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SOCIAL INSURANCE

WHAT IT IS AND WHAT IT MIGHT BE

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SOCIAL INSURANCE

WHAT IT IS
AND WHAT IT MIGHT BE

BY

ALBAN GORDON

B.Sc., F.C.S.

COUNCILLOR (BRIGHTON)

SECRETARY, UNITED WOMEN'S INSURANCE SOCIETY

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PREFACE

THE time is ripe for an extension and unification of our various systems of Social Insurance, and which of the two is the more necessary is a matter of doubt. On the one hand, none of our separate measures of insurance—National Health, Workmen's Compensation, Unemployment, and Old Age Pensions—can claim to be more than a scanty instalment of what the economic welfare of the people demands. On the other hand, each of them is in itself chaotic and patchworky. Unnecessary complexity, overlapping, cumbrous and wasteful administrative machinery—these are characteristic of all, while behind all and through all there runs the slimy mesh of the Poor Law, repellent in itself, and obstructive to the healthy life of contemporary social measures.

This little book makes no claim to be a detailed analysis of any one branch of Social Insurance. Admirable text-books on the different branches of the subject already exist, and I have no intention, and indeed no qualification, to add to their number. Taking more or less for granted the necessity first of all for co-ordinating and simplifying our diverse systems, and then for supplementing them with benefits now lacking, I have contented myself with indicating the main reasons for the former

necessity and a possible line of action for the latter development.

To plan a thing in advance seems foreign to our British system of government. We are accustomed to wait till the house is on fire before we set about building the fire-engines to put out the blaze. The marvel is that our measures of social organisation, improvised for the most part in the thick of the evils whose existence has called them into being, should be even as satisfactory as they are.

At risk of running counter to this trait of our national genius I would add my voice to the small but growing number of those who urge the necessity for looking ahead. In this year 1924, when we are still in the trough of an unparalleled trade depression, we should be actively engaged in planning our programme for the years 1929-34, a period when, humanly speaking, we are likely to experience the next slump or the beginning of it. This is not even "a long view"; the long view of the statesman should seek to pierce the mists of twenty, forty, fifty years ahead. The tyro at chess glows with pride at predicting the next move. The brain of the master envisages many moves ahead. Dare we not hope some day for the master brain in statesmanship?

Although I have, somewhat presumptuously perhaps, let my criticisms lead up to a more or less definitely constructive scheme, yet I have done so more by way of crystallising thought in the direction that it seems to me it should take. It matters to me not two straws whether future legislation adopts the particular scheme I have outlined or not. What *does* matter is that we should take the children away from the Poor Law, make unemployment a social asset instead of a curse, provide the

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workers with the means of maintaining a decent standard of life in any casualty, and finally that the Community should incorporate within itself sufficient of Godhead to see that none of its children shall fall to the ground without its knowing.

Parts of this book have already appeared as articles in *The New Statesman*, *The National Insurance Gazette*, and elsewhere. As I am a member of various representative bodies I ought perhaps to make it clear that the views expressed in the following pages are personal opinions and no more.

ALBAN GORDON.

439-441 OXFORD ST., LONDON,
March 1924.

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PART I
THE SUBJECTS OF INSURANCE

CHAPTER I

NATIONAL HEALTH INSURANCE

AFTER eleven years' operation, including four years of war, and the five still more difficult years of peace which have followed it, the National Insurance Act has abundantly justified itself as an experiment, if as nothing else. It has proved conclusively that a national compulsory scheme of Health Insurance was urgently needed, and was not only possible but practicable. The whole stream of opposition that flowed so strongly in 1911 and 1912 has dried up, or, at any rate, dwindled down to the muddy channel of an occasional "Press stunt," and the threats to repeal the Act have ceased for ever, for no Government in this country would dare even to propose such a thing. In the main the Insurance Act has done a vast amount of good, although at the same time some contend that it has done a certain amount of harm.

Apart from its contributory basis, which has now been fairly generally accepted, the principal complaints against the Act as it stands at present are:

1. The inadequacy of the benefits, and the unnecessary complexity of its present structure.
2. The vast amount of overlapping between ten thousand separate bodies involved and the lack of the "personal touch" in its administration.
3. The inequality of benefits paid to different insured persons for the same contribution.
4. The lack of measures for the prevention of sickness.

INADEQUACY OF BENEFITS

The cash benefits paid under the National Insurance Act are pitifully inadequate, ranging as they do from 7s. 6d. to £1 a week, the average amount of sickness benefit being a little over 15s. for men and a little over 12s. for women for the first 26 weeks of sickness and from 7s. 6d. to 9s. thereafter. The maternity benefit (in general £4) scarcely more than suffices to pay for the attendance of the doctor or midwife and the other medical expenses of the confinement, leaving practically nothing for the maintenance of the mother and child during the four weeks after confinement, during which period no sickness benefit is payable. It cannot be contended that the sickness risk of a working class household is adequately covered by a cash payment of 15s. per week, useful though this may be, and the inadequacy is still more marked in the case of a protracted illness when, after the right to 26 weeks' sickness benefit has been exhausted, the amount of benefit falls as low as 7s. 6d. per week (disablement benefit), and it is pitiful indeed to think of the struggles of an elderly woman, alone in the world, trying to maintain herself without Poor Law Relief on her disablement benefit of 7s. 6d. or 9s. per week without even the strength to carry out her household duties.

Medical benefit, too, falls short of the sweepingly generous "adequate medical attendance and treatment" laid down by the Act. No specialists' services or institutional treatment of any kind are included, and it is only a limited number of Approved Societies that give such essentials as dental treatment to their members. The difference between different Societies in this respect is very marked. Some more fortunate insured persons get free or assisted dentistry, grants in aid of optical treatment, spectacles and surgical appliances, and grants towards cost of hospital or convalescent home treat-

ment. Others get a few of these, others again get none at all.

THE COMPLEXITY OF NATIONAL INSURANCE

Although somewhat simplified of recent years the complexity of the present National Insurance Scheme, with what Sir William Beveridge calls its "enormous and complicated administration," is a thing almost impossible to convey to those who have no inner knowledge of its working, and it is equally impossible to make any ordinary insured person understand how his arrears, benefits, etc., are calculated. Since the surpluses disclosed by the first valuation in 1921 have become available the complexity has increased, and it would need a volume of several hundreds of pages to give even the briefest survey of the rules, regulations, and administrative provisions under which National Health Insurance is at present administered.

The system of accounting is incredibly duplicated. In the first place, we have what must be a very extensive machinery of book-keeping between the Post Office, the Treasury, and the Ministry of Health, in regard to the sale of stamps. Then the Approved Society, on receiving the stamped cards of its members, keeps a complete record of the number of stamps of every individual member of the Society. The stamped cards are then forwarded to the Ministry of Health, where again a complete record of number of stamps is kept. The book-keeping system of Approved Societies is subject to full and constant check by the Ministry of Health and is later submitted to an equally full and extensive audit by the Treasury. The banking system of the Societies is conducted by the Accountant General's branch of the Ministry of Health, which requires very full monthly returns. Finally a high trinity consisting of the Ministry of Health, Treasury, and the Commissioners of the

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National Debt have the management of the accumulated millions of insurance reserves and invested funds. When it is remembered that there are 10,162 separate and distinct Approved Societies¹ it will begin to be clear that the machinery of National Health Insurance is amazingly cumbersome and correspondingly expensive. At the same time it must be remembered that a similar but quite separate set of machinery is in existence for the administration of Unemployment Insurance, a state of affairs which constitutes one of the most fatal arguments against the continuance of the Approved Society system.

THE OVERLAPPING OF APPROVED SOCIETIES

One of the greatest weaknesses of the Health Insurance Act as finally passed, was the extraordinary provision whereby, in effect, practically any body of not less than seven persons could constitute themselves an Approved Society and become a distinct and separate entity engaged in the administration of the Act. It is scarcely believable that in spite of eleven years of effort on the part of the Ministry of Health to "shake out" Approved Societies of absurdly small dimensions, there still remain a considerable number possessing less than fifty members, and there are stated to be some "Societies" actually possessing less than ten. But each such Society has to go through the elaborate processes detailed above.

This, however, is the less serious side of the business. The whole idea of retaining the voluntary society as the unit of administration of Health Insurance was that such Societies would theoretically be in close touch with their members, and would, therefore, be able to supply the human element in administering sickness benefit, for the double purpose of preventing malingering and promoting the welfare of the sick person. How does this

¹ Including branches of the large Friendly Orders which are each separately registered for financial purposes.

turn out in practice? Take the case of a small local Slate Club and Burial Society with a membership of about one hundred—a type of society of which there are several hundreds in existence. Originally those members lived within a mile or two of the headquarters of the society, but now in the process of time one member lives at Land's End, another at John o' Groats, a third at Newcastle, a fourth at Dover, a fifth at Cardiff, and so on. Probably at least half the original membership is scattered about the country in some such fashion as this, with the result that a small society, say in Clapham, may be paying benefit to a sick member in Carlisle, and a similar society in Carlisle may be paying benefit to a member resident in Clapham. As an example of the ludicrous way in which Approved Society memberships are now distributed it may be mentioned that in a town such as Dundee there are 217 separate societies (ignoring branches) operating, of which 99 have less than ten members in the town, fifty-two of them with *only one member*! These societies have their head offices at London, Manchester, Glasgow, Aberdeen, Edinburgh, Leeds, Portsmouth, Newcastle, Tunbridge Wells, etc. etc. This is but one example taken at random. It has thus developed that the human element in administering sickness benefit has become less and less marked, so that to-day it is questionable whether the administration of sickness benefit is any more personal though it is certainly less efficient, than if it were directly administered by a Government department.

Another strong principle of Mr. Lloyd George's original proposal was the democratic nature of Approved Societies. This, however, has gone by the board to an even more marked degree. As Professor Gray points out, "the Approved Society has in practice not turned out to be a voluntary group of interested and excited insured persons. They, for the most part, are content to wash their hands of the whole business."¹ Probably

¹ *Some Aspects of National Health Insurance*, by Alexander Gray.

most of the Friendly Society and Trade Union Approved Societies and some of the small local societies, are under the direct control of their members, but a good half of the insured persons have, in practice, no more voice in the management of their Approved Societies than the man in the moon. The affairs of one society which is typical of many, and which has a membership of 50,000, are nominally directed by the society in general meeting. The general meeting has been attended in the past by an average of from thirty to forty members, who assemble and listen to a congratulatory address by the chairman, re-elect members to the management committee, and disperse for another twelve months. This procedure is, of course, that adopted by the large "Industrial" Societies with their millions of members.

The Insurance Committees, too, which were going to be a new type of local body, very purely representative in every sense, are in effect, simply nominated by the officials of the larger societies. Here too, democratic government has gone by the board. These Insurance Committees, by the way, are bodies whose practical value is so small as to be problematical. This will be further gone into in the chapter on "Treatment Benefits."

INEQUALITY OF BENEFITS

It was very strongly pointed out in 1911 that the flat rate of contributions laid down by Mr. Lloyd George's Bill, combined with the free choice of Approved Society, would unavoidably result in the segregation of good lives in some Approved Societies, with the natural corollary of inferior risks overcrowding the other Approved Societies. This has, of course, proved true in practice, with the result that after the first valuation of National Insurance funds, the disposable surpluses then disclosed varied from nil to as much as 33s. or 34s. per head,

although, mainly owing to the effects of the war, few Approved Societies of any size actually showed a deficiency. The result of this is shown in the widely differing benefits now given by different Approved Societies, varying as they do by as much as 5s. per week in cash benefit, with a corresponding discrepancy in benefits in "kind" (e.g. dentistry, optical treatment, etc.). These differences will tend to grow wider, and if this tendency is allowed to take its course it is quite possible that after the second quinquennial valuation (now in progress) some societies may be in a position to offer literally twice as much benefits as others, though both charge the same contribution. This is already leading, and will increasingly lead, to dissatisfaction among insured persons, particularly as the right to transfer from one society to another is now so hedged about with restrictions as to render it, in the majority of cases, a loss to the insured person to effect a transfer, by reason of his deprivation of the right to share in the "additional benefits" of the society to which he transfers.

It has been suggested that this drawback might be met within the four corners of the present system by an arrangement of pooling a part of the surpluses, and making good deficiencies from this source. Such a suggestion, however, would remove the one claim to existence which the Approved Society system possesses.

Professor Gray, who, in addition to being a distinguished economist, was for several years engaged in the Approved Society Branch of the Ministry of Health, and whose opinion therefore carries double weight, says:

"For myself, I do not think that any such half-way house is either possible or desirable. No more vicious system in the past has been known than that in which local branches passed claims on a central fund, and you will get an exact analogy to this if societies, retaining

independent existence, are not required to answer the consequences of their administration."

THE PREVENTION OF SICKNESS

A feature of National Health Insurance which is, as will be seen, common to all the other existing schemes of social insurance, is its lack of adequate provision for preventing the evils for which it provides compensation. There is no need to argue the case for the greater value of preventing sickness than of paying compensation for it when it occurs, and yet the National Insurance Act, which expended last year over twenty million pounds in benefits, laid out practically nothing on prevention, except for a minute grant of a few thousand pounds for research, and certain expenditure on dentistry and the like, which may be considered partly as preventive in character.

It is true that the original scheme included sanatorium benefit,¹ but even this, which might have had some preventive value, became little more than a system of curative treatment owing to the very general failure to diagnose tuberculosis in sufficiently early stages for the onset of the disease to be prevented.

It is also true that the Insurance Act contains a provision (Section 63 of the 1911 Act) from which great things were hoped, empowering various persons to take action in cases where excessive sickness among insured persons is considered to be due to such things as insanitary condition of premises, insufficient or contaminated water supply, bad housing, or neglect on the part of any person or authority to carry out the provisions of any Acts relating to public health, factories, housing, etc.

Unfortunately in practice this section has become a dead letter and not a single case of action under it has as yet taken place. The reason is not far to seek. The

¹ Now taken out of the Act and transferred to the Public Health Authorities.

section can only become properly operative when a complaint made by an Approved Society is successful in proving that a definitely excessive rate of sickness benefit among its members has been due to one or other of the above causes. This is an extremely difficult thing to prove, although it is perfectly obvious that, for example, the present housing conditions must be directly responsible for a general depreciation in the health of the people. It is, however, difficult to translate such knowledge into legal and specific proof in a given instance.

The British Health Insurance scheme has paid but little attention to those very valuable provisions in the original German scheme for training crippled or disabled persons to take up special trades, and to provide them with the necessary appliances, such as artificial limbs, etc., although under the additional benefits schemes of certain Approved Societies "ordinary surgical appliances"—though generally of a very limited extent—are paid for in whole or in part for those members entitled to receive such additional benefits.

It will be emphasised in another chapter that in any unified scheme of social insurance, a definite and powerful attempt must be made to prevent sickness, accident, and unemployment, which are three of the risks that can probably be highly diminished through scientific organisation on preventive lines.

THE FAILURE OF THE APPROVED SOCIETY SYSTEM

There is no doubt in the minds of those who have the most knowledge of the workings of the Approved Society system of administering National Health Insurance, that viewed from the great national aspect of "the prevention and cure of sickness" it is beginning to prove a failure. This statement will, of course, be vehemently opposed by many of the thousands of officials in the employment of such societies, although there are a number of them

far-sighted enough to agree with the truth of it. It will be claimed that the Insurance Act has proved a magnificent success, and that it could not have been brought into existence at all except through the very Approved Societies which are now being condemned. These arguments are perfectly correct; the Act *has* been a success, and it would *not* have been a success but for the Approved Societies, although it is safe to say that had it not been for the war, which benefited the scheme financially to an extraordinary extent, there might have been a very different story to tell.

But useful though Approved Societies have been in bringing the Act into operation and in carrying it through its first eleven years, there is no doubt to any impartial observer that the system has now reached a stage at which its drawbacks increasingly outweigh its advantages. Probably many of these drawbacks could have been avoided had the original qualification of a membership of 5000 for a society to become Approved, been adhered to, but it is the very multiplicity of small societies that is the ruin of the scheme.

Some societies are, no doubt, admirably managed, but in the case of many hundred of the smaller societies it is a literal truth that the very *raison d'être* of their existence is merely to provide some one with a salary, and had it not been for the extraordinarily minute (and very expensive) inspection of the management of Approved Societies by the Ministry of Health and the Treasury Auditors, some very unpleasant scandals would undoubtedly have come into being.

The solution of the difficulty offered in this book is to regroup Approved Societies on a territorial basis, replacing the present conglomeration of 10,162 separate societies and branches by a few hundred County, County Borough, or Borough societies, and to entrust these new societies not only with the administration of Health Insurance, but with all the other forms of insurance.

This theme will be developed more fully in subsequent chapters, as also will be the near relationship between Health Insurance and Unemployment Insurance, which are not two distinct problems but two aspects of the same problem.

CHAPTER II

THE "TREATMENT" BENEFITS OF NATIONAL HEALTH INSURANCE

THE "Medical Benefit" of the Insurance Act has always been its most bitterly controversial point, a veritable storm centre from which, every year or two, fresh lightnings of discord flash.

It is obvious that the lion and the lamb will lie down together sooner than the panel doctors and the Approved Societies, and the question of the control of medical benefit has so far defied solution. And yet a simple and efficacious solution lies ready to hand—*remove medical benefit¹ from the Insurance Act altogether*, as has already been done with sanatorium benefit.

Agreed that Mr. Lloyd George's original Insurance Act was an Act for the prevention and cure of sickness, and that medical benefit is the most important means of carrying out this great purpose, yet thirteen years' experience of National Insurance brings the reasoned conclusion that it is impossible satisfactorily to combine in one measure a huge financial system of cash benefits and an equally vast organisation of purely professional men. Sickness benefit and disablement benefit are watertight, self-contained cash benefits, based merely on actuarial science, and logically capable of restriction to the persons paying contributions for them. They are

¹ Including dentistry, optical treatment, massage, and other similar "additional benefits," which are obviously part and parcel of medical benefit and should be considered with it as a comprehensive service.

very closely akin (as will be shown subsequently) to Unemployment Benefit, Death Benefit, Widow-and-Orphan Pensions, and other similar cash payments.

But medical benefit is quite a different matter. From the point of view of the community there is only one thing to be considered, and that is to prevent the incidence of illness as far as possible, and to cure it as quickly as possible wherever it may occur, whether in the duke's mansion or the pauper's hovel. Let us see how far it works out in that way at present.

Dr. Harry Roberts, himself a panel doctor of unrivalled experience, describes¹ the Insurance Act Medical Benefit to a nicety:

"It is, of course, ridiculous that a measure, claiming to be national in its purpose, professedly intended to place adequate medical treatment within the reach of those unable to provide it for themselves, should be so framed as not only to exclude from its provisions all those forms of medical service, such as surgery and everything included in the term "hospital treatment," which are, by universal agreement, of the greatest value, but to treat as non-existent the wives and families of employed persons, as well as all those who, through mental or physical defect, are unfit for commercial employment; and actually to deprive of all medical attention even the employed people themselves if, as a result of industrial depression, they are, for any considerable period of time, thrown out of work. It is an absurdity that whilst a certain measure of poverty is insisted on as entitling a man or woman to such medical services as are provided, a still further degree of poverty—creating a situation of even greater need—serves to disqualify."

A sum of between nine and ten million pounds is disbursed annually under the National Health Insurance

¹ *A National Health Policy*, by Harry Roberts (Labour Publishing Company, 3s. 6d. net).

Acts on medical benefit, which may be described as the provision of a general practitioner's services for members of the insured population, a very different thing from the "adequate medical attendance and treatment" laid down under the Insurance Act.

An extraordinary feature of medical benefit is that although it is nominally administered by *ad hoc* bodies—the Insurance Committees—especially created for the purpose in every County and County Borough, in actual practice these committees have now no administrative functions of any practical utility whatever, except perhaps in so far as one of their sub-committees is the statutory body for investigating complaints in connection with the medical service. Their remaining functions are of a purely executive and routine nature, *i.e.* the disbursement of medical benefit monies to the doctors and chemists, with the various scrutinies of prescriptions, etc., necessarily involved—work which is practically entirely of a clerical nature. Nominally the Insurance Committee is the body charged with carrying out negotiations with the medical profession locally, as to the setting up and the terms and conditions of the medical service in the district; in practice, however, this has been taken over by the central government, and it is worthy of note that in the National Health Consolidation Bill now before Parliament the original enactment of 1911 that the Insurance Committee "shall . . . make arrangements with duly qualified medical practitioners," has been dropped, and the new clause merely reads "medical benefit shall be administered by and through the Insurance Committee."

The existence of these bodies, costing as they do nearly a million pounds annually for administration expenses, is now nothing short of a sheer waste of public money and public time. In the original draft of Mr. Lloyd George's Bill the "Health Committees," as they were then termed, were intended to have a large share in the handling of local sanitary affairs; they were to

take an active part in questions of housing and municipal sanitation, and they were to be extremely democratic bodies which might almost supersede the Health Committee of the local Town Council. Indeed it is not reading very deeply between the lines to hazard a guess that these new organisations were intended to form the nucleus on which a new type of destitution authority might be created to supersede the present Poor Law.

But all this has gone by the board, and of all the flotsam and jetsam left stranded by the ebb and flow of National Insurance, none is more pathetic than the obsolete collection of machinery presented by the Insurance Committees to-day.

The very basis of their constitution, which was to be such an object-lesson in democracy, has been an election so undemocratic in its nature as to make it the laughing-stock of the Approved Society officials, who, in actual practice, were responsible for carrying it out. The elections were based on an extraordinarily complex system of proportional representation, the votes, however, being cast, not by the insured persons themselves, but by the Committees of Management (*i.e.* in practice the officials) of the Approved Societies. In the event the individuals elected were chosen by a little log-rolling in the offices of the larger Approved Societies, and it is safe to say that no individual insured person had the slightest say in the election of any member of any one of the Insurance Committees.

The original terms of service upon which the first panels were set up were the outcome of direct negotiations between Mr. Lloyd George and the British Medical Association, and these conditions, subject to various administrative amendments and to alterations in the rates of pay due to the change in economic conditions, remain substantially unaltered to-day. At the commencement of the current year (1924) the terms of service of panel doctors were nominally revised, but the new conditions

differ very little from those previously prevailing, except that in return for the maintenance of the doctors' incomes at their present level they have agreed to a little tightening up of the existing conditions.

All this leaves unchanged the fundamental basis of the existing forms of medical benefit, *i.e.* a general practitioner's services for actual insured persons only. So much has been written and said on the inadequacy of this foundation that there is no need here to analyse at great length the insufficiency of medical benefit as we know it at present and its failure to play a vital part in the prevention of sickness. It is fairly obvious that the unco-ordinated services of individual general practitioners, all of them extremely busy men with little time for individual study, and with no machinery at their command for calling to their aid specialists' services and institutional treatment, do no more than to admit of the attempted cure of disease which has fully declared itself.

It cannot be too much insisted upon that the paramount medical need of the day is a vastly increased provision for early diagnosis. Take tuberculosis, take venereal disease, take any of the maladies which attain the dimensions of a national scourge; practically every case would yield to curative treatment, even as we know it to-day, *if only it were diagnosed early enough*. But such early diagnosis often necessitates elaborate apparatus, the highest of specialised skill, and a considerable expenditure of time and care, none of which are available to the panel patients to-day.

It is also unnecessary to insist at length upon the close and intimate connection between preventive medicine and conditions of environment such as housing, town sanitation, and conditions of employment. What might be termed the political side of public health is far more important to the welfare of the community than a million bottles of stock medicine, or ten million feelings of the

pulse. Medical benefit as we have it to-day is divorced entirely from any considerations of this sort, and it therefore trails painfully in the wake of public sickness instead of leading in the van of public health.

