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# PATHWAYS' PERSPECTIVES

ON SOCIAL POLICY IN INTERNATIONAL DEVELOPMENT

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## GROWING OLD WITHOUT SECURITY: RETHINKING PENSIONS AND SOCIAL SECURITY IN NIGERIA

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**PATHWAYS**

# 1 Introduction

Nigeria is facing an old age poverty crisis, and the warning signs are visible. Already, there are more than six million people aged 65 and above (around 3 per cent of the population) and, in the coming years, many of the workers who power Nigeria's economy are likely to face poverty in old age because they lack predictable income security. This concern has been raised forcefully by the Federation of Informal Workers' Organisations of Nigeria (FIWON) who argue that the current voluntary pension approach, the Micro Pension Plan (MPP), is failing to provide meaningful retirement protection for workers in the informal economy.

Launched in March 2019, the MPP aimed to extend pension coverage to the majority of Nigeria's workforce, especially informal and self-employed workers excluded from formal schemes. It is designed as a voluntary, flexible, and regulated savings mechanism, allowing low value contributions over time to build retirement income. In principle, this appears inclusive. In practice, however, FIWON argues that the model breaks down because participation is voluntary. Yet the core problem is not the voluntary nature of the contributions but the realities that informal workers face: unstable incomes, low earnings and frequent economic shocks that make regular contributions unaffordable. As a result, the scheme cannot guarantee even a minimum level of income protection in old age, leaving most informal workers effectively outside the social security system.

The consequences of an absence of effective pensions are severe for Nigerians when they reach old age, especially in rural areas where poverty risks are higher and access to services is weaker. Frailty, poor health, limited economic opportunities and the absence of reliable income security combine to create deep vulnerability. Without pensions, many older people in the informal economy are forced to continue labour-intensive work into old age, often worsening their health. Others become dependent on younger relatives who may have to reduce paid work or leave employment entirely to provide care. Families have less to invest in their children, thus directly impacting their growth and cognitive development. This is, therefore, not only an issue of old age poverty but also one of intergenerational strain and broader social welfare.

A central question emerges: what should be done differently? The answer must be situated in the reform of Nigeria's wider social security architecture, which remains fragmented and complex. Although Nigeria's federal structure offers the potential for an inclusive system, weak political commitment and strong [external donor influence have often pushed reforms away from universal social security and towards narrowly targeted poor relief.](#)

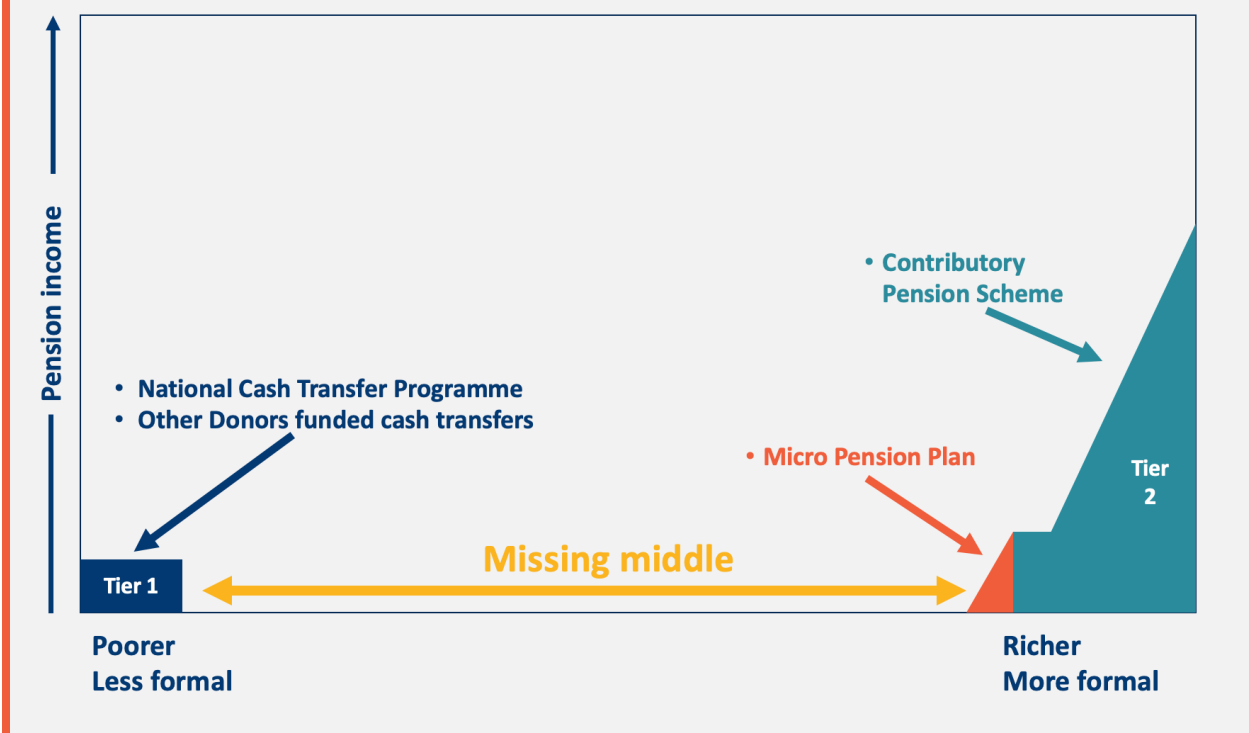
## 2 A snapshot of Nigeria’s social security system and the policy contradiction

