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Assessing Nigeria's Micro Pension Plan from the Perspective of Self-Employed Workers: Evidence and Policy Implications



FIWON members with Nigeria's Minister of Labour and Employment and an ILO official at the national dialogue on extending social protection to the informal economy in December 2025. Credit: FIWON

Executive Summary

Nigeria's informal economy plays a pivotal role in the national economy, contributing over 58% to the gross domestic product and employing more than 75% of the workforce. However, pension coverage within this vast segment of the population remains extremely low.

In response to this challenge, in 2019 the National Pension Commission (PenCom) introduced the Micro Pension Plan (MPP) to extend pension benefits to workers in informal employment. Five years later, enrolment figures remained alarmingly low, with only 152,749 enrollees as of October 2024, reflecting a participation rate of just 0.2% of the country's 77 million workers in informal employment.

This study represents the first rigorous assessment of whether the MPP reaches its intended audience and objectives. The study jointly undertaken by the Federation of Informal Workers' Organizations of Nigeria (FIWON), Women in Informal Employment: Globalizing and Organizing (WIEGO), the International Labour Organization (ILO), Africa Regional Organization of the Trade Union Confederation (TUC-Africa) and the Africa Labour Research and Education Institute (ALREI) evaluates the adequacy and sustainability of the MPP, identifies barriers to enrolment and regular contributions, and proposes evidence-based policy options for expanding coverage and improving the plan's performance.

The research adopted a mixed-methods approach, combining qualitative and quantitative data collection and analysis with desk reviews of pension systems from around the world. Focus group discussions were conducted with MPP enrollees and workers in informal employment who were not enrolled in Lagos, Abuja, Kano and Kaduna. Key informant interviews were conducted with PenCom officials and pension fund administrators, and representatives of trade unions and organizations of workers in informal employment. Qualitative insights were supported by actuarial simulations on enrolment data, contribution patterns and benefit projections.

While the establishment of the MPP is a welcome indicator that the Nigerian Government takes the issue of pensions seriously, its design and implementation fall short of what is needed to serve the majority of Nigeria's workers in informal employment effectively. The sheer size of Nigeria's informal economy and the number of self-employed workers who are willing to save for retirement – if given the proper support – represent an immense potential.

However, if reforms are not implemented quickly, the MPP risks continued underperformance and, eventually, irrelevance. Despite challenges, with strategic interventions grounded in evidence and by listening to Nigeria's workers in informal employment, especially those who are self-employed, the MPP can make an important contribution towards a more inclusive pension system. This study attempts to contribute to that process by offering insights and recommendations.

Recommendations

- Apply government co-contributions to self-employed workers' MPP savings.
- Streamline onboarding to allow remote registration.
- Empower pension fund administrators to collaborate with unions, organizations of workers in informal employment, cooperatives, religious bodies and local governments.
- Tailor public awareness campaigns to the realities of worker groups.
- Design greater transparency in the management of contributions.
- Improve customer service.
- Simplify processes for checking balances and making withdrawals.
- Allow for periodic review of benefits.

Key findings

- 1. Low levels of awareness and trust:** Despite the launching of the MPP more than five years ago, there is a conspicuous awareness gap; many workers in the informal economy are unaware or have minimal understanding of the MPP. Distrust in government programmes emerged as a central theme among both non-enrollees and enrollees, and this is rooted in previous negative experiences with government-led financial initiatives and compounded by operational inefficiencies within the MPP.
- 2. Low enrolment figures:** As of October 2024, the MPP had enrolled 152,749 workers in informal employment, representing a mere 0.198% of Nigeria's estimated 77 million workers in informal employment. This low enrolment rate falls significantly short of the 2019 initial goal of covering over 40 million workers in informal employment by 2024 and even the revised modest target of 2.2 million by 2027.
- 3. Few enrollees make regular contributions:** Of the 152,749 enrollees as of October 2024, only 8,510 had any amounts in the accounts, suggesting that almost 95% of registered accounts are inactive. This evidence was confirmed in focus group discussions with non-enrollees, where about half had previously been enrolled but are no longer making contributions.
- 4. The majority have very small savings amounts:** About 90% of contributors with any savings have less than ₦50,000 in their accounts.
- 5. Women have lower savings and are less likely to be enrolled:** Men outnumber women in both active and inactive accounts. The male dominance in funded accounts is higher, with women making up only 38% of funded accounts, while men represent the majority of contributors in seven of the eight studied sectors. Amounts saved within the MPP mirror enrolment figures, with women holding 38% and men 62% of savings.
- 6. Administrative barriers:** Most (58%) of the respondents experienced at least some difficulties in registration and payment of contributions, including identification requirements and a lack of contribution collection agents. Complex and cumbersome registration processes hinder MPP uptake. Respondents noted the lack of accessible and supportive service agents and user-friendly digital platforms.
- 7. Affordability challenges for some, contributory capacities for others:** Lack of affordability was frequently cited by both enrollees and non-enrollees. Among interviewed enrollees, 18% reported having monthly incomes of around ₦50,000, which is less than the monthly minimum wage of ₦70,000. However, about half of the interviewed enrollees reported earning considerably more: about a quarter reported earning around ₦200,000 and 31% around ₦250,000. This highlights that contributory capacity does exist among a good portion of enrollees. Another significant percentage of low-income workers earn too little to contribute or, if they can contribute at all, contribute insufficient amounts.
- 8. Scepticism of savings adequacy:** There is significant scepticism among MPP enrollees, non-enrollees, as well as implementers that the current setup will ensure adequate savings in older age, particularly in the context of rising living costs.
- 9. Impact of inflation and currency depreciation:** Adjusting the projected savings for inflation and currency depreciation drastically erodes the purchasing power of projected savings, thus undermining the effectiveness of the MPP in providing adequate retirement income. For all options, regardless of timeline and contribution amounts, inflation and depreciation nearly eliminate savings amounts. These adjustments highlight that the retirement income adequacy of the MPP not only depends on the contributions of workers but is also contingent on Nigeria's macroeconomic performance.

10. Even consistent savings will not ensure an adequate standard of living in older age for most: Simulations show that only consistent, longer-term savings at higher amounts can clear the poverty line of US\$2.15 a day (approximately ₦3,329) for the average life expectancy at 65. Even a consistent 30-year contribution record of ₦3,000 a month could only provide for 80% of the annual poverty line over the 11 projected life expectancy years at 65. Lower contributions and shorter time frames garner savings that only yield a fraction of the poverty line. In this analysis, neither the savings nor the poverty line has been adjusted for inflation. Finally, contributors may start accessing 40% of their savings before reaching the age of 50. If contributors withdrew significant portions of their savings, this would substantially reduce savings available as workers enter older age.

11. A co-contribution would be an important signal that the Nigerian Government is committed to safeguarding the savings in the MPP and ensuring its adequacy: Recognizing the need to improve the adequacy of MPP savings and to encourage higher levels of trust, FIWON has for years emphasized the importance of a government contribution. The sentiment that a government subsidy would be a powerful signal of the Government's commitment to ensuring the long-term sustainability, effectiveness and trustworthiness of the MPP was shared by MPP implementers. Most importantly, both enrollees and non-enrollees noted that the lack of government support to ensure that their savings yield at least a basic benefit negatively affects their expectations towards the MPP and their willingness to contribute. The table below shows that even a generous co-contribution would cost less than half of 1% of federal government spending and less than 3% of all social protection spending. Government co-contributions could be flexibly defined to balance cost and effectiveness.

Annual cost to the Government of a co-contribution as a percentage of the 2025 Federal Budget

Year	Signed up for MPP	₦4,640	% of 2025 Federal Budget	₦7,734	% of 2025 Federal Budget
25% government co-contribution					
2025	513,353	7,146,817,837	0.01	11,911,363,061	0.02
2030	3,464,523	48,232,494,050	0.09	80,387,489,567	0.15
2035	7,144,315	99,461,940,443	0.18	165,769,901,254	0.3
50% government co-contribution					
2025	513,353	14,293,635,673	0.03	23,822,724,575	0.04
2030	3,464,523	96,464,988,099	0.18	160,774,979,134	0.29
2035	7,144,315	198,923,882,433	0.36	331,539,804,055	0.6

Source: Author's calculations

Snapshot of Key Findings

CHALLENGES

Scale of informal economy

77.6 million
informal workers



Limited participation

0.198%
enrolled



Dormant accounts

95%
inactive



Small savings

90%
< ₪50,000



OUTCOME

- Savings unlikely to provide retirement income
- Inflation and depreciation erode value



POLICY SOLUTION

Government co-contribution

- Improve trust and increase participation
- Flexible and affordable

Cost to Government

<1%
of federal spending



About the Author

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Acknowledgements

We gratefully acknowledge the contributions of Dr Taofik Ibrahim, Dr Ismail Hayatu, Dr Ibrahim Kekere, Dr Kabir Baffa Gwadabe and Mary Okpe (researchers at Ahmadu Bello University, Kaduna State) and Dr Kabir Salihu and Dr Yusuf Ibrahim Yusuf (Bayero University, Kano State) who ably supported Salamatu Idris Isah in the primary qualitative data collection and analysis.

We are indebted to Dr Tunde Alayande, the Head of the National Pension Commission's Micro Pension Department, as well as the former head of the department, Dauda Ahmed, for their critical guidance and support in accessing data on the MPP. We also thank Mr Atama, Dr Farouk Aminu and Abdulqadir Dahiru for their important guidance.

We are further grateful for the critical reviews and leadership in the realization of this study by Gbenga Komolafe, General Secretary of FIWON; Joel Akhator Odigie, General Secretary of ITUC-Africa; Dr Hod Anyigba, Chief Economist at ITUC-Africa and Executive Director of its Africa Labour Research and Education Institute (ALREI); Emmanuel Danjuma, National Social Protection Programme Coordinator, ILO Nigeria, as well as Florian Juergens-Grant, who at the time of this research served as Global Social Protection Adviser at WIEGO.

Finally, we want to thank all the workers, leaders of organizations and associations, pension fund administrators and policy makers who generously agreed to be interviewed for this study.

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Introduction

Nigeria's pension systems continue to primarily serve a small, formally employed segment of the population. In 2022, only 19 per cent of older persons in Nigeria had access to a pension. Worryingly, there are significant gender differences, with just 5 per cent of older women in Nigeria having access to a pension, compared to 31 per cent of older men (ILO 2024). An evaluation of the administration of pensions in Nigeria revealed not only the challenge of closing the coverage gap, but that the pension system faces the challenge of extending coverage to the large number of workers in informal employment – including workers in irregular, low-paid informal employment – while ensuring financial sustainability and adequate benefits for all.

