International Labour Organization

Labour market inequalities and social protection

How can social protection systems better contribute to addressing evolving inequalities?

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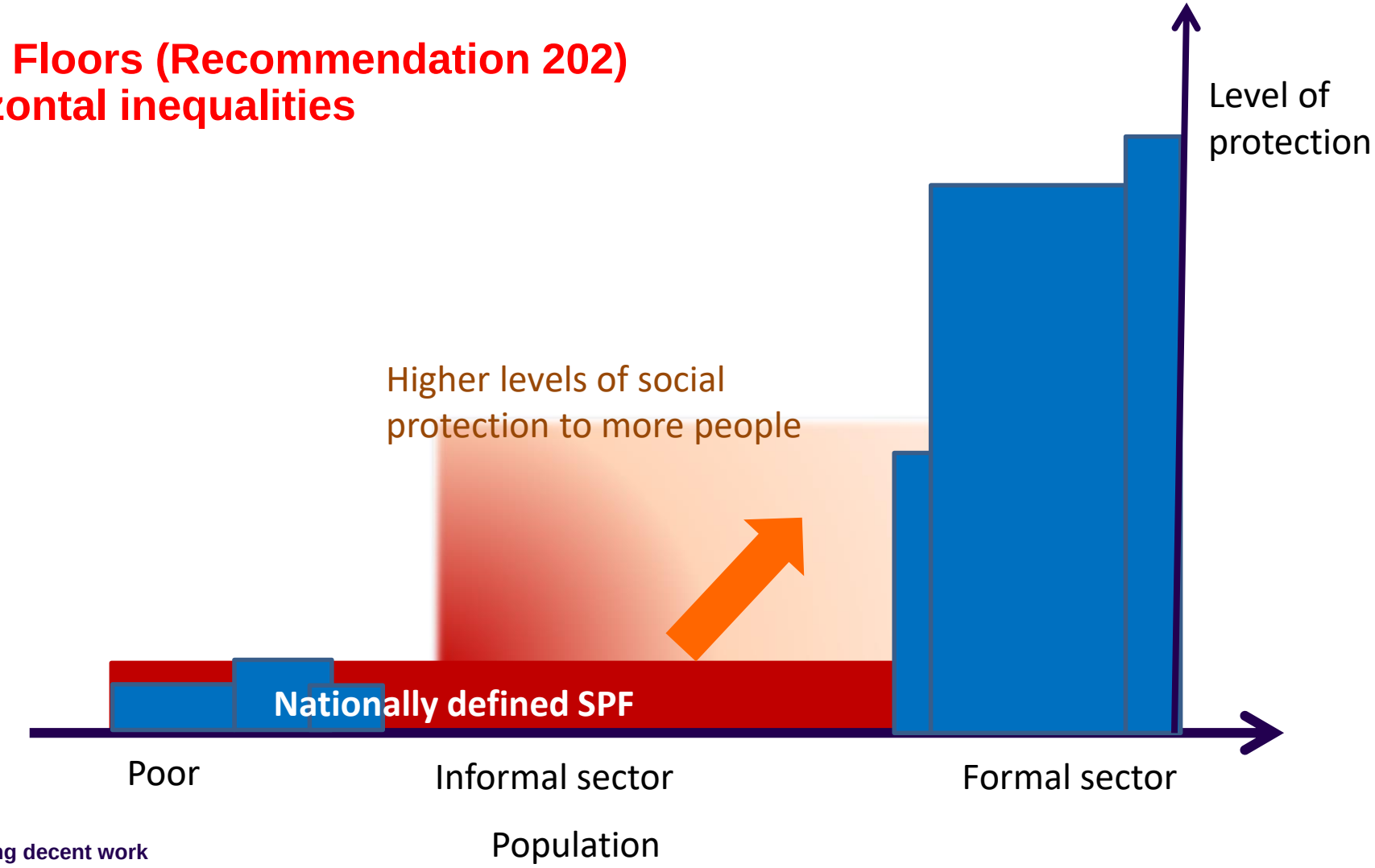
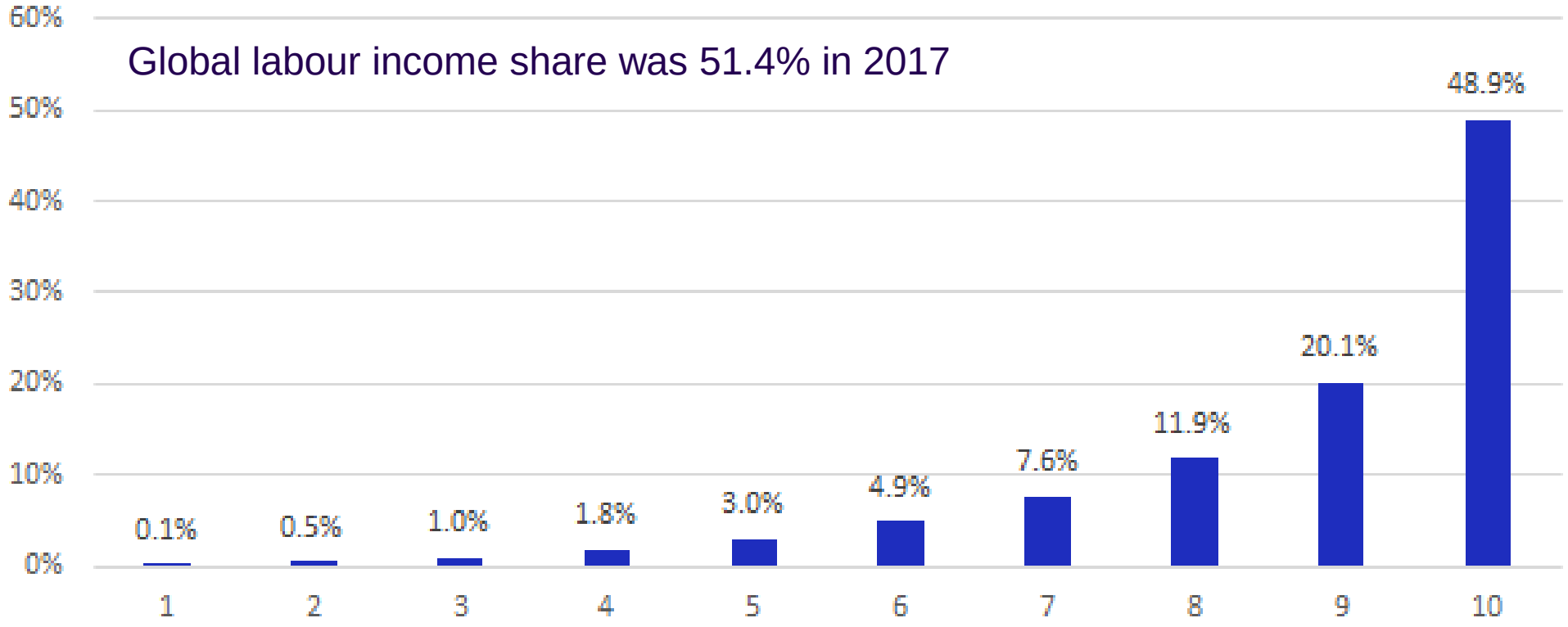
Key objectives of social protection systems

