantly, with important developments at the supranational level creating momentum for strengthened minimum income provisions. The European Pillar of Social Rights, proclaimed in 2017, explicitly recognises the right to adequate minimum income benefits in its Principle 14.[1] Building on this foundation, the Council of the European Union adopted a formal Recommendation on Adequate Minimum Income in 2023, establishing common standards while respecting national competences in social policy (Council of the European Union, 2023). There have been growing EU-level calls toward a binding framework for minimum income and even proposals for a pan-European minimum income system, in a context where – as Corti and Vesan (2023) noted – the Next Generation EU funds have marked a retreat from the austerity principles that characterised the post-2008-crisis world. These developments reflect a growing consensus that effective MISs represent essential building blocks of inclusive social protection systems.

As European societies continue to navigate new economic developments – including digitalisation, automation and the transition to ecological sustainability – Minimum Income Schemes are likely to play an increasingly central role in welfare architectures. Muñoz de

[1] Principle 14 reads "Everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life and effective access to enabling goods and services. For those who can work, minimum income benefits should be combined with incentives to (re)integrate into the labour market."

Bustillo (2019) and Marx and Van Rie (2021) pointed that MISs can serve both as redistribution mechanisms for productivity gains generated by the Fourth Industrial Revolution and as support structures for workers transitioning to emerging sectors in the green and digital economy. These developments create a significant opportunity to reform and strengthen minimum income policies to fulfil their potential as effective tools against poverty and inequality.

In this context, the research gaps identified above take on particular urgency. If we cannot understand how MISs affect not only poverty rates but also subjective wellbeing, employment outcomes and decision-making processes under uncertainty, we risk designing policies that fail to meet the complex challenges of 21st-century social protection.

1.2. This Thesis: Questions, Methods, Structure and Scope

Building on the identified gaps in the literature and the importance of MISs, this thesis examines three interconnected research questions, using Spain's *Ingreso Mínimo Vital* (IMV) as a case study.

1.2.1. Overarching Research Questions

First, *how do Minimum Income Schemes affect recipients' financial wellbeing, both objectively and subjectively?* This question recognises the dual nature of financial wellbeing – encompassing both material living conditions as measured by income and poverty indicators and households' perceptions of their financial situations. The distinction is crucial because objective improvements may not necessarily translate to enhanced subjective wellbeing, and conversely, subjective improvements might occur even in the absence of significant material changes. Understanding this relationship is essential for evaluating the comprehensive impact of income support policies.

Second, *what impact do Minimum Income Schemes have on labour market outcomes?* This question engages with longstanding theoretical debates about potential work disincentives associated with income support. While some models predict reduced labour supply, others suggest that income security might facilitate better job matching or transitions to higher-quality employment. The question examines not only whether such effects exist but also how they vary across different population groups.

Third, *how do minimum income recipients make employment decision under uncertainty generated by the welfare system?* This question acknowledges that policy effects are not uniform but emerge from interactions between uncertainty and individual responses to that uncertainty. Rather than assuming recipients make decisions based on predictable benefits, this question recognises that modern welfare systems can themselves become sources of uncertainty. Understanding how recipients perceive, experience and navigate employment decisions under these uncertain conditions – and how individual psychological orientations and demographic characteristics mediate these responses – is crucial for designing more effective income support policies that enable rather than hinder rational decision-making.

1.2.2. Methodological Approach: Addressing Research Questions and Gaps Through Mixed-Methods

The research questions addressed in this thesis required a mixed-methods approach that integrates quantitative causal inference techniques with in-depth qualitative research. This design directly addresses the four key research limitations identified in subsection 1.1.3. while providing the analytical tools needed to answer the three research questions outlined above.

To examine how MISs affect recipients' financial wellbeing, both objectively and subjectively (Research Question 1), this thesis employs secondary analysis of large-scale quantitative survey data through synthetic control methods. This approach enables analysis of both objective poverty measures and subjective financial wellbeing perceptions across entire populations, directly addressing Research Gap 1's conceptual limitation of focusing primarily on monetary indicators. The data and method also allow examination of policy effects during the Covid-19 and cost-of-living crises when safety nets were most crucial.

To understand what impact MISs have on labour market outcomes and how these effects vary across population groups (Research Question 2), the thesis uses difference-in-differences and event study frameworks that leverage regional variations in benefit generosity. This quasi-experimental approach enables causal identification of minimum income support effects despite the absence of random assignment, directly addressing Research Gap 2's methodological limitation of studies that rely on simulation models. The Spanish IMV's design and implementation also allow to disentangle cash transfer effects

from activation measures, thus addressing another of the methodological limitations highlighted in Research Gap 2.

Research Question 3, i.e. how minimum income recipients make employment decisions under uncertainty generated by the welfare system, cannot be addressed through survey data alone because the psychological orientations, coping strategies and decision-making processes of welfare recipients have not been systematically captured in existing datasets. This recognition necessitates the second methodological pillar of the thesis: qualitative investigation. The thesis thus integrates primary qualitative in-depth interviews with IMV recipients, drawing on phenomenological traditions to centre recipients' own interpretations. By uncovering detailed narratives about benefit receipt, employment histories and decision-making processes, the qualitative component reveals how recipients perceive, experience and navigate employment decisions under uncertain conditions and how individual psychological orientations and demographic characteristics mediate these responses. This directly addresses Research Gap 3's theoretical blind spot regarding how uncertainty within welfare systems shapes recipient employment behaviour.

The mixed-methods design specifically addresses Research Gap 4 – the lack of understanding about mechanisms underlying policy effects. As Pawson (2013) argues, identifying whether a policy "works" requires understanding why, for whom and under what circumstances it works. Thus, this thesis adopts what Creswell and Clark (2018) term an "explanatory sequential design", beginning with quantitative analyses that establish causal relationships and identify patterns, followed by qualitative investigations that explore underlying mechanisms that generate these patterns. This enables the thesis to detail, for instance, why the IMV increases unemployment but not labour force inactivity – a pattern that the quantitative analysis cannot fully explain.

By combining these methods, the thesis overcomes the blind spots that have constrained previous research based on single-method designs. As Small (2011) noted, mixed-methods approaches generate insights that neither method could achieve independently. Quantitative analysis alone might suggest that the IMV's increased unemployment represents simple work disincentives based on financial incentives while qualitative analysis alone might identify uncertainty as problematic without demonstrating its population-level effects or causal relationship to policy design. This methodological integration ensured a more complete understanding of the social and labour market impacts of Spain's MIS and points

policymakers toward improvements that support, rather than hinder, recipients' pathways to inclusion.

Following Bryman (2016), my mixed-method strategy serves multiple functions: "completeness" – bringing together a comprehensive account of minimum income effects; "process" – combining quantitative analysis of social structures with qualitative understanding of decision-making processes; and "explanation" – using qualitative research to understand quantitative findings.

1.2.3. Thesis Structure and Contribution of Individual Papers

This thesis addresses the research questions through three complementary papers, each employing different methodological approaches, as advanced in the previous section, to shed light on different aspects of Spain's MIS and collectively providing a comprehensive assessment of the Spanish IMV.

Chapter 2 of this thesis corresponds to the paper titled *"Perceptions Matter: Quasi-Experimental Evidence on the Effects of Spain's New Minimum Income on Households' Financial Wellbeing"*, which establishes the macro-level effects of the IMV on financial wellbeing indicators. Using Synthetic Control Methods and Ridge Augmented Synthetic Control Methods, this study evaluates how Spain's national MIS affected both objective measures (poverty rates, poverty gaps, mean household income) and subjective indicators (households' perceived changes in their financial situation) during the Covid-19 and cost-of-living crises. The results reveal important differences across outcome types and temporal specifications. While the IMV showed no statistically significant effects on objective financial wellbeing in a yearly analysis between 2021 and 2022, a monthly analysis reveals that Spain's new MIS helped households feel less pessimistic about the evolution of their financial situation during the Covid-19 and cost-of-living crises between June 2020 and December 2022. The paper discusses several mechanisms explaining this differentiated impact of the policy, including methodological and policy design reasons as well as anticipation, placebo and positive spillover effects of the MIS.

In Chapter 3, the study *"The Employment Effects of More Generous Income Support: Quasi-Experimental Evidence for Spanish Single-Person Households"* examines labour market outcomes using causal inference techniques. Through difference-in-differences and event study frameworks that leverage regional variations in benefit generosity, this paper analyses

how the increased income support associated with the IMV affected unemployment among single-person households. The findings demonstrate that the policy increased unemployment by approximately 19% (3 percentage points from a base unemployment rate of 15.95%) in regions experiencing greater benefit increases, with effects concentrated in 2021 rather than immediately after implementation. This impact varied across demographic groups, with stronger effects observed among men, highly educated individuals and those under 50. The paper also notes that the IMV kept recipients attached to the labour market rather than pushing them into inactivity. Thus, this paper offers insights into the labour market dynamics of minimum income receipt during economic downturns.

Chapter 4 corresponds to the paper titled *"Welfare, Work and Worry: How Welfare Recipients Make Decisions Under Welfare-Induced Uncertainty"*. This paper uncovers the mechanisms and lived experiences through which these employment effects occur. Drawing on 31 in-depth interviews with IMV recipients and six additional interviews exploring non-take-up, this qualitative investigation explores how beneficiaries navigate employment decisions under uncertainty generated by welfare systems themselves, i.e. welfare-induced uncertainty. The study reveals how administrative uncertainty – including retrospective income assessments, volatile payments and information deficits – influences recipients' employment strategies. This uncertainty led to three distinct behavioural patterns – "Escapers" who deal with uncertainty by accelerating exit through formal employment, "Diversifiers" who seek alternative, more stable benefits rather than employment and "Stabilisers" who avoid formal temporary work to preserve benefit security. These patterns are shaped by individual psychological orientations (risk tolerance, locus of control, time orientation) that interact with demographic characteristics to mediate responses to uncertainty. Importantly, the analysis reveals that welfare-induced uncertainty can create work disincentives that operate independently of traditional economic incentives. The same uncertainty also drives non-take-up among eligible households, revealing how welfare systems can become sources of economic insecurity that fundamentally affect decision-making processes.

Together, these three chapters provide a comprehensive assessment of Spain's MIS. Chapter 2 establishes the policy's distinctive impact on subjective financial wellbeing despite limited short-term effects on objective indicators. This study highlights a dimension of policy impact often missed by conventional poverty metrics and minimum income evaluations. Chapter 3

identifies specific labour market effects and demographic variations in these impacts, challenging simplistic views of homogenous employment effects and noting the importance of the economic context for employment effects. Chapter 4 uncovers the decision-making mechanisms that generate employment patterns, revealing how welfare-induced uncertainty – rarely incorporated into welfare-to-work analyses – drives employment behaviour.

Beyond addressing existing research gaps, Chapter 4 also opens new theoretical territory by developing a framework for understanding how individual psychological orientations mediate responses to institutional uncertainty – a dimension largely absent from both welfare and labour research. The study demonstrates that administrative uncertainty interacts with individual characteristics to produce three distinct behavioural responses, altering how recipients evaluate work opportunities and participate in the benefit system itself. All in all, these studies illustrate how income support policies shape not only economic incentives but also recipients' sense of agency and decision-making capacity.

In terms of policy, findings suggest that effective social protection requires: (1) complementing traditional poverty metrics with subjective financial wellbeing indicators to capture psychological dimensions of security; (2) adopting differentiated activation strategies that recognise heterogeneous employment responses across demographic groups and economic circumstances; and (3) reducing welfare-induced uncertainty through predictable payments, clearer communication and simplified administration. The finding that uncertainty generated by the benefit system itself can discourage employment, independently of benefit generosity and work incentives, suggests that policy debates focused solely on financial incentives and activation measures may miss crucial barriers to work.

This integrated approach enables the thesis to transcend single-dimensional evaluations of minimum income policies, showing how their effects extend beyond simple outcomes to encompass psychological wellbeing, strategic adaptations and interactions with labour markets and administrative systems. By examining these interconnected dimensions, the thesis offers insights not only for understanding Spain's specific policy development but also for informing minimum income design across diverse welfare contexts.

1.2.4. Why Europe and Spain? Justifying the Geographic Focus

This thesis focuses specifically on the European context, and more particularly on Spain, for several reasons. First, Europe has developed the world's most extensive and varied approaches to minimum income provision, creating a rich laboratory for understanding different policy designs and their effects. As already described, Europe encompasses multiple welfare regime types – from Nordic Social-democratic systems to Southern European Mediterranean models – providing variation in institutional arrangements while maintaining sufficient similarity to enable comparison.

Second, the European literature, while extensive, still has significant gaps. Despite decades of research on European welfare states, our understanding of MISs remains incomplete as noted in 1.1.3. Most comparative work focuses on institutional design rather than behavioural outcomes, while the subjective wellbeing dimensions of social protection remain particularly understudied across all European contexts.

Third, Southern European welfare states remain understudied despite their significance. While extensive literature exists on Nordic and Continental European welfare systems, Southern European countries like Spain have received relatively less attention not least because of a lack of quality data available for researchers. This represents a significant gap given that these countries face particularly acute challenges: high unemployment, extensive labour market dualisation, limited non-contributory benefit traditions and pronounced regional inequalities. Understanding how Minimum Income Schemes function in these challenging contexts provides crucial insights for both European integration and global social protection development.

Within Europe, Spain offers a particularly valuable case study. The country's introduction of the *Ingreso Mínimo Vital* (IMV) in 2020 provides a rare opportunity to study minimum income effects using rigorous quasi-experimental methods. The policy's implementation during the Covid-19 crisis, its interaction with existing regional schemes and its specific design features create analytical leverage that enables causal identification of policy effects.

Spain's experience also offers valuable insights with broader relevance within Europe and beyond. As the EU moves forward with the implementation of common minimum income standards under the 2023 Council Recommendation, the Spanish case highlights both the opportunities and challenges of such expansion. For Southern European countries

specifically, Spain's experience proves particularly relevant given shared characteristics including labour market segmentation and limited non-contributory benefit traditions. The Spanish approach to addressing these challenges offers insights for countries grappling with similar transformations. Italy's recent introduction of the *Reddito di Cittadinanza* and its subsequent reforms reflect similar political and institutional dynamics to those observed in Spain, making cross-national learning particularly valuable.

Spanish labour market segmentation reflects broader trends toward polarisation affecting numerous European countries. While Spain represents an extreme case, similar dynamics operate in France, Cyprus, the Netherlands or Poland where employment protection legislation interacts with economic pressures to create segmented markets.

Spain's experience with territorial inequality and decentralised social policy speaks to challenges facing federal systems including Germany, Austria, Belgium, Switzerland and Italy. The IMV's federal accommodation model offers insights for contexts where national minimum income provision must navigate regional autonomy concerns.

The value of the Spanish case also extends to middle-income countries, including regions beyond the European Union boundaries which are developing social protection systems. South-Eastern European countries (i.e. Romania, Bulgaria, Albania, Croatia, Macedonia and Turkey) and Latin American countries, in particular, share several relevant characteristics with Spain including pronounced urban-rural divides, significant informal economies, persistence of traditional family structures and limitations in administrative capacity for tax collection and transfer management (Sotiropoulos, 2005; Castles *et al.*, 2010). The Catholic influence on social policy development in Spain also resonates with Latin American experiences, where similar norms shape attitudes toward family responsibility, state intervention and social solidarity. Spain's evolution from a family- and charity-centred welfare model toward more comprehensive state provision offers insights for countries undergoing similar transitions.

Moreover, the Spanish experience with managing minimum income provision during an economic crisis also proves relevant for all countries that inevitably face external shocks requiring rapid social protection responses. The challenges of maintaining benefit adequacy while managing fiscal constraints during economic downturns represent universal policy dilemmas that transcend specific national contexts.

Having outlined the research questions, methodological approach and contribution of each paper, I now turn to explaining in more detail the Spanish context that provides the empirical foundation for the analyses of this thesis.

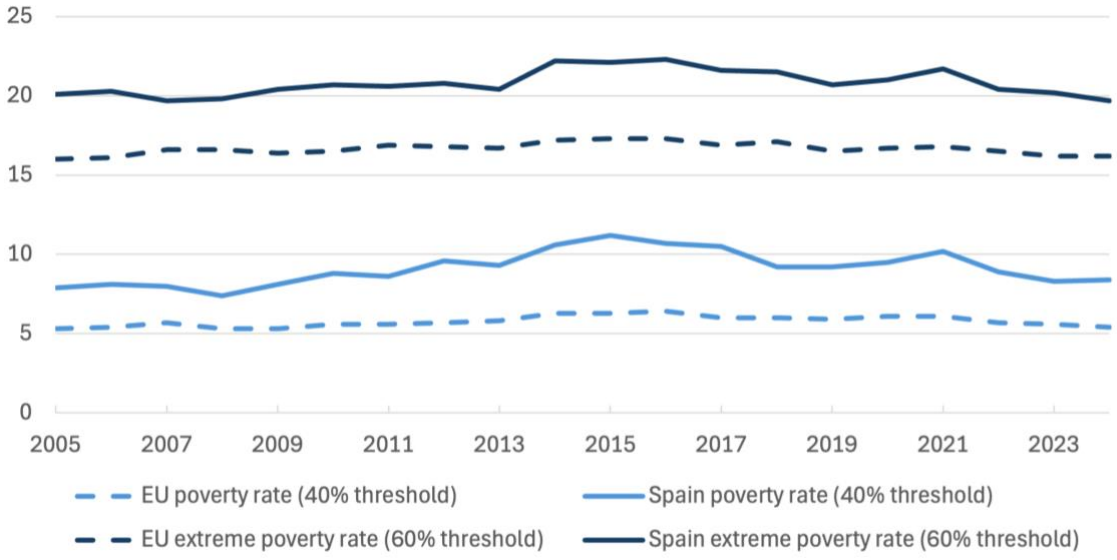
1.3. The Spanish Context

Spain represents a paradigmatic case of the Southern European welfare regime, combining institutional features that both reflect broader Mediterranean dynamics and create unique analytical opportunities for understanding minimum income provision. The country's experience with implementing the *Ingreso Mínimo Vital* (IMV) in 2020 offers insights into the challenges and possibilities of comprehensive minimum income reform.

1.3.1. Spanish Socioeconomic Context and Welfare Challenges

Spain exhibits a distinctive pattern of chronic poverty stability alongside pronounced territorial variation. As shown in Figure 1.1., at-risk-of-poverty rates have consistently exceeded EU averages – reaching 19.7% in 2023 compared to the EU average of 16.2% – with virtually no improvement since 2005 despite periods of significant economic growth.

Figure 1.1. – At-Risk-of-Poverty Rates in Spain and the European Union

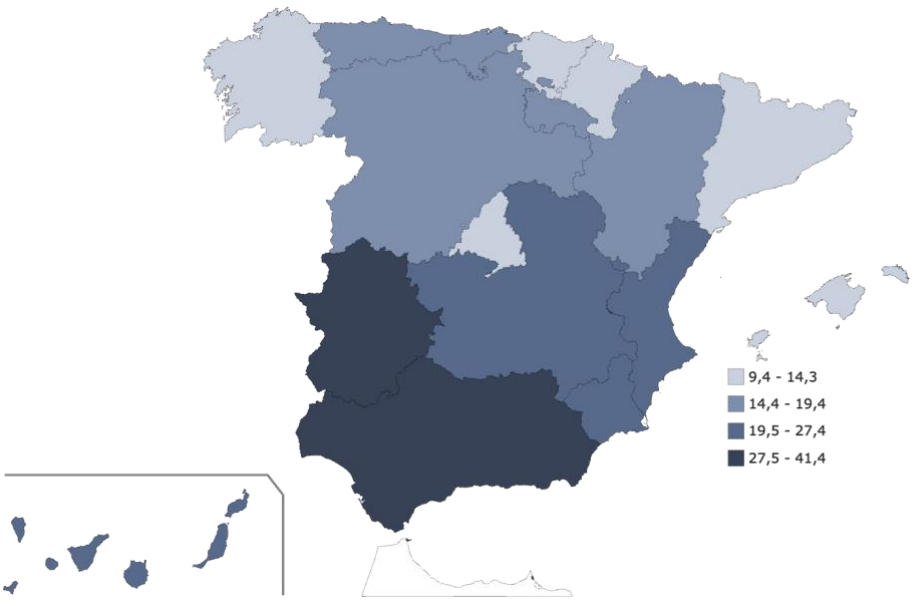


Source: Eurostat (2025)

Regional disparities are striking. As shown in Figure 1.2. poverty rates range from 9.4% in the Basque Country to 41.4% in Melilla, creating deep internal inequalities. South-West and peripheral regions consistently experience higher deprivation than North-East territories,

reflecting historical patterns of uneven development and contemporary economic structures. Regions with diversified economies, higher productivity sectors and stronger institutional capacity maintain lower poverty rates, while areas dependent on agriculture, tourism or declining industries face continuous economic vulnerability. This leads to place-based disadvantages in employment opportunities, service access and social mobility prospects.

Figure 1.2. – At-Risk-of-Poverty Rate in Spain's Regions in 2023



Source: INE (2025)
Notes: At-risk-of-poverty rate is calculated with income information from 2023. The poverty threshold is set at 60% of the median annual income per consumption unit (using the modified OECD scale), based on the distribution of individuals. Income per consumption unit is calculated by dividing the household's total income by the number of consumption units.

Spain's labour market has long exhibited one of the most pronounced patterns of dualisation in Europe, creating a two-tier employment system. Especially before the 1990s, a protected segment of permanent workers benefited from strong employment protections and comprehensive social insurance, while a more precarious segment faced temporary contracts, job insecurity and limited coverage (Eichhorst and Marx, 2021). As Alvariño *et al.*, (2025) note, since the 1990s – and particularly during and after the Global Financial Crisis of 2008 – labour market protections have been gradually eroded even for insiders, i.e. workers who traditionally enjoyed stable contracts and legal safeguards. At the same time, only modest reforms have been introduced to address the vulnerabilities associated with temporary employment. As a result, Spain, along with several other EU countries (e.g.

France, Italy, the Netherlands, Poland, Slovenia, Sweden), has undergone a process of "de-dualisation", marked by a convergence in employment protections between insiders and outsiders.

Still, segmentation in the Spanish labour market remains rife. Spain's unemployment rate averaged 16.1% between 2004 and 2024 – nearly double the EU average of 8.5% – with youth unemployment regularly exceeding a third of the workforce (Eurostat, 2025). This high unemployment reflects structural mismatches between labour supply and demand rather than cyclical adjustments (Bentolila *et al.*, 2012).

Spain's share of employees on temporary contracts averaged 25.7% between 2004 and 2024, compared to the EU average of 14.9% (Eurostat, 2025). This temporality is predominantly involuntary, with limited pathways to permanent employment, creating chronic job insecurity concentrated among women, young workers, immigrants and those in lower-skilled occupations. The probability to transition from a fixed-term contract to a permanent contract was only 15% in 2024 (*ibid*). Additionally, 50% of part-time employees work reduced hours involuntarily, compared to 25% across the EU (*ibid*). Additionally, Spain's significant informal economy – estimated at 23.4% of GDP (Elgin *et al.*, 2021) – creates challenge for traditional social protection systems designed around standard employment relationships, further contributing to a two-tier labour system.

Spain's welfare system exhibits significant limitations in protecting those facing poverty or labour market exclusion. Its redistributive effects tend to favour older citizens, the middle class and the moderately poor – rather than those in severe poverty as noted by Immervoll *et al.* (2022). In 2023, social protection expenditure stood at 18.5% of GDP, well below levels observed in countries with more comprehensive welfare systems, such as Finland (25.7%), France (23.4%) or Austria (21.4%) (Eurostat, 2025). Consequently, Spain's poverty rate decreases by 54% (22.9 percentage points) after social transfers, from 42.6% to 19.7%, compared to the EU average of 62% (26.6 percentage points). The Gini coefficient – a measure of income dispersion – is reduced from 34.6 before social transfer to 31.2 after (2023 figures).

In terms of subjective financial wellbeing, Spain also exhibits lower levels than the EU average, reinforcing the material disadvantages outlined above. In 2023, 22.5% of the Spanish population self-assessed as having difficulty or great difficulty in making ends meet,

compared to the EU average of 19.1% (Eurostat, 2025). Moreover, the balance between those reporting financial improvement versus deterioration over the past year was -21.8 percentage points in Spain compared to -15.1 across the EU (December 2023 figures) (*ibid*), indicating more widespread perceptions of worsening financial circumstances. Interestingly, despite these financial concerns, Spain performs at or above EU average levels on broader subjective wellbeing measures, including overall life satisfaction and job satisfaction. Spain even reports the highest proportion of people in the EU who say they were always happy in the past four weeks (*ibid*). This apparent paradox underscores the complex relationship between material living conditions and perceived life satisfaction, highlighting why both objective and subjective measures are essential for understanding the full impact of social protection policies.

In any case, this material poverty and financial insecurity reflect weaknesses in Spain's social protection system. A key source of exclusion lies in the interaction between labour market precarity and welfare design. As Noguera (2019) notes, traditional social insurance systems are ill-suited to address the needs of those experiencing chronic unemployment, temporary or intermittent work or frequent transitions between employment and inactivity. Their fragmented employment histories restrict access to contributory benefits, while the limited generosity of non-contributory schemes often leaves their needs unmet.

Before the introduction of the national Minimum Income Scheme (*Ingreso Mínimo Vital*, IMV), Spain's non-contributory income support system consisted of national unemployment and pension assistance, complemented by 19 regionally administered MISs (Arriba and Rodríguez-Cabrero, 2021). Yet research has shown that the contribution of this fragmented system to poverty reduction was minimal and substantially lower than that of contributory pensions (Ayala *et al.*, 2021). The system was particularly defective in supporting households with children, the unemployed and immigrants (Ayala *et al.*, 2016). Where it does have an effect, it is more pronounced in reducing the intensity of poverty rather than its incidence. In other words, while the system offers some relief to those who receive benefits, it fails to reach a substantial share of the most vulnerable population.

1.3.2. Pre-IMV Minimum Income Provision: A Fragmented Regional System

Looking at MISs more specifically, Spain's minimum income landscape prior to the introduction of the IMV was characterised by decentralised development and significant

diversity. Beginning in the late 1980s, all 17 Autonomous Communities[2] and two Autonomous Cities[3] established MISs (*Rentas Mínimas de Inserción* or RMIs), starting with the Basque Country (Ayala, 2016). Each region thus implemented its own programme, reflecting the Spanish Constitution's allocation of social assistance as a regional competence.

Early regional schemes were inspired by France's *Revenu Minimum d'Insertion* (RMI), promoting a design philosophy centred on income complementarity, subsidiarity in relation to other benefits and strong activation principles through behavioural conditionality (Noguera, 2019). However, beyond this shared orientation, the schemes diverged significantly in terms of eligibility criteria, benefit levels and administrative implementation. Natili (2019) noted that these differences are shaped by regional political preferences, although fiscal and institutional capabilities also played a role as explained by Ayala (2016).

Aguilar and Arriba (2024) noted that regional variations were extensive across multiple dimensions. As of 2020, age eligibility ranged from 18 years (Aragon, Navarra) to 26 years (Ceuta), with most regions setting thresholds at 23 or 25 (Ministerio de Derechos Sociales y Agenda 2030, 2022). Maximum age limits also varied, with some regions like Galicia, Cantabria and Madrid setting upper bounds at 65 while others imposed no upper age limit. Household composition requirements varied from no minimum duration (e.g. Canary Islands, Catalonia, Galicia) to twenty-four months of continuous establishment in the Valencian Community (*ibid*). Most regions established minimum establishment periods between six and twelve months. Regional MISs were usually renewable indefinitely, provided that eligibility and continuation requirements are met. However, maximum periods of continuous receipt existed in some regions, such as Andalusia.

Benefit generosity differed dramatically, with basic amounts in 2020 ranging from €300 in Ceuta to €693.73 in the Basque Country and maximum amounts spanning from €420 in Ceuta to €1,273.44 in Navarre (*ibid*). Some regions – such as Aragon, the Basque Country, Catalonia and La Rioja – complemented these payments with additional supports (e.g. for

[2] Spain is made up of 17 Autonomous Communities: Andalusia, Aragon, Asturias, the Balearic Islands, the Basque Country, the Canary Islands, Cantabria, Castilla and León, Castilla-La Mancha, Catalonia, Extremadura, Galicia, La Rioja, Madrid, Murcia, Navarre and the Valencian Community.
[3] Spain has two Autonomous Cities – the enclaves of Ceuta and Melilla in North Africa. Together, these 17 Autonomous Communities and 2 Autonomous Cities form the country's 19 regions.

housing, families or disability), while others offered no supplementary benefits (Martinez, Laparra and Zugasti, 2025).

Income calculation rules created additional complexity, with different regions applying varying exemptions for employment income, training participation, disability support and housing assistance. For instance, Asturias and Murcia exempted income from short-term contracts of under thirty days or earnings below regional MISs' thresholds. Cantabria, Castilla y León and Extremadura excluded income from training courses, whereas other regions counted such income as disqualifying. Moreover, given their inspiration on France's RMI, most regional schemes had some form of social and labour integration activities attached to them.

Importantly, the right to a MIS is not guaranteed uniformly across regions. In some, such as the Basque Country, the benefit is recognised as a subjective right – meaning eligible individuals are entitled to receive it regardless of regional budgetary constraints. In contrast, other regions, like Castilla-La Mancha, operate on a "first come, first served" basis, where access to the benefit depends on the availability of funds (Hernández, Picos and Riscado, 2022).

These differences in coverage, generosity and conditionality meant that access to income support – and the level of protection it provided – depended more on territorial residence than on actual need. This resulted in pronounced inequalities in support across Spain's regions. Based on key parameters such as income thresholds, minimum age, household formation requirements, benefit duration and employment compatibility, Martinez, Laparra and Zugasti (2025) classified regional schemes into three groups. Restrictive schemes included regions such as the Valencian Community, Castilla-La Mancha, Asturias, Murcia and Madrid. Intermediary schemes were found in Galicia, Catalonia, the Canary Islands, Castilla y León, La Rioja, the Balearic Islands, Cantabria and Andalusia. The most generous schemes were in Extremadura, Navarre, Aragon and the Basque Country.

In terms of recipient profile, Ayala *et al.* (2016) find that beneficiaries were concentrated in the Basque Country, Andalusia, Madrid and Catalonia. Recipients were predominantly women, individuals with low educational attainment, the unemployed, single adults and those of middle age (between 25 and 55 years old). Noguera (2019) also observes a growing

presence of young people and immigrants among recipients, who by 2019, accounted for nearly 30% of all programme beneficiaries.

Despite institutional diversity, most regional schemes shared reach and generosity limitations leading to a modest poverty reduction impact. The Independent Authority for Fiscal Responsibility (AIReF) highlighted key problems including large regional disparities, low benefit levels, weak coverage and the risk of work disincentives (AIReF, 2019). Natili (2020) characterised the system as a fragmented model with low levels of public expenditure and some of the lowest coverage rates in the EU. In 2020, these regional benefits reached only 369,289 households, covering a total of 795,861 individuals (Ministerio de Derechos Sociales y Agenda 2030, 2022), while the number of people at risk of poverty (with income below 60% of the national median) was over 10 million people (Eurostat, 2025).

Eligibility gaps were particularly stark when comparing entitlements across regions. According to Hernández, Picos and Riscado (2022), the proportion of poor households (measured at the 40% national poverty threshold) entitled to receive benefits ranged from 100% in the Basque Country to just 3.56% in Castilla-La Mancha in 2018, with an average of 13.02% coverage across regions. Ayala (2016) reached similar conclusions when looking at the coverage of households without income with data for 2007 and 2013.

Ayala *et al.* (2021) concluded that regional schemes had a very limited impact on poverty, with benefit amounts systematically falling short of what would be required to lift households above the poverty line. The at-risk-of-poverty rate (at the 60% threshold) is only reduced by 3.5% (Ayala *et al.*, 2016). A notable exception to this pattern was the Basque Country. Gorjón and Villar (2019) found that the regional scheme there reduced both extreme poverty and income dispersion among the poor by approximately 50%. This regional scheme was also fairly effective in reducing the intensity of poverty as found by Sanzo González (2019). This success was attributed to the Basque model's relatively high benefit levels, simplified eligibility rules and strong fiscal and institutional capacity.

Noguera (2019), Ayala *et al.* (2016) and Hernández, Picos and Riscado (2022) all found that in the Basque Country and Navarre, minimum income programmes could cover 65% to 70% of the 60% poverty threshold for a couple with children. In contrast, most other regions only provided between 30% and 50% coverage. Importantly, these disparities narrowed when using regional rather than national poverty thresholds. For example, Andalusia and

Extremadura approached or even surpassed the protective levels of the Basque Country and Navarre, though only Extremadura came close to meeting 60% of its regional poverty threshold.

Across regions, adequacy levels are higher for single-person households – though no region reaches a 100% coverage irrespective of whether the national or regional threshold is used. Adequacy is also higher when measured against the 40% poverty threshold, reaching around 90% in most regions (Hernández, Picos and Riscado, 2022). Still, Spanish regional MISs offer a low level of adequacy when compared to other European countries (Ayala *et al.*, 2016). Muñoz-Higueras, Fuenmayor and Granell (2025) found similar results on regional MISs' adequacy.

Another critical weakness of the regional system lays in the disconnect between legislative intent and implementation on the ground – a pattern common in Southern European welfare models where significant disparities exist between programme regulations and actual delivery (Ferrera, 2005). Non-take-up rates were particularly high, ranging between 56% in Asturias and 95% in Castilla-La Mancha, with an average of 85% across regions (Muñoz-Higueras, Fuenmayor and Granell, 2025). These figures point to more than just administrative inefficiency – they reflect structural barriers embedded in the design and execution of the programmes. Complex application procedures, limited outreach, social stigma and low benefit levels relative to the effort required to access them, all contributed to deterring eligible households from applying (*ibid*).

Beyond their limited poverty reduction effects, regional schemes also showed mixed results in terms of employment transitions and benefit duration. An analysis by Arranz *et al.*(2019) of 460,000 cases across regions over eleven years found that most recipients used minimum income as temporary assistance, with average durations of less than two years and more than half staying less than one year. However, the system also exhibited concerning patterns of long-term dependency, with one in ten households remaining in programmes for more than five consecutive years and 40% of those exiting regional MISs eventually returning to the benefit. More troubling still, most exits (60%) were administrative in nature rather than due to successful transitions to economic independence through well-paid full-time employment.

Individual characteristics influenced exit patterns, with younger recipients, foreign nationals, smaller households and those unemployed at entry showing lower rates of successful exits

to economic autonomy (*ibid*). While participation in employment-oriented activities increased successful exit rates compared to general social skills programmes, the overall capacity of regional schemes to facilitate genuine pathways out of poverty remained limited. Employment-focused interventions that combined different activity types achieved the best outcomes, with over one-third of participants exiting through economic independence.

In sum, while the regional MIS system provided some degree of support to a limited segment of the population, it failed to offer a comprehensive safety net or effective pathways towards economic independence. Structural weaknesses in coverage, generosity, reach and labour integration constrained its effectiveness in addressing social and labour exclusion at scale.

These regional system limitations generated increasing pressure for national-level intervention. European institutions consistently pressed Spain to address coverage gaps through Country-Specific Recommendations (CSR) from 2015 onward. These recommendations called for reduced regional fragmentation and enhanced accessibility to income support. For instance, the 2016 CSR encouraged Spain to "address gaps and disparities in minimum income schemes" noting that there "are significant disparities across regions as regards income support schemes, for example in delivery arrangements, eligibility requirements, coverage and adequacy" (European Commission, 2016). Similarly, the 2019 CSR insisted on the need to "address coverage gaps in regional minimum income schemes" (European Commission, 2019).

As noted by Soler-Buades (2025b), domestic advocacy from NGOs like Catholic charity Cáritas and trade unions like UGT and CCOO also created momentum for reform, with unions advancing in Parliament a popular legislative initiative in 2017 that received limited support from the then-conservative government of Mariano Rajoy. National academic researchers and policy analysts also consistently highlighted the inadequacy of regional approaches for addressing Spain's social and economic inclusion challenges (e.g. Arriba and Moreno, 2005; Ayala, 2016; AIReF, 2019; Ayala *et al.*, 2021).

1.3.3. The Birth of the Ingreso Mínimo Vital: Politics, Crisis and Policy Development

The emergence of the national MIS – the *Ingreso Mínimo Vital* – was shaped by a convergence of long-term structural pressures and political opportunity given a context of crisis. Its political foundations were laid between 2018 and 2020. In June 2018, the

conservative government led by Mariano Rajoy fell following a successful motion of censure presented by the Socialist Party (PSOE), paving the way for Pedro Sánchez to assume office as Prime Minister. However, the fragmented political landscape required coalition negotiations following the inconclusive 2019 general elections.

In January 2020, Spain formed its first left-wing coalition government in the democratic era, uniting the PSOE with the leftist Unidas Podemos (UP) and relying on parliamentary support from various regional parties. This coalition was pivotal to the creation of the IMV, as both PSOE and Unidas Podemos had explicitly committed to introducing a national MIS in their respective election manifestos (Podemos, 2019; PSOE, 2019). The December 2019 coalition agreement reaffirmed this shared objective, including the establishment of such a scheme as a central policy commitment (PSOE and Unidas Podemos, 2019).

Although plans for a national MIS were in the pipeline, the Covid-19 pandemic fundamentally reshaped the political and economic context, transforming a long-standing policy proposal into an urgent necessity. The crisis served as both a justification and an exceptional window of opportunity for enacting a comprehensive social reform.

Spain was among the hardest-hit European countries during the initial phase of the pandemic (Hale *et al.*, 2021). From March to June 2020, strict nationwide lockdowns brought large segments of the economy to a standstill, resulting in immediate and widespread income loss. The scale and speed of the economic shock exposed major shortcomings in Spain's existing social protection system. Traditional unemployment insurance mechanisms proved insufficient, particularly for workers with fragmented or informal employment histories. Groups such as the self-employed, platform economy workers and individuals on temporary contracts were especially vulnerable, as they fell outside the core structures of a system built for standard, long-term employment relationships.

The coalition government faced mounting pressure to deliver an effective and inclusive response to the social and economic fallout. At the same time, European institutions adopted a more flexible stance compared to the 2008 Global Financial Crisis context (Corti and Vesan, 2023), encouraging swift and comprehensive welfare measures. The suspension of traditional fiscal rules limiting government deficits and debt levels as well as the launch of the Next Generation EU programme not only provided financial resources but also lent political legitimacy to expanded social spending.

Importantly, the pandemic also contributed to a temporary political realignment. Soler-Buades (2025b) observes that the crisis softened ideological opposition to minimum income policies among conservative parties. The exceptional nature of the emergency created a discursive and political environment in which previously contested measures could be reframed by the new left-wing government as pragmatic responses to unprecedented hardship, rather than as ideological departures from fiscal conservatism.

In this context, the IMV emerged not only as a long-overdue reform, but as a symbol of the state's renewed commitment to social protection in times of crisis. The pandemic acted as both a stress test and an accelerant – laying bare existing vulnerabilities while creating the political momentum necessary to address them.

Crucially, as Soler-Buades (2025b) shows, the eventual implementation of the IMV was also made possible through a pragmatic form of intergovernmental cooperation between national and regional authorities. Rather than imposing a centralised solution that would override regional competencies in social assistance, the national government designed the IMV as a national floor of guaranteed income protection. It allowed regions to retain and build upon their existing schemes by offering complementary or more generous provisions. This institutional design struck a delicate balance: it preserved the constitutional autonomy of the regions while ensuring minimum protection standards across all territories.

This federal accommodation proved essential for securing support from regional parties and avoiding legal or constitutional disputes that could have derailed the reform. By embedding the IMV within Spain's multilevel welfare architecture, the government managed to align national policy ambition with the realities of regional autonomy – thus enabling one of the most significant social policy developments in Spain in recent years.

The legislative trajectory of the IMV reflected the exceptional political consensus generated during the pandemic. The government introduced the measure as a Royal Decree-Law in May 2020, fast-tracking it through emergency legislative procedures. Its passage through Parliament was unusually smooth, receiving near-unanimous approval – with only the far-right Vox party abstaining (Junquera, 2020).

The Spanish government attempted to incorporate key lessons from both Spain's regional MISs and international experiences into the IMV's design. It was guided by three principles when developing its architecture. First, the IMV established national eligibility criteria and

benefit levels to reduce territorial inequalities, while allowing the regions to provide supplementary support, thereby preserving regional policy autonomy. Second, the scheme prioritised coverage expansion by easing some of the restrictive eligibility conditions that had constrained access in regional programmes. Third, as noted by Soler-Buades (2025a), the IMV introduced lower levels of conditionality compared to most regional schemes, shifting the emphasis from immediate labour market activation to income protection.

This design marked a notable departure from the fragmented and often exclusionary regional landscape. According to AIReF (2022), the IMV was more generous than many regional schemes: if fully implemented, it would extend coverage to 247,000 additional households and improve benefit adequacy for around half of existing recipients. The IMV's benefit levels exceeded those of many regional programmes (Ministerio de Derechos Sociales y Agenda 2030, 2022). Early simulations by Badenes Plá and Gambau-Suelves (2020) estimated that the IMV could reduce inequality and poverty – cutting the incidence of extreme poverty (defined at the 25% threshold of median income) by 41% relative to the pre-reform system.

1.3.4. The IMV Design and Operation: A National Minimum Income Framework

The legislation establishing the *Ingreso Mínimo Vital* outlined dual policy goals: to "reduce poverty, especially extreme poverty" and to "promote the social and labour market integration of recipients" (Jefatura del Estado, 2020). These aims reflect the enduring tension in MISs between income protection and activation. Although the law does not specify quantitative poverty reduction targets or define the measurement approach, the structure of the IMV effectively targets households below 40% of the national median income. This aligns it more with combating extreme rather than relative poverty (AIReF, 2022).

Initial projections estimated the scheme would reach 850,000 households or roughly 2.3 million individuals (5% of the population) (*ibid*). Annual costs were set at approximately €3 billion, financed entirely through general taxation, marking a significant investment in national anti-poverty efforts.

As of September 2025, the IMV employs a combination of demographic, economic and administrative criteria designed to identify households experiencing severe income poverty (Ministerio de Inclusión, Seguridad Social y Migraciones, 2025a). Following the standard European approach (MISSOC, 2025), the IMV is a household-level benefit available to

diverse household configurations, from single-person households to larger units comprising multiple adults and children. The legislation defines a household unit as all persons living in the same dwelling who are connected by marriage, domestic partnership or kinship ties up to the second degree through blood, adoption or formal care arrangements. Special provisions extend eligibility to individuals living separately from their main household in cases of domestic violence, relationship breakdown or housing displacement. Individuals sharing accommodation without family ties may qualify if they can demonstrate social exclusion risk through accredited social services or registered third-sector organisations.

However, unlike other EU countries, in Spain, the household unit must have been continuously established for at least six months prior to submitting the application, with temporary separations for studies, work, medical treatment, rehabilitation or similar circumstances not affecting this requirement. While intended to discourage strategic household formation, these rules can pose obstacles for those in precarious housing situations, including young adults and migrants. Applicants must have legally resided in Spain for at least one year, thus allowing benefit access to resident non-nationals.

Benefit claimants must be at least 23 years old to qualify for the benefit unless they have dependent children, have exited state care, are affected by domestic violence or are homeless in which case eligibility begins at 18. These rules aim to balance concerns about youth poverty with assumptions of intergenerational family support. However, critics argue that they reproduce the exclusions seen in earlier regional schemes (Noguera, Álvarez and De la Prada, 2024) – particularly because individuals under 30 must have lived independently for two years and those over 30 for at least one year, prior to applying for the IMV. The most recent IMV legislation sets no maximum age for benefit eligibility.

Income thresholds vary by household size, from €658.81 per month for a single person to €1,449.39 per month for households of four or more (September 2025 figures). The IMV benefit tops up household income to these guaranteed levels such that the IMV amount corresponds to the difference between the guaranteed income and the total income of the household, provided that the resulting amount is equal to or greater than 10 euros per month. IMV amounts are established based on non-contributory old-age pensions.

Table 1.1. summarises the benefit amounts in 2020 at the IMV inception and in September 2025. The basic IMV amount for one adult is increased by 30% for each additional member

starting from the second, up to a maximum of 220%. There is a limit on five household members, after which the IMV amount ceases to increase. The IMV amount is increased by a 22% supplement in the case of a single-parent household or if the household includes a person with a recognised degree of disability equal to or greater than 65%. The IMV is paid monthly and receipt continues as long as eligibility conditions are met.

Table 1.1. – IMV Amounts per Month in 2020 and 2025

Household Composition	June 2020	September 2025
1 adult	461.50	658.81
1 adult & 1 minor	701.50	856.46
1 adult & 2 minors	840	1,054.10
1 adult & 3 minors	978.41	1,251.75
1 adult & 4 o more minors	978.41	1,449.39
2 adults	600	856.46
2 adults & 1 minor	738.41	1,054.10
2 adults & 2 minors	876.91	1,251.75
2 adults & 3 or more minors	1,015.30	1,449.39
3 adults	738.41	1,054.10
3 adults & 1 minor	876.91	1,251.75
3 adults & 2 or more minors	1,015.30	1,449.39
4 adults	876.90	1,251.75
4 adults & 1 minor	1,015.30	1,449.39

Source: Ministerio de Inclusión, Seguridad Social y Migraciones, 2020, 2025a

Asset thresholds also apply, including limits on wealth (e.g. €20,353.62 for single-person households in 2025). Primary residences are exempt; secondary properties count against eligibility. Income assessments typically use data from the previous fiscal year by default, though applicants may request current-year calculations from April onwards. The income calculations include wages, business earnings, rental income and most social benefits (though scholarships and housing allowances are exempted). Importantly, unlike many

regional schemes, the IMV does not require recipients to be unemployed to qualify; benefits can be received alongside wages.