The third objection to medical benefit as at present devised is that it is only open to a limited section of the working classes instead of being open to all who need its services, and that it spends close on a million a year merely on providing machinery for preventing persons who are not entitled to it under the Insurance Act from receiving it. Why this short-sighted restriction of its advantages? For two generations we have ceased to hear any serious objections to the principle of free education for all. Every argument that can be used in favour of universal free education is equally applicable, but with ten times more force, to the claim that the medical resources of the State should be available freely and universally to all its citizens. How is it that we are always forgetting the essential partner in the *mens sana in corpore sano*? It took a quarter of a century for us to realise that it was useless trying to cram education into the heads of children whose stomachs were empty, but the necessity for the feeding of school children, so grudgingly admitted, is now definitely established. Surely the same principle holds true throughout life? What is the good of any measure of social reform, of any proposals for dealing with unemployment, of fine talk about universal military service and the necessities of defending the Empire, when we fail to provide for the first need of every citizen—that is, health? It is true that a start has been made in this direction in the medical inspection of school children, and in the attempts to promote mother-and-infant welfare, but after these tentative beginnings we come to a full stop, and our principle of the health of the citizens as the first asset of the State fails abruptly.

The late war soon brought to light the miserably low standard of the national physique, and the physical

examination of men of military age showed that of the two and a half million men examined during the latter part of the war not 36 per cent were "perfectly fit and healthy," while 32 per cent were classified as "almost physical wrecks," and 10 per cent were "chronic invalids with a precarious hold on life."¹

It would of course be costly to institute a national medical service freely open to all, but taking the long view it would be far, far less costly to the nation than the present policy of *laissez faire* in medicine, considering the 42 per cent of physical wrecks and chronic invalids suggested by the foregoing figures. What is the cost to the State one way and another of their ill-health? Add together the cost of our workhouses, our jails, our lunatic asylums, our hospitals and infirmaries, throw in the uncounted millions of private charities and the uncountable millions due to lost production and lost trade, and you will arrive at a total surpassing fourfold the cost of the most expensive State Medical Service that could be devised.

But such a national provision of medical service is a thing apart from a system of insurance just as much as is education. The benefits of social insurance must obviously be limited to the contributors to such a scheme, but medical benefit, it is contended, should be available to every citizen of the State, each of whom will of course bear his share of the cost of it through taxation. It will therefore be found that in the scheme of social insurance sketched out in this book, medical benefit does not appear.

Our scheme of national social insurance is practically limited to the working classes, but no such limitation should govern the State Medical Service. Indeed the class which most urgently needs the benefits of such a service is the lower middle class, which is in a dreadfully difficult position in such respects to-day. It is

¹ *The Report of the Ministry of National Service, 1920, vol. i.*

clearly necessary to point out that a State Medical Service might take in one of a dozen different forms, and need not necessarily interfere with such cardinal points as free choice of a doctor, etc. Indeed such a scheme might even be on a partly contributory basis, as was the case in the elementary "National" schools of a few years back, and is still the case in municipal secondary schools.

The rich can afford to pay for the best of medical attention and skill; the poor can obtain it through the voluntary hospitals, through the National Insurance Act, or even through the Poor Law infirmaries; but the condition of the average middle class household is lamentable in this respect. They cannot afford doctors' bills, let alone specialists' fees, and they are not eligible for the voluntary hospitals. It is no exaggeration to say that thousands of lives are lost among the middle classes from sheer inability to obtain medical expenses. Take a professional man, with wife and two or three children, earning from £400 to £700 a year, upon which he must keep up a certain standard of life. The economic pressure upon such a household is such that every penny of the income is ear-marked for a definite need, and the margin for medical expenses is almost *nil*. Supposing now a member of that household needs a major operation, what is to be done? It is cruelly hard that such a class which is hit exceptionally heavily both by direct and indirect taxation should be debarred from participation in the medical service of the State, although the principle that the children of such a household are fully entitled to the free educational service of the State has been conceded.

In this respect above all others the middle classes are indeed between the upper and the nether millstone, and this argument alone should be sufficient to ensure the widening of a State Medical Service in this direction.

MATERNITY BENEFIT

Although nominally a cash benefit, the fact that its amount (usually £4) is roughly no more than equal to the medical and nursing expense of a confinement, brings it rather within the nature of a treatment benefit than a cash benefit, and it is open to question from which of these two points of view it should be considered.

The doubtful position of maternity benefit in an insurance scheme is emphasised by the existence of a maternity and infant welfare branch of the Public Health Service, a branch which is as yet more in the nature of a forecast than an achievement.

As public opinion becomes enlightened—a slow, but, thank God, a steady process—motherhood clinics and infant welfare centres will become a more prominent part of the public health work of the municipalities, and the claim for the ratification of the Washington Conference Conventions¹ will become irresistible as a logical conclusion. Its coming will be hastened by the growing demand for the economic enfranchisement of women, through a definite scheme for the endowment of motherhood which lies ahead.

In these circumstances it is very questionable whether maternity benefit should be retained as part of our insurance system, and the balance of the argument would seem to be in favour of the whole care of motherhood being developed in the direction foreshadowed above, rather than that the insurance scheme should pay out a lump sum on confinement irrespective of what other forms of public assistance are being rendered by the municipality.

¹ The Washington Conference of International Labour Organisation under Part 13 of the Treaty of Versailles adopted the following convention (*inter alia*) in October 1919: "For six weeks after confinement women shall not be permitted to take part in industry or commerce, and shall have the right to cease work six weeks before confinement, being paid in both periods full benefits for maintenance. A nursing mother shall have half an hour twice a day for nursing her child."

The argument for thus removing maternity benefit from our insurance scheme would be irresistible were it not for the fact that among the hundreds of municipal authorities throughout the country there is such a large proportion which will undertake no social or health activities which are definitely made obligatory by legislation.

In spite of this danger, which of course could be met by parallel legislation, making the permissive the mandatory, it would seem best to omit maternity benefit from our insurance scheme, as otherwise a considerable duplication of machinery would be bound to occur between the department of social insurance and the Public Health Department of the municipality.

"ADDITIONAL" BENEFITS

Let us, in conclusion, glance at the present position of the additional benefits payable by Approved Societies out of any "disposable surplus" disclosed on valuation, and selected from a statutory list which includes optical treatment and spectacles, dentistry, the provision of surgical appliances, payment of nursing, hospital and convalescent home fees, and other similar benefits. The only work to describe this is chaos—sheer, unmitigated chaos! On the one hand are the thousands of societies with their varying amounts available, their different schemes, their different views on administration, their different policies and their different prospects. On the other are the tens of thousands of dentists, oculists, opticians, nurses, manufacturers, and dealers, the thousands of hospitals, convalescent homes, nursing associations, optical bodies, dental bodies, clinics, and heaven knows how many other types of organisation. A mathematician's brain might whirl at being called upon to estimate the number of possible combinations between the societies on the one hand and the individuals and organisations on the other.

And yet this is the actual position to-day. Individual societies negotiating for different services and different degrees of such services with every kind of professional person and organisation. The result is that scarcely any two insured persons out of the sixteen millions can count on receiving identical treatment in any given circumstances. Small wonder that overlapping, duplication, and consequent waste of money go on to a prodigious extent, and the position is not made any the easier by the fact that one or two Insurance Committees, attempting to assert their undoubted statutory function of administering such "additional benefits" as are *ejusdem generis* with medical benefit, butt into the mêlée and make the confusion worse confounded.

One thing is certain, that the welter of different "schemes" of additional benefits must be replaced by organised machinery, whether national or local. Such machinery is obviously of a nature allied to medical benefit, for many dentists, and all oculists (to name but two examples) are medical men, and the services they render are, or should be, part and parcel of the comprehensive treatment which ought to be included in a national medical service.

Take any town in England—let us say Nottingham. To-day societies in every town from Penzance to Berwick-on-Tweed and from Yarmouth to Milford Haven have members in Nottingham. They must correspond with individual Nottingham dentists, and with the Nottingham Public Dental Service Association. They negotiate with Nottingham oculists, they haggle with Nottingham opticians, they bargain with dealers in surgical instruments in Nottingham. The Nottingham Hospitals send claims for fees. The Nottingham nurses ask for arrangements. The Nottingham Insurance Committee calls conferences. And in spite of it all, the insured person living in Nottingham can only count on the "ordinary competence and skill" of a Nottingham

general practitioner when he is ill, and if this practitioner cannot extract his teeth, test his eyes, or operate on him for appendicitis, he has either to accept charitable aid, to pay the piper from his own pocket, or enter into interminable correspondence with his society (as likely as not in Plymouth, Norwich, or Manchester) as to what benefits he is entitled to, only to find that his society does not give the kind of benefit he wants, or, if it does, he is not eligible, because he has been having treatment from some person or organisation with whom it has not made arrangements.

Could anything be more wasteful, inefficient, or more altogether maddening?

The medical and allied "treatment" benefits of national insurance have no part in an insurance scheme. They should rather be viewed as part of our national campaign for health, and not confused with the cash palliatives necessary in times of non-earning.

Let us base this health campaign on a full, comprehensive, co-ordinated public medical service (contributory or non-contributory, whole time, part time, or whatever it may be). The social insurance scheme has fruitful and legitimate scope in the payment of sickness and unemployment benefit, mothers' pensions, blind pensions, old age pensions, and funeral benefit. Blend these into one financial scheme, but let the nation and the doctors and the specialists and the nurses and the hospitals build up a great national service outside it.

CHAPTER III

INSURANCE AGAINST UNEMPLOYMENT

ALTHOUGH unemployment, in the form we know it at present, is one of the gravest of social evils, and although the mitigation of its effects by means of insurance or otherwise is one of the most necessary parts of our social machinery, yet it must not be lost sight of that the real evil is not unemployment itself, but unorganised unemployment.

In the first place, a certain amount of unemployment, or, in other words, the existence of a "reserve of labour," is an essential part of any modern industrial system, capitalist or otherwise. Mr. Seebohm Rowntree makes this point clear in his series of articles on unemployment,¹ in which, however, whilst accepting unemployment as a necessary part of industry, he is careful to point out the logical conclusion. He says: "But since the existence of a reserve of workers is practically inevitable, it seems logical that industry should accept at least the major responsibility for maintaining this reserve during the periods when its services are not required."

In the universal slipshodness of everyday political talk it is always assumed that "work" is some definite gift that falls like manna from the skies, for lack of which the nation perishes, whereas of course the converse is actually true, work being a necessary evil. (I am not speaking of the artistic, creative, or organising activity,

¹ *The Times*, May 25, 1923, *et seq.*

in which the soul of the normally constituted man delights, but of the sheer grind of routine slogging, which constitutes the sweat of our brow by which we eat bread.) "Unemployment" indeed is recognised as a necessary feature in the life of every upper and middle class person, but in such a case the period of unemployment is called "holiday," and a fortnight or a month of such unemployment every year is, in fact, an essential part of the care and refreshing of the human body. From the point of view of the nation's health it is therefore actually a beneficial thing that every worker should be subject to regular periods of unemployment every year. But, needless to say, such unemployment should have connected with it none of the heartbreaking distress and economic hardship which the involuntary unemployment of to-day brings to the working classes.

Bearing in mind the necessity of a reserve of labour for industry, and the desirability of a period of holiday for every worker, it becomes clear that, properly organised, the unemployment which is to-day a social evil of the first magnitude could be rendered a direct benefit to the nation, provided that certain essentials are complied with. These are:

- (a) The proportion of the population unemployed at any given moment should not be in excess of the nation's economic ability to maintain them.
- (b) During any period of unemployment (unless due to a deliberate refusal to work) every citizen should be assured a sufficient income to maintain himself and his family in a reasonable state of physical efficiency and mental well-being.
- (c) If, owing to economic circumstances, the duration of unemployment in the case of any individual is protracted beyond, say, a fortnight in any one year, that individual should be enabled to pass his unemployed time in a way

that will definitely improve his efficiency, physical, mental, and moral. In other words, a mere cash benefit during unemployment is not enough: it should be supplemented by training, whether physical, or vocational, or educational, and even by organised recreation.

By the operation of a scheme which complies with the foregoing essentials unemployment would be robbed of all terrors, and would indeed become a definite factor in improving our national efficiency instead of being a source of misery and deterioration to millions as it is to-day.

In this connection the following paragraph from a report¹ of a group of social workers on the effects of unemployment in London is interesting: "The question of demoralisation is difficult, because there is no objective test or measure of demoralisation that can be applied. Of unwillingness to work where work is offered, of a preference for doles to honest earnings, there is little evidence. The crude idea that the relief is the demoralising influence in unemployment receives no support from our inquiry. What is demoralising in unemployment—the enforced idleness, the loss of occupation, and the denial of the opportunity of useful work—is having its influence, and these effects the self-respecting worker resents and fears. The longer a man is out of work the greater the danger that he may lose the habit of self-dependence; but up to the present the greater provision of relief has acted rather as a support to self-respect and a safeguard against demoralisation. Maintenance without employment may be demoralising, but unemployment without maintenance is much more certain in its demoralising effect."

As has been pointed out, it is directly to the advantage of the employer of labour that there should be

¹ *Unemployment in East London*. The Report of a Survey made from Toynbee Hall.

a reserve of labour standing by for him to draw from. This being so, it follows that the cost of maintaining this reserve of labour should fall to a large extent upon the industrialists whom it benefits, just as the cost of maintaining the Army Reserve falls upon the Army Council as an essential part of our military system. So long as the amount of unemployment is not in excess of the minimum number required to constitute an adequate reserve of labour, the cost of such unemployment is relatively small, and during such times the burden imposed upon industry should therefore be negligible. These periods coincide with times of booming trade, when every industry is making its maximum profit. Now in such a year a well-managed industrial company does not distribute the whole of the profits of the year in dividend, but, looking ahead to the leaner years which will inevitably come, it allocates a considerable part of the year's profit to reserve funds, or to be carried forward against the needs of the company in times of stress. In just the same way, industry as a whole should during busy times not only pay the cost of the current unemployment (*i.e.* the minimum reserve of labour), which would then be negligible, but should also carry to a special reserve a definite proportion of its profits, to create and augment a fund to meet the heavy cost of the excess unemployment which during the operation of the trade cycle is bound to come. This should be an essential feature of the machinery by which industry contributes its quota to the cost of insurance against unemployment, and in addition to the definite employers' contribution, provision should be made for a transfer to the insurance fund of a stated portion of the profits earned in any one year over and above a sum equal to, say, 6 per cent on the capital employed in the company.

THE PRESENT SCHEME

Although dating back no further than 1911, the British scheme of unemployment insurance has contrived, mainly owing to the exceptional years through which it has passed, to weave around itself an extraordinary web of legislative provisions. In the space of a few months no less than nine Unemployment Insurance Amending Acts have been passed through Parliament, and the varying rates of contribution and benefit, the qualifications and title to benefit, and the administrative machinery to cope with the accountancy of so tangled a system, are difficult for any but those actually engaged in administering the scheme to keep pace with.

It is not proposed here to analyse the present system of unemployment insurance at any length. The best work on the subject to be found is *Insurance against Unemployment*, by Joseph L. Cohen, which covers the subject fully and admirably.¹ The essentials of the present system are that it includes practically all employed persons with the exception of domestic servants, farm labourers, and persons engaged in certain trades which have obtained exemption owing to the continuous nature of their industry, such as the railway workers. The scheme is a contributory one, fixed contributions being made by the employer, employed, and the State. The normal scheme of title to benefit has, during the exceptional labour depression still prevailing, been temporarily in abeyance, and "uncovenanted" benefit is payable to the insured workman who, in the ordinary way, would have outrun his title to benefit.

Although the Unemployment Insurance Scheme receives more criticism than Health Insurance, it is, nevertheless, probably owing solely to its existence in the years 1920-23 that revolution in this country has been averted, and there is no doubt whatever that had

¹ See also the same author's *Insurance by Industry Examined*.

the Government of the day attempted to face the unemployment of 1922 with the machinery of 1909 a definite uprising would have taken place. But though the "dole" has been criticised by the recipients on the one hand, owing to its smallness, and by certain sections of politicians and the Press, on the other hand, owing to its existence, it has undoubtedly provided some sort of an expedient which has carried the country through a trough of depression of unparalleled duration and severity.

It is scarcely necessary to point out that the expression "dole," so commonly used for unemployment benefit, is an unworthy taunt born of ignorance and snobbery. The normal unemployment benefit is a perfectly business-like transaction, and no more contains the elements of dole than when a millionaire whose house is burnt down receives a cheque for £100,000 from his fire insurance company. It is true that uncovenanted benefit is scarcely on the same footing, but it cannot be too strongly emphasised that of the whole amount which has been paid in unemployment benefit, both covenanted and uncovenanted, over two-thirds of the amount came from the normal resources of the unemployment fund, and the remainder (estimated at something like twenty-eight million pounds) has been defrayed by a loan from the central exchequer, and will be repaid from the unemployment insurance fund as, and when, trade depression gives place to a more normal state of employment.¹ The person drawing uncovenanted benefit is therefore in a no more humiliating position than a business man receiving an overdraft from his bank, and it is as unfortunate as it is unworthy that such an unpleasant, if convenient, word should have been applied

¹ From November 1920 to August 1922 approximately ninety million pounds was distributed in unemployment benefits. Of this only twelve million was raised by a loan from the central exchequer, the balance coming from the normal sources of income of the scheme.

to the benefit paid under the Unemployment Insurance Scheme.

I propose to omit from consideration such criticisms of unemployment insurance as that it causes malingering and deteriorates the *morale* of the worker. The first objection can be met by proper administration, while as to the second, it is beyond all question that it is the mere existence of a prolonged spell of unemployment (*not* the payment of a maintenance grant during such unemployment) which does undoubtedly lead to moral and physical deterioration.

The principal valid criticisms of the existing scheme of unemployment insurance are as follows:

1. The whole machinery of collection of contributions duplicates that under the Health Insurance Scheme and could with the greatest advantage be combined with the latter, thus saving many hundreds of thousands of pounds annually.
2. The amount of benefit is pitifully inadequate.
3. The scheme is inelastic and unsympathetic in its administration, and not sufficiently adaptable to local conditions.
4. There is an almost total lack of any preventive measures in the existing scheme.

In addition to these criticisms there is a strongly held body of opinion which takes exception to the flat rate of contribution charged throughout all industries, and which contends that each industry should be allowed to conduct its own insurance against unemployment, charging a premium adjusted to the incidence of the unemployment risk within that industry.

This contention has received much encouragement from the scheme of social insurance by industry connected with the name of Mr. McCurdy, to which at one time some measure of prominence was given, and from the large (if strangely diverse) support it has received at one time or another is worthy of

consideration as to its practicability or desirability in a special chapter.

Let us now consider in more detail some of the criticisms of the present unemployment scheme.

THE DUPLICATION OF MACHINERY

Reference has already been made to the laboured and complex machinery of National Health Insurance, which at present collects contributions on a stamp and card basis for nearly sixteen million insured persons, and, at the same time, keeps ledger accounts for every one of them. Roughly three-quarters of these persons are again insured against unemployment, these contributions also being collected on a stamp and card basis, separate ledger accounts again being kept for them, this necessitating another enormous and complicated piece of machinery. This, however, is administered by the Government directly, instead of indirectly through the agency of "Approved Societies."

The suggestion was made by the Geddes Committee that considerable economy could be effected by at any rate using a combined stamp and card for the collection of both health and unemployment contributions, and an Inter-departmental Committee is engaged considering whether, and how, this could be done.¹ This suggestion has given an added impetus to the idea of a unified scheme of National Social Insurance such as that which it is the purpose of this book to advocate. It is scarcely necessary to argue that if such unification can be carried out—and there is no reason why it should not be done—a very great economy in administration would be effected, the mere routine saving on abolishing the redundant

¹ This Committee, which has already produced several interim reports without having made up its mind on the principal point at issue, appears to have reached an *impasse*. Apparently the Ministries of Health and Labour are diametrically opposed on the matter.

card having been placed by the Geddes Committee at a million pounds a year. Probably, at the same time, a considerable gain in efficiency would result.

It is a little surprising to find so obviously sensible a political reform opposed by Sir W. H. Beveridge in his new pamphlet on social insurance.¹ Even more remarkable is it to find his opposition based on a misapprehension of fact, when he says that "the stamped card is wanted afterwards both by the approved societies dealing with sickness and disablement and the employment department dealing with unemployment." Even under the present separate systems it would be perfectly easy to use a single joint card from the accounting point of view, but if both health and unemployment insurance were administered—as they ought to be—by the same agency, the objection falls to the ground entirely.

THE INADEQUACY OF THE BENEFITS

The present scale of unemployment benefit is 15s. a week for a man and 12s. for a woman, with an additional allowance of 5s. a week to a man in respect of his wife, and 1s. for each child; thus a family of man, wife, and three children receive a total of 23s. a week, a sum which is of course totally insufficient to meet the bare necessities of life in the majority of cases. Small wonder that large numbers of the unemployed are compelled to resort also to the Poor Law for outdoor relief in cash or in kind, especially when it is remembered that the present scheme of uncovenanted benefit is subject to "gaps" between different special periods of benefit, during which the unemployed person receives nothing at all from the insurance scheme.² So little regard has this system of

¹ *Insurance for All and Everything*, by Sir William Beveridge, K.C.B. "Daily News," Ltd., 6d. net.

² The "gap" has now been abolished by the Labour Government, which at the time of writing has also introduced a Bill increasing slightly the amount of the benefits.

unemployment benefit to any reasonable standard of life, that it is seriously questionable whether during any protracted spell of trade depression, such as the four years that have elapsed since the collapse of the trade boom in 1920, the prolonged existence of a large section of the population under conditions of this kind is not, in the long run, more costly to the State than if the rate of benefit were double or treble the present figure.

It is impossible to express in money value the extent of the moral and physical deterioration of the unemployed, dragging out an existence of this kind, and it is one of the worst features of the present unemployment scheme that nothing whatever is provided, whether by way of training, education, or even recreation, for the millions of men who are, through no wish of their own, compelled to stand by for months or even years waiting for the opportunity to work. There is no sight more appalling than that of the Employment Exchange with its crowds of unemployed men hanging round waiting to "sign on" or to draw their benefit.

Whether or no any considerable proportion of the unemployed are "wastrels," "loafers," or "work-shy," one thing is quite clear, and that is that we are going the right way to work to make them so. An unemployment benefit which is insufficient in itself to maintain a reasonable standard of life, and which is not supplemented by any machinery for enabling a man to occupy his time to his own advantage and that of the State, is from the long view deplorably wasteful. It is a well-known fact that hundreds of thousands of civilians benefited physically from their period of military service, when, except while actually in the firing-line, they had good food, reasonable shelter, and a certain amount of regular occupation, coupled with a strict supervision over their physical well-being. If this were so under war conditions, how much more could such a gain have been achieved in time

of peace if, during the years of the slump, the millions of unemployed had been reasonably well fed and housed, and given an opportunity of physical and mental training. The years of depression would then have actually benefited the national physique and morale, whereas in point of fact they have had a directly opposite result, and one whose worst effects we have not yet begun to feel. For the effect of these conditions upon the women and children has been even worse. In times of poverty it is always the woman who fares worst, and, bearing in mind that the majority of women whose husbands were unemployed were of child-bearing age, it requires little imagination to gauge the effect upon infant welfare, and upon the next generation. Juvenile unemployment is one of the saddest and most wasteful things possible, and the deterioration of morale among the rising generations has been one of the worst features of post-1920 unemployment. A few towns have been public-spirited enough to open Juvenile Unemployment Centres, but with this exception nothing has been done to make the wasted time of unemployment a benefit to the children instead of a curse.