While tax-financed social pension schemes offer a solution for expanding coverage, as seen in countries such as South Africa, Mauritius, Namibia, Kenya and the Seychelles, where they usually offer only basic income protection, this should be complemented by the extension of contributory schemes that enable higher benefits levels and contribute to the overall financial sustainability of the pension system. This underscores the need for innovative approaches that address the unique characteristics of the informal economy, where traditional contributory schemes, reliant on formal employment relationships, have struggled to grow.

To address this challenge, Nigeria established the Micro Pension Plan (MPP) in 2019 as an extension of the contributory pension scheme. This study aims to evaluate the potential of the MPP to provide adequate income security for informal self-employed workers. By examining enrolment patterns, contribution behaviours and the adequacy of expected benefits, the research seeks to identify potential policy options for enhancing the plan's effectiveness and expanding its coverage.

Nigeria's Pension Industry Performance from 2004 to 2024

The implementation of pension reforms in Nigeria, initiated with the Pension Reform Act of 2004 (re-enacted in 2014), marked a significant shift towards a Contributory Pension Scheme (CPS) for both public and private sector employees. The reform was deemed necessary by the Defined Benefit Scheme's (DBS) sustainability challenges. Prior to 2004, the DBS had a deficit of over N2 trillion (about \$12.9 billion) and suffered from weak administration, inefficiencies and vulnerabilities to fraud, resulting in a system characterized by unreliable benefit disbursement and a cumbersome annual verification process for pensioners (Banwo & Ighodalo 2015). At the same time, the private sector landscape was marked by low pension coverage, with many employers lacking adequate retirement provisions for their employees. The CPS was designed to include federal government employees, federal capital territory employees, state government employees, local government employees, and private sector employees in organizations with three or more employees. Self-employed and other workers in informal employment were envisaged to join through the MPP.

Since the reforms, the Nigerian pension industry has made considerable strides in expanding coverage across various sectors, as evidenced by the growth in pension assets and registered contributors. An analysis of the pension industry's financial performance reveals a substantial asset increase. Total pension funds grew from a nominal value of ₦4.42 trillion in 2014 to ₦20.48 trillion in June 2024, representing a remarkable increase of ₦16.06 trillion. While the US dollar equivalent indicates a decrease from \$28.39 billion in 2014 to \$17.46 billion in June 2024 due to exchange rate fluctuations and the depreciation of the naira, the overall growth trajectory in naira terms remains positive.

This growth can be attributed, in part, to the introduction of the multi-fund structure in 2018, which offers contributors a range of investment options tailored to their risk appetite and demographic characteristics: Funds I to IV are designed for different age groups, from young workers to 'pre-retirees' (between 50 and 60) and retirees (60 plus). Fund VI is based on Islamic financial principles and Fund V is the MPP, designed for self-employed workers.

Establishing the multi-fund structure represents a significant step toward enhancing the flexibility and inclusivity of the Nigerian pension system. However, the limited uptake of the MPP by workers remains a

key challenge. This study aims to explore the reasons behind this low participation and identify potential policy adjustments to encourage greater enrolment and ensure the long-term financial security of self-employed workers in Nigeria.

The Nigerian Informal Economy

Nigeria's informal economy is central to the nation's economy, encompassing a diverse array of activities and livelihoods operating outside the formal regulatory framework. Informal micro-enterprises and self-employment account for a substantial portion of the country's economic activity and employment. The informal economy accounts for approximately 58 per cent of Nigeria's GDP and employs over 75 per cent of the nation's workforce (Moniepoint 2024). This is higher than the average in sub-Saharan Africa, where informal employment accounts for 84 per cent of women's and 70 per cent of men's employment (ILO 2023).

Nigeria's 2023 Labour Force Survey reveals that self-employment dominates the workforce, with 85 per cent of employed individuals working independently. This trend is particularly pronounced among women, with 87% self-employed, compared to 81% of men. Conversely, men have a higher share of wage employment (18%) than women (12 %) (National Bureau of Statistics 2023).

In terms of sectors, retail and trade make up the bulk (38%) of informal employment, followed by food and drinks (15%), oil and gas (9%), IT and electronics (7%) and construction (6%) (Moniepoint 2024).

Livelihoods and enterprises in Nigeria's informal economy are mostly volatile and characterized by low earnings. In 2024, about 40 per cent of informal enterprises had been operating for less than a year and about 80 per cent of businesses earned ₦250,000 monthly profit, highlighting the financial constraints many face (Moniepoint 2024).

Despite these challenges, the informal sector demonstrates remarkable resilience and entrepreneurial spirit, playing a critical role in job creation, poverty reduction and economic growth. It provides vital employment opportunities for those who may not have access to formal employment: 51 per cent of informal business owners cite a lack of formal wage employment opportunities as their primary motivation for starting their businesses.

Operational Framework of Nigeria's Micro Pension Plan

The MPP operates under a framework established by the PenCom, which includes operational modalities such as registration, contributions, withdrawals, and benefits administration. PenCom has further established an outreach and implementation strategy, with key comments on enrolment promotion, incentives for enrolment, as well as the transparent regulation of the implementing institutions.

Table 1. Operational framework of the MPP

Roles and responsibilities	Pension Fund Administrators (PFA) offer administrative services to pension account holders by maintaining information and records about the account holders, their investments and overall developments in the pension industry. They provide account holders with reports on the status of their funds and handle the processing of benefits. Each contributor is expected to open a Retirement Savings Account (RSA) with a PFA of their choice. PFAs issue investment directives to Pension Fund Custodians (PFCs), monitor the investment and report on its status to account holders. PFCs are market institutions (e.g., banks) where contributions are held for investment.
Registration	Individuals aged 18 and older can register for the MPP by completing an RSA opening form with their PFA. The registration process includes biometric data capturing and valid identification documents.
Contributions	Recognizing the irregular income patterns of workers in informal employment, the MPP allows flexible contribution frequencies (daily, weekly, monthly or as convenient). Contributions can be made through various channels, including cash deposits, electronic transfers and through approved financial service agents.
Segregation of contributions and withdrawals	Contributions are split into two portions to balance the need for long-term savings with short-term withdrawal contingencies. Sixty per cent is allocated for retirement benefits, while the remaining 40 per cent is accessible for contingent withdrawals. Access to the contingent portion of the RSA is permitted at any point. Full access to retirement benefits is granted upon the age of 50 or on health grounds.
Transition between schemes	While converting from mandatory contributions with the CPS (for formally employed workers) to the MPP is not allowed, the reverse is permitted, for instance, for those informal workers taking up formal wage employment.
Investment and returns	MPP contributions are pooled into the Micro Pension Fund and invested according to PenCom's investment regulations. All licensed PFAs and PFCs are required to provide periodic returns on MPP operations.
Fees	PFAs are permitted to charge a maximum administrative fee of ₦80 for every contribution of ₦4,000 and above and ₦20 for every contribution below ₦4,000. No additional charges are allowed beyond those specified in PenCom guidelines.
Outreach and enrolment strategy	The framework for implementing the MPP emphasizes awareness creation through various channels, including media campaigns, town hall meetings and training programmes for leaders of unions, associations and cooperatives.
Regulation	PenCom has established minimum requirements for participating institutions to safeguard the interests of MPP participants and maintain the MPP's integrity. Only licensed PFAs and PFCs are authorized to register contributors, manage funds and provide related services within the MPP framework. It also provides a layer of regulatory oversight, safeguarding contributors' funds and ensuring adherence to ethical practices.

Study Approach and Methodology

To evaluate the potential of Nigeria's MPP, this study adopted a mixed-methods approach, combining quantitative and qualitative data collection and analysis. This allowed for a holistic evaluation of the MPP, capturing both statistical trends and grounded insights from stakeholder perspectives.

We identified and accessed a range of data sources to inform our analysis. This included administrative data from the PenCom on enrolment, contributions and demographic characteristics of MPP participants. To supplement this data, we gathered information on living costs, poverty lines and life expectancy from the National Bureau of Statistics, the World Bank and other relevant institutions. Where necessary, we leveraged our network of PFAs to complement the PenCom data and address information gaps.

To capture first-hand experiences and perspectives, we collected primary data through focus group discussions and key informant interviews. We adopted a multi-stage sampling method for participant selection. All licensed PFAs offering MPP schemes in Kano, Lagos, Kaduna, and FCT Abuja were purposively selected. These states were selected based on their compliance with the CPS, their status as major commercial hubs with a high concentration of informal employment, and their significant number of MPP participants. A total of 200 respondents were purposively selected for the study, which included 80 MPP enrollees, 80 non-enrollees and 40 key informants.

Non-enrollees were purposively selected from various associations, cooperatives and unions of workers in informal employment, including from the Nigeria Automobile Technician Association (NATA), Artisans in Kaduna Panteka Market, Central Market Women Associations, FIWON, and the Trade Union Congress of Nigeria (TUC). The focus group discussions aimed to gain insights into the knowledge and understanding of the MPP among individuals not enrolled in the scheme. The discussions explored various dimensions of awareness, understanding, perceived utility and reasons for non-enrolment.

Key informant interviews comprised 20 PFAs and 20 representatives from other stakeholder groups, such as unions, cooperatives and associations, as well as policy makers and advocates. These included representatives from PenCom, the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), State Pension Bureaus, FIWON, TUC, the Pension Transitional Arrangement Directorate (PTAD) and the Federal Ministry of Finance. We also interviewed former heads of MPP departments in selected PFAs.

The data gathered from these discussions and interviews provided valuable insights into the factors influencing the effectiveness of the MPP, including the perceptions, experiences, contributions and challenges faced by both enrollees and non-enrollees, as well as implementers.

Quantitative data from surveys and administrative records were analyzed mainly to quantify the extent of MPP coverage, understand contribution patterns, consistency and frequency, as well as to assess the adequacy of expected pension benefits. We developed an actuarial model to project future pension benefits and assess the potential impact of policy interventions. This model incorporated factors including contribution levels, investment returns, fees and inflation rates, allowing us to simulate different scenarios and evaluate the potential effects of policy adjustments, such as government subsidies or co-contributions, on the adequacy of pension benefits.

