OLD AGE PENSIONS

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by

Arthur J.R. Smith

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PREFACE

Within the past few decades a torrent of books, pamphlets and articles, advocating or criticizing solutions to the problem of aged dependency, have appeared. We find, therefore, that the amount of literature upon the subject of old age pensions and insurance is now very considerable.

The reason for the great amount of discussion on the subject is that the various solutions contain ethical, social and economic implications which are out of harmony with each other.

In this thesis the author has attempted to present a general picture of the problem of caring for the aged rather than concentrate on some particular phase of it. This has been done in order to demonstrate the effect which these implications have had on the historical development of old age pensions and old age insurance, and to indicate the probable effect which they will have in future trends in these systems.

I would like to express my deep appreciation to Professor Michell for his helpful suggestions and criticisms. My thanks are also extended to Miss. Ruth Carey for her patient and loyal assistance as typist.

Arthur J. R. Smith

INTRODUCTION

"The days of our years are threescore years and ten; and if by reason of their strength they be fourscore years, yet is their strength labour and sorrow."

-Psalm 90:10.

One of the major problems of the world has ever been that of old age. For the human individual is not only dependent in infancy, but often partially so in old age. Sooner or later in the life of every individual there is a climax beyond which a degenerative process sets in - a process which continues at an accelerated rate until the individual finds himself unable to cope with many of the tasks of life.

Of course it is hardly necessary to point out that this degenerative process does not take place at a uniform rate. Nor does it take place amongst the great mass of individuals in such a manner that its signs are always visible to the observer. Nevertheless, the process is inevitable and inexorable, the only means of escape being the doorway to the Great Beyond.

As civilization has progressed the character of the problem has changed continously, but in the main it has been a two-faced one. First, there has been the burden of fear and insecurity which has settled upon the minds of individuals as they looked into the future and realized that they would eventually lose their capacity to support themselves and their dependents due to decreasing physical and mental powers. Secondly, there has been the burden which the care of the aged has placed on the shoulders of their offspring or of society at large. As we shall note in dealing

with the solutions to the problem, these two aspects are closely related. The general formula has been the progressive lightening of the former burden accompanied by a progressive increase in the weight of the latter, as society as a whole has been saddled with the growing costs of pension schemes.

It must be noted that man's ability to cope with the prob- of life, requires not only the use of his physical powers but also, and perhaps to an even more important degree, the use of his mental powers. The deterioration of these two, however, does not take place at a relatively even rate. In the great majority of cases deterioration of physical powers precedes that of the mental powers. In some cases physical decline may even be accompanied by mental growth. Clear illustrations of this are given by noting that prominent statesmen and leaders in the business world are almost invariably older men, that is, over forty or fifty. For these important jobs the vigour and strength of youth are not necessary; but rather vigorous, strong minds backed by wisdom gained through experience.

In the light of these considerations, Rubinow, one of the foremost contemporary scholars on the subject of social security, has tried to outline a brief summary of the historical development of the problem.[1]

In the primitive society where the measure of one's usefulness to the tribe was physical strength, the problem of what to do with those who became feeble through age was a very seriou one. Their care proved to be a constant drain on the physical vigour of

1. Rubinow, I.M., The Quest for Security, New York, 1934., p222 -3

the remainder. It is not surprising, therefore, to find among these primitive peoples various methods, most of which would seem brutally inhuman to us, by which they managed to dispose of the aged.

With the development of soil cultivation and agriculture, however, civilization emerged on a new level. On this level, while physical vigour was still very important, the factors of experience a and reason played larger roles than before. In the agricultural society the children with their youth and vigour provided the necessary brawn, while the aged in the light of their experience, provided the necessary wisdom and judgment. Under this system the attitude towards old age changed completely, for the aged were no longer a liability but an asset. Therefore the former desire to do away with them disappeared, and in its place we find an attitude of veneration and respect which continued to last into the period when mental decline set in and even when the individual arrived at the stage of complete dependency. It need hardly be mentioned that prior to the advent of the modern industrial era, western civilization had just such an agricultural basis.

With the development of modern industrialism, however, We have a progression to a still higher level of civilization. It has brought with it not only a changed mode of life, but also a different basic social unit and a corresponding difference in attitude towards the aged. The new social unit is the individual who seeks work in competition with fellow individuals. This competition naturally places old age at a disadvantage against youth, for the major considerations of vigour, agility, and adaptibility all lie in the favour of youth. Therefore the liability of the aged has again become a serious problem.

In the pages which follow we will deal exclusively with the third period mentioned in the above outline, that is, since the growth of our modern industrial economy. We will note in particular the factors which lead to old age dependency , the increasingly serious aspects of the problem, early attempts at a solution, and some of the more advanced solutions which are being used to-day. Still further, we will study in some detail the history and present state of pension schemes in Great Britain, the United States and Canada.

CHAPTER 1

OLD AGE DEPENDENCY

There are many causes which lead to old age dependency. In this chapter an endeavour will be made to outline the most important of these. In addition to the particular causes listed below, however, we will not forget that there are certain major influences which play a part in the general picture. Perhaps the chief of these are physical environment, social heredity, and the existing social, economic and political conditions.

As noted in the Introduction, prior to the industrial era when the family was the basic social and economic unit, man lived on the land or worked on his own account. By the time he became inactive, which he did only when the inefficiency of age forced him to do so, he had usually accumulated some capital in the form of land or a business enterprise which he could turn over to his children on the assumption that they would support him. In addition he could still be of assistance to them by means of his knowledge and experience, even when physically able to do little.

But with the advent of the mechanical age, many abandoned farms and small businesses to become wage earners in industry. Disintegration of the family unit took place as the younger members left the home and travelled elsewhere to go into industry or commerce; and these workers received wages, which tended to cover only current spending and in most cases were not sufficient to maintain independence in old age. With this new phase in economic development, therefore, there came to the worker the responsibility of distributing over his entire lifetime the income which he received

while he was able to work.

From this it would seem that any factor which tended to shorten the wage earning period of the worker would be a factor to a greater degree of old age dependency.

The most obvious cause of dependency, then, would appear to be that of the feebleness and inefficiency which result naturally from old age. That most people cannot work until the end of their normal lives is known to all. Somewhere around the age of sixty or sixty-five, or perhaps even seventy, the average worker must give up his work and retire. But statistics reveal that the feebleness of age is not the main cause leading to dependency among the older workers. For even the most careless observer will have noted that in Canada today there are scores of thousands of older men who are still far from being feeble and infirm, yet who are out of dependent. The chief reason for this being that under our modern industrial system, the age at which workers are forced to retire has been steadily decreasing.

The group of causes which lie behind this trend must therefore be considered as some of the major factors which lead to a large percentage of old age dependency. They may be listed under the following five headings:

1. Under the increased tempo of modern industry it is alleged that the average worker wears out much more quickly.

2. The standards of efficiency, agility, and adaptibility favour the younger workers as against the older.

3. There is less need for the expertness and experience which were required in types of manual production, as these are replaced by increased standardization and mechanization.

4. In the times of economic crisis and unemployment the older workers suffer most as they are usually the

the first to be laid off and the last to be taken on again In fact if a worker loses his job after he is forty it is very serious for it is generally the rule that he cannot find work again unless it be at a greatly reduced rate of wages (many large corporations draw the line at thirty - five or forty years for the hiring of new employees)

5. Lastly, the older worker becomes an increased expense to the industry. For, although he is more cautious and does not take as many chances as the younger worker, nevertheless when he has an accident it takes him much longer to recuperate, and this loss means additional costs to the industry. Also as a man gets older he begins to slow down and is able to render relatively less and less service. Still further he may be an increased expense in the light of existing pension or superannuation schemes.

On the basis of these considerations and with a view to a more efficient combination of productive resources, entrepreneurs have been turning men out of industry at increasingly low ages. The period of the peak earning power of the individual wage earner has therefore been greatly curtailed.

However, not only has the earning period of the individual's life been shortened at the old age end, but also at the youth end. It is quite evident that the modern industrial scheme requires more highly trained personnel than ever before. Thus we find that youths must spend more of their years preparing themselves for their furure jobs than was previously the case. A large percentage of the young men and even some of the young women are taking more years of high school to acquire knowledge and technical skills that will fit them for particular jobs.

The conclusion is obvious - the earning period of the average worker has been shortened considerably. If the present trend continues, it willbe curtailed even more in the furure. Due to the shortening of his earning period, the problemof saving for old age has become an increasingly difficult one.

A second major cause for old age dependency is the modern wage system. It is a competitive one under which each individual tries to sell his work for as high a price as possible. The employers on the other hand, are seeking to obtain their workers at as low a price as possible. Since the employers bargaining power is usually superior to that of the worker, the standard of wages is customarily set not far above the minimum standard on which a worker and his family may live. In his book entitled 'Facing Old Age', Epstein, the foremost contemporary student on old age problems in the United States, makes this statement,[1]

> "Rarely is it taken into consideration by either party to the labour contract in modern society that the basis of the daily wage must make provision for such exigencies as sickness, accident, disability and old age."

Mr. Epstein in this book has devoted an entire chapter to the subject of 'The Cost of Living and Wages', in which he gives conclusive evidence that in many cases wages do not even cover the cost of living, let alone provide a surplus out of which saving for old age and other emergencies is possible.

We might note in particular some of the emergencies for which wage rates tend to make little or no allowance, and which in so many cases wipe out whatever small savings the wage earner, by means of thrift and careful planning, is able to accomplish.

The chief of these without a doubt are the emergencies of sickness and accidents. To any social worker it is quite evident that ill health is by far the largest factor in all cases of dependency.[2] Its influences in bringing about physical and mental deterioration and therefore dependence, cannot be overestimated.

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1. Epstein, Abraham, Facing Old Age, New York, 1922, p.85
2. Ibid., p.71

It is perhaps significant to note that in European countries where old age insurance is frequently operated in conjunction with health and invalidity insurance systems, there are usually more persons receiving invalidity pensions than old age pensions.[2] The relative importance of these factors in old age dependency, however, is slightly on the decline, for the medical treatment in the past few decades has made great progress and holds forth hopes of even greater progress in the future. Likewise also, serious accidents are on the decline in industry. But it is doubtful if these two factors can ever be removed as major causes leading directly or indirectly to a large percentage of dependency among the aged.

There are also many other emergencies which tend to wipe out what little reserves some of the workers manage to accumulate. One cannot deny that in our indudstrial economy with its severe business cycles and accompanying unrest, such factors as umenployment due to depressions, strikes, and lockouts, are major considerations leading to loss of earning power and a larger degree of dependence. In addition to these we must add the general misfortunes of wage earners - such as bad investment, business and bank failures fires and fraud.

We conclude, therefore, that in the light of the modern scheme of competitive wage payment, under which a large percentage of the wage earners receive a wage which barely covers their minimum cost of subsistence, it is almost impossible for the worker to set aside enough to take care of himself and his dependents during the relatively longer period of retirement before him. What little he is able to save during the favourable portions of his wage

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1. ibid p.72

earning career is quickly dissipated by the ever imminent dangers outlined above.

Lets us next consider what has long been considered to be one of the paramount causes of dependency - the moral character of the dependent. A favourite thesis of many who have shown themselves to be averse to providing any scheme of assistance to the aged has been that most of the dependent aged are nothing but indolent and thriftless parasites who have been such all their lives. It is claimed that they have not attempted to save, and that they have squandered what they had to start with, what they have earned, and what has been given to them, in intemperance, extravagance, and riotous living. It is foolish however, to talk about thrift among wage earners unless saving is a possibility. Of course, poverty and dependency in some cases are direct results of personal depravity and thriftlessness, but the weight of the evidence today seems to indicate that these are minor causes as related to and compared with those of low wages, unemployment, strikes, lockouts, and premature superannuation. In fact indolence and thriftlessness are often caused by these latter ills.[1]

Another major cause of dependency is the lack of family ties and loyalties. As outlined in the Introduction, it has been the custom for aged parents to live with their children, and almost a sacred duty for the children to care for their parents. But the industrial economy has done much to separate children and parents early in life, thus severing the family ties which were formerly so strong. Further, the past few decades has seen a sharp

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1. Epstein, A., p.138

decline in the birth rate, that is, the size of the average family is smaller. This may be clearly seen in the statistics which are given in the following chapter. These facts are particularly true of the crowded urban areas, where an increasingly large proportion of married couples are voluntarily refusing to have any children. In rural areas, especially on the farms, however, it is still the custom for the aged parents to live with their children. The interesting feature about the statistics on the subject is that they reveal that dependency among the aged is an almost inverse ratio to the number of children.[1]

Finally, we must not forget to include the fact that under the modern industrial system and the accompanying social organization individuals live under much more nervous tension and strain than formerly. The advance to a higher level of civilization; the speeding up of industry; the increasing complexity of life in urban areas with the attending problems of overcrowding, transportation, and in some cases poor working and living conditions and a thousand other things, have all added to the nervous strain under which the individual must live in modern society. The relative leisure and ease of our forefathers seems to have disappeared and we find ourselves being rushed along through life at an accelerating pace. There is no doubt about the influence that nervous strain has on aging the body. It is contended by some physicians that nervous strain will age the body faster than physical.

Some other authors state that another cause for dependency in old age is the increased physical strain to which the body is

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1. Epstein, A., op. cit. p. 71

being subjected with the speeding up of industry. Adam Smith states that in his time workmen, especially when they were paid liberally by the piece, tended to over-work themselves and ruin their health within a few years.[1]

> "A carpenter in London, and in some other places, is not supposed to last in his utmost vigour above eight years."

That there was a tendency for the worker to wear himself out physically during the early part of the industrial era is undoubted. Fatigue caused by long hours, and the physical strain of poor working conditions were factors that led to much old age dependency. But under the present-day system with ever shorter working hours, ever improving working conditions (such as good light, good ventilation, etc.) and the many labour-saving devices, the physical strain on the worker has been reduced rather than increased. We conclude, therefore, that while physical strain may be a cause leading to old age dependency, it is of relatively minor importance to the average industrial worker.

Before leaving this chapter, however, let us note that although there is a tendency towards a much larger degree of old age dependency in the total population, by far the largest percentage of the aged are not totally dependent but only partially so. The following three categories into which we may divide them will perhaps give a clearer picture of the whole situation:

<u>The independent</u> represent a relatively small number of the aged, who due to inheritances, exceptionally favourable jobs, or some other good fortune, have accumulated a large enough sum to give them an adequate income to cover their costs of living upon retirement.

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1. Adam Smith, Wealth of Nations, T. and Allman, London, 1825, vol.1, p.207.

The non-dependent are those who although not completely independent, do not seek aid from charitable and philanthropic sources, and who in a struggle to maintain integrity and a sense of independence, are willing to endure great hardships.

The dependent are those who are down and out, and who belong to the pauper class, and who are forced to seek some type of assistance in order to survive. These are those who seek poor relief and other charitable assistance and who wind up at the poor-house and old folk's home.

It is basically the last group for which old age pensions have been designed. However relaxation of restrictions have taken place from time to time in most schemes allowing many of those in the second group to receive aid also.

CHAPTER II

THE SERIOUSNESS OF THE PROBLEM

In this chapter we will endeavour to outline briefly, by means of statistics, the factors which point to the increasing seriousness of the problem of old age dependency and care.

Shortening of the worker's wage earning period

The following table of the gainfully occupied in Canada is taken from the 1941 Census Report:

	Males			Females
Age	Number	Gainfully Occupied (including Active Service)	Percent	Percent Gainfully Occupied
14	110,628	10,683	9.7	1.6
15	109,014	26,399	24.2	5.5
16-17	226,215	114,926	50.8	21.2
18-19	229,319	177,320	77.3	40.0
20-24	517,145	473,126	91.5	41.9
25-34	918,060	896,514	97.7	24.9
35-44	743,692	727,835	97.9	16.2
45-54	647,412	623,033	96.2	12.9
55-59	274,893	255,636	93.0	11.4
60-64	218,202	186,513	85.5	10.2
65-69	162,233	122,787	69.5	8.5
70 plus	228,020	71,791	31.5	3.7

Total (males) - 4,384,833. Percent gainfully occupied - 83.8%.
Total (females) - 4,130,044. Percent gainfully occupied - 20.2%.

This table shows clearly that beyond the age of 45 the proportion of gainfully occupied starts to decline. Beyond the age of 60 the decline takes place at a rapid pace. As noted in the last chapter, the reason for this decline is that the workers become less efficient as they grow older. There is no statistical means of measuring this declining efficiency, but it is notable that an increasingly large number of firms are setting limits to their employee hiring ages.

In two studies which were reported by the Monthly Labor

Review[1] it is stated that first, in a study of 173,724 employees in Maryland 30.3 per cent were employed in plants having such limits; and secondly, in a study of 534,608 employees in California 39.0 per cent were employed in firms with similar provisions. Further, in an American automobile plant employing 30,000 men, nearly one half were found to be 29 or less, and more than four fifths were below 40.[2] Still further, in a study of 40,000 men employed in twelve metal working establishments, the average age of the employees was 31½ years. In 1933 in the United States, a study was made in thirteen cities of 500,00 men who gained re-employment after the depression. Of these twice as many were in the 25-34 age group as in the 45-54 group.[3] To conclude, one might cite the extreme case, discovered by a newspaper investigator in November 1940 in Massachusetts, in which a factory refused to hire new workers if they were over 25.[4]

Although these illustrations have been taken from the United States, similar trends are visible in practically all modern industrial nations. One author states that the situation has been made even more serious in that the trend is appearing not only among the wage earners, but also among technicians, clerical workers, and even among those in some executive positions.

Let us now consider briefly the opposite end of the worker's life. The Canadian Census Report of 1931 reports that a person in that year spent on the average 0.76 years more of his life in school than was thus spent by the average person in 1921, and 1.93 years more than the 1911 average (the average number of years at school in 1931 being 9.89).[5]

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1. Monthly Labor Review, vol.xxxii, no.2, p.39.
2. Catlin, W.B., The Labor Problem, New York, 1926, p.82.
3. Barnes, H.E., Society in Transition, New York, 1942, p.154.
4. Ibid., p.154.
5. Census of Canada, 1931, Dominion Bureau of Statistics, vol.xii, p.722.

Although the figures for 1941 on this subject are not available yet, we may presume that this trend has continued. Once again let us note that this is atrend which is not limited to Canada alone, but rather seems to be a universal phenomenon.

From these data, then, we must come to the conclusion that the average working span of a man's life is getting shorter. The bearing which this has on the problem of aged dependency has already been outlined in the last chapter.

Urbanization

Another factor leading to increased dependency is that of urbanization with all its attending circumstances - crowded living conditions, increased numbers of accidents and amount of ill health, more nervous tension and strain, increased opportunity for vices leading to a larger measure of dependency, and lower real wages.

The following table shows the rapid growth in the urban population of Canada:[1]

Year	Population Rural	Population Urban	Percent Rural	Percent Urban
1851	2,118,218	318,079	87.0	13.0
1861	2,702,413	527,220	83.7	16.3
1871	2,966,914	722,343	80.42	19.58
1881	3,215,303	1,109,507	74.35	25.65
1891	3,296,141	1,537,098	68.20	31.80
1901	3,357,093	2,014,222	62.50	37.50
1911	3,933,696	3,272,947	54.58	45.42
1921	4,435,827	4,352,122	50.48	49.52
1931	4,804,728	5,572,058	46.30	53.70
1941	5,254,239	6,252,416	45.66	54.34

In the United States a similar trend is evident. A monograph put out by the Metropolitan Life Insurance Company states that in 1890, 35% of the population lived in urban areas, while in

1. The Census of Canada, 1931, vol.1, pp.364-5.
Canada Year Book, 1945, Dominion Bureau of Statistics, Ottawa, p.114.

1930 the percentage had risen to 56%.[1] In England the situation is somewhat different, for there the rapid urbanization of the country took place during the first half of the last century. The present degree of urbanization in Great Britain, however, is even greater than that of either the United Sates or Canada, and it is probably responsible in part for the much larger percentage of aged persons in receipt of old age pensions.

