

1938.
NEW ZEALAND.

NATIONAL HEALTH AND SUPERANNUATION COMMITTEE

(REPORT OF THE), ON THE PROPOSALS OF THE GOVERNMENT TO ESTABLISH IN NEW ZEALAND
A NATIONAL HEALTH SERVICE AND A NATIONAL SUPERANNUATION SERVICE.†

(REV. A. H. NORDMEYER, CHAIRMAN.)

Laid on the Table of the House of Representatives.

APPOINTMENT OF COMMITTEE AND ORDER OF REFERENCE.

EXTRACT FROM THE JOURNALS OF THE HOUSE OF REPRESENTATIVES.

Wednesday, the 9th Day of March, 1938.

Ordered, "That a Select Committee be appointed, consisting, by leave, of eleven members, to examine the proposals of the Government (1) to establish a National Health Service for the purpose of ensuring to all persons ordinarily resident in New Zealand (as occasion may require) adequate medical, surgical, pharmaceutical, dental, hospital, nursing, or other treatment necessary to maintain sound physical and mental health and to assist recovery in the event of sickness (including the establishment of a Nursing and Domestic Help Service to provide for skilled assistance in the home in cases where sickness, ill-health, or other circumstances render such assistance necessary), and (2) to establish a National Superannuation Service whereby provision shall be made that all persons ordinarily resident in New Zealand shall be assured of an adequate income to maintain them in reasonable comfort when they become unable to support themselves by reason of old age, infirmity, sickness, or other disability, or on account of widowhood or other special conditions, and to report to this House (a) generally on the proposals, with recommendations if the Committee thinks fit as to their extension or limitation; (b) as to the best means to be adopted for the financing of the proposed services; (c) as to the administration of the proposed services; (d) as to the conditions subject to which persons shall be entitled to the benefits proposed to be conferred by the said services; (e) with respect to the co-ordination of the proposed services with any existing services of a like kind for which provision is made by public or private organizations or institutions; (f) as to such other matters in relation to the said proposals as the Committee thinks fit: That the Committee have power to consider any other matters relative to the above proposals that may from time to time be referred to it by the Government, and may report from time to time to the Government: That the Committee have power to sit on days on which the House is not sitting and during the recess and for twenty-eight days after the commencement of the next session, at such times and at such places as the Committee may see fit, and that, in the event of the Committee sitting during the recess, that it report to this House within twenty-eight days after the commencement of the next ensuing session of Parliament: That the proceedings of the Committee during the taking of evidence be open to accredited representatives of the press: the Committee to consist of the following members—Mr. Atmore, Mr. Barnes, the Hon. Mr. Cobbe, Mr. Holland, Mr. Kyle, the Hon. Mr. Nash, the Rev. Mr. Nordmeyer, Mr. O'Brien, Mr. Richards, Mr. Robertson, and the Mover." On motion of the Right Hon. Mr. SAVAGE.

A true extract.

(Sgd.) T. D. H. HALL,
Clerk of the House of Representatives.

It was decided by the Government that Messrs. B. C. Ashwin, G. H. Maddex, and J. S. Reid should be attached to the Committee as an expert Secretariat, also that Dr. M. H. Watt, Messrs. A. O. Keisenberg, and C. E. Wynne represent the Department of Health, while Mr. R. S. Wogan, Secretary, Public Service Superannuation Board, was nominated as Secretary of the Committee.

REPORT OF THE SELECT COMMITTEE ON NATIONAL HEALTH AND SUPERANNUATION.

19th May, 1938.

INTRODUCTORY.

1. In order to have information available as early as possible for the consideration of the Committee, the following advertisement was inserted in the principal newspapers throughout the Dominion on the 1st and 2nd April :—

The Select Committee set up by Parliament to examine the proposals of Government for the establishment of National Health and Superannuation Services will commence its sittings on Tuesday, the 5th day of April, 1938, at Parliament Buildings, Wellington.

It is particularly requested that witnesses supply twenty copies of all written statements to be placed before the Committee. Any person or organization desiring to give evidence before the Committee is requested to communicate with the undersigned.

R. S. WOGAN,
Secretary to the Committee,
Parliament Buildings, Wellington.

2. The Prime Minister on the 4th April, 1938, submitted the following memorandum :—

The Chairman,
National Health and Superannuation Select Committee,
Wellington.

SIR,—

In accordance with the resolution of the House of Representatives appointing this Committee, I submit herewith for your examination the proposals of the Government to establish a National Health and Superannuation Service.

Yours faithfully,
(Sgd.) M. J. SAVAGE,
Prime Minister.

NATIONAL HEALTH AND SUPERANNUATION PROPOSALS.

I. HEALTH SERVICES.

(1) The Government proposes to provide :—

- (a) A universal general practitioner service free to all members of the community requiring medical attention.
- (b) Free hospital or sanatorium treatment for all.
- (c) Free mental hospital care and treatment for the mentally afflicted.
- (d) Free medicines.
- (e) Free maternity treatment including the cost of maintenance in a maternity home.

(2) The Government further proposes that these services should be supplemented, when the organization and finances are available, by the following additional services :—

- (a) Anæsthetic.
- (b) Laboratory and radiology.
- (c) Specialist and consultant.
- (d) Massage and physio-therapy.
- (e) Transport service to and from hospital.
- (f) Dental benefit.
- (g) Optical benefit.

(3) It is also proposed to institute a free home nursing and domestic help service when the necessary staff has been trained to make such a proposal practicable.

(4) Complementary to the foregoing proposals, the Government contemplates an extended education campaign for the promotion of health and the prevention of disease.

II. NATIONAL SUPERANNUATION AND SOCIAL SECURITY BENEFITS.

(5) To provide for superannuation and security against disability it is proposed:—

Invalidity Benefits.

- (a) That a payment of 30s. per week be made to invalids when certified as permanently unfit for employment, with supplementary payments to the wife and each dependent child of the invalid of 10s. per week, with a maximum benefit of £4 per week; this benefit to supersede the existing pension of 20s. per week.

Sickness Benefit.

