

1915.  
NEW ZEALAND.

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# NATIONAL PROVIDENT FUND AND FRIENDLY SOCIETIES

(REPORT OF PUBLIC PETITIONS M TO Z COMMITTEE ON PETITIONS *RE*); WITH  
DEPARTMENTAL REPORT AND MINUTES OF EVIDENCE.

(MR. OKEY, CHAIRMAN.)

*Report brought up on the 4th October, 1915, together with Petition and Minutes of Evidence,  
and ordered to be printed.*

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## ORDERS OF REFERENCE.

*Extracts from the Journals of the House of Representatives.*

THURSDAY, THE 1ST DAY OF JULY, 1915.

*Ordered*, "That a Select Committee be appointed, consisting of ten members, to consider all petitions from M to Z that may be referred to it by the Petitions Classification Committee, to classify and prepare abstracts of such petitions in such form and manner as shall appear to it best suited to convey to this House all requisite information respecting their contents, and to report the same from time to time to this House, and to have power to report its opinions and observations thereon to this House; also to have power to call for persons and papers; there to be a quorum: the Committee to consist of Mr. Bollard, Mr. Coates, Mr. Craigie, Mr. Dickie, Mr. J. McC. Dickson, Mr. Isitt, Mr. Okey, Mr. Parr, Mr. Poole, and the mover."—(Hon. Mr. RHODES.)

FRIDAY, THE 20TH DAY OF AUGUST, 1915.

*Ordered*, "That the name of the Hon. Mr. Hanan be substituted for that of the Hon. Mr. Rhodes on the Public Petitions M to Z Committee."—(Right Hon. Mr. MASSEY.)

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## PETITION.

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THE prayer of your petitioners humbly sheweth:—

That the National Provident Fund, as at present constituted and administered, is a serious hindrance to the natural growth of friendly societies in the Dominion.

That the said fund, enjoying a subsidy from the Consolidated Fund to the extent of 25 per cent. on its member's contribution, in addition to the whole of its management expenses being paid by the State, renders the National Provident Fund a serious competitor to the friendly societies on conditions grossly unfair to the said societies.

That lecturers and canvassers have been engaged in addition to a large army of Civil servants who have been appointed agents to the Fund, all these being paid by the State, this being in the opinion of your petitioners unfair to the friendly societies.

That the members of friendly societies, numbering over seventy thousand, are injuriously affected by this unfair competition.

That the friendly societies have paid to their members over one million pounds in sickness and funeral benefits, in addition to the annual payment of a sum exceeding one hundred and sixty thousand pounds on account of benefits, these large sums having undoubtedly saved the State a considerable sum in charitable aid, and have in other ways rendered valuable aid to their members and the State.

Your petitioners respectfully request that your honourable House will take such steps as will remove the injustice.

And your petitioners, as in duty bound, will ever pray.

F. A. SMITH and others.

(Fourteen similar petitions.)

## REPORT.

No. 149.—Petition of F. A. SMITH and Others (and 14 other like Petitions, as per Schedule attached).

PRAYING for relief against alleged unfair competition by the National Provident Fund.

I am directed to report that in the opinion of the Committee the petitions should be referred to the Government for consideration, with a view to co-ordinating the work of the friendly societies and the National Provident Fund, both of which perform valuable services for the State, by granting such assistance to the friendly societies as will enable them to embrace a greater extent of the Dominion's social insurance functions; and that, to ensure this, a conference of the friendly societies with the Government be held at an early date; and that the evidence taken before the Committee be printed and circulated.

4th October, 1915.

H. OKEY, Chairman.

## DEPARTMENTAL REPORT.

### PETITION NO. 149.

“(1.) That the National Provident Fund, as at present constituted and administered, is a serious hindrance to the natural growth of friendly societies in the Dominion.”

THE constitution of the Fund is fixed by the Act; the administration is in the hands of the National Provident Board, set up under the Act.

The Board has assumed that the object of the State is to establish a *contributory* annuity system comprising all workers, the other allowances being quite subsidiary to this object. In many countries the question of establishing contributory funds has been receiving close attention, and the experience elsewhere showed the Board that a policy of inertia was unlikely to bring about the desired object. The well-known failure of the British voluntary annuity scheme afforded a striking instance of this, and the first year's work of the National Provident Fund satisfied the Board that a propaganda policy must be adopted. Accordingly the Board, in November, 1911, appointed a lecturer as a suitable method of bringing the Fund's benefits and objects home to the class of people it was conceived the measure was intended to serve. The results were in the Board's opinion so satisfactory that this policy has been continued and extended on moderate lines.

As to the petitioner's statement that the Fund is a serious hindrance to the natural growth of friendly societies, it would be difficult to imagine any national system with less aggressive features from a friendly society's point of view than a voluntary annuity Fund with uniformly higher contributions and otherwise different benefits as compared with the societies.

Between failure such as that of the voluntary British system established many years ago and a universal compulsory system there would appear to be no other course for the Board to follow except its present policy. The enrolment figures to the 30th June last from the Fund's inception give some point to this conclusion. At the 30th June last 10,868 applications for membership had been recorded, but of these less than a tenth are recorded as having enrolled voluntarily—*i.e.*, by joining at a post-office of their own volition. This latter result, after four years' work, would not have been regarded as successful administration.

“(2.) That the said fund enjoying a subsidy from the Consolidated Fund to the extent of 25 per cent. on its member's contribution, in addition to the whole of its management expenses being paid by the State, renders the National Provident Fund a serious competitor to the friendly societies on conditions grossly unfair to the said societies.”

With reference to the statement as to the “grossly unfair conditions” relative to the subsidizing of the scheme, it should not be overlooked that in 1906 the Government definitely offered the friendly societies a scheme of national insurance with liberal subsidies, but the societies of the Dominion at a conference held in Wellington rejected the offer. The National Provident Fund Act of 1910 appears, as a consequence, to have been drawn up on lines apart from those of the friendly societies; the benefits in particular do not resemble those of the societies.

“(3.) That lecturers and canvassers have been engaged in addition to a large army of Civil servants who have been appointed agents to the Fund, all these being paid by the State, this being in the opinion of your petitioners unfair to the friendly societies.”

There are at present three lecturers and four assistants attached to the Fund. The statement as to the “large army of Civil servants” is no doubt a reference to the officers of the Postal Department, who act locally for the Fund. This procedure is in conformity with section 7 (h) of the Act, which directs the utilization of that Department's machinery for the purpose.

“(4.) That the members of friendly societies, numbering over seventy thousand, are injuriously affected by this unfair competition.”

“Unfair competition”: The benefits and objects of the Fund are not those of a friendly society. The object of the Fund is the establishment of a universal *deferred* annuity or super-annuation system; the main benefits of a friendly society are provisions for *immediate* sickness and for medical attendance.

In the National Provident Fund none of the benefits—*i.e.*, annuity, invalidity, children allowances, or maternity—are benefits catered for by the societies, and it has been pointed out that, in making a preference, the worker is unable to look past the valuable and vital benefits inseparable from the wants of the wage-earner—medical attendance and immediate sick-pay, which are peculiarly friendly societies' benefits.

There appears to be no proof of any direct effect of the National Provident Fund enrolments on friendly societies' membership. The rate of increase in friendly societies has undoubtedly dropped since 1909. In that year the first serious decrease was shown. The Fund, however, did not operate until 1911. There have been several factors during the last four years that have affected friendly societies, as, for instance, the legislation against the “equal-levy system” and compulsory adequate contribution. In some years financial depression and industrial upheavals have affected these institutions. It is exceedingly difficult, in view of these various causes, to fix with any certainty to what extent the Fund's enrolments have affected the membership of societies. In 1914 it is expected that the war will seriously disturb the friendly societies, and this is already noticed in other States.

“(5.) That the friendly societies have paid to their members over one million pounds in sickness and funeral benefits, in addition to the annual payment of a sum exceeding one hundred and sixty thousand pounds on account of benefits, these large sums having undoubtedly saved the State a considerable sum in charitable aid, and have in other ways rendered valuable aid to their members and the State.”

The value of friendly societies' work not only to their members, but to the community in general, is recognized by all authorities dealing with the problem of social insurance, and no greater compliment to their efficiency and management could be expressed than is embodied in the acceptance of their systems and benefits by the National Insurance Act of Great Britain; but the National Provident Fund is a pension system. It is not like a Lloyd George scheme, which adopted the friendly societies' benefits pure and simple and attached them directly to the State. Nor is there any indication that in New Zealand such a system is contemplated; but every State in the world is dealing with the old-age problem, and the future advantages that will ensue from the successful establishment of a contributory system, embracing the bulk of the workers, can be readily comprehended—probably more so now than a year ago.

The administration of the extension of the Fund as authorized in the amending Act of 1914 to take in local bodies and employers' staffs would be incomplete without the stability given to the Fund by means of the general propaganda work.

R. E. HAYES,  
Superintendent of the Fund.

## MINUTES OF EVIDENCE.

WEDNESDAY, 1ST SEPTEMBER, 1915.

ROBERT DARLOW examined. (No. 1.)

