

## **SOCIAL SECURITY SYSTEMS IN NIGERIA: TYPES, PROSPECTS AND CHALLENGES**

**Igbo, Happiness I. PhD<sup>1</sup>, Anyor, Magdalen H.<sup>2</sup> & Kohol, Beatrice N. PhD<sup>3</sup>**

<sup>1</sup>Faculty of Education, Benue State University, Makurdi  
[higbo2013@gmail.com](mailto:higbo2013@gmail.com)

<sup>2</sup>Department of Educational Foundations  
Benue State University, Makurdi

<sup>3</sup>Department of Educational Foundations and General Studies  
University of Agriculture, Makurdi

### **Abstract**

*The paper examined social security in Nigeria: Types, prospects and challenges. The paper defined social security as an organized social protection against want, poverty, disease amongst others which an individual may suffer as a result of various hazards due to loss of income, sickness etc. Social security system was discussed to include informal and formal systems. Government efforts to provide social security system was examined and include national directorate of employment programmes and its benefits. The challenges faced in the implementation of social security system include non coverage of the individuals that need the support, the menace of insurgency causing loss of lives and properties amongst others. The paper believes that guidance counsellors could assist in reducing the over dependence on government social security support by helping individuals acquire entrepreneurship skills that may help them to be self reliance. It was concluded that social security should be the concern of all who are capable of rendering the service to the needy.*

## **INTRODUCTION**

Social security is seen as an organized social protection of an individual against want, poverty, destitution, idleness which the individual may suffer as a result of various hazards and changes of social life notably loss or suspension of income due to sickness, maternity, accident injury, invalidity, old age, unemployment or death of a family bread winner. Social security is of concern to most countries of the world but differs from country to country. In some industrialized countries, the coverage for social security protection is almost 100 per cent (International Labour organization (ILO, 2001) while in most developing countries the old could only be cared for by extended family arrangements, mutual aid societies and several other informal mechanisms. The informal security system has been weakened by the development of urban centres, mobility, war, famine, unemployment, political instability etc. The effect is felt mostly where old age population is fast growing as a result of enhanced medical services leading to high fertility (Ijaiya, 2009).

In Nigeria however, the old people who have retired from white-collar jobs, the unemployed, and orphans are the most hit and need social security protection. The assistance provided by the extended and nuclear family members in form of food, shelter and care has been weakened by the development of smaller and dispersed families (Ekpenyong, Oyeneye & Piel, 1986). As this informal and traditional form of social security protection becomes weaker, the Federal Government of Nigeria without destroying this traditional system; introduces some form of formal social security systems to meet the challenges of the time.

This paper therefore examines the concept of social security system in Nigeria, types, challenges and the implications for counselling.

### **Concept of Social Security Systems**

According to Nwabueze (1989), social security is concerned with the social protection and organized collective protection of the individual against the economic consequences of loss or suspension of income, poverty, want, destitution among others arising from certain social risks of life which include:

- a. Sickness – a morbid condition due to non-occupational disease or injury which causes temporary absence from work.
- b. Invalidity – permanent disablement resulting from non-occupational injury or disease
- c. Maternity – child birth necessitating absence from duty before and after.
- d. Death– Death resulting from non-occupational injury or disease

- e. Old-age – Ages at which people commonly become incapable of efficient work and retire from regular employment.
- f. Employment / occupational injury or disease - Arising out of an employment resulting in death, temporary or permanent incapability to work.
- g. Unemployment – Unable to find suitable employment but fit to work.

In his view, Puffer (1988) defines social security system as publicly administered sets of programmes which provide for people in the event of loss of income (due to retirement, death of a bread winner, maternity, work related injury or unemployment) and often in the event of the need for medical care or the expense of raising children. Schwarz (2005) described social security system as a developed mechanism to provide income security for older citizens as part of safety net.

### **Types of Social Security Systems**

According to the Nigerian Pension Reform Act (2004), there are basically two types of social security, namely, informal (traditional) and formal social security.

