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SOCIAL INSURANCE, OLD AGE PENSIONS AND POOR RELIEF

SUMMARY

Review of previous discussions of German evidence, 153. — The method of attack, 158. — Estimate of saving in poor relief arising from old age insurance benefits, 160. — Decline of aged pauperism in England due to pensions, 165. — Effect of pensions on thrift, 169.

IN the early discussions on the question of introducing compulsory insurance in Germany, mention was often made of the effect such legislation would have in reducing the expense of relief of the poor. An enumeration of persons in receipt of relief in Germany in 1885 showed that 46 per cent applied for aid because of accident, sickness, invalidity and old age.¹ A measure that should insure the working classes against these contingencies, ought, it was urged, to reduce materially the budget of poor relief.

Of a population of 64,551,000 in Germany in 1910, 14,000,000 were insured against sickness, 24,200,000 against accident, and 15,700,000 against invalidity and old age. An annual sum of nearly \$175,000,000 is paid out each year in benefits. Have these payments caused any reduction in poor relief expense? Has there been any diminution of cost of poor law administration? Can any statistical proof be secured of a tendency to decline in the number of applicants for assistance?

¹ Accident was the cause of pauperism in 3.2 per cent of the total cases enumerated; sickness, 28.4 per cent; old age, 14.9 per cent; a total of 46.5 per cent for these three causes. In addition, 17.5 per cent were caused by death of breadwinner. F. Zahn, "Arbeiterversicherung und Armenwesen in Deutschland." *Archiv. für Sozialw. und Sozialpol.*, vol. xxxv, p. 423.

Statistics of expenditure for poor relief in Germany show not a decline but a steady and considerable increase since the passage of the insurance laws. For example, in Bavaria the cost of relief per 100 inhabitants increased from 159.1 marks in 1897, to 178.9 in 1902 and 202.3 in 1906.¹ For the city of Berlin, the expenditure for public relief purposes increased from 2.32 marks per capita in 1884, to 2.39 in 1890, 3.06 in 1893, 3.48 in 1897, 3.75 in 1900, 4.23 in 1905; and it reached 4.75 in 1909.²

The earliest investigation into the relation between insurance and pauperism was made by the German Poor Law Association in 1893.³ Inquiries were sent to the boards of poor relief in a large number of cities and towns and in the country districts. Many replies were incomplete and useless. The attempt to get complete statistics proved a failure. On the whole the expenditure showed no marked tendency either to increase or decrease. Some towns and cities reported a diminution in the cost of care of the sick and savings in other special branches of relief traceable to insurance legislation; others found no effect. Several replies suggested that a decided increase was to be expected when the old age and invalidity law had been in force for a longer period and the aged population then enjoying relief had died out.

A government investigation was made soon after, partly as a result of the inquiry of the German Poor Law Association.⁴ Little was added in the way of definite

¹ Zahn, *Archiv. für Sozialw. und Sozialpol.*, vol. xxxv, p. 434.

² *Ibid.*, pp. 466-467.

³ Richard Freund. *Armenpflege und Arbeiterversicherung. Prüfung der Frage, in welcher Weise die neuere soziale Gesetzgebung auf die Aufgaben der Armengesetzgebung und Armenpflege einwirkt.* Schriften des deutschen Vereins für Armenpflege und Wohltätigkeit, Heft. xxi, 1895.

⁴ *Vierteljahrshäfte zur Statistik des Deutschen Reichs, 1897, Heft. ii, pp. 1-54.* Die Einwirkung der Versicherungs-Gesetzgebung auf die Armenpflege.

statistical material. Such additional figures as were obtained on the expense of poor relief showed no marked tendency either to increase or decrease. The chief value of the inquiry was the collection of opinions from the administrators of relief. A large majority favored the view that but for insurance and its benefits the expenditures for relief would have been larger. Professor H. W. Farnam, writing in 1904,¹ pointed out that in many cases where this impression was voiced both the number of paupers and the expense of relief had increased. "Yet, when we come to ask whether there has been a diminution either in the number of paupers or in the amount spent for them, it appears that 58 per cent [of the officials and boards replying] state that there has been no such diminution."² It should be added that the returns in both these inquiries were fragmentary; and possibly the poor law unions where a diminution of expense traceable to the insurance laws had appeared would be more likely to answer than unions where no such change had occurred.