- Support people through life-cycle contingencies
- Reduce poverty and inequality

Social Protection Floors (Recommendation 202)
Vertical and horizontal inequalities

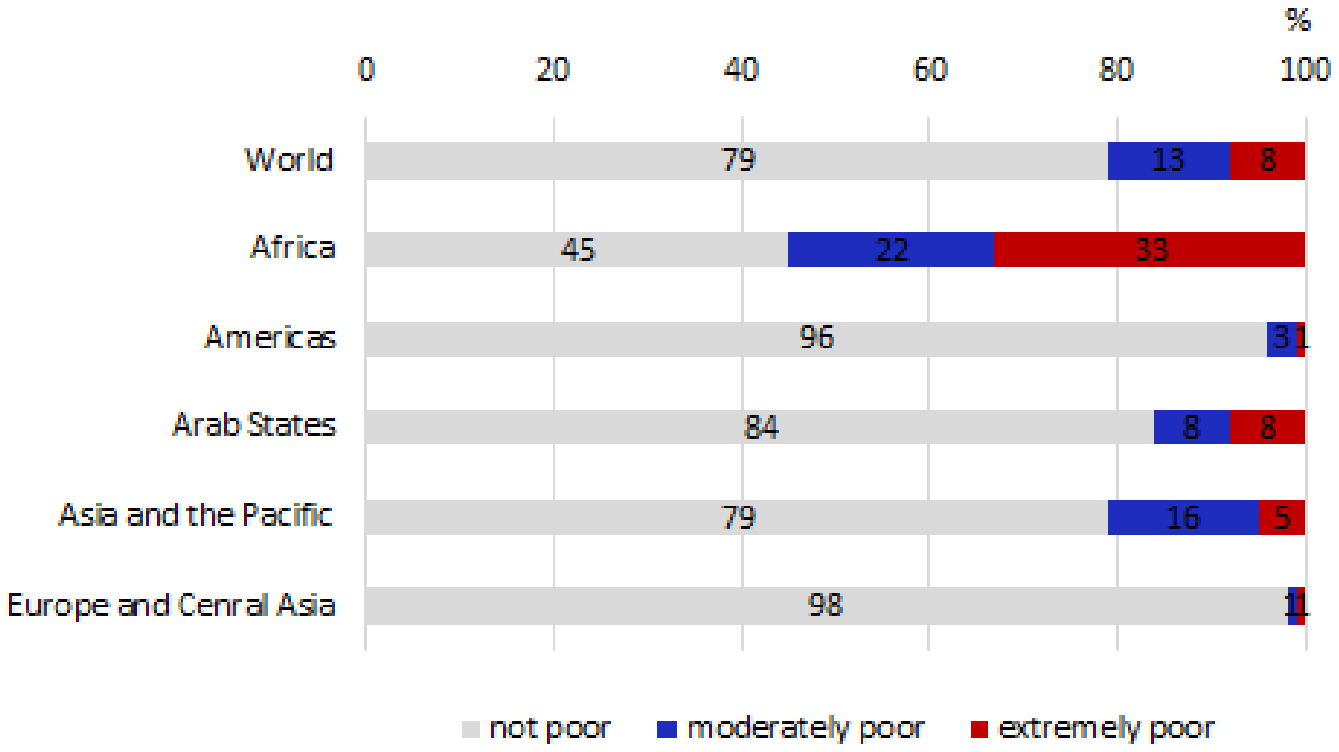


Labour income distribution by decile, 2017



Source: ILO modelled estimates 2017, ILOSTAT

Working poor in total employment, by region, 2018



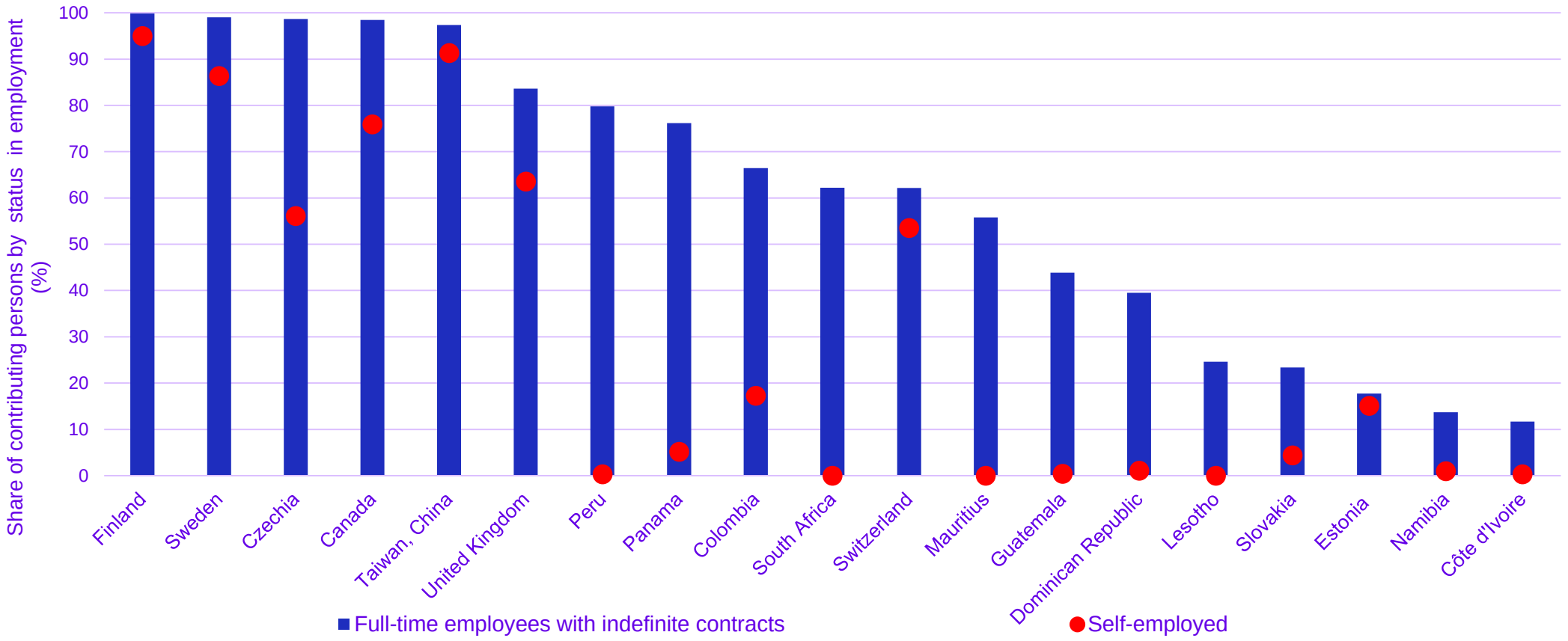
79% of all employed persons in the world did not live in poverty in 2018, while 13% were moderately poor and 8% were in extreme poverty

