## IV.—ESTIMATE OF IMMEDIATE COST OF SCHEME.

92. We are now in a position to found, on the preceding assumptions, an estimate of the cost involved by the pension scheme propounded by the Select Committee on Aged Deserving Poor.

### (1.) *England and Wales.*

|  | No. |
|---|---|
| 93. Estimating the total number of persons who will be 65 years of age and upwards in 1901 (*cf.* paragraph 19) at - - - - - - - | 1,517,000 |
|  | No. |
| (1) We first assume that of this number 37 per cent. would have incomes exceeding the pensionable limit of 10*s.* a week (*cf.* paragraph 58). 37 per cent. of 1,517,000 = - - - | 561,000 |
| (2) We next assume that a further 27 per cent. would be disqualified by reason of their being or having been paupers (*cf.* paragraph 42). 27 per cent. of 1,517,000 = - - - - | 410,000 |
|  | 971,000 |
| (3) We then deduct from the remainder - - - | 546,000 |
|  | No. |
| *a.* ½ per cent. for aliens (*cf.* paragraph 12) - - - | 3,000 |
| *b.* 2 per cent. for criminals (*cf.* paragraph 28) - - - | 11,000 |
| *c.* 2 per cent. on account of pauper lunatics (*cf.* Appendix VII., p. 93) - - - | 11,000 |
|  | 25,000 |
| (4) Lastly, we deduct from this residuum 10 per cent. (an arbitrary percentage) for those who, though they have kept clear of Poor Law relief for 20 years preceding their old age, may be unable to adduce proof of industry or reasonable providence (*cf.* paragraph 86) - - - | 521,000 |
|  | 52,000 |
| The number of pensionable persons would then be - | 469,000 |

94. It should be observed that this number—469,000—is not very different from the number of persons (486,000) among the poorer labouring classes, who would, according to the hypothetical computation which we have already made (*cf.* paragraph 84), be able to adduce direct proof of industry or thrift; and when a closely similar result is arrived at by two independent and wholly different processes, more reliance may be placed in the correctness of such result.

95. The Select Committee proposed that the amount of the pension should not be less than 5*s.* a week (13*l.* a year), or more than 7*s.* a week (18*l.* a year), according to the cost of living in the locality. We take it that what (roughly speaking) the Committee had in their minds was an award of 5*s.* a week in rural districts, and of 7*s.* a week in urban districts. Now, though the total urban population is about double the total rural population in England and Wales, yet the number of aged people is relatively larger in rural districts than in urban districts, as might be expected, owing to the tendency of the young to migrate to towns, and of the old to return to villages.* It is probable, then, that balancing

\* It may be well to note in this connection that, owing to the marked local varieties in the proportions of people at advanced ages to the total population (*cf.* note to Table C. in Appendix V.—1, p 76), the incidence of the charge of a pension scheme would vary materially in different parts of the country.

these considerations one against another, we shall not be over-estimating the cost of the Select Committee's scheme if we take 6*s.* a week as the average allowance to successful applicants for pensions.

96. On this assumption, the aggregate initial cost in England and Wales would be $\frac{469,000 \times 6 \times 52}{20} = 7,316,000l.$ per annum.

97. This estimate makes no allowance for the cost of administering the pension scheme: and though we have no certain data whatever on which to compute the administrative expenses, it is tolerably evident that they must be not inconsiderable.

98. We may safely presume that the Committees, who are to constitute the Pension Authority in each Union, would need officers to investigate applications and perform duties analogous to those of Relieving Officers; that they would require some clerical assistance; and that they would have to hire a room in which to meet for the conduct of business. The services of a pension officer could hardly cost less than 100*l.* a year, and a moderate allowance to make for office expenses would seem to be 50*l.* a year. As there are 650 unions in England and Wales, the aggregate cost on these accounts would be 97,000*l.* a year. But then there would also be the expenses connected with the payment of the pensioners. It is clear that pensioners could not all be expected to present themselves at the office of the Pension Authority; for, however central it might be, the distances to be traversed in single Unions would, more often than not, be considerable. It would, therefore, be requisite to have more than one, or perhaps several local paymasters, or to have resort to the Post Office Money Order system, as the Select Committee apparently had in contemplation. The second alternative would probably be the best; but the expense of disbursing the money would, of course, greatly depend on the frequency of the pay day. Poor Law relief is, we understand, distributed weekly as a rule. On the other hand, retired sailors and soldiers only draw their pensions every quarter. Perhaps we may assume that, in a general pension scheme, fortnightly payments would suffice. Now, we find that under the Post Office Money Order system, the cost is put at about 3*d.* per order issued and paid; and, as 26 payments of a pension would cost 6*s.* 6*d.* a year, the annual cost per cent. of a pension amounting to 6*s.* a week, or 15*l.* 12*s.* a year, would be about two per cent. Supposing that the pension officer were able to pay a proportion of the pensioners himself, say, a quarter, representing those who reside within a short distance from the central office, we should then have to apply the Money Order system to the remainder; and two per cent. of three-fourths of 7,316,000*l.* or 5,487,000*l.* represents a cost of 110,000*l.* a year, which, together with the estimated expenses connected with the central office (97,000*l.* a year), would bring the total expenses to about 3 per cent. per annum on the amount expended in pensions. Being unable to make any better suggestion, we propose to take this percentage as a rough approximation of the cost of administering a pension scheme.*

