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STATE OF SOCIAL PROTECTION REPORT 2025

THE 2-BILLION-PERSON CHALLENGE

WORLD BANK GROUP

State of Social Protection Report 2025

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State of Social Protection Report 2025

The 2-Billion-Person Challenge

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State of Social Protection Report Series

The **State of Social Protection Report** series examines global trends in the size, composition, and evolution of social protection systems. It documents advances and challenges in strengthening social protection across low- and middle-income countries and discusses avenues to gradually close the coverage gap for the world's poorest. This series expands on previous reports on the state of social safety nets to include analysis of social insurance and labor market programs to provide a complete picture of the social protection global landscape. The analysis presented in the series draws from the most up-to-date administrative and household survey data from the World Bank Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE).

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2025
State of Social Protection Report 2025: The 2-Billion-Person Challenge (2025), World Bank

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The report was authored by Emil Daniel Tesliuc, Claudia P. Rodriguez Alas, and Jamele Rigolini, with contributions by Colin Andrews, Eliana Carranza, Sarah Coll-Black, Ugo Gentilini, Melis Guven, Christina Louise Lowe, Ana Sofia Martinez Cordova, Yuko Okamura, and Victoria Strokova. The analysis in the report draws from a series of companion notes. The social protection note was authored by Emil Daniel Tesliuc and Ana Sofia Martinez Cordova, with contributions from Maria Belen Fonteñez, Muhsine Senart, Ingrid Mujica, Johanna Estefania Andrango Brito, Xuejiao Xu, and Claudia P. Rodriguez Alas. The COVID-19 response note was authored by Emil Daniel Tesliuc and Maria Belen Fonteñez, with contributions from Claudia P. Rodriguez Alas, Robert Palacios, Johanna Estefania Andrango Brito, and Ana Sofia Martinez Cordova. The safety nets note was authored by Yuko Okamura, Hrishikesh T. M. M. Iyengar, and Colin Andrews, with contributions from Ana Sofia Martinez Cordova, Muhsine Senart, Usama Zafar, Maria Belen Fonteñez, Johanna Estefania Andrango Brito, Georgina Marin, and Claudia P. Rodriguez Alas. The labor note was authored by Eliana Carranza, Matteo Morgandi, and Diana Sverdlin Lisker, with contributions from Maria Belen Fonteñez, Ingrid Mujica, and Samira Salwan. The pensions note was authored by Gonzalo Javier Reyes Hartley and Miglena Abels, with contributions from Omar Arturo Nieto Martinez and Vikesh Ramesh Mahboobani Martinez. The gender note was authored by Claudia P. Rodriguez Alas, Veronica Lopez, and Ingrid Mujica, with contributions from Ana Sofia Martinez Cordova and Johanna Estefania Andrango Brito.

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Executive Summary

Over the past decade, low- and middle-income countries have expanded social protection to cover a record 4.7 billion people. Three out of four people in these countries now live in households that either benefit from social protection transfers or have access to social protection through contributions. Accomplishing that has been no easy feat. However, despite the record increases in coverage, 1.6 billion people in low- and middle-income countries still have no access to social protection. For an additional 400 million people, the benefits these programs provide are so meager that they may not help recipients escape poverty or cushion the blow of unexpected shocks, protracted political and socioeconomic crises, or long-term economic and life cycle transitions.[1]

Data from 73 low-, middle- and high-income countries examined for this report show that, between 2010 and 2022, social protection systems in these countries expanded their coverage by an average of 10 percentage points, from 41 to 51 percent of these countries' populations. Expansion was even greater among the poor in low-income countries, for whom coverage increased by an average of 17 percentage points.

However, the journey is far from over. Despite significant progress, access to social protection remains an aspiration rather than a reality for far too many people. At current growth rates, it will take another 18 years for those living in extreme poverty to be fully covered by social protection programs and another 20 years for the poorest 20 percent of households in low- and middle-income countries to be covered. The situation is particularly dire in low-income countries, where, despite substantial increases in coverage, social protection systems reach only one in four people, on average. Even in lower-middle-income countries, social protection systems fail to reach more than half the population.

These unreached households, often among the poorest, bear a disproportionate burden of constraints that prevent them from escaping poverty, weathering shocks and crises, and managing the uncertainties of a fast-changing world. Many of these households live in fragile, conflict-affected locations or hunger hot spots that are concentrated in parts of the Middle East and North Africa, South Asia, and Sub-Saharan Africa.

Policy Action Areas

Drawing on the lessons from decade-long progress, this report highlights four policy action areas governments can embrace to maximize the benefits of adequate social protection for all:

1. Extending social protection to those in need
2. Strengthening the adequacy of social protection support
3. Building shock-proof social protection delivery systems
4. Optimizing social protection financing.

Extending Social Protection to Those in Need

Social protection coverage—from targeted cash transfers, disability benefits, and pensions to economic inclusion, active labor market programs, and unemployment benefits—is at its lowest levels where it is needed most: among the poorest households in poorer countries. Whereas social protection programs cover almost all the extreme poor in high-income countries, coverage falls to an average of two-thirds of the extreme poor in lower-middle-income countries and just over a quarter in low-income countries.

The path to higher levels of social protection will depend on each country's context, capacity, and fiscal space. Given the size of the needs and limited resources, low-income countries should focus on expanding noncontributory cash transfers and economic inclusion programs for the poor, which provide multifaceted support to poor households to sustainably increase their incomes and assets. These countries should also work toward ensuring that cash transfer coverage can rapidly expand when shocks occur. In middle-income countries, closing remaining coverage gaps should remain a priority. At the same time, some of these countries may also have the capacity and resources to expand their offerings of social protection programs and invest in employment programs, social insurance (including the informal sector), and social services.

Strong delivery systems, such as dynamic social registries, digital payment systems, and digital case management systems, will be essential to support effective and sustained expansions of social protection coverage. Robust and well-coordinated delivery systems ensure that assistance reaches those in need, when they need it. Such systems are essential during normal times, but they also support effective responses during shocks and crises. However, although some countries have made great strides in developing their social protection delivery systems over the past decade, others still lack basic elements such as social registries. Even in countries where these elements are in place, their coverage and performance continue to need improvement.

Strengthening the Adequacy of Social Protection Support

Social protection often falls short of providing adequate support for beleaguered households, especially in low-income countries. Vast socioeconomic, geographic, and gender-based inequalities in the provision of social protection services leave the poorest and most vulnerable critically underserved. Social assistance, as opposed to other forms of social protection support, has been the main pillar for expanding protection worldwide, but transfers are often at low levels. In low-income countries, they represent, on average, 11 percent of the already-meager income of the poor. Furthermore, vast disparities persist within socioeconomic categories. For instance, although social protection programs generally cover a higher percentage of women than men, female beneficiaries tend to receive lower transfer amounts. Across a sample of 27 countries, this report finds that, for every dollar in transfers received by men, women receive only 81 cents.

Strengthening the adequacy of social protection is, however, about a great deal more than just the generosity of benefits. Ultimately, social protection systems need to be able to provide targeted support to those in need, tailored to address their specific vulnerabilities, in a timely manner. No single program can achieve this. It is therefore important that, as countries develop, they expand the programs they offer over time.

The offer and reach of labor market and employment programs, for instance, is limited in most countries, affecting the programs' ability to support people in search of better employment opportunities. These programs reach on average 5 percent of the population; even in upper-middle-income countries, which tend to have greater coverage, spending on the programs is a mere 0.23 percent of their gross domestic product. Yet labor market and employment programs can give long-term boosts to people's incomes and well-being. Evaluations of economic inclusion programs in both low- and middle-income countries, for instance, have consistently demonstrated such programs' ability to sustainably increase beneficiaries' incomes and assets.

Similarly, social insurance still does not cover many people who have the ability to contribute, especially those in the informal sector. Although not covered in this report, effective social services play an essential role in addressing nonpecuniary sources of vulnerability.

Integrating support across programs through effective case management is also essential. Because people often face multiple vulnerabilities, coordinated, multifaceted support through different programs often delivers superior impacts. But integration hinges, again, on solid delivery systems. Without real-time data, established referral protocols, and solid governance structures, it is not possible to provide people with the support they need in a timely manner.

Building Shock-Proof Social Protection Delivery Systems

Disasters, shocks, and protracted crises make poor people poorer and can plunge better-off households into poverty. People also need support during life and economic transitions that affect their livelihoods, such as aging, digitalization, and the green transition. In the face of increasingly frequent shocks, crises, and transitions, governments are turning to their social protection systems to respond to local events and global changes by boosting households' resilience and delivering more timely and tailored support to affected households.

The process of building shock- and transition-proof social protection delivery systems must therefore continue. During the COVID-19 pandemic, countries that invested more in strengthening their social protection systems could respond faster and more effectively. But strengthening systems is only half the job. Countries must continue to integrate adaptive and shock-responsive design features into existing programs by, for example, investing in early warning systems and dynamic social registries that facilitate the rapid identification and enrollment of people when they need support, developing insurance products to be delivered through the social protection system, setting out rules to guide the expansion of programs into areas affected by shocks and crises, and making geographical climate vulnerability into an eligibility criterion for support through cash transfers and labor market programs.

Optimizing Social Protection Financing

None of the previously mentioned reforms will be possible without adequate financing, yet fiscal spaces are often constrained, especially in low- and lower-middle-income countries. Upper-middle-income countries spend more than 6 percent of their gross domestic product on social protection, compared with

3.7 percent in lower-middle-income countries and less than 2 percent in low-income countries.

Extending the shield of social protection to cover the 2 billion people who are either lacking coverage or inadequately covered will undoubtedly require increasing the financing envelope, particularly in poorer countries, via either increased domestic revenues or external financing. This implies that social protection financing needs are central to fiscal policy reforms.

Alongside expansion of program financing, in many countries, especially middle-income ones, substantial progress in extending coverage and improving adequacy could also be achieved by reallocating existing resources to benefit the poor and vulnerable. Improving the poverty targeting of existing social assistance programs, for instance, could virtually eliminate extreme poverty in half of the countries that have an extreme poverty head count below 20 percent. Similarly, replacing regressive subsidies with targeted transfers could generate fiscal space for social protection while boosting efficiency and equity. Subsidies for fossil fuels, agriculture, and fisheries likely exceed $7 trillion worldwide annually (about 8 percent of global gross domestic product) and are often regressive, inefficient, expensive, and environmentally unsound.

The mix of programs should also be improved to increase financing efficiency and maximize impacts. Social insurance should be expanded to cover both formal and informal workers who are able to contribute to it. In doing so, it will be essential to keep under control social insurance subsidies and unfunded liabilities, to avoid crowding out support for the poor and vulnerable through noncontributory programs financed through general taxation. Stronger links between social protection and labor market programs should also be established. An integrated social protection and labor market system that facilitates transitions to better jobs ensures greater financial stability for individuals and helps decrease prolonged dependence on noncontributory programs.

Speeding Up the Spread of Stronger and Better Social Protection

The time for investing in more and better social protection is now. Strong global headwinds from climate change, food insecurity, conflict, and displacement challenges are picking up force, driving up levels of poverty and vulnerability and heightening demand for social protection and labor market programs. Emerging global trends are also affecting the demand for and composition of social protection services. Major population shifts are under way, manifesting themselves in the form of a youth bulge in some countries, rapid aging in many others, and internal and international migration along many corridors. Moreover, digital technologies, the changing nature of work, and the need for an accelerated green transition are leading to profound changes in employment that will require major investments in labor market programs.

The shield of social protection has spread far and wide. It now covers more people than at any point in history. But that is of little consequence to the 2 billion people who are either uncovered or inadequately covered.

Note

1. *Inadequate coverage* is measured in this report as the percentage of individuals in the poorest quintile of each country who receive a level of support lower than 20 percent of the relative poverty line (in turn measured as per capita income or consumption at the 20th percentile).

Abbreviations

ALMP	active labor market program
ASPIRE	Atlas of Social Protection Indicators of Resilience and Equity
GDP	gross domestic product
HIC	high-income country
LIC	low-income country
LMIC	lower-middle-income country
MIC	middle-income country
OECD	Organisation for Economic Co-operation and Development
UMIC	upper-middle-income country

All dollar amounts are US dollars unless otherwise indicated.

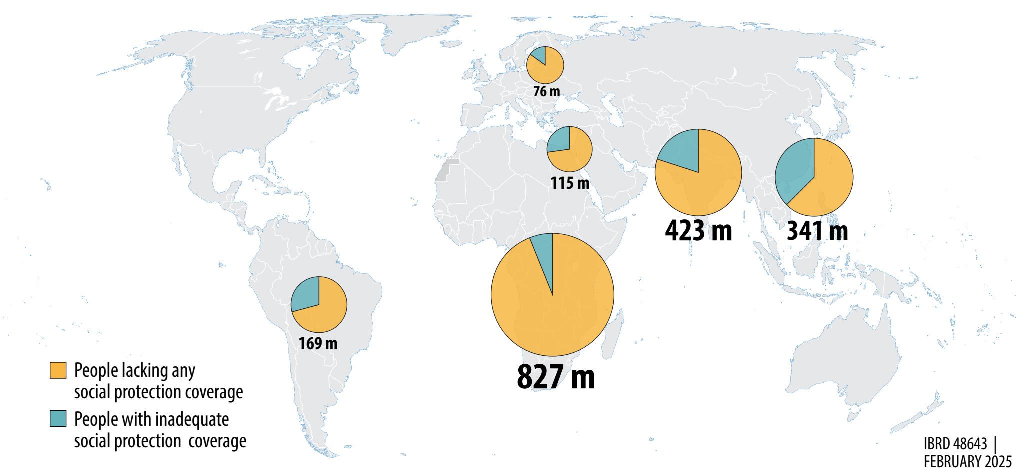
Introduction

More people now have access to social protection than at any point in history. Over the past decade, social protection has expanded to cover a record 4.7 billion people in low- and middle-income countries. Three out of four people in these countries now live in households that either benefit from or contribute to social protection. The expansion has benefited countries and people at all income levels, from low-income countries (LICs) to upper-middle-income countries (UMICs) and from poor households to the middle classes. In fact, the largest expansion has been among the extreme poor in LICs.[1] In the past decade, LICs have managed to expand social protection coverage among their extremely poor populations by an average of 17 percentage points, against a global average of 11 percentage points.

The world's poorest are benefiting from the expansion in social protection. The world is changing fast. Overlapping global crises are having catastrophic impacts on people and are disproportionately affecting poor and vulnerable populations. The COVID-19 pandemic increased the global extremely poor population by more than 73 million people, marking the first rise in poverty of this scale in decades (Aguilar, Castillo, et al. 2024; Aguilar, Diaz-Bonilla, et al. 2024). More than 300 million people were still facing acute levels of food insecurity in 2023, a rise of almost 200 million people compared with pre-COVID-19 levels (WFP 2024). By 2030, up to 130 million more people may fall into extreme poverty as a result of climate change, and up to two-thirds of the world's extremely poor will live in countries characterized by fragility, conflict, and violence (World Bank 2020a, 2020b). Moreover, global trends are also having a profoundly negative effect on people's jobs and livelihoods. Demographic imbalances are leading to a shortage of labor in many high-income countries (HICs), and LICs have an untapped bulge in the young population, but global solutions have yet to be harnessed to address aging populations, youth unemployment, and migration. Technological progress, digitalization, and the need to accelerate the green transition will require massive programs to prepare workers to use new and swiftly changing technologies and to support those who are left behind by change. Amid a world in transition, effective social protection systems can help households and workers cope with shocks and crises, manage change, and take advantage of better employment opportunities. Social protection is more important and necessary than ever.

Despite marked progress in coverage, 2 billion people in low- and middle-income countries remain uncovered or inadequately covered by social protection. About 1.6 billion people in LICs and middle-income countries (MICs) live in households that do not receive any social protection benefits and do not make any contributions toward future benefits (map I.1). An additional 400 million people live in poor households that receive some benefit, but not enough to meet their needs.[2] In relative terms, the coverage gap is particularly pronounced in LICs and lower-middle-income countries (LMICs), where social protection either misses or inadequately covers more that 80 percent and 30 percent of the populations, respectively. These households, often among the poorest segments of the population, lack the support necessary to escape poverty, weather shocks and crises, and seek better opportunities in the labor market in a time when the world is changing rapidly.

MAP I.1 Two Billion People in Low- and Middle-Income Countries Remain Uncovered or Inadequately Covered by Social Protection



Source: Original map for this publication based on Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) household survey data (https://www.worldbank.org/aspire).
Note: Coverage consists of direct and indirect beneficiaries and social insurance contributors. Map is based on 130 low- and middle-income countries. For methodology, please refer to Tesliuc and Martinez Cordova (2025).
m = million.

This report documents advances in and challenges to strengthening social protection and labor systems in low- and middle-income countries and discusses ways to gradually close the coverage gap to protect the world's poorest households. The report documents progress in regard to all three pillars of social protection—social assistance, social insurance, and labor market and employment programs—and looks at both coverage and adequacy of benefits.[3] In doing so, it aligns with the concept of universal social protection, which refers to a nationally defined system of integrated policies and programs that provide equitable access to social protection for all people, safeguarding them against poverty and risks to their livelihoods and well-being throughout their lives, and helping them to access productive work (USP2030, n.d.). The concept of universal social protection recognizes that comprehensive and effective coverage can be provided only through a system that combines and integrates support through both contributory and noncontributory schemes and through programs that enhance human capital, productive assets, and access to jobs (box I.1).

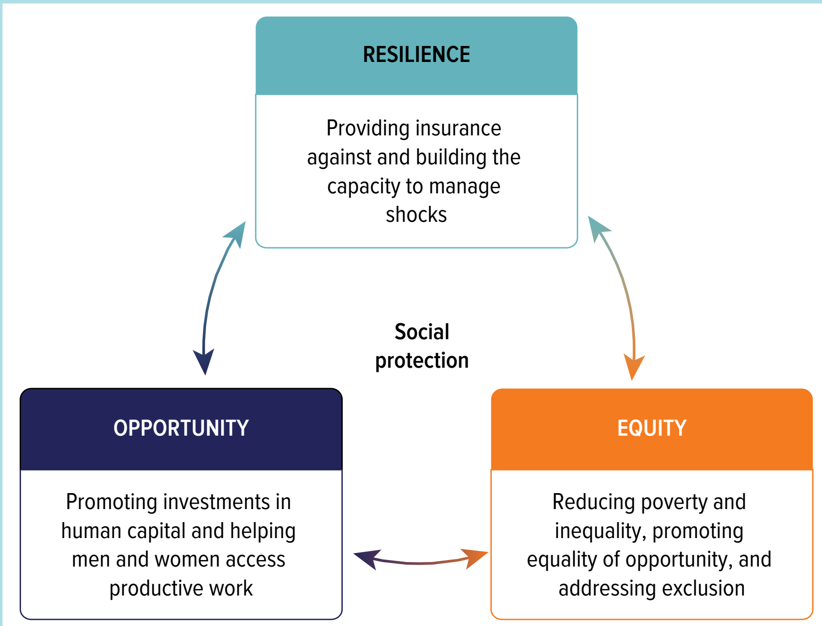
BOX I.1 Social Protection Promotes Equity, Resilience, and Opportunities

Social protection reduces poverty and protects people from shocks and crises. It also encourages people to take risks and helps societies adjust to structural shifts (figure BI.1.1). Through its wide-ranging instruments that encompass social assistance and care, social insurance, and labor market and economic inclusion programs, social protection has been shown to boost incomes, reduce poverty, and overcome economic and social inequalities around the world (for example, see Banerjee et al. 2024; Bastagli et al. 2016; Lustig 2018; UNDESA 2018). When complemented by appropriate investment in service provision, social protection also helps build human capital, contributing to improved health and education outcomes (Arriagada et al. 2018; Baird et al. 2014; Bastagli, Hagen-Zanker, and Sturge 2016; De Walque et al. 2017; Molina Millán et al. 2019). Well-designed social protection can also increase access to employment, livelihoods, and labor market opportunities, particularly for the most disadvantaged (Andrews et al. 2021; Armand et al. 2020; Bruhn 2020; Escudero et al. 2019; Jayachandran 2020; Kluve et al. 2019; Mathers and Slater 2014). Moreover, in recent years social protection has played a growing role in supporting people in preparing for, coping with, and adapting to micro- and macro-level shocks and protracted crises and in helping people adjust to long-term transitions and structural shifts, such as digitalization, population aging, and the green transition (Ganong et al. 2021; Hidrobo et al. 2018; Hill, Skoufias, and Maher 2019; Ralston, Andrews, and Hsiao 2017; Ulrichs and Slater 2016).

(continued)

BOX I.1 Social Protection Promotes Equity, Resilience, and Opportunities *(continued)*

FIGURE BI.1.1 Social Protection Promotes Equity, Resilience, and Opportunities



Source: World Bank 2022b.

Social protection also yields economic and social benefits at the community, national, and global levels. Well-designed and implemented social protection systems can facilitate the creation of productive assets, stimulate local economies, improve the functioning of labor markets, and increase productivity and macroeconomic growth (Alderman and Yemstov 2013; Card, Kluve, and Weber 2018; Egger et al. 2019; Escudero et al. 2019; Thome et al. 2016). Social protection can also promote social cohesion and social stability, particularly in contexts of rapid structural change and large-scale shocks (Babajanian 2012; Loewe and Zintl 2021; Razavi et al. 2020). Following the most significant scale-up of social protection in history during the COVID-19 pandemic, social protection is now also well-recognized by governments as an effective tool for responding to and recovering from the profound social repercussions of macro-level economic shocks (SPIAC-B 2021).

Strengthening and Expanding Social Protection: Substantial Progress, but a Long Way to Go

In the past decade, steady progress has been made toward expanding social protection coverage in LICs and MICs, with the greatest progress being made in LICs. Data from 73 countries in the sample show that between circa 2010 and circa 2022,[4] the share of the population within a low- or middle-income country receiving any type of social protection benefit rose on average by 10 percentage points, from 41 to 51 percent.[5] Social assistance has been the main pillar driving this progressive global expansion, bringing to fruition years of sustained investment and learning by national and international actors alike. The greatest growth in social assistance has been in LICs, which have more than doubled coverage (albeit from a very low base), and especially among the poor, among whom coverage increased by 17 percentage points.

Nevertheless, progress is slow compared with need. On average, social protection systems in LICs and LMICs provide no benefits of any kind to 75 percent and 58 percent of their populations, respectively. Social insurance coverage remains limited in both LICs and LMICs (less than 2 percent and 8 percent of the population, respectively, receives social insurance benefits), though it increases substantially in UMICs (26 percent). At current expansion rates, it will take until 2043 for those living in extreme poverty in these countries to be fully covered and until 2045 for the poorest 20 percent of households in each country to be covered.

Vast geographic, socioeconomic, and gender-based inequalities in the provision of social protection services leave the poorest and most vulnerable critically underserved. UMICs spend more than 6 percent of their gross domestic products (GDPs) on social protection, compared with 3.7 percent in LMICs and less than 2 percent in LICs. Accordingly, social protection systems provide benefits to an average of 61 percent of the population in UMICs, against 42 percent in LMICs and 25 percent in LICs. Thanks to the expansion of social assistance, social protection coverage tends to be higher among poor people than among the population as a whole—but social assistance benefits are less than those associated with social insurance. Although social protection generally covers a higher percentage of women than men, female beneficiaries tend to receive smaller transfers. Across a sample of 27 countries, this report finds that, for every dollar in transfers received by male beneficiaries, women beneficiaries receive only 81 cents.