In regard to sickness and industrial accidents, all reliable sources indicate that, although much has been done to prevent industrial accidents and sickness, millions of days annually are lost on their account. This loss means that not only during his period of incapacity is the worker deprived of his income, but also that these emergencies generally entail large expenses which tend to use up whatever savings the worker may have accumulated in the past.

We should mention also the factor of unemployment occasioned by business failure, fluctuations in demand, technological changes, business depressions, etc., as being one of the major factors which decreases the aggregate earnings of the worker and forces him to call upon his reserves. It has been estimated that in the United States in the years 1921 to 1927, the average number of unemployed at no time fell below a million and a half persons.[2] In the worst part of the depression, March 1933, the numbers of unemployed reached the tremendous total of 13,500,000, while the National Industrial Conference Board in March 1936 placed the numbers of those still unemployed at that time at 9,600,000.[2]

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1. The Problem of Old Age Dependency, Metropolitan Life Insurance Company, Monograph 13, New York, 1932, p.7.
2. Commons, J.R., and Andrews, J.B., Principles of Labor Legislation, New York, 1936, p.1.

Beveridge gives the following table for the general unemployment rate in Britain from 1930 to 1938:[1]

Year	Percentage Unemployed
1930	15.8
1931	21.1
1932	21.9
1933	19.8
1934	16.6
1935	15.3
1936	12.9
1937	10.6
1938	12.6

It is hard to predict what the future will hold. In the past there is no doubt that the increasingly large percentage of the population living in the cities has led to an increased degree of dependency in old age.

Will modern medecine and improved medical treatment lower the amount of sickness in the future? Will precautionary measures reduce the number of future accidents? Will economic planning reduce the amount of future unemployment? These are questions which are most difficult to answer. Upon answers to these, however, depends part of the answer to the amount of future old age dependency. They have been major factors leading to old age dependency in the past. It is highly probable that they will continue to be major factors leading to old age dependency in the future.

Increase in the Proportion of the Aged in the Total Population

We might list the factors which have led to this situation under the following three headings:

(a) The Declining Birth Rate

This fact is already well known to all. The

1. Beveridge, Sir William, Full Employment in a Free Society, London, 1944, p.47.

following figures illustrate it clearly:

In the United States the number of births per 1000 of popultaion in 1915 was 25.1; in 1930 this figure had fallen to 18.9.[1]

In England and Wales the 1920 figure for births per 1000 of population was 25.5; in 1931 this figure had fallen to 15.1.[1]

In Canada the decrease in the size of the average family is clearly shown in the following table which appears in the 1931 Census Report:[2]

Year	Persons per Household
1851	6.18
1861	6.29
1871	5.60
1881	5.33
1891	5.26
1901	5.03
1911	4.85
1921	4.63
1931	4.55

That this trend will continue in the future is undoubted. The following are projected reproduction rates for Canada:[3]

Gross Reproduction Rates

Year	Actual Rates	Year	Projected Rates
1921-2	2.003	1946-51	1.075
1928-9	1.683	1951-56	0.983
1931-2	1.604	1956-61	0.908
1938-9	1.336	1961-66	0.845
		1966-71	0.791

Similar figures may be obtained for Britain,[4] the United States, and almost all countries in Western Europe.

The seriousness of the trend towards a decreasing number of children in the family has been mentioned in Chapter I, where it

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1. The Problem of Old Age Dependency, Metropolitan Life Insurance Company, Monograph 13, p.8.
2. Census of Canada, 1931, vol.xii, p.47.
3. The Future Population of Canada, Bulletin No.4, Dominion Bureau of Statistics, Ottawa, 1946, p.58.
4. Encyc. Brit., 14th edition, London, 1929, vol.iii, p.652.

was pointed out that the amount of dependency was in inverse ratio to the number of children. The 1920 census in the United States revealed that although the population over 65 years of age was composed of 7.3% single, 27.7% widowed or divorced, and 64.7% married, the male almshouse paupers were 53.7% single, 31.4% widowed or divorced, and 11.9% married and the female 42.1% single, 32.4% widowed or divorced, and 13.3% married.[1]

The declining birth rate has been further aggravated in that larger numbers of young women are taking to careers. The following is a table which illustrates this point for Canada:[2]

Year	Percentage of females gainfully occupied who are 15 or over.
1921	17.7
1931	19.7
1941	20.6

Still further, increasingly large numbers of married couples are refusing to have children or are limiting their families to one or two. In view of these factors many authorities predict a relatively larger measure of future old age dependency.

(b) <u>The Declining Death Rate</u>

This trend, despite the rising age of the total population, is also clearly evident. It is due principally to improved sanitary conditions, more efficient disease control, improved medical techniques, improved diets and other similar factors.

Figures for the United States reveal that in 1910 there were 15.0 deaths per 1000 of population, while in 1930 this figure had dropped to 11.3.[3]

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1. Epstein, A., The Challenge of the Aged, New York, 1928, p.39.
2. Census Monograph No.4, W.B.Hurd, p.172, and from p.14 above.
3. Monograph 13, Metropolitan Life Ins. Co., p.8.

In England and Wales the figures are 18.2 per 100 of population in the last decade of the last century, 15.4 for the first decade of this one, and 12.1 for the third.[1]

Figures for Canada are 11.5 per 1000 in 1921, 10.7 in 1931, and 9.8 in 1940.[2]

In addition to the above figures, those given in the Encyclopaedia of Social Sciences[3] provide conclusive evidence of the declining death rates prevalent in practically all countries in Western Europe and North America.

(c) Immigration and Emigration

This is the third factor which must be considered under the general heading of the increasing proportion of the aged in the total population.

Immigration took place on a large scale into the United States up to 1920 and into Canada up to the end of the first decade and again during the third decade of this century. It has had two major effects on the age distribution of the population.

First, most of the immigrants which came to this continent were young men and young women, for it is a general rule that older folks resist change and are reluctant to move to a new country. Therefore the constant flow of immigrants maintained a relatively large proportion of younger and middle aged persons in the total population picture. A second factor which tended to keep a large proportion of young to old in the total population was that most of these immigrants came from prolific stocks which for centuries, had been accustomed to having large families. Therefore

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1. Canada Year Book, 1945, p.151.
2. Ibid., p.151.
3. Encyclopaedia of Social Sciences, New York, 1933, vol.xi, p.24.

after settling on this side of the Atlantic they had numerous children, a factor which did much to retard the declining birth rate. Professor Walter F. Wilcox maintains that the birth rate in the United States started to decline as early as 1810, but the decline was almost concealed by heavy immigration up to 1920.[1] With the restriction of immigration, however, in both Canada and the United States, the fall in the birth rate statistics has been accentuated. Still further, the young immigrants who arrived prior to 1920 are now reaching their old age, thus contributing to the increase in the proportion of the aged in the total population.

In the European countries even though the amount of emigration is much less than formerly, the birth and death rates have fallen to such an extent that a similar trend towards an increasing percentage of the aged in the total population is clearly evident.

We see therefore that each one of the above three factors has contributed to an increase in the average age of the population. This trend is revealed in the figures which Sir William Beveridge uses in his famous report on social insurance in Great Britain.[2]

Estimated Population of Great Britain by Age Groups 1901-1971.

Year	Total Population	Under Age 15	Percent Under Age 15
1901	36,999,946	12,040,841	32.5
1911	40,831,396(b)	12,587,504	30.8
1921	42,769,196(b)	11,940,167	27.9
1931	44,795,357(b)	10,825,072	24.2
1941 (a)	46,565,000	9,573,000	20.6
1951 (a)	47,501,000	9,054,000	19.1
1961 (a)	47,192,000	8,433,000	17.9
1971 (a)	45,980,000	7,600,000	16.5

(continued on the following page)

1. Monograph 13, Metropolitan Life Ins. Co., p.8.
2. Beveridge, Sir William, Social Insurance and Allied Services, New York, 1942, p.91.

Year	Men 15 to 64, Women 15 to 59, inclusive	Percent of total	Men 65 and over, Women 60 and over	Percent of total
1901	22,674,624	61.3	2,284,481	6.2
1911	25,495,097	62.4	2,748,416	6.7
1921	27,479,043	64.2	3,349,222	7.8
1931	29,674,695	66.2	4,295,430	9.6
1941(a)	31,421,000	67.5	5,571,000	12.0
1951(a)	31,548,000	66.4	6,899,000	14.5
1961(a)	30,710,000	65.1	8,049,000	17.1
1971(a)	28,804,000	62.6	9,576,000	20.8

(a) These estimates are based on the assumptions as to fertility and mortality given in the White Paper on "Current Trend of Population in Great Britain", and depend on the validity of these assumptions.

(b) These figures include a few persons not classified by age and therefore not included in any of the three age groups.

The following table showing the percentage of age distribution in Canada over the past half century, and the projection figures for the next few decades, brings the problem into even clearer focus:

Age Group	Percentage in each Age Group for the Years 1881	1901	1921	1931	1941	1961	1971
0-4	12.06	13.84	12.08	10.35	9.14	6.97	6.04
5-9	11.96	13.00	11.57	10.92	9.09	7.35	6.34
10-14	10.42	11.80	10.90	10.35	9.57	7.71	6.68
15-19	9.14	11.17	10.38	10.02	9.73	8.74	7.09
20-24	8.11	10.70	9.56	8.78	8.97	7.55	7.40
25-29	7.83	7.77	7.96	7.58	8.40	7.52	8.36
30-34	7.45	6.11	6.82	6.83	7.33	7.86	7.40
35-39	7.21	5.36	6.22	6.63	6.60	7.75	7.17
40-44	6.01	4.53	5.45	6.23	5.88	7.29	7.48
45-49	4.96	3.97	4.49	5.64	5.52	6.72	7.49
50-54	4.13	3.30	3.83	4.71	5.14	5.74	6.74
55-59	3.20	2.59	3.02	3.54	4.41	4.95	6.06
60-64	2.73	2.28	2.65	2.84	3.54	4.12	4.94
65-69	1.96	1.61	1.99	2.23	2.68	3.52	3.97
70 and over	2.83	2.52	3.08	3.31	4.01	6.00	7.73
not stated	0.23	1.36	0.91	0.04	-	-	-

Note - The author has taken figures for 1881, 1901, and 1921 from The Census of Canada, 1931 (vol.iii, pp.22-23), figures for 1941 from the Canada Year Book, 1945 (p.101), and figures for 1961 and 1971 from "The Future Population of Canada" (Bulletin F-4, Dominion Bureau of Statistics, Ottawa, 1946, p.34), and has computed the percentages on the basis of these figures.

The above figures demonstrate most clearly the past and the continuing future trend toward a large increase in the proportion of the aged to the total population.

In regard to the United States, detailed figures for that country are obtainable in the 1930 census report, but the following brief note about the increasing proportion of those who are aged 65 and over will suffice:[1]

Year	Percentage of total population aged 65 and over
1910	3.0
1920	4.7
1930	5.4

Still further, it is estimated that if the present birth, death, and migration rates remain constant in the future, the population of the United States will ultimately reach a stationary position, in which the percentage of those aged 65 and over will be approximately 13.7 of the total.

The proportion of the aged in the total population is of tremendous importance in the matter of old age pensions. For public opinion seems to indicate that when the individual is not able to make provision for old age, the community at large ought to assist him. If the younger productive elements of the community are proportionately large, the per capita costs of such assistance are small; on the other hand the burden of supporting a relatively large number of aged falls on the shoulders of a relatively small number of young workers, the costs of maintaining such assistance may well become far too heavy and result in great hardship for all.

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1. Monograph 13, Metropolitan Life Insurance Co., p.8.

It is the fear of this latter situation which has caused much skepticism as to the ability of present pension schemes to function in the future on the present level of payments let alone on a more comprehensive and generous basis.

In this chapter, then, we have endeavoured to outline in statistical terms some of the major factors leading to dependency in the past. Further, in the light of estimates and projections made by reasonably reliable sources, we have tried to show that the problem of aged dependency, instead of diminishing in the future is likely to become even more serious. It is somewhat comforting to know that those who are inaugurating or modifying modern pension schemes are at least aware of this trend, even though it is most difficult to make any precise estimate of the true future picture.

CHAPTER III

EARLY SOLUTIONS TO THE PROBLEM

Having obtained a glimpse of the problem of old age dependency, and the extent to which it has affected the older people in society, we must now take time to study some of the solutions to the problem. In this chapter we shall study some of the early solutions, in particular, methods of poor relief and institutions for the care of the aged. In the two chapters which will follow we shall study two other methods - those of industrial pension plans, and state assistance schemes respectively.

When a man is thrown out of work because of his age, being totally dependent and finding it impossible to re-enter any type of gainful employment - what is he to do?

The problem of the aged and dependent poor was one which loomed large in the post-Mediaeval era after the breakdown of feudalism and the rapid commercial expansion of the sixteenth century. Up to the time of the Reformation the monasteries had acted largely as relief and hospital centres. In this capacity they had undertaken the care of many of the aged. But upon the dissolution of the monasteries and the increase of industrialization with its attending circumstances which made the problem of dependency, particularly among the aged, increasingly severe, it became evident that the state would have to take some measures to ease the situation. The above was especially true in England.

In Elizabethan England, therefore, in 1601, the famous Poor Law was passed. Although this was designed primarily for the relief of the poor, it soon came to provide assistance for the dependent and indigent aged.

Another development in England was the growth of a system of poorhouses and workhouses which has continued to exist down to the present time. These also absorbed many of the aged paupers. But it was not long before this system of poorhouses became subject to grave abuses - the care of the inmates became almost negligible, the living conditions in most became atrocious, and these houses became the homes of many delinquents and diseased. A graphic description of the poorhouses is given by Epstein in his book entitled 'The Challenge of the Aged':

> "The workhouses became the homes of a great host of children, the feeble-minded, epileptics, cripples, idiots, and imbeciles, retired criminals, worn-out drunkards, prostitutes, victims of loathsome diseases, the work-shy as well as the superannuated - that is, the home of the veterans of dissipation and the veterans of labour." 1

The author has no doubt exaggerated and overdrawn the picture somewhat in the above quotation. Nevertheless, it is perfectly true that the poorhouses on the whole became the homes of misery and degredation, and such great social stigma came to be attached to them that the dependent wage earners, and in particular the retired aged, who had worked hard and honourably all their lives, were willing to bear almost unendureable hardships to avoid spending the last few years of their lives in the poorhouses.

"Over the hill to the poorhouse," became a phrase which struck grim terror and dread into the hearts of those who were approaching the state of old age dependency.

The system of poorhouses and workhouses spread from England to the United States to the various Dominions and colonies in the British Empire and to the European countries. These same abuses, visible in the England, spread elsewhere also.

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1. Epstein, A., The Challenge of the Aged, New York, 1926, p.114

It is perhaps significant to note that emen with the advent of public pensions schemes of various kinds, the workhouse and the poorhouse has not disappeared - that is, there are still such institutions for the care of the aged. This isprincipally due to the fact that there are always some of the aged who are tooweak and infirm to care for themselves, who have no children or relatives able or willing to support them, and who therefore must be cared for in some such institution.

As a partial protest against the conditions in the poorhouses, another form of institution gained some popularity - "The Old Folks Home". These were supported cheifly by religious organizations, fraternal orders, and various philanthropic groups. Naturally since they were private in character, they represented a wide variety of conditions. Indeed some of them which were either heavily endowed, or which charged high rates, kept the inmates in comparative luxury. The extent to which these were used however, was strictly limited, and they certainly did not, and could not provide an adequate solution to the whole problem of the care of the aged. Rubinow lists 1267 such institutions in the United Sttaes in 1934 which had an aggregate of some 80,000 inmates.[1]

In actual fact, there exists on the part of the aged a psychological reluctance to go and live in any type of institution, when there is a single opportunity for them to live independently. For it means a realisation that they are growing old and the loss of their independence brings home to them a sense of their helplessness and uselessness.

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1. Rubinow, I.M., The Quest for Security, p.239

Therefore, we might note briefly here (it will be dealt with much more completely in the chapter on British Old Age Pensions) that in Britain a system of giving the dependent poor and aged small releif payments in cash, which came to be known as out-relief, was inaugurated. These payments did much to keep many of the aged out of the poorhouses, even though the amount which they were paid was an extremely small sum. Similar types of relief payments were also started in many other European countries and were also used to a limited extent in the United States and Canada. This type of solution to the problem of caring for the aged characterized most of the last century.

Other organizations sought to find remedies for the problem also. In England we might note the activities of the Friendly Societies and the Trade Unions, both of which sought to find ways and means of helping out certain sections of the aged populations. There efforts met with partial sucess. They were able to ease the situation for many of the aged, but with the limited resources at their disposal, and with the limited numbers who were members of the organizations they could not hope to deal with the problem in its entirety. The British Government however, recognized the valuable work which they were doing for annual grants were made to them out of the public treasury.

To conclude we might note that many of the aged were cared for in asylums and jails. Rubinow, in the estimates which he gives, places the number of those over 65 cared for in the asylums at a figure which is almost as high as those being cared for in the Old Folk's Homes. As to the percentage of the aged in the jails, it is hard to get any accurate estimate, but it may be safely

assumed that it is not very large. It is to be noted also that the number of institutions for the care of those with mental diseases was very small during the last century, and that it is really just within the last few decades that these have come to take care of any sizeable proportion of the aged.

None of the solutions attempted came near to meeting the problem, and as time went on and the situation became still worse, agitation increased from all sides advocating a new type of solution - the inauguration of some system by the Central Authority which might provide some assistance to all the aged who were in need of it. This agitation finally resulted in the launching of such systems in Denmark, Germany, New Zealand, Britain, France, and other countries from 1889 onwards.

Chapter IV

INDUSTRIAL PENSIONS

It is regrettable that this chapter on Industrial Pension schemes must of necessity be so brief, for the entire thesis might be profitably devoted to this field alone.

Perhaps the most obvious characteristic of industrial pension schemes is their comparatively recent origin. One of the earliest was that inaugurated by the American Express Company in 1875.[1] The increasing problem of the inefficient aged in industry, and the absence of other means for their care made the eventual appearance of such plans almost inevitable. The causes for their adoption were not only those of ethical and humane considerations on the part of the employers, but also the discharge of workers at lower and lower ages was having a detrimental effect on the morale of the labour forces.

But even prior to considering pension plans in industry, there is another form of assistance which should be considered briefly. It is the assistance which may be extended to the aged in the form of easy jobs. That is, the management may undertake a reorganization of the labour force from time to time, so that the aging workers who have become inefficient at their present jobs may be allotted other jobs which they are capable of handling efficiently. With the careful use of this principle, an employer will be able to maximize the utility of his workers. It must be noted, however, that this principle is limited in scope, for the time is eventually

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1. Encycl. Brit., 14th ed., vol.(xvii) p.493

reached when age makesthe worker inefficient at any job. It is at this point that the advisability and even the necessity for some pension scheme becomes apparent.

Let us consider then the reasons upon which the employers have considered the adoption of such plans advisable.[1] There are two main groups of reasons - the humanitarian and the economic. Under the former are the following:

(a) Relief of need. In other words, payments, under these plans, represent "Compassionate" allowances to aid tha aged in their dependent old age.

(b) Reward for long and faithful service. It is held by many employers that long and faithful service should entitle the employee to special considerations.

(c) Encouragement of thrift. Under contributory schemes the wage earners are encouraged to make regular contributions towards providing for their old age.

(d) Recognition of a Social obligation. That is that labour cannot be regarded simply as a commodity to be discarded in the same way as worn-out machinery.