1. *The Chairman.*] What are you?—I am president of the Auckland United Friendly Societies Conference. I appear here this morning in support of the petition on behalf of the Auckland United Friendly Societies. That petition is identical to the petition that has been presented by the societies in other parts of the Dominion. The petition sets out that the friendly societies feel that the operations of the National Provident Fund are injurious to friendly societies. The evidence of that is shown in the decrease in the membership of friendly societies. For some years the friendly societies have shown a fairly uniform normal growth. The membership of friendly societies in New Zealand numbers about 74,000, and during the past few years the increase of membership has been as follows: 1905,  $4\frac{1}{2}$  per cent.; 1906, 6 per cent.; 1907, 7 per cent.; 1908,  $6\frac{1}{2}$  per cent.; 1909,  $2\frac{1}{4}$  per cent. There was a considerable drop in that year, but the following year it recovered somewhat, the increase for 1910 being  $3\frac{1}{2}$  per cent.; 1911,  $3\frac{1}{4}$  per cent.; and in 1912,  $2\frac{1}{4}$  per cent. The lowest increase that had been recorded up to that time, in 1913—the last return for 1914 not having been presented to Parliament yet—shows an increase in membership of 0.15. Practically the increase in membership had vanished. During that time, from the 31st March, 1911, the operation of the National Provident Fund commenced. During that year there were 550 contributors to the National Provident Fund, a negligible quantity so far as the friendly societies were concerned. To the 31st December, 1912, there were 2,616 contributors to the National Provident Fund, and to the 31st December, 1913—again the last year for which we have statistics—there were 5,791 contributors. In 1912 lecturers and canvassers were appointed, and the result was a considerable increase in the number of contributors to the National Provident Fund, and the increase in the friendly societies' membership dropped to  $2\frac{1}{4}$  per cent. The following year the contributors to the National Provident Fund were 7,538, and the increase in friendly societies' membership had practically vanished. I think that proves conclusively that the operations of the National Provident Fund must have been prejudicial to the friendly societies. It has practically stopped their natural growth. The Registrar of Friendly Societies, in his report for 1913, attributes the smallness in the increase of members of friendly societies to the fact that that year was a year of industrial unrest. The great strike took place in that year, and that is put forward as a reason for the smallness of the increase; but I would like to point out that in that year some 6,000 contributors were secured to the National Provident Fund, and the contributors to the National Provident Fund are secured from the very field to which the friendly societies look for their increase in membership. Friendly societies feel quite confident that the decrease in membership is due to the State-organized canvassing. The National Provident Fund is not loaded with its own expenses—and here is the grievance which the friendly societies have—and while they have to pay the whole cost of insurance, they are compelled by taxation to contribute partly to the cost of the assurance of the National Provident Fund, and seeing that the National Provident Fund members are at least as well able to pay the whole cost of their assurance as members of friendly societies, they consider they are unfairly handicapped. The friendly societies, as probably you may be aware, have been in negotiation with the Government for some time in regard to bringing forward a subvention scheme for friendly societies, but the societies realize that at this particular juncture it is probably unwise to expect that Parliament will be able to give attention to such a very large matter. It is a very important matter, because it has taken probably a century to build up the great friendly societies as we have them to-day, and any hasty legislation might easily do them irreparable injury, and the societies say they are quite content to leave the legislation until such time as Parliament is in a position to give it adequate consideration; but in the meantime the effect of the operations of the canvasser as against the friendly societies is practically bleeding the friendly societies to death, and the request of the petition is that such steps shall be taken as will relieve the societies in the meantime from the operations of the State-paid canvassers. You will realize that a canvasser, if he is worth his salary at all, can in nine cases out of ten out-talk the ordinary friendly-society member. The canvassing on behalf of the friendly society is entirely voluntary, and no one gets paid for it. It is left to the enthusiasm of members themselves, who, as a rule, are not particularly good talkers, and when they come into competition with the professional canvasser they are knocked out. Mr. McLeod, the secretary of the Conference in Auckland, has some other matters to bring before you. Those are the two points that I wish particularly to stress. The grievance is universally felt in New Zealand. It is not a local grievance, although this particular petition emanates from Auckland. The petition voices the universal dissatisfaction amongst the friendly societies in New Zealand, and that dissatisfaction would probably have been expressed but for the fact that friendly societies are not political institutions. The friendly societies studiously avoid any entrance into the political arena, and they are loth to set up any machinery that would voice their discontent, but the matter is so serious that they are compelled to take these means of bringing the matter forward. In conclusion, I would like to say that the relief that we seek is very necessary for us at this particular juncture, for the reason that the whole of the friendly societies are up against a very serious problem just now. With that share of patriotism that is generally felt in New Zealand at present they have all determined to pay the ordinary contributions of all the members who have gone to the front. That is to be done by voluntary subscription, as we cannot touch the ordinary benefit funds, which are properly tied up by the Friendly Societies Act for that purpose.

2. Do you make increased contributions for that purpose?—We meet that charge by putting a levy on our members who are remaining, and in some cases we are using up reserves that had been collected for other purposes in days gone by. We are also insuring members on account of death benefit. That reinsurance carries with it a war premium of £5 per centum, and that in itself is a very heavy charge; and if the societies are going to be brought to this position, that the natural increase of their membership is stopped, the position from the financial point of view is going to be a very serious one.

3. *Mr. Poole.*] Are you aware that there was a very strong demand in the country for the establishment of a National Provident Fund some years ago?—I could not say I am aware there was a strong demand. We are aware it was said there was the necessity for the establishment of a National Provident Fund for the purpose of making provision for those who were debarred from entrance to friendly societies through physical unfitness or other causes. The friendly societies were quite content that that should be done, and quite content that the Fund should enjoy a Government subsidy if it was in practical working for the assistance of debarred brethren.

4. Was it ever suggested to you that the National Provident Fund was the outcome of the operations of the Old-age Pensions Act in this country?—No.

5. That it was an extension of that principle?—So far as I know, and I have been an active worker in the friendly-society movement for the last twenty years, I am unaware of the friendly societies being consulted in the matter at all.

6. Do you recognize that the benefits are very different under the National Provident Fund from what the benefits are under the friendly societies?—Yes.

7. Do you recognize that sentiment plays a very large part in the operations of the friendly society as against the hard business in the National Provident Fund?—Yes, I believe it does, and it is desirable, I think, to bring as many working-people in New Zealand as possible under the influence of this sentiment and fraternity that exists in friendly societies. The ordinary entrant to a friendly society does not begin to experience that feeling until he has been a member for some time. After he has been a member of a friendly society for some time he gets imbued with the spirit of fraternity and the spirit of help that at times opens his pocket and calls forth his best energies in the interests of his fellows.

8. Do you as a representative of the Friendly Societies Conference recognize that these respective organizations cater for different classes of people and different sections of the community?—No, I do not think they do. While the benefits of the National Provident Fund are very different from the benefits of the friendly societies, they still expect to get their membership from the same class, and I believe it would be perfectly true to say that there are very few who have joined the National Provident Fund who could not and would not have joined a friendly society but for the fact of their being members of the National Provident Fund.

9. Well, in view of your last answer, do you not think now it is a question of co-operation and not competition?—Hear, hear! The friendly societies would welcome any suggestion of co-operation.

10. Now, in view of the emergencies of the country, would your Conference accept the withdrawal of the paid canvassers as an indication of the Government's friendly consideration of the organization that you belong to—would that be satisfactory to your organization in the meantime?—The Conference is quite willing to wait until such time as is opportune to introduce legislation dealing with the question provided they are immediately relieved from the gentlemen who have got them by the throat. We cannot breathe. To put it in another way, we are bleeding to death, and we want to stop that process of bleeding.

11. You place the emphasis on the withdrawal of the canvassers at this time?—Yes; the Conference would be quite content if that is done in the meantime.

12. *Mr. Isitt.*] Supposing the Government feel that they cannot withdraw the canvassers without imperilling the benefits from the Fund, would you be satisfied if you got a Government subsidy?—Of course, that is a wide question, but we have been trying to frame our request within the sphere of practical politics. If Parliament could accede to our request without instituting legislation it would be satisfactory, but to give a subsidy to friendly societies means legislation, and that necessarily means time.

13. Supposing you got a subsidy for the present to tide things over until the matter could be dealt with on broad lines such as you suggest, would the friendly societies be satisfied?—If the friendly societies got a subsidy to the extent and the same percentage for management as the National Provident Fund gets, which is about 20 per cent. of their income, the friendly societies would be quite content, although they do not think that is the best way of meeting the difficulty.

ROBERT DARLOW further examined.

14. *The Chairman.*] Do you wish to add anything to what you have said?—Yes; I just want to remark that the abolition of the payment of management expenses for the National Provident Fund would, I realize, require legislation—that is, if the whole of the management expenses were to be stopped and paid by the Fund; but the immediate demand is that the National Provident Fund should cease the employment of canvassers and lecturers. That would not necessitate any legislation: that is purely a matter of administration. I apprehend the Minister could give effect to that through the Department, and he would probably be induced to do it if the Committee reported in favour of that. One realizes the difficulty of coming to this Committee and asking for legislation to go through the House, but that part of it could be done, still leaving the ordinary management of the National Provident Fund to be paid from the Consolidated Fund until such time as the matter is reviewed in Parliament.

15. *Mr. Parr.*] Do you include in that the prohibiting the Post Office people acting?—Yes, the abolition of the canvasser and the lecturer, and the withdrawal of the commission paid to the

Post Office officials. That would not prejudice the Fund at all. The management of the Fund could go on as it did for the first eighteen months after it was instituted. At first they had no canvassers or lecturers, and no assistance from the Post Office, and they would simply revert to the conditions that existed during the first eighteen months.

16. *The Chairman.*] It is virtually closing the Department down?—I do not think that would be so, because I think that probably when the whole matter is gone into the outcome may be co-operation between the friendly societies and the National Provident Fund. The fact that you had suspended the operations of the paid canvasser and the lecturer would not be a bar to his reinstatement, but the claim of the friendly societies is that that is doing us great injury, and it might reasonably be suspended until the whole matter is reviewed. To do that would not require legislation—it would be purely a matter of administration.

17. And do you think the friendly societies could administer the National Provident Fund?—I think so. The friendly societies have no particular desire to wipe out the National Provident Fund. My own personal opinion is that the benefits given by the National Provident Fund could be given in co-operation with friendly societies much more economically than could be done through a separate Department, for the reason that we have in the friendly societies quite a number of men who make it part of their religion to work for friendly societies without any reward other than the love of the work. Many men who have been in it from the very early years of their lives work and give of their best without any reward or payment. You cannot buy that service. No Department, however well it is administered, could buy service as efficient as the service that is voluntarily given to friendly societies, and for that reason I think some of the benefits could be administered through friendly societies much more economically.

18. *Mr. Coates.*] Would you suggest that the Post Office should not be able to receive applications for the National Provident Fund?—No.

19. Only that they should not canvass?—That there should be no personal solicitation for membership.

20. Either that or without commission?—You cannot stop any one soliciting membership if they do it as the friendly-society people do, for the love of it, but the trouble is with the paid canvasser where you are up against a man who can out-talk the friendly-society man. Supposing I was a contributor to the National Provident Fund, you could not make a law that would prevent me advising my brother to become a contributor also, but you could take away the pecuniary incentive for me to go round and get all and sundry to join. If the canvasser was abolished and the fee for getting contributors was withdrawn that would satisfy the friendly societies for the immediate present, and it would then leave the whole matter open for friendly discussion later on when the larger question had to be put upon a sound basis.

