

ENUGU FORUM POLICY PAPER 11

**DEBATING POLICY OPTIONS
FOR NATIONAL DEVELOPMENT**

**Towards Sustainable
Social Security in Nigeria**



AFRICAN INSTITUTE FOR APPLIED ECONOMICS

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Towards a Sustainable Social Security in Nigeria

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List of Acronyms and Abbreviations

GNP	Gross National Product
HPI	Human Poverty Index
FGN	Federal Government Nigeria
NPF	National Provident Fund
UAC	United Africa Company
PenCom	National Pension Commission
PFCs	Pension Fund Custodians
PFAs	Pension Fund Administrators
COLA	Cost of Living Adjustment
WDI	World Development Indicators
NSITF	National Social Insurance Trust Fund
NGOs	Non Governmental Organisations
SOW	School-On-Wheel
EDP	Entrepreneurship Development Programme
SYOB	Start Your Own Business
BBT	Basic Business Training
GAT	Graduate Attachment Programme
EBTS	Environmental Beautification Training Scheme
REP	Rural Employment Promotion
RADTS	Rural Agricultural Development and Training Scheme
ASTC	Agricultural Skills Training Centre
NDE	National Directorate of Employment
WEB	Women Employment Branch
NHIS	National Health Insurance Scheme
NGOs	Non Governmental Organizations
NAPEP	National Poverty Alleviation Programme
PFN	Pentecostal Fellowship of Nigeria
CAN	Christian Association of Nigeria

About Enugu Forum

Introduction

Opening new spaces for domestic policy dialogue is one of the most important potential gains of democratic governance. Democratic space creates public policy arena in which government can be engaged by private sector and civil society on what it is doing or not doing, and hence be pressured to perform. Since the return to democratic rule in 1999, there has been an upsurge of private sector and civil society engagement with governments on economic policy and development issues. But, the upsurge of civic advocacy on economic and development issues has not been matched with commensurate improvements in the quality of debates on policy alternatives and roadmaps for national development.

ENUGU FORUM is intended to provide a civic arena for proposing and debating policy alternatives and roadmaps towards social, economic and political progress of the country. It is hoped that the FORUM will foster interaction between government and non-state actors towards good governance, accountability and participatory democracy.

Identity and Mission

Enugu Forum is a civic platform devoted to intellectual conversation and of policy issues affecting the growth and development of the country. It was founded in 2001 to promote informed and credible avenues of stakeholder dialogue and policy advocacy. It seeks to improve the policy process through high quality debate and non-partisan discourse of alternative solutions to contemporary development questions.

The Forum deploys both intellectual and empirical insight to nurture a shared understanding and objective scrutiny of policy issues on social, economic and political development of the country.

Activities

Enugu Forum's activities take several forms:

- Public Lectures
- Seminars
- Workshops
- Conferences
- Roundtables

The activities bring together diverse stakeholders including government officials, private sector operators, independent think-pots and civil society to exchange and

constructively critique perspectives and experiences on critical policy imperatives. Attendance is by formal invitation.

Outputs

The outputs of the Forum's activities take the form of communiqué outlining key outcomes of discussions, conclusions and recommendations. The presentations and proceedings are further developed into Occasional Papers, Working Papers or Policy Briefs widely circulated to inform, sensitise and enlighten stakeholders.

Structure and Organisation

Enugu Forum is structured into a Steering Committee, a Coordinating Committee and the General Members. The Steering Committee governs the Forum through guides and policies agreed in consultation with the General Members. The Coordinating Committee executes the activities and programmes.

Membership

There are two classes of membership: individual and corporate. The Forums' activities are open and can be attended by all interested persons but formal invitations are issued to members and designated guests only. To be a member, one needs to register in the appropriate category. Registration can be done during the Forum's events, or at the Host Organisation - African Institute for Applied Economics, Enugu.