Recently much greater stress has been laid on the latter group of reasons - the economic ones. Many employers have come to the conclusion that in the long run the employee retirement scheme pays for itself by increasing the efficiency of production. The reasons they put forth are these:

(a) Elimination of inefficient workers. We have already noted that, due to the pace of modern industry, workers become inefficient at a much earlier age than was formerly the case. Also, employers are now conscious of a much more intense degree of competition. Therefore, they must secure the greatest possible economies of firm and industry. This entails keeping close watch of the efficiency of the personnel employed.

(b) Improvements of morale. If the older workers are relieved of the problem of worrying about provision

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1. Industrial Retirement Plans in Canada, Industrial Relations Section, Queen's University, Kingston, Bulletin No.1, 1938, P.4 et seq

for their old age, that is the entire burden of it, they will be able to concentrate on their work. It will also mean the bolstering of the morale of the younger workers, for the removal of many of the older workers on pensions will make room for promotion. Such promotion is invariably accompanied by personal pride and renewed ambition and energy all of which results in increased productivity. There is no doubt that on the whole such plans do lead to reduced discontent among employees, and strengthen their loyalty to the company. It is on these very grounds that industrial pensions have been opposed strongly by the labour unions.

(c) Reduction of the labour turnover. This is claimed because generally long periods of service are required for eligibility under the scheme. The actual force of this argument , however, is questionable. It is well known that younger workers give little thought to the problem of future dependency and will generally choose the type of work they would like to do regardless of the lack of provision for their future security. In addition if they do not like the type of work that they are in, the remote prospects of a future pension are very little incentive to keep them at work. Further for the middle-aged worker, no such incentive is necessary, for not only do the older workers resent change, but it is most difficult for them to find work again at the same rate of pay. Of course the scheme may be of value in holding highly skilled middle-aged men for whose services there is a great demand.

In actual fact experience and statistics have not been able to give conclusive affirmation or refutation of the argument. To complicate the matter still further, there is the general statement that although reduction of labour turnover does lead to increased efficiency, in general, there is always the danger if carried too far, inefficient workers will be retained thus leading to decreased efficiency.

(d) Attraction of better workers. Although this is a general tendency, it is far from being universally valid.

(e) Creation of favourable public opinion. This is not a very strong argument.

(f) Restraint. That is employers may make the payment of benefits conditional upon "good behaviour", threatening to make the workers ineligible for benefits in the case of misbehaviour or dishonesty. Some threaten suspension of pension rights if the workers go on strike in response to union orders, and some of the more unscrupulous have forced retired workers to come and carry on work while existing workers are on strike, under the threat of suspension of payments if they refused to do so. Exper-

> ience seems to demonstrate that it is a dubious policy to attempt to withhold retirement allowances for disciplinary and deterrent purposes. 1.

Such then are the chief advantages which have been claimed for industrial plans. To the extent which they have been considered as means of improving efficiency, they may be regarded as legitimate expenses of production, similar to the payments for labour, except that they ae deferred payments.

That they have not been used on a larger scale points to the fact, that there must also be some serious disadvantages to their use.

Many concerns claim that they have such a labour turnover that retirement plans would actually be of little value. They insist that it would be much better to deal individually with the few workers who have given long and faithful service to the company. Still other employers who have only a moderately large labour turnover beleive that it is best to deal with the individual employee for the reason that it presents a better opportunity to reward merit.

Of course, the chief reason, why so few industrial schemes for pensions have been used is that they are too costly. In other words, the economies of increased efficiency asa result of their adoption are not sufficiently large to offset the increased cost which their inauguration entails.

The actual extent of coverage under these plans is very low. A report on Industrial retirement plans in Canada made by the Industrial Relations Section of Queen's University estimates that

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1. National Industrial Conference Board, Incorporated, Elements of Industrial Pension Plans, New York, 1931, pp.12, 13

of the total wage and salary earners in Canada in April 1937, probably not more than 15% were employed in firms which maintained retirement schemes.[1] In 1938 in Britain some 1,617,093 were covered by industrial plans.[2] This figure also represents only a small percentage of the total number of wage earners. There are no accurate figures available on the situation in the United States in that year, but according to a report made by the National Industrial Conference Board in 1939, the number of such plans in the United States also covered but a small proportion of the wage and salary workers.

Industrial pension schemes are generally classified into types according to the way in which the burden of costs is distributed. The two chief groups are informal and formal plans. Under the former, financial aid is given to the superannuated employees on the merits of the individual case. It is quite obvious that such schemes, depending as they do on the continual success of the company and the humanitarian outlook of the employers, represent a very poor guarantee for the security of the aged and retired workers. The latter are plans under which there are definite rules and regulations describing eligibility and benefits available.

The Formal plans may be subdivided into three other groups - non-contributory, contributory and composite. The non-contributory are those under which the employer undertakes to bear the whole cost of the scheme. The contributory are those under which the employees aid by making contributions out of their wages Composite plans are those under which a basic non-contributory pension is available which may be supplemented by means of vol-

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1. Industrial Retirement Plans in Canada P.19
2. Monthly Labour Review, vol.xlvii. p.300

untary payments on the part of the employees.

The contributory plans may be still further divided into two smaller groups - self-administered and re-insured. Under the former, contributions are paid directly to the employer in whose hands the responsibility for the admistration of the scheme rests. Although in a few cases it is administered by the employer and the employees jointly. It is to be noted carefully that the employer in this case assumes all the risk involved and upon his shoulders rests the entire responsibility for the maintenance of the scheme. Under the latter type, however, the contributions are paid either directly or indirectly through the employer to an insurance company, in whose hands is placed the responsibility for the plan's administration. The advantages of this latter type are great. For, not only does it free the schemes from the dangers of changing company policies and company failure, but it also places the scheme on a sound actuarial basis.

A still more recent development, and one which appears to be becoming increasingly popular is that of group annuities which may be financed either by employer or employee contributions or a combination of both.[1] The advantage of these is that in the event of death, or of the employee leaving the firm, there is a cash surrender value to the policy held.

There are still other methods employers have used to a assist the aged. For example - thrift and saving plans under which the employer seeks to provide means to encourage his workers to save for their old age. Investment trust and stock purchasing plans have also been used, but these were of little success. But

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1. J.C. Stinson, Group Insurance, McMaster, 1946 p.50

the importance of these minor provisions in meeting the problem of the care of the aged is very small.

To the student of industrial old age pensions, several characteristics and trends are clearly visible. Perhaps the most outstanding of these are the types of plans used.

Although no accurate statistics are available, it is undoubted that long before the turn of the century some employers did provide assistance payments in an informal way to employees who had given long and faithful service in their employ. Just before, and after the ninteenth, however, and extending on into the first decade of the present century a movement was started towards the use of formal non-contributory pensions. For the first twenty or thirty years most of the plans worked fairly well, but at the end of that time almost all of them began to get into financial difficulties. The reason for this was two-fold. First- these schemes had been based on a superficial analysis of the situation. They had failed to take full account of the ever increasing liabilities which were the result of larger numbers on the pension roles year by year as the labourturnover decreased and the labour forces increased, and as the average amount of benefits increased due to the increasing wage rates. These were commonly used as the basis for determining the pension amounts. Secondly, few of them had a sound funding system based on actuarial principles. Robert Howe, an authority on this subject, writing aslate as 1930 made this statement,[1]

> "Exhaustive studies have indicated that the history of pension plans has been a record of mistakes

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1. Old Age Pensions, The Reference Shelf, Vol.x no.3 p.188

and failures, and that in the United States today there are very few schemes financed that they ae likely to remain solvent without refinancing or modification.

Therefore, as the costs of these systems became increasingly heavy and many of the employers found themselves unable to carry the load themselves, they changed to contributory systems and made it compulsory for the the employees to carry part of it. New schemes being started used this experience and were made contributory from the start. According to the Queen's report practically all the non-contributory plans in Canada were started before 1928, and practically all non-contributory ones from 1929 on.[1]

It is to be noted however, that these schemes were not legally enforceable contracts, and therefore represented more of a hope than a dependable support for old age. It is easily seen why this had to be the case, for the added strain of pensions at a low point in the level of business activity, might be just enough to put the employer out of business. This would not only mean disaster for the employer but also for the employees and pensioners alike. Therefore temporary curtailment during a depression period would be advisable for all.

The fact, however, that these schemes did not provide prospects of a sure and dependable income to cover need in old age was a source of much worry to the labourers. But finally a method was found by which the risks could be transferred from the employer to an outside body -- this was the method of re-insuring the plans with insurance companies. This method has been adopted to a large extent in all countries in which industrial pension schemes are

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1. Industrial Retirement Plans in Canada, p.15.

being used. The Queen's report states that almost 50% of the formal plans in operation in Canada in 1937 were being administered through insurance companies.[1]

In the United States in 1939, 77% of the plans studied in the National Industrial Conference Board were underwritten by insurance companies.[2]

Another characteristic which we might notice about industrial plans, is the size of the company in which they were introduced. In their early development they were limited almost exclusively to large well established industries. These were the first to feel the need for standardizing their retirement practices and were in a good position to integrate a retirement plan with a general industrial relations policy. But the advantages which these companies enjoyed appear to have been the result of their sheltered position or to the differential gains rather than to their size alone. In any case, with the swing towards adopting plans backed by insurance companies, an increasingly large proportion of smaller companies are making provisions for the retirement of their old workers on a pension.

The last characteristic which we might notice is the type of industry into which these have been introduced. In Canada the transportation company plans are by far the most important, covering almost One half of all employees under any industrial pension plan. Other important industries in Canada using such schemes are -mining, smelting, electrical equipment, rubber, food, metal, chemical, and miscellaneous manufacturing.[3]

In the United States the railroads, public utilities,

1. Industrial Retirement Plans in Canada, p.10
2. Labour Gazette, p.1206
3. Industrial Retirement Plans in Canada, p.29

communication companies, and financial institutions began the whole industrial pension movement. Even in 1928, these along with iron and steel plants and oil companies maintained plans which covered the majority of allemployees under retirement provisions.[1]

In regard to the eligibility for retirement benefits, the plans vary widely. There are four chief requirements - uniformity, simplicity, flexibility - to prevent injustice in individual cases; and the assurance of an adequate income to provide for the need.[2]

The service requirements are generally long since, basically pensions were intended to be rewards for long and faithful service. The retirement age is set generally at 65, and in a good many cases lowered to 60 for women. A marked trend is appearing allowing for earlier or later retirement with actuarily adjusted annuities. This provides for the ones who are incapacitated and have to betire before 65, and also for those who are still working efficiently at 65 and desire to continue working.

Many other provisions are often included, such as disability benefits, benefits for dependents, benefits for dependents of a deseeased worker, limited provisions in the event of withdrawal from the service of the company before retirement, and so on.

In regard to the determination of retirment benefits, they ae computed in many different ways, generally, however, they are made proportionate to the wage which the worker was receiving at the time of his retirement, weighted in some manner by the number of years of service which he has devoted to the company.

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1. Industrial Retirement Plans in Canada, p.18
2. ibid., p.29

To conclude let us note that industrial pensions have severe limitations as a solution to the entire problem of aged dependency. They are applicable to industrial and commercial occupations only, and therefore, exclude a large proportion of the total population. Moreover, due to the stringency of eligibility qualifications, and the fact that they are a heavy burden for the marginal firm or highly competitive industry to bear, they actually cover a small proportion of those in these occupations. Still further, the provisions vary widely so that there is not equality of treatment of all those wage earners who work in firms where such plans exist. In the light of these observations we may safely say, that although industrial pensions have done much to help out many of the retired wage earners, they cannot be considered as a fundamental solution to the whole problem.

Statistics reveal that the launching of public pension schemes in various countries has not impeded the growth of industrial pensions at all. Rather, there is an increasingly visible trend towards a larger number of such plans. In the main however, they have shown a tendency to become supplementary to public systems. For, public systems thus far have been designed to provide only a minimum standard of living. With this as a basis, additional industrial pensions may be enough to allow the worker to live at his customary standard of living.

Chapter V

PUBLIC OLD AGE PENSIONS

Ever since the development of the modern industrial system with its emphasis on the individual wage earner, it has been generally recognized that the responsibility for providing for old age rests primarily with the individual, on his own foresight and thrift. Of course behind the individual stood his children and the relatives upon whom the burden of his care customarily fell, in the event of his failure to make such provision.

But within the past century in Europe and within the past few decades on this continent, there has been increasing emphasis on the duty of society at large to care for the needy aged. The basic argument hasbeen that, in so far as, old age dependency is really caused by our social and economic order (that is, the main causes for dependency lie outside the control of the individual), the society which has created that order must protect the aged from its unfortunate consequences.[1] In this chapter we will deal with the attempts on the part of public authorities, either local or national, to handle the problem of aiding the needy and indigent aged.

Provision of annuities for the aged poor by the state was proposed in England as early as the latter part of the eighteenth century.[2] Other pleas such as those made by Tom Paine in 1795 sought government subsidization of the Friendly Societies who had undertaken the task of caring for many of the aged. However, at that time nothing was done. But at the end of the first quarter of

1. Old Age Pensions, The Reference Shelf, vol.x,no.3, p.105
2. Encycl. Brit., 11th ed., vol.xx, p.64

the nineteenth century, the rapid industrial expansion in Britain has made the problem of old age dependency a serious one. Therefore, in 1833 the British inaugurated a voluntary insurance scheme to be worked through the Post Office. This proved to be a partial relief but even when subsidized by public fund, failed to attratt the majority of citizens and especially those who were most in need of such provisions. For these simply could not afford to purchase such insurance out of their meagre wages. The failure of this as a solution to the problem pointed to the fact that other methods must be found to cope with it.

We have already noted in Chapter III some of the other methods which were used in the nineteenth century. But we have not noted, that pension schemes covering certain sections of the population were introduced in various countries. The term "pension" has become so widely used that it is sometimes applied to the whole field of old age assistance. Properly applied however, it refers to a stated sum paid periodically to an individual in recognition of past services, and as such is really in the nature of a retired pay and not relief payments. Therefore the adoption of a pension scheme in England for retired civil service employees in 1834 was a new venture. In 1839 similar "pensions for teachers" were started in Switzerland. These plans opened the way for pension schemes covering government and municipal employees, and various other groups in society. Other good examples of coverage for particular groups are the compulsory schemes that were established in such industries as mining and navigation in Austria (1854) Belgium (1868) and France (1894)[1]

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1. Wolfenden, The Real Meaning of Insurance, Toronto, 1932, p.17.

It has generally been the rule in most countries that systems covering certain groups have preceded public pension systems covering society at large.

Let us now pass on to the end of the nineteenth century when legislation for old age assistance on a national scale first began to appear. In particular let us note two systems which are very different in character - one in Germany, the other in Denmark.

It is generally agreed that the German system is the first national scheme for the care of the aged, although perhaps the National Old Age Insurance Institution organized in France in 1850 should have the rightful title to the claim. In any case the German scheme, started in 1889, is the first compulsory contributory insurance plan on a nation wide scale, and has formed the basis for many later ones. All workers were forced to join the plan and pay contributions out of their wages for old age annuities. These were to be supplemented by equal contributions from the employers.[1] Altogether, the workers were divided into seven wage classes for contribution purposes and the contributions varied from 7¢ to 48¢ per week. The system was administered by means of local pension boards which were supervised by an overall Federal Insurance Office. In 1911 this scheme was incorporated in an Insurance Consolidation Law which provided for invalidity and survivor in addition to old age benefits. On Jan.30, 1930, about 18,000,000 persons were insured under this scheme, and 1,300,000 who were 65 and over were drawing pensions which averaged about $100 per year.[2]

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1. Except in the low income groups, where the employer was forced to pay the worker's share in addition to his own.
2. Wolfenden, op. cit., p.19.

This scheme was still in operation in 1939. The fact that it has been in operation so long, surviving the First World War and the catastrophic mark of inflation in the middle twenties, speaks well for it. As we shall see it has a good many things to commend it over the Danish system which we are now about to outline.

The Danish system, started in 1891, is a complete contrast to above. It is what we have come to call a straight pension or a non-contributory scheme. Assistance was given to all the needy poor, not on the basis of their contributions towards old age annuities, but merely on the basis of certain qualifications which proved that the recipient was in need and was worthy to receive such assistance from the state. Although the word 'Pension' is not used in the Danish Act, it is essentially a pension scheme.

With the introduction of these national schemes in Denmark and Germany, we see a clear recognition of the fact that the aged problem is one of national concern, and also, that the solution to it is quite distinct from poor relief. It was a great advance over the poor relief system, for it overcame the primary objection to nearly all previous charity and relief. This was none other than the psychologically degrading 'beggar' complex and the social stigma which had come to be attached to poor relief. The Danish Act in particular took pains to point out that this was not just an award but also a reward.

Before we turn our attention to the relative merits and weaknesses of the two systems, let us note that there were quite a few countries which adopted some type of old age assistance legislation within the next few years. New Zealand adopted a straight

pension scheme in 1898, but with very strict qualifications for beneficiaries. Belgium and France adopted contributory systems modelled after the one in Germany in 1900 and 1905 respectively. In 1908, Britain and Australia followed in the footsteps of Denmark and New Zealand with non-contributory plans. Still others followed rapid ly, so that by 1928, no lessthan thirty-eight countries had adopted some form of legislative protection for all or certain classes of their aged.

Before any scheme of public assistance for the aged is adopted, there are three basic issues which must be considered:

1. Determination of the groups of individuals which are to receive aid.

2. Determination of the degree of security or the standard of living that is to be provided.

3. Determination of the distribution of costs of any such scheme among the various classes of society and different generations.

Let us look briefly at these issues. Obviously, a non-contributory system, if the qualifications and requirements are relaxed enough, can be made to cover the entire population regardless of former occupation or income. Contributory systems, however, are designed to cover only part of the society, namely those workers who are in the service of employers (and in some cases only those who are in particular occupations). For example, the U.S. contributory scheme inaugurated in 1935, excluded agricultural workers, domestic servants, those employed in non-profit religious, charitable, scientific, literary, and educational institutions and organizations, and still other groups.

It might be interesting at this point to digress for a

moment and note that agricultural workers have been included in most of the contributory schemes in operation. For instance, they are included in the plans of Belgium, Bulgaria, Chile, Czechoslovakia, France, Germany, Britain, Eire, Italy, Netherlands, Spain and Russia.[1] Domestic workers are also included in most of these countries. But the fact remains, nevertheless, that there are various groups in society which it is difficult if not impossible to cover under a contributory system. Coverage is also limited under nearly all such plans in that the beneficiary must have made contributions for at least a minimum period of time.

Under both types there is also the matter of age limitations. The Danish system at its start set the age limit at 60, but this was later raised to 65. In Britain, on the other hand, the age limit in 1908 was set at 70, and then in 1925 lowered to cover those 65 and over. In the great majority of the existing systems the age limit is set at 65 for men and 60 for women. But the history of pensions has been full of agitation for ever lower limits, for there are many who are dependent and in need of pensions before they reach the limit in force. In the non-contributory systems also, due to the great variety in the means tests and other qualifications there is a wide range in the number of persons covered. In the main, however, they have been intended to cover only the aged paupers, and to provide these with a bare minimum of subsistence.

We conclude therefore that there are many factors which affect the number of pensioners and beneficiaries under both types of assistance. The following figures give us some indication of

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1. International Labour Conference - Invalidity, Old-Age, and Widows' and Orphans' Insurance, Geneva, 1932, p.12.

the extent of coverage:[1]

Country	Year	Percentage of those of eligible age who are receiving pensions	No. per 10,000 of total population receiving pensions
Non-contributory:			
Denmark	1930	45%	329
New Zealand	1935	35	270
Australia	1933	32	267
Britain	1921	57	212
U.S.A.	1939	23	141
Contributory:			
Germany	1936	42.5	318
Britain	1936	-	388

It is evident from the above figures that a comparatively large percentage of the aged are now receiving old age assistance under both types of system.

