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## Old Age Pensions—The Better Way.

### A Question for Friendly Societies.

By Sir William Chance, Bt., M.A.,

*Chairman of Council of the British Constitution Association.*

THE increasing burden of taxation, both local and imperial, is a cause of great anxiety, and yet, while everyone is crying out against it, our party politicians, instead of putting a curb on expenditure, seem bent on adding to it. The cost of the establishment of any system of old age pensions out of the public purse cannot, I think, be really appreciated, or the suggestion would not be received quite so calmly as appears to be the case.

I desire, then, to draw attention firstly to the cost of two possible schemes (the only two which will, metaphorically speaking, hold water); and, secondly, to show how old age pensions can be provided without any demands being made on the community as a whole.

If State aid is to be invoked at all, the schemes must be either (1) universal, or (2) limited to some class or classes of old people, poor and of decent character.

The universal scheme is that apparently supported by the present Prime Minister and the Chancellor of the Exchequer. Thus in answer to a deputation of 70 or 80 Liberal and Labour members who waited upon them at the House of Commons on the 20th November, 1906, asking that the question should be placed in the front of the legislative programme for the coming Session, the Prime Minister said that any scheme must be universal in its application, and that it must be done by the State, which alone had the means. It is true that, while expressing this opinion, Sir Henry Campbell-Bannerman added that the question depended on time and means permitting, but we must take it that, when and if the present Government see their way to prepare a scheme, it will be one for universal pensions.

Now, what will be the cost? Certainly not less than £25,000,000 at the present time, taking the pension age as 65, and the amount of the pension as £13 a year (*i.e.*, 5s. a week). Allowing for the natural increase of population, this cost will rise

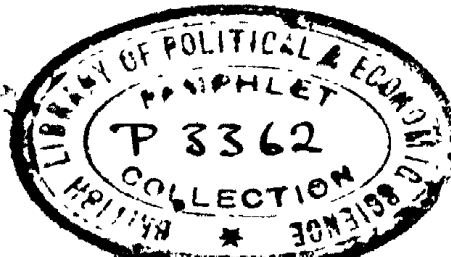
to £45,000,000 by 1941. Our whole national expenditure amounted to £140,511,955 in 1905-06, and economists are never weary of protesting against the increasing burden on the taxpayers and on the industries of the country. Yet the Prime Minister and his Chancellor of the Exchequer, who are, so to speak, sworn to economy, seem to be willing, with a light heart, to add another £25,000,000 to this huge sum. And why? Because a small fraction of the whole population come upon the ratepayers in their old age.

The other scheme is less costly. The scheme is the same in principle as that now in force in New Zealand. Under it only those who have attained the age of 65, and can satisfy certain tests as to character, &c., will be entitled to a State pension of from 5s. to 7s. a week according to locality, *i.e.*, shortly, 7s. in towns and 5s. in the country. A Departmental Committee made a careful examination into its cost and reported in 1900. They found that the cost would be £10,300,000 in 1901, £12,650,000 in 1911, and £15,650,000 in 1921; sums sufficiently large to give food for thought. Well, it does not require a Chancellor of the Exchequer to tell us that even to provide for raising £15,000,000 a year in addition to our necessary national expenditure is no easy matter.

One great objection to all schemes of old age pensions is, as has often been pointed out, that they have no finality. Five shillings a week may be found to be too little, and the age of 65, at which age most schemes of old age pensions are to begin, may be found too high. In New Zealand, for instance, the pension has recently been raised from £18 to £26 a year, as well as the limit of income which disqualifies for a pension, the result being an accompanying rise in the cost to the State from £195,000 to £350,000, which works out at 7s. 6d. per head of population. One gets some idea of what this burden means to New Zealand when I mention that in England and Wales the whole cost of poor relief outside London amounts to 6s. 10½d., and this includes old age pensions in the form of outdoor relief. Some people fondly imagine that there will be a great decrease in poor relief expenditure if any scheme of old age pensions came into force. This is a pure delusion on their part, for the expenditure in workhouses and infirmaries will still go on, while the cost of maintaining aged persons in their own homes would be considerably increased. The sooner the advocates of old age pensions get this fond imagination out of their heads the better.