decrease in the past two decades, but progress was uneven across regions: most remarkable in Asia and the Pacific, where the working poverty rate was close to 5% in 2018, down from 33% in 2000. In Africa working poverty rate has also continuously decreased since 2000, when it stood at 47%, but this decrease was at a far slower pace

young workers find themselves in extreme poverty at higher rates than adult workers (14%)

Source: ILO modelled estimates 2018, ILOSTAT

Share of persons in employment who contribute to a social insurance scheme, by status in employment, selected countries, latest available year



Sources: ILO calculations based on Luxembourg Income Study (LIS) database (http://www.lisdatacenter.org, multiple countries; 2007–18) and national household surveys.

Share of men and women of working age contributing to a pension scheme and share of men and women of pensionable age receiving a pension (contributory and non-contributory), selected countries, latest available data

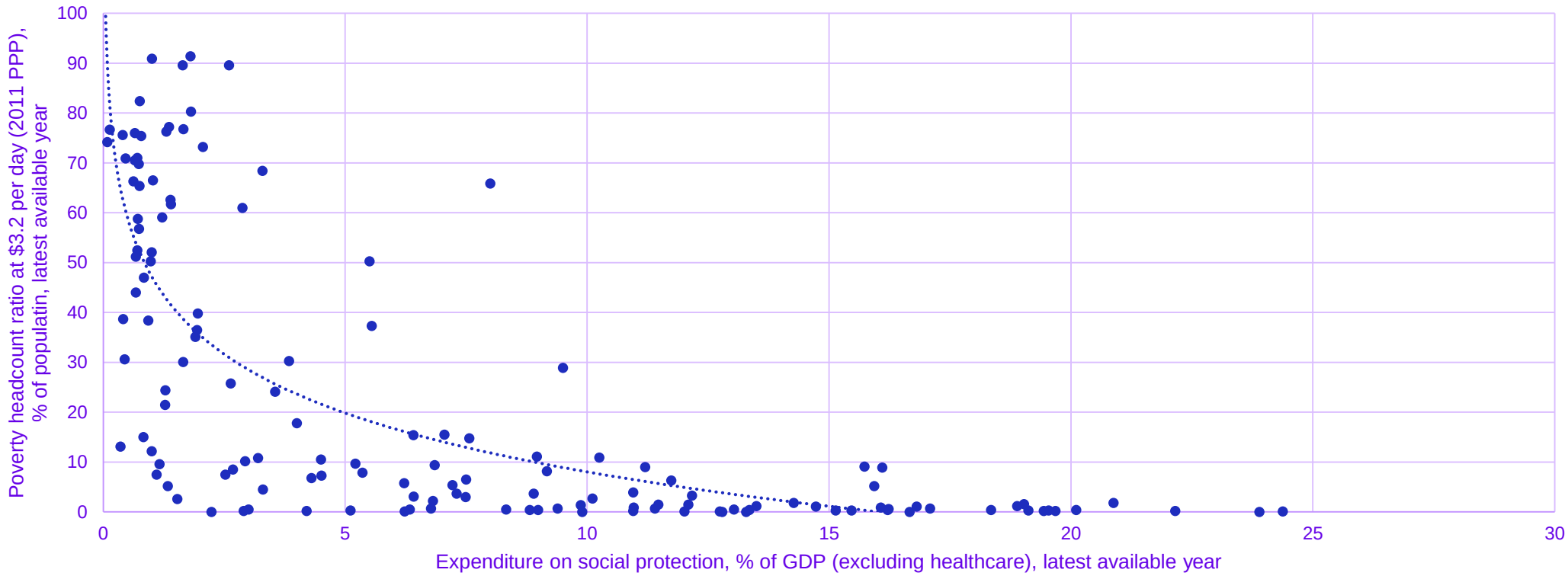
39% of men in working age contribute to pension scheme vs. 26% of women in working age.

In lower-middle-income countries 21% of men are covered compared to only 8.1% of women in working age.