Sponsorship

Ownership of the Forum resides in the members. It is run on the goodwill contributions from corporate bodies and individuals. Sponsorship includes provision of venue, refreshments, logistics and facilitation of Guest Speakers and Resource Persons.

Host Institution

The Enugu Forum is hosted by the African Institute for Applied Economics (AIAE) Enugu. AIAE is a non-governmental, not-for-profit and independent organization devoted to economic policy research towards promoting evidence-based decision making.

Enugu Forum Policy Papers

Enugu Forum Policy Paper Series publishes the proceedings and outcomes of workshops, conferences, seminars or public lectures held by the Enugu Forum. The Series provides documentation of the topical presentations, debate, comments and perhaps consensus/communiqué of the Forum. It is intended to disseminate the Forum's intellectual discourse to a wider audience. The essence is to stimulate broader policy debate, promote multi-perspective dialogue and shared understanding of policy options. Enugu Forum Policy Papers constitute an advocacy instrument to canvass alternative development solutions and policy roadmaps, for the overall purpose of enriching the policy discourse in the country. The Series also draws attention of government, private sector and civil society to salient dimensions of contemporary development challenges in Nigeria.

INTRODUCTION

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The Enugu Forum is a civic platform for informed debates as well as canvass policy options for growth and development in the country. The forum which started in 2001 is facilitated by the African Institute for Applied Economics (AIAE). In line with its mission to promote evidenced-based policies, the forum provides a platform for discussion of policy issues not just what an individual thinks but evidenced based research effort. The unique value for public debate is that it discusses policy issues from evidence-based perspectives, not based on mere thoughts, imaginations or speculative thinking. The forum comprises civil society organizations, private sector organizations, government, technocrats and academia.

The October 2009 session of the forum is titled “Towards a Sustainable Social Security in Nigeria”.

The Rationale for the Choice of the Theme

The Universal Declaration of Human Rights and the International Covenant on Economic Social and Cultural Rights recognize the right to social security for everyone. Hence, social security is a topical issue that affects everyone in the society. The choice of the topic was informed by need to bring about better understanding of the social security system in the country with a view to identifying its strengths and weaknesses. In 2004, Nigeria witnessed significant reform of the social security system, particularly with the enactment of the Pension Reform Act and the commencement of the Contributory Pensions Scheme. The reform marked significant turning point in the pension system in the country.

Every Nigerian is affected in one way or the other by the quality and state of the social security system in the country. Social security, however, is not just about the pension system, but encompasses the wide range of social protection and social assistance institutions. It traverses the cross-section of society including the employed, unemployed, aged, physically challenged persons, poor and vulnerable persons, healthy and unhealthy persons, etc.

Sustainability of the social security system should be the ultimate benchmark for any institutional reform of the pension system. The key elements of sustainability of the social security system can be cast in the form of questions as follows:

- How inclusive is Nigeria’s current social security policy?

- How viable and stable is the resource mobilisation, financing and fund management?
- How effective and coordinated is the service delivery?
- Are the services efficiently and appropriately targeted?

These are questions that are pertinent to current efforts to reinvigorate the existing social security policy in Nigeria. It is expected that this edition of Enugu Forum will address this and other critical issues affecting the prospects of social security in Nigeria.

The Forum recorded satisfactory participation of non-governmental organisations, professionals, development practitioners, representatives of the relevant government agencies including the National Poverty Eradication Programme (NAPEP) and the National Health Insurance Scheme (NHIS).

THE VIABILITY OF THE SOCIAL SECURITY SYSTEM IN NIGERIA: AN ECONOMIC PERSPECTIVE

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Abstract

In light of the poor economic conditions of the most vulnerable individuals in Nigeria, there is an urgent need to provide social security to alleviate the economic insecurities pose by old age, unemployment, poverty, disability, illness, gender, poor governance, market failure, and adverse effects of globalization. Social security not only improves efficiency, equity, macroeconomic stability, it can also engender confidence and dignity especially to the needy. In the Nigerian case, an integrated framework – a comprehensive social security system is required based on social insurance (a top-bottom paradigm) and social assistance (a bottom-up participatory approach) to target essential services to the most vulnerable persons.