- (b) That sickness benefit of appropriate amounts be paid to men and women during periods when they are prevented from earning a livelihood by reason of sickness or accident; provision to be made for the payment of this benefit to the members of friendly societies through those societies.

Disability Benefit.

- (c) That disability benefits be made available for persons who cannot qualify for invalidity, sickness, or sustenance benefit or State superannuation, but who are otherwise physically or mentally disabled from earning a livelihood.

Sustenance Benefits.

- (d) That sustenance benefits be paid to persons who are capable of, and available for, work, but for whom work cannot be found; that the rates of benefit be 20s., plus, if married, 15s. for wife with 5s. for each dependent child, in lieu of the present rate of 4s.

Widowed Mothers' Benefits.

- (e) That a social-security benefit be paid to widowed mothers at the rate of 25s. per week and 10s. per week for each dependent child; the benefit to continue until the child reaches the age of sixteen years (instead of fifteen years as at present), and, in special circumstances, until the age of eighteen years, so long as the child is still at school; this to replace the existing widow's pension of 20s. per week. Wives of inmates of mental hospitals to qualify as at present, and deserted wives with dependent children.

Widows' Benefits.

- (f) That widows' benefits be payable—
- (i) At any age to a widow who has previously drawn a widowed mother's benefit and whose youngest child has reached the age at which the benefit ceased:
 - (ii) To a widow who has not previously drawn a widowed mother's benefit—
 - (a) If she was widowed before age fifty and has been married for not less than fifteen years, the benefit to be payable from age fifty;
 - (b) If she has been widowed after age fifty and has been married for not less than five years the benefit to be payable from date of commencement of widowhood.

Orphans' Benefits.

- (g) That orphans' benefits be payable to relatives or guardians who have been approved as foster-parents, at the rate of 15s. per week in respect of orphans under the age of sixteen years.

Family Allowance.

- (h) That the family allowance be paid at the rate of 4s. per week in respect of the third and subsequent children; the maximum allowable income to be £5 per week, plus the allowance (instead of the present provision of £4 per week plus the allowance); the allowance to continue to be payable in respect of eligible children until they reach the age of sixteen years.

Miner's Phthisis.

- (i) That superannuation at the rate of 30s. per week be paid to miners suffering from miner's phthisis, with a supplementary benefit of 10s. for the wife and 10s. for each dependent child up to age sixteen; to supersede the present miner's pension of 25s. per week.

War Veterans and War Pensions.

- (j) That war veterans' allowances be paid at the rate of 25s. per week for the veteran, plus 15s. per week for his dependent wife and 5s. per week for each dependent child up to the age of sixteen years, the maximum pension to be increased from £2 15s. to £3 10s. per week.

State Superannuation.

- (k) That State superannuation be payable at the rate of 30s. per week on the attainment of the age of sixty years, with the qualifications set out in the present legislation; the superannuation benefit not to be reduced so long as the income of the superannuitant, if a single person, or the joint income of a married couple (in addition to superannuation) does not exceed £1 per week; this will supersede the existing old-age pension of 22s. 6d. per week.

FINANCE.

- (6) That the necessary funds should be provided by—
- (a) A social security contribution of 1s. in the £1 on the wages and other income of all persons:
 - (b) Continuance of the present registration fee of £1 per annum for males over twenty years of age:
 - (c) Subsidy from the Consolidated Fund.

COMMENCEMENT.

- (7) That all benefits and services be made available and contributions be payable as from 1st April, 1939.

3. The Committee, together with the Secretariat and representatives of the Department of Health, first met on the 5th April. The Rev. A. H. Nordmeyer was elected Chairman of the Committee.

It was decided that individuals could express themselves in writing and the Committee would be glad to receive any representations that they may have to make, but that the Committee would then determine whether it was necessary to have such individuals present in person, and, further, that if invited to attend they come at their own expense.

4. The Committee was supplied with the evidence taken by the National Health Investigation Committee, under the chairmanship of Dr. D. G. McMillan, M.P., appointed by the Hon. P. Fraser, Minister of Health, in 1936.

5. On the 26th April the Committee decided that Wednesday, the 4th day of May, would be the last day for the hearing of evidence. This decision was announced through the press. All the evidence offering was disposed of on the last-mentioned date, with the exception of the representations of one organization whose spokesman could not be present; nevertheless, the Committee had before it a copy of the submissions.

6. Proposals or statements were received from organizations, and ninety-two persons appeared before the Committee to tender oral evidence on the submissions. In addition, statements were submitted by eighteen other organizations, but no oral evidence was taken thereon.

7. The Committee received many letters from individuals. The points raised by the writers were summarized under some forty-seven subject-matters and given careful consideration.

8. We desire to record our appreciation of the invaluable services rendered by Messrs. B. C. Ashwin, G. H. Maddex, and J. S. Reid, as members of the Secretariat, and Mr. R. S. Wogan as Secretary to the Committee. Appreciation for the able manner in which questions arising out of the health proposals were presented is extended to Dr. M. H. Watt, Messrs. A. O. Keisenberg, and C. E. Wynne, of the Department of Health. The Commissioner of Pensions and the Government Actuary have also given very valuable assistance in the compilation of data and opinions on matters placed before them. We also desire to thank those who appeared before the Committee and gave evidence.

PART I.—HEALTH PROPOSALS.

9. The Committee will report first on the proposals of the Government concerning health services. These are :—

- (1) To provide at the inception of the scheme—
 - (a) A universal general practitioner service free to all members of the community requiring medical attention.
 - (b) Free hospital or sanatorium treatment for all.
 - (c) Free mental hospital care and treatment for the mentally afflicted.
 - (d) Free medicines.
 - (e) Free maternity treatment, including the cost of maintenance in a maternity home.
- (2) To provide later, “when the organization and finances are available,” the following additional services—
 - (a) Anaesthetic.
 - (b) Laboratory and radiology.
 - (c) Specialist and consultant.
 - (d) Massage and physio-therapy.
 - (e) Transport service to and from hospital.
 - (f) Dental benefit.
 - (g) Optical benefit.
- (3) To institute a free home nursing and domestic help service “when the necessary staff has been trained to make such a proposal practicable.”
- (4) To embark upon an extended education campaign for the promotion of health and the prevention of disease.

