Social Security as a Veritable Tool for Achieving Millennium Development Goals

Usman A. Yusuf
Department of Social Development, Nasarawa State Polytechnic, Lafia
alyusuf_2008@yahoo.com

ABSTRACT
Social security is rooted in the need for solidarity and risk pooling by the society given that no individual can guarantee his or her own security. Every human being is vulnerable to risks and uncertainties with respect to income as a means of life sustenance. To contain these risks, everyone needs some form of social security guaranteed by the family, community and the society as a whole. Such socioeconomic risks and uncertainties in human life form the basis for the need of social security. This paper therefore examines the role of social security in achieving millennium development goals as well as the challenges facing social security system in Nigeria. In the course of this work, secondary data were used throughout, and it was recommended, among other things, government should encourage and integrate the informal social security system with the formal system.

Introduction
Every human being is vulnerable to risks and uncertainties with respect to income as a means of life sustenance. To contain these risks, everyone needs some form of social security guaranteed by the family, community and the society as a whole. Such socioeconomic risks and uncertainties in human life form the basis for the need of social security. Social security is rooted in the need for solidarity and risk pooling by the society given that no individual can guarantee his or her own security.

As people grow old, work and produce, they earn less but people need a secured source of income that will see them through life. These incomes are integral part of social security system. This social security system differs in different parts of the world. In some countries, the old are catered for by extended family arrangements, mutual aid societies and other informal mechanism. The informal arrangements are strained by urbanization, mobility, war and famine, which weakened the extended family and community ties. This strain is felt mostly where old age population is growing rapidly as a result of improvement in medical facilities and fertility. These rapid changes have forced several countries to consider fundamental changes in the way they provide old age security (World Bank 1994).

In Nigeria, the family-provided assistance had continued to play an important role where children and extended family members provide income; food, shelter and care for the old people (Ekpenyong, Oyeneye and Piel, 1986). As families are becoming smaller and more dispersed, this informal and traditional arrangements are weakened, and government have moved towards formal systems of income maintenance without accelerating the decline in informal system and without shifting more responsibility to government than it can handle. Some of these formal social security systems are the defined benefits (Pay-as-you-go) and the defined contribution (Contributory Pension System).

Drawing from the above, this paper therefore examines the social security system with particular reference to Nigerian situation as well as the roles it can play in achieving Millennium Development Goals (MDGs). The paper is segmented into the introduction, meaning, types, rationale, and challenges of social security as well as the role of social security in achieving MDGs.

The Concept of Social Security
In influential documents like the Beveridge Committee Report (1942), social security was defined rather axiomatically as “Freedom from Want”. Though this was the original, the actual emphasis was more in tune with the contingency oriented approach: social security was a term that was used to denote the securing of income in place of regular earnings when such earnings were disrupted due to contingencies such as unemployment, sickness or accident. It also included the provisions made for retirement through age, against loss of support by the death of the breadwinner and meeting of exceptional expenditures such as those connected with birth, marriage and death. However, in actual implementation, social security provision was restricted to only three measures, viz., children’s allowances, comprehensive health and rehabilitation services, and maintenance of employment which implied avoidance of mass unemployment (Beveridge Committee Report, 1942, p.120).

Social security means any kind of collective measures or activities designed to ensure that members of society meet their basic needs and are protected from the contingencies to enable them maintain a standard of living consistent with social norms. The social security concept has been changing with time from the traditional ways of security to modern ones. As societies became more industrialized as a result of industrial revolution in the 19th century and more people became dependent upon wage employment, it was no longer possible to rely upon the traditional system of social security.
The negative impact of industrialization and urbanization attracted the attention of policy makers to formalize social security system that addressed the emerged social issues.

Social security is defined in its broadest meaning by the International Labour Organization ILO (2009) as:

"The protection measures which society provides for its members, through a series of public measures against economic and social distress that would otherwise be caused by the stoppages or substantial reduction of earnings resulting from sickness, maternity, employment injury, unemployment, disability, old age, death, the provision of medical care subsidies for families with children."

The ILO framework of social security is based on a three-tier structure, which seeks to utilize various funding sources for provision of better protection to the country's population. This structure also seeks to address needs of different groups in the society with respect to income and degree of vulnerability. The structure consists of the following:

a) Tier One – Social Assistance Schemes
   This constitutes provision of services such as primary health; primary education, water, food security and other services on a means tested basis. These services are usually financed by the government and Non Governmental Organizations (NGOs).

b) Tier Two - Mandatory Schemes
   These are usually compulsory and contributory schemes financed by both employer and employee during the working life for terminal and short-term benefits.

c) Tier Three - Voluntary or Supplementary Schemes
   The schemes under this tier include personal savings, co-operative and credit societies, occupational pensions schemes and private schemes; managed by employers, professional bodies, community based organizations and other private sector actors.