Other investigations have been made by Ayers (1901),³ Grünspecht (1907),⁴ and Zahn (1912).⁵ Ayers secured a few data in the same manner as in the earlier investigation, through a questionnaire. He defended the thesis that since the enactment of the legislation for social insurance poverty had not increased as fast as the population.

¹ H. W. Farnam, "The Psychology of German Workmen's Insurance," *Yale Review*, vol. xiii, 1904-05, pp. 98-113.

² *Ibid.*, p. 103.

³ E. E. Ayers, *Arbeiterversicherung und Armenpflege* (Dissertation), Berlin, 1901.

⁴ D. Grünspecht, "Die Entlastung der öffentlichen Armenpflege durch die Arbeiterversicherung," *Jahrbücher für Nat.-Oek.*, 3d series, vol. xxxiii, pp. 63-88; 364-378.

⁵ F. Zahn, "Arbeiterversicherung und Armenwesen in Deutschland." (Unter Mitberücksichtigung der neuen Reichsversicherungsordnung. *Archiv. für Sozialwis. und Sozialpol.*, vol. xxxv, 1912, pp. 418-486. Also in *Zeitschrift des Bayerischen Statistischen Landesamts*, 1911, pp. 1 ff. Also in *Transactions of the Fifteenth Intern. Congress on Hygiene and Demography*, Washington, 1912, vol. vi, pp. 271-321.

Grünspecht brings forward all the statistical material thus far available and treats each branch of insurance separately. He finds in the following figures for Saxony indication of a decrease of expenditure for sickness:

CASES AIDED PER 10,000 OF THE POPULATION ¹

Year	Permanent Sickness	Temporary Sickness
1880	33.30	51.00
1885	31.50	36.40
1890	28.80	25.30

The effect of sickness insurance is most evident in relief of temporary sickness, as would be expected. The frequency of relief in 1890 was about half as great as in 1880.

Similar figures for relief given to victims of accident in Saxony show a marked decline.

CASES RELIEVED BECAUSE OF ACCIDENT PER 10,000 POPULATION ²

Year	Permanent Relief	Temporary Relief
1880	5.5	2.7
1885	5.2	2.3
1890	2.8	1.1

A further indication of a tendency to lessen the cost of relief is found in the decrease of burials by poor law authorities. This decrease is due mainly to the funeral benefit of sickness insurance, to a less extent to that granted under the accident insurance law. The data, which Grünspecht gives, are taken from the investigation of the German Poor Law Association and apply to a few towns and cities only. In most cases the decline is greater for men than for women, a result to be expected if the decline were due to insurance benefits, since more men than women are insured. Further corroboration of a diminution of poor relief is sought in the decrease of the number of orphans cared for in towns

¹ Grünspecht, *op. cit.*, p. 74.

² *Ibid.*, p. 88. Accident probably includes non-industrial as well as industrial accidents.

included in the inquiry of the Association. No attempt is made to give figures for any saving in expense of relief for invalidity and old age.

Zahn adds some new direct statistical evidence. He gives figures for the sums which the poor relief authorities have received from insurance institutions in return for temporary relief furnished to persons afterwards granted pensions, and in reimbursement for the care of pensioners in poor relief institutions. In 1909 these sums were as follows: ¹

AMOUNTS RECEIVED BY POOR LAW ADMINISTRATIONS FROM
INSURANCE INSTITUTIONS

City	For Ordinary Benefits	For Care of Pensioners
Munich	\$441	\$5,299
Nuremberg	634	3,307
Düsseldorf	16,150	10,614
Hamburg	55,636	29,693
Berlin	\$61,164	

It is fair to assume that the poor relief expenditure would have been greater by these sums had not the insurance institutions paid them out of their resources.