The second issue, that is, what measure of security is to be provided for the aged, is one of the main issues to be considered in balancing up the relative merits of contributory versus non-contributory schemes. The basic aim of the latter is to provide a minimum level of subsistence for the aged who are really in need of it. The former seeks to provide contributors on retiring with annuities that bear some relation to their customary wage standards, and also to the amount which they have paid in contributions. There are some exceptions to this latter, notably Britain, where a flat rate of benefit is paid regardless of the contributions above the required minimum and regardless of the contributor's former wage rate.

It is also interesting to note that a fixed non-contributory rate or a flat insurance rate such as is paid in England, will result in grave inequalities in different parts of the country, for

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1. Grant, M., Old-Age Security, Washington, 1939, pp.224-226.

the cost of living is not uniform everywhere. For example, the cost of living in the city is invariably higher than the cost of living in the country. Denmark has theoretically found a solution to this problem although it entails additional administrative costs. Several pension and exemption levels based on the differences in the cost of living in rural and urban communities have been established, which are adjustable from time to time according to changes in the cost of living index. Presumably the other nations which have not undertaken any such plan have thought that the administrative costs entailed would more than offset their worth.

The most notable feature about this second issue is that there has been continual agitation in all countries, no matter what system is used, for increasing benefit payments. Under the contributory plans this is not so serious, for the benefits may be increased by increasing the contribution rates from employees and employers while keeping the amount contributed by the state (if the state does make any contributions) low. Under the non-contributory plans the cost of any increase in the amount of the benefits paid will have to be met entirely by the state. This fact has been one of the factors which has led to a marked swing towards contributory plans.

The third and last issue is that of the distribution of the costs of the scheme employed. As mentioned above, the non-contributory plan is based on the theory that the chief causes of dependency are the result of the social system under which we live, and therefore the whole community should bear the costs of any plan for the care of the dependent aged. Moreover it assumes that the costs may be covered out of general or particular taxes. Although the contributory plans do not disagree with the above theory, they imply

that the burden of a non-contributory scheme is too great to be borne by the public treasury, and should be borne, at least in part, by contributions from employers and employees.

There are two ways in which these plans may be financed - by Current Cost Financing or by Reserve Financing. Non-contributory plans come exclusively under the former, contributory ones may be either type.

Under the former, benefits are paid each year out of the contributions or taxes or both gathered in that year. The assumption under this method is that the producers and the taxpayers of the present day owe support to the aged for the services which they have rendered to the present day generation. The latter implies the principle that the worker must create, through his own thrift and foresight during his active working days, a reserve for his old age. In almost all cases the former method has been favoured.[1] But from the first it has been deemed wise in most contributory plans to accumulate certain reserves which could be used to equalize short-term fluctuations in income and expenditure. Moreover these reserves might be invested and the return, so gained, used to lower the contribution rates from the participants. However, the difficulties of investment of some and the fact that changes in the value of money have partially destroyed the value of others have cast some doubt on the advantage of their accumulation. Due to these and other factors, modifications and abandonment of many has been undertaken.

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1. The cheif exception is the United States, which according to the 1935 Social Security Act sought to establish a $40,000,000,000 reserve fund. Increasing agitation was forthcoming however a pay-as-you-go plan to be adopted.

Each country which has adopted an old age assistance program, having considered the above issues carefully and the domestic problems and circumstances peculiar to itself, has decided to use either a non-contributory or a straight pension scheme. Let us now examine these two groups and note the extent to which these plans have been used, and in part the sucess with which they have been used.

In 1939 there was a total of fourteen countries which had followed in the early footsteps of the Danes and had adopted some type of non-contributory plan. The list is as follows:[2]

Australia	1908	Newfoundland	1911
Canada	1927	New Zealand	1898
Denmark	1891	Norway	1936
Eire 1	1908	South Africa	1928
France	1905	United Kingdom	1908
Greenland	1926	United States	1935
Iceland	1909	Uruguay	1919

(1. The British Act covered the whole of Ireland until the establishment of the Irish Free State, now called Eire.)

It is interesting to note that of the above list, non contributory plans for the worthy poor based on the means tests provide the only form of aid for the aged in nine countries, while in the other five (France, Iceland, United Kingdom, United States, and Uruguay) the non-contributory schemes are supplementary to contributory insurance plans. Still further, some of the above are limited to the aged only, while others include coverage for invalids and for the blind.

Of course, it is needless to say that they vary widely in their means test requirements and other qualifications. These qualifications consist mainly of citizenship, residence, and character requirements, a certain qualifying age, and a definite

economic status. The stringency of leniency of these requirements determines largely the number of persons who are to receive aid under the programme, and therefore, to a considerable degree, the volume of the expenditure which will be necessary.

The following is a list, compiled in 1936, of the twenty four contributory systems which have the widest coverage:[1]

(1) Plans providing old age, invalidity and survivprs' benefits:

Czechoslovakia	1924	Peru	1936
France	1910	Poland	1934
Germany	1889	Rumania	1912
Hungary	1928	U.S.S.R.	1922
Italy	1919	Uruguay	1934
Luxembourg	1911	Yugoslavia	1922
Greece	1934	Netherlands	1913

(2) Plans to provide old age and invalidity benefits:

Bulgaria	1924	Finland	1937
Chile	1924	Sweden	1913

(3) Plans providing old age and survivor's benefits:

Belgium	1924	United Kingdom	1925
Ecuador	1935	United States	1935

(4) Plans providing old age benefits only:

Iceland	1890	Spain	1919

Preceding some of these systems of general coverage, and and in some cases supplementary to them, there were special schemes for the coverage of particular occupational and industrial groups. But in practically none of the above cases was it possible to set up a scheme which could be completely supported by the contributions made by the employers and employees. state assistance was found to be necessary.

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1. The International Labour Organization and Social Insurance, Geneva 1936, pp 188,209 -19, arbook, 1937-8, pp 278-354

Seeing that some of these systems in both the non-contributory and the contributory tables above, have been in operation for a long time, we may ask what lessons experience has taught in regard to the relative merits of each.

Perhaps the most outstanding feature to be noted about the dates in which assistance programs were introduced in the various countries is, that practically all of the non-contributory plans were introduced over thirty years ago, while practically all the contributory ones have been introduced within the last thirty years. The reason for this is not hard to see. Due to the fact that the problem of old age dependency was on the increase, as is outlined in Chapter II above, and in the fact that continued agitation has resulted in amendments and modifications, always in the general direction of greater pensions and reduced restrictions making larger number of persons eligible to receive them, the costs of the early non-contributory systems underwent such rapid expansion that many of these had to change to contributory plans and insist that employers and employees should bear part of the costs. The governments found that it was far easier to raise funds by contributions than by general taxation.

Countries in which new schemes were being adopted noted this trend and therefore started with the contributory schemes from the start. This swing towards the use of contributory plans has been reversed. It was given particular impetus when the British in 1925 brought in the contributory old age insurance plan to supplement their former scheme.

But it must not be thought that costs did not continue to mount under the contributory schemes. On the contrary, the costs

mounted steadily as a growing number of beneficiaries reached the retirement age, additional types of benefits were inroduced to cover new groups, certain qualifying conditions were relaxed, and the methods of computing the benefits were liberalized. The general conclusion appears to be that no matter what type of scheme may be employed the costs may be expected to rise steadily.

We have noted earlier, however, that the contributory plans were not capable of covering all those who needed assistance. Therefore in almost every country where a contributory system was in force there had to be a supplementary system of non-contributory pensions, or relief, to aid the aged paupers.

Increasing favour has been given to a combination of the two schemes to accomplish the dual purpose of minimizing costs and maximizing coverage. A combination of the two was effected in Britain after 1925 and in the United States after 1935. France also uses a combination of the two, and a similar proposal was contemplated in Australia in 1939.

Chapter VI

BRITISH OLD AGE PENSIONS

At the beginning of Chapter III brief mention was made of the fact that in England a Poor Law was established in the seventeenth century which came to provide some measure of aid for the aged paupers of the country.

It was a strange mixture of feelings which prompted the social conscience of the English people to provide some type of assistance which gradually turned into a system of workhouses and poorhouses, in which conditions were wxpressly made so bad as to discourage age all but those who were in abject poverty from seeking aid within their walls. Since the author has previously attempted to give a picture of these, suffice it to say here, that the greatest ambition of the poor in England seems to have been to escape the crowning ignominy of having to spend the last days of their lives in such institutions.

Eventually, however, a supplementary 'dole' system did emerge, under which the giving of 'out-relief' to the unemployed, the infirm, and the agedwas permitted. But the expenditures under this grew to such alrming proportions that a special Commission was appointed in 1832 to make recommendations for their reduction. As a result of the investigations 'out-reliefs' were severely curtailed. In a special report made by the Poor Law Commissioners in 1839 however, and again in the General Prohibitory Order in 1842, explicit permission was given for assistance payments to the aged. But a severe workhouse test was placed on all applicants for the relief, including the aged. Presumably this was done in order to make people

save for old age, and to encourage children, relatives, and friends to care for the aged.

The real solution hoped for as a result of these investigations was that institutions would be set up to take care of the various classes of paupers. When this plan failed to materialize, many of the local boards who were in charge of 'out-relief' provisions authorized payments to the aged paupers whom they wished to spare the humiliation of the hated workhouse. But the scale of provision was an unenviable one - payments ranged from 1/6 to 4s. per week, with a few slightly higher than that. It is no wonder that the poor law is said to have become the most hated and feared institution of the nineteenth century in England.

Application of the workhouse test was perhaps carried furthest during the depauperization campaign scheme of the seventies. A natural reaction to this eventually resulted in agitation for a system of pensions to be made as regular and rightful payments to the veterans of industry. Accompanying this, however, there came a movement among the local relief officials to grant out-relief only to the worthy poor, which was quite different from the original poor law principle, that is the relief of all those in need. The report of a Royal Commission on the Aged Poor in 1935 reads,[1]

> "Out-relief is to be granted to those who are of good character, thrifty according to their opportunities, and generally independent in their early life, and who are not living under conditions of health or surrounding circumstances which make it evident that the relief given should be indoor relief."

Nevertheless this was a great step forward, for the above statement implied that the Central Authority has lent their official

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1. Hohman, H.F., The Development of Social Insurance and Minimum Wage Legislation in Great Britain, New York, 1933, p.22.

sanction to a regular and dependable grant to the aged. The Royal Commission appointed in 1906, however, found that these grants were still far from adequate. In the meantime, agitation for the inauguration of a system of old age pensions was steadily gaining momentum.

There are several factors which gave weight to the old age pension movement. Perhaps the most important of these is that the aause was championed by many outstanding men. Among these were Charles Booth and Joseph Chamberlain. A second important factor was the inauguration of pension systems in Germany and Demmark in 1889 and 1891 respectively. Thirdly, at the end of 1898, a National Pensions Association was formed which directed its efforts at gaining the support of the two bodies - the church and the labour groups It was not long until the Plymouth Congress, the Co-operative Congress, and the friendly Societies threw their support behind the movement. High officials of the Roman, Anglican and Non-Conformist churches also gave their approval to the project, but actually gave little active support. The last factor was that of securing a voice in Parliamemt to champion the cause. This was achieved in 1903 with the election of Will Crooks, a socialist member from Woolwich.

The climax was fianally reached in 1908 when the now famous Old Age Pensions Bill was steered through the House of Commons by Lloyd George. Of course there was great opposition to the bill in both houses, especially in the House of Lords. Three convincing arguments were finally enough to win the victory of the bill - it is unjust to punish a man because he was foolish enough to grow old and yet not artful enough to grow rich; you cannot

expect great sacrifices to develop heroic virtues in the poor; and the statements by Marshall and Pigou that old age pensions were not likely to depress wages or discourage man's efforts in early life.

The deciding factor to the whole matter was that the pensions were actuarily calcuable and that a system could be outlined for which sufficient funds would be forthcoming from the state. It was finally decided that the non-contributory principle should be employed for the sake of simplicity, and also because those who needed aid most, couldn't afford to pay anything.

However, the 1908 Act was admittedly a tentative and expe perimental one, for all knew that revisions and amendments would have to be made as time went on and the weaknesses and the flaws became apparent. It was also realized at the time that the scheme would not do away with the institutions set up to care for the aged unable to care for themselves, and for the intemperate and extravagant who would squander all their pensions.[1]

Here is a brief outlaine of the scheme. Pensions were to b be paid from the imperial taxation revenues to those aged 70 and over whose annual income did not exceed £31 10s. These were to be paid on a sliding scale basis. All those whose annual income didnot exceed £21 were to receive the full pension of 5s. per week. This rate fell 1s. per week for every £2 12s. 6d. by which the annual means exceeded the £21 minimum, so that for a person whose annual

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1. As a matter of fact, the decrease in the number of people in the workhouse was very small. By 1914 there was decrease of 21.3% from the 1906 level; by 1919 the gradual decline had continued, but there had only been a 40% decline from the 1906 level. There wase many reasons for this. Some thought that the pensions were inadequate and that it would be impossible to exist outside the poorhouse, others thought that the semi-dependence on relatives and friends would be unsatisfactory, many had no friends to whom they could go, some were ill and needed care, still others fell prey to their old habits of drink and extravagance and had to come back again - Hohman, H?F., p.51, op.cit.

income was just under £31 10s. the weekly pension would be 1s. It is to be noted that due to the fact that this sliding scale was used instead of making the pensions uniform and universal, there remained a slight taint of relief connected to them.

Further qualifications were imposed in that the eligibility was restricted to those who were British subjects for twenty years prior to the claim for a pension, and who during that time had been a resident within the British Empire.

But even when these statutory conditions had been fulfilled there were still certain classes of aged who were ineligible to receive pensions. These consisted of those who were in receipt of poor law relief (other than medical or surgical relief), those in prison or who had been imprisoned at any time during the ten years prior to their claim for pensions on a charge which did not carry the option of a fine, those convicted under the Inebriates Act of 1898, those who were inmates of lunatic asylums, and those who failed habitually to work.

It is evident from the low rate of pension afforded that the main intention of the Act was not to provide full maintenance, but rather some sort of regular supplementary income to those who could not work and who had practically no source of income in their old age.

There were two main results of the Act. The first was a tremendous reduction in the numbers of those who were in receipt of outdoor relief under the Poor Law. In 1906 the number of these stood at 168,096; in 1919 this had decreased to 6,950 (about 4% of the former figure). In 1930 this number had increased to 79,842

again, but this large figure was chiefly due to the great amount of unemployment in the depression, and still represented only 47% of the 1906 level.[1]

The other result was a substantial increase in the numbers of those who were in receipt of public aid. The taint having been at least partly removed, and 'pensions' substituted for 'relief' many who would have attempted to struggle against overwhelming odds rather than accept Poor Law relief, gladly accepted their pensions. In 1906 the total number of paupers receiving aid was 230,000. In 1909 the number of old age pensioners totalled 393,700. Two years later after further relaxations under the 1911 amendments to the Act, the number rose to 613,873.[1] As further amendments were introduced the number continued to mount.

The chief relaxation which took place as a result of the 1911 amendments was that former Poor Law relief recipients were no longer disqualified from receiving pensions. Five years later, in the autumn of 1916, due to the excessively high prices of food and other economic conditions generated by the war, the rate of pensions was raised by 2/6 per week. Due to still worse conditions additional payments were authorized in August 1917. Originally these were to be only temporary war-time measures due to the high cost of living.

By 1919 it was realized that there were a number of features in the system which would require some alteration, therefore a Departmental Committee on Old Age Pensions was created to investigate the existing system and make reccommendations as to what changes ought to be made. The following are the reccommendations suggested:

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1. Hohman, H.F., op.cit., p.52

1. The amount of the pension should be raised to 10s. per week permanently. It was expected that prices would fall shortly and that this would therefore represent a real increase to the pensioners.

2. Pensions should be given to all over 70 without a means test.

3. The Pension age should remain at 70 only with the understanding that the extension in scope of the National Insurance Acts would help to cover those in the 65-70 period.

4. Outdoor relief should not be a disqualification for the receipt of a pension.

5. Disqualifications for any period following a term of imprisonment should be abolished, except in the case of habitual inebriates.

6. The restrictions regarding residence requirements and citizenship requirements should be relaxed.

The 1919 amendments to the Act actually included very few of the recommendations made by the committee. The most important amendment made was the raising of the means limit minimum to £49 17s. In 1924 still further modifications were made in the Act when an additional £39 was allowed to be included under the means test, provided that none of this additional amount came from earnings.

Naturally in the meantime, as the amendments continued to relax - the number of pensioners rose. In the middle twenties the number passed the the million mark.[1] However, not only did the the number of pensioners rise, but the expenditures on these rose with even greater speed, that is due to the increase in the amount of the individual pensions paid.

It might be wise at this point to consider briefly the administration of the system under the 1908-1924 Acts. Forms for claims were to be furnished to applicants by postmasters, who were

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1. Encycl. Brit., 14th ed., vol.xvii,p.493

also to make the payments. The claim was then forwarded to the local pension committee and investigated and reported on by a pension officer appointed by the Treasury. At first the local government board administered the Act, but upon the formation of the Ministry of Health in 1919, the powers and duties of the former were transferred to the latter. The Minister was thereupon made responsible for deciding appeals, and with the assistance of the Treasury and the Postmaster General, was empowered to make regulations for carrying out the provisions of the act.

When by 1925 visions of reform to the Poor Law and further assistance under the National Insurance Acts had not materialized there ensued an increased demand for the lowering of pensionable age to 65, and for the removal of the means test. In addition, the rapidly mounting costs of old age pensions was leading to a very serious situation. Therefore it was realized that some solution must be found to ease the problem.

By this time experience in other countries concerning the problem of relief for the aged, had shown that in most cases the contributory principle was favoured over the non-contributory one. The solution to the problem, therefore, took the form of the embodiment of the contributory principle in the Widows', Orphans' and Old Age Contributory Pensions Act of 1925.

This was a scheme of compulsory contributory insurance under which every earner between the ages of 16 and 65 whose annual income was below £250 was compelled to make a weekly contribution to the fund, payments of which were to start as of January 2, 1926.

Contributors were to become eligible for a weekly pension of 10s. between the ages of 65 and 70, but no pensions were to be paid until January 2, 1928.

The weekly contributions at the start of the scheme were to total 9d. for men and 4½d. for women, of which the employer was to pay half and the employee the other half. It was realized that this would be far from adequate for the complete financial coverage of the plan and that state aid would be necessary. It was hoped however, that after three decennial increases of 2d. each for men and 1d. each for women in (1935, 1945, 1955) the contributions would be sufficient to cover the costs of the scheme.

It is to be noted carefully that this scheme did not replace the existing non-contributory system, but was made supplementary to it, to care for those in the 65-70 age group. Upon the pensioner's arrival at the age of 70 he came under the operation of the non-contributory Acts already in force.

Qualifications for the receipt of a pension were as follows The pensioner had to be continuously insured for five years by the time he reached 65 (except during the first few years of the operation of the plan); 104 contributions must have been paid over the last three "contributory years" June to July preceeding his 65th birthday, and average of 39 contributions per yearmust have been paid (weeks of incapacity and genuine unemployment were counted as weeks when contributions were paid); he must have resided in Britain for two years immediately prior to his 65th birthday, and his last employment must have been in Britain. Disqualifications for the receipt of a pension were the same as those under the 1908-1924 Acts.

It is to be noted that once the qualifications had been fulfilled the pensions were paid to the recipient at the uniform rate of 10s. per week, regardless of his means, and without any consideration as to whether he was still employed or not.