Finally, we conducted a comparative analysis of international best practices and case studies to broaden our understanding of micro-pension schemes and identify potential policy transfer opportunities. This analysis allowed us to examine the general features, challenges and opportunities associated with micro-pension schemes globally and identify lessons learned that could be adapted to the Nigerian context.



FIWON General Secretary Gbenga Komolafe addressing the national dialogue in Abuja on extending social protection to workers in informal employment. Credit: FIWON

Evaluating Nigeria's Micro Pension Plan for Self-Employed Workers

Awareness and Trust

Overall, 51% of MPP participants were aware of the MPP before enrolling. Awareness levels varied across states, with Kano having the highest percentage (65%), followed by Kaduna (55%) and Lagos (50%). Abuja had the lowest awareness level at 35%. Focus group discussion participants identified several sources of awareness. The most common was interpersonal (25% overall), highlighting the importance

of word-of-mouth communication. Formal sources, specifically PFAs, were less significant in raising awareness (21% overall). Mass media, including advertisements and websites, also played a limited role.

In the key informant interviews, stakeholders mainly attributed awareness problems to a lack of information dissemination. This was emphasized by the President of the National Association of Hairdressers and Cosmetologists (NASHCO), who stated:

"I am not aware of the scheme, which means that a good number of our members are likely not aware as well. This is why there is a need to create awareness for an important scheme like this through the union executives."



As explained by the FIWON General Secretary, MPP implementers' lack of intentional engagement with workers in informal employment is a key reason for the low enrolment levels:



"The approach of the government, MPP operators and policy initiators is the main reason for low enrolment. The approach is still traditional, whereby you only see adverts on billboards, and MPP operators do not understand the market. Informal workers do not relate to an advert on billboards and the like. They need marketers to come to them and sensitize them. They need to make the product relevant to them. Our members save, for instance, 'aajo' 'esusu' and access it in the short term, but for long-term savings, there is a need for education, because our members are not used to saving for the long term."

Further, participation in the MPP is also affected by a lack of trust, which, for some, is influenced by negative perceptions with similar government programmes, particularly the well-publicized difficulties for formal public sector workers to access their pensions. Among both enrollees and non-enrollees, some expressed a lack of faith in the MPP, as noted by FIWON's Secretary General:

"There is scepticism among members on the issue of pension. Some believe that retirees with pensions cannot access their pension, so how much less are people with low incomes in the informal workforce? We try to educate them so as to erase scepticism and encourage participation."



The Coordinator of the Association of Nigerian Artisans and Technicians (ASNAT) in Kaduna raised the same concern:



"Access to contribution, what guarantees that one's funds will be kept safe with the firm?"

Others reported that they had encouraged others to enrol, but most were reluctant due to concerns about the security and accessibility of their savings. This sentiment was captured by a self-employed automobile-parts vendor in Kaduna, who explained why he was not enrolled:

"Based on our interaction among ourselves, most of us do not take it as something that will benefit us. We are seeing it as a scheme where you will put your money and cannot get it at the end of the day."





An enrollee in Lagos echoed this concern:

“Actually, people don’t generally have faith in the scheme. I told quite some people, but only a few reluctantly enrolled; even those who enrolled got discouraged.”

Interestingly, the majority (58%) of the interviewed non-enrollees were aware of the MPP. The rate of awareness was shared across the states, for instance, about a third (31%) of non-enrollees reported having detailed knowledge of the MPP, and 26 per cent reported having at least a basic understanding of the programme. Furthermore, nearly half (49%) of non-enrollees acknowledged being aware of how to sign up for the MPP. Nonetheless, lack of awareness (23%) and limited information (21%) were identified as key explanations for respondents not being enrolled. Lack of awareness was particularly prominent in Kano, where 35 per cent of respondents cited it as a key factor. It should be noted that this is likely not representative of the wider population of non-enrolled workers, as nearly half non-enrollees interviewed for this study had previously been enrolled but are no longer making contributions. All in all, these figures suggest that awareness gaps remain a challenge to greater enrolment, but that other factors related to the design of the MPP also play an important role.

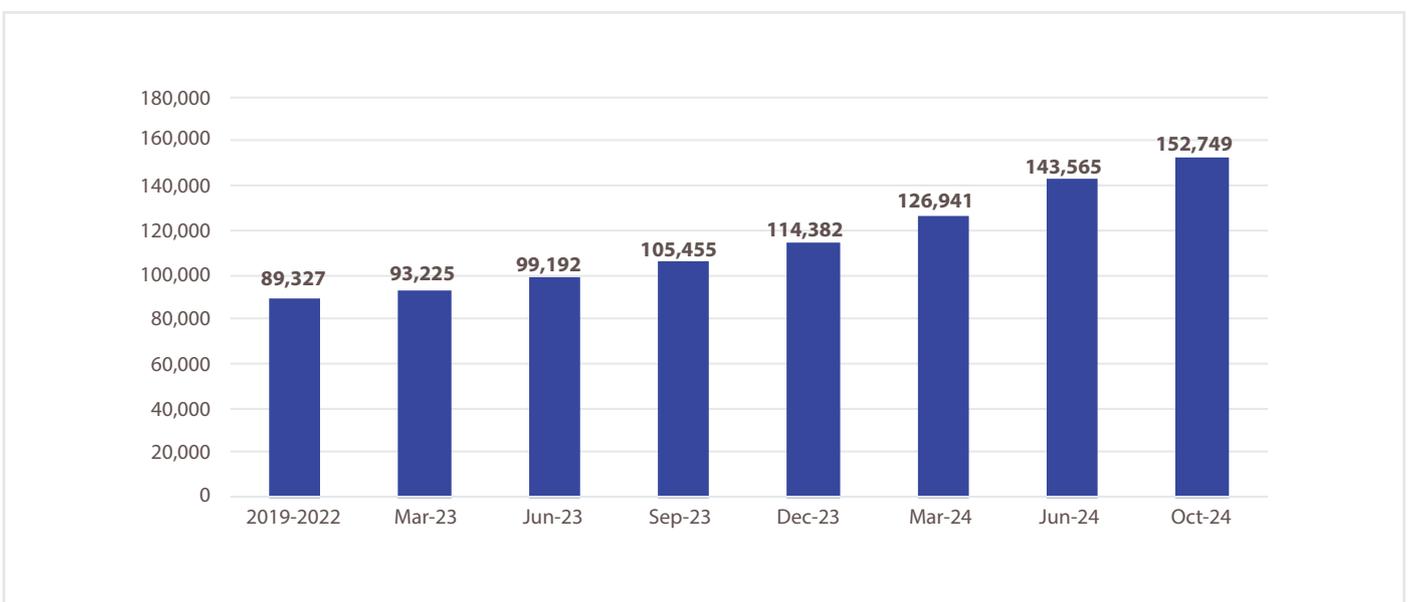
Enrolment, Savings and Contribution Patterns

By October 2024, the MPP had 152,749 participants, representing a mere 0.198 per cent of Nigeria’s estimated 77 million workers in informal employment. This low enrolment rate falls significantly short of the initial goal to cover over 40 million informal workers by 2024 and even the revised, more modest target of 2.2 million by 2027.

The primary reasons for enrolling in the MPP were for income security at retirement (41%), government support (35%) and encouragement from other enrollees (24%). Interestingly, 59% of the respondents said their decision to enrol was influenced by knowing other self-employed workers who had already signed up.

With regards to “government support”, respondents mainly referred to the co-contributions that the Government provides to civil servants in the CPS. The specified form of support varies across states, from 8 per cent of the monthly salary provided by the Federal Government and Kaduna State, to 17 per cent of wages contributed as a subsidy by the Jigawa State Government to public servants.

Figure 1. MPP enrolment from 2019 to 2024



Source: PenCom data for various years; Author’s calculations

While at first glance the number and growth of enrollees is substantive, only a fraction of enrollees are making contributions and have accounts that are funded. Out of the 152,749 enrollees as of October 2024, only 8,510 had their accounts funded, suggesting that the vast majority (almost 95%) of registered accounts were actually inactive. This picture was confirmed in focus group discussions with non-enrollees, of which 49 per cent had previously been enrolled but were no longer making contributions. The finding hereby highlights a challenge with retention.

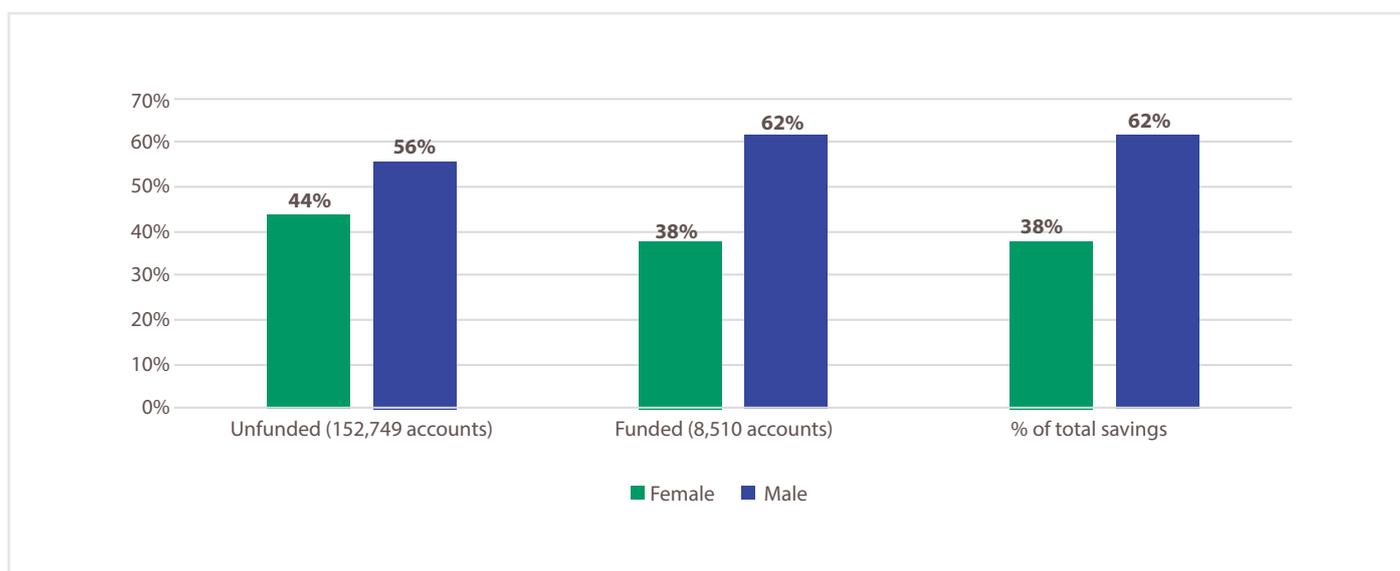
Given the number of enrollees, men outnumber women in both active and inactive accounts. Among the unfunded accounts, 56 per cent were men and 44 per cent were women. More concerning, male dominance in funded accounts is even higher, with women making up only 38 per cent of funded accounts.