1. Traditional social security - Under the traditional social security system, old people are provided with food, shelter and care from their children. This means that as the productive capacity of the old people wear out they are supported by their children just as they had supported their children and parents. It is a cyclic responsibility. Thus children of old parents form the main supporting agents. Other supporting systems under the informal traditional systems include kinship networks, local communities, informal clubs, patrons and religious bodies and some non-governmental organisations. However, the World Bank (2004) asserted that the loosening of family, kinship and communities and rise of wage labour and unemployment add new elements to the age-old problems of providing for those who lack an income or need medical care. One can add here that with the “sky-rocking” inflation and economic depressions experienced, a salary earner is rendered incapable of providing for their age old ones. It was these problems that necessitated government to assume the responsibility of providing the formal type of social security (Schwarz, 2006).
2. Formal social security - Barr (2006) asserted that the formal social security system is characterized by two programmes namely – mandatory retirement savings scheme and the pay-as-you-go. The mandatory retirement savings scheme also called the contribution system requires the worker to contribute a percentage of his/her salary with the employer making up the

differences. It encourages long-term saving and provides long-term financial investment. Nwabueze (1989) noted that in this type the worker bears the risk and that if the individual lives longer than expected he/she may outlive the retirement saving. The Pay-as-you-go system (PAYG) covers the civil servants and the military. Here the employer and employee share the risk with the government. The payment in this system depends on years of service and the workers' salaries.

3. Personal Security Scheme – Roots (1994) identified personal social security scheme. This involves regular payment to insurance companies during the worker's working life. This scheme provides the retiree with an annuity during retirement. This type of annuity is referred to as personal security scheme

### **Prospects of Social Security Systems**

The importance of social security system cannot be over emphasized. World Bank (2004), Kokwani and Subbarao (2005) and Barr (2006) identified the following prospects of social security systems:

1. Social security is important to the old as it facilitates them to move their income from the active working years to old age and providing insurance against risks to which they are usually vulnerable such as poverty, intergenerational redistribution of income, ill health amongst others.
2. Social security systems are important to the economy. It minimizes hidden costs that impede growth which include reduced labour, employment, reduced savings, excessive financial burden, misallocated capital, heavy administrative costs and evasion. Social security affects labour markets and employment especially if they are financed through the defined mandatory contribution systems. It controls the composition of government spending by squeezing out other types of spending.
3. The invested pension funds can have strong advantages from international diversification of social security systems. This is especially for countries with small or concentrated domestic economy. Lower risks and higher returns will be possible in the long run through international investment which reduces the exposure of investors to specific risks such as inflation. The system also provides a country the privilege to move their capital to countries that offer the highest returns. This may open up the domestic economy to become an integral part of the global economy.
4. It also helps the informal social security to prevail and flourish.

### **Social Security in Nigeria**

Social security systems in Nigeria as in other developing countries are largely dependent on the informal social security system. This is where members of the society voluntarily save and invest in their children and other extended family members in order to reap where they have sown. That is as the productive capacities of the aged decline, their children and extended family members take up the responsibilities of feeding, clothing and housing their aged parents (Ijaiya, 2009). According to Ekpenyong, Oyene and Peil (1986) more than 97 percent of the urban old and 93 percent of rural old receive financial and material aid from family or relatives in Nigeria. They asserted that unfortunately, modernization, migration, secular education and nuclear families and the breakdown of traditional norms have weakened these ties.

The traditional security system is followed by the PAYG. The system is not funded rather the membership is voluntary and not transferable. The management of this system is borne by the State governments and other organizations which voluntarily introduce it. This social security system is limited to public servants and therefore has a limited coverage. The implementation of this social security systems is therefore biased and payment is a function of years of service (35 years) and 65 years of age depending on the one that comes first. Aminu (2007) points out the problems associated with this system as lack of funds, discrimination in coverage, poor record keeping, demographic shifts and weak administration. These shortcomings of the system made the Nigerian government to introduce another pension system called Mandatory Contribution System which covers only the federal civil and public servants.

In the new system, benefits are due to contribution of workers which are invested and payments are made from the capital and returns from the investment. The deductions made on individual salaries are tagged at 15 percent, 7.5 percent borne by the worker and 7.5 percent by the employer. In the case of the military and police, it is 2.5 percent for the worker and 12.5 percent for the employer-government. This discrimination has caused confusion as to what services are not needed. More significantly the system is an embodiment of some risks as it is borne solely by the individual worker. Ekpenyong, Oyene and Piel (1986) noted that in this system the worker has no protection with interrupted careers; low income workers may never support themselves during old age while early generation retirees are not protected because it takes many years for enough pension to be built up.

Economic instability, inflation and devaluation of the Nigerian currency can also produce large negative rates of return on the fund which can cause dissatisfaction among the contributors. Apart from the above arguments, some contributors may outlive their pension contribution since it has to be exhausted in 18 years. The system is also discriminatory and there are no guidelines to harmonize the PAYG and the mandatory contribution pension schemes currently going on at State and Local Government levels. This made the government to introduce some programmes and schemes.