In low-income countries 7% of men contribute vs only 3% of women

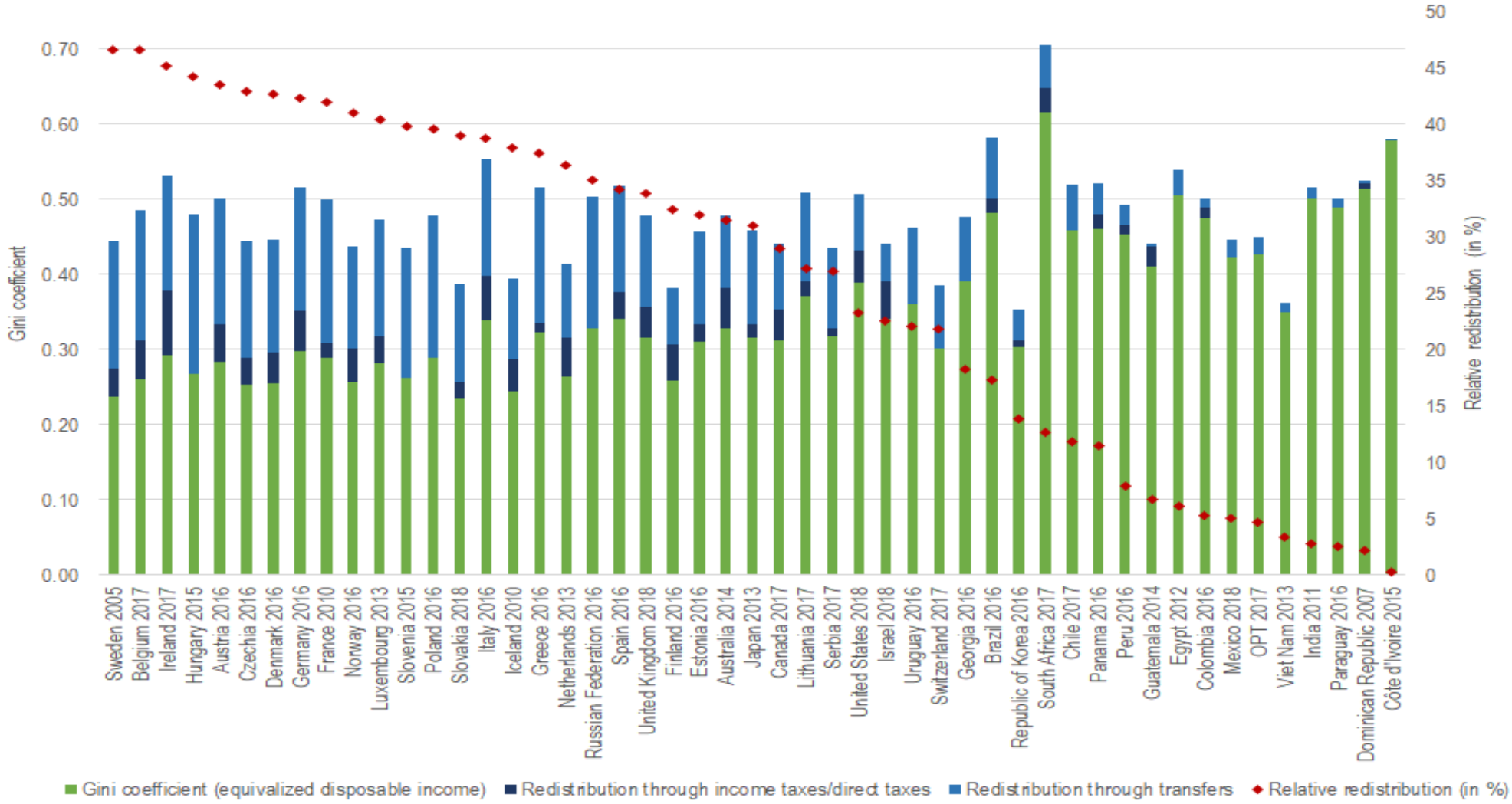
Source: ILO, World Social Protection Database, based on the SSI; ILOSTAT; national sources.
Note: Regional estimates are weighted by relevant population group.

Public social protection expenditure (excluding health), percentage of GDP, and poverty rates, 2020 or latest available year



Note: Data available for 140 countries.
Source: ILO, World Social Protection Database (data accessed in January 2021) and World Bank World Development Indicators (data accessed in January 2021).

