PATHWAYS' PERSPECTIVES

ON SOCIAL POLICY IN INTERNATIONAL DEVELOPMENT

CONTINUING THE DEBATE: A RESPONSE TO THE ILO'S DEFENCE OF THEIR SOCIAL SECURITY FINANCING ESTIMATES

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ISSUE NO. 36
MAY 2025

DEVELOPMENT PATHWAYS

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Summary

In March 2025, we published a critique of the ILO's estimates of the cost of covering the financing gap for universal social security across low- and middle-income countries, which had been set out in a paper by Cattaneo et al (2024) and repeated in the World Social Protection Report 2024-26. In April 2025, the ILO responded to our critique, defending their methodology and expressing full confidence in their results.

In this paper, we highlight issues with the ILO's justification of its methodology. We maintain that the ILO's estimate that it would cost 19.8 per cent of cumulative GDP to finance the coverage gap in low-income countries is incorrect and that the true cost would be much lower. We further describe how the ILO's methodology has resulted in unreliable results not only across low-income countries, but middle-income countries also. Consequently, the ILO's estimate that it would cost only 1.3 per cent of cumulative GDP to fill the coverage gap across all low- and middle-income countries is, therefore, also flawed (but this time the cost is too low). We continue to advise against using the results from Cattaneo et al (2024), including in the 4th International Conference on Financing for Development (FfD4).

Nonetheless, we are very supportive of the work of the ILO and have enjoyed our collaboration with them over the years. We trust this collaboration will continue. We would certainly be happy to work with the ILO to further develop their methodology

1 Introduction

We recently published a critique of the ILO's estimate of the cost of closing the global social security gap, which was set out in Cattaneo et al (2024). The ILO has recently responded to our critique—which we will call ILO (2025)—offering a staunch defence of their costings and re-affirming their belief that it would require 19.8 per cent of combined GDP to cover the social security gap in low-income countries, which we had argued was a significant exaggeration.

We welcome the debate and the response from the ILO (2025). We believe it is positive to have a healthy culture of contestation, where different views can be expressed to help refine arguments and thinking. We would encourage dialogue that enhances the quality of evidence-based decision-making in pursuit of the goal we share with the ILO of ensuring access of everyone to social security.

Before we examine the ILO's (2025) defence in more detail, we would like to clarify that, when writing our original critique, we were already aware of the ILO's arguments. Prior to publishing, we had communicated with the ILO, explaining the challenges with their methodology. They provided us with the same defence that we find in ILO (2025), which did not convince us. After offering to meet with us to discuss their methodology—which we accepted—they subsequently withdrew their

invitation. We decided to write our critique only when we realised that the ILO were persisting in using Cattaneo et al's (2024) calculations in public fora—especially in the context of the 4th International Conference on Financing for Development (FfD4)—even though they were aware of the methodological issues. It was a decision not taken lightly.

Let's look at the ILO's (2025) defence of their costings in more detail.

2 Is 19.8 per cent of GDP a reasonable cost estimate for low-income countries?

As part of their defence, the ILO (2025) point to European Union countries allegedly spending over 20 per cent of GDP on their social security systems, arguing that this means that the cost of 19.8 per cent of GDP across low-income countries is reasonable. This is a misleading comparison since it conflates very different systems and contexts. In those European Union countries spending more than 20 per cent of GDP on social security, most comprise poorly designed social insurance schemes offering high value contributory pensions not only to older people but also to many early retirees. Yet, the aim of the Cattaneo et al (2024) study was not to calculate the potential cost of similar poorly designed systems in low- and middle-income countries. Instead, Cattaneo et al (2024) were attempting to calculate the cost of providing **minimum value** lifecycle social security schemes—financed from general government revenues—to ensure universal coverage. They were not including contributory schemes. If the cost of similar minimum-level benefits financed by general government revenues in the European Union were calculated, the cost would be considerably less than 20 per cent of GDP. The ILO's (2025) comparison of European countries with low-income countries is, therefore, erroneous. It is also inconsistent with their approach to many middle-income countries where they estimated coverage costs that were far too low (see Box 1).