21. You suggested that it would be better to work the National Provident Fund with the friendly societies?—Yes.

22. Do you think that they could work in conjunction?—Yes.

23. You do suggest that that could be effectually carried out?—Well, we have all the machinery for dispensing the benefits of the friendly societies. Under the Friendly Societies Act there is the machinery provided for us to dispense medical and sick benefits, and so on, and there would be no difference in paying a member an annuity of 10s. per week and our officers going round and handing him £1 a week for sick-benefit. The whole matter is subject to the strictest audit. I believe the friendly societies realize as a whole the great benefit it has been to the societies to have the Friendly Societies Act. It has prevented them going into wild finance sometimes, because at times all sorts of schemes come along, and it has been a good thing that the Friendly Societies Act has been there to restrain the people who would indulge in wild-cat schemes. Therefore, I see no reason why the machinery which provides all these other benefits should not dispense the benefits of the National Provident Fund. Further than that, there is another benefit which has not been touched upon to-day which is provided under the National Provident Fund, and that is the maternity benefit. The whole question comes up of the relationship between the State and the friendly societies. That is a matter that would be brought prominently to the front. The maternity benefit that is given under the National Provident Fund is a very excellent thing, and the friendly societies would be very pleased if they were able to give a similar benefit to their own members. I think 90 per cent. of the members of friendly societies are ordinary working-men, and it gives them assistance at a time of life when they need it most, when there is only one breadwinner. Where there is a family and the children come along with their various wants, and there is no one to supply them but the one pair of hands, it is at that time of life when assistance would be very useful, and you would be assisting a class of men who have proved that they are desirous of assisting themselves. The fact of being a member of a friendly society is *prima facie* evidence that a man desires to help himself, and that is the man that the State should help. In other words, it is hardly of much use trying to help the man who will not help himself. That is a very excellent provision of the National Provident Fund, and we should like to see the same thing operating in the friendly societies; but the position is that the friendly societies as a whole cannot at present increase their benefits without increasing the contributions. The contributions are already as high as the ordinary working-man can afford to pay, and any increased benefits will have to be provided by help from outside.

JOHN MCLEOD examined. (No. 2.)

1. *The Chairman.*] What are you?—In connection with this petition I am secretary of the Auckland District of the Manchester Unity of Odd Fellows. I am also secretary of the Auckland United Friendly Societies' Conference, representing the friendly societies of the Province of Auckland.

2. Do you wish to make a statement to the Committee?—Yes. I think it may be taken for granted that Parliament, and, in fact, the country, is satisfied that friendly societies are desirable institutions, but in case there may be any one present who is not fully aware of how the friendly societies permeate the national life I should like to briefly refer to what they do. First of all, they absolutely prevent pauperism. I say that advisedly, because I have been connected with public institutions and the Hospital Board for years, and during the whole of my connection not one member of a friendly society was in a charitable institution at the cost of the State. It may be different in other parts of the Dominion, but I speak of the part I come from, and I think the largest charitable institution in the Dominion is in Auckland. Another point is the prevention of unemployment, a most difficult question for any country. The late Registrar-General of Great Britain laid very great emphasis on the value of friendly societies in preventing unemployment. Unemployment is prevented in this way: a member coming to a strange place from any other part of the Dominion or any other part of the Empire—because our operations permeate the whole Empire—presents credentials, and as soon as the society in the place he has come to receive the credentials they immediately do the very best they can to place that man in work, and consequently a very great and useful work is being done. No member of a friendly society who is travelling is likely to fall a charge on the State in any way, because the members of his organization are doing their very best to find employment for him. That is a point I should like to stress, and I think it will be borne out by the results that have been achieved. The promotion of thrift is a very strong point in regard to friendly societies. A member is encouraged to save from his early years of membership: that grows upon him; and naturally it is desirable in the life of a country with the working classes, because it is from the working classes that we recruit our membership: it is desirable they should be thrifty. The various societies have different methods of managing their businesses; they have certain ritual, and certain obligations are taken by the members. Those obligations are solemn obligations: they promote the spirit of fraternity, which is desirable. You want one portion of the community to be sympathetic with another, and I should feel it my duty as a member of the Manchester Unity to further the interests of a poor member of the society. All that is desirable, and friendly societies do it. Now, coming to the financial operations of friendly societies in this Dominion, the last report which I have is for 1913. It is shown there that the members of friendly societies paid in contributions for ensuring benefits for themselves the sum of £219,159, or a contribution per head of £2 19s. 6d. That is the actual contribution which was paid, but the contribution payable—if I take the case of one of the societies with which I am well acquainted—would be well under £4 per annum. That is the total contribution payable, and I will refer to the benefits which are paid by that particular society. It (the contribution) would probably be £3 10s., to be exact—that is the actual contribution payable to the society which pays benefits as large as any in New Zealand. In 1913 the friendly societies paid £74,783 to members in the shape of sick-benefits. They paid for medical benefits and doctors' attendance £70,016, and they paid in funeral benefits £15,229, or a total in benefits that appear on the surface of £160,028. When I say "benefits that appear on the surface" I refer to the actual benefits that members could demand and were paid to them. I do not refer to any acts of benevolence done, which are considerable. Now, I think it will be agreed that institutions that are doing work of this kind, paying such considerable benefits as that, ought to receive the sympathy and support of the State, and nothing whatever should be done that would be likely to injure them. We contend that the National Provident Fund is operating in exactly the same field as we are, and as that is the case a man cannot join the two. If he joins one he certainly cannot join the other, because he is a working-man, and with all the other claims upon him the contribution he is able to pay is only sufficient to find one benefit, and the question is which is the better institution for him to join. The numbers that have joined the National Provident Fund have already been referred to by Mr. Darlow. The number that joined up to 1913 was 7,538, and it appears there were secessions from the Fund of 1,747. The cost of management in 1911 was 56 per cent. of the contribution of income; in 1912, 28 per cent.; and in 1913, 19 per cent. Well, with the handicap that we have in the shape of 25 per cent. which is given to support it, it is considerably loaded when the expenses are put on, because the amount of 25 per cent. is not the only amount that the State must give to the National Provident Fund. We believe it is a different benefit from that operating anywhere else, and consequently the State has very wisely seen to it that the National Provident Fund's contributors are not going to suffer, because the statute not only states 25 per cent., but such other sum as may be required, so that in a few years an actuarial examination might disclose a deficiency in that Fund, and it may be considerably more than 25 per cent. Now it is loaded with the management expenses. The contributions payable by the members of the National Provident Fund in 1912 amounted to £4 8s. 2d. per head; in 1913, £3 18s. 6d. per head to provide their benefits, loaded as they were with all the expenses and the subsidy. Well, we say that any person who is able to pay a higher contribution than we are able to pay does not need very much assistance from the State. We find that some of our members have to be assisted in paying their contributions. During the period that the war has lasted there is hardly a branch that has not had to make a benevolent grant to pay the contributions of members, and I say that is one testimony to show that the contributors to the National Provident Fund are able to pay more than we can, and yet the State is subsidizing them and not subsidizing us. The point raised in the Registrar's return regarding the question of a subsidy needs a word of explanation. I was present at the Conference in Wellington when the subsidy was offered, but it was offered in a most secret manner. The friendly societies were never informed that they were going to be offered a subsidy, and the members being deputies from various societies they could not bind the societies to accept any subsidy without the sanction of the societies. Consequently, when it was stated that a subsidy was offered the friendly societies

and refused, I think this explanation is necessary to show that the matter was not placed before the friendly societies and considered by them. It was really a surprise sprung on them. We have not been in the habit of receiving subsidies, and we have not asked for subsidies. It gave us a shock. Members said we carried on operations without any Government assistance, but it was never contemplated that we were going to be up against a proposition like this. We thought that if a person is able to pay these contributions he is well able to insure for his own benefit, even to the extent of annuity benefits, without any assistance from the State. We have shown that from the foundation of the colony our members have been able to pay for their own benefits, and we claim we are far more desirable than the National Provident Fund. We think if a man can wait till he is sixty years of age to receive assistance from the State that he needs very little assistance from the State, because it is stressed in the Registrar's report that the particular benefit is the annuity. We were under the impression that people could join the National Provident Fund without any medical examination, and consequently that it was making provision for the weaklings of the country. Friendly societies are quite willing that the State should pay the whole of the benefits of weaklings to the National Provident Fund, but how is that going to operate? We will say that a person who is unable to pass a medical examination joins the National Provident Fund, what are the benefits he is to receive? He received a gratuity of £6 for each child he has, and after he has been five years in the Fund, if he is three months sick he receives 7s. 6d. per week for each child up to fourteen years of age assuming he can show his income has been impaired to that extent. Now, is it desirable that the State should subsidize the unfit to multiply their species and propagate their kind, because that is what it is doing? You are giving benefits to a man who cannot pass an examination for each child he has. I notice in the evidence given before the parliamentary Committee some time ago that very great stress was laid on the fact that a man could join the Fund without a medical examination. If the State is to provide for those medically unfit, which it should do, it should not provide for them in this way. It is hardly likely they will live to sixty to draw the pension, but they will live long enough to propagate their kind. The friendly spirit of the friendly societies would prompt the society to see that members do not leave. Many members do leave notwithstanding what we do to help them, but when a person shows any disposition to remain in the society, and it is through his poverty that he is dropping out, we rally round him and pay his contributions. The National Provident Fund treats its members quite differently. When a man has been in arrears for six months he is fined 25 per cent., and the fines collected in 1913 amounted to £399 9s. 3d., and there were fines owing to the extent of £389 19s. 3d. That is a beautiful spirit to inculcate in the working classes—you fine them when they are down on their luck! If those men were joining a friendly society we would get them to remain in by paying their contributions. That is how the State treated the members of the National Provident Fund. The amount of subsidy which was paid in 1913 was £3,169 18s. 10d. A very bad phase of the National Provident Fund is this: it is stressed that any member can withdraw at any time and receive all the contributions he has paid in, less any benefits he may have had. That is a very charming proposal to put before a candidate for membership! He says to himself, "I can get my money out of this concern—it is a very good scheme for me"; but it is a very bad scheme for the State, for the reason that only those in need will withdraw from membership. The man in need will draw his money out. Who is going to keep him then? He is too old to join a friendly society; he has withdrawn from the National Provident Fund because he is in poor circumstances, and his last state is going to be worse than his first. We think any provident scheme should not contain any provision of that kind, because the people the State should help are not going to be helped at all. I think, of course, that the one scheme does not compare with the other at all—the benefits are altogether different. The question for the country to consider is which is the more desirable. Is it desirable to foster a scheme that has faults such as I have pointed out, or is it desirable to allow the friendly societies to go down? Because they are undoubtedly going down. I have not seen this year's returns, but I venture to say that it will show a deficit in the numbers. I wish now to compare the operations of the branch I belong to with the benefits of the National Provident Fund. The branch I belong to pays medical benefits immediately, and my branch is only characteristic of all the other branches throughout New Zealand, and the desirability of fostering them ought to be apparent. Immediately a man joins he receives medical benefits for himself and his wife and children. That is a very great relief to him and to the State. After he has been six months in the society he receives sick-pay to the extent of £1 per week for twelve months, and after that 10s. per week even if he is sick for the rest of his life. We have one member who had received over £1,000, and he is still drawing the benefits. I believe the amount is now up to £1,200; and that shows the very large amount of good that this will do for a member. Further, the branch pays the hospital fees of the member, supposing he should go to the hospital. In the first place, he is the most unlikely man to go there because he is assured for medical benefits all the time, and the doctor is called in immediately he is sick. It is only in exceptional cases that a member goes to the hospital, but in any case if he does go his hospital fees are paid, which is another relief to the State. Of course, we do not pay 20s. in the pound, but we pay double the amount that the general public pay, and if we pay twice as much as any one else we think we are doing well by the State. The average collections by the hospitals do not amount to 25 per cent. of the running cost, and we pay 50 per cent. Of course, funeral benefits are paid, and the contributions of all members who have gone to the front. In the district I belong to some 230 members have gone, and we have paid up their contributions. In the case of a married man we pay the doctor's expenses for the family when away. When a member dies his wife and children are provided with medical benefits during the whole period that the wife remains a widow and until all the children are able to join a society. All those benefits are provided in the society I belong to for a smaller contribution than that paid by a member of the National Provident



Fund. If a man is able to get all those benefits as against those in the National Provident Fund, I think that the contributor to the National Provident Fund is not really very much in need of assistance.

