Inputs on Social Protection from the International Labour Organization (ILO) for Workstream I of the Intergovernmental Negotiating Committee on the United Nations Framework Convention on International Tax Cooperation

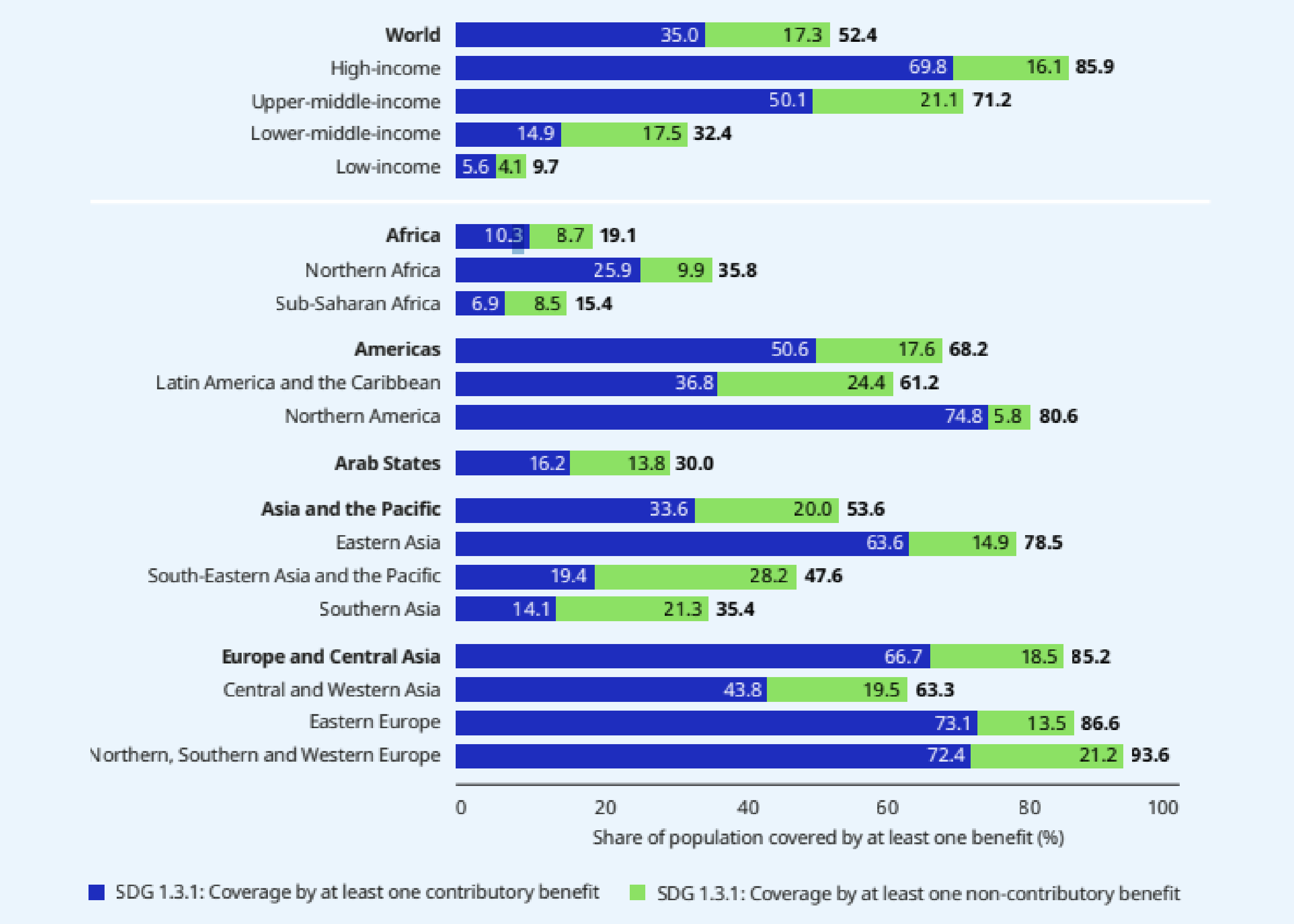
On 27th June 2025, the Intergovernmental Negotiating Committee (INC) on the United Nations Framework Convention on International Tax Cooperation called for written inputs from stakeholders and Member States regarding the Draft Issues Notes and overview produced through the inter-sessional work. The following **ILO input on social protection** contributes to **Workstream I: Framework Convention**.