Since January 2023, employment income even receives a complete or partial disregard depending on household composition, previous earnings, the magnitude of the increase in labour income and the duration of the benefit recipient, thus aiming to incentivise transition into work (Ministerio de Inclusión, Seguridad Social y Migraciones, 2022a).

While the IMV is incompatible with receiving the child allowance for children without disabilities or with a disability below 33% *(asignación económica por hijo o menor acogido a cargo*), in 2022, the government introduced a new child support supplement for households with minors – the *Complemento de Ayuda Para la Infancia* (CAPI). While the application process for the IMV and CAPI is the same, eligibility for this supplement is broader than that of the IMV: household income in the year prior to application must be below 300% of the IMV's guaranteed threshold and net assets must fall below 150% of the IMV's asset limits. The amount received depends on the child's age: €115 per month for each child under three, €80.50 for children aged three to five and €57.50 for those aged six and above.

The IMV incorporates comparatively minimal conditionality, reflecting both a political preference for prioritising income protection over immediate activation and the institutional reality that active labour market policies are the responsibility of the autonomous regions, thereby limiting the scope for direct intervention by the central government. Initially, working-age recipients were required to register with employment services and remain available for work or training, though the emphasis was on administrative enrolment rather than active job search obligations. However, this registration requirement was suspended in March 2022 as a response to the cost-of-living crisis, further reducing conditionality. When sanctions are applied for non-compliance with IMV obligations, they are notably less severe than in many European counterparts. Initial violations typically result in warnings or temporary benefit reductions, with full suspension or termination reserved for serious cases involving fraud or sustained refusal to cooperate.

Moreover, although the law outlined mechanisms for social and labour market inclusion, their implementation only began in 2022 through randomised controlled trial (RCT) pilots. As of August 2025, these measures are still in the process of being gradually extended to all

beneficiaries, based on the evaluation of best practices (Ministerio de Inclusión, Seguridad Social y Migraciones, 2025b).

As of August 2025, 764,905 households were receiving the IMV benefit. Women make up two-thirds of all benefit recipients, with single-person households being the most common household type, followed by two-adult households with two children. Furthermore, more than two-thirds of IMV recipient households include at least one minor (Ministerio de Inclusión, Seguridad Social y Migraciones, 2025c). In relative terms, the regions benefiting most from the IMV, as a share of their population, are Melilla, Ceuta, Andalusia and Extremadura (*ibid*). The IMV is thus reaching the population groups and regions with the highest poverty rates.

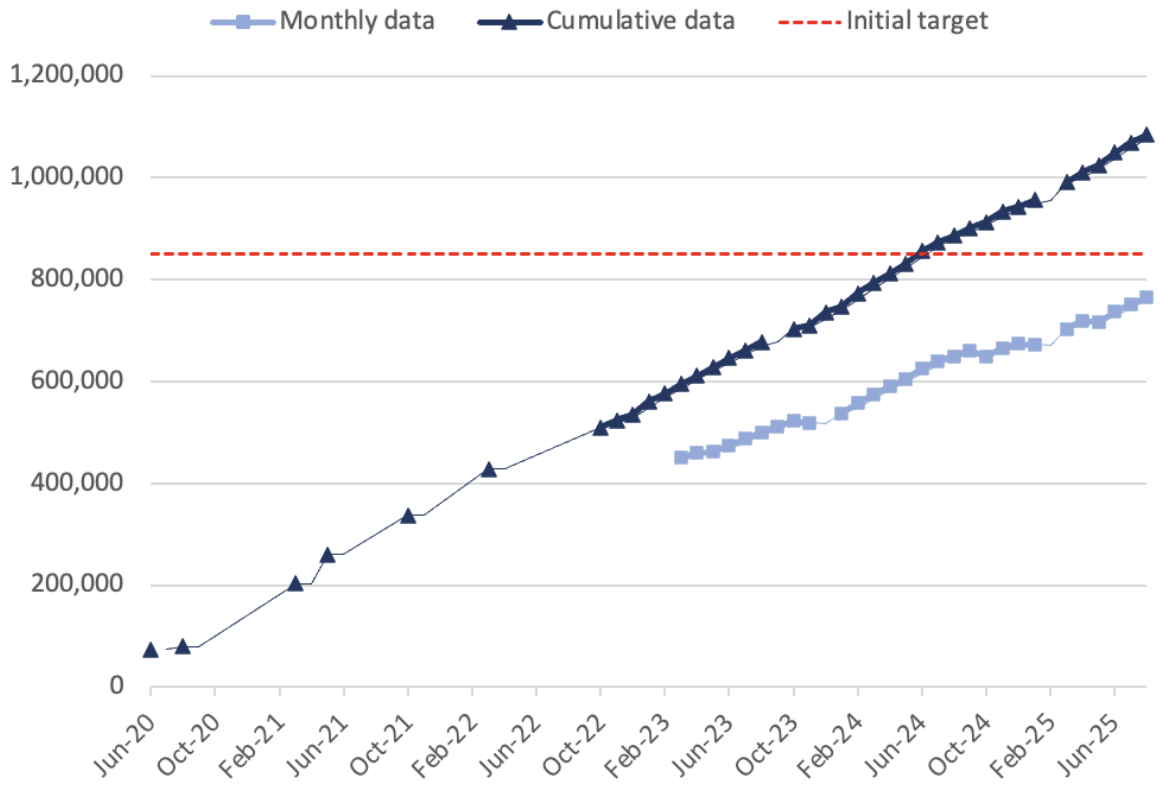
Despite these positive signs, the IMV's implementation encountered significant administrative challenges. These difficulties stemmed from the complexity of establishing a new national benefit system under pandemic conditions, combined with long-standing institutional weaknesses in welfare administration. The National Social Security Institute (INSS), responsible for processing applications and managing payments, faced overwhelming demand while operating under health restrictions that reduced staff capacity and in-person services. Initial rollout was marred by long processing delays, poor communication and limited coordination between national and regional authorities (AIReF, 2022). Many eligible households experienced long waits or confusion regarding their eligibility and application status. These bottlenecks temporarily limited its reach. Figure 1.3. illustrates the gradual roll-out of the IMV, with the number of beneficiary households increasing from 74,119 in June 2020 to a cumulative total of 1,084,489 by August 2025.

Moreover, while the IMV aims to coordinate with other services (employment, housing, social services), achieving effective service integration has proven challenging due to different governance levels, funding mechanisms and administrative procedures across the multiple institutions involved in social protection delivery.

In response, the government introduced a series of modifications between September 2020 and October 2022. These included adjustments to eligibility criteria, simplification of administrative procedures, enhanced outreach strategies and improved inter-institutional coordination mechanisms. For instance, in July 2020, the national government signed an agreement with regional and municipal authorities to facilitate information exchange and

streamline coordination. In September 2020, eligibility was expanded to include individuals over the age of 65. In February 2021, the criteria were further adapted to cover people with atypical living arrangements, such as those affected by homelessness, gender-based violence, divorce, separation or eviction. In December 2021, greater flexibility was introduced in the assessment of income – allowing either income from recent months or the previous year to be considered. Finally, in October 2022, an outreach campaign was launched, including a bus that toured municipalities with high poverty rates to raise awareness of the IMV and assist with applications.

Figure 1.3. – Monthly and Cumulative Number of Beneficiary Households (June 2020 – August 2025)



Source: Own construction from Ministerio de Inclusión, Seguridad Social y Migraciones (2025c).
Notes: Monthly data are only available from March 2023 onwards.

Having established the Spanish context and the IMV's origins and characteristics, I now turn to the three empirical studies that form the core of this thesis. Chapter 2 begins by examining the effects of the IMV on financial wellbeing, both objective and subjective. It will be followed by Chapter 3 on the employment effects of more generous income support and Chapter 4 on how welfare recipients make decisions under welfare-induced uncertainty. Chapter 5 will conclude the thesis by examining the implications of these findings.

Chapter 2

Perceptions Matter: Quasi-Experimental Evidence on the Effects of Spain's New Minimum Income on Households' Financial Wellbeing

2.1. Introduction

This paper examines how Spain's new minimum income scheme affects households' financial wellbeing and whether this effect differs across objective material conditions and households' subjective perceptions. Minimum income schemes (MISs) are last-resort cash payments available to both working and non-working households who have insufficient financial means and are not entitled to contributory social insurance. These schemes are becoming increasingly relevant in the context of the Covid-19 pandemic, the ecological transition and the cost-of-living crisis as they can be used to support people who are either temporarily unable to work, who need time to learn new skills or whose wages are insufficient to cover living expenses (Cantillon *et al.,* 2019). Today, most countries have some form of MIS in place, although schemes differ in terms of how well they support beneficiaries. Countries like Denmark, Ireland or Slovakia have comprehensive MISs covering most households in need while others like Romania or Spain have weaker schemes with insufficient coverage (Almeida, Poli and Hernández, 2022). As a result, the Council of the European Union adopted in January 2023 a recommendation on common standards for adequate minimum incomes and now some practitioners are calling for a binding directive (Council of the European Union, 2023).

Despite the widespread use and relevance of MISs, a consensus does not exist among researchers and policymakers on the effectiveness of these schemes in improving the financial situation of households. In theory, giving cash to households should support them financially. However, the extent to which a MIS helps households depends on its various design elements, namely the generosity level and the coverage of people in need given its eligibility criteria, as authors such as Figari, Matsaganis and Sutherland (2013) or Almeida, Poli and Hernández (2022) have explained. The extent to which a MIS supports households also depends on behavioural responses such as the take-up of the benefit (e.g. Kleven and Kopczuk, 2011; Frazer and Marlier, 2016 for the EU) or the labour supply reactions of

beneficiaries who might be disincentivised to work (e.g. Lemieux and Milligan, 2008 for Quebec; Bargain and Doorley, 2011 for France; Moffitt, 2016 for the US).

Settling the debate on the effects of MISs empirically has proven challenging since the schemes are not randomly allocated, thus lacking valid counterfactuals. People benefitting from MISs and countries implementing comprehensive MISs possess certain characteristics that affect financial wellbeing. This self-selection into the policy makes it difficult to isolate the effects of a MIS. Academics have tried to work around this issue by using ex-ante simulation models to analyse how MISs affect households' finances. However, these models make strong assumptions about the behavioural responses of beneficiaries (Sutherland, 2017). Hence, it is key to study minimum income policies also in ex-post analyses using causal inference methods.

Moreover, when evaluating MISs, researchers as well as national and international policymakers focus on so-called "objective measures of financial wellbeing". They look at how income support affects households' income and, more specifically, poverty levels since these schemes are targeted at the lower end of the income distribution (Fleche *et al.*, 2012; Xiao, 2013; Cantillon, Goedemé and Hills, 2019). Yet, while these objective measures are indeed central to households' financial wellbeing, they do not provide a complete picture of their experiences. "Subjective financial wellbeing", which measures how households perceive their financial situation, can be more instrumental than objective material conditions in affecting overall financial wellbeing, health, educational attainment, productivity and decision-making (Layard and De Neve, 2023). Furthermore, improvements in households' objective material conditions might not translate to improvements in subjective perceptions, revealing important information about adaptation mechanisms or spillovers to non-recipients (e.g. Seghieri, Desantis and Tanturri, 2006 for Europe; Jenkins, Sacker and Taylor, 2011 for Britain; Attah *et al.*, 2016 for Ghana, Zimbabwe and Lesotho). Thus, it is important to analyse and further the understanding of MISs while giving subjective financial wellbeing the central place it merits as a key goal for researchers, policymakers and society as a whole.

This paper examines the case of Spain, a country that introduced a new MIS in 2020 (the *Ingreso Mínimo Vital* or IMV). The IMV is an anti-poverty household-level measure available to Spanish residents above 23 years old with low income and wealth. It is a policy of great significance being the first non-contributory and non-categorical social benefit

available at national level in the history of a country with persistently high levels of poverty and large regional differences. Up until the IMV introduction, the minimum income system in Spain was made up of 19 different regional MISs, which international institutions and academics assessed as having limited poverty alleviation capacity because of inadequate generosity, restrictive eligibility criteria and low take-up (Arriba and Moreno, 2005; AIReF, 2019; European Commission, 2019; Ayala *et al.*, 2021). The goal of the IMV is to homogenise this minimum income system, allowing beneficiaries to receive both the existing regional MISs and the common national-level IMV, which has more generous amounts and coverage than most regional schemes (see Figure 2.1. in subsection 2.2.2.). The policy aims to reach around 850,000 households in which 2.3 million individuals live.

The paper uses Eurostat survey data aggregated at the national level for the 2010-2022 period in a Synthetic Control Method (SCM) analysis proposed by Abadie and Gardeazabal (2003) and Abadie, Diamond and Hainmueller (2010) as well as a Ridge Augmented SCM (RASCM) developed by Ben-Michael, Feller and Rothstein (2021), which is an extended version of the SCM that corrects for bias present in the SCM. The SCM, which has been coined as *"the most important innovation in the policy evaluation literature in the last fifteen years"* by Athey and Imbens (2017: 9), can present stronger conclusions based on causal inference methods.

The results show that, the policy had no statistically significant effect on households' material conditions (i.e. the poverty rate, the poverty gap and mean income) between 2021 and 2022 and the evidence on perceived improvements is mixed: while the yearly analysis finds no statistically significant effect between 2021 and 2022, the monthly analysis reveals statistically significant improvements in how households perceive the evolution of their finances between June 2020 and December 2022. The paper discusses several mechanisms explaining this differentiated impact of the policy, including methodological and policy design reasons as well as anticipation, placebo and positive spillover effects of the MIS. The findings stress the importance for practitioners to consider subjective and high-frequency measures when assessing MISs.

The paper makes three key contributions to the literature. First, this paper is among the first to find a causal effect of the new Spanish IMV. Results could not only be useful to the Spanish administration but to countries with similar socio-economic conditions (e.g. South and Eastern Europe and Latin America) (Castles *et al.*, 2010) and, more broadly, to any

policy context sharing the specific IMV design elements. Second, it is the first paper to use innovative supervised machine learning in the form of a synthetic control method to evaluate the causal effect of an income support measure. Finally, this is the first paper looking at how a MIS affects households' perceived financial wellbeing across the whole population beyond benefit recipients, which is key to comprehending the full impact of minimum income programmes like adaptation and spillover effects.

The remainder of the chapter is structured as follows. Section 2.2. provides background information on the effects that MISs have on households' financial wellbeing. Section 2.3. outlines the methods. Section 2.4. details the data. Section 2.5. presents the main results and robustness checks. Section 2.6. discusses the implications of the analyses and concludes.

2.2. Background

2.2.1. How Can Minimum Income Schemes Improve Financial Wellbeing?

Policymakers and researchers have traditionally focused on objective material conditions, looking at how household income changes with minimum income support. Income is indeed central to shaping financial wellbeing, as those who report higher levels of household income also report higher levels of overall financial wellbeing, even after accounting for differences in financial capability, personality characteristics and other influencers (e.g. Porter and Garman, 1990 for the US; Joo and Grable, 2004 for the US; Muir *et al.*, 2017 for Australia; West, Cull and Johnson, 2021 for Australia; Iramani and Lutfi, 2021 for Indonesia). Since MISs are targeted to households on the lower end of the income distribution, the financial status of households is typically assessed by comparing their income with the national average or median income, labelling households as "poor" if their income is below a certain proportion of the median (Iramani and Lutfi, 2021).

Whether MISs improve households' income depends on various factors. In theory, giving cash to households should support them financially, improving their income and reducing poverty at the national level. However, the extent of this support depends on (1) the generosity of benefit amounts, which should lift recipients out of poverty; (2) the capacity of the eligibility criteria to cover all those in need and (3) the level of take-up by entitled individuals (Figari, Matsaganis and Sutherland, 2013 for the EU and Almeida, Poli and Hernández, 2022 for the EU). Moreover, MISs can fail to improve households' real material conditions because of adverse labour supply effects. Traditional leisure-consumption models

shows that giving households cash based on their low means could incentivise the unemployed to remain unemployed, the working poor to stay in low-intensity and low-paid jobs as well as other workers (initially above the minimum income threshold) to reduce their labour supply to qualify for the benefit (e.g. Murray, 1984; Portney and Mead, 1990; Moffitt, 2016). This traps households in poverty rather than lift them out of precarious situations.

Authors have tried to provide an empirical answer to the question of how MISs affect households' objective financial wellbeing. Studies point to a reduction in poverty from MISs (e.g. Rodrigues, 2004 for Portugal; Canova, Piccoli and Spadaro, 2015 for France; Frazer and Marlier, 2016 for the EU; Notten and Guio, 2016 for Germany, Greece, Poland, United Kingdom; Gallo, 2021 for Italy). Although effects are found to be larger on reducing more severe levels of poverty, such as poverty measured as the proportion of people who have a net income below 40% of the national median household income (e.g. Gorjón and Villar, 2019 for the Basque Country; Gallo, 2021 for Italy; Almeida, Poli and Hernández, 2022 for the EU) as well as on reducing the poverty gap, i.e. the average distance of those defined as poor to the poverty line (e.g. Behrendt, 2000 for Germany, Sweden and the UK; Brunori, Chiuri and Peragine, 2010 for Southern Italy; and Frazer and Marlier, 2016 for the EU).

However, the above-mentioned studies use ex-ante simulation models, which, as noted by Sutherland (2017), have strong assumptions about behavioural responses of beneficiaries, namely high levels of take-up and a preference for leisure over labour. These assumptions are contested empirically. Non-take-up of minimum income benefits by entitled individuals is a widespread issue in the European Union (EU) with a recent comparative study establishing that in Germany, Belgium, Finland and the Netherlands between 30% and 50% of the eligible population does not access the benefits (European Commission, 2022b). Moreover, individuals often prefer working to being jobless as they derive non-monetary gains from employment (e.g. social interactions, self-realisation or a sense of citizenship) (Lister, 2004) and as prolonged spells of unemployment are associated with mental and physical health problems (Jefferis *et al.*, 2011).

Moreover, these studies do not look at the effect on mean household income, which provides important complementary information to poverty measures. The latter are subject to changes in median income that can influence the interpretation of financial wellbeing. During an economic downturn like the Covid-19 pandemic, it might be that the median income falls so that the poverty threshold becomes lower. As a result, the number of people falling below

this lower threshold is smaller and thus the poverty rate might be reduced or stay put even though the financial wellbeing of households has worsened due to the crisis. The mean disposable income can account for these changes in households' objective financial wellbeing.[4] Hence, it is key to study the Spanish MIS in an ex-post analysis using a causal inference method and looking at different objective financial wellbeing indicators, namely the poverty rate, the poverty gap and mean income.

So far, I have exposed the centrality of household income to financial wellbeing and how a MIS could affect income. However, objective material conditions do not tell the whole story about households' financial wellbeing. Households' perceptions about their income matter too. Perceived changes in financial circumstances can be a stronger predictor of financial wellbeing than actual income changes as found by Brown, Taylor and Wheatley Price (2005) in Britain and by Winter *et al.* (1999) in Poland. It is thus important to also understand how MISs affect subjective financial wellbeing.

In theory, actual income changes through a MIS should be reflected in corresponding changes in households' perceived financial situation. Income support should improve subjective financial wellbeing via three main mechanisms: by allowing households to (1) improve their basic standards of living and expand choices in terms of consumption; (2) improve their sense of control over finances as well as security and flexibility; and (3) acquire goods, services and participate in activities that increase status within society (Lundberg *et al.*, 2010; Milligan and Stabile, 2011; Frijters and Krekel, 2021; and Simpson *et al.*, 2021).

However, it might also be that households' perceived change in their finances differs from their real situation, as their experiences are influenced by a range of factors (Dolan, Peasgood and White, 2008). First, improvements in objective living conditions can lead to short-lived and/or small improvements in subjective wellbeing because households' conception of the minimum satisfactory level of income increases over time depending on their new income or on that of others around them. To explain why countries increase their national income without corresponding improvements in happiness, Easterlin (1974) argued that people care about their income position relative to that of others.

[4] Although anchored poverty rates would provide a solution to this methodological concern, data limitations preclude their use in this analysis, as detailed in subsection 2.4.1.1.

Second, MISs can fail to improve subjective financial wellbeing despite material gains due to the stigma and shame attached to being poor and claiming social assistance. Since social assistance entitlements do not depend on contributions made in the past, many in society consider such benefits unfair and regard recipients as non-deserving (Moffitt, 1983; Currie, 2004). In this sense, society's attitudes towards social assistance in general and MISs in particular, also matter for how income support affects subjective financial wellbeing.

Third, it might also be that the more stringent the conditionality measures attached to the receipt of social assistance (i.e. stricter job search requirements and harsher sanctions if conditions are breached), the lower the subjective financial wellbeing derived from such benefit (Haushofer and Shapiro, 2016 for Kenya; Lundberg, 2016 for the European Union; Davis, 2019 for the US; Wickham *et al.*, 2020 for the UK; Simpson *et al.*, 2021 for a review of studies in high-income countries). This is because greater conditionality reduces opportunities for recipients to pursue their own idea of a satisfying life and increases stress (Thornton and Iacoella, 2022).

Empirically, the literature on how MISs affect subjective financial wellbeing is very limited and contradictory. While Muir *et al. (*2017) find that income support improves the perception of finances in Australia, Gassmann, Martorano and Waidler (2022) find that in Kyrgyzstan, participation in social assistance leads to decreases in how recipients perceive their economic conditions.

Furthermore, while the literature has focused on how MISs affect the subjective wellbeing of recipients, the impact of MISs on households' perceived financial situation can go beyond direct beneficiaries in two main ways. First, following the idea that households' perception of their finances is affected by their relative rather than absolute income, the receipt of income support by some could degrade the relative income position of non-recipients causing jealousy and leading non-recipients to believe their financial situation has worsened through a mechanism of negative spillovers (Kassenböhmer and Haisken-DeNew, 2009 for Germany; Kuhn *et al.*, 2011 for the Netherlands). It is worth noting that among small tight communities, the oppositive might take place: the higher income of some leads to more subjective wellbeing among neighbours because of empathy (e.g. Kingdon and Knight, 2007 for South Africa and Atsebi and Ferrer-i-Carbonell, 2022 for Tanzania).

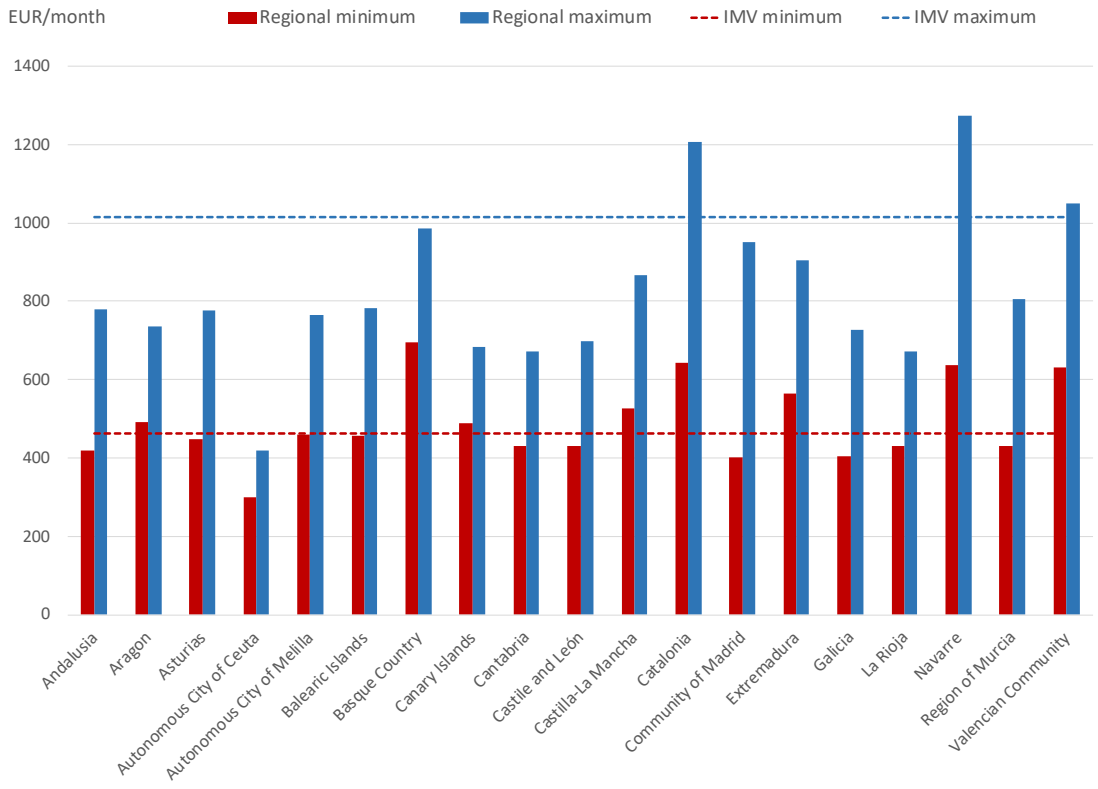
Second, the mere announcement or introduction of an income support policy can lead to signalling effects and impact households' financial perceptions even before they have received the policy. There is a considerable body of literature noting how households regard policy announcements as a signal from the government and adjust their behaviours, expectations and confidence in economic conditions accordingly (e.g. OECD, 2010 for the UK; D'Acunto, Hoang and Weber, 2019 for Germany; Lewis, Makridis and Mertens, 2019 for the US; Goldfayn-Frank, Kocharkov and Weber, 2020 for Germany; and Melosi, Morita and Zanetti, 2022 for Japan). Hence, it is also key to study whether improvements in income through the Spanish MIS are reflected in perceived financial improvements, looking at this effect across the whole population.

2.2.2. How Could the Spanish MIS Improve Financial Wellbeing?

The theory on how MISs affect households' actual income does not allow me to predict how the Spanish IMV will affect objective financial wellbeing indicators like the poverty rate, poverty gap and mean income, hence the need for an empirical analysis. On the one hand, the IMV has more generous amounts than most regional MISs (see Figure 2.1. below) and is expected to cover 247,000 more households than the regional MIS if fully implemented (AIReF, 2022).[5] While the government has not set any concrete poverty reduction objectives, a study by AIReF (2019) expects that the IMV would reduce the number of people living with less than 20% of the national median by 1.6 million. Similarly, a microsimulation study estimated that the IMV would reduce the proportion of people living with less than 25% of the national median by 41% (a reduction from 4.6% to only 2.7% of the population) and that the corresponding poverty gap would be reduced by almost three quarters (Badenes Plá and Gambau-Suelves, 2020). Thus, I could expect the IMV to reduce the poverty rate and gap and increase the average income in the country.

[5] This figure excludes the Basque Country and Navarre. The figure also does not account for the increased demand for income support during the Covid-19 pandemic context.

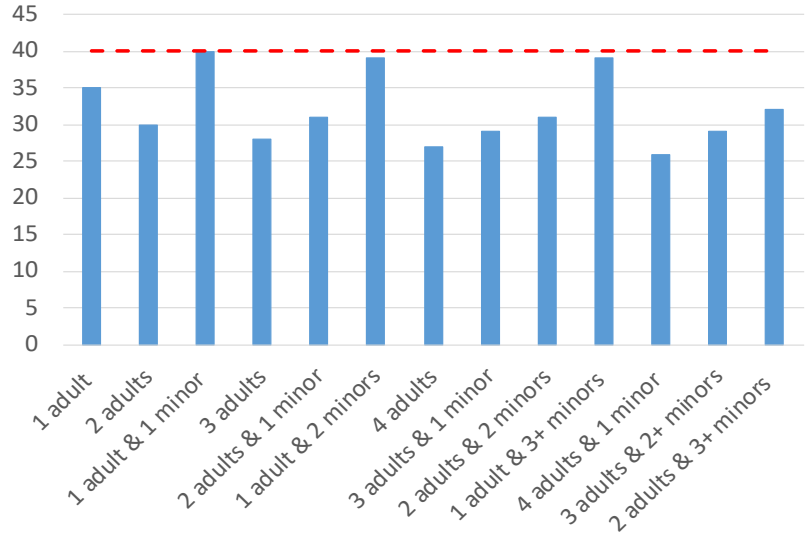
Figure 2.1. – Comparison of Benefit Amounts Between Regional MISs and the IMV in 2020



Source: Own construction from Ministerio de Derechos Sociales y Agenda 2030 (2022)
Notes: Regional amounts are before the IMV introduction. The minimum amount corresponds to the base cash transfer for a single-person household while the maximum amount corresponds to the quantity allocated to households of five or more members

On the other hand, the IMV amounts perform poorly when it comes to lifting people out of poverty, as measured at the 40% threshold, which is the indicator typically used to measure extreme poverty in high-income countries. Figure 2.2. shows the percentage of the national median household income that different types of households would reach if they benefitted from the IMV in 2020. Even if all types of households are brought closer to this threshold, only single-parent households manage to reach the 40% poverty threshold. Thus, even if the poverty gap is reduced and mean household income increased, it is less certain that the IMV will lower the poverty rate at the 40% threshold.

Figure 2.2. – Percentage of Median Household Income Guaranteed by IMV Amounts by Household Type in 2020



Source: AIReF (2022)

In addition, the low take-up of the IMV casts even more doubt on the policy's overall effect on the national poverty rate, poverty gap and mean income. As of December 2020, i.e. half a year after its introduction, the IMV had only reached 0.46 million individuals or 20% of its initial objective (La Moncloa, 2021; Ministerio de Inclusión, Seguridad Social y Migraciones, 2022a). As of December 2021, the IMV had reached 0.82 million individuals (36% of its objective) and as of December 2022, it had reached 1.54 million (67% of its objective) (Ministerio de Inclusión, Seguridad Social y Migraciones, 2023).

Moreover, the policy might generate employment disincentives failing to improve households' financial situation. Before 2022, the benefit withdrawal rate was effectively 100% and recipients only had to register as job seekers with the regional public employment services within 6 months *after* their application had been approved. This obligation was suspended altogether in April 2022 as part of the government's response to the cost-of-living crisis. Moreover, the policy was introduced during the Covid-19 crisis when access to the labour market was limited. Thus, an empirical analysis of the Spanish IMV is needed to establish its overall effect on objective financial wellbeing.

The theory on how MISs affect households' subjective financial wellbeing also does not allow me to predict whether income improvements through the Spanish IMV will be reflected in perceived improvements in households' financial situation across the whole population, hence the need for an empirical analysis. On the one hand, it might be that the IMV leads to perceived financial improvements. EAPN (2021) has found that, to some

beneficiaries, the IMV represents a stable source of income that allows beneficiaries to plan expenses, bringing stability and reducing stress. Moreover, conditionality measures and stigma might not reduce subjective financial wellbeing in the Spanish case. As mentioned above, the IMV did not include stringent employment conditionality measures and Spain is the third EU country with the highest approval of cash benefits for socially excluded people with 73% of Eurobarometer respondents agreeing that the government should spend more on this area, compared to an average of 59% in the EU-27 (European Commission, 2022a). The IMV in particular received broad social support, with 83.4% of Spanish people supporting the policy in May 2020 (CIS, 2020).

On the other hand, it might be that the IMV leads to no improvements in how households perceive the evolution of their finances. Recipient households might rapidly adjust their perceptions to their new financial situation and Spain is not a particularly small tight community, meaning negative spillovers and envy among non-recipients might apply. It could also be that in the Covid-19 crisis context, the government's hasty introduction of the IMV within less than two months after being announced signalled to Spanish households that the situation is worse than they initially thought, thus making households feel more pessimistic about the evolution of their finances.

As theory does not predict how the IMV would affect households' objective and subjective financial wellbeing, an empirical analysis is needed. Before turning to the analysis, I detail the identification strategy and data.

2.3. Identification Strategy

2.3.1. The Synthetic Control Method

For this study, I use the Synthetic Control Method (SCM), which is a data-driven approach that allows for the construction of a counterfactual for the treated unit in the absence of the intervention through a weighted combination of control units. The SCM is a supervised machine learning tool, whose algorithm is fed data, trained to find patterns and ultimately, is set to predict observations based on the found patterns. This method was first introduced by Abadie and Gardeazabal (2003) in a study of the economic impact of terrorism in the Spanish Basque Country region and was further developed by Abadie, Diamond and Hainmueller (2010) in an analysis of the effect of a tobacco control programme in California.

The SCM is very fitting to estimate the effect of the IMV given that the method aims at estimating the impacts of interventions implemented at the aggregate level affecting a small number of large units. The Difference-in-Difference approach is also used in evaluating policy effects at the national level and compares changes in outcome variables to the same change in another similar country assuming that, in the absence of the intervention, the outcomes of interest in the treated unit would have evolved as in the control country. This assumption might however not hold in my analysis as countries have likely experienced different financial wellbeing trends since the implementation of the IMV in June 2020, especially in the Covid-19 and cost-of-living crises context. Hence why I choose the SCM, which allows for differences in the evolution of the outcomes of interests across countries since the control does not depend on a single country. Moreover, using a combination of control units has the potential to reproduce the characteristics of a treated unit better than a single comparison unit.

With the SCM, I create a "Synthetic Spain without the IMV" made of different control countries selected for their similarity with Spain in terms of variables that predict objective and subjective wellbeing measures. I am then able to compare what would have happened to financial wellbeing in Spain in the absence of the IMV with the real changes in financial wellbeing in Spain with the IMV and attribute the effect to the policy intervention. The identifying assumption underlying the SCM is that the financial wellbeing of Spain without the IMV would have trended similarly to Synthetic Spain after June 2020. The only difference between real and Synthetic Spain must be the IMV.

I have chosen to treat Spain as a single unit and use other EU countries as control units, rather than exploiting pre-existing differences in regional income support levels and conducting a regional analysis. The primary reason for this approach is that examining one region in Spain as the treated unit against other regions would fail to capture the full effect of the IMV, as all regions are exposed to it. While it is possible to compare a region where the IMV led to a significant increase in income support to regions with already high levels of support where the IMV had less impact, this would reduce my pool of control units. Moreover, I would need to conduct a separate analysis for each region and outcome variable to assess the regional effects of the IMV, which would make the analysis overly complex and cumbersome. Additionally, my interest in this paper is to evaluate the policy's effect on Spain as a whole. Given that this is a national-level policy, understanding its overall impact

on the country is crucial from a policy perspective. Finally, I lack regional disaggregation for the subjective financial wellbeing variable used in this analysis, which limits the ability to conduct a region-specific study. In Chapter 3 of this thesis, I explore regional differences in existing support using a more appropriate method and dataset.

Formally, in my SCM model, there is a sample of $C + 1$ countries so that $c = 1, 2, \dots, C + 1$. The first country $c = 1$ is the treated unit (i.e. Spain) and $c = 2, \dots, C + 1$ is a collection of untreated units not affected by the intervention (i.e. the donor pool of countries). In my analysis, I consider 11 EU countries as my donor pool. I choose EU countries since they have similar socio-economic and cultural characteristics to Spain and since Eurostat provides standardised and comparable data for these nations. In subsection 2.3.3. below, I explain why I focus on 11 specific EU countries.

There is also a number T of time periods where I observe these units. The IMV introduction occurs at time T_0 (i.e. June 2020) and is in place for the full post-treatment period starting with T_0 + 1 where $1 < T_0 + 1 < T$. I perform a yearly analysis, where I study the period 2010-2022. I start the pre-intervention period in 2010 as this is the earliest date for which suitable data are available for all control countries and I end the study in 2022 since this is the latest date for which income data are available for all countries. I also conduct a more fine-grained monthly analysis, where I study the period December 2019 – December 2022 (see section 2.4. for more data information and subsection 2.5.1.5. for the rationale behind the monthly analysis).

There is no consensus in the literature as to a suitable number of pre-intervention periods, the only rule being that the longer the pre-intervention period, the more credible the model. While authors like Peri and Yasenov (2015), Adhikari and Alm (2016) and Tomasi (2022) use a relatively low number of pre-intervention periods (i.e. 4, 6 and 3 years, respectively), others such as Abadie, Diamond and Hainmueller (2010), Pang, Liu and Xu (2022) and Gilchrist *et al.* (2022) use larger periods (i.e. 19, 29 and 50 years, respectively). In my analyses, I have an 11-year and a 6-month pre-intervention period, which falls in line with the literature.

There are also several outcomes of interest Y_{ct} for each country, *c* and time, *t*. In my analyses, the major variables of interest are objective financial wellbeing measures (i.e. the poverty rate, the poverty gap and mean income) and a subjective wellbeing measure (i.e. households'

perceived change in their financial situation) (see section 2.4. for outcome definitions). Let the outcome of interest for country *c* at time *t* in the absence of the IMV be Y_{ct}^{0} and let Y_{1t}^{1} represent the outcome if the *c*-th country is exposed to the IMV so that Spain is represented as $c = 1$. I assume the intervention has no impact on the outcome before the IMV introduction such that $Y_{1t}^{1} = Y_{ct}^{0}$ for $t < T_0 + 1$.

The IMV's effect is described by δ_{ct} and captures the difference between the observed and counterfactual financial wellbeing outcomes, which implies that $\delta_{ct} = Y_{ct}^{1} - Y_{ct}^{0} = Y_{1t}^{Observed} - Y_{1t}^{Counterfactual}$. Of these two outcomes, only one is observed. With the synthetic control estimator, I can model the other counterfactual outcome of Spain without the IMV. The synthetic control method uses an optimally chosen linear combination of the control countries that did not implement the IMV as a synthetic control unit.

To construct this control unit, the SCM sets weights for the countries in the donor pool and predictor variables. Let $C \times 1$ be a vector of weights $W = (w_2, \dots, w_{C+1})'$ for each of the control countries. $w_2, \dots, w_{C+1}$ are non-negative $w_c \geq 0$ and sum to one $\sum_{c=2}^{C+1} w_c = 1$. Thus, there is no extrapolation, meaning no country is given negative weights. Let $K \times 1$ be a vector of weights $V = (v_1, \dots, v_k)$' for each of the k predictors X_{1c}, ..., X_{kc} of financial wellbeing (see section 2.4. for more information on predictors).

Country weights W are chosen so that the resulting Synthetic Spain best resembles real Spain's pre-intervention values of financial wellbeing predictors. Optimal country weights $W^* = (w_2^*, \dots, w_{C+1}^*)'$ minimise:

$$\|X_1 - X_0 W\| = \sum_{k=1}^{k} v_k \left(X_{k1} - \sum_{c=2}^{C+1} w_c X_{kc} \right)^2 \qquad (2.1.)$$

where v_k is a weight reflecting the importance given to the k_{th} predictor when measuring the discrepancy between predictors for real and Synthetic Spain and where X_{kc} is the value of the k_{th} predictor for country c.

As seen in Equation 2.1., the choice of country weights W depends on the choice of predictor weights V. Weights V are chosen to minimise the mean squared prediction error with respect

to Y_{1t}, i.e. so that the resulting Synthetic Spain best resembles Spain's pre-intervention financial wellbeing trends, which in turn informs the choice of country weights W:

$$\sum_{t=1}^{T_0}\left(Y_{1t}-\sum_{c=2}^{C+1} w_c^*(V)Y_{ct}\right)^2 \qquad (2.2.)$$

To assess whether the estimated synthetic control accurately fits the path of the actual outcome for the treated unit in the pre-treatment period, I look at the mean squared prediction error (MSPE) between actual and Synthetic Spain's financial wellbeing outcomes during the pre-treatment period. The MSPE should be small, especially when compared to the dispersion of the outcome variables, which I measure with the range. I also perform a visual inspection of the fit.

Subsequently, the difference between the real and synthetic unit, i.e. the average treatment effect on the treated unit (ATT) c = 1 (i.e. Spain) in period $t = T_0 + 1, \ldots, T$ can then be estimated as:

$$\delta_{ct} = Y_{1t}^1 - \sum_{c=2}^{C+1} w_c^* Y_{ct}^0 \qquad (2.3.)$$

where Y_{1t}^1 is financial wellbeing in Spain, Y_{ct}^0 is financial wellbeing in the countries in the control group and w_c^* is the optimally chosen weights for every country in the control group.

2.3.2. The Ridge Augmented Synthetic Control Method

Abadie, Diamond and Hainmueller (2010) show that the SCM estimator is unbiased under the assumption that an exact balance – i.e. an excellent fit on pre-treatment outcomes – can be achieved. Exact balancing can only happen if the treated unit is in the convex hull of the control units, i.e. if the treated unit's pre-treatment values of outcome and predictor variables are within the set of control units' values. However, this probability decreases as the number of pre-intervention periods grows (Ferman and Pinto, 2021). For exact balancing weights to exist, the number of control units N must therefore be exponentially larger than the number

of pre-intervention periods T_0. In most SCM settings this is not the case as usually N $\sim T_0$. My setting is no exception with N = 11 and T_0 = 11 & 6, thus leading to potential bias.

For this reason, I complement the SCM analysis with the Ridge Augmented Synthetic Control Method (RASCM), which is an extension of SCM recently developed by Ben-Michael, Feller and Rothstein (2021). This method combines synthetic control weights with a regression adjustment for improved accuracy. The RASCM augments the SCM by using an outcome model to estimate bias in the SCM estimate when the pre-treatment match is not excellent and then uses this to de-bias the estimate. Ben-Michael, Feller and Rothstein (2021) propose the use of a ridge-regularised linear regression model as the outcome model. This approach can improve the pre-treatment fit by allowing for negative weights on some control units. Negative weights extrapolate outside of the convex hull, ensuring a much closer balance but resting more heavily on the assumption that the expected value of the outcome is approximately linear in the control outcomes. To minimise the extrapolation from the convex hull, the RASCM directly penalises the distance from non-negative SCM weights.

Formally, the RASCM estimator is: $\hat{Y}_{1T}^{aug}(0) = \sum_{i=2}^{N} \hat{\gamma}_i^{aug} Y_{iT}$, where the weights $\hat{\gamma}^{aug}$ are a solution to:

$$\min_{\gamma} \frac{1}{2\lambda^{ridge}} \| \left(Y_{1T_0} - Y'_{iT_0}\gamma\right) \|_2^2 + \frac{1}{2} \| (\gamma - \hat{\gamma}^{scm}) \|_2^2 \qquad (2.4.)$$

$$\text{Subject to } \sum_{i=2}^{N} \gamma_i = 1$$

Where $\hat{\gamma}^{scm}$ are the SCM weights and λ^{ridge} is the hyperparameter which determines the amount of extrapolation (with the level of imbalance). Also, $\| \left(Y_{1T_0} - Y'_{iT_0}\gamma\right) \|_2^2 \equiv \left(Y_{1T_0} - Y'_{iT_0}\gamma\right)'\left(Y_{1T_0} - Y'_{iT_0}\gamma\right)$ and $\| (\gamma - \hat{\gamma}^{scm}) \|_2^2 \equiv (\gamma - \hat{\gamma}^{scm})'(\gamma - \hat{\gamma}^{scm})$ are the 2-norm on $\mathbb{R}^{T_0}$ and $\mathbb{R}^{N-1}$, respectively.

Following other studies using RASCM (e.g. Bouvet, Bower and Jones, 2022; Charotti, Palma and Santos, 2022; Esaka and Fujii, 2022; McGinty *et al.*, 2022; and Thom, 2022), I do not include covariates other than the pre-treatment outcome variable.

2.3.3. Construction of Synthetic Spain to Account for Covid-19 Impact

To respect the identifying assumption underlying the SCM, namely that the financial wellbeing of Spain without the IMV would have trended similarly to that of Synthetic Spain after June 2020, I need to carefully select countries in the donor pool.

The first threat to this identifying assumption comes from control units adopting similar interventions around the same time as the IMV introduction. Including any country in the donor pool that was treated in the period under investigation implies that the synthetic unit is not reproducing the potential outcome in the absence of treatment. If the synthetic control was made of these control units, the difference in post-treatment financial wellbeing between real and Synthetic Spain would be biased towards zero. Thus, my results would give a lower bound on the magnitude of the IMV effect.

Belgium, Finland, Italy, Latvia, Luxembourg and Portugal implemented policies comparable to the IMV, so I exclude these countries from the donor pool. I regard a measure implemented in another EU country as comparable to the IMV introduction if it either constitutes (1) an increase in the MIS amount or (2) an increase in coverage by making eligibility rules less restrictive and if (3) the changes are not a one-off measure and (4) they happened around the same time as the IMV (March 2020-March 2021) (See Table A.2.1. in the Appendix for a summary of the policy changes implemented by the six excluded countries).

Since I study the Covid-19 crisis period, I also need to account for the fact that certain countries implemented considerably less (or more) income support measures than Spain at this time. Hale *et al.* (2021) developed an "Economic Support Index", which measures countries' Covid-19-related income support and debt relief policies targeted at citizens.[6] I exclude countries that have an index consistently smaller (or larger) than Spain between March 2020 and March 2021 because were such countries to be part of Synthetic Spain, financial wellbeing would likely be smaller (larger) than it would have been in Spain in the

[6] These policies include direct cash payments to people who lose their jobs or cannot work (only including payments to firms if explicitly linked to payroll/salaries), freezing of financial obligations for households (e.g. stopping loan repayments, preventing services like water stopping or banning evictions), economic stimulus spending and Covid-19 related aid spending to other countries.

absence of the IMV. Excluded countries include Cyprus, Germany, Finland, Malta, Poland, Portugal, Slovenia and Sweden.