Adding to the coverage challenges, the adequacy of social protection benefits is often low. Even when poor households are covered by some type of social protection, the level of support that they receive is often meager, particularly in the case of social assistance. On average across all countries, social protection benefits constitute only 27 percent of the income (or consumption) of recipient households. This situation mainly reflects the low value of social assistance and labor market program transfers, which represent little more than a 10th (11 to 15 percent) of beneficiaries' income.

Labor market programs are often too small to make a substantial dent in poverty or to improve access to productive work and emerging employment opportunities. Labor market programs represent less than 5 percent of social protection spending, and no world region spends more than 0.3 percent of its GDP on them. Levels of spending and the number of programs offered are particularly meager in LICs, where public works and entrepreneurship support programs are the most common programs. Economic inclusion programs (comprehensive programs that address the multifaceted constraints that hinder the poor in accessing better employment) are also emerging as a promising area of support in LICs and MICs; again, however, coverage and spending on these programs remains low. In LMICs, training programs are more prevalent, indicating a shift toward skills development. Once countries reach UMIC status, they tend to further expand their range of programs to include labor market services (for example, public employment services). HICs have the most diverse array of active labor market programs, with wage subsidies representing a significant component of their policy toolbox.

The COVID-19 pandemic demonstrated the power of social protection to protect people from shocks and crises. Average per capita social protection spending in countries' peak COVID-19 response year increased by an average of 28 percent over that in 2019. Emergency payments in that year reached 1.7 billion people in LICs and MICs, or about a fifth of the world's population, over half of whom were first-time recipients of social assistance. A COVID-19 surge in social protection spending occurred in all country income groups but was largest in absolute terms in HICs and UMICs, reflecting their greater fiscal and implementation capacity for scaling up. The pandemic illustrated the value of investing in shock-responsive systems that can quickly and efficiently expand during shocks and crises. This approach is known as adaptive social protection (Bowen et al. 2020), and it aims to prepare and use social protection systems to enhance governments' responses to shocks and crises and to build the resilience of poor and vulnerable households. Those countries with the widest existing coverage and those that had invested in their social protection systems before the pandemic were better able to expand coverage during the shock. This was the case in regard to each of the three social protection pillars mentioned earlier in this introduction. Countries that had existing labor market programs in place, for instance, were able to use them as part of the COVID-19 response to recover faster, whereas countries with limited or weak systems faced greater challenges responding promptly and with a range of services that adequately addressed people's needs.

Four Policy Action Areas for More and Better Social Protection

This report highlights four policy action areas governments can embrace to maximize the benefits of adequate social protection for all. The path to more and better social protection will depend on each country's context, capacity, and fiscal space. Although the precise investments and reforms will have to be country specific, each path needs to lead to a social protection system in which support is targeted to people's specific needs and vulnerabilities, tailored to people's profiles, and delivered in a timely manner. Achieving this goal requires addressing issues related to coverage, service delivery, adequacy of benefits, program mix, shock responsiveness, and the financing required to deliver more and better social protection.

Extending Social Protection to Those in Need

Social protection coverage is at its lowest levels where it is needed most: among the poorest households in poorer countries. Whereas social protection programs cover almost all the extreme poor in HICs, coverage falls to an average of less than two-thirds of the extreme poor in LMICs and just over a quarter in LICs.

As noted, the path toward greater coverage will depend on each country's context, capacity, and fiscal space. Most LICs have needs that far exceed their resources, as well as limited implementation capacity and a large informal sector, all of which can prevent them from implementing large and effective contributory programs. Given this context, most of their efforts should be focused on supporting the poor through noncontributory cash transfers and economic inclusion programs. LICs should also work toward ensuring that cash transfer coverage can rapidly expand when shocks occur. In most LMICs, large numbers of poor and vulnerable households continue to lack social protection; therefore, strengthening and expanding targeted noncontributory programs should remain a priority. At the same time, some LMICs may also have sufficient resources to invest in social services, employment programs, and social insurance, including for the informal sector. Finally, UMICs should close any remaining coverage gap but also broaden their program offerings to address the needs of a diverse population, move further into extending the coverage of social insurance, and expand their social services and labor market programs.

Strong delivery systems will be essential to support effective coverage at scale. Robust and well-coordinated delivery systems, such as dynamic social registries, digital payment systems, and digital case management systems, ensure that assistance reaches those in need, when they need it. Such systems are essential both during normal times and during economic crises, shocks, conflicts, and pandemics, helping households manage risk. They also allow for better-targeted fiscal and redistributive policies. Although many countries have made great strides in developing their social assistance delivery systems over the past decade, other countries still lack basic elements such as social registries. Even countries with these elements in place continue to have a need to expand coverage, efficiency, and integration across social protection pillars. The delivery systems for social insurance are generally quite advanced, but coverage has historically been tied to formal employment, and rates of labor market formalization in LICs have been disappointingly slow (Ohnsorge and Yu 2021). The delivery systems for labor market programs are still very limited outside higher-income countries, which hinders the ability of these programs to stimulate labor demand, enhance job quality and earnings, and respond effectively to the evolving demands and prospects of labor markets.

Strengthening the Adequacy of Social Protection Support

Low levels of social protection benefits affect people's ability to escape poverty, manage risks, and embrace new opportunities. On average, social protection benefits amount to a quarter of beneficiaries' income or consumption. Vast disparities in adequacy exist, however both across countries and across population groups. Social assistance benefits, for instance, are a major source of support among the poor but provide relatively low benefits. In LICs, for example, social assistance transfers represent only 11 percent of the already-meager income of the poor.

Strengthening adequacy is also about expanding the programs offered. Ultimately, social protection systems need to be able to provide targeted support to those in need, tailored to address their specific vulnerabilities, in a timely manner. No single program can achieve this. It is therefore important for countries to expand their program offerings over time, as they develop. However, in most LICs and LMICs, available programs remain limited and focused on social assistance. Labor, employment, and economic inclusion programs have the potential to play a much greater role in expanding labor market opportunities for marginalized groups. But low investments in these programs—and their limited integration with other pillars of the social protection system—limit their ability to help marginalized groups find employment in the labor market. Labor and employment programs can be effective only if they operate at sufficient scale, are context specific, and are tailored to the specific profiles and needs of the populations they serve. Furthermore, social insurance still fails to cover many people who have the ability to contribute to it, and innovation and experimentation will be essential to extend the reach of social insurance to the informal sector. Finally, though not covered in this report, effective social services play an essential role in addressing nonpecuniary sources of vulnerability.

Integrating delivery systems across social protection pillars will also help deliver more effective support to people in need. Integrating support across programs through effective case management, one-stop shops, dynamic social registries, common governance structures, and cross-sectoral referral systems can substantially enhance the impacts of the social protection system as a whole. Because people often face multiple vulnerabilities, coordinated, multifaceted support through different programs often delivers superior impacts. However, in many countries fragmentation, rather than integration, continues to be the rule.

Building Shock-Proof Social Protection Delivery Systems

Disasters, shocks, crises, and life and economic transitions can make poor people poorer and can plunge better-off households into poverty. In the face of increasingly frequent shocks and crises and accelerating transitions, governments are turning to their social protection systems to respond to local events and global changes to boost households' resilience and deliver more timely and tailored support to affected households. People also need support during life and economic transitions that affect their livelihoods, such as aging, digitalization, and the green transition. These transitions are usually less apparent than shocks and crises, because they happen gradually, over the course of many years. But their impact on people's livelihoods and well-being is equally powerful.

Expanding social protection, improving its adequacy, and strengthening systems for its delivery will also enhance its ability to support households through shocks, crises, and transitions. Large-scale social assistance programs enhance the ability of existing beneficiaries to cope with risks by providing them with predictable and adequate support; similarly, social insurance and employment programs help people navigate employment and productivity shocks and labor market transitions. Countries' ongoing process of shifting to more dynamic delivery systems is also providing a stronger foundation for shock responses, because it will facilitate the rapid identification and enrollment of people when they need support.

Although strong foundational systems are essential, adaptiveness also needs to be purposively built in and used. Shifting from the ad hoc use of social protection systems for crisis and disaster response to a more prepared and risk-informed approach requires that governments pay attention to and invest in adaptive capacity. Major investments are needed in contingency budgeting, early warning systems, the modification of targeting methods to factor in household vulnerability to shocks, and the expansion of social registries to cover high-risk households. Better planning mechanisms and pre-positioned risk financing are also essential to enable the system to be more responsive after a shock hits. Labor market and economic inclusion programs also need to be integrated into social protection responses to strengthen the resilience of people's livelihoods to shocks.

Optimizing Social Protection Financing

Achieving more and better social protection will require increasing the financing envelope, particularly in poorer countries, through either increased domestic revenues or external financing. Social protection spending is five times lower in LICs than in HICs. Moreover, whereas higher-income, stable countries have substantial domestic revenues, this is not the case in LICs and fragile and conflict-affected countries, which rely on high levels of international support to consolidate and expand their nascent systems.

However, especially in MICs, substantial progress in extending coverage and improving adequacy could be achieved even at current funding levels by reallocating existing resources to benefit the poor and vulnerable. Improving the poverty targeting of existing social assistance budgets, for instance, could virtually eliminate extreme poverty in half of the countries that have an extreme poverty head count below 20 percent. Even in the 32 LICs and LMICs that face rates of extreme poverty of 20 to 80 percent, ensuring that current social assistance resources have a stronger poverty focus could substantially reduce extreme poverty. Replacing regressive subsidies with targeted transfers is another way countries could generate fiscal space for social protection while boosting efficiency and equity. Subsidies for fossil fuels, agriculture, and fisheries likely exceed $7 trillion (about 8 percent of global GDP) annually and are often regressive, inefficient, expensive, and environmentally unsound (Damania et al. 2023).

The mix of programs offered should also be improved to increase financing efficiency and maximize impacts. Social insurance should be expanded to cover both formal and informal workers who can contribute to it. In doing so, it will be essential to keep social insurance subsidies and unfunded liabilities under control to avoid crowding out support for the poor and vulnerable through noncontributory programs financed out of general taxation. Alongside this expansion, stronger links to the labor market should also be established. An integrated social protection and labor market system that facilitates transitions to better jobs ensures greater financial stability for individuals and helps decrease prolonged dependence on noncontributory programs.

Speeding Up the Spread of Stronger and Better Social Protection

Growing headwinds of change demand both increased investment and a fundamental shift in approach to social protection, from short-term reactions to proactive, long-term adaptation and from siloed actions to integrated agendas. Demand for social protection is bound to grow as countries must respond to overlapping challenges comprising a bulge in young populations in many LICs and rapidly aging populations in many HICs, increased migration flows, technological change, the spread of fragility, and climate change. Social protection systems need to be fortified to fulfill routine demands more effectively while simultaneously strengthening their versatility and readiness to anticipate, absorb, and adapt to oncoming pressures. The adaptive capacity of social protection systems—as well as their partnerships with humanitarian, climate change response, agriculture, and disaster response agencies—must also be reinforced to meet the growing demands of climate change, food insecurity, and conflict and displacement (Bowen et al. 2020; Costella et al. 2023; FAO 2024; Slater 2024; WFP and FAO 2023).[6] Active planning and investments at the global level are also needed to anticipate demographic, migratory, and technological shifts and support populations through them (ILO 2021; IOM 2024; UNDESA 2023). Finally, the very foundations of social insurance's employment-based risk-sharing model need to be carefully reconsidered given digitally accelerated changes in the world of work (Packard et al. 2019).

Even with increased investment and planning along these lines, fiscal and practical limits to what can be achieved through social protection alone make it essential for social protection in any country to be positioned within an integrated multisectoral approach and supported by broader macroeconomic growth and progressive fiscal policy. Ultimately, social protection is a key force for promoting equity, opportunity, and resilience. However, in the face of the challenges ahead, it will be necessary for governments to take a panoramic view and to facilitate strategic collaboration with a far broader set of stakeholders in order to achieve social protection's ultimate mission of effective, ongoing, and universal protection against risks and poverty, and the promotion of better employment opportunities.

About the Report and Data

This report is based on the latest update to the World Bank's Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE). It covers 153 countries, consisting of 25 LICs, 105 MICs, and 23 HICs that either are currently World Bank client countries or used to be and are still included in ASPIRE. To estimate the number of individuals missed by social protection systems (neither receiving benefits nor contributing to social insurance) plus those poor people who receive benefits but are inadequately covered, the report uses household survey data from 104 countries representing 96 percent of the population in LICs and MICs, and it uses estimates for the remaining 4 percent (26 countries). For the analysis of social protection performance indicators, including the share of population receiving social protection benefits, the report uses a smaller sample of 67 LICs and MICs. In addition, the report uses administrative data from 63 LICs and MICs on program-level spending for all large and medium programs.[7] It also covers selected HICs still monitored by ASPIRE. Even though HICs are not the main focus of the report, studying them allows the performance of social protection systems in MICs to be compared with a realistic benchmark of HICs, with which they may share some similarities.

The report complements existing assessments of social protection systems with a focus on low- and middle-income countries,[8] but with a more accurate identification and profiling of the recipients of social protection. Global analyses of social protection coverage are often based solely on administrative program-level data, which limit researchers' ability to determine the socioeconomic profile of beneficiaries (such as their gender, location, or poverty status), because global harmonized indicators provided by administrative data may not include such information. In contrast, ASPIRE data include both administrative program-level data and household survey data, and provide information about recipients' income or consumption levels. Additionally, for the first time, they also include sex-disaggregated performance indicators based on household surveys for a subset of countries. These additions significantly broaden the analytical potential provided by ASPIRE.[9]

Although the report encompasses the whole social protection system, it puts a strong focus on the needs of poor and vulnerable populations. Thanks to the use of household survey data, the report can identify the extent to which poor and vulnerable populations are benefiting from social protection and labor programs in respect to both coverage and level of support.

The report presents several data innovations. It is the first report in the World Bank's State of Social Protection series (formerly the State of Safety

Nets series) that covers comprehensively not only social assistance but also labor market and social insurance programs. The report also quantifies for the first time the number of people living in households that contribute to social insurance but currently do not receive any benefit from it. In addition, it introduces for the first time a measure of inadequate coverage—that is, individuals living in poverty who receive social protection support amounting to less than 20 percent of the poverty line in their respective countries. Finally for the first time, the report uses survey-based, individual-level information on recipients of social assistance to calculate sex-disaggregated indicators for a subset of countries.

Despite improvements in data availability, substantial data challenges remain, especially in regard to low-income countries and fragile contexts. Many countries do not have recent surveys to use in estimating social protection coverage; for others, existing surveys provide limited information on social protection. Accessing administrative data may also be a challenge in certain countries. There is a need to increase the availability of data from both administrative sources and household surveys and to improve quality to enable more accurate and effective evidence-based policy making.

The report draws from six companion technical notes that analyze in greater depth different areas of social protection and labor systems, and describe in greater detail the methodology employed to build the indicators used in the report. The first note, "Mind the Gap: Coverage, Adequacy, and Financing Gaps in Social Protection for the Extreme Poor and the Poorest Quintile" (Tesliuc and Martinez Cordova 2025) looks at the entire social protection system as a whole. The second, "Adaptive Social Protection Agenda: Lessons from Responses to the COVID-19 Shock" (Tesliuc and Fonteñez 2025) analyzes how social protection systems responded to the COVID-19 pandemic. The third, "Wake-Up Call for Social Assistance?: Unfinished Mission to Reach the Poor and Beyond" (Okamura, Iyengar, and Andrews 2025) delves into the performance of social assistance systems. The fourth, "Optimizing Labor Market Programs and Strengthening Delivery Systems for Impact and Scale" (Carranza, Morgandi, and Sverdlin 2025) analyzes the performance and challenges of employment and labor market programs. The fifth, "Riding the Demographic Wave: Pensions and Retirement Income in an Aging World" (Reyes Hartley, and Abels 2025) focuses on the largest social insurance program: pensions. Finally, the sixth note, "Unlocking the Potential of Household Surveys to Measure Women's Access to Social Protection" (Rodriguez Alas, Lopez, and Mujica 2025) presents newly gender-disaggregated, survey-based social protection data for 27 countries.

Notes

1. Extreme poverty is measured here as the number of people living on less than $2.15 a day in 2017 dollars at purchasing power parity.
2. Inadequate coverage is measured here as the percentage of individuals in the poorest quintile of a country who receive a level of support lower than 20 percent of the relative poverty line (measured in turn as per capita income or consumption at the 20th percentile).
3. Social assistance, also known as social safety nets, includes noncontributory (that is, tax- or donor-financed) cash or in-kind benefits for poor or vulnerable recipients as well as services. Social insurance includes contributory pensions and benefits (usually related to formal employment). Labor market programs include economic inclusion programs, active labor market programs, and unemployment insurance. Refer to Jorgensen and Siegel (2019) and World Bank (2022a) for detailed definitions. Because of a lack of relevant survey data, this report includes only a limited discussion of social services.
4. "Circa 2022" refers to data from 2022 or the most recent available year within the period 2015 to 2022. "Circa 2010" includes data from 2010 or any year available between the period 2006 to 2014.
5. Coverage is defined here as the proportion of individuals living in households that receive at least one social protection benefit. This section does not include contributors to social insurance schemes who do not receive benefits.
6. Refer also to Overseas Development Institute, "Social Protection Responses to Forced Displacement," https://odi.org/en/about/our-work/social-protection-responses-to-forced-displacement/.
7. The precise population coverage varies by indicator and depends on the information available in household surveys.
8. For example, the World Social Protection Reports (ILO 2021, 2024) draw on rich and detailed administrative data to estimate the coverage, adequacy, and expenditure of social protection worldwide. Organisation for Economic Co-operation and Development and Eurostat databases also provide extensive data on social protection expenditures, redistributive impact, and design parameters for programs in Organisation for Economic Co-operation and Development member countries and European Union member states, respectively.
9. The measure of social protection coverage used in this report also differs from measures based on administrative program-level data. The report defines as covered all people living in a household in which at least one member receives a social protection benefit, whereas measures of coverage based on administrative data focus on people who directly receive a benefit (or contribute to social insurance). Thus, social protection coverage in this report is generally greater than coverage measured solely using administrative data.

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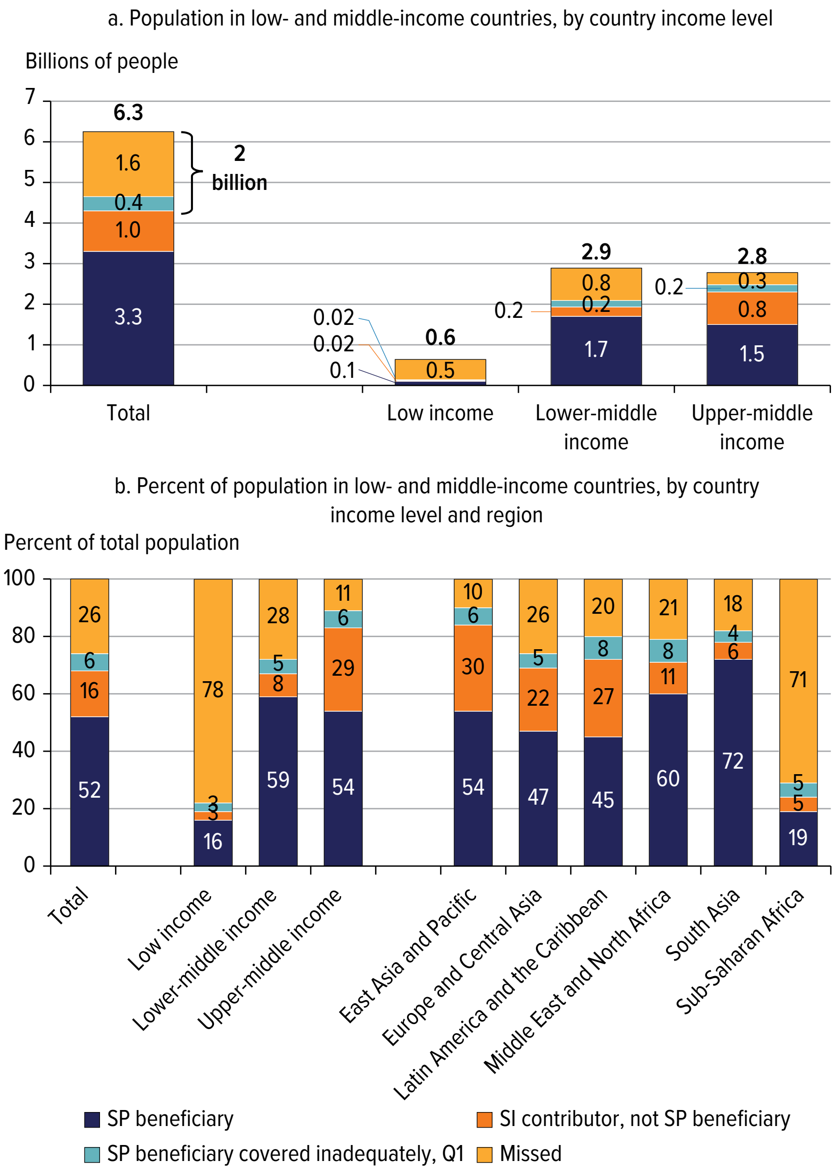
CHAPTER 1

The 2-Billion-Person Challenge

This report quantifies, for the first time, the household-level coverage gap of social protection systems (social assistance, social insurance, and labor market programs) across low-income countries (LICs) and middle-income countries (MICs). It looks at the beneficiaries of social assistance, social insurance, and labor market programs, and it also looks—again for the first time—at those who contribute to social insurance schemes. To do so, it uses household survey microdata to quantify the total level of support received by each household. Survey-based estimates of coverage and adequacy are an important complement to existing program-level estimates from administrative data.[1] They allow for a better characterization of the socioeconomic profile of beneficiaries (such as their gender, location, or poverty status) and account for resource sharing among household members.

Of the 6.3 billion people in LICs and MICs circa 2022, 2 billion were missed or inadequately covered by social protection systems (figure 1.1).[2] About 1.6 billion people lived in households in which no members benefited from any social protection program or contributed to any social insurance scheme. In addition, close to 400 million people living in relative poverty (those in the poorest quintile of each of the 130 countries examined for this report) received only meager benefits, constituting less than 20 percent of the country's poverty line for the poorest quintile.[3]

FIGURE 1.1 Two Billion People in Low- and Middle-Income Countries Are Missed or Inadequately Covered by Social Protection



Source: Original figure for this publication based on Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) household survey data from 2022 or most recent available survey (https://www.worldbank.org/aspire).

Note: Figure shows coverage of direct and indirect beneficiaries and social insurance contributors in 130 low- and middle-income countries. For methodology, please refer to Tesliuc and Martinez Cordova (2025). Q1 = first (poorest) quintile; SI = social insurance; SP = social protection.