99. We should have, therefore, to add to the estimated aggregate cost (above) of - - - - - - - £. 7,316,000

3 per cent. for administrative expenses, or - - - - 219,000

which would bring the total cost of the pension scheme in England and Wales to - - - - - - - 7,535,000

or, in round figures - - - - - - - 7,550,000

\* We ought perhaps to state that the expenses of management incurred by Friendly Societies are considerably in excess of this percentage, though a great part of their work is voluntary and unpaid. Indeed, according to the returns made to the Registrar by a large number of ordinary Friendly Societies, those expenses in 1897 averaged 1*s.* 9*d.* in the £. of their total receipts, and as much as 12½ per cent. of the actual benefits received; while the expenses of the affiliated orders, which have a more complete organisation, are proportionately about twice as much. If judged by this analogy, our estimate of expenses for administering a pension scheme would appear to be insufficient.

## (2.) *Scotland.*

100. Estimating the total number of persons who will be 65 years of age and upwards in 1901 (*cf.* paragraph 21) at - - - - - - No. 221,000

(1) We first assume that 35 per cent. of this number would have incomes exceeding the pensionable limit of 10s. a week (*cf.* paragraph 65). 35 per cent. of 221,000 = - - No. 77,000

(2) We next assume that a further 16 per cent. would be disqualified by reason of their being or having been paupers (*cf.* paragraph 46). 16 per cent. of 221,000 = - - - 35,000

112,000

(3) We then deduct from the remainder, viz. - - 109,000

*a.* 0·7 per cent. for aliens (*cf.* paragraph 13) a negligible quantity - - - —

*b.* 2 per cent. for criminals (*cf.* paragraph 28) - - - 2,000

*c.* On account of pauper lunatics (*cf.* Appendix VII., p. 93) - 1,500

3,500

(4) Lastly, we deduct from this residuum of - - 105,500

10 per cent. for those failing to produce proof of industry or reasonable providence (*cf.* paragraph 89), viz. - - - - 10,500

The number of pensionable persons would then be - - - 95,000

101. As the urban population in proportion to the total population of Scotland may be taken to be relatively less than in England, it is reasonable to suppose that the average pension allowed under the scheme would be less than the mean of 5s. and 7s. a week : and perhaps we may assume that 5s. 6d. would be sufficient to represent the average amount of pensions awarded to successful applicants in Scotland.

102. On this assumption, the aggregate cost in Scotland would be $\frac{95000 \times 5\cdot5 \times 52}{20} = 1,359,000l.$ : and, if there be added to this sum 3 per cent. for administrative expenses, or 41,000l. per annum, the aggregate initial cost of the pension scheme would be 1,400,000l.

## (3.) *Ireland.*

103. Estimating the total number of persons who will be 65 years of age and upwards in 1901 (*cf.* paragraph 23) at - - - - - - No. 278,000

(1) We first assume that 37 per cent. of this number would have incomes exceeding the pensionable limit of 10s. a week (*cf.* paragraph 70). 37 per cent. of 278,000 = - - - No. 103,000

(2) We next assume that a further 25 per cent. would be disqualified by reason of their being or having been paupers (*cf.* paragraph 50). 25 per cent. of 278,000 = - 70,000

173,000

(3) We then deduct from the remainder, viz. - 105,000

*a.* ·08 per cent. for aliens (*cf.* paragraph 14) a negligible quantity - - - No. —

*b.* 2 per cent. for criminals (*cf.* paragraph 28.) - - 2,000

*c.* on account of pauper lunatics (*cf.* Appendix VII., p. 93) - 1,500

3,500

(4) Lastly, we deduct from this residuum of - - 101,500

10 per cent. for those failing to produce proof of industry or reasonable providence (*cf.* paragraph 91), viz. - - - 10,500

The number of pensionable persons would then be in round figures - - - - 91,000

104. If we assume that the average amount awarded as pension in Ireland would be the same as that in Scotland, viz., 5s. 6d. a week, the aggregate initial cost of the Pension Scheme in Ireland would be $\frac{91000 \times 5\cdot5 \times 52}{20} = 1,301,000l.$ ; and, if we add 3 per cent. for administrative expenses, or 39,000l., the cost would amount to 1,340,000l., or (in round figures) 1,350,000l.