A representative from Stanbic IBT reported:

“Regarding gender, men slightly outnumber women in enrolment, though women are increasingly becoming active participants.”



Figure 2. MPP enrolment and funded accounts by gender



Source: PenCom Data in 2024; Author’s calculations

Men represent the majority of contributors in seven out of the eight sectors included in PenCom data. The exception is the Crop and Animal Production sector, where female participation is significantly higher, with women contributing 61 per cent of enrollees’ savings compared to men’s 38 per cent.

The saved amount within the MPP mirror enrolment figures showed women holding 38 per cent and men 62 per cent of savings. It is worth noting that there are key sectors – education, health, financial services, publishing, and manufacturing – where male and female contributors are close to parity in savings. In some sectors, women are contributing more than men. For instance, within the social, professional and technical services sector, as well as the crop and animal production sector, women’s average savings are about double those of men. Within the trade union and professional organizations’ sector, women’s average savings are slightly higher than those of men. Female savers within the computer programming and information technology, as well as the education, health, and financial services sectors, contribute only a little less than their male counterparts.

There are significant differences in savings amounts across the sectors. Average savings amounts within the social, professional and technical services, the computer programming and information technology, as well as education, health and financial services sectors are about double the amounts saved in the remaining sectors, with manufacturing having particularly low savings.

Table 2. MPP savings across sectors and by gender

Sector	Gender	Frequency	% within sector	Total savings (₦)	Average savings (₦)	% within sector	% across sectors
Social, professional and technical services	Female	285	17.28	63,322,200.48	222,183.16	29.8	26.88
	Male	1,364	82.72	149,198,713.60	109,383.22	70.2	
	Total	1,649		212,520,914.08	128,878.66		
Computer programming and information technology	Female	98	31.01	18,530,414.99	189,085.87	28.63	8.19
	Male	218	68.99	46,188,309.59	211,872.98	71.37	
	Total	316		64,718,724.58	204,806.09		
Education, health and financial services	Female	443	52.86	44,418,242.61	100,266.91	48.13	11.67
	Male	395	47.14	47,867,530.36	121,183.62	51.87	
	Total	838		92,285,772.97	110,126.22		
Trade union and professional organizations	Female	696	33	35,982,422.52	51,698.88	33.82	13.46
	Male	1,413	67	70,413,550.87	49,832.66	66.18	
	Total	2,109		106,395,973.39	50,448.54		
Crop and animal production	Female	285	43.05	19,499,625.13	68,419.74	61.51	4.01
	Male	377	56.95	12,202,429.86	32,367.19	38.49	
	Total	662		31,702,054.99	47,888.30		
Publishing	Female	25	35.71	46,518,475.62	1,860,739.02	49.94	11.78
	Male	45	64.29	46,624,425.23	1,036,098.34	50.06	
	Total	70		93,142,900.85	1,330,612.87		
Wholesale and retail	Female	1,043	49.81	63,363,260.16	60,750.97	38.54	20.79
	Male	1,051	50.19	101,031,600.80	96,129.02	61.46	
	Total	2,094		164,394,860.96	78,507.57		
Manufacturing	Female	386	50	11,824,886.96	30,634.42	46.41	3.22
	Male	386	50	13,651,803.68	35,367.37	53.59	
	Total	772		25,476,690.64	33,000.89		
Total savings in funded RSAs	Total	8,510		790,637,892.40	92,906.92		
	Female	3,261	38	303,459,528.47	93,057.20	38	
	Male	5,249	62	487,178,363.99	92,813.56	62	

Source: PenCom data 2024; Author's calculations

Most contributors fell within the lowest savings category, with less than ₦50,000 in their accounts. This group comprised 7,721 contributors, representing 90 per cent of all contributors. Despite their large numbers, the group contributed only about five per cent of the total savings in the MPP. Notably, a small group of 14 individuals contributed ₦10,000,000 and more, constituting a quarter of the total savings.

The data further suggests a stark contrast in contribution patterns: while the majority of contributors make minimal contributions (less than ₦1,500), a small number of contributors make exceptionally large contributions (over ₦10 million). These results show a highly skewed distribution of savings, where a few contributors account for a disproportionate share of the total savings.

Among FGD participants, only 38 per cent reported making contributions regularly, a picture that was confirmed by a key informant at Stanbic IBTC Pension:



“Contribution patterns vary significantly; many enrollees contribute monthly or quarterly, depending on their income streams. The amounts are generally low, often ranging between ₦500 to ₦5,000 per contribution. Consistency is a challenge due to the unpredictable income of most self-employed individuals, leading to irregular contributions over time.”

Similarly, a key informant from Access Pension in Kano highlighted the variations in contribution patterns across different demographic groups over time:

“Yes, there are noticeable variations in contribution patterns. For instance, individuals in urban areas tend to contribute more regularly and in larger amounts compared to those in rural areas. Younger enrollees also tend to contribute less consistently due to lower disposable income and financial awareness. In comparison, older enrollees who are wealthier, more financially literate in some cases, and exposed show greater commitment and consistency.”



The preferred frequency of contribution payments among participants in focus group discussions varied. Daily contributions were preferred by most (43%), following by annual (21%), weekly (20%) and monthly (16%) schedules. Despite these stated preferences, observations during the survey indicate that many enrollees are not particular about the frequency and consistency of their contributions, as noted by a representative from Stanbic IBTC:



“Contribution patterns vary significantly. Many enrollees contribute monthly or quarterly, depending on their income streams. The amounts are generally low, often ranging between ₦500 to ₦5,000 per contribution. Consistency is a challenge due to the unpredictable income of most self-employed individuals, leading to irregular contributions over time. The typical demographic characteristics of enrollees in the MPP include a mix of individuals from urban and semi-urban areas, with a majority working in informal trade and small business ventures, such as market traders, artisans, micro-small and medium business owners, and transport operators.”

Respondents were asked about their likelihood of changing their contribution patterns. The most common response was maintaining payment flexibility (31%). Slightly over a third (36%) indicated they were likely to increase their contribution amount, particularly in a favourable business environment. Finally, 33 per cent of respondents expressed a desire to reduce the minimum amount of contribution, given their current economic challenges.

Affordability

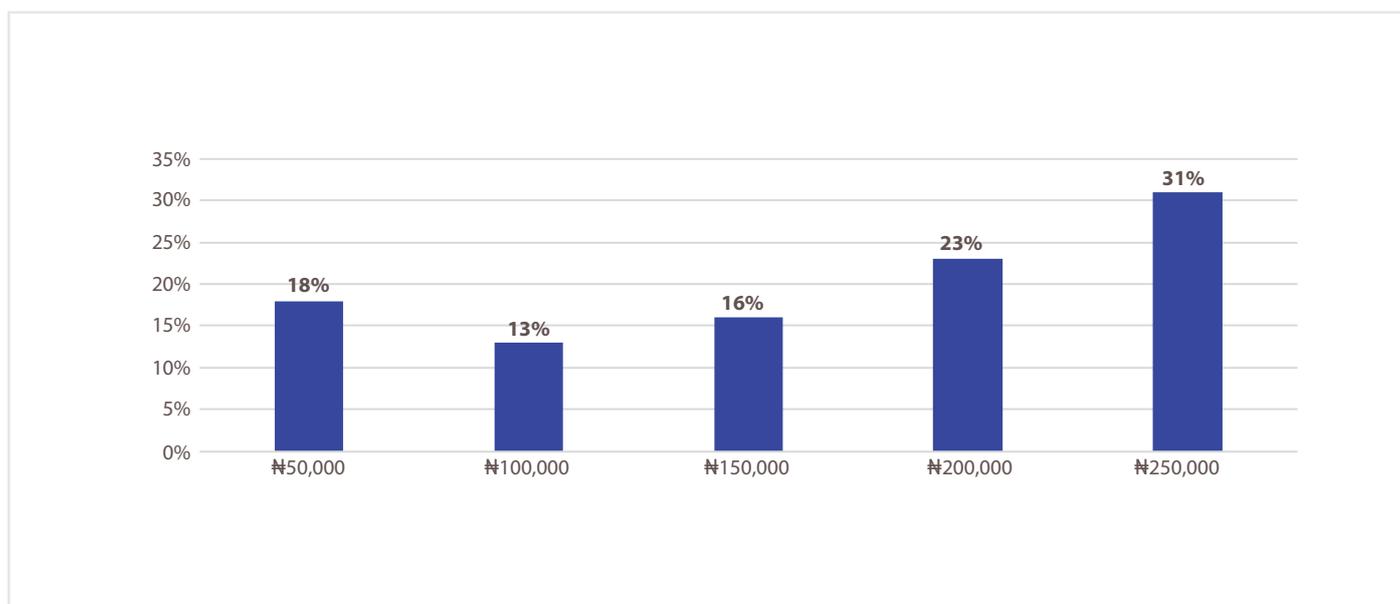
Affordability, driven by low and irregular income, was the most frequently cited challenge by both enrollees and non-enrollees with respect to the MPP. Among MPP enrollees interviewed, 18 per cent reported having monthly incomes of around ₦50,000, which is considerably less than the monthly minimum wage of ₦70,000. However, almost half reported earning considerably more: about a quarter reported earning about ₦200,000, while 31 per cent declared earning around ₦250,000. This highlights that contributory capacity does exist among a good portion of enrollees, but that a significant percentage of low-income workers earn too little to contribute or, if they can contribute at all, to contribute sufficient amounts.

A Lagos-based artisan explained:

“The money we are earning – some of us who are self-employed are not really doing that well – we only get enough to satisfy our needs like school fees, rent and so on. So, to remove and save in a pension, even if we have extra cash in our hand... we save for the coming week, not that far future.”



