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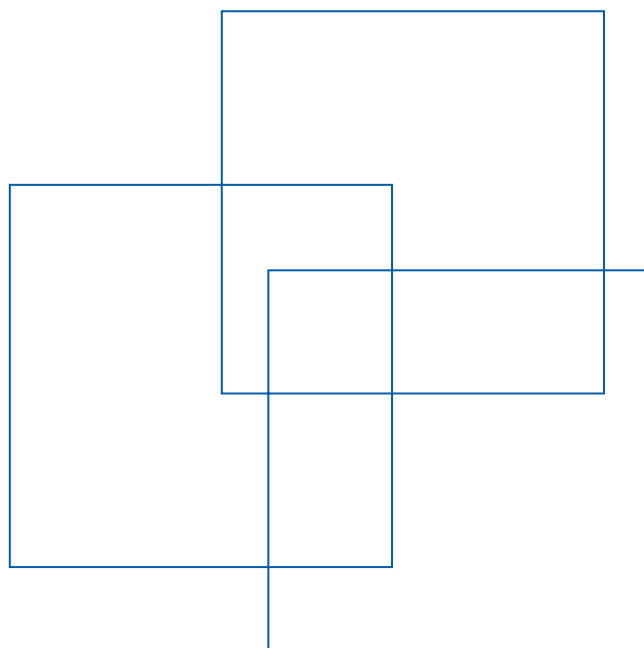


International  
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# World Social Protection Report 2014/15

*Building economic recovery, inclusive development and social justice*

## Executive summary



Social protection policies play a critical role in realizing the human right to social security for all, reducing poverty and inequality, and supporting inclusive growth – by boosting human capital and productivity, supporting domestic demand and facilitating structural transformation of national economies. This ILO flagship report: (i) provides a global overview of the organization of social protection systems, their coverage and benefits, as well as public expenditures on social security; (ii) following a life-cycle approach, presents social protection for children, for women and men of working age, and for older persons; (iii) analyses trends and recent policies, e.g. negative impacts of fiscal consolidation and adjustment measures; and (iv) calls for the expansion of social protection in pursuit of crisis recovery, inclusive development and social justice.

While the need for social protection is widely recognized, the fundamental human right to social security remains unfulfilled for the large majority of the world's population. Only 27 per cent of the global population enjoy access to comprehensive social security systems, whereas 73 per cent are covered partially or not at all.

The lack of access to social protection constitutes a major obstacle to economic and social development. Inadequate or absent social protection coverage is associated with high and persistent levels of poverty and economic insecurity, growing levels of inequality, insufficient investments in human capital and human capabilities, and weak aggregate demand in a time of recession and slow growth.

The strong positive impacts of social protection have brought social protection to the forefront of the

development agenda. Social protection is a key element of national strategies to promote human development, political stability and inclusive growth. The ILO Social Protection Floors Recommendation, 2012 (No. 202), reflects a consensus on the extension of social security reached among governments and employers' and workers' organizations from 185 countries at all levels of development. Further, the roll-out of social protection floors is endorsed by the G20 and the United Nations.

However, while there has been a global trend towards the extension of social protection, particularly in middle-income countries, the effectiveness of social security systems in a number of countries is at risk as a result of fiscal consolidation and adjustment measures. These trends are presented in the different chapters of the report, following a life-cycle approach.

### **Social protection for children and families: A right unfulfilled**

Social protection policies are an essential element of realizing children's rights, ensuring their well-being, breaking the vicious cycle of poverty and vulnerability, and helping all children realize their full potential. Despite a large expansion of schemes, existing social protection policies do not sufficiently address the income security needs of children and families, particularly in low- and middle-income countries with large child populations. About 18,000 children die every day, mainly from preventable causes: many of these deaths could be averted through adequate social protection.

Social protection also has a key role in preventing child labour by reducing economic vulnerability of families, enabling children to go to school and protecting them from exploitation.