Box 1: The ILO's inconsistent approach to middle-income countries

As we pointed out in our critique—and discuss further in Section 4 below—in some middle-income countries, the ILO's estimates of financing the social security coverage gap were very low, none more so than in China where they estimated the cost at a mere 0.2 per cent of GDP. This begs the question, therefore, that if the ILO believe that a cost of 20 per cent of GDP for universal social security is 'normal', why they did not question their very low costs in these middle-income countries. As we note below, these low costs distorted their estimate of the global cost of closing the coverage gap, which they set at a mere 1.3 per cent of GDP, which is too low. (We would, though, like to clarify that a cost of 20 per cent of GDP is far too high: effective and comprehensive universal social security can be delivered for much less than this and, indeed, in many high-income countries, social security systems are much cheaper than 20 per cent of GDP).

3 Cattaneo et al's (2024) use of national poverty lines to calculate benefit values

A key aspect of our critique of Cattaneo et al's (2024) costings was their use—in most cases—of national poverty lines to set transfer values and the challenges they faced in updating these transfer values to 2024 levels. At the heart of the ILO's (2025) defence is the claim, on page 1, that the ILO's Social Protection Floors Recommendation 2012/202 "*clearly states that benefits should be set according to national poverty lines.*" An eagle-eyed reader of ILO (2025) will, though, see that this

statement does not reflect the intent and flexibility suggested in Recommendation 202. Later in their paper, the ILO (2025) quote Recommendation 202: *"Nationally defined minimum levels of income may correspond to the monetary value of a set of necessary goods and services, national poverty lines, income thresholds for social assistance or other comparable thresholds established by national law or practice, and may take into account regional differences."* Therefore, Recommendation 202 does not mandate that national poverty lines be used to determine transfer values. Rather, national poverty lines are merely one option among many.

The key point made in Recommendation 202 is that transfer values should be **nationally defined**. Therefore, by setting transfer values without consulting national governments, Cattaneo et al (2024) have not aligned to Recommendation 202. In fact, even when States have, themselves, defined transfer values Cattaneo et al (2024) have not used them. For example, as we noted in our critique, while the Government of Sierra Leone determined in its National Social Protection Strategy that its tax-financed old age pension should have an annual transfer value of US$144, Cattaneo et al (2024) used US$623 in their calculations, resulting in an unrealistically high financing gap of almost 21 per cent of GDP.

As we noted in our critique, using national poverty lines to determine transfer values in a comparative study, where the aim is to estimate the global cost of guaranteeing a minimum standard of living, is problematic. Countries use different methodologies to determine their national poverty lines and, as a result, poverty lines are a somewhat arbitrary measure to use in a global comparison of the costs of financing universal social security. For example, as highlighted on page 3 of ILO (2025), Uganda uses per capita daily consumption of 3,000 kcal to determine its food poverty line, while Kenya uses 2,250 kcal. This is a relatively arbitrary choice since no-one thinks that Ugandans need to consume more than Kenyans. Yet, these choices in methodology result in national poverty lines being very different regarding the standards of living they set for citizens across countries. As we explained in our critique, Cattaneo et al (2024) used poverty lines for some low-income countries that were even above the international poverty line for lower middle-income countries. It is, therefore, unsurprising that Cattaneo et al (2024) calculated high costs for some countries.

Further, as countries become richer, poverty lines should rise, or else they can be set at too low a value and become unhelpful in monitoring poverty. Cattaneo et al (2024) faced this problem when they set transfer values for some South-East Asian countries. For example, Indonesia still uses the poverty line set when it was a much poorer country, and it is no longer appropriate for an upper middle-income country. Yet, successive governments have not raised the poverty line, likely because they have been understandably worried that they would be accused of increasing poverty. As a result, Cattaneo et al's (2024) suggested transfer values were too low in Indonesia, which explains why the paper proposed an unrealistically low cost of 1 per cent of GDP to cover the coverage gap in Indonesia.