Figure 3. Average monthly earnings of MPP enrollees



Source: Focus group discussions and survey 2024; Author's calculations

An intensifying challenge related to low and irregular earnings is the high cost of living that workers experience. High levels of inflation and the depreciation of the naira not only pushed up the cost of living, squeezing out room for contributions, but also discouraged long-term savings, as people expected their savings to reduce in value over time. A key informant from SIGMA Pension emphasized this concern, stating:



“Many of the enrollees have the desire to save and retire with a certain amount, but a challenge at hand is the foreign exchange rate of naira to dollar; as people judge the amount they save today will be of lost value in the future – this is a discouraging force.”

The challenge of promoting long-term savings in a context of high inflation was also pointed out by the Secretary General of FIWON:

“Inflation is making the returns not tangible. That is why it is difficult for me to mobilize our members to onboard. But if the government can co-contribute, this will lessen the effect of inflation on whatever members have contributed.”



For many, their willingness and ability to contribute to a pension plan is linked to their livelihoods. Indeed, 45 per cent of enrollees said they would increase their contributions if the business environment improves. A focus group discussion participant in Kano who was not enrolled also stressed the link between their livelihoods and their ability to save:



“We need the government to render support in improving the means of livelihood and security, which will indirectly affect the amount we will be able to save regularly.”

Box 1. Informal savings strategies, trade union membership, and taxes

To understand the financial habits and savings strategies of individuals not saving through the MPP, we examined the prevalence of informal savings methods, trade union membership and fee contributions, as well as the payment of taxes and other government fees.

Non-enrollees expressed diverse approaches to retirement planning. Relying on current savings (31%) and starting a new business (30%) were the most common strategies. Other plans included relying on family members (21%) and taking a part-time job (18%). Retirement savings among respondents ranged from ₦5,000 to ₦15,000 monthly. The most common savings amount was ₦8,000 (29%).

A significant majority (73%) of respondents reported using savings methods outside formal retirement plans. These methods fell into four main categories. 28 per cent saved through informal groups (Adashi/Esusu). Around a quarter of respondents (24%) used banks as their primary savings method. A similar proportion (23%) were members of savings cooperatives, with Lagos showing the highest usage.

Adashi/Esusu are traditional rotating savings and credit associations whereby people contribute to informal savings in a group for their mutual benefit. Most (64%) of the respondents saved through Adashi/Esusu, with the highest usage in Abuja and Lagos (80%), highlighting a reliance on informal savings mechanisms. The reliance on Adashi/Esusu may reflect the limitations of formal financial institutions in meeting the needs of workers in informal employment. It also suggests that initiatives to strengthen and formalize informal savings mechanisms should complement efforts to promote retirement savings. Respondents who utilized informal savings methods contributed between ₦2,000 and ₦10,000 per month. The most common contribution was ₦5,000 (32%).

Over half (53%) of non-enrollees reported holding membership in a trade union or cooperative. This pattern was consistent across all four states, indicating relatively uniform union membership patterns across Nigeria. Union members reported deriving various benefits from their membership, including networking opportunities (38%), training (29%), and legal support (33%). Networking opportunities were particularly valued in Kaduna and Kano, while training benefits were most prevalent in Lagos. This highlights the important role of unions and cooperatives in providing support and resources to workers in informal employment. Among union members, membership fees varied. The most common fee was ₦500 (\$0.29), paid by 38% of members, followed by ₦1,000 and ₦2,000, each paid by 31%. Lagos had the highest proportion of respondents paying ₦500, while Kaduna had the lowest.

A majority (59%) reported consistently paying taxes or fees to the government, with Abuja and Lagos showing the highest compliance rates (65%). The frequency of fee payments varied, with daily payments being the most common (36% overall). Weekly and monthly payments were also prevalent, especially in Lagos and Abuja.

Source: Focus group discussions and survey 2024

Implementation

Most (58%) of the respondents experienced at least some difficulties in registration and payment of contributions, fulfilling identification requirements, and the lack of contribution collection agents. Access challenges were highlighted by the Coordinator of ASNAT in Kaduna:

“Firstly, the problem we had at the start was the mode of contribution payment. We had problems regarding the distance from the bank to the market.”



One respondent in Kaduna explained that difficulties in making contributions not just undermine the savings of those who are already enrolled, but also discourage those who may be interested in joining:



“The decision to enrol is driven by the zeal to keep something for the rainy day. However, a few of us who enrolled had issues knowing our account balance or the right amount we had contributed. Another problem is making your savings; we had to go to the United Bank for Africa several times without being able to make payment. I think our experience is enough to discourage new people from enrolling.”

A quarter of non-enrollees identified the lack of access to pension services as a central reason for not being enrolled.

Projected Savings Adequacy

There is significant scepticism among MPP enrollees, non-enrollees, as well as MPP implementers that the current setup will ensure adequate savings in older age, particularly in the context of rising living costs. For example, a stakeholder at Premium Pension, a PFA, put it this way:

“If you put their contributions side by side with the whole essence of the scheme, you won’t rate it good. Especially with the rising cost of living in Nigeria. For instance, if someone is contributing ₦5,000, what kind of return on investment will enable him to cope with utility bills and other necessities of life?”



To our knowledge, there is no available estimation of the adequacy of MPP savings, which is critical for understanding whether the programme meets its stated objectives of ensuring income security in older age for self-employed workers.

Such an estimation involves projecting the income an individual can expect at retirement based on their contributions and factors such as inflation and the rate of return on investment. The projections consider several key factors that influence the final benefit amount:

- **Contribution amount:** The amount contributed to the MPP is a fundamental determinant of the final benefit. Monthly contributions for current enrollees show significant variation across states. Lagos, with the highest minimum contribution at ₦8,000, reflects a higher cost of living and potentially more substantial income levels. In contrast, Kano’s minimum contribution of ₦3,000 is the lowest, likely indicating lower average incomes in the region. To reflect this diversity, the results of the simulation presented below show a range of contribution rates, from ₦3,000 at the low end to ₦10,000 at the highest. For the purposes of this simulation, contribution amounts stay fixed for the simulated time frame, although in reality it may be expected that, at least for some, the amounts would grow in line with earnings and inflation.
- **Contribution duration:** The longer an individual contributes to the MPP, the more their savings benefit from compound interest. Early and regular contributions are essential for maximizing the final benefit amount. To illustrate the potential impact of different contribution durations on retirement benefits, the analysis explores three scenarios based on contribution time frames of 30 years, 20 years and 10 years. The 30-year contribution period scenario assumes that contributions are made regularly and without interruptions. This scenario demonstrates the potential for significant wealth accumulation due to the power of compounding, even with modest contributions. With a shorter time frame of 20 years, this scenario illustrates the impact of a reduced contribution duration on the final pension benefits. It highlights the trade-off between starting early and contributing for a longer period versus starting later with potentially higher contributions. The 10-year contribution period scenario underscores the difficulties of individuals who enter the informal economy later in their working lives or have limited opportunities for consistent savings.

- **Withdrawals:** MPP plans allow participants to access the entirety of their savings at the age of 50, with the ability to withdraw 40 per cent beforehand. This simulation assumes that funds remain invested for the entire simulation period without early withdrawals.
- **Investment returns:** MPP contributions are typically invested. The rate of return varies based on the types of investments and prevailing market conditions. Some plans offer guaranteed minimum returns, while others rely on market-based returns. These projections assume a fixed annual interest rate of 16 per cent, compounded monthly, a standard rate offered by most PFAs in Nigeria.
- **Inflation and exchange rate volatility:** Two key macroeconomic factors influencing living costs in Nigeria are inflation and exchange rate volatility. Inflation has been on an upward trend, with the Consumer Price Index (CPI) increasing at an average annual rate of 15 per cent. This erodes the purchasing power of savings. Similarly, the value of the naira relative to other currencies, particularly the US dollar, has been depreciating at an average annual rate of 10.6 per cent since 1973. This devaluation further reduces the purchasing power of the naira and negatively impacts living standards. The combined effect of rising inflation and currency depreciation poses a significant challenge to the adequacy of projected pension benefits. Thus, to evaluate the impact, the analysis simulates the projected benefits under different contribution scenarios, considering a 15 per cent annual inflation rate and a 10 per cent annual depreciation rate. This simulation provides a picture of the potential purchasing power of retirement savings in the face of these economic challenges.

To calculate the projected pension benefits, the following formula was used:

$$A = P(1 + r/n)^{nt}$$

Where A is the amount at the end of the term, P is the monthly contribution, r is the annual interest rate (as a decimal), n is the number of times interest is compounded per year, and t is the number of years.

Simulation Results

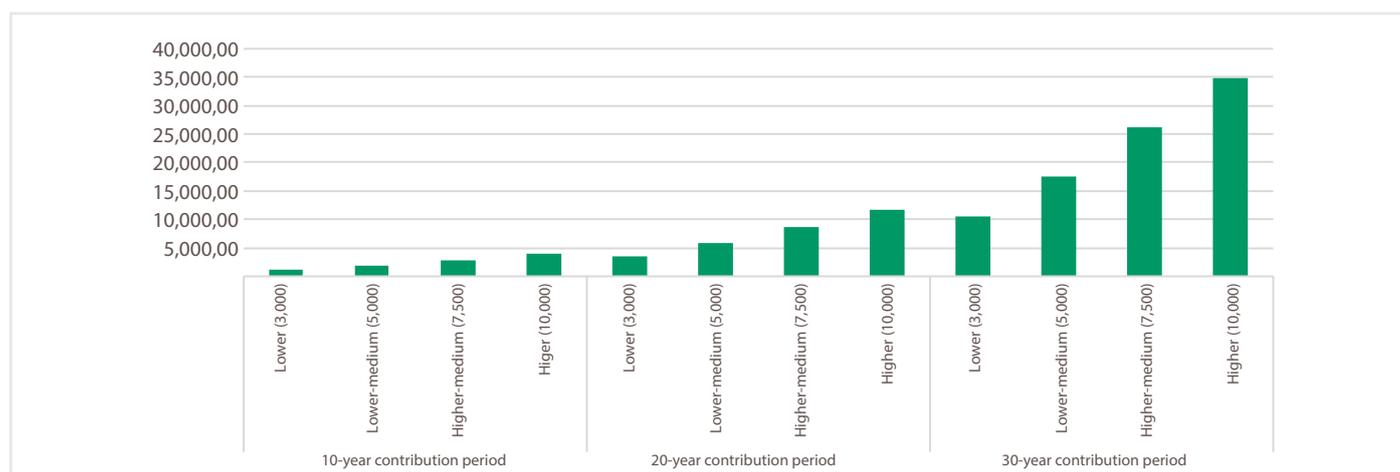
As expected, longer saving periods yield substantially higher projected savings across all contribution levels compared to the shorter time frames. The gains of saving over longer periods are so significant – mainly due to compounding interest – that the lowest monthly contribution in the simulation (₦3,000) over 30 years results in savings nearly as large (90%) as the highest contribution rate (₦10,000) under the 20-year simulation. The exponential nature of accumulation underscores the importance of long-term savings and highlights the need to encourage early and consistent contributions. Small but regular contributions over long periods can result in a significant savings pot. However, the inverse is also true: saving even relatively significant amounts over a short period are likely to have disappointing results.