As a matter of cold, hard business fact, an inadequate unemployment benefit does not pay the country, and if ever a "penny wise" policy proved "pound foolish," it is that which has prevailed in the name of economy in dealing with unemployment.

THE BUREAUCRACY OF THE SCHEME

The great virtue claimed for Mr. Lloyd George's original Insurance Bill was its use of existing organisations. It was contended that the sickness and other cash benefits would be administered by men accustomed for years to handle similar benefits under voluntary thrift schemes, that the insured persons would join the type of society most congenial to them, and that the human

element would be introduced into the administration of the Act.

The converse of this, however, holds true for the unemployment scheme, which is administered by the officials of the Employment Exchanges in conjunction with the Record Office of the Ministry of Labour at Kew. It is true that a good deal has been done by means of "Rota," "King's Roll," and other local committees at the Employment Exchanges to dilute to some extent a purely bureaucratic form of administration. It is also true that provision exists under the Acts for workmen to elect to take their benefit through their Trade Union, which has been done in a large number of cases; but the fact remains that with one fixed uniform scheme for every part of the country, and every branch of industry, the scheme lacks flexibility, and cannot be adapted to the particular needs of any district or any special trade. It would be a great advantage for any scheme of social insurance to take as its unit some territorial division, such as a borough or a county, especially when the governing body for that unit can be made responsible to the insured members concerned as a body of electors.

THE PREVENTION OF UNEMPLOYMENT

It is, in the highest degree, desirable that a scheme of insurance against unemployment should contain as an integral part of it some machinery which will operate towards the prevention of unemployment, and the total lack of some such machinery is a grave drawback to the present scheme. How to prevent unemployment is of course one of the most compendious as well as the most contentious questions of modern economics; and indeed, goes down to the very foundations of our system of industry.

The theory of the "cycle of trade" has long since ceased to be merely a theory and has proved to be one

of the most marked social phenomena¹ of the past hundred years. Slump has followed boom with maddening certainty, and yet with tantalisingly capricious irregularity; every boom, with its speeding up of industry, its acceleration of production, its accumulation of goods, followed by the slowing up of orders, the cessation of production, the consequent creation of unemployment. How this violent fluctuation of industry can be levelled out must be argued elsewhere, but there are means of preventing some of its worst effects, and these should be linked up with a scheme of social insurance. For example, if the municipalities—who are the bodies mainly concerned with promoting big schemes of work—had a direct financial interest in the Unemployment Insurance Fund (as will be proposed in a later chapter) there would be the most direct of incentives for a scientific planning of such work years ahead, so as to carry out the lowest possible minimum when trade is most active, to commence operations when it shows signs of declining, and to speed up work to a maximum in the depths of a trade depression, thereby providing a corrective, a minor one it is true, but still a corrective, to the worst effects of the trade cycle.

I enlarge on this suggestion in a later chapter, and indicate various other ways in which a scheme of national social insurance could help in the prevention of unemployment, a matter which the existing scheme leaves severely alone.

¹ Professor Jevons's theory of the connection between the periodical fluctuation of trade and climatic conditions, solar activity, etc., is now endorsed by such authorities as Sir William Beveridge and Professor Pigou.

CHAPTER IV

INSURANCE AGAINST ACCIDENT

AGAINST the ordinary risks of everyday life the working man is without any insurance at all, except in so far as he receives the limited sickness or disablement benefit of the Health Insurance Scheme. He may slip in the road and break a leg; some chance accident may deprive him of his eyesight; but the most that he can look forward to is his sickness benefit of 15s. a week for six months and disablement benefit of 7s. 6d. thereafter.

Accidents which may be held to arise through the negligence of some other person are covered to some extent under the common law, so that, for example, a person injured in crossing the street through the negligent driving of a motorist may possibly recover some sum in damages. In such cases, however, it may be mentioned in passing that the onus of proof of negligence is so heavy, and the chances of obtaining a verdict are so slender, that probably in less than a quarter of cases of accident are damages recovered under the common law.

Coming to industrial accidents, it is safe to assert that of all branches of English law none is more chaotic and illogical than that which deals with the liability of employers to pay compensation to their workpeople for death, accident, or illness "arising out of and in the course of employment." There are three main avenues of legal redress open to the workman—Common Law,

The Employers' Liability Act of 1880, and the Workmen's Compensation Acts of 1906-23, and to this day it is often difficult to decide which of these three should be followed, though in the great majority of cases it is upon the latter that the injured workman relies.

Valuable though the Workmen's Compensation Act of 1906 was as a measure of social reform, it has in practice proved a more muddlesome and confusing measure than almost any on the Statute Book, and far more cases under this Act have been brought before the Courts than under any other Act of Parliament.¹ Little wonder that an amazing bulk and complexity of "case law" has arisen, so that even a skilled lawyer is at a loss to predict the chances of success of his client's case. But it is not only in this way that the present position of workmen's compensation in this country is extremely unsatisfactory. In the first place, the law merely fixes upon the employer the personal responsibility of paying compensation to his employees, without taking any steps to compel the employer to provide for the accident risk by way of insurance, so that although a workman may be entitled to receive compensation, and may prove his title, he may find that his employer has gone bankrupt,² and is therefore unable to meet his liability of compensating the workman. This is actually a state of affairs by no means uncommon, more especially in the case of small employers employing only two or three workpeople, or lower middle-class or working-class employers of domestic servants. In such cases it is practically impossible for the employer, unless he has insured against Workmen's Compensation Act risks, to meet a payment of say thirty shillings a week of indefinite duration, or to pay a lump sum of some

¹ Within the first ten years of the Act, an average of nearly 10,000 a year.

² A particularly flagrant case occurred recently. A factory disaster involved several deaths, whereupon the employer, who was not insured, went into bankruptcy, and not a penny of compensation was paid.

hundreds of pounds. It was estimated by the Holman Gregory Committee in 1922 that there were over a quarter of a million employers who had failed to insure their risks in this direction.

It is therefore contended very strongly that compensation against industrial accidents (and of course most industrial diseases) should be a benefit provided from an insurance scheme obligatory on all concerned, so that there is no fear of the workman going without his compensation through the financial weakness of an employer.

Although there is a surprisingly large number of employers who, through ignorance or parsimony, do not insure against Workmen's Compensation Act risks, it is of course true that the great majority of employers insure the whole of their risks under the Workmen's Compensation Act, and this class of business forms one of the most profitable departments of the business of proprietary insurance companies. During the year 1920 the employers in this country paid to the insurance companies in premiums the sum of £8,851,707, and the insurance companies received a further amount of £195,852 in interest on reserves, their total income therefore amounting to £9,047,559. Of this total income only £2,980,755 went in payment of compensation under their policies of insurance, leaving a balance of £6,066,804 as expenses of management, and profits, *i.e.* little more than a third of the total premiums received was paid out again in benefits.

This plundering of the industrial community by the insurance companies was adversely commented on by the Holman Gregory Committee, which pointed out that of every £100 paid in premiums to the companies no less than £52 went in expenses of management, profit, etc. So strongly did the Committee view this burden on industry ("wasteful and unsatisfactory," they term it) that they actually proposed the drastic step of State

control of premiums for Workmen's Compensation Act insurance.

Unfortunately, the Amending Act of 1923 failed to do anything in this direction, but the companies, being wise in their generation, consented to a voluntary limitation of their "expenses" to 40 per cent of premium income (ultimately $37\frac{1}{2}$ per cent). Even this compares very unfavourably with expense ratio of the State-administered forms of insurance (*e.g.* Unemployment, 9 per cent ; Health Insurance, 14.5 per cent).

These figures reveal a highly undesirable state of affairs. It may be contended that forms of insurance, such as life, fire, and marine risks, which are a voluntary and private matter, are a fit and justifiable field for the operations of profit-making companies, but that a class of insurance which is practically imposed upon employers by the State should be exploited to such an extent practically means a State subsidy to the extent of several millions a year to profit-making insurance companies at the expense of employers of labour. It is of course obvious that employers could save themselves from being mulcted unnecessarily highly for Workmen's Compensation Act insurance by pooling their risks in a comprehensive employers' mutual society, but this is a counsel of perfection which is unattainable in the face of the competition of the highly organised and enormously wealthy insurance companies already in the field, and the jealousies existing between employers of different classes.

But an even greater evil, consequent upon Workmen's Compensation insurance resting in the hands of commercial companies, is the possibility of the workman being induced to believe that he has no claim at all, or, alternatively, to settle his claim for a totally inadequate sum, though it may be noted in passing that the recent case of *Russell v. Rudd* has gone a long way towards preventing the possibility of the worst kind of abuse

of this nature, an abuse only too widely prevalent in the past.

The present state of the Workmen's Compensation Act—depending as it does upon a huge mass of decisions in the Courts—is such that in many cases of accident the most skilled lawyer cannot advise with any certainty whether a workman has a valid claim or not, and the authorities on the subject are often extremely contradictory; for example, compare the two House of Lords decisions in *Cross Tetley & Co., Ltd., v. Catteral* (House of Lords, 16th March 1905) and *Walters v. Staveley Coal and Iron Co., Ltd.* (1911, 4 B.W.C.C. 303). In the former case a miner was crossing a bridge built by the employers over a canal for the convenience of their workmen in reaching their work, when he fell into the canal from the bridge. The decision upheld the title of the workman to compensation. In the latter case the workman—also a miner going to his work—was proceeding along a footpath prepared by the employers as a short cut for the convenience of their workmen. Whilst he was doing so he slipped on some steps and injured himself. The House of Lords disallowed the workman's claim, holding that the accident did not arise in the course of the employment. Further instances of the extraordinary difficulties in interpreting the law are as follows:

Peel v. Lawrence (1912, 5 B.W.C.C. 274).—A workman, preparatory to commencing work, was removing his socks, which it was necessary for him to do owing to the wet floor; in doing so he strained a tendon of a finger, and it was held that he was not entitled to compensation as the injury was not due to any risk of employment.

Rowland v. Wright (1908, 1 B.W.C.C. 192).—A workman who was bitten by a stable cat was held to be entitled to compensation.

Griffiths v. Robins (1916, 10 B.W.C.C. 90).—A

domestic servant mending a hole in her dress heard the bell ring, left the needle in her dress and went to answer the door, and in so doing drove the needle into her knee. It was held that she was not entitled to compensation, and that the accident did not arise out of the employment.

Smidmore v. London and Thames Wharves (1921, 14 B.W.C.C. 114).—A workman was scalded through upsetting an improvised kettle which he was using during a meal hour to boil water to make himself some tea. It was held that he was entitled to compensation.

The above cases could be multiplied a hundredfold, and it will be seen as a result that it is impossible for an ordinary working man to know what are his rights in a case of accident, and even if he goes to the expense of consulting a solicitor it is probably equally uncertain whether he is in a better position to maintain his claim, particularly in view of the fact that opposed to him will be a corporation with accumulated millions behind it.

In practice the larger insurance companies doubtless have as good a reputation in dealing with workmen's compensation claims as with any other class of claims, but there is a certain type of insurance company engaged in workmen's compensation business which is not always so scrupulous in handling such claims, and tries to make an additional profit out of the business by going to very questionable lengths to persuade injured workmen that they have no claim.

It is not right that so hard a task should be laid upon a workman disabled by industrial injury as to establish his right to compensation in the manner which is at present necessary.

It should be noted, too, that under the provisions of the National Insurance Act, sickness benefit is not payable to an insured person who is entitled to receive compensation for damages for an accident, whether under the Workmen's Compensation Act or at common law. This denotes an added element of uncertainty and misunder-

standing. An unfortunate workman sustains an injury of a "border-line" character; the injury itself may be exceedingly grave, but possibly, owing to the circumstances in which he sustained it, considerable doubt may exist as to whether or no it comes under the Workmen's Compensation Act. An employer—acting on instructions from the insurance company—declines liability, and refers the workman to his Approved Society for sickness benefit. The Approved Society holds the opinion that a *prima facie* case for workmen's compensation insurance exists, and declines to pay sickness benefit. Here are all the elements of a three-cornered dispute which in the most favourable event would result in considerable delay before the unfortunate workman received anything at all; and it is probable that in many cases of this nature, particularly those of a minor character, the workman, appalled by the difficulties involved in obtaining anything from anybody, gives it up as a bad job.

It is contended, therefore, that a definite scheme of insurance against all accident risks should be incorporated in the National Social Insurance scheme; and in view of the fact that ordinary accidents form probably little more than 2 per cent of all accidents, there is no substantial reason why, when it comes to working out rates of contribution, they should not be ignored, or at any rate met only by some small loading of whatever contribution is deemed necessary to provide against industrial accident risks.

CHAPTER V

BURIAL INSURANCE

IN the first draft of Mr. Lloyd George's Insurance Bill compulsory burial insurance was one of the provisions, but its sanguine sponsor had not reckoned with the strength of the vested interests in possession of the industrial assurance field, and accordingly after a short but sharp struggle the proposal was quietly dropped.

Nevertheless, the provision of this form of insurance by the State can only be regarded as postponed. Of all forms of insurance, a small funeral benefit, or "death benefit" as it is generally known, is the one most frequently chosen by the working classes, and it is a little staggering to notice that one industrial assurance company alone has nearly twenty-five million such policies in existence.

There are three sources of issue of these small policies of life assurance :

1. The Government through the Post Office.
2. Industrial Assurance Companies and "collecting" Friendly Societies.
3. Trade Unions and Friendly Societies.

Of these three types of policy the Industrial Assurance Companies write the vast majority, the Friendly Societies coming next, with the Post Office a very bad third.

POST OFFICE LIFE ASSURANCE

Even the existence of this form of insurance is probably unknown to most people. To quote the Departmental Committee which investigated the subject in 1908:¹ "We are convinced that one of the chief causes of the stagnation of the system is to be found in the want of publicity from which it has suffered. We gather that the very existence of the system is unknown to the great bulk of the wage-earning classes, and those who have heard of it are very imperfectly acquainted with its convenience and cheapness."

The Post Office is open to charges of conservatism, bureaucracy, and red tape in various directions, but in none more markedly so than in connection with its Life Insurance. In the first place, it is immensely troublesome to find out exactly what the Post Office offers; even in the official Post Office Guide of 700 pages barely one page is given to Government Life Insurance, and that merely refers the reader to tables which are printed on various forms that can be "obtained on application." To obtain such a form from a crowded sub-Post Office during busy hours is an ordeal which few but the most interested would undertake. Having obtained these particulars, it will be found that the cost of Post Office life insurance policies is in excess of similar insurance obtainable elsewhere, although comparison is rendered difficult by the fact that Post Office Insurance premiums cease to be payable at age 60, whilst those of most insurance companies and Friendly Societies cease at 70 or 75, or continue till death.

By way of example, the following may be quoted showing the amount of funeral benefit obtainable for the same contribution from the Post Offices and from two Friendly Societies, one large and general and one small and specialised.

¹ House of Commons Paper No. 311, of October 28, 1908.

SUM SECURED AT DEATH BY A WEEKLY CONTRIBUTION OF 2D.

Age on entry, 30 next birthday.

<i>Post Office.</i>	<i>Hearts of Oak.</i>	<i>United Women's Insurance Society.</i>
Contribution payable till 60.	Contribution payable till 70.	Contribution payable till 70.
£12 : 6s.	£17 : 8 : 10.	£20 plus bonus.

This low yield on Post Office policies is due to the extreme conservatism of the tables employed (particularly as regards the method of loading) and to the fact that until recently the insurance fund has been invested solely in Consols. A further drawback to Post Office insurance is that the maximum policy issued is only £100, although as far back as 1908 the Departmental Committee recommended an increase to £300, which is the limit allowed under the Friendly Societies Acts.

The proportion of burial insurance effected through the Post Office is so infinitesimal that for all practical purposes the scheme may be regarded as non-existent, although its value as a precedent may yet prove to be considerable.

INDUSTRIAL ASSURANCE

When it is remembered that in 1922 nearly twenty-eight million pounds was contributed by the working classes in sums of a few pence weekly to a little group of eight Industrial Companies, it will at once be seen what a vast and complex system is here concerned. One company alone—the Prudential—received during 1922 no less than £14,386,588 in premiums on its industrial branch on 23,897,635 separate policies.

The first thing which strikes the enquirer into industrial insurance is the relative smallness of the return which the insurers get in return for their premiums. Quoting the Prudential figures again, out of the 1922 premiums of £14,386,588, only £4,075,208 went in paying the claims of the year. It was calculated by the

Board of Trade Committee which enquired into Industrial Life Insurance in 1920 that out of every shilling paid in premium, only 6 $\frac{3}{4}$ d. was distributed as benefit.¹

It should be remembered that premiums only compose a portion of the income of an insurance company, a very large income being also received from interest on investments, which in the case of the Prudential approximated to another three and a quarter million pounds in the industrial branch alone. The reason for this is not far to seek. The system employed by the Industrial Assurance Companies is that of getting new business and collecting premiums by means of an army of canvassers, over eighty thousand in number. "It is not uncommon," says Mr. J. L. Cohen, "to have twenty agents, representing perhaps ten or more companies, call on business weekly in the same street, and frequently four agents from different companies, or, stranger still, from the same company, will call on one household. The classic example of waste of five milkmen distributing milk in one street is easily eclipsed by the numbers of insurance agents calling for business."

The following table from *Whitaker's Almanack* for 1924 shows the total funds of the eight Industrial Companies, and the ratio which their expenses bear to their premium income:

ANNUAL ACCOUNTS PUBLISHED IN 1923

Name of Office.	Life Funds.	Expenses per cent of Premiums.
Britannic	£4,050,090	42·94
London and Manchester	2,418,725	44·65
Pearl	11,866,444	37·30
Prudential	75,999,869	32·12
Refuge	5,917,129	41·04
Royal Liver Friendly	7,716,645	...
Royal London	7,256,745	45·67
Wesleyan and General	2,379,335	48·80

¹ Cmd. 618.

It is probably correct to place the average expenses of management of Industrial Insurance at something over 40 per cent, which should be compared with the 12 per cent at which ordinary¹ life insurance is conducted, 14·5 per cent at which National Health Insurance is conducted, 9 per cent at which Unemployment Insurance is conducted, and 3·3 per cent at which Old Age Pensions are conducted.

It must not be imagined that this monstrous cost of Industrial Insurance is due to bad management on the part of the companies, or to inefficiency on the part of the agents ; on the contrary, with one or two exceptions, the Industrial Assurance Companies are highly organised and efficiently staffed, and, in general, they attain an extremely high level of organisation. The high cost is inherent in the ridiculously wasteful system of collection and overlapping due to competition between companies.

The effect of this high ratio of expense is readily seen when we compare the policies issued by the Industrial Assurance Companies with those offered by the Friendly Societies, whose expenses in general do not exceed 15 per cent of premium income. For example, a certain Friendly Society, whose financial position is probably as high as, if not higher than, that of any Industrial Company, offers to a member aged 30 on joining an endowment of £52 after a term of thirty years for a given premium. The corresponding policy offered by one of the large Industrial Insurance Companies for the same contribution, and subject to the same conditions, is only £28 10s. £52 or £28 10s. for the

¹ "Ordinary Life Assurance" means the insurance of sums of over £20, the premiums on which are payable at intervals of not less than once a quarter without being personally collected. "Industrial Assurance" includes the insurance of sums less than £20 in return for premiums payable more frequently than once in two months, and received by means of collectors, operating at a greater distance than ten miles from the registered offices of the company.

same contribution, and with the same degree of security! ¹ The existence of the canvassing system is the explanation at once of this amazing discrepancy and of why insurers are unwise enough to accept such bad terms. The majority of the working classes are as clay in the hands of a skilled canvasser; and to those who have some experience in these matters the number and the kind of policy that an average working-class household is induced to take up during the space of ten or twenty years are simply amazing. For it must not be thought that a workman takes out one policy of insurance and the matter rests there. In the first place, every time a child is born the insurance agent is promptly on the doorstep to suggest a penny a week policy on that child's life. For every member of the family policies costing 2d. or 3d. a week are suggested, and in the rosy atmosphere of the canvasser's glowing words the contract is duly entered into.² But these policies are as lightly dropped as taken up. It was estimated by the Fabian Research Department in 1917 that "four-fifths of all policies lapse in less than five years, without becoming claims. Though ten or eleven millions of new policies are taken out each year,

¹ The expenses ratio of the particular Friendly Society in question is 9.6 per cent, and that of the Industrial Insurance Company is four times as much.

² The following is extracted from a morning paper dated June 25, 1923 :

INSURANCE AD LIB.

WIFE WHO TOOK OUT 23 POLICIES FOR THE FAMILY

A man informed the magistrate at the North London Police Court on Saturday that his wife had a mania for insuring the lives of different members of the family, and paying the premiums out of the housekeeping money. She had, he said, taken out no fewer than twenty-three policies, four being on the life of a child of two. He had protested to the insurance company, but the only reply received was that the premiums must be paid or the money already invested would be lost.

Mr. Pope (magistrate): You should keep the insurance agent out of your house.

Applicant having stated that the agent called when he was not at home, Mr. Pope said that no proceedings could be taken in that court. If applicant alleged that the premiums had been obtained through undue pressure he might bring an action in the County Court.

the number in force rises only by less than one million annually, and, though practically every person in the wage-earning class is insured at some point in life, at least 30 per cent of the deaths among that class are uninsured at death."

It is always said, with how much truth the reader must estimate for himself, that a certain vast insurance building, which is a landmark in a main London thoroughfare, was built out of the proceeds of lapsed policies.

This lapsing of policies has been the greatest scandal of Industrial Insurance, and even to-day it is probably no exaggeration to say that upwards of a million policies every year, which have been paid on by the unfortunate insurer for several years, lapse entirely owing to his inability to keep up the premiums, and every penny that he has paid on such a policy is lost. For the "surrender value," which is an integral part of an ordinary life insurance policy, has no place whatever in Industrial Insurance, in which the policies usually bear no cash surrender value whatever. The utmost concession in this direction, and one which has only recently been considered by the most enlightened (probably because the richest!) Industrial Insurance Company, is that a policy which has been paid on for more than five years may be discontinued in exchange for a fully paid-up policy of a proportionate amount. But at the moment even this is still the exception rather than the rule, though the Industrial Insurance Act, passed during 1923, makes the granting of such fully paid-up policies after five years' payment compulsory, five years after the date of the passing of the Act.

THE HUMAN NEED OF BURIAL INSURANCE

There are many who contend that the very existence of this attenuated form of life insurance, costing the

working classes, as has been said, over twenty-eight millions annually, is a national evil. It is argued that the £10 or £15 receivable on the death of the insured is merely wasted on the expenses of an unnecessarily costly funeral. Valid though this argument may be in pure logic, it is utterly useless in the present state of human sentiment and emotions. As an Irishman said, "he would rather die than be buried by the Parish," and without a shadow of doubt this view is held by practically every soul belonging to the working classes, and probably a great many others as well. The same considerations apply against the suggestion that every citizen should be entitled to a funeral at the State expense.

We must recognise the absolute demand for a cash sum of the order of £10 or more being made available for funeral expenses on the death of a working man or woman. But the very depth of this sentiment should reveal something indecent in its being exploited to the tune of millions of pounds a year for private profit, let alone the fact that the making of this private profit involves the insurers in an expense of, roughly, twice what it need be. For these reasons it is imperative, from a social point of view, that Burial Insurance should be included in our scheme of National Social Insurance, and included in a form which is economically sound.

It has been contended—and the writer finds himself in entire agreement with the contention—that all forms of life insurance should be nationalised under a State Insurance Department. This, however, is no part of the present argument, which stops short at industrial life insurance; *i.e.* the granting of policies of life insurance of less than £20.