The administration of the Act was placed in the hands of the Minister of Health who was to be assisted by the local authorities. Claims, obtainable from the Post office four months before reaching the pensionable age, were to be submitted to the Minister, and pensions were to be paid through the Post office by cashing weekly vouchers in the same manner as the older Acts. Unsucessful applicants had the right of appeal to an independent body of officers

By 1928, it was estimated that 16,300,000 of the 17,500,000 industrial workers in Great Britain who were compulsorily insurable under the Act, were paying the required contributions.[1] By 1933, the number of compulsorily insured, plus a small number of persons who were allowed to insure themselves voluntarily under the provisions o of the Act, had arisen to 17,300,000.[2] Other statistics show that by 1930, pensions were payable to a total of 1,219,535 persons including 779 per 1000 of those over 70 years of age.[3]

Of course the Act contained a vast network of provisions relating to the granting of pensions to wives, widows, and dependent children of pensioners. In the main it was an extensive and comprehensive plan, but it had grave limitations in that there were many groups who might need aid and who were not covered. Good examples of

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1. Pensions, Chamber of Commerce, Bulletin No.1389, Washington, 1929, p.
2. Financial Operation of the Widows', Orphans' and Old Age Contributory Pensions scheme in Great Britain - Report by the Government Actuary, Stationery Office, London, H.M., 1935
3. Hohman, H.F., op cit, p.54

those are small shopkeeper, independent workers, persons who ahd fallen out of insurance, and professional persons of various types.

Therefore, in 1937 legislation was introduced which was designed to extend benefits to salaried workers and also independent workers who were not covered in the 1925 Act.[1] This was a voluntary pension plan intended to include those whose annual income from all sources did not exceed £400 for men and £250 for women. The pension payments under this were also to be 10s. per week upon the arrival age 65 and the fulfillment of the other qualifications.

For the first year, admission was open to all who were not over 55 and contributions from these were to be a flat rate of 15d. per week for men and 6d. per week for women until the age of 65. After the first year, the maximum age of entry was set at 40 and contributions were to vary from a maximum of 2s.6d per week for a person entering the scheme at 40 to a much lower contribution for anyone entering in his early years. Although it was expected that th the plan would eventually be self supporting, it was recognized that state assistance would be needed over a long period to set the scheme on a sound financial basis.

Various amendments were made to the Contributory Act from time to time, as for instance in 1940, when the contributions were raised 2d. and 3d. for men and women respectively, 1d. of which in both cases was to be paid by the employer. Also in the 1940 amendment the eligible age for the receipt of pensions by women was lowered from 65 to 60. In 1940 and again in 1942, due partaally at least to the increasing war prices, supplementary pensions were allowed of

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1. Labour Gazette, vol.xxxvii, p.481

1s.6d. and 4s. respectively, individual cases being judged on their merit. Needless to say, the agitation for increased pensions continued to mount throughout the thirties and early forties. It finally resulted in new proposals outlined in the Beveridge Report which will be studied in some detail below.

Before this, however, it might be wise to look briefly at the large therease in the number of industrial pensions schemes which have sprung up in Britain during the past two decades. In 1938 a stu study made by the Ministry of Labour revealed that there was a total of 6544 employers who were contributing to the pensions schemes Of these, 4944 plans applied exclusively to administrative, professional, clerical or sales staffs, the remaining 1600 covering manual wage earners. Although these firms employ a total of nearly 3,000,000 persons, only 1,617,093 are covered by the plans, of which about half are manual wage earners and the other half in the salaried classes. In all of the schemes studied the employers paid all or part of the contribution towards financing the plan, but 1,003,475 of the employees also contributed, of which there was a higher proportion of salaried employees than wage earners. The amount of contributions varied widely. For many of the salaried workers, the contribution was a small percentage of their salary; for the wage earners in most cases there was a flat rate that amounted to 1s. to 2s. per week and 6d. to 1s.6d. per week for women. The amount of the pensions also varied widely, but in the great majority of the schemes ranged between 15s. and £2 per week. The average age for retirement was 65 for men and 60 for women. Qualifications for eligibility were on the whole quite moderate, with a few that were particularly liberal and

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1. Monthly Labour Review, vol. xlvii, pp 299-302

a few that were particularly stringent. The main thing to note about these schemes is that they are on the increase generally, and therefore reveal that the existing schemes are far from adequate to meet the problem of the dependent aged.

The Central Autority also realized this fact as the pressure for increased assistance from various sources became heavier and heavier. Finally on June 10, 1941 an interdepartmental comittee under the chairmanship of Sir William Beveridge was appointed to make a survey of the existing problems and the provisions made for social insurance and allied services, and to make recommendations.

The result of his investigation was the now famous Beveridge Report.[1] In this report a large section is devoted to the problem of the indigent aged. The existing systems are outlined showing their inadequacy to deal with the whole problem, and the immediate need for increased pensions. Thereupon a new plan for dealing with the problem is outlined. It is to be part of an overall plan for Social Security which is recommended in the Report.

The main provisions of the plan for the care of the aged may be summarized as follows:

(1) Provisions of pensions at basic rates equivalent to those for unemployment and disability, that is to say 40s. a week joint (for man and wife), and 24s. a week for a single pensioner for all citizens - without a means test in virtue of contributions.

(2) This to be introduced over a period of suggested lenghh of twenty years during which the rate of the basic pension will rise from 25s. joint and 14s. single in 1945 by 1s.6d. and 1s. respectively until the full rate is reached in 1965.

(3) Assistance pensions are to be available for all persons of pensionable age (65 for men and 60 for women) requiring them, on a uniform means test based on the Determination of Needs Act, both in supplementation of contributory pensions and for persons not qualified for a contributory pension.

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1. Social Insurance and Allied Services, Report by Sir William Beveridge, H.M. Stationery Office, London, 1942

(4) All contributory pensions under the plan are to be retirement pensions. That is to say that they will be given only to those who have been retired from work, and they will be subject to reduction of part of any earnings made after retirement.

(5) Any individual post poning retirement after reaching the pensionable age will be able to qualify for additions to the basic rate of pension according to the length of postponment.

(6) The position of all persons now in receipt of pensions will be safeguarded. They may draw contributory pensions at the present rate without retirement until they decide to retire from work and take pansions at the new, larger rate.

But not only will there be gradual changes over the transition period and a completely changed system at the end of that time, but also various immediate changes. They are to be as follows:

(1) The administration of all provisions for old age will be unified under one central authority.

(2) Pension rates for those now within the scope of the contributory pension insurance will be raised forthwith by 25% joint or 25% single, subject to the retirement condition.

(3) All persons of working age, now within the scope of contributory insurance, will be brought in forthwith for contributions with a view to qualifying for substantial contributory pensions after 10 years and full contributory pensions after 20 years.

(4) Persons now eligible for non-contributory pensions will be able, on proof of need, to abtain assistance pensions.

(5) In so far as any pensions continue to be granted, not as a right in respect to contributions, but a subject to proof of need, there will be a single test for needs and means in place of the different tests as at present.

The reception of this report by the public was very favourable, and it became the great soul-stirring hope of the people at large that its recommendations would be put into force. However, we must note that it is not a complete and final scheme ready for immediate translation into legislative form, for it was based on three assumptions - the provision of Children's Allowances (that is, a system of family allowances), a comprehensive Health and Rehabilitation Service, and lastly, maintenance of Full Employment. The

The possibility of full realization of these basic assumptions was, and still is, seriously questioned.

In conclusion, let us turn our attention to the British White Paper of September 1944[1] which is the latest indication of the direction in which old age assistance trends are moving. This points out that social security is one of the chief issues of the post war reconstruction program, but emphasizes the tremendously heavy financial burden which would be inevitable if an attempt was made to provide those three basic assumptions in the Beveridge report plus the program of social security which he has outlined on these.

It states that the Government has already announced that it cannot accept the proposals made by Beveridge for a 25s. - 14s. pension rate to start now and increase to a 40s. -25s. rate over a twenty year period. Rather, they have shown themselves to be in favour of a standard rate of pension of 35s. joint and 20s. single, to take effect immediately upon the adoption of a new scheme of pensions, the pensionable age being kept at 65 for men and 60 for women.

The rest of the plan outlined in this Paper is based substantially on the recommendations of the Beveridge Report, with many of the small details omitted in the original report filled in. It keeps the retirement condition for the receipt of a pension. If the pensioner returms to work after retirement and earns a fairly large income it is proposed that his pension is to be reduced on a sliding scale according to the amount which he is receiving. It is carefully pointed ou that there is much risk of abuse under the plan, especially for those who are self-employed, and that on the whole investigations and inquisitions would not be worthwhile.

In regard to the contribution conditions, they have been carefully worked out on an actuarial basis. The title to a pension

will be determined by the record of contributions over the whole working life of the contributor. A yearly average of 50 contribution paid or excused will be required to qualify for the full rate of pension. In the Paper a table has been drawn up to show how the pension will be reduced if the average number of contributions per year is anywhere from 20 - 50. Below an average of 20 payments made or excused per year, no pension can be claimed. (One of the initial qualifying conditions for eligibility, however, is that the minimum of 156 contributions have been made. This is made so that no one may receive a pension after having been excused from making any contributions.

This White Paper and one the following year on National Insurance[1] formed the basis for the National Insurance Act which was passed early in 1946. It was realized at the time of the passing of the Act that considerable time must elapse before the provisions could be carried out due to the financial problems and the difficulty of administration. But it was stated that increases in the amount of old age pensions and the sums paid to their dependents would be forthcoming as of October 1946.

In July 1946, another White Paper appeared on Increases in Old Age, Widows', and Blind Persons' Pensions[2] in which the proposed increases were outlinedin detail. They were put into force as planned in October. Suprisingly enough the actual raise was more than had been proposed by either Beveridge or the White Paper on Social Insurance. The new rates were set at 42s. per week joint and and 26s. per week single. This raise was to take effect immediately

1. National Insurance Bill, Jan. 1946, cmd 6729
2. Increases in Old Age, Widows' and Blind Persons' Pensions, July 1946, cmd. 6878

but was made subject to the retirement of the recipient. It was extended not only to those under the Contributory scheme, but also under the non-contributory scheme, the means test of the latter being considerably raised again.

That this move has placed a most serious financial burden upon the country is undoubted. In fact there have been grave doubts expressed from many sources that the government will be able to continue this generous plan. In any case it will be most interesting to follow the future trends of old age assistance in Britain under the new Social Security program.

Chapter VII

AMERICAN OLD AGE PENSIONS

About the care of the aged in the United States before the turn of the century, we need say little. The general pattern was similar in its outline to that of the early developments in Britain. There were poorhouses, almshouses, old folk's homes, and in some cases public relief payments. Once again we note that the problem became increasingly serious with rapid industrial development, particularly in the north-eastern part of the country.

The most noticeable thing about the history of pensions in the United States is that it was not until 1935 that a system of impersonal pensions on a national scale was introduced. The chief factor which resulted in this late start was the governmental machinery of the country. Under this it was supposed that the problem for the caring of the aged was one which should be met by the local governments of the various states rather than the central government at Washington. The whole matter was still further complicated by the fact that these state governments had to function according to rigid constitutions under many of which, as it turned out, almost no means of caring for the aged could be found without amendments to their constitutions. As we shall see in our study of the development of schemes in the various states, these factors led to the development of plans that were widely different - almost no uniformity

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1. Much of the material for the early part of this chapter is contained in an article written by Harvey Lebrun, entitled "The Evolution of the American Pension System, 1883-1936", Sociology and Social Research, Los Angeles, May-June, 1936, vol xx, no. 3 p. 435 et seq.

in regard to age, amount of pension paid, or the eligibility qualifications.

The earliest American law providing for the payment of pensions to the aged, appears in the State of California in 1883. Previous to that the state had paid a subsidy of $100 per inmate in public and private institutions which had been set up for the care of the aged. In that year, court interpretation made this applicable to the aged outside these institutions. Of course, as always happens, the expenditures under this mounted rapidly from year to year until in 1894 they became too great altogether, and the Act was repealed.

In 1907 and 1911, Massachusetts and Wisconsin respectively set up provisions for the voluntary purchase of old age annuities at cost. As already noted, any voluntary system of savings or provisions for old age is entirely unstisfactory, for it is actually able to cover very few people, and it never provides for those who are really in need. In 1914 Arizona passed an Act for Old Age and Mothers' Pensions. The following year it was declared unconstitutional by the Supreme Court of the State and thrown out. It was the first example of an unconstitutional Act. the next year, 1915, however was able to see the inauguration of a system which continued to function steadily during the next few decades. Strangely enough, the sparsely populated district of Alaska was to have this honour. The Act provided for the payment of $12.50 per month to the aged "pioneers".

As might have been expected, the first great war considerably eased the pressure on the demands forthe care of the aged. The tremendous industrial expansion in the United States during the war and the accompanying demand for more workers encouraged many of the older people to either go back to work or to continue on at

their jobs past the usual retirement age. But with the end of the war, and partly as a result of the increased industrialization which had taken place during it, popular interest in old age pensions was soon revived. In 1922 official investigations were made by several of the states into the possibility of old age pension schemes. later in the same year, four arganizations, three of which were national in scope, decided to prepare drafts for old age pension bills. When the American Association for Labour Legislation heard about this, they proposed the holding of a representative conference in the interest of improved draftmanship and uniform legislation. Out of the ensuing conference there emerged what came to b be known as the Standard Old age Pension Bill,[1] which provided a basis for a good many schemes which were started in various states during the following decade.

Let us look briefly at the main provisions of this standard bill. Designed for state legislation, it proposed a maximum from all sources, including the pension of a dollar a day for those who attained the age of seventy. The chief qualifications mentioned in the bill are those of good citizenship and residence within the state for a period of not less than fifteen years. In addition the pensioner must not own property which has a value in excess of $3000. Economical administration was sought through a salaried state superintendent working in conjuction with the local boards. The state was to furnish the pension and stand behind the cost of state administration, but the local boards were to meet the expenses of the local administration.

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1. Labour Gazette, vol.xxviii, p.438

In the year 1923 bills along this line were introduced in no less than 24 state legislatures. But even though they were given favourable reports in 12 of these, only in Montana, Nevada, and Pennsylvania was the bill enacted into law. In actual fact not one of these three was to do much to help care for the aged. The Pennsylvania Act was declared unconstitutional and thrown out. The Montana Act was one under which the counties were to finance the care of the aged, and although the act was so worded that it was compulsory for the counties to adopt the system, very few of them actually carried out the mandate. In Nevada, although the plan was technically a state plan, it was to be financed by taxes that were to be raised by the counties. The counties failed to raise the funds, with the result that the plan was useless. But the three systems were important in that they stirred public opinion on the matter more than ever and led to more agitation for action in the other states.

Unfortunately, however, the county type of financing was to be a feature which was incorporated in many of the other states before the lesson was learned that it was entirely inadequate. In some, county participation was made optional; therefore few counties joined. Even in the cases were it was made mandatory for the counties to join, few did. The following are some of the states whose acts were of general nature - Kentucky (1926); Colorado and Maryland (1927); Minnesota and Wisconsin (1929); West Virginia and Idaho (1931); and Florida (1935).[1]

Mr. Lebrun, from whose article written in 1936 much of the material in the first part of this chapter is forthcoming makes

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1. Lebrun, H., op cit., pp.455 -6

this statement,

> "By 1929 it was clear to all those who were willing to learn the lessons of past experience, that neither voluntary insurance, nor voluntary philanthropy, nor county-option measures, nor locally financed pension systems - whether optional or mandatory - nor any combination of these would meet the problem of old age want, on the part of the great masses of our population."

Therefore there appears about this time a new trend in the nature of old age pension plans which were adopted by the various states, a trend towards supervised, state and county financed assistance, mandatory on all counties. The first of such systems was put through in the state of Clifornia in the year 1929. New York, Massachusetts, New Jersey and others followed with similar plans.

A further development in the American Pension picture appeared in 1931 with the adoption of the straight state financed system in the State of Delaware. It may be noted that the scheme already spoken of which was adopted in Alaska in 1915 was really the first of this nature. There were many of the states which followed along these lines within the next few years, and many of the earlier systems were changed to this kind.

By 1936 there was a total of no less than 42 schemes in operation. Of these only three, Florida, Nevada, and West Virginia, were of the purely locally financed type. Nineteen of the others were of the jointly financed type (that is, by both county and state

Alabama	Idaho	Minnesota	Oregon
Arizona	Indiana	Montana	Utah
California	Maine	New Hampshire	Wisconsin
Colorado	Maryland	New Jersey	Wyoming
Hawaii	Massachusetts	New York	

The other twenty were of the purely state financed type -

Alaska	Illinois	New Mexico	Rhode Island
Arkansas	Mississippi	North Dakota	Texas
Connecticut	Missouri	Ohio	Vermont
Delaware	Michigan	Oklahoma	Washington
District of Columbia	Nebraska	Pennsylvania	Iowa

The table in appendix A gives a very good picture of the growth of pension schemes in the various states. It shows clearly the growth in the number of schemes in operation, the rapid increase in the number of beneficiaries, the large expansion in the amount which was distributed in benefits as time went on, and the increasing amount of the average benefit to the beneficiaries.

Lebrun points out certain trends that have appeared in the various plans, which, though they leave the provisions far from adequate, have nevertheless constituted improvements over the original drafts. They are the following:[1]

(1) a trend away from lengthy acts with detailed provisions to shorter acts which outline briefly the policy adopted for the care of the aged, the basic qualifications and the amount of assistance available, and the organization, financing and administration of the system. The actual operative details have been left largely to sets of regulations drawn up to assist the administrators in their duties in carrying out the provisions of the acts.

(2) a trend away from rigid qualifications and pension amounts to allow for more flexibility. One of the great drawbacks of nearly all pension legislation has been the fact that it is almost impossible to draw blanket rules which will provide aid to those who need it most.

(3) a trend away from wide variations in the different act acts of the various states towards a higher degree of uniformity as the new acts and the revised acts have adopted much of the phraseology and many of the chief provisions of the better acts in force.

(4) a trend towards discarding the word "relief" and using in its place "old age assistance".

(5) a trend, which we have noted to be characteristic of all pension legislation, that is, towards greater benefits and relaxed qualifications. As seen in the table in appendix A. Benefits have been increased considerably. The age requirements in 1936 stand thus - in six states an age limit of 60 is set, in one the age is 68, in all the remeining ones the age is either at 65 or will be set at that age within a few years. Resident requirements have been generally reduced from fifteen to five years. Likewise citizenship requirements have been reduced and in some cases done away with altogether. The chief factor in which there has been little or no relaxation is the "means" qualifications as to property and

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1. Lebrun, H., op.cit., pp. 459 -460

income. These have remained fairly rigid, and in actual fact have limited the beneficiaries almost completely to the pauper classes.

The history of the agitation for the institution of these various pension systems is very drammatic. It is the story of such men as Epstein and Rubinow and others who spent their time and energy unceasingly in efforts to get legislation past which would provide for the needs of the dependent vet erans of industry. Another factor that lead to increased agitation for pension systems was the growing number of industrial pension plans. These plans provided for only a limited number of workers. Therefore other workers knowing that they were working in industries which either would not or could not afford to provide pensions through their support behind public pension plans which would provide pensions for everyone who wasin need of one.

Up to the beginning of the thirties several attempts had been made to introduce bills into the United States Congress calling for a Federal plan for the care of the aged. A typical bill was that introduced in 1924, which proposed pensions for those who were 60 or over and who had been citizens of United States for sixteen years. The amount of the pension was to vary with the preceding income of the recipient, ranging from $4 to $8 per week. In no case was it to exceed the latter amount. But each and everyone of these bills had been quietly and meekly shelved under the characteristic American governmental machinery, so that none of these ever amounted to anything.

Now we come to the 1929 - 33 depression and its consequences. It is almost impossible to estimate the entire effect of this depression on the United States; It seems to have colored almost

everything that happened within the next decade.