10. For the purposes of convenience, we shall report upon each of these suggestions in turn. Before doing so, we desire to acknowledge our indebtedness to the Preliminary Investigation Committee on Health appointed by the Minister of Health (the Hon. P. Fraser) in July, 1936. We have had full access to the evidence tendered to that Committee and have carefully examined its report and recommendations. We see no reason for departing radically from its conclusions, although in certain respects we vary its recommendations. We have had the additional advantage of having available from some organizations fuller evidence than was submitted to the Preliminary Committee.

GENERAL PRACTITIONER SERVICE.

(a) “A UNIVERSAL GENERAL PRACTITIONER SERVICE FREE TO ALL MEMBERS OF THE COMMUNITY REQUIRING MEDICAL ATTENTION.”

11. This proposal met with opposition from the representatives of the New Zealand Branch of the British Medical Association. The objections of the association were mainly based on the following grounds :—

“(i) That there is no need for a universal service while many people are able to pay for their own doctor and will prefer to do so.”

We consider, however, that few people can with certainty claim that they will always be able to pay for their own medical services. Even if they could establish their claim, this is no more an argument against a universal service than is the suggestion that because a man can afford to pay for his child's schooling, education should not be freely available to all. This, indeed, is not a purely medical question. Sir Henry Brackenbury, LL.D., M.R.C.S., in an address on “State Insurance in Relation to Health” (reported in the Supplement to the *British Medical Journal*, 23rd May, 1931), states :—

“I do claim, however, that the securing of early and adequate medical attendance and ancillary services for all classes of the population is an extremely desirable and valuable thing for any nation, and that the most satisfactory method of securing this is by a compulsory insurance scheme.”

Further, Sir Henry Brackenbury in “The Essentials of a National Medical Service,” says :—

“Should the service be provided for everybody in the country, regardless of social status and need, or should it be confined to those persons who are unable to obtain the particular attention that they require in any other way? That, if you ask me to analyse it fundamentally, is not purely, perhaps not predominantly, a medical question. *It is a question for the social reformer.* It is obviously not a matter merely for medical decision or opinion as to whether a certain class of person shall be provided for, or whether, in establishing a national medical service, given the essentials already named, everybody shall be included.”

“(ii) That the development of friendly societies and the growth of our public hospital system renders unnecessary a scheme of the extent proposed.”

While we appreciate the very good work that has been done over a long period by the friendly societies, we cannot agree that the existence of a friendly-society service fully meets the needs of the people. Statistics show that the friendly-society movement covers only about one-fifth of the people of the Dominion. The experience of friendly societies, however, leads us to believe that an extension of this system universally whereby the State will make provision for medical attention for all citizens on substantially the same lines as the friendly societies have made provision for their members will mean a marked advance. It is true, too, that our public-hospital system has alleviated a great deal of the burden that would otherwise have had to be borne by the poorer section of our people, but the Committee would emphasize that even in our public hospitals every one is expected to pay something unless he can show he is indigent or in poor circumstances. The fact that many people do suffer anxiety concerning their public-hospital accounts tends, we believe, to lengthen their period of illness. The treatment given in out-patient departments of some hospitals is not, in our judgment, an adequate substitute for the care and attention of the family doctor.

“(iii) That the proposal will lead to a deterioration of the standard of medical service.”

We cannot believe that this is likely to occur. Indeed, the evidence points strongly in the opposite direction. We believe that the standard of integrity of the medical profession is as high as in any other, and we are satisfied that if the doctors are fairly and equitably remunerated for their service they will render the highest possible degree of care and efficiency.

We would also point out that the doctor working for a small salary with nothing to gain but the satisfaction that comes from the knowledge of having done a job well, has frequently given us many of the progressive discoveries in medicine. Among these are the discoveries of antiseptics and asepsis, those who gave us prevention in diphtheria, typhus, and typhoid fever, the effective treatment of diabetes, and a host of other advances in medical science.

Another suggestion is that there will be no incentive to progress if the doctor is not paid by each individual patient.

Such an attitude is not justified in view of the outstanding contributions made to medical science by the permanent army and navy medical corps, the work of the university personnel who are usually on salary, and the activities of salaried public-health officials. It would perhaps be more fair to say that the good man works well provided his conditions of work are reasonably satisfactory without regard to the manner in which he is remunerated. The work of the full-time staffs in a number of our public hospitals will indicate the keenness and conscientious nature of the medical men apart altogether from his method of remuneration.

“(iv) That the adoption of the universal scheme will lead to those very distinctions which it is the object of the Government to avoid.”

It is difficult to understand the reason for the suggestion that the adoption of a universal scheme will lead to social distinctions. We believe that the tendency will be in the opposite direction. It is almost inevitable that under present conditions the person who can pay most will get the best service from his doctor. Under the Government's scheme the need of the patient will be the measure of the doctor's attention. Indeed, the British Medical Association representatives themselves recognize this when they say, “The human need supplies the incentive to maintain the quality and standard which are indefinable.”

“(v) That it may involve embarrassment to the commitments of medical men.”

This argument would appear to spring from the belief that medical men will not be adequately remunerated under the Government's scheme. Careful analysis of the income of medical men to-day alongside the proposals of the Government is likely to reveal the fact that in a vast majority of cases their remuneration will be increased rather than diminished. If this is so, it is difficult to appreciate how the proposed scheme is likely to involve embarrassment to the commitments of doctors.

Alternative Scheme.

12. The New Zealand Branch of the British Medical Association had previously submitted to the Government an alternative scheme which, briefly, was that the community should be divided into four sections. The first, consisting of the poorer portion of the community and the unemployed, would make no contribution towards any medical benefits and would receive a complete medical service. The second group would make some contribution and would receive a complete service. The third group would make a contribution and would receive a partial service. The fourth group would presumably make a contribution as taxpayers towards some of the cost of a medical service to sections one, two, and three, but would themselves not be entitled to any benefit whatever.