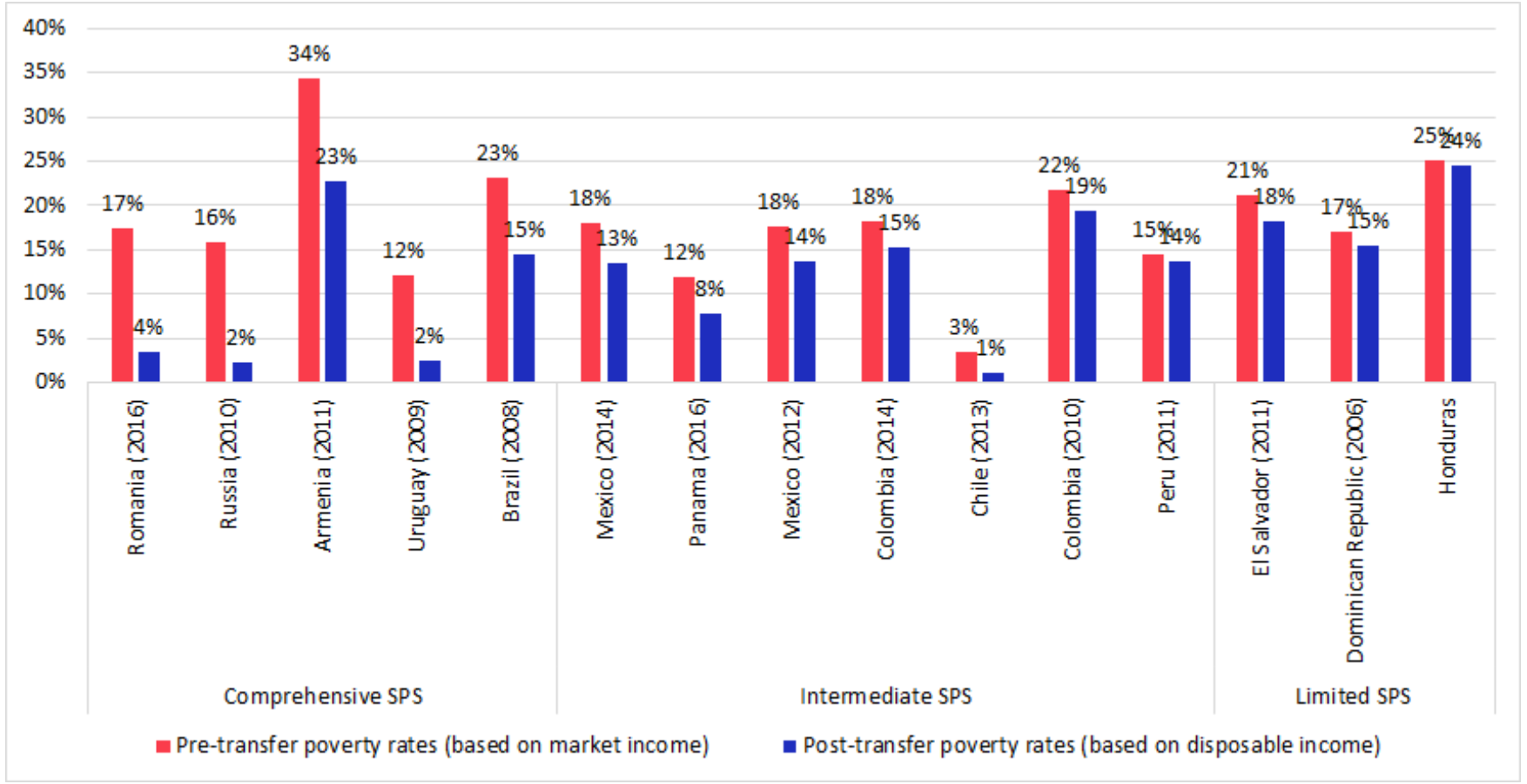
Reduction of inequality (Gini coefficient) through social security transfers and taxes in selected countries, latest available year



Notes: OPT = Occupied Palestinian Territory. For the following countries, income data are net of (income) taxes: Chile, Egypt, Georgia, Hungary, India, Côte d'Ivoire, Mexico, Paraguay, Russian Federation, Slovenia, Uruguay, Viet Nam. For France, Poland and OPT, data are mixed, that is, gross of income taxes but net of contributions, or vice versa. The Gini coefficient is calculated for the complete population. Relative redistribution is defined as the difference between the Gini values for market and disposable income divided by the Gini value for market inequality.

Source: ILO calculations based on Luxembourg Income Study (LIS) database (http://www.lisdatacenter.org), multiple countries, 2005–18.