Table 3. Projected savings at different contribution rates and contribution periods (₦, nominal)

Monthly contributions (₦)	Total end of term savings (₦)
10-year contribution period	
Lower (3,000)	1,161,741.05
Lower-medium (5,000)	1,936,235.08
Higher-medium (7,500)	2,908,233.73
Higher (10,000)	3,880,311.64
20-year contribution period	
Lower (3,000)	3,489,880.48
Lower-medium (5,000)	5,816,467.46
Higher-medium (7,500)	8,724,701.19
Higher (10,000)	11,632,934.92
30-year contribution period	
Lower (3,000)	10,469,641.42
Lower-medium (5,000)	17,449,402.37
Higher-medium (7,500)	26,174,103.55
Higher (10,000)	34,898,804.74

Source: Author's calculations

Figure 4. Projected savings at different contribution rates and contribution periods (₦, nominal)



Source: Author's calculations

Projected Savings in the Face of Inflation and Exchange Rate Volatility

Table 4 presents the simulation results, showing the projected pension benefits adjusted for inflation and exchange rate changes under various contribution amount and duration scenarios. The simulation highlights how inflation and naira depreciation drastically erodes the purchasing power of projected savings, undermining the effectiveness of the MPP in providing adequate retirement income. For all options, regardless of timeline and contribution amounts, inflation and depreciation nearly eliminate savings amounts. It should be noted that the simulation presented here assumes fixed contribution amounts, whereas at least some contributions are in fact likely to rise over time in line with earnings and inflation. This would partially limit the impact of inflation.

The simulation emphasizes that the adequacy of the MPP depends not only on the contributions of workers but also on Nigeria's macroeconomic performance. With the expectation that Nigeria's inflationary pressures and currency devaluation will continue, safeguarding the long-term value of the MPP requires serious attention.

Table 4. Inflation and exchange rate discounted projected savings (15% inflation + 10% depreciation)

Monthly contributions (₦)	Total end of term savings (₦)		
	Nominal	Inflation and exchange rate discounted	Inflation and exchange rate discounted savings as a percentage of nominal savings
10-year contribution period			
Lower (3,000)	1,161,741.05	9,059.97	0.8%
Lower-medium (5,000)	1,936,235.08	15,099.95	0.8%
Higher-medium (7,500)	2,908,233.73	22,649.93	0.8%
Higher (10,000)	3,880,311.64	30,199.90	0.8%
20-year contribution period			
Lower (3,000)	3,489,880.48	31,699.85	0.9%
Lower-medium (5,000)	5,816,467.46	52,833.09	0.9%
Higher-medium (7,500)	8,724,701.19	79,249.64	0.9%
Higher (10,000)	11,632,934.92	105,666.18	0.9%
30-year contribution period			
Lower (3,000)	10,469,641.42	110,642.00	1.1%
Lower-medium (5,000)	17,449,402.37	184,403.34	1.1%
Higher-medium (7,500)	26,174,103.55	276,605.00	1.1%
Higher (10,000)	34,898,804.74	368,806.67	1.1%

Source: Author's calculations

Projected Savings in Older Age in Relation to the National Poverty Line

A simple exercise of spreading savings amounts evenly over the average life expectancy of Nigerians at the age of 65 (11 years) highlights that only consistent, long-term savings at high amounts can clear the poverty line of US\$2.15 (approximately ₦3,330) a day. Even a consistent 30-year contribution record of ₦3,000 a month could only provide for 80 per cent of the annual poverty line over the 11 years that 65-year-old Nigerians are expected to live. And contributing ₦7,500–₦10,000 a month for that period only results in doubling the poverty line for the 11 years. Low contributions and shorter time frames garner savings that yield only a fraction of the US\$2.15-a-day poverty line. Crucially, in this analysis, neither the savings nor the poverty line has been adjusted for inflation and depreciation of Nigeria's currency. As shown earlier, inflation and depreciation have the effect of drastically reducing the purchasing power of long-term savings. Finally, it should be noted that contributors are allowed to start accessing 40 per cent of their funds once they turn 50, which is not included in this simulation. If workers withdrew significant portions of their savings, this would substantively reduce savings available as they entered older age.

Several groups are particularly vulnerable to inadequate pension benefits under the current structure:

- **Low-income earners:** Those with consistently low incomes may struggle to contribute sufficient amounts to accumulate adequate savings, highlighting the need for contribution matching or other mechanisms to enhance their retirement benefits.
- **Workers with irregular incomes:** The unpredictability of income in the informal economy can lead to inconsistent contributions and lower overall savings, thus underscoring the importance of flexible contribution options and financial planning support.
- **Women:** Women in informal employment often face additional challenges, such as lower average incomes and caregiving responsibilities, which can hinder their ability to save for retirement.
- **Older workers:** Those who start contributing later in life have less time to accumulate savings or benefit from compound interest.

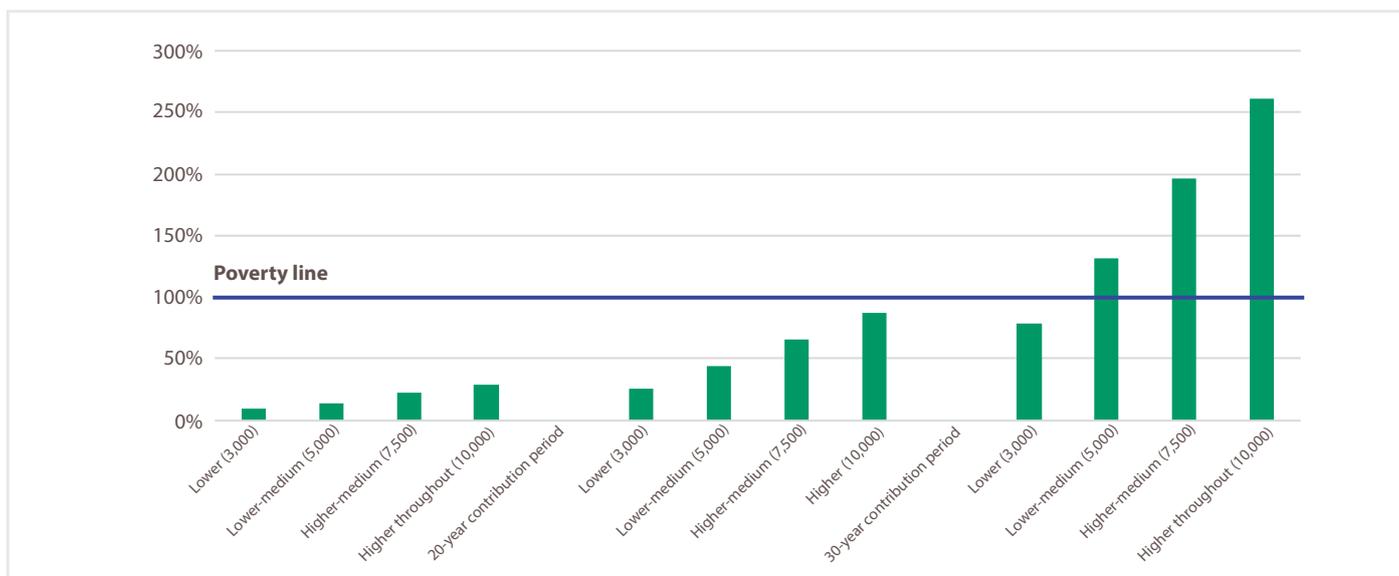
Table 5. Projected savings relative to Nigeria's poverty line

Monthly contributions (₦)	Total savings (₦, nominal)	Savings annuitized over average life expectancy at 65 (11 years) (₦, nominal)	Annuitized savings as a % of the annual poverty line (₦, nominal)
10-year contribution period			
Lower (3,000)	1,161,741	105,613	9%
Lower-medium (5,000)	1,936,235	176,021	14%
Higher-medium (7,500)	2,908,234	264,385	22%
Higher (10,000)	3,880,312	352,756	29%
20-year contribution period			
Lower (3,000)	3,489,880	317,262	26%
Lower-medium (5,000)	5,816,467	528,770	44%
Higher-medium (7,500)	8,724,701	793,155	65%
Higher (10,000)	11,632,935	1,057,540	87%
30-year contribution period			
Lower (3,000)	10,469,641	951,786	78%
Lower-medium (5,000)	17,449,402	1,586,309	131%
Higher-medium (7,500)	26,174,104	2,379,464	196%
Higher (10,000)	34,898,805	3,172,619	261%

Note: Life expectancy at the age of 65 in Nigeria is 11 years. The national poverty line is set at US\$2.15 a day. At an exchange rate of US\$1=₦1,548 (24.06.2025), this stands at ₦3,329 a day or ₦1,215,264 annually.

Source: Author's calculations

Figure 5. Projected savings relative to Nigeria's national poverty line



Source: Author's calculations



Participants at the 2025 social protection national dialogue in Abuja. Credit: FIWON

Feasibility and Impact of Government Co-Contribution to Enhance the Adequacy of MPP Savings

Contribution subsidies are financial mechanisms that reduce the cost of social insurance contributions for workers and employers, particularly for those operating in informal or vulnerable employment conditions. They can be an important policy tool to aid in the transition from informal to formal employment, making social security more affordable and attractive while aiming to sustain long-term coverage. These subsidies can take various forms, including fixed contributions, percentage reductions in the applied contribution rate, tax-integrated schemes, or targeted financial incentives for specific groups of workers or enterprises, such as self-employed individuals, low-income earners, small enterprises or employers hiring disadvantaged workers (ISSA & ILO 2025).