For the increase in expenditure for relief, Zahn gives many reasons. A large part of the increase in absolute expense is explained by the growth of population, which was 36.5 per cent in the period from 1882–1907. The greater part of this increase fell to the working classes, *i. e.*, those lowest in the economic scale. The growth has been accompanied by a movement to the large cities; and this movement affects poor relief expenditure in two directions. Persons who are born in the city furnish a less proportion to the pauper population of the city than persons moving in from the outside. Relief given in cities is usually more liberal than in the country dis-

¹ Zahn, "Arbeiterversicherung und Armenwesen," *Archiv. für Sozialw. und Sozial-pol.*, vol. xxxv, pp. 448–450, from tables.

tricts, which are poorer. Widows and orphans — classes figuring largely in receipt of relief — were neglected in the insurance legislation prior to 1911. Part of the increase in expense is due to additional burdens which have been laid on the poor law unions, notably for the care of the blind, insane, imbecile, epileptic, etc., and for the care of dependent minor children.

The increase in expenditure is due in part, also, to a willingness of the poor law authorities to give a more liberal relief to the needy, and to measure a minimum of subsistence more generously. The social spirit which prompted the insurance legislation and has been realized in it works to make more humane the administration of relief. There has been a separation of poor relief proper from what Zahn calls a modern social-hygienic provision for the poor. "The guiding principle in Germany, in contrast to that of England and America, where the emphasis is laid on indoor relief and on the workhouse principle, is more and more the aim of keeping open the way for the poor to return to economic independence, of making it as easy as possible, of protecting the feeling of honor, by preserving as far as possible the external appearance of economic independence of persons in receipt of relief."¹

What is the relation between government insurance and pauperism? It seems clear at the outset that persons who receive adequate pensions through insurance should not have to apply for relief. A workman disabled in an industrial accident receives medicines and medical attention and a pension of two-thirds of his "annual earnings."² A widow is given 20 per cent of the annual earnings, and 20 per cent additional is

¹ Zahn, *op. cit.*, p. 480.

² Annual earnings: only one-third of the yearly wages in excess of 1800 marks is counted in determining the "earnings" in the meaning of the law.

allowed for each child under fifteen up to a maximum for all survivors of three-fifths of the wages. In case of sickness, medical aid is furnished, besides a sickness pension equal to one-half of the local daily wage for unskilled labor. Invalidity pensions, which now average \$44 a year (varying with the number and amount of the contributions) are given to workmen who have paid contributions for five years and are unable to earn one-third of the usual wage in the occupation. Old age pensions are granted to workmen over 70 who have paid thirty years of contributions, or since 1891. Funeral benefits are paid in both sickness and accident insurance. With the possible exception of invalidity benefits, these provisions should in most cases be adequate, at least measured by poor relief or minimum of subsistence standards.

What is the effect on poor relief? It is sought to prove by an examination of statistics of relief that there has been a diminution of expense due to insurance legislation. The first step to an answer is to settle on the right method. Shall we study the trend of total expenditure, or of expenditure for a special field of relief; the trend of the total numbers of persons relieved, or of the numbers aided in a definite branch of relief? To examine the trend of expenditure of different states or cities is to introduce so many variants into the problem that no safe conclusion can be drawn as to the diminution of cost due to insurance. Even the expenditure for a particular branch of relief is apt to be indefinite; increases in the cost of living, variations in the measure of a minimum of subsistence, changes in the extent and quality of relief, may obscure any reduction ascribable to insurance.

The difficulty with a study of poor relief by numbers assisted or by causes of pauperism is that there are

almost no statistics classified by causes and numbers assisted. No imperial inquiry has been made since 1885. But few intensive studies have been made, and these for such small areas that broad conclusions could not be based on them. Furthermore they do not cover any extended period of time.¹ A thoro analysis of the numbers of persons applying for relief because of accident, sickness, invalidity or old age can not be attempted.

Even if statistics were available, an additional difficulty would be to secure a proper basis of comparison. Is the saving shown "large" or "small"; a good showing or a poor one? It is useless to compare sums saved in one branch of relief to the total value of benefits of insurance or to the total cost of poor relief. The sums saved should be compared with the maximum possible under the conditions. In order to arrive at a judgment as to the importance of a diminution in cost, some sort of preliminary approximation must be made to determine what maximum was to be expected.