In the field of old age pensions this was no less true than in any other. Of course as heavy strain was brought to bear on industry, many industrial plans fell through. Millions of people were thrown out of work. Some of the younger ones found certain types of work, but from these earnings they were barely able to support themselves and their dependents. Those over 50 found it practically impossible to find jobs anywhere in industry. Thousands of people saw the savings of a lifetime wiped out almost overnight, and business and professional groups suffered almost as much as the working classes. Bank closings, foreclosures on property, and business failures swept many formerly well-to-do persons into poverty. Millions who actually did lose little or nothing were tortured by the thoughts of what might happen to them at any time.

There is no doubt that the depression wrought great hardships on the aged. This fact, coupled with the one that much of the former opposition from the well-to-do classes was swept away, was responsible for the starting of new state schemes in the first three years of the thirties.

These, however, even when they were added to the various other provisions for the care of the aged, were hopelessly inadequate. Out of the approximately 5,500,000 persons over 65, just over 100,000 were receiving aid from the state schemes at the bottom of the depression in 1933.[1] Although this number increased rapidly within the next few years, the number covered and the average benefit paid (especially in some of the states)[2] led to more and more

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1. see table in appendix A
2. In North Dakota in 1934, the 3,914 pensioners got an average of 69¢ permonth. "Security or the Dole", Public Affairs Pamphlet, No. 4, 1936, p.15.

agitation for the inauguration of a federal scheme.

Early in 1934 an Old Age Security Bill was discussed in some detail. It called for the annual appropriation of ten million dollars to the States and territories to aid in the relief of the aged. Qualifications, the administrative system, and detailed provisions were all carefully outlined.[1] However, nothing came of the whole thing.

But in June 1934, President Roosevelt appointed a committee on Economic Security, whose duty was made that of investigating the entire field of social security. On January 15, 1935, this committee brought in the following recommendations:[2]

(1) Immediate protection for the needy aged 65 and over by means of pensions not to exceed $30 per month, financed on a 50-50 basis by the state and federal governments.

(2) A national system of compulsory contributory old age insurance, which should operate without government finance.

(3) Voluntary old age annuities which could be bought directly from the government. This was to be particularly for those in the higher income groups.

These general recommendations plus any of the minor detailed ones which appeared in this report formed the basis for the Social Security Act which was passed in Congress in August 1935. It was a comprehensive Act covering the whole field of social security, but the provisions for the aged under it were among some of its most important provisions.

Let us note carefully that the Act provided two entirely different methods for the care of the aged, based respectively on the first two recommendations made by the committee on Economic Security as outlined above.

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1. Labour Gazette, vol.xxxiv, p.142.
2. Monthly Labor Review, vol.xl, p.308.

First, a method was sought whereby the state schemes alre already in operation might be supported by federal funds. Therefore it was arranged that the states which had non-contributory old age pension plans which were approved by the Social Security Board (a board set up to carry out the provisions of the Act) were to receive aid in their attempts to provide for the needy aged. In order to secure the approval of the Board, the old age assistance plans in the states must have the following characteristics:

(1) they must be effective in all the political divisions of the state.

(2) they must provide for financial participation by the state.

(3) they must be administered or have the administration supervised by a single state agency which is to be satisfactory to the Board.

(4) they may not exclude persons who have resided in the state for five years during the nine years, and continously for one year, immediately preceding the application for old age assistance.

(5) they must not require an age limit in excess of 65 years after the year 1939, but up to 1940 the age limit may be as high as 70.

(6) they may not exclude in their citizenship requirements any citizen of the United States.

If any state scheme does not conform to these requirements, the board may withhold federal aid. When a state scheme has been approved by the Board, the federal government was to pay that state after July 1935 an amount equal to the amount expended by the state. But in no case was the federal expenditure to exceed $15 per month per individual. It was also provided that the federal government might make some small additional appropriations to cover part of the administrative costs in the states. Once again, it is to be

noted that this is a type of old age assistance which is provided fo for those who are dependent when they reach old age, and further that each state administers its own old age assistance program.

Next, acting upon the second recommendation of the committee another type of provision for the care of the aged was proposed. This was ~~to~~ a system of Federal Old Age Insurance designed to protect the workers in industrial and commercial occupations against dependency in old age. This system was to operated by the federal government alone.

All wage earners with the exception of those in certain occupations outlined below, were to be compelled to make contributions to a central reserve fund, out of which payments should be made to eligible workers. These payments were really in the nature of annuity payments to be made regardless of need. The amount of the benefit in each case was to be dependent on two factors - the wages which the worker had received and the length of his employment . The payments were to be of three diferent types - monthly payments to fully qualified workers, lump-sum payments to other eligible workers and lump-sum payments in the case of death.

Persons engaged in the following types of employment were excluded from participation in the scheme (that is, they do not make contributions and are not eligible for benefits) a gricultural workers, domestic workers in a private home, casual labour, employees of the Federal or state governments or in other political subdivisions, or those employed in any organization operated exclusively for religious, charitable, scientific, literary, or educational purposes. Other wage earners were to be compelled to pay contributions, starting in 1937 at 1% of their wage rate. Their

employers were to make an additional contribution amounting to 1% of their wage rate. In 1940, 1943, 1946 and 1949 respectively this contribution was to be increased by ½%, so that by 1950 the employee and the employer would each be paying 3% of the employees wage rate in contributions towards the reserve fund. It was known that in the early years the contributions paid in would far exceed the benefits paid out, but if no reserve were built up, eventually the annual benefits paid out would exceed the annual contributions. Therefore it was hoped to build up a reserve of $40,000,000,000 by the time the plan got into full swing. It was actuarily calculated that the return from the investment of this sum plus the annual contributions would prove to be sufficient to meet annual benefit payments at the period of peak costs in the future.

To become qualified to receive benefits a worker must:

(1) have reached the age of 65

(2) have reached a total of not less than $2000 in wages after December 31, 1936 and before reaching the age of 65

(3) have received wage with respect to employment on some five days after December 31, 1936 and before attaining the age of 65, each day being in a different calendar year. (This meant that no one could receive benefits before 1942)

Those who fullfilled these qualifications, and who became 65 on or after January 1, 1942 were to receive benefits payable in equal monthly installments.

The amount of these payments is to be determined in the following fashion:[1]

(a) if the total wages after December 31, 1936 and before the age of 65 in the types of employment covered by the scheme, are not over $3,000, the old age benefit shall be a monthly rate of ½% of total wages.

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1. A very good outline of this part of the Act is contained in a pamphlet entitled " Federal Old Age Benefits Established by the Social Security Act ", Social Security Board, Circular No.4,1936

(b) if these total wages are in excess of $3,000, the monthly rate shall be ½% of $3,000, plus 1/12% of total wages between $3,000 and $45,000 plus 1/24 % of total wages over $45,000. But in n no case shall the monthly rate so computed be in excess of $85.

In Appendix B. a table is drawn up showing clearly the manner in which these benefits are computed. The latter part of this table shows the amount of the lump-sum payments which are to be made to:

(a) those who, upon reaching the age of 65, are not qualified to receive the regular monthly payments. The sum represents a lump-sum 3⅛% of total wages earned between December 31, 1936 and their 65th birthday.

(b) the estate of those dying before they reach 65, if they are eligible at the time of their death.

Accompnying all this was a great net-work of minor provisions to take care of individual cases. Perhaps the most striking of these was one similar to the retirement provisions under the latest British Proposals. Thatis, those receiving wages in regular employment after the age of 65 are to have their old age benefit reduced by an amount equal to one months benefit for each calendar month in which such regular employment occurs .

Let us note before we continue, that there were many opponents to the Social Security Act. They concentrated themselves around two extremes: those who thought that the whole thing was hopelessly inadequate and that it should really have gone much further; and the conservative elements who were opposed to the whole principal of Social Security. The latter thought that the instincts of self-preservation and thrift would be destroyed or that the scheme would become too cumbersome and expensive. Some even went so far as to state that the whole business was unconstitutional and represented an infringement of the rights of the state on the rights of the individual. In any case the Social Security Act became law, with

lump-sum payments to start in 1937 and the annuity payments in 1942. The particular part of the overall Social Security Act which dealt with these old age insurance provisions was entitled "The Old Age and Survivor's Insurance Act."

The immediate effects of the Social Security Act and federal government assistance in the care of the aged, was that a much larger percentage of the aged started to receive aid. The number jumped from 314,000 in August 1935 to 1,700,000 in August 1938.[1] The states were quick to bring their schemes in line with the requirements of the Act so that they could claim aid from the federal government. By September 1938 all of the states and the two territories had either revised the existing schemes in operation or had passed new legislation so that they were eligible to receive aid from the U.S. Treasury. A long-run effect was the increase in the amount of the pensions paid. By 1939 there had been a general increase in the average pension paid by about 20%.[2]

Still another effect was the large number of persons who applied for their account numbers under the Insurance Act and started to pay contributions into the reserve fund. By June 1938 the total number of account numbers which had been issued was 39,565,157. This large number would seem to indicate that almost all of those who were compulsorily insurable were already making their contributions. With the coming of the war, however, and the large increase in industrial workers, this number steadily increased, until in 1944 it stood at a total of about 48,000,000.[3]

In regard to the lump-sum payments which were to begin

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1. Monthly Labor Review, vol.xlvii, p.758 (Oct. '38)
2. Labour Gazette, vol.xxxix, p.813.
3. International Labour Review, vol.lii, no.6, p.702.

in the year 1937, 170,000 persons received payments of this kind in the fiscal year of 1937-8, amounting to a total of about $6,000,000.[1] In the following year this increased to a total of $14,300,000,[2] and during the following years continued to rise steadily.

Next, let us note the effects of the Social Security Act on industrial pension plans. A study of this was undertaken by the National Industrial Conference Board of New York in 1939 which was based on information secured from 275 representative companies which had such plans in operation or had had such plans in operation during the previous decade.[3] These firms employed over 1,472,000 persons. The general conclusions of the study were as follows:

(1) The federal Act caused the discontinuance of about 10% of the plans. (The depression caused the discontinuance of another 10%)

(2) Of the 275, then, 80% were still active, and about 25% of these were ones which had been brought into operation since the passing of the Social Security Act.

(3) 39% of the plans in operation before 1935 were revised to supplement the payments under the Act.

(4) The normal age of retirement under the plan is 65, with provisions for earlier or later retirement in most of them.

(5) The most significant trend shows a shift from non-funded, non-contributory, company-administered pension plans to group annuity plans supported by joint contributions from the employer and the employee. No less than 77% of the active schemes studied were underwritten by insurance companies.

(6) 93% of the group annuity plans also provided for past-service annuities free to old employees who meet certain requirements.

The whole tenor of this report indicates that the Social Security Act had done little to discourage industrial pension plans, but there has been a marked trend towards making benefits payable under them supplementary to the benefits payable under the Act.

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1. Monthly Labor Review, vol.xlviii, p.544.
2. Labour Gazette, vol.xl, p.195.
3. Ibid, vol.xxxix, p.1206.

At this point let us look briefly at the Railway Pension Acts which form a particularly interesting feature of the pension picture in the United States. In 1934 and again in 1935 Railway Pension Acts were passed by Congress which were designed to provide a means for caring for the 1,500,000 railway workers when they reached old age. Both of these Acts, however, were declared unconstitutional by the Supreme Court of the United States. Therefore President Roosevelt met with representatives from the various railroads in 1937 for the purpose of drawing up some agreement which could be translated into a new Act that might stand. The final plan which was passed by Congress later in the same year was in many ways similar to the insurance plan under the Old Age and Survivor's Insurance Act. However, there were several notable differences. The contributions which were required were much higher, amounting to about 5% of the worker's salary. Greater benefits were payable, the maximum being $120 per month. Still further, there were to be no forfeitures in the event of death in active service or withdrawal from the industry. But on the other hand there were to be no disability benefits and no provision for wives, widows or children. This differs from all other industrial pension schemes in that it is one which is national in scope - the contributions being paid into the United States' Treasury, and the benefits being paid out of it.

It was not long after the passing of the Social Security Act till practically all the elements which had opposed its passing were swept away and public opinion threw itself behind demands for relaxation in the existing qualifications. These called for a lower age limit, larger benefits, reduction of restrictions, and the admission of larger and larger numbers of persons to the scheme. In the United States, this movement, a characteristic result of all

pension legislation, had particularly serious effects, for the question of old age pensions gradually developed into a political football. According to an article appearing in the Christian Science Monitor of Oct. 6, 1938,

> "United States' pensions have become a political ogre--so that fantastic schemes have been urged in regard to pensions."

Many of the hard-working people, with simple-hearted sincerity believed those who held before them rosy pictures of what the pensions of the future ought to provide for them. As a result we find a great amount of public backing for ridiculous schemes.

Perhaps the most famous of these plans is what has come to be known as "The Townsend Plan".[1] Dr. Townsend, a native of California, proposed that every man and woman in the United States who had reached the age of 60 should receive a pension of $200 per month on the following conditions:

(1) that they engage in no further labour, business, or profession for gain.

(2) that their total income from all sources should not exceed $2,400 per year. If it did, the pension payments were to be reduced by the amount by which it exceeded this sum.

(3) that they take oath to spend the entire amount within the confines of the United States within 30 days.

The plan was an appealing one with the prospect of a large reward for a lifetime of useful service, but the cost of financing such a scheme was staggering. It was estimated that if only 10,000,000 of the 12,400,000 over 60 were to come in under the plan, the cost would be somewhere in the neighbourhood of $20,000,000,000 annually. Since the total national income in the preceding year had been only $50,000,000,000, the above expenditures would represent about 40% of the nation's income. When one considers

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1. Public Affairs Pamphlet, no. 4. p.27

that the percentage of the population to which this payment is being made is approximately 10%, it would seem most unjust.

Dr. Townsend proposed to place a 5% tax on all transactions together with a small ungraduated tax on inheritances and incomes. Reliable sources however have estimated that the transactions would only amount to enough to pay $40. per month to 7,000,000 persons, and certainly no ordinary form of taxation could could yield the rest of the immense sum necessary to finance the plan. Supporters of the scheme argued that the monthly expenditure of millions of dollars by the aged would stimulate business activity and create a sound basis for prosperity. But the financial burden involved in its practical application, the great administrative difficulties, and the serious effects upon the level of employment and the intensity of depressions from the business uncertainty which the tax might cause, were the factors which led to the defeat of the bill in California despite widespread public support for it in the state and throughout the whole of the United States.

This is but one example, admittedly an extreme one, of the various suggestions and proposals that were made to widen the scope of the pension legislation. The tremendous support which this and other plans received is but further proof of the growing trend towards socialism under which the individual seeks to have the state provide for his basic needs in emergencies and at times when he is unable to provide for himself.

But sound criticism was directed at the Old Age Survivor's Insurance Act, even after the 1939 amendments which allowed certain modifications. The Tax Foundation of New York in June 1944 published the following recommendations:[1]

1. Social Security - Its Present and Future Fiscal Aspects, Tax Foundation of New York, New York, 1944, p.26

(1) employees of non-profit organizations should be given the same protection as other employees.

(2) other groups of workers should be protected as rapidly as possible.

(3) revision of the scale of benefits is necessary so that the low-paid workers may receive more satisfactory benefits upon retirement.

(4) periods of sickness or unemployment should not be allowed to reduce the size of anyone's benefit.

(5) steps should be taken to see that the government as well as the individual worker and his employer bears some part of the costs of old age insurance.

In addition in a pamphlet published by the Brookings Institution in 1946, the conclusion is voiced that the Act is not comprehensive enough:[1]

> "It is in essence an old age pension system for selected classes of wage earners and their wives and children, with limited provisions for young survivors and wholly dependent parents."

In looking forward to the future, therefore , it would seem evident that agitation would lead to many modifications to the present system.

To conclude, let us look briefly at the effects which the war has had on the old age insurance system. In Appendix C. is to be found a table showing the receipts and disbursements of the old age reserve account during the years 1940-1944. The most striking feature of this table is the tremendous difference between the amount submitted in contributions and the amount paid out in the form of benefits in the years in question. This is due to several factors which are all temporary in nature.

The first and chief one is that the scheme is still in its infancy and peak costs will not be for thirty years or more. Secondly, during the war there has been a tremendous increase in

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L. Meriam, L., Relief and Social Security, The Brookings Institution Washington, 1946, p.3.

the number of men and women who have been taken into industry. We have noted previously the rapid rise to 48,000,000 persons covered by the scheme. But not only did the increased demand mean larger numbers of workers in industry; the intensity of the demand also led to higher wages. The average wage of some 35,000,000 workers in 1940 was $833 annually, while the average wage of 48,000,000 in 1944 had risen to $1,386.[1]

Still further this demand brought many back to work, or kept many at work who were over the age of 65, thus making them ineligible to receive benefits under the Act so long as they were receiving wages from regular employment. Therefore, the amount which was paid out in benefits, although it increased relatively from year to year, remained absolutely small with respect to the tremendous amount which poured into the reserve fund through contributions. Neither of the proposed 1940 and 1943 increases in the contribution rates of ½% of wages were put into effect. This can only be attributed to the fact that the plan to raise the $40,000,000,000 reserve fund already seemed to be off to a good start, and that this rise in the rate was not necessary.

Recently, however, grave doubts have been expressed about both the possibility and the advisability of raising this huge sum. Of course from the start there have been many who have recommended the pay-as-you-go plan in preference to this one.[2]

A careful study of this problem was made in a pamphlet written by Gerhard Hirschfeld in 1944.[3] The author points out that although we are thinking of the future now in that the contributions

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1. International Labour Review, vol.lii, no.6, p.703.
2. Even President Roosevelt made this proposal in 1937 - Labour Gazette, vol.xxxvii, p.1201.
3. Hirschfeld,G., Social Security - Past, Present, Future--?, American Taxpayer's Association, New York, 1944.

being put into the fund are more than six times the amount of the benefits being drawn out, the security of the future depends on several factors:

(1) a sound economy with plenty of jobs so that contributions may be kept up.

(2) increased productivity among the younger workers to make up for the increasing proportion of aged idle workers. The projection figures given by most sources are these - in 1940 there were 9,000,000 persons in the United States over 65 representing 6.8% of the total population; in 1980 there will be 22,000,000 persons in the United States representing 14% of the total population.

(3) faith in the government is necessary to keep the dollar value stable, so that the value of the benefits paid out later will approximately equal the value of the contributions paid in now.

The author points out that the amount which may be spent for the care of the aged depends on two factors - the amount of the national income, and all other claims on this income. He concludes that the "snowball" of demands for other social security measures would seem to indicate that many of these will have to be taken care of at the expense of less care for the aged.

In another pamphlet, entitled "$20 Billion for Security" the same author outlines one of these social security plans - it is the Wagner-Murray-Dingell Bill which has been toyed with ever since 1940. It proposes expanded health and unemployment benefits plus the inclusion of 15,000,000 farm workers, domestics, professionals and small business men under the Old Age and Survivor's Insurance System. Further it would provide larger benefits than are now being paid. The Insurance Economics Society of America in 1946 estimated that the immediate costs of putting this bill into effect would be in the neighbourhood of $7,700,000,000 annually for retirement and

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1. Hirschfeld, G., $20 Billions for Social Security, Insurance Economics Society of America -- Chicago, 1943.

old age benefits and insurance alone.[1]

Even without any modifications to the present system, however, the Board of Trustees of the Federal Old Age and Survivor's Insurance Act, have estimated that the average annual expenditure from 1971-1975 will be $3,100,000,000, while from 1986-1990 it will have risen to $4,100,000,000.

To conclude, it is hardly likely that the present system will be made more stringent. Rather, it is most probable that relaxations and modifications will continue to appear in the years to come. How these vast expenditures can be met in the future presents a grave problem, a solution to which is being keenly sought.

