

SESS. II.—1897.
NEW ZEALAND.

OLD-AGE PENSIONS.

PAPER READ BY MR. JAMES PULLAR, F.F.A., AT THE MONTHLY MEETING OF THE INSURANCE INSTITUTE OF VICTORIA, HELD ON THE 9TH SEPTEMBER, 1896.

[Reprinted from the *Australasian Insurance and Banking Record* of 19th October, 1896.]

Laid on the Table by the Rt. Hon. R. J. Seddon, with the Leave of the House.

OLD-AGE PENSIONS.

THERE appears to be a very strong probability of this subject being brought up in the Legislative Houses of this colony at no distant date, and it is one which involves so many principles of action, and is capable of influencing so largely the financial operations of the future, that it is desirable that we, as members of the Insurance Institute, should endeavour to form intelligent and sound views on the subject. I do not think any apology is necessary for bringing up what some may possibly consider a semi-political subject, because the contingencies involved are in many respects analogous to those relating to the business of granting life assurance and annuities.

My aim in this paper will be to point out the various principles which come into operation, and to discuss their probable action. This plan is more calculated to interest the bulk of our members, who are not disposed to revel in the algebraic formulæ for the various benefits involved. It may also be stated that until data has been collected which have a direct bearing on the nature of the problems, and until it has been settled pretty fairly what the scope of the scheme should be, any elaborate series of calculations would probably be useless. I shall, however, endeavour to present such a combination of facts, arguments, and probable cost of benefits as will enable a fair judgment to be formed.

EXISTING SCHEMES.

To sketch with any degree of precision and detail the schemes which have been proposed would alone entail a very voluminous paper, but I think a brief reference to these will be advisable. Various references will be found later on in connection with the discussion of particular principles.

GERMAN SCHEME.

This is very complex, and contains an enormous mass of minute regulations. I can only outline the main provisions.

Scope of Scheme: All wage-earners over sixteen years of age whose annual wages do not exceed £100 are included. The law gives a right to a pension, and to this a man becomes entitled on attaining age seventy without proving incapacity for work, but such proof is required for a claim before that age. A person may be deemed unfit for work when unable to earn one-sixth of the average standard wages of those in similar employment, but when unfitness has been brought on by himself no claim is recognised.

Contributions: To secure a right to an invalid's pension a man must have paid for at least five years, and thirty years for an old-age allowance. Forty-seven weeks are reckoned a contributory year (to allow for those not in regular employment), and periods of illness are free from contribution. The contributions are based on the annual wages, and the annual wage is generally reckoned at 300 times the daily wage. There are four classes, with four average wages standards—Class I., £15; Class II., £25; Class III., £36; Class IV., £48. The contributions have been fixed for the first ten years at so much per week, according to the class under which the wages fall, and the whole is paid by the employer, who deducts half from the insured, Class I. being rated at 1½d. per week, Class II. at 2d., Class III. at 2½d., and Class IV. at 3d. The contributions are paid by affixing to cards stamps of appropriate value obtained from the post-office.

Benefits: The lowest allowance for invalidity for Class I. after five years is £5 14s. 8½d. per annum, and the highest for Class IV. after fifty years £20 15s. 6d. Should death occur after five years' contributions have been paid the widow or children receive a refund of half the amount paid.

State Subsidy: It was estimated at the inauguration of the scheme that this would amount to £320,000 in the first year, and gradually increase to £3,450,000 in the eightieth year.

Management: There is a central insurance department, but various institutes throughout German territory manage the business locally. Many of the positions on the various Boards are honorary, yet, notwithstanding the use of the post-office organization for the sale of contribution stamps, the cost of administration has been estimated at £600,000 a year.

SCHEME PROPOSED FOR BRITAIN BY COMMITTEE OF WHICH MR. J. CHAMBERLAIN WAS CHAIRMAN.

Contributions: Annual grant by Parliament. Local rates. Direct payments by the future pensioners.