Most of the disappointment with the results of examination of poor relief statistics is due to a misconception of what can be shown. Statistics of poor relief expenditure will not show how much was "saved" *i. e.*, not spent! The best that can be hoped is to find a reduction of expense at some point of time. Statistics will not show directly how many more persons would be in receipt of relief if it were not for insurance benefits; the best that can be expected is to find an indication of a reduction in the number of persons aided. The amount saved can be determined only by estimate.

¹ Notably such studies as H. Rettich, "Die Stuttgarter Armenbevölkerung im Lichte der Statistik, Württ." *Jahrb. für Statistik u. Landeskunde*, 1897, Heft. iv; and Singer, *Armenstatistik Münchens, Untersuchung über die persönlichen Verhältnisse der von der Armenpflege unterstützten Personen im Jahre 1906*. See further article by Kollmann on *Armenstatistik*, in *Die Statistik in Deutschland* ed. by Zahn, 1911, vol. ii, pp. 675-733.

A study of the relation of old age insurance to old age pauperism will indicate the method to be employed. Pauperism of the aged can be studied wherever an age classification of paupers admits. Old age is a frequent cause of pauperism. A very high proportion of persons over seventy are forced to seek relief. In England, in 1906, twenty-three per cent of those seventy and over were paupers. The chief advantage of studying the effect on aged pauperism is that the situation in Germany can be compared with that in England, where old age pensions have been given to a large proportion of the aged population. A fairer idea can thus be formed of the diminution in poor relief cost that can reasonably be expected.

How much saving in cost of poor relief was to have been expected from the grant of pensions to persons over seventy in Germany? The immediate reduction in expense would depend on the number of persons in relief who were enabled to dispense with all or part of it after receiving pensions. In 1885, 14.9 per cent of all paupers required assistance because of the "infirmity of age." The aged paupers represented 5.12 per thousand of the total population. Of these perhaps two-thirds may be estimated to have been over seventy years of age — three per thousand of the total population. In 1891 there were granted 132,926 old age pensions to persons over seventy — 2.69 per thousand of the total population, and 9.6 per cent of the population over 70. One in ten of the aged population was pensioned and one in seven or one in eight was a pauper. If all the pensions had been given to paupers poor relief would not have been entirely eliminated among the aged. In how many cases were the pensions given to the paupers?

The pensions were given without previous contribution on the part of the recipients to persons over seventy

who could prove that they had worked in an employment subject to insurance under the law for the three years prior to 1891. Sixty-one and six-tenths per cent of these pensions went to men. Of the paupers over seventy about two-thirds were women, mostly widows. Many occupations of the lower grade, from which an unusually large number of paupers are recruited, are not subject to insurance. Servants, (Dienstmänner) and porters were declared to be independent workers and not required to insure; nor were washwomen, seamstresses, dressmakers, ironing women, if they worked in their own homes. Casual and irregular workers were excluded. Home workers were likewise exempted, except in the tobacco (1891) and the textile trades (1894).¹

To what extent would an old age or invalidity pension enable the recipient to dispense with relief? Figures for out-relief given in Munich (1906) to 1564 persons over seventy show the following distribution: ²

Monthly Relief	To Persons Living Alone	To Families, Including Cases where there was a Contribution for Education in Addition to Relief
Marks 2- 5	94	18
" 6-10	594	97
" 11-15	556	68
" 16-20	15	79
" 21 and over	..	43
	1,259	305

(101 of these received old age pensions, of whom five received less than 10 marks; 81, 10-15 marks; and 15 from 15-20 marks.) ³

Old age pensions averaged 124 marks per year in 1891 and 164 marks in 1910; invalidity pensions averaged

¹ Handwörterbuch der Staatswissenschaften (2d edition), vol. iv, pp. 1363-1365.

² K. Singer, Armenstatistik Münchens, Untersuchung über die persönlichen Verhältnisse der von der Armenpflege unterstützten Personen im Jahre 1906, p. 23.

³ *Ibid.*, p. 22.