More efforts are needed to step up measures to ensure income security for children and families. Many children do not receive the essential cash transfers that could make a real difference, in terms of nutrition, health, education and care services, to their chances of realizing their full potential. Specific child and family benefit programmes rooted in legislation exist in 108 countries, yet often cover only small groups of the population. In 75 countries, no such programmes are available at all.

On average, governments allocate 0.4 per cent of GDP to child and family benefits, ranging from 2.2 per cent in Western Europe to 0.2 per cent in Africa, and in Asia and the Pacific. Underinvestment in children jeopardizes their rights and their future, as well as the economic and social development prospects of the countries in which they live.

Fiscal consolidation and adjustment measures in higher-income economies threaten progress on income security for children and their families. Child poverty increased in 19 of the 28 countries of the European Union between 2007 and 2012.

### Social protection in working age: The quest for income security

Social protection plays a key role for women and men of working age by stabilizing their incomes in the event of unemployment, employment injury, disability, sickness and maternity, and by ensuring that they have at least a basic level of income security. While the labour market serves as the primary source of income security during working life, social protection plays a major role in smoothing incomes and aggregate demand, thereby facilitating structural change within economies.

Worldwide, 2.3 per cent of GDP is allocated to social protection expenditure for women and men in ensuring income security during working age; regionally, levels vary widely, ranging from 0.5 per cent in Africa to 5.9 per cent in Western Europe.

### Unemployment protection

Where they exist, unemployment benefit schemes play a key role in providing income security to workers and their families in the event of temporary unemployment,

contributing thereby to preventing poverty; supporting structural change in the economy; providing safeguards against informalization; and, in the event of a crisis, stabilizing aggregate demand, helping the economy to recover more quickly.

However, only 28 per cent of workers worldwide are potentially eligible for benefits (contributory or non-contributory) under existing legislation should they become unemployed. Within this overall figure, regional differences are considerable: 80 per cent of workers are so covered in Europe, 38 per cent in Latin America, 21 per cent in the Middle East, 17 per cent in the Asia and Pacific region, and 8 per cent in Africa. Only 12 per cent of unemployed workers worldwide actually receive unemployment benefits, and again regional differences are large, with effective coverage ranging from 64 per cent of unemployed workers in Western Europe to just over 7 per cent in the Asia and Pacific region, 5 per cent in Latin America and the Caribbean, and less than 3 per cent in the Middle East and Africa.

A number of emerging economies have introduced unemployment benefit schemes, such as Bahrain or Viet Nam, as a means to ensure income security for unemployed workers and facilitate their search for jobs matching their skills in the formal economy. India's employment guarantee scheme (Mahatma Gandhi National Employment Guarantee Scheme) also provides a form of unemployment protection by guaranteeing 100 days of public employment to poor rural households.

### Employment injury protection

In 2013, the world was shaken by the Rana Plaza tragedy in Bangladesh, and became aware that social protection in case of employment injury is essential to protect workers and their families from the financial consequences of accidents at work and to facilitate their rehabilitation. However, only 33.9 per cent of the global labour force is covered by law for employment injury through mandatory social insurance. Even if voluntary social insurance coverage and employer liability provisions are included, only 39.4 per cent of the labour force is covered by law. In practice, actual access to employment injury protection is even lower, largely owing to incomplete enforcement of the legislation in many countries.

The low coverage of employment injury compensation in many low- and middle-income countries points to an urgent need to enhance working conditions in respect

of occupational safety and health, as well as to improve employment injury coverage for all workers, including those in the informal economy. As more countries move from employer liability as the basis for employment injury protection to a mechanism based on social insurance, levels of protection for workers are likely to improve – but only if new laws are effectively enforced.

### Disability benefits

Social protection plays a key role in meeting the specific needs of persons with disabilities with regard to income security, access to health care and social inclusion. Effective measures to support persons with disabilities in finding and retaining quality employment are a key element of non-discriminatory and inclusive policies that help to realize their rights and aspirations as productive members of society.