3. *Mr. Parr.*] You do not in your society give any kind of annuity?—No. We contend that the man who is able to wait until he is sixty years of age for an annuity needs very little assistance from the State. Surely the Government Life Insurance Department is sufficient to find all the benefits for him, because we can prove he is able to pay for them. He is paying for this annuity. In fact, as the Mayor of one of our suburbs said, it is really a cheap method of providing annuities for the sons of well-to-do people.

4. *Mr. Coates.*] Is the prayer of your petition asking that the Government canvassers be done away with: is that all you ask for?—At the present time we are asking that the whole of the management expenses which are paid by the State be done away with. We understand that the whole of the management expenses of the canvassers and lecturers is paid by the State, and the whole of the Post Office and Telegraph staffs throughout the Dominion receive 5s. per head for every person who is entered by them as a contributor.

5. Have you any alternative to suggest?—Yes, most decidedly.

6. By an alternative I mean, supposing you are prepared to agree to the canvassers going on as they are now, have you any suggestion to make which would compensate you and place you on the same even footing?—I do not think anything would place us on an even footing. The operations of the Post and Telegraph Office permeate the whole Dominion; they go into every place where there are a dozen settlers. Consequently nothing would compensate us in that respect. Every Post and Telegraph officer is an agent for the National Provident Fund, and receives 5s. a head for every member he secures. In addition to that, every post-office throughout the Dominion is used as an advertising medium for the Fund. Every one who joins the Fund could have joined a friendly society, and, in fact, the report states that their operations have been extended through the workshops and factories.

7. Then you have no suggestion to make in regard to an alternative whereby the State could assist you *pro tem*?—Yes; let the State give us a *quid pro quo*—in other words, a subsidy, the same as they are giving to the National Provident Fund—not 25 per cent., but the actual amount which the State pays for running this concern, which is in direct opposition to the friendly societies.

8. *Mr. Isitt.*] Would you include the 25 per cent. as well?—Yes, most decidedly. Why should a person who is able to pay a higher contribution than I am receive a subsidy from the State?

9. *Mr. Poole.*] Would you give the same benefits?—Greater benefits. I believe we could give greater benefits.

10. And an annuity?—I believe we could. It would be a matter for actuarial investigation. The reason we do not give those benefits is that we give as much as the contributions will provide, and give them immediately a man needs them. What is the use of giving an annuity to a man at sixty when he is hungry at forty?

11. *Mr. Isitt.*] Are there not a good many out-of-the-way places which are not touched by friendly societies at present?—I do not think so.

12. Have you branches in every corner?—In every corner where it is possible to plant a branch we have one. Even if there is no branch in one particular place a man can receive his benefits.

13. You recognize that where people are not actually at work it is a benefit to the State if men are induced to join the National Provident Fund if they do not join a friendly society?—But we claim that wherever there is a centre, even if only a small sawmill centre, we have branches of the friendly societies. Take Mamaku, a small sawmill centre: we have a branch there; also Putaruru, Matamata, and Waitoa. We plant them wherever it is possible to have them.

14. Have you branches through all the small farming districts?—Matamata is a farming district. The farming districts are the most desirable, because they possess the best lives.

15. Have you a branch at a place like Irwell or Leeston?—I think there are two at Leeston.

16. *Mr. Parr.*] Supposing the State were to treat you in the same way as it does the National Provident Fund—that is, give you a subsidy of 25 per cent.: what would that aggregate?—That would be 25 per cent. on £220,000.

17. That would be nearly £60,000?—That would be giving us about half the amount paid to the National Provident Fund.

18. It would be a pretty large sum to find each year?—That is the sum you will have to find when the National Provident Fund is as big as we are.

19. Your contention is that your sick-fund benefits are immeasurably better than the State provides?—Most decidedly.

20. And with regard to the annuity, your contention is that the State Life Insurance Department might have handled that?—Yes, and if not, there is the old-age pension for the man who is in need. My contention is that this is a cheap method of providing annuities for people who are better off than we are.

21. And the State finds a quarter of the amount?—A lot more than that.

22. Your view is that the State contributes more than a quarter to these annuities?—Yes. The management expenses in 1913 were 19 per cent. in addition to the contribution of 25 per cent., and if the Fund shows a deficit in future years the amount will be a lot more than 25 per cent., because the statute says so.

23. Do you know of any reason why, if I go to the Government Life Insurance Department and ask for an annuity at sixty, I should not logically have the same right as these people?—But you would not.

24. *Mr. Hayes.*] Do I understand that you favour co-operation between the friendly societies and the State?—I would.

25. Now, in the National Provident Fund there is an annuity system?—Yes.

26. The friendly societies have different objects?—Yes.

27. The object of the National Provident Fund is to get as wide a proportion of the working-people into contributing to an annuity-pension system?—It is.

28. It is immaterial to the State through which agency it is done. The friendly societies' agency is existing: could they, by increasing their numbers, increase also the State's object for this pension alone?—I cannot speak as an actuary, but I think the friendly societies could operate an annuity system at a much less cost and more effectually than the National Provident Fund, and for this reason, that we would cover all those in indigent circumstances. The National Provident Fund is not going to do that. A man who is down on his luck will draw out his contributions before he is sixty.

29. Ultimately the scheme would have to be made compulsory?—It has not been in existence very long—it is only in its infancy—but £780 7s. 9d. was paid to members who had lapsed, so what is going to happen when the scheme has been in operation for years? When the scheme has been in operation for years and there are several pounds standing to the credit of contributors, those in need will draw all that out.

30. They have to wait twelve months?—Yes, but it is a large sum to be drawn out—considerably more than that paid in benefits.

31. Do you suggest that the Fund should retain the money?—I strongly suggest—and I think it will appeal to every one present—that no person should be encouraged to wipe out his annuity, because that is what he is doing. When a man gets into indigent circumstances he appeals to where he can get relief.

32. You cannot do that in a voluntary system?—But when a man gets down in his luck the friendly society stands by him.

33. Do you give any rebate in New Zealand?—No; we keep him insured from the time he joins until he goes into his grave. I might say, Mr. Chairman, that our relations with the Registrar of Friendly Societies have been most cordial from the time Mr. Hayes came into office. Anything I have said does not refer to Mr. Hayes's Department.

34. *The Chairman.*] Do you wish to add anything further to your evidence?—Yes, I should just like to emphasize the fact, sir, that the National Provident Fund is operating in exactly the same sphere as the friendly societies, and in support of that statement I quote from the Year-book of 1914, which states, "Organizing lecturers are operating in the various centres and personally explaining the system to the workers at their factories, workplaces, &c., a method that is found to be productive of satisfactory results, and is consequently being extended." I think it is well known that where the lecturers are operating is where we get our members. Well, if the National Provident Fund is able to get ten thousand members in three years from such sources as that, where do the friendly societies come in? They do not come in at all. Now, one of the members of the Committee asked this morning what was the remedy. We have been carrying on our operations since the foundation of the colony entirely at our own expense, and, I think, successfully. We say that this National Provident Fund should also carry on its own operations, seeing that the contributors to it are able to pay a higher contribution than we are. We think it is a fair thing that they should stand on their own bottom. At all events, we would give them the 25 per cent. I believe the friendly societies generally would be satisfied even with that; but operating as it is in the factories and workplaces of the Dominion, the natural consequence is that we are very greatly injured. The people are joining the Fund, and they are not making such desirable provision for the workers of the Dominion as we are. All the provisions we are making are highly desirable and highly necessary, and they are provided in such a way as to be most useful when most deserving. In the other case it is a deferred annuity, which is realized at the age of sixty. Our remedies propose to cut off at once the management expenses, and no legislation is required for that, and let this scheme stand on its own bottom; or, if you are not willing to do that, if you think that the National Provident Fund is a benefit to the deserving of the community, subsidize us to the same extent—that is, the full subsidy that is provided by the statute. I think we are at least entitled to it. We have proved our *bona fides* by doing this work for so long at our own cost, and we are deserving of pound for pound equal to what it costs the country for the National Provident Fund.

35. *Mr. Parr.*] You mean, subsidize the friendly societies?—That is, 25 per cent., and whatever else may be necessary plus the management expenses which it costs the country.

36. *The Chairman.*] But you could not give the benefits then, could you?—I believe such a subsidy as that would enable us to give the benefits. It would cost us nothing for lecturers and canvassers. It is all done gratuitously.

37. When the members reached sixty years of age you think you could give the benefits they would be entitled to?—I think so. Our contributions last year were £220,000. If we received a subsidy of 50 per cent. that would be £110,000 on our contributions. In deferred annuities that would provide very large benefits. Seeing the benefits we provide for £219,000, if we were subsidized to the same extent as the National Provident Fund I believe it would produce at least an annuity of the same kind—namely, 10s. a week at the age of sixty. The third alternative we suggest is that this annuity be operated through the friendly societies. That would be made an adjunct to our benefits. Our benefits go up to a certain point now, and apparently it is desirable that they be extended—that is, that an annuity be provided at a certain age. I believe the State could operate it through the friendly societies at a lower cost and more effectually, because you would have the entire sympathy of these fraternal organizations.

38. That is, administer the National Provident Fund through the friendly societies?—Yes.

39. Have you not got a lot of old people in your societies who would come in for an annuity at an early date?—It would be a matter of arrangement. We have got a lot of old people, but our forces are being recruited by the young from year to year. It would be a matter for an actuary to determine how such a thing could be done. I believe it could be done very effectually through the friendly societies. The national insurance scheme is co-operating with the friendly societies in Great Britain, and is being worked through the societies.