113 marks in 1891 and 177 marks in 1910. From these figures it would seem inferable that if pensions of average amount were given to all these aged persons in the form of out-relief, from one-half to three-fourths would be able to dispense with aid, except in case of sickness or where there were dependents.

An immediate reduction in expense would take place equal approximately to the allowances of those in relief who were pensioned. Even tho not many actually receiving relief should be awarded pensions, the influx of persons on the pauper line from the pensioners of all ages over seventy would be practically stopped. With a normal death-rate and a normal exodus from relief, the reduction would be most rapid at first and would be substantially at an end within a few years, if no change in the conditions of grant and in the number of pensions occurred. The reduction in the numbers of those relieved would take place at once; the saving would be an annual sum equal approximately to the pensions of those in relief.

The figures of the German Poor Law Association for 1893 offer the best indication of the immediate reduction in poor relief of the aged. For twenty-four large cities, 854 out of 6692 pensioners, or one-eighth, were in receipt of relief. For fifteen middle-sized cities, 145 out of 664 were receiving aid, or 22 per cent; for thirteen small places, 39 out of 352 received relief, or one-ninth. Of 932 pensioners in relief in twenty-six large cities, 387 were enabled to dispense with aid entirely and 228 others partially. Somewhat over half were not as much of a burden on the poor law authorities as before. One hundred and eighteen persons were forced to apply for aid while the application was pending; and 121 after receiving a pension had to be assisted in addition. For the middle-sized cities, of the 145 pensioners in

relief, sixty could dispense with it entirely, and twenty-four others partially; again somewhat more than one-half of the possible cases represented a lessening of the burden of relief. Eleven persons had to be aided while the application for pension was pending, and thirteen required aid after the pension was granted. For the smaller places the proportion of those needing no relief or less relief than before receiving a pension was much higher. Of thirty-nine in relief, twenty-five no longer needed assistance and six more did not require as much as before. In two-thirds of the cases could relief be diminished. But twenty persons had to be aided while the application was pending and ten pensioners had to be relieved after the pension was granted.¹

These figures give a fair indication of the reduction in poor relief made possible by old age insurance. From 12 to 22 per cent of the pensions were given to persons who needed relief. The annual saving can therefore be estimated roughly at from one-eighth to one-fourth of the total amount paid in pensions. Tho a large proportion of pensioners in relief still required aid, yet the aid would have had to be greater but for the pension, and part at least of the pensions paid to those who were enabled to dispense with relief was saved to the poor law authorities.

Any further reduction in poor relief expenses would depend on a change in the conditions or in the number of pensions. If a normal proportion of the pensions originally granted were given to persons in receipt of relief, and the proportion of persons over seventy who received pensions remained constant and the conditions of insurance remained the same, there would be no further reduction in expense. The conditions of insurance have remained approximately the same. One or two more

¹ R. Freund, *Schriften des Vereins für Armenpflege und Wohltätigkeit*, Heft. xxi, passim.

occupations have been included in the insurance system. Payment of a certain minimum number of contributions every year since 1891 is required to maintain a contingent claim to a pension. Invalidity pensions have been substituted largely for old age pensions, especially since the former are now larger on the average than the latter. The proportion of pensioners to the population over seventy has probably increased. In 1897, the year of the maximum number of old age pensions, 13.8 per cent of the aged population were pensioned. It may be estimated that there are now somewhere between 16 and 26 per cent of the population over seventy who receive either old age or invalidity pensions.¹ Furthermore the average amount of pension is slightly greater.

If we suppose the present aged population without insurance benefits, a certain proportion that now do not need relief would be forced to apply for it. If, then, pensions of the current amount were granted to those who now receive it, the total saving in poor relief expenditure would be equal roughly to the pensions of those in relief: part would still require additional aid, and part would be able to dispense with it. An immediate reduction would take place in the number of aged paupers, the saving would be an annual sum equal to the cost of relief formerly afforded the pensioners.