I am thus brought to my second point. Is State aid other than that under our existing or an amended Poor Law necessary at all? I emphatically deny that it is. I believe that the present Friendly Societies of the country can well and satisfactorily deal with the problem, and to their own advantage. Their financial position will be more sound, and their member-

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ship will be increased. They have merely to adopt the system of "combined tables." This system is that, when a man joins his Friendly Society, he has to provide not only for his sickness up to a period to be fixed by the rules of the society, but for continuous old age pay after that period. When he begins to receive old age pay, then he will cease to pay any more premiums. His premium when he enters the society will cover both sick pay up to the fixed age and old age pay after that age. This system has been already tried. I need only give two instances. The Sheffield and Hallamshire branch of the Ancient Order of Foresters adopted it some years ago. In that district there are 34 branch courts. In 16 of them it is compulsory on all new entrants to subscribe for sick allowances up to 65 years of age, with an old age pension allowance of 5s. a week after that age. In these branches no difficulty has been found in securing new entrants; on the contrary, the increase of membership comes from the 16 branches, showing how much the system is appreciated. Of the 16 branches, six made the system compulsory on their members, and the other 10 adopted it voluntarily.

Now what sum suffices to obtain these benefits (10s. a week for 26 weeks' sickness, 7s. 6d. for the next 26 weeks, 5s. a week for remainder of illness, 5s. a week old age pension, and £10 at death) ? 1s. a fortnight for any young man, joining between 16 and 20 years of age. The highest contribution for the same benefits is 2s. 6d. a fortnight for any man joining between 39 and 40. And the system can be adopted for female courts, for one branch of the district is composed entirely of women, to all of whom 5s. a week will be paid upon their attaining 65 years of age.

The Ipswich District of the Oddfellows (Manchester Unity) affords another example. It was introduced in the Orwel Lodge of this District in 1885 in a permissive form, and was made compulsory in 1892. The whole District adopted it in 1901, and the country Lodges which most dreaded the change took the lead in this. The payments are somewhat higher in the case of younger members than in the Sheffield and Hallamshire case, but then the sick pay is also higher in proportion. All the payments are, however, well within the means of the wage-earning classes. "In financial matters the District maintains a decidedly progressive condition, and the continued growth in numbers of those contributing for old age pensions gives promise of stability of a most encouraging character" (Report of the District, 1906).

Why, then, it will be asked, have not the great Friendly Societies set themselves strenuously to provide their members with old age pensions, if they are so much appreciated, as the experience of the two Districts referred to shows ?

The reason is very simple. The promise of leading party politicians that the State would intervene has put a stop to such an effort. That this is the true answer is clearly shown by the account of the last meeting of the Oddfellows' A.M.C., when the proposition, supported by a large minority of the delegates present, that "for all members initiated after August 1st, 1907, each District shall provide in its rules for sick pay to age 65 and a superannuation benefit after that age," was rejected, solely owing to the expectation that the State would provide the pension.

It is a well-known fact that few members of good Friendly Societies ever come upon the rates at any period of life, even in old age. This is owing, no doubt, as regards aged members, to the grant of permanent sick pay. But this pay is a great drain on the resources of the societies, a drain which was not actuarially contemplated, and which has tended to impair their credit.

To establish "combined tables" would undoubtedly increase the stability of Friendly Societies, and I have shown how this can be and is being done. I have tried to point out the better way. It is a thousand pities that the Friendly Societies should have allowed themselves to be diverted from it by the attractions of an illuively easier road. But it is by self-help and co-operation for definite ends that the condition of the wage-earning classes has been raised, and it is by these means only that it can be raised still more. They can gain nothing by increased taxation for the benefit of a mere fraction of themselves. No taxation should be imposed which is not for the benefit of all classes of the community. We must expect taxation to increase with advancing civilisation, greater material wants, and a rise in the standard of life. But it can never be economical to raise a general tax for the benefit of one portion of the community only. Taxation must always fall more heavily on the poor than on the rich, even though the former may not feel it directly, and they will pay far less by providing for old age by their own efforts than by allowing the State to tax them for that purpose.

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