### (4.) *United Kingdom.*

105. It will be convenient to give the following Table, showing the total estimated cost of giving effect to the Select Committee's recommendations in the three parts of the United Kingdom together.

| | England and Wales. | Scotland. | Ireland. | United Kingdom. |
|---|---|---|---|---|
| | No. | No. | No. | No. |
| Estimated number of persons over 65 years of age in 1901 - - - - - | 1,517,000 | 221,000 | 278,000 | 2,016,000 |
| *Deduct:* | | | | |
| (1.) For those whose incomes exceed 10*s.* a week | 561,000 | 77,000 | 103,000 | 741,000 |
| (2.) For paupers - - - | 410,000 | 35,000 | 70,000 | 515,000 |
| (3.) For aliens, criminals and lunatics - | 25,000 | 3,500 | 3,500 | 32,000 |
| (4.) For inability to comply with thrift test - | 52,000 | 10,500 | 10,200 | 72,700 |
| TOTAL DEDUCTIONS - - - | 1,048,000 | 126,000 | 186,700 | 1,360,700 |
| Estimated number of pensionable persons - - | 469,000 | 95,000 | 91,000 | 655,000 |
| | £. | £. | £. | £. |
| Estimated cost - - - - - | 7,316,000 | 1,359,000 | 1,301,000 | 9,976,000 |
| Add Administrative expenses (3 per cent.) - - | 219,000 | 41,000 | 39,000 | 299,000 |
| TOTAL ESTIMATED COST - £. | 7,535,000 | 1,400,000 | 1,340,000 | 10,275,000 |
| IN ROUND FIGURES - - - £. | 7,550,000 | 1,400,000 | 1,350,000 | 10,300,000 |

## V. ESTIMATE OF ULTIMATE COST OF SCHEME.

106. We shall now endeavour to form some estimate of the cost of the Select Committee's Pension Scheme after it has been put into operation, and in so doing to indicate the annual expenditure which it would probably entail in the years 1911 and 1921.

### (1.) *England and Wales.*

107. In framing this estimate, we have to take into account not only the prospective increase of aged persons in the course of the next 20 years, but also the certainty that many aged persons, who are, under the present system, receiving Poor Law relief, would be able, in gradually increasing numbers, to satisfy the pension authority.

108. It is probable that the larger proportion of aged persons in receipt of indoor relief would have to remain inmates of workhouses, partly by reason of inability through physical or mental infirmity to live at home, even if they were awarded a pension. But, however that may be, as we are only concerned with the financial aspect of the pension scheme, we may leave out of consideration the substitution of pensions for indoor relief, because the cost of an inmate in a workhouse is estimated to be from 4*s.* 1*d.* to 4*s.* 8*d.* a week* which does not fall far short of the pension charge, and thus the net expense of administering indoor relief and of granting a pension would be much the same.

109. We need, therefore, only take into account the probable extent to which pensions would take the place of outdoor relief; and this we can only do in a hypothetical manner. The assumption which we propose to make, in the absence of any better one, is that by 1911 one-third, and that by 1921 two-thirds, of the present number of outdoor paupers above 65 years of age will have become pensioners.

110. This assumption involves some computation of the present cost of outdoor relief accorded to aged persons, because there would be a saving of expense on that account to be set off against the increased pension charge; and, after consultation with those most conversant with the administration of the English Poor Law, we are of opinion that the average of such outdoor relief may be considered to be 3*s.* per head per week. For this purpose, we think that we should take the number of outdoor paupers of 65 years and upwards to be the number which the day's count in July last established, namely (*cf.* paragraph 36) 210,000, excluding medical relief cases; in other words, that 210,000 persons may be regarded as the average number of persons over 65 to whom outdoor relief, at the average rate of 3*s.* a week per head, is awarded throughout the year. On these suppositions the total annual expense of outdoor paupers over 65 years of age is $\frac{3 \times 52 \times 210,000}{20} = 1,638,000l.$ Accordingly, by 1911 the saving under the head of outdoor relief would be one-third of 1,638,000*l.* or 546,000*l.*, and by 1921 it would be two-thirds of 1,638,000*l.* or 1,092,000*l.*

111. In estimating the cost which the scheme would entail when in operation, we have to assume that the number of persons with incomes of 10*s.* a week only or less would continue relatively to be the same as now.

* *Cf.* Report from the Select Committee on the Cottage Homes Bill, No. 271 of 1899, p. 25 of the Minutes of Evidence.