Figures for 1910 for a large number of cases indicate that on the average 6 per cent of the pensioners require relief in addition.² A pensioner might require extra

¹ No statistics of invalidity pensioners showing the age distribution are published. Twelve per cent of new pensions for invalidity were given to persons over seventy in 1910. The same year in Berlin 6,609 out of 30,721 invalidity pensioners or 21.5 per cent were over seventy. Assuming that 20 per cent of all invalidity pensioners were over 70, there were approximately 16 per cent of the population of Germany pensioned. If 40 per cent of the invalidity pensioners were 70 and above, there would be about 26 per cent of the aged population pensioned.

² See Zahn, *op. cit.*, p. 455. The proportion in the different districts varied from 3 to 12 per cent. For Berlin the figures were much higher. A test count of some thousands of pensioners showed that 16 per cent of the male and 20 per cent of the female invalid pensioners received aid; 8 per cent of the male and 19 per cent of the female old age pensioners required additional relief, *ibid.*, pp. 450-451.

relief in case of sickness, if he had persons dependent on him, or in case he had to be cared for in some poor relief institution. It may be estimated that for the 6 per cent who still require relief there are two to three times as many who would need assistance but for the pension. A basis is thus afforded for a rough — a very rough — estimate of the annual saving to poor relief resulting from insurance. On this basis the saving can be placed conservatively at at least one-eighth of the total amount given in pensions to persons over seventy in Germany.

The question of the diminution of pauperism has also been raised in connection with state old age pension systems. Allowances are given to aged persons in England, Australia, New Zealand, etc., on a much more generous scale than the pensions in Germany. Contrast the average pension of \$44 in Germany with the yearly payment of \$63 in England and the average of \$121 in New Zealand. Of the population over 70 in 1912, 58.8 per cent were pensioned in England and Wales; 68.4 per cent in Ireland; 34 per cent in Australia and New Zealand, as compared to an estimated 16 to 26 per cent in Germany. An examination of the relation of pensions to pauperism will give much clearer evidence of the disburdenment of poor relief than under an insurance system.

Old age pensions were first granted in England in 1909. Prior to 1911 persons receiving relief were disqualified from securing pensions. The effect of pensions on relief prior to 1911 would be due simply to the decrease in the number of persons seventy and over who were enabled by the grant not to apply for aid. Unfortunately statistics of paupers over seventy are at hand only for 1906, 1910, 1911, 1912 and 1913. From 1906 to 1910 the proportion of paupers to the population over

seventy fell from 23.0 per cent to 18.6 per cent. This may be due entirely to the effect of pensions or may be partly due to a gradual decline in aged pauperism; probably the larger part is due to the pensions.

In 1911 the amendment went into force by which persons receiving relief were entitled to pensions. The full effect does not appear in the figures till the following year. The number of indoor paupers over 70 years of age decreased from 57,701 in 1910 to 49,370 in 1912. Outdoor relief has almost ceased. On January 1, 1910, 138,223 persons were relieved, and on the 4th of January, 1913, only 8,563. There was a decrease of 19.8 per cent in the number of indoor paupers over the figures for 1906, and of 94.9 per cent in the number of outdoor paupers.

In the expenditure for out-relief a decrease may be traced of approximately £500,000 for the half-year ended September 30, 1911 over the corresponding half-year of 1910. The cost of out-relief dropped from $11\frac{1}{4}$ to $7\frac{1}{2}$ pence per head of population.¹ Here is a marked decrease in the cost of relief and in the number of persons relieved, traceable directly to a change in the old age pension law.

Even without the amendment of 1911 a large decrease would ultimately have appeared. Pensions given to persons over 70 would have eliminated practically all the cases where persons over seventy seek out-relief, and a third of the cases where indoor relief would have to be given. The aged paupers would then represent those who were in receipt of relief on reaching the age of seventy.

¹ The cost of out-relief decreased from £1,678,358 for the half-year ended September 30, 1910 to £1,143,983 for the half-year ended September 30, 1911. See Parliamentary Papers, Poor Relief (England and Wales), Statement for the Half-Year Ended 30th September, 1912, No. 111, p. 8 (vol. lv of 1913 Parliamentary Papers).