In a range of countries, Cattaneo et al (2024) also faced significant challenges in adjusting transfer values to 2024 levels. ILO (2025) explains how they undertook these adjustments but does not acknowledge the challenge of doing this in countries where poverty lines were set many years ago,

in particular in those countries with high inflation and/or unreliable data. It is in many of these countries—such as Afghanistan, DRC, Eritrea, Somalia and Yemen—that Cattaneo et al (2024) calculated the highest costs. In fact, the ILO's (2025) explanation—on page 6—of how it adjusted the poverty line in Sudan during a period of humanitarian crisis omits three important factors: the economy collapsed from US$1,680 GDP per capita in 2015 to US$606 in 2024; the consumer price index in Sudan—given the immense challenges the country is facing—is highly unlikely to be reliable; and, the very significant change in the exchange rate between the US dollar and the national currency in Sudan since 2015.

Many would find the ILO's (2025) defence of the national poverty line for Sudan—as calculated by Cattaneo et al (2024) at US$5,599 per year in 2024—problematic, especially as it is around 10 times higher than Sudan's GDP per capita. The ILO (2025) even insist that it is correct that Sudan must have a higher poverty line than Bulgaria (and, indeed, many other much richer countries). They recognise that Sudan is an outlier but, nonetheless, continue to include it in their global calculations, thereby distorting their overall figures (as we pointed out in our critique, if Sudan were removed from Cattaneo et al's (2024) calculations, the cost of providing universal social security in low-income countries would halve). One only has to compare Cattaneo et al's (2024) calculation of the poverty line in Sudan with its neighbour South Sudan to understand the challenge. While Sudan's GDP per capita is around double that of South Sudan—at US$606 compared to US$304—Cattaneo et al (2024) estimate that the poverty line in Sudan is nearly 40 times higher than that of South Sudan (at US$5,599 compared to US$144). Imagine the cost of providing emergency assistance in Sudan if a basic minimum package for each adult were valued US$5,599 per year!

4 The arbitrariness of the costings in Cattaneo et al (2024)

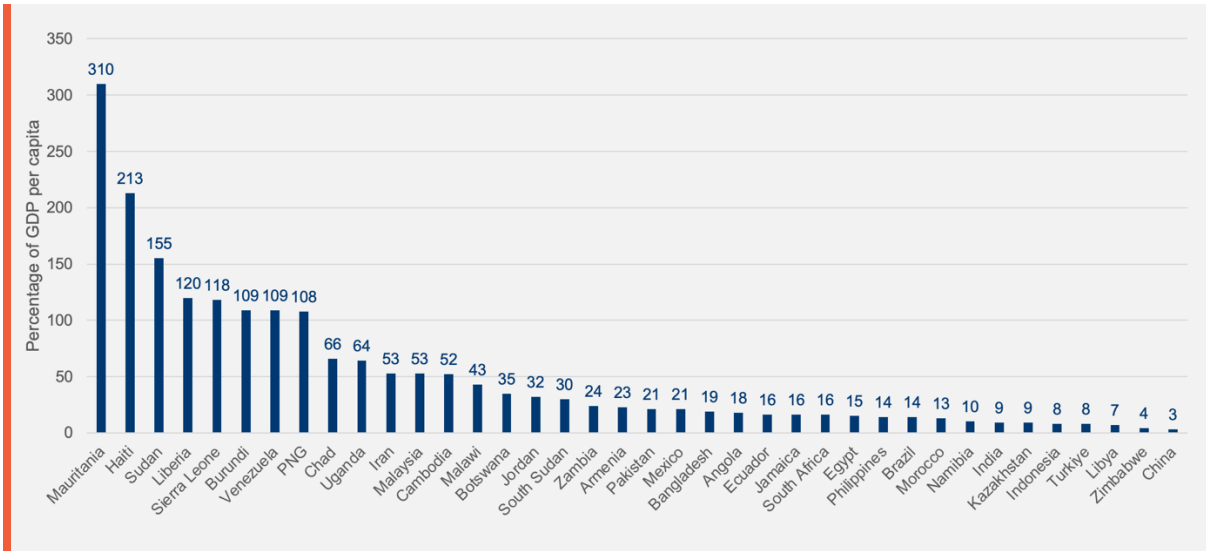
The ILO (2025) misunderstood a key component of our critique, claiming incorrectly—on page 7—that we wanted to bring down the cost of their financing gap estimates. While we were concerned that the combined cost of 19.8 per cent of GDP to fill the coverage gap in low-income countries was excessively high, we were also worried about the apparently arbitrary nature of Cattaneo et al's (2024) costings across many other countries. In addition to Indonesia—which we discussed above—Cattaneo et al (2024) calculated costs that were too low in a number of countries, no more so than in China where it estimated that it would cost only 0.2 per cent of GDP to fill the coverage gap. This was the result of Cattaneo et al (2024) setting their transfer values in line with that of an unnamed social assistance programme that, evidently, had a very low transfer value of US$338 per year (or just 3 per cent of GDP per capita). This value was too low to be appropriate for estimating the costs of building effective universal lifecycle schemes in an upper middle-income country like China. Indeed, as we showed, it was much lower than the value proposed by Cattaneo et al (2024) in many low-income countries.