The Nigerian government has made several efforts in providing social security for her citizens. Between 1970 and recently the Nigerian government introduced:

1. The Directorate of Food, Roads, and Rural Infrastructure (DFRRI) to provide some social security in terms of increased food items and access roads to make farm products easily marketed.
2. The National Directorate of Employment (NDE) was established to solve the problem of mass unemployment of youths. Thus they tried equipping the youths with vocational skills, provision of small scale industries, national open apprenticeship scheme and other development programme.
3. Among other efforts made by the Nigerian government in establishing social security to her citizens included the establishment of the Nigerian Industrial Bank (NIDB), Nigeria Bank for Commerce and Industries (NBCI), Nigeria Agricultural and Cooperative Bank (NACB), Peoples' Bank, Community Banks and Cooperative Societies. All these were to assist the youths and unemployed for self-help and self-employment.
4. Recently, the introduction of Entrepreneurship Training Programme and SURE-P in Nigeria is to enable the youths create jobs other than necessarily walking about searching for non-existing jobs. As laudable as these programmes and schemes are, there exists a lot of challenges.

### **Challenges of Social Security in Nigeria**

The implementation of social security system in Nigeria is not without some challenges. The issue of coverage to cater for the unemployed, illiterates, the rural populace, the old, disabled and women alike were not always touched by these measures. While some groups are taken care of others are neglected out rightly.

The increase in the incidences of HIV/AIDS in Nigeria has left many orphans, single parents and other dependents within the family system. Such individuals most often are not cared for by the social security system.

Incessant sectional and tribal wars as Oduwa People's Congress crises, that of Movement for the Emancipation of Niger Delta (MEND), Tiv/Jukun crises, Muslims/Christians crises in some Northern States and most recently the incidences of Boko Haram going on in the country leaving many maimed, homeless and hopeless. These devastations have left many people refugees in their own country. The government is forced to spend huge amounts of money to rehabilitate them with limited funds. Monies that should have been used for effective implementation of social security system is being used to fight insurgency, run refugee camps and fund security matters. Such incidences make social security difficult and ineffective since government cannot meet all her demands.

### **Implications for Guidance and Counselling**

Guidance and counselling is a helping profession. The guidance counsellor by virtue of his/her training is equipped with techniques to assist individuals help themselves. Thus the guidance counsellor can assist the government and individuals maximize the benefits of the social security systems.

In order to reduce the incidences of non-coverage by government towards social security, the guidance counsellor can organize Community Social Security Sessions (CSSS). These sessions may assist the disadvantaged persons to create ways of helping themselves. CSSS will enable individuals acquire entrepreneurship skills for self sustenance such as mason, carpentry, tailoring amongst others. It could also expose the participants to relationship and social skills which will help them to relate appropriately with each other especially the aged, the disabled, etc and to be each other's keeper.

In order to reduce the incidences of HIV/AIDS which is posing lots of challenges to social security system in Nigeria, the counsellor could organize seminars and workshops at the community levels to enlighten the members on dangers of HIV/AIDS. Adequate orientation should be given to the participants on need for safe sex and abstinence. Counselling should be given to restore hope to the depressed while the unaffected should be encouraged not to stigmatize the affected individual. The guidance counsellors are to give moral and emotional support to the affected individuals to enable them have a lease of live that will help them move on in life while depending less on the social security support from the government.

With respect to sectional, tribal and religious conflicts, the counsellor can

organize seminars on conflict resolution and peace management. Conflict resolution skills could be taught to the affected individuals to enable them reduce incidences of conflicts. Hence the people may better tackle their social security demands.

There is also need for policy makers to be counselled through organized guidance programmes, in order to help them realise the enormous demands of social security systems. Such counselling session could encourage policy makers make policies that will alleviate the plight of the needy. This could also be carefully done through the media by calling their attention to more stressing social security areas.

### **CONCLUSION**

Nigerians should realise that social security is the concern of everybody. It has been pointed out in the introduction that the informal social security has been weakened by the development of urban centers, unemployment, sectional community conflicts, inflation, political instability etc. The government alone cannot cope with the demands of social security in the country. Those who have, that is those in advantage positions, should be generous in their relationship with the disadvantaged and create investments that can generate employment opportunities. Politicians should always play an open and fair game in election contests to pave way for peace and stability for economic progress and better social security services.

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