

EXECUTIVE SUMMARY

STATE OF SOCIAL PROTECTION REPORT 2025

THE 2-BILLION-PERSON CHALLENGE



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State of Social Protection Report 2025

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The 2-Billion-Person Challenge

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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).

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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 social protection and labor systems' adaptability and preparedness. Amid a world in transition, social protection is more important and necessary than ever.

