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SOCIAL INSURANCE DEPARTMENT

The National Civic Federation

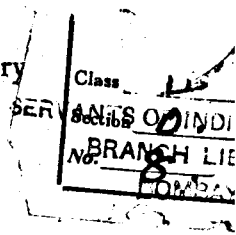
GEORGE W. PERKINS, Chairman

Committee on Preliminary Inquiry

J. W. SULLIVAN, Chairman
Representing Wage-Earners

ARTHUR WILLIAMS
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P. TECUMSEH SHERMAN
Attorney-Social Insurance Specialist



NEW YORK, November 17, 1914.

MR. GEORGE W. PERKINS,
Chairman, Social Insurance Department.

DEAR SIR:

Herewith is submitted the report of the Committee on Preliminary Foreign Inquiry, Social Insurance Department, The National Civic Federation.

In the preparation of this report, foremost consideration has been given to the desire of the interested general reader for a simple and untechnical statement of the operation and results of social insurance in Great Britain today. Much besides, however, in the way of statistical data, particulars as to administration, and references to the laws and regulations and the literature pertaining to the subject, is presented to meet the requirements of persons who would go thoroughly into a study of the system.

The report is divided under three heads:

First—National Health Insurance.

Second—National Unemployment Insurance.

Third—Old Age Pensions.

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NATIONAL HEALTH INSURANCE.

A person employed in the United Kingdom or on a British ship, who seeks to know his status with regard to the nation's compulsory health insurance, first ascertains whether he is in a division of the population subject to its provisions. He is not under the Act: (1) If he is under sixteen years of age or over seventy; (Sec. 1 (1)). (2) If he is employed otherwise than by way of manual labor and his yearly rate of remuneration exceeds £ 160 (\$778.64); (First Schedule, Part II, (g)). (3) If he is not employed under "a contract of service," even though his remuneration be below £160; (First Schedule, Part I, (a) (b) (c) (d)). (4) If he is "in the employ of the Crown" (unless covered by the special provisions of Section 46 relating to seamen, marines and soldiers); or in the employ of other public or local authority or as a clerk or salaried official of a railway company or corporation, under which equal provision in case of sickness or disablement already exists; (First Schedule, Part II, (a) (b) (c)). (5) If he falls within one of the other classes excepted in First Schedule, Part II, (d) (e) (f) (h) (i) (j) (k) (l).

The sphere of compulsion is thus necessarily confined by the law to those wage-earners whose employers can be successfully compelled to act as tax collectors. The people of the working class and working age not brought into the insurance number twelve to thirteen millions. Of these, about seven millions are the non-employee wives of wage-workers, one to two millions are wage-workers under the insurable age, and three to four millions are breadwinners whose occupations do not place them under an employer. In the last named class are multifarious small shopkeepers, job-workers, porters, hucksters, drivers, carters, and other numerous workers self-em-

ployed or employed by parents or other relatives in family life. All exemptions counted, the Act applies only to about 30 per cent of the United Kingdom's population of forty-five millions. Seventy per cent therefore may be spoken of as excluded from the State health insurance, and of this proportion nearly a half are in the same social stratum as those who are compulsorily included. The insurance scheme is thus seen to be far from "national."

The compulsory inclusion, affecting only wage-workers, takes in about fourteen millions.

Having ascertained that willy-nilly he is subject to the State insurance, a wage-worker makes his first move to become insured by procuring a "contribution card," which he gets either from the post-office or from a society authorized by the government to represent a group of the compulsorily insured. He cannot get employment without a card. It therefore becomes a license to work. Penalties await both himself and his employer if he tries to keep a job without one. The card registers him as a ward of the government, obliged to take part in a scheme including working people of every degree of thrift and unthrift. The possessor of this working-class card is peculiarly subject to the identification, control, inspection, discipline, and direction of the authorities. He has a number; by it he is to be registered, tabbed, checked, and perhaps judged.

The wage-worker must put his insurance card in the hands of his employer. There it is taken in charge during his period of employment. All cards are now renewed at half-yearly terms, in January and July.

The insurance "contributions"—usually termed "dues" in American benefit societies and trade unions—are payable weekly. The amount is made up in parts by the employer, the employee and the State as prescribed by the law. The voucher for each week's payment of the employer's and employee's contributions is an insurance stamp, procurable at the post-office. It is pasted by the employer or his bookkeeper on the appropriate dated

space of the twenty-six spaces ruled off on the card representing together the half year. On pay day the employer deducts from the employee's wages the latter's share of the weekly contribution. Besides bearing their own share in the cost of stamps and advancing the share of the employees, employers pay for the complicated system of bookkeeping necessitated by the Act—the various computations and records of wages, exemptions, and contributions. This impost, something of a burden even where few persons are employed, becomes an important item in the case of large employers. A representative man in the shipbuilding industry is reported as saying in an interview: "The Insurance Act will cost our firm about £12,500 a year. It is absurd to suppose that the expense will be borne by the firm. Wages will have to be reduced or prices increased."

The wage-worker finds that the terms and conditions of his State insurance are not the same as when he insured with a company or a fraternal or other society. In dealing with any of the latter, an insurer has choice as to the amount to which he will insure, he can drop out at any time for one cause or another, and he pays a rate based on the average of risks incident to the insurable class in which he is placed by such circumstances as age or hazard. His State insurance scheme, on the contrary, gives him no choice in these respects. In all particulars the law is laid down for him. He can and must insure only for the flat uniform benefits accorded to all the insured who fall in his class under the Act; he can drop out only by becoming permanently unemployed, and he pays the invariable standard premium stipulated for one and all who earn prevailing wages for adult workers, whatsoever their occupation or rate of pay. For the grades of labor paid much below the ordinary scale (one-half or thereabout)—that is, beginners or the weaklings—the law prescribes lower contributions for the employee and higher for the employer, besides, in some cases, additional State aid.

The stamp affixed weekly by the employer on the ordinary card costs in the case of a man 7d. (14 cents), the employer's share of which is 3d. and the employee's 4d., while in the case of a woman it is 6d., of which the employer and employee each pays 3d. For the exceptional low-rate groups the contributions run: (1) The daily pay being less than 1s. 6d. (36 cents), the employer gives weekly 6d. for a man and 5d. for a woman, the State 1d. and the insured person nothing. (2) The pay being from 1s. 6d. to and including 2s., the employer gives 5d. for a man and 4d. for a woman, and the State and the insured person each 1d. (3) The pay being from 2s. to and including 2s. 6d., the employer gives 4d. for a man and 3d. for a woman, and the insured person 3d. For Ireland, the contributions are scaled lower, with no medical benefit.

In addition, the State contributes, besides those costs of the administration of the Act which it pays for, 2d. per week in respect of each insured person—with certain exceptions. The disposition of that extra 2d. is a point brought out subsequently in this report.

What the State insured wage-worker pays for his insurance is not summed up in his weekly stamp costs alone. He takes on burdens aside from the financial. His relations with the public authorities, his employer, his benefit society, his doctor, and the weaker members of society have all been changed. If healthy, sober, thrifty, and a skilful artisan, he has paid a high price in the loss of various personal rights—of the right to be free of police interference when selecting his own methods of thrift, of the right of preventing an employer from making deductions from his wages, of the right of being in a sick benefit society having liberty of self-management, of the right of an unrestricted selection of a doctor, and of the undoubted right not to be saddled with an unfair share in the support of the mass of chronically sick, or sham sick, or self-deceived as to sickness, and other such known

burdens of society in the helpless classes who would be forever "on the benefits."

Conditions under which the insured wage-worker may draw sick benefits are: He must first be sick three days without benefits, as these begin under the Act only with the fourth day, whereas the custom of British friendly societies has been to pay from the first day; he must have paid twenty-six contributions after insurance; he ceases to get full sick benefits after twenty-six weeks; he cannot draw more than the equivalent of two-thirds his usual wages; he must pay contributions in full regularly (subject to certain remittances of arrears, hereinafter explained,) or suffer a reduction in relief.

The maximum benefits granted the insured wage-worker by the law are:

1. Sickness—Payable twenty-six weeks; 10 shillings (\$2.44) per week for men; 7s. 6d. (\$1.83) for women.

2. Disablement (invalidity)—After payment of 104 weekly contributions and drawing twenty-six weeks of sickness benefits; 5s. (\$1.22) per week for men and women alike, so long as incapable of work, but not after the age of seventy.

3. Maternity—To an insured woman and to the wife of an insured man 30s. (\$7.30) in case of confinement.

4. Medical—Treatment and medicine for an insured wage-worker (not for his family) and some few specified simple medical and surgical appliances.

5. Sanatorium—Free treatment for consumptives.

Next, as to the administration of benefits. Just as we have seen that employers have to act as government officials in the collection of the insurance tax (the "contributions"), so the Act turns over the processes of the administration of benefits to other non-governmental bodies acting as official agents. These are the "approved societies." To become insured a wage-worker either

joins an "approved society" or deposits his contributions in the post-office. As the latter method has serious drawbacks, among them costly difficulties in getting benefits, it is only intended for those who cannot get into approved societies. An organization, to become an approved society, is required by the Act to be under control of its members and not carried on for profit. To qualify under these provisions distinct "insurance sections" have been organized by friendly societies, trade unions, "provident" societies, "dividing" societies, "collecting" friendly societies, and industrial insurance companies, to the number in the Kingdom of 23,500. In one of these approved societies, therefore, the insured wage-worker registers himself, and thenceforth it is his medium for obtaining his pecuniary benefits under the Act, if he draws any. It has charge of all the financial transactions between the State and its members except the stamp contributions. An insured person has his choice among the approved societies. In trade unions, as an example, the union fund and benefits are not commingled with the State insurance fund and benefits. For the national insurance purposes the union forms a separate section. The union members are free to join this section or any other approved society. As a fact, two-thirds of the members of some of the larger trade unions who were already insured in benefit societies before the Act was passed have retained their membership therein. Those who were uninsured until compelled by the Act were of two classes—first, those persons who had not insured because in one way or another they were looking out for themselves by means better than this form of insurance, and secondly, the unthrifty and the helpless. In this case it becomes plain that the thrifty, theretofore exercising their choice as to self-help methods and otherwise at liberty to manage for themselves, have been forced by the State into an indiscriminate mass with the thriftless, to be taxed at the high rate rendered necessary

by the poorest risks, and obliged to submit to the rigid regulations of authority, however unfair, exigent, annoying, or humiliating—regulations in many respects designed for the detection and punishment of delinquents.

To take up one of these points—unfairness. The insured wage-worker of twenty years of age, having in mind the usual schedules of graduated insurance rates, based on those probabilities of benefits drawn at certain ages which through the statistics of experience have become certainties, might naturally expect that under the Act men who become insured at the age of forty should pay a higher rate or draw lower benefits than himself. This is not so. All the insured men of the ordinary mass under the Act, old or young, in the dangerous and unhealthy or in the safe occupations, pay the same contributions and draw the same benefits. But it is obviously more costly to insure a man of forty than one of twenty. To make good the extra cost of the older ages, an amount has been calculated by the State insurance actuaries for each age showing the value of the “reserve” which each contributor would have built up for himself by his past payments if he had become insured at the age of sixteen. This “reserve value” is supposed to be provided under the Act for each insured person. The aggregate of the “reserve values” due its total membership is credited to each society by the national insurance fund. This aggregate, continually changing on account of transfers of members from one society to another, draws interest to the society at the rate of 3 per cent. Final payment to all the societies of their “reserve values” must come from the national insurance fund, which, instead of getting the money for this purpose from the national treasury, deducts it from the 2d. per week per capita that the Act prescribes shall be appropriated by the State for each insured wage-worker. Payment in this manner of the total of the “reserve values” credit, it is now estimated, will take most of every such 2d. for the next twen-

ty years. Inasmuch as in that period a large proportion of the older men and women among the insured will be dead, or will have drawn much more benefit than the younger, it is seen that it is upon the latter that by far the greater part of the burden in contributions has fallen. It has not been a case of equal payments for equal risks. The State has here enforced charity to one set of wage-workers at the expense of another set of wage-workers.

As it is important that it should be understood what is meant by "reserve values," the only technical phrase employed in this report not easily interpreted, this definition is added to the explanation given of it in the previous paragraph: Reserve values—The credit which at the beginning of the operation of the Act was accorded by the National Insurance Fund to all those among the insured who were of an age above the youngest insurable year, the amount of reserve value for each person being equal to the accumulated sum which he would have had to pay from the first insurable year to his actual age.

We now pass from the viewpoint of the individual insured wage-worker to observations of a wider character.

The national health insurance law is contained in Part I of the National Insurance Act, 1911 (with the exception of some general provisions relating also to unemployment insurance which are to be found in Part III thereof) as amended by the National Insurance Act, 1913, which two Acts together may be cited as "The National Insurance Acts, 1911 to 1913." These Acts are supplemented by an immense and steadily growing mass of Regulations, Orders, Special Orders, Tables, Model Rules and Decisions of the Joint Committee of the National Health Insurance Commissioners, of the Insurance Commissioners for England, Scotland, Ireland and Wales respectively, and of the local Insurance Committees, besides various regulations of the Treasury, Local Government Boards, Commissioners of Inland Revenue,

etc., which have kept the administrative practices so far in a constant and confusing state of flux and change.

The best edition of the law, with notes and the more general regulations, etc., approximately to date, is contained in "National Insurance," by Comyns Carr and others, (4th ed., Macmillan, London, 1913).

The official reports for the first two years are:

"Report for 1912-13 on the Administration of the National Insurance Act, Part I," (Cd.6907), hereinafter referred to as the First Report.

"Report for 1913-14 on the Administration of the National Health Insurance," (Cd.7496), hereinafter referred to as the Second Report.

The official actuarial estimates are published in the documents printed under the authority of the official stationery office whose record numbers are Cd.5681, 5983, 6898 and 6984, the first two relating to the Act of 1911, and the latter two to the Act of 1913.

The best critique of the operations of the Act approximately to date is to be found in the Special Supplement to "The New Statesman" (the organ of the Fabian Society) for March 14, 1914.

By reading the reports and the other productions just named, one may obtain a thorough comprehension of the Act and its operations. Unfortunately the two official reports are exceptionally redundant and do not disclose much information on critical points.

In conjunction the following are instructive reading:

"Medical Benefit in Germany and Denmark," by I. G. Gibbon. (P. S. King and Son, London, 1912).

"House of Commons,—14th February, 1912, to 7th August, 1912.—National Insurance Act, 1911. Reprint from Parliamentary Debates . . . relating to the National Insurance Act of 1911." (Jas. Truscott & Sons, London, 1912).

"Debates on National Health Insurance.—House of Commons Session 1913. . . . From 12th March to

15th August, 1913." (Jas. Truscott & Sons, London, 1913).

"The Insurance Act at Work," by Sidney Webb and Rose Gardner. "Contemporary Review," July, 1914.

In the following notes and comments it is not intended to explain in detail the provisions of the law or its administrative machinery, which may be learned from the reports and other matter in print above cited. Care is taken, however, to clear the way for the general reader by means of explanation where deemed necessary.

Both the law and the regulations differ somewhat for the different countries—England, Scotland, Ireland and Wales—respectively; but not very materially, except in the case of Ireland, where there is no "medical benefit."

The Act took effect July 15, 1912, but benefits did not begin for sickness until January 13, 1913, and for disablement until July 15, 1914.

The original Act was badly framed. Its technical terms were frequently left undefined. Exceptional cases were not well provided for. Administrative difficulties, easily to be foreseen, were not provided for. The Act effected a revolutionary change by legislative fiat with comparatively little regard to ways and means. And the amendatory Act has done little to cure these defects. That the Insurance Commissioners have within three years got this cumbrous and defective piece of legislation into such working order that at least some benefits are coming out of the hopper is an administrative feat greatly to their credit. Not to overemphasize the formal defects of the Act, they must at least be charged with three years of waste, disorder and increased social discontent.

This law is now unpopular with various classes, although for different reasons among different classes. But it is generally regarded as a "*fait accompli*" from which there is probably no going back. Nevertheless, an Opposition member, Sir Richard Cooper, in July 1914, introduced in the House of Commons a bill (a duplicate

thereof being introduced in the House of Lords by Lord Willoughby de Broke) to substitute for it a system of State-assisted voluntary insurance. This bill, however, stands no chance of favorable consideration at present; for the Government is hopelessly committed to the existing law, and the Opposition is in the position of having co-operated in its enactment. Moreover, the administrative authorities predict that much of the popular dissatisfaction will die out when the machinery of the law gets into better working order.

See also "The National Insurance Act. An Alternative scheme," by W. Gerald Orriss (London, P. S. King & Son, 1913).

In round figures, the official estimate is that 14,000,000 persons are covered by insurance under the Act as against about 6,000,000 covered by somewhat similar insurance before the Act. Against this estimate, however, stands that of a hostile critic of the Act, an officer of an approved society, who denies any increase through it in effective insurance. He points to the fact that in 1911 there were 14,940,103 members of Registered Friendly Societies and 12,750,693 depositors in the Post Office Savings Bank and similar institutions (see "Sixteenth Abstract of Labour Statistics," pp. 265 and 326), not to mention that large numbers of wage-earners carried industrial insurance and that many employees were by custom or contract well cared for in sickness by their employers. But these voluntary means, it is asserted in reply, certainly did not cover entirely the same 14,000,000 who are now protected by the compulsory insurance; two to three millions of the poorest wage-workers of the Kingdom, formerly without insurance, have been taken in. Moreover, the voluntary insurance was generally less complete, particularly in respect of permanent invalidity; and up to date the compulsory insurance has not generally displaced, but to a degree has supplemented, the mass of voluntary insurance, although probably it will tend to displace it ultimately.