Another important threat to identification is the fact EU countries in the donor pool could have experienced the shock of Covid-19 very differently from Spain. If the donor countries that make up Synthetic Spain were less affected by Covid-19 and implemented less stringent lockdowns and regulations than in Spain, then post-intervention financial wellbeing would be greater than it would have been in Spain in the absence of the IMV and vice-versa if countries were more affected than Spain. Hale *et al.* (2021) also developed a "Stringency Index" measuring the strictness of lockdown policies by considering information on containment and closure policies[7] as well as public information campaigns. I exclude countries with a Stringency Index consistently below that for Spain between March 2020 and March 2021. Excluded countries include Bulgaria, Denmark, Estonia, Finland, Latvia, Luxembourg and Sweden.

Finally, the presence of spillovers, i.e. the IMV affecting control countries, is another factor threatening the validity of the SCM assumption since it would mean Synthetic Spain trends differently than Spain without the IMV, leading to an under or overestimation of the policy effect. The IMV could affect other countries' financial wellbeing through changes in Spain's purchasing power and demand for foreign products. However, the indirect effect of the IMV on other countries' financial wellbeing through imports/exports is likely to be very small. The IMV could also impact other EU countries' financial wellbeing by attracting EU residents in search of social benefits. Yet there is limited evidence of the existence of "welfare tourism" in the EU (Dustmann, Frattini and Halls, 2010; European Commission, ICF GHK and Milieu Ltd, 2013).

I end up with a donor pool of 11 EU countries to construct Synthetic Spain made of Austria, Croatia, Czechia, France, Greece, Hungary, Ireland, Lithuania, the Netherlands, Romania and Slovakia. This is in line with Abadie, Diamond and Hainmueller's (2015) recommendation of limiting the donor pool to countries similar to the one affected by the intervention to avoid the risk of overfitting and thus artificially matching the characteristics

[7] These policies include closings of schools and universities, closings of workplaces, cancelling of public events, setting limits on gatherings, closing of public transport, orders to confine in the house, restrictions on internal movement between cities/regions and restrictions on international travel.

of the treated unit by combining idiosyncratic variations in a large sample of unaffected units.

To further account for the impact of the Covid-19 shock in constructing the synthetic control, I consider 2020 as part of the pre-intervention period in the yearly analysis. This approach is important for accurately creating a Synthetic Spain that closely mirrors the actual conditions in Spain. However, this method may result in the loss of some short-term effects of the IMV from June to December 2020. To address this potential underestimation, I will complement the yearly analysis with monthly data that includes the June-December 2020 period as part of the post-intervention phase.

2.4. Data

I use national-level panel data from Eurostat for the period 2010 – 2022. The panel is unbalanced.

2.4.1. Outcome Variables

2.4.1.1. Objective Financial Wellbeing Measures

I investigate the *poverty rate,* i.e. the proportion of people who have a net income below 40% of the national after-tax and transfers median household income. This is a yearly variable that Eurostat constructs from its EU statistics on income and living conditions (EU-SILC) survey. I use a relative rather than absolute poverty measure this is the most common understanding of poverty in European policymaking and academia. I take the 40% rather than the 60% poverty threshold since the IMV amounts are closer to the 40% threshold (See Figure 2.2.), the government's goal is to "reduce extreme poverty" (Jefatura del Estado, 2020) and the literature has found bigger effects on this measure, as explained in section 2.2. While it would be ideal to study even lower poverty thresholds given the low amounts of the IMV, the 40% threshold is the lowest poverty measure provided by Eurostat.

I also include the *poverty gap*, i.e. the difference between the median equivalised disposable income of people below the 40% poverty threshold and the poverty threshold, expressed as a percentage of the poverty threshold. This is a yearly variable that Eurostat constructs from its EU-SILC survey. I focus on this measure since the literature has found bigger effects on

this measure and the IMV amounts are more likely to bring people closer to the 40% threshold rather than take them above that, as explained in section 2.2.

I also look at *mean disposable household income*, which is the sum of all the disposable income of all households divided by the number of households in the country. Disposable household income includes all income from work (employee wages and self-employment earnings), private income from investment and property, transfers between households and all social transfers received in cash, including old-age pensions. I look at mean disposable income on top of poverty measures since the latter are subject to changes in median income that can influence the interpretation of financial wellbeing. I could also look at poverty rates anchored at a fixed moment in time. Unfortunately, Eurostat only provides these measures for the 60% poverty threshold.

2.4.1.2. Subjective Financial Wellbeing Measure

I examine the *perceived change in households' financial situation*. This is a monthly variable from Eurostat's Consumer Survey, which asks respondents how the financial situation of their household has changed over the past 12 months. Respondents can either answer (1) got a lot better; (2) got a little better; (3) stayed the same; (4) got a little worse; (5) got a lot worse; or (6) don't know. The variable is a balance, i.e. the difference between the percentage of respondents giving positive and negative answers. A negative balance means more people are saying their financial situation deteriorated than people saying it improved and vice-versa.

Given the inherently dynamic nature of subjective perceptions, this measure is particularly well-suited for monthly analysis. As noted in the background subsection 2.2.1., households' perceived financial situation can respond quickly to policy signals, announcements and implementation. The retrospective nature of the question ("over the past 12 months") makes monthly measurement more appropriate for capturing the precise timing of perceptual changes. For the yearly analysis, I aggregate this monthly variable by taking the annual average.

There are two potential caveats with this measure. First, while the question asks about the evolution of the financial situation of the whole household, the response is given by one household member alone. Yet the opinion of one household member might differ from that of other members depending on (1) asymmetries in the allocation of resources within the

household or in the information about household finances that different members possess; (2) the personalities of different members, with women being on average more pessimists than men when it comes to their economic situation (Jacobsen, Lee and Marquering, 2008 for Europe and the USA); and (3) different amounts of pressure households members feel to answer in a way that conforms with societal demands to succeed or that would please the interviewer (Bertrand and Mullainathan, 2001; Bryman, 2016).

However, in my analysis, I assume that the answer given by the survey respondent reflects the perception of the entire household since the measure I study is not *cardinal,* asking respondents by how much the financial situation of the household has changed, but rather *ordinal,* merely asking whether their situation has changed. An ordinal measure leaves less room for interpretations of the evolution of household finances and thus is less likely that significant differences will emerge among household members. Moreover, Eurostat's Consumer Survey targets respondents to achieve a representative sample of the population in terms of sex, age, education, income and occupation so that when the measure is aggregated across the whole national population, different approaches to the question across the survey respondents can be expected to cancel out.

Second, perception measures could be subject to the difficulty of inter-household comparisons of mental states (Bertrand and Mullainathan, 2001): for the same increase in household income, one household might perceive it as a big improvement, while another might consider its situation has only improved a little.[8] However, the specific measure I study limits this concern as it adds all positive responses and subtracts them from all negative ones. Moreover, numerous academics such as Winter *et al.* (1999), Di Tella and MacCulloch (2006) or Kahneman and Krueger (2006) have evidenced that self-reported subjective wellbeing is a stable concept that can be measured reliably across people.

2.4.2. Predictor Variables

I choose fourteen predictors based on what the literature has found to explain financial wellbeing in a country. Predictors are:

[8] A household could also consider a certain income increase an improvement while another household would regard the same increase as a worsening. However, such a situation seems highly unlikely.

(1) *pre-intervention values of the poverty rate* (Kaul *et al.*, 2021);

(2) *pre-intervention values of the poverty gap* (*ibid*)*;*

(3) *pre-intervention values of the mean disposable income* (*ibid*)*;*

(4) *pre-intervention values of the perceived change in households' financial situation* (*ibid*)*;*

(5) *difficulty making ends meet,* i.e. percentage of households reporting having great difficulty making ends meet (Salignac *et al.*, 2020);

(6) *Gross Domestic Product per capita*, i.e. the ratio of the value of total final output of goods and services produced by an economy to the average population in a given year (Blank *et al.*, 1993);

(7) *Gini coefficient* measuring the dispersion of income within a country and thus inequality (Hoynes, Page and Stevens, 2005);

(8) *low educational attainment,* i.e. the population share with less than primary or just primary and low secondary education (ISCED 0-2) (Andriopoulou and Tsakloglou, 2011);

(9) *high educational attainment*, i.e. population share with tertiary education (ISCED 5-8) (*ibid*);

(10) *social protection spending*, i.e. total government general expenditure on sickness and disability, old age, survivors, family and children, unemployment, housing, social exclusion and social protection related research and innovation, as a share of GDP (Danziger and Gottschalk, 1995)*;*

(11) *health spending*, i.e. total government general expenditure on medical products, appliances and equipment, outpatient services, hospital services, public health services and health-related research and innovation, as a share of GDP (*ibid*);

(12) *single-parent households,* i.e. the share of households with one adult and dependent children (Hoynes, Page and Stevens, 2005);

(13) *childcare use*, measured by the percentage of children aged between 3 years old and the minimum compulsory school age, who spend 30 hours or more per week in formal childcare (Grigoli, Koczan and Topalova, 2018); and

(14) *unemployment rate*, i.e. the share of people aged 15 to 74 who are not employed, currently available for work and actively seeking work as a percentage of the labour force (*ibid*).

In the monthly analysis, I only include the *pre-intervention values of the perceived change in households' financial situation* and the *unemployment rate* as the only predictors because of the limited availability of monthly data for countries in the donor pool.

2.5. Results[9]

2.5.1. Yearly Analysis

2.5.1.1. Composition of Synthetic Spain under the SCM

In the first step, the SCM algorithm assigns weights to each of the predictors that can range from 0 to 1 but must add up to 1, such that the variables that can most accurately predict the trend in financial wellbeing of Spain before the treatment receive the highest weights. Table 2.1. displays the weights assigned to the predictor variables used to construct Synthetic Spain for each of the models. Each of the four models corresponds to a different outcome variable.

Looking at the poverty rate, the most important predictors are the pre-treatment average of the poverty rate and the Gini coefficient, which together account for 72.2% of all weights. Looking at the poverty gap, the pre-treatment averages of the poverty gap and poverty rate as well as mean household income and the population share reporting having great difficulty making ends meet are most important, accounting for 85% of weights. In terms of mean household income, most weight is given to the pre-treatment mean income, to the population share with high educational attainment and to health spending, accounting for 57.4% of all weights. In the perceived change in financial situation model, it is the pre-treatment average of the perceived change in households' financial situation, the poverty gap and the

[9] All analyses are performed using the *synth* and *augsynth* packages in R.

population share reporting having great difficulty making ends meet, which are the most important predictors, accounting for 64.5% of weights.

Table 2.1. – Weights (in Percentages) Assigned to Predictor Variables Used to Construct Synthetic Spain

	Model 1 – Poverty rate	Model 2 – Poverty gap	Model 3 – Mean income	Model 4 – Perceived change in financial situation
Poverty rate	50.5	11.8	0	0.4
Poverty gap	5.1	22.7	0	19.3
Mean income	0	13.7	21.2	0
Perceived change in financial situation	11.3	0	4.6	29.7
Difficulty making ends meets	2.1	36.8	3.1	15.5
GDP per capita	0.9	6.8	8.7	0.1
Gini coefficient	21.7	0.9	3.7	0
Social protection spending	0.5	0	0.1	0
Health spending	0	0.5	17.7	0
Low education attainment ISCED 0-2	4.3	0	1.5	5
High education attainment ISCED 5-8	0	2.8	18.5	13
Single-parent household	0.2	3.9	3.9	0.1
Childcare use	2.5	0.1	9	4.4
Unemployment rate	0.7	0	8	12.5
MSPE	0.01	1.43	366	7.75
Range (max-min)	12.8	50.5	30,522	89.26

Notes: Although some predictors are presented as having zero weight, the real value is not exactly zero but close to zero (e.g. 10^{-5}).

Next, the algorithm finds Synthetic Spain as a linear combination of countries in the donor pool, such that Synthetic Spain matches the values of the predictor variables with the highest predictive power for real Spain as closely as possible and the Mean Squared Prediction Error (MSPE) of the outcome variables before the intervention is minimised. Even if the algorithm assigns weights close to zero to some countries, including a broader control pool ensures that the selected countries are truly the best fit and not just coincidental matches. Table 2.2. displays the weights assigned to control countries for each model. Greece, Romania, France, Ireland, Lithuania and the Netherlands, play an important role in the construction of Synthetic Spain.

Table 2.2. – Weights (in Percentages) Assigned to Countries Used to Construct Synthetic Spain

	Model 1 – Poverty rate	Model 2 – Poverty gap	Model 3 – Mean income	Model 4 – Perceived change in financial situation
Austria	0	17.5	0	0
Croatia	0	0	0	0
Czechia	0	0	0	0
France	18.9	0	27.4	0.1
Greece	19.8	7.2	42.9	24.2
Hungary	0	0	0	2.3
Ireland	0	5.4	14.3	0
Lithuania	0	11.4	12.2	1
Netherlands	0.2	15.3	3	0
Romania	61.1	43.2	0	0
Slovakia	0	0	0	72.4

Notes: Although some predictors are presented as having zero weight, the real value is not exactly zero but close to zero (e.g. 10^{-5}). These countries receive such small weights because their similarity in predictors to Spain is smaller than for countries with larger weights.

Table 2.3. presents the pre-treatment sample means of predictors for Spain, Synthetic Spain and the countries in the control group. The differences in the averages between Spain and Synthetic Spain are mostly minor for all predictors and all models. Notable exceptions include the population share with low education attainment (in all models) and high attainment (Models 1, 2 and 4), the population share having difficulties making ends meet (Models 1 and 3), the unemployment rate (Models 1 and 2), childcare use (Models 1 and 2), the poverty rate (Model 3 and 4), mean income (Models 1 and 4), GDP per capita (Model 1 and 4), the perceived change in financial situation (Models 2 and 3), the poverty gap (Model 3) and the Gini coefficient (Model 4).

However, where these variables are different from the average value in Spain, the predictors have weights under 5% in their corresponding models, except for the population share with high educational attainment in Model 4 with a weight under 15%. Thus, these different predictors do not considerably impact the construction of the synthetic control.

The similarity in most predictors' means before the intervention points to a good pre-treatment fit between Spain and Synthetic Spain across the different models. Moreover, as shown in Table 2.1., the MSPE of all models is low when compared to the ranges of the outcome variables. The good fit of financial wellbeing measures before the IMV was introduced is also corroborated by a visual inspection of Figure 2.3. below.

Table 2.3. – Descriptive Statistics (Means) for Predictor Variables Before the Intervention

	Spain	Synthetic Spain Model 1	Synthetic Spain Model 2	Synthetic Spain Model 3	Synthetic Spain Model 4	Average of 11 Control Countries
Poverty rate	10.04	10.05	8.42	6.16	6.18	5.74
Poverty gap	34.21	32.62	33.77	26.58	34.66	28.62
Mean income	16,569	8,817	13,376	16,705	7,814	14,336
Perceived change in financial situation	-19.33	-21.01	-12.68	-28.14	-24.03	-15.09
Difficulty making ends meets	13.32	19.48	13.34	20.41	17.28	12.90
GDP per capita	25,574	20,298	26,211	27,797	20,327	26,890
Gini coefficient	33.79	33.41	31.93	31.76	26.83	29.36
Social protection spending	17.91	16.04	14.96	19.26	16.19	16.02
Health spending	6.30	5.35	5.78	6.23	6.44	6.44
Low education attainment ISCED 0-2	42.56	27.82	24.53	25.24	18.98	21.44
High education attainment ISCED 5-8	32.86	20.26	23.87	30.94	20.61	25.90
Single-parent household	3.18	2.80	3.30	4.00	2.15	3.76
Childcare use	43.36	25.03	24.12	45.03	50.55	43.37
Unemployment rate	19.91	9.712	7.37	14.49	14.68	9.07

Notes: The table presents the predictor variable mean values for real Spain, the synthetic control unit and the average of 11 control countries between 2010 and 2020.
I consider 2020 a pre-intervention period because this allows me to account for the shock caused by the Covid-19 crisis in the synthetic control construction

2.5.1.2. SCM Results on the IMV Effect on Financial Wellbeing

Figure 2.3. displays the trends in financial wellbeing outcomes for Spain and Synthetic Spain (left-hand panel) as well as the difference in these outcomes between Spain and Synthetic Spain (right-hand panel). All financial wellbeing measures in Spain follow approximately the same trend: a deterioration or stagnation during the Great Recession years, followed by a recovery until the Covid-19 pandemic hit. Financial wellbeing worsened in 2020 to then rebound in 2021. In this analysis, I am interested in investigating whether financial wellbeing improved thanks to the IMV, i.e. whether financial wellbeing is higher in real Spain than in Synthetic Spain in the absence of the minimum income support.

Between 2010 and 2014, the poverty rate increased steadily, peaking at 11.2% of the population in 2014. Since then, the poverty rate declined until 2019, reaching 9.5%. In 2020, this rate increased again as could be expected in the context of the Covid-19 pandemic, when people either lost their jobs or saw their incomes decrease. However, by 2022, the poverty rate in Spain decreased again, standing at 8.3%. Between 2021 and 2022, following the implementation of the IMV, the average poverty rate in Spain was 8.6%, compared to 8.8% in Synthetic Spain during the same period. This suggests that the IMV may have reduced the

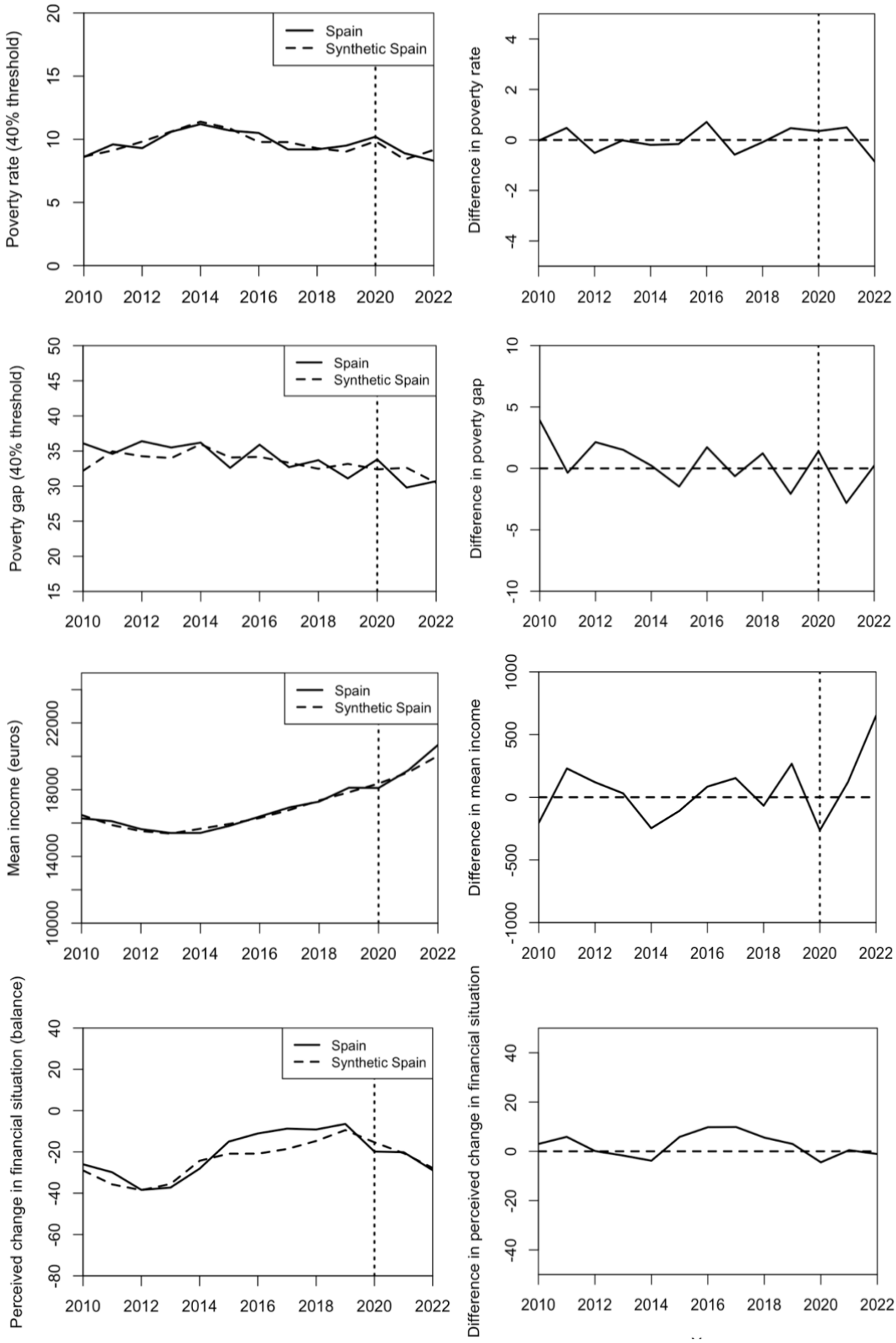
poverty rate by 0.2 percentage points. In subsection 2.5.1.3. below, I test whether the results are statistically significant.

The poverty gap follows a more erratic path, continuously increasing and decreasing between 2010 and 2020. Nonetheless, the overall trend shows an increase in the gap from 2010, peaking at 36.2% in 2014, followed by a decrease, reaching 31.1% in 2019. Similar to the poverty rate results, the poverty gap increased during the Covid-19 crisis and then decreased again, standing at 30.7% in 2022. The poverty gap in Spain was 30.25% on average between 2021 and 2022 while in Synthetic Spain it was 31.55%, indicating that the IMV reduced the poverty gap in Spain by 1.3 percentage points.

The mean household income in Spain decreased between 2010 and 2013, as can be expected during the Great Recession years. The Spanish mean income reached a minimum of 15,405 euros in 2013 to then recover and keep increasing until 2019. Mean income decreased slightly in 2020 to then pick up again at 20,679 euros in 2022. While the mean household income in real Spain was 19,919.5 euros between 2021 and 2022, in Synthetic Spain it was 19,533.5 euros. It would seem that the IMV increased mean income in Spain by 386 euros.

Finally, the perceived change in the financial situation of households follows a similar pattern. The difference between those households saying their financial situation improved over the past 12 months and those saying it deteriorated, decreased during the crisis years to reach a minimum balance of -37.30 in 2013. The balance then picked up to reach -6.45 in 2019. Likely because of the Covid-19 pandemic, Spanish households became more pessimistic about the evolution of their finances with an increasing proportion of respondents saying their situation worsened compared to those saying it improved. By 2021, the financial situation change balance stood at -20.13. In 2022, the balance deteriorated further to -28.90, coinciding with the start of the cost-of-living crisis. The balance for Synthetic Spain in the same years was -20.60 and -27.80 respectively, indicating that the IMV could have decreased the balance by 0.3 points on average between 2021 and 2022.

Figure 2.3. – Evolution of Financial Wellbeing Outcomes & Differences in Outcomes between Spain and Synthetic Spain



In sum, it appears that while the Covid-19 crisis in 2020 reduced both objective and subjective financial wellbeing, by 2021, objective financial wellbeing indicators had recovered to pre-crisis levels. On the contrary, subjective financial wellbeing took longer to recover and was still deteriorating in 2021 and 2022. The more persistent deterioration in the perceived financial situation might be influenced by the uncertainty caused by the pandemic and the cost-of-living crisis, which could have contributed to a sense of stress and lack of control over finances. The results seem to lend support for the literature positing that objective and subjective financial wellbeing measures move in different directions.

In terms of the effect of the IMV, it seems that the IMV decreased the poverty rate and gap as well as increased mean household income. It also seems to have made households feel slightly more pessimistic about the evolution of their finances. I now turn to establish whether these results are statistically significant or have been achieved by chance.

2.5.1.3. Statistical Significance of SCM Results

The standard way to assess the significance of effects in a SCM is by calculating pseudo *P*-values obtained through permutation-based placebo experiments. These placebo experiments iteratively estimate the placebo treatment effect for each unit in the donor pool by falsely assuming that these units introduced the IMV. If the difference in financial wellbeing between the synthetic unit and actual Spain is large compared to the placebos, this could be suggestive of a significant policy effect. Although pseudo *P*-values should be treated as suggestive of an effect rather than as a traditional null hypothesis-based inference, Firpo and Possebom (2018) found that this method performs well compared to other test-statistics in terms of size, power and robustness.

To obtain the pseudo-P-values, I repeat the analysis for the 11 countries that did not implement the IMV. I then calculate the post/pre mean squared prediction error (MSPE) ratio, that is the ratio of the root MSPE after and before 2020. The ratio gives the difference between the financial wellbeing of a unit and its synthetic control before and after treatment. A higher ratio means a small pre-treatment prediction error (a "good" synthetic control) and a high post-treatment MSPE (a large difference between the unit and its synthetic control after the intervention). The ratios are presented in Figure A.2.1. in the Appendix.

The pseudo *P*-values is given by the fraction of the estimated post/pre MSPE ratios that are as large as the one estimated for Spain. The pseudo *P*-values are 3/11, 7/11, 4/6 and 11/11

for Models 1, 2, 3 and 4, respectively. Thus, the probability of obtaining an estimated effect on financial wellbeing at least as great as Spain was 27%, 64%, 67% and 100% in Models 1, 2, 3 and 4, respectively if the intervention was reassigned at random to the other countries. Adhikari (2022) notes that if the placebo experiments create placebo treatment effects of magnitude greater than the one estimated for the treated unit in more than 10% of the placebo experiments (i.e. if the corresponding pseudo-P-value is greater than 0.1), then one can conclude that there is no evidence of an effect of the policy in the treated unit. Thus, with the SCM, I cannot conclude any statistically significant effect of the IMV on either objective or subjective financial wellbeing measures in Spain.

2.5.1.4. RASCM Results on the IMV Effect on Financial Wellbeing

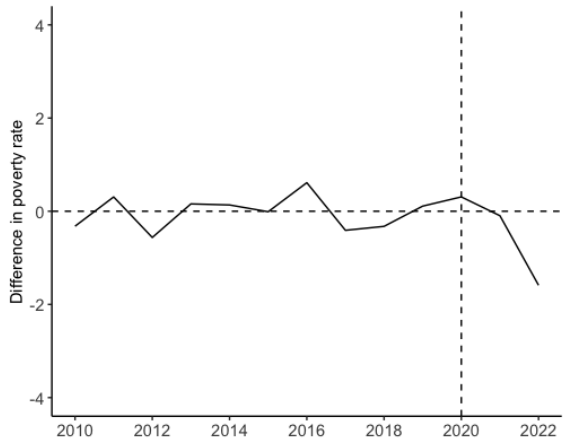
As explained in subsection 2.3.2, the validity of the SCM results depends on the assumption that an excellent pre-treatment fit can be achieved. Otherwise, results might be biased. However, a visual inspection of Figure 2.3. determines that there are some gaps in the pre-treatment fit of outcome variables between Spain and Synthetic Spain, especially for Model 2 on the poverty gap and Model 4 on the perceived change in households' financial situation. Thus, I conduct the same analysis using the RASCM with no covariates.

Figure 2.4. shows how the pre-treatment fit has improved considerably in all models with the RASCM compared to the SCM (Figure 2.3.). The direction of the estimates is mostly consistent with the results obtained with the SCM, i.e. the IMV decreased the poverty rate and gap as well as increased mean income. However, with this new method, it now appears that the IMV improved how households perceive the evolution of their finances.

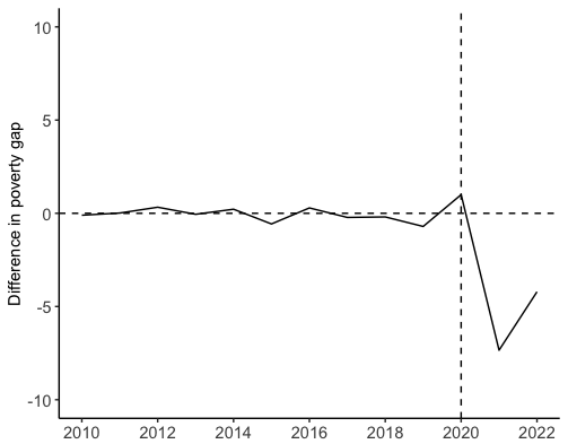
Moreover, the magnitude of the effects found is now greater. Table 2.4. shows the average differences in financial wellbeing outcomes between Spain and Synthetic Spain after the IMV introduction, i.e. the estimated average treatment effects of the IMV. The Spanish poverty rate seems to be on average 0.84 percentage points lower between 2021 and 2022 than it would have been without the IMV. Similarly, the poverty gap seems to have decreased by 5.78 percentage points on average. The mean income is also 433 euros higher than it would have been with no IMV. Finally, the balance of the perceived change in the financial situation has increased by 9.82 points on average between 2021 and 2022.

Figure 2.4. - Evolution of Differences in Financial Wellbeing Outcomes between Spain and Synthetic Spain

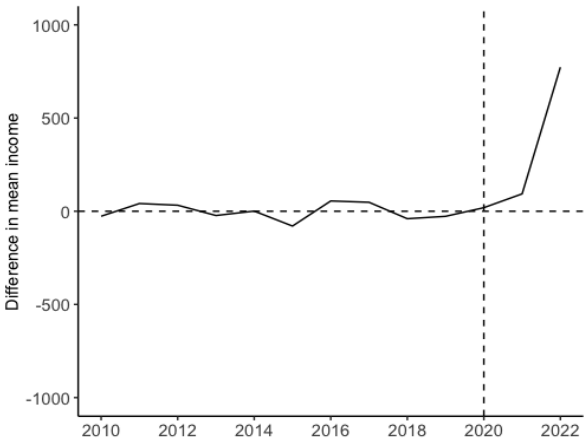
Model 1 – Poverty rate



Model 2 – Poverty gap



Model 3 – Mean income



Model 4 – Perceived change in financial situation

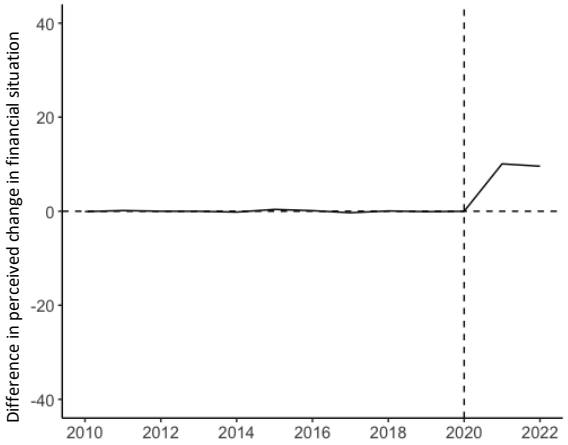


Table 2.4. – Estimated ATT for Post-intervention Years & Corresponding P-values

	RASCM Estimate	P-Value
Model 1 – Poverty rate	-0.84	0.36
Model 2 – Poverty gap	-5.78	0.14
Model 3 – Mean income	433	0.27
Model 4 – Perceived change in financial situation	9.82	0.16

The RASCM allows for a more robust measurement of statistical significance by using a conformal inference approach developed by Chernozhukov, Wuthrich and Zhu (2021) to construct confidence intervals for the estimated treatment effect. Table 2.4. shows the

corresponding P-values of the RASCM estimates. None of these effects are statistically significant at conventional levels. The yearly analysis shows that, between 2021 and 2022, the IMV had no statistically significant effect on either objective or subjective financial wellbeing.

Table 2.5. presents the weights given to the donor countries used to construct Synthetic Spain with the RASCM.

Table 2.5. – Weights Assigned to Countries Used to Construct Synthetic Spain Using the RASCM

	Model 1 – Poverty rate	Model 2 – Poverty gap	Model 3 – Mean income	Model 4 – Perceived change in financial situation
Austria	0.01	0.01	-0.04	-1.17
Croatia	-0.01	0.26	-0.01	0.94
Czechia	0.00	-0.33	0.28	1.43
France	0.28	0.56	-0.04	-0.37
Greece	0.00	0.15	0.08	-0.15
Hungary	-0.01	0.07	0.30	-0.54
Ireland	-0.02	-0.01	0.05	-1.26
Lithuania	0.06	0.28	-0.59	-0.21
Netherlands	0.44	0.02	0.37	0.37
Romania	0.11	-0.03	0.46	0.55
Slovakia	0.01	0.01	0.13	1.40

2.5.1.5. Robustness Checks

I perform two types of tests to check that the SCM and RASCM analyses have been able to correctly reproduce the financial wellbeing trends in Spain in the absence of the IMV.

The ability of Synthetic Spain to correctly reproduce financial wellbeing in real Spain without the IMV depends on the choice of units in the donor pool and the choice of predictors of the outcome variables. If removing a donor country or predictor leads to a good pre-treatment fit but to different results post-intervention, my results could be driven by a post-intervention shock to a donor country or a predictor variable so that, in the absence of the IMV, Spain would not have trended as Synthetic Spain (Abadie, 2021; McClelland and Mucciolo, 2022). This is a nonnegligible possibility in my analysis since I study the Covid-19 crisis period.

To test for the assumption that results are not driven by the choice of control countries or predictors, I conduct "leave-one-out" tests. The tests consist in taking out from the sample each of the control countries and predictors one at a time (Gilchrist *et al.*, 2022). The "leave-one-out" test for predictors has no impact on the direction and (in)significance of the effects found.

In the "leave-one-out" test for countries for the SCM, the exclusion of Romania in the poverty rate and gap analyses and of Slovakia in the perceived financial situation, do affect the direction and size of the estimates (see Figure A.2.2. in the Appendix). This is expected as these are the countries that are given large weights in my analysis. However, the pre-treatment fit when excluding these countries is worsened significantly implying the difference in estimates is not driven by a shock to the excluded countries, which would confound my results when including this country, but rather by the fact that Synthetic Spain cannot be accurately constructed without those countries. The "leave-one-out" test for countries for the RASCM has no impact on the direction and (in)significance of the effects found.

The validity of my SCM results also rests on the assumption that the only treatment effect found happened after the IMV intervention. If an effect is found before the intervention, this would call the model's predictive power into question, implying my post-intervention results could be biased. I thus need to check that there are no unusually large and statistically significant treatment effects before the treatment was implemented relative to the effect found after (Pang, Liu and Xu, 2022). I perform a time placebo test by reassigning the treatment status to each other year in the pre-intervention period. I also test for the statistical significance of these results. In the SCM, no placebo intervention yields any effect, except for a few results having effects larger than those found after 2020 and having a relatively good pre-treatment fit, but which turned out to be insignificant (see Figure A.2.3. in the Appendix). In the RASCM, no placebo intervention yields any statistically significance effects.

From the SCM and RASCM yearly analyses, I conclude that the IMV had no statistically significant effect on households' real nor perceived financial situation.

It is worth noting that the yearly analysis presented above suffers from two main limitations for studying financial wellbeing. First, using the whole of 2020 as a pre-intervention period

may underestimate shorter-term effects between June-December 2020. Second, the yearly analysis might be poorly suited for capturing the dynamic nature of subjective perceptions. Subjective financial wellbeing can respond rapidly to policy announcements, implementation and evolving economic conditions – variations that yearly averages may obscure.

In the next section, I perform the same analysis but using monthly data. Monthly analysis addresses both limitations by: (1) including June-December 2020 in the post-intervention period, which allows me to analyse the effect of the IMV during its first few months of implementation whilst accounting for the Covid-19 shock (2) better respecting the dynamic nature of subjective measures and (3) providing superior statistical power through more post-intervention observations (31 vs. 2).

Since monthly income data from surveys are not available, I can only conduct this monthly analysis for the subjective financial wellbeing measure.

2.5.2. Monthly Analysis

2.5.2.1. Composition of Synthetic Spain under the SCM

Table 2.6. presents the pre-intervention sample means of predictor variables for Spain, Synthetic Spain and the 11 countries in the control group. The similarity of both predictors means before the intervention shows a good pre-treatment fit between Spain and Synthetic Spain. Moreover, as can be seen in Table 2.7., the MSPE is low when compared to the range of the outcome variable showing that the fit of the perceived change in households' financial situation before June 2020 is good. This is also corroborated by a visual inspection of the pre-treatment fit in Figure 2.5. below.

Table 2.6. – Descriptive Statistics (Means) for Predictor Variables Used to Construct Synthetic Spain

	Spain	Synthetic Spain	Average of 11 Control Countries
Perceived change in financial situation	-11.42	-11.42	-3.07
Unemployment rate	14.42	14.42	6.49

Notes: The table presents the predictor variable mean values for real Spain, the synthetic control unit and the average of 11 control countries between December 2019 and May 2020.

Surprisingly, Table 2.7. reveals that the unemployment rate is given almost all the weight in the construction of Synthetic Spain. However, the identical value of the pre-treatment perceived change in households' financial situation for Spain and Synthetic Spain shown in Table 2.6. implies that the constructed Synthetic Spain would be able to mimic well the perceived change in the financial situation of households after the IMV is introduced. In subsection 2.5.2.4., I prove that excluding the unemployment predictor does not affect results.

Table 2.7. – Weights (in Percentages) Assigned to Predictor Variables Used to Construct Synthetic Spain

	Perceived change in financial situation
Perceived change in financial situation	3
Unemployment rate	97
MSPE	11.5
Range (max-min)	70.6

The resulting Synthetic Spain is a weighted average of all countries with Greece and Hungary playing the greatest roles. Table 2.8. displays the weights assigned to each control country.

Table 2.8. – Weights (in Percentages) Assigned to Countries Used to Construct Synthetic Spain

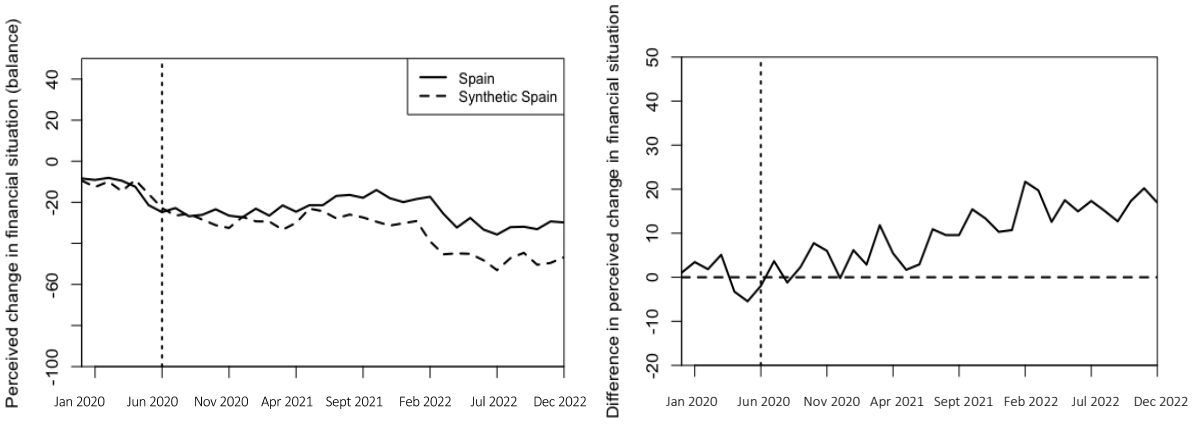
	Perceived change in financial situation
Austria	1.7
Croatia	2
Czechia	1.1
France	2.2
Greece	75
Hungary	8.8
Ireland	1.6
Lithuania	2.2
Netherlands	1.5
Romania	1.8
Slovakia	2

2.5.2.2. SCM Results on the IMV Effect on Financial Wellbeing

Figure 2.5. displays the trend in the perceived change in financial situation for Spain and Synthetic Spain. From March 2020, as the Covid-19 crisis triggered strict lockdowns, an increasing number of households became more pessimistic about the evolution of their

financial situation. The perceived change in financial situation balance reached -24.6 in June 2020. From then onwards, the situation seemed to stabilise and even improved, peaking at a balance of -14 in October 2021. This improvement in the subjective financial situation change of households is likely because of the governments and the EU's support packages to households, workers and businesses. Since then, the subjective evolution of households' financial wellbeing started to deteriorate again and the balance reached a new low of -35.7 in July 2022. This corresponds to the start of the cost-of-living crisis as supply disruptions given ongoing Covid restrictions in large exporting countries, increased global demand after the lifting of restrictions in most economies and, later from February 2022, the disruption to the supply of gas and agricultural commodities following Russian's invasion of Ukraine, meant prices rose for households, decreasing their purchasing power and sense of control over finances.

Figure 2.5. – Evolution of Subjective Financial Wellbeing & Differences in Outcomes between Spain and Synthetic Spain



In terms of how Spain with the IMV fared compared to Synthetic Spain without the IMV, the IMV seems to have softened the blow to households' perceived change in their financial situation during the Covid-19 and cost-of-living crises. The evolution of the financial situation of households in Spain with the IMV outperforms that of Synthetic Spain, especially from July 2021. This can be seen from the departing curves in the left-hand panel of Figure 2.5. In Table A.2.2. of the Appendix, I show the increasingly positive differences in the perceived change in finances between Spain and Synthetic Spain.

The subjective financial wellbeing measure presented here gathers information on how households perceive that their finances have changed *over the past 12 months*. As such, the large IMV effect observed from July 2021 reflects any perceived changes to household

finances having occurred between July 2020 and July 2021, which coincides with the introduction of the IMV in June 2020.

The average total IMV effect between the post-intervention period of June 2020 and December 2022 is an increase in the difference between respondents perceiving an improvement in their finances and those perceiving a deterioration of 10.1 points. The size of this policy effect over two and a half years is non-negligible since it corresponds to over a fifth of the improvement in the perceived change in financial situation balance that took place during the economic recovery of the financial and debt crises over a six-and-a-half-year period between November 2012 and June 2019.[10]

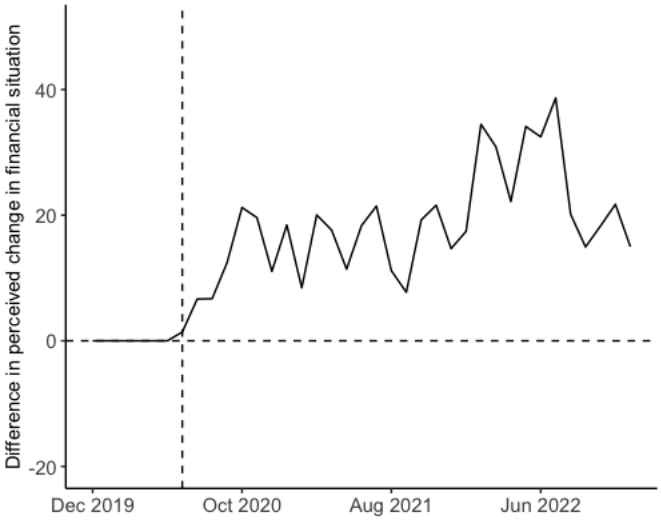
To assess the statistical significance of the results, I conduct placebo tests and calculate the post/pre MSPE ratios for each country in the control group to compare it to Spain's ratio. The ratios are displayed in Figure A.2.4. in the Appendix. The pseudo P-value is 1/10, meaning there is a 10% chance that the result is achieved at random. The result is statistically significant at conventional levels. I confirm the direction and significance of the results with the RASCM analysis in the next subsection.

2.5.2.3. RASCM Results on the IMV Effect on Financial Wellbeing

To test for the assumption that results are unbiased given an excellent pre-treatment fit, I conduct the same analysis using the RASCM with no covariates. The pre-treatment fit is improved considerably as seen from the zero difference in the pre-treatment perceived evolution of households' finances between Spain and Synthetic Spain shown in Figure 2.6. The RASCM confirms the direction of the IMV effect, although this effect is larger in magnitude compared to that found with the SCM. Between June 2020 and December 2022, the IMV increased the balance between those saying their financial situation improved and those saying it deteriorated by 18.4 points on average. The size of this policy effect over two and a half years corresponds to over a third of the improvement in the perceived change in financial situation balance that took place during the economic recovery of the financial and debt crises over the six-and-a-half-year period.

[10] The perceived change in financial situation balance reached a record low of -45.7 in November 2012. It took over six and a half years for household financial confidence to reach pre-crisis levels, when the balance peaked at -0.7 in June 2019. This corresponds to an improvement in the balance between those saying their financial situation improved and those saying it deteriorated of 45 points.

Figure 2.6. – Evolution of Differences in Perceived Changes in Financial Situation between Spain and Synthetic Spain



The RASCM also shows that this result is statistically significant at conventional levels. There is only a 4.2% chance that the result is found at random. Table 2.9. presents the weights given to the donor countries used to construct Synthetic Spain with the RASCM.

Table 2.9. – Weights Assigned to Countries Used to Construct Synthetic Spain Using the RASCM

	Perceived change in financial situation
Austria	0.10
Croatia	0.96
Czechia	0.76
France	-0.59
Greece	0.82
Hungary	-0.64
Ireland	0.46
Lithuania	0.30
Netherlands	-0.38
Romania	-0.75
Slovakia	-0.16

2.5.2.4. Robustness Checks

I perform the same tests as in subsection 2.5.1.5. to check the robustness of the treatment effects found by the SCM and RASCM. In the SCM, the exclusion of control units leads to estimates before and after the intervention that are close to those using all donor pool countries, except when Greece is excluded. The magnitude and direction of the IMV effect changes in this case (see Figure A.2.5. in the Appendix). However, the pre-treatment fit also

worsens considerably: there is a sixfold increase in the MSPE, which now reaches 50.7. This indicates that the change in results comes not so much from the fact that there are other interventions or large idiosyncratic shocks on the excluded untreated unit, but from the fact that Synthetic Spain cannot accurately track subjective financial wellbeing in real Spain without Greece. Greece and Spain have very similar pre-intervention values of the outcome variable (i.e. an average balance of -13.9 and -11.4, respectively) and of the predictor (i.e. an average unemployment rate of 17.5 and 14.4, respectively). Excluding the unemployment predictor does not impact results (see Figure A.2.6. in the Appendix).