Types of Social Security Systems
The World Bank (2004) classification of social security type includes the informal and traditional arrangement where old people receive food, shelter, and care from their children. As the productive capacities of the old decline, they are supported by the work of their children, just as they once supported their children and parents. Other supporting systems under the informal social security system are local communities, informal clubs, kinship networks, patrons and religious, and other nongovernmental organizations. However, children supports are still the main source of support for old age and more than half of the world’s old people are estimated to rely on informal and traditional arrangements system. The World Bank (2004) averted that the loosening of family, kinship and community ties, and rise of wage labour add new elements to the age-old problems of providing for those who lack an income or have medicals needs. It was this problem that made government assumes the responsibility of providing the formal type of social security system.

The formal type of the social security system is divided into two. The first type is where the workers are required to contribute a percentage of their salaries to the pension plan, with the employer making up the difference, this type is known as the Mandatory Retirement Saving Scheme, or the defined Contribution System. This social security type encourages long-term saving and enhances financial backing for long-term investment, and the risk is borne by the worker. For instance, if people live longer than expected, they may outlive their retirement saving. The second type is based on the principle of Pay-as-you-go where payment usually depends on years of service and the workers’ salaries, such Pension plan usually covers the civil servants and the military, and it is publicly managed. The risks here are broadly shared with government or employers.

Rationale for a Social Security Policy
The existing social security system has many shortcomings that include low coverage of the Nigerian Society, fragmentation of legislation, lack of regulatory framework, lack of a mechanism for portability of benefits and inadequacy of benefits provided. Therefore, the need for a well-articulated national social security policy is more eminent now than ever. In view of the foregoing, there is a need for having a comprehensive national social security policy that shall address the needs of employed people in the formal sector, self employed population in the informal sector, the elderly, people with disabilities and children in need of special protection. Therefore the social security policy is expected to:

- Widen the scope and coverage of social security services to all the citizens;
- Harmonize social security schemes in the country so as to eliminate fragmentation and rationalize contribution rates and benefit structures;
- Reduce poverty through improved quality and quantity of benefits offered;
- Institute a mechanism for good governance and sustainability of social security institutions through establishment of a regulatory body;
- Establish a social security structure that is consistent with the ILO standards but with due regard to the socio-economic situation in the country; and
- Ensure more transparency and involvement of social partners in the decision making with respect to social security institutions.

**Challenges in the Social Security System**

**i) Weakening of Informal Social Protection System**
Socio-economic developments taking place in Tanzania have resulted into a slow but steady disintegration of the kinship or family-based social support systems on which the majority of Tanzanians have depended for protection against contingencies. Economic hardships have made it difficult for individuals, families and/or kin members to provide assistance to each other in time of crisis and need. The high rate of urbanization has also taken its toll on traditional social protection systems. There has been increasing fragmentation with families becoming more dispersed thereby eroding the capacity of extended families to function as social safety nets.

**ii) Limited Growth of the Formal Employment**
Public sector reforms have resulted into retrenchment of workers, freezing employment in the public sector and privatization of public enterprises. These have led to increased unemployment, which in turn has forced more people to resort to employment in the urban informal sector where earnings are often inadequate and/or uncertain. There is however a limited growth in employment in the private sector.

**iii) Reduced Access to Social Services**
Despite the deliberate measures by the government to improve provision of social services to the public, considerable part of the population has either limited or no access to services. In some instances, cost sharing in the provision of social services has reduced the capacity of the people to access the services.

**iv) Low levels of income**
Incomes for the majority of the people in Nigeria are generally inadequate to meet their basic requirements and save for future use.

**v) Declaration of Low Insurable Earnings**
Some employers provide remunerations composed of basic salaries and allowances, while deductions for social security are based on basic salaries only, leading to lower benefits from social security institutions upon retirement.

**Millennium Development Goals (MDGs)**
The world concern about the human condition in the 21st Century is voiced in the millennium declaration, which calls on governments to put in place actions that will lead to noticeable improvements in the human condition. This tendency is given concrete expression in the Millennium Development Goals (MDGs). Millennium Development Goals are a linked set of objectives a portfolio of targets that represent a coherent assault on the problem of development (Hall, 2005). It expresses the shared commitment made by the global community to fight poverty. The MDGs was endorsed by 189 nations (Nigeria inclusive) as international commitment to the priorities for achieving sustainable development (CGIAR, 2005; Kingdom and Alfred-Ockiya, 2009). MDG is said to have 8 goals, 18 targets and 48 performance indicators on poverty reduction, human well-being, social opportunities, economic conditions and a healthy natural environment. Broadly, these goals are:

- Eradicating extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development.