40. Then you would want the Government to guarantee that you would carry out your obligations. You may have bad investments. What guarantee could you give to your members that you could give the annuities that the Government is proposing?—Well, we have an actuarial examination and valuation quinquennially, and the actuary has to be satisfied that our securities are worth what they are stated to be before he makes a valuation. I will give you a case in point. One branch in which I am interested sent its balance-sheet in setting out that it had property worth £21,200. The actuary valued it at that, but that property is actually valued by an independent valuer at £41,185 9s. 2d. That is one instance; but, of course, that would not be characteristic of all the properties in the Dominion.

41. *Mr. Parr.*] You suggest as one of your cures for the sore spot that the State should give your societies the same subsidy as it gives to the National Provident Fund?—Yes.

42. And you estimate that in round numbers at, roughly, about £120,000 a year?—Our contributions last year were £219,159: that is, for the year 1913. The National Provident Fund is costing the State 25-per-cent. subsidy straight out, and the management expenses amount to another 20 per cent.

43. That is £110,000. Would the effect of that not be to kill the National Provident Fund—it would practically mean the repealing of the Act, would it not?—I do not know what effect it would have upon the National Provident Fund, but it would be giving us a square deal.

44. You say it would not necessarily extinguish the Provident Fund?—No. Seeing that it is such a good concern it should stand on its own bottom. Every man in the community should not be saddled with the expense.

45. I am trying to get at what would be the probable result of carrying out your suggestion so far as the National Provident Fund is concerned. Would you be able to suggest benefits, including the annuity, that would be quite superior to any attractions that the National Provident Fund could offer?—

*Mr. Hayes:* It would not affect the position, because it would carry out the State's object. If the friendly societies include an annuity, then for all their members they will have accounted for so-much of the population which it is desirable should be covered. Outside the friendly-society membership there is a large number of the male population between those ages which has still to be provided for. The difference between the two is this: there are about 75,000 members of friendly societies, and there are about 300,000 males between the ages of seventeen and forty-five in the population. The assumption, therefore, is that if the friendly-society membership was covered with an annuity, there is still a very large body of people who are not in it and who would have to be covered in some other way. Whether the friendly societies, with a subsidy, could so extend their work that they could cover the ground is, of course, a matter that would require very much consideration.

*Witness:* Well, we claim that we do cover the ground. Although we operate in the workshops and factories of the Dominion, our ranks are open to all classes of the community, and all classes do join. I might cite an instance. A bank-manager joined us as a financial member. Naturally the members did not expect, nor did he expect, that he would ever need any benefits from us, but before he died he was for a very long time in receipt of benefits to which he was entitled, proving that in the exigencies of colonial life the benefits of a friendly society may do good to a man in a most exalted position. Those are the remedies we propose—to cut off the management expenses at once, which does not require legislation.

*Mr. Hayes:* Yes, that would require legislation. There is a special section of the Act dealing with it which would have to be repealed before the Board could operate on the Fund.

*Witness:* I see that the Minister in charge of the National Provident Fund is the Minister for Munitions, and he could let loose a lot of money for the purpose.

46. *The Chairman* (to witness).] You cannot blame the Minister for pushing the work of the Department—it is a benefit to the people?—Quite so. We contend that it is reasonable that we, who have done so much, should not have a concern placed in opposition to us, which this scheme really is, while it does not cover the ground we do. We provide for a man who is in need, and the National Provident Fund does not—it provides for a man when he is sixty years of age; and we provide for the attendance of doctor and medicine during the whole period of his life.

47. *Mr. Parr.*] Then it comes to this: that in your opinion the establishment of the National Provident Fund was not an advisable State enterprise?—In my opinion as it has operated it was not an advisable State enterprise. It was thought it was providing for those who could not provide for themselves. I think it is clearly proved that is not so, because any man who can afford to wait from the age of twenty till he is sixty is surely not very much in need of State assistance.

48. *The Chairman.*] But to qualify they have to be between the age of sixteen and forty-five—they are taking young men?—That is quite so. The Registrar tells us that the principal benefit of the National Provident Fund is the annuity, which does not begin till sixty, and consequently the man who joins at the age of sixteen has to wait till he is sixty for his benefits.

JOHN KERSHAW examined. (No. 3.)

1. *The Chairman.*] What are you?—I am secretary of the New Zealand Branch of the Manchester Unity of Odd Fellows, and parliamentary agent for that society.

2. Do you wish to make a statement to the Committee?—Yes. I wish to say that I have very little to add in regard to the matter before the Committee. I gave very lengthy evidence before a parliamentary Committee some two years ago, which is now in print in the Journals of the House, and I should only have to traverse the ground which Mr. Darlow and Mr. McLeod have so ably gone over; but I do wish to emphasize the particular part referred to as to the very keen competition with which we are faced in regard to the operations of the National Provident Fund. It has been shown that our membership has not increased in the same ratio as it did previous to the Fund being established, and, as has already been pointed out here to-day, we are in a great measure dependent for our success on the young members that we hope to get into our ranks. It will probably be patent to those who are intimate with the workings of friendly societies that many years ago the tables of contributions that were fixed were not fixed so carefully as they are to-day. Consequently a large number of members entered the societies at a rate of contribution which they would not be permitted to do to-day. The societies have still got those members in their ranks, and we know very well that the contributions they have paid and the contributions they are now paying are not at all adequate in comparison with the rate of benefits which they are entitled to. Consequently we have had to depend in recent years on admitting young lives, young members, at what is considered to be an adequate rate of contribution, and so we have been able to maintain a fairly high standard in regard to the finances of these societies: that is, with careful administration, as has already been set out by the officers of the friendly societies—carefully watching over the working and the investment of funds as they come to hand has enabled us to keep in a fair position. Consequently we view with alarm the inroad that has been made in the field of operations in which we have hitherto worked—that is, amongst the younger population of this Dominion. At the early outset of the National Provident Fund it has been shown to you to-day the progress was very slight, but it has also been set out how the operations of the Fund were extended by lecturers and canvassers, and then how the Fund increased. It was specially remarked that this year—the year referred to—the Fund had made remarkable progress by reason of the large number of young lives that had entered— young members that had joined the Fund. Now, that was the very point that was striking at us, and we realized that we were face to face with a very difficult problem. I would like to say to-day, and to emphasize it, that personally speaking—and I may speak for a large number of members seeing that we have been engaged in advocating thrift and self-dependence for so many years—it is not at all likely that we are of so selfish a nature as to say that the State shall not operate in this field, or shall not advocate a thrift movement, such as the National Provident Fund evidently is. In a certain direction it has been set out that we have an organization which is far more capable of furthering the practice of thrift and giving greater and more satisfactory benefits than can be done through the State. It has been mentioned that the national scheme in England has ultimately come into the hands of the friendly societies. It was there realized that the work could be done better through the societies than through the State, and the Manchester Unity along with other societies took over those who were paying through the Post Office and in other ways. Now, they have a large number of members—the exact number I cannot give you: these are all paying through the friendly societies. Mr. Poole to-day made a suggestion of a movement which, if it is brought into operation, would be far and away ahead of the national scheme in England. I believe that it could be worked in such a way that we could greatly benefit in this Dominion. A great factor in connection with that scheme would be that our fraternal movement and spirit would permeate right through the whole organization. Mr. Darlow said only a little while ago that there are a great many men who devote their leisure and a great deal of their life to the advocacy of friendly societies, and do what they can for the inculcation of thrift, and these men by reason of the positions which they have held in friendly societies have graduated through our districts and lodges, and have risen into different positions, municipal and otherwise, and have become a power for good in the Dominion both in municipal life and in parliamentary life. And I think, looking at it from that point of view, we ought to be very careful not to do anything that would be likely to hinder the work of friendly societies. And I am satisfied that there can be some scheme devised whereby the friendly societies can still proceed with their beneficent work, in order that those who have hitherto made no provision in the way of thrift, or for old age, should be brought within our ranks. I think it has been patent to you to-day by the figures Mr. McLeod has given you that in our operations we can work more successfully and more economically, and we can give better benefits than the National Provident Fund, which only provides the principal benefit when a person is sixty years of age; but we admit members, and they get the benefits almost immediately after their initiation. In the Manchester Unity the funeral benefit is available if the member dies the day after his initiation, so that it is most important that nothing should be done to hinder the progress of these societies. As I have already pointed out, we are faced with the responsibility of these older members who have been with us for so many years, and if there could be brought about some scheme of combination of the National Provident Fund with the friendly societies it would relieve us in another direction, which I will explain. Those who are familiar with friendly societies know that we have to pay benefits which were not intended when the member was initiated. Before receiving benefits they are supposed to suffer from some specific sickness, but it is well known that the sick-benefit is paid by reason of old age in many cases. The doctor gives a certificate that they are not able to do any work, but they are not really sick; still the lodges pay these benefits. Now, if there was some scheme whereby we could work in conjunction with the State we should be relieved in some measure of that liability, because these members would be at once drafted from the

ordinary benefit to that of an annuity. I would, however, in conclusion, emphasize the fact that we ought to be relieved of this inequitable competition which has come in. We did not anticipate that this competition would be so keen, and as I have already said we have no desire to stay any movement that would tend to thrift, and provide reasonable assistance for those who are unable to provide for themselves. But when it comes to entering into competition for young lives, and, as Mr. McLeod has emphasized, subsidizing those who are able to pay, then we thought we had just cause for complaint, and we hope we may get some redress, because we believe that we can still do the work that we set out to do, and do it much better and more effectually than it has been done by the National Provident Fund.

3. *Mr. Dickson.*] I take it that your principal objection to the National Provident Fund is the activity of the canvassers in inducing young men to join?—That is so.

4. You concede, I presume, that it is a good thing for every young man to join a friendly society or to provide in some other way for his old age?—Without doubt.

5. Supposing the Provident Fund were done away with entirely, will the friendly societies undertake to exercise the same activity in getting these men to join the friendly societies as has been exercised by the canvassers of the Provident Fund?—If it comes within their financial power to do so; but when they are asked to put their hands in their pockets to pay for that as against a fund that is subsidized by the State, you will realize it has a disheartening effect. I might point out that the funds of friendly societies are so rigidly guarded, and rightly so, that we cannot trespass on the benefit fund for anything that is in connection with the management and propaganda work, so that there is no provision made when the tables of contribution are drawn up by the actuary, or under the Act, other than for sick-benefits and funeral benefits. The management expenses, of course, have to come out of our own pockets— or anything that we do to increase the cost of management has to come out of our own pockets. The only thing we can do to assist the management fund is by careful investment to so increase the funds as to get a surplus, and then at the end of each quinquennial period if we realize a surplus we are permitted to appropriate a certain portion of that surplus for management purposes. And that is the only means we have in our own hands to make provision for management, and it leads us to be careful in our investments.