The "leave-one-out" test for countries for the RASCM confirms the direction and statistical significance of the results found. It is worth noting that the magnitude of the effect varies between 11.2 and 20.7 when excluding certain countries and the p-value oscillates between 0.017 and 0.089 (see Table A.2.3. in the Appendix).

I perform a time placebo test to check for any changes in behaviour among Spanish people before the IMV was introduced. It could be that households adjusted their behaviour after the government announced the IMV in April 2020, meaning its effects could have started before its effective implementation in June 2020. I would thus be underestimating the impact of the IMV. I conduct the test by reassigning the treatment status to the months in the pre-intervention period. I also test for the statistical significance of these results. The placebo tests for the SCM show that the IMV effect on subjective financial wellbeing estimated from June 2020 is larger than the effect found for the months where the treatment was not implemented, which provides significant evidence of an effect of the IMV from June 2020 (Pang, Liu and Xu, 2022). Moreover, none of the placebo interventions produce statistically significant effects. Similarly, the time placebo tests for the RASCM do not result in statistically significant findings.

2.6. Discussion and Conclusions

In this paper, I used the case study of Spain and a Synthetic Control Method to examine how MISs affect households' financial wellbeing and whether this effect differs across objective material conditions and households' perceptions. The results reveal important differences across outcome types and temporal specifications. While the IMV showed no statistically significant effects on objective financial wellbeing (i.e. the poverty rate, the poverty gap and mean income) in the yearly analysis, the monthly analysis reveals that Spain's new MIS

helped households feel less pessimistic about their financial situation during the Covid-19 and cost-of-living crises. Between June 2020 and December 2022, the IMV increased the balance between those saying their financial situation improved and those saying it deteriorated by a magnitude of between 10.1 (SCM) and 18.4 points (RASCM).

Importantly, both yearly and monthly analyses show consistent directional effects for subjective financial wellbeing, with the monthly specification achieving statistical significance through superior temporal precision and increased statistical power rather than different underlying relationships.

Thus, Spain's new MIS has provided important psychological benefits during economic uncertainty, serving as a form of safety net that improved subjective financial wellbeing even when objective poverty impacts were not statistically detectable in the timeframe studied.

While the research approach does not allow me to determine the mechanisms behind the results obtained, I can offer a few conjectures. The absence of statistically significant effects of the IMV on objective financial wellbeing measures could be attributed to either methodological/data issues or policy design factors. Methodologically, it is possible that I was unable to demonstrate the statistical significance of the effect, which does not necessarily imply that there is no effect. Demonstrating that the IMV has a statistically significant impact on income-based measures might be particularly challenging when using EU-SILC data, as researchers have noted errors in reporting household income at the bottom of the distribution, namely over-reporting or confusion regarding income sources (Tormalehto, 2019).

The insignificant results on objective financial wellbeing can also be explained by deficiencies in the policy design. As mentioned in section 2.2., a combination of low levels of adequacy, low take-up and work disincentives might have prevented the IMV from having an impact on extreme poverty and income measures. In Chapter 3 of this thesis, I assess the work disincentives hypothesis since I study the labour supply effects of the IMV on beneficiaries themselves.

The issue of non-take-up appears to be particularly relevant, especially for explaining the insignificant results on the poverty gap and mean income. Estimates of non-take-up lie at 57% in Spain for the IMV (Marc *et al.*, 2022). The government (Ministerio de Inclusión, Seguridad Social y Migraciones, 2022b), AIReF (2022) and academics Ayala, Jurado and

Perez (2022) have identified several reasons for non-take-up, with potential beneficiaries (1) lacking information about the existence of the policy; (2) believing they would not qualify for it; (3) being put off by the complexity of the application process; or (4) not finding the application worth it given the amount they would receive, especially when they have other support means.

The high non-take-up of the IMV in 2021 might also be due to the slow processing of applications by the administration. As of December 2021, the administration had received 1.5 million submissions, most of them issued in the first three months. The limited administrative capacity meant that during the first few months, the average application processing time was 150 days. While the situation improved towards the end of 2021, the introduction of a new child benefit linked to the IMV, increased applications and processing times to an average of 200 days in August 2022 (AIReF, 2022, 2023).

The significant IMV effect on subjective financial wellbeing observed only in the monthly analysis likely reflects the superior methodological appropriateness of high-frequency data for capturing dynamic perceptual responses. While the yearly analysis averages outcomes over extended periods and treats 2020 as pre-intervention to account for the Covid-19 shock, this approach may obscure immediate, time-sensitive policy effects. The monthly analysis, which appropriately treats June–December 2020 as post-treatment, captures short-term policy impacts, achieves greater temporal precision and enhances statistical power, explaining why significant effects emerge only in this specification.

However, the significant subjective effects may also reflect a mismatch between households' actual financial status and their perceptions. This divergence could indicate an "anticipation effect", whereby households who have initiated IMV applications but await processing experience improved financial sentiment despite unchanged material conditions. This could fit in a context where there were bottlenecks in the administrative processing of IMV applications. More broadly, the mismatch could also reflect a "placebo effect" by which households perceive the IMV as a safety net they could access in case of need, thus providing a sense of financial security and reducing uncertainty in a context of economic crisis independent of actual benefit receipt.

Finally, the mismatch could also be due to positive "spillover effects". The government's introduction of the policy during the Covid-19 crisis could have signalled adverse economic

conditions to the population, which in turn made them feel like they were not doing as bad relative to others, namely the target population of the IMV. Individuals adapt the subjective assessment of their living conditions to their expectations about the current economic conditions and the financial situation of those around them. Such a finding would add new evidence to "adaptation theory" but also corroborate findings of the "signalling literature" on the importance of governments' announcement and introduction of policies compared to their actual implementation. It would also add to the "spillover theory", disproving previous findings that non-recipients become envious and consider that their financial situation has deteriorated given the perceived material gains of others, instead shining a light on a more empathetic view of social relations.

These findings carry significant implications for Spanish policymakers as they provide an overview of the achievements and limitations of this new national-level MIS, which has come to be seen as a turning point in the fight against poverty in the country. More generally, the results add empirical causal evidence to the debate on the effects of MISs on financial wellbeing and on the different design elements that make these policies successful.

An important methodological contribution of this research concerns the temporal dimension of policy evaluation. The differential performance of yearly versus monthly analyses demonstrates that policymakers and practitioners may miss crucial subjective benefits if they rely solely on annual evaluations. For policymakers seeking to understand immediate psychological benefits of income support, high-frequency evaluation of subjective indicators is essential. This insight is particularly valuable given that subjective financial wellbeing measures – like the one used in this paper – can be accessed within months, compared to the two-year lag typical of income survey data. This temporal advantage enables more responsive policy monitoring and adjustment.

2.7. Appendix

2.7.1. Construction of Synthetic Spain

Table A.2.1. – EU Countries with Policies Similar to the Spanish IMV

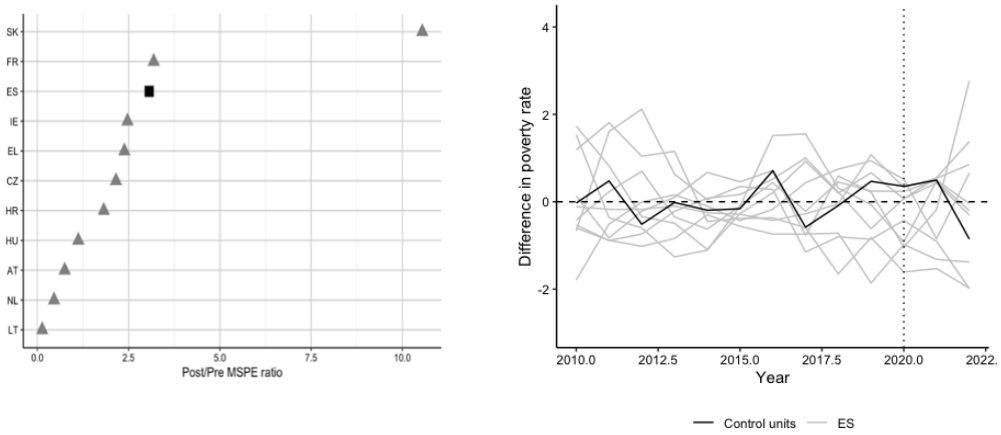
Country	Measure	Timing	Target Population
Belgium	Extra allowance to social assistance beneficiaries	Jul 2020 – Jun 2021	Beneficiaries of social assistance including the minimum income benefit
	Annual raise of social security and social assistance benefits in the direction of the at-risk-of-poverty threshold	Jan 2021 – Feb 2025	Beneficiaries of social security and assistance including the minimum income benefit
Finland	Top-up in social assistance benefits	Sept – Dec 2020	Beneficiaries of basic social assistance
Italy	Introduction of an emergency income (RdE) that can be received for a maximum of 5 months	May 2020 – Sept 2021	Poor households not covered by other ordinary or extraordinary benefits
Latvia	Increase in guaranteed minimum income	Jan – Dec 2021	Beneficiaries of guaranteed minimum income
Luxembourg	Doubling of the high-cost-of-living allowance	Jan – Dec 2020	Beneficiaries of high-cost- of-living allowance
Portugal	Change in reference period for the calculation of the social insertion income	Jul – Dec 2020	Recipients and potential recipients of social insertion income

Source: Own construction from Baptista et al. (2021), OECD (2020), ILO (2022) and MISSOC (2025)

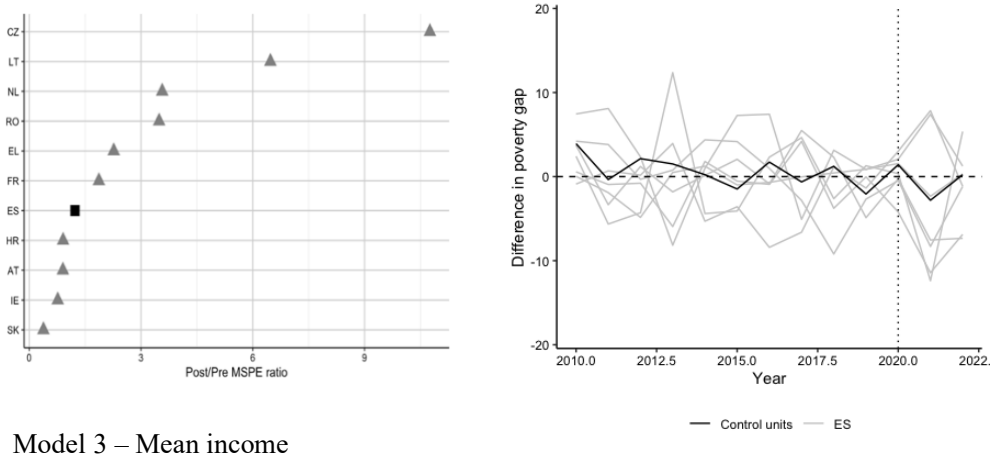
2.7.2. Statistical Significance of SCM Results in Yearly Analysis

Figure A.2.1. – Post/Pre-intervention Mean Squared Prediction Error for Spain and Control Countries & Spaghetti Plots

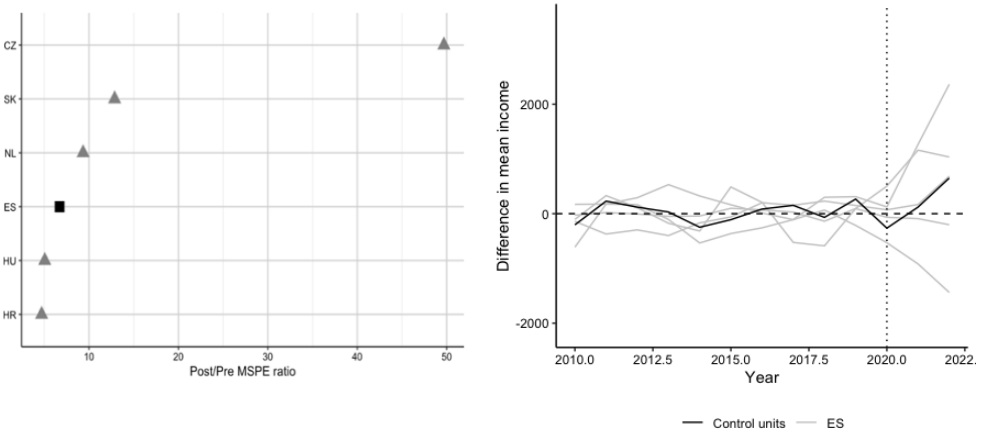
Model 1 – Poverty rate



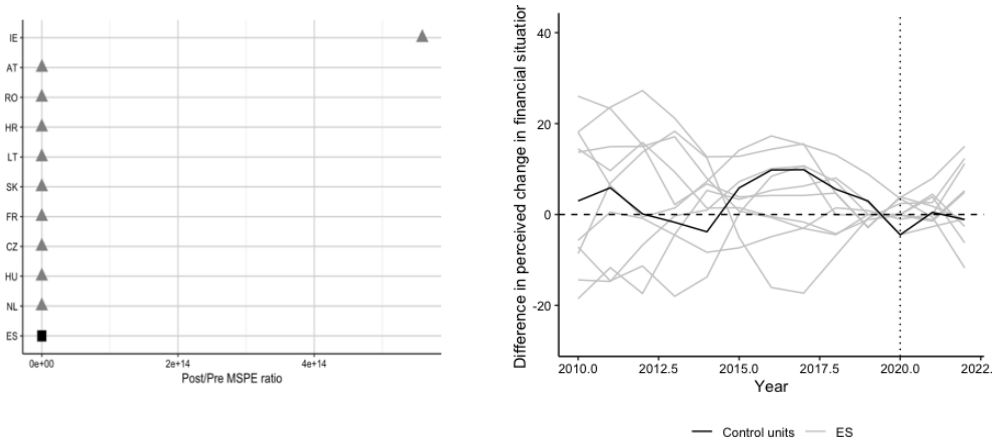
Model 2 – Poverty gap



Model 3 – Mean income



Model 4 – Perceived change in household financial situation



Notes: The left-hand panel represents the ratios for each of the countries in the donor pool and Spain in each of the four models. I exclude all placebo cases with a pre-period MSPE exceeding two times the treated unit's pre-period MSPE, i.e. all those countries with a "bad" synthetic control. The right-hand panel shows a "spaghetti plot" displaying the difference in financial wellbeing outcomes of each country in the donor pool and in Spain, which is represented by the bold line.

2.7.3. Robustness Checks for Yearly Analysis

Figure A.2.2. – Leave-one-out Tests with Estimate Changes for SCM

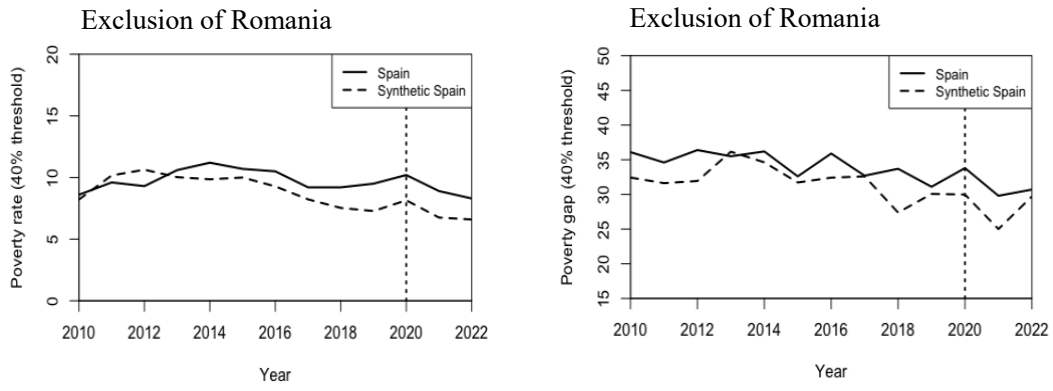
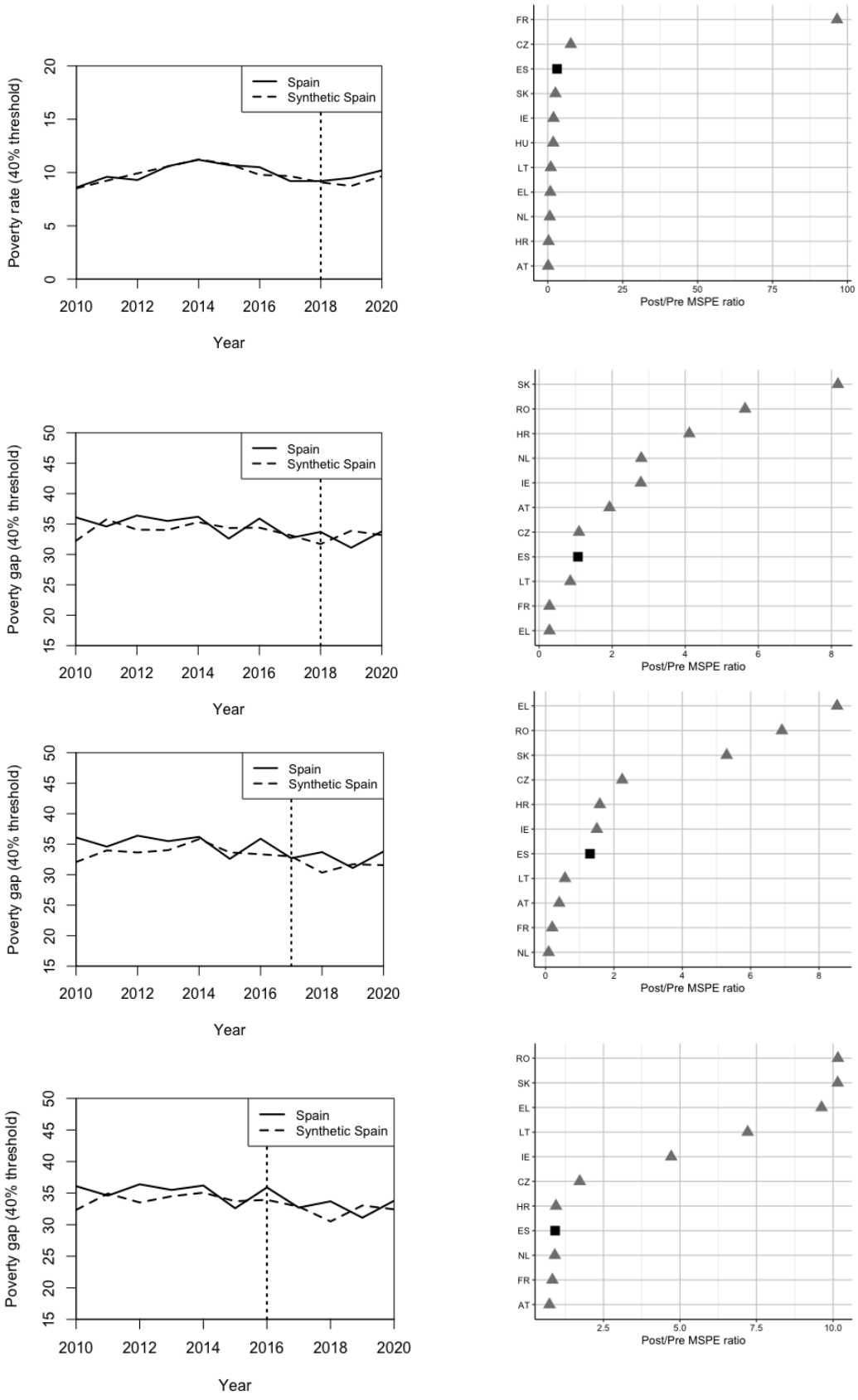
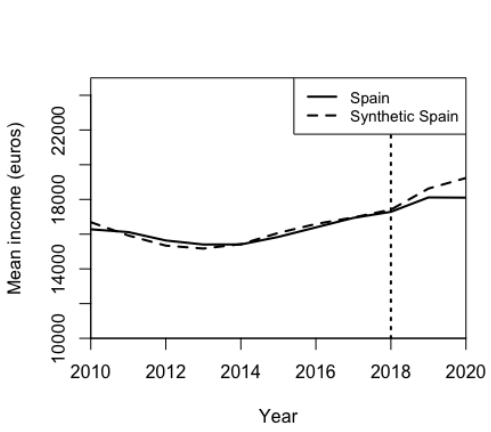
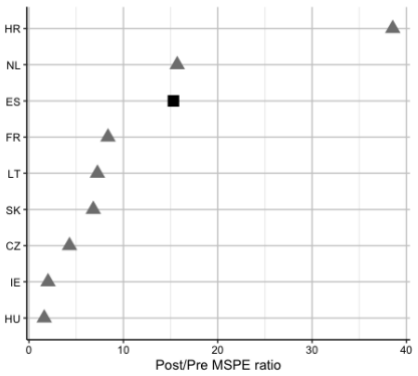
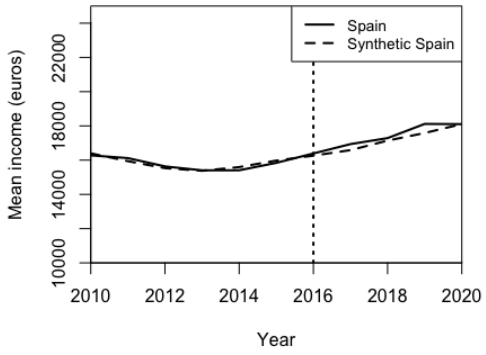


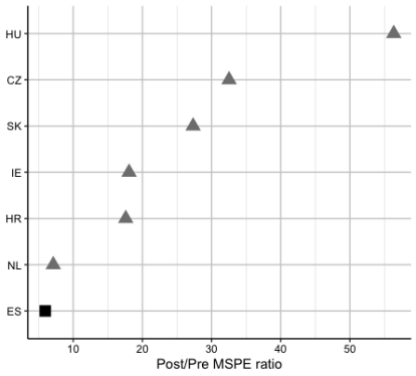
Figure A.2.3. – In-time Placebo Tests for SCM

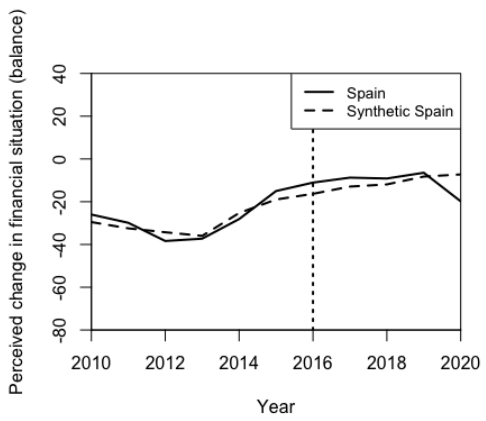


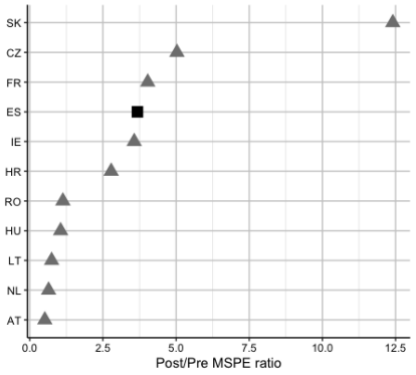

Spain
Synthetic Spain
Mean income (euros)
10000
14000
18000
22000
2010
2012
2014
2016
2018
2020
Year

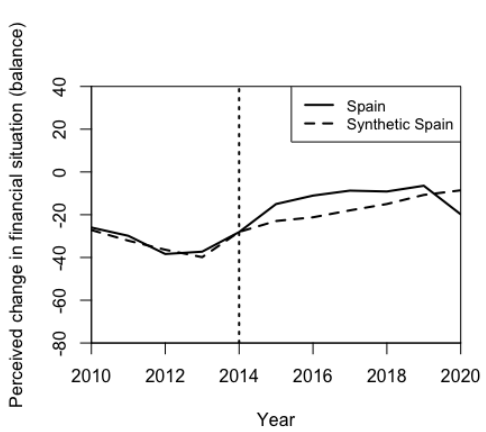

HR
NL
ES
FR
LT
SK
CZ
IE
HU
0
10
20
30
40
Post/Pre MSPE ratio

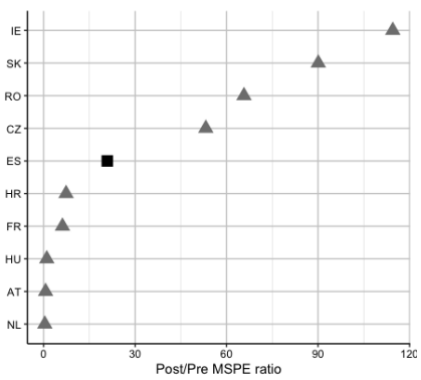

Spain
Synthetic Spain
Mean income (euros)
10000
14000
18000
22000
2010
2012
2014
2016
2018
2020
Year


HU
CZ
SK
IE
HR
NL
ES
10
20
30
40
50
Post/Pre MSPE ratio


Spain
Synthetic Spain
Perceived change in financial situation (balance)
-80
-60
-40
-20
0
20
40
2010
2012
2014
2016
2018
2020
Year


SK
CZ
FR
ES
IE
HR
RO
HU
LT
NL
AT
0.0
2.5
5.0
7.5
10.0
12.5
Post/Pre MSPE ratio


Spain
Synthetic Spain
Perceived change in financial situation (balance)
-80
-60
-40
-20
0
20
40
2010
2012
2014
2016
2018
2020
Year


IE
SK
RO
CZ
ES
HR
FR
HU
AT
NL
0
30
60
90
120
Post/Pre MSPE ratio

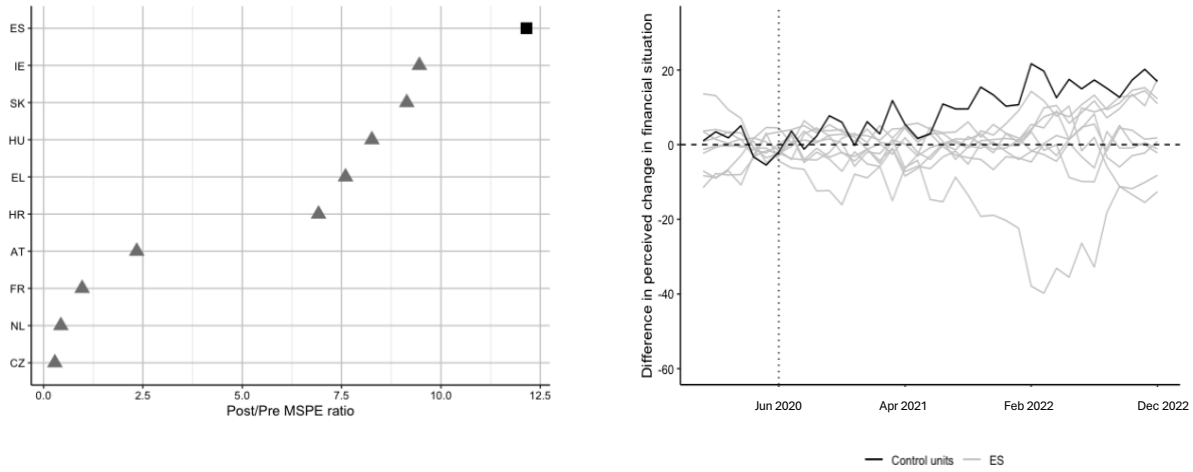
2.7.4. Monthly Analysis

Table A.2.2. – Differences in Subjective Financial Wellbeing Between Spain and Synthetic Spain

	Time period	Spain	Synthetic Spain	Difference
Pre-intervention period	2019-12	-8.4	-9.4	1.0
	2020-01	-9.1	-12.6	3.5
	2020-02	-8.1	-9.9	1.8
	2020-03	-9.5	-14.6	5.1
	2020-04	-12.4	-9.1	-3.3
	2020-05	-21.4	-15.9	-5.5
Post-intervention period	2020-06	-24.8	-22.8	-2.0
	2020-07	-22.8	-26.5	3.7
	2020-08	-26.8	-25.6	-1.2
	2020-09	-26.1	-28.4	2.3
	2020-10	-23.4	-31.1	7.7
	2020-11	-26.5	-32.5	6.0
	2020-12	-27.3	-27.1	-0.2
	2021-01	-23.1	-29.3	6.2
	2021-02	-26.5	-29.4	2.9
	2021-03	-21.5	-33.3	11.8
	2021-04	-24.6	-30.0	5.4
	2021-05	-21.4	-23.1	1.7
	2021-06	-21.4	-24.3	2.9
	2021-07	-16.9	-27.8	10.9
	2021-08	-16.4	-26.0	9.6
	2021-09	-17.8	-27.4	9.6
	2021-10	-14	-29.4	15.4
	2021-11	-18	-31.3	13.3
	2021-12	-19.9	-30.2	10.3
	2022-01	-18.4	-29.1	10.7
	2022-02	-17.3	-39.0	21.7
	2022-03	-25.6	-45.3	19.7
	2022-04	-32.3	-44.9	12.6
	2022-05	-27.6	-45.1	17.5
	2022-06	-33.3	-48.3	15.0
	2022-07	-35.7	-53.0	17.3
	2022-08	-32.1	-47.2	15.1
	2022-09	-31.9	-44.6	12.7
	2022-10	-33.1	-50.4	17.3
	2022-11	-29.3	-49.5	20.2
	2022-12	-29.8	-46.7	16.9

2.7.5. Statistical Significance of SCM Results in Monthly Analysis

Figure A.2.4. – Post/Pre-intervention Mean Squared Prediction Error for Spain and Control Countries



Notes: The left-hand panel shows the ratio excluding all placebo cases with a pre-period MSPE exceeding two times the treated unit's pre-period MSPE. The right-hand panel shows a "spaghetti plot" displaying the difference in the perceived change in households' financial situation for each country in the donor pool.

2.7.6. Robustness Checks for Monthly Analysis

Figure A.2.5. – Evolution of Subjective Financial Wellbeing for Spain and Synthetic Spain After Excluding Greece from Donor Pool

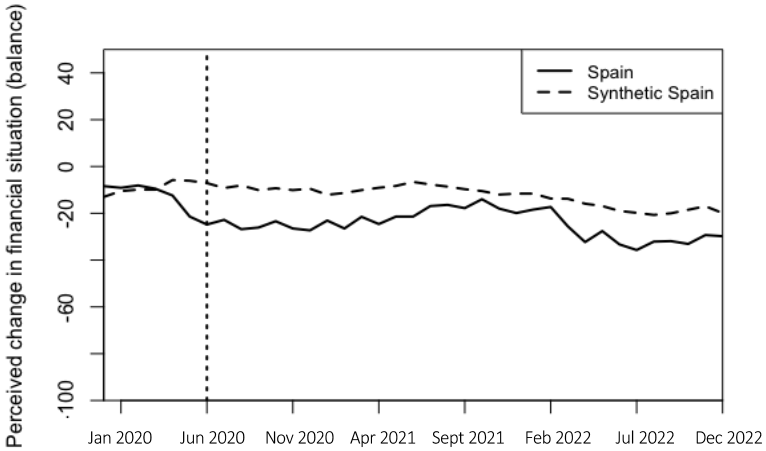


Figure A.2.6. – Evolution of Subjective Financial Wellbeing for Spain and Synthetic Spain After Excluding Unemployment as a Predictor

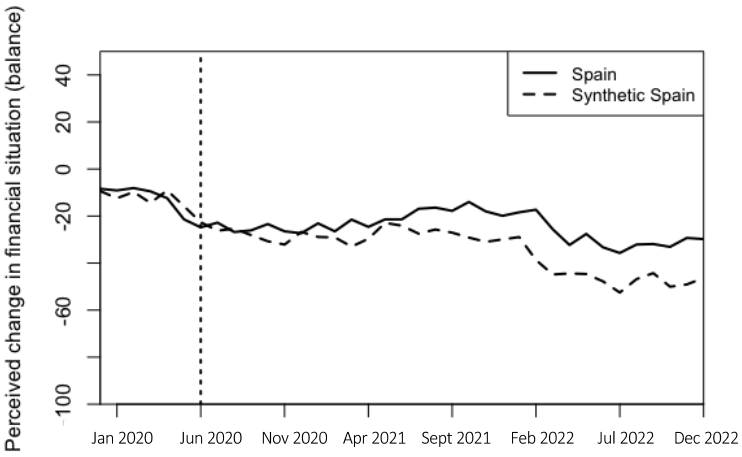


Table A.2.3. – Leave-one-out test for RASCM

Excluded country	RASCM estimate	P-value
Austria	18.4	0.047
Croatia	20.7	0.089
Czechia	14.4	0.047
France	20.3	0.076
Greece	11.2	0.054
Hungary	17.7	0.017
Ireland	19.4	0.026
Lithuania	19.7	0.025
Netherlands	18.2	0.027
Romania	15.1	0.041
Slovakia	19.2	0.026

Chapter 3

The Employment Effects of More Generous Income Support: Quasi-Experimental Evidence for Spanish Single-Person Households

3.1. Introduction

In their attempt to strike a balance between providing material support for low-income households and preserving adequate work incentives, countries have ended up with income support programmes that vary greatly in terms of the population they target, generosity, take-up rates, duration, benefit phase-out rates and labour activation requirements (Cantillon, Goedemé and Hills, 2019).

To provide non-contributory cash benefits directed at poor households (social assistance) – the USA has traditionally relied on programmes for the working poor and targeted non-working households with children. In contrast, European nations have favoured Minimum Income Schemes for any low-income household, regardless of employment status or children, albeit with varying conditionality. While in Greece and Spain the stringency of job-search and monitoring procedures and sanctions for benefit claimants is low, in the UK and Estonia, activation requirements are strict (OECD, 2022). These programmatic differences suggest diverse effects on the labour supply of recipients, underscoring the importance of studying individual schemes with their distinct characteristics to determine their impact on employment.

This paper estimates the effect of an increase in minimum income support generosity on unemployment in Spain. In Spain, minimum income protection has historically fallen under regional jurisdiction, resulting in significant variation in benefit levels across its nineteen regions. Yet overall, practitioners and academics have evaluated the system as having limited efficacy in alleviating poverty due to restrictive eligibility criteria, insufficient generosity and low utilisation rates (e.g. AIReF, 2019; Ayala *et al.*, 2021). To address these challenges, in June 2020, Spain rolled out a new national-level programme – the *Ingreso Mínimo Vital* (IMV) – aiming to provide a minimum income floor to 2.3 million people (Jefatura del Estado, 2020). This national programme came to complement regional

schemes, allowing individuals to potentially benefit from both measures simultaneously. Depending on existing regional support levels, the IMV resulted in certain regions experiencing a greater increase than others in the income support available for their residents.

I exploit this heterogeneity to perform a difference-in-differences (DD) analysis. I use monthly survey data for single-person households from the Spanish National Statistics Institute (INE) from 2019 to 2021. Focusing on single-person households, which represent the largest household type benefiting from the IMV (Ministerio de Inclusión, Seguridad Social y Migraciones, 2023), simplifies the analysis as it addresses concerns about income pooling and collective decision-making present in multi-person households (Chiappori, 1997).

This paper contributes empirical evidence to the ongoing debate on the employment effects of more generous income support. According to the standard leisure-consumption models, providing individuals with cash is expected to reduce their incentive to work, as increased non-labour income allows them to achieve their desired consumption with less effort (Portney and Mead, 1990). In contrast, the job search theory suggests that income support can subsidise the job search process, enabling individuals to spend more time finding jobs that better match their skills and preferences, which may lead to improved employment outcomes over time (Mortensen, 1987).

Some studies find disincentive effects (e.g. Lemieux and Milligan, 2008 for Quebec; Kaushal, 2010 for the USA; Bargain and Doorley, 2011 for France; Freedman and Kim, 2022 for the USA; Moffitt, 2023 for a review of US studies), though of small magnitude (e.g. Moffitt, 2016 for the USA; Marinescu, 2018 for a review of US and Canadian studies). Other studies find no statistically significant impacts on labour supply (e.g. Fusco, Tenikue and Van Kerm, 2021 for Luxembourg; Biegert, Brady and Hipp, 2022 for 22 European countries and the USA; Pac and Berger, 2024 for the USA) or establish that disincentives disappear after a few months (e.g. Terracol, 2009 for France; Bargain and Vicard, 2014 for France).

In the case of Spain, AIReF (2025) published a report after this paper was written using administrative data and finding that the IMV reduced the number of days worked per month by 11% (0,6 days from a base of 5 days) and reduced the probability of working by 12% (3

percentage points from a base of 25%). These effects are particularly strong among recipients with higher benefits, those under 30 years of age and single-parent households.

Indeed, there is evidence that the impact of income support varies across different population subgroups with researchers finding stronger disincentives among people with lower educational attainment (e.g. Lemieux and Milligan, 2008 for Quebec; Bargain and Doorley, 2011 for France; Chemin and Wasmer, 2012 for France; de la Rica and Gorjón, 2017 for the Basque Country, Spain); women rather than men (e.g. de la Rica and Gorjón, 2017 for the Basque Country; Jones and Marinescu, 2022 for Alaska; Bibler, Guettabi and Reimer, 2023 for Alaska; Moffitt, 2023 for a review of US studies) and young people (Lemieux and Milligan, 2008 for Quebec; Bargain and Doorley, 2011 for France; de la Rica and Gorjón, 2017 for the Basque Country). The literature also finds that greater income support is associated with increases in the probability of employment among men (e.g. de la Rica and Gorjón, 2017 for the Basque Country; Bibler, Guettabi and Reimer, 2023 for Alaska), women (e.g. Biegert, 2019 for 20 European countries and the USA) and medium- and highly-educated individuals (e.g. de la Rica and Gorjón, 2017 for the Basque Country).

Taking advantage of the unique features of Spain's new IMV, I address some of the literature's limitations. First, many studies struggle to disentangle the employment effect of the cash transfer from the impact of accompanying employment policies. Most studies analyse income support policies that are conditional on labour market activities such as registering within employment services and undertaking job searches or training, with penalties for non-compliance. Such conditions potentially reduce the work disincentives caused by the cash transfer. In contrast, the new Spanish minimum income has minimal conditionality, allowing for the examination of cash transfer effects. Until January 2022, IMV beneficiaries only needed to register retrospectively as job-seekers within six months from the day they started receiving the benefit, with limited monitoring and sanctions, ranking IMV conditionality among the OECD's lowest (OECD, 2022). Research on unconditional basic income experiments, showing minimal impacts on labour market participation is relevant (see Gibson, Hearty and Craig, 2018 for a review of different pilots). However, such programmes are often temporary. Yet, given the life-cycle model's prediction of greater employment effects with permanent non-labour income increases (Browning and Crossley, 2001), findings from temporary unconditional cash transfers are not directly applicable to time-unlimited minimum income programmes.

Second, I direct attention to the less-explored effects of income support over time. Unlike much research, which estimates effects at one point in time only, my study offers insights into lead and lag effects by using an event study approach to examine effects by month. Researchers have examined how contributory unemployment insurance influences job search efforts over time (Gangl, 2004 for West Germany and the USA; van Ours and Vodopivec, 2006 for Slovenia; Card *et al.*, 2015 for the USA; Marinescu and Skandalis, 2021 for France). Still, unlike minimum income programmes, unemployment insurance is usually time-limited, conditional on strict requirements and targets a population with relatively strong ties to the labour market such that findings from these studies might not apply to my analysis of minimum income effects.

Third, I provide one of the first sets of estimates of the employment effects of increasing social assistance generosity in Spain using a quasi-experimental approach. Despite extensive causal evidence from North America and France, such evidence is limited for Spain. Yet understanding how social assistance affects labour market outcomes is particularly important in Spain as it has the highest unemployment rate in the European Union (Eurostat, 2025). While this work was being completed, AIReF (2025) published concurrent research using administrative data on IMV recipients, providing evidence that corroborates my findings.

Fourth, I leverage the Covid-19 crisis to examine work disincentives during adverse macroeconomic conditions and how economic conditions interact with social assistance policies to shape labour market outcomes. The findings from the minimum income literature may not be easily generalisable or applicable in the context of Covid-19, a period marked by constrained labour market opportunities that have likely shaped individual employment in distinctive ways. Given the recurring nature of crises, investigating the impact of income support during these downturn periods is crucial. The Covid-19 pandemic thus provides a unique setting to test the disincentive argument. While the evidence from unemployment insurance points to particularly large disincentive effects during periods of crisis given fewer job opportunities (Arpaia and Curci, 2010 for the EU during the Great Recession; Card *et al.*, 2015 for Missouri, USA during the Great Recession), the explicit link between economic conditions and social assistance's labour effects has received much less attention – though with exemptions such as Ayala and Melnychuk (2024) for regional minimum income programmes in Spain. As unemployment insurance is typically associated with stronger ties to the labour market given its nature and target population, the disincentivising effect of

minimum income support during adverse economic conditions could be even larger than that found in the unemployment insurance literature.

I show that the increase in income support generosity associated with the IMV introduction led to a rise in the probability of being unemployed. The estimates from the preferred specification of the standard DD analysis demonstrate the IMV has increased unemployment by almost 19% or 3 percentage points between June 2020 and December 2021 in regions experiencing an increase in the income support available for their residents relative to regions that did not experience such an increase. This increase corresponds to a rise in the unemployment rate from 15.95% before the intervention to 18.95% afterwards. The disincentive effect is particularly strong among men, individuals with high educational attainment and those under the age of 50. Event study analyses highlight that these disincentive effects are concentrated in 2021, aligning with the gradual rollout of the policy. Importantly, I argue that these results are specifically attributable to the IMV and not influenced by the Covid-19 crisis, as treated and control regions were similar before and during the pandemic. I also get similar results when using a propensity score matching difference-in-differences method. Placebo tests indicate no anticipation effects.

I conduct a complementary analysis on inactivity to examine whether the IMV prompted individuals to exit the labour force, particularly in times of economic crisis. I find no evidence of such an effect, suggesting that the policy effectively maintained individuals' attachment to the labour market. Finally, I analyse the intensity of the treatment through a dose-response analysis. I find no strong evidence that the disincentive effect of the IMV is larger with a greater increase in income support generosity.

The chapter is organised as follows: In section 3.2., I provide some background on the new Spanish income support measure and the expected effects of this scheme on unemployment. In section 3.3., I describe the data and in section 3.4., the empirical method. Section 3.5. presents the main estimates and section 3.6. reports findings from various robustness checks. I discuss and conclude in section 3.7.

3.2. Background

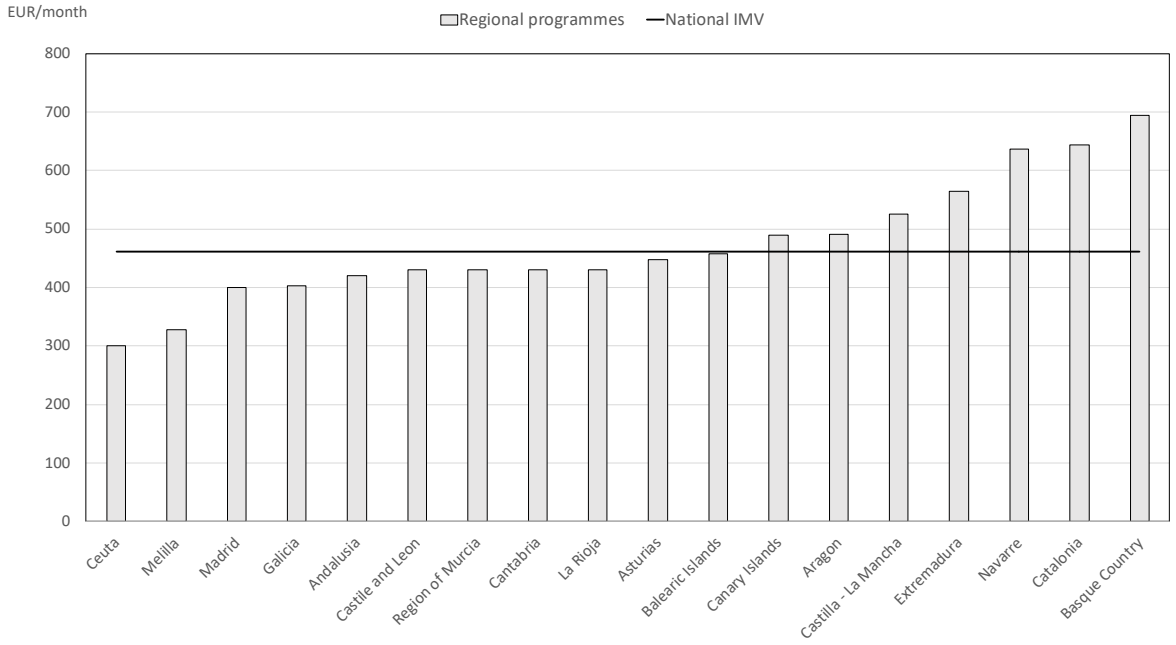
3.2.1. The Ingreso Mínimo Vital

The Spanish government designed the *Ingreso Mínimo Vital* (IMV) to achieve dual objectives: "decrease poverty, especially extreme poverty" and "improve the labour integration of recipients" (Jefatura del Estado, 2020). The government envisaged that the policy would reach approximately 2.3 million individuals in 850,000 households. The IMV offers monthly and time-unlimited cash support to both employed and unemployed individuals. The IMV is a household-level policy that requires a designated claimant per household, who should be at least 23 years old (or 18 in exceptional cases) (*ibid*). To be eligible for the benefit, the monthly average of the annual total household income should be at least 10 euros lower than the corresponding IMV amount. Additionally, the annual total household wealth (excluding main residence) must also be below three times the annual guaranteed income for a single household, with an incremental threshold per type of household. Beneficiaries must have legal and effective residence in Spain for at least a year before application (with some exceptions) (*ibid*).