In the official reports it is frequently implied that the whole working class population is included among those probably benefited by the Act, for the reason that dependents of the insured, in certain contingencies, may be allowed benefits. But those contingencies are altogether too remote and improbable to be given weight as aiding any material proportion of the dependents.

It is therefore impossible to estimate the true, permanent increase in social assurance of adequate relief in sickness and invalidity effected by the Act. As to women, the beneficial increase has probably been considerable; but as to men, the amount of benefit is more doubtful. To the near-submerged the "sick pay" is, as would be any other dole, a godsend.

DIVIDED ADMINISTRATION.

For administrative purposes the United Kingdom is divided into districts composed of England, Scotland, Ireland and Wales respectively, with a separate Insurance Commission for each. A large share of the administrative functions is vested in these separate Commissions, leaving only more general functions for the Joint Committee of the Insurance Commissioners in London. This division of jurisdiction has both advantages and disadvantages. The trade unions and old friendly societies, whose "jurisdictions" extended over the Kingdom, generally oppose this division; whereas it is supported by the home-rule" sentiment. The controversy between these opposed opinions is still carried on.

FINANCIAL STATISTICS.

Government appropriations (estimates) for the year ending March 31, 1915, for account of the health insurance.

National Joint Committee:

*Central Administration—direct	£23,964.
* “ “ —indirect	8,457.
‡Special drug fund (grant in aid)	30,000.
†Mileage fund (grant in aid)	54,000.
‡Adm'n of medical benefit (grant in aid)	81,000.
‡Medical research fund (grant in aid)	56,500.
*Expenses of members of insurance committees	30,000.
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	£284,321.

Insurance Commission—England:

*Central Administration—direct	£296,911.
* “ “ —indirect	281,725.
†Weekly contributions	98,400.
‡Medical and sanatorium benefits (grant in aid)	895,500.
†Sickness, disablement and maternity benefits	1,701,200.
*Expenses of administration of societies and committees (grant in aid)	445,800.
‡Medical benefit—special (grant in aid)	1,371,400.
†Miscellaneous grants	88,400.
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	5,178,336.

Insurance Commission—Wales:

*Central Administration—direct	£42,152.
* “ “ —indirect	30,260.
†Weekly contributions	5,100.
‡Medical and sanatorium benefits (grant in aid)	60,100.
†Sickness, disablement and maternity benefits	132,500.
*Expenses of administration of societies and committees (grant in aid)	29,500.
‡Medical benefit—special (grant in aid)	92,300.
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	391,962.

Carried forward .. £5,854,619.

	Brought forward ..	£5,854,619.
<i>Insurance Commission—Scotland:</i>		
*Central Administration—direct	£64,615.	
* “ “ —indirect	45,720.	
†Weekly contributions	16,400.	
‡Medical and sanatorium benefits (grant in aid)	129,000.	
†Sickness, disablement and maternity benefits	243,200.	
*Expenses of administration of societies and committees (grant in aid)	63,600.	
‡Medical benefit—special (grant in aid) ..	194,000.	
	<hr/>	756,535.
<i>Insurance Commission—Ireland:</i>		
*Central Administration—direct	£56,920.	
* “ “ —indirect	25,205.	
†Weekly contributions	75,600.	
‡Sanatorium benefit (grant in aid)	10,800.	
†Sickness, disablement and maternity benefits	123,700.	
*Expenses of administration of societies and committees (grant in aid)	30,500.	
‡Medical certification—special (grant in aid)	97,100.	
	<hr/>	419,825.
<i>National Insurance Audit Department:</i>		
*Direct	£109,500.	
*Indirect	11,595.	
	<hr/>	121,095.
‡Treatment of Tuberculosis, Special Grants ..	480,000.	
†Highlands and Islands Medical Service Board	44,847.	
	<hr/>	
Total		£7,676,921.

(For a detailed explanation of the foregoing items, see “1914-5; Estimates for Civil Services, 132-VII,” published by the Stationery Office).

The purposes of the various items are indicated by the following marks:

* Means an expense of administration.

† Means a State contribution contemplated by the Act.

‡ Means a State contribution not contemplated by the Act.

(This classification may be subject to some revision.)

Such of the foregoing items as go to establish "reserve values" are to be repaid to the Government, out of its 2d. weekly contributions, so that the total of the foregoing appropriations does not represent the net current charge on the taxpayers for the insurance, but something over and above.

From January 13, 1913, to January 11, 1914, the income from the sale of health insurance stamps was £18,779,954, representing approximately, though not exactly, the amount of the employers' and employees' contributions to the insurance for that period. It being assumed that their contributions for the period covered by the Government's appropriations above given will be about the same amount, the total annual gross levies for the insurance become about £26,450,000.

Hence, it is seen that for every 7d. contributed by employers and employees, the taxpayers are forced to contribute nearly 4d., and not only 2d., as was originally estimated.

EXPENSES OF ADMINISTRATION.

The original estimate of cost of administration for 1913-4 was £1,631,000. (Cd. 5681, p. 25).

On April 17, 1913, the estimated actual expenses of administration for 1913-14 were stated in the House of Commons, by Mr. Masterman, to be as follows:

Central administration	£855,659
Approved Societies and Insurance Committees ..	2,615,200
	£3,470,859

The £2,615,200 includes the aggregate of the maximum amounts (3s. 5d. per person) allowed to be carried by societies to their administration accounts, and should be reduced by any proportion thereof that may be saved. But it is a general complaint of the societies that that limit is insufficient; so that the probability of much sav-

ing on the average is slight, and any that may be made will probably be more than offset by increased expenses of the Insurance Committees. On the other hand, the cost of central administration for 1914-15 is estimated at about £1,000,000 instead of £855,659. So that the present administration cost is about £3,600,000 or about 14% of gross income, not counting the burdensome expense of unrequited administration imposed upon employers and the extra labors, with their cost, imposed upon the Post Office, the Board of Trade, the Local Government Board and other public bodies.

STATISTICS OF BENEFITS.

Figures furnished by the Insurance Commissioners to Mr. Locker-Lampson, M. P., and published July 22, 1914:

Sickness Benefit—Estimated average number in receipt thereof at any one time	290,000
Maternity Benefit—Estimated average number to whom it is paid in any one week	17,000
Sanatorium Benefit—Number under treatment January 11, 1914:	
Residential	5,931
Dispensary	5,738
Domiciliary	8,273
	19,942

Benefit	Benefits paid from Jan. 13, 1913 (in case of sanatorium benefit from July 15, 1912), to Jan. 11, 1914.		
	Estimated average weekly cost of benefit.	Estimated cost for whole period.	Estimated no. of insured who received benefit.
Medical	£108,000	£5,616,000	No information
Sickness	131,000 (a)	6,300,000 (b)	£3,600,000
Maternity	28,300 (c)	1,472,000	887,000
Sanatorium	16,300 (d)	836,500	44,195

(a) Benefits as provided by Act of 1913.

(b) Benefits up to October, 1913, as per Act of 1911, thereafter for persons 50 years or over at entry into insurance, as per Act of 1913—sickness benefit paid to an employed married woman in respect of four weeks following her confinement not included.

(c) Including sickness benefit paid to employed married women for first four weeks of confinement. Under Act of 1913 maternity benefit is payable therefor.

(d) Amount available weekly for sanatorium benefit.

PAYMENT OF CONTRIBUTIONS.

Resistance by employers to stamping the insurance cards was threatened at first; but no more is heard of that now.

Many employers of domestic servants and other small employers customarily refrain from deducting their employees' contributions from the wages, and consequently bear all the charge for the stamps. But large employers make the deduction, and, with the stamping and bookkeeping, it entails considerable extra clerical work in every establishment. Roughly it requires one good bookkeeper exclusively for this work alone for each 500 employees or additional portion thereof; and where the number is so much smaller that an extra bookkeeper cannot be afforded there is great inconvenience and often much expense in arranging for it. Altogether, this branch of the administration of the Act—carried on at no cost to the government—forms a heavy tax on the employing class. When an employer pleads its cost as a reason for opposing an increase of wages it obviously becomes in its incidence a tax on the wage-workers.

At first employers raised a loud outcry over the extra charge. But times have been good, and prices have been enough higher to cover it. It is the general opinion of employers that in the long run the extra charges imposed upon them by the Act will all come out of what would otherwise be paid for wages (an opinion confirmed by economists—see Pigou, "Wealth and Welfare," p. 116). But the defenders of the Act endeavor to imbue the working people with the doctrine that the employers' contributions are a pure gift effected by law and that the employers' expenses do not affect them.

The procedure for collecting contributions, stamping the cards, etc.,—taking for illustration a large establishment in a trade compulsorily insured under the unemployment insurance law—is as follows: A special large-leaved ledger is kept, with a distinct set of entries for

each week. In this is entered in separate columns the name of each employee, his file number, his time for the week, the employer's contribution to the health insurance, the employee's contribution thereto, the stamp covering both those contributions, the employer's contribution to the unemployment insurance, the employee's contribution thereto, the stamp covering both those contributions, gross wages, and net wages after deducting the employee's contributions. The footings of the proper columns are then balanced with the stamp and cash accounts.

The cards (in unemployment insurance called "books") are, as already stated, procured at the Post Office by the employees (except the "emergency cards") and presented to and held by the employer during an employee's service. They are valid only for certain prescribed periods as stated thereon—during the first period of the Act for three months, but now for six months. These cards are filed in open faced envelopes, each envelope endorsed with an identifying record of each card filed therein. At the end of each week the proper stamp is affixed in its ruled-off and dated space upon each card and cancelled. When he leaves employment, or when a card is filled, the card is returned to the employee, who receipts therefor in writing upon the envelope, acknowledging that it is properly stamped to date. That fulfills the employer's duties.

The employee must file each filled card or card for a completed period with his approved society, or with the Post Office if he is a "deposit contributor", i. e., one who for any reason is not a member of a society. (In unemployment insurance the "books" must be filed with the proper approved association or Labor Exchange.)

The practice is more complicated in the case of casual or irregular employees, and for this class is not yet working satisfactorily. The Board of Trade, however, is trying to develop practices whereunder casual workmen's cards may be held and stamped at the Labor Ex-

changes and the proper contributions collected from the various employers for the week; (cf. "The First Year's Working of the Liverpool Dock Scheme", by R. Williams. London, P. S. King & Son, 1914).

It is common talk that the cards of irregular employees are frequently lost or mislaid through ignorance or indifference; but to what extent cannot be ascertained through any official report. Employers of domestic servants and of other persons in small numbers in fixed employment often stamp the cards irregularly for periods in advance, as convenient to themselves.

The foregoing observations relate solely to the processes for the collection of contributions. When it comes to collecting the benefits the practices are far less well settled and much more confusing and difficult; (cf. "The Insurance Act at Work," by Webb and Gardner, "Contemporary Review," July, 1914).

The reader will at this point take note that the administration of the Act is five-fold: (1) The official superintendency; (2) The collection by the employers of the weekly dues and the stamping and bookkeeping pertaining thereto; (3) The work of the approved societies, which, connecting directly with that of the employers, moves through the subsequent stages to the payment of the financial benefits; (4) The machinery for the enrolment, assignment and payment of the doctors in connection with medical benefits; (5) The complex co-operation of various public bodies for the provision of the sanatorium benefit.

APPROVED SOCIETIES
Statistics for quarter ended April 13, 1913.

	Friendly Societies With Branches	Other Friendly Societies	Trade Unions	Collecting Societies	Industrial Insurance Companies	Employers' Provident Funds	Total
England {Men	1,877,051	1,816,266	948,885	396,105	2,162,396	78,665	7,279,368
{Women	510,888	652,379	205,599	267,554	1,597,000	20,432	3,253,852
Scotland {Men	344,103	221,307	140,346	314,633		2,680	1,185,418
{Women	93,965	132,177	13,558	188,902		2,794	269,047
Ireland {Men	87,171	250,279	54,361	87,803		5,227	484,841
{Women	37,959	125,376	8,023	60,140		189	231,687
Wales {Men	159,974	168,895	89,978	154,333		666	573,666
{Women	22,546	27,787	5,830	59,695		45	109,903
Total	3,133,657	3,394,466	1,466,580	5,288,561		110,698	13,387,982

Note that in the table the trade unions stand next to last in the order of numerical importance, whereas industrial insurance companies are a strong first. (The confusion of the industrial companies with the collecting societies seems to be due to the fact that one large approved society was organized by a combination of both. About 820,000 is the total number of those insured in approved societies formed by old collecting societies exclusively.)

In all there are now some 23,500 approved societies.

For comparison the following table of membership of sick benefit societies prior to the National Insurance Act is of interest:

Trade Unions (1908)	2,365,832
Ordinary Friendly Societies (1911)	3,979,017
Societies Having Branches (1911)	2,795,000
Collecting Friendly Societies (1911)	7,504,273
Benevolent Societies (1911)	32,466
Workingmen's Clubs (1911)	338,001

(A total of more than 16,000,000. See "Sixteenth Abstract of Labour Statistics," pp. 203 and 264-5).

It was contemplated that the approved societies under the Act should be the old friendly societies, etc., reorganized and re-formed in some respects, but retaining practically all their old time advantages and merits. It was even believed that the compulsory insurance, by increasing their membership, would increase their power and influence. And the distinctive feature of this British scheme was to be that the insured could choose his own society (unless he became a "deposit contributor"), and that the societies would be to a high degree autonomous. But these expectations have already in most particulars been falsified by experience.

A high proportion (of the best risks) among the formerly uninsured have joined, not the approved societies organized by the old friendly societies, etc., but rival approved societies organized by industrial insurance companies and not truly self-managed; (see *post*). All the new societies have had to conform to the invariable benefits stipulated by the Act and to many fixed practices as prescribed by it and by the regulations of the Insurance

Commissioners, and subordinate official bodies. An immediate result thereof has been such a multiplication of clerical work in the societies that the expense of administration, which the old machinery of management no longer fits, is increased inordinately. Gradually the regulations are being extended so as to standardize nearly every particular of operation and to leave little for self-government. The division of the United Kingdom into administrative districts by the four countries has cut off small branches of large English societies and compelled them to combine with strange societies for certain purposes; and although this evil (which has affected the trade unions especially) has been partially remedied by amendment (Act of 1913, Sec. 16), yet the prevalence of the home-rule sentiment has prevented a complete cure. All control over the physicians has been taken away from the societies, so that they now have no check upon impositions upon their own funds for sickness and disablement benefits except through most expensive and unsatisfactory practices. The charge upon them for the medical benefit has also been heavily increased. On the actuarial side they have been subjected to another element of danger to their financial solvency through the chances of error in the computation of "transfer values", i. e., approximately the "reserve values" due on the transfer of contributors from one society to another. And to make matters worse they themselves have too often made the mistake of competing indiscriminately for the newly insured, thereby loading up their lists with a high ratio of "bad risks"—persons who, it was originally anticipated, would have to find refuge as "deposit contributors."

So serious has been the change effected in the character of the societies that Walter P. Wright, Grand Master of the Manchester Unity, the model of the old friendly societies, with 925,254 members, speaking at Aberystwith, June 2, 1914, as reported in the press, declared that the act was a blow at independence, that the system is unnatural and non-uniform, and that it would be

better for the State to administer all compulsory insurance directly and to leave voluntary insurance alone. On the other hand, a convention of managers of approved societies has declared against any change. In this convention, however, the officers of approved societies formed by the industrial insurance companies seem to have taken the leading part.

It was originally expected that the credit of "reserve values" to approved societies for account of their older members would result in those formerly voluntarily insured applying their old insurance to the purchase of the right to additional benefits (Sec. 72) under the new compulsory insurance. But in practice the old insurance has generally been kept up separately; and this has given rise to double benefits in many cases and consequently to the evils of over-insurance.

As mentioned above, the industrial insurance companies have entered into the field as rivals of the old friendly and other societies in the organization of approved societies. The Prudential Assurance Company has organized six societies, known collectively as the Prudential Approved Societies; and the other industrial insurance companies (with some co-operation from some of the old collecting friendly societies?) have organized the National Amalgamated Approved Society, the last named having a membership of over 1,500,000.

The following are the statistics of the Prudential Approved Societies, (October 12, 1913,) as furnished by their Treasurer:

Membership of Prudential Approved Societies October 12, 1913:

	England	Wales	Scotland	Ireland	Total
Men	1,277,991	56,920	159,524	34,717	1,529,152
Miners	6,417	2,912	801	.....	10,130
Rural Workers	18,719	1,480	4,180	350	24,729
Women	757,013	17,902	83,228	23,512	881,655
Domestic Servants	312,864	14,803	21,697	6,002	355,366
Laundresses	27,509	714	1,257	401	29,881
Total	2,400,513	94,731	270,687	64,982	2,830,913

These societies have been organized by the Prudential Company and are managed by officers appointed by it. They are therefore not strictly self-managed, though under their constitutions the members are empowered gradually to displace the original management. But how can domestic servants among women and many classes of men not working in groups really participate intelligently in managing or in the slightest degree influencing insurance under the complex regulations prescribed by the Commissioners? Their choice is restricted to selecting their societies. By repute, they are getting in these societies the best expert management. It does not necessarily follow because complete autonomy is best for societies formed of members of certain classes that it is therefore best for societies formed by members of various other classes. Differentiation to suit particular needs may be wise. Indeed, this question of self-management is now more or less academic, since in final analysis the management of all the societies, except in a few particulars, is gradually becoming vested indirectly but not remotely in the Insurance Commissioners.