Today, Nigeria’s social security system is structured around two broad pillars as shown in Figure 1. First, contributory social insurance (Tier 2) covers formal-sector workers in the public and private sectors through the Contributory Pension Scheme. Alongside this, and shown in the orange triangle, sit initiatives such as the Micro Pension Plan (MPP), which aim to extend pension coverage to informal workers.

Second, tax-financed programmes (Tier 1) provide assistance to people classified as poor and vulnerable, delivered largely through the national safety nets architecture. This tier includes federal interventions under the National Social Investment Programme, notably the National Cash Transfer Programme, the largest cash assistance scheme for poor and vulnerable households. It also encompasses a wider set of social protection interventions that sit outside social security in a strict sense, including education-focused programmes such as the Home-Grown School Feeding Programme, supporting children in public primary schools, youth employment initiatives, and labour-based instruments such as cash-for-work programmes, alongside a range of donor-funded schemes.

Between these two pillars lies a large “missing middle”: these are informal workers and self-employed people who are excluded from formal pensions, unable to enter voluntary contribution mechanisms, and ineligible for social assistance because they are not classified as poor at the point of assessment.

Figure 1: Nigeria's Social Security System



Source: Author’s own elaboration

This brings us to another critical issue: who is defined as vulnerable or poor, and who decides this? In Nigeria, the World Bank-supported National Social Register (NSR) was developed to identify poor and vulnerable households for social assistance targeting. The register relies on community-based targeting and Proxy Means Testing (PMT) – [both of which have failed everywhere they have been used](#) – to collect and classify household data. In addition to the PMT’s in-built design errors, this model of targeting has structural limitations. If a household is excluded at one point in time because it is not considered poor or vulnerable, it may remain excluded from future assistance until a new data collection round occurs. In a country exposed to inflation, climate shocks, displacement, and conflict, especially in the northern states, household welfare can deteriorate rapidly. Without frequent updating and robust change-management processes, targeting systems quickly become outdated, and exclusion errors increase further.

The deeper problem is conceptual. The assumption that tax-financed schemes should be reserved only for those currently classified as poor reflects a narrow interpretation of social security. International frameworks, and Nigeria’s own policy commitments, recognise the right to social protection, not merely a temporary handout for a residual poor population. However, the heavy reliance on social registries and poverty targeting tends to institutionalise a residual poor relief model similar to that used in 19<sup>th</sup> Century Europe. This trend is visible across many countries in Africa and beyond, where development financing has often shaped national systems around donor-preferred targeting frameworks rather than citizen-centred universal guarantees. Nigeria is no exception.

Nigeria’s social protection policy itself illustrates this tension. It states that universality is a core principle and that a social protection floor should be established for all Nigerians. At the same time, implementation logic continues to prioritise targeted approaches aimed at specific “vulnerable groups.” This reflects the World Bank doctrine often referred to as “progressive universalism:” the idea that universal social protection can be achieved through prioritised targeting of the poorest first.<sup>1</sup> While this may appear pragmatic, it can also create a contradiction, invoking universal rights in principle while institutionalising exclusion in practice. Moreover, there are almost no examples globally of the World Bank’s progressive universalism working: when programmes are targeted at the poor, they tend to remain targeted at the poor. A truly rights-based approach would acknowledge that vulnerability is dynamic and that everyone can become vulnerable because of the risks they experience over the lifecycle, including during old age when people are at greater risk of disability, an inability to work and exclusion from family networks.