Expanding social protection is essential for eradicating poverty, reducing inequalities, formalizing employment and enterprises, facilitating a just transition to a green economy and promoting gender equality.[1]

Research commissioned by the ILO demonstrates that **investing in social protection generates significant returns**—every dollar invested in social protection can increase GDP on average by 1.84 times within two and a half years.[2] This means social protection is not merely social spending; it is an economic investment that increases tax revenues and creates a virtuous cycle of inclusive growth.

Despite these benefits, today, **only 52.4 per cent of the global population is covered by at least one social protection benefit (SDG indicator 1.3.1)** with 35.0 per cent of the population covered by contributory social protection mechanisms, and 17.3 per cent by non-contributory mechanisms largely financed by taxes (Figure 1).

Figure 1. SDG indicator 1.3.1 on effective social protection coverage by at least one cash benefit, global, regional and income-level estimates for contributory and non-contributory benefits, 2023 (percentage)



Source: ILO 2024. World Social Protection Report 2024-26: Universal social protection for climate action and a just transition.

The social protection coverage gap is underpinned by systematic under-investment. **ILO estimations show that the annual average financing gap to achieve a social protection floor in developing countries accounts for 3.3 per cent of their GDP annually or US$1.4 trillion per year in absolute terms.** This global

[1] ILO 2024. World Social Protection Report 2024-26: Universal social protection for climate action and a just transition.
[2] Cardoso et al. 2023. The multiplier effects of government expenditures on social protection: A multi-country study

average masks significant disparities among countries. For example, in the case of Africa the financing gap is 17.6 per cent of the region's GDP per year.[3]

The **stagnation of the labour income share**, as well **the high incidence of informality**, **the large share of own-account workers** in many countries, and the ageing of populations pose additional challenges. Hence, contributory systems will not be able to close the social protection financing gap alone.[4] Therefore, there is an **urgent need to expand access to non-contributory benefits** such as universal pensions, child and family benefits, as well as public health services, and/or complement the social security contributions of workers with limited contributory capacity with tax financing. These benefits help to extend coverage to those who do not have sufficient contributory capacity such as low-paid self-employed workers, and they enable access to adequate old-age pensions for workers who do not have the required contributory history.

Expanding access to **non-contributory social protection** financed by taxes not only reduces inequalities and **strengthens the social contract** but also plays a key role in **formalizing labour and enterprises**. This, in turn, creates a **virtuous cycle by reinforcing both social protection systems and enhancing domestic revenue mobilization.** As the benefits of tax-financed social protection systems become more visible – such as improved human capabilities, social inclusion and economic security – public support grows, thereby encouraging the payment of personal and corporate income taxes and fostering greater participation in social insurance schemes. **Social insurance schemes and the related social security contributions are essential for financing social protection and reducing the reliance on tax-financed benefits.** These contributions create legal entitlements and should be considered a deferred wage and a social and economic investment.

The urgency of financing social protection is recognized by the outcome document of the 4th International Conference on Financing for Development, which positions **social protection** as central to inclusive development, urging countries to increase coverage by at least **two percentage points per year** (¶27i), and calls for **predictable financing of social protection**, especially in times of crisis, including within **IMF-supported programmes** (¶54h).

As highlighted in the FfD4 outcome document, countries should design their social protection systems based on **internationally agreed standards, such as ILO Recommendation No. 202 on Social Protection Floors and the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102).**

Building on ILO standards and on the FfD4 outcome document(¶27i), aiming to promote progressive extension of social protection coverage,

AND recognizing that social protection is not only a cornerstone of sustainable development, but also an investment that boosts economic dynamism and GDP,

the ILO recommends that the Framework Convention include a dedicated paragraph, which calls for the progressive extension of coverage of social protection systems, including floors to all in line with International Labour Organization conventions and recommendations, as well as intergovernmentally agreed standards and commitments.

This paragraph should also clarify that the social protection coverage extension must be financed through the gradual mobilization of additional domestic resources, such as tax revenues and social security contributions, generated by implementing the principles set out in the United Nations Framework Convention on International Tax Cooperation.

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[3] Cattaneo, U., Schwarzer, H., Razavi, S., Visentin, A. 2024. Financing gap for universal social protection: Global, regional and national estimates and strategies for creating fiscal space, ILO Working Paper 113 (Geneva, ILO).
[4] ILO and OECD 2025. Policy measures to address inequalities and increase the labour income share. Paper prepared under South Africa's G20 Presidency ; Razavi, S., Cattaneo, U., Schwarzer, H., Visentin, A. 2024. Combating inequalities: what role for universal social protection?, ILO Working Paper 128 (Geneva, ILO).