WHO CONTRIBUTES? RE-THINKING "NON-CONTRIBUTORY" WITHIN A CITIZENSHIP PARADIGM

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In social protection, as in life, words matter. Their meanings evolve as they travel through time and across contexts. Their boundaries expand and contract. Their popularity rises and falls with the latest development fad. And make no mistake, the words we use, and how we use them, can either perpetuate or challenge dominant power structures and their associated discourses.

Sometimes, when held up to the right light, words with meanings we have long taken for granted begin to betray a set of assumptions that may be contestable, if not outright sinister. Or, at the very least, they call for greater precision and transparency in their usage.

Such is the way with the term ‘non-contributory’ as it applies to that set of social protection interventions frequently cast in opposition to their ‘contributory’ counterparts.

But an emerging critique exposes the term’s potentially derisive connotation, pointing in particular to its portrayal of recipients of ‘non-contributory’ schemes as free-riders while minimising their general contributions to society and the economy. To imply that recipients of ‘non-contributory’ schemes do not contribute could perpetuate a charity paradigm in redistributive politics, ultimately undermining a commitment to the fundamental notion of social protection, and specifically social security, as a right and entitlement.

One Mauritian parliamentarian’s prescient observation —when arguing for a universal social pension many years ago— illustrates the tension:

“The old age pensioner has throughout the years paid taxes on commodities he has consumed as everybody else has. He has paid taxes on tea, sugar, tobacco, matches, rice, pulses, dried fish, rum, calico, khaki, everything he has consumed and used to be able to live as a useful member of our society. One way or another he has contributed to the national budget. The Old Age Pension scheme being financed out of public funds is [thus] a contributory one. The applicant for Old Age Pension has already paid in his contributions.” (F.S. Chadien, June 1957, as cited in Willmore, 2003).

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1 Social protection and social security are frequently used interchangeably. See ILO (2017). While both terms can involve similar, even identical, policy instruments, in this discussion, social security is used in reference to schemes or systems that are underpinned by a specific legislative framework and are therefore adjudicable in a functioning court system.

2 See Utting (2006) for a discussion of discourse and the relationship between knowledge, power and policy making in international development.
RECENT DEBATE
On the face of it, the technical meaning of ‘non-contributory’ provokes little disagreement among key actors and organisations working in the field.

BOX 1: DEFINITIONS OF ‘NON-CONTRIBUTORY’ BY A RANGE OF INTERNATIONAL ORGANISATIONS

The OECD describes a non-contributory pension scheme as one “where the members do not have to pay into the scheme”.

The ILO’s approach is both broader and more precise:

"Non-contributory schemes, including non-means-tested and means-tested schemes, normally require no direct contribution from beneficiaries or their employers as a condition of entitlement to receive relevant benefits. The term covers a broad range of schemes, including universal schemes for all residents (such as national health services), categorical schemes for certain broad groups of the population (e.g. for children below a certain age or older persons above a certain age), and means-tested schemes (such as social assistance schemes). Non-contributory schemes are usually financed through taxes or other state revenues, or, in certain cases, through external grants or loans” (Annex 1 “Glossary”, World Social Protection Report 2017-19, p. 194).

For ECLAC, ‘non-contributory’ social protection is “a set of transfers and public subsidy programmes, normally financed from general revenue... under the principle of solidarity. Its benefits are unrelated to previous contributions” (Cecchini and Martinez 2012, pp. 134-135) and can come in a wide variety of instruments (ibid., Table IV.1).

The World Bank (WB) is less explicit. In its ASPIRE program classification, ‘non-contributory’ is not defined but rather is used as a descriptor for social pensions as well as social assistance: “Social assistance programs are non-contributory transfers in cash or in-kind and are usually targeted at the poor and vulnerable...”. The WB pensions conceptual framework more directly describes a “non-contributory ‘zero-pillar’” as “typically financed by the local, regional, or national government...” and explicitly designed “to deal with the poverty alleviation objective...to provide all elderly with a minimal level of protection” (p. 2).