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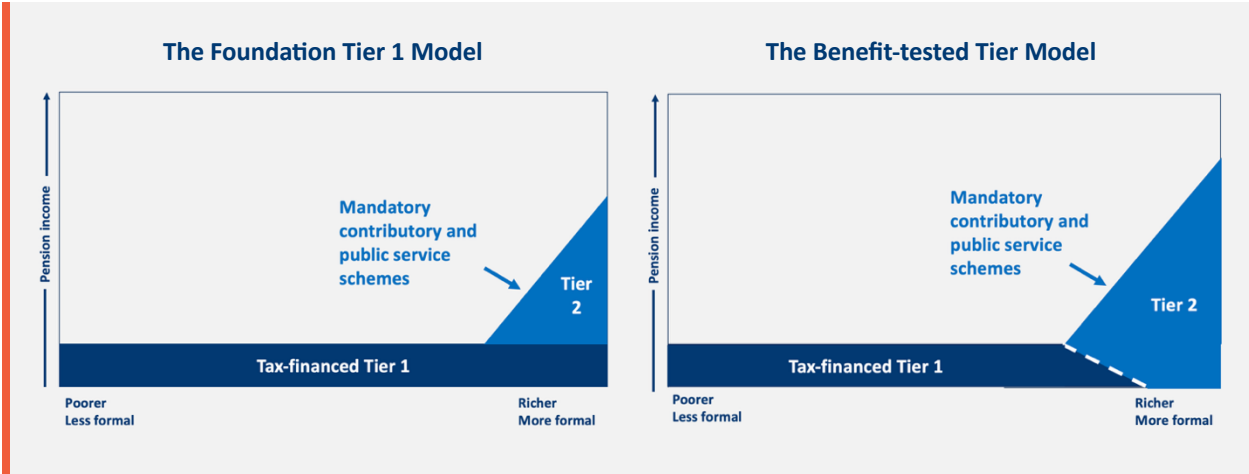
<sup>1</sup> See [Sibun, D. \(2022\)](#).

### 3 Design options and a phased universal old-age pension pathway for Nigeria

The urgency of this debate becomes clearer when set against Nigeria’s broader poverty profile. Around 42 per cent of the population lives below NGN 1,508, (roughly US\$1), and 80 per cent under NGN2,866 (US\$2).<sup>23</sup> Consequently, at an objective level, most people are living in extreme poverty. At the same time, approximately 93 per cent of workers are in informal employment. In such a context, expanding universal access to social security is not an abstract ideal but a structural necessity. Early state-level initiatives point to possible openings: for example, in 2025, Jigawa State approved a budget to roll out an elderly support scheme.<sup>4</sup> Even if currently modest in scale and likely targeted, with design improvements it could become a foundational move away from narrow poverty targeting towards a lifecycle, rights-based social security model.

The key policy question, therefore, is: how should a universal old-age pension be designed for Nigeria? Figure 2 presents two options. On the left is a model incorporating a universal tax-financed Foundation Tier Model, under which every Nigerian becomes entitled to the pension on equal terms upon reaching the eligibility age. On the right is a Benefit-tested Tier Model, which aims to secure universal coverage while limiting payments to those with other state-supported old age income. Under this option, the Tier 1 pension would be withdrawn from individuals already receiving a contributory social security or public service pension. In the Nigerian context, the Foundation Tier is likely to be the stronger long-term option because it is simpler to administer, reduces exclusion risks, and is more consistent with a rights-based approach to social security.

**Figure 2: Potential pension system designs for Nigeria, to deliver universal pension coverage**



Source: Development Pathways’ own elaboration

Universal pension coverage for everyone aged 65+ is unlikely to be achievable overnight, especially under fiscal constraints. However, it is feasible through a phased implementation. The introduction of a universal pension should be treated as a sequencing challenge, not a reason to abandon the vision. A feasible

<sup>2</sup> Calculations are made using poverty data from the World Bank Poverty and Inequality Platform.