The Prudential societies are strictly mutual. The company has no financial interest in them, guarantees nothing to them and secures no profit from them. Its agency force, however, is used by them. The 3s. 5d. per annum for each person allowed for the expenses of administration pays the management and the agents; but is hardly remunerative for the latter. The motive of the parent company for organizing these societies is to retain through its agents the custom of those insured therein for its other industrial insurance business. The advantage which these societies claim to offer over other approved societies is a better and more convenient service for the insured through the omnipresent agency force of the parent company. In many respects, the validity of this contention seems to be well established.

It has been suggested that there are opportunities for a company acting as the Prudential has done to secure

profit from the grant of the "reserve values" to those of its old policy holders who became compulsorily insured upon the taking effect of the Act and joined approved societies organized by it. There is no such opportunity. The Prudential had no sickness insurance; and such of the members of its new approved societies as formerly held its policies for other objects are continuing those policies—or at least the insurance under the old policies is in no way being merged in the new compulsory insurance.

Note that the Prudential Assurance Company, of London, is not connected with the Prudential Insurance Company of America, home office Newark, N. J.

For an unfavorable criticism of these societies see Supplement to "The New Statesman," March 14, 1914, pp. 20-22.

EXPULSIONS.

There is some complaint that the right of the approved societies to expel members, and thereby in effect to forfeit their insurance, has been abused by some of them; ("The New Statesman," March 14, 1914, Supplement, p. 20). The ground for expulsion has generally been misrepresentation in the application for membership. The lot of the expelled member is hard, for he loses his "reserve value" and if old can procure insurance again only upon most unfavorable terms. The problems of the weight to be given to representations in applications for membership, and of the necessary checks upon the forfeiture of insurance for immaterial or unintentional misstatements in such applications, are not specifically dealt with in the Act or regulations.

DEPOSIT CONTRIBUTORS.

The total number of deposit contributors (as announced by Mr. Masterman, in the House of Commons) was on May 8, 1913, 489,757. The position of the deposit

contributor is very unfavorable, and it was freely predicted by the critics of the Act that all bad risks would be rejected by the approved societies and forced to become deposit contributors and that the number thereof would amount to from 1,500,000 to 3,000,000. But the approved societies, in their competition for membership, raked in nearly everybody eligible.

Although the number of such contributors is comparatively small—about one in thirty of all the insured—yet their position is too unfavorable to be ignored. One-third of those in Ireland cannot be identified and consequently may get no benefits in return for their contributions. The same is true of a smaller percentage in the other three countries. But the general defect is that the deposit contributor is not insured at all, but is simply in the position of a savings bank depositor, with the unfavorable distinction, however, that his deposit can be used to relieve only one of the many misfortunes to which he is liable and is forfeited upon his death. This branch of insurance under the Act was merely a careless temporary makeshift, intended to continue only until some better plan could be devised. It has been proposed as a remedial substitute to establish a special state-managed insurance society for such persons as the deposit contributors. But during the last session of Parliament no time could be spared for these victims of hasty legislation; and this feature still remains to swell the list of particulars in which the English law, so far from being a measure of social relief for the poorer classes who need relief most, is exactly the contrary.

CASUAL LABORERS.

The position of the casual laborer under the Act is generally grievously hard. The tax on him is often excessive and is for benefits which, owing to recurrent spells of unemployment and to the migratory nature of his work, he may seldom be able to enjoy. The Act of 1913.

(Sec. 19) empowered the Insurance Commissioners to introduce practically any scheme they saw fit to remedy this state of affairs. But up to date they have done nothing, except at the Liverpool docks. "The problem of how to apply a contributory insurance system, intended for persons in receipt of regular weekly incomes, to heterogeneous shifting crowds of workers, taken on only from hour to hour, simply bristles with difficulties"; ("The New Statesman," March 14, 1914, Supplement, p. 27). Yet these difficulties must be solved, or this must be put down as another particular in which the English law fails in relief to the very classes which most need relief.

ALIENS.

All adult aliens who on May 4, 1911, were members of a society which has become an approved society and who had then been residents of Great Britain for five years receive full benefits under the Act. So likewise do all aliens who become insured under the Act under the age of 17 years. But, for the future, adult alien immigrants, although they must contribute to the insurance and may become members of approved societies, will have no "reserve values" credited for them, will have no government grant of 2d. made in respect of them, and will receive no benefit out of any moneys granted by Parliament unless and until they become naturalized,—in which event (according to the letter of the Act at least) reserve values will be credited for them. (Sec. 45 and "Table G, Aliens, S. 45 (2)").

If the immigrant is relatively young, the consequent reduction in his benefits will not be serious; but if he is of middle age or over his insurance will be almost useless, and an inordinate amount of bookkeeping and trouble will be entailed upon his society upon his account. In Great Britain immigration is not the momentous problem that it is in the United States. Consequently such

a happy-go-lucky method of dealing with the alien may there suffice.

VOLUNTARY CONTRIBUTORS.

The number of persons officially estimated (Cd. 5681) to be eligible as voluntary contributors at the initiation of the scheme was:

Men	1,578,000
Women	542,000
	2,120,000

It was estimated that of the above the following number would probably become voluntary contributors during 1912-13:

Men	625,000
Women	204,000
	829,000

The actual number of voluntary contributors, as announced by Mr. Masterman in the House of Commons, June 10, 1913, was:

	Under 45	Over 45	Total
Men	12,500	2,300	14,800
Women	3,700	1,700	5,400
	16,200	4,000	20,200

It is evident, therefore, that this insurance, even with the inducement of Government contributions, does not appeal to those who are free to avoid it. The difference on this point between expectation and realization forms striking evidence of the darkness in which the promoters of the system carried on their preliminary labors.

MEDICAL BENEFITS.

The medical benefit under the Act is the right of the insured when sick to medical treatment, drugs and certain kinds of medical and surgical appliances. It is administered by the local Insurance Committees and not

by the approved societies. The old voluntary friendly societies, partly because theirs were selected risks and partly because they were free to bargain, were generally able to secure the right to such treatment for their members by contracts with doctors, at 4s. per capita per annum. Consequently it was estimated that it could be obtained under the Act at 6s. per capita. But the medical profession combined and struck, and after a lengthy wrangle succeeded in imposing the rates of 7s. and 7s. 6d. (For a history of the dispute between the Government and the British Medical Association see First Report, pp. 125-148.) These higher rates have increased the aggregate annual cost by about £1,500,000, disturbing the estimates to that extent. This extra charge is being defrayed by the Government.

In the political propaganda for the Act, the insured were emphatically promised the right to choose their own physicians. But that choice is necessarily restricted to doctors on the "panel," as the officially recognized list is called; and although, after much holding back and friction, a large majority of general practitioners (about 18,000) have now gone on the panel, yet specialists and those whose practice is among the well-to-do classes have kept off. Consequently those favored wage-earners who formerly enjoyed treatment by these latter classes of physicians cannot obtain it under the Act. Many such medical men have offered to treat only their old patients under the Act; but that cannot be permitted, for it would in effect allow a selection of risks. Moreover, in some districts, where there is a dearth of doctors on the panel, contract physicians have been employed, and the insured within such districts have been assigned to them without choice. There is considerable complaint about this lack of choice, especially on the part of those who formerly enjoyed the services of specialists for their peculiar complaints, and who now receive no appropriate treatment although taxed for medical benefit. The Act authorizes the Insurance Committees to substitute an al-

lowance of 4s. in lieu of the medical benefit, thereby seeming to provide a way for satisfying cases such as these. But applications by the insured for such substitution have been quite uniformly denied. In practice this difficulty as to choice of physician is peculiar to compulsory as distinguished from voluntary insurance.

On the other hand, it is a subject of criticism that the great body of the insured have used little discrimination in their choice among the panel doctors, but have flocked to a few who are too overburdened to give them proper attention, passing by others who could give them more attention and are often more competent. Some panel doctors have thousands of the insured upon their lists; but in each case of this kind complained of it has been shown that the doctor has an adequate corps of assistants. In view, however, of the fact that there is no defined standard of "incapacity to work," and that the right to rest at home and draw sickness or disablement benefit depends almost wholly upon the policy of the panel doctor selected, it is to be anticipated that many of the insured will soon learn to exercise a nice discrimination in selecting the most accommodating doctors on the panel.

The 18,000 physicians on the panel are now estimated to include from 80 to 100 per cent of all the general practitioners who hold themselves willing to attend the wage-earning classes. At first there was some resentment among the doctors toward the Act and a reluctance to go on the panel; but now any such feeling has passed away. There was no real ground for such opposition, for under the Act the panel doctors are freed from all control by the approved societies and their incomes have been very much increased. In fact, in so far as they have been able to agree among themselves, the doctors have had everything nearly their own way—to the great disadvantage of the societies; and the investigator is told that it is only a slight exaggeration when he hears it

said that the panel doctors are the principal beneficiaries under the Act.

One of the benefits to be anticipated from the high rate and certainty of remuneration for medical treatment of those among the working people who heretofore have been unable to pay anything adequate therefor is the attraction of doctors to the neglected quarters of the poor, resulting in a better distribution of the medical force. Some improvement in this respect, it is said, is already noticeable, but not much. In their exercise of a free choice among the panel doctors the insured have not aided in bringing about such a distribution, but rather the contrary.

As to the methods of adjusting the payments to be made to the panel doctors individually, etc., see Second Report, pp. 160-2 and 167-8. There is much complaint over administrative delay in adjustments and payments; but that is unavoidable under the complexities of the system. The general method of remuneration is a per capita allowance for each insured person on the doctor's list. In some cases by special arrangements the payment for all the panel doctors in a district is made in gross to their association and is then distributed among the individuals as that association's rules may prescribe.

The greatest defect in the operations of the Act is the utter inadequacy and comparative inefficiency of the medical treatment provided. The panel doctor is required to be simply a general practitioner of "ordinary" professional competence and skill, and he is called upon to give a patient only "ordinary" attention. None of the treatments given by specialists is to be provided—no dental treatment, no surgical operations, no hospital accommodation (except under the sanatorium benefit, q. v.), no bacteriological examinations, no consultations and no expert diagnoses. And such common appliances as trusses, artificial limbs and spectacles are not furnished. In general, all that is required of the doctor is to feel the patient's pulse, look at his tongue and pre-

scribe for him some medicine to pour into his stomach. (For a more detailed presentation of this criticism, see Supplement to "The New Statesman", March 14, 1914.)

Since the Act went into operation private hospitals and dispensaries are being forced to curtail their free accommodations for the needy, owing to an incidental decrease in voluntary subscriptions without any increase in the free accommodations of the public hospitals and dispensaries. Employers who formerly cared for their sick employees, or who provided physicians and nurses for them, are now reducing or ceasing the practice of such benevolence. And thousands of the insured who formerly paid for specialized medical treatment out of their own pockets are still so paying for it or going without.

So much for what may be called the negative defects of the medical service. Turning now to its positive defects: What curative value has it? As to many acute diseases and injuries and serious chronic diseases and physical impairments—none. It is probably true, as is claimed, that panel doctors do go further than is strictly required of them and treat wounds, dislocations and diseases of the eye, nose, throat, etc. But this only reduces the uncovered field slightly, and the treatment is often rather comforting than curative. It is true, as is claimed, that it is to the selfish interests of every panel doctor to keep well the insured on his list; but it is manifest that this does not provide adequate and specialized treatment for those who are seriously disabled or chronically ill, and whom the panel doctors can easily dispose of by only an occasional brief examination and the simple renewal of the certificate of disablement. Will not the result of this limited medical service be a maximum ratio of pensioners and a minimum ratio of cures?

Another question relating to the medical service under the Act is: Is it not really a menace to the health of the people? It certainly is in all cases in which haste in treatment, or insufficiency, or avoidance of the atten-

tion necessary in serious cases, leaves the patient to suffer and perhaps become a chronic invalid.

Finally, does not the cost of the service threaten the solvency of the insurance funds? This question is to be answered duly in a day of reckoning.

Nor is this all. There is general complaint that itinerant workmen and those who happen to be away from home when sick have great difficulty in securing any medical care at all. The procedure in such cases has been changed several times and is not yet satisfactorily adjusted. It is a matter for several days' intelligent investigation and study on the part of a patient to ascertain what under such conditions are the appropriate steps to secure the benefit; and when an ordinary workman falls ill away from home and out of reach of advice from his familiar club officers, he may find himself confronted with the practical alternative of paying for his own doctor or going without medical attention until he can pursue lengthy inquiries and comply with complex formalities. Of course, this may be partially obviated in the course of time; but it is doubtful if the itinerant workman will ever be as well provided for under the Act as he could, if provident, provide for himself.

It should be noted here that in submitting the medical benefit to the actuarial problem under this law the cost experience to date relates only to a medical service of the present quality and quantity and not to the cost of an adequate and efficient service. The official estimate was that the medical benefit under the Act would cost 1.51d. per capita per week. The benefit is now costing well over 2d. per capita per week. But the Act expressly provides for an "adequate" medical service, and the present service is grossly inadequate, in quality, quantity and ailments covered. At the present rate of remuneration for physicians, it appears that a reasonably adequate service would cost between 5d. and 6d. per capita per week, or from three to four times the original actuarial estimate. Nevertheless, that estimate is by common

calculations the nearer to the proper cost of a proper medical service; and the difference is regarded as waste attributable to political administration.

The subject of medical benefit cannot be dismissed without calling attention to the position in which the Act placed those members of the old friendly societies who were over sixty-five or permanently disabled. They were entitled to medical treatment under their insurance in the friendly societies; and that treatment was covered by the contracts of those societies with doctors for medical treatment of all their members at 4s. per capita. The rate is 7s. per capita for those insured under the Act; but these particular members could not be insured medical benefit under the Act of 1911 (but see Act of 1913). Consequently they were not covered by the new medical treatment; and naturally the doctors refused to continue their old contracts as to them alone at 4s. per capita, for they were exceptionally bad risks. This matter has now been settled by the doctors agreeing to treat such cases along with all others, at the 7s. rate, and the Government has granted 2s. 6d. for each such person, to help the societies out of the hole into which it put them.

THE DRUG FUND.

In every Insurance Committee area there is a drug fund to pay for drugs. It amounts to 1s.6d. per annum for each insured person, together with a further sum of 6d., known as the drug suspense fund, to be drawn upon to pay any excess over 1s.6d. That portion of the latter fund not so drawn upon is to be distributed among the doctors on the panel; (consequently the income of the drug suspense fund is popularly known as the "elusive sixpence.") The total sum, however, apart from an epidemic fund, can never exceed 2s.; and if the chemists' charges go beyond that figure they are scaled down pro rata. It was originally believed that the 1s.6d. would be amply sufficient, since the charges to the friendly so-

cieties in the past had been considerably less and the doctors might be expected to keep down the charge in order to win the elusive sixpence. Experience, however, has proved to the contrary. In July, 1914, a deputation of chemists complained to the Insurance Commissioners that in 46 out of 196 insurance districts in England and Wales the 2s. had been exceeded by from 5 to 30 per cent, and that not only were their bills in those districts being discounted accordingly, but also there was great delay in adjusting and paying them. All the comfort the deputation could obtain was the suggestion of an investigation by a special Departmental Committee.

SICKNESS BENEFITS.

This benefit, as already explained, is the money payment to which an insured person is entitled weekly (not to exceed 26 weeks per annum) "whilst rendered incapable of work by some specific disease or by bodily or mental disablement,"—commencing on the fourth day of his incapacity (Sec. 8 (c)).

What constitutes being "incapable of work" is practically undefined in the Act. This leads to great inequality in the administration of the benefit; (see "The New Statesman," March 14, 1914, Supplement, pp. 15-18).

This benefit is administered by the approved societies, and it is payable out of their funds. Each society prescribes for itself the terms of the certificate of disablement required as a condition to the benefit, and there is much difference between the terms prescribed by the various societies. This incongruous situation, of course, may and probably will be terminated by regulations of the Insurance Commissioners or by the construction of the law by the courts. But, in final analysis, whether a person shall be certified as disabled or not will always rest absolutely within the individual discretion of the panel doctor on the case. And over the abuse of that discretion the societies have little check or control. They

have resorted to surveillance of the drawers of sick pay by lay visitors; but there is much complaint of this practice from the insured and their doctors, and the expense of competent lay visiting is a serious drain on the administration funds of the societies. This is a vital matter; (cf. "Medical Benefit in Germany and Denmark," by I. G. Gibbon; Macmillan, London, 1912). It is recognized that it would be an improvement if control were exercised by doctors representing the societies, with neutral physicians as referees to decide disputes; but the already overburdened societies cannot stand the expense. As the certifying physician is the choice of the sick person himself, a gradual movement on the part of certain classes of the insured to seek out and select those panel doctors who are most lenient in granting certificates is natural, leaving the societies helpless victims of a serious abuse. Up to date, there is no evidence of distinct laxity on the part of many of the panel doctors in granting original certificates, but it is a subject of criticism that their standards vary exceedingly and that they grant renewal certificates perfunctorily and as a matter of course.