In the chapters devoted to the constructive scheme of Social Insurance it will be found that provision has been made for incorporating Burial Insurance as one of the benefits of the scheme.

FRIENDLY SOCIETIES AND BURIAL INSURANCE

Without a doubt, of all means at present available for providing funeral benefit for the working classes, the Friendly Societies are far and away the best. In the first place, their expenses ratio is generally extremely low, the rate being frequently as low as from $7\frac{1}{2}$ per cent to 10 per cent, and not commonly in excess of 10 per cent to $12\frac{1}{2}$ per cent. Furthermore, they provide the personal touch which is so important in all these forms of insurance, and most of them possess benevolent funds, so that in cases of grave hardship the benefit contracted for is frequently supplemented by a friendly donation. But the principal drawback to Friendly Society Insurance is the lack of guarantee of financial stability; and greatly though matters have improved in this respect of recent years,¹ there remains unfortunately a number of Friendly Societies whose degree of solvency leaves much to be desired.

Again, in the face of competition from the ubiquitous canvassers of the Industrial Companies, the Friendly Societies are terribly handicapped in obtaining new members; and in insurance, above everything else, a steady influx of young lives is absolutely essential to the prosperity of the funds. It is the old story of sickness insurance over again. The Friendly Societies in the past offered admirable means of thrift by way of voluntary insurance against sickness, but none the less the State was compelled to step in and make insurance against sickness compulsory. However rare and refreshing the fruit, the British working man is too slow a bird to peck at it unless he is beguiled by the voice of the fowler, in

¹ The Manchester Unity of Oddfellows, for example, have recently carried through, under actuarial supervision, a scheme whereby lodges in a strong financial position released part of their surpluses to make good deficiencies in the weaker lodges, under guarantees of better administration. The mere possibility of such mutual action adds greatly to the financial security of the large Orders, such as the Oddfellows and Foresters.

the form of an agent on his doorstep, in season and out of season, or unless he is thrust into it neck and crop by the stern hand of a lawyer. The Friendly Societies, admirable though they are, do not offer a solution of the problem, and if Burial Insurance is to be placed on a healthy footing it is to the State that we must look.

CHAPTER VI

CIVIL PENSIONS

OLD AGE PENSIONS

INSURANCE against old age, or, more correctly, against poverty in old age, differs from insurance against sickness, accident, and unemployment, in that the latter three are risks of a definite nature to which all are subject at any age, whereas the necessity for Old Age Pensions may be considered as being qualified, not only by the state of the beneficiary's financial position, but also by the possibility that he may not survive to the age fixed as the commencement of the pensionable period. An Old Age Pension is therefore not on all-fours with the risks we have hitherto been considering, and this has found political expression in the fact that whereas sickness, accident, and unemployment are met by concrete schemes of insurance with definite premiums, Old Age Pensions have been provided since their introduction in 1908 by what is known as a non-contributory scheme, although, of course, in actual fact contributions are payable throughout life by every person who receives a pension, in the form of taxation, direct or indirect.

The argument for including Old Age Pensions in a uniform scheme of Social Insurance is, therefore, perhaps not quite so strong from the point of view of any principle involved; but from the point of view of administrative practice it is obviously desirable that, having set up a form of machinery which will necessarily be in close

touch with practically every employed person throughout life, this machinery should be made full use of wherever possible. The Insurance Fund will have its registrations of ages and other vital statistics, its paying out agencies, and its inspection facilities, and such machinery should be utilised in administering civil pensions of all kinds, whether old age or widows' and children's pensions.

After the complexities of sickness, accident, and unemployment insurance the comparative simplicity of the question of Old Age Pensions comes as a blessed relief. The "non-contributory" principle having been established, the remaining questions are merely questions of expediency; *i.e.* the age at which the pension should commence, its amount, and what qualifications should be insisted on.

The existing scheme provides for a maximum of 10s. a week, commencing from the age of 70, no person being eligible for a pension who is in receipt of an income greater than £49 : 17 : 6 per annum. There are at present a little over a million old-age pensioners in receipt of grants ranging from 1s. to 10s. per week, the total cost for the year ending March 1922 being a trifle over twenty-six million pounds.

The chief complaint against the present Old Age Pensions is the harsh and arbitrary qualification of means. It is not generally realised that when an aged person comes to claim his pension, a searching, even an inquisitorial, investigation is made, not merely into his normal income from savings, Friendly Society benefits, investments, or otherwise, but even into the value of small gifts which may be granted by friends or relatives. It was stated in the House of Commons, during a debate on the 21st of February 1923, that a case had come to notice in which an old-age pensioner, a widow, had been invited out to tea on one or two days a week by her son, and her pension was reduced by 1s. a week on that account. Even in these days of national economy the

existence of such a policy seems almost incredible. But even in assessing the regular income of a person applying for a pension very questionable rules are employed for arriving at an estimate of his income. For example, a person owning property judged to be worth more than £400 is estimated to be receiving an annual income of ten per cent on this amount, irrespective of how it is invested, even though the yield on it might be as low as one or two per cent.

It need scarcely be pointed out that no stronger penalty could be placed upon thrift than the present rules of qualification for an Old Age Pension. Unless a person is quite sure that his savings by the time he is 70 are going to amount to a sum upon which he could live in comfort, it is obviously foolish in the highest degree to save at all, since the effect of such savings may well be to deprive a thrifty person of his right to an Old Age Pension. Still more foolish does it become to contribute to a Friendly Society for a superannuation benefit which continues beyond the age of 70,¹ unless including that benefit the person's income is below 10s. a week. In view of these hindrances to thrift a Departmental Committee was appointed in 1920 under the chairmanship of Sir Ryland Adkins; the recommendation of that Committee was that Old Age Pensions should be available for all persons who had attained the age of 70. Their report contained the following paragraph: "We have been irresistibly forced to advocate that the means limit be abolished altogether, and that the Old Age Pension be given to all citizens at the age of seventy. We are of opinion that no other course would remove the serious objection to the present system." The additional cost of thus abolishing the income qualification is estimated at fifteen million pounds

¹ Some Friendly Societies have actually instituted superannuation funds commencing at the age of 60, and either terminating at the age of 70 or being then reducible by one-half.

per annum, which is, roughly, equal to the cost of two modern battleships.

The recent development of public opinion on this point is interesting and, to observers of politics, not without humour. On February 21, 1923, the Labour Party in the House of Commons moved a resolution advocating the removal of the "thrifty disqualification" on Old Age Pensions. A free vote of the House being taken, 208 members voted for the motion and 230 against, some eighty only of the Liberal and Conservative Parties being included in the minority advocating this reform. Eight months later a dissolution was announced, whereupon it was found that both the Conservative and Liberal Parties were in favour of the very policy that they had so recently combined to defeat, and both party manifestos agreed on the necessity for abolishing the means disqualification.

It may presumably, therefore, be taken that the removal of any means inquisition as a precedent to the grant of an old-age pension will go through the House as an agreed measure when brought forward by the Labour Government.

Another question which must seriously be considered in connection with Old Age Pensions is the age of commencement. The number of persons who are just as unfit for work owing to age at, say, 67 must be but very little less than the number at 70, and in actual practice the few years preceding the attainment of the age of 70 are probably years of the greatest hardship for a very large number of the working classes.

Parallel, therefore, with the demand for the abolition of the means test is the demand for a lowering of the qualification age to 60 or 65. This, again, is not merely a Labour Party proposal, for it is noteworthy that, in the scheme of Social Insurance suggested by Mr. McCurdy, an Old Age Pension amounting to as much as 40s. a week would be payable from the age of 65.

Proposals such as this are apt to stagger those whose

aim is to cut down taxation at all costs; but it should be borne in mind that, whether old people are made independent by means of a pension or whether they are not, they have got to live, and if they are not possessed of sufficient private means to maintain themselves, the cost of their maintenance willy-nilly falls upon the State, if not by way of Old Age Pensions, then by way of Poor Law relief, charitable assistance, or in some other way.

In this connection it is perhaps worthy of note that whereas the average weekly Old Age Pension amounts to no more than 9s. a week, the inmates of the workhouses in the year 1922 cost the State a weekly average of £1:15:6, whilst the criminal receiving hospitality at one of His Majesty's penal establishments cost £2:9:7 per week! Surely it is not an extravagant claim that a man who has served the community faithfully all his life should receive by way of pension a sum at any rate approximating to that which it would cost if he claimed admission to the workhouse, let alone what it would cost if he were ingenious enough to end his economic troubles by robbing a bank.

MOTHERS' PENSIONS

After fruitlessly introducing Bills for the purpose into the House of Commons in 1920, and again in 1921, the Labour Party has at last had the satisfaction of seeing a resolution in favour of Motherhood Pensions carried *nem. con.*, with the knowledge that it merely remains a question of Parliamentary time for the resolution to be translated into legislation.

Though we are only just beginning to appreciate that the greatest wealth of a nation lies in its children, we have travelled a long way from the hideous days in which children were regarded much as a farmer regards sucking-pigs at Christmas-time, *i.e.* as a profitable speculation in cheap flesh and blood on the small profits, quick returns

system, in which it did not matter if a young life lasted but a short while, provided only the turnover was large enough. We are beginning to realise that, wherever the Battle of Waterloo may have been won, the battles of the future will be won in the cradle and the nursery and on the mother's knee.

Free education, restrictions on child labour, feeding of school children, school clinics, and maternity and infant welfare centres are links in a chain which is slowly but surely being forged; the next link, and one whose completion is long overdue, is the entire removal of children from any connection, near or remote, with the Poor Law. The very best way of doing this, not only from the point of view of humanity but even from the standpoint of national economy, is by granting to the mother, who is left without means of support and with young children dependent upon her, an adequate maintenance grant to enable her to maintain a home for the children and to ensure the possibility of bringing them up as self-respecting and useful citizens.¹ I am of course assuming that an even prior condition to this is the ensuring to every father of a family the means of earning sufficient to maintain himself and his family during his lifetime—an assumption which, however, is unfortunately very far from representing the present-day conditions.

The Reports of the Royal Commission in 1909 and the Maclean Committee in 1918 recommended the total severance of all connection between the Poor Law and the children. This policy is by now so thoroughly established, and indeed the wisdom of it so self-evident, that I do not propose to devote space to arguing the matter now, although I shall refer to it in another chapter.

The Motherhood Pensions proposals of Mr.

¹ The term pension in this connection is rather an unfortunate one, associated as it universally is with superannuation, although, of course, the definition of the word pension is "a stated allowance to a person in consideration of past services," *i.e.* not merely a sum payable on account of advanced years. The word, however, had better be retained here, as it has passed into current use.

McCurdy involve a pension of 20s. a week for a widow having young children, with an additional 7s. 6d. a week for each such child up to the age of 16. The proposals of the Labour Party's 1921 Bill were 36s. 8d. per week for the widow with one dependent child, with an extra 7s. 6d. a week for the second child, and 6s. a week for each additional child. Both schemes contained provisions for the lapsing of the widow's pension on remarriage, but with a continuation of the grant for the children. The Labour Party made the pension equally available for the wife of a man who, though still living, is unable through illness or invalidity adequately to maintain his children.

Sir William Beveridge's proposals¹ are the totally inadequate sum of 12s. for the widow and 6s. for each child under 14. It is amazing that such conditions can seriously be brought forward at this time of day, as they merely lead to the necessity for seeking supplementary aid from the Poor Law, since it is quite impossible for a woman to maintain a decent home for herself and, say, three children on a total of 30s. a week, of which nearly half would go straight away in rent. Furthermore, it is a distinctly reactionary step to suggest terminating the children's allowance at age 14, when all authorities are agreed upon the necessity of raising the school-leaving age from 14 to 15 or 16.

Whatever proposals are ultimately adopted, it is important that, if our scheme of National Social Insurance is to fulfil its object—*i.e.* to protect the worker from all the contingencies of life—some such provision for the maintenance of orphan children should be incorporated in it, and it cannot be too strongly emphasised that the proper way to care for children is to enable the mother to do so. Here again, in considering the question of cost, it must be borne in mind that whatever charge might be imposed upon the funds of the scheme to provide this Mothers'

¹ *Insurance for All*. Daily News, Ltd.

and Orphans' Pension would not be a new burden on the community, but merely a grouping together of many charges which at present exist, mainly through the Poor Law; and, provided always that the scale of maintenance grants such as this is roughly compatible with the general standard of living of the section of the community concerned, no argument of economy is valid against them from the national point of view, since it is not a question of diminishing the national wealth, but merely of directing it into fresh and even more productive channels.

Another argument of the greatest potency in favour of the Mothers' Pension is that, by enabling widows with young children to stay at home and give the proper care to the children, a large number of persons is taken off the labour market, thereby giving employment to a corresponding number of persons now unemployed and in receipt of unemployment benefit. In other words, a considerable part of the cost of Mothers' Pensions would not be "new money," but would merely represent the transfer of expenditure now debited to the Unemployment Insurance funds to the Mothers' Pensions account.

Surely this would be an admirable development. To-day we have, on the one hand, scores of thousands of able-bodied childless women unemployed, whilst at the same time a similar number of widows are spending their days toiling in the factory and workshop in order to maintain a home for their children, and then doubling that toil, in hours that should be their time of rest, by endeavouring, in a necessarily imperfect fashion, to look after the children's needs.

Could anything be more uneconomical, more harmful to the growing generation, than this? Maternity is in itself a full-time occupation, and the sooner we recognise this the better for the State and its citizens in the future.

It is open to argument whether Mothers' and Orphans' Pensions should be included in the scheme of National Social Insurance, or whether such maintenance grants

would be better made through the Education Authority, or more directly through the Public Health Authority, which is already in contact with maternity through its system of clinics, midwives, health visitors, milk supply, etc. The question, too, tends to become linked up with that of maternity benefit, at present part of National Health Insurance, and with the wider question of the endowment of motherhood on a non-insurance basis. It is suggested, however, that it would be better from the administrative point of view that a benefit of this sort should be administered through the same channels as the other maintenance grants, *i.e.* the Social Insurance Fund, leaving the actual confinement benefit (at present the "Maternity Benefit" of the Health Insurance Scheme) in the hands of the Public Health Authority, which is best adapted to deal with it. The proviso, however, must always be borne in mind that it is essential to see that the laggard municipalities do not scamp their duties in this direction. A certain standard of maternity and infant welfare activities should be mandatory and not permissive, and the necessary legislation to this effect should go hand in hand with that introducing the Social Insurance Scheme.

Of all the suggestions contained in this volume the Motherhood Pension is most a matter of practical politics. Some of the reforms here advocated may take years to bring about, but the grant of a pension to the widow with young children may have reached the stage of legislation even before these pages have passed through the printer's hands.

It is therefore urgent, as a matter of immediate moment, to discuss the practical point of how the new benefit is to be administered, assuming the grant of it to be imminent.

Ruling out the Poor Law as a channel of administration, there remain the Approved Societies, the Employment Exchanges, and the Post Office as possible paying

agencies. The first of these is an intrinsically unsound method, and is administratively impracticable. The second—the Employment Exchanges—is a great deal more possible, and has a good deal to recommend it, as the Exchanges already possess much of the necessary machinery.

Actually, however, the line of least resistance, as a mere matter of momentary expediency, would be to pay Motherhood Pensions in the same way in which Old Age Pensions are now paid, *i.e.* through the Post Office, after authority has been carefully conferred, upon inquiry, by the Local Pensions Committee.

BLIND PENSIONS

For the sake of completeness reference may be made to the pensions payable under the Blind Persons Act, although any discussion of the principles involved is unnecessary in this brief volume.

The present Blind Pensions may be looked upon as Old Age Pensions ante-dated through blindness from 70 to 50, and they are, roughly speaking, administered in the same way and subject to the same restrictions as Old Age Pensions.

It is a moot point whether a Blind Pension should be considered as part of an Insurance Scheme or whether it should be part of a Public Health Scheme. Probably Blind Welfare involves elements of both, since both maintenance and training have to be considered.

To avoid overloading our Social Insurance Scheme with needless detail the welfare of the blind might safely be left to the Local Health Authority, it being remembered that the paying machinery of the Insurance Authority is available for use if required.

CHAPTER VII

THE POSITION OF THE POOR LAW

ONE cannot go very far in considering the question of Social Insurance before one comes up against the question of Poor Law, that extraordinarily archaic machine which can do nothing towards preventing destitution, but which deals out nearly forty million pounds a year in various forms of what is euphemistically termed "relief."

Many estimable people visualise destitution as a sort of disease to which "the poor" are subject, the onset of which is as capricious but as easily dealt with as measles. It cannot be too strongly emphasised that destitution is merely a convenient term for describing the results of a variety of causes of which the most important are unemployment, illness, accident, death, and insanity. The victims of these and other similar causes sink into the common morass of destitution, from which rescue is so much more difficult than the comparatively easy act of stretching out a hand to help them before they become engulfed in this slough of despond.

For nearly eighty years the State's sole machinery for dealing with the question of destitution has been the Poor Law—a system whose name stinks in the nostrils even of those compelled to seek its aid.

Threatened men proverbially live long, which may account for the fact that the Boards of Guardians are still with us, in spite of the most unanimous condemnation

which has ever been pronounced against any feature of our social system. That the Royal Commission of 1907-1909 should have reported with complete unanimity—Majority and Minority alike—in favour of the abolition of the Boards of Guardians is in itself a most remarkable indictment of the Poor Law when one considers the diversity of interests represented on that Commission. The Majority Report, if not exactly stillborn, has ever since been consigned to the limbo of forgotten causes, but the Minority Report, one of the most remarkable pieces of statesmanship of recent times, is to-day as vital and as inspiring a policy as it was fourteen years ago.

But what should surely prove the final nail in the coffin of the Poor Law was driven in by the Maclean Report of 1917, which, with practically entire unanimity, endorsed the Royal Commission's recommendation that Boards of Guardians should be abolished, and, in the main essentials, restated the policy of the Minority Report of 1909, though incorporating in their proposals a sufficient flavour of the Majority Report to unite the two sections of the Royal Commission into what practically amounts to a solid front.

No statesman or economist has been found to denounce, or even to oppose, these proposals; a few of the less enlightened Guardians and Poor Law Officials throughout the country still cling stubbornly to the old order, but with this exception the whole body of public opinion in the country—so far as there is a public opinion upon such a matter—is unanimously in favour of the proposals, without distinction of party. And yet nothing has been done. "The significance of the Maclean Report," says Mr. C. M. Lloyd,¹ "is that it heals the old breach between the partisans of the Majority and the Minority of the Royal Commission, and unites them in the demand for the complete dis-

¹ *The Scandal of the Poor Law*, by C. M. Lloyd.

appearance of the Board of Guardians. What, then, has the Government to say to this demand? The Government has accepted it. It has promised to legislate at the earliest opportunity. The Ministry of Health has continuously proclaimed the urgency of carrying out this great measure. When will the opportunity arise? The Poor Law to-day is a crying scandal. It is a system which is repellent alike to educationists, to public health reformers, to the victims who suffer under it, and to the democratic sentiment of the age."

Any advocate of a comprehensive scheme of social insurance cannot fail to endorse the necessity for abolishing the present destitution authority, as otherwise he would be setting up an organisation which overlaps with that of the Poor Law, and which entangles with it to the infinite detriment of all concerned at a hundred different points. The entanglements would be all the worse because of the extraordinary variety of ways in which the Poor Law is administered at present. "In a number of Unions relief has been administered without any 'test' and on the almost automatic basis of published scales of out-door relief. . . . Certain Boards of Guardians for industrial areas have refused to give out-door relief to able-bodied persons at all. Others have insisted on the performance of an adequate labour test, others again have declined to act upon any definite scale of relief, and one at least has refused to give out-door relief to any person in receipt of unemployment benefit."¹

Such variations in policy are perhaps an inevitable corollary to the variations in the instances of pauperism between different Unions. The proportion of the population charged to the Poor Law at the end of March 1923 varied from one in two hundred in some Unions to one in five in Poplar.²

¹ *Annual Report of the Ministry of Health, 1921-1922*, Cmd. 1713.

² The following table shows the percentage of the population in receipt of relief (including persons relieved in asylums or receiving medical relief only,

The Boards of Guardians are, at the moment, endeavouring to deal with destitute persons who are unemployed able-bodied men and women, unemployed non-able-bodied, the sick, the insane, widows, children, aged poor, and various other categories. The proposals now under consideration involve separating these different victims of destitution into their proper classes, and placing each such category in the care of a specialised authority which shall not only be empowered to relieve their destitution, but to prevent other similar persons from becoming destitute. For example, the care of sickness would be transferred to the Local Public Health Authority, the care of children to the Local Education Authority, and so forth.

It is not proposed here to travel again over the ground which has already been so exhaustively traversed, and every reader who has not yet acquainted himself with that *magnum opus* of a joint lifetime of social service, *The Prevention of Destitution*, by Sidney and Beatrice Webb, should look to its pages for a full exposition of the policy referred to.

It is clear that a branch of social insurance such as a definite Mothers' and Orphans' Pension, which will be found to be embodied in these proposals, will relieve the authority dealing with children of a large part of the cost of their maintenance, which is now borne by the Poor Law. Similarly an enhanced rate of unemployment benefit would relieve the unemployed workman of the necessity of seeking the present grants that he now obtains from the Poor Law to supplement the "dole."¹

and the casual poor) in the 136 Unions that contained the whole or part of a borough or urban council with a population exceeding 50,000:

43	Unions, rate of pauperism less than 2% of the population.
56	" " from 2% to 5% "
31	" " " 5% " 9% "
6	" " " 10% " 15% "

¹ During 1923 an average of 798,708 unemployed insured persons (and their dependents) received outdoor relief to an average of 5s. weekly per individual (say £1 per family).

Of the revenue of over thirty-six million pounds which will be set free by the abolition of the present Poor Law system, and which will be available for distribution among the bodies to be charged with the exercise of these new functions, the National Insurance Fund will claim a considerable proportion, and it will accordingly be found that it is one of the suggestions of my proposal for a scheme of national social insurance that it is partly financed from the local rates, *i.e.* from the monies which are at present handed over to the Boards of Guardians in the form of Poor Rate.

It must be emphasised that it would be waste of time to discuss setting up a comprehensive social insurance scheme so long as the Poor Law remains in its present form, as both financially and from the administrative point of view the scheme would be futile in competition with the Boards of Guardians, their "institutions," their "tests," their relieving officers, and the rest.

CHAPTER VIII

THE PREVENTIVE SIDE

IN spite of all that has been said and written extolling the virtues of prevention above those of cure, the preventive side of sickness, unemployment, and other similar problems is still far too little considered. Too much emphasis cannot possibly be laid on the vital necessity of supplementing the present inadequate measures for preventing such social evils as are definitely preventable.

Strangely enough, there are many ways in which the prevention of sickness and the prevention of unemployment could go hand in hand. For example, take the matter of Housing. There is no need to emphasise the ordinary aspects of the housing shortage, as every one is agreed that scores of thousands of new houses are urgently required, and the value of housing schemes in providing employment in many trades is universally recognised. But the present emergency scramble for running up little boxes to provide people with some sort of a roof over their heads cannot be dignified by being considered a solution of the Housing question in its broader aspects, whilst the necessity for building additional houses at once has, for the moment, pushed into abeyance the even more important question of getting rid of a great many of the houses we have at present. Any municipality that desires at one bold stroke to prevent sickness and to prevent unemployment cannot do better than prepare schemes for slum clearance on a far bigger scale than any that

have hitherto been attempted. In every town of every description throughout the whole country there are whole streets of houses that urgently need to be pulled down; indeed the best social medicine for a large number of our towns to-day would be a considerable dose of dynamite. Few people, except perhaps those whose income is derived from the lowest type of "weekly property," will deny the extreme urgency of clearing away the worst of the slums, and this in itself means vast programmes of work which will, on the one hand, absorb a tremendous amount of unemployed labour, and, on the other, would have a rapid and marked effect upon the health of the population.