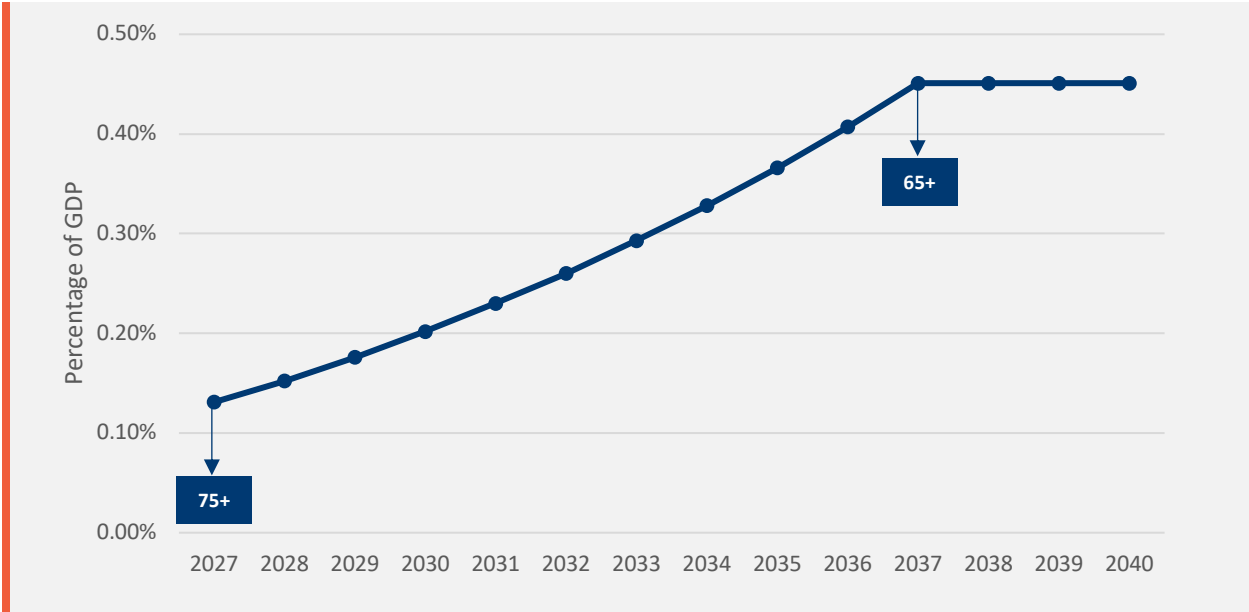
<sup>3</sup> Figures are in NGN and nominal USD amounts. US\$2 is, in Nigeria, the equivalent of US\$5.70 in purchasing power parity terms.

<sup>4</sup> Maji, F. A. (2025)

pathway could be to begin with a social pension for those aged 75 and above, then gradually lower the age of eligibility over time as administrative systems strengthen and fiscal space expands. The benefit could be set at 15 per cent of GDP per capita (around USD17.5 per month), which is the median cost of tax-financed benefits globally. This kind of phased approach allows governments to combine realism with long-term commitment.

As depicted in Figure 3, under this phased approach, an old-age pension scheme in Nigeria could launch in 2027 for those aged 75+, then expand annually by reducing the age of eligibility by one year each year until full 65+ coverage is reached in 2037. In the first year, it would reach more than 2 million people at an estimated cost of 0.13 per cent of GDP (around US\$373 million). By 2030, the total cost is projected to rise to 0.20 per cent of GDP (around US\$648 million in 2025 terms). In 2037, when all older persons aged 65+ would be covered, approximately 10.2 million Nigerians, the programme cost would reach 0.45 per cent of GDP (around US\$1,904 million, again in 2025 terms).<sup>5</sup> From 2037, the cost of the pension begins to flatten as the growth in the number of pensioners slows to around the same rate of predicted economic growth. Therefore, despite the rise in the older population, Nigeria could easily manage the pension to ensure that there is no future fiscal time bomb.

**Figure 3: Cost of introducing a universal old age pension in Nigeria as a percentage of GDP<sup>6</sup>**



Source: Author's own calculations

<sup>5</sup> Costs have been simulated using Development Pathways Social Protection Financing Gap Tool available at: <https://devpathways.shinyapps.io/sp-financing-tool/>

<sup>6</sup> The transfer value is set at 15 per cent of GDP per capita in 2025 prices and indexed to inflation. GDP growth rates are taken from the IMF World Economic Outlook (WEO) database (annual percentage change in GDP, constant prices) up to 2031 and then held constant for subsequent years.