Several countries have successfully extended social security coverage by providing subsidies for contributions or directly financing benefits for low-income and vulnerable workers. In response to

a survey conducted in 2024 by the ILO and the International Social Security Association (ISSA) of 51 countries, 33 indicated that they were operating, or had operated, a contribution subsidy scheme. Some countries implementing multiple schemes and there was a total of 41 subsidies. Among the documented schemes, 20 operated in high-income countries, 17 in upper middle-income countries, and four in lower middle-income countries. Although this represents only a subset of all existing schemes, the findings highlight the widespread use of contribution subsidy schemes (ISSA & ILO 2025).

Improving the enrolment and social security entitlements of self-employed workers is a critical focus of many contribution subsidy schemes worldwide. In the global mapping developed by ISSA and ILO (2025), nine subsidies actively target self-employed workers. The remainder target specific groups that may need targeted support, including persons with disabilities, women, younger people, or workers in sectors undergoing difficult transformations. Other subsidies are directed towards employers to reduce labour costs and thereby increase employment.

Table 6. Key features of selected social insurance contribution subsidy schemes for self-employed workers around the world

Country	Scheme	Primary objective	Type	Duration
Argentina	Monotributo	Formalisation of employment	Specific amount	Permanent
Brunei Darussalam	SPK self-employed matching contribution	Close coverage gaps for specific groups	Specific amount	Permanent
Brunei Darussalam	SCP self-employed matching contribution	Close coverage gaps for specific groups	Specific amount	Permanent
Egypt	Subsidy for informal workers	Achieve national social insurance targets	Reduction in contribution rate	Permanent
Jordan	Estidama++	Close coverage gaps for specific groups	Specific amount	Time-bound
Malaysia	SESSS subsidy and matching contribution	Achieve national social insurance targets	Contribution reduction	Time-bound
Malaysia	i-Saraan incentive	Close coverage gaps for specific groups	Specific amount	Time-bound
Philippines	CSPP	Achieve national social insurance targets	Specific amount	Time-bound
Uruguay	Monotributo	Formalisation of employment	Contribution rate reduction	Permanent

Note: This table is an abridged version of a global overview table in ISSA & ILO 2025

Recognizing the need to improve the adequacy of savings from their members and to increase low levels of trust, FIWON has for many years emphasized the importance of a government contribution. This was explained by FIWON’s General Secretary, who looked back at the inception of the MPP:



“Sometime in 2015, PenCom met with us to seek our input into what was later rolled out as the MPP. Right from its inception, we made it clear that the scheme would work if the government could co-contribute as they do for public sector workers. We said this would encourage the uptake and the onboarding of members. There is a need for public participation and a co-contribution from the government, so that workers who are sceptical about the product will believe that the government will safeguard the pension and would not want to be responsible for losses. With this government contribution, the people would be confident in the scheme.”

The sentiment that a government subsidy would be a powerful signal of the government’s commitment to ensuring the long-term sustainability, effectiveness and trustworthiness of the MPP was shared by others as well. A key informant from Tangerine APT Pension similarly argued that a contribution from the Nigerian Government to the accounts of self-employed workers would not only provide an incentive for

higher and more regular contributions, but also would serve as a recognition and “return” on the taxes paid by workers:

“We have suggested a partnership with the state and federal governments where part of the tax generated from these sectors is paid back to them as social security. When implemented, all these tax incentives will make their return on investment adequate enough.”



The importance of government support was also emphasized by a key informant from Stanbic IBTC Pension, who cited examples from other countries:



“In countries like India, Morocco and Ghana, the government provides matching contributions, tax exemptions or subsidies. In Zambia, the government instituted an accompanying voluntary insurance scheme. The key lesson from international experiences is that government involvement and support is essential.”

Perhaps most importantly, both enrollees and non-enrollees in focus discussion groups consistently noted the lack of government support to ensure that their savings yield at least a basic benefit adequacy. Together with high inflation, this significantly reduced their expectations of the MPP and in turn their willingness to contribute.

Cost of a Government Co-Contribution to the MPP

A simulation analysis from 2025 to 2035 was conducted to assess the feasibility and impact of a matching/ government co-contribution to the MPP. The simulation was conducted using [WIEGO's Social Security Subsidy for Informal Workers Cost Calculator](#).¹ The model was calibrated using administrative data on MPP enrolment and contributions sourced from PenCom, alongside economic data from the World Bank, including figures on the working-age population, workforce participation rates, workers in informal employment, inflation rates and interest rates. The inflation rate of 24.4 per cent suggests a significant rise in CPI, which should diminish the purchasing power of pension savings and increase government subsidy costs over time. The 16 per cent interest rate represents the return on investment for MPP funds, enhancing the growth of pension savings and thus providing better retirement benefits. However, it does not affect subsidy costs from government contributions. The model is based on a total population of 218,541,212, with an annual population growth rate of 2.38 per cent. The working-age population is assumed to be 54 per cent, of which 58 per cent are in the labour force. Of those, 75 per cent are assumed to be in informal employment.

Table 7. Government co-contribution costing model parameters

Population	218,541,212
Population growth (%)	2.38
Working age population (%)	54
Labour force participation rate (%)	58.46
Informal employment (%)	75
Inflation rate (%)	24.48
Interest rate (%)	16
Percentage of workers signed up to MPP at the start of the simulation	1
Additional sign-up percentage per year	1

Source: Author's calculations

¹ WIEGO's Social Security Subsidy for Informal Workers Cost Calculator: https://wiego.shinyapps.io/social_security_model/

To assess the feasibility and impact of a government co-contribution to the MPP, two scenarios – a 25 and 50 per cent contribution – were simulated. Each scenario is analyzed using monthly contribution amounts of ₦4,640 (US\$3) and ₦7,734 (US\$5), which reflect the range of contributions as identified in this study. The simulations cover a ten-year window, from 2025 to 2035. Results are presented both in nominal terms and adjusted for inflation (24 per cent annually).

Table 8. Government subsidy rates on MPP contributions

	Total monthly contribution		Government share of the monthly contribution		Worker share of the monthly contribution	
	US\$	₦	US\$	₦	US\$	₦
25% subsidy	3	4,640	0.75	1,160	2.25	3,480
	5	7,734	1.25	1,933	3.75	5,800
50% subsidy	3	4,640	1.5	2,320	1.5	2,320
	5	7,734	2.5	3,867	2.5	3,867

Note: Conversions are based on an exchange rate of USD1 = ₦1,546.87 (10/06/2025)

Source: Author's calculations

A government co-contribution of 25 per cent for a total monthly contribution of ₦4,640 (US\$3) would cost ₦7,146,817,837 (US\$4,620,180) at the first year of introduction, with an assumed active MPP membership of 513,353. Under the assumption that membership would grow by a further 1 per cent each year, the costs of the co-contribution would rise proportionally, while annual per capita costs remain fixed at ₦13,922 (USD 9). The same co-contribution directed towards monthly contributions worth ₦7,734 (US\$5) would cost ₦11,911,363,061 (US\$7,700,300) in its first year. Annual per capita costs would be ₦23,203 (US\$15).

Table 9. Annual cost to the government of a 25 per cent monthly co-contribution

Year	Signed up for MPP	Annual cost to the government at the following monthly contribution:		Annual cost to the government at the following monthly contribution:	
		US\$3	₦4,640	US\$5	₦7,734
2025	513,353	4,620,180	7,146,817,837	7,700,300	11,911,363,061
2026	1,051,142	9,460,281	14,633,824,870	15,767,135	24,389,708,117
2027	1,614,239	14,528,154	22,473,165,578	24,213,590	37,455,275,963
2028	2,203,544	19,831,900	30,677,371,153	33,053,167	51,128,952,437
2029	2,819,986	25,379,876	39,259,368,788	42,299,794	65,432,282,344
2030	3,464,523	31,180,703	48,232,494,050	51,967,838	80,387,489,567
2031	4,138,142	37,243,274	57,610,503,252	62,072,123	96,017,504,905
2032	4,841,862	43,576,761	67,407,584,288	72,627,935	112,345,973,813
2033	5,576,736	50,190,628	77,638,376,734	83,651,046	129,397,293,526
2034	6,343,848	57,094,631	88,317,971,855	95,157,719	147,196,620,789
2035	7,144,315	64,298,836	99,461,940,443	107,164,727	165,769,901,254

Note: Conversions are based on an exchange rate of US\$1 = ₦1,546.87 (10/06/2025)

Source: Author's calculations

A more generous co-contribution set at 50 per cent would cost ₦14,293,635,673 (US\$9,240,360) for a monthly contribution of ₦4,640 (US\$3), with an annual per capita cost of ₦27,844 (US\$18). The same subsidy targeted towards a monthly contribution of ₦7,734 (US\$5) would cost ₦23,822,724,575 (US\$15,400,599) in 2025, with an annual per capita cost of ₦46,406 (US\$30).

Table 10. Annual cost to the Government of a 50 per cent monthly co-contribution

Year	Signed up for MPP	Annual cost to the government at the following monthly contribution:		Annual cost to the government at the following monthly contribution:	
		US\$3	₦4,640	US\$5	US\$7,734
2025	513,353	9,240,360	14,293,635,673	15,400,599	23,822,724,575
2026	1,051,142	18,920,561	29,267,648,194	31,534,269	48,779,414,688
2027	1,614,239	29,056,308	44,946,331,155	48,427,181	74,910,553,473
2028	2,203,544	39,663,801	61,354,743,852	66,106,334	102,257,904,874
2029	2,819,986	50,759,752	78,518,737,576	84,599,587	130,864,563,142
2030	3,464,523	62,361,406	96,464,988,099	103,935,676	160,774,979,134
2031	4,138,142	74,486,547	115,221,004,957	124,144,245	192,035,008,263
2032	4,841,862	87,153,523	13,481,5170,123	145,255,871	224,691,949,173
2033	5,576,736	100,381,255	155,276,751,921	167,302,092	258,794,587,052
2034	6,343,848	114,189,263	176,635,945,256	190,315,438	294,393,241,579
2035	7,144,315	128,597,673	198,923,882,433	214,329,455	331,539,804,055

Note: Conversions are based on an exchange rate of USD1 = ₦1,546.87 (10/06/2025)

Source: Author's calculations

Given Nigeria's persistently high levels of inflation, which in June 2025 stood at 24 per cent annually, it is important to recognize that the cost estimates above are not adjusted for inflation. For pension savings to maintain value, both contributions and subsidies would need to be adjusted for inflation. Failure to do so would significantly weaken the adequacy and purchasing power of the savings. Not addressing the issue of inflation would therefore undermine the credibility of the MPP as a vehicle to ensure income security in older age.