But it is not only the most squalid slums that need clearing. Though these present the more immediate and obvious path of attack, they constitute no more than the fringe of the problem. It is only of recent years, indeed one might say of recent months, that any real recognition has been given to the enormous value of sunshine and fresh air as antiseptics of the first order, and indeed as vital necessities in building up the health of the nation. As one instance of this, reference may be made to the recent experiments in the J. Q. Rowett Institute in Aberdeen and the Lister Institute in Vienna on the effect of various curative agents on that terrible scourge of childhood—rickets (which, by the way, is known in Germany as "the English disease"). It was found that although the vitamine theory of feeding was not without its effect upon this disease, yet the effect of prolonged exposure to sunlight was even more strongly marked. Consider the implications of this on childhood in our great towns. In the first place, over every manufacturing district there hangs an eternal pall of smoke, which in itself alone is sufficient to, and actually does, shut off a considerable part of the ultra-violet rays which are the active constituent of sunlight. Then in the congested areas where the

thousands of workers live boxed up in dingy little warrens of houses, huddled close together, how much even of this filtered sunlight ever finds its way into the homes? There are many houses—and those not only in what are deemed to be slums—where from one year's end to another the health-giving rays of the sun scarcely find admission, so closely are the houses placed together and so small and badly designed are the windows.

We have here, therefore, two obvious spheres of action. The first is to strengthen tenfold the present outcry against the pollution of the atmosphere by smoke,¹ and the second is to carry out drastic reorganisation of the building of our towns. Needless to say, both these proposals will meet with the bitterest opposition, although with regard to the former, at any rate, the growing volume of public opinion should undoubtedly lead to reform in the near future. But with regard to the latter it is unfortunately to be feared that the myopic views of so-called economists will, for some little time to come, yet prevail.

It would, of course, be enormously expensive in the initial outlay to tackle the re-housing of our population (assuming that the "housing" crisis is temporarily surmounted) by demolishing the worst of the slums, and a great deal of the ordinary working-class quarters in addition. But some day we shall learn the wisdom of long views in public affairs as well as in our private business. We shall learn that it is the highest form of economy to spend £1 now to secure £100 in the future, even though that future be fifty or sixty years ahead. For there is no doubt that, taking no higher view than mere considerations of pounds, shillings, and pence, any expenditure whatsoever on improving the housing conditions of the people will be repaid a hundred-fold in due season.

¹ Not merely "black" smoke, the only kind of which the existing Law takes cognisance.

It is therefore advocated that housing and re-housing schemes of the utmost possible magnitude should be undertaken by every municipality, and that the legislation on which such schemes are based should, to some extent at any rate, be mandatory and not permissive. There should be a national minimum in the standard of dwelling conditions below which no municipality should be allowed to rest, and accordingly a national programme should be instituted of sufficient dimensions to sweep away all houses below this standard.

It is suggested that consideration of the broad outlines of the question should be undertaken without delay, and the necessary legislation drafted, looking forward not to the undertaking of the work immediately, except in so far as preliminary surveys, financial devices, powers of purchase, valuations, and so forth are concerned, but to its being actively commenced in six, seven, eight, or ten years hence, when the effects of the *next* trade depression begin to be felt. As to the extent to which the nation can finance such schemes, that must be discussed elsewhere. But it may be suggested in passing that as the full benefits of such a policy, at any rate as far as health is concerned, will only show themselves during the lifetime of the next and succeeding generations, it would not be unfair to impose as considerable a portion of the cost as practicable upon posterity, by whatever financial methods are best adapted for the purpose, including such parallel devices as the funding of the present crushing weight of War Pensions, which operation alone would set free a sum sufficient in its annual value to defray the interest and sinking fund of a capital sum probably exceeding £100,000,000. We need not for a moment consider the argument that any sum thus set free should be used to stimulate trade by reducing taxation, since the stimulus to trade and industry would be a hundredfold as strong by the utilisation of the money directly in clearance and building schemes of this order.

Closely allied with the foregoing are the questions of water supply and general sanitation, both important factors in public health, and both in need of considerable development and improvement in all but the largest cities; and even in these the systems of scavenging and refuse collection, particularly in the working-class districts, leave much to be desired. No more suitable breeding-ground for that dangerous pest the domestic fly, and no more potent source of infection can be imagined than the ordinary dustbin, and there are few towns that could not raise their standard of health by an increase in their standards of scavenging and sanitation. A London borough has just given a lead in this matter by bringing forward the proposal to provide a continuous dust clearance service in which *clean* empty dustbins are daily (or periodically) exchanged for full. This would be a big step forward. The progress of the dust-cart of to-day is marked by a trail of filth and smell; a foul dust is scattered on the ground and in the air which cannot but disseminate disease germs. The actual dustbins themselves, even when empty, are evil-smelling insanitary objects, rarely, if ever, cleaned or disinfected. Proposals such as these might have but little effect on unemployment (although they would lead to the employment of an increased staff in the health services of the town), but they would have a considerable effect on public health by reducing epidemic and other diseases and decreasing infantile mortality.

But the question of water supply is, like the housing question, a means both of improving public health and of preventing unemployment. With the exception of the two or three dozen largest towns in the country, there are few districts whose water supply can claim to be adequate, and this is particularly true of the smaller towns and the rural districts. The drought of 1921 showed up this weakness to a very marked extent, and it was more by luck than anything else that epidemics

did not spring up on a more considerable scale. Even London is not any too well served in this connection, and sooner or later a scheme of the first magnitude will have to be put into operation to bring water from the Welsh hills or some other similar catchment area. In this one direction alone is a considerable field for municipal undertakings which can, and should, be planned now, ready to be put into operation when the time serves. In this way public works will be carried out which will have a beneficial effect in preventing sickness, and in preventing the worst effects of a period of trade depression.

So far we have been dealing with operations which in the majority of cases can be carried out by the individual municipalities. There remains a considerable volume of public work which would need to be undertaken by large associations of public bodies, or alternatively by the State acting in conjunction with public bodies, or with individuals or companies. Of this nature are large-scale schemes for harnessing water power for electric supply, or for generating electric current at the pithead, for cutting new waterways or developing and improving the present canal system, for cutting new trunk roads, for fen drainage or foreshore reclamation, and for reafforestation. A number of very large schemes of the above and other similar kinds are ripe for development, and it must be emphasised that now is the time to thrash out the details of such proposals, and to carry out the preliminary measures in readiness for the next turn of the cycle of trade, which is bound to lead us into another slump in from seven to ten years' time.

Many such measures would not only justify themselves from the point of view of providing work at a time when work is most needed, but also would prove to be directly productive enterprises, and some of them would undoubtedly even pay their way in a comparatively short time.

In the case of schemes of water supply on a large

scale, it is probable that these can best be undertaken jointly by groups of public bodies acting together. In the case of rural areas such co-operation is indispensable.

Take the question of reafforestation. The traveller on the Great Western Railway between Birmingham and Wolverhampton traverses a stretch of the most melancholy country in England—parts of the Black Country from which the industrial wave has receded, leaving mile upon mile of bleak and deserted “pit mounds.” This land, except, of course, that on the fringe of the towns, is devoid of any practical value, and the thin grass that covers it is not even good enough to support any kind of stock. But fifteen years ago the Midland Reafforestation Association planted one or two small tracts of it as an experiment with different kinds of trees, with results that are little short of amazing. Even on that miserable soil certain kinds of trees have flourished exceedingly, and in one such plantation known to the writer the trees have, in those few years, attained a luxuriant growth and now form a veritable forest from twenty to thirty feet high. It is no exaggeration to say that with little cost except that of the labour involved (and a considerable amount of unskilled labour could be employed in this way) the whole of that howling wilderness, many square miles in extent, could be transformed into a flourishing forest that in twenty or thirty years’ time might become a source of revenue, and which, in any case, would be a wonderful improvement to the amenities of the district. Many other parts of the country might well be dealt with in the same way, in addition to replanting the woods and forests denuded of their timber during the late war.

Even more directly productive would be large schemes of electric production from generating stations built at the pit’s mouth, from which electric current could be distributed over a radius of many miles. Such schemes could either be undertaken by a group of County Councils or municipalities with Government assistance,

or by specially created authorities (of the nature of the Metropolitan Water Board) or even by joint stock companies operating with Government assistance and under Government guarantee.

Works of this nature would probably take five or six years to carry out, and here again their operation could, if planned sufficiently far in advance, be made coincident with the next period of trade depression and consequent unemployment.

An example of another type of scheme of similar magnitude is the creation of a ship canal that would link Birmingham with the sea, either at London, Bristol, or the Mersey. Unaided, the Birmingham Corporation can probably never carry out such a scheme, but with the co-operation of the Government and of the other authorities through whose areas the proposed canal would run it could easily be brought to fruition, and would become as successful a proposition as the Manchester Ship Canal is to-day.

Schemes of land drainage and foreshore reclamation, although obviously local in character, are yet nationally important, and on this account call for the direct assistance of the State. Here, too, a great deal of labour could be absorbed, and a good deal of commercial value would be created, although probably no such scheme could be carried out on a strictly "paying" basis.

Allied with such measures is the prevention of coastal erosion—the building of sea-walls and the like. In this direction it is generally impossible for a single municipality to act independently. For example, the Brighton Town Council would like to carry its sea-wall several miles eastward, but it is unable to do so because the land that it would traverse is in the area of the East Sussex County Council, which is not desirous of moving in the matter. Here again the introduction of the State as a third partner would pave the way to making the scheme feasible.

At the risk of repetition it must be emphasised that such developments as are suggested above are utterly impracticable, or at any rate would fail entirely in the desired effect of diminishing unemployment, *unless they are planned many years in advance* and all obstacles removed from their path, so that a scheme of considerable magnitude which in the ordinary way would take two or three years to plan can be put into operation at a few months' notice. It is here that we have failed so lamentably in the past, because we have waited until the evil is upon us before we attempt to remedy it. It is impossible to try and hustle through works of the first magnitude, as such a course leads to endless blunders and terrible waste of money. But in the four or five fat years which, humanly speaking, should lie ahead of us we shall be criminally foolish if we neglect to prepare for the lean years which will then undoubtedly come upon us. Now is the time to start preparing for the *next* period of unemployment, and now is the time to set all the wheels in motion, discussing pros and cons, and ways and means. If only this is done we need never again pass through a period of industrial misery such as this country has known in the years 1920-24.

One feature is common to every scheme suggested above—they should be carried out, not in any way as "relief" works, but as ordinary schemes, staffed by the employment of labour through the ordinary channels and at the ordinary rates of pay. For of all the lessons of the past learnt in the bitter school of unemployment none stands out more clearly than the utter futility of ordinary "relief" work. Could any more pathetic spectacle be imagined than the average stoneyard or other relief work as we have known it in the past? A herd of men—there is no other description for them—some skilled, some unskilled, the iron worker, the tailor, the navy, the clerk, the clock-maker, the carpenter, and half a hundred others, set, irrespective of quality of qualifica-

tion, at a task of soul-sickening monotony at a totally inadequate wage, without even the inspiration of knowing that they are engaged on useful work, a task which in many cases definitely injures a man's capacity for taking up his own trade again. Such measures are wasteful, inefficient, and have a deteriorating effect on all concerned. They are little, if anything, better than oakum picking and the methods of the casual ward. Of such futile methods of "relieving" unemployment we have had enough, and more than enough. The way in which our unemployment must be treated in the future is to provide men with work of a kind which will not lead to the deterioration of their qualifications, or, in the absence of such suitable work, to provide them with an unemployment benefit sufficient in extent to maintain a reasonable standard of life, and suitable occupation, by way of training or otherwise, to bridge over the gap between one employment and another.

This is the true way of preventing unemployment, and of handling such unemployment as cannot be prevented. With regard to the small residue of hardened loafers, whose only occupation in life is snow-sweeping, it is not the scope of this work to propose a treatment for them, but the inquirer may be referred to the suggestions made by the Royal Commission on the Poor Law in their volume dealing with unemployment.

The preceding paragraphs have dealt with certain specific schemes more or less of an emergency nature. There are several other suggestions which can be made of a slightly different character but which aim at the same result. Of these, probably the most important and well-established is the raising of the school-leaving age by a year,¹ the effect of which would be at one stroke to deprive industry of something over a quarter of a million juvenile workers in the year in which it was put into operation, thus affecting the whole labour situation for

¹ In England now 14; in Scotland, 15.

a generation. This proposal has received considerable support, not only for its effect in improving the position of the labour market, but also for its educational value, a standpoint once boldly taken by the former Education Secretary, Mr. Fisher. It is not proposed here to traverse the familiar ground of the arguments in favour of a more prolonged educational period, nor to contend with the arguments raised against the proposal, but it is perhaps worth while suggesting in this connection that the necessary Parliamentary sanction might be modified by the proviso that it shall not come into operation until a date not less than three nor more than ten years later, such date to be proclaimed by Order in Council, and being selected only when the next trade slump appears imminent. In this way parents and employers would have full warning of the impending change, and could make their plans accordingly, whilst the change itself need not be brought about until the threatened approach of unemployment renders the position critical.

A similar measure, which would achieve the same results in removing a number of workers from the labour market, and which would of necessity be a considerable measure of social reform, is that the age of commencement of Old Age Pensions should be made 60 or 65 instead of 70. The average working man enters industry by the age of 15 at the latest, and surely half a century of labour in the service of the State is enough for any man, and on attaining the age of 65 every worker ought to be entitled to retire on his pension in just the same way in which the soldier, the civil servant, the municipal worker, or the salaried official does at the present moment.

The effect of pre-dating Old Age Pensions to 65 would probably be to remove something like half a million workers from industry, and although some people may exclaim at the additional burden thus imposed upon the country, it is perfectly obvious that no additional burden whatever is entailed. It would merely mean

that industry would have to maintain a certain number of elderly persons, who are entitled to a rest from their labours, instead of a corresponding number of younger and able-bodied workers who are at present living in enforced idleness through inability to obtain employment. The same argument applies to the proposal to pay a pension to widows with young children.

Another proposal, which is, however, so gigantic in its implications that it can only be touched upon here, is that the vast and intricate machinery of banking and credit should be deliberately utilised for the purpose of discouraging undue extension (and, still more, speculation) in a period of boom, and of granting greatly increased credit facilities in periods of trade depression. In bringing forward this suggestion I do so with the caution that we are here dealing with a colossus so vast that few living men realise the extent of its power. The fact remains, however, that the power of international finance is one which can make trade booms or break them, and this power, harnessed for the public service, could be of inestimable benefit for the welfare of the community.

But however much we are developing extraneous methods of preventing unemployment, our scheme of social insurance must contain within itself every possible device in this direction. For example, the more fully the cost of unemployment is debited to industry the greater is the incentive to industry to manage with the smallest possible "reserve of labour." There is no doubt that a good deal can be accomplished by scientific management in factories in the direction of smoothing out minor fluctuations in employment, and employers must be forced to see what the more progressive among them have already fully realised, that the indiscriminate and needless employment and dismissal of workmen is a definite handicap on efficient production. It was probably with this in view that the Royal Commission on the

Poor Law made the ingenious suggestion that a special impost called an "employment termination due" should be levied both on employer and on workmen at the conclusion of a given employment. It was argued that such a payment would discourage many employers from the casual and indiscriminate employment and dismissal of workmen, since the greater number of hands they employed and dismissed the greater would be the sum which they were called upon to pay. This would probably have a considerable effect in reducing casual labour, and it would discourage the breaking of employment on either side without good reason. It might be well if some such provision as this were introduced into our social employment scheme, and even if it did not achieve the hoped-for result in diminishing casual labour it would, at any rate, be an additional source of revenue to the scheme. Possibly the better way of imposing such a contribution might be to levy a smaller contribution both on engagement and on termination of employment, as in this way part of the cost would be transferred to a period when normally the employer might be deemed to be more prosperous.

A considerable stimulus towards the tightening up of local health services, thus linking prevention of unnecessary sickness, would be given by the inclusion of the municipality as an active partner in the insurance scheme. If, as has been proposed, part of the revenue of the social insurance scheme is derived from a direct contribution from the rates, it will obviously be to the interest of the municipality to keep down the cost as far as possible, and it will therefore have a definite inducement to put into operation all its powers for promoting the health of its citizens and preventing unemployment amongst them. Consequently this local basis of the insurance scheme would at once infuse into the whole administration an element not only of civic patriotism but of a civic purse-interest at present lacking. This would be a very great

advantage to the scheme as a whole. At the present moment local interest in the administration of National Health Insurance, little enough at any time, has steadily dwindled, owing to the centralisation of the scheme. Yet without this local interest a valuable element in successful administration is lacking.

Another direction in which the preventive element needs to be encouraged is in the prevention of accidents, not only industrial accidents, but street accidents. The latter again provides a sphere for municipal activity, and in the larger towns at any rate the local authorities can go a great way towards preventing street accidents by means of better traffic control, an increased number of road island shelters, "safety first" campaigns, and the like. In the prevention of industrial accidents very much yet remains to be done, and here it is necessary for the State to act. The suggestion is made for what it is worth, that the State should offer prizes for new inventions of safety devices of every description, and should then itself undertake the manufacture of approved devices at Woolwich Arsenal and other similar institutions, selling such devices to manufacturers at, or even under, cost price. This scheme would be particularly valuable in mining and railway work, in both of which there is a crying need for more adequate protection of life and limb.

Allied with this is the suggestion that provision should be made within the scheme for the fullest development in re-equipping workers maimed in the industrial battle, by providing artificial limbs, etc., and by training disabled workers in the same way in which disabled ex-service men have been trained. This has been a feature of the German insurance system for many years.

Reverting, in conclusion, to the prevention of unemployment, sufficient attention has never been given to the Poor Law Commission's analysis of seasons in industry, and fluctuating or seasonal employment. It is sometimes vaguely assumed that there are always

seasons in every year when "trade is slack" without bearing in mind that there is practically no month in the year during which for every trade that is at its lowest ebb there is some other at its maximum. The following is a rearrangement in tabular form of facts supplied to the Commission by the Board of Trade:

SEASONAL FLUCTUATION OF TRADE

(From a Board of Trade Summary)

Month.	Busy Industries.	Slack Industries.
January . .	Dockers and port workers.	Iron-mining.
February . .	Coal-mining.	Furnishing trade.
March . .	Paper-making.	Plumbing.
	Steel smelting.	Coopering.
	Textile manufacture.	
April . .	Brush-making.	Dock labourers.
	Furnishing trade.	
May . .	Engineering. Shipbuilding.	Coal-mining.
	Coach-making. Hat-making.	
	Leather work.	
June . .	Clothing trade.	Coal-mining.
	Mill sawyers.	
July . .	Railway service.	Iron, Steel, and Tin-
	Carpenters. Coopers.	plate trades.
August . .	Railway service.	Paper-making.
	Holiday resort occupations.	Printing.
	Agricultural harvesting.	
September .	Harvesting. Plumbing.	Textile trades.
	Iron-mining.	Metal trades.
October . .	Iron and Steel works.	Clothing trades.
November .	Printing. Book-binding.	Shipbuilding.
	Tobacco trade. Metal trade.	
December .	Coal-mining. Theatrical trade.	Carpentering.
	Distributive trade. Post Office.	Coach-building.
	Gas and Electricity works.	Brush-making.

Surely the foregoing table offers several very obvious ways of "dovetailing" employment on a national scale, so that of every two men, each unemployed (roughly) half a year, one may be definitely placed for half a year in two trades, and the other, now entirely unemployed, be

trained for some other occupation altogether? In other words, that casual employment, by sporadic engagement from a drifting mass of under-employed men, may be replaced by organised employment from a corps of mobile workers.

Various attempts have been made in this direction, but these have all been local in character, such as the Liverpool Dock scheme. Is it beyond the power of statesmanship to solve the problem in these lines on a national scale? Emphatically no. The only difficulty in the way at the moment is the housing shortage, which entirely prevents the movement of large bodies of workers from one part of the country to another. If in every locality affected by seasonal employment there was a reserve of housing accommodation, this difficulty would be overcome. It would not be necessary for such a reserve to stand idle when not needed for its primary purpose. For example, consider an agricultural county that needs (and often cannot get) thousands of additional workers in August and September for harvesting. Let the County Council erect *and furnish* groups of bungalows in convenient centres: when these are not occupied by harvesters and their families, they would be available in all but the worst of the winter months as cheap and healthy holiday homes for workers who now cannot afford a holiday, and bearing in mind the contention advanced in a previous chapter that a fortnight or more of "unemployment" for every worker would, if rechristened "holiday" and passed in health-giving surroundings, be an enormous advantage to the standard of national physique, it will be seen that much value lies in this suggestion.

CHAPTER IX

INSURANCE BY INDUSTRY

WHY not insurance by industry? Proposals are afoot from divers quarters to replace the present system of insurance against unemployment by one in which each industry is made responsible for its own unemployment.¹ The advocates of such a scheme object to the present pooling of good and bad risks which results in the same contributions being demanded from industries in which the rate of unemployment is low, as from those in which there is a great deal of unemployment. It is also contended—and this contention, unlike the former one, carries a great deal of weight—that by giving employers a direct financial inducement to keep down unemployment, a certain measure of prevention will be achieved.

Whilst recognising the force of this latter argument it will be found that in a scheme of unemployment insurance by industries nationally applied its advantages would largely be outweighed by the weaknesses inherent in such a scheme.

To deal first with the objection to a flat rate of contribution as between industry and industry: it may be conceded at once—indeed it is obvious—that certain industries could carry on a scheme of unemployment insurance within the industry for a very much smaller

¹ This proposal must not be confused with Mr. McCurdy's proposals of Social Insurance by industry; the former is merely a measure dealing with unemployment, the latter is a comprehensive scheme dealing, *inter alia*, with Health Insurance, Unemployment, Workmen's Compensation, and Pensions.

contribution than that now charged, whilst conversely in other industries it would be necessary to increase it.

The one industry which has contracted out of the Unemployment Insurance Act by setting up a special scheme of its own is the Insurance Industry. The accounts of the Incorporated Insurance Industry Unemployment Insurance Board for the year ending 30th June 1922¹ show that the sum of £230,778 was received in contributions and Government grants, against amounts paid in unemployment benefits totalling only £31,652! This, it must be remembered, is for a year in which unemployment was at its highest. Probably other specialised industrial funds for selected industries would have been able to show equally favourable results.

This, however, demonstrates nothing but the obvious. The whole basis of insurance is a spreading of risk; of two persons insuring their lives one may die in twelve months, and the other not for fifty years. Is it reasonable to contend that an injustice has been done in the latter case because he has paid fifty times more contributions for the same benefit? Agreed that industry differs from industry in the nature of its risk, but if from this it is to be argued that a flat rate is unjust, then the argument might equally be carried a stage further, and it might be contended that in the same works there is a greater unemployment risk shall we say in the packing department than there is in the fitting department, and therefore the fitters might claim to pay a smaller rate than the packers. The argument could be carried even further till you arrive at the *reductio ad absurdum* of a separate rate for each individual, on the ground that a skilful and energetic worker is less liable to unemployment than a less efficient one.