Complementing contributory schemes, non-contributory disability benefits play a key role in protecting those persons with disabilities who have not (yet) earned entitlements to contributory schemes. Only 87 countries offer such non-contributory benefits anchored in national legislation, which would provide at least a minimum level of income security for those disabled from birth or before working age, and those who for any reason have not had the opportunity to contribute to social insurance for long enough to be eligible for benefits.

### Maternity protection

Effective maternity protection ensures income security for pregnant women and mothers of newborn children and their families, and also effective access to quality maternal health care. It also promotes equality in employment and occupation.

Worldwide, less than 40 per cent of women in employment are covered by law under mandatory maternity cash benefit schemes; 48 per cent if voluntary coverage (mainly for women in self-employment) is included. Due to the ineffective enforcement and implementation of the law in some regions (Asia and the Pacific, Latin America and Africa in particular), effective coverage is even lower: only 28 per cent of women in employment worldwide are protected through maternity cash benefits which provide some income security in during the final stages of pregnancy and after childbirth; the absence of income security forces many women to return to work prematurely.

An increasing number of countries are using non-contributory maternity cash benefits as a means to improve income security and access to maternal and child health care for pregnant women and new mothers, particularly for women living in poverty. However, significant gaps remain.

Ensuring effective access to quality maternal health care is of particular importance, especially in countries where the informal economy accounts for a large proportion of employment.

### Old-age pensions: A state responsibility

The right to income security in old age, as grounded in human rights instruments and international labour standards, includes the right to an adequate pension. However, nearly half (48 per cent) of all people over pensionable age do not receive a pension. For many of those who do receive a pension, pension levels are not adequate. As a result, the majority of the world's older women and men have no income security, have no right to retire and have to continue working as long as they can – often badly paid and in precarious conditions. Under existing laws and regulations, only 42 per cent of people of working age today can expect to receive social security pensions in the future, and effective coverage is even lower. This gap will have to be filled also by an expansion of non-contributory provisions.

In recent years, many middle- and low-income countries have made efforts to expand the coverage of contributory pension schemes and to establish non-contributory pensions to guarantee at least basic income security in old age to all.

At the same time, countries undertaking fiscal consolidation are reforming their pension systems to make cost savings, by means including raising the retirement age, reducing benefits and increasing contribution rates. These adjustments are reducing state responsibility for guaranteeing income security in old age and shifting large parts of the economic risks associated with pension provision on to individuals, thereby undermining the adequacy of pension systems and reducing their ability to prevent poverty in old age. Future pensioners will receive lower pensions in at least 14 countries of Europe.

It is important to note that a number of countries are reversing the earlier privatizations of pension systems, implemented in the 1980s and 1990s. Argentina, Bolivia, Chile, Hungary, Kazakhstan and Poland either have renationalized or are renationalizing their pension systems to improve old-age income security.

## Towards universal coverage in health

The urgency of striving for universal coverage in health is illustrated by the fact more than 90 per cent of the population living in low-income countries remains without any right to coverage in health. Globally, 39 per cent of the population is lacking such coverage. As a result, about 40 per cent of all global health expenditure is shouldered directly by the sick. However, even people who are legally covered experience limited health benefits, high out-of-pocket payments and a lack of the health workers needed to deliver services. In such circumstances, despite coverage, health care is frequently neither available nor affordable, and access to needed services can lead to poverty.

The ILO estimates that there is a global shortfall of 10.3 million health workers required to ensure that all in need receive quality health services. This gap, and the often close-to-poverty wages of health workers, are blocking progress towards universal health coverage.

Globally, 88 countries in several regions of the world have proved that it is possible to close the gaps in health coverage. Many of them began the process of reform at lower levels of national income and invested in times of economic crisis. Further, they have shown that countries can achieve high coverage rates and even universal coverage using either tax- or contribution-funded systems and schemes or a mix of both. However, countries under fiscal consolidation have often initiated health reforms to make cost savings, by means such as rationalizing the costs of public health facilities, introducing patient co-payments and cutting wage bills for medical staff. These adjustment measures have sharpened inequities in access to health care and increased exclusion by shifting the burden from the public purse to private households.