In 2020, the basic amount was €461.5 per month for a single person, with additional benefits for dependents (*ibid*). The government determined benefit amounts based on the annual sum of non-contributory pensions. Since the IMV aims to address persistent regional disparities in poverty levels across Spain, it provides an income support floor universally, surpassing most regional schemes in generosity and coverage. Figure 3.1. illustrates that in 2020, the IMV increased generosity of income support for single-person households in 11 out of 18 regions.[11] According to AIReF (2022), full implementation of the IMV would lead to more generous income support for around 237,400 beneficiaries of regional schemes and would cover around 247,200 more households than regional programmes (excluding the Basque Country and Navarre given a lack of data).

[11] The region of Valencia is excluded from my analysis because of the complex establishment of regional benefit amounts. The amount that beneficiaries receive depends on whether they choose to participate in social and labour inclusion activities, on which I lack data.

Figure 3.1. – Comparison of Benefit Amounts for Single-Person Households Between Regional Programmes and the National IMV in 2020



Source: Own construction from Ministerio de Derechos Sociales y Agenda 2030 (2022)
Notes: Regional benefit levels are before the IMV introduction

The IMV regulation allows applicants to receive the IMV as well as regional benefits with the latter not being used to assess IMV eligibility. Thus, for individuals already enrolled in a regional income support scheme, the introduction of the national policy led to a uniform increase in income support across all regions. However, not many households are in this situation as just 14% receive both the IMV and a regional scheme while 86% receive only the IMV (AIReF, 2024).

Conversely, for individuals not already benefiting from a regional scheme, the IMV represents an increase in the income support available only in regions where the regional scheme was less generous than the national benefit. For example, before the introduction of the IMV, a resident of Ceuta living alone could receive €300 from regional benefits. With the IMV, they can now receive €461.5, representing a significant increase in income support. In contrast, a resident of the Basque Country was already eligible to receive €693.73 from the regional scheme, which exceeds the IMV amount. Therefore, the introduction of the IMV does not increase the income support available for individuals in the Basque Country who do not already receive regional benefits and it does not trigger the same behavioural response as in Ceuta. The IMV's integration into existing regional schemes is further detailed in subsection 3.2.2 below, Figure 3.2.

I exploit this varying increase in income support generosity in regions depending on pre-existing regional income support levels to consider regions below the IMV threshold in Figure 3.1. as the treatment group and regions above the threshold as controls. Since the government determined the IMV amounts independently of pre-existing regional benefit levels, I consider the treatment assignment as quasi-exogenous. Importantly, while some regions adjusted their minimum income programmes between 2020 and 2021, no region switched from having benefits above the IMV threshold to below it (or vice versa), ensuring the treatment and control group assignments remained stable throughout 2021.

Table 3.1. below provides summary statistics for treatment and control regions, demonstrating that both groups were relatively similar before the intervention in 2019 in terms of variables affecting labour market outcomes, with control regions being slightly more populated and wealthier.

Table 3.1. – Descriptive Statistics for Treatment and Control Regions in 2019

		Population	GDP per capita (euros)	Mean annual net income per person (euros)	Unemployment rate (percentage)	Participation in education & training (percentage)	AROPE rate (percentage)
Treated regions	Ceuta	84,829	21,000	10,164	25.8	11.0	49
	Melilla	84,689	19,300	11,733	27	12.4	39.7
	Madrid	6,641,649	36,200	14,199	10.6	11.8	20.2
	Galicia	2,700,441	23,800	11,218	11.8	10.8	24.2
	Andalusia	8,427,405	19,500	9,160	21.2	9.6	39.3
	Castile and Leon	2,407,733	24,900	12,003	11.6	10.9	16.8
	Region of Murcia	1,487,663	21,600	8,956	14.7	12.2	33.4
	Cantabria	581,641	24,400	12,205	10.3	11.3	19.8
	La Rioja	313,571	28,100	12,697	10	10.6	15.8
	Asturias	1,022,205	23,200	12,523	14.2	8.7	25
	Balearic Islands	1,188,220	28,300	12,410	11.8	10.6	16.5
Average treated regions		2,267,277	24,573	11,570	15	11	27
Control regions	Canary Islands	2,206,901	21,300	9,487	20.5	10.0	38.3
	Aragon	1,320,586	28,700	12,300	10	9.7	20.5
	Castilla-La Mancha	2,034,877	20,800	9,715	16.2	9.1	31
	Extremadura	1,065,424	19,300	8,796	21.6	10.2	36.9
	Navarre	649,946	32,000	13,937	8.2	13.0	12.4
	Catalonia	7,566,431	31,300	13,527	11	9.3	18.8
	Basque Country	2,177,880	33,900	15,300	9.2	13.0	15
Average control regions		2,431,721	26,757	11,866	14	11	25

Notes: Own construction using Eurostat (2025). Figures show values for 2019. The region of Valencia is excluded from my analysis because of the complex establishment of amounts.

Regarding the labour market, working individuals remain eligible for the IMV as long as their total household aligns with the eligibility criteria. However, a 100% marginal tax rate was in effect until December 2022, deducting the entire additional income earned from the benefit amount when individuals secured employment or raised their working hours. From

January 2023, the government introduced a negative marginal tax rate, offering additional support to those opting for employment or working more hours (Jefatura del Estado, 2020).

The conditionality linked to the IMV is limited. Although the initial legislation outlined a requirement for beneficiaries to engage in labour market inclusion activities, the implementation of these policies only began in 2022 and is still in the process of being extended to all recipients (*ibid*). Additionally, until January 2022, claimants and other adult household members only had to register as job seekers with the regional public employment services retrospectively within six months of starting to receive the benefit. Such registration is waived for students, carers and those receiving disability or long-term care benefits. The stringency of activation requirements for the IMV ranked Spain among the lowest for social assistance benefits in the OECD (OECD, 2022). While most studies analyse income support policies that are conditional on labour market activities, potentially reducing the work disincentives caused by the cash transfer, the limited conditionality of the Spanish IMV allows me to better disentangle the effects of the cash transfer alone.

3.2.2. How Minimum Income Schemes Can Affect Unemployment

The standard leisure-consumption model provides clear predictions on what should happen when individuals receive additional non-labour income: they should work less (Portney and Mead, 1990; Hoynes, 1996; Blundell and Macurdy, 1999; Ben-Shalom, Moffitt and Scholz, 2011; Moffitt, 2016). This disincentive effect should be greater for those individuals who have a lower opportunity cost of not working because they have smaller potential earnings in employment. In dualised labour market systems like the one in Spain, certain socio-demographic groups, such as people with low educational attainment, women and young people, historically encounter limited access to employment opportunities of both quantity and quality because, respectively, their skills are less valued, they lack professional experience and have interrupted careers due to caregiving responsibilities (Emmenegger *et al.*, 2012; Biegert, 2019). Moreover, women often have higher labour supply elasticities and thus might experience a greater disincentive effect from additional non-labour income because they typically bear a larger share of childcare and domestic responsibilities (Goldin, 2006).

The theory also predicts greater disincentive effects on employment during economic downturns like the Covid-19 pandemic, as there is a large number of individuals, including

those who have recently lost their jobs, competing for a pool of vacancies that is now reduced due to economic uncertainty (Card *et al.*, 2015; Ayala and Melnychuk, 2024).

To illustrate these arguments, I apply the standard leisure-consumption model to Spain in Figure 3.2. In panel (a), I show how the Spanish IMV affects the budget constraints of two hypothetical workers living alone. The graph plots disposable income in euros per month against the number of hours worked. The black lines represent a low-wage earner, a demographic in which individuals with low educational attainment, women and young people are disproportionately represented, receiving the minimum wage at €950 per month in 2020 (equivalent to €5.40 per hour assuming 22 working days in a month and 8 working hours per day). The grey lines represent a high earner making the mean salary among those with tertiary education, i.e. €2,553.23 per month (or €14.51 per hour) in 2020 (INE, 2025). Dashed lines represent budget constraints when individuals are not eligible for the IMV and the curves represent indifference curves.

Figure 3.2. – Leisure-Consumption Model with Representative Budget Constraints

Source: Own construction from INE (2025) data on minimum wage, mean salary among individuals with tertiary education and income tax brackets.
Notes: Budget constraints are depicted for representative low and high earners using data on minimum and mean wages in 2020. Dashed lines represent budget lines when individuals are not eligible for the IMV. The curves represent indifference curves.

Due to their higher wage, the budget line of the high earner is steeper. However, both individuals face a flat segment at low hours, where income is taxed at a 100% marginal rate due to IMV rules deducting additional income earned from the benefit amount. Assuming that the two workers have the same preferences, indifference curves show that the higher

earner is unaffected by the IMV. In contrast, the lower earner, who previously worked approximately 105 hours per month (indifference curve not shown), now prefers not to work after the IMV and instead receive €461.5 from the benefit (as per the indifference curve depicted in the graph).

Panel (b) examines the impact of the IMV's integration into existing regional schemes, representing an increase in minimum income generosity. The model illustrates the budget constraint for a minimum wage earner in the autonomous city of Ceuta – a treated region – both before (dashed line) and after (solid line) the IMV's introduction. Pre-IMV, the individual works approximately 75 hours per month. However, post-implementation of the national policy, they find it financially advantageous not to work as they can achieve higher disposable income through the IMV.

Importantly, an IMV administrative feature allows individuals to receive both the IMV and wages without immediate deduction, potentially reducing the disincentive effect anticipated by the standard leisure-consumption model. The administration overseeing the minimum income benefit cross-references income data with the tax agency to review beneficiary eligibility. Consequently, any increase in labour supply in a given year would impact the benefit amount only once the tax agency has collected and processed income information and the administration has reassessed benefits based on these updated data. In Spain, the AIReF (2023) noted that this delay extends to two years, potentially not affecting employment immediately, as beneficiaries are aware they can benefit from the full minimum income amount for another two years.

Moreover, the standard leisure-consumption model has been contested. The model relies on the idea that individuals only respond to financial incentives and that costs such as commuting, childcare and job search effort if unemployed are associated with work while no costs are associated with non-employment. Yet research has found that individuals derive non-monetary gains from employment (e.g. social interactions, self-realisation or a sense of citizenship) (Lister, 2004) and that prolonged spells of unemployment are associated with mental and physical health problems (Jefferis *et al.*, 2011; Krueger *et al.*, 2011). Consequently, even when receiving benefits, it could be that people opt for employment rather than staying in unemployment.

Additionally, as noted by Barr (2012), there are costs associated with applying to receiving social assistance benefits such as queueing, form filling, interviews and stigma. The IMV application process has been described as very complex and time-consuming by experts and users alike (EAPN, 2021). These difficulties might push individuals to not apply for cash benefits at all and instead support themselves through employment.

Finally, income support could lead to decreased unemployment rates in the long run. The supplemental income can reduce financial stress within households, thereby positively impacting both the physical and mental wellbeing of beneficiaries. This creates mental space, enabling individuals to focus more effectively on their job search. Moreover, according to job search theory (Mortensen, 1987), MISs can alleviate the pressure on beneficiaries to accept undesirable jobs with high separation rates, affording them the time to seek more suitable and sustainable work opportunities (Gangl, 2004; Nelson and Stephens, 2012). Additionally, with the financial stability provided by minimum incomes, individuals may be more inclined to invest in education and skills, thus enhancing their employability, or even start their own businesses, becoming self-employed (Morel, Palier and Palme, 2012).

To conclude, it is not entirely evident from the theory whether the IMV will increase the probability of being unemployed, yield no discernible effect or potentially decrease unemployment.

3.3. Data

To assess the unemployment effects of the IMV, I use the yearly Survey on Living Conditions (SLC or ECV in Spanish) conducted by the Spanish National Statistics Institute (INE), which is the Spanish module of the EU-SILC survey. It is a nationally and regionally representative random sample of the Spanish private household population. The SLC provides information on yearly household income, wealth, benefits receipt for the calendar year preceding the survey year and monthly individual employment status for the same period. Additional information such as sex, age, educational attainment or household composition corresponds to the time of the interview, which are conducted annually during the second trimester of the year. While basic information is gathered for all household members, detailed information is only collected for individuals aged 16 years and above.

The dataset is a rotating panel, which tracks individuals over four consecutive years, with one-fourth of the sample renewed annually through the substitution of households. I use the most recent longitudinal dataset with interviews between 2019 to 2022, gathering information from 21,893 households and 56,459 people appearing at least once over the sample period. As the income and employment details refer to the year before the survey, I adjusted for this by aligning the values with the correct corresponding year, resulting in a dataset with income and employment information spanning from 2018 to 2021. Due to the absence of data for essential variables such as the individual's region of residence, household details or educational attainment during 2018, I exclude this year and end up with a dataset from 2019 to 2021.

Additionally, given that the employment data are provided monthly, I construct a monthly panel using individuals' work histories as the temporal "spine" and merge them into variables that are measured at the annual level. I transform the yearly variables such as income, region, sex and household composition into monthly variables by extrapolating the values from the time of the interview to the entire year. For the annual household income variable, I divided the values by twelve to obtain monthly equivalents.

This approach has a potential limitation as it may only capture changes in an individual's circumstances at the beginning of the following year, even if the actual change occurred earlier in the current year. This could be problematic if individuals are considered "treated" based on their residence in a specific region or household at the time of the interview, but they move out of that region or household before the year's end. However, looking at my dataset I see that the percentage of people changing households and moving regions is 1.53% and 0.4% of the total sample respectively, suggesting a limited impact on the overall results.

I construct my analysis sample as follows. First, I focus on single-person households, the most common household type in Spain, making up 26% of total households in 2020 (Leguina and Macarrón, 2021). This household type also represents the largest IMV recipient type, constituting 22% of the total beneficiaries (Ministerio de Inclusión, Seguridad Social y Migraciones, 2023). Studying single-person households also simplifies the analysis of the employment effects resulting from income support because this approach addresses concerns related to income pooling and collective decision-making about labour supply, leisure consumption and household production present in multi-person households (Chiappori, 1997).

Table 3.2. – Descriptive Statistics of the Sample Between 2019 and 2021

Sex		Women	52.8
		Men	47.2
Age		Young (16-30)	4.5
		Middle-aged I (31-49)	35.9
		Middle-aged II (50-67)	59.7
Civil Status		Single	58.4
		Married	5.7
		Separated	6.2
		Widowed	9
		Divorced	20.7
Education		Low attainment	34.5
		Medium attainment	24.3
		High attainment	41.2
Activity status		Employed	66.3
		Unemployed	12.4
		Inactive	21.3
Region	Treated	Ceuta	1
		Melilla	0.7
		Madrid	10.8
		Galicia	4.6
		Andalusia	11.1
		Castile and Leon	8.7
		Region of Murcia	2.7
		Cantabria	3.1
		La Rioja	3.4
		Asturias	4.4
		Balearic Islands	3.5
		Total treated regions	54
	Control	Canary Islands	4.1
		Aragon	4.2
		Castilla-La Mancha	4.8
		Extremadura	4.5
		Navarre	2.7
		Catalonia	19.5
		Basque Country	6.2
		Total control regions	46
N			2,916

Notes: Own construction using SLC data between 2019 and 2021. N represents the number of individuals appearing at least once in the sample.

Second, given my interest in unemployment effects, I restrict the sample to individuals of working age, which I define as those between the end of compulsory education and the retirement age, i.e. individuals aged 16 to 67, at the start of each year. Third, I drop observations from the region of Valencia because the regional minimum income amounts individuals receive depend on whether they choose to participate in social inclusion

activities. I lack data on these, thus making it impossible to establish if individuals living in that region are treated. The analysis sample comprises an unbalanced panel of 2,916 single-person households between the ages of 16 and 67, with a total of 51,540 person-month observations spanning from January 2019 to December 2021.

Table 3.2. summarises the main characteristics of the sample. On average, there is a slightly higher proportion of women (52.8%) compared to men (47.2%). Most individuals in the sample are over 50 years old (59.7%) and the proportion of people who are either single, widowed, divorced or separated is 94.3%. There is also a high proportion of people working (66.3%) and of people with high educational attainment (41.2%). Geographically, the final sample reflects a relatively balanced distribution between treated and control regions.

3.4. Identification Strategy

3.4.1. The Difference-in-Differences Method

I use a difference-in-differences (DD) estimation strategy to evaluate the impact of more generous income support through Spain's new minimum income on the probability of unemployment. I leverage two sources of variation: (1) *time differences,* looking at unemployment rates before and after the intervention in June 2020 and (2) *regional differences* by contrasting unemployment in regions where existing schemes were less generous than the new national income (the treated group) with those where schemes were equally or more generous (the control group).

The equation I estimate in the 2x2 DD analysis is given by:

$$unemployed_{ijm} = \beta_0 + \beta_1(Treated_j) + \beta_2(AfterIMV_m) + \lambda\big(Treated_j\big) * (AfterIMV_m) + \mu_{ijm} \quad (3.1.)$$

where *i* corresponds to individual *i, j* to region *j* and *m* to month *m.* The dependent variable $unemployed_{ijm}$ takes the value of 1 if an individual self-reported being unemployed in a given month and 0 if they reported being employed (either as an employee or self-employed, in either full- or part-time work). $(Treated)$ is a dichotomous variable that takes the value 1 if individual *i* resides in a region where the regional minimum income was less generous than the national IMV and 0 otherwise. $(AfterIMV)$ is a dichotomous variable that takes the value 1 if the observation for individual *i* corresponds to after May 2020 and 0 otherwise.

The coefficient of interest is λ, which measures the average change in unemployment resulting from the IMV among individuals who live in treated regions relative to the average change among individuals who live in untreated regions. This is the intention-to-treat (ITT) effect of the expanded income support, considering that actual IMV receipt cannot be observed in the data.

Since the literature predicts different impacts of benefits for demographic groups, I conduct a series of heterogeneity analyses. First, I estimate the same Equation 3.1. but restrict the sample to either men or women. Second, I restrict the sample to three categories of educational attainment: "low attainment", which corresponds to individuals having at most lower secondary education (ISCED0 – ISCED2); "medium attainment", which includes individuals with at least upper secondary education and at most post-secondary non-tertiary education (ISCED3 – ISCED4); and "high attainment", which corresponds to individuals with tertiary education (ISCED5 – ISCED8). Finally, I conduct the analysis by age, categorising individuals into three groups: young (individuals aged 16 to 30 years old); middle-aged I (31 to 49 years old); and middle-aged II (50 to 67 years old).

To explore variations in the IMV effect over time, I use event study models. They are similar to the DD model presented in Equation 3.1., but instead of comparing the evolution of unemployment before and after the intervention in June 2020, it compares each pre- and post-intervention period relative to the last period before the intervention, i.e. May 2020. The event study models do this by including a series of lead and lag terms such that they estimate separate treatment effects for each month after the intervention and placebo effects for each month before the treatment. The specification is given by:

$$unemployed_{ijm} = \beta_0 + \sum_{s \neq -1} \gamma_s \left(Treated_j \times 1\{m - T = s\} + \alpha_j + \delta_m + \mu_{ijm} \right) \tag{3.2.}$$

where $1\{m - T = s\}$ is an event-time indicator equal to 1 if month m is s months away from the IMV's introduction (T = June 2020) and 0 otherwise. One pre-treatment period ($s = -1$, May 2020) is omitted, so that all γ_s coefficients are interpreted relative to that reference month. α_j are region fixed effects and δ_m are month fixed effects. The coefficients of interest are the γ_s, which trace the dynamic effect of the IMV on unemployment in treated regions relative to untreated regions. Post-treatment estimates ($s \geq 0$) capture the ITT effect of the

expanded income support over time. Pre-treatment estimates ($s < 0$) provide a test for the parallel trends assumption: the credibility of the identification strategy is strengthened if no statistically significant differences are observed in unemployment trends between treated and control regions before the intervention.

Both the 2×2 DD and the event study rely on the same identification assumptions but differ in temporal aggregation and in the information they provide. The 2×2 DD is valuable for offering a single average treatment effect that is straightforward to interpret, while the event study has two main advantages: (1) it tests for pre-treatment parallel trends and (2) it captures the dynamics of treatment effects, even if interpreting the coefficients is somewhat less intuitive due to their reference to May 2020.

Consistent with the existing literature (e.g. Chemin and Wasmer, 2012; Bibler, Guettabi and Reimer, 2023), I opt for a linear probability model rather than a logit or probit transformation as it provides coefficients that are readily interpretable in terms of probabilities. I follow Roth *et al.*'s (2023) recommendations to cluster standard errors at the level where the treatment is independently determined, i.e. the regional level.

3.4.2. Satisfying the Parallel Trends Assumption in the Covid-19 Context

The key identifying assumption in my DD analysis is the parallel trends assumption by which, in the absence of the IMV introduction, changes in unemployment among people living alone would have been, on average, the same in treated as in control regions. Several tests can evaluate the validity of the parallel trends assumption. First, Kahn-Lang and Lang (2020) argue that similar original levels in observable characteristics between groups make it less likely that factors affecting the treatment and control differently will emerge and impact trends in unemployment after the intervention. Table 3.1. above in subsection 3.2.1. already showed that treatment and control regions were relatively similar before the policy intervention. Relatedly, Table 3.3. below shows that people in treatment and control regions in my sample were broadly similar before the policy intervention. Acknowledging minor pre-existing disparities between the two groups, in subsection 3.6.2., I address these differences and corroborate results through a propensity score matching difference-in-differences approach.

Table 3.3. – Descriptive Statistics of the Treatment and Control Before the IMV

		Treatment	Control
Sex	Women	48.5	46.7
	Men	51.5	53.3
Education	Low attainment	36.3	39.6
	Medium attainment	21.4	23.5
	High attainment	42.3	36.9
Age	Young (16-30)	5.2	4.5
	Middle-aged I (31-49)	34.5	33.7
	Middle-aged II (50-67)	60.3	61.8
Activity status	Employed	66.2	61.5
	Unemployed	12.6	13.4
	Inactive	21.2	25.1
N		6,416	4,444

Notes: N represents the total number of person-month observations between January 2019 and May 2020 for the treated and control groups.

Table 3.4. – Differences Between Treated and Control Regions on Factors Affecting Unemployment During the Covid-19 Pandemic

		GDP change 2019-2020 (%)	Change in population of active enterprises 2019-2020 (%)	Change in arrivals at tourist establishments 2019-2020 (%)	Share of workers affected by furlough scheme in April 2020 (% of workers registered with social security in region)
Treated regions	Ceuta	-6.3	-1.3	-64.2	18.0
	Melilla	-6.3	-5.5	-64.9	16.0
	Madrid	-9.8	-0.7	-70.8	12.0
	Galicia	-8.7	-2.8	-60.6	20.0
	Andalusia	-9.8	-0.1	-64.2	20.0
	Castile and Leon	-8.3	-2.4	-63.5	17.0
	Region of Murcia	-8.0	-0.5	-57.5	17.0
	Cantabria	-9.5	-1.4	-48.4	19.0
	La Rioja	-8.0	-1.4	-65.8	19.0
	Asturias	-10.3	-2.1	-46.4	19.0
	Balearic Islands	-22.8	-1.0	-85.7	31.0
Average treated regions		-9.8	-1.7	-62.9	19
Control regions	Canary Islands	-18.2	-2.4	-67.1	33.0
	Aragon	-6.8	-2.6	-55.2	19.0
	Castilla - La Mancha	-7.2	-1.7	-59.0	17.0
	Extremadura	-7.8	-2.5	-56.7	13.0
	Navarre	-9.3	-0.6	-58.5	18.0
	Catalonia	-10.9	-1.3	-68.0	23.0
	Basque Country	-10.3	-0.8	-60.4	17.0
Average control regions		-10.1	-1.7	-60.7	20

Notes: Own construction using Eurostat (2025).

Second, in subsection 3.5.2. below, I conduct pre-trend tests to verify that there are no statistically significant differences in unemployment trends before the intervention between treatment and control groups. The absence of significant pre-trend coefficients enhances the credibility of my identification strategy.

Third, I demonstrate that treatment and control regions were similarly impacted by the Covid-19 crisis. Since my analysis coincides with the Covid-19 pandemic, treated and control regions might have been differentially affected, thus potentially violating the parallel trends assumption. However, Table 3.4. above reveals similar values between the two groups regarding factors influencing unemployment during the pandemic, including GDP fluctuations, business closures, tourist arrivals and the proportion of workers on furlough.

Relatedly, given that certain sectors and occupations bore the brunt of the pandemic's impact, it is key to ensure a balanced distribution of sectors and occupations between treated and control groups. If, for instance, treated regions had a disproportionately higher share of workers in heavily affected sectors and occupations, unemployment could have been higher in treated regions due to the pandemic's impact, regardless of the IMV. According to the Eurofound and European Commission (2021), the sectors experiencing the most significant employment losses in Spain were wholesale and retail trade (NACE Rev. 2 G); accommodation and food service activities (NACE Rev. 2 I); transportation and storage (NACE Rev. 2 H); as well as arts, entertainment and leisure (NACE Rev. 2 R). Similarly, specific occupations, including services and sales workers (ISCO5); skilled agricultural, forestry and fishery workers (ISCO6); craft and related trade workers (ISCO7); plant and machine operators and assemblers (ISCO8); and elementary occupations (ISCO9) saw sharp declines in employment in 2020. Table 3.5. below shows that the distribution of workers in the most affected sectors and occupations was similar between treated and control groups before the Covid-19 pandemic in 2019.

Table 3.5. – Share of Workers in Most Affected Sectors and Occupations by Region in 2019

		Most affected sectors	
		Wholesale and retail trade, transport, accommodation and food service activities [G-I]	Arts, entertainment and recreation; other service activities; activities of household and extra-territorial organisations and bodies [R-U]
Treated regions	Ceuta	26.2	6.1
	Melilla	26.8	3.6
	Madrid	26.1	8.9
	Galicia	27.4	7.4
	Andalusia	31.6	7.2
	Castile and Leon	25.2	6.1
	Region of Murcia	28.7	7.1
	Cantabria	29.0	8.2
	La Rioja	24.7	6.8
	Asturias	28.1	7.5
	Balearic Islands	38.5	9.5
Average treated regions		28.4	7.1
Control regions	Canary Islands	44.9	8.0
	Aragon	25.6	6.7
	Castilla - La Mancha	26.6	6.5
	Extremadura	26.6	5.2
	Navarre	22.4	7.2
	Catalonia	28.7	7.3
	Basque Country	24.9	7.7
Average control regions		28.5	6.9

		Most affected occupations				
		Services and sales workers	Skilled agricultural, forestry and fishery workers	Craft and related trade workers	Plant and machine operators and assemblers	Elementary occupations
Treated regions	Ceuta	30	0	3	6	10
	Melilla	30	1	7	2	9
	Madrid	20	0	8	5	11
	Galicia	22	5	14	8	10
	Andalusia	25	3	11	7	16
	Castile and Leon	21	5	13	9	12
	Region of Murcia	17	3	12	9	22
	Cantabria	24	3	12	7	11
	La Rioja	21	3	14	13	11
	Asturias	27	3	12	7	9
	Balearic Islands	25	2	15	6	12
Average treated regions		24	3	11	7	12
Control regions	Canary Islands	31	1	8	5	16
	Aragon	20	4	12	11	11
	Castilla - La Mancha	21	3	15	10	14
	Extremadura	24	6	12	6	15
	Navarre	19	3	12	12	10
	Catalonia	20	1	11	8	10
	Basque Country	20	1	12	10	8
Average control regions		22	3	12	9	12

Source: Own construction using INE (2025) – Active Population Survey & Eurostat (2025) – Labour Force Survey.
Notes: Results expressed as a percentage of total workers in the region. Sector classification follows NACE Rev. 2 and occupation classification follows ISCO one-digit level. Data on distribution by sectors are for whole 2019 whereas data by occupation are for Q4 2019.

3.5. Results

3.5.1. The Overall Effects of the IMV on Unemployment

I start by looking at the overall effect between June 2020 and December 2021 of the increase in minimum income generosity on the probability of being unemployed. Table 3.6. presents the DD estimates for the entire sample (Model 1) and the different subgroups (Models 2 to 9).

Table 3.6. – Difference-in-Differences Estimates of the IMV Introduction on Unemployment by Model

	Total	Women	Men	Low education	Medium education	High education	Young	Middle-aged I	Middle-aged II
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Coefficient	0.0300**	-0.0036	0.0548***	0.0284	0.0264	0.0293*	0.1801*	0.0374**	0.0147
	(0.0115)	(0.0222)	(0.0126)	(0.0307)	(0.0335)	(0.0128)	(0.0793)	(0.0140)	(0.0223)
N	33,929	15,441	18,488	5,488	4,729	10,518	818	8,412	11,505

*Notes: Linear probability model estimates. Standard errors clustered at the regional level in parentheses. *** significant at 0.1%, **significant at 1%, *significant at 5%.*

In the entire sample model (Model 1), I observe an average 3 percentage point increase in the probability of being unemployed among individuals living alone in a treated region after vs. before the introduction of the IMV relative to individuals living alone in untreated regions over the same time period. Since the mean unemployment in this sample before the intervention is 15.95%, a 3 percentage point increase translates into a new unemployment rate of 18.95% or a 19% rise. This coefficient is statistically significant at the 1% level.

This disincentive effect holds across all examined subgroups except for women (Model 2). For this group, although the coefficient is not statistically significant, the IMV seems to have led to a 0.36 percentage point decrease in the probability of being unemployed from a base rate of 15.88%. Among men (Model 3), the IMV increased the probability of unemployment by 5.48 percentage points from a base unemployment rate of 16%. The coefficient is statistically significant at the 0.1% level.

Looking at the results by educational attainment (Models 4 to 6), the IMV seems to have resulted in a 2.84 percentage point increase in unemployment among low-educated individuals from a mean unemployment rate of 35% in this sample. Similarly, among

medium and highly educated individuals, the IMV appears to have raised unemployment rates by 2.64 and 2.93 percentage points from respective base unemployment rates of 16.16% and 5.47%. Importantly, only the coefficient for individuals with high educational attainment is statistically significant at conventional levels.

Among young people between 16 and 30 living alone (Model 7), the IMV increased the probability of being unemployed by 18.01 percentage points from a 4.85% base. This coefficient is statistically significant at the 5% level. People aged between 31 and 49 (Model 8) experienced a statistically significant increase in unemployment of 3.74 percentage points from base unemployment of 11.81%. Those aged 50 to 67 (Model 9) seem to have increased their probability of being unemployed by 1.47 percentage points from a base of 20.39%, although this coefficient is not statistically significant.

I conclude that over the whole period between June 2020 and December 2021, the IMV increased the probability of being unemployed in treated regions across the entire sample with this effect being driven by men, individuals with high educational attainment as well as people under 50. Next, I explore whether the effect of the IMV varies over time.

3.5.2. The Effects of the IMV on Unemployment Over Time

In Figures 3.3. – 3.6., I report estimates from event study models. In Figure 3.3., I present the variation in the treatment effect for the whole sample while in Figures 3.4. to 3.6., I show heterogenous treatment effects by sex, educational attainment and age, respectively. Unlike the 2x2 DD model, which compares unemployment after the intervention to unemployment before, the event study model compares unemployment in each month relative to the last month before the intervention. This approach offers different insights compared to the 2x2 DD, as it enables testing the validity of the parallel trends assumption before the intervention and examining the effects of the IMV introduction on unemployment over time.

First, as mentioned in subsection 3.4.1., the event study estimates confirm the absence of any pre-trends. More specifically, there is no statistically significant difference in the unemployment trends between individuals in treated and control regions before the intervention. This gives some reassurance that the parallel trends assumption is satisfied and that my identification strategy is valid. There are three exceptions where the pre-trends are not respected – the models for people with medium educational attainment as well as those for people aged 16 to 30 and 31 to 49 – implying that estimates should be interpreted

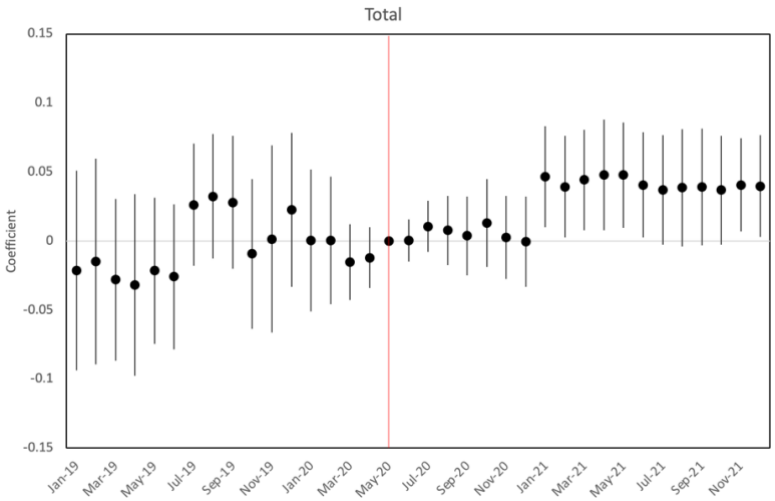
cautiously. Still, in subsection 3.6.2. below, I verify that the findings hold when using a technique that corrects for these pre-trend violations.

Second, in contrast to the months before June 2020, there are a few statistically significant differences in unemployment after the IMV introduction. As illustrated in Figure 3.3., among the entire sample, the IMV brought about a statistically significant rise in the likelihood of being unemployed, especially from January 2021 onwards. The observed increases ranged from 3.94 to 4.80 percentage points, significant at the 95% confidence interval.

In Figure 3.4., I look at whether the effect of the IMV differs by sex. Consistent with the findings in the previous section, I find that the statistically significant effect of the IMV on unemployment found in Figure 3.3. is driven by men. Between January and December 2021, men living alone in treated regions experienced an increase in the probability of being unemployed by a range from 6.67 to 8.25 percentage points. Similarly, Figure 3.5. shows that the increase in unemployment caused by the IMV is driven by individuals with high educational attainment. These individuals experience a statistically significant increase in their unemployment probability only in the last two months of 2021. Figure 3.6. demonstrates that young people and middle-aged individuals between 31 and 49 experience increases in the probability of being unemployed. While young people are affected from September 2020, middle-aged individuals are affected only at the end of 2021.

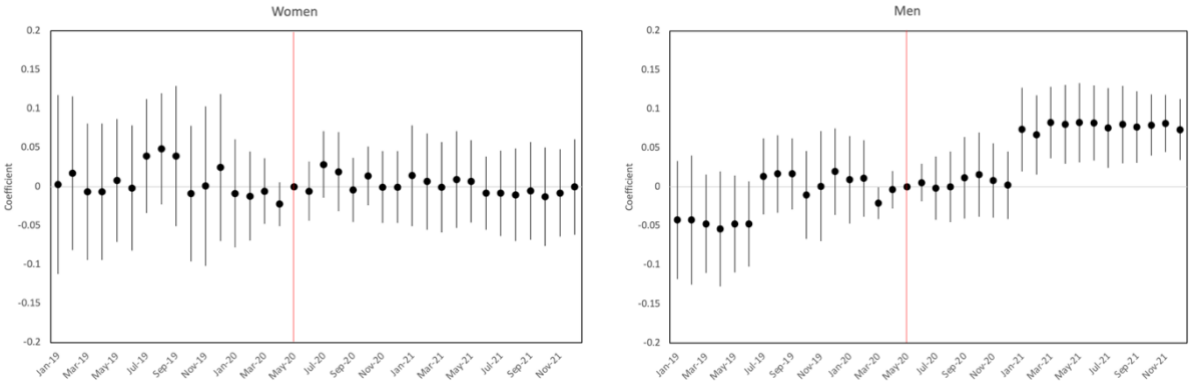
The fact that the statistically significant estimates appear in 2021, reveals that the impacts of the IMV on unemployment have taken several months to appear. This coincides with the gradual dissemination and adoption of the policy given administrative constraints in processing applications and the initial lack of awareness about the new policy among potential beneficiaries. If at the start of its implementation in August 2020, only 90,000 households had received the policy, the outreach expanded to 160,000 households by January 2021 and further increased to 362,000 households by December 2021. Another reason the effect of the IMV is more pronounced starting in January 2021 is that over half of the observations in my sample are from 2021. This distribution could explain why statistically significant effects of the IMV are observed primarily in 2021. I now turn to perform two additional analyses to deepen the understanding of the results.

Figure 3.3. – Event Study for Unemployment Among the Entire Sample



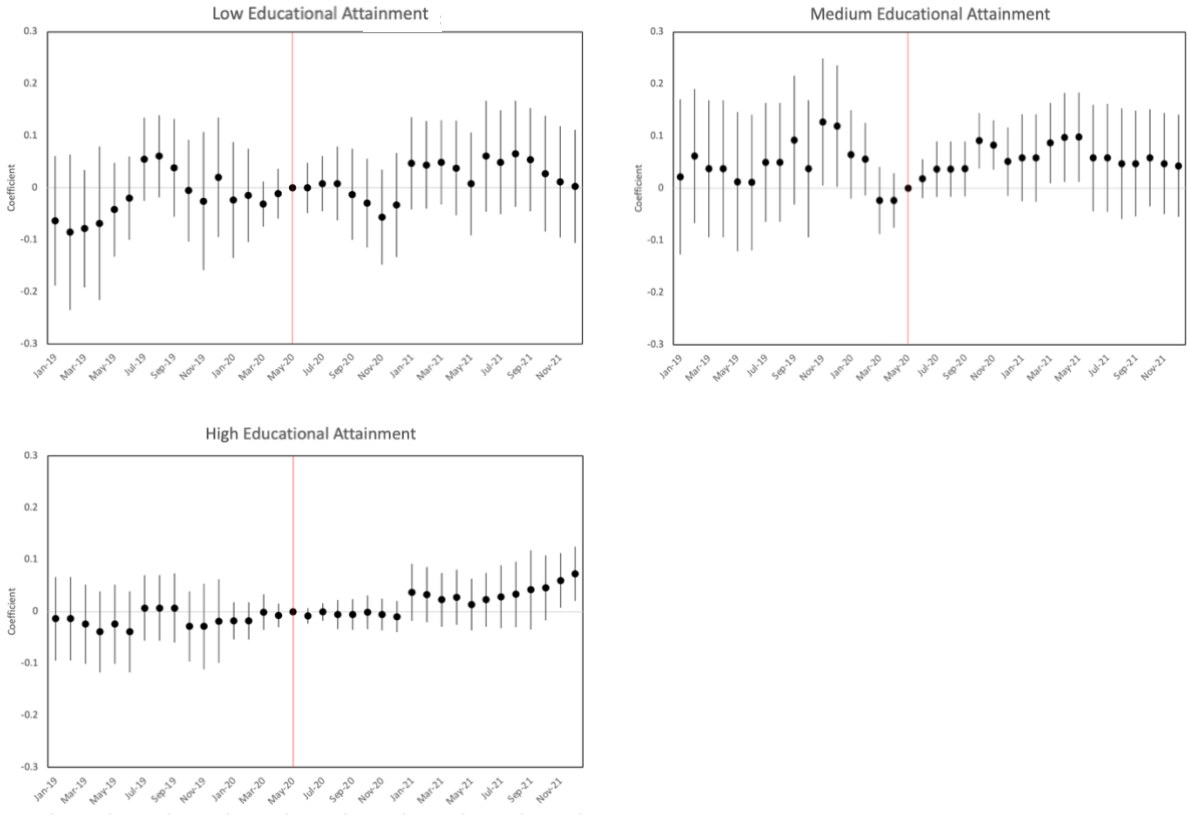
Notes: The vertical axis represents the DD estimates. The horizontal axis corresponds to the month from January 2019 to December 2021. The solid black dots report the DD estimates before and after the policy implementation, using May 2020 as the base month. The solid black lines depict the 95% confidence interval, respectively. The solid vertical red line depicts the intervention date.

Figure 3.4. – Event Study for Unemployment by Sex



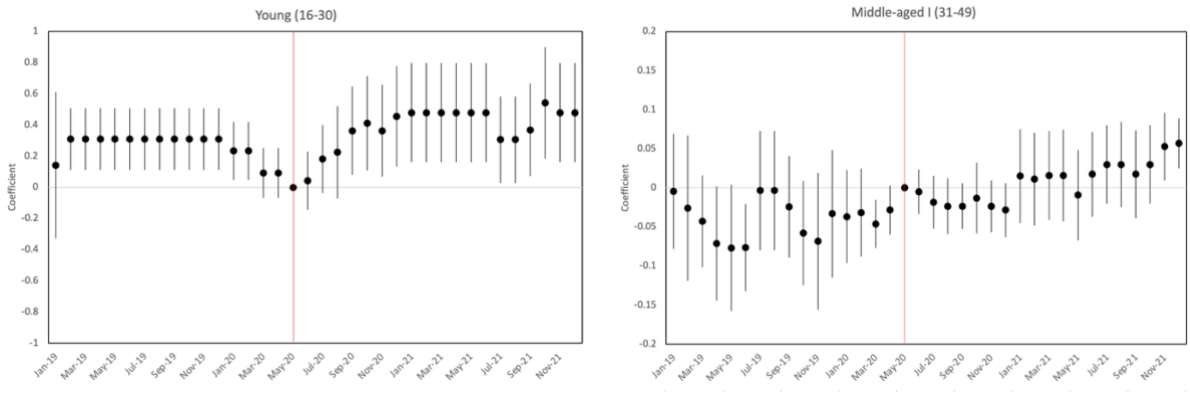
Notes: The vertical axis represents the DD estimates. The horizontal axis corresponds to the month from January 2019 to December 2021. The solid black dots report the DD estimates before and after the policy implementation, using May 2020 as the base month. The solid black lines depict the 95% confidence interval, respectively. The solid vertical red line depicts the intervention date.

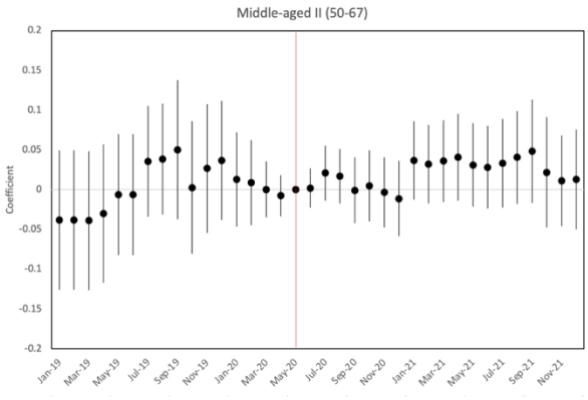
Figure 3.5. – Event Study for Unemployment by Different Educational Attainment Group



Notes: The vertical axis represents the DD estimates. The horizontal axis corresponds to the month from January 2019 to December 2021. The solid black dots report the DD estimates before and after the policy implementation, using May 2020 as the base month. The solid black lines depict the 95% confidence interval, respectively. The solid vertical red line depicts the intervention date.

Figure 3.6. – Event Study for Unemployment by Different Age Categories





Notes: The vertical axis represents the DD estimates. The horizontal axis corresponds to the month from January 2019 to December 2021. The solid black dots report the DD estimates before and after the policy implementation, using May 2020 as the base month. The solid black lines depict the 95% confidence interval, respectively. The solid vertical red line depicts the intervention date.

3.5.3. Analysis of Inactivity

In the main analysis section, I investigated whether the introduction of the IMV leads to an increase in the probability of unemployment. However, arguably, the additional income support provided by the IMV could prompt individuals to transition into inactivity. Some may choose to take on caregiving responsibilities, pursue further education or opt for early retirement. This is especially true amidst the context of the so-called Great Resignation, a widespread voluntary quitting that gained momentum in 2021 as workers re-evaluated their priorities amidst the backdrop of the Covid-19 pandemic.

Furthermore, during periods of economic downturn, workers can exit the labour force after unsuccessful attempts at finding a job, a phenomenon known as the "discouraged worker effect". Thus, excluding the inactive population from my analysis could result in overlooking a significant portion of transitions and dynamics within the labour market (Biegert, 2019).

I redo the previous analysis but use inactivity as the dependent variable. This indicator takes on a value of 1 if an individual self-reports being inactive (including engaging in caregiving, studying, retirement, incapacitation or other forms of inactivity) in a given month and it takes on a value of 0 if the individual self-reports being employed or unemployed.

Table 3.7. presents the estimates for this analysis and the corresponding event study plots can be found in the Appendix, Figures A.3.1. to A.3.4. The coefficients suggest that the IMV slightly increased the probability of being inactive for the overall sample, particularly among

women, individuals with high educational attainment and those aged 31 to 49. Conversely, the IMV appears to have decreased the probability of inactivity for men, individuals with low and medium educational attainment and those aged 16 to 30 and 50 to 67. However, none of these coefficients are statistically significant, so I cannot conclude any effect of the IMV on inactivity. This evidences that the IMV has helped keep workers closely attached to the labour market rather than prompting labour force exits.