1.0 Introduction and Rationale

Economic viability can be enhanced by attaining a variety of goals such as efficiency, equity, economic growth, macroeconomic stability, and full employment, among others. Social Security provides a unique source to attain these goals. Social Security can be defined as government actions targeted at reducing risks via social insurance and social assistance, especially towards the most vulnerable individuals in a society. Thus, social security provides an opportunity to reduce the risks pose by economic insecurities due to age, unemployment, poverty, hopelessness, illness, disability, death, market instability and adverse effects of globalization.

Given a population of approximately 150 million people, Nigeria posted an average low Gross National Income (GNI) of \$1610 in 2000 to 2008 indicating a low standard of living as shown in Table 1. Moreover, with a low life expectancy average of 47.7, an adult literacy rate of 72 percent, and a combined gross enrolment ratio of 53 percent, as well as Gross Domestic Product (GDP) per capita of \$1969 based on purchasing power parity terms, Nigeria obtained a dismal Human Development Index (HDI) value of 0.511 and was ranked 158th out of 182 countries surveyed in 2007 according to the United Nations Development Program (UNDP) Human Development Report (2009), recorded in Table 2. Similarly, the Human Poverty Index (HPI) for Nigeria which measures deprivation in basic human development indicates a 36.2 percent, while 37.4 percent are expected to die before the age of 40, an adult illiteracy rate of 28 percent, people not having access to clean water at 53

percent, and 29 percent of underweight children at 5 years of age, coupled with a 97.7 percent Gender-related Development Index (GDI) which captures inequality between women and men as a proportion of HDI. In light of these miserable statistics and the underlying risks associated with them, there is an urgent need to provide social security for the most vulnerable Nigerians as evidenced and illustrated in Tables 1 and 2, respectively.

The rest of the paper proceeds with an overview of the evolution of the social security system in Nigeria, the case for a comprehensive social security system in Nigeria, and conclusion and policy implications.

Table 1: Nigeria Selected Socio-Economic Indicators, 2000-2008

Indicator	2000	2005	2007	2008
Population, total (millions)	124.8	141.4	145.0	151.3
Population growth (annual %)	2.6	2.4	2.2	2.2
GNI per capita, PPP (\$)	1,130	1,520	1,850	1,940
Life expectancy at birth (years)	47	47	47	--
Fertility rate (births per woman)	6.0	5.5	5.3	--
Mortality rate, under 5 (per 1000)	207	194	189	--
School ratio of girls to boys (K-12)	80	83	--	--
GDP (current US \$) (billions)	45.98	112.25	165.92	212.08
GDP growth (annual %)	5.4	5.4	6.4	5.3
Inflation, GDP deflator (annual %)	38.2	19.8	4.8	14.4

Note: K-12 is kindergarten to 12th grade education (primary and secondary education)
GNI is Gross National Income, while GDP is Gross Domestic Product.

Source: World Development Indicators (WDI) Database, April 2009

Table 2: Nigeria Key Indicator Statistics on Human Development, 2007

HDI value	0.511	Adult Literacy Rate (% ages 15 and above)	72.0
HPI	36.2	Adult Illiteracy Rate (% ages 15 and above)	28.0
GDP per capita	1969	Combined gross enrolment ratio (%)	53.0
GDI as % of HDI	97.7	People not using an improved water source (%)	53.0
Life Expectancy (yrs.)	47.7	Children underweight for age (% aged under 5)	29.0
HIV (% of ages 15+)	3.1	Probability of death before the age of 40	37.4

Note: *HDI (Human Development Index) provides a composite measure of human development in three dimensions: living a long and healthy life, being educated, and having a decent standard of living.*

HPI (Human Poverty Index) focuses on the proportion of people below certain threshold levels in each of the three dimensions in HDI.