## 4 Affordability and strategic returns

Debates on introducing universal schemes in Nigeria are likely to be dominated by claims that they are unaffordable. One way to respond is to set out the case for a gradual, phased introduction of the old age pension, as proposed in the previous section. Indeed, fiscal responsibility is indispensable, and programme design must always reflect available resources. However, the choice between narrowly targeted poor-relief safety nets and the progressive expansion of universal guarantees is not purely technical. Rather, it is fundamentally political. Other African countries have shown that, despite being relatively poor countries, it has been possible to implement universal pensions.

In 2018, the Government of Kenya introduced a universal pension for people aged 70 years and above in a context marked by a major pension coverage gap: most older persons were excluded from contributory schemes, poverty remained widespread, and child malnutrition was high, conditions that are not far from those of Nigeria today. The reform also faced resistance from international donors who argued that universality was not an appropriate response to vulnerability.<sup>7</sup> Since the universal pension was rolled out, evidence indicates meaningful gains: improved food security, stronger capacity to meet basic needs, reduced dependence on relatives, and greater ability of older persons to support grandchildren, including schooling costs. Recipients also reported important non-material benefits, including higher dignity, autonomy, and social inclusion.<sup>8</sup> The scheme has supplanted donor-driven social assistance schemes for the poor to become Kenya's flagship social security scheme.

Right by Kenya's western border, in Uganda, the government introduced the Senior Citizens' Grant (SCG) in 2011 with support from the United Kingdom's Department for International Development (DFID) and Irish Aid, under similarly constrained conditions. Once again, multiple studies found substantial positive effects: even in communities facing broader economic stress, the SCG has been associated with lower poverty among beneficiaries, fewer households experiencing hunger, and improvements in diet quality, with some evidence of reduced child wasting. Many recipients have also invested part of the transfer in productive activities, while employment among working-age household members has increased.<sup>9</sup> The universal pension is now funded entirely by the Government of Uganda, although it is restricted to over-80s.

Comparable findings emerge elsewhere in Africa: in Lesotho, studies on the old age pension indicate improvements in food security and dietary quality among pension recipient households. Other studies have shown that recipients spend part of their pension on creating jobs for other people.<sup>10</sup> Additional evidence suggests that pensions support broader economic dynamism: in South Africa and Zambia, pensions have been used to establish and expand informal microenterprises.<sup>11</sup> Other studies link pensions with improved local demand, better employment, and strengthened local and national markets. Therefore, the evidence available presents the case for universal pensions as not only a social policy measure but an investment in a healthier, more productive population and a more resilient economy.

In Africa, universal old age pensions are no longer just an aspirational policy idea; they are now embedded in many national social protection frameworks. To date, several African countries have introduced universal old age pensions. Figure 4 compares the estimated cost of the universal old age pension in Nigeria proposed above with the cost of existing old age pensions across African countries. The

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<sup>7</sup> See Greenslade, M. (2025)

<sup>8</sup> See Kidd, S. and Tran, A. (2019)