The consequence of Cattaneo et al (2024) producing low costs to bridge the coverage gap in a range of countries with high populations—in particular China and India—is that the global cost they calculated for all low- and middle-income countries was underestimated. Cattaneo et al (2024) estimated that the global cost would be a mere 1.3 per cent of combined GDP, which could lead to

complacency in global efforts to build effective social security floors in all countries. The true cost would be higher than this.

The unreliability of Cattaneo et al's (2024) financing gap estimates can be illustrated by converting their proposed transfer values into a percentage of countries' GDP per capita, as illustrated by Figure 4-1 (which examines Cattaneo et al's suggested benefit values for adults, including old age pensions). Bear in mind that the median value of universal coverage, tax-financed old pensions in low- and middle-income countries is around 20 per cent of GDP per capita.[1] The highest value we have found anywhere among real tax-financed old age pensions is 51 per cent of GDP per capita, in Kiribati. Yet, many of the transfer values set by Cattaneo et al (2024) were above 50 per cent of GDP per capita and some even above 100 per cent of GDP per capita, rising to 155 per cent in Sudan, 213 per cent in Haiti and as high as 310 per cent in Mauritania. These are unheard of values globally, yet Cattaneo et al (2024) nonetheless used them.

Figure 4-1: Cattaneo et al's (2024) transfer values for old age pensions expressed as a percentage of GDP per capita across a selection of countries



Source: Kidd et al (2025).

At the other end of the scale, Cattaneo et al (2024) used some very low transfer values for old age pensions and other adult benefits, not least 3 per cent of GDP per capita in China, 4 per cent in Zimbabwe, 7 per cent in Libya, 8 per cent in Indonesia and 9 per cent in India. These low values—especially in China and other high population Asian countries—were, as mentioned above, the cause of Cattaneo et al's (2024) low global cost of 1.3 per cent of GDP to bridge the social security coverage gap.

[1] See Kidd et al (2025).

In fact, the value used by Cattaneo et al (2024) in China, at 3 per cent of GDP per capita, was 100 times smaller than the 310 per cent of GDP used in Mauritania, a striking illustration of the inconsistencies in their underlying methodology.

The ILO (2025) state—on page 4—that the approach they used was *"crucial to ensure comparability and coherence in a study of global scope."* Unfortunately, the arbitrariness of Cattaneo et al's (2024) transfer values has meant that their results are neither comparable nor coherent. If this were their aim, it would have been better if they had used a consistent measure such as international poverty lines or GDP per capita (see below).

5 The ILO's justification for not costing benefits in some countries

In some countries Cattaneo et al (2024) did not calculate the costs of providing some benefits, thereby underestimating the cost of covering the social security gap. In the case of Uganda, for example, while Cattaneo et al (2024) calculated a cost of only 2.1 per cent of GDP to bridge the coverage gap, this was because they had not calculated costs for children and persons with disabilities. We estimated the cost using Cattaneo et al's (2024) methodology and found it to be 10.8 per cent of GDP.