It must be borne in mind, too, that we are considering

¹ The 1923 figures are not so favourable—contributions and Government grants, £180,424; claims for benefit, £93,743. The Balance Sheet shows a surplus of assets over liabilities amounting to £260,491.

a scheme in which the State is a contributory party, and if the State's contribution were withdrawn it would probably be found that in the most favourable trade the rates necessary to be charged would be at least as high as the flat rate now charged for all industries. So that, although in a voluntary scheme it would doubtless offend actuarial principles to charge a flat rate throughout, yet in dealing with a scheme in which the contributions paid by or on behalf of the insured are heavily subsidised by the State, this objection loses much of its validity.

But there is a much more important consideration than this to be borne in mind. The industries in which the risk of unemployment is greatest are just as essential to the country as those in which it is lowest, and a workman in one of the latter is directly interested *as a consumer* in the products of the former. If the former industries have to bear the whole of the actuarial risk of their high rate of unemployment, this extra charge (imposed by the withdrawal of the more favoured industries from the flat rate scheme) would be an addition to the cost of production, which in the long run would be passed on to the consumer. Those who imagined themselves saving by contracting out of the flat rate scheme would therefore in the end find that what they had saved on the swings they were being called upon to pay on the roundabouts. Taking a sufficiently long view, it is immaterial how the cost of social insurance is distributed between employer and employed, or between industry and industry: just as naturally as water finds its own level, so will these burdens readjust themselves in accordance with economic laws.

The objection, therefore, to a national scheme of insurance on a flat rate basis is not even valid on scientific grounds, whilst on sociological grounds it cannot for one moment be upheld. Unemployment is a national problem, and must be dealt with on a national scale. The State's concern is with its industries as a

whole, and its obligations will not be met by allowing the most favoured industries to adopt the policy of each for himself and the devil take the hindmost.

But in the case against insurance by industry on a national scale, of many arguments the most overwhelming is that of the administrative difficulties involved. The essential feature of Unemployment Insurance is the necessity of imposing upon applicants for benefit the test of willingness to accept work if offered, which implies the existence of a thoroughly efficient organisation for discovering vacant jobs; presumably, therefore, every industry would have to conduct its own system of employment exchanges. This would be perfectly easy for, shall we say, the miners in Northumberland and Durham, or the cotton workers in Lancashire, or for the iron and steel workers in Birmingham or Sheffield. But what would the miners' insurance scheme do in the case of a little gang of three or four of its members who might be sinking a boring in Sussex, or engaged in a small mine in the Forest of Dean? Unless the network of every industry covered every town in the United Kingdom the machinery would obviously be inadequate, and if the existing machinery of the State Employment Exchanges is to be used, then the principal argument in favour of insurance by industry at once vanishes.

Then what is an "industry"? Take the cutlery and small tool industry; is this part of the steel-making industry, or a separate industry? If it is a separate industry, take, for example, the making of razors; are you to include in it all workers directly or indirectly engaged in the manufacture of razors? One Sheffield firm places contracts for the cardboard boxes in which these razors are packed with a firm in Sheffield and with another firm in Luton; are the employees in this box-making factory engaged in the razor industry or the paper-making industry? Then what about the razor-making firms that make their own boxes? Carpenters

are employed in making crates to pack the finished product; are they in the razor-making industry or in the wood-working industry? Steam-lorry drivers are employed in and out of the works; are they employed by that industry, or are they part of the transport industry? One works making small cutlery makes also various chemical accessories, such as strop pastes and polishes, a work in which some chemical skill is involved. Some of the employees in this branch may have come straight from a chemical works in Manchester, where they were previously doubtless employed in the chemical industry; are they still engaged in the chemical industry, or are they part of the cutlery-making industry?

In the complexity of modern industry such instances could be multiplied *ad nauseam*, and that this is no carping criticism is shown by the ever-developing mobility of labour, in which workers, even the most highly skilled workers, may gravitate from one industry to another, a mobility which it is essential to maintain.

It is utterly impracticable to attempt to classify the industrial population of the whole country into ten, twenty, or thirty industries. But what *is* possible, albeit by a purely arbitrary division, is to carve out separate industries *locally*. That is to say, a separate division could be made of the Sheffield cutlery industry, including in it, quite arbitrarily, everybody employed in the cutlery trade in the county borough of Sheffield; or the Birmingham hardware industry, including everybody employed in that industry in the county borough of Birmingham.

I shall return to this latter suggestion presently as it seems to afford a way of combining the best features of a national scheme of insurance with the one argument in favour of insurance by industry, viz. that it gives the employer a direct incentive in preventing unemployment.

The insurance by industry idea has cut athwart various strata in quite an interesting fashion; the

Federation of British Industries, for example, is mildly in favour of it, whilst many large employers are hostile to it. The Miners' Union and the National Union of Railway-men are against it, but the Cotton Operatives and the Iron and Steel Workers are in favour of it.¹

Probably the scheme owes the support it has obtained to the fact that it has been brought forward in so many different ways that no two people mean quite the same thing by it. "It is, perhaps," says Mr. Joseph L. Cohen in his analysis of it,² "because different content is given to the phrase 'insurance by industry' that it is proving so popular with advocates usually opposed to one another. The moment, then, an attempt is made to give full effect to one conception, those advocating an alternative idea will oppose it. It is certain that it is impossible to frame any scheme which can give effect to all these conflicting views. There is a real divergence of interest involved, and the motives of the groups all crying out for insurance by industry are in open and avowed opposition."

Whatever virtues there may or may not be in a scheme of insurance by industry, one thing is absolutely essential, and that is that it is not good enough to upset the present scheme merely in the hope of this employer or that, or this industry or the other, setting up some scheme of its own of problematical value: unemployment is a national evil and finds its origin in the national system of organisation of industry. The fact, therefore, must never be lost sight of that it is the duty of the nation to ensure that every worker is adequately insured against loss through his inability to find the employment which he desires. This is probably the reason why the balance of Trade Union and Labour opinion in the country is

¹ 43 Unions, representing 1,252,600 members, favour it.

21	"	"	2,670,900	"	are unfavourable to it, and
17	"	"	9,978,900	"	are non-committal.

² *Insurance by Industry Examined.*

hostile to the suggestion, as it is feared that the insurance by industry cry may prove a red herring to divert national opinion from the trail it is steadily following in the direction of fastening responsibility for industrial evils upon the industrial system as a whole.

It seems probable that the whole idea of insurance by industry is likely to prove a flash in the pan. One of its most painstaking advocates has been Mr. T. T. Broad, formerly Member for the Clay Cross Division of Derbyshire, who suggested an "all in" system of insurance for industries, comprising provision for sickness, invalidity, accident, old age, widows and orphans, as well as for unemployment. Such schemes might, he suggests, be financed partly by a weekly contribution from the employed persons, partly by a grant from the State, and partly by a direct levy on the product of the industry. Such schemes have been worked out in outline and for the coal mining and boot and shoe industries, and the railway service. The scale of benefit proposed, viz. 40s. per week for sickness, accident, disability, and old age (at age 62 or 63), 30s. per week for unemployment, with pension of 20s. and 17s. 6d. per week respectively for widows and orphans, represents a great increase over any existing provisions.

This is the scheme advocated in detail by Mr. McCurdy, and one of its keenest supporters has been Sir John Marriott, M.P. Speaking in the House of Commons on January 16, 1924, Sir John (then Mr. J. A. R. Marriott), after pleading for the settlement of industrial unrest by a comprehensive scheme of social insurance, said:

"My own first idea, and the idea of those with whom I was associated in the working out of the scheme, was that we should proceed by industries, and that each industry should be called upon to carry its own casualties, and more than one scheme was worked out with that end in view. . . . But I think the difficulties of

applying a scheme of insurance by industries to the whole field of industrial life are almost insuperable. . . . Those of us who are interested in this matter have reluctantly come to the conclusion that insurance on the basis of industries may have to be abandoned."

This sounds very much like the swan-song of insurance by industries.

PART II

A SCHEME OF
UNIFIED SOCIAL INSURANCE

CHAPTER I

SOME BASIC PRINCIPLES

READERS who have followed me thus far will have gathered something of the principles which are advanced as the basis of a comprehensive scheme for National Social Insurance, and this chapter is in the nature of restating the foundations upon which the scheme should be developed.

1. The risks of sickness, unemployment, accident, widowhood and orphanhood, indigent old age, and death,¹ are particularly suitable for provision by way of insurance, which is the best way of preventing them from becoming a cause of destitution.

2. All such forms of insurance are capable administratively of union in one comprehensive scheme, and it is desirable that such a scheme should be provided to embrace all these risks, and should be available for all who need to be safeguarded from the effects of their incidence.

3. The State should insist upon a "national minimum" of insurance for all its citizens as a corollary of its insistence on a national minimum of wages, conditions, and the general standard of life, and as a supplement to its other measures for the prevention of destitution.

¹ Insurable "risk" of death is of course, actuarially speaking, the risk of premature death. If every one lived to the same age, life insurance in its present form would be impossible, and would become a mere matter of endowment at a given age.

4. It is accordingly desirable that the Social Insurance Scheme should be compulsory on all but those who are obviously already in a position to provide against such risks for themselves on a standard of not less than the national minimum.

5. The scheme should be based upon local territorial units—normally the county or county borough—and, subject to condition 3 (above), these local units should possess a considerable degree of autonomy.

6. The rate of benefits determined upon as the national minimum of insurance should bear a close relation to the cost of maintaining a reasonable standard of existence, and should not be fixed by reference to the standard of the lowest paid worker.

7. The scheme must provide, either within itself or by parallel legislation deemed to be an integral part of the social insurance code, for very definite measures of prevention of the risks which it compensates.

8. In the present state of public opinion it is desirable that the scheme should be on a directly contributory basis. Both employer and employed should pay a definite weekly sum, although it is obvious that even what is generally called a non-contributory scheme is, in effect, contributory, and, if taxes are scientifically levied, is contributory on a fairer basis than in any scheme where a direct premium is charged.

9. In addition to contributions from employer and employed, the insurance funds should be subsidised by contributions from the Central Exchequer *and from the local rates*. This does not mean an increased burden on the rates, but merely a diversion of part of the existing poor rate, and such a municipal contribution is doubly desirable in that the municipality will be so closely involved in the working of the scheme. It is within the power of a municipality, by actively exercising even those powers which it possesses at present, to influence public health, unemployment, and accident risks within its area,

and it is right, therefore, that a municipality should have a direct financial inducement not to neglect those powers.

So much for the fundamental principles of the necessity and the scope of the scheme. Turning now to the administrative side, the following principles are suggested as conducive to a form of organisation which would best achieve the desired result.

1. The unit of administration should be the administrative county, county borough, or the municipal borough or urban district of a population exceeding 50,000, or suitable groups of such units. London, of course, would require separate consideration, and, whatever form of local unit was decided upon, would lend itself to local occupational schemes of "contracting out." For each of these units a separate "Authority" should be set up. Thus, for example, there would be a Warwickshire Insurance Authority, a Birmingham Insurance Authority, a Coventry Insurance Authority, and so on. These separate Authorities would, to some extent, be autonomous and, subject to their providing not less than the national minimum of insurance, would be allowed a considerable margin in fixing rates of contribution and benefit; they would, however, be linked up to a greater or lesser extent by a central fund under the control of the National Exchequer.

2. Within the area of any given Authority, any industry possessing more than a certain number of employees might be given power to contract out, and to establish a separate fund or society for that industry *within that area*. Thus, for example, we might have a Birmingham Hardware Society, a Coventry Cycle-makers' Society, a Bradford Woollen Society, a Sheffield Cutlery Society, and so forth. This provision would be subject to the separate fund maintaining a standard of insurance not less than the national minimum, *and it would not be open to any industry to contract out in*

respect of only one of the risks. This is most important, for it draws attention to another grave objection to the suggestion now current of unemployment insurance by industry.¹ The industry fortunate enough to possess a minimum rate of unemployment does not necessarily possess the lowest rate of sickness. Indeed it is very questionable whether any occupation now covered by unemployment insurance can claim both a minimum of unemployment and a minimum of sickness, whilst it is more than likely that there are many industries which possess a rate of unemployment less than the average with a rate of sickness above it. It would be in the highest degree inequitable that such an industry should be allowed to make the best of both worlds by contracting out of the national scheme where it suited its book (in unemployment) and remaining in the national scheme for health insurance, and taking advantage of the flat rate. Any industry which desires to provide its own insurance for its workers should be required to provide *all* forms of insurance, and not merely the one which suits it best.

3. Apart from this local contracting out of industry no scheme of "insurance by industry" should be entertained, and local contracting out should be under such conditions that the national character of the scheme of social insurance as a whole should not be impaired, *i.e.* the local industrial society should be subject to whatever degree of pooling of funds is instituted for the general societies.

4. Contributions from employers and employed should take the form of a percentage of wages, and, in general, benefits should be fixed either as a percentage of actual wages, or of the standard wage of the district or the industry.

¹ Mr. McCurdy's scheme of insurance by industry is of course not open to such an objection.

SIMPLIFICATION

The new Authorities would be elected by more or less the same franchise on which Boards of Guardians are at present elected, bearing in mind that these latter bodies would be abolished. Existing Insurance Committees under the National Health Insurance Act would be abolished also, or rather their present functions merged in those of the new bodies. The organisation thus constituted would take over the following functions:

- (a) It would receive a transfer of engagements from the existing Approved Societies of all the health-insured members of those societies within its area.
- (b) It would take over the management of the Employment Exchanges within its area.
- (c) It would receive a transfer of engagements from the Claims and Record Office of the present Unemployment Insurance Fund in respect of all persons now insured against unemployment resident within its area.
- (d) It would take over the functions at present discharged by the department of Customs and Excise in the administration of Old Age Pensions.

This unification of existing organisations would greatly simplify the present complicated machinery. The book-keeping of National Health Insurance is, as we have seen, duplicated or triplicated, and then to all intents and purposes duplicated again in the parallel system of the Unemployment Insurance Scheme. All this would be superseded by a simple and manageable system of local accounting, whereby one set of books under the control of the local Insurance Fund would suffice for the whole scheme. This will not only be a great

economy, but will also lead to a speedier and more efficient administration of benefits, since instead of reference to several sets of books at the London Head Office of an Approved Society, or at the Claims and Record Office at Kew or elsewhere, it will be possible to verify any individual account literally within an hour, by reference to the local office. Furthermore, there will be no necessity for the elaborate corps of inspectors, auditors, and the like, now engaged in supervising the administration of the Insurance Act by the Approved Societies. Such inspection as is necessary will be confined to the finances of the local Insurance Authorities, whose accounts will be open to audit in much the same way, for example, as the accounts of the Boards of Guardians now are.

The registers of the new Insurance Authority will possess a value over and above their ordinary function in administering the direct provisions of the insurance scheme, in that they will provide a means for ascertaining the status and history of practically any person making a claim for assistance from public funds. This will be invaluable in dealing with the small remnant of the wastrels, work-shys, and the like, who will doubtless remain when all the genuine unemployed have been adequately provided for.

The foregoing principles do not, of course, constitute the only way in which an extended form of social insurance could be brought into existence. There is the possibility of basing an "all-in" scheme on the present system of Approved Societies, or some modification of it; there is the possibility of a fully nationalised scheme with or without a measure of local administration, or there is the possibility of separate and distinct schemes of, *e.g.*, Health Insurance, Unemployment Insurance, Motherhood Pensions, etc.

It is contended, however, that the most satisfactory scheme is one on the lines laid down in this chapter,

which is

Based on national principles;
Subject to local autonomy;
Inclusive of all forms of insurance.

Such a system possesses the following advantages over a fully "nationalised" system on the one hand and over an "Approved Society" system on the other:

1. It is thoroughly democratic.
2. It is free from the taint of bureaucracy or officialdom.
3. It is based on units of workable size, neither too large nor too small.
4. It entirely obviates all overlapping, duplication of work, and unnecessary competition.
5. It will readily solve the problem of the "deposit contributor."
6. It will secure uniformity of benefit for a uniform contribution.
7. Its machinery is capable of swift, easy working without the delays caused by "referring to Head Office."
8. The rate of contributions and benefits can be adjusted to local needs.
9. It makes it possible for every claimant for every kind of benefit to receive personal attention.
10. It will dovetail in with the local Public Health service, and problems of certification, etc., can be disposed of more easily.
11. It will, for the first time, render it possible to trace excessive sickness to its true causes.

Combined with these advantages due to *localisation* are the following advantages inherent in the *unification* of the different forms of social insurance:

1. Great saving in administrative cost: only one set of records to be kept instead of half-a-dozen.

2. Diminished opportunities for fraudulent claims. It would be well-nigh impossible, for example, for a man to draw sickness benefit and unemployment benefit simultaneously, since both would be payable from the same source.
3. Abolition of the taint of pauperism. There would be no destitution authority, because the scheme would *prevent* destitution.
4. Every insured person would receive *guaranteed* benefits in any eventuality. There would, for example, be no squabbling over whether a man is entitled to sickness benefit or workmen's compensation.
5. Simplification of the system from the point of view of the insured. Instead of dealing with half-a-dozen sources of benefit, a man would have only the one office to apply to whatever benefit he desired to draw.

It has been argued that it is a mistake to suggest that so great a measure of autonomy should be conferred on the local Insurance Authorities as to allow them to fix their own scales of contributions and benefits. This objection has, however, little weight when it is remembered that it is proposed that there should be a statutory minimum scale below which the figures should not be paid, and, if thought desirable, a maximum could be settled at the same time.

But bearing in mind that the abolition of the present Poor Law is postulated, and the consequent necessity of the fullest possible co-operation between the local Public Health Authority and the Insurance Scheme, it will be seen that the only way to ensure that the needs of the people are fully met is to give a free hand to each locality (subject always to the paid national minimum) to adjust the details of its insurance scheme to local needs.

The scheme of social insurance hinted at in Sir

William Beveridge's pamphlet takes the form of two co-existent systems:

- (a) An extension of the "Approved Society" system, to include all forms of accident and industrial diseases as well as ordinary sickness.
- (b) An extension of the "Employment Exchange" system, to include old age and motherhood pensions besides unemployment.

No reasons are advanced for this highly arbitrary division of the subject into two water-tight schemes, but certain dogmatic assertions of rather doubtful validity are made, of which the most remarkable is:

"These differences (between different forms of insurance) justify varying scales of benefit and necessitate separate machinery. To take one instance—the Approved Societies are as little fitted to deal with unemployment insurance as the Employment Exchanges with sickness."

This is about as good an argument as to assert that the existence of a firm like Harrods or Selfridges is impossible because the buyer in the ladies' underclothing department is "little fitted" to deal with the dispensing of prescriptions in the pharmacy department!

It would be a thousand pities if our social insurance developments take the form of stereotyping the present dual system, and lose the manifold advantages of unification. There is *no* "fundamental distinction" between the two branches of social insurance as artificially divided by Sir William Beveridge. Professor Gray is absolutely right when he says:

"Health Insurance and Unemployment Insurance are not two distinct problems, but two aspects of the same problem. That problem is how to provide for the needs of a man who, through no fault of his own, is unable to earn his living. Whether the cause is ill-health or depression in the labour market has no bearing

on the main difficulty, that there is a home into which no wages are going. Logically, then, the two schemes should be brought into the closest possible relation to each other, and it also follows that Parliament ought not to legislate for the two schemes as if they dealt with entirely distinct parts of a man's life. It is surely absurd that under a State-aided scheme of Health Insurance a man should fall into arrears of contributions in respect of a period when under another State-aided scheme he draws benefit because he could not possibly be at work.”¹

¹ *Some Aspects of National Health Insurance*, by Alexander Gray (P. S. Kinsler & Son, Ltd.).

CHAPTER II

VESTED INTERESTS

THE previous chapter raises at once the question of the vested interests in the administration of the present schemes. It is important to notice that those interests will not only be the very powerful Industrial Assurance Companies, but also those of the Trade Unions and of the Friendly and Approved Societies who will be affected in whole, or in part, by these proposals. Let us deal with these three sources of difficulty in order.

INDUSTRIAL ASSURANCE COMPANIES

The Industrial Assurance Companies will be affected by these proposals in a twofold way:

- (a) Their health insurance functions, exercised through "separate sections" of the parent body, would cease to exist.
- (b) A very considerable part of their private business might be nationalised.

It is under the second of these two headings that the principal difficulty with the industrial companies would occur. As regards their administration of National Health Insurance it is quite likely that they would be prepared to relinquish this without any very considerable struggle. The principal reason why, in the first place, they were so anxious to be allowed to take part in the administration of the Act was one of "goodwill." Every

insured person with whom they have been brought into contact over National Health Insurance, together with every dependant and relative of every such person, has been a prospective customer for the private side of the company, and the agent calling at a house for National Insurance purposes has thereby been given an introduction which he has not been slow to take advantage of for transacting additional private business. Their participation in the administration of the National Health Insurance Act thus gave the companies enormously increased opportunities for extending their own business. But these opportunities have now been exploited to the fullest degree, and the motive which operated so powerfully to urge their inclusion in the Health Insurance Scheme is not nearly so strong when it comes to the question of their retention of the business. The orange has been fairly well squeezed, and the skin may just as well be relinquished.

The companies are of course not allowed to make any direct profit out of their administration of National Health Insurance, and although doubtless a considerable amount of indirect profit is realised in the form of sharing establishment and other administration charges between the "Private" side and the "State" side, yet such profit is relatively small, certainly not big enough for them to put up a fight over unless from the strategical point of view to protect their other interests. From the Health Insurance point of view the Industrial Assurance Companies are likely to raise no more objections than are the Trade Unions or Friendly Societies, if indeed as much, and the only question of any difficulty is that of providing alternative employment or compensation for officials now exclusively engaged in the Health Insurance branch of the companies' work. This problem will be dealt with after Friendly Societies and Trade Unions have been considered, as it is common to all phases of the subject.

But when it comes to the question of winding up the present industrial assurance policies¹ and foregoing the right to the major portion of this very profitable business, the Industrial Assurance Companies may be expected to fight tooth and nail for the retention of their present monopoly—a fight which will need strong and bold statesmanship to overcome. Nevertheless, as has already been indicated in the chapter on Burial Insurance, the struggle is one which ought to be undertaken, since the present system of individual collection of weekly pennies for the provision of small policies of life assurance upon necessarily expensive terms is one which ought to cease. Whether or no this nationalisation of industrial assurance should be treated as part of a general scheme of nationalisation of all life insurance is an open question. It has been contended by some that it is impossible to tackle the one without the other; but viewed merely from the standpoint of expediency there is a great deal to be said for considering industrial assurance separately, since from the social point of view it is an indefensible system, whereas “ordinary” life assurance is on a very different footing, and can maintain a strong case for being left unaltered.

Another question which must be decided is as to whether industrial companies would be permitted, assuming the nationalisation process only to cover such insurance as comes within the scope of the social insurance scheme, to transact freely all classes of business such as Infant Life Assurance, Endowments, etc., as are not included in the scheme. This is likely to prove a difficulty which is, indeed, inherent in a piecemeal attempt at nationalising industrial assurance. It would probably be found impracticable to prohibit ordinary burial insurance, and yet to allow the companies to transact classes

¹ Needless to say, present policy-holders would receive value for past contributions in the shape of free paid-up policies corresponding to the length of time they had contributed on existing policies.

of insurance so closely allied that the one would run into the other by an effluxion of time, as would be the case in infant policies when the infant grew to an age covered by the National Social Insurance Scheme. It would probably, therefore, be desirable to wind up industrial insurance altogether, and create a separate State Insurance Department based, if thought fit, on the present Post Office Insurance Scheme, to supplement the national minimum of burial insurance by other voluntary policies such as Infant Life Insurance, Endowments, etc., which the individual citizen might care to pay for.