6. *Mr. Bollard.*] Would the friendly societies accept members the same as the Provident Fund does—the same class of people?—In what way: without passing a doctor? No, certainly not.

7. People who cannot get into your societies can get into the Provident Fund?—Well, if the National Provident Fund dealt with those people only you would never have heard a word from the friendly societies. It is the duty of the State to assist such people, but it could not for a moment be expected that the friendly societies could take persons of that kind. We have to provide for sickness and funeral benefits, but I quite agree with the State making provision for those who are not eligible for friendly societies, and I may say that at the outset of the National Provident Fund I think we were under that impression, not that we were going to have competition of the kind which has come by means of lecturers and canvassers. We should be quite willing for the Government to provide for those who are ineligible for friendly societies, and leave us to work amongst the eligible young men.

8. You think the National Provident Fund should receive those whom you refuse?—I think if the Government choose to make provision for such we should encourage it.

9. You think the Government should make provision for them?—I think the Government should assist them.

10. And only accept those you refuse?—If they will set up a fund at all. We are not decrying the fund so far as that is concerned.

11. *The Chairman.*] You did not object when the Bill was before the House?—No; we did not anticipate that it was to be worked on the lines it has been; otherwise there would have been some very strong objections.

#### THOMAS FATHERS examined. (No. 4.)

1. *The Chairman.*] What are you, Mr. Fathers?—I am district secretary of the Independent Order of Rechabites. The constituency I represent extends to Gisborne on the one side and New Plymouth on the other side of the North Island, and down to the Bluff. We are shut out of the Auckland District on this occasion. I am very pleased to have the privilege of being present at the Committee to-day. I was present at the meetings of the other Committee that was set up, and personally I am in favour of the National Fund. I think the only real solution of this difficulty is a national scheme. But, sir, at present we have not reached that stage in the Dominion yet. We will probably some day, but if the Provident Fund is to continue with its propaganda work, and its management, as hitherto, and the friendly societies are not helped in any way, there are very dark days ahead of the friendly-society movement. I am very pleased to give evidence here to-day, because my views are somewhat different from those expressed by the other speakers. I believe that if the State subsidized the friendly societies we would be in a position to reduce our contributions and offer more attractive benefits, and could sail along with the National Provident Fund. If it is thought advisable by the State to continue that fund—I assume that the National Provident Fund's operations have gone so far that it has come to stay, and if it has come to stay, well, it is our business to place before Parliament our views upon the question. I think that if subvention was given to friendly societies we might be able to work along, and give the National Provident Fund a good field. That would have to be done in a liberal way by the State. It has been very ably pointed out what the societies have done and what they are doing. The machinery of the different friendly societies is of such a

character that it is well known that we can work the Provident Fund satisfactorily enough if it is thought advisable to hand over to us the control of the Fund in its future operations. Whether that will be done or not is, of course, a matter for the State to decide. But the position, as far as I gather it, from the friendly societies' point of view is simply this: we have gone on up to the present stage in our old way, but conditions are changing very much, and now we are face to face with an active State Fund which is likely in the future to come into strong competition with us, and unless we get some State relief we will suffer. The members of the societies realize that. It is agitating the minds of the members of the whole movement throughout the whole of the Dominion. They realize that the members of Parliament are reasonable and sympathetic with the movement, and we feel confident that they are not going to leave us. If it is necessary to push the Provident Fund on lines apart from the movement with which we are associated, then we believe that they will do justice to us. And I think there are just two ways to do that: first, to incorporate the societies in connection with the operations of the Fund by making us the channel through which entrants can come into that Fund; or, secondly, as I stated, subsidize us or give us subvention. If a liberal subvention upon the lines suggested to the Committee that was set up a couple of years ago was granted to friendly societies I think it would place them in a position where they could work satisfactorily in harmony with the National Provident Fund movement. We realize the value and the benefits of the friendly societies are infinitely superior, so far as the working-men are concerned, to those of the Provident Fund, and I am quite satisfied that if the matter is fairly represented to the young people they will not turn the friendly societies down, simply because when they realize the different benefits they will recognize that to connect themselves with us will be more beneficial to them. But unless we can offer inducements we have no hope in open competition with the State. As you know, we have three classes of funds in connection with the friendly-society movement: there is the Sick Fund, which is fixed by law, its income and outgoings; the Funeral Fund, which is similarly situated; and the other fund is the Management Fund, which covers medical attendance, medicines, and management expenses. The whole cost is paid out of that fund, and that is the only fund over which we have any control. It is usually worked down to a minimum amount for safety, and we have no means of carrying out any propaganda work similar to that which has been done in connection with the National Fund during the past two or three years, and that is why it is agitating the minds of members of friendly societies, in that we feel alarmed at the ultimate result to us of that work. If we could get relief in one or two of these funds, then we could reduce our contributions and bring them within the reach of those whom we wish to introduce into our ranks, and if possible we could increase our benefits somewhat on the lines taken up by the Provident Fund. Maternity benefits have been mentioned by one of the witnesses, and if that could be added to the benefits of the friendly societies it would make a complete system of benefits, which would appeal to the people generally. I do not think I have very much more to say, but I am inclined to the opinion—I am expressing it without any authority—that the bulk of the friendly societies would hail with gladness State assistance at this stage, if the State is determined to continue the National Provident Fund.

2. *Mr. Dickson.*] Can you tell the Committee the approximate amount of the accumulated funds of the various friendly societies in New Zealand?—I could not tell you from memory, but it has been given here this morning as being over a million and a half of money. These are the fixed funds, and they can only be dealt with in one way, and that is fixed by law. The only amount that we could touch is the surplus, as has been explained, after the investigation by the actuaries. If a surplus is disclosed, and it is considered by the experts that there will be sufficient margin left, the balance can be divided under five heads, to increase the funeral benefit, or reduce management expenses, and reduce the contributions generally, but they are limited in their operations and can only be carried out according to the provisions of the Act.

3. *Mr. Bollard.*] Has the Government given any promise of subvention to the friendly societies?—Some years ago I believe Mr. Seddon laid before a conference of friendly societies a scheme of subvention, but it was rejected by the societies at that time. I think it was stated by Mr. McLeod, however, that if it had been possible for the societies to see into the future they would have been wiser to have accepted it.

4. But you say that if you have to continue on you wish a subsidy: what amount of subsidy would you expect?—That would be a matter for the experts. We have an illustration of subvention in New South Wales. They give relief there. They pay the whole of the funeral contributions. Then I think they give relief as regards the cost of the medical expenses. That is a material relief to the societies there. It is working very satisfactorily. The whole of the friendly societies in New South Wales accept it, and are working quite satisfactorily with it. Some societies in the early stages of that movement stood out, but the whole of the societies are now accepting the subvention granted there, and they can give to the people of New South Wales the general benefits offered by friendly societies at a considerably reduced scale as compared with that which New Zealand is able to offer.

5. Would you be satisfied with the same system that prevails in New South Wales?—Yes.

6. *Mr. Coates.*] Does this witness support the petition that has been presented, that the State should cease operations so far as their canvassers are concerned?—No; I cannot go so far as the whole length of the first clause of the petition, but I am in accord with the other clauses.

7. That the Postal officers should not receive their 5s. commission?—That is a matter of detail. That, of course, gives the Provident Fund an advantage over us; but if the State gave us assistance we would have to arrange our affairs so that we could meet them on fair ground.

8. I understand from the evidence you have given that you are practically asking for a national system based on the Lloyd George system?—Yes, I believe that is the only solution of this present social difficulty.

9. Or a vote from Parliament by way of subvention?—If the National Provident Fund is to be continued as hitherto. We feel the effects of the Fund, as has been pointed out very ably and clearly to-day, and the whole of the New Zealand friendly-society movement is alarmed and agitated at the force that has been put into the organization of the Provident Fund, and, personally, I am of opinion that if it is to be continued the friendly societies would not have much chance.

10. So that you do not bear out the prayer of the petition?—Not the first clause. A scheme of subvention was submitted to the Committee which took evidence two years ago by the Registrar and the Actuary.

11. *Mr. Parr.*] You say there is a million and a half of assets belonging to the societies: what does that consist of—property, mortgages, and so forth?—Yes; but that is what we call in friendly-society talk “fixed funds.” We are unable to touch that. That is for sickness and funeral claims, and we have no control over it. The Friendly Societies Act states that we must take from all our entrants what is called an adequate contribution to these funds. Then we claim from all those who seek admission a medical certificate of good health. This puts a very high standard upon our membership, and it excludes a very large section of the community, and that is the section of the community, as I understand it, that the National Provident Fund was established to meet, in a sense, by providing something for them.

12. I want to get at what use the societies propose to make of these fixed funds or assets which you say amount to a million and a half of money: I do not understand what this fund is for. I know as a member of a friendly society that there is a regular contribution: is that contribution sufficient to cover the benefits?—All those who are admitted into a friendly society are supposed to come in with an adequate contribution, which covers their possible and anticipated sickness during their lifetime, which is computed by experts, and we also in addition to that provide a contribution for funeral benefits that runs through the whole lifetime. These are two funds which are called “fixed funds” in all the friendly societies. That is what causes this great accumulation. It is like a life-insurance society. They issue their statements about having millions of money available for payment. Well, all that money is earmarked in life policies. It is similar with our societies. A man joins us at, say, sixteen, and he has a probable length of life of forty years. During that forty years he is expected to receive from the fund so-much in sick-benefits. These contributions are supposed to provide that money, and when these claims are made the society must be in a position to meet them. But the control of those two funds is influenced by the law, and also by the rules of the society. The societies cannot deviate in any way from what is laid down in the law.

13. Where is this million and a half coming from?—From the members, and from the interest on the accumulations and good investments.

14. Originally from the excess of contributions over the benefits paid?—Well, we have 73,000 members, and that number carries an enormous prospective liability.

15. The interest on investments is accumulated?—Yes.

16. If the contributions paid are sufficient to pay the ordinary benefits, what is the object of this large fund of assets?—It is to provide for future claims.

17. But I understand that the contributions do that. You say it is worked out actuarially and passed, so that it ought to be sufficient to cover the average costs?—That is so.

18. Then it seems to me that over and above the money you collect in this way, the assets and accumulated funds total over a million and a half?—Although they may have that amount of money in assets they may not have a shilling surplus: every penny may be needed for the societies. I think it was stated that a member in Auckland had received in benefits over £1,000. Taking that as a basis, every member in a New Zealand friendly society represents a liability equal to that.