The experience has yet been too short, and more especially the accessible data in regard to such experience as there has been is yet entirely insufficient, to furnish any accurate basis for comparing the general cost of this benefit with the official estimate therefor. Beginning July 15, 1915, in accordance with the provisions of the Act, the financial condition of all the approved societies will be valued by the Audit Department, and presumably the results will be published within a year or two from the present time. In the meanwhile, the Insurance Commissioners announce that they are keeping close watch over the financial condition of the societies, and that some are in good condition whereas others are in danger, but that at present it would be improper to publish particulars. Already, however, a widespread complaint by the approved societies of excessive claims has

led to the appointment of a Departmental Committee on Excessive Sickness to investigate that alleged abuse. The report of that committee should be watched for.

Whether on the average the cost is exceeding the estimate is the uncertain question. For women, with the exception of some special classes, such as domestic servants and clerks, it is demonstrated that the cost now runs between 2½d. and 4d. per capita per week, whereas the estimate allowed less than 2d. A similar result is demonstrated as to men in unhealthy trades.

The excess cost in these classes of the insured has been laid both to lax administration and to malingering. But there is no evidence of especially lax administration in the particular societies in which they are insured. And it is yet too soon for much malingering; for malingering, it has been observed in other countries, although a rapid growing, is a slow starting weed. Whether any material part of the excess of claims from women is due to disablement from pregnancy (in excess of the period covered by the maternity benefit) is a disputed question. The manifest explanation of the high claim rate from these special classes is that the official estimate was based upon the experience of one of the strongest friendly societies, whose membership was confined almost exclusively to men, and to carefully selected physical and moral risks at that, loaded only about 12 per cent to cover the increase in charge to be expected from taking in the worse risks; (cf. "The New Statesman," March 14, 1914, Supplement, pp. 3-5). To the layman that loading appears obviously to be grossly insufficient, not only for the particular classes above referred to but also for a large proportion of the previously uninsured in general. For not only is an exceedingly higher sickness rate to be expected from the formerly excluded risks, but also the change in the character of the insurance may be expected to produce a much higher claim rate in proportion to sickness, because there may be a disposition among all the insured to claim benefits upon lighter and more

frequent grounds and because the door is thrown open to the frauds and impositions that all insurers must fight in self-protection.

Veneral diseases. The English law ignores the serious problem presented by these diseases. (See "The New Statesman," March 14, 1914, Supplement, pp. 19, 30.)

Confinement. There has been great inequality arising from differences in policy among the societies as to paying sickness benefits for confinement during pregnancy beyond the period covered by the maternity benefit. This is due to the lack of a clear definition in the Act of the conditions to the right to the sickness benefit. Pregnancy is not a disease, and would not appear to give right to a "sick benefit." But the Act does not limit the right to sickness benefit to cases of disablement due to disease; (Sec. 8 (c)). (Cf. "The New Statesman," March 14, 1914, Supplement, pp. 15-16).

Incapacity to work. What constitutes being "incapable of work" and consequently entitles to sickness benefit, is, as already insisted upon, not defined in the Act. Does the phrase mean incapable of all work whatsoever, or of all remunerative work, or of all suitable remunerative work, or of only the particular work at which one is usually employed? Besides, not a word is said about regulating the conduct of the patient while drawing sickness benefit. In this way the difficulties of establishing a proper and satisfactory formula for the condition to the right to the benefit are avoided; but on the other hand the dangers of having no formula at all are blindly incurred.

DISABLEMENT BENEFIT.

This benefit (generally called "invalidity benefit" under other laws) is a money allowance to continue, after the termination of the sickness benefit, so long as the in-

sured is rendered "incapable of work by disease or disablement" (Sec. 8 (d)), until he reaches seventy years of age (when he passes under the Old Age Pension law). What constitutes "incapable of work" is again left undefined.

Disablement benefit is administered by the approved societies and is payable out of their funds, but without any better method of protection against impositions and abuses than in the case of the sickness benefit. No special provision has yet been made for the examination, certification or medical or surgical treatment of claimants.

The cost of this benefit was estimated at 0.78d. per capita per week for men and 0.81d. for women, or approximately one-third of the cost of the sickness benefit for men and one-half for women. But that estimate was only rough expert actuarial guesswork. It was based upon very little and only remotely analogous British experience, without any consideration of Continental experience. Apparently it was assumed that the phrase "incapable of work" would receive a very strict construction, equivalent probably to "incapable of any remunerative work whatsoever," whereas, without express sanction in the Act and without any efficient machinery for control, such a construction will probably be impossible to maintain; and the inefficiency of the medical benefit in cures will almost inevitably result in an increase of cost beyond calculations based upon the results under better conditions. Consequently, there is hardly the remotest possibility that the cost of this benefit will keep within the estimate. On the contrary, various observers in Great Britain believe there is a probability that it may exceed it two or three times. Hence the outcome under this benefit is looked forward to by the insurance officials with well grounded dread.

This utter rejection of the official estimate should not be regarded as presumptuous. Reputable actuaries in Great Britain have year after year underestimated by

65 per cent the cost of outstanding accrued liabilities for compensation for disablement by occupational accidents.

But, as this benefit only became effective July 15, 1914, and there are as yet no data relative to it, all estimates of its cost, official and unofficial, favorable and unfavorable, are alike purely speculative.

Even more serious than in the case of the sickness benefit is the failure to define in the Act the condition to the right to this benefit. "Incapable of work" is the condition as expressed in the Act; but in practical application that condition is altogether indefinite. The requirement for the sickness benefit is the same, whereas, evidently a much stricter stipulation should be made for the long disablement benefit than for the short sickness benefit. (See "The New Statesman," March 14, 1914, Supplement, and compare the German Workmen's Insurance Law.) There is a great deal of Continental controversial literature on the question of a proper formula correctly to define "invalidity"; (cf. "La Définition Légale de l'Invalidité," by Maurice Bellom, Paris, Rousseau, 1912). So difficult is the formulation of a proper definition and the enforcement of any standard so defined, and so serious are the impositions and abuses from a failure to adopt or enforce a proper standard, that it has become common under invalidity insurance laws that a large proportion of the pensioners enjoy higher incomes from their earnings and pensions combined than they had ever earned before their incapacity, (cf. "Bulletin des Assurances Sociales," April 1914, pp. 80-83), and that many authorities are led to believe that general compulsory workmen's invalidity insurance is impracticable.

MATERNITY BENEFIT.

This is probably the most popular feature of the law, and supplies relief and care where in general none was

formerly obtained. It is well discussed and criticised in Supplement to "The New Statesman," March 14, 1914, pp. 23-24. But there is a somewhat widespread demand to remove this benefit from the insurance scheme, to make it general, and to place the administration under the local health authorities; (see, *id.* p. 29). There is much to be said in favor of this proposal, if health insurance is to partake largely of the nature of public poor relief, owing to the high and constantly increasing proportion of the public contributions, because the proper care of mothers in childbirth is a matter of interest to the common welfare, while it would be more certain and effective directly to provide such care through the health authorities than, as is now done, to grant a specific sum (30s.) to the woman for that purpose, which sum may be diverted or misapplied, or appropriated by the husband or by the physician or midwife through increased charges, which critics of the law assert is now often a fact.

The provisions of the Act of 1911 relating to this benefit have been generally recast, with material amendments to the substance, by Secs. 14 and 15 of the Act of 1913; (Secs. 18-20 of Act of 1911, as amended).

For optional alternative methods of administering this benefit, see First Report, pp. 62-64, and Second Report, p. 91.

SANATORIUM BENEFIT.

In the political propaganda for the Act, this benefit was promised to all the insured suffering from tuberculosis or from such other diseases as might be decided by certain public authorities, and assurance was held out that it would soon be extended to apply also to dependents of the insured; but by the terms of the Act itself the extent of the benefit and the conditions to the right thereto are left broadly to the discretion of the administrative authorities to determine. Responsibility for the

provision and administration of the means for the treatment of tuberculosis under the Act is divided between the various Insurance Commissioners and Committees and the Local Government Boards and County and County Borough Councils, with confused jurisdictions. As a result, there has been up to date a maximum of effort and expense and a minimum of results. On the whole, as part of a general campaign against tuberculosis, this feature of the law has so far been a fiasco.

The program has been cut down, so that it is now sought to provide sanatorium treatment only for the insured who are suffering from phthisis in its curable stages only; but at the present rate it will take years to provide accommodations everywhere even for that limited class. Those of the insured who suffer from other forms of tuberculosis or from phthisis in its incurable stages are to receive dispensary or domiciliary treatment only; and if they need hospital care they must pay for it themselves or take their turn with other charity patients. Dependents of the insured are to be wholly unprovided for. (For an adequate presentation of these matters see "The New Statesman," March 14, 1914, Supplement, p. 20.) Moreover, in London those of the insured who are to receive sanatorium treatment may be on the same footing in the sanatoria as charity patients—except as they may have some preferential right in turn to accommodation,—because the sanatoria may be provided for jointly by the insurance authorities and the poor law authorities.

A fixed proportion of the income of the health insurance (1s. 3d. per capita per annum) is set apart for the provision by the Insurance Committees of this benefit. This income is supplemented by 1d. per capita annually out of moneys to be provided by Parliament—subject to the right of the Insurance Commissioners to divert any portion thereof to purposes of research,—and may be further supplemented by Parliament and the County and County Borough Councils. Consequently there is strictly

no actuarial question; and the practical question is, Will enough income be provided from these various sources to furnish adequate care of tuberculosis? As it must take a considerable time to provide the sanatoria, etc., and the initial capital charges—for which £1,500,000 has already been specially appropriated by Parliament in the Finance Act of 1911—are relatively high in comparison with the current cost of maintenance thereafter, it will be necessary to wait for years before income and grants in aid, on the one hand, and expenditures on the other, can be even approximately gauged and compared, and the treatment thereby provided can be appraised.

OUT OF BENEFITS.

There was a great deal of criticism at first on the score that many of the more irregularly employed would often be "out of benefit" or entitled only to reduced benefits, for default in contributions. This shortcoming was avoided by the Commissioners, through remitting all arrears, and the Act of 1913 has rescinded the provisions of the Act of 1911 on this point, leaving it for the Commissioners to cover by regulations. A new scheme of dealing with arrears, etc., has accordingly been formulated (old arrears being incidentally remitted), which is explained in the Second Report at pp. 41-46. This scheme, which is complex, is based upon close actuarial estimates. It incurs the alternative dangers that it may not prevent a very wide prevalence of "out of benefits" or it may deplete the funds through the resulting loss of contributions. There has yet been no recorded experience under it. The practice of remitting arrears and the trial of schemes to avoid it serve to illustrate at once the weakness in the foundations of the entire national insurance system and the extraordinary powers of administration and even of legislation assumed by the Insurance Commissioners, legal sanction being found therefor in the Act itself. For example Section 78.

RESERVE VALUES.

“Reserve values,” provided for in Sec. 55 of the Act, we have already defined.

These values are not donated by the government, but are simply credited or advanced by it to the approved societies. They are to be repaid by the diversion into a sinking fund of nearly all of its 2d. contributions until the values are fully liquidated. In other words, the establishment of reserves for the account of persons over the age of sixteen at the time of entrance into the insurance will monopolize nearly all the benefit from the State’s 2d. contribution until the amounts estimated to be necessary for such reserves—the “reserve values”—are thereby secured. The “reserve values” under the Act, as amended by the Act of 1913, are estimated at about £70,000,000,—seven-ninths of £90,000,000; (cf. Second Report, p. 31). It was originally estimated that the period of this liquidation would expire in about eighteen years; but the amendments of 1913 will prolong it over a year and a half, or nearly to twenty years.

The general effect of this method of financiering is this: Although the State makes a weekly contribution in respect of each insured person, and nominally for the benefit of all of them, yet the youngest entrants into insurance will really receive almost no advantage therefrom until the “reserve values” are fully provided for, but those who have entered at higher ages (provided they have done so within certain prescribed periods) will receive more, and those who have entered at advanced ages very much more, than the value of their own and their employers’ contributions.

Roundly speaking, the law has been in effect two years; and in that time amendments have been made lengthening by about two years the period during which the State’s contributions to the insurance are to be withheld from the younger generation. (For an enumeration of such amendments, by the Act of 1913, see Second

Report, pp. 37-39). Those amendments evidence a political inclination continually to divert the State's contributions from the general income of the insurance fund to the relief of special cases or classes of the insured. So long as such inclination continues to prevail, there is no prospect that the State's 2d. contribution will ever be available, either to provide additional benefits or to help to make good deficiencies.

ACTUARIAL PROBLEM.

The actuarial problem under the Act is not one which affects solely insurers, as determining their profits or losses. It affects vitally the insured, for the reason that the insurance is strictly mutual, without State guarantee, without any capital or reserves in the insurance institutions (the approved societies), and without financial responsibility on the part of the insured in their capacity of mutual insurers. In other words, the income provided must equal the cost of the benefits, or the right to the benefits will become merely a right to a share in an insolvent fund. It is true that the State has been helping out by extra "grants in aid"; but there is no obligation upon it to do so. And if the cost of the benefits should prove to be treble or even only double the income provided, it may well be doubted whether the government could confidently be counted upon to make good the deficiency. The alternative would be to increase the employers' and employees' contributions. But again it is doubtful if these classes would consent. Consequently, the certainty and value of the insurance depends greatly upon the actuarial question: Will the income provided cover the benefits contemplated?

In discussing that question we encounter an initial embarrassment in the fact that there are four widely different versions of what those benefits amount to. The first consists of the public representations and promises of the political sponsors for the Act; the second, of the

literal provisions of the Act liberally construed; the third, of those provisions strictly construed; and the fourth, of the benefits contemplated by the practical construction given to the provisions of the Act under the administration of the Insurance Commissioners. Which among these four versions—or rather which among the last three, for the first was a palpable political move—the estimates were based upon, is uncertain; and yet it will make a world of difference. We are, therefore, forced to treat with undefined and uncertain quantities.

It should of course be understood that each approved society (with the exception of some smaller ones that by the law pool their funds for certain purposes) must face the actuarial problem independently, and that some of them may incur deficits and be obliged either to reduce benefits or to levy assessments, while others may amass surpluses and be enabled to give additional benefits. The actuarial problem, therefore, is particular as to each society. But for general purposes it is to be studied as a general problem and average results considered.

This general problem divides itself into two phases:

First: As a going scheme of insurance, with “paid up” insurance for all the insured, will the income provide the benefits?

Second: What will be the effect of the diversion of the government’s contribution of 2d. from income into a reserve fund to supply the benefits for those who have not paid up for their insurance?—this being a rough statement of the purpose of the “reserve values.”

The reserve values have been very carefully estimated by competent actuaries, with the conclusion (see Actuarial Reports Cd. 5681, 6898 and 6984) that with the amendments in the Act of 1913 they will absorb nearly all the State’s 2d. contribution for about twenty years. But for many reasons, known to all actuaries, there is a probable chance of a wide margin of error in

their estimates, and moreover there is every probability that the period of diversion of the State's 2d. contribution to reserves may be yet further prolonged by Parliamentary grants. Consequently, for all practical purposes the State's 2d. contribution should be excluded from calculations of income for at least a generation.

There is left as current income for current insurance only the employers' and employees' contributions (amounting together generally to 7d. per capita per week for men and 6d. for women), the State's 1d. annual contribution for the sanatorium benefit and the charge borne by the State for the administrative services rendered by officials.

We can now take up the original actuarial estimates of the charges against that income and compare the items in those estimates with the results of experience under the actual operations of the law.

The cost per insured person per week as estimated by the government's actuaries was as follows (Cd. 5983, p. 3):—

Benefit	Men d.	Women d.
Medical	1.51	1.51
Sanatorium .. .. .	.32	.32
Sickness	2.39	1.74
Disablement .. .. .	.78	.81
Maternity .. .. .	.66	.17
	<hr/>	<hr/>
Cost of benefits	5.66	4.55
Cost of administration .. .. .	.92	.92
	<hr/>	<hr/>
Total cost	6.58	5.47

This leaves a margin for error of 0.42d. per man and 0.53d. per woman below the 7d. receipts of contributions. (For the estimate of the total expense of administration, including the State's direct share, see title, "Expenses of Administration.")

The actual experience to date may be epitomized as follows:

Expenses of Administration. The appropriations for the State's share of these expenses for 1914-15 are about double the original estimate thereof. And the amount the approved societies are allowed to spend therefor out of their income, according to widespread complaints, is proving insufficient.

Sickness Benefit. As to men, on the average, the experience is yet insufficient either to confirm or to falsify the estimate; but, as to women, it is already sufficient to indicate that the cost will materially exceed the estimate.

Disablement Benefit. There is yet no recorded experience as to the cost of this benefit.

Maternity Benefit. As to this benefit, experience is still insufficient; but the indications are that its cost will conform pretty closely to the estimate.

Medical Benefit. Disregarding the drug fund (q.v.), this benefit is costing annually £1,500,000 in excess of the estimate, and the service secured at that expense is in general worth probably not much to exceed 33 per cent of the value of the service contemplated.

Sanatorium Benefit. This benefit is strictly limited to the income for the purpose provided under the Act, except as this income may be increased by grants from other public bodies. So the question is, not what will be the cost of a specified benefit, but what will be the income and what benefit will that income provide. It is already clearly indicated that the income, even when swelled by heavy public grants in aid, will provide only a modicum of the benefit contemplated.

To sum up: In certain lines—State administration, medical benefit, women's sickness benefit—experience demonstrates that the cost is running far in excess of the estimates; but in the main lines—men's sickness benefit, disablement benefit—there has not yet been sufficient experience to demonstrate anything; and the official

data available from which to estimate the total cost are not much greater than three years ago.

