

# PUBLIC POLICY MASTER CLASS

WITH



## The Imperatives for Social Protection

**A**s we reflect on ten years of pension reform in Nigeria, we celebrate the achievements of over five million contributors and four trillion naira in contributions. However, one is reminded of social changes that have occurred over the past years, amidst an almost absent social safety net, and thus resulted in widened inequality amongst the people. There remain over 75 million adults in Nigeria who do not participate in the current pension scheme, an estimated 30% unemployment rate and a high incidence of underemployment, disability and poverty. The near absence of functional public goods keep a majority of the people scrambling to meet the most basic of needs. These staggering statistics and our societal reality make the case for discussing social protection in the Nigerian context.

Until the last century, people predominantly lived simple rural agrarian lives with strong family support systems. The integrated community living structure ensured that resources were shared and needs were easily met. People had less, needed less and survived on much less. However, the advent of western civilization led to increased migration, industrialization and urbanization, which resulted in competition, unemployment and new dimensions to poverty. Consequently, societies were faced with weaker members of society whose human rights to survive needed protection.

In addition to many who hold a steady job for many years and retire poor, there are the elderly, orphans, widows and disabled who also form part of society and require some form of support. Families play a significant role in meeting the needs of this vulnerable group. However, many countries have transitioned to providing social pensions which give such people increasing independence and reduce the burden on the rest of society. Let us take a glance at what some countries within Africa are doing in this regard. South Africa and Senegal operate a means-tested scheme which targets regular payments to the poor while others such as Botswana, Mauritius and Namibia operate a universal scheme that is available to all who are considered disadvantaged or vulnerable. In addition, Mozambique operates a cash transfer system that targets households headed by chronically ill or disabled persons. Evidently, various countries are adapting systems to fit their peculiar circumstances whilst ensuring that vulnerable members of society are regularly catered to.

What does Nigeria offer? We have no social pension system. We have very limited and almost absent social protection



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mechanisms. Specifically, we make no regular payments to weaker members of our society and leave them vulnerable to economic shocks. It remains unclear what NSITF has achieved with regards to its core mandate or how much impact it has made to society via social protection. Many States have implemented a conditional cash transfer scheme to provide some cash to the extremely poor members of society; but these funds are one-off payments and cannot sustain them over time. Wealthy people, especially in the season of religious fasts, give alms to the poor but as with conditional cash transfer, this is done infrequently. As the country with the largest economy in Africa and the highest number of people living within it, more is required from us to ensure that our people

do not suffer.

Studies over time have delved into the reasons why people become corrupt and the findings border on two main areas of need and greed. Weak political and economic governance, low salaries and custom can result in need-based corruption while poor ethical standards, culture, ineptitude, opaqueness in governance and unaccountability can result in greed-based corruption. It is my view that the lack of infrastructure, public goods and social protection may result in need-based corruption. While all forms of corruption are detestable to this society, need-based corruption can be tackled through the deliberate action of social protection. An Asian friend once told me that bribery is acceptable to both his religion and custom so who am I to judge. However, I know that neither our dominate faiths nor the many cultures in Nigeria promote bribery and corruption, yet these vices thrive and multiply exponentially in scale.

### Benefits of social protection

The United Nation's promotes social protection as a powerful tool in the battle against poverty and inequality. It highlights that social protection ensures all people have access to essential goods and services, removing social and economic barriers to access, and therefore is an important means to foster equality and social solidarity in a society.

Social protection ensures that economic growth is more inclusive: It bridges the social divide between the very rich and very poor, to ensure a more homogenous society. The provision of social assistance, social pension and/or social security to more vulnerable members of society lift a segment of extreme people out of poverty and despair and allow them to function better as members of society. It can assist to break cycles of poverty by providing a financial cushion and increase social solidarity among a segment of the population that has thus far been ignored.

Social protection can reduce the incidence of corruption: Elements of need-based corruption can be addressed by social protection. The corruption referred to borders on insufficient earnings, an absence of basic amenities and/or the fear of lack during old-age or disability. Unfortunately, need-based corruption could quickly escalate to greed and social protection will not be prime to tackle greed. However, when a person works for thirty years at an institution and retires to very little, it can be a huge challenge. Others see the suffering and neglect that retired colleagues face and may be drawn to illicitly amass money or possessions as their security for the future. If people were guaranteed a minimum pension pay-out based on the number of years that they

had worked, then at least some would rest assured that retirement is not a sentence to penury. The pension system after which Nigeria's was modeled is Chile and that country has a social pension that works and has helped to foster inclusive development.

### What can be done?

We must establish a social assistance/security system that caters to vulnerable members of society such as the extremely poor and the disabled. This fund must be targeted at persons who have not and/or cannot make any contribution to pension. This should be a universal scheme with clear guidelines on who qualifies and how payments are made. It must be a system with easy administration, which can leverage the strides in technology and preponderance of mobile phones to make payments.

To strengthen the current pension system, we must expand it to cater to the informal sector and include a social fund that guarantees minimum pay-outs to contributors given set criteria. The PRA 2014 speaks to an expansion to serve the informal sector, however this must be done in a way that recognizes their peculiar circumstances of not having regular incomes yet mandates and incentivizes them to make payments. Yes, there must be incentives to make the informal sector comply and consequences for their non-compliance to pension contribution. Hong Kong and Australia have been successful at enforcing informal sector contributions to pension. The National Bureau of Statistics currently estimates that there are over 17 million Micro, Small and Medium Enterprises however only about 400 of these participate in the pension system i.e. less than 0.002%.

We must adopt creative ways of funding the social protection mechanisms that we establish – social pension, social security and/or social assistance. These could include channeling a proportion of royalties from extractive processes or a proportion of value added taxes into the funds. Resources in Nigeria belong to all Nigerians, so the gains therefrom should contribute to alleviating poverty. In addition, there are huge unclaimed dividends that companies have been carrying on their book for many years and these can be channeled into such funds given specific guidelines. The Federal Government may direct that all such unclaimed dividend, over a period of seven years, should be passed into the social protection mechanism.

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