13. While giving this proposal the serious consideration that it warranted, the Committee is firmly of opinion that such a scheme could not possibly commend itself to the people of this country, and we have no hesitation whatever in advising the Government to depart altogether from the basis of dividing artificially the community into sections based upon wage or other income. The Committee feels that the fixation of any wage, salary, or other income bar would not only create almost insuperable difficulties in administration, in view of the fluctuation of incomes, but there would almost inevitably be an unfair temptation to the doctor to give better treatment to those who paid him than to those for whom he received payment from the State. There is the further difficulty that, whatever bar is fixed, those immediately above that level would demand to be included.

14. We believe that the medical scheme should develop along the lines of our education system—be freely available to all whatever their rank, station, or income. If there are people in the community who prefer to make other arrangements for themselves—as there are in the educational world—they are entirely free to do so.

15. We recommend that every person in the Dominion who is not a tourist or other temporary visitor to the Dominion shall be entitled to the medical services that will be from time to time instituted by the State.

16. The range of service we contemplate is a proper and necessary medical service other than that involving the application of special skill and experience of a degree or kind which general practitioners as a class cannot reasonably be expected to possess.

17. We suggest that regulations should be made to cover such items as the following :—

- (1) The preparation and publication of lists of names of medical practitioners who have agreed to attend and treat persons under the Act.
- (2) The right on the part of any medical practitioner who is desirous of being included in any such list to be so included.
- (3) Except as regards children under sixteen (whose doctor should be chosen by the parents), inmates of institutions and other prescribed classes where it is impracticable to give a free choice of doctor, the right of any person resident in the Dominion to select at such times as may be prescribed by regulations one from the list of medical practitioners by whom he wishes to be attended and treated, and, subject to the consent of the practitioners so selected, of being attended and treated by him.
- (4) Provision for attachment to practitioner's list of persons who have not signified the doctor of their choice.

18. In regard to certain areas or in regard to particular classes of persons resident in certain areas, the foregoing general arrangements may not be suitable. We suggest that where the Minister is, after inquiry, satisfied that this is the case, he should be empowered to make such other arrangements as he considers desirable and practical having regard to the funds appropriated for that purpose.

HOSPITAL AND SANATORIUM TREATMENT.

(b) FREE HOSPITAL OR SANATORIUM TREATMENT FOR ALL.

19. This benefit is intended to comprise full relief from personal liability in respect of hospital care received in or at public hospitals and sanatoria in addition to partial relief from personal liability for care received in private hospitals.

20. Hospital care for the purpose of the benefit should be defined as such care requiring nursing and medical or surgical attendance, treatment, or oversight of a character that cannot efficiently and economically or in the public interests be provided elsewhere than in a hospital. It should include maintenance in hospital.

21. Those eligible for the benefit should include persons admitted to hospital or similar institutions for treatment, isolation, examination, observation, or medical restraint.

22. A uniform rate of payment from the Social Security Fund of 6s. per day per occupied bed is proposed, and, in respect of treatment in public hospitals, Hospital Boards would be required to accept this in full satisfaction of the cost of care given.

23. This proposal met with very general approval. The amount suggested will mean an aggregate saving to the contributory local authorities of Hospital Boards of £200,000 and a similar amount to the Consolidated Fund annually. The estimated average amount of in-patient fees collected from individuals at the present time for an occupied bed in a public hospital or a sanatorium is £48 2s. annually, or 2s. 8d. per day. The proposal of the Government will mean a payment of £109 10s. annually. While it is appreciated that some hospitals have been more fortunate than others in the collection of fees and have succeeded, in some cases, in obtaining an amount almost as great as that offered by the Government, the vast majority of hospitals will receive a substantial benefit from this proposal. The Boards will also receive about £40,000 additional in respect of maternity services.

24. The suggestion has been made that the increased payments on account of occupied beds will be largely cancelled out through the need for an increased building programme.

25. We would, however, emphasize that on present evidence this programme of building would have to be gone on with apart altogether from any health scheme of the Government. During the depression years hospital building was almost at a standstill, and the result is that to-day there is a desperate need in some institutions for additional accommodation. It is only confusing the issue to suggest that this increased capital cost will cancel out the benefits received through the extra payment per occupied bed. The real position is that those hospitals which are embarking upon any extensive building programme would be infinitely worse off were they to receive on the average 2s. 8d. per day than they are if they receive 6s.

26. It is not proposed that hospital benefit shall be available to relieve liability for hospital expenses in any case where a third party is liable for reimbursement of cost of treatment—for example, certain accident cases.

27. The question that may involve some Hospital Boards after the general practitioner service has been established is that medical men who gave their services in an honorary capacity in the past may now expect to receive payment for those services. It is interesting to note that some of our public hospitals have already, with advantage, adopted the system of paying for medical services rendered, but in most cases this is done by making no provision for a visiting staff. Assuming, however, that it is deemed wise to continue the practice of permitting selected medical men to visit a hospital, the amount that they receive should bear some relation to the time spent in and the work done in the institution.

MENTAL HOSPITALS.

(c) FREE MENTAL HOSPITAL CARE AND TREATMENT FOR THE MENTALLY AFFLICTED.

28. While no direct evidence was offered to the Committee on this matter, the report of the Mental Hospitals Department for the year ended 31st March, 1938, shows that during that year the estates of inmates of hospitals and the relatives of inmates were called upon to pay the sum of £155,700. The Committee feels that the proposal of the Government to make the cost of mental-hospital patients a charge on the whole community is one that will meet with general approval.

29. We therefore recommend that in future no charge for the care and treatment ordinarily given in a public mental hospital should be made against a patient's relatives or his estate.

MEDICINE.

(d) FREE MEDICINE.

30. The practice of providing free medicines and certain appliances has prevailed for many years in connection with the friendly-society movement. The proposal of the Government is to provide free medicines on the prescription of a doctor and such other appliances or materials as may be defined by regulation.

31. The Committee feels that there is no great difficulty in auguring a proposal of this kind, and evidence was given that the pharmaceutical association will co-operate with the Government along this line.