THE POLITICS OF THE ACT.

The Act has been the instrument of much political chicanery. It was introduced in and passed by Parliament as a non-partisan measure, at a time when public sentiment was favorable for any measure ostensibly for social relief. But the party then in power jumped too quickly at its political opportunity, constructed the Act hastily, without due regard to ways and means of its operation, deliberately left its vital terms undefined, and made it take immediate effect without the intermission of a necessary period for adjustment. Further, it used the Act as a political asset and incidentally so grossly exaggerated representations of its benefits that the especially interested classes of the public were led to anticipate almost the millennium. So far as immediate political results are concerned the move was eminently successful. But now that the Act is "panning out" in practice far short of popular expectations, the governing party is resorting to new tactics. The joint responsibility of the other party is being more and more insisted upon. If a Conservative member in Parliament asks why this, that or another of his constituents is not receiving an expected benefit under the Act, he is told that an extra "grant in aid" or a new "reserve value" is necessary for that purpose, and he is given the alternatives either of voting more money to carry out the promises of the government or of opposing relief to his constituents. And in various ways special relief to supply deficiencies is being provided at public cost, in order to still complaints. These moves have been adroit enough to be successful; but they are all in a sense violations of pledges and show that the social policy of the insurance scheme is shifty and unstable.

But in spite of all manoeuvres the general unpopularity of the Act would seriously injure the government responsible for it were it not for other facts, often overlooked. The adult wage-workers of Great Britain at the time the Act went into operation (a body made up mostly of voters) have received an enormous gift under it, namely, a public grant of paid-up insurance costing the country about £90,000,000, (which fact is being drummed into them), whereas the younger people are being deluded into the belief that they will receive substantial benefit from the State's 2d. contribution, although the proceeds of that contribution for nearly a generation to come have already been practically all diverted to another purpose.

The government is also taking the benefit of a doubt in representing to the wage-workers that they are indebted to it for a gift of 9d. for 4d.—4d. being the employee's weekly contribution, 3d. the employer's and 2d. the State's, (or, as it is now stated, 11d. for 4d., the total being increased nearly 2d. by extra grants from the State not originally contemplated). Passing over the jugglery with the 2d. just described, it is a very doubtful proposition economically that the employer's contributions amount to a gift to the insured, for the obvious reason that in the long run the greater proportion thereof may come out of what would otherwise be paid in wages. Clearly, every trade union demand for an increase in wages may be met by a statement from the employer that the government forced him to increase wages in compelling him to pay 3d. per week per person in his employ for health insurance. Consequently, the government is confidently claiming credit for a gift to the wage-workers which may in effect be paid for out of the wage-workers' own pockets. A charge of political play was implied recently in the annual report of the "Joint Committee of Approved Societies under the Insurance Act," of which J. O'Grady, a Labor M. P., is chairman. This committee had during the year prepared

and placed before the Insurance Commission a scheme for the provision of sickness benefit from the first day and for an additional 6d. to be used in obtaining sanatorium benefit to dependents of insured persons, the 6d. in question being the amount already taken by the government from the sanatorium allowance and given to the doctors. But the Joint Committee's methods to achieve these purposes were adopted by the government to finance other propositions of a semi-political rather than purely insurance character, such as the increase of benefits to the aged insured, the foregoing of the employers' portion of arrears, etc.

ACADEMIC OPINION.

Our committee's program of making quite an extensive inquiry into British academic opinion on this subject was cut short prematurely by the war. Of the political economists who were interviewed none had studied sufficiently this particular subject to venture an opinion upon the merits of the substantial features of the health insurance law, but there seemed to be general agreement that it is a piece of overhasty legislation, that it is not yet working satisfactorily, and that it is inexcusably defective in its detailed methods. On the other hand, there seems to be also general agreement that under the deplorable existing conditions of the poorer masses of laborers in Great Britain some measure of State intervention along the lines of health and invalidity insurance is necessary or at least advisable.

As to the issue between compulsory and voluntary insurance, Prof. Pigou, of Cambridge University, in his recent work "Wealth and Welfare," Part IV, Chap. II, declares in favor of compulsory insurance, but insists that the contributions from the various classes of workmen should be in proportion to their respective risks. Prof. Pigou bases his conclusions upon purely abstract grounds.

British authorities seem not to have studied the question practically in the light of Continental experience and criticism. Certainly there is no general consensus of learned opinion in Great Britain in favor of any particular form of insurance; the prevailing opinion being distinctly one of doubt. The only treatises dealing with or touching upon the general subjects of health, sickness or invalidity insurance in the literature of Great Britain other than those relating particularly to the British Act, that have been brought to the committee's attention, are:

"Medical Benefit in Germany and Denmark," by I. G. Gibbons (*ubi supra*).

"Medical Benefit under the German Sickness Insurance Legislation," (Cd. 6581, 1913).

"Social Insurance in Germany," by W. Harbutt Dawson, (New York, Scribner, 1912).

"The Social Policy of Bismarck," by Annie Ashley, (London, Longmans, Green & Co., 1912).

"National Insurance and Character," Anonymous. ("Edinburgh Review," July, 1913.)

"Wealth and Welfare," by A. C. Pigou,—Part IV., Chap. II, (Macmillan, London, 1912).

In France and Belgium, on the other hand, these questions have been diligently studied from various points of view, and there is a large quantity of scientific literature thereon, much of it relating specifically to the issue between compulsory and State-assisted voluntary insurance. The war prevented the committee from visiting the Continent to collect the literature; but it may be stated upon authority that both the weight and the volume of academic opinion in France are decidedly against compulsory health insurance.

These points—namely that in France the weight of learned opinion is against compulsory insurance and that in Great Britain there is no consensus of well informed opinion one way or the other—should be empha-

sized in view of the rash assertions by some of our American commentators that there is practically a unanimous consensus of opinion in Europe in favor of the extension of social insurance along the German lines of State compulsion and control.

CONCLUSIONS.

The administrative machinery for the health insurance has practically deprived the numerous societies which were the agencies for the old meritorious voluntary insurance of their free self-control—that is, it has ruined them in their essential character. The existence of the public relief under the Act is drying up the sources of private and voluntary relief. The Act is not yet formulated to effect its peculiar function of social relief, and the principal sufferers from its defects are the very classes who stood most in need of that relief. The medical service provided is worse than insufficient; it is dangerous. And it is extravagantly expensive. The conditions to the two principal benefits are undefined and uncertain, giving rise at present to much inequality, and opening the door to serious abuses and social dangers in the future. The public expense is heavy and about double the estimate. At present it still remains as doubtful as in the beginning whether the income provided will furnish the proposed benefits—except that as to women it is certain that it will not. And if the income does not provide the benefits, there is no insurance.

On the other hand, there are large numbers of the people in the deepest poverty who are now receiving financial relief and some sort of medical treatment in sickness, where formerly they received none—but the total number cannot be estimated within a million or more.

Final judgment must necessarily be suspended until the machinery of the system is fitted to its functions and more actuarial experience obtained. But the present im-

pression is most unfavorable, and the prospects are gloomy both for the taxpayers and the insured.

A LIVE NATIONAL TOPIC.

State health insurance, though in operation to a limited extent, is yet a live topic for debate in the press and otherwise generally in Great Britain. The successively developed imperfections of the Insurance Act continually give occasion for questioning and comment, and occasionally for new propositions. Among the questions one notes as heard in circles where the Act is discussed or as read in the newspapers and magazines are the following:

Should not the British Government in 1911, leaving that class of its wage-workers alone which included not only 6,000,000 providing themselves with adequate sickness insurance but also unenumerated millions appropriately insured in other ways, have concentrated its efforts in favor of those breadwinners who are constantly on the danger line and acutely in need of social assistance? In effect, it has done just the opposite, for it is exactly in relation to the latter class that the Insurance Act is most defective. The argument against the course taken is well stated, by the secretary of one of the old Friendly Societies, as follows:

"For a full understanding of the question it is necessary briefly to outline the real position precedent to the introduction of the Bill. We had in this country a system of Friendly Societies through which nearly 14,000,000 persons were protected against the result of sickness. The extent of the movement may be gauged by the fact that the accumulated capital of these societies was nearly £60,000,000, built up by the small aggregations of the contributions of the members after claims had been met. These societies represented the finest system of voluntary provision which the world has ever known. Efficiently and economically managed, they were the envy of, and an example to, the whole wide world. The members were content, and the management was of such a democratic character that wherever mistrust was justified, or misgovernment became obvious, it was a comparatively simple matter to make a readjustment in any direction in which change was necessary.

"Beyond this a large number of persons had made provision in other ways, through building societies, co-operative societies, trade

unions, small personal investments, and savings banks, so that it is estimated that the accumulated provision was represented by a sum of £445,000,000, in which about 32,000,000 people were directly interested. Is it too much to claim that we had here an unparalleled system of voluntary thrift? The deposits of the depositors and the funds of the societies were going up by leaps and bounds, and it would appear to those outside the hurly-burly of party politics that all that was necessary was to leave well alone. This is the true and justifiable method of social reform. When things are going well, leave them; it is time to meddle when things are going wrong, and even then governmental meddling is not invariably an aid to progress; and injudicious interference with the body politic is as likely to cause damage as is undue interference with the body physical, and the result is much more likely to be distortion than development. More social movements have been wrecked on the reef of undue haste than in any other way, for great and desirable social reforms are the result not of the will or wish of this or that person, but of a gradual system of sane and natural evolution; and thus, and thus only, do we get that careful adjustment to conditions which results in a system being permanent, stable or healthily progressive."

Up to 1911 the number of voluntarily insured was steadily although slowly increasing and the value of their insurance was constantly augmenting. Would it not, then, have been wiser, instead of destroying that voluntary system, to have tried to stimulate its growth by moderate State assistance?

As a question of initial method, would it not have been better to follow the example of the unemployment insurance and in first instance make health insurance compulsory only in the well organized trades, with a view to a gradual extension of its application in the future? Then the difficulties of exceptional cases and the problems of administration could have been dealt with and worked out more intensively and successfully, because on a smaller scale.

Where wages are barely sufficient to provide nourishment for a workman's family, is it sound policy to subtract 4d. (or, according to one economic theory, 7d.) per week therefrom for such limited and uncertain insurance as is provided under the Act? Is not the sustenance thereby diverted from the man earning only 15s. to 20s. a week and his family worth more than the insurance?

Are not the advantages from employers' compulsory contributions too illusory to justify the expensive practices required for their collection, because in the long run they will come almost altogether out of what would otherwise be paid in wages? And is not the French system employers' voluntary contributions through honorary membership in the voluntary insurance societies better, although neither universal nor certain?

What is the social significance of the fact that since the Act went into operation more than one thousand two hundred friendly societies have ceased to exist, while nine hundred and eighty-six approved societies have ceased to carry on business, being either wound up or amalgamated with other associations? Meanwhile the great insurance companies have secured nearly five million State-insured members for their specially-formed approved societies, which have the function of feeding the other insurance features of the companies.

The approved societies, having lost the chief merits of the old friendly societies, freedom and independent administration, are they not now useless if not detrimental administrative organizations, and would it not be better to eliminate them altogether and have the State administer all the insurance direct? This question is already answered in the affirmative by high insurance officials and by many of the active promoters of the scheme.

The present method of administering the medical benefit being extravagant, inefficient and peculiarly open to abuse, should not that benefit be administered either (a) by the approved societies, or (b) directly by a special State medical service?

Would it not have been better as well as cheaper to have provided an efficient free State medical service for all the helpless poor, leaving the self-insured wage-earners to continue to provide for themselves (as they were doing very efficiently), instead of herding them indiscriminately with the semi-paupers?

Is not the medical benefit, as now provided, a positive social evil because it is more effective in keeping the insured disabled than in restoring them to earning capacity?

The medical benefit as now provided, costing—exclusive of drugs—about 7s. 3d. per capita per annum, on the average, is it not a reasonable conclusion that at that rate a proper, curative medical and surgical service would cost about 20s. per capita, and consequently that the rate of remuneration to doctors is grossly excessive for the value of the service? And does not this illustrate the common tendency in State service to satisfy primarily the salary drawers rather than the public to be served?

Is it practicable for the approved societies to pay sickness and disablement benefits from their funds without a better method of check and control than is at present provided? What should that method be? And is it possible to maintain any effective method of control within the limit of the amount now allowed for administration expenses?

Would it not have been better for the State to grant the "reserve values" expressly and outright, and omit its nominal contribution of 2d. per capita weekly to the current income? Then there would be no misunderstanding as to who is to receive the benefit of that contribution and no opportunity for political chicanery in regard thereto.

The condition to the right to sickness benefit being still undefined, how ought it be defined?

The condition to the right to disablement benefit being still undefined, how ought it be defined?

What regulations ought to be imposed upon the conduct of the insured while drawing sickness or disablement benefit?

What should be done to improve the position of the "deposit contributors" under the Act?

What should be done to improve the position of casual laborers under the Act?

Ought not the provisions for pregnancy, maternity, tuberculosis and venereal diseases be removed from the Act? (Cf. "The New Statesman," March 14, 1914, Supplement).

From what source or sources should the extra funds be provided to maintain the insurance for women? And for men in unhealthy trades? And for those branches of the insurance generally as to which the income may prove to be insufficient? It is known from the somewhat analogous experience under the Workmen's Compensation Act that in practice the cost is running up to three times the amount of the highest original actuarial estimates, and consequently there may be inferred at least a probability of a like experience under this law. But under this law there is not sufficient margin between estimates and income to cover one-tenth of such a difference. If that experience should be repeated in this case, who is to provide the funds to make good the deficiency? Or are the insured to suffer the loss? Ought not this contingency be considered and provided for in advance, instead of being left to be dealt with in a spirit of general disappointment and mutual recrimination if and when a financial smash-up occurs?

Under the conditions set forth in the last question, is it not a dangerous social delusion to regard this scheme as insurance at all? Is it not rather a social gamble? Is not the only thing certainly insured by this Act the frequent recurrence of political struggles in Parliament over the incidence of the extra taxation necessary to make good deficiencies—if they are to be made good?

To what extent is the insurance scheme going to illustrate the standing query as to all governmental organizations, viz.: "Does the institution exist to support the beneficiaries, or are the beneficiaries allowed to exist to support the institution?" In the words of the Fabian Society's Report, "Every interest is protected except, as it seems to us, that of the insured person."

Is there any merit in the alternative scheme presented in "The National Insurance Act. An Alternative Scheme," by W. Gerald Orriss, (*ubi supra*)?

Will Great Britain finally accept as a basis for a really national health insurance scheme the bill for voluntary insurance introduced in Parliament in July, 1914, by Lord Willoughby de Broke and Sir Richard Cooper? The supporters of that bill claim that the present compulsory scheme can be made voluntary without loss or interruption of the present benefits; that it would abolish deductions from wages and the deposit of cards with employers; that it would save the friendly societies; that it would discourage malingering; that it would keep the hands of politicians off the workers' wages, restore responsibility to the friendly societies and trade unions, and provide special relief to low paid workers.

Is not the British Act seriously defective as social insurance, inasmuch as it makes no provision for medical treatment for the wife and children of the insured workman nor for pecuniary relief to them in the event of his premature death? According to the doctrine propagated by the promoters of the Act, seven-elevenths of the cost of the insurance is a bounty from the State—three-elevenths through forced contributions from the employers. Why should wage-workers only, principally men, be singled out as beneficiaries of this bounty, to the exclusion (except as to the small maternity benefit) of the unemployed wives of insured men? The feminists, who emphasize this criticism, answer that question by saying that it is because the women can't vote. To some extent, an idea that the State's and employers' contributions constitute a spoils fund, to be distributed as political influence may dictate, underlies this criticism; but, unfortunately, that idea seems to be the prevailing one. It may be answered that the health insurance is only one branch of social insurance, and that insurance for widows and other survivors constitutes a distinct subject to be dealt with in the next measure for social relief. Per-

haps! But can the community afford another measure of relief, to cover these omissions, upon equally liberal terms? And is there any immediate prospect of relief from that direction? Moreover, will not this Act tend to diminish such voluntary insurance in favor of wives and children as already exists, because when the men become accustomed to having their insurance provided by the State, and principally at the expense of others, they will lose the habits and instincts of insurance and self-providence? (Of course, the terms of this criticism must be modified if the economic theory be accepted that employers' contributions eventually come out of wages; but in the political arena that theory exercises no influence).

Will not this Act tend to pauperize many of the workmen? To the extent that a wage-worker does not pay for his insurance he is a recipient of poor-relief—by whatever name it be called. Now, the British wage-workers are being persuaded that under this Act they are being given 11d. for 4d.—7d. out of other people's money. Many of them are to a large extent probably being deceived, but whether or not the moral effect is the same. Admitting that the State may pay expenses of administration and regulation and may even add a small bounty, how far can it go in that way for those who are able to provide for themselves, and have been accustomed to do so, without social harm?

To what extent will the increase in taxation effected by this Act discourage and reduce voluntary insurance among the middle classes? To illustrate: Where upon his death a man of that class leaves, for the support of his widow and children, savings which produce an income of \$1,000, \$57.50 thereof is taken by the national income tax; (besides which the widow is liable for local "rates" and of course is subject to the risks of loss of capital). In that case the income tax is a tax upon insurance; and so far as it is increased by the Act under discussion robs Peter to pay Paul. The harm done to Peter should be

deducted from the benefit to Paul in estimating the net social gain in insurance.