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1. The Costs of Social Security, Insurance Economics Society of America, (pamphlet), 1946.

Chapter VIII

OLD AGE PENSIONS IN CANADA

The problem of old age care in Canada before the turn of the century presented even less of a problem than in the United States. With the growing concentration of the population in the city areas, however, and the development of industry, the familar factors leading to increased dependency, especially among the aged, appeared, and methods for their care became necessary.

Since Canada was still bound by close ties to the motherland, it was inevitable that the agitation on the matter of old age pensions in Britain that was brought to a climax in the Old Age Pension Act of 1908, should have some effects on this side of the Atlantic. In fact, several times during the 1907 session the matter of old age pensions was introduced in the House of Commons. A state controlled scheme of annuities was proposed which should be open to all classes, and, which it was hoped would provide favourable opportunities for the investments of small savings. But nothing concrete was done about this until the next year when a "Government Annuities Act" was passed.[1]

This was to be an Act under which any person domiciled in Canada could buy an annuity either by lump-sum or regular payments. It was also provided that corporations could buy annuities for their employees under this Act, although such were not to be under $50 nor over $600 per year. It was actuarily calculated upon the basis of a 3% compund interest rate, that a man starting at the age of twenty one and making a payment of 25¢ per week until the

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1. Labour Gazette, vol. viii, p.1037

age of 60, would be entitled to an annuity of $129.91 for the rest of his life. But the numbers of persons who took advantage of this scheme were relatively few, numbering only a few thousands during the first twenty years in which the Act was in force.[1] As time went on the situation became more acute and agitation for pensions continued to grow.

In 1912 a select committee was appointed in the House of Commons to make a study of the existing pension systems in other countries, and to estimate approximately how many persons in Canada would require assistance under some type of pension plan. The committees report estimated that there would be from 100,000 to 150,000 such persons, depending upon the type of scheme instituted and the stringency of the qualifications required. The report contained a vast amount of information on the general situation in Canada which proved to be a valuable basis for future studies of the problem.

As in other countries the first war brought many problems. Plans and activities towards the achievement of victory so absorbed the attentions of all that there was little time left for thoughts on the subject of old age pensions. But with the conclusion of the war it became once more an important matter of discussion. Still further the war effort of Canada had been largely an industrial one, and this emphasis on industry and further urbanization had only served to intensify the problem.

Let us now note several factors which hastened the time of inauguration of a public pension system. The first and perhaps the most important is that several of the provinces had recognized the necessity for some provision for old age.

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1. See Page 104 below for a table showing exact figures.

As early as 1907, Nova Scotia had appointed a commission to investigate the possibility of providing a system of old age pensions for the workmen of that province, and although the commission in this report did not show themselves to be in favour of such a system, this verdict was due chiefly to the financial difficulties which they thought might be overcome in the future.[1] In 1921 British Columbia passed a Superannuation Act, under which joint contributions from the employer and the employee could be used to purchase annuities fo for the individual worker.[2]

Secondly, as time went on various provisions were made for the payment of pensions to Dominion civil servants, and in many of the provinces, to provincial ones as well. In some areas also schemes were set up covering the municipal employees, teachers and other classes. This movement tended to make people consider the desireability of setting up a public pension scheme to cover all the aged.

A third major factor was the increasing agitation from the trade unions and the railway brotherhoods. The first agitation from this source came in 1913 when the Canadian Federation of Labour decided to take up the matter with Dominion Government. Later the American Federation of Labour, the Trades and Labour Congress, and the Railway Brotherhoods took up the cause.

Lastly, we might mention the rapid advance in the numbers of industrial pension schemes that took place after the last war. The Labour Gazette in 1919 lists some dozen or more large Corporations in Canada which had adopted pension schemes for their

1. Labour Gazette, vol.viii, p.1122
2. ibid, vol.xxi. p.1444

employees about that time.[1] This factor served to emphasize the need for provisions for the aged, and also proved to be the cause of increased agitation in other firms were such systems were not adopted.

All these factors served to stir up public opinion more than ever of the subject of pensions. Therefore in 1922 a resolution was passed in the House of Commons stating that the matter of a pension scheme should be given careful attention. The Speech from the Throne in the following year stated that the matter would be taken up in 1924 finally. On April 29, 1924 a special committee of the House of Commons was appointed to make enquiry into the old age pension system for Canada. A short time later the committee made its report which incorporated the following recommendations:[2]

(1) An old age pension system should be set up at once to provide for the deservant indigent persons of 70 and over.

(2) Applicants should be British subjects with 20 years residence in Canada or if they are naturalized Canadians, they should have resided in Canada for 25years.

(3) The maximum pension should be $20 per month which was to be lessened by private income or by the partial ability to earn.

(4) The cost of the system should be defrayed in the following manner - the Dominion Government to bear 50% of the cost and the Provincial Governments the other 50% plus the cost of administration. This system is to become effective only in those provinces which express their desire to adopt the system by means of legislation. (This last provision was included to get around the B.N.A. Act, under which, it was thought, a Federal scheme for the care of the aged financed entirely by the Dominion Government might have been illegal.)

It was estimated that there would be 98,841 eligible pensioners under such a scheme and that total expenditure which would be required from the Dominion Government would not exceed $12,000,000 annually.

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1. Bell Telephone, C.P.R., Massey-Harris, Montreal Shirt and Overall Co., Ontario Hydro Electric Commission, Toronto Carpet Co., etc.
2. Labour Gazette, vol.xxiv, p. 580

In 1925 another special committee was appointed to carry on from where the 1924 committee had left off. This committee on approaching the provinces discovered that very few of them were actually in favour of the proposed system, thinking that it would be too costly. The committee thereupon stated that in view of the heavy financial burden, and probable difficulties in connection with the B.N.A. Act, the Dominion government would not undertake the full scheme itself. They recommended therefore that a Dominion-Provincial Conference be called at once to discuss the whole matter thoroughly. Apparently no such conference was held.

Despite the lack of co-operation on the part of the provinces, it was decided to put the plan in the form of a Dominion Act the following year. The bill had no trouble getting through the House of Commons, but it was rejected by the Senate. The rejection of the bill by the Senate only served to arouse additional public opinion on the matter. Therefore, Mr. Peter Heenan, the Minister of Labour, in a speech before the House on February 15, 1927, stated that the bill which had been defeated in the previous year was about to be re-introduced.

At the time several things were discussed which led to rather warm debates. The first was a proposal to make the system into a contributory one. Mr. Heenan's reply was that eventually there would have to be a contributory system for an overall insurance scheme in Canada, but that in the meantime a non-contributory plan of old age assistance would provide a better temporary measure. Another proposal was that the Dominion government should finance and administer the whole system. In replying to this Mr. Heenan once again mentioned the possibility of an amendment to the B.N.A. Act before this could be done. Further, he pointed out that many of

the provinces already had schemes for workmen's compensation and mothers' allowances in operation, and that an old age pension plan could be much more economically administered through one of these existing plans than to have to set up a whole new administrative system for it.

Therefore, on March 4, 1927 the bill was passed with only a few minor changes. A short time later with very little opposition it passed through the Senate also. The Act, when all the minor provisions are included, is a long and detailed document. The author will attempt to give therefore only a brief outline of its chief points.[1]

Provision was to be made for the payment of a pension to every person who, at the date of the adoption of the pension plan in the province in which that person resides -

(1) is a British subject, or, if a widow, who is not a British subject, was such before her marriage.

(2) has attained the age of 70 years.

(3) has resided in Canada for 20 years immediately preceding the aforesaid date.

(4) has resided in the province in which the application for pension is made for the 5 years immediately preceding the above date.

(5) is not an Indian as defined by the Indian Act.

(6) is not in receipt of an income of over $365 per year.

(7) has not made any voluntary assignment or transfer of property for the purpose of qualifying for a pension.

The maximum pension payable is to be $20 per month, that is, a total of $240 annually, which is subject to reduction by the amount of the income of the pensioner in excess of $125 per year. The Department

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1. Labour Gazette, vol.xxvii, p.374.

of Labour was made responsible for the administration of the Act, which in 1935 was transferred to the Dominion Department of Finance.

As the committee had recommended in its report, the financing of the plan was to be on a fifty-fifty basis between the federal and the provincial governments, and the costs of administratio were to be borne by the provinces alone. It was to become effective in the provinces only when the various provincial governments passed legislation adopting the plan.

In November of the same year a Dominion-Provincial Conference was held at which the whole matter was thoroughly discussed. There was general agreement among all the representatives at the conference that the principle of old age pensions was sound, but there was very little progress made towards the adoption of the new scheme in most of the provinces.

The province of British Columbia had passed legislation almost immediately after the Dominion Act had been put through, which brought the plan into force in that province. At the conference Manitoba reported that similar legislation was to be introduced there shortly. Quebec on the other hand stated that existing schemes for relief within her borders were adequate and that she would not join the new system. The other provinces on the whole seem to have felt that the idea of pensions was a very good one, and that if the Federal government had agreed to pay the whole cost they would gladly have joined, but that at the moment the costs involved were too great.

The principal feature which was disclosed at the conference was that the western provinces were much more ready to join the plan than the eastern ones. The following table shows clearly the reason for this:[1]

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1. Census of Canada, 1921, Dominion Bureau of Statistics, Ottawa, 1925, vol.ii, p.3.

According to the 1921 census the percentage of the population 70 years or over by provinces was as follows:

Prince Edward Island	6.02	Manitoba	1.69
Nova Scotia	4.73	Saskatchewan	1.16
New Brunswick	3.85	Alberta	1.17
Quebec	2.71	British Columbia	1.84
Ontario	3.49		

The above figures show an average of 4.18% for the five eastern provinces, while only 1.46% for the four western provinces. A much more detailed picture of the actual situation may be gained from the table in Appendix D. It shows clearly the disproportionate way in which the financing of the scheme would strike the eastern and the western provinces. The contribution per head of population in the eastern provinces ranges from $1.16 to $2.47, while in the west it ranges from 50¢ to 79¢ per head. Again, the adoption of this plan would mean an increase in the overall expenditures of the eastern provinces ranging from 9% to 29%, while the increased expenditures in the west would have ranged from 2% to 5%.

Eventually, however, all joined the scheme, but the western provinces did so before the eastern ones. Below is a list which shows the dates on which the Act became effective in the various provinces:

British Columbia	Sept. 1, 1927.
Saskatchewan	May 1, 1928.
Manitoba	Sept. 1, 1928.
Northwest Territories	Jan. 25, 1929.
Alberta	Aug. 1, 1929.
Ontario	Nov. 1, 1929.
Prince Edward Island	July 1, 1933.
Nova Scotia	Sept. 5, 1933.
New Brunswick	July 1, 1936.
Quebec	Nov. 1, 1936.

Several of the provinces in passing legislation to make the Act effective called upon the municipalities to aid in the financing of the scheme. For instance the Ontario Act stated that

the municipalities were to pay 20% of the cost, the Federal government 50% (as the Dominion Act had provided), and the Ontario government the other 30% plus the costs of administration. Similarly the Alberta Act called for a 40% - 10% division of the cost between the province and the municipalities.

Of course as more and more of the provinces adopted the system, the agitation for its adoption in the other remaining provinces increased. Even in Quebec various groups came to the fore and demanded that the legislature take steps to put the scheme into effect there.

On July 20, 1931, before all the provinces had joined, the Dominion government took a step to encourage the participation of the eastern provinces. The original Act was amended to provide that the Federal government should pay 75% instead of 50% of the costs of the scheme. No doubt this was a strong factor in persuading Quebec and the Maritime provinces to enter. Once again, when the amendment was made, it was stated that the present system was really only a temporary measure and that eventually the government expected to establish an old age assistance system on a contributory basis.

In March 1937 another amendment to the Act was made under which pensions were extended to the blind at the age of 40, with provisions that were somewhat more generous than those paid to the aged. The amendment went through both Houses with little opposition, for the need in the case was easily recognized. The blind represent a relatively small group of persons; therefore the additional costs were light.

The following table shows the growth in the number of pensioners and the Federal government pension expenditure from 1930 to 1946:

Year, ending March 31	No. of pensioners	Federal expenditure
1930	43,000	$ 1,665,373.54
1931	57,930	5,780,927.77
1932	67,006	8,639,387.29
1933	71,705	11,512,553.19
1934	86,873	12,313,594.93
1935	101,051	14,942,459.36
1936	108,415	16,764,483.87
1937	146,524	21,149,351.52
1938	175,673	28,524,587.23
1939	181,514	28,283,284.11
'1940	186,035	29,080,630.90
1941	185,946	28,901,932.75
1942	185,922	28,530,907.52
1943	183,601	28,861,185.55
1944	181,384	32,195,592.11"
1945	187,512	39,503,027.55"
1946	196,941	41,291,227.09"

' The remarkable way in which the number of pensioners and the amount of the Federal government's payments are almost constant over the next five years can be attributed chiefly to the effects of the war. An increased number of the aged remained at work longer than would ordinarily have been the case and many of those who had been previously discharged were called back to work.

" The increased expenditures in these three years, despite the fact that the numbers of pensioners remained almost constant, is attributable to the fact that an increase was made in the pension payments from $20 to $25 per month effective in August, 1943.

The total federal expenditure under the Old Age Pension Act from the time of its inception to March 31, 1946 was $380,046,671.95. 1.

Next let us make a survey of the various other methods for the care of the aged. First there is a Government Annuity Act which was passed in 1908. As mentioned above, only a few thousand persons were covered under this Act during the first twenty years of its operation. Below is a table showing the numbers of contracts and certificates which have been purchased in each year since the passing of the Act:

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1. The figures in the above table have been compiled from reports appearing in the Labour Gazette from year to year.

Year	Contracts and Certificates Purchased	Year	Contracts and Certificates Purchased
1909	66	1928	1,223
1910	566	1929	1,328
1911	1,069	1930	1,257
1912	1,032	1931	1,772
1913	373	1932	1,726
1914	318	1933	1,375
1915	264	1934	2,412
1916	325	1935	3,930
1917	385	1936	6,357
1918	187	1937	7,806
1919	147	1938	5,724
1920	204	1939	8,518
1921	195	1940	9,014
1922	227	1941	11,994
1923	339	1942	8,593
1924	409	1943	9,608
1925	486	1944	19,354
1926	668	1945	15,796
1927	503		

(These figures have been compiled from various volumes of the Labour Gazette)

The total numbers of annuities contracted for from 1936 to 1945 is as follows:

Year (March 31)	Total number of Annuities contracted for
1936	26,249
1937	33,685
1938	39,015
1939	46,970
1940	55,300
1941	65,780
1942	73,347
1943	81,627
1944	99,430
1945	112,184

(These figures also have been compiled from various volumes of the Labour Gazette)

The tremendously large increase in the number of annuities contracted for in the last few years can be attributed to three main causes. The fears of old-age dependency are becoming increasingly apparent, and the causes of it correspondingly serious;

higher money wages and salaries have enabled larger numbers of persons to purchase such annuities; and the fact that the principle of insurance is becoming increasingly popular. These figures are also significant in that they show that a progressively larger number of persons are favouring the contributory principle in providing for their retirement.

Still other persons have provided for their old age by means of commercial insurance and pension plans. It is almost impossible to estimate how many persons have made such provision, but most sources assume that the number is steadily on the increase.

In addition, there are many persons who are in receipt of pensions from governmental, semi-governmental, or municipal authorities. Almost all permanent civil servants, whether they are employed by the Federal or the provincial governments, are granted pensions upon reaching old age. Most municipalities also provide schemes for the coverage of such groups as firemen, police, teachers and so on. Detailed statistics on the number of persons so covered are not available, but considering the fact that the percentage of persons employed in these occupations is relatively small, the number cannot be very large.

To complete our survey, we must consider another important type of provision for the aged. It is the industrial pension plan. Detailed studies have been made in this field by two sources the Industrial Relations Section of Queen's University which published its findings in a report in 1938,[1] and by the National Employment Commission in April, 1937.

The National Employment study covers 722 establishments,

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1. Industrial Retirement Plans in Canada, Bulletin No.1, Industrial Relations Section, Queen's University, Kingston, 1938.

while the Queen's report covers 120 companies. The large discrepancy between these figures lies chiefly in the fact that the subsidiaries, branch plants, and district offices of the basic compnay plan are included in the former figure. The Queen's study covers some 265,000 employees, while the other covers approximately 400,000. The latter was a very comprehensive survey and probably covered pratically all the firms in which some form of formal retirement plan was in operation. According to the 1931 census there were 2,570,097 wage and salary earners in Canada. It may be estimated that approximately 15% of all wage and salary earners in Canada in 1937 were working in some establishment providing some retirement plan.[1]

The general features of most of these plans are as follows:[2]

(1) Almost all plans are contributory except for a few started early in the century. They generally provide for company and employee contributions on a fifty-fifty basis. Practically all the ones adopted within the past two decades have been ones which have been reinsured with insurance companies. This means regular payments and complete finding of the liability. It also guarantees that the principal of the reserve fund will be secure and that the assumed rate of interest will be earned.

(2) The retirement allowance under the contributory plan is generally in the form of a life annuity, payable at the normal age of retirement, equivalent to the total contributions made on behalf of the individual employee with accumulated interest on these contributions. herefore annuity benefits generally correspond roughly to aggregate pay and service.

(3) Under more recent plans qualifications and restrictions, which formerly were usually stringent, have been reduced to a bear minimum. The chief ones consist of a short waiting period for eligibility, and compulsory retirement at a definite age. (Present experience indicates no later than age 65) 3

(4) A number of the most recent plans made provisions so that, in case a state scheme of retirement protection is established on contributory basis requiring contributions from both employer and employee, the company plan may be revised to supplement that of the state.

1. Industrial Retirement Plans in Canada, (Queen's) p.19
2. ibid p.p. 109 -114
3. slight variations made in some cases.

When all these various methods for old age care are added together, how many needy aged are being provided for? Dr. L.C. Marsh estimates that 45% of those over 70 are being paid public pensions under the Old Age Pensions Act. He estimates that a further 10% are being provided for under one of the other methods listed above. But this still leaves 45% of those over 70 uncared for. It may be safely assumed in the light of the seriousness of the problem of dependency in modern society that many of these are also in need of some type of assistance. In addition there are those between 65 and 70. Experience in foreign countries has shown that a large percentage of those in this age group are dependent and in need of assistance.

It is not suprising to note, therefore, that, during the thirties and the first few years of this decade, agitation for relaxations in the existing public pension system continued to increase. The number of organizations which contributed to this movement was an exceedingly large one. But the agitation from one particular set of groups far outweighed the importance of the others. These were the trade unions.

Up to this point we have said little about the "pension attitudes" of the trade unions other than notice that some of them, particularly in Great Britain, provided small pensions to retired members. In the main the attitude of the trade unions to pensions has been similar in all countries, and this brief discussion about Canadian unions should be sufficiant to indicate the general picture elsewhere.

Naturally, from the first the trade unions have opposed all types of industrial pension plans on the grounds that they

often make the loyalty of the worker to his employer stronger than his loyalty to the union. But this does not mean that the unions are against the principle of state pensions - far from it! In Canada some of the earliest and greatest pressure for the inauguration of a public pension scheme came from the unions. After both the 1913 and 1916 conference of the Canadian Federation of Labour, strong recommendations were made to the Dominion government for the institution of old age pensions. In the early twenties similar demands were made by practically every union in Canada, and contributed a large measure to the passing of the Old Age Pensions Act in 1927. After this Act had been passed however, union agitation did not cease. Rather, the unions threw themselves behind proposals for the relaxation of restrictions and qualifications so that a larger number of aged persons who were really in need might receive some assistance.