The ILO's (2025) explanation for not calculating the costs of some benefits was because they did not have reliable coverage data. They even state that it *"remains unclear"* how we managed to calculate the cost of 10.8 per cent of GDP in Uganda. The answer is that we have worked in Uganda for many years and investigated the coverage gap: there are no child or disability benefits in Uganda. We would encourage the ILO to undertake similar research in countries where they still have missing data information on coverage gaps.

6 The ILO's explanation for using the incorrect poverty line in Uganda

In our paper, we pointed out that Cattaneo et al (2024) used the wrong poverty line in Uganda. They used a poverty line of US$1.77 per day and did not realise that this was the poverty line expressed in purchasing power parity terms. Therefore, they should have adjusted it to nominal dollar values. This would have given a poverty line of US$0.62 per day and would have reduced the ILO's costs for Uganda by around two-thirds.

The ILO (2025) explain, on page 9, that they could not have known that they used the wrong national poverty line in Uganda. Yet, we realised the error by examining the report used by Cattaneo et al (2024) in which the poverty line was set out and cross-checked it with our knowledge of poverty in Uganda.

As we noted in our original paper, we did not dig further into Cattaneo et al's (2024) data sources and it is possible that they have made other mistakes beyond Uganda, which will have influenced their results. We recommend that they undertake a thorough review.

7 The ILO's critique of our costings

In our critique of Cattaneo et al (2024), we undertook some rapid costings in 10 low-income countries to provide a comparison with Cattaneo et al's (2024) costs. We used values that were slightly below the median values of universal coverage benefits in low- and middle-income countries, when measured as a percentage of GDP per capita. The ILO (2025) made a number of critiques of our methodology, some of which we discuss below.

The ILO (2025) state that our use of GDP per capita to determine transfer values is not valid and is a methodology that they stopped using a number of years ago. We recognise that setting transfer values in line with median values globally, when measured as a percentage of GDP per capita, is not perfect. Indeed, no methodology is. However, it does give consistent and coherent results, which Cattaneo et al (2024) did not achieve with their use of national poverty lines (see Figure 4-1). Further, it is aligned to the capability of countries to finance the benefits and, as such, provides much more realistic results than Cattaneo et al's (2024) methodology. It is also consistent with a rights approach in that it gives costs that States can realistically cover with their own resources, as long as schemes are introduced gradually. And, as the wealth of countries increases, so too will the transfer values within countries, with the right to social security for all being progressively realised.

The ILO (2025) argue that using the global median of transfers values as measured by GDP per capita can result in low transfer values. They use the most extreme example to illustrate their point: they state that in Burundi—probably the poorest country in the world— that the transfer value for an old age pension using our methodology would be only US$34.50 per year (although, if the IMF data for 2024 is used, the value would be US$48 per year). Undoubtedly, this appears low although, when adjusted in terms of purchasing power parity, the relative value would be $114 PPP per year. The Government of Burundi could, of course, choose to provide more than this. However, in such a poor country, US$48 per year would still be important for older people and other adults, many of whom will have had little cash throughout their lives. And, over time, the value could increase. Importantly, it is a value that Burundi could realistically provide, which is not the case with the annual transfer value of US$365 suggested by Cattaneo et al (2024), (which, in turn, is higher than the value they propose for China).

The ILO's (2025) concern with low transfer values did not, though, apply to Cattaneo et al's (2024) methodology. In India, for example, many people already receive a state old age pension. Its value is only US$30 per year for those aged 60-79 years, much lower than the pension value that our methodology would offer to older people in Burundi. Given that Cattaneo et al's (2024) methodology does not increase transfer values for those who already have benefits, under their methodology many Indians would continue to receive US$30 per year, despite India being a much wealthier country than Burundi. To be consistent, the ILO's (2025) concern with low transfer values should also have applied to Cattaneo et al's (2024) methodology. We note, however, that the ILO (2025) does now recognise this failing in their methodology.

The ILO (2025) state that, since we undertook costings in only 10 countries, our results were not representative. We would fully agree with this comment if our intention had been to estimate the cost of closing the coverage gap globally. Instead, we undertook these back of the envelope calculations merely to provide a counterpoint to Cattaneo et al's (2024) costings in low-income countries: they were not meant to be representative. Nonetheless, we plan to undertake estimates of the indicative costs of building lifecycle social security system across all countries, and we will happily share these results with the ILO.