DECREASE IN AGED PAUPERISM DUE TO OLD AGE PENSIONS ¹

Year	Paupers over Seventy Years of Age in England and Wales			Estimated Population 70 and Over	Per cent Paupers
	Indoor	Outdoor	Total		
Mar. 31, 1906 . . .	61,378	168,096	229,474	997,653	23.0
Jan. 1, 1910 . . .	57,701	138,223	195,924	1,052,440	18.6
“ 1, 1911 . . .	55,261	93,177	148,438	1,071,702	13.9
“ 1, 1912 . . .	49,370	9,530	58,900	1,089,964	5.4
“ 4, 1913 . . .	49,207	8,563	57,770	1,108,226	5.2
Per cent decrease, 1906-1913:					
	19.8	94.9	74.8		

The saving in expense of poor relief may be estimated as follows. Assuming that the proportion of paupers in 1906 was a normal one, in 1912 there would have been 67,000 indoor and 183,500 outdoor paupers, instead of 49,370 and 9,530 respectively. At an average expense of \$65.50 (1911) ² for indoor and \$30.13 for outdoor paupers the total amount “saved” in 1912 was \$6,400,000. If old age pauperism had been completely eliminated, the total saving on the same assumptions would have been approximately \$9,900,000.

To secure this reduction of relief, old age pensions aggregating £7,948,016 or \$38,000,000 were paid.

The decrease in the expenditure of poor relief is in no sense a primary object of the grant of pensions. To spend \$38,000,000 with the sole object of saving \$6,400,000 would be folly. The average cost per out-

¹ Old Age Pensioners and Aged Pauperism, London, 1913. Accounts and Papers, Cd. 7015, p. 3. The population is estimated for the first of April of each year, on the basis of an arithmetical increase of population between censuses.

² Average for all classes of paupers, England and Wales. Comparative Statement of Pauperism and Cost of the Relief of the Poor in Certain Years from 1848-49 to 1911-12, Cd. 6675, London, 1913.

But a small proportion of the indoor paupers over seventy were able to leave the poor relief as a result of the grant of pensions. Many of these persons were probably defectives or infirm. Light is thrown on the situation of these persons by an article by Edith Sellers in the Contemporary Review for 1913 (vol. civ, pp. 528-536). Many pensioners without relatives could not get along on five shillings a week, or having made the attempt found their way back to the poorhouse again. The writer urges for such people, the erection of special old-age homes where they can be housed at small expense.

door pauper in 1911 was \$30.13 as compared with the pension cost of \$63. Even restricting the comparison to cases where the pension was given to a pauper, the cost was very materially increased. The real justification of a policy of old age pensions is simply that the aged pensioners deserve a more comfortable existence. It is an extension of relief to the aged destitute population without any stigma attached.

Figures for New Zealand indicate a slight falling off in the expense for poor relief after the grant of pensions. From 1899 to 1901 the expense per capita of the population fell 10.5 cents as a result of a grant of some 11,000 pensions at a per capita expense of about \$1.00.¹

These facts indicate the true relation between relief and insurance or pensions. A decline in poor relief expenditure can be demonstrated. When pensions larger than necessary relief are given to paupers, poor relief diminishes! A "saving" in poor relief occurs when paupers or persons who would otherwise become paupers are pensioned, whether the pension is a direct gift of the state or is a payment made from previous contributions

1 Year Ended March 31	Charitable Aid and Other Expenditure £	Per Head of Population		Pensioners	Cost of Pensions Per Head of Population	
		s	d		s	d
1897	89,668	2	6¼
1898	86,073	2	4¼
1899	93,071	2	6	7,443	0	1
1900	77,603	2	0¾	11,285	4	1
1901	79,873	2	0¾	12,405	5	1
1902	88,849	2	3¼	12,776	5	3
1903	93,158	2	3¾	12,481	5	2
1904	89,232	2	2	11,926	4	10
1905	93,339	2	2¼	11,770	4	6
1906	103,273	2	4	12,582	5	8
1907	102,866	2	3¼	13,257	6	10
1908	104,417	2	3½	13,569	6	11
1909	112,818	2	4¼	14,396	6	11
1910	112,834	2	3½	15,320	7	4
1911	128,581	2	7	16,020	7	7
1912	153,133	3	0	16,649	7	10