But such activity was not limited to this source alone. The legislatures in many of the provinces, after watching the Dominion plan in operation, recognized its inadequacy to deal with the whole problem and strongly advocated the institution of a more comprehensive contributory plan. Other associations, some of them large with nation-wide influence, others of intermediate size, and still others which were small, lent their support in favour of wider coverage and larger benefits.

In both the 1938 and the 1939 sessions of the House of Commons the matters of reduction of age limit and relaxation in regard to some of the qualifications were discussed in some detail, but in both cases all proposals were "talked out" as being too expensive until the contributory principle could be adopted. Mr. Dunning who was Minister of Finance in 1939, gave the following as the

projection figures for the cost of the present scheme over the period of the next thirty-two years, showing that even if no modifications were made, the cost would more than triple in that time:[1]

Year	Cost
1939	$30,500,000
1941	46,300,000
1951	62,000,000
1961	82,200,000
1971	92,800,000

Once again war cut across the pages of the history of old age pensions. But the problem of the care of the aged had by this time reached such proportions that the Second World War could not completely banish it from the scenes as had been the case in the war of 1914-1918. As a result of the rising cost of living occasioned by the war, and realization of the inadequacy of the monthly pension of $20, some of the provinces allowed the payment of supplementary pensions to the aged. The cost of such additions of course was borne by the provinces alone, and the actual amount of the payments varied considerably from province to province.

A still further relaxation was provided after the report of a special committee which had been appointed by the House of Commons in 1942 to study the Old Age Pensions Act.[2] In its report this committee recommended that the maximum pension be raised from $240 to $360 per annum, subject to reduction by the amount of the pensioner's income in excess of $125 per year. The Dominion government did not show itself to be in favour of such a large increase in the amount of the pension. But, effective on August 10, 1943, the amount of the old age pension was increased to $25 per month, the

1. Labour Gazette, vol.xxxix p.242
2. Labour Gazette, vol.xlii, p.698

cost of which was to be borne as before in the 75-25 ratio between the Federal and the provincial governments. Under this the maximum income which a pensioner might receive without losing his eligibility was raised from $365 to $425 per annum. It was expressly stated that this rise need not interfere with the supplementary pensions which some of the provinces were providing for their aged.

At the Dominion-Provincial Conference in 1940, the problem of pensions was one of the chief points on the agenda, especially in connection with the reorganization of the tax structure. Once again a vision of the tremendous increase in expenditure over the next thirty years was glimpsed, and a strong recommendation was made for the adoption of the compulsory contributory principle. But it was noted that the inauguration of a contributory system would present grave difficulties. First, there was the problem of getting a contributory system started. For some 5 or 10 or 15 years until the system got well under way there would be hundreds of thousands of persons who could not be adequately covered. Secondly, a contributory system could not deal with the entire problem of the dependent aged. There would be great difficulty in covering those who were not wage earners and those who were not employed regularly. In addition it would be impossible for such a system to provide for those who are unable to take care of themselves and need to be taken care of in institutions set up for this purpose.

The delegates nevertheless showed themselves to be strongly in favour of the contributory plan, claiming that it would lighten the burden of provincial and Federal expenditures, encourage thrift among the workers, and provide larger benefits upon retirement. In fact the delegates proposed that such a contributory scheme should

not only provide old age annuities, but also pensions for the widows and orphans of the annuitants, and to workers who were forced to retire from industry due to invalidity or permanent disability.

All realized that nothing could be done on the matter during the war. But the Dominion government saw that they must set themselves the task of preparing for the post-war period. Therefore Dr. L. C. Marsh was appointed to the chairmanship of a special committee on Social Security, which was given the task of preparing recommendations for a future Social Security program for Canada. On March 16, 1943, the report of the committee was given to the House of Commons.[1]

After pointing out the seriousness of the old age problem and the inadequacy of existing methods to meet the situation, the committee showed itself to be in favour of altering the non-contributory to a contributory system. Realizing, however, that this could not be done till after the war, several recommendations were offered in regard to the existing system which would make it more adequate to provide for the old folks who were in need. The following are the chief recommendations made:

(1) Residence and citizenship restrictions should be somewhat modified. The existing residence requirements tend to restrict the mobility of persons who are reaching old age. It is to be seriously questioned as to whether this is socially or economically sound. Further, the citizenship requirements tend in some cases to commercialize Canadian citizenship rather than maintain pride in it.

(2) The maximum allowance should be raised from $20 to $25 or even $30 per month with more rigid means-testing and income deduction. For the present system discriminates in favour of those with supplementary income while at the same time it does not provide a basic minimum for those who are reliant solely on the pension.

(3) The administration of the plan should be put on a social service basis, that is, with provision of aid to the aged in

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1. Marsh, L.C., Report on Social Security for Canada, Ottawa, 1943.

the form of housing, clothing, fuel, etc. Marsh says that this would do away with many of the unsatisfactory and repressive characteristics of the present system.

(4) The age limit should be lowered to 65. Marsh points out that almost every other pension scheme in the world has age limits of 65 for men and 60 for women. The early age limit is not for the purpose of dazzling workers with a picture of a long period of idleness and ease, but rather, that under our industrial economy old age dependency is setting in at an earlier age. Therefore means for aiding them should be arranged when they are forced to retire and are in need of aid. A rigid age limit, however, should not be applied too strictly. Ways should be found of encouraging those to work past the limit if they are able to do so, and plans made for assisting those who become dependent before reaching the age limit.

The Dominion government accepted the second recommendation and raised the monthly pension to $25 in August. However, it considered the third as being impracticable, and the first and the fourth as leading to too heavy a burden of costs.

Marsh also glimpses a view of the overwhelming future costs resulting from such relaxations. Still further, however, he points out, that even if sweeping relaxations were made, there would still be the factors of means-testing and personal investigation as to need under a non-contributory system, which are invariably resented by applicants. After noting the clear trend towards compulsory contributory insurance in practically all countries, therefore, he sets himself the task of outlining such a system for Canada.

After assuming that contributions will be made by both employer and employee, he deals with the choice between a single standard benefit rate for all individuals, or a graduated scale of payments based on the level of earnings, or the amount of contributions paid in. He gives three reasons why the former are to be preferred in Canada:

(1) Graduated pensions, especially if paid on the basis of the amount of contributions made, involve a very complicated system of records.

(2) Since the costs of any plan are tremendously heavy it would be best to keep administration costs to a minimum. Administration costs under a graduated scheme would be much heavier than under a standard-payment-to-all scheme.

(3) There is something to be said in favour of regarding a retirement pension as a small nucleus which is a bare minimum of subsistence, around which the individual may build up supplementary savings to make his retirement more comfortable.

The basic rate of pension which he suggests would be sufficient to cover the minimum needs of the recipient is $30 per month, or $30 plus $15 for a man and his wife. Additional amounts should also be provided for dependent children, and a means for converting the pension into a survivor's pension in the case of the death of an insured person. Further, since an age limit is a practical necessity, a way must be found for providing for those who become dependent before reaching that age. Also a means must be found (perhaps by providing correspondingly larger pensions) to encourage those who are able to do so, to work past the age limit.

The great problem which has stood in the way of adopting a contributory system in Canada before now has been the problem of the period of transition between the time the system was adopted and contributions were started to the time when the system moved into full swing. The root of the problem lies in the fact that it is generally assumed that a minimum number of years of contribution should have been accumulated before a person becomes eligible to receive benefits under it. Marsh does not think that this waiting period is necessary for the purpose of accumulating a large reserve fund on which the system is to operate. In other words he shows himself to be in favour of a pay-as-you-go plan, aided if necessary by funds from general taxation. But he does think that a transitional period is necessary for two reasons:

(a) to move the total disbursements gradually from the present level (under the non-contributory scheme) to the new level at which the full complement of persons would be on pension.

(b) to meet the equities of the situation in which some contributors would have long records of payment and others would have little or none.

Marsh, thereupon, suggests three ways in which a solution to this problem may be found.

Age Limit Method

The first method is to limit the availability of insurance pensions to persons under a given age (say 55). Under this limit as many persons as possible would be brought into the scheme on a compulsory basis. The employer and the state might provide contributions also, so that in the ten or more years during which the worker would be making contributions, sufficient funds might be collected to provide him with a minimum pension upon retirement at 65. Of course a non-contributory plan would have to be maintained to cover those who were over the 55 age limit at the time of the inauguration of the plan. In addition, the non-contributory assistance would have to be continued past this preliminary period if it is desired to cover those who fail to build up the required amount of contributory time, and those who make their living in such a way that it is impossible for the state to reach them for regular contribution. This is actually one of the most common and least disruptive methods which has been used in the past. However, it does not get around the fact that if the non-contributory system is maintained, the Federal government will still have to shoulder a heavy burden of costs.

Qualified Benefit Method

The second method is for the state to provide subsidies

so that persons in the transitional stage may receive benefits as if fully covered under the insurance scheme. This would make it possible for the scheme to start at once instead of waiting for ten years or so for accumulated contributions. The chief problem in this method is that under it persons with little or no contributions are placed on a par with others who will perhaps have to make contributions for many years. If no difference was made, contributors might well object to making any contributions at all. Marsh, however outlines three ways in which this difficulty could be obviated;

(1) partial means-testing for that portion of the pension not ensured by insurance contributions. Under this the problem of means-testing would be comparatively large at the outset, but would diminish gradually until at the end of ten years it might be almost completely unnecessary.

(2) raising the minimum age level of eligibility for those who had contributed for less than a certain period. For instance, those with less than two years of contributions might not be eligible for a full pension until they were 68; between two and five years of contributions might make a person eligible for full pension at 67, etc.

(3) the simplest arrangement is to set some arbitrarily reduced sum as the pension rate for those who retire before having completed the full qualifying period (say $25 per month). Additional amounts could be paid, subject to means-testing.

Qualified Contributions Method

This is a completely different method of contributory coverage. It is perhaps more applicable to an overall insurance system than to an old age insurance plan only. Marsh states that this is the pattern upon which the Social Security program in New Zealand has been drawn up. After stating that its unique feature is that it provides means-testing during the contributory stage of the scheme rather than at the end of it, he goes on to outline it in some detail.

Under such a system the individual would be compelled to

make weekly contributions towards an old age insurance plan. Heavy penalties would be meted out to those who failed to comply with this compulsory requirement. Provision, however, would be made for those whose means do not permit them to pay the contribution. In such a case the individual would be granted an exemption under which his status is exactly the same as if he had made the contribution. If on reaching old age the individual has a full record of compliance no matter whether it is a complete record of contributions, or a complete record of exemptions, or a combination of the two, he is entitled to full pension.

A remarkably simplified record system is possible under this scheme, for it makes it completely unnecessary to maintain records for old age insurance over a long period of time. At the end of each year the individual's insurance book may be called in. If he has a complete record for the year, a simple notation is sufficient to cover the whole year's record. If he has not, proceedings for non-compliance may be taken at once and the record of the individual may be re-established. Under this system it is almost impossible for a man to reach old age and find then that he is ineligible for a pension. It is to be noted carefully that a person's eligibility does not depend on the amount of contributions he makes, or even on the fact that he is a contributor, but rather on the fact that he has complied with the provisions for contribution or registration for exemption.

Marsh's comment on this system is, "It is probably the simplest and most satisfactory type of provision for old age retirement to be found anywhere."

Marsh is rather sceptical, however, as to whether this plan would work in Canada. There are two chief reasons for this.

The first is that there would be great administrative difficulties in the enforcing of universal compliance on a population which is so widely scattered. The second is that he doubts if we, psychologically, would be in favour of such a complete change from our past system.

Such then are the proposals which are made in the Marsh Report. That a contributory system will be established in Canada, is undoubted. When it will be established, is a question which is open to much speculation. What form it will take when it is established, and whether the present system of non-contributory pensions will be maintained, are also questions which are open to debate.

CONCLUSION

The problem of old age dependency has become increasingly serious in practically all countries during the past century. That most wage earners and many salaried persons were unable to provide against dependency in old age, was recognized. Early attempts to solve the problem by means of poorhouses, charitable institutions and relief payments were found to be inadequate. Industrial pensions and systems of voluntary government annuities also proved to be inadequate as solutions to the entire problem. Even combinations of all these methods of care for the aged still left many without sufficient provisions so that they were forced to endure great hardships. Finally therefore, since it was assumed that dependency was due largely to the existing type of social system, many came to believe that the state should make provision for the aged by means of a public pension system.

At first many of the countries adopted the non-contributory principle under which the state bore the entire cost of the system out of the revenues of general taxation. As time went on, however, more and more countries showed themselves to be in favour of the contributoby principle under which the workers were to make compulsory contributions towards furnishing their own old age annuities, aided in most cases by contributions from their employers or the state or both.

Both systems, however, ran into difficulties. Under the former it was found that the problem of increasing dependency among largan numbers of aged persons was leading to costs that were too heavy for the central authority to bear alone; and that it would be

wise to institute some system whereby those who would eventually need aid could make contributions towards this during the earning period of their lives. Under the latter it was found that it was impossible to set up a scheme which would cover all persons; and that it would be well to institute some supplementary form of assistance to aid those not covered by the contibutory plan. We find therefore that some countries adopted a combination of the two principles.

What the trends in the future will be in regard to old ag age assistance are hard to predict. It wouls seem evident, however, from the experience of the past that care of old age dependency will continue to develop along even more generous and comprehensive lines. That is, that the real benefits which are accorded to pensioners will rise and that increased numbers of persons will become eligible to receive them. The financial means whereby these higher real benefits are to be provided form the chief problem of the future.

In conclusion, we might note the marked tendency towards incorporation of old age assistance plans into overall plans for Social security. Within the past decade social security has suddenly become one of the major topics of discussion among the nations of the Western World. In 1935 the United States passed the Social Security Act, and since then several bills such as the Wagner-Murray-Dingell Bill, have been introduced to widen the scope of social security there. The Beveridge Report and the Marsh Report indicate similar movement in Britain and Canada respectively. New Zealand has already adopted a comprehensive system of social security.

These systems generally provide coverage for a vast network of emergency and needs; for example, - unemployment, health

and old age insurance, workmen's compensation for industrial accidents and diseases, invalidity and disability benefits, children's and mothers' allowances, survivors' insurance, etc. Under such a system, the individual pays weekly contributions, usually some percentage of his wages, and in return receives benefit payments to meet his needs in any of the above emergencies.

It is highly probable that in the future such social security programs will be instituted in many countries, and that by means of these provisions will be made for the aged.

APPENDIX A

Table - Showing the Growth of State Pension Schemes in the United States[1]

Year	No. of laws on statute books (1)	No. of laws in effect	No. of beneficiaries	Amount distributed in benefits	Average monthly benefits (weighted)	Percentage of increase as compared with previous years in: Beneficiaries	Total Benefits	Average Benefits
1915	1	1	42	$ 2,367	$ 4.70	-	-	-
1923	2	2	518	49,595	7.98	-	-	-
1924	2	2	723	107,848	12.41	39.6	117.1	69.8
1925	4	3	817	145,577	14.86	13.0	35.2	19.7
1926	5	3	1,165	,228,980	16.46	42.6	52.0	10.8
1927	7	3	1,255	251,469	15.57	7.7	.6	6.6(3)
1928	7	6	1,514	284,500	16.42	20.6	22.9	6.8
(2)								
1930	15	9	10,648	2,136,441	16.75	603.3	651.6	.9
1931	18	16	76,865	16,251,794	19.01	620.0	680.0	13.6
1932	18	16	102,894	25,042,227	20.78	34.2	54.1	9.3
1933	29	17	115,549	26,187,117	19.25	12.3	4.5	7.4(3)
1934	30	27	235,255	32,394,905	14.53	106.6	23.8	24.5(3)
1935	41	32	408,602	65,001,665	15.57	73.6	100.7	7.2
1936	42	42	1,104,252	135,979,592	15.73	170.3	109.2	1.0
1937	50	50	1,582,144	310,827,850	16.86	43.3	128.3	19.9
1938	51	51	1,723,402	390,854,967	19.30	12.9	25.9	2.3

(1) does not include in any year the Acts declared unconstitutional before going into effect.
(2) no data collected for 1929
(3) decrease

1. This table has been compiled from information gathered from the Monthly Labor Review of October, 1936, June 1938, and July 1939.

APPENDIX B

Table - Showing Monthly and Lump-sum payments under the United States Social Security Act of 1935.[1]

Average week's pay(a)	Average year's pay(a)	Monthly retirement payments to qualified workers who have reached the age of 65, after - (b)			Payment to his estate if the worker dies before receiving his benefit, after		
		10 years	20 years	30 years	10 years	20 years	30 years
$ 10	$ 520	$16.83	$21.17	$25.50	$ 182	$ 364	$ 546
12	624	17.70	22.90	28.10	218	437	655
15	780	19.00	25.50	32.00	273	546	819
18	936	20.30	28.10	35.90	328	655	983
21	1,092	21.60	30.70	39.80	382	764	1,146
25	1,300	23.33	34.17	45.00	455	910	1,365
30	1,560	25.50	38.50	50.75	546	1,092	1,638
40	2,080	29.83	47.17	57.25	728	1,456	2,184
50	2,600	34.17	52.92	63.75	910	1,820	2,730
60	3,120(c)	37.50	56.25	68.75	1,050	2,100	3,150

(a) from employment which is covered by the old age benefit provisions.
(b) the rules which have been used in the calculation of these amounts have been outlined in the chapter on pensions in the United States.
(c) only $3,000 has been used in the calculations here.

1. This table has been taken from a small pamphlet entitled, "Old Age Insurance for Wage Earners - Under the Social Security Act", published by the Social Security Board, I.S.C.21, Washington.

APPENDIX C

Table - Showing the Receipts and Disbursements of the United States Old Age Reserve Fund from 1940 to 1944.[1]

(in millions of dollars)

	1940	1941	1942	1943	1944
Receipts:					
Contributions	(a)1,724.4	688.1	895.6	1,130.5	1,292.1
Interest on Investment	42.5	56.0	71.0	87.4	103.2
Total	1,766.9	744.1	966.6	1,217.9	1,395.3
Disbursements:					
Benefit Payments	9.9	64.4	110.2	149.3	184.6
Administration Expenses	12.3	26.8	26.8	27.5	32.6
Total	22.3	91.2	137.0	176.8	217.2
Total Assets	1744.7	2,397.8	3,227.2	4,268.3	5,446.4

(a) includes contributions from 1937 to 1939.

1. International Labor Review, Dec., 1945, vol.lii, no.6, p.702.

APPENDIX D

Table - Showing the Estimated Number of Pensioners and Cost of Old Age Pensions per Province in Canada.[1]

Provinces	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.
No. of persons 70 or over, 1921 census	5,338	24,747	14,943	63,949	102,286	10,295	8,832	6,884	9,663
Estimated no. of persons, 1928 -									
(i) 70 or over (a)	5,338	24,747	14,943	73,541	118,000	11,839	10,145	7,916	11,112
(ii) no. of pensioners (b)	1,867	8,658	5,226	25,717	41,260	4,140	3,548	2,768	3,886
Cost of pension to provincial government @ $115 per pensioner per year	$214,705	995,670	600,990	2,957,455	4,729,525	476,100	408,020	318,320	446,890
Estimated population (1926)	87,000	540,000	407,000	2,562,000	3,146,000	639,000	821,000	608,000	568,000
Provincial contribution per head of population	$2.47	1.84	1.47	1.16	1.50	0.75	0.50	0.53	0.79
Approximate percentage which must be added to ordinary expenses of province to cover provincial contribution	29	17	15	13	9	5	3	3	2

(a) Ontario estimates are made with life tables. Maritimes - stationary. Others - population increase estimated to be 15%.

(b) The number eligible to receive pensions, from data gathered by a Massachusetts Old Age Commission, has been estimated to be 34.97% of the total of those aged 70 and over.

1. Labour Gazette, vol.xxviii, p.710.

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