REPORT.

No. 149.—Petition of F. A. SMITH and Others (and 14 other like Petitions, as per Schedule attached).

PRAYING for relief against alleged unfair competition by the National Provident Fund.

I am directed to report that in the opinion of the Committee the petitions should be referred to the Government for consideration, with a view to co-ordinating the work of the friendly societies and the National Provident Fund, both of which perform valuable services for the State, by granting such assistance to the friendly societies as will enable them to embrace a greater extent of the Dominion's social insurance functions; and that, to ensure this, a conference of the friendly societies with the Government be held at an early date; and that the evidence taken before the Committee be printed and circulated.

4th October, 1915. H. OKEY, Chairman.

DEPARTMENTAL REPORT.

PETITION NO. 149.

"(1.) That the National Provident Fund, as at present constituted and administered, is a serious hindrance to the natural growth of friendly societies in the Dominion."

THE constitution of the Fund is fixed by the Act; the administration is in the hands of the National Provident Board, set up under the Act.

The Board has assumed that the object of the State is to establish a *contributory* annuity system comprising all workers, the other allowances being quite subsidiary to this object. In many countries the question of establishing contributory funds has been receiving close attention, and the experience elsewhere showed the Board that a policy of inertia was unlikely to bring about the desired object. The well-known failure of the British voluntary annuity scheme afforded a striking instance of this, and the first year's work of the National Provident Fund satisfied the Board that a propaganda policy must be adopted. Accordingly the Board, in November, 1911, appointed a lecturer as a suitable method of bringing the Fund's benefits and objects home to the class of people it was conceived the measure was intended to serve. The results were in the Board's opinion so satisfactory that this policy has been continued and extended on moderate lines.

As to the petitioner's statement that the Fund is a serious hindrance to the natural growth of friendly societies, it would be difficult to imagine any national system with less aggressive features from a friendly society's point of view than a voluntary annuity Fund with uniformly higher contributions and otherwise different benefits as compared with the societies.

Between failure such as that of the voluntary British system established many years ago and a universal compulsory system there would appear to be no other course for the Board to follow except its present policy. The enrolment figures to the 30th June last from the Fund's inception give some point to this conclusion. At the 30th June last 10,868 applications for membership had been recorded, but of these less than a tenth are recorded as having enrolled voluntarily—*i.e.*, by joining at a post-office of their own volition. This latter result, after four years' work, would not have been regarded as successful administration.

"(2.) That the said fund enjoying a subsidy from the Consolidated Fund to the extent of 25 per cent. on its member's contribution, in addition to the whole of its management expenses being paid by the State, renders the National Provident Fund a serious competitor to the friendly societies on conditions grossly unfair to the said societies."

With reference to the statement as to the "grossly unfair conditions" relative to the subsidizing of the scheme, it should not be overlooked that in 1906 the Government definitely offered the friendly societies a scheme of national insurance with liberal subsidies, but the societies of the Dominion at a conference held in Wellington rejected the offer. The National Provident Fund Act of 1910 appears, as a consequence, to have been drawn up on lines apart from those of the friendly societies; the benefits in particular do not resemble those of the societies.

"(3.) That lecturers and canvassers have been engaged in addition to a large army of Civil servants who have been appointed agents to the Fund, all these being paid by the State, this being in the opinion of your petitioners unfair to the friendly societies."

There are at present three lecturers and four assistants attached to the Fund. The statement as to the "large army of Civil servants" is no doubt a reference to the officers of the Postal Department, who act locally for the Fund. This procedure is in conformity with section 7 (*h*) of the Act, which directs the utilization of that Department's machinery for the purpose.