32. The Bureau of Industry has already been formulating a plan for the better co-ordination of the work of chemists in the Dominion, and the Committee feels that the proposals that have already been tentatively adopted by the chemists themselves will provide a ready means for evolving a plan for providing the necessary drugs, sera, and appliances to ensure the adequate treatment of patients and the prevention of disease.

33. The Minister should be empowered to make arrangements for the supply of proper and sufficient drugs and medicines and prescribed appliances to persons resident in the Dominion. These articles will be provided free through chemists and persons who have signified their desire to participate in the scheme and on the prescription of a medical practitioner.

34. Provision similar to those in respect of medical practitioners as regards the preparation and publication of lists of persons who have agreed to supply drugs, &c., will be necessary, and any person entitled by law to supply drugs and medicines will have the right to be included in such lists except in cases where the Minister decides that the inclusion or continuance of a person would be prejudicial to the service.

35. In cases where adequate arrangements along the lines indicated above cannot be made the Minister should be empowered to make such arrangements as he thinks fit.

MATERNITY SERVICES.

(e) FREE MATERNITY TREATMENT, INCLUDING THE COST OF MAINTENANCE IN MATERNITY HOME.

36. The proposal of the Government to provide a free maternity service either in a private home or a maternity hospital would appear to meet the desires of the majority of those interested in this question. The representatives of the B.M.A., while not finally committing themselves on this matter, appear to recognize that the proposals are, in this respect, reasonable and fair.

37. We recommend that legislation be drafted along the following lines:—

The Minister should be empowered to make, subject to regulations, arrangements with medical practitioners, private hospitals, registered midwives, registered maternity nurses, or Hospital Boards by which payments will be made out of moneys appropriated for the purpose in respect of—

- (1) Ante-natal supervision, attendance at confinement and post-natal care by a medical practitioner.
- (2) Nursing care and maintenance in a maternity hospital.
- (3) Attendance of a midwife or maternity nurse where the patient is confined elsewhere than in a maternity hospital.

Regulations may provide that payments for attendance and other services shall be made directly to the person or institution rendering the service.

SUPPLEMENTARY SERVICES.

38. We make the following recommendations concerning the services which the Government indicated it did not propose to make available at the inception of the scheme, but to add from time to time "when the organization and finances are available."

(a) ANÆSTHETIC.

39. Inasmuch as it is more than probable that a medical practitioner who is called upon to administer an anæsthetic will be doing so to other than his insured patients, it appears equitable that an additional sum should be provided for this service. The amount of the payment to be fixed by the Minister should take into account the recommendations of the British Medical Association and the officers of his Department.

(b) LABORATORY AND RADIOLOGY.

40. The medical witnesses who appeared before the Committee stressed the desirability of having available at the outset full laboratory and radiology facilities. It was emphasized that without the aids available from this source the general practitioner service would be incomplete.

41. We recommend that the Minister be empowered to enter into an arrangement with Hospital Boards to provide free of cost to patients under the care of general practitioners serving under the scheme such X-ray examinations and treatments, radium treatment, and other examinations and treatment as may be generally available in laboratories, clinics, or other Departments of the hospital and as may be determined.

(c) SPECIALIST AND CONSULTANT.

42. We have given particular attention to the contention of the medical witnesses and others that a specialist and consultant service should be established at the outset of the health scheme in order that it might be fully effective. We have been impressed with the statement that a complete medical service cannot be effective unless and until specialist-consultant services are included with that of the general practitioner.

43. We would therefore urge the Government to develop a specialist and consultant service as soon as possible after the inauguration of a general-practitioner service.

44. In the meantime the needs of a large section of the community will be met by making this service available at the public hospitals either by in-patient or out-patient treatment.

45. One point upon which it seems desirable that there should be some finality is the definition of a "specialist." We have found it very difficult to appreciate what the term is meant to cover. It would appear that in New Zealand there has grown up a type of general practitioner-cum-specialist practice in which the doctor does ordinary general practitioner work and specializes in one or more phases of disease. The real specialist who is thoroughly qualified by post-graduate training holds higher degrees and is recognized by the profession for his eminence is fairly rare. It would not appear possible for the Government to make arrangements concerning a specialist service until such time as the meaning of this term is resolved with satisfaction to the profession and the public.

(d) MASSAGE AND PHYSIO-THERAPY.

46. This service is already available at most of our larger public hospitals, and we recommend that it be extended to all when the necessary staff has been trained.

(e) TRANSPORT SERVICE TO AND FROM HOSPITAL.

47. As the Government did not contemplate the inauguration of such a service at the outset, we have not given full consideration to this matter. The representatives of the St. John Ambulance Association have made available to the Committee extensive evidence on transport costs. We have also perused the evidence given by the Free Ambulance Association before the Preliminary Committee.

48. We recommend that when the Government is inaugurating an ambulance service it should utilize to the fullest possible extent the existing organization.

(f) DENTAL BENEFIT.

49. While the Government's proposals do not indicate when it is intended to establish a dental benefit, the Committee heard evidence from the New Zealand Dental Association and from the Director, Dental Division, Health Department. We have been greatly impressed with the need for greater care in connection with the treatment of teeth in the comparatively young. It was good to have definite evidence that the present school dental clinic system is meeting a need in the community and that the quality of the work is exceedingly high. We would recommend to the Government that the most suitable way of meeting the dental needs of the people will be to extend the dental clinic system, until ultimately all children of school age shall be included. This will not mean a large increase in building costs, the actual expense being mainly due to the salaries of the fully qualified male staff necessary to meet the additional needs of the older youths.

(g) OPTICAL BENEFITS.

50. No direct evidence was furnished to this Committee concerning the proposed optical benefit. A perusal of the evidence submitted to the Preliminary Investigation Committee indicates that the New Zealand Institute of Opticians would be prepared to assist the Government in every way to develop a service of this type. We would emphasize, however, that it is not desirable that an optical service should be commenced until such time as the services of qualified ophthalmologists are available under the Social Security Scheme. It is probable that there are many cases which would be better treated by an ophthalmologist rather than an optician.

HOME NURSING.

FREE HOME-NURSING AND DOMESTIC-HELP SERVICE.