Although the gap remained substantially higher in LICs, in absolute terms more people were not covered by social protection programs in MICs. The share of a country's population missed by its social protection system was (and is) strongly related to its level of economic development. The most severe gaps appeared in LICs, where an average of 78 percent of the population received no social protection benefits and an additional 3 percent received inadequate benefits. In contrast, the social protection systems in upper-middle-income countries (UMICs) missed only 11 percent of their populations and provided inadequate coverage to an additional 6 percent. However, the picture changes radically when coverage gaps are measured in absolute terms (in other words, in millions of people). The absolute number of people not covered by social protection was substantially higher in MICs than in LICs (1.2 billion versus 500 million), which reflects the reality that many more people now live in MICs than in LICs (figure 1.1). In regard to regions, most failed to cover between 10 and 26 percent of their total populations and provided inadequate coverage to between 4 and 8 percent. Sub-Saharan Africa was an outlier; 71 percent of the region's population was not covered, and an additional 5 percent received inadequate coverage.

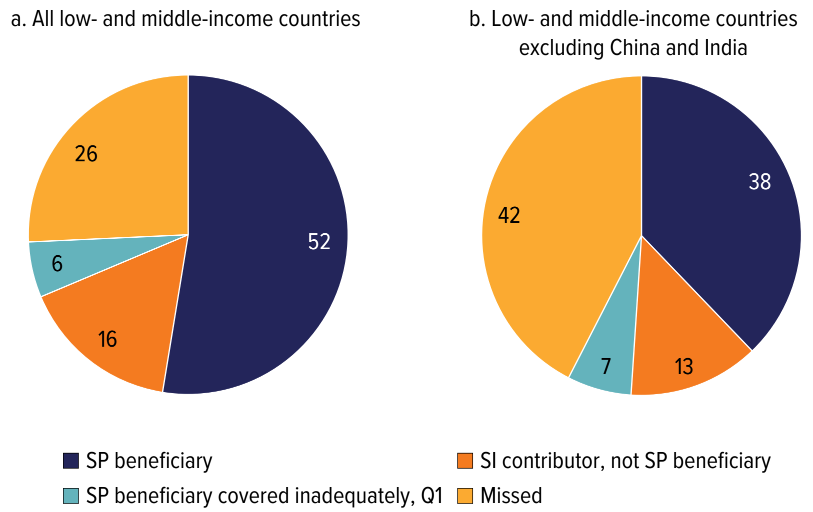
Social insurance plays an important role in protecting formal workers from shocks and crises. Circa 2022, 1 billion people living in households in LICs and MICs contributed to social insurance programs although not yet receiving any benefit from them yet. These people were concentrated in UMICs (figure 1.1). Although social insurance coverage may be substantially lower than social assistance coverage (refer to chapter 2), as countries develop, it plays a growing role in protecting people from shocks and crises, highlighting the importance of taking a comprehensive and integrated approach to risk management.

Coverage gaps become much more pronounced once China and India are excluded. Without data from China and India, the world's two most populous countries, the coverage gap becomes substantially more pronounced, rising from 32 percent to 49 percent (figure 1.2). The largest increase was in the share of population missed by social protection systems, which increased from 26 percent to 42 percent, signaling the existence of a large gap in social protection coverage in many LICs and MICs.

Social protection systems also failed to provide adequate coverage to close to half of all people living in the poorest quintile in the 130 LICs and MICs in the sample employed for this report. As many as 53 percent of the 1.26 billion people in the poorest quintiles either were not covered by social protection (0.32 billion people) or received inadequate coverage (0.35 billion people; refer to figure 1.3). The share of people from the poorest quintile who were not covered or were inadequately covered was consistently higher than the global average. The largest gaps were in LICs (95 percent) and in Sub-Saharan Africa (94 percent).

FIGURE 1.2 The Coverage Gap Increases Substantially if China and India Are Excluded

(Percent)

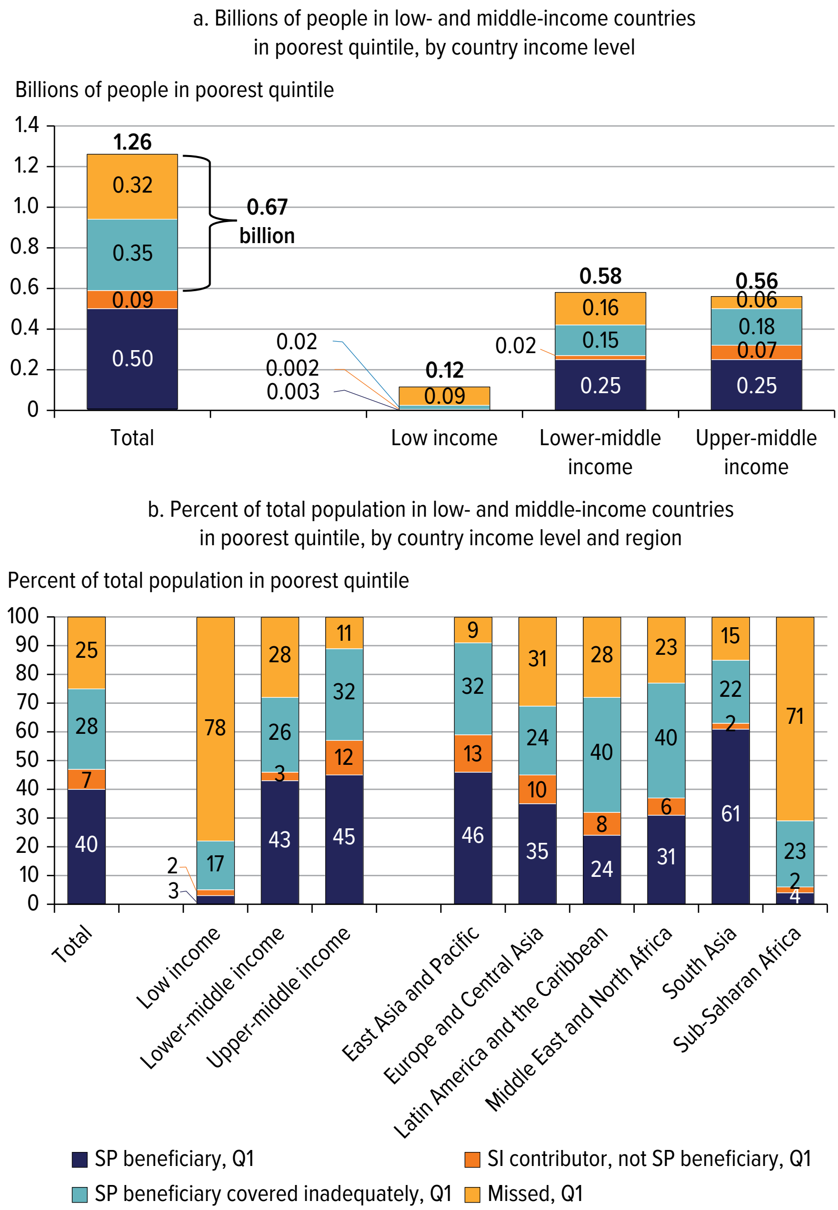


Source: Original figure for this publication based on Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) household survey data for 2022 or most recent available survey (https://www.worldbank.org/aspire).
Note: Figure shows coverage of direct and indirect beneficiaries and social insurance contributors in 128 low- and middle-income countries. For methodology, please refer to Tesliuc and Martinez Cordova (2025). Q1 = first (poorest) quintile, generated using pretransfer welfare; SI = social insurance; SP = social protection.

Globally, 88 percent of the extreme poor were missed or inadequately covered by social protection (figure 1.4). Among the 73 countries with levels of extreme poverty of above 2 percent,[4] almost half a billion people were either missed or insufficiently protected while in extreme poverty. The most severe gaps existed in LICs (98 percent) and Sub-Saharan Africa (97 percent). As the income level of a country increases, the share of the extreme poor population missed by its social protection system falls, especially in UMICs; however, the share of those with inadequate coverage increases, signaling a problem regarding adequacy of benefits in the 15 UMICs that have significant extreme poverty rates.

These substantial gaps in social protection coverage negatively affect the ability of countries to reduce poverty, protect their populations from shocks and crises, and promote employment opportunities. Coverage gaps have a disproportionate impact on poor and vulnerable populations, who have the greatest need for social protection services. In the effort to move toward universal social protection coverage, it is therefore important to make coverage of the most vulnerable populations a priority.

FIGURE 1.3 The Coverage Gap Rises to Almost Half for Those in the Poorest Quintile



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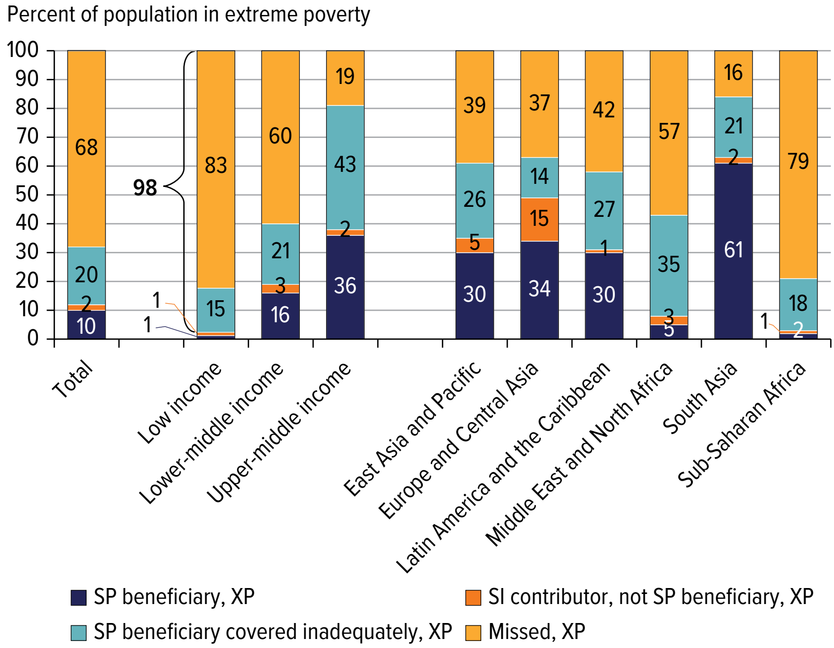
Note: Figure shows coverage of direct and indirect beneficiaries and social insurance contributors in 130 low- and middle-income countries. For methodology, please refer to Tesliuc and Martinez Cordova (2025). Q1 = first (poorest) quintile, generated using pretransfer welfare; SI = social insurance; SP = social protection.

FIGURE 1.4 In Low-Income Countries, Coverage Gaps Reach 98 percent among the Extreme Poor



Source: Original figure for this publication based on Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) household survey data for 2022 or most recent available survey (https://www.worldbank.org/aspire).
Note: Estimates are based on observations from 73 countries that have extreme poverty rates of 2 percent of the population or greater. Figure shows coverage of direct and indirect beneficiaries and social insurance contributors. For sample size, please refer to Tesliuc and Martinez Cordova (2025). SI = social insurance; SP = social protection; XP = extreme poor (those living on less than $2.15 a day at purchasing power parity).

The remainder of this report looks at the performance of social protection and labor systems at the country level and explores the challenges that countries face in strengthening these systems to better support their populations. Chapter 2 discusses the performance of social protection and labor systems in LICs and MICs and identifies some of the challenges that they face, and chapter 3 concludes by discussing policies and reforms to close the coverage gap and strengthen systems in these countries.

Notes

1. For example, the International Labour Organization's World Social Protection Reports (ILO 2021, 2024) draw on rich and detailed administrative data to estimate the coverage and adequacy of, and expenditure on, social protection worldwide. The Organisation for Economic Co-operation and Development and Eurostat databases also provide extensive data on expenditures on, redistributive impact of, and design parameters for social protection in these organizations' member states.
2. "Circa 2022" refers to data from 2022 or the most recent available year within the period 2015 to 2022. "Circa 2010" includes data from 2010 or any year available between the period 2006 to 2014.
3. The 20 percent threshold for inadequate benefits for the poor represents about half of the pretransfer additional income that poor households would need to reach the poverty line.
4. The estimate covers 73 countries with an estimated 2022 extreme poverty level that was equal to or higher than 2 percent of the population, given the lack of reliable survey estimates in countries where extreme poverty is below this threshold.

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CHAPTER 2

Assessing Country Performance

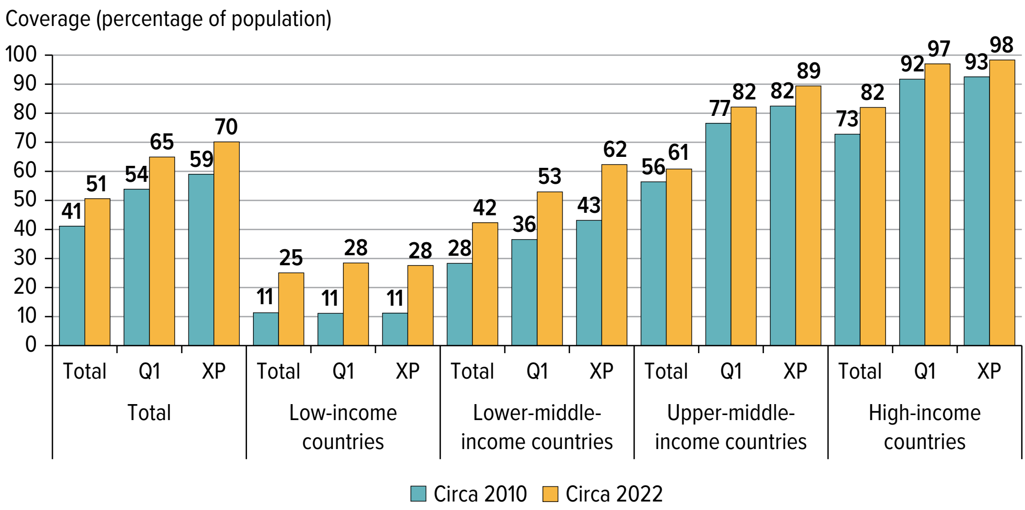
Policy solutions are best identified by delving into the performance of and challenges faced by country social protection systems. Although global population trends can be used to assess the magnitude of global challenges, they tend to be driven by a few large countries. As such, they may not be very useful for identifying common policy challenges across countries. To better explain the common factors behind the substantial coverage gaps in low-income countries (LICs) and middle-income countries (MICs), this chapter explores the performance of and challenges faced by social protection systems in individual countries. Accordingly, the data discussed in this section reflect cross-country averages (as opposed to population-weighted averages) to ensure that the analysis of systems in smaller countries is given equal importance to the analysis of those in more populous countries.

This report assesses social protection systems along four dimensions: coverage, adequacy, financing, and shock responsiveness (the ability to support people through shocks and crises). Whereas the first three dimensions have traditionally been used for sectorwide social protection analyses, the "shock responsiveness" or "adaptiveness" of social protection systems has grown in importance over the past decade. This growth occurred initially because of the rise of climate-related disasters and, more recently, because of the COVID-19 pandemic and the inflation crisis, which have resulted in dramatic and rapid expansion of social protection systems. Given the increasing importance of building adaptive systems, this report has added shock responsiveness as a cross-cutting theme.

Coverage: Noticeable Growth, but at Far Too Slow a Pace

There has been noticeable progress in expanding social protection coverage over the past decade in countries at all income levels, with the largest expansion observed among the poor in MICs and lower-middle-income countries (LMICs). In what follows, social protection coverage is defined on the basis of the number of people living in households in which at least one member receives benefits from any combination of social assistance, social insurance, or labor market programs.[1] Across all countries in the sample, the share of people receiving social protection benefits grew from an average of 41 percent in 2010 to 51 percent a decade later (figure 2.1). The expansion occurred in all country income groups but was most pronounced in LICs, where coverage grew by 14 percentage points, and even more among the poor and extreme poor (where it grew by 17 percentage points). Within countries, social protection continues to be progressively distributed, with coverage rates highest among those in the poorest quintile and decreasing as household

FIGURE 2.1 Access to Social Protection Has Expanded Considerably over the Past Decade



Source: Original figure for this publication based on Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) household survey data (https://www.worldbank.org/aspire).

Note: "Circa 2022" refers to data from 2022 or the most recent available year within the period 2015 to 2022. "Circa 2010" includes data from 2010 or any year available between the period 2006 to 2014. Figure shows coverage of both direct and indirect beneficiaries and is based on 73 observations, which include 67 low- and middle-income countries and 6 high-income countries monitored by ASPIRE. Aggregated indicators have been calculated using simple cross-country averages. For methodology, please refer to Tesliuc and Martinez Cordova (2025). Q1 = poorest 20 percent; XP = extreme poor (those living on less than $2.15 a day at purchasing power parity).

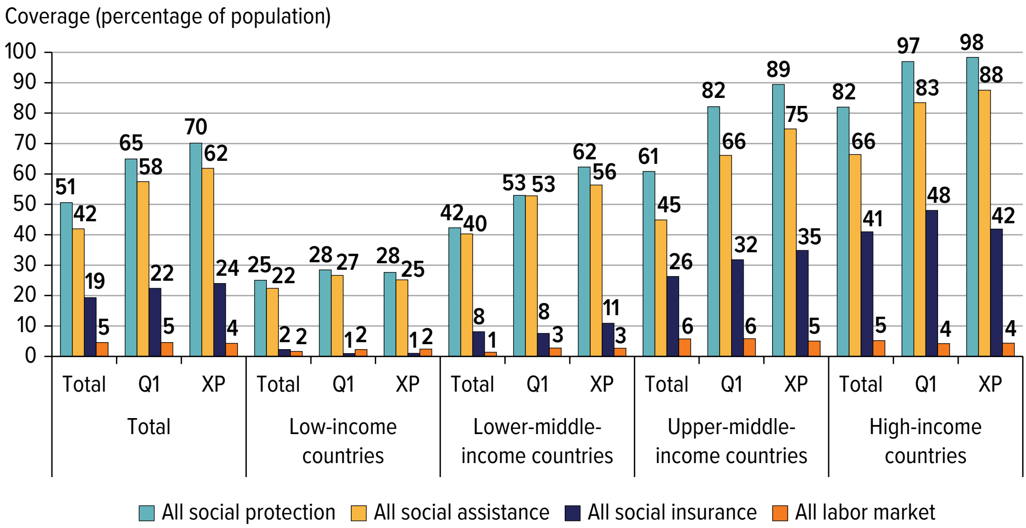
wealth increases. For the poorest quintile, social protection coverage increased by 11 percentage points over the decade following 2010, from 54 percent to 65 percent. For households living in extreme poverty, average coverage increased from 59 percent to 70 percent.

Nevertheless, progress is slow. At current rates of expansion, covering the poor—let alone achieving universal coverage—will take several decades. Social protection systems in the sample of countries used for this report provides benefits on average to only half of the population, and 35 percent of people in the poorest quintile lacks access to benefits. Among extremely poor households, the average coverage gap is 30 percent. The largest gaps are found in lower-income countries and regions, despite their acute needs. Social protection benefits reach only about a quarter of people in LICs (25 percent overall and 28 percent among the poorest quintile and the extremely poor). If the expansion of the last decade were to continue at the same rate, access to social protection benefits among those living in extreme poverty would increase by only about 1 percent per year. At that pace, it would take until 2043 for those living in extreme poverty to be fully covered and until 2045 for the poorest 20 percent of households to be fully covered.

Among the three pillars of social protection—social assistance, social insurance, and labor market and employment programs—social assistance has the greatest coverage (figure 2.2) and has been the main driver of the global expansion of social protection coverage. The increase in total social protection coverage between 2010 and 2022 occurred mostly because of the expansion in social assistance, especially in LICs and LMICs (Tesliuc and Martinez Cordova 2025). Social insurance coverage remains low in LICs but grows substantially when LMICs are considered and even more when upper-middle-income countries (UMICs) are examined. In contrast, coverage of labor market programs remains relatively low across countries at all income levels. Box 2.1 illustrates how the coverage of social protection interventions increases with country income.

Social insurance contributors help in closing the coverage gap in UMICs, but less so in LMICs and LICs. To the extent that households may contribute to social insurance but do not yet receive benefits, the coverage gap may be overestimated, because it does not take into consideration people who are insured without receiving benefits. In the World Bank's Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE), however, data from surveys in 64 countries include information on social insurance participation, allowing some characterization of the extent to which social insurance may contribute to closing coverage gaps.[2] Figure 2.3 shows that, in UMICs, contributors to social insurance play an important role, because they close the coverage gap by 20 percent on average. Nevertheless, the role of social insurance diminishes in LMICs (contributors add only 12 percent in terms of coverage) and remains small in LICs (just 4 percent).

FIGURE 2.2 Social Assistance Has the Greatest Coverage



Source: Original figure for this publication based on Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) household survey data (https://www.worldbank.org/aspire).
Note: Figure shows coverage of both direct and indirect beneficiaries for 2022 or most recent year for which data are available and is based on 73 observations, which include 67 low- and middle-income countries and 6 high-income countries monitored by ASPIRE. Aggregated indicators have been calculated using simple cross-country averages. For methodology, please refer to Tesliuc and Martinez Cordova (2025). Q1 = poorest 20 percent; XP = extreme poor (those living on less than $2.15 a day at purchasing power parity).

BOX 2.1 As Countries' Income Rises, More People Benefit from Social Protection Interventions

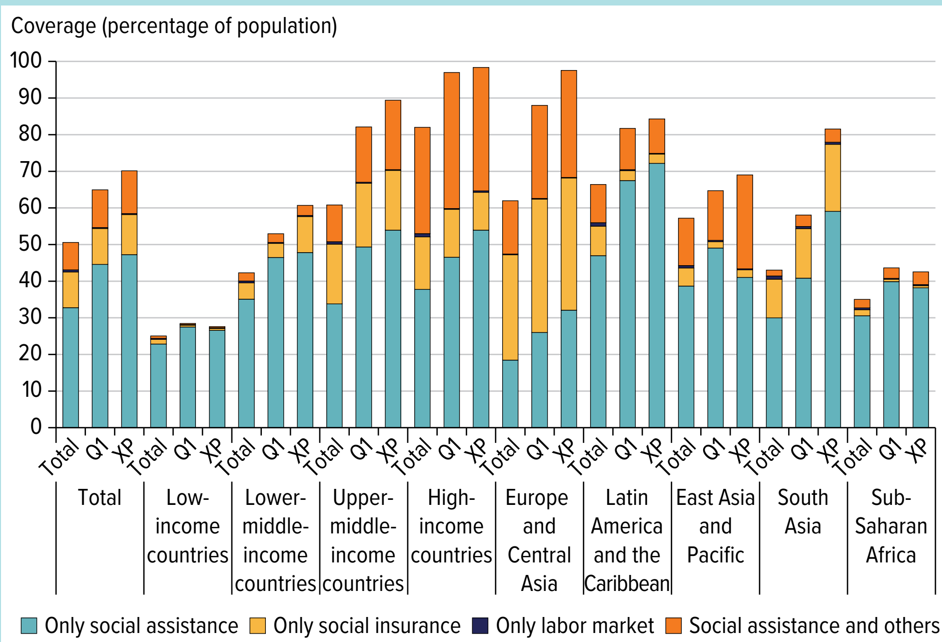
Most countries use a combination of social protection programs to serve different population groups and to address different types of risks, and their ability to do so increases with their income levels (figure B2.1.1). Consistent with the goal of the progressive realization of universal social protection, social assistance programs are the backbone of social protection coverage in all low-income countries (LICs) and middle-income countries (MICs). The overlap between different types of social protection programs—social assistance, labor market programs, and social insurance programs—also increases with the level of countries' economic development, reflecting

(continued)

BOX 2.1 As Countries' Income Rises, More People Benefit from Social Protection Interventions *(continued)*

countries' ability to use a wider range of programs to address multiple vulnerabilities. A noticeable proportion of poor households in lower-middle-income countries (LMICs) and upper-middle-income countries (UMICs) also benefit from social insurance. Whereas social protection coverage of the poor in LICs comes almost exclusively from social assistance, social insurance adds an additional 4 to 10 percentage points of coverage among the poor in LMICs and an additional 16 to 17 percentage points in UMICs. As a country's per capita income grows, the share of its poor households benefiting from multiple social protection pillars also increases, from 2 to 3 percent among LMICs to 15 to 19 percent among UMICs. Noticeable differences can also be observed between regions.

