labour may be directed into those channels where it may be absorbed. The registration at the labour exchanges will assist the Board in carrying out its functions of bringing the demand for labour and the supply of labour together.

We feel that in the work of such a Board there are great possibilities for reducing substantially the surplus of labour over and above that required by industry and the consequent minimizing of the necessity for relief work or for sustenance payments. A more detailed statement of the functions suggested for the Board is set out later in this report.

Consideration of the question of the raising of the necessary fund for the purposes of the Board reveals clearly the social nature of the problem of unemployment. If it be treated as an industrial problem industry alone provides the necessary funds, while large sections of the community are exempt from any responsibility. In our opinion that is wrong in principle; unemployment arises very largely from social conditions, and therefore every member of the community should be called upon to bear a share of the cost of remedial measures. It is also ineffective in practice because while sheltered industries are able to pass on any increased cost of production brought about by a levy upon wages to provide an unemployment relief fund, unsheltered industries cannot do so, and in them the imposition of a levy is likely to intensify rather than relieve the trouble. Society is like the human body, an organized whole, the members of which are interdependent on one another, and no individuals can suffer long without the whole being affected.

The equity of treating the problem as a social one is obvious when we consider the fact that the widespread research continually being prosecuted is from time to time effecting new discoveries, advanced knowledge, improved mechanical and other processes, and the more efficient organization of industry, whereby, although some workers are temporarily displaced, the standard of comfort and the material welfare of society generally is improved. Thus for the general benefit and ultimate advantage of organized society some members thereof are the unfortunate victims of unemployment, and it is only right that every citizen should accept some share of responsibility for the cost of remedial measures.

The interdependence of all industries and of all sections of society affords further proof of this argument. For example, the primary industries require large numbers of workers for a portion of each year, and a supply of workers must be available for those industries when required. Obviously such workers must have other means of livelihood between seasons. It may be argued that the primary industries or industries allied thereto, such as butter and cheese making and meat-freezing, should make provision for the support of their own workers during the periods of unemployment; but we take the broader view that since all members of society derive a benefit from the existence and proper development of the primary and allied industries all must accept a share of responsibility. We do not propose that the primary industries should be exempt: they must bear their share, but not more than their share. The professional and business men of New Zealand enjoys benefits as a result of the work of the primary producers, and they also must bear their share.

Again, in the case of secondary industries, in order to reduce his production costs and meet competition an employer may displace a proportion of his workers by installing machinery, and it might be argued that such an employer should bear the cost of making provision for those workers until they can be absorbed again; but if the action of the employer results in a reduced production cost and a reduced selling-price, the community as a whole may benefit to a much greater total extent than the employer. It therefore must be recognized as just that every member of the community must bear a share of the cost of making provision for those who may be made to suffer as a result of industrial progress.

It is our unanimous opinion that the problem is a social one, and in framing the recommendations which follow we have provided that the cost shall be spread as equitably as possible over the whole community.

A proportion of the national revenues should be set aside annually as a reserve fund to provide for the purposes of the Employment Board. The national revenues for this purpose we regard as the sum total of the individual incomes of all the people; and the reserve fund or employment fund should be contributed to by all the people in accordance with the proportion of income derived by each from the country's earnings. We realize, however, that a small tax on all incomes is not practicable, in that the difficulties of assessment and cost of collection would make it unprofitable. Under present law it is recognized that the direct taxation of incomes under £300 per annum is not economical, and hence those lower incomes are exempted altogether. The Committee, however, considers that it is in the interests of the country generally that all should contribute in making provision against unemployment. In order, therefore, to reach all incomes below the £300 exemption mark of the existing income-tax law we recommend the imposition of a flat individual tax which would roughly approximate 1d. in the pound, and that, utilizing the existing machinery of the Income-tax Department, an employment tax at the flat rate of 1d. in the pound be levied on all incomes over £300; such tax, however, to be assessed on an individual basis, with dividends from public companies included, and that companies be assessed only in respect of their undistributed profits; companies to be assessed as agents for absentee shareholders in respect of dividends paid to them; absentees to be required to pay on their full assessable income without exemption as is the case under the present income-tax law.

By this combination of an individual tax and a tax on incomes over £300 per annum we consider that all persons in the country would be contributing on an equal basis with one very important exception. The farmers, except Crown leaseholders and owners of farm freehold lands of an unimproved value of £14,000 or upwards, are not required to make returns of income under the present law; therefore, unless special provision is made for them, their only contribution would be the individual tax. The Committee consider that as under the present law the farmers are assessed for land-tax, it would be necessary to utilize existing machinery in their case and collect their contribution per medium of the