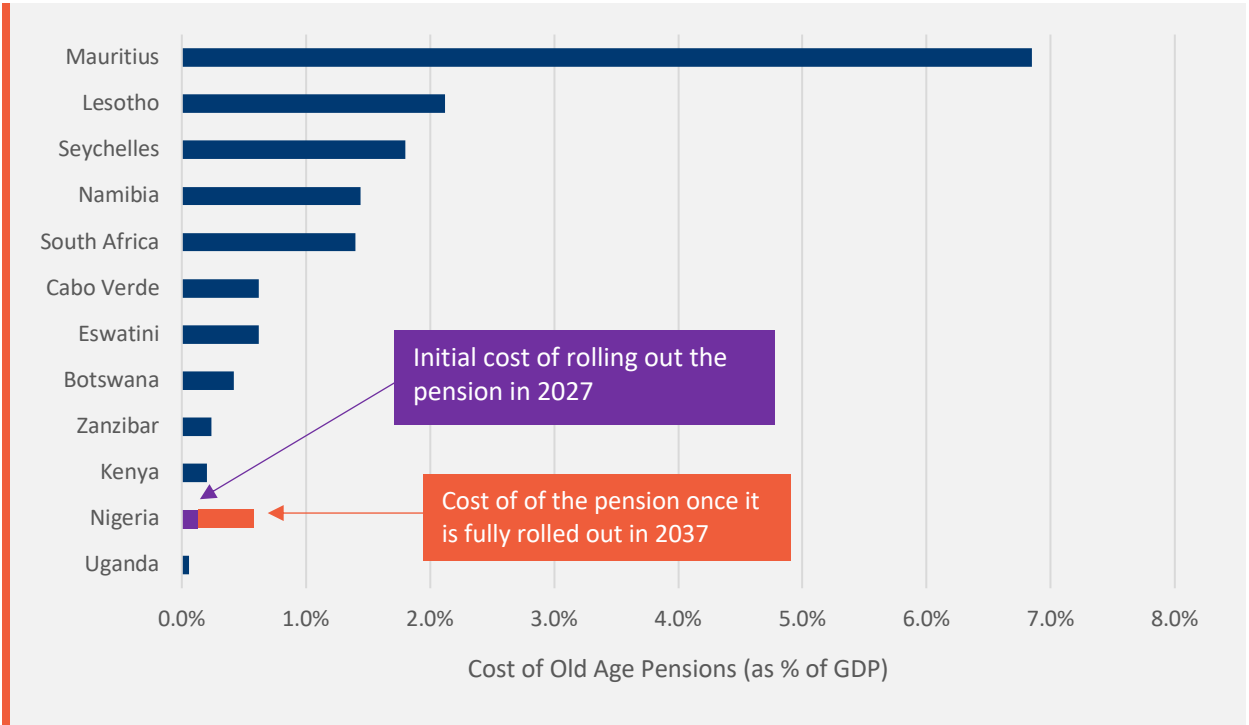
<sup>9</sup> See Kidd, S. (2018)

<sup>10</sup> See HelpAge (2006)

<sup>11</sup> CARE (2009); Barrientos & Lloyd-Sherlock (2002)

comparison indicates that Nigeria’s proposed pension would sit at the lower end of the cost distribution when first implemented – at around 0.13 per cent of GDP – and still at the low end when fully rolled out – 0.45 per cent of GDP. It would be below the cost in countries such as Botswana and Eswatini (about 0.4–0.6 per cent) and well below those of South Africa and Namibia (around 1.4 per cent), Lesotho (2.1 per cent), and Mauritius (6.9 per cent). In other words, the fiscal envelope required for a Nigerian universal pension appears modest in comparative terms, suggesting that affordability concerns should be assessed against realistic design options and phased implementation pathways rather than treated as a barrier to universality.

**Figure 4: Estimated expenditure of an old age pension in Nigeria against current expenditure on universal old age pensions across countries in Africa, as a percentage of GDP<sup>12</sup>**



Source: Data from Kidd et al. 2025 while cost of the pension in Zanzibar is from United Nations University