Cost of a Government Co-Contribution in the Context of Nigeria's Budget and Expenditure on Social Protection

Given the size of Nigeria's informal economy, national-level cost simulations necessarily yield large sums, which may give the impression of unaffordability. It is therefore useful to place costs into the context of government spending in Nigeria. A 25 per cent co-contribution towards a total monthly contribution of ₦4,640 would just cost 0.01 per cent of the 2025 Federal Budget. The same co-contribution applied to a monthly contribution of ₦7,734 would require 0.02 per cent of government spending. The more generous 50 per cent co-contribution would cost 0.03 and 0.04 per cent of total spending. These costs remain a tiny fraction of total government spending even as membership increases. If anything, the costs presented in Table 11 significantly overstate the cost of the subsidy relative to total government spending, as the Nigerian economy and Budget should grow during the time frame of the cost estimation, thereby keeping the cost of the subsidy stable or even in decline relative to the economy and public spending.

Table 11. Annual cost to the government of a co-contribution as a percentage of the 2025 Federal Budget

Year	Signed up for MPP	₦4,640	% of 2025 Federal Budget	₦7,734	% of 2025 Federal Budget
25 per cent co-contribution					
2025	513,353	7,146,817,837	0.01%	11,911,363,061	0.02%
2030	3,464,523	48,232,494,050	0.09%	80,387,489,567	0.15%
2035	7,144,315	99,461,940,443	0.18%	165,769,901,254	0.30%
50 per cent co-contribution					
2025	513,353	14,293,635,673	0.03%	23,822,724,575	0.04%
2030	3,464,523	96,464,988,099	0.18%	160,774,979,134	0.29%
2035	7,144,315	198,923,882,433	0.36%	331,539,804,055	0.60%

Note: Conversions are based on an exchange rate of USD1 = ₦1,546.87 (10/06/2025). The approved 2025 Federal Budget stands at ₦54.99 trillion. Source: Author's calculations

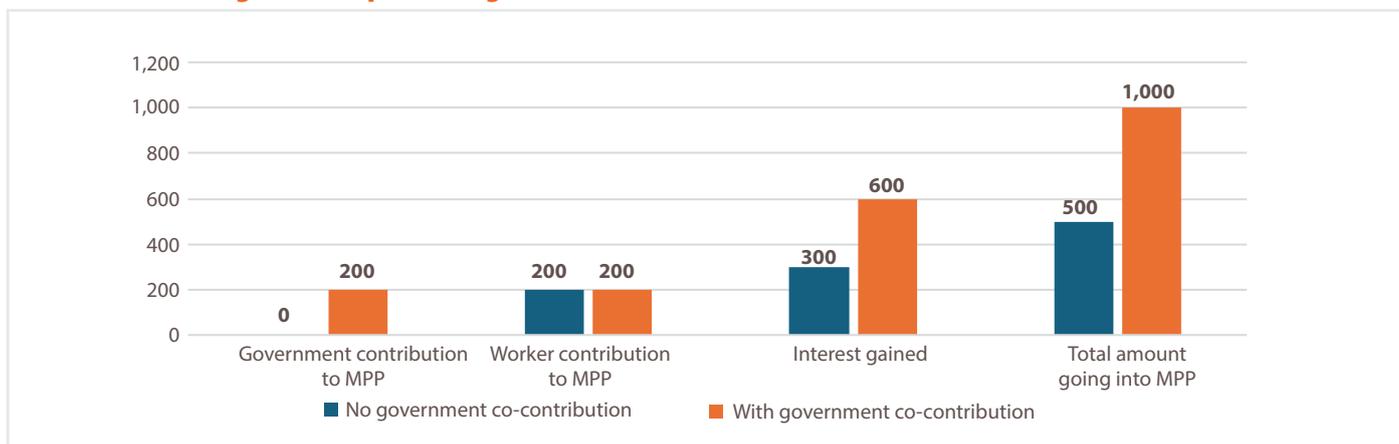
It is also illustrative to place the cost of the proposed co-contribution in the context of Nigeria's overall spending on social protection. Key programmes include two cash transfer programmes (the Household Uplifting Program and the Economic Shock Responsive Cash Transfers, both financed primarily through external sources). Other programmes include the National Home-Grown School Feeding Program and the N-Power, a job creation programme targeting young Nigerians. Finally, the Government Enterprise and Empowerment Program targets micro, small and medium enterprises with zero-collateral soft loans (World Bank 2024). In 2021, the Nigerian Government spent just 0.14 per cent of its GDP on social protection. Four-fifths of this expenditure was from the Federal Government, which represented 1.7 per cent of total government expenditure in 2021. While Nigeria is the second largest economy in Africa, the World Bank notes that its expenditure on social protection is one of the lowest in the world: close to the bottom of comparator countries and in the bottom 15 percentile of all low and lower-middle income countries (World Bank 2024).

A 25 per cent government co-contribution towards a total monthly contribution of ₦4,640, reaching 513,353 self-employed workers, would represent just 2.8 per cent of total federal social protection expenditure (in 2021). Including state-level spending on social protection, the percentage amount going towards the proposed co-contribution would be even lower.

Impact of Government Co-Contributions on Workers' Savings Levels

While the previous sections have estimated the cost of a co-contribution from the Government, it is equally important to explore potential benefits for workers' savings levels. Figure 6 visualizes the impact of a 50 per cent government co-contribution towards a total monthly contribution of US\$3 (₦4,640) over 10 years. The estimation shows that the 50 per cent co-contribution doubles the amount going into the worker's MPP account, despite the amount paid in by the worker being the same (US\$1.5 or ₦2,320).

Figure 6. Impact of a government co-contribution on the total amount saved



Note: Amounts are in US\$. The annual interest rate is 16%. Estimations were done using WIEGO's Social Security Subsidy for Informal Workers Cost Calculator. Source: Author's calculations

Box 2. The Contributory Pension Scheme's Minimum Pension Guarantee: A model for the MPP?

The 2014 Pension Reform Act provides that all Retirement Savings Account holders within the Contributory Pension Scheme, which covers public sector workers and private sector employees in enterprises with more than three workers, and who have contributed for a defined number of years to a licensed PFA, shall be entitled to a guaranteed minimum pension. To realize this Minimum Pension Guarantee, the Act establishes a statutory Pension Protection Fund (PPF). The PPF aims to bridge the gap for retirees whose retirement savings fall below the minimum pension threshold, which is currently set at one-third of the minimum wage, as determined by PenCom. The Federal Government is mandated to contribute 1 per cent of its total monthly wage bill to this fund. However, the Federal Government has not made regular contributions to the PPF, resulting in a delayed implementation of the Minimum Pension Guarantee.



Top government and ILO officials joined FIWON members participating in the Abuja meeting on extending social protection to the informal economy. Credit: FIWON

Recommendations to Improve Nigeria's Micro Pension Plan for Self-Employed Workers

This study has comprehensively analyzed the MPP in Nigeria, drawing on quantitative data and qualitative insights from focus group discussions and key informant interviews, as well as actuarial simulations. The findings reveal a mixed picture, with positive developments and significant challenges that must be addressed to enhance the MPP's effectiveness and coverage. While the MPP has made some progress in extending pension coverage to workers in informal employment, the enrolment rate remains far below initial targets. Several factors contribute to this low participation, such as limited awareness and understanding of the MPP, financial constraints and affordability concerns, lack of trust in formal financial institutions, and complex enrolment processes.

The study also highlights the vulnerability of certain groups, such as low-income earners, women, and older workers, to inadequate pension benefits under the current MPP structure. Even under optimistic scenarios, the projected benefits fall short of providing adequate retirement savings, particularly in the face of rising inflation and exchange rate volatility.

However, the analysis also reveals opportunities for improvement. Many interviewed workers expressed willingness to save for retirement and increase their contributions if the economic environment improved. Many workers stressed that a government co-contribution would make them view the MPP in a new light, regarding such as a co-contribution not just as a way of ensuring higher savings levels, but also as a much-needed commitment from the Government to ensure the security of their savings over the long-term.

Recommendations to Improve MPP Implementation

- Develop user-friendly digital platforms for payment, regular updates and reminders, easy-to-understand statements, real-time balance tracking, and remote onboarding.
- Develop partnerships among MPP implementers and trade unions, cooperatives, associations of workers in informal employment and market associations to undertake regular awareness raising and enrolment campaigns, which may be targeted to specific groups (e.g., women traders).
- Explore the role that trade unions, cooperatives and other worker associations can play in facilitating the enrolment and regular contributions of their members through collective insurance arrangements, where contributions are collected through worker organizations and then forwarded to the MPP. Learn from global experiences in collective insurance arrangements and consider piloting this approach in Nigeria with selected organizations.
- Collaborate with mobile money agents for decentralized contribution collection.

Recommendations to Improve MPP Adequacy

- Implement co-contributions to improve the adequacy of MPP savings and incentivize participation and regular contributions. Government contributions would be set at a certain percentage of workers' contributions to the MPP. These could be capped annually or targeted towards workers with low and irregular contributions. They could be permanent or time bound.
- Explore how self-employed workers who have contributed to the MPP for several years but nonetheless fall short of sufficient savings for a dignified older age, could benefit from a Minimum Pension Guarantee, such as that legislated for public sector and private sector wage employees.
- Income earned from MPP investments should be exempt from tax to encourage long-term savings and enhance the scheme's attractiveness.

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INTERNATIONAL DIALOGUE ON SOCIAL PROTECTION



N EXTENSION TO INFORMAL ECONOMY



FIWON members with Nigeria's Minister of Labour and Employment and an ILO official at the national dialogue on extending social protection to the informal economy in December 2025. Credit: FIWON

About FIWON

The Federation of Informal Workers' Organizations of Nigeria (FIWON) is a national network of organizations and community groups of informal, self-employed working people committed to improving the working and living standards of these working people in the informal sectors of the Nigerian economy. Visit www.fiwon.org

About WIEGO

Women in Informal Employment: Globalizing and Organizing (WIEGO) is a global network focused on empowering the working poor, especially women, in the informal economy to secure their livelihoods. We believe all workers should have equal economic opportunities, rights, protection and voice. WIEGO promotes change by improving statistics and expanding knowledge on the informal economy, building networks and capacity among informal worker organizations and, jointly with the networks and organizations, influencing local, national and international policies. Visit www.wiego.org

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