51. There appears to be a unanimous opinion that the institution of a home-nursing and domestic-help service is highly desirable. The Director-General of Health submitted in evidence that the training of the necessary staff could very well be undertaken in those hospitals which are not at present recognized training centres for nurses. His suggestion is that a trainee should spend two years in the institution—one year on the domestic side and the other on the nursing. At the end

of that time she will sit for an examination and will thereafter be available for employment in the home-nursing service. It appears to the Committee that these hospital aides should be utilized in working under the directions of a general practitioner or the district nurse in the treatment and care of those patients whose illness is not of a serious nature or who can both economically and medically be treated at home rather than in an institution.

52. We were particularly gratified to learn from the evidence submitted by various women's organizations of the splendid service that is being rendered in necessitous cases by the provision of domestic assistance in the home—sometimes at a very low cost, and occasionally at no cost at all.

53. We would strongly urge the Government to utilize, wherever possible, the services of these existing organizations who have had considerable experience in work of this kind when it inaugurates a domestic-help service for those who require assistance in their homes during times of illness.

PREVENTIVE MEDICINE.

AN EXTENDED EDUCATION CAMPAIGN FOR THE PROMOTION OF HEALTH AND PREVENTION OF DISEASE.

54. Many witnesses before the Committee emphasized the need for greater attention to the promotion of health and the prevention of disease than is given at the present time. The representatives of the B.M.A. and other medical men were emphatic that environmental conditions play an important part in the building-up of a healthy body. These views concerning the need for improved housing and better conditions of life generally for the people are submitted to the Government for its serious consideration. We feel that the Government will welcome the support of a body such as the B.M.A. in its desire to improve the working and living conditions of the people.

55. The other evidence submitted to the Committee indicated that there is an appalling ignorance on the part of many people concerning matters affecting directly their health and well-being.

56. We feel that a great deal of illness in the community can be prevented. It is important, therefore, that the Government's efforts should not only be directed to the curing of disease, but to the promotion of health. We therefore recommend that a sum be set aside for education in the principles of health and healthy living. We believe that a great deal of medical attention and hospital care will not be necessary if the people are taught to pay due care to the promotion of healthy conditions of body and mind.

57. Evidence submitted to us convinced us that much unnecessary suffering is caused through failure to appreciate the importance of dietetics. Intemperance in eating and drinking would also appear to be a prolific source of illness.

58. While conceding, however, that there is room for much improvement along this line, the Committee realizes that, however much people are taught to live rightly, there will still be need of medical attention and hospital care. Accidents alone account for a considerable number of the patients in our public hospitals. There will, too, always be a number in the community who will disregard the best advice or warning that can be offered and who inevitably will require treatment.

GENERAL.

POST-GRADUATE STUDY OF PRACTITIONERS.

59. Authority should be conferred to enable the Department to make grants or incur other expenditure out of moneys appropriated for that purpose to enable medical practitioners to undergo post-graduate courses of instruction.

EXEMPTIONS.

60. Representations were made to the Committee on behalf of the Christian Scientists for exemption from that portion of the tax which may be utilized for the payment of medical men and Hospital Boards. We have given earnest consideration to this request and regret that we cannot recommend any exemptions to any body of persons in respect of any particular benefit.

PART II.—NATIONAL SUPERANNUATION AND SOCIAL SECURITY BENEFITS.

The proposals of the Government concerning the above are:—

Invalidity Benefits.

61. (a) That a payment of 30s. per week be made to invalids when certified as permanently unfit for employment, with supplementary payments to the wife and each dependent child of the invalid of 10s. per week, with a maximum benefit of £4 per week; this benefit to supersede the existing pension of 20s. per week.

Sickness Benefit.

(b) That sickness benefit of appropriate amounts be paid to men and women during periods when they are prevented from earning a livelihood by reason of sickness or accident; provision to be made for the payment of this benefit to the members of friendly societies through those societies.

Disability Benefit.

(c) That disability benefits be made available for persons who cannot qualify for invalidity, sickness or sustenance benefit or State superannuation, but who are otherwise physically or mentally disabled from earning a livelihood.

Sustenance Benefits.

(d) That sustenance benefits be paid to persons who are capable of, and available for, work, but for whom work cannot be found; that the rates of benefit be 20s. plus, if married, 15s. for wife with 5s. for each dependent child, in lieu of the present rate of 4s.

Widowed Mothers' Benefits.

(e) That a social-security benefit be paid to widowed mothers at the rate of 25s. per week and 10s. per week for each dependent child; the benefit to continue until the child reaches the age of sixteen years (instead of fifteen years as at present), and, in special circumstances, until the age of eighteen years, so long as the child is still at school; this to replace the existing widow's pension of 20s. per week. Wives of inmates of mental hospitals to qualify as at present, and deserted wives with dependent children.

Widows' Benefits.

(f) That widows' benefits be payable—

- (i) At any age to a widow who has previously drawn a widowed mother's benefit and whose youngest child has reached the age at which the benefit ceased;
- (ii) To a widow who has not previously drawn a widowed mother's benefit—
 - (a) If she was widowed before age fifty and has been married for not less than fifteen years, the benefit to be payable from age fifty;
 - (b) If she has been widowed after age fifty and has been married for not less than five years the benefit to be payable from the date of commencement of widowhood.

Orphans' Benefits.

(g) That orphans' benefits be payable to relatives or guardians who have been approved as foster-parents at the rate of 15s. per week in respect of orphans under the age of sixteen years.

Family Allowance.

(h) That the family allowance be paid at the rate of 4s. per week in respect of the third and subsequent children; the maximum allowable income to be £5 per week, plus the allowance (instead of the present provision of £4 per week plus the allowance); the allowance to continue to be payable in respect of eligible children until they reach the age of sixteen years.

Miner's Phthisis.

(i) That superannuation at the rate of 30s. per week be paid to miners suffering from Miner's phthisis, with a supplementary benefit of 10s. for the wife and 10s. for each dependent child up to age sixteen; to supersede the present miner's pension of 25s. per week.

War Veterans and War Pensions.