Table 3.7. – Difference-in-Differences Estimates of the IMV Introduction on Inactivity by Model

	Total	Women	Men	Low education	Medium education	High education	Young	Middle-aged I	Middle-aged II
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Coefficient	0.0003	0.0100	-0.0084	-0.0324	0.0107	0.0201	-0.0267	0.0310	-0.0130
	(0.0155)	(0.0241)	(0.0161)	(0.0350)	(0.0129)	(0.0138)	(0.0268)	(0.0168)	(0.0233)
N	43,116	20,664	22,452	8,496	6,072	11,868	840	8,784	16,812

*Notes: Linear probability model estimates. Standard errors clustered at the regional level in parentheses. *** significant at 0.1%, **significant at 1%, *significant at 5%.*

3.5.4. Dose-Response Results

In the main analysis, I defined treatment regions as those with a regional Minimum Income Scheme less generous than the new national standard. Thus, I did not consider the intensity of the treatment resulting from the "bite" of the IMV, i.e. the extent to which income support has increased in different regions with the new policy given initial regional amounts. I anticipate that the disincentive effect of the IMV is more pronounced in regions experiencing a larger increase in available income support.

To investigate this hypothesis, I adopt a method similar to Pac and Berger (2024) and conduct a dose-response DD analysis. I assign treatment status to regions more greatly impacted by the IMV, defined as those experiencing an increase in minimum income support of over 500 euros per year. These treated regions effectively receive a "higher dose" of the treatment. Control regions, on the other hand, are those with less generous increases in income support post-IMV introduction, specifically regions with an increase below 500 euros. These control regions effectively receive a "lower dose" of the treatment. Table 3.8. provides a summary of the annual differences between the national IMV and regional amounts, categorising regions into "high dose" (i.e. treated), "low dose" (i.e. controls) and

"no dose", which are those where regional schemes are more generous than the IMV and are thus not used in this analysis (i.e. control regions in the main analysis).

Table 3.8. – Annual Differences Between National IMV and Regional Minimum Income Schemes in 2020

Regions		Annual difference between IMV & regional amount (euros)
High dose	Ceuta	1,938
	Melilla	1,602
	Madrid	738
	Galicia	697
	Andalusia	504
Low dose	Castile and Leon	375
	Region of Murcia	375
	Cantabria	375
	La Rioja	375
	Asturias	159
	Balearic Islands	50
No dose	Canary Islands	-334
	Aragon	-354
	Castilla-La Mancha	-762
	Extremadura	-1,241
	Navarre	-2,103
	Catalonia	-2,190
	Basque Country	-2,787

Table 3.9. presents the estimates of the dose-response analysis. Most coefficients point to an increase in unemployment among greatly affected regions after the intervention compared to less affected regions. However, none of the coefficients are statistically significant at conventional levels. Overall, I fail to detect a dose-response relation between the amount of the minimum income increase and unemployment so that the effects found in the main analysis are not tied to the benefit amount.

Table 3.9. – Dose-Response Difference-in-Differences Estimates of the IMV Introduction on Unemployment by Model

	Total	Women	Men	Low education	Medium education	High education	Young	Middle-aged I	Middle-aged II
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Coefficient	0.0015	-0.0146	0.0157	-0.0270	0.0042	0.0096	0.0546	0.0076	-0.0062
	(0.0139)	(0.0164)	(0.0213)	(0.0400)	(0.0278)	(0.0156)	(0.0331)	(0.0161)	(0.0213)
N	18,447	8,556	9,981	3,109	2,883	6,658	504	5,200	6,946

Notes: Linear probability model estimates. Standard errors clustered at the regional level in parentheses.

I now turn to perform a series of tests to check the robustness of the main analysis results.

3.6. Robustness Checks

3.6.1. Placebo Test

If individuals can anticipate receiving the IMV before its actual introduction, this would pose a threat to my identification assumption. Although the inclusion of the IMV in the government's coalition agreement dates to 2019, detailed information regarding eligibility criteria and benefit amounts was only disclosed in April 2020. This time lapse between the announcement and the implementation of the policy in June 2020 potentially allowed for an anticipation effect.

I conduct a placebo falsification exercise using pre-intervention data and assuming that the IMV was introduced in April 2020. Subsequently, I estimate the same DD analysis using this simulated treatment date. The results of the falsification exercise are presented in Table 3.10. It shows that the coefficients are not significantly different from zero, i.e. there are no anticipation effects.

Table 3.10. – Placebo Difference-in-Differences Estimates of the IMV Introduction on Unemployment by Model

	Total	Women	Men	Low education	Medium education	High education	Young	Middle-aged I	Middle-aged II
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Coefficient	0.0008	-0.0134	0.0107	0.0860	-0.0602	0.01262	-0.1429	0.0197	-0.0029
	(0.0192)	(0.0277)	(0.0215)	(0.0600)	(0.0541)	(0.0218)	(0.1541)	(0.0299)	(0.0220)
N	8,380	3,781	4,599	1,872	1,375	2,795	294	3,091	4,454

Notes: Linear probability model estimates. Standard errors clustered at the regional level in parentheses. Post-intervention period corresponds to April-May 2020.

3.6.2. Propensity Score Matching Difference-in-Differences

In subsection 3.4.2, Table 3.3. illustrated that while the treatment and control groups are similar on observable characteristics, perfect balance is not achieved. This slight imbalance raises the possibility that factors affecting the treatment and control differently impact trends in unemployment after the intervention, biasing estimates.

To mitigate this, I incorporate a kernel propensity score matching (PSM) model into my DD model. This method balances treatment and comparison groups based on covariates

influencing treatment assignment before the intervention. Covariates considered include whether the individual has household income below the eligibility threshold, the presence of a limiting illness, the activity status, the region of residence as well as the individuals' civil status, sex, educational attainment and age. Each treated individual is then paired with one or more control individuals based on their propensity scores, with kernel matching assigning higher weights to controls similar to treated individuals. The matched sample is then analysed using the standard DD model.

Table 3.11. – Propensity Score Matching Difference-in-Differences Estimates of the IMV Introduction on Unemployment by Model

	Total	Women	Men	Low education	Medium education	High education	Young	Middle-aged I	Middle-aged II
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Coefficient	0.0302**	-0.0055	0.0510***	0.0245	0.0200	0.0251*	0.1356*	0.0298*	0.0154
	(0.0102)	(0.0210)	(0.0107)	(0.0263)	(0.0302)	(0.0102)	(0.0552)	(0.0133)	(0.0212)
N	33,917	15,441	18,476	5,488	4,729	10,518	818	8,412	11,505

*Notes: Linear probability model estimates. Standard errors clustered at the regional level in parentheses. ***significant at 0.1%, **significant at 1%, *significant at 5%.*

Table 3.11. presents the estimates of the PSM-DD analysis, which align in direction, statistical significance and magnitude with those of the standard DD approach (Table 3.6.). The main difference is that the coefficient for individuals aged 39 to 50 (Model 8) is now significant at the 5% instead of at the 1% level. In the Appendix, Figure A.3.5., I provide the common support graph, indicating a good overlap in propensity score distributions for the treatment and comparison groups. Additionally, in Table A.3.1., I show the improvement in the balance between treatment and control groups on key covariates post-PSM, underscoring the effectiveness of the matching process.

3.7. Discussion and Conclusions

This study has explored the unemployment impact of Spain's new minimum income – the IMV – which led to more generous income support for some individuals in some regions. The analysis has focused on single-person households and estimates show an increase in the probability of unemployment during the Covid-19 crisis. The estimates from my preferred DD regression demonstrate that the IMV increased unemployment by 3 percentage points or almost 19% in treated regions relative to untreated regions between June 2020 and December 2021, i.e. an increase from a base unemployment rate of 15.95% before the intervention to

18.95% after. This effect is mostly seen in 2021, as revealed by the event studies and is driven by men, individuals with high educational attainment and those under the age of 50. I have demonstrated that results are robust to placebo tests as well as to the propensity score matching DD method. In a complementary analysis of inactivity, I also showed that the policy effectively maintained most individuals' attachment to the labour market. Finally, I do not find strong evidence supporting that the disincentive effect of the IMV is larger with a greater increase in available income support.

My estimates align with arguments that increasing income support leads to greater unemployment (e.g. Portney and Mead, 1990; Freedman and Kim, 2022; Moffitt, 2023) with the effects being particularly large during periods of economic downturn when job opportunities are limited (e.g. Card *et al.*, 2015; Ayala and Melnychuk, 2024). This is exemplified by the large disincentive effect observed among young individuals, demonstrating that supplementary income is more likely to deter employment among those with lower potential wages. Moreover, the context of the Covid-19 crisis helps explain the results among the youth, as young people disproportionately occupy sectors (e.g. wholesale and retail trade, accommodation and food service activities) and occupations (e.g. services and sales workers, elementary occupations) severely negatively impacted by the pandemic (Ministerio de Trabajo y Economia Social, 2022). Consequently, within constrained labour markets where the youth struggle to secure employment in their typical roles, the disincentive effect of the IMV has been particularly pronounced.

Within the Spanish context specifically, these results align with the findings of AIReF (2025), the only other study to date exploring the employment effects of the IMV in Spain. Using administrative data on IMV recipients between 2020 and 2024, AIReF (2025) found that the IMV reduced the probability of working by 3 percentage points or 12% from an employment base of 25% and reduced the number of days worked per month by 0.6 days or 11% from a base of 5 days, with particularly strong effects among recipients with higher benefits, those under 30 years of age and single-parent households. Notably, the AIReF report did not find any statistically significant differences by sex and did not perform an analysis by education level, whereas my study provides novel evidence of differential effects across both demographic dimensions.

While AIReF (2025) examines the impact on actual recipients across all household types using administrative records in a DD analysis, I capture intention-to-treat effects across the

broader eligible population in treated regions, focusing specifically on single-person households. Despite these methodological differences, both studies converge on finding significant disincentive effects of similar magnitude. The age patterns are particularly consistent: AIReF (2025) identifies stronger effects among individuals under 30, while my analysis shows the most pronounced effects among those under 50, with especially large impacts for the youngest cohort (16-30 years). This convergence of findings across distinct methodological approaches, data sources, time periods and study populations substantially strengthens the evidence that the IMV has disincentivised employment during its initial years of implementation.

However, several of my findings present departures from conventional patterns in the literature. The fact that I find disincentive effects for men but not women presents a departure from conventional findings, which typically find that women face greater work disincentives due to traditional gender roles and caregiving responsibilities (e.g. de la Rica and Gorjón, 2017; Jones and Marinescu, 2022; Bibler, Guettabi and Reimer, 2023). This apparent contradiction can be explained by considering that my analysis focuses on women living alone, likely reducing their caregiving responsibilities compared to other women. This is in line with previous literature which has found that the disincentive effect of welfare receipt is particularly strong among women with children and with a partner compared to childless single women (Dengler, Hohmeyer and Zabel, 2021 for Germany).

Moreover, the disincentive effect found for men could be explained by the fact that the Covid-19 crisis has affected occupations (namely, skilled agricultural, forestry and fishery workers; craft and related trade workers; and plant and machine operators and assemblers) and sectors (namely, transportation and storage; and arts, entertainment and leisure) where men are overrepresented (Eurostat, 2025). Thus, men's work opportunities during the period under study have been particularly constrained compared to women. This is in line with previous literature which has found that men's employment was more affected by the Great Recession because of occupational segregation, whereby men were overrepresented in jobs – such as construction – that were more strongly hit by the crisis (Bachmann *et al.*, 2015 for the EU; García and van Soest, 2017 for Spain).

The observed results concerning educational attainment could be attributed to the phenomenon of the Great Resignation, which evidence suggests was particularly prominent among individuals with higher education levels and in their thirties (Cook, 2021). As such,

these individuals could have used the IMV to reassess their careers and explore alternative employment opportunities. Moreover, industries experiencing surges in demand due to the pandemic, such as health care, education and technology, witnessed higher resignation rates as the pandemic subsided, possibly contributing to the observed disincentive effect for individuals with higher education towards the end of 2021. Results can also be explained by the fact that individuals with higher levels of education have a higher reservation wage implying a slower transition into employment. This finding is in line with the literature which has noted that high-skilled workers experienced more persistent unemployment during the Great Recession (Bachmann *et al.*, 2015 in the EU).

While my study has revealed an increase in the probability of unemployment associated with the IMV introduction, it leads to additional questions: does the rise in unemployment signify prolonged joblessness leading to scarring effects or does it suggest a pathway towards improved employment opportunities? While a leisure-consumption model would predict a poverty trap, job search theory would state that individuals leverage income support to allocate time toward seeking higher-quality employment opportunities with lower separation rates and engaging in training programs that enhance access to better-paying jobs. The absence of an effect of the IMV on inactivity suggests that the increase in unemployment might be because individuals are focusing on finding more suitable jobs while maintaining their reservation wage.

However, to provide a definitive answer to this question, future research should delve deeper into understanding the dynamics of unemployment exits by longitudinally tracking IMV benefit recipients' employment trajectories. While both my study and AIReF (2025) establish disincentive effects, neither addresses career progression. Understanding whether the IMV enables recipients to eventually secure better-matched, higher-quality employment remains a critical open question. This would require longitudinal analysis that goes beyond simple employment participation measures to examine wage trajectories, job stability, skill development and occupational mobility patterns among recipients over multiple years. Such analysis is contingent upon the availability of linked administrative datasets that combine benefit records with detailed employment histories.

Additionally, to understand the underlying motivations and decision-making processes guiding individuals' labour market choices, qualitative methodologies such as in-depth interviews are essential. This mixed-methods approach is the focus of Chapter 4 of this

thesis, where I conduct semi-structured interviews with IMV recipients to explore how they navigate employment decisions while receiving benefits.

There are other topics for future research. While, in my analysis, I have studied the impact of more generous income support during an economic crisis, forthcoming investigations could investigate whether these findings hold during more stable times. The literature from other contexts has presented conflicting evidence, demonstrating both relative stability in the effects of benefits across the business cycle (e.g. Schmieder, von Wachter and Bender, 2012 for Germany) and cyclical responsiveness (e.g. Herbst, 2008 for the USA; Ayala and Melnychuk, 2024 for Spain). While AIReF (2025) has extended the analysis through 2024 and finds persistent effects, their analysis focused on different outcomes variables, population and data.

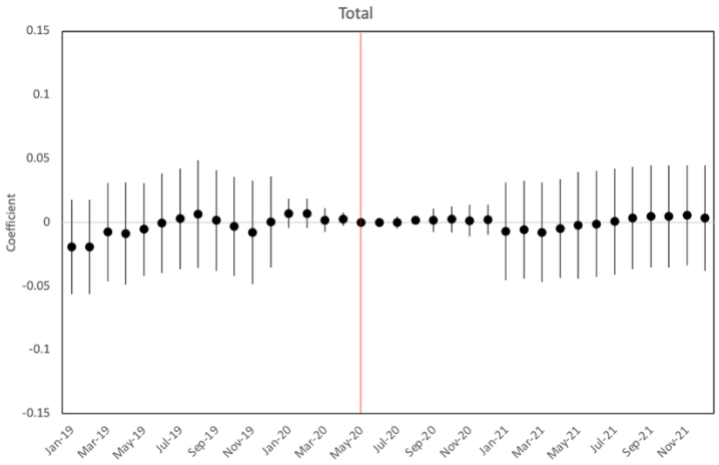
Second, further investigation is needed to understand whether employment disincentives diminish as beneficiaries fully adjust to the programme's long-term presence and new features. The recent introduction of negative marginal tax rates in 2023, which AIReF (2025) found had no immediate effect, warrants continued monitoring as recipients become more aware of these work incentives over time.

Third, although my analysis has overlooked general equilibrium effects, knowledge about these could offer important information into the broader labour impacts of minimum income schemes. The injection of additional income through the national minimum income could have stimulated aggregate demand, leading to increased labour demand and thus increased employment across the population. Assuming the increase in labour demand affects the whole of Spain evenly, my analysis offsets this presumed across-the-board increase in employment, providing results for the direct labour effect. It would however be of interest to quantify the indirect employment impact of minimum incomes through other methods.

3.8. Appendix

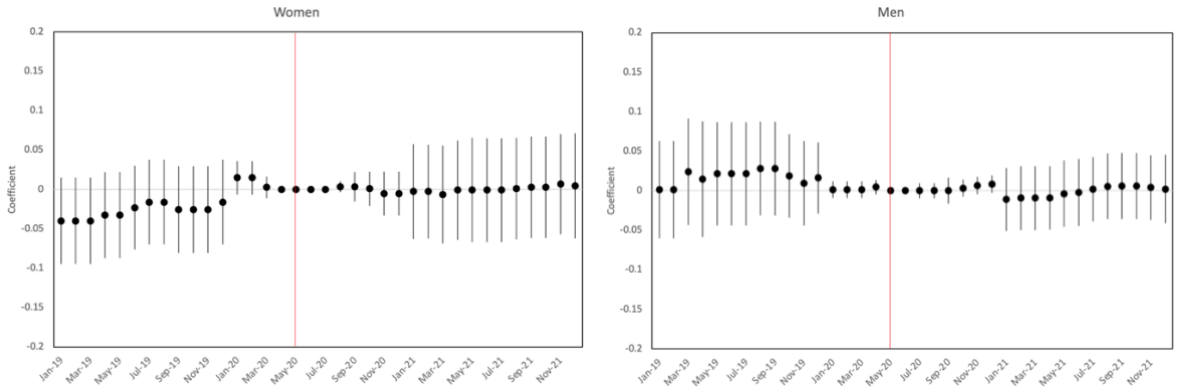
3.8.1. Event Study Plots for Inactivity Analysis

Figure A.3.1. – Event Study for Inactivity Among the Entire Sample



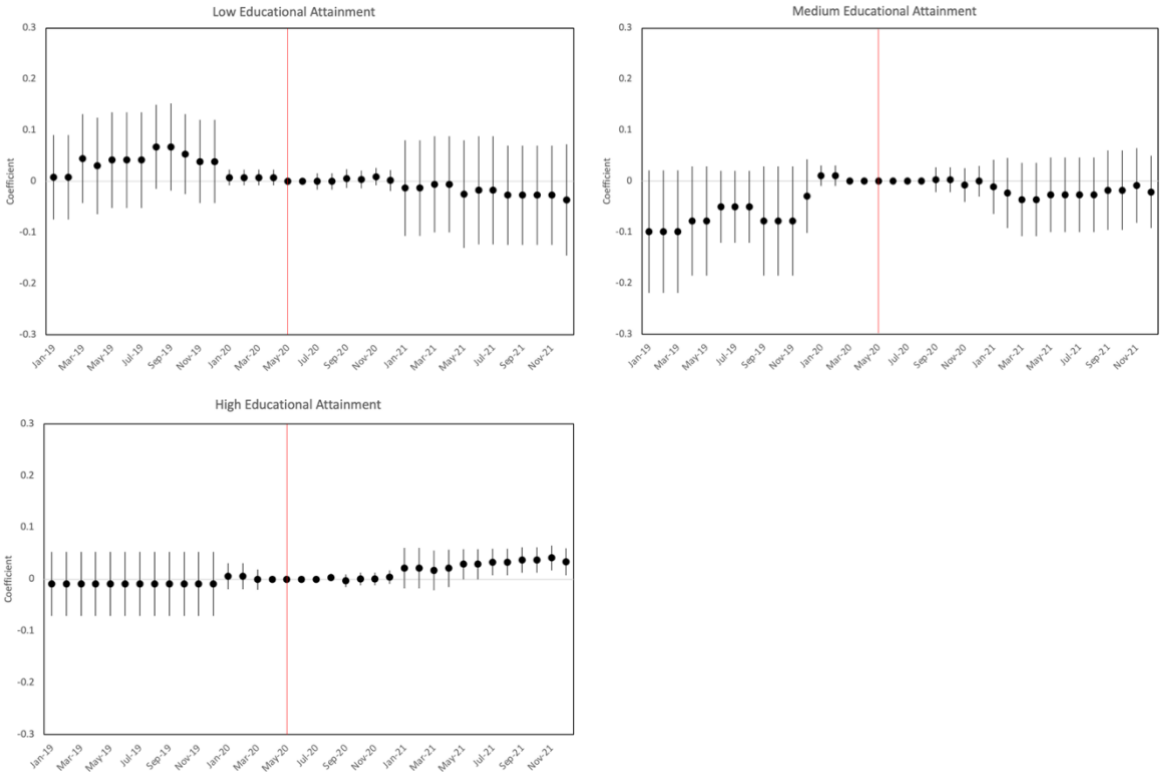
Notes: The vertical axis represents the DD estimates. The horizontal axis corresponds to the month from January 2019 to December 2021. The solid black dots report the DD estimates before and after the policy implementation, using May 2020 as the base month. The solid black lines depict the 95% confidence interval, respectively. The solid vertical red line depicts the intervention date.

Figure A.3.2. – Event Study for Inactivity by Sex



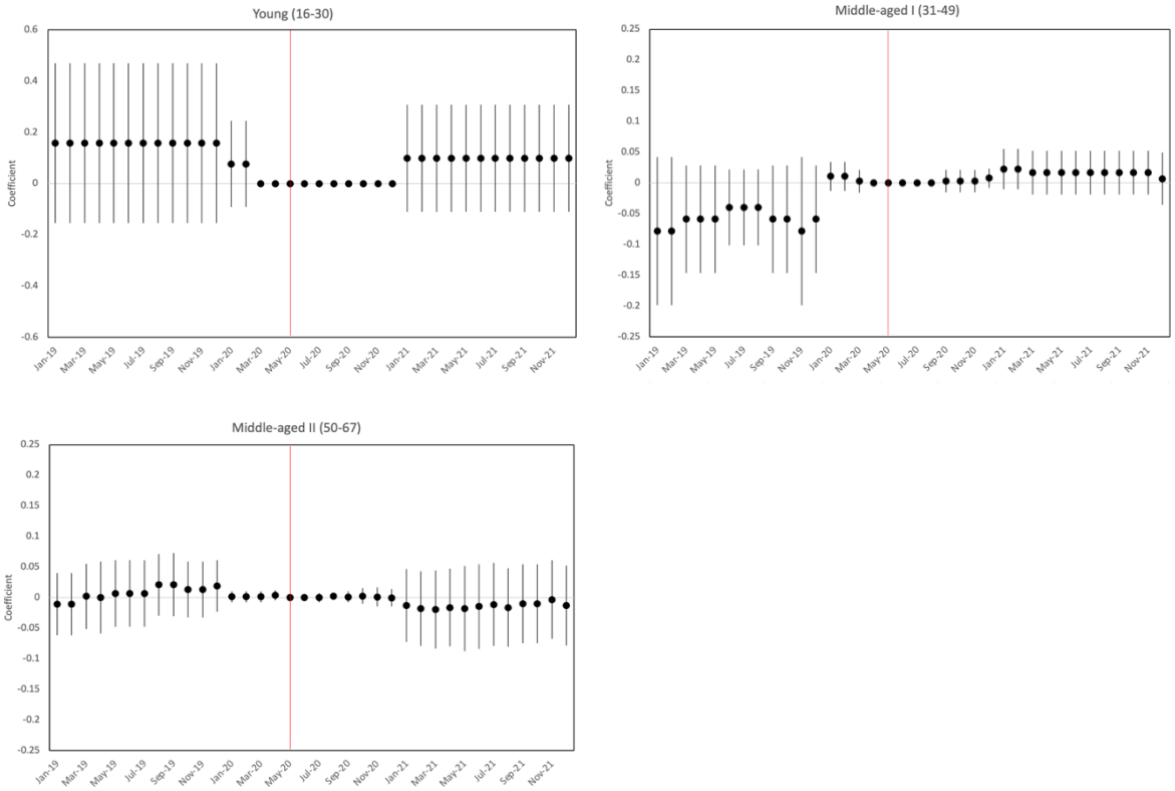
Notes: The vertical axis represents the DD estimates. The horizontal axis corresponds to the month from January 2019 to December 2021. The solid black dots report the DD estimates before and after the policy implementation, using May 2020 as the base month. The solid black lines depict the 95% confidence interval, respectively. The solid vertical red line depicts the intervention date.

Figure A.3.3. – Event Study for Inactivity by Different Educational Attainment Group



Notes: The vertical axis represents the DD estimates. The horizontal axis corresponds to the month from January 2019 to December 2021. The solid black dots report the DD estimates before and after the policy implementation, using May 2020 as the base month. The solid black lines depict the 95% confidence interval, respectively. The solid vertical red line depicts the intervention date.

Figure A.3.4. – Event Study for Inactivity by Different Age Categories



Notes: The vertical axis represents the DD estimates. The horizontal axis corresponds to the month from January 2019 to December 2021. The solid black dots report the DD estimates before and after the policy implementation, using May 2020 as the base month. The solid black lines depict the 95% confidence interval, respectively. The solid vertical red line depicts the intervention date.

3.8.2. Propensity Score Matching Difference-in-Differences Analysis

Figure A.3.5. – Common Support for Propensity Score Matching Difference-in-Differences Analysis

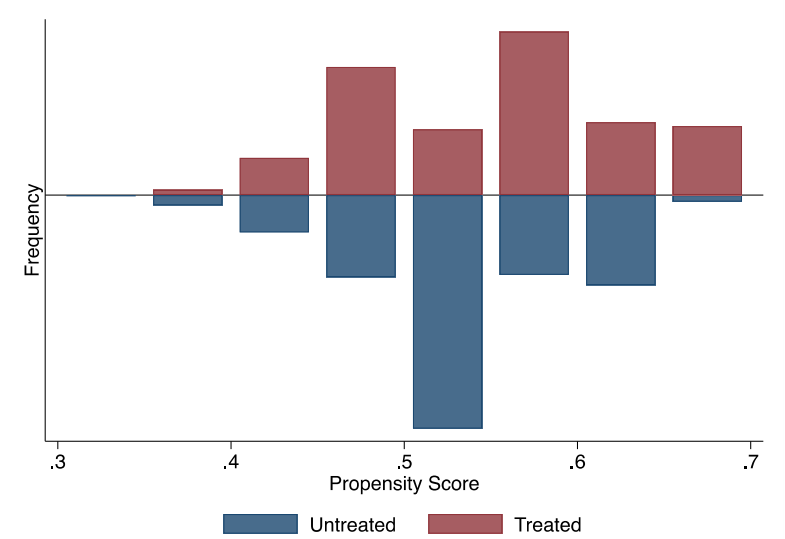


Table A.3.1. – Bias Reduction After Propensity Score Matching

	Bias reduction after matching (%)
Sex	14.5
Age	66.1
Educational attainment	84.2
Activity	67.6

Chapter 4

Welfare, Work and Worry: How Spain's Minimum Income Recipients Make Decisions Under Welfare-Induced Uncertainty

4.1. Introduction

This study examines how uncertainty within welfare systems influences employment decisions among benefit recipients, bridging the literature on administrative burden and institutional mistrust with welfare-to-work research. By identifying key sources of uncertainty as experienced by recipients and linking them to patterns of behavioural response and individual psychological orientations, this research advances the theoretical understanding of how institutional design shapes individual agency.

The question of how welfare recipients make employment decisions has long interested economists and policymakers. As summarised by Moffitt (2002), consumption-leisure models predict that individuals make rational employment choices based on financial incentives, comparing potential wages against benefit amounts while accounting for work-related costs. Under these frameworks, people transition to employment when wages exceed benefits by a sufficient margin and claim benefits to which they are entitled when facing financial hardship. Yet empirical evidence reveals a more complex reality characterised by heterogeneous behaviours that often contradict these predictions.

Some recipients avoid formal work even when it would increase their income (e.g. Trlifajová and Hurrle, 2019 for Czechia; Whelan, 2022 for Ireland), while others choose precarious work over benefits despite being financially worse off (e.g. Patrick, 2014 for the UK; O'Day *et al.*, 2016 for the USA). Others still avoid benefit claiming altogether (Janssens and Van Mechelen, 2022 in a review for Europe and the USA). These behaviours suggest that financial incentives alone cannot explain the decisions of welfare recipients.

The welfare-to-work literature has evolved beyond simple financial incentive models to incorporate the role of uncertainty – which Cecchini (2024) defines as situations where knowledge is incomplete and future outcomes cannot be accurately predicted. Risk and uncertainty models (e.g. Alm, 1988; Jenkins and Millar, 1989) acknowledge that individuals

may prefer the certainty of benefits over uncertain employment income. Behavioural models (e.g. Kahneman and Tversky, 1979; Mullainathan and Shafir, 2013) have introduced concepts such as loss aversion, present bias and locus of control to explain seemingly irrational choices under limited, biased or incomplete information processing.

However, welfare-to-work studies have predominantly modelled risk-averse responses to uncertainty (e.g. Halpern and Hausman, 1986; Dias *et al.*, 2012; Wang and Wirjanto, 2016), with limited attention to how some individuals might use uncertainty as motivation for behavioural change. Moreover, these advances still largely assume that uncertainty predominantly occurs in the labour market with unpredictable job availability or take-home pay and that individuals have reasonable certainty about benefits (see Chan and Moffitt, 2018 for a review of theoretical models). The literature has paid limited attention to how *uncertainty within welfare systems themselves* shapes employment behaviour among welfare recipients. This represents a significant gap, particularly as welfare systems have become increasingly complex, conditional and prone to administrative errors as noted by Herd and Moynihan (2019).

Modern benefit systems often feature complex eligibility criteria, frequent reassessments, discretionary decision-making by administrators and opaque calculation methods, particularly concerning the compatibility between work and benefits (e.g. Nielsen, Nielsen and Bisgaard, 2021 for Denmark; Raab, 2025 for Germany). This leads recipients to perceive an administrative burden, which can create substantial uncertainty about their benefit entitlements and duration as found by Cecchini (2024) for Germany and Denmark and Griffiths and Wood (2024) for the UK. Hill *et al.* (2016) and Summers and Young (2020) for the UK found that institutional mistrust can exacerbate this uncertainty, undermining recipients' confidence in the stability of support. Such uncertainty fosters economic insecurity – defined by Bossert and D'Ambrosio (2013) and Osberg and Sharpe (2014) as the subjective anxiety or stress people feel when they experience or anticipate economic hardship and the difficulty to recover from it. Economic insecurity is the psychological and emotional response to uncertainty, which in turn can significantly influence how recipients assess and respond to employment opportunities.

Nonetheless, while studies in the administrative burden and institutional mistrust literature have documented the existence of uncertainty within welfare systems, few have examined how this uncertainty specifically affects employment decisions. Most research on welfare

system uncertainty has focused on benefit take-up and programme participation, rather than employment transitions (see Halling and Baekgaard, 2024 for a literature review). Moreover, much of this literature concentrates on the objective or institutional dimensions of administrative burden – such as complexity, compliance requirements and procedural delays – while giving less attention to how individuals *perceive* and *experience* these burdens. Exceptions include studies like Daigneault and Macé (2020) who examine how perceived administrative burden in Quebec shapes non take-up. This gap highlights the need to better understand how subjective experiences of burden and uncertainty influence behaviour.

My study aims to bridge the literature on administrative burden and institutional mistrust with the welfare-to-work literature by examining how uncertainty within welfare systems influences employment decisions among welfare recipients. By identifying key sources of welfare-induced uncertainty as experienced by recipients and linking them to patterns of behavioural response and individual psychological orientations, this research advances our theoretical understanding of how institutional design shapes individual agency. I understand *welfare-induced uncertainty* as the unpredictability generated by welfare systems themselves through complex policy design, implementation failures and widespread institutional mistrust, creating conditions where recipients cannot reliably predict their benefit entitlements, duration or future obligations. Importantly, this study focuses on the behavioural aspect of employment – i.e. how welfare recipients exercise agency to make employment decisions – rather than employment outcomes such as whether recipients successfully secure work.

I address three interconnected research questions: *How does welfare-induced uncertainty affect employment decision-making among benefit recipients? What behavioural strategies do recipients develop in response to this uncertainty? How do strategies differ across individual characteristics?*

Spain's *Ingreso Mínimo Vital* (IMV) – a minimum income policy targeting low-income households with eligibility beginning at age 23 and available to both employed and unemployed claimants regardless of nationality – provides a relevant case for exploring these questions, as it presents a context where welfare-induced uncertainty is particularly pronounced, thus making its consequences more observable.

First, as a benefit introduced in 2020, the IMV represents a relatively new system where uncertainty effects should be particularly visible. EAPN (2024) and Gorjón, Lizarraga and Demel (2024) found that recipients lack established knowledge about how the system operates, while eligibility criteria and administrative processes are still being refined, generating uncertainty. This newness contrasts with more established benefit systems where recipients may have developed coping mechanisms or acquired knowledge that reduces uncertainty.

Second, the IMV exemplifies many features of modern welfare design that can generate uncertainty. The benefit involves complex eligibility criteria based on household composition, income and assets, with yearly reassessments and means-testing requirements. AIReF (2024), in its review of the IMV, noted that benefit amounts are calculated using opaque formulas that recipients struggle to understand and payment patterns have been volatile due to amount reassessments and administrative implementation challenges. These characteristics are increasingly typical of contemporary welfare systems across high-income countries. Similar complexity in eligibility criteria, opaque calculation methods or volatile payments characterise diverse systems like Universal Credit (Griffiths and Wood, 2024) or the former Tax Credit system (Hill *et al.*, 2016) in the UK; health care, rent and child support benefits in the Netherlands (Simonse *et al.*, 2023); and the Minimum Income Scheme in Czechia (Trlifajová and Hurrle, 2019), among others. These characteristics make the IMV representative of broader trends in welfare system design – marked by an emphasis on targeting as Wright (2016) argues – making insights from the Spanish case transferable to understanding uncertainty effects in welfare contexts across Europe and beyond.

In this research, I draw on 31 in-depth interviews with IMV recipients and six additional interviews examining non-take-up among eligible households. I use in-depth semi-structured interview methods for three main reasons. First, understanding how individuals interpret and respond to welfare-induced uncertainty requires detailed exploration of cognitive processes, including subjective experiences, perceptions and decision-making processes. Large-N studies, while valuable for establishing population-level patterns and causal relationships, often struggle to establish why beneficiaries make choices, given limited availability of data on recipients' subjective experiences and cognitive responses as well as the challenges of constructing quasi-experimental setups that can isolate uncertainty effects from other factors influencing behaviour.

Moreover, the diversity of factors influencing employment decisions among welfare recipients calls for an approach that allows for the exploration of unexpected themes and relationships that might not be anticipated in advance. Unlike large N-studies like surveys with closed-ended questions, in-depth interviews allow to follow up when participants mention decision-making processes and explore unforeseen mechanisms or experiences that explain how welfare recipients make employment decisions. As Kvale and Brinkmann (2009) argue, semi-structured interviews offer an effective balance between systematic data collection and the flexibility to probe unanticipated responses, allowing researchers to explore emerging themes in greater depth during the course of data collection.

Second, given the limited existing research on the role of welfare-induced uncertainty in welfare-to-work transitions, I adopt an exploratory qualitative approach. This is in line with Small and Calarco's (2022) recommendation that such methods are best suited for theory development. While existing theories in the welfare-to-work literature focus primarily on labour market uncertainty or financial incentives, there is no established theoretical framework that systematically explains how welfare system design creates uncertainty, how recipients experience and interpret this uncertainty and how it shapes their employment decision-making processes. Rather than testing predetermined hypotheses about known relationships, my research aims to identify and understand mechanisms through which welfare-induced uncertainty operates, developing new theoretical insights. This exploratory approach enabled me to develop a novel behavioural categorisation that had not been identified in previous research. These insights can, in turn, inform the design of future large-N studies and guide the development of testable hypotheses in other welfare systems facing similar uncertainty-generating features.

Third, beyond its methodological strengths, the interview approach serves an important democratic function. In line with Lister's (2004) principle of "nothing about me, without me", my study ensures that recipients' lived experiences contribute directly to theoretical understanding and the shaping of more responsive policy. Welfare debates frequently unfold without the participation of those most affected by policy changes, resulting in interventions that often fail to address the realities of recipients' lives. Mcintosh and Wright (2019) argue that lived experiences are especially salient when they are directly shaped and mediated by policy. Given that my research explores how *welfare-induced* uncertainty influences decisions, it is important to centre recipients' own accounts. By doing so, my study

challenges dominant policy narratives – such as the assumption that low employment rates among benefit recipients stem primarily from inadequate financial incentives or a lack of skills – and instead highlights how the design and functioning of the welfare system itself can act as a barrier to work.

This paper argues that the uncertainty introduced by benefits' design, implementation and public perception affects employment decisions among recipients of Spain's IMV. To ensure that differences in individual characteristics could reveal varied strategies for navigating welfare-induced uncertainty, I deliberately constructed a sample that reflects diversity across gender, age, household composition, educational background, nationality and geographical location. I identify three key mechanisms through which the IMV system produces uncertainty: (1) retrospective income assessments, which lead to inevitable mismatches between current needs and benefit amounts; (2) implementation failures, resulting in volatile and unpredictable payments; and (3) information deficits, which hinder recipients' ability to make informed decisions about work. Together, these factors contribute to a widespread sense of mistrust in the system, which further contributes to uncertainty.

Recipients respond to this uncertainty through three distinct behavioural patterns. I assign individuals in the sample to a single category based on their dominant response strategy. "Escapers" (n=10) deal with uncertainty by accelerating exit through formal employment, viewing unpredictable benefits as less reliable than work. "Diversifiers" (n=9) respond by seeking alternative, more stable benefits rather than employment, navigating between different welfare programmes. "Stabilisers" (n=10) adopt defensive risk management strategies, avoiding formal temporary work to preserve their benefits.

While welfare-induced uncertainty drives all three responses, I find that demographic characteristics interact with uncertainty to shape which strategy individuals adopt. The analysis reveals that older participants are concentrated among Diversifiers, reflecting age-related employment barriers, while women, those with children and foreign residents are over-represented among Escapers, suggesting that caregiving responsibilities and limited support networks amplify the motivation to seek employment security over benefit uncertainty.

To strengthen the argument that uncertainty operates as a behavioural driver, I test whether it does so not only within the benefit system but also at the point of entry. I conducted six

additional interviews focusing on non-take-up among eligible households. In this complementary analysis among four NGO volunteers, the administrator of an IMV-related Facebook group and one eligible non-applicant, I do find that welfare-induced uncertainty is a primary driver for non-take-up, thus demonstrating that the same uncertainty affecting current recipients also influence participation decisions among potential beneficiaries.

Based on this analysis of IMV recipients' experiences, this study makes three key contributions to our understanding of welfare-to-work transitions. First, theoretically, I demonstrate that welfare-induced uncertainty is a crucial but underexplored factor in employment decision-making among benefit recipients. More concretely, I demonstrate how – through perceived administrative burden and institutional mistrust – welfare systems themselves have become sources of uncertainty that fundamentally alter employment decision-making processes. Rather than providing predictable support that enables rational employment choices, contemporary welfare design can generate economic insecurity that reshapes how recipients evaluate work opportunities.

I also demonstrate how individual psychological characteristics – particularly locus of control, risk tolerance and time orientation – and demographic characteristics drive responses to system-generated uncertainty, helping explain the heterogeneous behaviours observed in welfare populations. Moreover, Halling and Baekgaard (2024) note that few studies examine how uncertainty and perceived administrative burden shape take-up, thus underscoring the value of exploring non-take-up in relation to uncertainty among eligible non-claimants, as my study does.

Additionally, I develop the first categorisation of behavioural responses to welfare-induced uncertainty, identifying three distinct patterns: Escapers, Diversifiers and Stabilisers. This categorisation provides a novel framework for understanding heterogeneous welfare behaviours that has not been established in prior research. Understanding how different welfare recipients approach employment decisions is crucial if the ultimate policy goal is to effectively support transitions to work.

Second, empirically, I provide the first detailed analysis of how IMV recipients make employment decisions. To date, studies have evaluated the IMV's coverage, generosity, reach and employment outcomes (e.g. Ayala, Jurado and Perez, 2022; AIReF, 2024, 2025), including my own research analysing the IMV' impact on households' financial wellbeing

(Chapter 2 of this thesis) and unemployment (Chapter 3 of this thesis). Although some studies have examined the experiences of some IMV beneficiaries (e.g. EAPN, 2021, 2024; AIReF, 2024; Gorjón, Lizarraga and Demel, 2024) or of regional minimum income recipients (e.g. Ayala Rubio, 2013 among the Roma community in Madrid; Estepa Maestre, Ferri Fuentevilla and Navarro Ardoy, 2024 for Andalusia), no research has specifically focused on how IMV or regional minimum income recipients make employment-related decisions. This represents a significant gap, as these decision-making processes are precisely what drive the outcomes – such as employment rates, benefit duration and transition patterns – that existing studies have documented.

Third, policy-wise, I suggest that policy interventions aimed at improving employment outcomes among welfare recipients may need to address uncertainty within benefit systems themselves, rather than focusing solely on financial incentives or human capital development.

The paper proceeds as follows: Section 4.2. reviews existing literature on welfare-to-work decisions and the role of uncertainty in welfare systems. It also develops an analytical framework linking welfare system characteristics to employment behaviour through uncertainty as the crucial mechanism. Section 4.3. outlines the method used to conduct in-depth interviews with IMV recipients and other stakeholders. Section 4.4. presents findings on how uncertainty shapes three distinct behavioural responses among recipients and affects non-take-up decisions. Section 4.5. discusses implications for theory and policy.

4.2. Background

This section establishes the theoretical foundation for understanding how welfare-induced uncertainty affects employment decisions. I first review traditional welfare-to-work models to identify their limitations, then examine how modern welfare systems generate uncertainty, before developing an analytical framework that links institutional characteristics to individual behaviour through uncertainty mechanisms. I end by applying this framework to the Spanish case, explaining why Spain provides a relevant context for understanding welfare-induced uncertainty effects.

4.2.1. Welfare-to-Work Models

Traditional approaches to welfare recipients' employment decisions assume rational actors making utility-maximising choices between work and benefits. As summarised by Moffitt (2002), static consumption-leisure models predict that individuals should transition to employment when wages exceed benefits by sufficient margins to cover work-related costs, while dynamic job search models focus on how labour market uncertainty about future job offers affects optimal search strategies. Risk and uncertainty models focus explicitly on how individuals respond to unpredictability in outcomes (e.g. Alm, 1988; Jenkins and Millar, 1989). Risk-averse recipients may rationally avoid employment even when it offers financial advantages if benefit income appears more stable. This need not be the case among risk-seeking individuals who might prefer short-term uncertainty in employment.

However, these frameworks assume rational processing where people calculate expected utilities correctly, neglecting the cognitive, emotional and information processing limitations that benefit recipients face when navigating precarious labour markets and complex welfare systems. Behavioural models partially address these limitations by incorporating psychological factors that influence employment decisions under conditions of limited, biased or incomplete information processing.

Prospect theory (Kahneman and Tversky, 1979) shows that people feel losses more acutely than equivalent gains, creating status quo bias where individuals prefer familiar situations (e.g. continued benefit receipt) over uncertain alternatives (e.g. accepting work of equivalent amount). Conversely, when facing the prospect of losses, individuals may become risk-seeking, opting to gamble rather than accept a certain but unfavourable outcome, such as a reduction in benefits.

Present bias models (Laibson, 1997) further explain how individuals disproportionately value immediate costs and benefits over future ones, which can make the short-term disruptions associated with employment transitions – such as loss of stability or increased expenses – feel more salient than the longer-term financial advantages of working. Chan (2017) estimates that around one-fourth of US welfare recipients in their sample were present-biased. However, recipients with a more future-oriented outlook may be willing to endure short-term costs in pursuit of longer-term employment security and autonomy.

Scarcity mentality represents another crucial factor shaping employment decisions. Mullainathan and Shafir's (2013) research demonstrates how economic insecurity consumes mental bandwidth, leaving fewer cognitive resources for long-term planning that could improve long-term prospects.

Locus of control – beliefs about whether outcomes result from personal actions (i.e. internal locus of control) or external forces (i.e. external locus of control), as defined by Rotter (1966) – serves as a powerful predictor of employment behaviour. Caliendo, Cobb-Clark and Uhlendorff (2015) in Germany and McGee (2015) in Canada found that unemployed individuals with internal locus of control demonstrate higher job search intensity.

While these advances acknowledge decision-making under limited, biased or incomplete information processing and in theory can accommodate welfare-side uncertainty, few studies have systematically examined this phenomenon, predominantly focusing on labour market uncertainty while assuming recipients have reasonable certainty about their benefit entitlements. This represents a significant theoretical gap. Modern welfare systems have become increasingly complex, conditional and prone to administrative errors as documented by Herd and Moynihan (2019), yet research has paid little attention to how *uncertainty within welfare systems themselves* shapes employment behaviour. My study addresses this gap.

I now turn to exploring how contemporary welfare systems themselves generate unpredictability that affects recipients' decision-making.

4.2.2. Uncertainty in Modern Welfare States

Contemporary welfare systems paradoxically generate uncertainty that transform safety nets into sources of economic insecurity. The cumulative effects of perceived administrative burden and institutional mistrust lead to uncertainty which in turn manifests in individuals through economic insecurity, affecting decision-making.