FRIENDLY SOCIETIES AND TRADE UNIONS

It is not realised how very strong the personal element is in the case of Friendly Societies and Trade Unions. There are literally tens of thousands of Friendly Society and Trade Union officials whose means of livelihood in whole or in part is derived from the National Health Insurance Act, and to a lesser degree the National Unemployment Scheme.

The suggested scheme, which in effect abolishes Approved Societies, would be faced with the bitterest opposition from the present Approved Society officials unless it was clearly established that alternative occupation or compensation for loss of employment would be offered to those persons affected. In actual practice a large number of those now employed by Approved Societies could be absorbed into the local administration of the larger scheme, and at any rate the handling of the vested interests would not offer a problem of any novelty.

Even more serious than this, however, is the effect which a comprehensive scheme of social insurance might have on the private side of the Approved Societies. The type of Approved Society which was specially established in 1912 for the purpose of administering National Health Insurance calls for no special consideration. Such

ad hoc societies cease to have any reason for existence when the object for which they were formed is removed ; and provided adequate provision is made for the officials, their winding up should cause no one a sleepless night. But the old-established Friendly Societies, and even more so the Trade Unions, are in a very different position. All the arguments about the discouragement of private thrift and the consequent ruin of the Friendly Societies, of which so much was heard in 1912, would spring to life with redoubled vigour when not only Health Insurance but Burial Insurance and Unemployment Insurance are proposed to be taken from them and handed over to a local organisation. The position is, however, clear enough. It is that the greatest good of the greatest number must prevail ; and if the State is to hold its hand because certain of its citizens come together in private organisations to cover certain risks, then the path of progress would be blocked by every philanthropic body, by every mutual society, and by every provident scheme ever established. So long as there was no other provision afforded, so long the work of the voluntary thrift societies was of the greatest value to the nation ; but if the good work of the past is to be allowed to prevent the extension of similar work on a national scale, then good-bye to any attempt to alter the status of the community for the better. It might just as well be argued that because the Little Sisters of the Poor do excellent work among the destitute, that the State should ignore destitution ; or because the voluntary hospitals concern themselves with the health of many, that the State, for fear of competition with them, should ignore the health of all. Whatever might be the effect upon the Friendly Societies of an extensive scheme of social insurance such as that now proposed, should not be allowed to outweigh consideration of public policy ; the only criterion is what will be its effect upon the community as a whole.

But it does not necessarily follow that any scheme of

social insurance, however comprehensive, will lead to the extinction of the Friendly Societies. Such predictions were freely made by the Jeremiahs of 1912, but how utterly such predictions have been falsified by the facts! The Friendly Societies of to-day, despite "State interference," "State competition," the "Discouragement of thrift," and the like, are in a stronger position than they were before the Insurance Act, and there is no reason why certain very considerable spheres of usefulness should not remain for the voluntary thrift movement even after the great extension of National Insurance now proposed.

Be this as it may, it is unthinkable that as our civilisation progresses, so narrow a materialism as the grant of a few shillings a week in sickness should be the only motive to be found for the continued existence of great voluntary organisations such as the large Friendly Societies. Those organisations have done, and are still doing, yeoman service to our national character. They have helped to maintain the spirit of independence; they have fostered the idea of self-government; they have been the elementary training schools of public affairs.

But in a changing world, institutions of all kinds must change with them. To grow or to decay is the universal law of life, and to this law the Friendly Society movement must bow as must we all. Half a century or more ago, when the great growth of the voluntary thrift movement was taking place, the community was in a widely different position from that of to-day. It was a world of free and unbridled individualism, a world where weakness was the worst of vices and poverty the unforgivable sin. The ideal of a State as we know it to-day was almost unheard of, or at best visualised as a sort of cold, whitewashed, chain-clanking monster—the *genius loci* of the workhouse.

In these circumstances the germ of the ideal of co-operation found its best development in the Friendly

Society movement, which accomplished a great work in teaching men to win the aid of their brethren through their efforts to help themselves. Against a raging sea of competition and the pitiless flood of economic circumstances the Friendly Society was a bulwark. There was a definite need for it, and therefore it flourished.

But to-day the needs of the people are changing. It would be ludicrous to suggest that poverty and distress and sickness are no more, but at least we are facing them in a new spirit. The ideal of the State has developed, even in the minds of those who abhor Socialism, until it is recognised that the sickness of an individual, for example, is not merely a matter affecting that individual alone, or a group of men joined in a mutual thrift scheme, but one which touches the whole of us. Birth and death and the material welfare of the people affect the people, and through our corporate self—the State—we begin to realise how closely we are members one of another. And so the fundamental need for the Friendly Society is passing, not that the Friendly Society ideal was wrong, but, on the contrary, that it was so right that the whole people are converted to its view. We are setting up one Society that includes us all.

Those weekly shillings in sickness, and the few pounds on death, which the Friendly Societies were started to provide are now available at the hands of the Big Society. But that does not mean that the Friendly Societies are not wanted: it only means that they must progress with the times and keep in the van. Twenty-five years ago they were the only bodies giving straight clean help in sickness. The State, admiringly, copied them. Now it is for the Societies to set a new lead to the State, and to set out to fill new needs of the times which no other agencies fulfil.

It is not for me to say what those new needs shall be, nor what nexus it is to be that will keep these great voluntary self-governing organisations in being as instru-

ments of public good. But I may perhaps be allowed to make suggestions.

The tendency of the age, not in Britain only, but the world over, is towards a higher standard of life, not only in food and shelter and clothing, but in education, in thought, in culture. The more material needs of a past epoch—those weekly shillings in sickness—being met, it is clearly open to the Friendly Societies to widen their objects and to begin to meet, by mutual contributions, the mental and spiritual needs of their members.

For example: higher education, foreign travel, music, literature, and the drama.

The cynic may perhaps scoff at the idea of the working man providing these things for himself and his children by his weekly pennies, but equally a couple of generations ago the cynics sneered at the working men's attempts at self-government, at their essays in finance and their ritual—"apeing their betters," as it was often bluntly put. The movement triumphed over deriders of their material aims. The wider aims of the future may provide them with an equally fruitful field and an equally glorious triumph.

With regard to Trade Unions, the question is rendered a delicate one by the political aspects of Trade Unionism, and by their constant fear of indirect attacks upon their strength in the guise of social reforms likely to sap them of their vitality. For example, the majority of Trade Unions, very justifiably, are opposed to insurance by industry. But how much of that opposition is not due to the fear that such a scheme is the thin end of the wedge of the employers obtaining control of the Unions, or of setting up rival organisations?

But whatever may be the effect of a comprehensive scheme of Social Insurance upon Friendly Societies, there is no doubt whatever that Trade Unions stand to gain very markedly from its operation. Anything which raises the standard of life benefits a Trade Union, finan-

cially at any rate, to a marked degree, and one of the first effects of poverty among the workers is a decline in Trade Union membership, as has clearly been shown from the Trade Union figures during the years of the post-war slump. On the political side, since the organisation of the scheme is proposed to be based on a local elective body, it is open to Trade Unions to obtain control of the scheme with a measure of completeness which is dependent only upon what is termed the class consciousness of their members.

CHAPTER III

THE TRANSITION

WE may now proceed to glance at the suggested outline of the local administration. The new Insurance Authority will be elected from the Local Government Register. It may possibly be contended that this register will contain a percentage of voters who are not directly concerned with the insurance scheme, but this argument is of little real value. In the first place, the majority of local government electors will be directly concerned in the scheme, either as insured persons or employers, whilst the remaining citizens have also a very real interest as rate-payers and taxpayers, apart from the fact that there will be few, if any, non-insured persons who do not come under the category of employers, even if only as the employer of one domestic servant.

The new Committee thus elected will be housed in one or other of the buildings, such as Parochial Offices, Employment Exchanges, or even in the offices of the largest Approved Society in the district (whose functions will of course have been transferred to the Committee), and it will find itself in possession of numerous sub-offices, including Branch Employment Exchanges, the offices of the existing Poor Law officials, and the very numerous local offices of Approved Societies, from among which it will be able to make a choice of suitably situated branch offices.¹

For the selection of its staff it will have an equally

¹ See also "Municipal Banking" on p. 144.

wide field of choice. In the first place, there will be the Clerk of the old Insurance Committee, together with his staff, whose knowledge of local conditions will be found to be useful, more particularly in the carrying out of liaison functions with the Public Health Authority in connection with medical and maternity services, child welfare, etc. Then there will be the existing Poor Law Officials, some of whom will of course be required by the local Public Health Authority, and some of whom will bring to the service of the Insurance Committee their specialised knowledge of various phases of the disease of destitution, at the prevention of which our scheme is aimed. Next, there will be the very large number of local superintendents, agents, and canvassers now employed by the Industrial Assurance Companies, both on Health Insurance (State) work and on Burial Insurance (Private) work. If the Industrial Companies are permitted to carry on their operations, though to a restricted degree, they will naturally retain the services of a number of these existing employees, but probably at least one-half will in any event be free to enter the service of the Insurance Committee, in which sphere their local knowledge of individuals and of insurance operations will be extremely useful. Finally, there will be a certain number of full-time employees of other Approved Societies desirous of entering the services of the Committee.

Thus, without any grave obstacles, a Committee can be brought into existence, housed and staffed, and will be ready to commence operations.

In the comprehensive scheme of Social Insurance, some parts of it, such as Mothers' and Orphans' Pensions, will have to be created afresh; some, such as Old Age Pensions, will be taken over almost as at present; whilst the bulk of the work—Unemployment Insurance, Health Insurance, and Workmen's Compensation—will be a matter of adaptation from schemes at present in existence.

WORKMEN'S COMPENSATION

The transition of Workmen's Compensation Insurance presents little difficulty. All existing policies will be cancelled, with proportionate rebates to the policyholders, and the scheme will be practically a fresh one, but for the fact that it will take over a certain amount of liability to beneficiaries now in receipt of weekly or other payments in virtue of accidents arising before the date of the transition.

As to the terms on which these liabilities would be taken over by the scheme from the Companies, and as to what financial dealings there would be between the State and the Companies in respect of the winding up of this very profitable branch of their business, it will be necessary for a full investigation to be made by actuaries, on a basis hereafter to be laid down. It would obviously be necessary for the Companies, in transferring the whole of their liabilities to the scheme, to transfer with them a reserve actuarially sufficient to meet these liabilities. Even after this has been met the Companies will be left with a very considerable proportion of the millions of pounds of reserves they have accumulated in the course of fifteen or twenty years of working under the Act of 1906. What claim they would then possess for compensation for loss of opportunities of profit-making is an open question, although it is difficult to see why any such claim should be met.

In the case of every solvent company the cessation of Workmen's Compensation Act business would merely mean the ability to repay at par, or, more probably, at a substantial premium, of the capital invested in this branch of the business, capital which would then be free for investment elsewhere. Needless to say, full and adequate compensation would be paid for any tangible assets, such as office premises, etc., taken over, and compensation for loss of office would be provided for any

employees, from directors downwards, dispossessed of office through the termination of private business under the Workmen's Compensation Act.

From the financial point of view the position would be perfectly simple. The new scheme would start with certain liabilities and with a reserve fund exactly equal to those liabilities. All that is necessary is to calculate from known data the actual cost of the accident benefit proposed under the scheme, and earmark a definite contribution against this risk. As to the actual administration of the accident benefit—the collection of contributions will be part of the ordinary machinery, whilst the disbursement of benefits will be a routine feature of the Claims branch of the scheme in the same way in which sickness benefit is now disbursed by the Approved Societies.

HEALTH AND UNEMPLOYMENT

But when we come to consider the transition of Health Insurance and Unemployment Insurance from the old schemes to the new we are faced with problems of considerable magnitude. The one fund—Health Insurance—possessed at the date of the last valuation accumulated funds of nearly £120,000,000.¹ On the

¹ FUNDS OF APPROVED SOCIETIES AT THE VALUATION DATE, DECEMBER 31, 1918 (CMD. 1662)

Reserve Values	£64,017,994
Commissioners' Investment Account	16,144,437
Commissioners' Current Account	21,581,834
Societies' Investments—	
Mortgages and Loans	262,463
War Loan	8,672,755
War Bonds	6,009,658
Other Investments	1,692,512
Cash in Hand	747,961
Other Assets	349,665
Total	<u>£119,479,279</u>

other hand, the fund possesses liabilities in the form of benefits due to insured persons now sick or disabled temporarily or permanently, a liability in which connection may be quoted the statement of the Chief Actuary, that the capitalised value of future benefits on December 31, 1918, was approximately £403,500,000, though, needless to say, this represents the present value of the cost of *all* future benefits; *i.e.* for those now in good health as well as those now disabled.

In addition to the foregoing funds, which are those definitely earmarked to Approved Societies, there are various other funds in the hands of the Government held on account of the Insurance Scheme, such as the Deposit Contributor's Fund, the Unclaimed Stamps Sales Account, the Central Fund, and various other contingencies funds, totalling several million pounds in all.

The present degree of solvency of the Health Insurance Fund is such that Sir Alfred Watson, the Government Actuary, estimates the total *surplus* at December 31, 1923, to exceed £37,000,000. This is of course over and above the full actuarial reserves.

On the other hand, the Unemployment Insurance Fund is overdrawn to the extent of something like £10,000,000; and in setting up a new scheme of Social Insurance which is to include both the foregoing branches, the question arises whether it would be proper to pool the two funds, paying off the overdraft of the one from the surplus of the other, and allow the new scheme the use of the net surplus, a sum which, of course, would still be more than sufficient to meet the current liabilities of the two schemes. There are many who would, apart from purely scientific actuarial considerations involved, oppose such a merging of the funds as inequitable. Insured persons under the Health Scheme possess a claim in equity to the surplus of the Health Insurance Fund, whilst beneficiaries under the Unemployment Insurance Scheme

cannot deny their liability in respect of the overdraft on Unemployment Funds. But even after allowing all possible weight for this argument, it must not be forgotten that, on the one hand, the surplus of the Health Insurance Scheme, and, on the other hand, the deficiency of the Unemployment Insurance Fund, both arise from an accidental cause—*i.e.* the war of 1914–18—so that the Health Insurance surplus, for example, very largely represents the accumulated reserve values of the hundreds of thousands of men killed in the war. Furthermore, such surplus would not have accrued had it not been for the State's contribution to the Health Insurance Fund. It may equally well be argued, therefore, that the Health Insurance surplus is a fortuitous one, and one which has been largely built up out of State funds. It is therefore not unreasonable for the State to use temporarily part of that surplus for paying off the deficiency of the Unemployment Insurance Fund, the more so in view of the fact that the joint scheme would disclaim none of its responsibilities towards those now insured under the Health Insurance Scheme.

It is therefore advocated that the basis of the creation of the local funds under the new scheme should be as follows: From the net realisable total of all Health Insurance Funds (Approved Society, Deposit Contributor, or Government), as on a given date, there should be deducted a sum equal to the net deficit on the Unemployment Insurance Fund. The remaining balance should then be divided among the new local Insurance Funds as nearly as may be in proportion to the health liabilities taken over by such Funds. The amount available will obviously be insufficient to meet the full actuarial risk on a strictly Health Insurance basis by an amount equal to the amount used to extinguish the debt on the Unemployment Fund; but it should be remembered that in the normal course of events this debt would be extinguished out of the Unemployment Insurance

contributions,¹ as, and when, trade becomes normal and unemployment reaches a more manageable level. The joint funds will therefore in the course of time be recouped for this deficit, and no undue risks will therefore be imposed upon the financial structure of the joint scheme. The effect will merely be that instead of the Unemployment Fund borrowing from the Treasury (as now) it will borrow from the Health Fund. The debtor is a person of substance and his security ample. The investment is therefore a good one from the point of view of the Health Fund.

OLD AGE PENSIONS

The provision of Old Age Pensions is, strictly speaking, outside the scope of a scheme of Social Insurance, but it is desirable that the administration of such pensions be brought within the scheme on account of the overwhelming advantages in administering such pensions through the machinery of the Social Insurance Scheme. Economically though Old Age Pensions are managed at the present moment, it would be still more economical to administer them through the same machinery that will be brought into existence for paying sickness benefit, unemployment benefit, mothers' pensions, etc. The new insurance funds will be in possession of all the necessary information, such as date of birth, and all the machinery for verifying and for paying, so that the additional work imposed on them by the actual disbursement of Old Age Pensions would be extremely small. But for reasons of expediency it is not proposed to suggest in the present scheme any alteration, either in the amount of the pension

¹ Even during the year 1923, a year of severe unemployment, the income of the Unemployment Fund more than exceeded its expenditure, and the amount owing to the Treasury was reduced by £7,000,000 out of the surplus. If the contributions and benefits had remained at the February 1924 level, the whole deficiency of the fund would have been wiped out by April 1925. This has, however, been postponed by the latest amendments of the scheme.

or the qualifications for its payment, although serious objection may be taken to both these as at present laid down.

The Old Age Pensions branch of the Social Insurance Scheme will really be an outside service administered by the scheme as a measure of economy; and since the Old Age Pension Scheme is entirely financed from State funds, there is no question of introducing any direct contribution to meet the cost of it, and variations in the amount of pension, or its qualifications, can be fought out quite independently of any controversies centring around the insurance scheme. From the point of view of the present suggestions, therefore, no change whatever is considered in the Old Age Pension system of the country, except that responsibility for investigating claims and paying pensions will be transferred from the local Customs and Excise Department to the local Insurance Fund, the financial arrangements continuing exactly as at present.

This does not mean that no change is necessary in the present conditions of Old Age Pensions. On the contrary, many changes are due and overdue: removal of thrift disqualification, increase of rate, earlier payment.

But these changes ought to be considered separately on their merits, and not as an integral part of the Social Insurance Scheme.

CHAPTER IV

CONTRIBUTIONS AND BENEFITS

THE BENEFITS

It is proposed that Local Insurance Authorities, whether on a geographical or an industrial basis, should be granted a considerable measure of autonomy in fixing rates of contributions and benefits, provided always that whatever scale of benefits is decided upon as the national minimum should be the minimum benefit of the fund.

It is further proposed that the present discrepancies between the amounts of sickness benefit, disablement benefit, unemployment benefit, and workmen's compensation should be abolished, for it is perfectly clear that all those forms of payment have an identical purpose; *i.e.* the maintenance of the workman and his family during any period when, for some reason or another, he is unable to maintain them by his own work. Consider a household consisting of a workman normally earning £3 a week and having a wife and two young children. If he is prevented from earning his living by sickness, the family income is from 15s. to 20s. a week, according to what Approved Society he is a member of. If his inability to earn his living is due to unemployment, the family income is 22s.; if it is due to an industrial accident, it may be as high as 35s.; if due to an ordinary accident, it may be nil. But clearly the needs of the family remain the same, or approximately the same, in each of these

several contingencies, and it is therefore only logical to standardise benefits in each case at the same level.

What shall this level be? At the present moment sickness benefit and unemployment benefit are fixed at an arbitrary figure for all workers, irrespective of their earnings, whilst Workmen's Compensation Act benefit depends upon the wages earned. It is clear that a flat rate of benefit, which takes no regard whatever of the ordinary earnings of the workman, is bound to be extremely harsh and arbitrary in its operation. In order to prevent the rate of benefit being higher than the normal income, or, more accurately, in order to ensure that it is considerably less than the normal income, so as to avoid the encouragement of malingering, the flat rate must be determined, not by the average wages paid but by the lowest wages paid, and therefore the standard of life of the lowest paid worker is used in fixing the standard benefit for all workers. Consider unemployment benefit, for example, in the case of a skilled artisan whose wages in good times may average from £4 to £6 a week; an unemployment benefit of 15s. a week, with its trivial additions for wife and children, represents a lamentable departure from the standard of income he is accustomed to receive.

It is therefore suggested in the present scheme that benefits should be fixed, not as an arbitrary figure but as a proportion of wages, and consequently contributions must vary in much the same way. It is true that such a proposal offers some administrative difficulties, but in practice it will be found that most of these only arise when a stamp-and-card system of collection of contributions is employed. Bearing in mind the fact that the present stamp-and-card system is extremely unpopular, not only among workmen but even more so amongst employers, it is suggested that a dual system of payment of contributions should be permitted, the stamp-and-card system being used for small employers, or in cases where

that system is chosen or appears to be more appropriate, and the larger employers being permitted to pay the joint contributions at fixed periods—probably quarterly—by means of a direct payment.

This proposal, open though it may be to objection, is not nearly as difficult as it sounds to put into operation; indeed such a system is used with conspicuous success to-day in the collection of the Entertainment Tax. Practically all the large theatres and other places of entertainment are permitted, by arrangement with the Customs and Excise Department, to pay the duty direct by cheque on the basis of their certified returns, whilst all the smaller fry, the casual entertainments and the like, pay the duty by means of excise stamps or special tickets. There should therefore be no difficulty at all in framing a scheme on parallel lines which will enable large employers to make periodical payments on the basis of their wages books,¹ whilst the smaller employers or others who prefer to do so utilise a stamp-and-card system or some variant of it.

No attempt will be made in this book to lay down a hard-and-fast scale of contributions and benefits, since this is a matter that obviously calls for the highest of actuarial skill, and one in which a considerable amount of preliminary investigation will be necessary, more particularly in connection with Mothers' and Orphans' Pensions, which have hitherto not been touched by any national scheme. It is suggested that in respect of periods of sickness, unemployment, or disablement—whether caused by sickness or accident—the benefits paid should, as near as may be, approximate to 50 per cent of the average wages or other earnings, subject to an addition of 10 per cent for a dependent wife and 5 per

¹ There is no question here of any violation of the privacy of business, since wages books are already open to various forms of Government scrutiny, such as, for example, for Income Tax purposes, and, even more directly, in industries in which a Trade Board is in operation.

cent for each dependent child, up to a sum not exceeding 75 per cent in all of the average wages or other earnings. This scale has already been in operation for some considerable time in various industries—notably the match industry throughout Great Britain, Rowntree's chocolate works, and elsewhere—and the results are stated to have been most satisfactory. If anything, this scale of benefits errs on the low side, but it is at any rate a distinct advance on the wretchedly inadequate scales of benefit at present in operation, and it is unlikely to prove sufficiently high to encourage malingering to any considerable extent, particularly in view of the administrative arrangements which will necessarily be made for checking claims for benefit.

With regard to Mothers' and Orphans' Pensions, it is proposed that, as these represent a new departure in insurance, they should, to begin with, be paid on a flat scale, viz. 20s. a week for the mother and 7s. 6d. a week for each dependent child below the age of 16.

The Death Benefit or, to give it its more proper title, the Burial Allowance should be fixed, it is suggested, at the sum of £15, whilst the Old Age Pension, as previously explained, would remain as at present.

Considering our average family of workman with a wife and two young children earning an average wage of £3 a week, the cash benefits payable during any time when the workman is unable to earn his own living, whether through sickness, accident, or unemployment, would on the above basis be 42s. a week. On the death of the man a Burial Allowance of £15 would be paid, followed by a Mother and Orphan Pension, which would commence at the rate of 35s. a week, the children's 7s. 6d. being of course discontinued as they attained the age of 16, after which the Mother's Pension would cease also, she being then in a position to take up remunerative employment.

THE CONTRIBUTIONS

It is impossible in a work of this nature to state with any degree of accuracy the contributions which would be necessary to provide the foregoing benefits. Furthermore, there is open for discussion a principle which, although it has been taken as fundamental in practically all schemes of insurance, including the National Health Scheme, is yet open to challenge in a compulsory scheme of State Insurance. This principle is that of charging a contribution which is actuarially necessary to provide a reserve fund. It is generally known that, in order to fix insurance contributions at a level rate throughout life, the insured pays during the early years of his policy considerably more than is necessary to meet the annual cost of benefits for persons at his age, the surplus of these contributions forming a reserve fund which, in theory, is drawn upon during the insurer's later years to make good the excessive benefits at the greater level of age.