The ILO (2025) state that, in our costings, we did not account for the existing coverage of schemes in countries. This is incorrect: we deliberately chose countries where coverage across all types of schemes was negligible. The ILO (2025) give the example of Togo where they claim that the coverage of children by social security benefits is 74.5 per cent and infer that we should have accounted for this. It is worth noting that we did not produce costings for Togo, so the reason for this criticism is unclear. However, if we had calculated costs for Togo, we would not have used the ILO's (2025) figure of 74.5 per cent. We are currently working in Togo and have tried to find the child benefits referred to by the ILO (2025), without success. We have been informed that the only programmes for children are school meals and health insurance. These are not social security benefits. This error points to a potential challenge with the reliability of ILO data more broadly (see Box 2).

Box 2: The broader challenge of potentially unreliable ILO data

Challenges with the accuracy of ILO data go beyond their coverage figures. A cursory examination of the ILO's data on social security schemes indicates that inaccuracies and errors are not uncommon. For example, while the ILO World Social Protection Report 2024-26 states, on page 297, that 100 per cent of older people in Namibia receive a tax-financed old age pension—which is correct—on page 312, the ILO also state that Namibia spends zero per cent of GDP on pensions. Yet, the correct amount spent by Namibia on its tax-financed old age pension is, in fact, just over 1 per cent of GDP. Further, the ILO claims that Namibia spends 5.2 per cent of GDP on benefits for children—an enormous amount—when, instead, the child benefit in Namibia is quite small, costing around 0.3 per cent of GDP.

There are many other examples of unreliable ILO data on social security, too many to go into in this short note. This is why Development Pathways prefers to undertake its own research on national schemes, using national administrative data, rather than rely on the ILO's data (or the World Bank's, for that matter). Others have also expressed their concerns: for example, see here and here.

We trust that the ILO will update and correct all their data before the release of the next edition of the World Social Protection Report since many people rely on it.

8 Conclusion

While it is understandable that the ILO would wish to defend Cattaneo et al's (2024) calculations of the cost of covering the global gap in social security coverage, sometimes revisiting and revising estimates may be more constructive than maintaining a position that is difficult to justify. The ILO's estimate that it would cost 19.8 per cent of cumulative GDP to close the social security coverage gap in low-income countries is clearly an exaggeration and the true cost is much lower. Indeed, they do

not challenge our finding that half of this cost comprises the cost of covering the gap in Sudan. While Cattaneo et al's (2024) figure has caused some people to believe that universal social security is impossible to achieve in low-income countries, we maintain our assertion that it is perfectly feasible to build universal social security systems in low-income countries, especially if they are introduced over time. While there are many challenges to overcome if effective social security systems are to be built in low-income countries—including persuading some international agencies to stop their advocacy of unpopular, pro-rich poverty benefits[2]—it is incorrect to say that finances are an insurmountable barrier. Rather, the focus should be on supporting governments to build their own comprehensive social security systems.

Cattaneo et al's (2024) costings of the global financing gap also suffer from arbitrariness. While their costings are reasonable in many countries, in others they are either too high or too low. As such they are unreliable. We would, therefore, advise that they are not used in global policy discussions. The ILO (2025) note that they were asked to produce their costings for the 4th International Conference on Financing for Development (FfD4). We would suggest that the FfD4 exercise caution when using the ILO's costings and seek additional sources of reliable information.

Nonetheless, we would like to stress that we admire much of the work undertaken by the ILO and have enjoyed our collaboration with them over the years. We hope to continue our collaboration as we move forward in our joint mission to build universal social security systems globally. We are certainly happy to support the ILO in revising their methodology, if they wish to reach out. As mentioned earlier, we are currently undertaking our own study on the financing gap for universal social security, and we will share these results as soon as we have them.

[2] Poverty benefits are pro-rich because they mean that the rich pay lower taxes than under a system of universal benefits. Therefore, when both transfers and taxation to pay for the transfers are taken into account, the rich are much better off under a system of poverty benefits (see Kidd et al 2022).

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