(j) That war veterans' allowances be paid at the rate of 25s. per week for the veteran, plus 15s. per week for his dependent wife and 5s. per week for each dependent child up to the age of sixteen years, the maximum pension to be increased from £2 15s. to £3 10s. per week.

State Superannuation.

(k) That State superannuation be payable at the rate of 30s. per week on the attainment of the age of sixty years, with the qualifications set out in the present legislation; the superannuation benefit not to be reduced so long as the income of the superannuitant, if a single person, or the joint income of a married couple (in addition to superannuation) does not exceed £1 per week; this will supersede the existing old-age pension of 22s. 6d. per week.

SOCIAL - SECURITY BENEFITS.

62. At an early stage in its sittings the Committee heard evidence from the Commissioner of Pensions, who gave a general survey of the existing pension legislation. From this and from our knowledge of the trend in respect of social legislation it is beyond dispute that the citizens of this country have a fixed determination to provide so far as is reasonably possible for those who are unable to support themselves by reason of age, sickness, status, or other disability. Not only is this found to be a fact, but it is also clear that from time to time as the community has found itself able to meet the cost, the pensions provided for those who have been unfortunate have been steadily increased in order to make them as nearly sufficient as possible for the normal needs of the beneficiaries. It is quite clear to the Committee that public opinion in the Dominion requires that the normal Christian attitude of life of helping those in need, whatever the cause of their need, should be carried on into the community life, enabling the joint resources of the people to be applied for assisting in banishing distress and want.

63. While the suffering resulting from a great deal of human misfortunes is beyond real assistance the greater portion of the distress is entirely preventable by means readily within the power of the

community as a whole. Owing to the complexity of modern civilization the old pioneer spirit of mutual helpfulness, which regarded a neighbour's need as an opportunity of demonstrating friendship, has too limited an application, and without a joint community effort many would suffer, and in the past have suffered, from entirely preventable distress.

✓64. The social-security benefits proposed by the Government are a logical development of the social services that have been a feature of our legislation for many decades and represent the embodiment of the public conscience as to the community's responsibilities for those who have been deprived of the means of fending for themselves.

65. The Committee was impressed by a great deal of evidence put before it, which showed the needs which must be met and particularly the efforts which have been made by friendly societies and other voluntary organizations to share the burden falling on those whom misfortune may visit. While nothing but commendation can be given to these institutions for the remarkable work they have done in the community, it is unfortunately apparent that far too many of our citizens are entirely outside the range of their service, and nothing but a national scheme would have the strength to meet their needs. Even in the case of those witnesses who raised objection to paying a contribution unless there was a definite return, no real argument was raised against the need to make adequate provision for those whom it is proposed to benefit under the scheme.

✓66. The principles of many of the benefits proposed are already well defined and understood, and no objection whatever has been voiced to making the benefits more generous than in the past, affording to the beneficiaries a more adequate share from the abundance of the community's wealth. In no case did a witness contend that any of the benefits proposed were too generous. The Government's proposals set out eleven specific social-security benefits which we propose to deal with individually :—

✓(I) INVALIDITY BENEFITS.

67. The Pensions Amendment Act, 1936, introduced for the first time in New Zealand invalidity pensions similar in nature to those granted in most other civilized countries of the world, the rate of pension being 20s. per week for the invalid, 10s. for his wife, and 10s. for each dependent child, with a maximum benefit of £4 per week. The evidence produced showed that this pension has been the means of relieving the distress of 12,000 invalids as well as their dependants, and it is anticipated that the number will grow in future years as more people become aware of the assistance that can be obtained.

68. The Government's proposal to provide in the invalidity benefit the larger amount of 30s. for the invalid with 10s. for his wife and 10s. for each child, leaving the other conditions as they now apply to the pensions, has met with the general approval of the Committee, which is satisfied from the evidence that the payment proposed is necessary. The class covered by this benefit, which incidentally includes the blind, is one deserving of the utmost sympathy and assistance from the community, particularly as it is realized that qualification for the benefit means that the individual, so far as the medical officer can judge, can never hope to recover and fend for himself.

69. The present invalidity pension is payable at the rate of 20s. per week for the invalid from the age of sixteen years. In the case of invalids between the ages of sixteen and twenty years who would, if physically fit, earn considerably less than standard wages, we consider that the present rate of pension is adequate in comparison with the rate of 30s. per week proposed for adults. In practically every case such youthful invalids are living with their parents and have not the same economic needs as adults who may have to pay for lodging.

70. We therefore recommend that the invalidity benefit should be payable at the rate of 20s. per week for invalids between the ages of sixteen and twenty years and thereafter at the rate of 30s. weekly.

(II) SICKNESS BENEFIT.

71. The Committee was impressed by the evidence given by the representatives of the friendly societies and the New Zealand Branch of the B.M.A. and other witnesses as to the real mental and physical distress which is caused to those who fall sick owing not only to the privation resulting from the cutting-off of the ordinary income, but the fear of debt, which will have to be met when the breadwinner recovers his usual health. It was made perfectly clear to the Committee that this fear had a profound effect on the powers of recuperation of sick persons and that the provision of a sick benefit would go a long way towards meeting the need. The way has already been clearly shown by the efforts of the friendly societies, sick-benefit funds, and other voluntary organizations which have come into existence because of the need for some such provision. The Government's proposals simply develop to their logical extent the principles adopted by friendly societies and sick-benefit funds in spreading the loss of one individual over the whole period of his membership, as well as over the whole group.

72. It was indicated to the Committee that the Government desired its recommendation as to the form and amount of benefit to be granted after the Committee had had the opportunity of hearing evidence from witnesses who had experience in the administration of sick benefit. It appears that the present amount granted by friendly societies and sick-benefit funds ranges between 10s. and 30s. per week per sick member for a limited period, usually six months, the benefit being then reduced to an amount which averaged about 10s.

73. In the case of these two types of organizations the amount of benefit has been limited by financial considerations due to the comparatively small size of their membership and the small group over whom the risk was spread. In no case was it considered that the amounts now being granted by these societies were the limit to which payments should extend.