19. Then against that million and a half there are contingent liabilities?—Yes.

20. Are these liabilities very real?—Yes.

21. Is there a possibility that the fund, or a large proportion of it, might be drawn upon?—Yes.

22. In what way?—The whole thing is based upon experience. The matter has been under expert consideration for seventy-odd years. It has been tabulated and classified, and it is worked down to definite rules, and we are hide-bound in a sense. This is really where the friendly societies feel they are at a disadvantage in connection with the State Fund. We have no means of altering our position unless we get some relief. Then it would give us freedom of action to offer greater benefits.

23. You have about 70,000 members?—73,000.

24. That is £20 apiece?—£21—the accumulated funds.

25. *The Chairman.*] Do you see how you could administer this Provident Fund if the House sees its way to hand it over to the friendly societies? Could you take in these men who are not eligible for your societies, and give them maternity benefits, and give the pension at the age if the Government was prepared to hand over the control of the Fund, or subsidized you with 25 per cent. of your contributions: could that be done?—We could administer the Fund all right with the machinery we have, but we would have to have the matter actuarially investigated, and the amount of money necessary to administer the Fund would have to be stated. We could not undertake to do this on any fixed sum; it would have to be worked out. And then it opens a door in friendly-society work that has never yet been opened. It has possibilities here that may arise of which we have not the slightest idea at the present time.

26. It would mean a tremendous increase in your membership?—We would have to make provision for that in the liabilities. Friendly-society business has always been established on that basis, that if we take a man we would have to make provision for that man if he remained



with us. There is one other feature about our work, and that is if a member fails to pay his contributions for six months his membership ceases, and he loses all right and title and interest in the society. This is a feature in our work which is rather distressing. A member may be with us for a number of years. Some men have a natural pride and they would rather step out of a society than let their brothers know that they were really unable to pay, and very often it is too late when it is found out that the reason of their failure to pay has been their actual inability—it is then too late to reinstate them according to the constitution of the friendly-society movement. There is an age-limit and medical examination, and very often they exceed the age-limit and are unable to pass the medical test, so that they are out altogether.

27. *Mr. Hayes.*] I ask you if you have not been under the impression that the National Provident Fund was intended only to deal with the incurable and inefficient people?—Not quite those terms, but the friendly societies were under the impression that the object of the Fund was to provide for men that were not touched by the friendly-society movement. There are a large number of men who are rejected by friendly societies, and we were under the impression that the National Provident Fund was established to provide something for these men. We hailed the introduction of the Fund with a certain amount of gladness, because there is a desire on the part of a great number of friendly-society members to see these men provided for, and we were glad to see that the State was going to do something for these men. But I am given to understand, and its operations indicate, that it has passed that stage, and it has taken up other work.

28. You have the impression that it would only deal with the people who were medically unfit: that was your impression from the beginning of the Fund?—Yes.

29. That persons would have to submit themselves to the friendly society, and be rejected by the society, and then the National Provident Fund would take them up?—If they were unable to reach the friendly society's standard.

30. You are all aware that no national scheme would vary in its operations?—That is so.

31. *Mr. Dickson.*] The subscriptions paid annually by those 73,000 members would amount roughly to what?—£220,000: they paid that sum in 1913.

32. And do the benefits exceed that amount, or are they likely to exceed that amount?—No; the accumulated fund is over the current work of the societies.

33. But does the money paid out as benefits to the members usually exceed the amount received as subscriptions?—No; there is generally an annual increment, and has been, because this is due to the influx of new members. We take members at sixteen years of age; other societies take them from seventeen years. Our most fruitful period is from sixteen to twenty-one years: the bulk of our members come in at that age, and the influx of these keeps a sort of current of new income, and it also increases the liability at the same time.

34. Do you say that a disagreeable phase of friendly-society work is in regard to those who unfortunately have to drop out because of inability to pay the subscription? Has no arrangement been made whereby after paying for a number of years, if a member is not in a position to pay his usual subscription for a short time his membership is kept alive, just as with insurance companies where the premium is paid out of the profits for a considerable time after the insured himself ceases to pay?—No; a man can be fifty years in the society, and if he neglects to pay his subscriptions for six months he ceases to have any right to remain a member of the society.

35. Do you not think that could be improved?—Well, it is hard, but it has been one of the features of the society for many years. It might be made a principle that membership in friendly societies should be continuous. Then we would save all that came in. That would be a very great advantage. If the State were to say that membership shall be continuous, they would have to make provision in the event of a member not being able to pay.

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ROBERT EDWARD HAYES, Superintendent, National Provident Fund, examined. (No. 5.)

*Witness.* I do not know that I should go into a statement covering all the points that have been brought before my notice. I might say, however, that many of the points that have been raised are really, in my opinion, unimportant. Some of them are not worth dealing with, and some of the remarks about the "army of agents" are quite exaggerated. I would prefer that members of the Committee would ask me questions rather than that I should take up the attitude of attempting to defend a scheme which the petitioners allege is injurious to their beneficent institutions. As far as I have had to do with the administration of the Fund, I have always taken the attitude of non-antagonism towards the societies, and the instructions that are issued to the lecturers are always imbued as far as we can do so with a particular regard for friendly-society work. An endeavour is made for them to refrain in any way from attempting to detract from the influence of friendly societies in the places where they go to lecture. I am surprised to find that such a general impression exists that the Fund was inaugurated for the purpose of dealing with incurables and inefficient. I think nobody when reading the debate when the Bill was put through would draw that conclusion, and I can certainly say that nothing officially has been announced that would lead any one to get that impression. The freedom from the medical test is inherent in all national schemes. A State scheme could not place a medical barrier upon its members at entry. I would like to mention a point about the Post Office share in the administration, and it is this: that as regards the enrolments, the proportion that so far have been entered by these Postal men is small compared with the number enrolled by the lecturers. Very little of this sort of work is done by the Postal officers; even when you offer the small premium to the Postal officers there are not many enrolments by them generally. The Board took up the really active men from the Postal Department. They were men who had some qualifications



for this work of lecturing. These officers were Civil servants of long standing, and up to the present I have not heard of any complaint about the way they have carried out their work. However, the Postal officers do not affect the friendly societies, whatever the lecturers may do. As I said in the minute that I sent to the Committee, I am not convinced yet that the Fund's operations have produced the fall in the friendly societies' rate of increase that is alleged, and it is a singular thing that in a number of places that I have investigated, where there were no enrolments in the Fund, at these places nevertheless there is shown a falling-off in the friendly societies' figures. I have a list of fifteen places where the Fund had enrolled no members during the year 1914, but the friendly societies lost a little in membership. I am not speaking of the four large centres, but of secondary towns such as Thames, Napier, and so on. By this it would seem that it is not conclusive that the fall in the friendly societies' figures is due to the operations of the Fund. The drop in the 1909 membership figures was very serious, and that was before the Fund's operations started.

1. *Mr. Parr.*] When did the Fund begin to operate?—In March, 1911, as far as I remember.

2. You consider they are putting up their umbrellas before it rains?—Well, before I give an opinion I should like to see more about it. There have been some very disturbing events during the past few years, and it is very difficult to say what has hit them. One important society had a set-back as from 1912 by reason of special legislation. That had the effect of checking the increase in a very large society, which some years ago jumped up from a low membership to a high one, but the Act in 1912 prohibited a part of their financial system. That affected some other societies, but in a lesser degree. The statistics that I took out for my own satisfaction in this connection for the different years went to show that the Act did affect that society and another society. Of course, it would not affect societies like the Manchester Unity and the Independent Order of Odd Fellows. They had already their affairs on the adequate scale. Then in 1913 there was the big strike. Well, it is a singular thing that in some of the main societies there was a most abnormal fall in that year. In three or four of the leading societies the increase fell to practically nothing. I do not know whether it was due to the strike in this instance, but my view is that these industrial disturbances do affect them. It would seem that some of the societies—in fact, the main societies—were touched by these disturbances, and for that reason it is difficult to find out how far the Fund's operations affected them. There can be no doubt that there must be instances, which these gentlemen know of and which I do not know of, where it has affected them. I do not know that I need say anything more about that. I am only here to express the view of the Board. As I have already said, my sympathies are always moved with a desire to work with the societies in every way, because I have found since I have been there that the leading friendly-society officials have been helpful in making suggestions, and I want to stand by these institutions and their management. I do not think there is anything more I can make any direct statement upon. I should be glad to give any information I can to any member who may desire to question me. I would just like to mention this, that the commission rates that the Board adopted for this business are very low—so low, in fact, that I suppose an insurance man would not look at them. We certainly have some good lecturers, and they have done their work well, but the ordinary canvasser does not get anything exceptional out of the low rates.

3. *Mr. Bolland.*] Do you pay the Postmasters a premium of 5s. for securing members to the Fund?—Not the Postmasters, but any Postal officer who enrolls a contributor receives 2s. 6d. when the member is enrolled for a month, and 2s. 6d. when the man has been a member for six months. I might say, as regards the Post Office, that apart from this general offer there are only, I suppose, forty or fifty Postal officers who really take an interest in the work and do anything in response to the offer out of the thousands who could do it if they wished to.

4. Have you a rough idea how many contributors they have enrolled?—Yes. Out of ten thousand enrolments during the past four years the Postal officers have not enrolled more than two thousand, and probably that is a high estimate.

5. You say you have three lecturers?—Yes, and four assistants.

6. *Mr. Coates.*] You cannot suggest any way in which the friendly societies could be assisted in their propaganda work?—Of course, all these suggestions mean money, and it is hardly for me to express an opinion about a matter of that kind. The subsidizing of management expenses is a proposition which I would be very loth to suggest without serious consideration. If any subsidies were given to societies they would have to be on a more sound basis. If we were to say we would subsidize all friendly societies' propaganda work on the same basis as the Fund, it would be difficult of administration and difficult of control, and I think in most schemes of this kind the running of any such risk is to be avoided if possible. It would be readily seen that if you decided to subsidize management expenses it would be very hard to keep a hand on it, and once the State is committed on that line it would be difficult to impose checks, whereas in subsidizing on the benefits you have a definite object, and we could tell years ahead what it is going to cost.

7. What do the assistants do—have they to lecture?—They do not lecture. The three lecturers do the lecturing and arrange to visit the factories and workplaces, and they also visit the smaller towns. The assistants do the smaller canvassing or attend to any detail work which the lecturers leave for them while they do the lecturing-work.

8. How many assistants are there?—Four—one for each principal centre.

9. And they are paid on a commission basis?—They are paid a small retaining salary and a commission. Probably half their earnings are on results. It is much the same as in the case of an insurance canvasser. In fact, the Board have laid it down on more than one occasion that under no consideration would they have undertaken to send lecturers out without paying them on results. They would, I think, recommend the Government to cease lecturing rather than to adopt such an uneconomic method of spreading the Fund's operations.