FIGURE B2.1.1 As Country Income Rises, More People Benefit from Social Protection Interventions



Source: Original figure for this publication based on Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) household survey data (https://www.worldbank.org/aspire).

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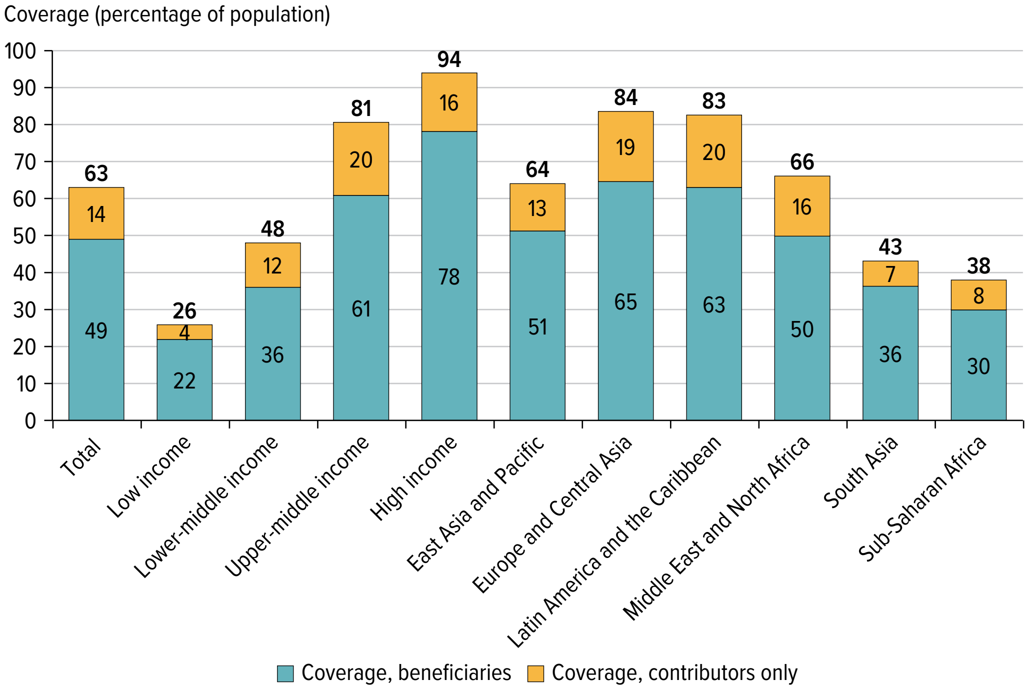
FIGURE 2.3 Large Social Protection Coverage Gaps Persist Even When Contributors to Social Insurance Are Counted



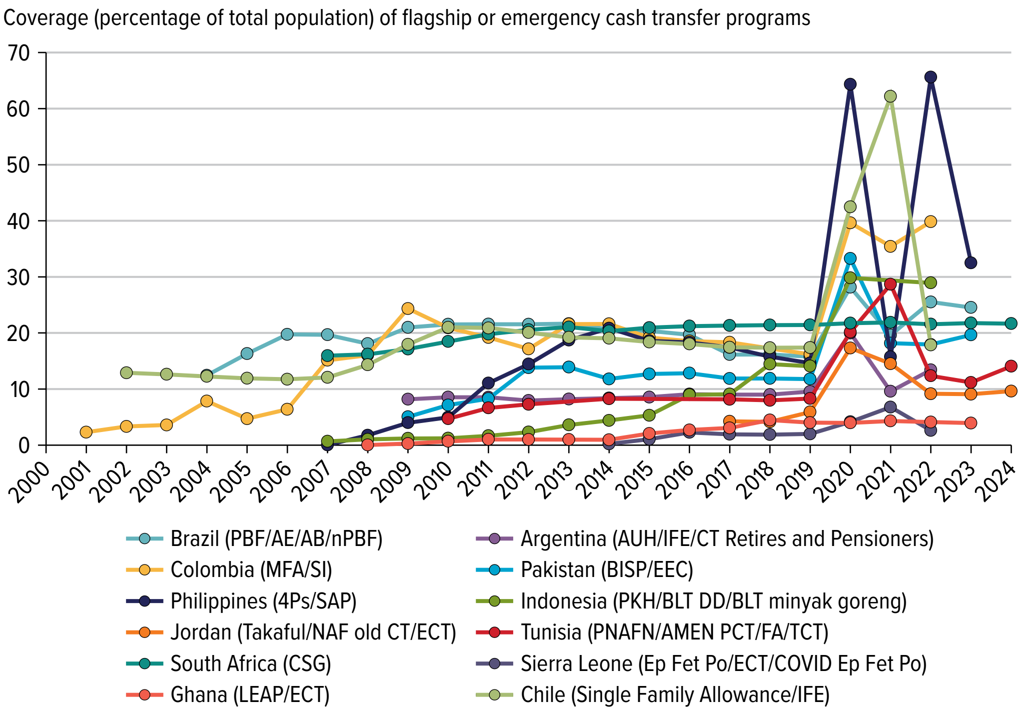
Source: Original figure for this publication based on Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) household survey data (https://www.worldbank.org/aspire).
Note: Estimates are based on 153 observations, including 130 low- and middle-income countries and 23 high-income countries monitored by ASPIRE, of which 64 have conducted surveys that capture both social protection beneficiaries and contributors to social insurance. Aggregated indicators have been calculated using simple cross-country averages. For methodology, please refer to Tesliuc and Martinez Cordova (2025).

To understand who is currently covered by social protection systems and who is missed, it is necessary to explore the coverage gaps and drivers within each pillar of social protection. To this end, the following subsections highlight key findings on the coverage of social assistance, social insurance, and labor market programs.

Social Assistance: The Main Pillar for Reaching Women and the Poor

The expansion of social assistance has been greatly facilitated by many years (and, in some cases, multiple decades) of continued investments in large flagship programs, institutions, and delivery systems. As shown by the growth in the coverage of flagship programs between 2000 and 2024 (figure 2.4), it takes time to lay the foundations for expanding social assistance. Effective expansions, including temporary expansions in response to shocks, require substantial investments in the various components required to deliver transfers, including social registries, payment systems, grievance and complaint mechanisms, and early warning systems. There have been substantial investments in these delivery mechanisms in recent years.

FIGURE 2.4 Continuous Investments in Flagship Programs Have Facilitated Substantial Expansions



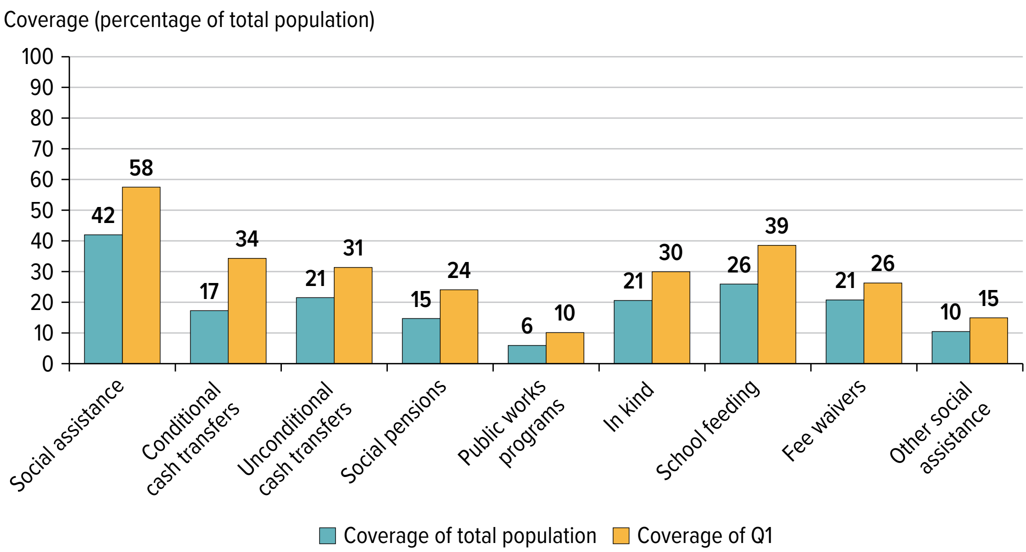
Source: Original figure for this publication based on data from World Bank country teams; Hobson et al. forthcoming; the World Bank's price shock tracker (Gentilini et al. 2023); the World Bank's COVID-19 tracker (Gentilini et al. 2022); Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) administrative data; and various other sources, including government agencies, multilateral organizations (such as the International Monetary Fund, the Organisation for Economic Co-operation and Development, and World Bank), and humanitarian agencies (United Nations global and regional agencies).

Note: 4Ps = Pantawid Pamilyang Pilipino Program; AB = Auxílio Brasil; AE = Auxílio Emergencial; AMEN PCT = AMEN Permanent Cash Transfer; AUH =Asignación Universal por Hijo para Protección Social; BISP = Benazir Income Support Programme; BLT DD = Bantuan Langsung Tunai Dana Desa; CSG = Child Support Grant; CT = Cash Transfer; ECT = Emergency Cash Transfer; EEC = Ehsaas Emergency Cash Transfer; FA = Family Allowance; IFE = Ingreso Familiar de Emergencia; LEAP = Livelihood Empowerment Against Poverty; MFA = Más Familias en Acción; NAF = National Aid Fund; nPBF = New Bolsa Familia Program; PBF = Bolsa Familia Program; PKH = Program Keluarga Harapan; PNAFN = Program me National d'Aide aux Familles Nécessiteuses; SAP = Social Amelioration Program; SI = Ingreso Solidario; TCT = Temporary Cash Transfer.

Social registries, for instance, have nearly tripled in prevalence over the past decade, though their population coverage often remains limited (Guven, Yeachuri, and Almenfi, forthcoming). Similarly, digital payment mechanisms now feature in at least one social assistance program in almost all countries (92 percent), and only 8 percent of countries rely purely on manual methods. The rise of mobile money has been particularly important in facilitating access to social protection benefits in LICs. These investments have not only facilitated substantial expansions of cash transfer programs but also enhanced transparency, financial inclusion, efficiency, and the ability of countries to respond to shocks and crises.

Cash transfers and school feeding are the most common social assistance programs in terms of coverage (figure 2.5). School feeding programs, unconditional cash transfers, in-kind transfers, and conditional cash transfers

FIGURE 2.5 Cash Transfers and School Feeding Have the Highest Rates of Coverage among Social Assistance Programs



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have the highest coverage rates among the total population (26 percent, 21 percent, 21 percent, and 17 percent, respectively) and among those in the poorest quintile as well (39 percent for school feeding, 34 percent for conditional cash transfers, 31 percent for unconditional cash transfers, and 30 percent for in-kind transfers). On the other side of the spectrum, public works tend to have the lowest rates of coverage (6 percent), even for those in the poorest quintile (10 percent). Box 2.2 explains that women on average are more likely to receive social assistance transfers than men.

Social Insurance and Pension Systems: Still Very Limited Coverage

Within the social insurance pillar, the most common transfers received are pensions. In the context of the rapid aging of populations worldwide, it is crucial to understand who is covered by these pension systems and the type of coverage that these elderly beneficiaries receive.

BOX 2.2 Women Are More Likely to Receive Social Protection Transfers Than Men

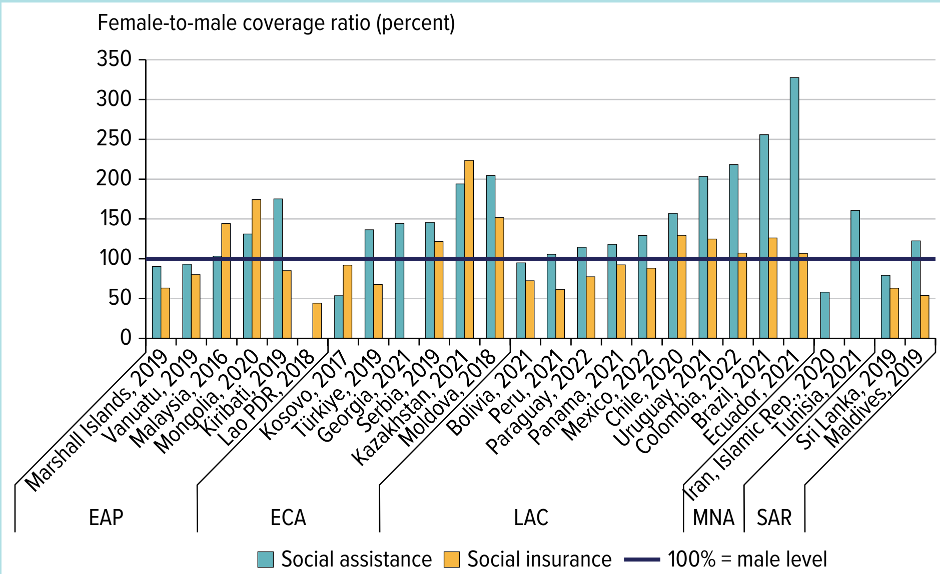
Sex-disaggregated social protection statistics are hard to find, because they require surveys that track social protection payments at the individual level (as opposed to the household level). However, the Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) includes 27 counries with data that can be disaggregated by sex, and these data show that, on average across this sample, 1.2 women receive social protection transfers for every male recipient. The ratio is substantially higher in regard to social assistance (1.4 women receive a transfer for every man); even for social insurance, despite women's lower labor market participation, as many women as men receive a transfer (a ratio equal to 1), which may be due at least in part to survivor's benefits and women's longer life expectancy.

However, there is considerable variation in female-to-male coverage ratios between countries and between income groups within countries. Figure B2.2.1 shows substantial variation between countries in regard to both social assistance and social insurance. Moreover, other data for selected countries in Latin America and the Caribbean also reveal substantial variations between quintiles. For instance, in Ecuador, 3.6 women in the poorest quintile are covered for every man, whereas only 1.2 women in the richest quintile are covered for each man. By contrast, in Bolivia, Chile, and Peru, coverage rates are similar among females and males throughout the quintile distribution (Rodriguez Alas, Lopez, and Mujica 2025).

(continued)

BOX 2.2 Women Are More Likely to Receive Social Protection Transfers Than Men *(continued)*

FIGURE B2.2.1 Women Are More Likely to Receive Social Protection Transfers Than Men



Source: Original figure for this publication based on Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) household survey data (https://www.worldbank.org/aspire).
Note: Figure shows female social assistance and social insurance coverage as a percentage of corresponding male coverage and includes only direct beneficiaries. Only a subset of ASPIRE countries report sex-disaggregated data in their household surveys. The Democratic Republic of Congo, although included in the sample, is not depicted in the figure because its social protection data could not be disaggregated into social assistance and social insurance categories. For methodology, please refer to Rodriguez Alas, Lopez, and Mujica (2025). EAP = East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; SAR = South Asia.

Outside of the Europe and Central Asia region, the proportion of the labor force working in formal employment and thus eligible to contribute to social insurance systems continues to be limited. Average estimates of contributory participation in social insurance taken from administrative program-level data in ASPIRE range from 42 percent in Latin America and the Caribbean to only 11 percent in Sub-Saharan Africa (figure 2.6). These rates compare unfavorably with an equivalent share of 71 percent in Europe and Central Asia. Participation in contributory schemes in all other regions is limited by high rates of informal employment in many countries and by the restrictive design of many schemes, such as contributory schemes that are open only to employees in the public sector, for example. Because of gender inequalities in

FIGURE 2.6 Outside Europe and Central Asia, Few People Contribute to Social Insurance Programs

Source: Original figure for this publication using Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) administrative data (https://www.worldbank.org/aspire).
Note: Figure shows contributors as a percentage of the labor force by region, estimated using data from administrative sources, and is based on 212 observations from 102 countries, which include 86 low- and middle-income countries and 16 high-income countries monitored by ASPIRE. Aggregated indicators have been calculated using simple averages of country-level contributors as a percentage of the labor force across regions. For methodology, please refer to Reyes Hartley and Abels (2025).

labor market opportunities, women consistently make up a lower proportion of pension contributors than men. However, women tend to outlive male pensioners, resulting in a higher proportion of female pensioners in many countries who receive benefits for longer periods than men. This situation underscores the importance of expanding female coverage, because women will likely need pension support for longer periods.

Although non-contributory social pensions can help to close the coverage gap, they should not become a substitute for effective contributory systems. Social pensions can protect the elderly against the risk of poverty; however, given their noncontributory nature, such pensions may take up substantial fiscal space. Also, they may not provide recipients with a pension proportional to the income that they earned during their working lives. To tackle the latter problem, countries need to create conditions that are conducive for the development of social insurance programs based on contributory schemes. Even those countries that lack the characteristics that favor the establishment of contributory systems with widespread coverage (such as large-scale formal sector employment) can at least lay the foundations by focusing on a cheaper social insurance product (such as fiscally sustainable contributory schemes) or by encouraging voluntary contributions by subsidizing the schemes (box 2.3).

BOX 2.3 The Promise and Challenges of Voluntary Social Insurance Contributory Schemes

Existing social insurance schemes, designed with formal sector workers in mind, have struggled to cover the vast numbers of informal sector workers in most developing countries. In 2022, about 2 billion people globally were in informal employment, a figure that has remained stable over the past decade (ILO 2023). The informal sector tends to be characterized by low productivity and limited access to essential resources like finance and public services. Informal workers are highly vulnerable to both short-term and widespread shocks, and their limited access to formal financial institutions or risk mitigation tools exacerbates these vulnerabilities. Contributory social insurance programs, which depend on consistent employment and regular contributions, have failed to adapt to the realities of life for informal workers with irregular incomes and no formal contracts.

To address the limitations of traditional social insurance, some governments are developing innovative voluntary saving schemes tailored to the informal economy. These schemes aim to provide informal workers with flexible contribution options, allowing them—the “missed middle”—to build both short-term savings to tide them over periods of unemployment and other household shocks and long-term savings to rely on in old age. A key feature of these schemes is that, unlike traditional social insurance, they do not depend on a formal employer-employee relationship. To ensure effectiveness and scale, these programs could be enhanced by including financial or behavioral incentives to promote consistent saving, including subsidies such as matching contributions (Guven, Jain, and Joubert 2021).

Although these voluntary saving schemes offer a promising alternative to traditional social insurance, they also face challenges. For example, they have struggled to expand their coverage, and the savings that are accumulated may not be sufficient to provide contributors with adequate protection in old age. However, some countries have made notable progress: Rwanda’s scheme, for example, achieved coverage of more than 30 percent of that country’s working-age population within just five years of its inception (Guven and Jain 2023). It will be essential to experiment with these schemes and leverage digital technologies to refine their design, fiscal incentives, and operational implementation. By building on evidence and lessons learned, countries could substantially increase the coverage of social insurance by supplementing existing social protection programs with innovative, voluntary savings schemes that extend coverage to the missed middle.

Labor Market Programs: A Small Player Outside High-Income Countries

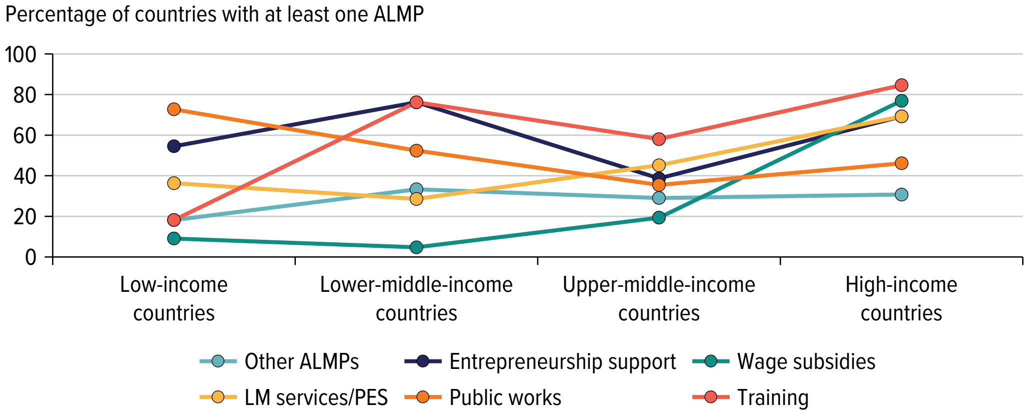
Despite some increases in recent years, the prevalence of labor market programs is much more limited than those for the other social protection pillars, and there is correspondingly little data available on their implementation. Data on labor market programs are essential both to assess the extent and impacts of current provision and to inform the design of future programming to guarantee that it responds to each country's most critical needs. The labor market analysis conducted for this report is based on data from 357 supply-side active labor market and unemployment insurance programs in 76 countries (11 LICs, 21 LMICs, 31 UMICs, and 13 high-income countries [HICs])[3] and on additional data from the monitoring initiative of the World Bank's Partnership for Economic Inclusion. However, given that labor market programs cover only 5 percent of the population on average in these countries (figure 2.2), meaningful differences in coverage are sometimes hard to detect from the data. This section therefore focuses on analyzing the schemes that exist in different country settings and whether they align with the types of labor market programs that are likely to be most feasible and effective in countries at different income levels.

Most countries have at least one labor market program, though the numbers and types of programs vary depending on countries' stage of economic development. Active labor market programs (ALMPs), the most common type of labor market program, exist in more than 90 percent of countries in the sample employed here.[4] In contrast, LICs in the sample of countries used do not report any unemployment insurance programs (also known as passive labor market programs), and such programs become more prevalent only as the income level and labor market formalization of a country increases (figure 2.7).

The numbers and types of ALMPs offered increase with countries' income levels. In LICs, public works and entrepreneurship support programs are most prevalent; in LMICs, training programs start to feature as well (figure 2.7). In UMICs, labor market services, such as public employment services, also become evident. Meanwhile, in HICs, wage subsidies become a significant additional component, resulting in a complex and diverse overall program mix.

In LICs, economic inclusion programs are often favored. This preference is partly because such programs focus on the multiple constraints faced by the poor and vulnerable (such as lack of access to capital, technology, and knowledge) and partly because it can be feasible to implement them in a stand-alone manner, without necessarily requiring comprehensive

FIGURE 2.7 The Number and Types of Active Labor Market Programs Offered Vary by Countries' Income Levels



Source: Original figure for this publication using Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) administrative data (https://www.worldbank.org/aspire).
Note: Calculations for the figure have been made using 2019 data. Figure is based on 76 observations, which include 63 low- and middle-income countries and 13 high-income countries monitored by ASPIRE. For methodology, please refer to Carranza, Morgandi, and Sverdlin (2025). ALMP = active labor market program; LM = labor market; PES = public employment services.

systemwide capacity. The economic inclusion programs adopted by LICs have a strong focus on women's economic empowerment and often center on agricultural employment, suggesting that there is room for them to diversify into employment in urban areas and other sectors.