Poverty rates (at $3.2 per day in 2011 PPP) before and after taxes and transfers, in percentage, selected countries



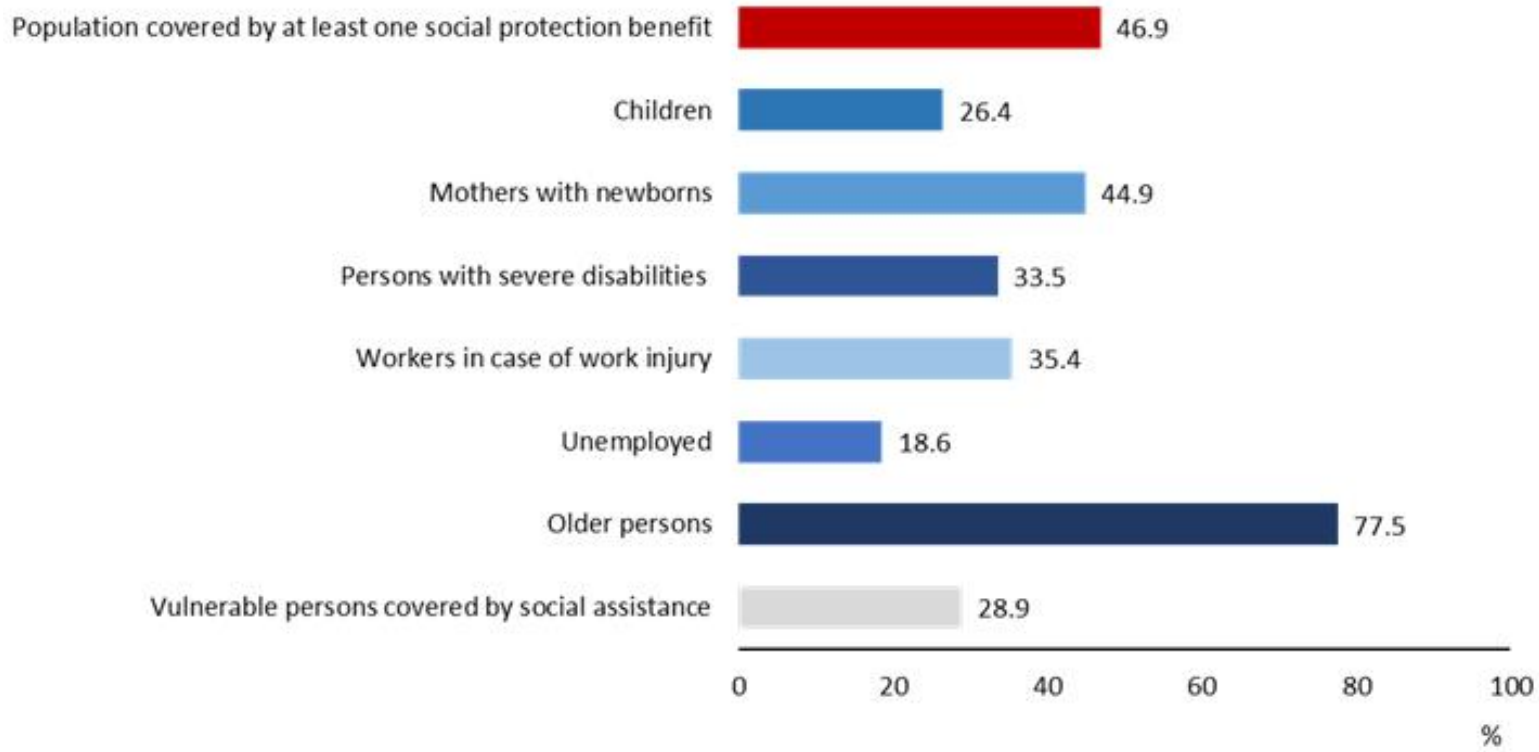
Source: Ocampo & Gómez-Areaga (2016); with updated figures based on CEQ Institute's Data Center on Fiscal Redistribution (15 May 2020 version).

SDG indicator 1.3.1: Effective social protection coverage, global estimates by population group, 2020 (% of the population group)

Only 46.9 per cent of the global population are effectively covered by at least one social protection benefit, while the remaining 53.1 per cent – as many as 4.1 billion people – are left unprotected.