HelpAge International uses the term to denote a design feature of social pensions – non-contributory (social) pensions – but does not define it. (However, their definition of a ‘citizen’s pension’ (Knox-Vydmanov 2012) more closely resembles other prevailing definitions of non-contributory schemes: “A ‘citizen’s pension’ is a guaranteed minimum income in old age based on citizenship/residency rather than previous formal contributions.”)
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The dominant tendency in the private sector is to refer to employer-financed benefits as 'non-contributory' – again, from the perspective of the person receiving the benefit— as evidenced in a general Merriam-Webster definition:

"making or involving no contribution: such as
a: involving, relating to, or being an employee benefit (such as a pension plan) which is entirely funded by the employer with no contribution from the employee
• a non-contributory pension
• non-contributory life insurance plans"

This private-sector usage stands in contrast to public-sector social protection definitions where such employer-sponsored benefits would be considered employer-liability, or even contributory systems (the latter if they are insurance-based, since they are financed from employer contributions); in other words, it is the furthest away on the conceptual continuum from non-contributory programmes as they are generally understood in social protection circles.

Most coalesce around the view that 'non-contributory' denotes a design feature, specifically, a programme-level attribute, typically viewed from the recipient’s perspective: does someone have to make a financial contribution to a programme in order to receive a benefit, or not? Box 1 outlines definitions of non-contributory used by a range of international organisations.

If there is broad agreement on the definition of ‘non-contributory’, why stir the pot? Less technical than philosophical, the recent critique is motivated, in part, by the growing acceptance of social protection, and specifically social security, as a fundamental right earned in exchange for fulfilling the basic duties and obligations required of citizenship: a ‘citizen guarantee’.

Although it has been enshrined in international conventions for almost 70 years, the fact that social security is a human right is, once again, gaining currency in international development circles, as exhibited in the UN-wide commitment to national social protection floors.

Meanwhile, national governments must grapple with how to articulate social security in their national policy frameworks as an explicit manifestation of the broader social contract between citizens and their governments (or “between citizens and other citizens, mediated by government”).

This rights-based perspective is captured, for example, in more radical ideas like a citizen's or universal basic income, as well as in more mainstream approaches such as HelpAge International's definition of a 'Citizens’ Pension':

“...as a way to describe a social pension that realises the right to social security in old age. Many social pensions do not achieve this as a result of low coverage or inadequacy of benefits. The definition of a citizen's pension also focuses on the outcome of the pension rather than a specific design...
A citizen’s pension must ensure a universal entitlement to a secure, minimum income in old age, but this does not rule out designs that may reduce the entitlement for people who already have income security through other means (for example, other pension entitlements) (Knox-Vydmanov 2012).

In short, social protection is increasingly understood by many people as an entitlement borne of citizenship, and many countries are working fervently to build adequate and sustainable social security systems. It is neither charity for the poor, nor a residual category of a safety net, nor merely a market correction, despite some prominent international organisations continuing to operate as if it were.

In this framework, the challenge with a term like ‘non-contributory’ is that, as our Mauritian friend argued, it obscures the contributions made by all citizens — including those living in poverty and others who benefit from so-called ‘non-contributory’ schemes — to society and the economy at large, for example through working, raising children, caring for older people or persons with a disability, and the payment of (direct and indirect) taxes.

It is a discussion that connects strongly with debates on redistributive justice – the idea that the ‘norm of reciprocity’ is fundamental in the realm of social protection and that non-contributory social protection violates that norm. And indeed, in the universal basic income discussion, it has been raised by vociferous opponents. ‘Non-contributory,’ by implying that people receiving benefits do not contribute, conjures up images of stereotypically finger-wagging elites tut-tutting at undeserving scroungers who allegedly have not paid their fair share. By potentially feeding into the stigmatisation of people receiving benefits, it risks eroding societal commitment to solidarity and, in the long run, slows progress toward establishing social protection systems rooted in a commitment to human rights for all.

This perspective can be especially corrosive for the cause of gender equality, since women perform the lion’s share of unpaid care work and yet tend to benefit the least from social security systems, especially those dominated by social insurance. Women’s unpaid care work accounts for around $10 trillion each year, or 13 per cent of global GDP, according to some estimates. Yet, even the most progressive social insurance systems in Europe and elsewhere have struggled to introduce features that can provide an effective enough counter-weight to the deeply entrenched inequalities in the labour market and elsewhere that persist in even the most gender-balanced economies and societies. To correct these inequalities, advocates have pushed for ‘non-contributory’ benefits — and indeed, the evidence strongly suggests that de-linking social security benefits from individual earnings history or position in the labour market improves gender outcomes — but, in using this term, are these same advocates (this author included) unwittingly undermining their end goal?