GDI (Gender-related Development Index) uses the same indicators as HDI to capture inequalities between women and men.

Source: Derived from UNDP Human Development Report, 2009

2.0 Overview of the Evolution of Social Security in Nigeria and Lessons Learned

Prior to their former colonies gaining independence, the colonial powers in Africa introduced different systems of social security to their respective colonies as an extension of their own systems and the benefit of their expatriates employed in the public sector in Africa. In the case of Nigeria, the first official social security legislation was introduced by Britain as the Workmen's Compensation Act of 1942 for both public and private sectors. This was followed by the first official public sector pension legislation which was enacted in 1951 with retroactive effect from January 1, 1946. After several amendments, the Federal Government of Nigeria (FGN) enacted the Pension Decree No. 102 of 1979 for federal civil servants and the Armed Forces Pension Decree No. 103 of 1979 for the military. The two decrees led to the establishment of the non-contributory defined benefit (DB) pension schemes based on final salary.

In the private sector, pension scheme for employees was initiated in 1954 when the Nigeria Breweries introduced the first DB pension and gratuity scheme followed by the United Africa Company (UAC) in 1957. In 1961, the National Provident Fund (NPF) was inaugurated as a social protection program for private sector employees - that was mainly a savings scheme based on equal contributions from both employee and employer. In 1993, the FGN via Decree No. 73 adopted another defined benefit and contributory social insurance scheme, namely, the Nigeria Social Insurance Trust Fund (NSITF) to replace the NPF. The provisions in the NSITF include retirement, disability, funeral and survivor

benefits. In 2002, it was amended to introduce a minimum pension benefit. Finally, in 2004, the FGN enacted into law the Pension Reform Act (PRA) 2004 on June 25, 2004 which established a standardized defined contribution (DC) pension plan for both public and private sectors.

Currently, the social security system in Nigeria revolves around the PRA 2004. As postulated by Akinola and Tugbiyele (2007), it requires the employee and the employer to both contribute towards the pension of the employee a specified percentage of the employee's wage or salary. This fund is invested and then deposited into the individual retirement or savings account of the employee and later be paid as pension to the employee or the beneficiaries (survivors). Other significant provisions of the PRA 2004 include administration and management, as well as rules and regulations by such institutions like the National Pension Commission (PenCom), the Pension Fund Administrators (PFAs), and the Pension Fund Custodians (PFCs). Despite these essential features of the PRA 2004, it seems inadequate to deal with the growing risks pose by economic insecurities in Nigeria. For instance, the major shortcoming of the PRA 2004 is that it addresses only the social insurance aspect of social security based on a defined benefit plan of employee and employer contributions. As such, it does not necessarily cover other vulnerable persons in the Nigerian society besides those who directly contribute into the pension scheme like the retired elderly worker. Other weaknesses of the 2004 PRA include retirement age, labour force participation rate, cost of living adjustment (COLA), institutional capacity, and market failure.

In light of these aforementioned weaknesses of the current program (PRA 2004), this paper focuses now on whether a comprehensive social security system is a viable option for Nigeria?"

3.0 The Case for a Comprehensive Social Security System in Nigeria

The experiences of countries like the United Kingdom, United States, Chile and others though respectively unique, offer valuable lessons and insights for the potentials and challenges of a comprehensive social security framework for Nigeria. In the case of Nigeria, the issue is whether an economy-wide social security can replace the provisions of the PRA 2004 as well as provide the necessary safety net for the most vulnerable individuals in the society. This could be addressed by a combination of social insurance and social assistance. As noted by Van Der Merwe (2000), social insurance and social assistance are complements rather than substitutes - both are not mutually exclusive.