Is the difference in social value between the old insurance prior to 1912 and the existing insurance under the Act worth the difference in cost? We do not know the cost of the old insurance; but it was much less than that of the existing insurance. Then the practical question: Could not an increase in insurance, approximately equivalent to that effected by the Act of 1911, have been effected in other ways at a materially smaller increase in cost, whatever the increase may be? It is too much the fashion in academic treatises to measure the value of social insurance by the expenditures therefor. We hear it said, Great Britain is spending over £26,000,000 a year for health insurance—good for Great Britain! But that is nonsense; for money cost is not a reliable measure of value and more particularly of social value.

Can the British public dismiss as groundless fears that are thus expressed by Hilaire Belloc: "The system of registration and cards, coupled with the spying and secret information, . . . will form, as it has been intended to form, a secure basis for new and still more oppressive laws. We shall have (for the poor, not for the rich) compulsory notification of certain diseases. We shall have the Labor Exchange system extended until it forms a complete net securely holding down the whole proletariat. We shall have 'case' papers for the workman corresponding to the case papers which have been introduced in the Poor Law system; so that the record of each man, his willingness to work for the capitalist, his habits as to sobriety, punctuality and the rest, shall be known like those of an habitual criminal. We shall have the so-called 'Labor Colony'—that is a prison for workmen who show too much independence or who are not trained to yield or are unwilling to yield a profit to their masters—and we shall have legislation restricting freedom of labor upon every side."

Beyond the cost in money is to be considered the cost in the possible lowering of national character. Was it necessary to compel large numbers of industrious and self-respecting workingmen to become wards of the State? It has been asserted by a responsible writer on the subject that an industrial insurer can now obtain for about 5d. from a sound society an insurance of as much value to him as that which the Act offers him for 7d. Against the Act the charge is made that it has set up influences which war inexorably against thrift, individual initiative and self-care and the spirit of independence, and which threaten to destroy the virile elements of the English character and to injure the mutual trust and good opinion of one another hitherto prevailing among the English working classes. In the democratic self-governing friendly societies, the members took pride in administering their own affairs, found satisfaction in performing unremunerated work for their fellows, and earned well-deserved esteem when declining to go on the benefits. How are these manly sentiments to be kept alive among the thousands, or even millions, of members in a paternally "approved society," itself fettered by bureaucratic management, regarded by perhaps a growing number of people as fair game for fraud, and controlled by a spirit of authority instead of that of companionship? How as to the change from a willing to an unwilling membership, as to the absence of graduation in the insurance, as to the distrust of the good faith of many of the insured? Will there not be an insidious undermining of working-class honor and public opinion should there be a growth of alleged sickness and a spread of ingenious methods in drawing benefits consequent upon the consoling thought that the State or the employer is the easy source of supply for the money, and not the hard-won earnings of fellow-workers? If the improvident are to be favored, who will refrain from acting as they do? Such queries, heard today in Great Britain, indicate the seriousness of the problem, affecting a nation's integrity, which has been brought to that country through the so-called national insurance.

NATIONAL UNEMPLOYMENT INSURANCE.

In certain trades the British wage-worker is obliged by law to have an unemployment insurance card besides his health insurance card.

The unemployment cards are issued at the Labor Exchanges. On taking out a card, the wage-worker, if employed, passes it over to his employer, who holds it and stamps it, deducting the employee's weekly dues from his wages, as in the case of a health insurance card, during the worker's term of employment. The weekly stamp costs 5d.—of which employer and employee each pay 2½d. A stamp for a single day's odd job costs 2d. and for not exceeding two days 4d. The State adds one-third to the total amount received from employers and workmen.

No employer may engage a workman laboring at one of the insured trades unless the workman has an unemployment card. If a wage-worker has any doubt whether he is included in one of the insured trades, he applies for a decision to a Labor Exchange, and if not then convinced of his inclusion can appeal to an official Umpire. An insured person pays no contributions when out of work or engaged in an uninsured trade.

The unemployment benefit is a weekly payment of 7s. (\$1.70). In case the benefit is payable in respect of less than a total week, the weekly payment is divided by six, and 1s. 2d. is paid for each workday lost. No benefit is payable for the first week. Not more than fifteen weeks' benefit can be claimed by an insured person in any period of twelve months. Only one week's benefit can be drawn for every five full weekly contributions. The claimant for benefit must prove that he has been employed in an insured trade in each of not less than twenty-six separate calendar weeks in the preceding five years; that he is capable of work but unable to obtain suitable employment; that he has not lost employment through a "trade

dispute" (strike or lockout); that he is not drawing sick or disablement benefit; that he is not out of employment through his own misconduct, or through voluntarily leaving his place without just cause, or through refusing "reasonable" offers of work.

Wage-workers under eighteen years of age pay 1d. a week contribution; those of the age of seventeen and eighteen receive half benefits—3s. 6d. (85 cents weekly).

The benefit is obtained in one of two ways, either from an office of the unemployment fund (a Labor Exchange or a branch) or through a trade association.

The registry qualifications to draw unemployment benefit are strictly prescribed in regulations. An out-of-work registry book is to be signed daily at a Labor Exchange. If after signing it a workman obtains work in any part of the day up to midnight he must so report to the Exchange. A clerk of the Exchange keeps the out-of-work registration and enters in it the total number of days of a workman's non-employment, his days on benefit, the number of days he signs, the number he fails to sign, and the date when his benefit is exhausted. Other points in the registration are whether the loss of work has been due to a trade dispute or sickness or other causes.

The national unemployment insurance law is contained in Part II of the National Insurance Act of 1911 (with the exception of some general provisions, applicable also to the health insurance, to be found in Part III). It took effect, as to contributions and initial operation, July 15, 1912; and as to its benefits six month later, January 15, 1913.

The text of the Act, fully annotated, with the regulations, decisions, etc., approximately up to date, is published in "National Insurance," by Comyns Carr and others, (cited, *supra*, as the standard authority on the health insurance).

The first year, July 15, 1912, to July 15, 1913, is reported for in "First Report of the Proceedings of the Board of Trade under Part II of the National Insurance

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tions, 1912, Nos. 3-9," and the notes of this report on these points under the health insurance.

The administration of this scheme of unemployment insurance, in its fullness, as it is applied in Great Britain, is absolutely dependent upon a complete system of Labor Exchanges. In 1911 there were only 261 such exchanges; but by July 25, 1914, principally in order to administer the unemployment insurance, they had been increased to 407, with the further addition of 1,071 Local Agencies. On July 1, 1914, the total working staff of the exchanges and the unemployment insurance combined was 4,075 (of whom 252 were classed as temporary).

The insurance is compulsory in the following seven "insured trades"; (see Schedule VI of the Act):

Building.

Construction of works.

Shipbuilding.

Mechanical engineering (machinists).

Ironfounding.

Construction of vehicles.

Sawmilling in connection with another "insured trade."

Power is given to the administrative authorities working under the Act to add to the list of "insured trades" (Sec. 103); and already steps have been taken to add the following:

Repairing works of construction—roads and railroads excepted.

Sawmilling—not in connection with another "insured trade."

On its face the Act appears to be an impartial experiment in two alternative lines—viz.: compulsory insurance and State-assisted voluntary insurance. But the authorities emphasize the compulsory line, and anticipate its gradual extension to cover all possible trades.

Purposely the compulsory insurance has been applied at first, not to those trades in which the rate of unem-

ployment is highest, but to those in which the rate is about medium. If in this application the scheme proves successful and satisfactory, it is the purpose gradually to bring in the worse trades and to offset the excess burden therefrom by simultaneously bringing in better trades.

The insurance provided for is operative by three different methods, as follows:

- | | | |
|-------------------|---|---|
| First: Compulsory | } | (a) "Direct"—through the Labor Exchanges. |
| Second: | | (b) "Through associations." |
| | | (c) Voluntary—through associations. |

(a) Primarily the compulsory insurance is administered by the Board of Trade through the Labor Exchanges. Benefits in all the "insured trades" are payable out of one common unemployment fund, maintained by the contributions from employers, employees and the State.

(b) But where a workmen's association, approved by the Board of Trade, pays unemployment benefits to its compulsorily insured members, the unemployment fund, instead of paying benefits to the insured, reimburses the association periodically on account of all such payments by it, but not to exceed either (1) the amount that would be payable under the Act directly for account of its compulsorily insured members, or (2) three-quarters of the amount of the association's payments to them; (Sec. 105).

(c) Where a workmen's association, approved by the Board of Trade, pays unemployment benefits to its members not compulsorily insured, that board may pay to such association, out of moneys provided therefor by Parliament and not out of the unemployment fund, an amount not to exceed one-sixth of the association's payments; (Sec. 106).

This last is called "State-assisted voluntary insurance." It follows the lines of the "Ghent system." There are writers in Great Britain who strongly advocate this system only; (cf. "Unemployment Insurance", by I. G. Gibbon. P. S. King & Son, London, 1911).

The conditions for the approval of an association under either Sec. 105, the one relating to the compulsory insured trades, or Sec. 106, the one relating to the voluntarily insured trades, or under both (nearly all the associations approved under Sec. 105 being approved also under Sec. 106 for their members not falling under the compulsory sections of the Act), are prescribed fairly definitely in the Act (Sec. 87) and in the "Unemployment Insurance Regulations, 1912, No. 16," and in leaflet "U. I; 103."

STATISTICS.

(Derived from various official sources, and generally only approximate or estimated.)

1914		
Aug. —	Total No. insured in "insured trades" (compulsory)	2,300,000
May 11	Of whom "through associations" 538,009	
" 12	Total No. voluntarily insured in approved associations	660,000
	— Total No. insured under Act	2,960,000
May 4	No. of associations approved under Sec. 105	105
" 11	No. of associations approved under Sec. 106	344

Of the 105 associations approved under Sec. 105, 103 are also included in the 344 associations approved under Sec. 106, being approved under the first section for their compulsorily insured members and under the succeeding section for their voluntarily insured members.

The figures for the operations of the unemployment fund from Jan. 15, 1913, to July 18, 1914, are as follows (Note that these figures do not cover the voluntary insurance):

Total claims made to date	1,651,310
Of which direct	1,161,302
“ “ through associations ..	490,008
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Total number of payments to date	2,597,319
Of which direct	1,807,666
“ “ through associations ..	789,653
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Total amounts paid or payable to date	£770,000
Of which direct	£554,000
“ “ through associations ..	216,000

For the year 1913 (Jan. 15, 1913, to Jan. 15, 1914,) there was paid by the associations approved under Sec. 105 to their compulsorily insured members, as a total on their own account and from their appropriation under the Act, about £230,000. Of this total, £117,000 was repayable to these associations out of the unemployment fund.

For the same year there was paid by associations approved under Sec. 106 to their voluntarily insured members about £523,000, of which £56,000 was repayable to the associations, but in this case out of moneys provided therefor by Parliament and not out of the unemployment fund.

For the statistics of the same year, itemized by trades, etc., see “Board of Trade Labour Gazette,” March, 1914, p. 87, and not the unemployment insurance report for the first year, the latter report covering only the first six months during which benefits were payable.

For statistics of the trade unions which paid out-of-work benefits, etc., prior to the National Insurance Act, see “Sixteenth Abstract of Labour Statistics,” pp. 202-5.

The annual income of the unemployment fund from contributions is estimated at about £2,500,000, which, after deducting 10 per cent for expenses of administration, is estimated to cover an average of 8.6 per cent of unemployment. During the year 1913 unemployment in the “insured trades” averaged only 3.6 per cent, so that a handsome surplus was accumulated; and it is stated that the experience for the elapsed period (first six months,

up to July, 1914,) of the second year has been almost equally favorable. During these periods, however, employment was exceptionally good.

Ten per cent of the income of the unemployment fund is set aside to cover expenses of administration. The Board of Trade, however, has not yet been able to allocate the total administrative expenditures as between the Labor Exchanges and the unemployment insurance respectively. Consequently it is not yet known whether the 10 per cent will be under or in excess of the actual expenses of management.

The total government appropriations ("estimates") for Labor Exchanges and unemployment insurance combined for the fiscal year ending March 15, 1915, amount to £1,334,709.

This includes, besides expenses of administration:

Contributions to the unemployment fund	£600,000
" " associations under Sec. 106	70,000

The cost of these last two items (estimated) for the preceding year was:

Contributions to unemployment fund	£760,000
" " associations under Sec. 106	80,000

The difference between appropriations and the probable cost, as indicated by the last year's experience, is made up by balances, etc. Consequently, the appropriations must not be taken as indicators of the estimated expenditures for these items.

As to the number of places found in proportion to the number of applicants at the Labor Exchanges, the statistics given (page 358) in the "Board of Trade Labour Gazette," October, 1914, afford an example: "The average weekly number of vacancies notified to all Labor Exchanges for the four weeks ended September 11, 1914, was 29,339, as compared with 26,874 in the previous four weeks, and with 22,460 in the four weeks ended September 12, 1913. The average weekly numbers of vacancies

filled for the same periods were 23,107, 21,162, and 16,898 respectively."

As to unemployment, the same issue of the "Gazette" gives (page 387) the following statistics: "The total number of claims to unemployment benefit made at Labor Exchanges and other local offices of the unemployment fund during the four weeks ended September 25, 1914, was 133,592, as compared with 180,233 during the four weeks ended August 28, and with 77,266 during the four weeks ended September 26, 1913. Of the total of 133,592 claims, 85,157 (or 64 per cent) were claims for the direct payment of benefit, and 48,435 (or 36 per cent) were claims for payment of benefit through associations of workpeople in the insured trades having arrangements with the Board of Trade under section 105 of the National Insurance Act. The number of claims made during each of the four weeks was 39,873, 33,176, 32,086, and 28,457 respectively, the average being 33,398, as compared with 45,058 in the four preceding weeks, and with 19,317 in September, 1913.

"The average weekly amount of unemployment benefit paid during the four weeks ended 25th September, 1914, was £19,734, as compared with £11,772 per week in the four preceding weeks, and with £6,431 per week in September, 1913; 64 per cent of the amount was paid direct, and 36 per cent through associations."

FURTHER EXPLANATORY COMMENTS.

The conditions to the right to unemployment benefit are set forth in Sec. 86 of the Act, (but what constitutes "suitable employment" is not defined). The disqualifications are specified in Sec. 87. Decision of the right to benefit is made in first instance by the Insurance Officer, subject to appeal to a Court of Referees, from whose decision the Insurance Officer may in turn appeal to the Umpire. (As to the Umpire, see First Report, p. 33.) Up to date the proportion of appeals has been very low; (see *id.* pp. 32-33.) Chairmen of Courts of Referees are

allowed an attendance fee of £2 6s., with £1 per day for expenses; and members of the panel are allowed their reasonable expenses. Sec. 87 provides that where unemployment is caused by stoppage of work due to a trade dispute at the establishment where the claimant was employed there shall be no unemployment benefit; but provision to provide (subject to some qualifications) that separate departments of an establishment shall be deemed separate establishments.

Experience under this law confirms the general experience that unemployment does not occur at all evenly among wage-workers, but that, to a high degree, it is concentrated among a small proportion at the foot of the scale in efficiency and industriousness; (see discussion in First Report, Cd. 6965, pp. 26-27). This raises the question how far the unemployment fund is going to be drained by these low grade workmen at the expense of the great mass of the better men. Several checks upon that leakage have been mentioned above. For example, no workman may draw benefits for more than fifteen weeks in any one year, nor more than one benefit for every five of his contributions to the fund (Schedule 7); and a condition to the right to benefit is that the claimant must have been employed as a workman in an "insured trade" in each of not less than twenty-six weeks during each of the preceding five years. These clauses, it is true, protect the fund against the worthless; but they permit the relatively low grade men to draw for ten weeks every year, and yet limit the steady workman to fifteen weeks' benefit on those rare occasions when he loses his employment and has a long search for another. Is this latter provision sufficient? But in this connection it should be borne in mind that the better classes of workingmen may desire unemployment insurance on such conditions as a defensive weapon, to prevent underbidding by the frequent "out of works."

It is the purpose of this law not only to relieve but also to reduce unemployment by bringing out the data

in regard thereto, by developing and improving Labor Exchanges, and by interesting employers in the problem of prevention of unemployment through economic pressure (for their contributions may be raised, if necessary). That it will tend to have these effects when a little better established and more fully developed seems probable—provided that the Labor Exchanges continue to be managed according to present policies. But, on the other hand, it may reasonably be contended that the same results would be effected by the development of Labor Exchanges alone, without the insurance, and that the latter will tend to support men in adhering to their accustomed occupations under conditions where a change would be advantageous. In this respect it may prove to be serious that the Act does not define the “suitable employment” which an insured workman who has lost his job must accept from the Labor Exchanges or lose his right to unemployment benefit. Under the Act that is left as an open question for the Courts of Referees to decide in each case in their discretion; (for constitution of such courts see Sec. 90).

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CONCLUSIONS.

This dual scheme of insurance is manifestly an experiment. The results of the compulsory form, especially on

trade unionism, are not yet developed. How far is it to go? As Herr Delbruck, speaking for the German Government, said in the Reichstag, January, 1914, ("Bulletin des Assurance Sociales," April, 1914, p. 10) :

"Is the State to be asked to bear the expense of insuring all the working people against unemployment? That plan would seriously invite simulation. Unfortunately, unemployment is not objectively recognizable, as is sickness. Exactly how is it to be decided whether or not a person is 'involuntarily unemployed'? For what work is a person to be considered fit? Is it to be required of an upholsterer, for example, that he must at need accept employment as a ditch digger? And the relative proportions of unemployment are extremely variable. Agriculture lacks hands, whereas the 'industries' have too many.

