

taken that an equality of sacrifice is required from each member, so that the readjusted burden may not be laid exclusively or unfairly on any individual or section.

Unless action be taken by the unsound societies, some members will receive their benefits in full, while the other claimants will have to go unsatisfied. Reconstruction is therefore urgent, in order that all may be fairly treated. There is no possible means of escape from the unpalatable fact that all must thus accept a composition; but this is fairer than that some should have their claims settled in full, and that others should receive nothing. Though a society be unable to pay more than 10s. in the pound, yet, whatever the amount, it is just that all members should receive the same dividend. It is high time, also, that societies should cease to enrol members when it is certain that they will not be able to keep faith with them. It is unfortunate when persons ignorantly band together for mutual help on an unsound financial basis; it is culpable when a society undertakes a new contract after distinct proof has been afforded that it cannot possibly fulfil those already existing.

The effect of the adoption of a fixed age at which the sickness benefit and the contribution shall cease will be that in some societies there will be a surplus, in others solvency, and in the remainder a deficiency still. In respect of the last class, therefore, further action will be necessary, if they, too, are to become solvent. If they will not increase their contributions, some additional portion of the benefits must be sacrificed. In those societies which possess an available surplus, such surplus should be devoted to provide an old-age annuity, which should be inalienable. In connection with this, it is suggested that the State might advantageously encourage thrift by offering an old-age annuity, not exceeding £26 per annum, to all persons on liberal terms.

Another feature of a reconstruction scheme must be the abandonment of the condemned system of a uniform contribution at all ages. If existing members of a society in which such a rate is in force will not assent to an increase of their contributions, their benefits must be adjusted so as to correspond with the premiums which they pay. For new members a graduated scale according to age at admission must be adopted. It is unnecessary to repeat here the unanswerable arguments against the uniform rate and the equal levy, for no one who understands friendly society finance will be found to defend these antiquated methods. With the introduction of a comprehensive reform these relics of an unscientific system will pass and be forgotten.

Nor, in a thorough reform, must the special danger be neglected which threatens small societies and branches, arising from the improbability of their experiencing an average rate of sickness. In a society with branches the liability in respect of death claims is prudently distributed over the total membership, and the argument in favour of a similar arrangement in the case of the sickness benefit is, from a financial point of view, yet stronger. Against the amalgamation of the sickness liability it is urged that less care is likely to be exercised in dealing with claims when there is a common fund or a combined liability. In answer to this, it may be said that sick pay can be given only on the doctor's certificate, and that no reason is apparent why he should be found less faithful to his duty in the one case than in the other. Moreover, so far as the necessity for discriminating between specific sickness and senile infirmity shall have ceased, the doctor will not have to choose, as under the present system, between hardship to the individual member and a strictly literal interpretation of the rule. Thus that which is now placed in the scale against the advantage of amalgamation may be said almost to disappear. In order to avoid misconception, it may be stated that amalgamation of liability does not necessarily involve centralisation of the funds. The danger to small branches is not fully realised, probably because of the fact that the lives at risk are mostly young. Friendly societies, however, should provide against all probable contingencies, and a danger must not be ignored because it is regarded as remote. The consequences of a heavy sickness experience in a small membership are so disastrous that some attempt to grapple with the question, difficult though it be, is essential to sound finance.

There is one matter connected with friendly society finance which, although not necessarily affecting a society's solvency, cannot be left out of view when questions of progress and reform are under consideration. Many years ago English societies sought to avert the threatened exhaustion of their accumulated funds by reducing the rate of sick pay after a certain duration of continuous sickness. This impending danger should have taught societies to be more cautious in fixing the ratio between contributions and benefits. When, however, societies were established in New Zealand, the financial error was repeated, and the corrective which dire need forced on English societies was perpetuated as part of the system, whereas, being but a makeshift, it ought to have been discarded. What argument can be advanced in favour of the almost universal practice of reducing the sick pay? Surely the sufferer from chronic sickness has the greater need. Why, then, should a reduction be made whereby even the benefit sometimes becomes almost valueless? If the contribution be insufficient to provide more than 15s. a week as continuous sick pay, why should the benefit be fixed at 20s. a week for the first six months, with subsequent reductions? Such a distribution of the benefit is on a wrong principle—the least help to the most helpless.

The acceptance of the scheme by some societies and its rejection by others would effect their separation into two classes. Such a result would practically coincide with the policy recommended in the minority report of the Royal Commission on Friendly Societies appointed in 1870, which advocated the granting of registration to all societies, and a special certificate for those whose contributions might be considered adequate. That recommendation assumed the calculation and issue of authorised tables of contributions for benefits, such tables to be published as soon as the work could be accomplished. The chief difficulty in the way of accurate calculation of such tables would be removed by the adoption of a limiting age for the sickness benefit.

The better to protect the benefit funds, an amendment of the Friendly Societies Act should provide that no society or branch shall in future invest more than 10 per cent. of its accumulated benefit fund in land and buildings, and that interest at the rate of 4 per cent. per annum shall be paid by the management fund on the capital thus invested as virtual rent, and that the management fund be responsible for all expenses connected with the property.