3.1 Social Insurance Perspective

First, social insurance in Nigeria in its current form - the PRA 2004 should be adjusted to include a higher retirement age for white collar workers since their jobs are less physically demanding compared to blue collar workers. Moreover, benefits should be structured to discourage early retirement before the age 60. These adjustments have the potential to increase employment among the elderly. Furthermore, efficiency is enhanced in the sense that older workers provide valuable on the job experience and increase the ratio of workers to retirees which is an essential feature of the affordability and sustainability of the pay as

you go system (PAYGO). Essentially, the ratio of lifetime contributions to lifetime benefits is necessary to assess the solvency of the system in meeting its objectives, which include the protection of policyholders against particular risks such as disability that leads to lost earnings, the death of a working spouse, inadequate pension coverage, high inflation during retirement, and outliving one's assets (Nwafor, 2005). However, the challenge for extending the retirement age is that the life expectancy in Nigeria at birth has been steady at age 47 relative to the world average life expectancy which held at age 68 since 2000-2008 according to World Development Indicators (WDI) Database (2009). This buttresses the case for a comprehensive social security which provides for instance health and food security benefits that potentially improves life expectancy.

Second, a comprehensive social insurance should enhance labour force participation rate – the proportion of the available adult population that is either employed or actively seeking employment (Lynn, 2003). Given the 2.5 percent average annual growth of labour force participation rate and 69 percent literacy rate of population age 15 and above from 2001-2007, public sector intervention in the labour market during recessions and other crises to reduce poverty has been crucial in redistribution of income and smoothening consumption. As indicated by Mesa Lago (1990), Latin American countries like Brazil and Chile that have the broadest coverage of social insurance tend to have the largest incidence of social security benefits. In Brazil for instance, low-income rural indigents qualify for primary health care and minimum pensions, while Chile through unionization has been able to extend coverage to residents and indigents in the rural areas. In the case of China, consumption has been stable due to enterprise-based employment guarantees that provide housing, health care, and pensions in urban areas combined with tight controls on mobility (Ahmad and Hussain, 1990). Moreover, labour force participation can be enhanced via a target mix of incentive schemes for prospective employees and employers. As Ahmad (1991) asserted, decisions on hiring and laying off workers depend in part on the level of social security contributions by employers, for example, high contributions via payroll taxes create distortions (dead-weight losses) – declining surplus due to market distortions which reduce revenues for social security and create incentives for employing informal workers without social insurance protection. Therefore, unemployment benefit structure requiring job search and short-term duration of benefits should be considered to provide incentives for workers to participate in the labour market, plus incentives for employers that offer welfare to work programs. In addition, a trust fund should be established on a pay as you go basis to support expenditures on social security given government budget deficits and changing labour market conditions.

Third, although inflation has generally declined in Nigeria as indicated by the GDP deflator of 38.2 percent in 2000 versus a low 4.8 percent in 2007 (see, WDI 2009), most fixed income earners – especially pensioners still suffer the adverse effects of income unadjusted for inflation because the current social program does not have a cost of living adjustment (COLA) provision. Pension benefits are then exposed to inflationary risks which are mainly non-diversifiable. As a result, if and when pensions are paid in an inflationary period, a universal and comprehensive social insurance should be guaranteed in form of extra income to ensure that pensioners are protected from falling incomes and deteriorating quality of life.

It should be noted that most beneficiaries (pensioners) are the elderly who also are likely to experience rising health care costs, and thus need COLAs to ensure that their real income does not decline significantly to maintain a minimum acceptable quality of life. Hence, to promote equity, a comprehensive social insurance should be designed to adjust for inflation and other exposures to financial risks such as interest rate and exchange rate that are also non-diversifiable risks. The challenge is that since some of these risks are non-diversifiable, Nigeria is then prone to the contagion effects of global financial risks which can result in macroeconomic instability as reflected by the current global financial crisis and the attendant market instability. A remedy should include an automatic or built-in stabilizer within the framework of a comprehensive social insurance scheme such as unemployment. In accordance with Van Der Merwe (2000), such a scheme would automatically react to cyclical changes in the economy without the usual lags (recognition, administrative, and implementation) associated with discretionary fiscal policy. The trade-off is the potential fiscal deficits that an automatic or in-built stabilizer might create due to increase in social insurance benefits during downturn in economic activities.