In the case of the National Health Insurance Act, where contributions were fixed at a flat rate throughout life for persons of all ages on joining, a series of artificial "reserve values" were created as a paper debt to the scheme, such debt being met as to interest and sinking fund by a special portion of the contribution earmarked for the purpose. The original term of this paper debt was about twenty years, but owing to successive amendments of the Insurance Act the debt redemption was postponed from approximately 1931 to about 1955. The service of this "debt" means that from the specially earmarked portion of the contribution a considerable portion, amounting to approximately one and three-quarter million pounds, is applied annually towards the redemption of the debt; *i.e.* a certain portion of the paper credits are replaced each year by investments to the extent of the sinking fund payments in that year. The Health Insurance Scheme thus goes on accumulating

reserves year by year at the expense of an artificially high contribution.

This feature of a steadily growing insurance fund is common to all solvent insurance schemes, and actuarial science is practically unanimous in denouncing any scheme for meeting the year's liabilities out of the year's income without the necessity of carrying forward from year to year an ever-growing reserve to meet the hypothetical liabilities of the future. It is pointed out that wherever schemes based upon a "natural" premium have been tried they have proved a failure, but the significant fact must not be overlooked that such experiments have only been on a voluntary basis, and there is a world of difference between a voluntary and a compulsory scheme of insurance, so that it by no means follows that some such scheme might be adopted with a considerable measure of success in a comprehensive scheme of compulsory State insurance, particularly so in view of the fact that it is possible to underwrite the scheme by a State guarantee.

This view gains support from no less an authority than Professor Pigou, who writes:

"The insurance society holds as reserve, and, therefore, presumably invests, a sum of money equal to the present value of the obligations which it has contracted in favour of its existing members, *minus* the present value of the probable future premiums to be paid by those members. So much is necessary to maintain technical solvency. Under schemes of compulsory insurance of guaranteed permanence the certainty that the inflow of young members will not be checked enables the revenue to be safely maintained at a level much below this. Thus, in the German law of accident assurance 'provision is made only for payment of the benefits falling due during the current year, leaving the payment of sums falling due in subsequent years to be met out of the receipts of such years.'"¹

¹ *The Economics of Welfare.*

A scheme on these lines for application to the finance of National Health Insurance has been suggested in a pamphlet by Mr. Walter Farris, an Approved Society official.

If the joint scheme commenced, as has been suggested, with the present reserves of the National Health Insurance Scheme behind it (less the deficit of the Unemployment Scheme), this ready-made reserve, although doubtless nothing like sufficient, from the strictly actuarial point of view, to counterbalance the theoretical liabilities of the future, would in any event be sufficient, and more than sufficient, to cover any margin of inequality between income and expenditure from year to year for a period of many years, so that if the contributions were fixed at a level approximately sufficient to meet the liabilities of a hypothetical year, the present reserves, even in the very worst contingency, would probably suffice to see the scheme through its first twenty years of operation at least.

This would be a substantial economy in enabling contributions to be kept as low as possible, and it is tentatively brought forward from this point of view, though it must not be deemed to be an essential part of the scheme. At any rate there would seem to be a strong case for inquiry as to what might be done in this direction.

To enable us to form some idea of the nature of the contributions required let us make the purely arbitrary assumption that the average rate of benefit (sickness, disablement, or unemployment) would be 30s. a week, which would, roughly speaking, be the benefit payable to an insured workman with a wife and two children whose wages were 45s. a week.

Without claiming that any actuarial value whatever attaches to the following figures, it may be suggested that in order to provide the foregoing benefits and their cost of administration a contribution of the nature of 4s. 3d.

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per head per week would be necessary, made up as follows:

	Per head per week.	
	s.	d.
Cost of Sickness and Disablement Benefit averaging 30s. a week, say .	1	1½
„ Accident Compensation „ „ „ „ .	0	1½
„ Mothers' and Orphans' Pensions of 20s. and 7s. 6d. a week .	1	0
„ Unemployment Benefit averaging 30s. a week .	1	6
„ Burial Insurance of £15	0	1¾
„ Administration	0	2
„ Loading	0	2¼
Total average weekly contribution	4	3

It is suggested that the contribution be payable as follows. A fixed sum of 1s. per head per week payable by the State and the municipality jointly,¹ the balance, which would depend upon the wages, and which in the above hypothetical case would amount to 3s. 3d., being payable as follows: by the employer 3½ per cent (8d. in the £) on wages; by the employee 2½ per cent (5d. in the £ or one farthing in the shilling) on wages.

It must be emphasised that the foregoing figures are not in any way advanced as being in themselves a correct contribution to meet the benefits described, but they are probably sufficiently within the mark to give some idea of the order of the contributions which would be involved, and it will be noticed that they do not represent any very revolutionary departure from the payments made at present. Under the existing arrangements an employer pays a flat rate of roughly 1s. 4½d. per week to cover the risks of sickness insurance, unemployment insurance, and Workmen's Compensation Act insurance, for his workmen; the workman himself now pays about 1s. 3d. a week to cover his sickness insurance, unemployment insurance, and burial insurance, and the municipality probably spends at least the proceeds of a shilling rate

¹ Say normally 9d. per head per week from the State and 3d. per head per week from the municipality, the proportion varying, however, according to the circumstances.

(which is roughly what it would cost in an average town to meet a contribution of 3d. per head per week on the Poor Law expenses which this scheme would replace). The State's liability of 9d. per head per week is probably not very much different from its present liabilities in respect of sickness and unemployment insurance. It must be borne in mind that the State's expenditure in respect of Old Age Pensions is as at present, in addition to its liability in respect of the above contribution.

But the foregoing contributions, it must be remembered, make no provision for medical benefit (costing to-day over nine million pounds per annum) and maternity benefit (costing two millions a year). These would represent a real increase to the foregoing, but would not fall directly upon the contributors to the insurance scheme, since, as has already been suggested, they should form part of a wider scheme dealing with public health paid for through the machinery of taxation, national and local.

At the same time it must be remembered that the country has been paying far too much for its insurance in the past owing to the excessive caution shown by the actuaries. Health Insurance possesses a profit surplus of £37,000,000 in addition to enormous (and quite unnecessary) reserves and "suspense" funds. Accident Insurance has been paid for by the employers on a highly inflated scale. Unemployment Insurance is on such a basis that if the rate of unemployment fell to 4·5 per cent the *annual* surplus would exceed £30,000,000.

There is no reason why a saving at least equal to the annual cost of medical benefit and maternity benefit (say eleven millions) should not result from the operation of a co-ordinated scheme, particularly if the premiums were put upon a "natural" basis, or at any rate if only sufficient reserves were allowed as to provide a "shock fund" to meet an emergency situation and to allow time in which to make temporary arrangements.

From the employer's point of view he will be called upon to pay an inclusive contribution slightly in excess of what he is now paying, but on the other hand he will be saving a good deal of unnecessary labour, since instead of keeping one set of Health Insurance cards, and another set of Unemployment Insurance cards, and taking out a policy under the Workmen's Compensation Act covering his employees, his liabilities will be met by drawing a cheque once a quarter in favour of the Insurance Fund. On the other hand he will gain increasingly with the improved level of physique and efficiency of his workmen, whilst trade will be stimulated enormously and unemployment decreased by the increased purchasing power of the working classes in all directions.

The employee will gain by being assured of a reasonable sum in any of the casualties of life, and he need no longer fear the worst horrors of unemployment. He will not run the risk of being cozened out of any of the benefits to which he may be entitled, nor will he fall between the two stools of sickness insurance and workmen's compensation, as he too often does at present. It will be easier for him to draw the benefits to which he is entitled.

The State will gain immeasurably by the gain of its citizens, and that in its turn will be felt more immediately in the municipalities, which will see the prosperity of their inhabitants steadily increasing.

CHAPTER V

HOW THE SCHEME WOULD WORK

IT is suggested that Parliament should lay down a national minimum of social insurance by specifying the minimum benefits that will be acceptable in any local scheme. At the same time presumably it would stipulate some sort of maximum beyond which the subsidies from the National Exchequer could not be expected to go. Within these limitations power should be given to the local Insurance Authorities to determine their scales of contributions and benefits. It is a safe assumption that the great majority of Local Authorities would, at the commencement at any rate, adopt the national minimum as their scheme. Only a few particularly enterprising districts are likely to exceed this from the commencement. In the case of the general local Fund, arrangements may be made with large employers to pay their own contributions and their employee's quarterly by cheque, deducting in due course the employee's contributions by weekly instalments from wages in the present fashion.

With regard to the subsidy to be made from the Central Exchequer and from the local rates, whilst a normal basis (such as, for example, a fixed 9d. per head per week from the Central Exchequer and 3d. per head per week from the local rates) would be framed to meet the general hypothetical case, it would happen in practice that this must vary almost from locality to locality in

accordance with the nature of the district and its general financial position. It will probably be found essential to set up some equalisation fund, similar in operation to the Metropolitan Rates Equalisation Fund, so that the wealthy residential areas should to some extent subsidise their poorer industrial neighbours. This is very necessary, as the cost of maintaining the unemployed varies from a mere trifle in a town such as Cheltenham or Harrogate to an overwhelmingly large amount in a borough such as Poplar or Sheffield. But, as has repeatedly been emphasised, unemployment should be a national charge, and therefore it is only fair that it should not be allowed to fall with crushing weight upon those towns which constitute the country's workshop. On the other hand it must be borne in mind that a similar result could be achieved by the necessary flexibility in adjusting the proportions of the contribution of the State and the municipality, since the National Exchequer acts in effect as an equalisation fund.

Whatever the machinery set up for this purpose, the result to be aimed at should be that on the average the contribution from the local rates should not exceed the cost to the local rates of that part of the existing Poor Law expenditure attributable to the supplementing of unemployment benefit and the care of widows and orphans, etc., and the other burdens which it is proposed to transfer from the Poor Law to the social insurance scheme.

The local scheme having thus adopted its scales of contribution and benefits, and the financial provisions having been settled, we now come to the machinery by which the benefits will be provided. As has already been suggested, the local Insurance Fund will be able to house itself and staff itself from existing buildings and staffs, and it will organise itself so that it possesses one or more convenient central offices in its town or area, with a number of branch offices, the whole being linked

up with the Employment Exchanges on the one hand ¹ and the local Public Health Authority on the other. The whole of the book-keeping of the scheme, of every description whatever, will be carried out locally, and there should be no more need to refer to any central bureaucracy, whether in Whitehall, Maida Vale, or Kew. Here, at one stroke, the administration of the scheme will save the millions a year at present spent in maintaining the enormously costly and duplicated machinery of Health and Unemployment Insurance to which reference was made in earlier chapters. All the troublesome and vexatious delays in verifying an insured person's status or title to benefit would be done away with, nor would the insured person be harassed with reference to the six or eight different authorities with which he comes into touch in similar affairs at the present moment. Whether his claim is due to sickness, accident, unemployment, or old age, or whether it is a widow obtaining a burial allowance for her late husband, or a pension for herself and her orphan children, there will only be the necessity of referring to the one authority, and this authority will be easier of access than any single one of the multifarious agencies of to-day. For the local Fund will not only have its central offices and its branch offices conveniently situated through the area, but it will also possess a considerable outdoor staff recruited from the industrial assurance agents and from the large Approved Societies.

By a scientific development of the "block system" one representative of the local Fund will be assigned to every so many houses, and the insured inhabitants of those houses will be under his care for all matters relating to their insurance. In this way the closest possible touch will be maintained between the local Fund and the insured persons, and there should no longer be the possibility of weeks of delay in getting benefits, which is such a common

¹ Probably in every case a branch office of the Insurance Fund will be situated in the Employment Exchange building.

feature in connection with Health Insurance, Workmen's Compensation, death benefit, etc., at present. Either through these local representatives, or through a supplementary staff with special qualifications, visiting and inspection can be carried out, not only from the point of view of preventing malingering, but also—even more important socially—to ensure that every person in any kind of distress is receiving the care or attention which his case necessitates.

The suggestions of the Fabian Research Department in connection with the utilisation of this outdoor staff are interesting:

“How extensive should be each ‘block’ after the first few years; how many of the existing agents will be dispensed with as vacancies occur; on the other hand, what other duties are likely to be found for such a valuable public officer in daily connection with a definite group of households, and what prospective advancement in the public service he may obtain, are questions that we must leave to future experience to decide. It may be that a responsible public officer in constant touch with every 200 families would be a valuable adjunct to the Registrar-General in the registration of births and deaths (the existing imperfect organisation being merged).¹ It may be that such an officer would be useful to the Board of Education and the local Education Authorities, in the more systematic registration of the non-adult population, throughout the years, not only of compulsory school attendance, but also of continuation school, apprenticeship, and physical training, to which the nation must now inevitably give increased attention. It may be that a geographically dispersed staff of public officers is just what is needed in the impending reconstruction of the machinery of the National Insurance

¹ It is extraordinary that this country should be without an “*État Civil*” of its population—probably the only European State outside the Balkans without such a department.

Act (in the administration of which, for Approved Societies, about half of the industrial agents are already employed). We may even see each 'block' of families provided with the assistance and assigned to the care of a competent public officer, as regards the various branches of social insurance now being unsystematically supplied, including not merely the provision for sickness and death, but also that for industrial accidents and diseases under the Workmen's Compensation Act, and that for old age under the Old Age Pensions Act."

CONTRACTING OUT

In a former chapter it was contended that no system of insurance by industry on a national scale was administratively feasible, even if it were desirable. On the other hand there are many arguments in favour of permitting sections of local industries to contract out of the local Insurance Fund, provided always that the financial provisions under which such contracting out is permitted are so arranged that the local Fund is not prejudiced by the withdrawal of a section of its membership. If a local industry possessed sickness rates and unemployment rates distinctly more favourable than the average for the rest of the district, it would obviously be detrimental to the financial side of the local Fund for this section to break away from it unless a subsidy was paid by the separate section to the parent fund to an extent sufficient to counterbalance the disturbance in the level of risk. Subject to this condition it might be a good thing for such contracting out by industries to be permitted within the area of any fund. The employers in this district would then have the onus of devising a scheme not less favourable than that of the local Fund, and they would have to undertake the obligations of guaranteeing the stability of their own fund. In this way they would have a very definite incentive in keeping

down the expenses of the insurance scheme by keeping down unemployment.

It may be argued that no employers would care to undertake these obligations if the cream is skimmed off the milk by reason of their having to pay a subsidy to the local Fund as the price of being allowed to set up their own scheme. But this by no means follows. One of the principal arguments used by the supporters of insurance by industry is that the mere existence of an autonomous scheme in an industry or industrial establishment, jointly by the employers and the employed, tends to promote industrial peace, and to pave the way to better relations between masters and men. If there is any force in this argument it ought not to be overlooked. If, on the other hand, there is nothing in it, then there will be no demand for contracting out.

TRANSFERS

One of the greatest factors of complexity in the present Health Insurance Scheme is that of the transfer of the insured person from one society to another. This would be a comparatively simple matter but for the fact that owing to the scheme being based upon an actuarial reserve foundation it is necessary to calculate the transfer value of every individual, and to debit this sum to the society he is leaving, and credit it to the society to which he is transferring—a process which entails a considerable volume of work both on the part of the Approved Societies and the central department.

It is obvious that whatever system of insurance is adopted, short of one nationalised fund, transfers from society to society will constantly be taking place, and indeed may even be increased by the suggestions made in this book for basing our social insurance on local societies. It is highly desirable that the machinery of transferring from society to society should be made as simple as

possible, the more so bearing in mind the ever-growing necessity for increasing the mobility of labour.

The avoidance of administrative difficulties of transferring is another argument in favour of basing the finance of our social insurance scheme on the "natural" system of contributions whereby the year's income is made to balance the year's expenditure. If this were done not only would the contributions for our given benefits be very much less, but transfers of insured persons from one locality to another would be accompanied by very little administrative difficulty indeed, for except for the case of a person permanently changing from one locality to another whilst actually in receipt of benefit (an unlikely contingency) no "transfer value" would need to pass.

This possibility is of the greatest importance, because the existing system of reserve values upon which the National Health Insurance Act is based is the direct cause (coupled with the large number and diversity of Approved Societies) of an unnecessary expenditure upon administration of some hundreds of thousands, if not millions, of pounds annually. The idea of fixing contributions without regard to the necessity of building up an actuarial reserve is not so unsound as at first sight it might appear, and as many actuaries would have us believe. Granted that it is highly undesirable in the case of a society recruited upon a voluntary system, and in which the influx of young lives might at any time cease, it remains to be proved that it is undesirable in the case of a national scheme recruited on a compulsory basis, in which there must always be a comparatively similar range of ages insured at a given moment.

Although this financial foundation must not be taken as a fundamental feature of these present suggestions, yet it is highly desirable that the possibility of its adoption should be investigated, and that those investigations should be free from professional prejudice which has in the past dis-

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missed similar proposals¹ in an arbitrary and high-handed fashion.

THE VOLUNTARY CONTRIBUTOR

It is quite easy in framing a compulsory insurance scheme to bring within its scope by Act of Parliament all those who are "employed under contract of service." It is, however, far more difficult to frame a scheme which will also include the many thousands of working men and women who earn their living in some other way, and who yet are in urgent need of the benefits of insurance. Mr. Lloyd George's Insurance Bill in 1911 made a valiant effort to rope in these independent workers by means of a system of voluntary insurance, which, however sound in theory, proved unworkable in practice, and was subsequently repealed. This unsuccessful experiment, however, must by no means be considered as having disposed of the problem. There are probably at least one million persons whose incomes do not exceed two or three pounds per head per week (*i.e.* who are on the same financial level as the ordinary workman) who make their living as hawkers, costermongers, "master-men," small shopkeepers, and other similar occupations. This class is, to say the least of it, just as prone to the financial contingencies arising from unemployment, sickness, etc., as the rest of the working population, and it is absolutely essential, particularly in view of the fact that we are postulating a break-up of the present Poor Law, that they should be brought within the four corners of our insurance scheme.

How is this to be done? The experience of the Insurance Act has shown the futility of their relying upon their taking advantage of a voluntary scheme grafted on to the compulsory one. The only way of bringing them in is for the draughtsman to word his Bill so skilfully,

¹ Notably those of Mr. Walter Farris for the simplification of the National Insurance Act.

whether by way of an income limit provision or by some other very careful form of definition, as to make the scheme compulsory on all concerned.

But this by no means ends the difficulty. A hawker earning, say, £2:10s. a week is not in the financial position to pay the whole of the contribution, *i.e.* the employer's share as well as the employed's—yet this is what is only logically fair in his case, since in theory at any rate being his own employer he has the possibility of making a "capitalist's" profit in addition to his own "wages of industry."

There is, however, one way in which this difficulty could be surmounted. Such a person might be called upon to pay in the first instance only the employed person's share of the contribution (with the option to pay the employer's share as well should he so desire), the balance of the contribution being charged against him as a debt to be defrayed in convenient instalments out of benefits, as and when they fall due, as is the case in many systems of voluntary life insurance at the present moment. This suggestion is brought forward with some diffidence, as the solution it offers is fraught with a good many drawbacks.

Difficult though this problem is, it is one for which a solution has got to be found, whether under the full social insurance scheme herein proposed, or even in the continuation of the present Health and Unemployment Insurance Schemes, because the existence of these uninsured small-earning workers is a very grave flaw in both schemes at present, since in time of sickness, bad trade, etc., the only refuge of such workers is the Poor Law.

DEPOSIT CONTRIBUTORS

One of the thoroughly unsatisfactory features of the present National Health Insurance system is the continued existence of the deposit contributor.

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It will be remembered that the original Act provided that all insured persons who did not become members of Approved Societies automatically became deposit contributors, which meant in effect no more than a form of compulsory saving without any feature of insurance, the contributor merely being entitled in time of sickness to draw out what he had paid in, plus a State grant of two-sevenths of it.

The unsatisfactory nature of this arrangement was recognised by making it terminable at December 31, 1915, but so far no way of bringing it to an end has been devised, and this deposit "insurance" has been kept in existence by means of successive Expiring Laws Continuance Acts. At the present time there are some quarter of a million deposit contributors, and what to do with them is a problem that has hitherto baffled the administrators of National Insurance.

It is not that these deposit contributors are "bad lives." On the contrary, most of the really unhealthy insured persons, all, that is to say, that possessed any wits, have obtained admission to some Approved Society or other so as to qualify for full benefits. The average standard of health amongst the deposit contributors is as high as, if not higher than, that of the average Approved Society.

The difficulty is that with the enormous number of societies it is impossible to allocate the deposit contributors amongst them, and the position is further complicated by the fact that whilst the deposit contributors include all and sundry, many Approved Societies have special qualifications for membership, such as total abstinence, religious profession, trade union membership, sex, etc. etc.

These difficulties, however, vanish entirely under the present proposals. If there is but one Insurance Authority for an area, it is merely a question of transferring to it *en bloc* all the deposit contributors in that area, and the

problem is instantly solved. This is a minor but a very definite argument in favour of a localised form of insurance organisation.

MUNICIPAL BANKS

It is one of the difficulties of the writer on social reform to know when to refrain from dealing with subjects outside his own, but which are coterminous with it to such an extent that the temptation to stray across the frontier is almost irresistible.

Such a subject in the present instance is Municipal Banking, and since banking and insurance finance are so closely connected, it is perhaps justifiable to add a paragraph on a very attractive auxiliary to a scheme of social insurance by local areas.

The extraordinary measure of success achieved by the Birmingham Municipal Bank (operating under a special Act, so far unique of its kind) has directed attention to the great possibilities for civic good possessed by such institutions.

A municipality is a constant, a large, and a trustworthy borrower; a bank is of necessity a large lender, demanding for its loans just those qualifications which a municipality can offer. If the two can get together in a permanent stable connection, without the intervention of private profit-making and without the influence of external financial interests, nothing but good can result.

Not only will the funds of the bank find a suitable channel for investment in the Local Loans Fund, but also they will be available for loans to the private investor (subject to due safeguard) for such purposes as house building or purchase, and in the case of Birmingham over 4000 such investments have been made, which means the erection or purchase of 4000 houses by "small men."

Furthermore, the bank starts with much routine

business awaiting it in the form of the ordinary municipal turnover—the inflow of rates and the outgo of weekly, monthly, or other disbursements. All the advantages of the Trustee Savings Bank or the Penny Bank exist, plus a great many others which are far beyond the scope of the smaller organisation.

But now we have another possible customer for the bank, with a turnover of anything up to a quarter of a million a week, in the person of the new local Insurance Authority. Clearly it would be advantageous for all concerned if the municipal bank were the bankers of the Insurance Authority. On the one hand, the bank would gain in an increased turnover, and on the other the insurance scheme would be able to avail itself of the accounting and paying services of the branches of the municipal bank.

It would be a great help to the smooth working of the Insurance Authority if all payments of benefit could be made by cheque, and if such cheques could be cashed at any branch of the municipal bank such a scheme would be perfectly feasible. Even to-day the Birmingham Municipal Bank possesses twenty-eight branches, a number which could easily be doubled if need be in virtue of the new accession of business which the insurance scheme would bring.

In the matter of investments, too, the two organisations could help each other greatly, dealing as borrower and lender at a “middle” price, and thus cutting down the financial wastage of brokerage and commissions now paid by municipal borrowers, whilst correspondingly giving the investor the “turn” in the price.

This suggested co-operation of the insurance scheme with municipal banking is obviously not an integral part of the scheme, but it is a development which would be so extremely helpful as to render it worthy of mention here.

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