"For these reasons, and at least until we have reliable statistics of unemployment, we cannot dream of State unemployment insurance. And moreover, we cannot think of introducing it until we are out of the dark as regards the results of the existing social insurances.

"Finally the Ministry considers a complete system of unemployment insurance to be impossible so long as Germany does not possess a very highly developed and co-ordinated network of employment offices.

"It is true that England and Norway have organized State insurance against unemployment; but we ought to wait and study its results with them."

Unemployment insurance is frequently misunderstood by the ignorant to mean assurance of employment, and this misunderstanding is propagated by loose exaggerations of the benefits of unemployment insurance by some writers of the educated classes. Of course, the British scheme does nothing of the kind, but merely insures short "out-of-work benefits" to those who are generally employed. It is in no way a remedy for the direst social evil in Great Britain, the existence of a large submerged class of generally unemployed.

The system of Labor Exchanges as maintained in Great Britain is not only of greater social value to that country than the unemployment insurance, but is also in practice inevitably a condition precedent to that insurance, except in the case of associations having their own systematically administered labor bureaus. Conse-

quently, until we in America are satisfied of the need to us and the practicability in this country of such a system of labor exchanges, and are prepared to pay the enormous cost thereof and to run the political and other dangers of abuse, general unemployment insurance, either compulsory or State-assisted voluntary, is out of the question. Provision for State assistance to associations paying out-of-work benefits is possible, but almost to a certainty, it will, as in Belgium, bring aid to the members of trade unions and of employers' establishment organizations only.

The operative requirements imposed upon employers and insured workmen under the compulsory provisions of the British law are not noticeably vexatious, because they are only an amplification of the cost, routine and red tape already imposed upon employers and employées under the health insurance. But if there were no health insurance the requirements for unemployment insurance alone would be felt to be disproportionately expensive and troublesome.

TREND OF PUBLIC DISCUSSION.

Among the points relating to unemployment insurance which are the subjects of public discussion at present are the following:

Is it just to compel steady, qualified and thrifty working people to insure in this way, bearing in mind that the insurance is not best adapted to their needs, but rather to those of the inferior classes?

Are the complicated and expensive administrative processes required for the collection of employers' contributions worth while? In the long run do not those contributions come out of what would otherwise be paid in wages? Do they not give employers an argument for refusing increases in the wage scale demanded by trade unions? In "Everybody's Guide" to the law, the author

writes: "As to who will eventually pay the levy, or whether it will remain equally divided between both parties, will ultimately depend on which side is the stronger and which has the better argument."

Would not a threat of an employing-class effort to abolish the unemployment fund tend to discourage activities by a weak trade union? Might not this situation exert a subtle influence to divert militant trade unionism, fighting for the rights of wage earners, to merely a fraternal organization principally concerned with drawing small and safe semi-paternal benefits?

On the other hand, does not the provision that separate departments in an establishment shall be treated as separate establishments open the door to the abuse complained of in Belgium, under the Ghent system, that everybody in a plant may be thrown out by a strike, really general, but nominally by only one class of the employees (e. g., by the boilermen), and the employer thereby be subjected to forced contributions to subsidize a strike against himself? This question has received no attention in England.

As to the State's contributions: In view of the steady growth of voluntary insurance of "out-of-work benefits," particularly in the very trades as to which the insurance has been made compulsory under the British Act, and in view of the fact that there was no general demand from the working people for State aid until it was suggested by academic theorists, would it not have been better to apply the taxpayers' money in such directions as would help the very poor to help themselves?

Is it not an unjustifiable tax to make all the wage-workers of the regularly employed trades contribute to the insurance of out-of-work benefits for the recurring dead periods in seasonal trades? As to some of them, would it not be as reasonable to give such benefits for Sundays; and, as to others, is not the remedy to cor-

relate occupations rather than to subsidize idleness during the dead periods?

Is it fair to pool the funds for all workmen in all trades, at equal contributions—as is proposed under the compulsory scheme when fully extended—regardless of differences in hazards?

Was it wise and was it a fair test to try the experiment in compulsory insurance in those particular trades in which voluntary insurance was especially well developed and was increasing steadily?

Is it fair play to the employers for the State to assist unemployment insurance in associations, when those associations are trade unions, organized for combative purposes? Note, however, that those associations may be purely provident or mutual^a benefit schemes and not trade unions, and that, even where they are trade unions, the assistance is conditioned upon the benefits being denied for unemployment due to strikes, and that it tends to develop the non-combative functions of the unions.

Will not the pooling of the funds for all trades tend to promote and favor “industrialism” in labor organization, as against “trade unionism?”

Will the particular social benefits to which this scheme of compulsory insurance is restricted offset the decay of individual responsibility which inevitably results from paternalistic compulsion? What as to the immense increase in public offices and political patronage that the system entails?

Does not an unemployment benefit tend to tie a man to his occupation however poor it may be, to encourage him in the habit of over-caution, to lessen his venturesomeness and hustling capabilities? To what extent, then, is the so-called benefit a social deprivation instead of a social compensation?

While the wage-worker’s insurance card is a prerequisite—an obligatory license—to work, how far can it also be made to serve hostile employers as a passport to the

blacklist? In the course of the half-year's "trade dispute" in the building trades in London, only ended by the war in August, it was commonly alleged that the Building Trade Masters' Federation instructed country employers to refuse work to locked-out men from London, who "could be traced by their insurance cards." Two members of the Executive Council and the General Secretary of the Operative Bricklayers recently reported that Liverpool bricklayers had been boycotted by employers in Lancashire towns during a trade dispute. On tendering his insurance card, a member who had got a job at Warrington was dismissed, as he had come from the Liverpool union.

To establish a claim for unemployment benefit the wage-worker must give at the Labor Exchange the name and address of his last employer. Thereupon an Exchange officer mails a notice to the employer which gives the latter opportunity to show whether the applicant is out of work through any of the causes which prevent him from drawing benefits. Can this opportunity lead to oppression by malicious employers? Of the total number of claims made from January 15, 1913, to January 16, 1914, (1,144,213), 102,000 (9 per cent) were disallowed. Of the 102,000, 38.2 per cent were refused because of "misconduct," 36 because of failure to prove 26 weeks' work for five years at the insured trade, and 17 per cent on account of trade disputes.

What abuses are to arise in the Labor Exchanges in making out descriptive records of applicants for the unemployment insurance? A man's record may be used to his detriment in the manner of a police "pedigree" or a charity organization "check-card." This record is compiled by the Labor Exchange officials as opportunity arises, and advantage is taken of interviews to study an applicant's appearance and note his peculiarities. The standard code for registration cards was commenced on Monday, February 19, 1912, as per D. O. C. 99. It is as follows:

Looks—1.

- (a) Robust, healthy, bright.
- (b) Weak, unhealthy, dull.

Clothes—2.

- (a) Suitable for class of work.
- (b) Unsuitable.

Cleanliness—3.

- (a) Clean.
- (b) Not clean.

Height—4.

- (a) Judge this from applicant's position at the hatchway, grill or counter.

Strength—5.

- (a) Judge by appearance.

Sight—6.

- (b) Bad.
- (bb) Very bad.

Speech—7.

- (b) Slight stammerer.
- (bb) Bad stammerer.

Hearing—8.

- (b) Bad.
- (bb) Very bad.

“This degrading and insulting inquisition,” writes John McCallum, “places the worker in the position of a registered serf. It gives him the definite status of a slave whose movements and habits are the personal concern of his official overseers. It takes the power of selling his own labor capacity out of his own hands and places it in the control of a petty bureaucracy. It gives to an unqualified clerk the right to set up for each numbered worker a permanent record, supported and indorsed by the authority of the State. This record contains the private impressions of a chance official, but these opinions and impressions carry the weight and importance of de-

liberative verdicts. The clerk goes, but his autocratic opinion remains."

As to the voluntary features:

Should not the State's assistance to voluntary unemployment insurance be in proportion to the workmen's contributions rather than in proportion to the benefits paid?

Does not State assistance to voluntary insurance benefit principally, if not exclusively, the better off and better organized working people, without any appreciable advantage to the poorer classes who need it most? (For the *pros* and *cons* on this question, see Gibbon's "Unemployment Insurance," *supra*).

Finally, is not unemployment a most inappropriate subject for a uniform system of insurance? It may be argued that it is peculiarly appropriate therefor, because to an especially high degree it lies open to prevention. But in reply thereto it is argued that the methods of prevention are entirely distinct from the insurance and should be emphasized and tried first, before concluding that insurance is desirable as an auxiliary or a supplement.

OLD AGE PENSIONS.

A British man or woman of seventy years of age living in the United Kingdom is entitled to a weekly pension of five shillings (\$1.22) from the State under these qualifications: The pensioner must not have an income from all sources sufficient to make up with the pension more than 13s. a week;—if he (or she) has an income, in wages or otherwise, of more than 8s. and less than 13s., the pension is diminished to the point at which it will complete the amount of 13s. and no more. Up to 1911 a recipient of poor relief after January 1, 1908, (other than such relief specifically exempted) was disqualified, but that ground for disqualification was set aside January 1 of that year. There yet exist disqualifications which relate to residence, nationality, idleness and imprisonment; but in practice all of these apply only in a small number of cases in proportion to the pensions granted.

This law is entitled "Old Age Pension Act, 1908." The text, explained and annotated, is published in "Old Age Pension Act, 1908," by D. O. Evans (London, Sweet & Maxwell, 1908.)

Statistics of the number of pensioners, cost, etc., together with the corresponding data relative to pauperism and poor relief, are to be found in the last "Abstract of Labour Statistics of the United Kingdom." (Sixteenth, 1913, Cd. 7131.)

The law took effect January 1, 1909; but the fiscal year reported for runs from April 1, and the first year's figures cover the period April 1, 1909, to March 31, 1910.

The number of pensioners increased from 647,494 in 1909 to 967,921 in 1913.

The cost of pensions increased from £8,465,231 in 1909 to £12,130,609 in 1913.

The Government appropriations ("estimates") for 1914-15 (the year ending March 15, 1915,) for account of Old Age Pensions are as follows:

Pensions	£12,650,000
Expenses of Pension Committees	62,000
Other incidental expenses	431,655
Total	<u>£13,143,655</u>

Expenses of administration are therefore about 4 per cent. But this low ratio of expense is attained only by the omission of nearly all practical machinery for control or check against frauds and impositions.

The effect of this law upon poor relief in the United Kingdom is indicated by the following figures:

The number of indoor paupers January 1, 1909, was 266,366. On January 1, 1914, it was 243,913, a reduction of 22,453.

The number of outdoor paupers January 1, 1909, was 563,790. On January 1, 1914, it was 384,409, a reduction of 179,381.

The foregoing figures do not include the insane and casual paupers.

With respect to aged paupers, the most recent count before the passage of the Old Age Pension Act was in 1906. The total number of paupers over seventy years of age fell from 229,474 in 1906 to 57,048, January 1, 1914. Of these the number of "indoor" cases (that is, in the workhouses) had decreased from 61,378 to 48,103, a reduction of 22 per cent, while "outdoor" cases (not in workhouses) had decreased from 168,096 to 8,945, a reduction of 95 per cent.

In connection with these figures, note that over 122,000 paupers became old age pensioners in January, 1911, when the removal of the disqualification for acceptance of poor relief took effect; (cf. note, "Sixteenth Abstract of Labour Statistics, 1913,"—Cd. 7131—p. 329).

The number of those who applied for pensions immediately upon the taking effect of the Act far exceeded the estimates, especially in Ireland, whose excessive old-age poverty had been overlooked. Thus the number of pensioners for the first full year (1909) was: England and Wales, 343,000; Scotland, 65,699; Ireland, 172,966.

The relative increase in the number of pensioners since then is instructive. Up to 1912, it was as follows: England and Wales, 63 per cent; Scotland, 34 per cent; Ireland, 12 per cent.

It is claimed by writers of the pessimistic school that these figures show an extent of poverty and destitution among the aged not dreamed of before the old age pension laws took effect. But except possibly in the case of Ireland, this is not a fact, and they show nothing clearly as to dependent poverty. Under the British law an aged person does not have to be destitute or in fact in need of public support in order to become a pensioner; for he or she may be rightfully dependent upon sufficiently well-to-do relatives. Family life among the working classes, as indeed among all other classes, is more or less communistic. The family, not the individual, thus becomes the natural social unit. Mutual help is here regarded as a virtue; youth is assisted during its non-self-supporting development; age is cared for in its decline; the domestic rights, serving to strengthen the family, are reciprocal. This time-honored home group arrangement, a manifestation of a fundamental morality, may be shattered through the State old-age pension. By an understanding between parents and their offspring, the pension may be drawn as drink or pin money. Wages may be, and it is stated often are, reduced by consent just so much as is necessary to bring the employee within the pension law limit. In fact, it is commonly admitted that when the law went into operation the general average wages of laboring men over seventy went down to 8s. a week, so that a full pension could be drawn. Another class, the self-employed at petty gains, give up a part of their work and make just sufficient not to debar themselves from the full benefit. Small property rights may be and it is stated often are transferred for the same purpose. Trade unions reduce the union pensions of their aged (from 10s. or 12s.) to the point (8s.) that allows them to draw the

full 5s. per week from the State. And in the absence of any adequate machinery for control and surveillance, false statements and other forms of unqualified fraud are said to be common.

The operations of the law and its effects have received singularly little attention in economic or sociological literature. Indeed, nothing relating thereto, except references to several books now out of print, is to be found in the libraries. But there is a good deal of casual, bitter criticism by the poor law authorities and by contributors to the daily papers. Of the latter the following example will serve for illustration:

"To the Editor of The Times:

"Sir:—The waste of Imperial money in old-age pensions is a very important question which seems to attract very little public attention, although a very large proportion of the pensions ought never to have been even asked for. The real state of the case is, for the most part, if not entirely, known only by the neighbors of the pensioners, and they will not venture publicly to say anything about it, and are not the sort of people who write to the *Times*. Privately they will not hesitate to say that about one-half of the pensions, in not a few places, are obtained by a sort of whitewashed fraud.

"The pension fund ought to have been administered by boards of guardians, or some other publicly elected board, and the law ought to be at once modified so as to exclude those who are able to manipulate their property or income in order legally to get the pension.

"It is very easy to grumble, but not easy to grumble effectively.

Yours faithfully," etc.

When the investigator asks in Great Britain how it is that its old age pension system has gained public assent, even if only a half-hearted assent, the answer is that that country, facing the dreadful poverty of its working classes, felt desperately that "something had to be done." Granted the frauds, yet the rule-of-thumb methods adopted reached on the whole a great mass of suffering persons. Some means existed, in the decisions of the pensions committees, to stem the flood of applications. The total number of appeals against those decisions has been 29,223. Of these, the question of "means" brought 14,060, while

those of age and poor relief brought respectively 6,401 and 6,408. While the State thus has a sort of barrier protecting itself, though an admittedly slight one, few of its citizens desire to appear niggardly with those who are aged and may be poor.

In the Board of Trade annual reports, the part given to old age pensions takes up merely three or four pages in about two hundred and fifty. It embodies a routine summary of the statistics for the year and brief memoranda of new rules and the like. Its stereotyped form seems to indicate that little remains of the problem today but to keep run of the aged poor or near poor and give them their money. The task of the authorities of exactly estimating hundreds of thousands of little incomes is usually performed under the influence of a kindly feeling toward gray hairs. The money these officials are handing out is not from their own bank accounts.

So far as this system of old age pensions is merely public poor relief, it does not properly fall within the purview of social insurance; and therefore the criticisms by the Poor Law authorities may be left to be investigated, if at all, by experts in poor relief.

The fundamental objection that this system of relief discourages thrift and destroys the sense of individual and family responsibility needs only to be pointed out. At the same time, it is contended by advocates of the system that the old age pensions have relieved many cases of wholly unmerited destitution among those who would not seek undisguised poor relief. In support of this contention, much is made of the initial success of the Danish system. But this, in turn, seems to be slowly degenerating, the level of merit being steadily reduced. The English system prescribes no criterion of merit at all. It seems to be indiscriminate poor relief, pure and simple, merely disguised in name, and in a form peculiarly liable to abuse and fraudulent imposition.

Prima facie, the burden of proof for old age pensions paid out of taxation is upon those who would advocate

the system, yet nowhere can any adequate presentation of the arguments therefor be found. For the future at least, State-assisted contributory old age insurance, of which Canada affords an example, is clearly a feasible alternative of much greater social promise; and the cases it would not cover would seem to belong properly in the domain of carefully administered and honestly branded poor relief.

THE AMERICAN POINT OF VIEW.

Little in the way of guesswork is ventured in saying that, among all the facts detailed in the foregoing pages, the small figures of the benefits will principally arrest the attention of those American citizens whose circumstances might lead them to look for aid through State insurance. Naturally, the first and last query with them is, "All said and done as to the various features of the British Act, what does the insured person in distress get from it in money? What is the amount of this or that benefit?"

The maximum payments, expressed in American terms, are: Sickness—For men, for twenty-six weeks in fifty-two, per week, \$2.43; for women, \$1.83. Disablement (invalidity)—For either men or women, after twenty-six weeks of sickness, per week, \$1.22. Maternity—A lump sum, \$7.29. Unemployment—The first week without benefit and for only fifteen weeks in fifty-two, per week, \$1.70. Old age pension—Beginning at seventy years of age, per week, \$1.22.