The nature and sophistication of the portfolio of a labor market program is also determined by the strength and integration of a country's underlying delivery systems. Currently, labor market programs in most LICs and some MICs are generally implemented in a fragmented manner, with separate and often embryonic delivery systems supporting each program. This means that LICs often favor programs that can be implemented in a stand-alone fashion, such as economic inclusion programs. In contrast, UMICs and HICs put great emphasis on ALMP system-building initiatives, which enable the deployment and expansion of more complex, tailored labor market programs that can serve workers with diverse needs. Virtually all HICs, across the sample, have invested in the development of comprehensive labor market delivery systems, often linked to public employment services. It will be crucial for LICs to find ways to develop such delivery systems, which can support individuals during their transitions in the labor market and in times of vulnerability, to ensure the economic resilience and well-being of workers in those countries.

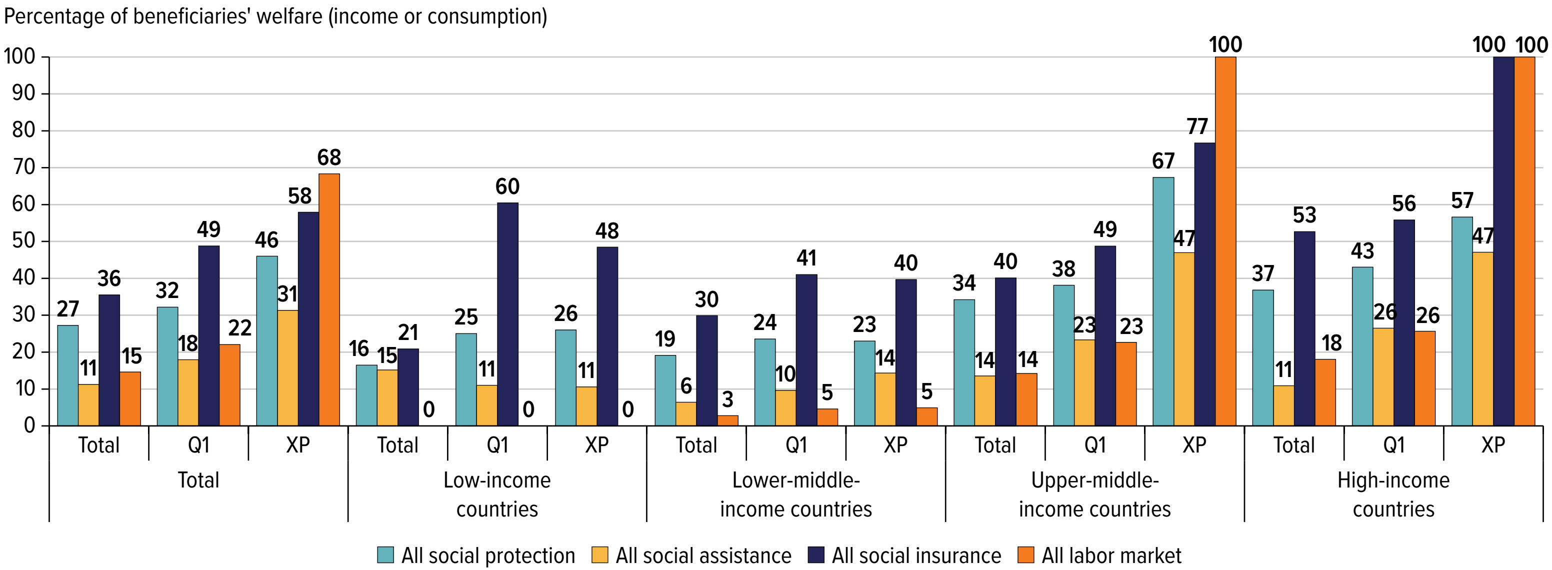
There is a need to step up efforts to invest in stronger and larger labor market programs in LICs and especially MICs. These programs need to be able to stimulate labor demand, enhance the quality of employment, increase the earnings of the self-employed, match workers with job opportunities, support workers in times of crisis, and respond effectively to the evolving demands and prospects of dynamic labor markets.

Adequacy: Low Benefit Levels with Limited Impact on Poverty

Although coverage remains an essential priority, it is also important to assess the adequacy of benefits currently provided by social protection programs. Adequacy can be measured in various ways. ASPIRE measures it as the level of transfers received by a population group (for example, those in the poorest quintile or the extremely poor) divided by the total income or consumption level of the beneficiaries within that group. This definition of adequacy captures the extent to which beneficiaries rely on social protection transfers to support their levels of consumption.

Globally, adequacy of social protection benefits remains low, especially in LICs and in regard to social assistance and labor market programs. On average, social protection benefits account for a low average share of household welfare (27 percent), as measured by household income or consumption levels (figure 2.8). This low share mostly reflects the low value of social assistance and labor market program transfers, which represent little more than a 10th (11 to 15 percent) of household welfare, whereas transfers through social insurance account for a more significant share (36 percent). The relative generosity of social protection benefits is far greater in higher- than in lower-income countries. For example, these benefits represent twice as large a share of household welfare in UMICs as in LICs. Also, although benefits represent a higher share of welfare for recipients in the poorest quintile and for those living in extreme poverty, this difference is primarily driven by their low income and consumption levels, which make them more dependent on social protection transfers. In the case of women, box 2.4 shows that, on average, they receive smaller transfers than men.

FIGURE 2.8 Adequacy of Benefits Remains Low, Especially in Lower-Income Countries

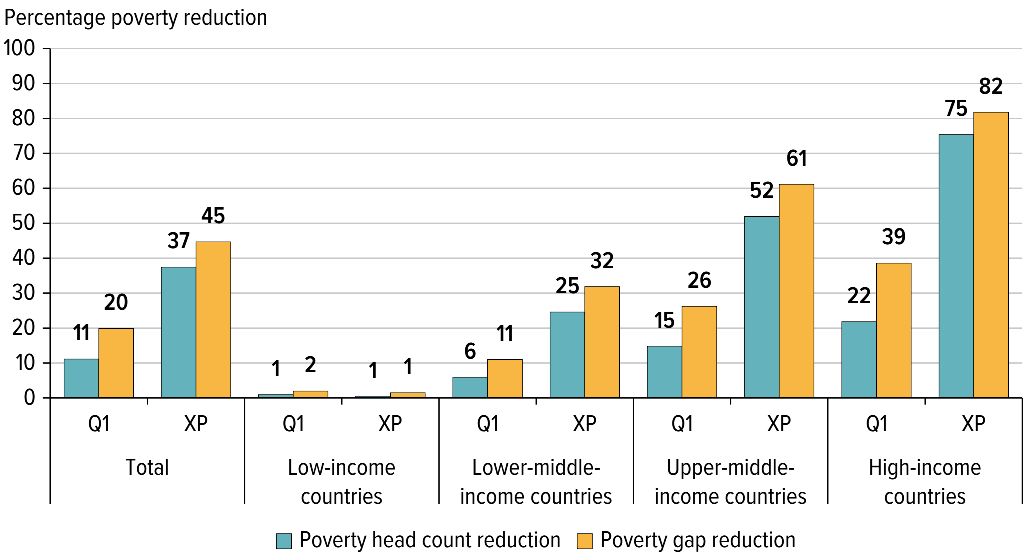


Source: Original figure for this publication based on Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) household survey data (https://www.worldbank.org/aspire).

Note: Figure is based on 60 observations, which include 55 low- and middle-income countries and 5 high-income countries monitored by ASPIRE. Countries with extreme poverty incidence close to zero have been removed from the extreme poverty sample. Aggregated indicators have been calculated using simple cross-country averages. For methodology, please refer to Tesliuc and Martinez Cordova (2025). Q1 = poorest quintile, generated using posttransfer welfare; XP = extreme poor (those living on less than $2.15 a day at purchasing power parity).

Accordingly, the poverty impact of social assistance is stronger in HICs. Overall, across country income groups, social assistance lifts a significant proportion of poor households out of poverty, reducing the average incidence of extreme poverty[5] by 37 percent and relative poverty[6] by 11 percent (figure 2.9). The impacts of social assistance on the poverty gap (bringing poor households up closer to the poverty line) are even more pronounced than those on the poverty head count. Social assistance transfers reduce the poverty gap, on average, by 45 percent when the absolute poverty line is used and by 20 percent when relative poverty is instead considered. However, the poverty impacts are three to four times smaller in LICs than in HICs, which reflects the substantially lower coverage and adequacy of social assistance programs in the former group.

FIGURE 2.9 The Poverty Impact of Social Assistance Is Stronger in High-Income Countries



Source: Original figure for this publication based on Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) household survey data (https://www.worldbank.org/aspire).
Note: Figure shows impact on poverty for 2022 or year of most recent survey and is based on 54 observations, which include 49 low- and middle-income countries and 5 high-income countries monitored by ASPIRE. Aggregated indicators have been calculated using simple cross-country averages. For methodology, please refer to Tesliuc and Martinez Cordova (2025). Q1 = poorest quintile, generated using pretransfer welfare; XP = extreme poor (those living on less than $2.15 a day at purchasing power parity).

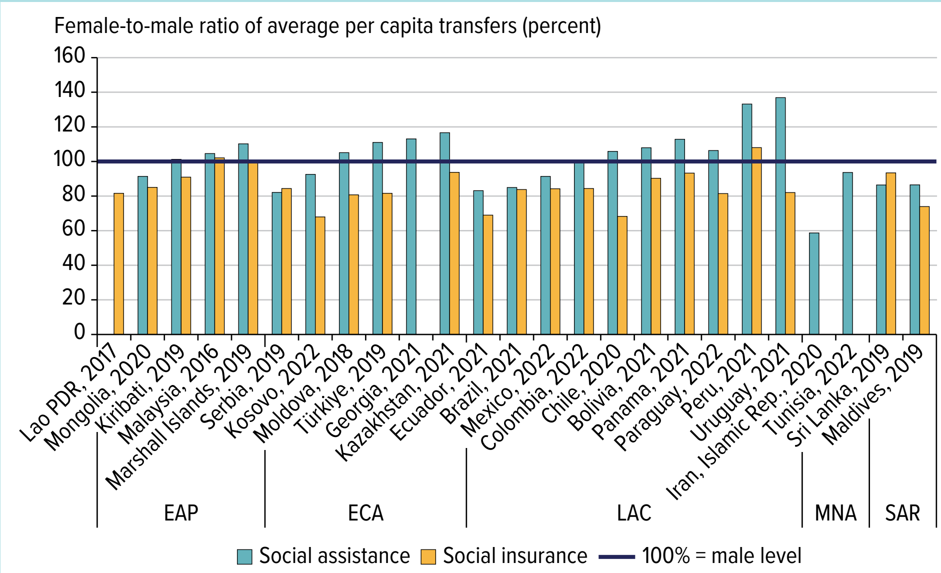
BOX 2.4 On Average, Women Receive Smaller Transfer Amounts Than Men

Although more women receive social protection benefits (refer to box 2.2), the value of the transfers received by men is substantially higher (figure B2.4.1). On average, across the sample of countries for which there is information, for every dollar received by men, women receive only 81 cents. In the case of social assistance specifically, the average ratio is higher, with about half of countries making higher payments to women than to men. However, social insurance transfers, which are more generous, are higher for men in most countries, bringing the overall ratio down to 81 percent.

(continued)

BOX 2.4 On Average, Women Receive Smaller Transfer Amounts Than Men *(continued)*

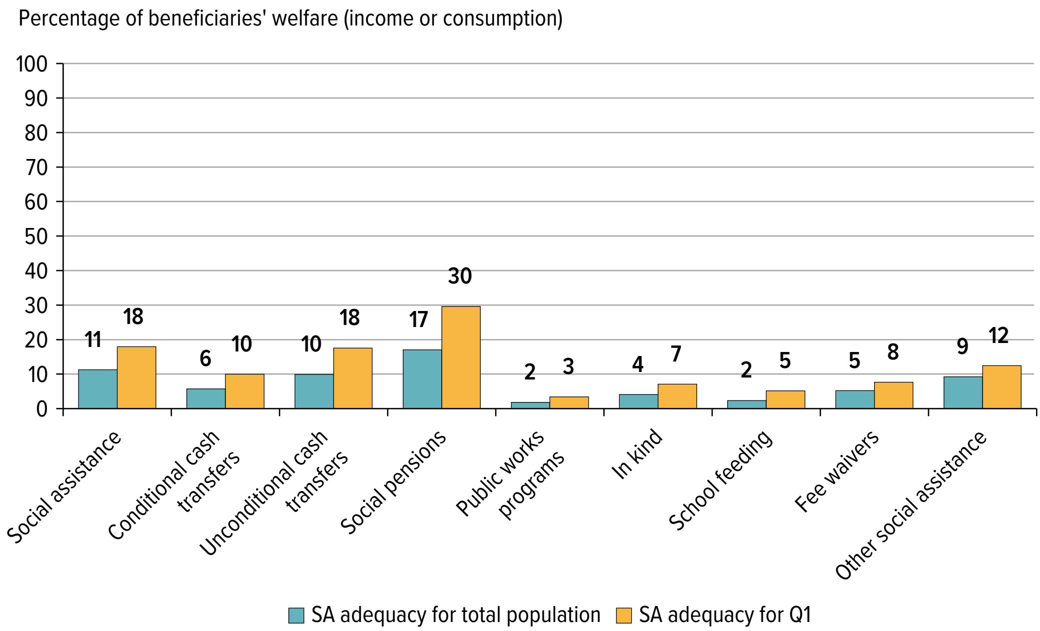
FIGURE B2.4.1 Social Protection Transfers Received by Men Are Substantially Higher Than Those Received by Women



Source: Original figure for this publication based on Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) household survey data (https://www.worldbank.org/aspire).
Note: Figure shows average per capita transfer received by female beneficiaries with respect to that received by male beneficiaries. For methodology, refer to Rodriguez Alas, Lopez, and Mujica (2025). EAP = East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MNA = Middle East and North Africa; SAR = South Asia.

Among the different kinds of social assistance benefits, social pensions (or noncontributory pensions) are typically the most generous schemes, although average transfer amounts remain low. On average, social assistance accounted for 18 percent of the per capita household income or consumption of those in the poorest quintile in 2022 and for 11 percent of household welfare for the total population (figure 2.10). Within social assistance, social pensions were on average the most generous transfers for those in the poorest quintile, constituting 30 percent of recipients' household welfare (income or consumption), followed by unconditional cash transfer programs (18 percent). The adequacy of these transfers has increased only slightly since the previous wave of ASPIRE data (from 2008 to 2016), when social assistance accounted for 17 percent of household welfare for the poorest quintile and 9 percent for the total population.

FIGURE 2.10 Social Pensions and Unconditional Cash Transfers Are the Most Generous Social Assistance Transfers



Source: Original figure for this publication based on Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) household survey data (https://www.worldbank.org/aspire).
Note: Figure shows adequacy for both direct and indirect beneficiaries for 2022 or year of most recent survey and is based on 54 observations, which include 49 low- and middle-income countries and 5 high-income countries monitored by ASPIRE. Aggregated indicators have been calculated using simple cross-country averages. For methodology, please refer to Okamura, Iyengar, and Andrews (2025). Q1 = poorest quintile, generated using posttransfer welfare; SA = social assistance.

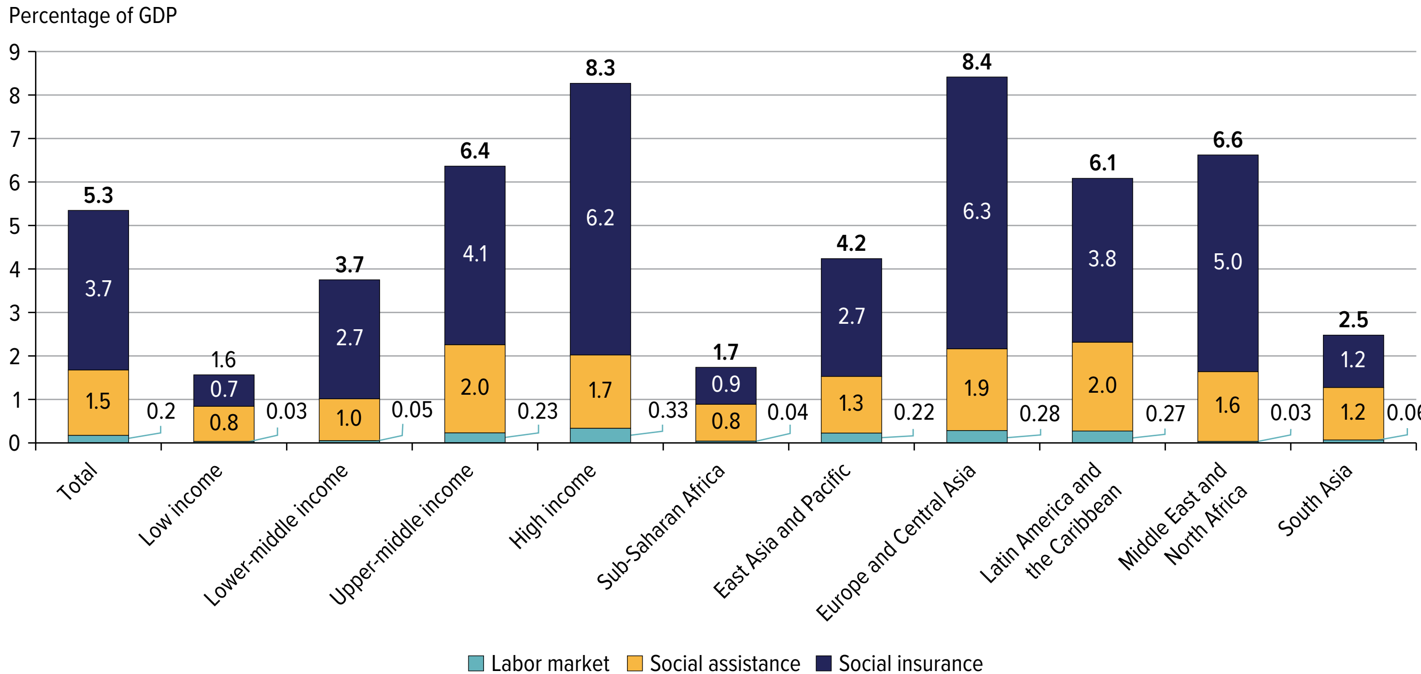
The adequacy of contributory pensions is substantially higher than that of social pensions. Based on the countries for which household survey data (circa 2022 or most recent value) were available,[7] benefits from contributory pensions accounted on average for 33 percent of average household welfare for the general population in that year, well above the average value of noncontributory social pensions (17 percent). Calculations made using administrative program-level data showed a similar pattern. Contributory pension benefits represented an average of 83 percent of per capita gross domestic product (GDP) among the 72 programs covered, although with substantial differences between regions. Contributory benefits were particularly generous in those regions where they mainly cover public sector workers, notably the Middle East and North Africa (141 percent of per capita GDP) and Sub-Saharan Africa (117 percent of per capita GDP).

Financing: Low Spending Compared to Needs

Social protection is already an important element of public expenditure, but closing the current coverage and adequacy gaps would require far higher levels of investment, particularly in lower-income countries. On average, countries spend about 5.3 percent of their GDPs on social protection programs (figure 2.11), a pattern that has stayed relatively stable apart from the COVID-19 surge (as discussed in the next section). However, large disparities occur within that overall average, with social protection spending as a share of GDP being 5.3 times higher in HICs than in LICs. The absolute per capita spending gap is even more pronounced, with HICs spending 85.8 times more than LICs. Moreover, even within income groups, there are significant differences between countries in social protection spending levels.

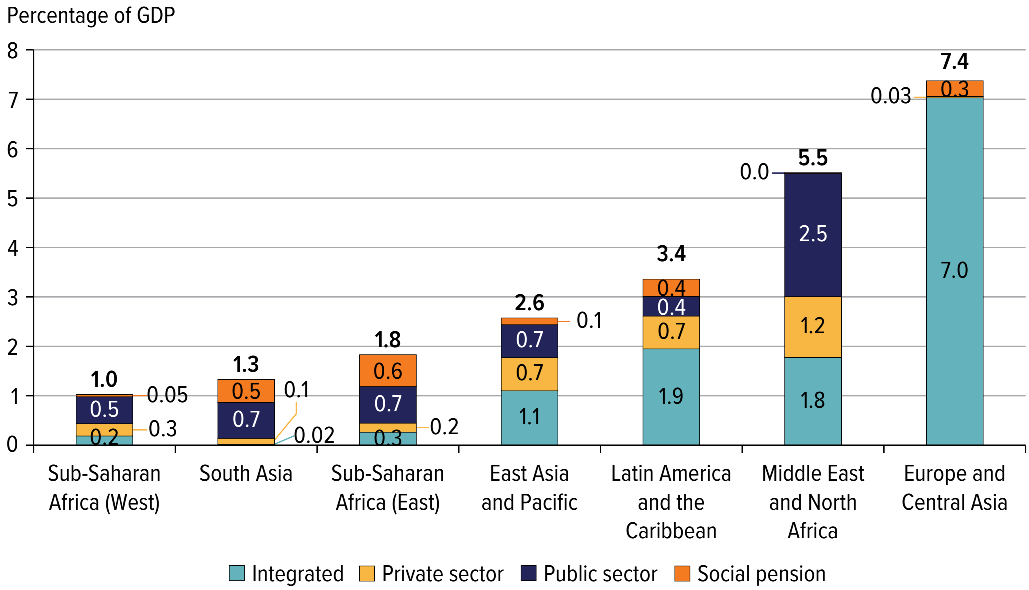
In most countries, social insurance accounts for the highest amount of social protection expenditure, which means that cross-country differences in social protection spending are driven largely by the factors that determine social insurance payments (for example, the size of the formal sector or of the old-age population or the design of the contributory system). Spending on contributory pensions (including contributions from workers and employers as well as public expenditures) ranges, on average, from about 1 percent of GDP in Africa to 6.3 percent of GDP in Europe and Central Asia. Spending levels are largely determined by differences in the size of countries' old-age population, given the strong correlation between countries' pension expenditures and the age distribution of their populations. However, these variations also reflect differing levels of coverage and generosity, as previously discussed. In some cases, countries with younger age profiles and low coverage already spend large amounts on pensions. For example, countries in the Middle East and North Africa spend on average 5.5 percent of GDP (figure 2.12), mostly on very generous schemes for public sector workers that reach relatively few and often better-off households. Moreover, countries with fragmented contributory pension systems that cover public and private sector workers separately tend to spend more than countries with integrated systems that cover both public and private sector employees. For example, countries in Latin America and the Caribbean with integrated systems spend on average 3.4 percent of their GDP on pensions, compared with the 3.7 percent of GDP spent by those with fragmented systems.