Fourth, institutional capacity building is crucial in supporting the variety of programs involved in a comprehensive social security scheme. In the Nigerian example, Section 11 of the PRA 2004 social insurance scheme requires that every employee maintain a Retirement Savings Account (RSA) with a Pension Fund Administrator (PFA) and a Pension Fund Custodian (PFC) both regulated by the National Pension Commission (PenCom) - an agency responsible for the administration and supervision of pensions in Nigeria. The problems for these institutions stem from administrative bottlenecks - inefficient and ineffective management, coverage, funding, and benefits of the provisions stated in the PRA 2004 as well as the agency problem - a conflict of interest between the pension administrators or custodians and the pensioners. Moreover, frauds and abuse as well as how administrators are compensated are potential problems inherent in the system. As Ahmad (1991) observed, caution should be taken as to whether rewards to administrators are based on reaching target groups or on cost basis, so that if cost is the concern, administrators might cut costs by not reaching target groups. Administering these programs in the informal sector is problematic, specifically, where agricultural and self employed workers are difficult to track because of their mobility. A panacea for these problems is employing a target-efficiency strategy to ensure effective delivery of services to beneficiaries not covered under social insurance, mainly the poor. For example, utilizing a means-tested benefits option targeted locally to children and/or the elderly cohort(s) where identification is easier and benefits do not rely on contributions.

Fifth, externalities can occur due to market failure. Although, privatization advocates tout market advantages over public provision of social insurance in terms of increase in retirement incomes, individual control and self reliance, labour market efficiency, and increased national saving, nonetheless, market efficiency does not necessarily produce equitable outcomes (Nwafor, 2005). As a result, failures in insurance, labour, money and capital markets can occur from uncertainties compounded by moral hazard and adverse selection. In line with Mishkin (2007), moral hazard is the risk that one party to a transaction will engage in behaviour that is undesirable from the other party's point of view; whereas,

adverse selection is the problem created by asymmetric information before a transaction occurs – those who are the most undesirable from the other party's point of view are the ones who are most likely to want to engage in the financial activity. In the case of Nigeria, the recent collapse in the financial markets partly as a result of speculative bubbles could be akin to moral hazards and adverse selections. The Nigerian authorities, say, National Pension Commission (PenCom) and National Social Insurance Trust Fund (NSITF) should collaborate with the private sector in delivering social services to recipients according to the generally acceptable best practices – accountability, transparency, and probity. Prior to the recent financial crisis, Aaron (1997) noted that in view of the indictments and convictions in the private sector of ENRON Corporation and the Arthur Andersen Accounting firm in the United States of America, it would be prudent to fix the Social Security system because privatization, it is hoped, is “A Bad Idea Whose Time Will Never Come.”

3.2 Social Assistance Perspective

Social assistance if combined with social insurance provides a sufficient condition for a comprehensive social security framework. Social insurance is mainly provided based on a top-bottom paradigm, while social assistance offers an opportunity to serve the needy from a bottom-up participatory approach and widen the scope of social security provision. As such, a comprehensive social security framework in Nigeria involving social insurance should incorporate various elements of social assistance which include services for the elderly, women and children, unemployed, disabled, the sick, and the poor.

For the elderly in Nigeria, the family is the main source of support. However, the elderly without children to rely on for support depends mostly on extended family for means of livelihood – community welfare and food security. Thus, many elderly individuals in Nigeria are not covered by social insurance protection and would need coverage from the Nigerian government. An example of such system is in South Africa where social pension is provided to all the elderly population regardless of contribution to the trust fund. In addition to enhancing the dignity of the elderly, a universal and comprehensive social pension for the elderly with or without contributions would be a means of poverty reduction in Nigeria. Lessons could be drawn from the United States of America where the elderly receives medical care (Medicare) in form of entitlement – ensuring fairness or equity in the system.