Surely, there must be a better term.

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3 For global evidence, see e.g. Arza (2015) and ISSA (2017).
THE CASE FOR 'TAX-FINANCED'

To help stem the tide of the now ubiquitous use of 'non-contributory' among social protection professionals, 'tax-financed' is often employed as an alternative offering a number of advantages. Its appeal lies principally in its attempt to place all citizens, regardless of their 'ability to pay', on equal conceptual and moral footing. As a more neutral and inclusive term, it implicitly acknowledges the contributions of everyone, in particular those living on low-incomes who often benefit the most from these schemes.

Referring to a benefit as 'tax-financed' focuses attention on the contractual relationship whereby citizens pay taxes and receive benefits (social security entitlements) based on collectively determined, state-sanctioned eligibility criteria, as opposed to 'handouts' or 'welfare'. Here again, Chadien of Mauritius reminds us that indirect consumption taxes are a shared responsibility, from which a shared return should naturally follow.

Equally important from a conceptual standpoint, referring to benefits as 'tax-financed' challenges us to broaden our perspective on what it means to contribute. It pushes the boundaries of the contributory/non-contributory dichotomy from its technical, programme-level comfort zone to a perhaps blurrier, but potentially more meaningful, society-level construct. This shift, from scheme to society, is not just semantic. It can serve a vital political function for governments looking to embed or justify universalist principles in their social security systems. Crucially, it helps to dispel the notion that the expansion of social security to those who "lack contributory capacity" inevitably must come at the expense of those who have it.

BUT NOT SO FAST

But, while the term 'tax-financed' may resolve some philosophical challenges, what might we lose in terms of technical precision and accuracy? When held up against the benefits it purports to describe, 'tax-financed' itself runs into some significant practical challenges that have so far avoided close attention.

The first is simply that it is incomplete, and as a result, logically inconsistent: by ridding ourselves of the 'non-contributory' label but retaining 'contributory' for traditional social insurance or other insurance- or savings-based schemes, we have effectively only killed half the beast. So, it goes with connotations: contributory will continue to suggest its implied opposite and hence, non-contributory — with all its drawbacks — will continue to be perceived as its logical counterpart.

The second big challenge is that 'tax-financed' itself is riddled with its own set of tricks and traps and is frequently misused. Perhaps most problematically, many of the headline-grabbing cash transfer programmes in low-income countries are chiefly donor financed and yet, because they are 'non-contributory', are frequently conflated with tax-financed schemes. To take just a few prominent examples in Africa: in Ghana, donor funding accounted for almost half (48%) of LEAP financing in 2014, and all of the seed funding was from HIPC monies. Kenya’s National Safety Net Program has been mostly donor financed, although the government has taken on a leading role in the last three years.

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4 But of course, (re)defining what constitutes a contribution – and at what point it becomes “deserving enough” to merit a benefit – is a constant tension in social protection and can work the other way. For example, attempts to reframe conditional cash transfers as ‘co-responsibility’ transfer programmes (CTPs) (Cecchini and Martinez 2012), which assign “clearly defined tasks and responsibilities” to recipients, may work against the goals of universalism in defining contributions too narrowly.

5 Replacing the term ‘contributory’ is equally problematic. Some might suggest social insurance as an alternative, but not all contributory schemes can be fairly labelled as social insurance. Earnings-related or employment-related are other alternatives which have their own limitations.


