

I propose to offer a subsidy by way of refund of a portion of this weekly allowance. The lodge would in these cases go on as at present, itself paying the sick-allowances to the aged members in the first instance; but at the end of every third year the Government would make a calculation to ascertain what sum the lodge was entitled to by way of refund. The percentage of refunds in the case of each member would be on a sliding scale, ranging from 10 to 50 per cent. of the weekly allowance according to family and other circumstances of the member while drawing sick-pay. This sliding scale of refunds or subsidies would take into account the civil conditions of the member—*i.e.*, whether married or single, the number of children—as points which affect the welfare of the community, the design being to encourage such modes of life—*viz.*, thrift, marriage, &c.—which are conducive to the national welfare; and my Government recognizes that of these habits, which are so important to us, few (if any) can stand higher than membership in a well-managed friendly society.

"2. In the case of members who are under 65 years of age the Government would not be able to make a refund in respect of the weekly allowance for what is known as 'acute' sickness—*i.e.*, sickness during the first twelve months after the commencement of the attack; but for all cases of sickness or other infirmity where the incapacitated member is or will be drawing sick-pay continuously for more than twelve months I propose to offer to lodges a refund from the Treasury according to the following scale: Members aged 55 to 65, 50 per cent. refund; 45 to 55, 60 per cent. refund; 35 to 45, 70 per cent. refund; 25 to 35, 80 per cent. refund; under 25, 90 per cent. refund. The experience of friendly societies and the theory of actuarial science unite in proving that this payment for premature permanent invalidity—*i.e.*, for chronic sickness or infirmity in the case of young and middle-aged members, which has already lasted for a period of twelve months continuously—is a risk which is peculiarly unsuitable for a small lodge to undertake by itself. It is not that with a large membership the aggregate amount of such payment would be proportionately great, but the experience of different lodges is liable to vary so much with reference to this particular risk that while many lodges escape even the small amount of such premature permanent sickness as the actuarial tables indicate for an average, some few lodges will be unfortunate enough to have far more than the average share of such permanent sickness, and will be liable to insolvency in spite of the best-calculated scale of contributions. Hence the necessity for spreading this particular kind of risk over a larger area than the individual lodge, just as the funeral benefits granted by lodges have long ago been spread over the entire district to which the lodges belong.

"3. Besides giving these subsidies to the lodges and other societies as a direct refund of a certain percentage of weekly allowances which they pay to their aged members and to those who are permanently invalidated, I am anxious to give a special subsidy to members of friendly societies who may apply for deferred annuities from the Government under my national-annuities scheme. Such annuities will be subsidized from the Treasury in accordance with the sliding scale I have already referred to, which takes into account the elements of marriage, persistency in making deposits, &c.; but, feeling the extreme importance to the nation of the friendly societies, I propose to make an additional subsidy of 5 per cent. in the case of any applicant for an annuity who is a member of a friendly society. In the case, however, of those societies which have been pronounced at their last valuation to have an actuarial deficiency, it seems to me of such importance to strengthen the solvency of the sick and funeral fund that I propose to allocate one-half of this additional subsidy of 5 per cent. to that purpose, and I suggest that only the remaining half shall go towards increasing the annuity of the individual member.

"Irrespective of membership in friendly societies it is proposed under my National Annuities Bill to allow all persons to take out deferred annuities with the Government—*i.e.*, annuities beginning at such ages as 60, 65, and 70, by making deposits according to a certain scale which will be specified in the schedule to the Act. These annuities will be subsidized by making payments from the Treasury that will have the effect of increasing such annuities by amounts ranging from 10 to 45 per cent., according to the family and other circumstances of the applicant for the annuity; but, of course, in all these cases—*i.e.*, in the case of persons who are not members of friendly societies—there will be no extra subsidy of 5 per cent. such as the friendly societies will be entitled to.

"I hope that the proposals I have outlined will commend themselves to the judgment of the New Zealand friendly societies."

WEDNESDAY, 9TH DECEMBER, 1913.

R. E. HAYES, Registrar of Friendly Societies, recalled. (No. 15.)

As regards the statement made to the Committee that the National Provident Fund had affected the membership of the Manchester Unity in the Wanganui District, I find on looking into the figures that this district in 1909 lost sixty-eight members, in 1910 it lost fifty-seven, in 1911 it lost sixteen, in 1912 it lost fifteen. The district, therefore, during four years shows best results for the very year which is quoted as having been vitally affected by the National Provident Fund. The Fund did not begin operations until the second month in 1911, so that the larger losses in that and the previous years must be due to other causes. Then, as to Napier, where it was stated by a witness that this society had also felt the competition. The Manchester Unity in Napier showed in 1912 a loss of one member, a similar result to its showing in 1909 before the national scheme started. The years 1910-11 showed small increases of 8 per cent. and 4 per cent. respectively. The figures, however, are so small and fluctuating that it is impossible to deduce anything definite from them. If we apportion to the society the share of National Provident Fund enrolments in 1912 according to its membership the result would have been a gain of eleven, but many of these would be unlikely to join a friendly society under any circumstances. As a matter of fact, Napier is one of the few towns of any importance which has not yet been systematically lectured and organized, and the National Provident Fund membership is small alongside other large towns.