Women and children are more likely to be poor and malnourished and less likely to receive medical services, clean water, sanitation, and other benefits – also, women have less access to education, formal sector employment, social security, and government employment programs (Todaro and Smith, 2009). These observations are in line with the Nigerian example as evidenced by the following statistics: Gender-related Development Index (GDI) value of 0.499 versus Human Development Index (HDI) value of 0.511 and children underweight for age (% aged under 5 years) is 29 percent according to Human Development Report (2009). Furthermore, the HDI of 0.51 for Nigeria ranks it 158th among 182 countries in 2007 and for Nigerian women, life expectancy was under age 50, adult literacy rate was 80 percent of male, and 83 percent of males for combined primary, secondary, and tertiary gross enrolment ratio in 2004. In view of these dismal statistics, a comprehensive social

security program should target women and children using what Ahmad (1991) referred to as “efficient-targeting” – by covering only individuals in the target group (vertical efficiency) and plus all individuals in the target group (horizontal efficiency), for example, a female-headed household implies that the woman receives benefits plus benefits for her children. Such targeting has been employed in Britain through universal family allowances that include basic benefits for children and is neither social insurance benefits nor means-tested. The outcome of this program in reducing poverty among women and children has been supported by both conservatives (right) and liberals (left).

The unemployed, especially among the youths in Nigeria presents a socio-economic and political challenge that deserves a long term solution. The World Bank in 2008 highlighted this problem in its website (worldbank.org) in the sense that “Africa’s 200 million people between the ages of 15 and 24 (youths) make up 60 percent of the region’s unemployed.” In Nigeria, youth unemployment is worsened by school drop out rates, lack of skills, early motherhood, poor governance, and discrimination based on sex, ethnicity, tribe, religion, health, family status, and regional deprivation. Consequently, these failures of both public and private sectors in delivering employment are culminated in rising crime rate and in some cases armed conflict as in Niger Delta. These problems could be alleviated by adopting a comprehensive social security system in Nigeria. Thus, boosting the agricultural sector and non-farm activities like manufacturing and service jobs can increase youth employment at least in the short-medium term. Where regional deprivation is identifiable like in Niger Delta, then regional targeting such as public works programs should be utilized to reduce unemployment, especially among the youths who are likely to take up arms against the government. Other employment guarantee programs like the National Youth service Corps should be expanded to employ youths and others in the private sector via tax incentives from the public sector – a kind of public-private partnership. Unemployment benefits or other transfer payments should be structured to encourage participation in the labour market as in the United States of America where unemployment benefits are tied to job search with time constraint, namely, a progressive benefit structure of unemployment claims.

The disabled should be covered within a comprehensive social security trust fund. Coverage should include but not limited to occupational disabilities to employees with income below the poverty level or a minimum established income base line as in the South African model. The challenge for policy makers is how to identify and gather information, file for benefits, and examine claims, particularly for recipients from the informal sector with mental disabilities. Here, the government can turn to the civil society for help such as a non-governmental organization (NGO) to assist in identification and delivery of essential services to the disabled.

The sick or the ill without coverage should be covered within a universal health care program which is inherent in a comprehensive social security system. Most of those who cannot afford private health care are usually the poor whose incomes can be ascertained to qualify them for health benefits. In the United States of America, Medicaid is provided to the poor, while Medicare is given to the elderly. The challenge for Nigeria is in part the fiscal discipline needed to fund these types of programs.

The poor or the needy are characterized by hopelessness and voicelessness and thus deserve social protection. A comprehensive social security provides this opportunity to serve the poor and ensure equity. Formally, in the United States of America, Food Stamp, Section 8 housing, and Medicaid are provided to the poor. The challenge for the Nigerian authorities is in identifying who and what constitute the poor and means of targeting. Nevertheless, the civil society could assist the government in planning, implementation, and control of essential program activities as part of the equity-efficiency enhancing role of a comprehensive social security system.