FIGURE 2.11 Social Protection Spending Is Substantial but Does Not Meet Needs, Particularly in Low-Income Countries



Source: Original figure for this publication using Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) administrative data (https://www.worldbank.org/aspire).
Note: Figure is based on a total of 72 observations, which include 59 low- and middle-income countries and 13 high-income countries monitored by ASPIRE. Data correspond to 2022. Aggregated indicators have been calculated using simple cross-country averages. For sample size, as well as methodology for estimations, please refer to Tesliuc and Fonteñez (2025). Unlike that for social assistance, social insurance expenditure does not represent government spending alone but also includes contributions made by pension system participants during their working years.

FIGURE 2.12 Spending on Pensions Varies with Population Aging and Scheme Design



Source: Original figure for this publication using Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) administrative data (https://www.worldbank.org/aspire).
Note: Figure shows total spending on pension benefits as a percentage of GDP and is based on 102 observations, which include 86 low- and middle-income countries and 16 high-income countries monitored by ASPIRE. Aggregated indicators have been calculated using simple cross-country averages. For methodology, please refer to Reyes Hartley and Abels (2025).

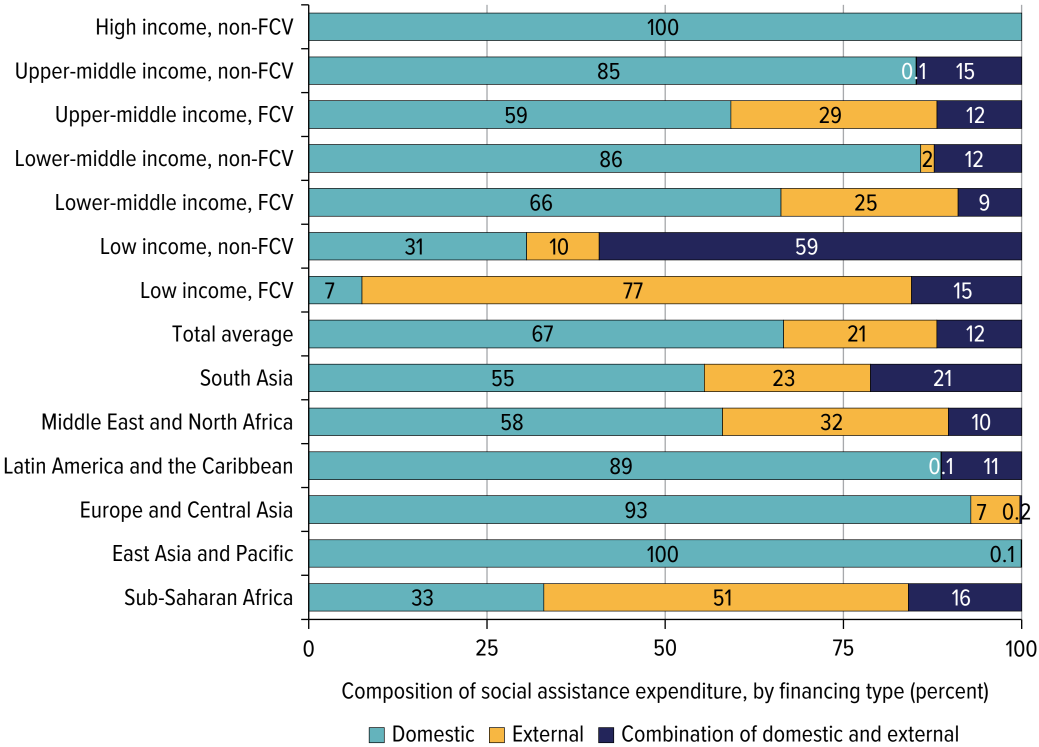
The sustainability of countries' pension financing is a looming concern, given the rapidly aging populations in many countries. Even for the few workers who are covered by contributory systems, there are already major imbalances between current contribution levels and promised future benefits, particularly, though not exclusively, in pension systems that have separate schemes for private and public sector workers. At present, the average value of promised benefits is larger than the average value of system contributions in all regions except Europe and Central Asia (to some extent because of past sustainability adjustments in that region). In addition, vast and growing numbers of current workers will retire having never participated in any contributory systems. Providing adequate protection through social pensions to those who are excluded from current contributory systems presents countries with a sizable fiscal challenge. It will be vital for countries to find alternative ways to increase contributory coverage, balance contribution rates with promised benefits, and increase the efficiency and integration of their pension systems.

Meanwhile, social assistance spending represents only a relatively small fraction of GDP. Average spending on social assistance in 2022 in the sample of countries used for this report was 1.5 percent of GDP. LICs and LMICs spent substantially less (0.8 and 1.0 percent of GDP, respectively) than UMICs and HICs (2.0 and 1.7 percent, respectively), despite having much higher poverty levels (figure 2.11). By region, low levels of social assistance spending were particularly evident in East Asia and Pacific, South Asia, and Sub-Saharan Africa (representing, on average, 1.3 percent of GDP or less in each of these regions), whereas the Middle East and North Africa, Europe and Central Asia, and Latin America and the Caribbean spent more (on average 1.6, 1.9, and 2.0 percent of GDP, respectively).

Higher-income countries mobilize substantial amounts of domestic resources to fund their social assistance spending, but fragile and low-income countries rely heavily on international grants. On average across country income levels, more than two-thirds (67 percent) of social assistance programs are funded domestically, mostly from general revenues, followed by earmarked funds and concessional loans (for more details, refer to Tesliuc et al., forthcoming). More than 20 percent are funded externally, in the form of international grants, and the remaining 12 percent are funded by a mixture of domestic resources and international grants. In stable MICs and HICs, the vast majority (at least 85 percent) of programs are fully domestically financed, and almost none are fully externally financed. In contrast, a substantial proportion of programs (10 to 77 percent) in LICs and countries in fragile, conflict, and violence settings are funded entirely by international grants (figure 2.13).

Expenditures on labor market programs are small across all countries and are almost nonexistent in LICs. Spending on labor market programs increases with countries' income level and differs by region, with the highest amounts spent in Europe and Central Asia and Latin America and the Caribbean (both approximately 0.3 percent of GDP).[8] However, in general across regions, spending on labor market programs remains low at less than 0.2 percent of GDP on average and represents less than 5 percent of social protection expenditure. Moreover, the little that is spent on labor market programs may not be allocated efficiently. For example, LICs allocate similar amounts to wage subsidies and entrepreneurship programs, despite the very high prevalence of informal employment and scarcity of wage employment opportunities in these countries. This incongruity highlights the need for countries at different levels of economic development to reassess and realign their spending priorities to address the specific challenges faced by their workers.

FIGURE 2.13 Low-Income and Fragile Countries Rely Heavily on International Grants



Source: Adapted from Tesliuc et al., forthcoming, using Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) administrative data (https://www.worldbank.org/aspire).

Note: The indicator used in the figure classifies the number of social assistance programs by source of financing and weights them by program expenditure. "Domestic" resources consist of general revenue, earmarked funding, and concessional loans. Figure is based on 82 observations, which include 71 low- and middle-income countries and 11 high-income countries monitored by ASPIRE. For methodology, please refer to Okamura, Iyengar, and Andrews (2025). FCV = fragility, conflict, and violence.

Strengthening Systems for Shocks and Crises: Lessons from the COVID-19 Pandemic

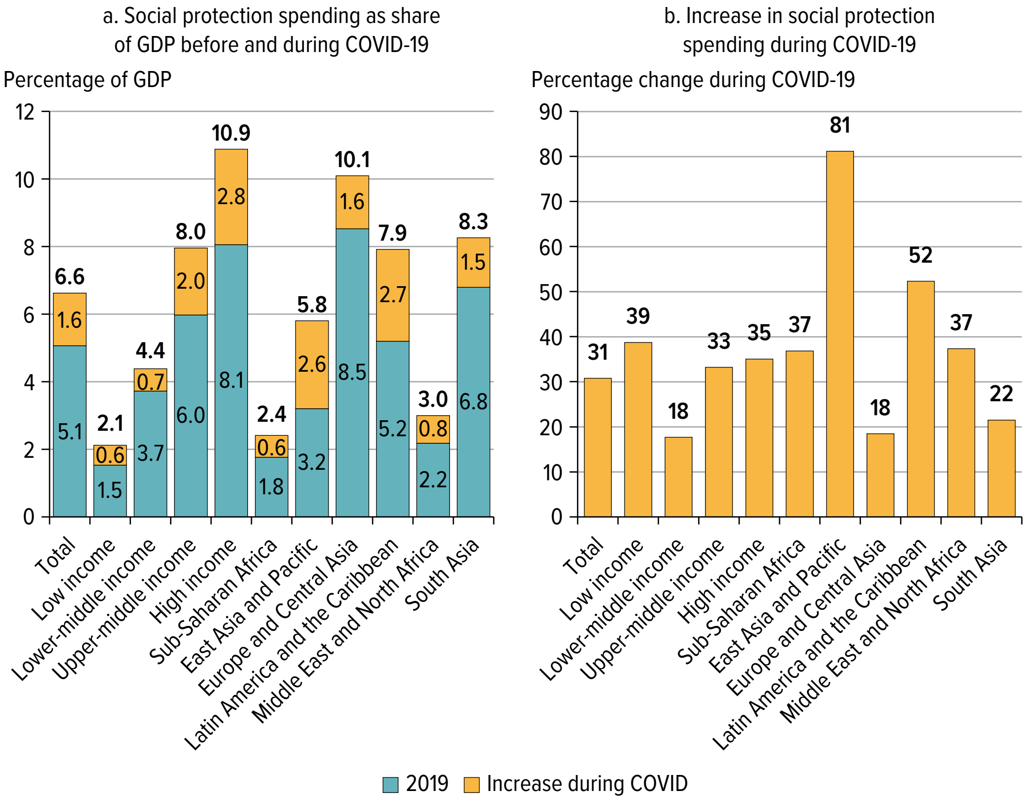
Beyond promoting equity and opportunity, a third key function of social protection is to strengthen resilience against risks, shocks, and crises at the individual, household, community, national, and even global levels. Social protection has from the outset been designed to protect people from individual and household-level risks and vulnerabilities faced over the course of people's lives, but its role in responding to community, national, and even global shocks and crises was only truly being recognized in the years leading up to the COVID-19 pandemic (refer to, for example, Bastagli 2014; Bowen et al. 2020; European Commission 2019; O'Brien et al. 2018; TRANSFORM 2020; UNICEF 2019). The pandemic dramatically escalated awareness of the crucial role played by social protection in supporting households, communities, and countries in preparing for, coping with, and adapting to shocks and crises. This section delves into some of the major insights from the COVID-19 crisis response, which provided valuable lessons on the need for systems to be shock responsive, one of the key components of the adaptive social protection concept.

The COVID-19 crisis tested social protection systems worldwide, presenting these systems with an immense challenge but also acting as a rich source of lessons on how to be shock responsive. The pandemic triggered the largest scale-up of social protection in history (Gentilini 2022; ILO 2021). Social protection systems and programs were at the heart of many countries' response to the effects of the pandemic, which included restricted economic and social activity and dramatic declines in income at the household, national, and global levels. These policy responses were carefully tracked by analysts as the crisis unfolded (Gentilini et al. 2022),[9] and a rich literature has emerged from these analyses that draws lessons from these experiences (for example, Barbra, van Regenmortel, and Ehmke 2020; Bastagli and Lowe 2021; Beazley, Bischler, and Doyle 2021; Beazley, Marzi, and Steller 2021; Bilo et al. 2021; Gentilini 2022; Hammad, Bacil, and Soares 2021; ILO 2021). Several of these studies have drawn on administrative data, in some cases with a focus on particular types of social protection programming or population groups.[10]

Countries' spending on social protection surged during the COVID-19 response, with the greatest increases occurring in higher-income countries, which had the greatest fiscal and institutional capacity for rapid expansion. Despite a sharp drop in GDP, countries across all income groups increased their peak real social protection expenditure per capita during COVID-19 by 28 percent, compared with 2019 levels, to an average of 6.6 percent of GDP (figure 2.14). The COVID-19 surge in expenditure was largest in absolute terms in HICs and UMICs, which was unsurprising given their greater fiscal capacity for scaling up. LICs had the largest relative increase, but from low initial levels, whereas the social protection response from LMICs was more modest.

In lower-income countries, additional funds were generally used to expand coverage to new recipients, whereas higher-income countries with greater existing coverage were more able to increase benefit levels for existing social protection recipients. Social assistance was by far the leading vehicle for delivering crisis support, though the largest relative spending increases were on labor market programs, including unemployment benefits, driven by such spending in higher-income countries. Many countries expanded social assistance on an unprecedented scale, increasing per capita spending on average by 36 percent in 2020 and 39 percent in 2021 compared with 2019 (figure 2.15). The spike in social assistance spending was more pronounced in HICs, mostly because of their greater fiscal capacity. In relative terms, however, the largest increase in spending was for labor market programs, especially in HICs.

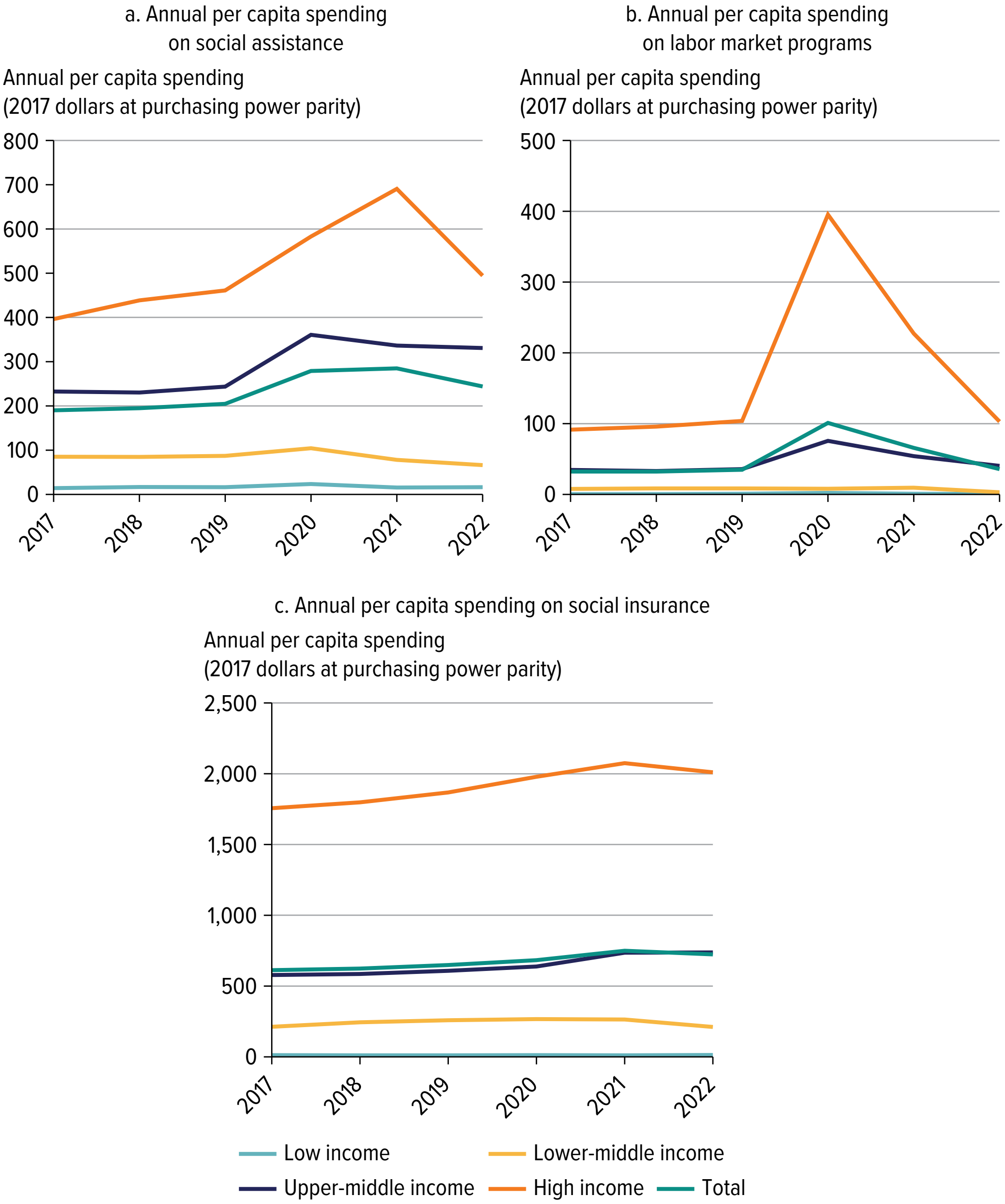
FIGURE 2.14 Social Protection Spending Increased Significantly during COVID-19



Source: Original figure for this publication using Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) administrative data (https://www.worldbank.org/aspire).
Note: Figure uses simple averages to show comparison between 2019 and peak COVID-19 spending during 2020 and 2021 and is based on 76 countries, which include 63 low- and middle-income countries and 13 high-income countries monitored by ASPIRE. Aggregated indicators have been calculated using simple cross-country averages. For methodology, please refer to Tesliuc and Fonteñez (2025).

Among social assistance measures, the provision of cash proved to be an effective shock-responsive instrument.[11] Emergency payments were made to as many as 1.7 billion people in LICs and MICs, or about a fifth of the world's population, more than half of whom were first-time recipients of social assistance (Gentilini et al. 2022). On average, countries in all income groups doubled the coverage of their largest cash-based programs during the pandemic. Household surveys suggest that, as a result of these and other programs, there was an average increase in social assistance coverage of 8 percentage points overall and of 6 percentage points for those in the poorest quintile.[12] The expansion took place in countries at all income levels.

FIGURE 2.15 COVID-19 Spending Was Especially High for Social Assistance and Labor Market Programs



Source: Original figure for this publication using Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) administrative data (https://www.worldbank.org/aspire).

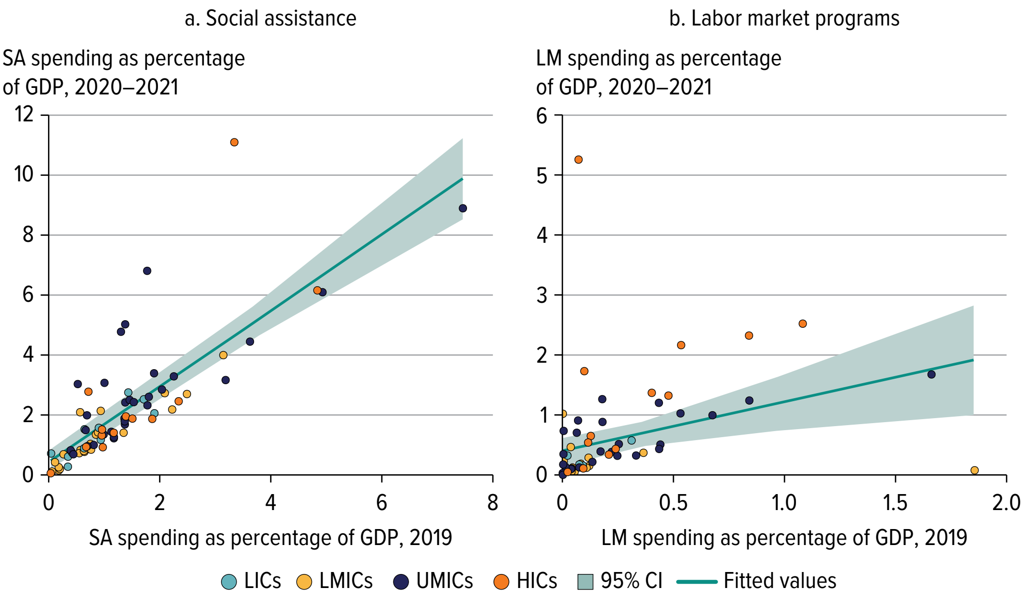
Note: Figure is based on up to 76 observations (with the number varying by year), which include 63 low- and middle-income countries and 13 high-income countries monitored by ASPIRE. Aggregated indicators have been calculated using simple cross-country averages. For methodology, please refer to Tesliuc and Fonteñez (2025).

Labor market programs expanded mainly where existing schemes and systems were already in place, mostly in HICs and some UMICs. HICs massively increased their spending on labor market programs, particularly wage subsidies and unemployment benefits, as well as on a range of other economy-specific programs. UMICs also increased their spending, but to a lesser extent, with most additional spending allocated to wage subsidies, as well as to entrepreneurship support and unemployment insurance. By contrast, most LICs barely expanded their labor market programming; in those countries where the budget for labor market programs did increase, the resources were mostly allocated to entrepreneurship support programs. These might have been the only established labor market programs in place, but they may not have been the most appropriate tool for a crisis response.

The variation in countries' social protection responses illustrates a major lesson from the pandemic, which is the central importance of having adequate and large social protection programs already in place to enable swifter and more effective shock and crisis responses. Ultimately, the COVID-19 crisis shone an intense spotlight on the variable state of social protection programming around the world before the pandemic took hold. Countries with better coverage and higher spending on social protection before the pandemic were better able to expand during the crisis. These findings are confirmed for each social protection area (figure 2.16). As observed earlier, those countries (mainly HICs) that had existing labor market programs in place were able to use them in the COVID-19 response and to recover faster. Similarly, countries that had invested more extensively in flagship cash transfer programs before COVID-19 made heavy use of them to scale up coverage and reach those in need.

The crisis also highlighted the importance of establishing robust delivery systems that can support both routine provision of assistance and shock responses. Social protection delivery systems played a pivotal role during the crisis. The quality and shock responsiveness of information systems and registration, payment, and case management mechanisms all contributed to the effectiveness of countries' emergency responses (Burattini et al. 2022; Coll-Black et al. 2023; Gentilini et al. 2021; Hammad, Bacil, and Soares 2021; Lowe, McCord, and Beazley 2021). In this report, the expansion of cash transfers was found to be somewhat positively associated with the extent of social registry coverage. This echoes earlier study findings. For example, cross-country analyses in World Bank (2022) find that governments that relied on digital databases and data exchanges to identify possible populations for extended pandemic-related coverage were able to cover an average of 51 percent of their populations with their emergency social protection programming, whereas countries that had to collect new data before being

FIGURE 2.16 Countries with Better Pre-COVID-19 Coverage and Higher Spending Were Better Able to Expand Both



Source: Original figure for this publication using Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) administrative data (https://www.worldbank.org/aspire).
Note: Figure is based on data for up to 76 countries (with the number of observations for each income level varying based on data availability), which include 63 low- and middle-income countries and 13 high-income countries monitored by ASPIRE. For methodology, please refer to Tesliuc and Fonteñez (2025). CI = confidence interval; HICs = high-income countries; LICs = low-income countries; LM = labor market; LMICs = lower-middle-income countries; SA = social assistance; UMICs = upper-middle-income countries.

able to identify potential recipients in need typically reached only 16 percent of their populations. Beazley, Marzi, and Steller (2021) observed that emergency responses also tended to be faster in those countries that could enroll beneficiaries using preexisting data, had social registries with more than 15 percent population coverage, and already used electronic payments in their routine programming. However, strong routine systems with advanced adaptive features are still a long way from coming to fruition in many countries (Bowen et al. 2020; Lindert et al. 2020).