4.2.2.1. Sources of Welfare-Induced Uncertainty

Contemporary welfare systems paradoxically generate uncertainty in three main ways. First, policy design complexity creates situations where recipients cannot predict how life changes affect their benefits. Complex eligibility rules and opaque work incentive structures make it impossible for recipients to make informed employment decisions. Research across multiple

countries documents widespread confusion about benefit-work compatibility, with recipients unable to calculate how employment will affect their support (Anderson, 2002 for the USA; Trlifajová and Hurrle, 2019 for Czechia; Griffiths and Wood, 2024 for the UK). Moreover, retrospective income assessments, where eligibility is reassessed based on past rather than current income, creates mismatches between current circumstances and benefit amounts (Simonse *et al.*, 2023 for the Netherlands; Cai *et al.*, 2023 for the USA).

Second, implementation of these rules and administrative failures can create volatile, unpredictable benefit experiences. Assessment periods misaligned with employment cycles (Brewer, Cominetti and Jenkins, 2025 for the UK), processing delays (Summers and Young, 2020 for the UK), administrative errors (Griffiths and Wood, 2024 for the UK) and retrospective adjustments that can demand repayments months or years later (Millar, 2005 for the UK; Rinta-Kahila *et al.*, 2022 for Australia; Simonse *et al.*, 2023 for the Netherlands) all contribute to benefit volatility. More problematic, it creates what Hill *et al.* (2017) define as economic instability given the unpredictability, frequency, direction and scale of such income fluctuations over time. This instability is particularly problematic for recipients engaged in temporary, agency or zero-hours work, who may lose support or be asked to repay overpayments precisely when their employment income falls.

As documented by Herd and Moynihan (2019), these policy design and implementation issues create administrative burdens – the learning, compliance and psychological costs of interacting with public services. Janssens and Van Mechelen (2022) define learning costs as the time and effort required to acquire and understand information about available benefits. Compliance costs involve the practical effort and monetary expenses of applying for, maintaining and reporting changes to benefit eligibility while psychological costs include the emotional toll of engaging with the state.

Crucially, it is recipients' perceptions of these burdens that drive behavioural responses. When individuals experience welfare systems as opaque, volatile or punitive – regardless of official policy intentions – they develop adaptive strategies based on their subjective understanding of system risks and opportunities. My study therefore focuses on how recipients interpret and respond to uncertainty rather than objective measures of system complexity.

Third, information deficits and institutional mistrust both generate and amplify uncertainty effects. When recipients cannot access clear, consistent information about system operations, they rely on informal networks that may convey misinformation, as documented by Summers and Young (2020) for the UK. High levels of institutional mistrust – documented across the European Union where 63% of citizens express government distrust (European Commission, 2024) – can precede welfare system engagement, creating uncertainty about whether official information is reliable and whether systems will operate as promised. This constitutes a general culture of mistrust as documented by Van de Walle and Bouckaert (2003). Pre-existing mistrust compounds information problems regarding the benefit. Additionally, mistrust can also stem from specific negative experiences with welfare systems as reported by Hill *et al.* (2016) in the UK. Thus, institutional mistrust operates both as a source of uncertainty and as a consequence that amplifies future uncertainty through a self-reinforcing cycle.

The cumulative effect of policy complexity and implementation failures, together with institutional mistrust generates uncertainty whereby recipients cannot predict their benefit entitlements, duration or future obligations accurately. This phenomenon is what I term "welfare-induced uncertainty".

4.2.2.2. Psychological and Behavioural Effects of Welfare-Induced Uncertainty

This uncertainty creates ongoing stress and cognitive burden as found by Wright (2016) for the UK, Cecchini (2024) for Italy and Denmark as well as Raab (2025) for Germany. More concretely, complex welfare requirements reduce recipients' sense of agency (Madsen and Mikkelsen, 2022 for Denmark), while income volatility further undermines belief in personal control over outcomes (Peetz, Robson and Xuereb, 2021 for the USA and Canada). This erosion may discourage employment seeking even among those who value work.

Research demonstrates measurable behavioural effects of welfare-induced uncertainty. Luttmer and Samwick (2018) found US recipients willing to sacrifice 6% of expected benefits to eliminate policy uncertainty, while research from the UK (Griffiths and Wood, 2024), Ireland (Whelan, 2022) and Belgium (Janssens and Van Mechelen, 2022) documents recipients limiting work to preserve benefit stability.

Nonetheless, uncertainty responses vary based on individuals' psychological orientations. Peetz, Robson and Xuereb (2021) found that income volatility in the USA and Canada impaired decision-making only among individuals with external locus of control. McGee and McGee (2016) in the USA showed that participants with internal locus of control operating under uncertainty about the relationship between effort and outcomes, believed their search efforts had larger positive effects on job offer probabilities than those with external orientations.

4.2.2.3. Heterogeneous Responses to Welfare-Induced Uncertainty

The literature reviewed above suggests that welfare-induced uncertainty will not produce uniform employment responses among recipients. Individuals' responses to uncertainty could vary according to their psychological orientations, particularly risk tolerance, locus of control and time orientation. Understanding how different welfare recipients approach employment decisions is crucial if the ultimate policy goal is to effectively support transitions to work.

Risk tolerance shapes how individuals evaluate uncertain outcomes. Risk-averse recipients may prioritise benefit stability even when employment offers potential advantages, while risk-tolerant individuals might view uncertain employment prospects as preferable to unpredictable welfare systems. Locus of control affects how people respond to institutional uncertainty. Those with internal locus of control may interpret welfare-induced uncertainty as a challenge requiring active response, while those with external orientations may feel powerless to navigate unpredictable systems effectively. Time orientation influences whether individuals focus on immediate security or longer-term outcomes when facing uncertain circumstances.

These psychological orientations may themselves correlate with demographic characteristics. For instance, older recipients facing age-based employment discrimination may develop more external locus of control and greater risk aversion regarding employment prospects. Individuals with caregiving responsibilities might display present-oriented focus when uncertain benefits threaten immediate family security. Similarly, higher educational attainment and past employment experiences may foster greater belief in personal agency and higher risk tolerance.

Research has examined both how different demographic groups approach employment decisions and how psychological orientations vary across demographic characteristics. Studies document that women, particularly those in caregiving roles, and older individuals close to retirement face more re-employment difficulties (e.g. Ahn, Jimeno and Ugidos, 2004 for Spain; Delaney, Egan and O'Connell, 2011 for Ireland; Reader *et al.*, 2023 for the UK), while educational attainment affects job search duration and outcomes (e.g. Krueger and Mueller, 2010 for the USA; García and van Soest, 2017 for Spain).

Separately, research shows that psychological orientations vary by demographics, though with mixed findings varying across contexts. Risk tolerance tends to be lower among women, older and less educated individuals (e.g. Hallahan, Faff and McKenzie, 2003 for Australia; Lobão, 2022 for Portugal), though some studies find no significant gender effects (e.g. Brous and Han, 2022 for the USA). Time orientation follows complex patterns, with middle-aged individuals (Lu *et al.*, 2023 in a meta-analysis) and more educated individuals (e.g. Eisenhauer and Ventura, 2006 for Italy and the Netherlands) showing less present bias, while gender differences appear inconsistently across studies (Lv *et al.*, 2025 in a meta-analysis). Locus of control shows weaker demographic associations, with higher education sometimes linked to more internal control (e.g. Virmozelova Angelova, 2016 for Bulgaria), but studies typically finding no significant gender or age differences (e.g. Guagnano *et al.*, 1986 for the USA).

However, while we know that psychological orientations relate to demographics and that demographics affect employment behaviour, existing research has not systematically examined how these factors combine to produce different employment strategies. Given this theoretical gap, my research adopts an inductive approach that does not test predetermined hypotheses. Instead, I explore how welfare-induced uncertainty affects employment decision-making in different ways, examining how psychological orientations and demographic characteristics interact to shape varied strategies for navigating welfare-induced uncertainty. This exploratory approach enables theory development about heterogeneous responses to welfare-induced uncertainty that can inform future hypothesis-driven research.

4.2.2.4. Uncertainty and Benefit Participation

Welfare-induced uncertainty affects not only employment decisions among current recipients but also participation decisions among eligible non-claimants. Janssens and Van Mechelen (2022) noted in a review of non-take-up that, when potential applicants cannot predict approval outcomes, benefit amounts or future obligations, they may avoid the system entirely despite material hardship.

Complex eligibility criteria prevent recognition of entitlements (Bhargava and Manoli, 2015 for the USA; Baumberg, 2016 for the UK), while fear of future complications – administrative complexity, repayment risks or employment complications – deters applications even among those aware of their potential eligibility (Daigneault and Macé, 2020 for Quebec; Baumberg Geiger *et al.*, 2021 for the UK; Simonse *et al.*, 2023 for the Netherlands). Loss aversion can help explain why uncertainty weighs heavily in participation decisions, as people prefer familiar situations over engaging with unpredictable systems.

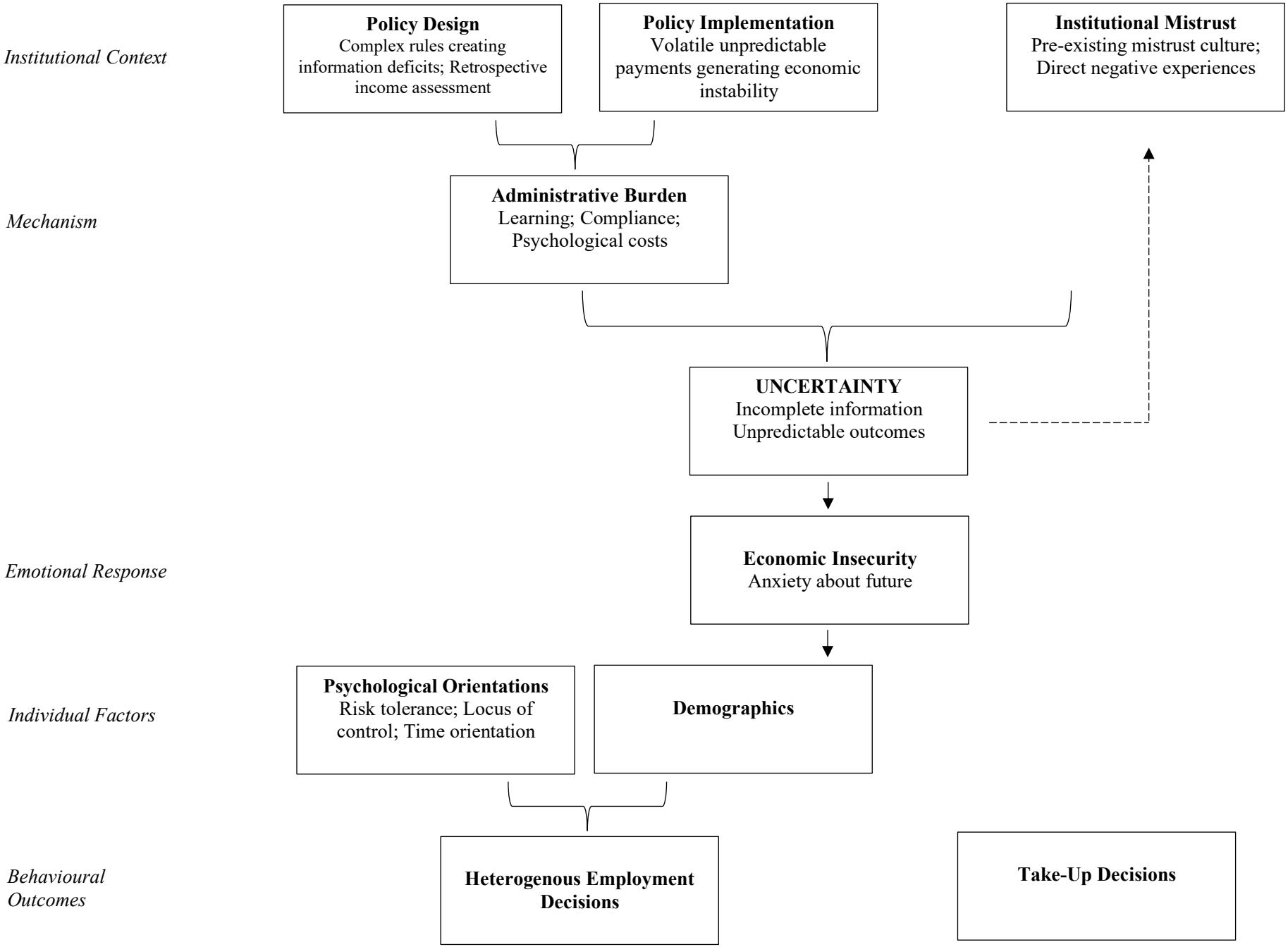
I now turn to put together the literature above and present an analytical framework that explains how welfare system characteristics translate into behavioural outcomes through uncertainty as the mediating mechanism.

4.2.3. Analytical Framework

Figure 4.1. presents my study's analytical framework linking welfare system characteristics to behavioural outcomes. Unlike most welfare-to-work models that assume welfare provides predictable support while labour markets generate uncertainty, this framework demonstrates how modern welfare systems can become sources of uncertainty that alter employment and benefit take-up decision-making processes. The framework suggests that policy design complexity, implementation failures and institutional mistrust create uncertainty that generates economic insecurity among recipients. Psychological orientations – risk tolerance, locus of control and time orientation – as well as demographic characteristics affect responses to this welfare-induced uncertainty, producing different employment behaviours. The same welfare-induced uncertainty affecting employment also affects the take-up of benefits.

This analytical framework provides the conceptual foundation for analysing welfare-induced uncertainty in practice. I now turn to the Spanish case, showing how the IMV's design and implementation features create the specific types of uncertainty identified in the framework and explaining why Spain offers valuable insights into how institutional characteristics shape decision-making.

Figure 4.1. – Analytical Framework for the Study



4.2.4. The Spanish IMV as a Case for Understanding Welfare-Induced Uncertainty and its Consequences

Spain's *Ingreso Mínimo Vital* provides a relevant case for applying the analytical framework and examine welfare-induced uncertainty effects due to its institutional novelty, complex design features and implementation challenges that create overlapping sources of unpredictability. Implemented in 2020, the IMV lacks institutional maturity, creating uncertainty about its long-term viability. Recipients may fear political reversals similar to Italy's *Reddito di Cittadinanza*, abolished in 2024 after just five years of existence. This perceived fragility may affect how recipients interpret system signals and plan for the future.

Additionally, the IMV exhibits all three uncertainty-generating characteristics identified in the framework presented in Figure 4.1. First, there are design complexities. The IMV's eligibility rules and application processes are widely considered complex, with many recipients unable to predict benefit receipt or amounts as documented by AIReF (2024), EAPN (2024) and Borda de la Parra, Ávila Cantos and Ayala Rubio (2022). The 2023 introduction of graduated work incentives,[12] while intended to encourage employment, added complexity that few recipients understand, with studies showing widespread ignorance about benefit-work compatibility (EAPN, 2024; Gorjón, Lizarraga and Demel, 2024; AIReF, 2025).

The IMV's retrospective annual assessment system creates inevitable mismatches between current circumstances and benefit amounts. Recipients receive payments based on previous year's income, creating situations where they simultaneously receive wages and full benefits when starting employment, while losing support precisely when becoming unemployed.

Second, implementation issues lead to additional uncertainty. Retrospective adjustments can demand repayment of thousands of euros, creating acute economic instability. According to AIReF (2025), in 2024, 68% of households experienced benefit amount revisions, 32% faced

[12] The new graduated work incentive replaced a 100% benefit withdrawal rate – i.e. one euro of benefits for each euro earned – with a more graduated taper system. Recipients can now retain their full benefit while earning up to 60% of the guaranteed amount, after which reductions between 60-80% apply depending on household composition, previous earnings, the magnitude of the increase in labour income and the duration of the benefit recipient. The change went into effect in January 2023.

reclaims and 12% had benefits terminated. High-profile cases covered extensively in Spanish media (e.g. Sanchez, 2024; Alsedo, 2025) potentially generate anxiety among current and prospective recipients.

Administrative inefficiencies add uncertainty. Although the processing time of approved applications has improved from over 248 days in 2023 to 203 days in 2024, delays remain substantial (AIReF, 2025). There is a lack of access to clear, consistent information and an overly technical language in official communications meaning that many do not understand the resolutions that determine the IMV amount and its adjustments, as EAPN (2021) documented. Gorjón, Lizarraga and Demel (2024) find that over half of Roma households who had experienced changes in benefit amounts did not know where the changes came from.

Third, high levels of pre-existing institutional mistrust (69% express government distrust, rising to 77% among those with financial difficulties) (European Commission, 2024) lead some recipients to approach the IMV system with scepticism and rely on informal networks. Yet these may convey misinformation as AIReF (2024) noted.

Spain's economic environment amplifies uncertainty effects. High unemployment (12.2%) (Eurostat, 2025), extensive temporary employment (17.3%) (*ibid*) and a significant informal economy (23.4% of GDP) (Elgin *et al.*, 2021) mean that even motivated jobseekers face structural constraints that make benefit stability particularly valuable. This combination creates compounded uncertainty – overlapping sources of unpredictability that force recipients to navigate both welfare system and labour market risks simultaneously.

Based on the analytical framework, the IMV's policy design and implementation described should generate significant learning, compliance and psychological costs, as recipients struggle to understand how the system operates and how to meet its requirements. Mistrust in institutions further amplifies these uncertainty effects by preventing recipients from making informed decisions. This framework predicts that such uncertainty will contribute to economic insecurity, as beneficiaries cannot depend on a stable and predictable source of support. Crucially, these overlapping sources of uncertainty are unlikely to produce uniform responses. Instead, individual psychological orientations and demographics should interact with welfare-induced uncertainty to shape diverse strategies for navigating this unpredictability.

As noted in the framework, uncertainty can affect behaviour both within and outside the benefit system. This appears particularly relevant to the IMV context. With 55% of eligible households not receiving the IMV despite material need (AIReF, 2025), research consistently identifies uncertainty-related factors as primary barriers to IMV participation (EAPN, 2021, 2024; AIReF, 2024; Gorjón, Lizarraga and Demel, 2024). Administrative complexity creates systematic uncertainty about eligibility and processes, while information deficits leave 43.7% of non-applicants unaware of the benefit and most others confused about how it works (EAPN, 2024). Widespread misinformation about work compatibility has been reported by EAPN (2024) and Gorjón, Lizarraga and Demel (2024), leading many employed low-income households to incorrectly believe they are ineligible.

Fear of retrospective repayment demands deters applications, while institutional mistrust – often based on indirect negative experiences (as noted by Gorjón, Lizarraga and Demel, 2024) or confusing communications (as noted by EAPN, 2021) – fuels perceptions that the system is unpredictable, punitive or not worth engaging with. The result is self-exclusion where many eligible individuals conclude that application risks outweigh potential benefits, with stigma playing a minimal role (over 90% report no concern about others knowing they receive benefits) (EAPN, 2024).

The IMV's institutional characteristics thus provides an ideal case for exploring how welfare-induced uncertainty operates in practice. The following methods section explains how I collected and analysed data to address my research questions using the case of Spain.

4.3. Methods

This section outlines the methodological approach used to examine how welfare-induced uncertainty affects employment and participation decisions among IMV recipients and eligible non-claimants. I explain my sampling strategy, data collection procedures and analytical approach, before discussing the study's limitations and positionality.

4.3.1. Sample and Recruitment

I recruited participants based on two criteria: (1) current or recent IMV receipt – within six months to minimise recall bias about decision-making processes and system experiences –

and (2) working age (16-67 years) to ensure they faced active employment decisions. I define "working age" as those between the end of compulsory education and the retirement age.[13]

I used three complementary recruitment strategies, which reached different populations whilst minimising selection biases that could arise from relying on any single recruitment source. First, five nongovernmental organisations across Spain – Cáritas Madrid and Salamanca, EAPN Murcia, Hogar Sí, CATS and ATD Fourth World – provided access to 11 recipients already engaged with formal support networks. However, this method potentially oversampled individuals who are more proactive in seeking help or who face particular challenges requiring NGO support.

Second, to access a broader population, I also recruited through a specialised Facebook group focused on IMV information and support, with over 82,300 members. I reached 14 individuals across geographic regions who might not engage with formal services but participate in digital communities. Third, initial participants also referred six others in similar circumstances. I limited snowball chains to one person to prevent clustering around particular networks.

I recruited a total of 31 participants for this study. This sample size was determined through the principle of thematic saturation, continuing interviews until new conversations ceased to reveal additional patterns or substantially modify existing themes (as discussed in detail in the 4.3.3. Data Analysis section below).

I selected a sample that is diverse in terms of key sociodemographic characteristics to ensure that differences in individual characteristics could reveal varied strategies for navigating welfare-induced uncertainty. Table 4.1. shows that the final sample of 31 participants includes diversity across gender, age, household composition, education level, nationality and geography. These characteristics broadly reflect the demographic profile of IMV recipients (Ministerio de Inclusión, Seguridad Social y Migraciones, 2025c). The

[13] In Spain, in 2025, individuals can access a retirement pension at 66 years and 8 months or at 65 years old if they can demonstrate at least 38 years and 3 months of contributions. Given that many IMV beneficiaries have fragmented employment histories and are therefore unlikely to meet the contribution requirements for early retirement, most would not be able to access their pension until reaching the standard retirement age of nearly 67. Thus, to capture the full spectrum of working-age IMV recipients who remain economically active or seeking employment before transitioning to retirement benefits, I included respondents up to age 67 in my sample.

distribution of these characteristics across the three behavioural response types is examined systematically in subsection 4.4.2.5, though given the sample size, these patterns should be interpreted as suggestive rather than definitive.

Table 4.1. – Sample Characteristics

		Count	%
Gender	Women	19	61
	Men	12	39
Age[1]	25 – 35	7	23
	36 – 45	7	23
	46 – 55	10	32
	56 – 64	7	23
Household Composition	Single adult	14	45
	Single parent	10	32
	Couple with children	4	13
	Other	3	10
Education[2]	Low attainment	19	61
	Medium attainment	5	16
	High attainment	7	23
Nationality	Spanish	25	81
	Other	6	19
Region	Andalusia	7	23
	Balearic Islands	1	3
	Canary Islands	2	7
	Castilla-La Mancha	7	23
	Castilla y Leon	3	10
	Galicia	1	3
	Madrid	6	19
	Murcia	4	13
Total		N = 31	100

Notes: [1] Although recruitment targeted ages 16-67, actual participants ranged from 25 to 64 years old.

[2] Educational attainment is classified following the International Standard Classification of Education (ISCED 2011). Low attainment corresponds to ISCED levels 0-2 (early childhood, primary and lower secondary education); medium attainment to ISCED levels 3-4 (upper secondary and post-secondary non-tertiary education); and high attainment to ISCED levels 5-8 (short-cycle tertiary, bachelor's, master's and doctoral degrees). The classification includes only formally accredited educational qualifications. I did not include microcredentials and non-accredited short courses in this categorisation.

4.3.2. Data Collection

Between December 2024 and May 2025, I conducted 31 semi-structured interviews lasting 50-190 minutes (average: 90 minutes). Interviews occurred both in-person (n=15) and online (n=16) based on participant preference and logistical constraints. This mixed-mode approach enhanced participation across Spain's geography whilst accommodating participants with work schedules, caregiving responsibilities or mobility limitations. Settings for in-person interviews included NGO premises, cafés, libraries and participants' homes.

The semi-structured interview guide (see subsection 4.6.1. in the Appendix) explored five interconnected themes designed to understand how welfare recipients make employment decisions under uncertainty: (1) life trajectory and IMV experience; (2) employment experiences whilst receiving benefits; (3) subjective meanings of work and welfare; (4) perceived employment barriers; and (5) future aspirations and planning. I did not include explicit questions about uncertainty in the interview guide. Instead, uncertainty emerged as a theme through participants' descriptions of their experiences with the IMV system and employment decision-making processes. This emergence validated the importance of the theme while avoiding the risk of leading participants toward particular responses.

I audio-recorded all interviews – except one – with permission, transcribed them verbatim and translated them from Spanish to English using Spiik. Following Oliver, Serovich and Mason's (2005) recommendations for qualitative interview presentation, I made small adjustments to quotes to enhance readability while preserving content and meaning.[14]

[14] For example, I adjusted María's quote in subsection 4.4.2.1 from the literal translation: "*I have been working thinking that they were going to take away my minimum vital income for 600 euros. Okay? And I earned 620 in minimum vital income. And I said, that's it, now they're going to take it away from me because they're registering me. Of course. And they didn't take it away from me, but they could have taken it away from me. I wanted to work, I didn't care"* to the presented version: *"I was working for €600 thinking that they would take my IMV away. I was receiving €620 from the IMV. I kept thinking, 'That's it, they're going to cut it off because I'm officially registered [with the Social Security]'. In the end, they didn't take it away, but they could have. I didn't care though; I wanted to work."* Changes included: standardising terminology (IMV rather than "minimum vital income"), removing filler words ("Okay", "Of course"), clarifying implicit references ([with the Social Security]), improving sentence structure and flow as well as adding punctuation for readability whilst preserving the speaker's meaning and emotional tone.

Recognising the vulnerable circumstances of many participants, I implemented comprehensive ethical protocols. Informed consent followed a multi-step process beginning with initial eligibility screening, followed by detailed explanation of research objectives, data usage protocols and confidentiality safeguards. Participants received clear communication about their right to withdraw at any time without consequences. In one instance, I terminated an interview early and provided support resources when a participant displayed distress recounting trauma.

Following established practices in research with low-income populations (e.g. Cheff, 2018), participants received €20 compensation presented as appreciation for their time rather than payment contingent on interview completion or content quality. Most NGO-referred participants (n=6) were not informed about compensation beforehand, reducing potential selection effects based on financial motivation.

4.3.3. Data Analysis

I followed Deterding and Waters' (2021) flexible coding approach, designed for interview datasets using qualitative data analysis software. Rather than relying on line-by-line inductive coding (as grounded theory would recommend), flexible coding begins with broad index codes followed by the development of thematic (analytic) codes.

More concretely, using ATLAS.ti software, I started with broad indexing of transcripts based on interview guide topics (e.g. "employment history"), combined with demographic attribute coding (e.g. "woman/man") and memo-writing for each interview to identify key themes across cases. I then derived analytic codes (e.g. "avoids temporary formal work") from theoretical concepts and emergent themes. These codes were applied systematically to relevant text segments identified through the initial indexing. Finally, I used the software's query capabilities to perform thematic co-occurrence analysis, i.e. to examine relationships between codes and attributes and explore patterns across cases (e.g. exploring intersections between "avoids temporary formal work" x "external locus of control"). This analysis proved crucial for identifying the three behavioural response types by revealing how different combinations of attitudes, behaviours and circumstances clustered together systematically.

Through thematic co-occurrence analysis, I also tested alternative explanations for behavioural patterns, considering whether responses could be explained by demographic

characteristics, structural constraints or other factors rather than welfare-induced uncertainty. This analysis strengthened confidence that uncertainty represents the primary mechanism driving the employment responses identified.

In line with methodological guidance on qualitative sampling by Guest, Bunce and Johnson (2006), my study proceeded with interviews until I achieved thematic saturation – i.e. until new interviews were not revealing additional patterns or modifying existing themes. The core experience of welfare-induced uncertainty emerged consistently across participants by the 15th interview, manifesting through similar accounts of retrospective assessment problems, volatile payments and information deficits. The three distinct behavioural responses (Escapers, Diversifiers and Stabilisers) became clearly defined by the 23rd interview, with each subsequent interview reinforcing rather than challenging this typology. For example, interview 24 included a participant who displayed the same risk-averse, benefit-preserving behaviours that had already been identified among Stabilisers, while interview 25 featured a person whose intensive job-searching and employment acceptance patterns clearly aligned with the Escaper profile already established. The final eight interviews (24-31) thus served to confirm the robustness of these patterns across different participant characteristics and contexts. The specific endpoint of 31 rather than say, 29 or 32 interviews, reflects the practical reality that interviews are often scheduled in advance before complete analysis of preceding conversations, meaning saturation is sometimes confirmed retrospectively.

4.3.4. Complementary Analysis of Non-Take-Up

To test whether uncertainty operates as a behavioural driver beyond current recipients, I supplemented the main analysis with interviews examining non-take-up among eligible households. I conducted two types of interviews capturing (1) the institutional perspective and (2) direct experiences.

First, I interviewed four NGO volunteers who provide IMV information and application assistance: three from Cáritas and one from Red Cross, all of whom have worked on IMV support since the benefit's inception in 2020. These interviews explored the perspectives from third sector institutions on access barriers, trends in application patterns over time and common concerns expressed by potential applicants (see interview guide in subsection 4.6.2 in the Appendix.). The volunteers' extensive experience provided systematic insights into

non-take-up patterns that might not emerge from a small number of interviews among eligible non-claimants.

I also interviewed the administrator of the Facebook group used for participant recruitment, whose role provides unique visibility into information-seeking behaviour and concerns expressed by potential applicants.

Second, the sample includes one eligible non-applicant who provided direct insight into decision-making processes that lead to benefit avoidance despite material need. While practical challenges limited the number of such interviews – establishing IMV eligibility prior to interview proved difficult – this case provided valuable validation of patterns identified through the institutions' interviews.

4.3.5. Limitations and Positionality

My study's qualitative design presents inherent limitations. First, interview data capture reported rather than observed behaviours, raising concerns about accuracy and completeness. However, participants demonstrated substantial openness about sensitive topics including depression, domestic violence, undeclared work and extreme political views, suggesting considerable disclosure depth.

Second, social desirability bias represents another potential limitation. Ayala Rubio (2013) argues from research on minimum income recipients in Spain that beneficiaries may overemphasise hardship to justify their benefit entitlement. To address this concern, I sought corroboration within narratives by probing for specific examples when participants made general claims and looked for consistency across different parts of individual interviews.

Third, some participants may have been motivated primarily by a desire to share grievances about the IMV system, potentially creating a sample skewed towards those with negative experiences. However, I partially offset this through the diverse recruitment methods, with NGO-referred participants expressing that they were motivated by reciprocity to their support organisations rather than complaint motivations.

Finally, my position as a high socioeconomic status researcher who has never needed to apply for benefits like the IMV inevitably created social distance from participants, but this positioning also shaped my analytical approach in ways that proved productive for the

research. My outsider status meant participants often provided detailed explanations of processes I had not experienced personally – such as the emotional impact of benefit volatility or the calculation strategies used to enter or avoid formal work. This led to richer data about decision-making mechanisms that participants might have taken for granted in conversations with someone from a similar background.

However, my privileged position also created interpretive challenges. Participants sometimes expressed emotions in ways that required careful probing to understand fully. For instance, when participants described "giving up" on job searching, my initial interpretation focused on individual agency, but deeper questioning revealed how structural barriers and institutional mistrust shaped these responses.

To address these dynamics, I employed strategies that enhanced data quality. I sought validation of my interpretations through follow-up questions and by asking participants to explain the reasoning behind their decisions rather than assuming I understood their motivations. I also prioritised building trust and rapport, sometimes extending interviews beyond the original duration when participants wanted to elaborate, recognising that my unfamiliarity with their experiences required more comprehensive accounts to fully grasp their decision-making processes.

The following results section demonstrates how this method enabled identification of systematic patterns in uncertainty responses.

4.4. Results

This section presents evidence that welfare-induced uncertainty drives both employment decisions among IMV recipients and participation decisions among eligible non-claimants. I first demonstrate how the IMV system generates uncertainty through its design and implementation, then identify three distinct behavioural responses among recipients, before extending the analysis to non-take-up decisions.

4.4.1. How the IMV System Generates Uncertainty

The following analysis demonstrates how the components of my analytical framework (Figure 4.1.) operate in practice. The IMV system exhibits all sources of welfare-induced uncertainty identified in the framework. Despite its objective to provide stable income support, the IMV creates uncertainty through three key mechanisms: retrospective income

assessments, volatile payments and information deficits. This uncertainty transforms the IMV from a safety net into a source of economic insecurity, generating institutional mistrust that fundamentally alters how recipients approach employment decisions.

4.4.1.1. Retrospective Income Assessments

The IMV's retrospective assessment system creates inevitable mismatches between current needs and benefit amounts. Manuel, a single father in his 50s with a career in hospitality, explains the fundamental problem:

> "Let's say I start a job tomorrow and I inform the Social Security […] I keep receiving my IMV payments anyway. Why? Because the amount I'm receiving now is based on what I earned last year. So, I end up receiving both my salary and the IMV at the same time. Then, the following year, imagine my contract ends. The amount of IMV I'm receiving at that point also doesn't reflect my current situation, because I was working last year – so they stop my IMV."

This makes that benefits are always "out of step" with recipients' actual circumstances, creating both overpayments during employment and benefit loss or reclaims during unemployment – precisely when support is most needed.

4.4.1.2. Volatile and Unpredictable Payments

Nearly all participants (27 of 31) experienced erratic benefit amounts that changed without explanation or warning. The experience of Elena, a single mother of four who has experienced repeated benefit volatility, illustrates this unpredictability:

> "Well, [the administration] raises it, lowers it – I don't have a fixed income, you know? One year, I was getting €500 for a few months, then €200 for others. Then they raised it back to €500, then €700. That's how it's been for me with the IMV."

Retrospective reclaims create severe economic instability. Fatima, a mother of three whose family was initially granted the IMV automatically during the pandemic, later faced demands to repay benefits after other pandemic support triggered overpayment assessments:

> "One day, without any prior notice, they cancelled the IMV and sent a letter saying we owed money. They said that since I hadn't responded before, [the reclaim] came with interests. But I never received that letter. From the initial

> €3,000 they asked, I am paying €7,000. I started paying it in instalments which also raises the interests a little. […] First it went up to over €5,000 with late payment charges and then paying in instalments raised it to almost €7,000. I'm still paying it off now. […] €127 per month."

Even recipients without direct reclaim experience live in fear of future demands, with some setting aside benefit payments as insurance against potential clawbacks. Laura, a single mother, has been setting aside part of her IMV, fearing that the administration is not yet counting her child's maintenance as income, despite having notified the administration.

4.4.1.3. Information Deficits

Recipients cannot make informed employment decisions because they lack basic information about how the system works and how employment affects benefits. Participants often did not understand how the administration calculated benefit amounts or what data it was using. Most were unaware of new policy developments, such as the 2023 work incentive allowing for combinations of employment with benefits without reductions in benefit amounts. This information gap prevents informed employment decisions and reinforces fears that any work will trigger benefit loss.

Furthermore, recipients cannot predict or understand benefit decisions because administrators themselves lack knowledge. Manuel described his experience calling the Social Security administration for information:

> "The staff themselves say, *'You know more than I do. I have no idea'.* […] You call and one person tells you, *'You'll be paid on Monday'* and then you call back and someone else says *'No, that's not correct'.* That creates confusion, uncertainty and deep mistrust in the administration and in the Social Security."

Fatima's and Laura's cases explained above show how miscommunication with the administration exacerbates economic insecurity.

4.4.1.4. Psychological Impact

This uncertainty generates chronic stress that can impair decision-making. Rafael, a father of four living with his wife – described the constant anxiety:

> "We live with the fear that the IMV could be taken away […] You plan your life expecting to receive the payment next month – I usually get paid on the 25th – but when that day comes, I could suddenly find myself without the benefit."

Teresa, a single woman who struggled with reclaims, went as far as to characterise her experience as "psychological assault".

The cumulative effect of these experiences is institutional mistrust that extends beyond the IMV. Ana, a single woman who has faced repeated reclaims, articulated this broader scepticism:

> "Right now, I don't trust anyone. I have a real animosity towards anything to do with these administrations. […] They take advantage of vulnerable people because we don't have the means to defend ourselves."

Having established how the IMV creates uncertainty, I now turn to examine how recipients respond to this unpredictability.

4.4.2. Three Behavioural Responses to IMV Uncertainty Among Recipients

This systematic uncertainty alters how recipients approach employment decisions, but responses are not uniform. My analysis reveals three distinct behavioural patterns that have not been systematically identified in prior welfare-to-work research. As noted in the analytical framework, the patterns emerge from the same welfare-induced uncertainty, influenced by psychological orientations including risk tolerance, locus of control and time orientation. I start by describing the three behavioural responses (subsections 4.4.2.1. to 4.4.2.3.), providing a summary table of the different characteristics of each type (subsection 4.4.2.4.). I also detail how demographic characteristics are distributed across the three response types in subsection 4.4.2.5.

The following behavioural patterns apply to 29 of the 31 participants interviewed. Two participants did not discuss uncertainty of any kind during their interviews – whether related to reassessments, volatile payments, lack of information about how the benefit works, fear of reclaims or concerns about losing benefits. Coincidentally, these two participants were men experiencing homelessness who were not particularly focused on seeking employment at the time of interview. The absence of uncertainty-related themes in these interviews may

reflect either genuinely different experiences with the IMV system or the salience of other immediate concerns (such as securing stable housing) that overshadowed IMV- or employment-related decision-making. The behavioural patterns described below therefore characterise the 29 participants for whom uncertainty spontaneously emerged as a significant factor shaping their relationship with both the IMV system and employment decisions.

4.4.2.1. Escapers: Accelerated Exit Through Employment

Escapers (n=10) respond to IMV uncertainty by actively pursuing formal employment to exit the system as quickly as possible. For this group, uncertainty accelerates rather than deters employment efforts, as they view the unpredictable benefit system as less reliable than even precarious work.

Fear of system instability drives exit strategies. María, an actively job-searching single mother of two, articulates how welfare-induced uncertainty creates pressure to find work:

> "I don't want to depend on the State because I don't know how long [the IMV] will last. I always have this fear… What if they take it away? What if I received something I shouldn't and didn't notice and now they ask me to pay it back? These thoughts are always in the back of my mind and that puts pressure on me to look for work as soon as possible […] If I work, I stop receiving the IMV and at least I can have peace of mind."

Escapers prioritise employment security over benefit security, viewing formal work – even if low-paid and temporary – as more reliable than the unstable IMV system. They willingly accept formal employment even when it initially pays less than their benefit amount, demonstrating high tolerance for employment-related uncertainty. María explains:

> "I was working for €600 thinking that they would take my IMV away. I was receiving €620 from the IMV. I kept thinking, *'That's it, they're going to cut it off because I'm officially registered [with the Social Security]'.* In the end, they didn't take it away, but they could have. I didn't care though; I wanted to work."

This group maintains an internal locus of control and belief in individual agency. They actively job search across multiple channels (e.g. online searches, personal networks, former employers and direct approaches to businesses), relocate for work opportunities and accept

employment in various sectors. José, a father of two who travels across regions for construction and hospitality work, illustrates this mindset:

> "Anyone who truly wants to work can find a job anywhere. It's all about your attitude. You can find work in any town. It's not stable work, but I find work wherever. Because no one is going to put food on my table for me – these two do [showing his hands]."

Escapers also display future orientation and concrete plans for achieving self-sufficiency. Lorena, a single mother of two, who has worked in hospitality and cleaning whilst on the IMV, talks about her concrete plan to take a course and become a freelance make-up artist:

> "If they give you a certificate, you can show it to clients and little by little, you build up a client base. […] And once I start getting more clients, I can take more advanced courses, keep training and continue learning. Having that certification helps people trust you and from there, you just keep moving up."

Escapers transform welfare-induced uncertainty into motivation, using fear of benefit loss as a catalyst for intensive job searching and employment acceptance. This behavioural pattern effectively facilitates benefit exit, as former IMV recipients interviewed who successfully transitioned to stable employment share these characteristics. However, fully escaping the benefit system requires certain individual characteristics (i.e. high educational attainment as well as financial and childcare support from family and/or friends) that not all Escapers possess, limiting the possibilities of even the most motivated recipients to find and secure stable employment that would allow them to exit the benefit system.

4.4.2.2. Diversifiers: Navigation of the Welfare System

Diversifiers (n=9) respond to IMV uncertainty by seeking alternative, more predictable benefits rather than continuing IMV receipt and looking for employment. Rather than accelerating benefit exit like Escapers, uncertainty motivates these recipients to diversify their welfare portfolio toward supports they perceive as more stable and institutionally embedded.

Welfare-induced uncertainty drives benefit switching. Sofía, a single woman in her 50s, explains her transition to old-age unemployment benefits managed by the Public Employment Service (SEPE):

> "The good thing is that it contributes to my pension base for retirement [unlike the IMV]. That's the purpose of this [old-age] benefit and they're not going to take it away so easily because it's managed by the SEPE. Because the IMV… they can play around with the rules and if you don't meet the requirements, you're out. Maybe you receive it for a few months, but then you're left with nothing and expected to survive on thin air."

This strategy emerges among older recipients (50s-60s) and those with health limitations who face uncertainties from both the volatile IMV system and employment barriers given their old age and physical health issues. Manuel, a single father in his 50s with a career in hospitality describes his experience:

> "My age is an impediment in my profession. There are many tax benefits for hiring young people, for social security contributions... Many employers have forgotten about people over 50. When *'they need a waiter'*, they then add the requirement that *'they have to be under 30'*."

Unlike Escapers who emphasise individual agency, Diversifiers display external locus of control, attributing their labour market exclusion to structural barriers beyond their control including age-based discrimination, physical health issues, caregiving responsibilities, ethnic prejudice and geographical limitations in employment opportunities.

Faced with dual uncertainty from unreliable IMV benefits and labour markets that complicate the employment integration of individuals with health issues and in old age, Diversifiers withdraw from employment seeking. Their relationship with employment has transformed from active pursuit to reluctant withdrawal. Rafael, now in his late 50s after years of job searching, articulates this disengagement:

> "When you're 30, you see things differently. You keep pushing, you keep trying, but now I've been pushing for too long..."

Instead of investing energy in uncertain employment prospects, Diversifiers redirect cognitive resources toward navigating benefit systems. They demonstrate remarkable persistence in pursuing disability pensions and age-related subsidies, viewing this as a better response to IMV uncertainty than continued job searching or sole reliance on the IMV.

4.4.2.3. Stabilisers: Risk-Averse Preservation of Benefit Security

Stabilisers (n=10) respond to IMV uncertainty through defensive risk management, prioritising benefit preservation over formal employment opportunities. Welfare-induced uncertainty creates paralysis rather than motivation, leading to avoidance of formal temporary work that might trigger benefit reassessment.

Fear of benefit loss outweighs potential employment gains. Despite the 2023 introduction of work incentives allowing benefit-employment combinations, recipients remain unaware of or distrust these changes. Daniel, a single man who carefully calculates employment risks, explains:

> "More than once, I've gone job hunting and when I handed in my resume, they told me, *'You're going to earn less than what you're getting with the IMV. Are you sure you're interested?'* And I thought, *'No'*. The last time was just two or three months ago at a pizzeria, for a kitchen assistant job. They told me, *'You'd be making less than 400 euros a month'.* And I said*, 'Excuse me?! In that case, I'm not interested'.* Plus, taking the job would mean losing my IMV, just because I'd be formally employed."

This behaviour demonstrates loss aversion where unstable benefit income appears more valuable than precarious employment income. Laura, who fears losing the relative security of the IMV, articulates how uncertainty paralyses employment decisions:

> "People are scared – scared of losing the little they have to survive. If you get a short-term contract – say, a month – and then they let you go, what do you do? You have to reapply for the IMV again. They say they won't cut it off, that there are incentives to work, but I don't understand how that works. […] Why would I risk everything? It's not worth it. Most people want to work. They just don't want to lose the IMV and end up with nothing. At least with the IMV, they have something.*"*

Several participants summarised this rationale with the saying, “a bird in the hand is worth two in the bush”. This risk-averse orientation stands in contrast to the risk tolerance of Escapers, who take uncertainty as a motivation to exit the benefit system and willingly accept temporary formal employment despite potential benefit disruption. Diversifiers share Escapers’ relative tolerance for the risk of losing IMV benefits, but, like Stabilisers, they demonstrate risk aversion regarding formal employment. However, Diversifiers channel their thinking towards navigating between benefits rather than simply preserving their current IMV receipt, revealing different adaptations to similar risk perceptions.

Stabilisers develop risk management strategies that maintain benefit security while supplementing income through informal undeclared work that does not trigger benefit adjustments. Luis, a father of three, concisely explains:

> “If it’s informal, I accept it. But a formal [part-time] job? No, because that would affect me [negatively].”

This creates a feedback loop where limited formal work experience makes securing stable employment more difficult, further reinforcing benefit dependence. Participants acknowledge this strategy of combining benefits with informal work helps them survive but fails to resolve their financial precarity, describing it as “bread for today, hunger for tomorrow”. Still, they prioritise immediate security over long-term advancement.

This group demonstrates present-oriented focus shaped by uncertainty-induced scarcity mentality. When asked about future plans, Daniel struggles:

> “You’ve kind of caught me off guard... I want to do something with my life, but I still don’t know exactly what I want... I can’t say for sure because my ideas aren’t clear.”

Unlike Escapers but like Diversifiers, Stabilisers have external locus of control. They rationalise their avoidance of formal temporary employment by emphasising structural constraints, such as limited local employment opportunities, insufficient transportation infrastructure or incompatibility of available formal jobs with care responsibilities. Alicia, a beautician not currently searching for formal employment, articulates this perspective:

> "It's not like there's an abundance of work here in Spain [...] In an ideal world, everyone would have a job, but in reality, there aren't enough for everyone. For example, in my field – beauty and nails – there are so many manicurists nowadays. I mean, you can't just say '*I want to work for a company'* and that's it. It's not that simple."

This response pattern shows how welfare-induced uncertainty can create defensive strategies that maintain short-term security while potentially limiting long-term opportunities. Stabilisers demonstrate risk-aversion to work given their perception of the IMV system's unpredictability, even when this strategy may perpetuate precarity.