¹ See the New Zealand Official Year-Book, 1912, pp. 187 and 896.

of the pensioners. It is clear that the saving in poor relief is an irrelevant matter. A measure providing old age pensions cannot be justified by a diminution in expenditure for the poor. Old age pensions are much more expensive than relief, and they are given to a much larger number of persons. We should really ask in case of pensions, is the desirability of making the lives of these people happier worth the extra expense? Similarly in case of old age insurance, the measure must be justified not by a reduction of poor relief expenditure, but by an increase in the welfare of the aged insured population.

There may remain a fear that the indirect effect of old age pensions upon relief may be unwholesome. Will relief become more wasteful? Will the morale of thrift among the working classes be weakened? The underlying reason why relief is stigmatized through social disapproval and made as repelling as possible is to keep pauperism down to its smallest limits. Society must be safeguarded against an increase in the number of those who demand to be fed without working. Many cases of destitution are due to accident or misfortune where neglect or fault is absent. Modern charity seeks to help the worthy to recover their economic position. For those who are paupers by choice the workhouse principle is devised. No other treatment can avail with able-bodied loafers.

But with old age pensions we have an altogether different problem. Most of the pensioners are past their usefulness; they have done their work in the world. Many have led hard lives of toil. There is no danger of a serious decline in morale, in independence among the aged classes. The only question is whether it is worth while to lighten their hard lot in their years of feebleness.

There is a possibility that the morale of thrift might be injured among the classes approaching the pension age. Would workmen seeing the pensions paid to the aged desist from saving and learn to lean upon government assistance for his later years? Few workmen save for old age anyway. Most members of the working class are compelled to scrimp and cut down unnecessary and even necessary expenditure of all kinds to get along. Saving is exercised for the benefit of the children first, then possibly for the purchase of a home. The working class probably saves little except under compulsion. Sickness or misfortune or reckless expenditure in unguarded moments may sweep away savings that have been accumulated. Saving for old age does not begin to be a strong motive until the years of middle life. The size of the pension given in most countries is so small that it would not check appreciably an impulse to save. Most countries with old age pension systems in order to prevent an adverse effect on saving in the working class, have special provisions that small accumulations shall not disqualify an applicant for a pension. In New Zealand and Australia, for example, the possession of a modest home does not disqualify for an old age pension.

Where, as in Denmark, the pension is measured by the need, and the possession of a small sum in savings lessens by so much the amount of the allowance, there might easily be a tendency on the part of those approaching the age of sixty to spend what they had: to enjoy their savings plus the pension instead of their savings only.

The relation between relief and insurance is somewhat different. Insurance against invalidity and old age as in force in Germany means compulsory saving. Deductions are made from wages and the sums deducted are

are put by till sickness or old age arrives. No adverse effect upon the grant of relief can result from any decline in thrift from compulsory insurance.

Insurance against sickness provides funds to meet the expense of sickness in the workingman's family. Accident compensation takes care of the families of injured employees. The only possible adverse effect upon relief would be a tendency to grant more liberal assistance than before, by an unconscious comparing of the relief afforded to the benefits of insurance. It has been pointed out by Zahn and others that the number of cases of medical care of the poor and of appeals for medical advice has increased since the sickness insurance law went into effect. Most people would be inclined to agree that this increase is a good thing. A great deal more free medical care for the poor might easily reduce the death rate and the sickness rate and mean an addition to the efficiency of the working population. We cannot regard the campaign against tuberculosis or the establishment of pure milk depots, even if services are given free, in quite the same way as we regard relief given to the chronically unemployed.

If the expenditures for relief tend to increase as new standards of relief work are introduced, that is a matter which can be judged by itself. It has no necessary connection with old age pensions. If it is undesirable, new restrictions can be enforced and a new rigor introduced. If it seems to promise a future diminution of distress or lighten unnecessary burdens it may be continued. Old age pensions and old age insurance have certainly brightened the lot of the aged workingman in both England and Germany.

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