The emergence of new global crises following the COVID-19 pandemic has made it difficult to assess the extent to which some of the COVID-19 expansion in social protection will be permanent. Preliminary data suggest that, in some countries, aspects of the COVID-19 expansion have lasted beyond the pandemic and may have helped to move them closer to universal social protection. Overall, social protection expenditure in 2022 remained higher than in prepandemic years, with real per capita social protection expenditure about 13 percent higher in 2022 than in 2019 (maintaining two-thirds of the surge between 2019 and 2020). This is particularly true in East Asia and Pacific and in Latin America and the Caribbean. Nevertheless, 2022 was characterized by the highest global levels of inflation in more than 25 years, as well as dramatic spikes in food insecurity. Therefore, the extent to which the expansion will outlast these crises as well will become clearer only with time.

Notes

1. People living in households contributing to social insurance are not considered in the main analysis presented in this chapter because survey-based information about contributors across countries is more limited.
2. Although contributions are a good indicator of social insurance coverage, minimum contribution requirements may affect the ability of some people to qualify for benefits even if they contribute. Also, the proportion of individuals covered by social protection is likely to be a lower-bound estimate, because household surveys may ask only about participation in and contribution to the largest social protection schemes, rather than all existing schemes (such as regional ones).
3. This analysis includes public works programs, which are usually classified under social assistance.
4. Examples of ALMPs include labor market services such as intermediation (public employment services), training, entrepreneurship support, wage subsidies, and public works programs.
5. Extreme poverty is defined here as living on an income below $2.15 in 2017 dollars at purchasing power parity per day.
6. Relative poverty is defined here as having an income or consumption level in the bottom 20 percent of a country's per capita income or consumption distribution.
7. Recent household survey data covering contributory pensions were available for 63 countries and those covering social pensions for 26 countries. Household survey data were not available for the Middle East and North Africa.
8. These amounts are likely to be underestimates, because they relate only to expenditures on federal programs, not subnational ones.
9. Refer also to International Labour Organization, "Social Protection Responses to COVID-19 Crisis around the World," https://www.social-protection.org/gimi/ShowWiki.action?id=3417; nternational Policy Centre for Inclusive Growth, "Social Protection Responses to COVID-19 in the Global South: Online Dashboard," https://socialprotection.org/social-protection-responses-covid-19-global-south; United Nations Development Programme. "COVID-19 Global Gender Response Tracker," updated November 14, 2022, https://data.undp.org/insights/covid-19-global-gender-response-tracker.

10. On cash transfers, refer to, for example, Beazley, Bischler, and Doyle (2021) and Gentilini (2022). On population groups, refer to, for example, Alfers, Chen, and Plagerson (2022) and Alfers, Ismail, and Valdivia (2020) on informal workers; Gavrilovic et al. (2022) on women and girls; and IPC-IG, UNICEF LACRO, and WFP (2021) and Vera Espinoza et al. (2021) on Venezuelan refugees and migrants.
11. The analysis here does not include general subsidies, which in some cases play a major role in shock response.
12. This is based on evidence from a subsample of 36 household surveys (32 of which had data on monetary transfers) that tracked overall social assistance coverage and adequacy for the period before and during COVID-19. These surveys were mainly from LMICs and UMICs and from Latin America and the Caribbean.

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CHAPTER 3

Navigating Global Headwinds: Spending More and Better to Strengthen and Expand Social Protection

The time for investing more and better in social protection is now. Strong global headwinds of climate change, food insecurity, conflict, and displacement challenges are picking up force, driving up poverty and vulnerability levels and heightening demand for social protection and labor systems. Social protection and labor systems need to be fortified to fulfill routine demands more effectively; simultaneously, they need to become more versatile and ready to anticipate, absorb, and adapt to oncoming pressures. Not only the adaptive capacity of social protection systems but also their partnerships with humanitarian, climate, agriculture, and disaster response agencies must be strengthened to meet the world's ever-growing problems (Bowen et al. 2020; Costella et al. 2023; FAO 2024; Slater 2024; WFP and FAO 2023).[1]

The damaging effects of climate change mean that social protection systems need to build solid loss and damage compensation systems and make livelihoods more resilient. Heightened environmental strains and shocks are already having, and will increasingly have, dramatic human costs for households, communities, countries, and the planet as a whole, including increased poverty, inequality, and social instability. By 2030, climate change may push up to 130 million more people into extreme poverty (Jafino et al. 2020); however, current social protection policies in most countries do not include enough climate change mitigation or adaptation measures (Costella et al. 2023; Tenzing 2020). Depending on the country context, climate-resilient social protection can play a significant role in reducing overall climate vulnerability, responding to climate-related shocks, compensating for the negative effects of climate change responses, and facilitating adaptation and mitigation responses (Bhalla et al. 2024; Costella et al. 2023; ILO 2024; Rigolini 2021).

The effects of climate change are being compounded by other crises such as conflict and economic shocks that are escalating poverty and global food insecurity (WFP and FAO 2023; World Bank 2023). Countries affected by fragility, conflict, and violence are facing persistent high levels of poverty and declining human capital, and by 2030 are forecasted to host three-fifths (about 60 percent) of those living in extreme poverty in the world (World Bank 2024a). Moreover, recent spikes in violent conflict in several regions have resulted in record displacement levels of more than 100 million people, three-quarters of whom are now living in low-income countries (LICs) and middle-income countries (MICs).[2] Similarly, severe food insecurity may affect more than 240 million people between now and 2027, and these forecasts are expected to worsen. The most pressing needs are found in hunger hot spots, which are geographically concentrated in regions, such as Africa and Asia, that have already been badly hit by other Sub-Saharan Africa and Asia. Therefore, there is an urgent need to scale up social protection in its various forms, including productive and economic inclusion programs, in such places to support vulnerable households and producers.

Emerging global trends are also affecting the demand for and composition of social protection services. Major population shifts are under way, manifesting in the form of a bulge in the young population in some countries, rapid aging in many others, and internal and international migration along many corridors. Social protection systems and the services that they offer need to be adapted to tackle these challenges to meet changing demands. In Africa, for instance, the median age of the population is 19.7 years and, by 2050, one in three young people worldwide will live on the African continent (Sidiropoulos 2024). Facilitating employment for youth, the elderly, and migrant populations is critical. Yet the global youth unemployment rate, exacerbated by the COVID-19 crisis, is much higher than the rate for adults ages 25 and above, with LICs recovering particularly slowly (ILO 2022; UNDESA 2023). Meanwhile, rapid aging trends mean that some regions will become, by 2050, as aged as (or more aged than) the Europe and Central Asia region is today. However, unlike high-income countries (HICs), many LICs and MICs will become old before they become rich. These countries urgently need to assess and adapt their pension, care, and labor market systems to encompass the realities of these aging trends.

The benefits of migration should be harnessed to address demographic imbalances. For the nearly 300 million international migrants currently living in countries that are not their own, it is critical that social protection is extended in a way that supports migrants' contributions to both their origin and their host countries and communities. This support should recognize the fact that migrant workers often strengthen the fiscal sustainability of the contributory systems in their host countries but should be given portability of coverage in the event that they return to their home countries (ILO, ISSA, and ITCILO 2021; IOM 2024; Seyfert and Quarterman 2021). Greater cooperation between sending and receiving countries, for example, through Global Skills Partnerships,[3] could also improve the match between the labor supply in the former and the labor demand in the latter.

Digital technologies, the changing nature of work, and the green transition are leading to profound changes in the nature of employment that will require major investments in labor market programs. The rise of self-employment, the gig economy, and other flexible work arrangements has led to significant increases in the fluidity and diversity of employment relationships compared with those in past decades (Ohnsorge and Yu 2021; World Bank 2016, 2019). Forward-thinking labor market programming can equip people to build careers in these new contexts, and social protection systems themselves can take advantage of the improved delivery enabled by technology (Alvarenga, Burattini, and Perin 2022; ISSA 2019; Lowe et al. 2023; World Bank 2022a). Similarly, the emergence of the global green transition and the continuation of high-paced technological change will require major investments in labor market programs and social protection to help workers adapt and cope with these trends.

Although some global trends may require a comprehensive rethinking of social protection systems, gradual reforms in the short and medium terms could make it possible to achieve wider and more effective coverage and to narrow the 2-billion-person gap. The changing nature of work will require deep rethinking regarding the foundations of existing risk-sharing models (Packard et al. 2019). Meanwhile, problems related to rapid population aging will be solved only by comprehensive health and labor market reforms that go well beyond tweaking the parameters of current pension systems. Also, harnessing the full potential of migration will be possible only through global agreements on education, social protection, and labor and financial markets. However, it is not necessary to wait for these major changes to happen to improve the performance of social protection systems. Gradual program- and system-level reforms could not only broaden coverage but also provide more effective protection of the people being covered.

Although countries have made important progress, there is still ample work to be done to put solid systems in place and a critical need to accelerate the pace. Although many social protection systems have made notable improvements over the past decade, particularly in regard to their unparalleled expansion during the COVID-19 crisis, large shortfalls remain in coverage, adequacy, and financing, particularly in LICs, which have both the broadest and most acute needs. Although social protection is playing an important and increasing role in reducing poverty and inequality, it is falling short of its full potential because of the system gaps highlighted in this report. Based on the current pace of progress, there is little hope of meeting the Sustainable Development Goals target of achieving substantial coverage of the poor and vulnerable by 2030.

Context Matters: A Simple Taxonomy of Potential Reforms

The reforms and investments that any given country should make will depend on its context, capacity, and fiscal space. For most countries, universal social protection remains a distant objective. However, although it may not be reached with ease, policy makers should use this long-term goal as a guide when establishing priorities among reforms and investments aimed at gradually building and strengthening the foundations of their social protection and labor systems (World Bank 2022b). What to make a priority should depend on three main factors: the country context, particularly the needs of a country's population; a country's implementation capacity; and a country's fiscal space. This section discusses how these three factors tend to play out in LICs and MICs and outlines a simple taxonomy of reforms suitable for different country situations.

LICs should focus on the poor and shock responsiveness, and on noncontributory programs. The needs of the populations of LICs typically far exceed the limited resources and implementation capacity available in those countries, which also tend to have large informal sectors, so contribution-based solutions are unlikely to be effective. Therefore, most efforts in LICs should focus on supporting the poor through noncontributory programs and on designing programs that build resilience and can be expanded when shocks occur. Gradually, both coverage and adequacy should be increased, according to financing availability and increases in fiscal space.

The range of programs in LICs should also reflect the needs of a country's population and the country context. In highly fragile or conflict-affected settings, cash or in-kind assistance may be the most common and appropriate investment. Other countries, however, may find it more productive and sustainable to complement transfers with economic inclusion and self-employment programs aimed at increasing the productivity and earnings of the informal poor and making their livelihoods more resilient to shocks. These countries should also invest in strengthening the foundations of their social protection systems by setting up a social registry of beneficiaries drawn from administrative and program databases, as well as quick and effective payment systems. Although these systems may not be as integrated and sophisticated as those in countries with greate capacity, these efforts will provide a solid foundation on which to build. Finally, in most LICs, the social insurance system remains limited, often applying only to public sector workers. Given these countries' extremely limited fiscal resources, it is important to ensure that explicit and implicit social insurance subsidies, or overly generous benefits, do not limit countries' capacity to support the poor.

Lower-middle-income countries (LMICs) should expand targeted, noncontributory support and begin developing labor and sustainable social insurance systems. In most LMICs, because social protection systems still do not cover large numbers of poor and vulnerable households, policy makers should make strengthening and expanding targeted noncontributory programs a priority. Cash transfers should be further strengthened in terms both of coverage and of adequacy, and economic inclusion and self-employment programs should be implemented at scale. Some countries may also have enough resources to begin addressing other needs by investing in social services, employment programs, and social insurance. Policy makers should be careful to ensure that funding for the expansion of social insurance systems, especially pensions, does not crowd out support for the poor and vulnerable. Furthermore, given the high level of informality in most LMICs, it is important to design contributory programs that are not limited to payroll-based schemes available only to formal sector workers. It is also necessary for LMICs to continue strengthening their foundational delivery systems, for example, by making it possible to update their social registries continuously in real time, by integrating the payment methods used by each program into one universal system, and by developing case management systems to facilitate and streamline the effective provision of social services to individuals and households.

Upper-middle-income countries (UMICs) should strengthen their existing social assistance and labor market programs provision and integrate the delivery of services. UMICs generally have enough resources to provide the poorest segments of their populations with at least some safety net coverage. However, some of their poor households may still be inadequately covered, and many of these countries still need to expand their labor market support and to improve their ability to scale up support to large swaths of their populations during shocks and crises. Many UMICs also have rapidly aging populations, with a substantial share of their working-age populations employed in the formal sector. Therefore, it will be important for these countries to develop elder care services provided by both the public and private sectors as well as actuarially fair contributory pension programs, which may free up resources to finance the closing of any remaining coverage and adequacy gaps in the provision of social assistance. In expanding social insurance, it will be particularly important to ensure that subsidies to social insurance do not hinder countries' ability to effectively support the poor and vulnerable. UMICs should also continue to strengthen and expand their labor and employment programs and social services.

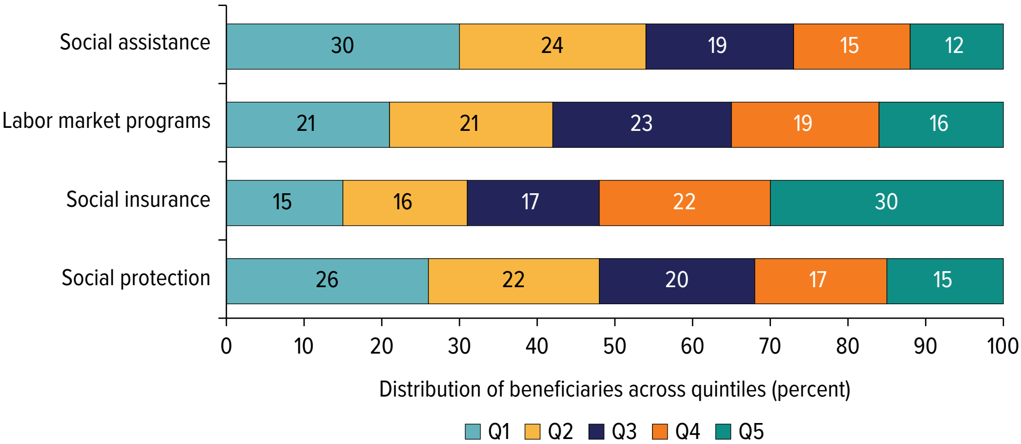
Finally, given the multidimensional nature of poverty and vulnerability, an important priority in MICs must be the need to integrate services. Policy makers should redesign their social protection systems to enable countries to identify people's multiple constraints; direct them toward the social assistance, social services, or employment programs that they need; follow them through assessing their progress; and take account of their emerging needs. To do so, they will need to integrate social protection systems at both the institutional and operational levels. This would include not only the integration and expansion of registries and case management systems, but also the development of referral and monitoring protocols, integrated governance structures with clear accountability lines, and one-stop shops throughout countries in which people can access all social protection services in one place.

At all country income levels, there is a need to invest more in social protection and labor, but some needs can be met by investing better, particularly in MICs. For instance, improving the targeting of noncontributory transfers to the poor and vulnerable while expanding social insurance for informal sector workers could free up some of the resources needed to extend the coverage of the poor. Similarly, abolishing hidden social insurance subsidies would also release resources to be used for pro-poor purposes. All countries across the income spectrum could achieve major efficiency gains by replacing regressive food and energy subsidies with targeted direct support for those most in need. We explain some of these avenues below.

Focusing Noncontributory Transfers on People Who Need Them Most

Despite the essential role played by social assistance in reducing poverty, it is only moderately pro-poor in general and has substantial room for improvement. Whereas social insurance can benefit wealthier households, social assistance should be focused on those in the poorer quintiles, especially in LICs and MICs, where fiscal resources are limited and needs are high. However, on average, only 54 percent of social assistance recipients are in the poorest 40 percent of their countries' populations (figure 3.1), with nearly the same proportion being in the top three quintiles.

FIGURE 3.1 Existing Social Assistance Is Only Moderately Pro-poor



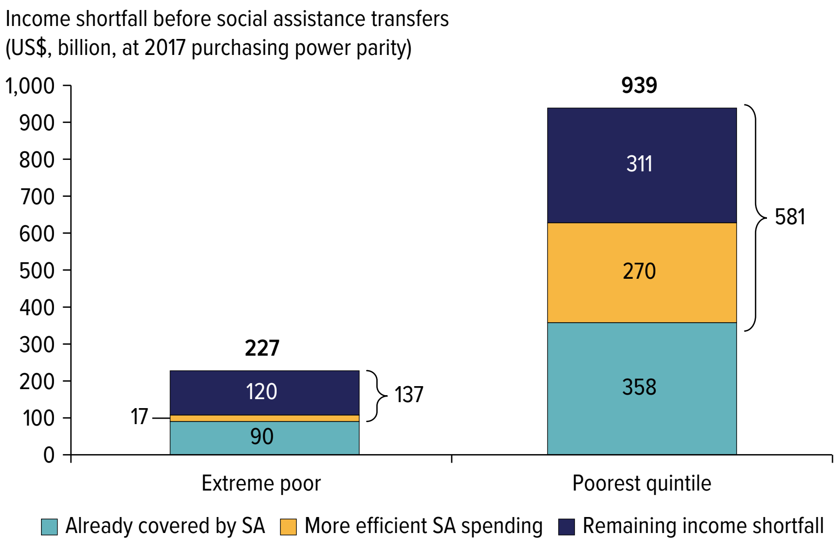
Source: Original figure for this publication using Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) household survey data (https://www.worldbank.org/aspire).
Note: Figure shows distribution of direct and indirect beneficiaries across quintiles for 2022 or most recent year for which data are available, and is based on a total of 73 observations, which include 67 low- and middle-income countries and 6 high-income countries monitored by ASPIRE. Aggregated indicators have been calculated using simple cross-country averages. For methodology, please refer to Tesliuc and Martinez Cordova (2025). Q1 = first quintile (poorest); Q2 = second quintile; Q3 = third quintile; Q4 = fourth quintile; Q5 = fifth quintile (richest).

The pro-poor targeting of social assistance programs varies widely from country to country. An analysis of the Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) social assistance program–level data shows that, in the 10 percent of programs with the most pro-poor targeting, between 35 percent and 88 percent of beneficiaries belong to the poorest quintile. Pro-poor targeting among these programs increases with the level of economic development. In contrast, the 10 percent of programs with the least pro-poor targeting are in fact regressive, benefiting only 1 to 22 percent of those belonging to the poorest quintile (Tesliuc and Martinez Cordova 2025).

In the absence of social assistance benefits, the aggregate income needed to lift—and keep—all households out of extreme poverty (that is, the income shortfall) is estimated at $227 billion per year (at 2017 purchasing power parity); the income shortfall with respect to relative poverty is estimated at $939 billion (figure 3.2). Social assistance transfers currently cover 40 percent ($90 billion) and 38 percent ($358 billion) of the extreme poverty and relative poverty income shortfalls, respectively. Improving the targeting of social assistance to better cover those in the poorest quintiles could reduce the total amount of income needed to lift—and keep—all households out of extreme poverty by 8 percent ($17 billion), and that needed to lift—and keep—all out of relative poverty by 29 percent ($270 billion).

Even with an improved poverty focus, more resources will be needed to support the poor in LICs. Better targeting can reduce by half the shortfall in the income needed to eradicate extreme poverty in countries with rates of extreme poverty between 2 and 20 percent (figure 3.3). However, in poorer countries with extreme poverty rates between 20 and 40 percent, efficiency gains through better targeting can cover only 12 percent of the income shortfall; in countries with extreme poverty rates higher than 40 percent, efficiency gains would make up for only a minimal amount of the shortfall, a clear indication that these countries will need additional resources to achieve substantial reductions in poverty.

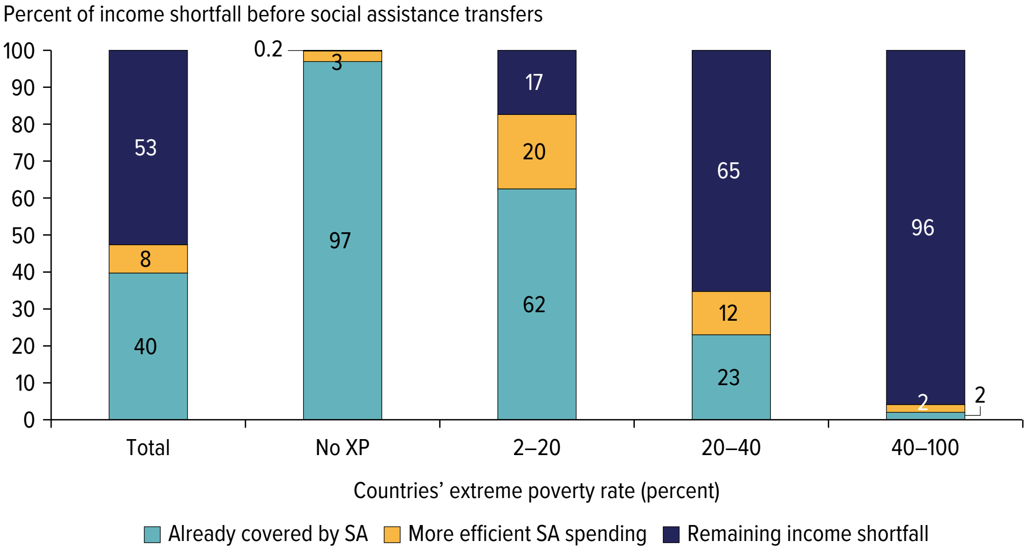
FIGURE 3.2 Social Assistance Could Be More Effective with Stronger Pro-poor Focus



Source: Original figure for this publication based on Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) household survey data (https://www.worldbank.org/aspire).

Note: Figure shows how much social assistance (SA) spending at current levels reduces the income shortfall, that is, the income needed to lift—and keep—all households out of extreme and relative poverty (poorest quintile); the additional potential reduction in the income shortfall that can be achieved through greater efficiency in SA spending; and the additional fiscal resources needed to bridge the remaining income shortfall or spending gap. More effective SA spending assumes an average targeting efficiency equal to the targeting performance of the 10 most pro-poor SA programs within each country income group. The figure is based on a total of 133 observations, which include 114 low- and middle-income countries and 19 high-income countries monitored by ASPIRE. Extreme poor (those living on less than $2.15 a day at purchasing power parity). For sample size and methodology, please refer to Tesliuc and Martinez Cordova (2025).

FIGURE 3.3 Even with Increased Poverty Focus, More Funds Are Needed to Cover the Poor in Low-Income Countries



Source: Original figure for this publication based on Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) household survey data (https://www.worldbank.org/aspire).
Note: Figure shows the percentage reduction in income shortfall, which is the amount of income needed to lift—and keep—all households of extreme poverty at current levels of social assistance (SA) spending; the additional potential reduction in the income shortfall that can be achieved through greater efficiency in SA spending; and the additional fiscal resources needed to bridge the remaining shortfall or spending gap. It is based on a total of 133 observations, which include 114 low- and middle-income countries and 19 high-income countries monitored by ASPIRE. For sample size and methodology, please refer to Tesliuc and Martinez Cordova (2025). XP = extreme poor (those living on less than $2.15 a day at purchasing power parity).