4.4.2.4. Summary of the Three Responses

Table 4.2. below summarises the key characteristics of the three behavioural responses identified, highlighting the distinctive strategies, employment behaviours and belief systems.

Table 4.2. – Summary of the Different Behavioural Responses to Uncertainty Among Recipients

Characteristics		**Escapers (n=10)**	**Diversifiers (n=9)**	**Stabilisers (n=10)**
Primary Response to Uncertainty		Accelerated exit through employment	Navigation of multiple benefits	Preservation of benefit security at expense of formal employment
Uncertainty Effect		Motivates intensive job searching	Drives benefit portfolio diversification	Creates employment paralysis
Uncertainty Management Strategy		Accept employment uncertainty over welfare-induced uncertainty	Refuse both employment and welfare-induced uncertainty; seeking more stable alternative benefits	Accept welfare-induced uncertainty over employment uncertainty
Employment Engagement Whilst on IMV		Actively seek and engage in formal declared work despite benefit reductions	Largely withdrawn from job seeking	Avoid formal temporary work to prevent benefit disruption; favour informal undeclared work
Belief System	**View of IMV**	Unreliable temporary measure	Unreliable compared to other benefits	Economic foundation despite volatility
	Agency Perception	Internal locus of control	External locus of control	External locus of control
	Time Orientation	Future-focused with clear exit plans	Limited employment planning; Projection on navigating benefit system	Present-oriented; scarcity mentality

4.4.2.5. Demographic Patterns Across Behavioural Responses

While welfare-induced uncertainty provides the primary mechanism driving these behavioural responses, examining how demographic characteristics distribute across the three response types reveals interesting patterns. Table 4.3. presents the demographic breakdown of each behavioural response group. However, these are basic patterns observed in a relatively small sample (n=29) and thus, I cannot make strong generalisations given the limited number of observations in each category.

Table 4.3. – Demographic Characteristics by Behavioural Response Type

		Escapers	**Diversifiers**	**Stabilisers**
Gender	Women	80% (8)	56% (5)	60% (6)
	Men	20% (2)	44% (4)	40% (4)
Age	25 – 35	50% (5)	0	20% (2)
	36 – 45	10% (1)	22% (2)	40% (4)
	46 – 55	40% (4)	33% (3)	30% (3)
	56 – 64	0	44% (4)	10% (1)
Household Composition	Single adult	30% (3)	67% (6)	40% (4)
	Single parent	50% (5)	22% (2)	20% (2)
	Couple with children	20% (2)	11% (1)	10% (1)
	Other	0	0	30% (3)
Education	Low attainment	60% (6)	67% (6)	60% (6)
	Medium attainment	10% (1)	0	40% (4)
	High attainment	30% (3)	33% (3)	0
Nationality	Spanish	70% (9)	89% (8)	90% (9)
	Other	30% (3)	11% (1)	10% (1)
Region	Andalusia	30% (3)	22% (2)	20% (2)
	Balearic Islands	0	11% (1)	0
	Canary Islands	0	0	20% (2)
	Castilla-La Mancha	30% (3)	11% (1)	30% (3)
	Castilla y Leon	0	33% (3)	0
	Galicia	0	0	10% (1)
	Madrid	30% (3)	22% (2)	10% (1)
	Murcia	10% (1)	0	10% (1)
Total		100% (10)	100% (9)	100% (10)

Notes: Each cell shows the percentage of participants in that category, with the absolute number of participants shown in parentheses.

As mentioned in 4.4.2.2., the most pronounced pattern is the concentration of older participants among Diversifiers, with 77% aged 46-64 years compared to 40% of participants falling in this category among both Escapers and Stabilisers. This age clustering aligns with the finding that Diversifiers often face age-based employment discrimination and seek alternative benefits like disability pensions or age-related subsidies rather than continuing job search efforts.

Escapers also show a distinctive profile with 80% being women and 70% having children (compared to 33% and 40% among Diversifiers and Stabilisers, respectively).[15] Single parenthood is particularly concentrated in this group (50% compared to 22% among Diversifiers and 20% among Stabilisers). This suggests that caregiving responsibilities may amplify the motivation to seek employment security over benefit uncertainty. When responsible for dependents, the unpredictability of the IMV system may feel particularly risky, making even precarious employment appear more reliable than unstable benefits.

Single adults are most concentrated among Diversifiers (67% compared to 30% and 40% among Escapers and Stabilisers, respectively). This pattern links to the older age profile of Diversifiers, as this group includes individuals whose children have left the household or who are divorced. The "Other" household category – which includes arrangements with two or more adults, sometimes with children – appears exclusively among Stabilisers (30%), reflecting more diverse living arrangements within this group.

Educational attainment shows complex relationships with uncertainty responses. While Escapers and Diversifiers show similar proportions of highly educated participants (30% and 33% respectively), Stabilisers include no highly educated individuals but demonstrate the highest concentration of medium educational attainment (40% compared to 10% among Escapers and 0% among Diversifiers). Interestingly, when the three former IMV recipients are removed from the sample, the proportion of highly educated Escapers drops to just 10%, suggesting that educational attainment may be more relevant for successful benefit exit than for the initial psychological orientations that drive response strategies. This pattern indicates that education does not strongly correlate with the underlying risk tolerance, locus of control

[15] Participants having children under 18 include those in the "Single parent" and "Couple with children" categories in Table 4.3. Among Stabilisers, one participant in the "Other" category lived in a household with three adults and two children.

and time orientation that shape how individuals initially respond to welfare-induced uncertainty but rather influences the effectiveness of chosen strategies.

Foreign residents appear over-represented among Escapers (30% compared to 11% among Diversifiers and 10% among Stabilisers). This pattern correlates with the concentration of single mothers in this group, as the foreign-born participants are single mothers, who may feel *more* pressure to secure stable income because they lack solid support networks in Spain. Without relatives to fall back on during benefit disruptions, employment becomes a more reliable safety net. Additionally, foreign residents may face additional barriers navigating the complex IMV system (e.g. language, unfamiliarity with bureaucracy), making the unpredictable benefit system feel even more unreliable than for Spanish nationals.

Importantly, I find no other systematic variation in behavioural responses across geographic location, nor across benefit-specific characteristics such as duration of receipt or benefit generosity.

These demographic patterns do not undermine the uncertainty argument but rather reveal how uncertainty interacts with structural constraints and life circumstances. For instance, among Diversifiers, uncertainty about IMV reliability motivates the search for alternatives – it is the direction of that search (toward other benefits rather than employment) that reflects age-related employment barriers. Similarly, the concentration of single mothers among Escapers suggests that caregiving responsibilities may amplify the salience of benefit unpredictability, making employment appear more reliable for those responsible for dependents.

In this section, I have identified three response patterns among recipients. This raises the question of whether uncertainty also affects decisions about entering the system. I now examine how the same uncertainty influences participation decisions among eligible non-claimants.

4.4.3. How Welfare-Induced Uncertainty Affects Behaviour Outside the Benefit System

To test whether welfare-induced uncertainty operates as a behavioural driver beyond current recipients, I examine how the same mechanisms affect participation decisions among eligible non-claimants. As my analytical framework suggests, if uncertainty shapes

employment decisions within the benefit system, it should also influence whether people enter the system at all. My interviews confirm that welfare-induced uncertainty operates as the primary driver of non-take-up.

Fear of repayment demands creates the strongest deterrent effect. Lola, from Cáritas, describes the case of a woman with an adult disabled son who decided against applying despite having clear eligibility because "at least three or four people [told them] that they give it to you and then later they ask for the money back".

Juan, from Red Cross, explains the mechanism:

> "When I explain how the IMV works, the first concern they raise is: '*What happens if my employment situation changes? Will I still receive the benefit? What if they ask me to repay money?'* People are afraid that their situation will actually get worse once they're on the IMV."

Media coverage of large reclaims amplifies these fears. Miguel, the Facebook group administrator, reports:

> "We're seeing in the news that vulnerable families are being asked to repay exorbitant sums […] €4,000, €5,000, even €6,000. That's a powerful reason why many people are now reluctant to apply."

Administrative complexity creates uncertainty about approval and benefit amounts. Pablo, from Cáritas, explains how this deters applicants:

> "All those requirements that might seem logical in theory have been applied in a very strict and restrictive way and people have come to know that. Even if you're in a difficult financial situation, they'll scrutinise your family setup, your registration, your income, everything, so intensely that many feel it's not worth the effort. It's like playing the lottery: the chances of winning are slim."

Uncertainty about employment compatibility also deters application, particularly affecting the working poor. David, from Cáritas, notes how people often ask him:

> "This thing about combining work income with the minimum income, it's not going to harm me or cost me my job, right? I don't want to get involved in something that might end up hurting me."

Interviewees also observe widespread ignorance about the new work incentives introduced in 2023.

Poor communication systems compound uncertainty. Interviewees note a lack of transparency about the decision-making process. Digital barriers and delayed postal communications create additional obstacles that reinforce perceptions of system inaccessibility. Moreover, despite legal requirements for six-month decisions, Lola reports that applications' resolutions often take over a year.

Given this failures, initial optimism about the IMV has given way to scepticism and mistrust towards the system. Pablo explains that:

> "The idea is filtering through that if something bad happens to you, you have to manage your life on your own and that the administration isn't going to help you adequately."

Marta's case illustrates this shift in attitudes. After a year of waiting and her application being rejected for missing documentation, she felt "cheated" by the system:

> "Back then, all the publicity and information about the IMV made it seem clear that I met the requirements and would definitely be granted the benefit. So, I put my trust in it. […] And then [after the benefit was denied] it felt like they played with my trust. […] Now, I really distrust the system."

Even after obtaining the required document, she refuses to reapply, partly due to her bad previous experience and to stories from acquaintances who receive the IMV warning her of repayment demands and strict eligibility conditions. Marta claims:

> "I don't feel confident engaging with this system, precisely because they approve the benefit and then suddenly take it away. I don't trust it. There are just too many rules, too many constraints. It's a benefit that ties you down – your hands, your feet, everything."

The findings show an evolution in non-take-up from what Janssens and Van Mechelen (2022) term "non-knowledge" due to lack of information to "non-demand" and "non-reception" due to IMV complications. Miguel documents this shift:

> "At the beginning, a lot of people didn't know how to apply – there was a huge lack of information. But today, there's information out there."

Pablo confirms:

> "People generally know about [the IMV]. I don't think it's a problem of lack of awareness, but rather that it's not worth it. It's seen as a difficult benefit to get and even if you do manage to get it, there's still the risk of having to repay it later."

All interviewees report large decreases in applications over time, with some people abandoning the process entirely. As Lola puts it:

> "They get fed up... So they say, *'You know what? I'll just find a few hours of work here and there and that's how I'll get by'."*

These findings demonstrate that welfare-induced uncertainty affects behaviour both inside and outside the IMV system, confirming that the same mechanisms driving employment decisions among recipients also shape participation decisions among eligible non-claimants. Potential recipients, facing uncertain outcomes and potential losses, often prefer their current precarious situation over engaging with a system perceived as unreliable and potentially punitive.

All in all, this section has shown that welfare-induced uncertainty operates as a primary driver of both employment and participation decisions. The following discussion section considers the theoretical and policy implications of these results.

4.5. Discussion and Conclusions

This final section synthesises the study's findings and considers their implications for theory and policy before identifying directions for future research.

In this study, I set out to address three research questions: *How does welfare-induced uncertainty affect employment decision-making among benefit recipients? What behavioural*

strategies do recipients develop in response to this uncertainty? How do strategies differ across individual characteristics?

My study bridges the literature on administrative burden and institutional mistrust with the welfare-to-work literature. Rather than providing predictable support that enables rational employment decisions, modern welfare systems can become primary sources of uncertainty that undermines both security and rational decision-making. Through 37 in-depth interviews with Spain's Minimum Income Scheme (IMV) recipients, support workers and an eligible non-claimant, I demonstrated that welfare-induced uncertainty shapes employment decisions among welfare recipients and take-up decisions among eligible individuals.

I first showed how retrospective assessments, volatile payments, information deficits and institutional mistrust can generate ongoing anxiety and economic insecurity. In this respect, my research echoes and extends previous studies that document how welfare systems themselves can produce uncertainty (e.g. Herd and Moynihan, 2019; Trlifajová and Hurrle, 2019; Rinta-Kahila *et al.*, 2022; Simonse *et al.*, 2023; Griffiths and Wood, 2024; Brewer, Cominetti and Jenkins, 2025).

Building on this, I develop the first systematic categorisation of how welfare recipients navigate institutional unpredictability. I detailed how recipients respond to welfare-induced uncertainty through three distinct behavioural patterns, with each participant falling into only one category: "Escapers" for whom uncertainty acts as a motivator to accelerate system exit through employment; "Diversifiers" who navigate toward alternative, more predictable benefits; and "Stabilisers" who adopt defensive strategies to preserve existing precarious support while avoiding formal employment. These divergent responses, which emerge from the same welfare-induced uncertainty, are driven by individuals' psychological orientations, namely locus of control (internal vs external), risk tolerance (risk aversion or tolerance) and time orientation (present or long-term focus).

The finding that behaviour varies systematically according to these orientations cannot be explained by models that focus solely on financial incentives. Instead, this research demonstrates the need for theoretical frameworks that integrate the role of uncertainty (e.g. Alm, 1988; Jenkins and Millar, 1989) and decision-making under imperfect information processing (e.g. Kahneman and Tversky, 1979; Mullainathan and Shafir, 2013; McGee and McGee, 2016).

In my research, I find no systematic variation in behavioural responses across geographic location or educational attainment, nor across benefit-specific characteristics such as duration of receipt or benefit generosity. However, several demographic patterns do emerge from the systematic analysis, though these should be interpreted cautiously given the small sample size (n=29). The most pronounced pattern is the concentration of older participants among Diversifiers, reflecting how employment barriers facing older workers interact with uncertainty to direct responses toward alternative benefits rather than job searching. Escapers show a distinctive profile as predominantly women with children, particularly single mothers, with foreign residents over-represented in this group. These demographic patterns reveal how uncertainty interacts with structural constraints such as age, caregiving responsibilities and support networks to shape specific behavioural strategies.

The analytical framework (Figure 4.1.) thus proved effective in explaining how institutional characteristics translate into individual behaviours through uncertainty as the mediating mechanism. The findings validate the analytical framework's core prediction that welfare-induced uncertainty operates as a behavioural driver but also reveal greater complexity in individual responses than initially anticipated. While the framework correctly identified psychological orientations as key moderators, the demographic patterns that emerged – particularly the age clustering among Diversifiers and gender, caregiving and nationality patterns among Escapers – suggest that structural constraints interact with psychological orientations in ways that merit further theoretical development.

All in all, this study makes three main theoretical contributions to uncertainty research that extend beyond the Spanish context. First, it challenges the predominant assumption in welfare-to-work literature that uncertainty primarily originates in labour markets while welfare systems provide predictable support. Instead, I demonstrate how modern welfare systems themselves become sources of uncertainty through design complexity, implementation failures and institutional mistrust and how this uncertainty drives employment behaviour. Second, while previous research documents heterogeneous responses to uncertainty without systematic explanation, I develop the first behavioural categorisation showing how identical uncertainty produces three distinct response patterns driven by psychological orientations and correlated with specific demographics. This moves beyond descriptive accounts of individual differences to provide a theoretical framework for predicting behavioural responses. Third, I provide the first evidence that welfare-induced

uncertainty operates as a general behavioural mechanism affecting both employment decisions among current recipients and participation decisions among eligible non-claimants, demonstrating its broader explanatory power across different types of welfare interactions.

Beyond theoretical contributions, these findings have implications for welfare policy design and implementation. The identification of welfare-induced uncertainty as a primary driver of both employment and participation decisions challenges fundamental assumptions underlying current welfare-to-work policy approaches. First, the findings imply that interventions assuming uniform responses will likely fail because they ignore how individual attributes interact with welfare-induced uncertainty to produce different behaviours. For example, Escapers may benefit from immediate employment support and job-matching services; Stabilisers may require reforms that reduce institutional unpredictability before they can confidently engage with formal labour markets; and Diversifiers may need help navigating alternative benefit systems or overcoming structural barriers to employment.

Second, rather than focusing solely on changing individual behaviour through financial incentives and conditionality to "make work pay" – assuming the problem of recipients' unemployment or underemployment lies with recipients' motivation or skills – policymakers could recognise how institutional characteristics shape the decision-making environment itself. Welfare systems that generate uncertainty undermine their own effectiveness regardless of benefit generosity or activation measures. This represents a shift from changing individual behaviour to creating institutional conditions that enable decision-making free from uncertainty.

Thus, my study's findings align with broader research identifying the need for uncertainty-reducing reforms. My research support recommendations made by EAPN (2021, 2024), AIReF (2024) and Gorjón, Lizarraga and Demel (2024) for establishing predictable payment schedules and implementing safeguards against retrospective reclaims that create economic insecurity. The lived experiences documented here reinforce calls for real-time income assessment using data more closely linked to the present, as recommended by AIReF (2024) and EAPN (2024). Similarly, participants' accounts of administrative confusion support proposals by EAPN (2021) and Gorjón, Lizarraga and Demel (2024) to eliminate processing delays through adequate staffing and streamlined procedures, while ensuring consistent, accurate information provision across all administrative touchpoints.

The widespread misinformation about benefit-work compatibility documented in my study reminds that good policy design can fail without adequate information dissemination and thus reinforces the need for improved communication strategies. The evidence also strengthens arguments for clear, accessible guidance using plain language rather than technical jargon. The digital barriers experienced by some participants echo EAPN's (2021) recommendations for multiple access channels that accommodate varying technological capabilities.

While this study advances understanding of welfare-induced uncertainty, it also points to several avenues for future research. First, while this work develops a theoretical framework for understanding employment decision-making under welfare-induced uncertainty, future research could build on this by conducting large-N studies that measure recipients' perceptions of uncertainty and systematically track employment patterns. Such work would help validate the behavioural typology presented here across larger, more representative samples.

Second, while my study finds that certain demographic patterns correlate with specific behavioural responses, these patterns should be understood as suggestive rather than definitive given the sample size. Future research with larger samples would be needed to test whether these demographic associations hold more broadly.

Third, although this study focuses on Spain's MIS, the theoretical insights should be transferable to other contexts that share similar design and implementation challenges. Future research could examine whether these behavioural patterns – Escapers, Diversifiers and Stabilisers – operate similarly in other welfare systems experiencing similar uncertainty-generating features. Comparative research examining how welfare-induced uncertainty operates across different welfare regimes and benefit systems would deepen our understanding of how institutional characteristics interact with recipients' decision-making in diverse settings.

Fourth, longitudinal studies that follow recipients over time would offer valuable insights into how behavioural responses to uncertainty evolve as individuals accumulate experience with the system or as policy reforms enhance institutional predictability. This line of research could also test whether reducing uncertainty through specific policy changes interacts with

individuals' psychological orientations to shape employment outcomes, providing crucial evidence to inform debates on how best to reform last-resort income support.

Ultimately, the implications of my research extend beyond welfare policy to democratic governance itself. When state institutions fail to deliver the predictability and security they promise, they risk eroding citizen trust and weakening political legitimacy. The high levels of institutional mistrust documented among both recipients and eligible non-claimants – alongside some participants' expressions of support for far-right political movements – underscore how technical policy shortcomings can spill over into broader threats to democratic stability. An effective welfare state requires more than adequate benefit levels; it demands institutional arrangements that enable people to navigate support systems with confidence, transparency and a sense of dignity.

4.6. Appendix

4.6.1. Interview Guide for IMV Recipients

Introduction and Consent

- Verbal consent script, including confidentiality, anonymity and request to record the interview.
- Before we begin, I want to mention that there are no right or wrong answers in this interview, nor is there a single "normal" experience or opinion that everyone shares. I also want to say that I'm not here to judge anyone and what matters most to me is to hear your experiences and perspectives in an honest and authentic way.

Background and Use of the IMV

- Tell me a bit about your life. What has your journey been like so far?
    - Can you describe the situation that led you to apply for the IMV?
    - What kinds of jobs have you had in your life? Since what age? Continuously?
    - How long have you been receiving the IMV?
    - Are you currently receiving any other forms of financial support or assistance?
- How would you describe your life now compared to before receiving the IMV?
    - How has it affected your daily life? Can you give examples?
    - Has your financial situation changed? In what way?

Job Search

- Are you currently working or looking for (another) job?
    - Is it formal work or undeclared?
- Have you worked while receiving the IMV?
    - Was it formal or undeclared?
- How would you describe your experience looking for work while on the IMV?
    - How much time do you spend looking for work?
    - What does a typical day in your life look like?

    - What methods do you use (online platforms, personal networks, SEPE / regional Public Employment Support)?
    - How many jobs have you applied for?
    - Why do you think it hasn't worked out?

- Now that you receive the IMV, what factors influence your decision to accept or reject a job?
    - Would you accept a job that pays less than the IMV? Why or why not?
    - Does the IMV help you turn down precarious job offers?
    - Would you accept a job that pays the same as the IMV? Why or why not?
    - Does it matter whether the job is temporary or long-term when deciding to accept it?
    - Did you know that, since 2023, you can receive the IMV and a salary at the same time if you get a job or increase your income without benefit reductions?
    - If you didn't know: how do you think these incentives would affect your job search and willingness to accept a job?
- How would you compare your job search now with the IMV to how it was before receiving it?
    - Do you think the IMV affects your motivation to look for work? Do you feel more or less pressure to find a job?
    - What kind of pressure do you feel? From the administration, from your surroundings, from yourself or from your financial situation?
    - Does that pressure help or hinder your job search?

<u>Meaning and Perception of Work and Benefits</u>

- Some research finds that social benefits can increase the length of unemployment. What do you think about that?
    - What has your experience been?
    - Why do you think that happens?

- Some research finds that benefits may lead people with part-time or low-income jobs to remain in precarious situations in order to continue receiving support. What do you think about that?
    - What has your experience been?
    - Why do you think that happens?
- Some say benefit recipients choose not to work; others believe they do want to work but face barriers. What is your view?
    - How do you perceive people who receive benefits, including yourself?
    - How do you think others perceive benefit recipients?
    - Do you think unemployed people on benefits are perceived differently from employed people who also receive benefits?
- Some believe everyone should have the right to choose not to work if they wish. What is your opinion?
    - What would you be doing if you didn't have to worry about money?
- How do you feel when working compared to being unemployed?
    - What does having a job mean to you? What does it bring to you?
- How do you feel about receiving benefits compared to supporting yourself through work?
    - Do you feel that being on benefits affects your autonomy, skills, and/or social relationships?
- Do you think the benefit gives you more freedom to enjoy your day and engage in activities outside of work?
    - What do you enjoy doing in your free time?
    - Do you think you would have to give something up if you were working?
- How do you view combining work and benefits?
- Some people combine benefits with undeclared work. Do you think this helps or hinders their ability to escape precarity?

<u>Employment Barriers</u>

- What factors do you think influence your ability or willingness to find a job?

    - Do you face personal challenges (health, caregiving, self-confidence)?
    - Do you think it's easy or difficult to find work given your current situation?
    - Are there specific challenges in your area that make job search harder (e.g. lack of opportunities, transport problems)?
    - Have you considered moving to areas with more opportunities?
    - Do you think not having a school-leaving certificate affects your chances of finding work?
- How does your household situation affect your job search?
    - How do you divide your time between different activities (care work, housework, job search/employment)?
- Are there enough quality jobs available to you?
    - What do you consider to be a "quality job"?

<u>Social Capital and Participation</u>

- Some people say strong social ties (family, friends, NGOs) reduce the urgency to find a job and extend time on benefits; others say the opposite – it helps people find work. What is your view?
    - What has your experience been?
    - Do you have a support network?
- Have you participated in employment or training programmes since receiving the IMV?
    - Was it part of the IMV or something else?
    - Do you think it helped improve your employability?
    - Would you have taken part if you weren't receiving the IMV?

<u>Aspirations and Long-Term Outlook</u>

- What are your goals for the future? Where do you see yourself in two years?
    - What barriers stand in the way of achieving them?
- Do you think your current decisions are aligned with your long-term goals?
- How could the IMV be improved to help you reach those goals?

These are all the core questions I wanted to ask. I will now collect your biographical data.

Demographic Questions

- What is your age?
- What gender do you identify with?
- What is the highest level of education you have completed?
- Where were you born? (and how long have you lived in Spain?)
- What municipality and region do you live in?
- What is your household composition? (living alone, with a partner, with children)
- Current or most recent occupation/sector?
- What is your monthly IMV amount? [If you prefer, I can offer ranges]
    - Up to €50
    - More than €50 to €150
    - More than €150 to €300
    - More than €300 to €600
    - More than €600 to €1,000
    - More than €1,000 to €1,300
    - More than €1,300
- Has the amount you receive from the IMV changed over the years?

Final Questions

- Is there anything else you would like to share about your experience with the IMV that I haven't asked and that you think is important?

Closing

- For the compensation, I would need your bank details – you can send them later.
- Do you have any questions for me? If you think of something later, feel free to get in touch – you have my contact details.

- That's all. Your contribution is incredibly valuable to this research. Thank you very much!

4.6.2. Interview Guide for NGO Volunteers

Introduction and Consent

- Purpose of the study: to understand the factors influencing non-take-up for the IMV.
- Verbal consent script, including confidentiality, anonymity and request to record the interview.

Professional Context

- Could you describe your professional role and the type of work you do with people in situations of economic vulnerability?
- How long have you been working in this field?

Non-Application Patterns

- In your experience, is it common to encounter people who would be eligible for the IMV but do not apply?
- What profile or characteristics do these people who don't apply despite being eligible tend to have?
- Have you observed changes in application patterns since the IMV was implemented?
- What are the most common reasons people have expressed for not applying?
- What barriers do you see in the design of the IMV (requirements, rules, calculation, income compatibility)?
- What barriers do you see in the application process and administrative management?
- Are there specific groups who have particular reasons for not applying?

Administrative Burden

- To what extent does the fear of making mistakes on the application or having to repay money later discourage people from applying?
- Have you seen cases where people prefer not to take the risk of losing other benefits or "getting into trouble"?

Employment and Non-Application

- How do potential applicants perceive the compatibility between the IMV and employment?
- How well informed are people about the employment incentives introduced in 2023?
- Have you observed changes in perceptions of job-IMV compatibility since these incentives were introduced?

Information

- How do people you work with get information about the IMV?
- What misinformation or misunderstandings are most common about the IMV?
- Do you think you have enough information about the IMV to inform people properly?

Institutional Trust

- How does institutional mistrust influence the decision to apply (or not) for the IMV?
- Have you noticed differences in levels of institutional trust among different groups?

Strategies

- What alternative strategies do eligible individuals use to cover their economic needs instead of applying for the IMV?
- Do you find that these people tend to turn to other forms of support (family, informal jobs, other benefits)?
- What differences do you observe between those who choose these alternatives and those who decide to apply for the IMV?

Solutions

- Based on your experience, what changes in the design or implementation of the IMV could increase the application rate among eligible people?

Closure

- Is there any important aspect about non-application for the IMV that we haven't covered in this interview?

Thank you so much for your contributions!

Chapter 5

Conclusions

This thesis set out to investigate how Minimum Income Schemes shape both the social and labour market outcomes of households, focusing on Spain's *Ingreso Mínimo Vital* (IMV). This research has engaged with longstanding debates about poverty alleviation, financial wellbeing, work incentives, uncertainty and, more broadly, the role of last-resort safety nets in contemporary welfare states. At its core, this study argued that addressing poverty requires more than the provision of cash transfers; it demands careful attention to the ways in which policy design and implementation influence not only material living conditions but also recipients' sense of stability, agency and broader wellbeing.

5.1. Synthesis and Discussion of Main Findings

The empirical chapters of this thesis have addressed three interconnected questions: (1) *how Minimum Income Schemes affect recipients' financial wellbeing; (2) how they influence labour market outcomes; and (3) how recipients make employment decisions under the particular conditions of welfare-induced uncertainty.* Together, these papers reveal that the impacts of a MIS cannot be understood through a narrow focus on poverty rates or work disincentives alone but must be approached as a multifaceted phenomenon shaped by the institutional, economic and psychological conditions within which recipients navigate their lives.

Chapter 2 demonstrated that Spain's IMV, while having limited immediate effects on objective poverty rates in its early implementation, nonetheless generated significant improvements in households' subjective perceptions of their financial situation. The IMV acted as a lifeline in times of economic uncertainty, improving subjective financial wellbeing by 10-18 points on the balance between those reporting financial improvements versus deterioration. This finding underscores the importance of recognising the psychological dimension of income security: Minimum Income Schemes can function as stabilisers in times of crisis, providing recipients with a sense of safety that extends beyond what can be captured through standard monetary poverty metrics.

Chapter 3 built on this by examining the IMV's effect on labour market outcomes among single-person households, employing quasi-experimental methods to establish causal effects. The analysis showed that the introduction of more generous income support increased unemployment rates by around 19% or 3 percentage points from a base unemployment rate of 15.95%, with the impact concentrated among particular demographic groups including men, the highly educated and those under the age of fifty. Importantly, however, the scheme did not lead to a rise in labour market inactivity. This finding complicates assumptions that generous income support inevitably discourages work altogether, suggesting instead that the policy kept recipients attached to the labour market even while raising unemployment.

Chapter 4 provided a qualitative window into the mechanisms that help explain these observed patterns. Through in-depth interviews with recipients and a complementary exploration of non-take-up, it showed how the very system that is intended to provide security can itself become a source of uncertainty. Complex eligibility rules, retrospective income assessments, volatile payments, opaque information and institutional mistrust all combined to generate a state of unpredictability. Recipients responded to this welfare-induced uncertainty in diverse ways, developing behavioural strategies that the study categorised as Escapers, Diversifiers and Stabilisers. These patterns were shaped by individuals' psychological orientations – namely risk tolerance, locus of control and time orientation – and were correlated with certain demographic characteristics. The study also revealed that similar uncertainty acted as a powerful deterrent to benefit take-up among eligible households, pointing to a paradox at the heart of modern social protection systems: the same administrative complexity that targets support to those most in need can erode trust and participation.

One of the most striking findings of this thesis is that Spain's IMV simultaneously provided security and generated uncertainty. At first glance, the findings from Chapters 2 and 4 may appear contradictory: while Chapter 2 demonstrates that the IMV provides recipients with a sense of financial security, Chapter 4 reveals how the same policy generates uncertainty and stress among recipients. However, these findings are complementary rather than conflicting, reflecting differences in sample compositions, analytical dimensions and time frames that each study addresses.

First, the samples analysed are different. Chapter 2 employs a national-level analysis using Synthetic Control methods, comparing Spain's financial wellbeing trends to those of a synthetic Spain constructed from similar European countries that did not introduce comparable minimum income policies. This approach captures changes in financial wellbeing perceptions across Spain's entire population following the IMV's introduction, encompassing all Spanish households, including those who may have never applied for or received the IMV but nonetheless benefited psychologically from knowing a national safety net existed. Thus, this population-level analysis may capture anticipation or placebo effects from individuals who expected to benefit but had not yet interacted with the scheme's complex design and implementation in practice.

In contrast, Chapter 4 examines the everyday experiences of actual IMV recipients – individuals who have navigated the application process, engaged directly with the administrative system and experienced first-hand the complexities of benefit receipt – as well as eligible individuals who chose not to take up the benefit despite material need. This represents a fundamentally different population: while Chapter 2 encompasses Spain's entire population (actual recipients, potential beneficiaries and those ineligible), Chapter 4 focuses on those who have had direct engagement with the IMV system, either as successful applicants who encountered its uncertainty-generating features through lived experience or as eligible non-claimants whose participation decisions were shaped by perceptions of system unpredictability.

Second, the studies look at different dimensions of economic (in)security. Chapter 2 examines subjective financial wellbeing measures, specifically whether people thought their financial situation had improved or deteriorated over the past year, while Chapter 4 explores uncertainty and stress more broadly and in relation to the future. Among recipients of the IMV, it is possible that a person might feel that their financial situation has improved after receiving the benefit while simultaneously acknowledging that the benefit has caused them stressful difficulties in terms of understanding its workings, volatile payment amounts and even reclaim demands, which in turn have affected their ability to plan and their employment decision-making processes. This is precisely what emerged from my interviews with IMV recipients: many said the IMV was a financial relief when it arrived, that it was helpful and better than nothing. Yet these same participants described how their experience receiving the IMV was far from smooth, involving complex and lengthy applications, payments that

were out of sync with their needs and volatile in nature as well as a general lack of information about how the benefit works, causing uncertainty and triggering anxiety about their future financial situation.

Third, each chapter looks at different time frames. Chapter 2 focuses specifically on financial wellbeing perceptions during the Covid-19 pandemic and the cost-of-living crises of 2020-2022, when the mere introduction of a national safety net may have provided psychological reassurance amidst widespread economic instability regardless of implementation quality. In contrast, Chapter 4's interviews were conducted in 2024-2025, once the immediate crisis had faded and attention shifted from crisis survival to the practical functioning of the scheme and when recipients had gained sufficient experience with the system to recognise its volatility, administrative complexity and unpredictability.

Taken together, these insights show that a MISs can simultaneously stabilise perceived financial wellbeing at the population level while generating stress and unpredictability in the daily lives of those who rely on it most directly. Moreover, the same individuals can experience both financial relief from receiving support and stress from navigating the system's complexities. This suggests that welfare systems may function differently as psychological stabilisers for the broader population during crises versus ongoing sources of uncertainty for actual users in more stable periods and that different dimensions of wellbeing – financial relief versus stress – can coexist within the same policy experience.

5.2. Thesis Contributions and Implications

Taken together, these findings make several important contributions to both theory and practice. Conceptually, this thesis demonstrates that poverty and Minimum Income Schemes must be understood through the combined lenses of behavioural, structural and political analysis that Brady (2019) noted. It extends the concept of economic insecurity by showing how welfare systems themselves can generate unpredictability, contradicting the assumption that cash transfers always reduce insecurity by default. It suggests that economic security is not simply about income levels but about predictability, transparency and trust in institutional systems.

Moreover, this research demonstrates that uncertainty does not produce uniform behavioural responses, challenging both rational choice models that assume consistent utility maximisation and behavioural studies that have mostly theorised risk-aversion under

conditions of unpredictability. Thus, the thesis has implications for understanding human agency within welfare systems. Rather than being passive recipients who respond predictably to financial incentives, beneficiaries actively interpret and respond to institutional uncertainty based on their beliefs about personal control, risk tolerance and time orientation. This suggests welfare systems create interpretive environments where individual characteristics interact with institutional features to produce diverse strategic responses.

Additionally, the employment effects identified operate through mechanisms distinct from those predicted by traditional leisure-consumption models. While the IMV increased unemployment among certain demographic groups, this effect stemmed not from recipients preferring leisure over work, but from implementation processes creating uncertainty and risk-aversion. This distinction is crucial because it suggests work disincentives may persist even when benefit levels are modest and work incentives generous, if the system itself generates unpredictability about future support.

The research also illustrates the value of incorporating subjective wellbeing into poverty analysis. The observed divergence between objective and perceived financial security among IMV recipients invites broader debate about what constitutes "successful" anti-poverty measures and how policy evaluations might more fully account for beneficiaries' perceptions.

Methodologically, the thesis illustrates the benefits of combining population-level quantitative analysis with individual-level qualitative investigation. While the quantitative analyses provided evidence of statistically significant effects on financial wellbeing and employment outcomes, the qualitative study exposed the cognitive, emotional and practical processes that underlie these effects. This mixed-methods approach helps answer the deeper question of why policy outcomes often diverge from theoretical predictions and why people's decisions may appear inconsistent when viewed through a purely rationalist lens. Moreover, this methodological integration reveals how the same policy can have different effects across different scales of analysis and different dimensions of experience. Such complexity cannot be captured through single-method approaches, suggesting that comprehensive policy evaluation requires analytical frameworks that can accommodate multiple levels of analysis and diverse forms of evidence.

The findings also carry significant policy implications, directly informing ongoing policy debates across Europe regarding minimum income design and implementation. The research comes at a particularly opportune moment as the European Union advances toward common standards for adequate minimum income through the implementation of the 2023 Council Recommendation.

As argued in the introduction of this thesis, the Spanish experience provides valuable insights for contexts that share similarities with Spain: Southern European countries with comparable economic and welfare regime characteristics, federal systems balancing national and regional welfare competences, middle-income countries with similar informal economies and administrative capacity constraints as well as countries facing economic crises requiring rapid social protection responses while managing fiscal constraints.

The findings address a central tension in contemporary welfare policy: balancing poverty reduction with labour market activation. Chapter 2 demonstrates that Minimum Income Schemes can significantly improve subjective financial wellbeing even during economic crises, supporting their role as essential safety nets. However, to improve real financial wellbeing, MISs need to be generous enough as well as cover and reach enough poor households. Simultaneously, Chapter 3 identifies specific work disincentive effects, particularly among certain demographic groups, although Chapter 4 reveals that these effects stem not primarily from financial disincentives to work but from implementation processes that create uncertainty and risk aversion among some recipients.

The findings reveal that even "successful" policies – those that achieve their primary objectives such as providing financial relief – can have implementation problems that significantly affect recipients' lived experiences and decision-making processes. Administrative predictability and transparent communication emerge as crucial design elements often overlooked in policy development. The promise of an income floor could be matched by institutional arrangements that minimise administrative burden, enhance clarity and predictability as well as foster trust between recipients and the state. If a welfare system generates confusion or fear of unpredictable repayment demands, it can undermine recipients' capacity to plan, to pursue work opportunities confidently or even to claim the benefits to which they are entitled. Policy evaluation frameworks should then assess not only whether programmes meet their stated goals, but also whether their design and delivery enable recipients to navigate support systems with confidence and predictability.

Relatedly, policy debates about activation, conditionality and work incentives should grapple with the reality that uncertainty within the benefit system itself can be as important as the generosity of the benefit or activation measures when it comes to influencing behaviour. Harsh conditionality may be counterproductive if it increases rather than reduces uncertainty about future support. Instead of assuming that pressure and sanctions motivate employment seeking, policymakers could consider how to create institutional conditions that enable confident decision-making.

The identification of three distinct behavioural types in Chapter 4, suggests that one-size-fits-all activation approaches are likely to fail. Escapers may benefit from immediate employment support and job matching services, Diversifiers may need assistance navigating between benefit systems or addressing structural barriers to employment, while Stabilisers may require uncertainty-reducing reforms before they can confidently engage with formal labour markets.

The finding that subjective financial wellbeing improved despite limited short-term effects on objective poverty suggests that MISs play important psychological stabilisation roles during economic turbulence. This indicates that simplifying application processes, improving communication and ensuring payment reliability might yield substantial wellbeing benefits even when resource constraints limit benefit generosity. Moreover, the finding that subjective wellbeing measures can reveal policy effects not captured by traditional poverty indicators also suggests that evaluation frameworks should routinely incorporate such measures. Given that subjective indicators are often available with shorter time lags than income data, they could enable more timely monitoring of policy effects.

The Spanish experience further highlights the challenge of coordinating minimum income provision in a context marked by territorial inequalities and decentralised governance. Spain's design – offering a national income floor while preserving regional capacity to provide complementary support – reflects a pragmatic compromise between constitutional arrangements and the need to equalise basic protection. Yet administrative fragmentation and coordination challenges remain, affecting the integration of income support with other social services, especially employment assistance, housing and childcare. More coherent institutional arrangements may help ensure that MISs serve as genuine stepping-stones rather than becoming sources of new insecurities.

More broadly, findings of this thesis contribute to contemporary debates about how societies can best guarantee economic security and social inclusion in the 21st century. Minimum Income Schemes like Spain's IMV represent one approach within a spectrum of policy innovations that includes Universal Basic Income (UBI), Universal Basic Services (UBS) and guaranteed employment programmes. The IMV's promise and limitations reveal the challenges of designing targeted last-resort support that is both adequate and predictable while avoiding poverty traps, work disincentives and exclusion of people in need. This tension lies at the heart of current discussions about whether social protection should move towards more universal, unconditional forms of support such as a UBI – which would eliminate means-testing and administrative complexity altogether – or towards robust guaranteed public services and employment as alternative ways to secure material wellbeing.

Through UBI, the state can offer unconditional cash payments to all citizens regardless of need. While no country has implemented a full-scale UBI, several municipalities and cities in the Netherlands, Spain, the USA, Brazil and South Korea have launched pilot programmes to assess its impact. Nationwide trials have also taken place, with Finland's 2017–2018 experiment (Hiilamo, 2022) and the Alaska Permanent Fund (Guettabi, 2019) standing out as some of the most well-documented. Rather than providing direct cash transfers, UBS seeks to ensure universal access to essential services that are fundamental to human dignity and social participation such as health care, education, housing, transportation, internet access and basic utilities (Gough, 2020). Through guaranteed employment programmes like India's MGNREGA (Dutta *et al.*, 2014) or Austria's Marienthal experiment (Lehner and Kasy, 2022), the state can act as an "employer of last resort" and provide work opportunities at living wages.

The thesis shows that while targeted MISs can provide important psychological stability in times of crisis, they can also discourage employment and reproduce insecurity through complex eligibility rules and volatile administration. These findings raise questions about how far even reformed means-tested benefits targeted to those in poverty can go in ensuring the wellbeing of populations.

5.3. Limitations and Future Research

This research, while comprehensive in scope, has several limitations that point towards important areas for future investigation. The focus on single-person households in the labour

market analysis (Chapter 3), means that findings may not generalise to households with children, where caregiving responsibilities and different risk calculations may shape employment decisions differently. Future research could expand this analysis to examine how the IMV affects employment decisions among single-parent households using the same quasi-experimental design or explore how couples with children navigate work-benefit trade-offs using detailed time-use surveys that capture intra-household decision-making processes. In Spain, researchers could use the *Encuesta de Empleo del Tiempo* collected by the National Statistics Institute (INE).

The setting of Chapters 2 and 3 during the Covid-19 pandemic and subsequent cost-of-living crisis creates both opportunities and constraints for interpretation. While the crisis context enabled examination of welfare policy effects during economic upheaval – a crucial but understudied area – it may have amplified insecurity effects or altered employment dynamics in ways that differ from more stable economic conditions. While AIReF (2025)'s study corroborates the findings of Chapter 3 after the Covid-19 and cost-of-living crises, future research could verify whether findings on financial wellbeing also hold in more stable economic times by extending the Synthetic Control analysis through 2023 onwards using updated EU-SILC and EU Consumer Survey data.

The qualitative research, while achieving thematic saturation, was conducted during a period when the IMV system was still evolving and recipients were still developing strategies for navigating its requirements. A longitudinal qualitative study following the same cohort of IMV recipients over 3-5 years could reveal how coping strategies evolve as systems mature, institutional knowledge accumulates and individuals' circumstances change. Such research could combine annual follow-up interviews with administrative data on benefit receipt and employment transitions – once such linked datasets become available to researchers – to track how Escapers, Diversifiers and Stabilisers adapt their strategies over time and whether individuals shift between response types as their circumstances or system familiarity changes.

Moreover, comparative studies could explore how recipients respond to uncertainty across different welfare regimes. Specifically, researchers could compare Spain's IMV with Germany's *Bürgergeld* (Continental welfare regime), Sweden's *Ekonomiskt bistånd* (Nordic model), Romania's *Venitul Minim de Incluziune* (Eastern European model) and the UK's Universal Credit (Anglo-Saxon regime) using standardised measures of perceived

administrative burden, institutional trust and employment decision-making processes. Such research could employ coordinated cross-national interview studies or large-scale comparative surveys to test whether the three-fold typology of uncertainty responses (Escapers, Diversifiers, Stabilisers) emerges across different institutional contexts or reflects specifically Southern European or Spanish characteristics.

Experimental interventions could test specific measures to reduce uncertainty and examine their effects on employment transitions and take-up. For example, randomised controlled trials (RCTs) could test: (1) simplified, real-time income assessment systems versus current retrospective methods using pilot programmes targeting selected households; (2) proactive communication strategies (e.g. monthly text updates about benefit status) versus standard notification procedures on benefit changes; (3) guaranteed minimum payment periods (6-month payment guarantees) versus current month-to-month uncertainty. These interventions could be evaluated using employment outcomes from the Social Security records, benefit duration data and standardised psychological wellbeing surveys.

All in all, at the heart of this research lies the recognition that Minimum Income Schemes are more than technical instruments for poverty relief. They embody society's commitment to a minimum standard of living as a matter of human rights and social justice. Poverty is not a personal failing but a failure of collective provision. Spain's *Ingreso Mínimo Vital* offers a compelling case study of what it means to renew that commitment under conditions of economic crisis and institutional complexity. Yet it also reveals the enduring tension between protection and empowerment, showing that if last-resort income schemes are to fulfil their promise, they must be designed and delivered in ways that enable recipients to navigate their lives with dignity, certainty and hope for the future.

As Europe continues to confront the challenges of technological change, ecological transitions, demographic shifts and deepening inequalities, the lessons drawn from this thesis remain salient. The task ahead is not only to secure adequate levels of income support but to ensure that welfare systems themselves do not become an additional source of fear and insecurity. By recognising that administrative design shapes not only economic incentives but also people's sense of agency, this research contributes to the broader goal of building welfare institutions that genuinely live up to their foundational promise and to the Article 25(1) of the Universal Declaration of Human Rights: no one should fall below a socially agreed minimum and every person has the right to a decent life.

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