Presently, MDG is being supported through numerous programs at local government, state, national, regional and global level. For instance, regionally, the New Partnership for Africa’s Development (NEPAD) has taken on the MDG agenda and is becoming a leading proponent of an integrated approach to development.

**The Role of Social Security in Achieving MDGs**
The social security system can impact significantly in achieving the Millennium Development Goals, which is discernable in the importance it has to the old and the economy at large. Explaining the importance of social security system, the World Bank (1994) opined that social security system is important to the old and the economy. To the old, it facilitates people’s effort to shift some of their income from their active working years to old age, by saving or other means; redistribute additional income to the old who are lifetime poor but avoiding perverse intergenerational redistributions and unintended intergenerational redistribution, and providing insurance against the many risks to which the old are especially vulnerable.
The importance to the economy includes minimizing hidden costs that impedes growth such as reduced labour employment, reduced savings, excessive fiscal burdens, misallocated capital, heavy administrative expenses and evasion, sustainability based on long-term planning that takes account of expected changes in economic and demographic conditions. One of which may be induced by the old age system itself; which enables policy makers to make informed choices, insulated from political manipulations that may lead to poor economic outcomes.

Also the social security systems often have substantial impact on the economy in which it exists because it can affect poverty among the elderly, they can also affect relationships between younger and elder cohorts, as well as family living arrangements, and they also have a substantial impact on labour markets and employment, particularly if they are financed through the contributory systems.

The World Bank (2004) noted that there are strong advantages from international diversification of social security system most especially the invested Pension funds, particularly for countries with small or concentrated domestic economies. Lower risk and sometimes higher returns are possible over the long term through international investment, which reduces the exposure of investors to country-specific risks such as inflation. This system also gives country an opportunity to move their capital to countries that offer the highest return, thus opening up the domestic economy to become part of the global economy.

An increasing number of success stories in Africa highlight the positive developmental role that social security plays. By increasing coverage and delivering benefits that meet the needs of the population, many countries view social security as an effective instrument to move towards achieving the Millennium Development Goal (MDG) targets of poverty reduction, gender equality and health. In a recent report (ILO, 2011), the International Labour Office (ILO) stated that “universalizing old-age pensions and child benefits for school children and orphans could reduce poverty by as much as 40 per cent” in Africa. And such cash transfers offer a mechanism to raise disposable income in support of local economic growth.

Conclusion and Recommendations

Drawn from the above submission, one can conclude that there are two major types of social security system in Nigeria namely: informal and formal. The informal type is as old as mankind and still plays an important role in supporting the old in Nigeria where children, extended family members, communities’ ties, informal clubs etc play a prominent role. However because of modernization, urbanization, nuclear families, secular education, etc the responsibilities of taking care of the old by the system has diminished greatly. The formal system which includes Pay- as you- go and defined contribution are the major types currently use at State and Federal level respectively in Nigeria. Both have their limitations as highlighted in the paper.

Based on the above, it is recommended that government should encourage and integrate the informal social security system with the formal system. The integration of both forms by the government should make laws that would make parents educate their children and such children would be made responsible to support and assist their parents when they become old. Under the formal system, since Nigeria has adopted pooled fund, government should not have access to the fund in order not to rub the recipients of the potential benefits; also government should not force the fund managers to invest in public securities. While prudent companies and joint ventures companies should be allowed to manage the fund.

Besides, the private institutions vested with power to manage the pension fund should be advised to diversify their investments, and invest in overseas securities in order to reduce specific risks associated with such funds in Nigeria.

References

The IISTE is a pioneer in the Open-Access hosting service and academic event management. The aim of the firm is Accelerating Global Knowledge Sharing.

More information about the firm can be found on the homepage:  
http://www.iiste.org

CALL FOR JOURNAL PAPERS

There are more than 30 peer-reviewed academic journals hosted under the hosting platform.  

**Prospective authors of journals can find the submission instruction on the following page:**  
http://www.iiste.org/journals/  

All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Paper version of the journals is also available upon request of readers and authors.

MORE RESOURCES

Book publication information:  
http://www.iiste.org/book/

Academic conference:  
http://www.iiste.org/conference/upcoming-conferences-call-for-paper/

IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digital Library, NewJour, Google Scholar