4.0 Conclusion and Policy Implications

A comprehensive social security in Nigeria has the potential to significantly reduce economic insecurities and enhance economic efficiency, equity, growth, and stability given the dismal socio-economic statistics as captured by human development, human poverty, and the gender-related indices. In the Nigerian framework, this would require integrating social insurance and social assistance. Thus, the PRA 2004 can be adjusted to include a higher retirement age for formal white-collar workers since their jobs are less physically demanding compared to blue-collar workers. Also, healthcare initiatives that encourage prevention, maternity care, early intervention, and proper nutrition should be part of a reformed PRA 2004. Both of these measures not only increase the ratio of workers to retirees, it also increases the pool of resources and hence reduce the risks of insecurity and insolvency. Unlike social insurance that follows the top-bottom paradigm as exemplified by the PRA 2004, the social assistance programs follow a bottom-up approach and should mainly target vulnerable individuals, especially, the elderly, women and children, disabled, the unemployed, the sick, and the indigent using efficient targeting – vertical and horizontal efficiencies. For example, targeting should involve only those individuals within the target group and all individuals within the target group in providing employment benefits and guarantee programs for the unemployed and the disabled, healthcare programs U.S. style – Medicare for the elderly and Medicaid for the poor, poverty programs – food stamps, access to low cost housing, and transportation vouchers. Public private partnerships should be encouraged in addition to the efficiency and equity enhancing roles of civil societies – non-governmental organizations (NGOs) should collaborate and assist in identification and delivery of services to target groups. Moreover, a mix of fiscal and monetary policies should be aligned to ensure affordability and sustainability of a comprehensive social security, for instance, automatic or in-built stabilization policies should be implemented to cushion the adverse effects of the market and the contagion effects of globalization. Finally, generally acceptable best practices should be employed in planning, implementation, and control of a comprehensive social security system in Nigeria via accountability, transparency, and probity to reduce corruption and poverty while enhancing equity, efficiency, growth, and stability.

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OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS

Universal Declaration of Human Rights and the International Covenant on Economic Social and Cultural Rights recognize the right to social security for everyone.

Social security systems are justified by the empirical failure of economic policies and development paradigms which assume automatic trickle-down effects.

Hence, social security contributes to mitigation of risks and distortions of social and economic imbalances, particularly for vulnerable individuals and groups.

The social security system in Nigeria is bedevilled with institutional weaknesses, paucity of data, poor planning, unstable funding and maladministration.

Sustainability of social security programs in Nigeria is hindered by frequent policy changes, lack of political will and poor succession of strategies.

Recent institutional and policy reforms in social security, particularly in pensions and health insurance, are commendable.

Many social assistance schemes that target the vulnerable segments of society such as the aged, sick, unemployed, homeless, disabled and poor often do not inspire public confidence because of low accountability and transparency.

The Nigerian social security system is not sufficiently comprehensive as it misses large segments of the relevant social space.

RECOMMENDATIONS

- 1 Social security programs should be legitimized by making it more inclusive and credible through mechanisms to ensure wider participation and ownership from within the formal (public and private) and informal sectors.
- 2 Civil society groups and other stakeholders should step up sensitization and advocacy for sustainable comprehensive social security.
- 3 More research should be done to investigate and advice on the financing requirements, cost-sharing models and suitable delivery channels for different target groups as well as the potential socio-economic impact of social security.

- 4 Greater intergovernmental and interagency coordination and better statistical database are required to develop and operate more transparent, accountable and effective social security system.
- 5 Social security should be considered as an important element of sustainable development strategy, hence it should be mainstreamed into national and sector planning through institutional criteria that ensure policy continuity, cost-of-living alignment and desired impact.
- 6 The scale and coverage of existing social security schemes, such as the Contributory Pension Scheme, National Health Insurance Scheme, Conditional Cash Transfers, etc, should be enhanced. It is important for state and local governments to domesticate these initiatives for maximum impact at the grassroots.