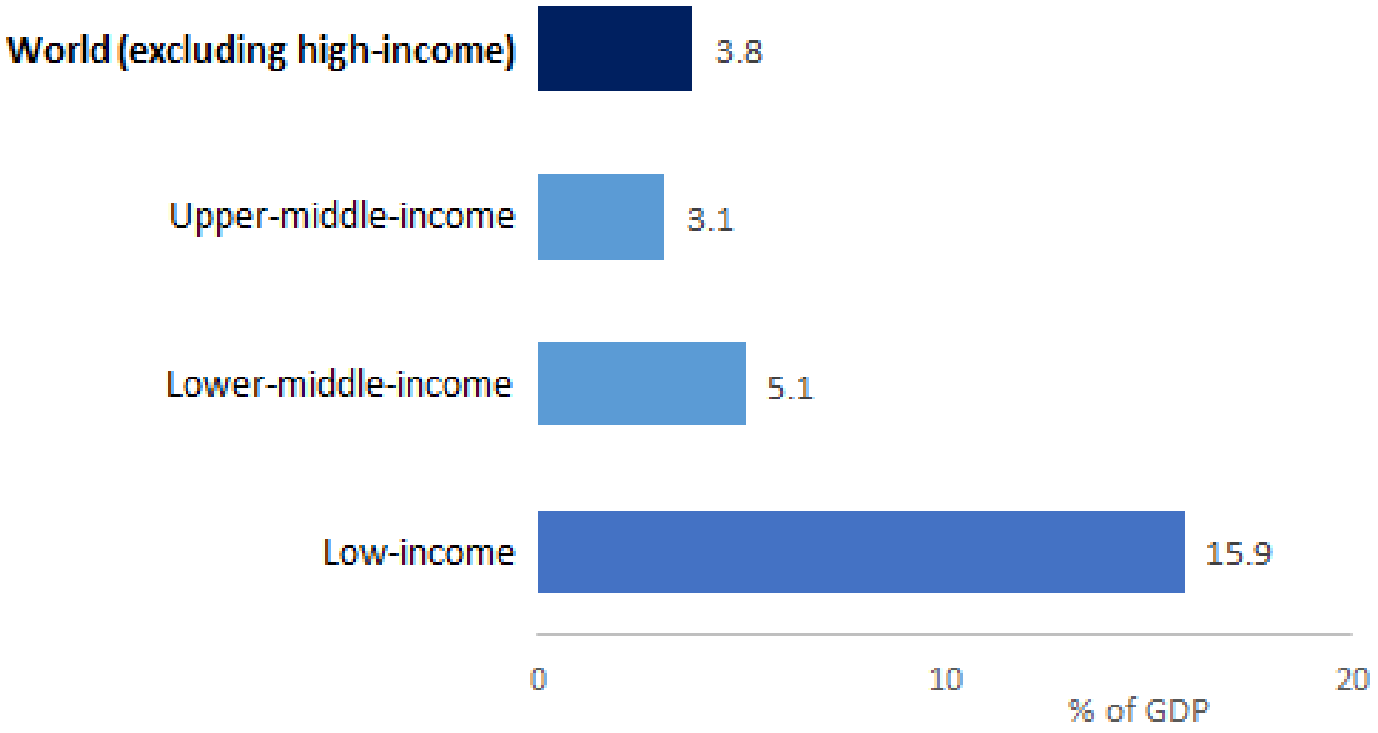
Some of the highest rates of coverage are seen for pregnant women and mothers of newborns, and older persons.

Coverage gap for unemployment protection remains above 80%.



Note: Regional estimates are weighted by relevant population group.
Source: ILO, World Social Protection Database, based on the SSI; ILOSTAT; national sources.

Annual financing gap to be closed in order to achieve SDG targets 1.3 and 3.8, by income level, 2020 (percentage of GDP)



- Low-income countries would need to invest an additional US$77.9 billion or 15.9% of their GDP to close the annual financing gap
- Lower-middle-income countries would need to invest an additional US$362.9 billion
- Upper-middle-income countries an extra US$750.8 billion
- Regionally, the relative financing gap is particularly high in Central and Western Asia, Northern Africa and sub-Saharan Africa

Sources: ILO, World Social Protection Database, based on the SSI; IMF; ECLAC; national sources;

Take-aways messages

- Extend social insurance coverage ... including to workers in the informal economy
- Address lacuna in social protection systems ... unemployment protection, sickness benefits
- Strengthen solidarity and gender-responsiveness of contributory pensions
- Sustain and increase investments in social protection systems ... Resist austerity

Sources of information and databases:

World Social Protection Data Dashboards https://www.social-protection.org/gimi/WSPDB.action?id=32

World Social Protection Report https://www.social-protection.org/gimi/RessourcePDF.action?id=54887

ILOSTAT https://ilostat.ilo.org/

Financing Gaps in Social Protection
https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---soc_sec/documents/publication/wcms_758705.pdf