Investing in health protection, including paid sick leave, yields returns. However, public expenditure on health is at present too low to be sufficiently effective: the potential economic returns from increased productivity and employment cannot be realized while gaps in coverage persist. Closing these gaps would lead to the highest rates of return in the world's poorest countries.

Greater joint efforts are necessary to work towards universal health coverage, and towards the associated goal of establishing social protection floors, as recently called for by the UN General Assembly.

## Expanding social protection: Key to crisis recovery and inclusive development

The global financial and economic crisis has forcefully underlined the importance of social security as a human right, and as an economic and social necessity, as set out in the ILO Social Protection Floors Recommendation (2012), No. 202.

In the first phase of the crisis (2008–09), social protection played a strong role in the expansionary response. At least 48 high- and middle-income countries announced fiscal stimulus packages totalling US\$2.4 trillion, of which approximately a quarter was invested in counter-cyclical social protection measures.

In the second phase of the crisis (2010 onwards), governments embarked on fiscal consolidation and premature contraction of expenditure, despite an urgent need of public support among vulnerable populations. In 2014, the scope of public expenditure adjustment is expected to intensify significantly: according to IMF projections, 122 countries will be contracting expenditures in terms of GDP, of which 82 are developing countries. Further, a fifth of countries are undergoing excessive fiscal contraction, defined as cutting public expenditures below pre-crisis levels.

Contrary to public perception, fiscal consolidation measures are not limited to Europe; many developing countries have adopted adjustment measures, including the elimination or reduction of food and fuel subsidies; cuts or caps on wages, including for health and social care workers; rationalizing and more narrowly targeting social protection benefits; and reforms of pension and health-care systems. Many governments are also considering revenue-side measures, for example increasing consumption taxes such as VAT on basic products that are consumed by poor households.

In developing countries, some of the proceeds of these adjustments, e.g. from the elimination of subsidies, have been used to design narrowly-targeted safety nets, as a compensatory mechanism to the poorest. However, given the large number of vulnerable low-income households in developing countries, more efforts are necessary to increase the fiscal space to meet the social protection needs of populations.

Of particular significance are the divergent trends in richer and poorer countries: while many high-income countries are contracting their social security systems, many developing countries are expanding them.

High-income countries have reduced a range of social protection benefits and limited access to quality

public services. Together with persistent unemployment, lower wages and higher taxes, these measures have contributed to increases in poverty and social exclusion, now affecting 123 million people in the European Union, 24 per cent of the population, many of them children, women, older persons and persons with disabilities. Several European courts have found cuts unconstitutional. The cost of adjustment has been passed on to populations, who have been coping with fewer jobs and lower income for more than five years. Depressed household income levels are leading to lower domestic consumption and lower demand, slowing down recovery. The achievements of the European social model, which dramatically reduced poverty and promoted prosperity in the period following the Second World War, have been eroded by short-term adjustment reforms.

Many middle-income countries are boldly expanding their social protection systems, thereby contributing to their domestic demand-led growth strategies: this presents a powerful developmental lesson. China, for instance, has achieved nearly universal coverage of pensions and increased wages; Brazil accelerated the expansion of social protection coverage and minimum wages

since 2009. Continued commitment is necessary to address persistent inequalities.

Some lower-income countries have extended social protection mainly through temporary safety nets with very low benefit levels. However, in many of these countries debates are under way on building social protection floors as part of comprehensive social protection systems.

The case for social protection is compelling in our times. Social protection realizes the human right to social security and is a key element of sound economic policy. Social protection powerfully contributes to reducing poverty, exclusion, and inequality – while enhancing political stability and social cohesion. Social protection also contributes to economic growth by supporting household income and thus domestic consumption; this is particularly important during this time of slow recovery and low global demand. Further, social protection enhances human capital and productivity, so it has become a critical policy for transformative national development. Social protection, specifically social protection floors, are essential for recovery, inclusive development and social justice, and must be part of the post-2015 development agenda.

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