Harnessing the Unexploited Potential of Subsidy Reforms

As countries face strong financial headwinds, policy makers often consider subsidies to be candidates for fiscal reallocation. Subsidies involve the state paying a part of the price of goods and services, with a view to making the latter more affordable to consumers (or firms). Governments might adopt subsidies for several reasons. In addition to promoting the affordability of key goods and services, subsidies can also support price stabilization and supply-side actors, for example, by guaranteeing a floor price to farmers or to other players across supply chains. However, subsidies may not always be the most effective instrument to reach a particular objective. Subsidies usually entail sizable fiscal costs. Worldwide, subsidies for fossil fuels, agriculture, and fisheries, for example, exceed $7 trillion annually (or about 8 percent of global gross domestic product). Many subsidies are also regressive, benefiting wealthier households more than poorer ones. Half of all spending on energy subsidies in LICs and MICs benefits the richest 20 percent of their populations, who consume the most energy. Subsidies can also have a negative impact on climate and the environment. For example, agriculture subsidies are responsible for the loss of 2.2 million hectares of forest per year or 14 percent of global deforestation. Also, fossil fuel use—for which subsidies provide an incentive—is a key driver of the 7 million premature deaths due to air pollution every year (Damania et al. 2023; Sutton, Lotsch, and Prasann 2024). Reforming subsidies can therefore increase the efficiency and impacts of spending while also releasing much-needed resources for other uses. However, the multiplicity of goals, the variety of stakeholders, and the possible misalignment of their incentives can inject significant political risk and technical complexity into any subsidy reform process.

When reforming or abolishing subsidies, governments can use social protection measures, such as targeted cash transfers, to mitigate the effects on those who previously benefited from the subsidies (particularly the poor and vulnerable), while still achieving substantial fiscal savings. Nevertheless, many subsidy reforms have had limited success because of a lack of clarity about the rationale for them, the inadequate or temporary nature of their compensation mechanisms, limited ownership of them and their perceived externally imposed nature, or pressure from various stakeholders and interest groups. They may also fail because they were adopted in the context of wider macroeconomic and fiscal challenges engulfing the country attempting to enact them.

A new generation of reforms has offered a fresh approach to providing subsidies, including India's Public Distribution System and Indonesia's Raskin rice subsidy program. This fresh approach consists of moving away from universal subsidies to more targeted benefits, from market mechanisms (like discounted prices) to direct fiscal transfers, from in-kind to cash benefits, and from subsidies for supply chains to consumer-centered support. The complex choices involved in the approach need to be considered within the overall objectives of a particular reform. None of the shifts need to be radical, but all should be paced and flexible enough to be adapted to changing circumstances. The technical preconditions for subsidy reforms, especially those regarding food subsidies, need to be identified in advance. Policy makers should weigh the pros and cons of different compensation modalities (such as "digital food," e-vouchers, or cash), there should be clear communication about the why and how of the reform, it should be piloted in a limited way before being scaled up, and risk mitigation and scenario-based contingency frameworks should be developed, including those incorporating a reversal of the reform if changes in important parameters (such as an increase in inflation) make it necessary (Gentilini and Pinxten, forthcoming).

Social protection systems not only support but can also benefit from subsidy reforms. Subsidy reforms in some countries have been accompanied by the launch of cash transfer programs, for example, India's PAHAL/Direct Benefits Transfer for Liquid Petroleum Gas and Pakistan's Benazir Income Support Programme (Moubarak and Yemstov 2018). Many countries (such as the Dominican Republic, the Arab Republic of Egypt, and Mexico) have also been able to provide compensation payments to a broader population than the poor while making use of reallocated resources to gradually strengthen their delivery systems, including the systems' targeting mechanisms and single registries. Some subsidy reforms have also helped countries achieve other objectives. For example, Indonesia's food assistance program is enabling and encouraging recipients to buy high-nutrient foods.

Strengthening Delivery Systems for Greater Shock Responsiveness and Better Social and Fiscal Policies

Robust delivery systems and investments in digital public infrastructure are essential for providing effective support during normal times as well as during shocks and crises. Effective social protection requires adaptive delivery systems (such as dynamic social registries, digital payment systems, and case management systems) that make it possible to identify people's needs and vulnerabilities in normal times as well as to quickly respond to shocks and crises. This adaptiveness ensures that assistance reaches those in need in a well-coordinated and efficient way.

Strong delivery systems can also play a significant role in supporting progressive fiscal policies and redistribution. Social protection can have a redistributive function, but its ability to do so hinges on robust delivery systems that can identify households according to their needs and incomes. For instance, countries that have established delivery systems and dynamic social registries can leverage them to replace regressive universal consumer subsidies with progressive ones targeted to poorer households. Recently, some countries have also been exploring how to use delivery systems to improve revenue collection. Some countries, particularly those in Latin America, are also exploring how to provide value added tax refunds to poor households (Londoño-Vélez and Querubín 2022).

Although many social protection systems have been substantially strengthened over the past decade, challenges persist. More than half of the 130 countries for which ASPIRE data are available still lack social registries or have multiple noninteroperable databases of beneficiaries. Even in countries with registries in place, coverage is still limited (Guven, Yeachuri, and Almenfi, forthcoming). Expanding registries to include all potential beneficiaries is critical for enhancing shock responsiveness. Countries also need to enable their registries to be updated continuously and to be interoperable with other administrative databases. Similarly, there is a need to continue investing in digital payments and access to banking services to enable social assistance programs to disburse benefits more quickly, affordably, and conveniently. Digital payments not only streamline the delivery of benefits but also enhance financial inclusion and support women's economic empowerment (Klapper and Singer 2017). However, more work needs to be done, for instance, to give beneficiaries more choice of payment providers.

Countries must not only continue to invest in and enhance the delivery systems for each of the social protection pillars but also focus on integrating these systems across all pillars. Integrating the delivery systems for social assistance, social insurance, and labor and employment programs is crucial for creating a unified and effective framework that takes a holistic, proactive approach to social protection. It will be essential to make use of digital technologies, to ensure interoperability between databases, to supplement the use of administrative data with new sources of data, and to harness the potential of artificial intelligence to provide a comprehensive range of social protection services across all pillars (Okamura, Ohlenburg, and Tesliuc 2024). Each country's unified social registry could serve as a central database for one-stop shops located throughout the country at which people could apply for support from different social protection programs depending on their needs. However, achieving such integration will require a strong central institution to oversee and enable effective data exchange between different administrative or private databases and the social registry.

Leveraging Social Protection to Promote Opportunities in the Labor Market

Social protection and labor programs help expand the opportunities available to marginalized groups in the labor market. These kinds of programs have been proven to have a lasting positive impact on labor market opportunities and earnings (Araujo and Macours 2021; Barham, Macours, and Maluccio 2018a, 2018b; Cahyadi et al. 2020; Hoddinott et al. 2008; Parker and Vogl 2023). For instance, public works programs can have a positive impact on labor markets by raising wages and increasing women's access to employment (Field et al. 2021; Franklin et al. 2024; Muralidharan, Niehaus, and Sukhtankar 2024). In some cases, unemployment insurance enables workers to turn down undesirable jobs, and it may prevent them from having to transition into informal work (Liepmann and Pignatti 2024; von Wachter et al. 2011). Additionally, public employment services, active labor market programs, and economic inclusion initiatives have been shown to have the potential to increase entrepreneurial opportunities, earnings, and, in some cases, transitions into formal employment (Avalos et al. 2021; Bandiera et al. 2017; Banerjee et al. 2024; De la Bossuroy et al. 2022; Hoy and Naidoo 2019).

However, the potential of these programs has been underexploited because of insufficient spending and, in some instances, the failure to address the context-specific needs of vulnerable workers. Spending on labor market and social protection programs continues to be low in most countries, and the types of interventions offered often are not relevant to labor market challenges specific to the country providing them or the constraints faced by the country's most disadvantaged groups. Furthermore, labor programs are often not coordinated or integrated with other social protection mechanisms, particularly social assistance, which limits their effectiveness. The combination of limited spending and a lack of a context-specific design undermines programs' ability to adequately support the most vulnerable.

For labor market programs to provide meaningful and widespread opportunities, they must be context specific and integrated within a country's social protection system to effectively tackle the multidimensional barriers faced by different population groups (Banerjee et al. 2024; Bastagli, Hagen-Zanker, and Sturge 2016; Carranza and McKenzie 2024; Perera et al. 2021). A comprehensive, multifaceted approach is likely to yield better outcomes, and the context in a particular country should drive which types of programs to develop. LICs and LMICs should focus on entrepreneurship and self-employment support to help to maintain livelihoods where formal employment opportunities are scarce. In contrast, UMICs and HICs should expand support for active labor market programs, unemployment insurance, and wage subsidies to enable smoother labor market transitions and minimize the adverse effects of job losses.

Filling data gaps and improving profiling are essential for improving the targeting of labor market programs and increasing their effectiveness. Data gaps can be filled by developing comprehensive labor market information systems and by using profiling tools to tailor interventions to specific recipient groups. By improving profiling, governments can more accurately tailor their job-matching services, training programs, and other active labor market measures to the needs of both job seekers and employers. Reliable data are essential for informing policy decisions, enabling better targeting, and facilitating coordination across all social protection and labor programs (box 3.1). By integrating the data systems of labor market programs with social registries and those of public employment services, governments will be better equipped to address the multifaceted constraints to employment faced by the poor and vulnerable.

BOX 3.1 Evidence-Based Policy Making Requires Better Data

Although good policies require good data, many information gaps remain, especially in low-income countries and those in fragile contexts. Solid, evidence-based policy making starts with good data. This report was made possible by the wealth of program-level social protection data from low-, middle-, and high-income countries that are monitored by the World Bank's Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE). The report is a testimony to the value of data for analyzing the performance of social protection and labor systems. However, data gaps still exist, making it difficult to assess the performance of systems at the country level and to make meaningful global comparisons among countries. Data availability is particularly a problem in regard to low-income countries and those affected by fragility, conflict, and violence, where regular monitoring of basic performance indicators is especially important.

There is a need to increase the availability, open accessibility, and relevance of data from both household surveys and administrative sources, while also improving their quality. The minimum data that countries need to monitor the size composition, and evolution of their social protection and labor systems are information on the number of beneficiaries and on expenditures on all large and medium social protection and labor programs. However, there are several barriers to collecting these administrative data in many developing countries, including institutional fragmentation, the lack of a clear institutional monitoring mandate, and the existence of many small, ad hoc, and time-bound social assistance and labor programs. Because of these cumulative constraints, only 76 out of the 153 countries covered by ASPIRE have 2017–22 panels of program-level administrative data. Also, 30 of the countries included in ASPIRE have fielded no household surveys to collect information on social protection for the past 14 years. In addition to the need to increase the frequency of surveys, it will also be important to improve the quality of the data collected. This collection ought to encompass relevant and representative data on all core social protection programs, program-level data where possible, and information on both program participation and benefit levels. As the gender analysis in this report also demonstrates, collecting data at the level of individual recipients would also make it possible to carry out more detailed and disaggregated analyses.

It is also necessary to build and strengthen adaptive labor market programs that can be scaled up quickly when necessary. Governments must invest in public employment services that can efficiently match workers with job opportunities, provide targeted skills training, and support workers in transitioning from informal to formal employment. These systems should be adaptive and able to be rapidly expanded during times of crises or economic shocks. They should also be able to adapt to new challenges, such as those posed by climate change, economic downturns, or global pandemics. As demonstrated during the COVID-19 pandemic, countries with established, well-functioning systems can support workers more effectively and recover faster than countries with less well-functioning or comprehensive systems. Integrating the social registries of all social protection programs, including those for labor and employment, increasing coordination among implementing institutions, and enhancing program delivery mechanisms are critical steps to take to ensure that labor market interventions remain effective even in times of crisis.

Doubling Down on Resilience and Shock and Crisis Responsiveness

The importance of social protection systems to build resilience, respond to shocks and crises, and support people during transitions is only bound to grow. Disasters, shocks, and crises make poor people poorer and can cause better-off households to fall into poverty (Hill, Skoufias, and Maher 2019). People also need support during transitions that affect their livelihoods, such as digitalization and the green transition. In the face of increasingly frequent shocks and crises and accelerating transitions, governments are turning to their social protection systems to make countries more adaptive to local events and global transitions, to boost households' resilience, and to deliver more timely and tailored support to affected households. In addition to the massive responses to the COVID-19 pandemic and the more recent food and inflation crises, social protection programs have also been used to respond to droughts (in Mauritania, Uganda, and Zambia), flooding (in Pakistan and Senegal), typhoons (in the Philippines), and hurricanes (in the Caribbean), among others. They also play a critical role in supporting poor and vulnerable households in settings of fragility, conflict, and violence. Social protection, employment, and productive economic inclusion programs also enhance the ability of people to cope with shocks and adapt to slow-onset events, preventing them from falling into (deeper) poverty when such events occur (Cabot Venton 2018). For additional details, refer to box 3.2.

Adaptive social protection builds on the strengths of countries' foundational social protection systems. The ability of social protection to support households through shocks, crises, and transitions is generally stronger in countries with more mature and better-developed social protection systems (World Bank 2024b). National social assistance programs enhance the ability of existing beneficiaries to cope with risks by providing them with predictable and adequate support, whereas social insurance and employment programs help people navigate employment and productivity shocks and labor market transitions. Countries' ongoing process of shifting to more dynamic delivery systems is also providing a stronger foundation for shock responses, because these systems will facilitate the rapid identification and enrollment of people when they need support, including when shocks and crises occur.

BOX 3.2 Economic Inclusion Programs Provide a New Policy Tool for Creating Opportunities and Building Resilience

Economic inclusion programs help create better and longer-lasting employment opportunities for poor and vulnerable populations. These programs provide bundles of coordinated, multidimensional interventions aimed at helping individuals, households, and communities sustainably increase their incomes and assets. Tailored to address local economic challenges, they adapt to the specific needs of target groups. For example, in low-income countries characterized by limited wage employment and high levels of informality, economic inclusion programs might focus on self-employment as a way for workers to generate income. In contrast, in middle-income countries, these programs would be likely to emphasize wage employment and take the form of active labor market programs (Arévalo Sánchez et al. 2024).

Economic inclusion programs also help poor and vulnerable populations adapt to shocks, crises, and global transitions, such as climate change, by diversifying their economic activities. For example, in Afghanistan, participants in an economic inclusion program not only saw a 32 percent increase in income and business revenue after the intervention but also were better prepared to endure a series of droughts and conflict shocks (Bedoya Arguelles et al. 2023). Moreover, as countries increasingly face the impacts of climate change, the demand for the new skills needed for countries to develop climate-neutral economies and the risk of job losses in traditional sectors could exacerbate inequalities. Economic inclusion programs can mitigate the negative effects of these challenges, particularly in middle-income countries that are advancing their green agendas, by providing targeted workforce retraining and skills development, and job placements in the emerging green sector.

There is a pressing need to scale up successful programs and tailor them to local contexts and to the specific needs of different populations. For instance, urban areas generally have a high rate of informal economic activities, particularly in low- and middle-income countries. Accordingly, programs such as Ethiopia's Urban Productive Safety Net and Jobs Project offer beneficiaries both self-employment and wage employment opportunities. Other programs like Papua New Guinea's Urban Youth Employment Project have successfully transitioned temporary workers into formal employment through job matching, on-the-job training, and wage subsidies. However, a lack of data, particularly on wage-focused interventions, will need to be overcome to assess the effectiveness of equivalent programs in different contexts. It will also be critical to tackle barriers and social norms that limit women's participation in the workforce through mentoring, coaching, and community-based childcare support to enable women as well as men to benefit from these interventions. If thoughtfully designed and delivered, economic inclusion programs can provide the poor with the skills, resources, and opportunities needed to build sustainable livelihoods in an evolving global economy.

Although strong foundational systems are essential, adaptiveness needs to be purposively built into these systems and used. Shifting from the ad hoc use of social protection systems for crisis and disaster response to a more prepared and risk-informed approach requires that governments pay attention to and invest in adaptive capacity (Tisei and Ed 2024). Recognizing the benefits of this approach, governments are increasingly integrating adaptive design features into their existing social assistance programs by, for example, setting out rules to guide the expansion of programs into areas affected by shocks and crises. Similarly, making geographical climate vulnerability into an eligibility criterion for support through cash transfers and economic inclusion programs can also increase program coverage in areas vulnerable to the effects of climate change, thereby protecting people from increasingly frequent climate-related events.

Building adaptive systems in low- and middle-income countries also needs to be extended beyond the current focus on social assistance. The growing use of adaptive social protection in LICs and MICs is being carried out almost exclusively through social assistance programs. In many countries, this practice reflects their historic reliance on humanitarian assistance to protect people from seasonal food insecurity, as well as droughts, floods, and economic shocks. However, lessons can be learned from how HICs respond to shocks and crises through social insurance and employment programs. By design, these programs extend to a broad range of people, many of whom are beyond the reach of narrowly targeted social assistance programs. In HICs, social insurance and labor programs provide immediate support in response to changes in employment status, protecting people from income loss due to layoffs arising from economic shocks or climate events, such as hurricanes. Although the core of these programs is funded through social insurance contributions, countries have channeled public funds through these same programs to extend the duration or amount of support or to reach more people, as happened during the COVID-19 pandemic. Social insurance and employment programs should thus become part of the mix of programs deployed by LICs and especially by MICs to manage shocks, crises, and transitions.

Although substantial progress has been achieved in how adaptive systems are being designed, a lack of dedicated financing and policies continues to limit the ability of countries to respond to shocks and crises. A timely response depends not only on defining program and operational procedures in advance but also, critically, on putting financing aside so that it can be immediately released once a shock occurs. However, most countries have no strategy for financing disaster risk or instruments to enable able them to scale up their social protection support rapidly (World Bank 2024b). Some examples exist, however, that show how it can be done. For example, scaling up the Social Cash Transfer Programme to additional beneficiaries when shocks occur is a key strategic pillar of Malawi's Disaster Risk Financing Strategy. A contingency fund within the Social Cash Transfer Programme finances less severe and more frequent drought responses, whereas a risk transfer instrument is used to fund the cost of larger scale-ups for more severe and less frequent droughts (World Bank 2024b). Strong coordination between ministries of finance and those responsible for disaster response and climate change is needed to reinforce such efforts, supported by policies and strategies that recognize the important role that adaptive social protection can play in disaster response (Bowen et al. 2020). Enhancing coordination with the humanitarian community can further support these efforts and help ensure a coherent response to shocks and crises of varying magnitudes.

Advances in data and information systems have the potential to enhance shock and crisis responses when backed by transparent and collaborative partnerships. Recent advances in forecasting have made it possible to anticipate extreme weather events at a relatively granular level, which gives governments more time to develop a response (World Bank 2024c). For instance, the government of Niger, one of the world's most climate-vulnerable countries, used satellite-based triggers to activate a shock-responsive cash transfer response to drought in 2022 (Pople et al. 2024). Growing repositories of digital data and machine learning have the potential to enable planners to integrate early response into a country's social protection system, including social insurance and employment programs (Balashankar, Subramanian, and Fraiberger 2023). The effectiveness of these triggers will depend on the availability of high-quality data and accurate forecasting models, as well as a willingness on the part of decision-makers to act on this information. Building governments' trust in and ownership of these triggers will involve close collaboration and transparent communication between government ministries and agencies about the trade-offs inherent in the process, as well as a commitment from development and humanitarian partners to release funds based on these same triggers.

Notes

1. Refer also to Overseas Development Institute, "Social Protection Responses to Forced Displacement," https://odi.org/en/about/our-work/social-protection-responses-to-forced-displacement/.
2. United Nations High Commissioner for Refugees, "Refugee Data Finder" https://www.unhcr.org/refugee-statistics/ (accessed March 24, 2024).
3. Global Skill Partnerships are policy tools that help regulate skilled migration by benefiting all parties involved in the process of migration: origin countries, destination countries, and migrants. They link human capital expansion and training with international mobility in a way that is financially sustainable and mutually beneficial for both origin and destination countries (Acosta et al. 2025; Clemens 2018).

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Conclusion

A Call for Action for More and Better Social Protection

The world faces unprecedented challenges that highlight the need for more and better social protection. Two billion people in low- and middle-income countries continue to be missed or inadequately covered by social protection systems. This situation disproportionately affects the poorest and most vulnerable populations in these countries, hindering their ability to escape poverty, to address shocks and crises, and to access opportunities in a rapidly changing world. Governments, the private sector, development partners, and civil society must work together to ensure that everyone has access to the social protection they need to thrive in a world in transition. Despite substantial progress in expanding social protection coverage globally, particularly in low-income countries, the need for social protection continues to grow, and we cannot afford to lower our guard.

Actions to close the gap and strengthen social protection and labor systems will depend on capacity, fiscal space, and local context. Low- and lower-middle-income countries should focus on expanding targeted, noncontributory social assistance and economic inclusion programs. Middle-income countries should also strengthen and integrate their existing programs while expanding the range of programs that they offer to better tailor support to people's needs. In these countries, expanding the coverage of contributory programs and experimenting with ways to include the informal sector will be key to closing the coverage gap and freeing up resources to better support the poor. All countries must also ensure that their social protection systems are adaptive and can quickly and effectively respond to shocks, crises, and transitions, including climate change, conflict, and economic downturns. Labor market programs should be expanded and integrated with social protection systems to create more and better employment opportunities for people in marginalized groups, particularly in the informal sector. Regressive subsidies should be replaced with transfers targeted to the poor and vulnerable, thus freeing up resources to be spent on making social protection programs more effective. Finally, countries need to develop robust and well-coordinated delivery systems, including dynamic social registries, digital payment systems, and integrated case management systems, all of which are essential for providing efficient and effective social protection.

Although ambitious action and deep reforms are needed in the long term, there is scope for countries to make gradual progress even in the short term. The changing nature of work and the globalization of labor markets require a rethinking of existing risk-sharing models and the development of global social protection solutions. However, substantial increases in coverage and better protection of the poor and vulnerable can be achieved even in the short term through the gradual reform of existing systems. The progress made so far is commendable, but the journey to more and better social protection is far from over. We must remain proactive in expanding and strengthening social protection and labor systems to meet the world's ever-growing needs and to ensure a more inclusive and resilient future for all.

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Social protection goes well beyond cash transfers; it includes policies and programs that bridge skill, financial, and information gaps, aiding people in securing better jobs. The three pillars of social protection—social assistance, social insurance, and labor market programs—support households and workers in handling crises, escaping poverty, facing transitions, and seizing employment opportunities. But despite a substantial expansion over the past decade, 2 billion people remain uncovered or inadequately covered across low- and middle-income countries.

Drawing from administrative and household survey data from the World Bank's Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE), the *State of Social Protection Report 2025: The 2-Billion-Person Challenge* documents advances and challenges to strengthening social protection and labor systems across low- and middle-income countries, analyzing the evolution of expenditure, coverage, and adequacy of support.

This report details four policy action areas governments can embrace to maximize the benefits of adequate social protection for all: extending social protection to those in need; strengthening the adequacy of social protection support; building shock-proof social protection systems; and optimizing social protection financing. The report discusses how the path of reforms will depend on country context, capacity, and fiscal space.

The rising frequency of shocks and crises calls for major investments in the adaptability and preparedness of social protection and labor systems. Amid a world in transition, social protection is more important and necessary than ever.

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