10. Then do you agree with the evidence that has been given to the effect that the competition of the National Provident Fund has been the cause of the falling-off in membership of the friendly societies?—Well, as I said previously, I am not convinced that that is the fact. I do not say that the work of the Fund is not affecting them, because it would be impossible for one system to operate without in some directions overlapping on the other. That is readily admitted, but to what extent it does affect them is obscured by the other things which have been operating at the same time. Of course, it should not be overlooked that a big margin exists between the members of friendly societies and the large body of people who do not join friendly societies and probably would not join friendly societies. There is a considerable section of people that come under that class, and I dare say they fall very readily into the hands of the lecturers. Of course, as Mr. McLeod has pointed out, the societies get all classes. Quite probably a certain number in each class would go in for a pure annuity system such as this. As to the working-class benefits of friendly societies, it is impossible in my opinion to look past them and expect workers to go in for a higher benefit system. The doctor and the immediate benefit system of the societies is so indispensable to those people that the National Provident Fund cannot cater for them. What it may do in future we cannot tell, but to get all classes into the National Provident Fund would need a considerable reorganization of its basis.

11. *Mr. Parr.*] How many members are there in the Fund?—I suppose not there would be between nine and ten thousand.

12. And the Fund started when?—In 1911.

13. Roughly, how many of those members have been brought in by your lecturers, assistants, and canvassers?—In the memorandum that was sent to the Committee I stated that out of 10,868 applications less than one-tenth were recorded as having gone to an office and joined voluntarily.

14. So that practically over 90 per cent. of your members have been brought in by the persuasions of canvassers and agents?—Yes, propaganda work.

15. What do you deduce from that—that it is impossible to carry on the Fund without canvassing?—We deduce from that the fact which is proven now, and which was proven before this Fund, that no voluntary State system will work without active propaganda work—that is to say, if the Fund when it was passed had been simply put on the statute-book and the Board had sat and waited for members to come in, there would practically have been no membership. The classic illustration of that is the British annuity system. That was introduced in Gladstone's time, forty or fifty years ago. It was launched throughout the post-offices in Great Britain, and has operated without canvassing. To-day, after all that number of years, I think they have 2,000-odd annuitants. The correct figures I find are: At the 31st December the total number of deferred annuities on the books was 2,762. That is confirmation of what has been experienced in other countries. In these schemes, until a State takes up something of the kind similar to what the Board has attempted here, it could be relied upon there would be no results, particularly with deferred annuities. It is admittedly difficult to get the people to look at deferred annuities.

16. You do not deny, then, that the result of your work must of necessity injure the friendly-society movement?—From the very beginning since this Fund started I have held the opinion that sooner or later we should have to get together in some way. That must be the outcome of it.

17. Take the 90 per cent. of members who have been brought in by the canvassing: a fair proportion of those might and probably would have joined friendly societies if there had been no National Provident Fund?—A proportion certainly would have, but what number it is difficult to say.

18. We can take it as a fact to be fairly deduced from your experience and from the evidence that the two organizations cannot operate in the same district without competition?—Well, it is very difficult to say. The membership of friendly societies is subject to fluctuations, and was so even before the Fund started: there is no doubt about that. How far the Fund and the friendly societies are in competition or affect one another it is difficult for me to say. The question in my opinion resolves itself into this: are the working-people or the general population able to afford to purchase the benefits of the friendly societies and also contribute to a State annuity system? Not without subsidies, and that is what the problem is likely to come down to.

19. Therefore if a man wants to get the benefits such as are afforded he must make up his mind to join one or the other, and that means competition, and 90 per cent. of your members are brought in by active canvass?—Yes.

20. What is the cost per annum of the canvassers, lecturers, and assistants?—Do you mean apart from the other expenses?

21. Yes?—I suppose the salaries and commission of the three lecturers come to about £1,000 a year at least. The assistants would cost, say, another £500.

22. Would that cover travelling-expenses?—Yes, I think so.

23. And the total income last year was what?—About £20,000 last year.

24. Apart from the Government subsidy?—Yes. I am speaking in round numbers. The annual income at present is, I suppose, a little over £30,000 per annum. It is only fair to the Board to say that the expense rate of 19 per cent. is for a weekly-contribution system, and as such is regarded as a very low rate from a commercial point of view. I might point out that outside companies conducting industrial insurance on a weekly basis have their expenses run up to as high as 40 and 50 per cent. In the initiatory expense stage one concern ran up to as high as 300 per cent. for the first year; so that from that point of view it looks as if the State machinery at the disposal of the Fund in all the departmental branches throughout the Dominion is a great advantage to the State compared to outside organizations. That explanation should be given as some mention has been made here of the expense-rates that have been incurred. The Board has hitherto taken a commercial standard and tried to work up to it.

25. Your scheme requires a subvention from the State of 25 per cent. ?—Yes.

26. Has it been actuarially investigated?—No.

27. Are you actuarially sound on that basis, or shall you require a larger contribution?—The first valuation is not out yet, but some investigation has been made into it in connection with local bodies' schemes. The tables of the Fund have been compared with a standard in order to work the local bodies' schemes out, and the investigation so far shows that the provision of 25 per cent. should very nearly do it.

28. But not quite?—That is, of course, to be determined when we get a definite report. Apparently the tables come out very close.

29. *Mr. McLeod.*] The Year-book for 1914 states: "Organizing lecturers are operating in the various centres and personally explaining the system to the workers at their factories and workplaces, &c., a method that is found to be productive of satisfactory results, and is consequently being extended." That is correct?—Yes.

30. Did you expect to get any members there who were medically unfit?—No, I do not think so. That would not enter into the calculation. It is never considered in any case whether they are or are not.

31. Naturally in workplaces they would be all medically fit, otherwise they would not be working there?—Yes, it should be so, but it has nothing to do with the point.

32. Are not the factories and workplaces the identical ground where the friendly societies operate?—I should say so.

33. The point has been stressed that those who are medically unfit and unable to pass an examination are accepted under the National Provident Fund. Where do the lecturers go to get them?—From a medical point of view I dare say in the factories and other places you should find as risky lives as anywhere else. I suppose they have to take them in the bulk.

34. Do the lecturers make any special effort to get them?—Why should they?

35. I am asking you the question?—No, not at all.

36. They go to the factories and workplaces?—Yes.

37. The contributors to the National Provident Fund are paying a higher contribution per head than the members of friendly societies?—Yes, I think so.

38. Do you think it just that a man who is able to pay a higher contribution should be subsidized against the man who is paying a lower contribution?—My reply to that phase of the question would be only a personal opinion.

39. It is your own opinion?—I am not here to give my opinion on a point like that. I am here to administer the offices I hold, and I look at it from a national point of view—that is, what is the State's object? I am not concerned with the equities or justice. I am only here to carry out as part of the Board what the Board conceives to be the object of this scheme. As I have said before, as far as I can do it, it shall not touch friendly societies or any other organization. I should exercise what power I could to save that, but as far as the equities are concerned it is certainly not for me to say.

40. You decline to give that opinion?—It is not for a Civil servant to say.

41. You did state that from the point of view of the working-man the friendly society was the better organization?—I should certainly say so. I have always said so.

42. If the friendly society is the better organization, I think it naturally follows that the benefit that is less effective should not be the one that should be subsidized by the State?—That brings me to the point where I suggest it is going to pay the State to heavily subsidize this Fund. I suppose the State will look at it in this light, and say, "Very well, the old-age pensions are costing us £500,000 or so a year: it would be good business for us to start a contributory system in New Zealand, and it would pay us to make it as attractive as possible in order to get the people to join it." In framing an annuity scheme like this the man who framed it had to admit in the first place that it was almost impossible to get the working-people to look at a deferred annuity. There are higher classes than the working classes who will not look at deferred annuities unless they are forced to, and in framing the scheme he had to make it very highly attractive indeed.

43. Those people who are unable to pass a medical examination can join the National Provident Fund but not a friendly society. What benefits are they likely to realize under the Provident scheme?—They get the same benefit as the man who can pass an examination.

44. They get 7s. 6d. for each child they have?—Yes, I suppose they would. There is no distinction made whether a man is medically unfit or fit.

45. Do you think it desirable for the State to give a subsidy in such a case?—I do not think the State can make any distinction.

46. I think you are agreed that the National Provident Fund is operating more amongst the well-to-do class of the community than the friendly-society members?—I should think it would be more difficult to get a certain class of people to join the National Provident Fund than to join the friendly societies—that is, the class of lowest-paid workers. I do not think they could look at this Fund, or, at any rate, very few of them could. They would have to join a friendly society.

47. I take it that the friendly society is open to the poor man, whereas this subsidized scheme is open to the better-paid man?—It is open to all.

48. But the better-paid man is able to pay a higher contribution?—Yes, that goes without saying. I wish to say, Mr. Chairman, that there is no question of any antagonism between myself and those representing the friendly societies here. The inability on my part to give an opinion on equities should not, of course, make it less evident that I am very sympathetic with the friendly-society work, and that I always endeavour to help the movement along.

49. *The Chairman.*] Do your lecturers play one scheme off against the other: have they had any instructions in regard to that?—Every one of them has had instructions that they are to be

particularly solicitous, as far as they can, not to touch upon friendly-society influence in any place they go to, and I think the men themselves that have gone out have honestly endeavoured to preserve that rule as far as they can. They are paid by the Board according to results, and a great portion of their earnings are on results.

50. And the lecturers get a commission?—Yes, on the result of their lectures.

51. *Mr. Parr.*] Supposing this Committee were to recommend Parliament to abolish your canvassers and assistants during the period of the war or for a year or so, what effect would that have?—It would shut the Fund up, of course. It would probably close it down.

52. And have a very serious effect?—I think so. We have now forty men in the post-offices in the second-class towns who act as our agents, and they look after the business in those places. That is one phase of it; and then there are the lecturers themselves. Once the activity is dropped the result is obvious, and we know that the Fund would go down very quickly. You could expect that.

53. You would cease to get members?—Yes.

54. Could you not stand on your own feet for a year?—I doubt it. The organization already successfully established would be broken up. At present we are more or less inactive. For some months after the war broke out there was practically no new business done.

55. Are you still employing lecturers?—They started again at the end of the year, and seem to be getting on, but there is very little travelling being done now.

56. *Mr. Coates.*] What is the average contribution of the National Provident Fund as compared with the friendly society?—Somewhere about £4 4s. per annum in the National Fund as compared with the friendly society average contribution of about £3.

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