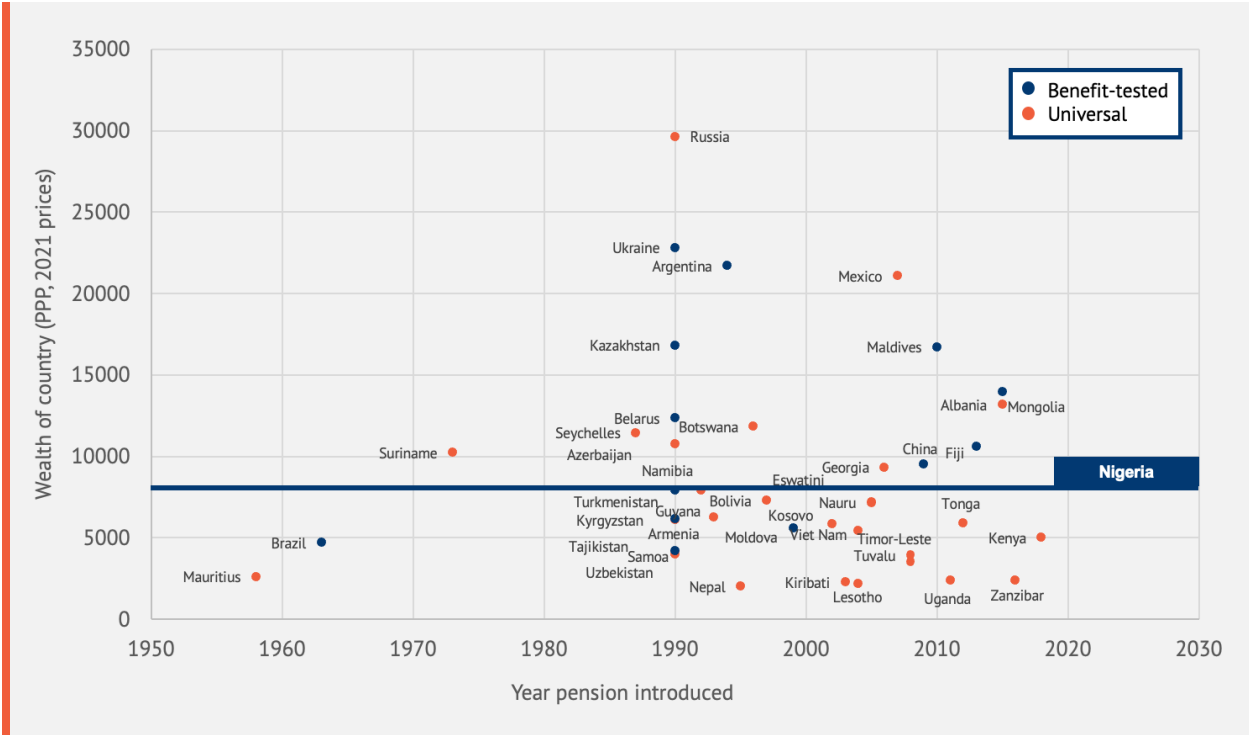
Beyond questions of affordability, introducing a universal old age pension in Nigeria should be understood as a strategic investment in the country’s long-term social protection floor. It becomes clear that universal schemes, even within contexts of low revenue and widespread vulnerability, do more than reduce poverty. They can strengthen state legitimacy, build trust in public institutions, and increase citizens’ willingness to contribute to the tax system. From a fiscal perspective, the key issue is not only immediate cost, but medium- and long-term returns. A tax-financed pension can help prevent higher downstream expenditures associated with destitution and poor health, improve resilience to shocks through a permanent delivery platform, and enable greater labour market participation among working age household members by easing care and dependency pressures.

<sup>12</sup> Calculations are from the most recent available year. Zanzibar is part of the United Republic of Tanzania, but administers its own tax-financed pension scheme, which is institutionally distinct from mainland programmes.

# 5 Conclusion

Many countries began investing in universal social protection when they were less wealthy than Nigeria is today. Figure 5 presents a timeline of when several countries introduced their universal old age pension and their level of wealth at the time. A substantial number of countries began building universal pension systems at lower income levels than Nigeria today, then expanded and improved them over time as fiscal space and administrative systems grew.

**Figure 5: Timeline showing when countries introduced universal coverage, tax-financed old age pensions and their level of economic development at the time (PPP, 2021 Prices)**




Source: Data from Development Pathways and World Bank

The decision that Nigeria must make, therefore, is less about waiting to find the fiscal space but more about designing the right package now, starting with a fiscally realistic benefit, phased geographic or age-based expansion, and building on existing delivery systems, so coverage can grow sustainably.

International experience shows that universal social security is achievable when governments combine sustained political commitment, careful sequencing and a rights-based vision of social security. In national debates, claims that universality is “unaffordable” are frequently overstated and often rely on weak assumptions or selective evidence. Strengthening domestic resource mobilisation, especially through improved tax collection, is essential, but fiscal reform should expand social ambition, not narrow it. Universal systems help build trust, social cohesion, and the foundations for inclusive growth and resilience.

By contrast, narrowly targeted approaches often fragment societies by categorising citizens through imperfect models that can exclude those most in need. Yet many international actors continue to promote these models as the preferred route to poverty reduction. Governments should assess such advice



critically and prioritise approaches that align with national priorities, institutional realities, and long-term social contracts.

For Nigeria, the case for changing the paradigm is both urgent and feasible. As one of Africa's largest economies, with substantial resources and institutional potential, Nigeria has both the means and the imperative to shift from fragmented assistance towards a universal social protection floor. FIWON has articulated this message clearly. The next step is political: to convert evidence and advocacy into policy and give universal social security a genuine opportunity to deliver for all Nigerians.

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