

# OLD AGE PENSIONS.

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## Ways and Means: A New Proposal.

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**O**LD Age Pensions mean deferred remuneration whether the toiler is employed by the State or the individual. It is surely better for the expectant pensioner's contribution to be made openly as in the following scheme, than unconsciously in reduced remuneration and increased cost of living—better a modest twopence in the pound off his Saturday night's wage and a pension at sixty-five, than the inquisitorial analysis of character, record, and means, prescribed by Clause 3 of the Old Age Pensions Bill. The Clause as proposed must tend to perpetuate the taint of pauperism associated with Bumbledom. To eliminate this objectionable feature from the Bill will necessitate further calls on the Treasury, and the following article is now reprinted as suggesting a solution of the financial difficulty which might be found capable of adoption partially if not altogether.

E. J. B.

9th June, 1908.

# OLD-AGE PENSIONS.



## WAYS AND MEANS: A NEW PROPOSAL.

A POSSIBLE scheme for raising the necessary funds for old-age pensions is to extend the present system of giving receipts on adhesive stamps, and make it apply to all payments of wages and salaries by providing, under suitable penalties, that a written receipt for each such payment shall be compulsory, and that the adhesive stamp across which it is written shall be graduated according to the amount paid. This proposal simply extends to the case of wages and salaries the present commercial custom of giving stamped receipts, and if the stamp were graduated as suggested below it is calculated to produce £21,000,000 per annum, which would suffice for payment of a universal old-age pension of 5s. a week to all over 65 years of age.

The *modus operandi* is simple. The employer would have to provide the stamp, and might deduct half its value from the wage or salary of the recipient, with whom he would thus be sharing the cost. The deduction being made at the moment of payment, when the wage or salary is at its maximum, the burden of the tax would then be at its minimum, and would hardly be felt

by the employé. Such a tax would merely involve the use of adhesive Revenue stamps, and would necessitate little or no expenditure in official salaries. The province of the taxation now proposed can be very shortly indicated. According to the Fiscal Blue-book of 1903 (Cd 1761) the total annual wages bill of the United Kingdom was then estimated by the Board of Trade to be from £700,000,000 to £750,000,000, according to the state of employment. In view of the expansion of trade during the last three years, I adopt the higher estimate

of .....	£750,000,000
Add salaries of employés assessed to income tax under Schedule D, amounting in 1904-5 to. .	23,203,914
The like under Schedule E..	89,374,291
	<hr/>
	£862,578,205

Probably the first and third of the above items rather overlap, but there will be a considerable number of salaries under the £160 limit not assessable under Schedule D, and these would form a very substantial unascertainable reserve, the stamp duty on which will probably be sufficient to cover overlapping, leakages, and evasions of duty, as well as to bear the cost of payment of pensions.

The most thorny part of the proposal is the scale of stamp duty. Where the payment of wage, whether weekly, monthly, quarterly, &c, is from 10s. to £1 inclusive, I suggest that the stamp should be 4d. The employer would provide it and deduct 2d. from the employé's wage. Assuming that the wage payments from 10s to £1 inclusive average 15s., 2d., which would be

the employé's share, would in round figures average 1.1 per cent. of his wage, and the employer's percentage would be the same. Where the wage payment exceeded £1 but did not exceed £2 the stamp would be 8d., and, taking a midway average as before, the employé's and employer's contributions would also be 1.1 per cent. each. The scale would ascend by gradations of 4d. in the £ up to sums exceeding £19 but not exceeding £20, the stamp for which would be 6s. 8d., divided as before. Up to this point the average of the combined contributions of employer and employé would be 2.2 per cent. From this point onwards the scale would ascend £5 at a time. For example, where a wage payment exceeded £20 but did not exceed £25 the stamp would be 8/4, and the scale would ascend by similar gradations of amount and stamp; and taking a similar midway average for each gradation, the employé's contribution would be 1 85 per cent. and the employer's the same, making a joint contribution of 3.7 per cent. For both parts of the above scale the joint contribution would be well under the joint contribution of 4 per cent. proposed to be made by master and workman under the French Bill. For the purposes of this estimate I take the combined average in the case of wages and salaries under £20 and over £20 to be 2.45 per cent., or .25 per cent. above the average joint contribution in the lower part of the scale, 2.45 per cent. on the above total wages and salaries of £862,578,205 would consequently amount to £21,133,166. Seeing that the Chancellor of the Exchequer states that £26,000,000 per annum would provide universal old-age pensions for all over 65, and bearing in mind that some £5,000,000 would be saved in the case of relief allowed to recipients

over 65, it is only necessary to raise a net sum of £21,000,000, which is provided by the above scale.

This new method of taxation is economical in its operation, as it would be collected by means of adhesive stamps, and does not necessitate the employment of collectors. The use of adhesive stamps and written receipts need not greatly complicate the present wage-day routine in establishments employing a large amount of labour. The distribution of wages would take rather longer, more small coin would be required, and the requisite stamps would have to be available, or wage coupons already stamped for signature could be issued to the employés. These, however, are mere matters of detail. At all events it is a less irksome prospect than any other way hitherto suggested of raising £21,000,000 by a single tax. The Inland Revenue Commissioners might be empowered to authorise firms employing a given number of men, or paying more than a given amount in weekly wages, to cancel each pay day a stamp representing the aggregate value of the stamps that should have been cancelled on the individual receipts, provided unstamped written receipts have been duly given. This permission should be made on condition that the wage sheet or wage-book containing the cancelled stamps should be open at all times to Government inspection. Such official inspections need not involve new officials, as they might possibly be made either by factory or Post Office inspectors, or by Local Government auditors, all of whom already cover the ground. In the alternative a few special inspectors might be created if the work proved to be more than existing officials could undertake. It may be urged that the State should make a like contribution, but it

should be borne in mind that the State will be making a contribution in the following cases:—

1. It will bear the cost of the adhesive stamps and official inspections of the wage-sheets.

2. The State as an employer in the case of salaries assessed under Schedule E, and of exempted wages and salaries of civil servants, must make similar contributions as in the case of other employers, and for these the Chancellor of the Exchequer must provide.

3. The State must bear the cost of administration of the pension fund.

It is probable that the stamp duty on the unascertainable reserve to which I have before alluded will bear the greater part of the State's contribution.

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