These small payments tell at a glance much of the story of Great Britain's poverty. Evidently, in a country where organized society, after a debate and preparation that was watched the world over, has forced upon the wage-working poor a system of unavoidable contributory insurance that yields such pitiful returns, the poverty prevailing among the masses must be on a scale and at a depth unknown in the New World. Surely, it is a poverty crushing to the spirit, else the British wage-workers would resent the conditions of card inspection and personal investigation precedent to obtaining the few cents a day to which each of the benefits may amount. Clearly, the working-classes must be held hopelessly down within a narrow span of extremely meagre earnings if the benefits bear the proportion to wages usual in America.

In view of these figures, an American, on learning that certain of the British academic reformers and their

supporters among the working-class radicals are in the habit of saying that in State social insurance the United States wage-earners remain decades behind their brothers in Europe, may truthfully retort, "Yes, while paid double or treble British wages and accustomed to from double to quadruple trade union or other voluntary insurance benefits."

To this the counter-query instantly at command of the academic controversialist is, "What as to the cost of living?" The reply in truth is that standards for comparison, between equal enjoyments in the two countries, are difficult to be found. From every point of view—in the variety of food, the appointments of the household, the outfit in raiment, the advantages in schooling, the conveniences of transport, the cheapness of amusements, and the expectation of social betterment, in a word the amplitude of living—the average American native worker is so far removed from his British fellow of any occupation whatsoever that no detailed parallel of respective expenditures can be constructed. If a general comparison be sought in the prices of commodities, and it be kept in mind that the British wage-worker expends from 50 to 65 per cent of his income for his family food, obviously paying the prevailing American-British wholesale market prices for such staples as flour and meat, and much higher than American prices for certain common fruits and vegetables, it is seen that the British workman's cheapness of living must be brought about in large part by doing without the things that the American includes by custom in his subsistence. The question of cost of living is one of standards of living. The British immigrant to America could, if he would, live at his home standard of self-denial, certainly anywhere except in a few of our largest cities, with hardly a material degree of increase in his outlay taken as a whole.

The wretched poverty of Great Britain's submerged tenth has for years been a constant subject of statistical demonstration, sympathetic description, and political ex-

plotation. It is one of the shocking facts and accepted problems of sociology. But the deplorable economic situation of the mass just above the submerged, and its heavy proportion in the entire working class, are not generally appreciated in America. To one of the investigators of this committee an approved society official quoted, with an assurance of his belief in the statement, these words of a former premier: "The working class of England is so near the line of want that industry and thrift cannot ever get the common necessaries of life in ordinary employment." A deputation of British trade unionists on returning from a tour of investigation in a Continental country wrote, with their own population in mind: "No beggars, feeble or emaciated men in tatters and rags were encountered in the streets. Hundreds upon hundreds of unemployed were seen by the deputation, but they seemed to lack that dejection and absolute misery that unfortunately is so frequently met with in the streets of English towns." Harold Begbie, the London "Chronicle" correspondent at present visiting America, writes: "In very truth, I find that American employers, however greatly they may worship the 'almighty dollar,' do, on the whole, treat their work people far better, infinitely better, than the majority of English employers." . . . "There is nothing here, absolutely nothing, to compare with the most shocking and ubiquitous poverty of Europe."

Testimony as to the relation of the standard of living to the scale of insurance is at hand in the following statistics relating to typical occupations.

An official of the National Union of Railwaymen's Approved Society stated to one of this committee that a hundred thousand employees of the British railways work at a scale of less than £1 a week; the goods porters' rate until the strike of 1912 was 18s. a week; they won 19s. Here we are dealing with wages of 70 to 80 cents a day—allowing for six days a week. The Railwaymen's Approved

Society has 74,000 members. The official in question regarded the Insurance Act as "a godsend" to those members and the workers generally, to be appreciated the more as time goes on. "It will undoubtedly result in a vast gain to the nation," he said. "The employing class will gain in the improved efficiency of the men. Previous to the operation of the Act, a man would avoid consulting a doctor when ailing, with the result that his constitution would become undermined. Now he can get free advice and instruction in methods of preventing ill health. It was just the people in the poorest circumstances who formerly could make no provision for care and medicine in case of sickness. Now, the Act is a boon to them." The National Union of Railwaymen of Great Britain comprises employees in all branches of employment—engineers, firemen, brakemen, vanmen, porters, drivers, signalmen, shunters, pilot guards, loaders, checkers, examiners, number takers, passenger guards, gaugers, ticket collectors, coal-yard-men, weighmen, blacksmiths, machinists, and gas-fitters. From this list may be inferred the different point of view from the British from which the American railroad employee sees not only insurance but also trade unionism and life in general.

The Railway Clerks' Association of Great Britain and Ireland, which includes the clerical staff, agents, station-masters, canvassers and collectors of the railway companies, has a membership of about 26,000 (the report of 1913 gives 25,791.) Its official publication, "The Railway Clerk," for November, 1913, states that two years before "the average salary of clerks and station-masters of twenty-one years of age and over on all the railways was less than £85 (\$413) a year." Since that time the great upheaval among the British railway employees has taken place. Yet, "the present average salary is not more than £90 a year or say 35 shillings (\$8.52) a week." This association, however, has managed to have its members exempted from the National Insurance Act under the clause which excepts railway wage-workers whose sal-

aries are continued during sickness. The association's entrance fee is one shilling (24 cents). Its out-of-work benefit is 15s.; convalescent home benefit, 15s.; death or disablement, according to length of membership, £6, £7, £8, £10, £12, or £15, (roughly, \$30 to \$75); half benefit at death of member's wife (roughly, \$15 to \$37.50).

In striking contrast stand the amounts paid as mortuary benefits by the American railroad organizations: Engineers, three classes, \$1,500, \$3,000, \$4,500, the total death claims for a year amounting to \$1,200,000. Firemen and Enginemen, five classes, from \$500 to \$3,000. Conductors, three classes, \$1,000, \$2,000 and \$3,000. Maintenance of Way Men, two classes, \$500 and \$1000.

As we have already stated, the British State old age pension is \$1.22 per week. In the United States the railroad and other company pensions are usually from \$20 a month upward. The estimated number of persons ages 70 and over in the Continental United States at the present time is about 2,600,000. In England 60 per cent of the population ages 70 and over were drawing old age pensions in 1912. On that basis, the proportion of persons drawing pensions in this country would be 1,565,000. At \$5 per week or \$260 per year, the annual estimated cost of a non-contributory pension system for the United States in conformity to English experience would be \$407,000,000.

Light on the relative economic situation of skilled wage-workers in the United States and England is shown in a comparison of compositors' trade union wages and benefits in New York and London. Wages—Morning newspapers: New York, week of 45 hours, uniform time scale, \$33 and \$36; London, week of 48 hours, maximum time scale, \$11.50—one-third of New York rates. Book and job—New York, 48 hours, \$24 and \$26; London, 50 hours, \$11.50. (Comparisons of piece scales cannot be made, New York not having any. Swift machine compositors in London may attain \$15 to \$20; expert time men in

NEW YORK are paid up to \$40—exceptional cases, both.) In Troy, New York (75,000 inhabitants), for machine piece operators the scale is 23 cents per 1,000; in London, 14 cents; time work, Troy, 48 hours, \$24—more than double London rates. Benefits—The typographical union covering the United States and Canada, 64,000 members, pays a graduated death benefit; five years' standing yields \$400, usually supplemented by a local union allowance, that of New York City being \$75. Members of sixty years of age, having twenty years' standing, when unemployed, receive a pension of \$5 a week; number on the pension list, May, 1914, 1,210. In London, 12,000 members, the maximum funeral allowance is \$97.20; and that for members' wives, \$32.25. The maximum weekly superannuation allowance is \$2.43 (10s., which at the age of seventy is reduced to 8s. to take advantage of the full State old age pension of 5s.). In London, the maximum unemployed allowance is \$3.40; in New York it is uniform, \$5 per week. In America, the usual sick-benefit of the local typographical union societies is \$8 to \$10 per week. The 4,000 London compositors who are members of the union's "approved society" under the Insurance Act are entitled to \$2.43. The differences in other benefits maintained by these two American and English typographical organizations—"home," traveling, emigration, etc.—permit no comparison.

The investigator, seeking information among the opponents of the Insurance Act in England, has leaflets put into his hand in which such passages as these occur :

"And what is the purpose of this overthrow of our liberties? It is to compel every man and woman earning more than 12s. and less than 60s. a week to put aside 4d. in each week as a provision against the possibility of illness in the course of their lives. They may never have an illness; then it is a provision for somebody else who may have an illness. They may have but 12s. a week, but they have to provide for those who have 60s. They may have brothers or sisters or parents or children dependent on them for daily bread; they have to provide for those who have none. They may wish to secure something at their death for widows or children; but no, they must spend the 4d. only on the chance of their own sickness in

their own life. They may be sober and careful and moral; they have to support those who bring on disease by drink or debauchery.”
—J. B. Kinnear.

“During the recent building trade dispute the London workers were locked out by the masters. The workers had paid 2½d. a week for 78 weeks under Part II of the compulsory Liberal Insurance Act. What did they get for it? Nothing! What did the master builders get? The identification card! The Federation instructed their country branches to refuse employment to locked-out London men.”—Tax Resisters’ Association.

“The Chairman, Mr. F. Higgs, London, said:—‘Employers in the country would know if locked-out men came to them from London, their insurance cards would trace them!’—*Daily Chronicle* [Radical], January 29.”

“The ‘ticket-of-leave’ card was used in this way against bricklayers during a dispute in Liverpool—*Solidarity* [Syndicalist], November, 1913; and against miners in the Welsh colliery districts—*Daily Herald* [Labor], February 2, 1914.”

When inquiry is made among the supporters of the Act for an explanation of such opposition, the answer from the Insurance Commission is: “Oh, that’s all politics,” and from the trade union approved societies “With all its faults the Act is a step in the right direction, and its positive assistance among those wage-workers who are on the brink of submersion cannot be denied.’ A charity worker who criticised the Act was asked how the country came to accept it. The reply was: “Something had to be done. The Act gave some relief some where. But its principles spring from the gospel of despair.”

Poverty has its levels, and the British level is not the American level. As a fact, in America in a general way there are three distinct levels of poverty—the level of the white native born, that of the immigrants, and that of the colored race—each associated with its own level of wages, opportunity, and industrial education. Could any national insurance Act possibly be adapted to these incongruous social elements?

In other respects, while considering the British Act and its results, Americans will ask themselves how an obligatory insurance law can be made to apply to the

conditions in our country. The habits of our wage-workers are migratory to an extent unknown in European lands. Some of our States are preponderately industrial; in others the proportion of agricultural laborers is the larger. Could the States agree upon a compulsory Federal insurance system?

Take, as one difficulty of social insurance in this country, our immigration.

The provisions of the British health insurance law relative to adult immigrants would be hopelessly impracticable under American conditions. With so high a ratio as ours of adult immigrants among the working people those provisions would mean for such immigrants, first, a period of inadequate insurance, and, later, upon their naturalization, a constant crediting of "reserve values," which at our rate of immigration would impose a crushing burden upon the taxpayers and hold out a ruinous incentive to the immigration of the aged and infirm. And only harm to American wage-workers could come from avoiding this objection by excluding adult immigrants altogether from the scheme.

As to compulsory unemployment insurance, its operation is dependent upon the existence of a complete system of labor exchanges. And although theoretically both such exchanges and unemployment insurance may be established simultaneously, yet practically it would be most inexpedient to establish either compulsory or State-assisted voluntary insurance until after the most complete and perfect system of labor exchanges possible is established and in good working order—unless the voluntary form were manifestly to be applied only to trade unions and employers' establishment organizations. It is doubtful whether we in America need such exchanges sufficiently to justify their heavy expense. In this connection it is to be said that the small system of employment offices authorized by the recent New York law would be far from sufficient. The same is true of the systems established in some other states.

When any plan for compulsory social insurance is proposed in the United States which disposes of the difficulties presented by immigration and the lack of labor exchanges, it will be time enough to dwell on the remaining obstacles.

The work of this committee in Europe was prematurely terminated by the war. That prevented the verification of certain data and conclusions, and may possibly have led us into errors that would otherwise have been avoided. But one comprehensive fact has been of a certainty ascertained. The stage at present reached in the development of the social insurance system of Great Britain permits in several important respects no final conclusions on the subject, not only as a whole but also with regard to either the sickness or the unemployment insurance. It is true that the National Health Insurance law has been several years in effect; but its machinery is yet only in a primary stage of adaptation to its functions and as to many classes of the insured is crudely defective. The law is now generally unsatisfactory, and it is unpopular except with its poorest beneficiaries, its large corps of administrators and its partisan supporters; but its friends ask for a suspense of judgment until it gets into better working order. The period of its operation is too short for definite actuarial experience. Only on July 15 last did its disablement (invalidity) benefits begin; and Continental experience proves that it is from that feature that the greatest actuarial strain will come. Therefore, it was advisable, in any event, to defer a formal and thorough inquiry for at least another year. Now, owing to the war and its derangement of industrial and financial conditions, it may be advisable to defer such investigation until a like period after the termination of the war.

As to the National Unemployment Insurance law the same conclusion holds good. That law, although part of

the same act as the health insurance, is a far better scheme in its formulation, and is in a far more advanced stage of administrative development. But it is purely an experiment, which in its compulsory features is being tried at first in a part only of its proposed ultimate field, and which in none of its features has yet been subjected to the critical test of bad times. Moreover, it is an experiment in several alternative lines; and detailed conclusions therefrom can be drawn only after sufficient time shall have elapsed to allow the development of, and the experience in, those different lines respectively to be measured and compared.

The Old Age Pension law has been in effect over five years, and, as already stated, it now costs the United Kingdom over £13,000,000 as against £8,000,000 in the first year (1910). Therefore this subject is ripe for investigation. But singularly enough the committee could obtain in regard to it no critical literature. So far as could be ascertained, the best informed opinion is that old age pensions are simply an indiscriminating form of misnamed poor relief, peculiarly subject to waste and abuse, but which it is useless to criticize or to attempt to alter, because it is too firmly supported by the political power and influence of nearly a million beneficiaries. This subject is probably more appropriate for investigation by poor-relief experts than by industrial experts; nevertheless it must be kept within our field of investigation, because old-age pensions are a substitute for old age insurance.

The committee have been strongly impressed with the dangers and defects of these British experiments in social insurance. Except perhaps as to the unemployment insurance, selfish political motives have been obviously important factors in securing their enactment and shaping their details. They have certainly done much social harm and will inevitably do much more; and although, on the other hand, they have done some particular good among the very poor, and, when the administrative machinery

of the more recent of them is perfected, will undoubtedly do much more for the same class, yet it is extremely doubtful whether the good for the nearly submerged can ever outbalance the harm to the other classes. Besides, with the possible exception of the unemployment insurance, these insurance laws seem most expensive and inappropriate remedies for the social ills they were designed to alleviate, not only because they are peculiarly defective in application to large masses of the very people who most suffer from those ills but also because they are a burden upon the thrifty and higher paid class of wage-earners who might well be better off without their interferences, inquisitions, and taxation.

Therefore we should resist any spirit of impatience in America to copy these doubtful experiments; but should urge a policy of watchful waiting until their results become certain.

Respectfully yours,

J. W. SULLIVAN,
P. TECUMSEH SHERMAN,
ARTHUR WILLIAMS.

A WORD IN ADDITION BY THE COMMITTEE.

It would be difficult, if not impossible, for three members of a Committee of such widely diversified personal experiences and professional relations to write upon this subject a report in which there would be absolute unanimity regarding every detail. Consequently, the result that we reach must represent a composite or averaged opinion. In the present instance there is so much upon which all agree that it would be unfair to the work of the Committee, and to the Federation, to withhold or defer the presentation of the report because of slight minority opinions.

The reader will appreciate that there has been no thought of indicating that, in the minds of the Committee, England's experience in these various departments of human concern have proceeded sufficiently far to develop perfection of system, or universal recognition of the correctness or incorrectness of her methods.

The Committee would not differ probably from the suggestion that in every phase of human life the strong aid the weak, the experienced the inexperienced, the competent the incompetent. The strong of today may be the weak of tomorrow; health is as uncertain as is life. To those who live, old age is a certainty; but, looking into the future, one's mental, physical or financial condition is most uncertain. There is as much uncertainty about these human questions as about material values, which the prudent seek to protect against loss, by some form of insurance. All values, whether human or material, if insurable, should be insured. The risk should be carried by the many, rather than by the few.

The effort which England is making is to provide an income to those who find themselves without means to support themselves or their dependents, through industrial accidents or illness, through sickness arising from natural causes, or through lack of employment, or

during permanent invalidity, and for the aged during the remainder of their lives when their earning power is greatly curtailed or ceases altogether. The objective, of course, is to prevent individual suffering and to take destitution out of modern life. While differing possibly as to methods, the Committee is in entire accord with this objective.

In the last analysis, the burden of non-employment, poverty, destitution and degradation falls upon society, which is inclusive of all classes of society. Adequate insurance against these conditions will greatly lessen the chances of their existence and, in the long run, the burden upon society will be less, though temporarily the financial burden may be more. The Committee agrees in the opinion that the entire movement as it has thus far advanced in England is still too young to afford any permanent conclusions upon its human or social-economic values—that this is intended more as an interim or progress report, than as a final report upon the movement as thus far developed in England.

J. W. SULLIVAN,
P. TECUMSEH SHERMAN,
ARTHUR WILLIAMS.