7 The new universal pensions in Kenya are financed from taxes.
And, almost fifteen years on, the Ethiopian government’s contribution to financing the Productive Safety Net Program has been rising but still hovers around 10-12 per cent, though some have claimed this has risen to around a third in recent years.8

It’s important not to confuse programmes that might (or should) be tax-financed in some uncertain future with those that are already supported through a national tax-based social contract today. Looking again at sub-Saharan Africa, properly tax-financed social security schemes tend to be longstanding, fully fledged lifecycle programmes with broad coverage and a solid grounding in national legislation. The social security systems in South Africa, Mauritius, Botswana, Kenya, Namibia and Lesotho come to mind, the same countries so often (rightly, for the most part) held up as examples of successful rights-based approaches. Perhaps if more donors lined up behind these kinds of programmes, rather than small, poverty targeted transfers, the pace of national ownership would quicken, and the taxpayer support would grow.

Indeed, many have argued that the type of state revenues — and even the type and composition of taxes — matters for political and financial viability and sustainability as well as the distributional impacts of social policies and schemes. So, glossing over these distinctions can have real consequences for our understanding of policies and how they work.

Similarly, non-contributory programmes can be financed with state resources other than taxes, sometimes directly from other people’s earmarked social insurance contributions. Examples can be found, for example, in Barbados, Colombia, Costa Rica, and Iceland.9 These ‘contributions-financed’ benefits are still non-contributory for the beneficiary but are not, strictly speaking, tax-financed. Still other ‘messier’ types of cross-subsidisation occur all the time, especially in contexts where various ‘solidarity’ or ‘sustainability’ funds (see, for example, Colombia’s financing of Colombia Mayor, Argentina’s financing of the Universal Child Allowance,10 etc.) derive revenue from multiple sources — including taxes but also social insurance contributions — and redistribute resources across a range of social transfers.

And, as the non-contributory critics have duly noted, social insurance systems themselves often contain tax-financed components. This includes subsidies and deficit-financing provisions embedded in the original design of many schemes; direct subsidisation of contributions for low-income or informal economy workers as governments (appropriately) attempt to expand coverage of statutory schemes to historically excluded populations with low capacity to contribute; and tax breaks for the better-off. So, once again the water is muddied.

8 The 10 per cent figure is based on available programme administrative data.
9 See Table B.9 of the ILO’s World Social Protection Report 2017-19 or the ISSA’s country profiles, available here: https://www.issa.int/en_GB/country-profiles.
NON-CONTRIBUTORY HAS ITS PLACE: OBJECTIVES AND CONTEXT MATTER

Part of the trouble is that, what we critics of ‘non-contributory’ are actually bothered by is that, by generating a sense that citizens do not deserve the schemes, the term could be used as a pretext to exclude people from the inherent rights of social citizenship. By and large, ‘tax-financed’ corrects this, but in some cases, there may well be more neutral alternatives that more closely capture the same programmes as ‘non-contributory’ does. Terms such as ‘financed from general (or state) revenues’ or ‘budget-financed’ come to mind. But, a closer look will reveal trade-offs for all of these terms.

In addition, the user’s objectives matter: a technical exercise that aims to draw precise distinctions among a diverse array of schemes and programmes is fundamentally different from an (equally valid in certain contexts) advocacy-driven attempt to re-frame a concept in an effort to achieve its ultimate intended characteristics. In other words, it might be appropriate in some political contexts to frame a non-contributory benefit as tax-financed when building policy coalitions in support of expansion or universalism, even if it is not technically true …yet.

We should always welcome a critical perspective being brought to the concepts we use and, so far, ‘non-contributory’ has largely managed to escape debate. But understanding its potentially stigmatising connotation — and the erosion of the sense of solidarity that could accompany it — is worthwhile and timely for a field that has recently experienced increased theoretical attention and a resulting burgeoning of classification systems. Most notably, it challenges us to broaden our perspective on what it means to contribute and, by extension, to deserve social protection.

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11 See, for example, Bloom and McKinnon (2013) on social pensions.

12 ‘Budget-financed’ is attractive as a concise term that correctly points to a government decision to finance a programme using available resources while avoiding commenting on the source of those revenues. However, ‘budget-financed’ could also imply that benefits come down from the government, rather than from citizens, and could weaken the social contract.

13 In addition to the diverse array of classifications coming out of international organisations, see e.g. Social Assistance, Politics and Institutions database from University of Manchester and UN-WIDER.
REFERENCES


Our Senior Social Policy Specialist Shea McClanahan challenges us to broaden our perspective on what it means to contribute and, by extension, to deserve social protection.