✓74. After giving very careful consideration to this question the Committee is of opinion that the benefit under the scheme should be related to the need of the individual. Sick benefit should be payable at a rate adequate to meet the temporary situation which the average sickness creates and should be paid where the income of the breadwinner is lost by inability to work.

75. We are satisfied that the service given to their members by friendly societies is a very valuable one and should not be prejudiced. We therefore recommend that the receipt of a sick benefit from a friendly society should not disqualify a sick person from receiving full benefit under the national scheme also, and, further, that friendly societies should be authorized to disburse the benefits under the national scheme to their own members.

(III) DISABILITY BENEFIT.

76. This benefit as proposed by the Government is intended to cover those persons who are physically or mentally disabled from earning a livelihood, but who cannot qualify for invalidity, sickness, or sustenance benefit or State superannuation. The class that would be covered by such a benefit is extremely wide and incapable of exact definition. At the same time the needs of individuals within this class vary so much that their cases could not be dealt with by a flat or standard rate of benefit. The relief of the distress of these people is one that calls for sympathy, understanding, and foresight, and the Committee considers that every case should be dealt with on its merits by persons with thorough qualifications. Quite apart from the relief of distress by the granting of assistance, the individuals coming within this benefit are in many cases those who have not had, for some reason or another, a fair chance of establishing themselves in the economic life of the community and who, without a special kind of assistance, will have very little chance in the future. Very striking evidence of this was given by the witnesses representing the Soldiers' Civil Re-establishment League and by the Director of the State Placement Service. They showed to the Committee what achievements are possible by the carrying-out of an intelligent and sympathetic plan for rehabilitation. This is so important a factor in the opinion of the Committee that it recommends that, where necessary, individuals applying for disability benefit should be examined by a Board of specialists in psychology, medicine, and social welfare, who would direct the form of assistance to be given whether by way of individual training or the affording of special opportunities, as well as monetary or other assistance. The amount suggested in the Government's proposals for this type of benefit is £500,000, and in view of the impossibility of determining from the evidence available what such a scheme will cost, the Committee recommends that this sum be allocated to the new Social Security Department for the first year and that the amount to be expended should be revised and budgeted for in the future in the light of the experience that will be gained.

(IV) SUSTENANCE.

77. Sustenance rates of payment have been very considerably increased, and in many cases practically doubled during the last two years and a half, so that the unemployed are at present receiving treatment which compares favourably with that of other recipients of benefit. In order, however, to bring their payments more into line with others under the scheme it is suggested that the amount payable for dependent children should be increased from 4s. to 5s., making the rate of benefit 20s. for an individual plus 15s. for his wife and 5s. for each dependent child under the age of sixteen in the case of married men. At the present time it appears that some eight thousand men are in receipt of sustenance who would not qualify under a strict interpretation of the qualification that applicants should be fit and available for work but genuinely unemployed.

Owing to various disabilities, this group of men are unable to earn their own living, and they have been placed on sustenance because no other assistance was available and they could not be allowed to starve. These men who are not fit for employment will be transferred to the classes receiving superannuation, sickness benefit, and disability benefit, thus leaving a class of sustenance recipients who are available for employment in every way, but unable for the time being to find it.

78. The Committee recommends to the Government that the rate proposed as set out above should be adopted and that qualification for sustenance benefits should be strictly limited to men who are physically and mentally capable of work when it is available. In the present economic condition of the Dominion sustenance will be required only by a changing group who are suffering temporary unemployment owing to the casual nature of their work and by reason of a change from one form or branch of industry to another.

(V) WIDOWED MOTHERS' BENEFITS.

79. The widow's pension now covered by the Pensions Act, 1926, has been a feature of New Zealand legislation for a number of years, and the principle of giving assistance to widows with dependent children is universally accepted throughout the Dominion. The rate of benefit was increased in 1936 to £1 per week for the widow and 10s. per week for each dependent child. On careful consideration of this benefit the Committee is satisfied that the proposal of the Government to make the benefit 10s. per week for each child plus 25s. per week for the widow, subject to the existing limitations, and to continue the benefit until the youngest child reaches the age of sixteen years and, in special circumstances, until the age of eighteen years so long as the child is still at school, is amply justified and recommends in this direction. The 1936 legislation extends the benefit to wives of inmates of mental hospitals and deserted wives who have dependent children under the age of fifteen years, and the Committee recommends that these classes should receive the benefit of the new proposals.

(VI) WIDOWS' BENEFITS.

80. The evidence of a number of witnesses, particularly those representing the Society for the Protection of Women and Children, made it very clear that there is a great deal of distress and need among childless widows or widows whose children have reached the age at which the previous pension ceases. These women, until they have reached the age to qualify for old-age pension, have in the past had no source of assistance except by resort to charitable aid.

In order to give relief to women who fall into this class the Government has proposed that a pension at the rate of 20s. per week with an allowable income of a further 20s. per week should be granted to two classes of widows without dependent children :—

- (a) Those who have previously drawn the widowed mothers' benefit set out in paragraph 79 from the time when the widowed mothers' benefit ceases on the attainment of the maximum age by the youngest child.
- (b) In the case of a widow who had not previously drawn the widowed mothers' benefit, from the age of fifty years if she was widowed before reaching the age of fifty years and her marriage had continued for not less than fifteen years, or if she was widowed after the age of fifty years and had been married for not less than five years, the benefit to be payable from the date when widowhood commenced or the date of commencement of the Scheme.

81. The Committee agrees that the Government's proposal will very largely meet the need of such widows and will relieve a great deal of present distress and suffering.

82. In the case, however, of the widow whose husband dies before she reaches the age of fifty years, there will be a certain number who have been married for less than fifteen years, but long enough to be unable to re-establish themselves in industry or unlikely to remarry, and some hardship may be caused if these were all unable to qualify for benefit.

83. The Committee therefore recommends for the consideration of the Government that regard might be had to the possibility of granting this pension to widows whose marriage had continued for less than fifteen years and to postpone the pension by six months for each year that duration of marriage fell short of fifteen years. The effect of this would be that a woman whose marriage had lasted for thirteen years would receive the pension from age fifty-one, and so on.

84. In the case mentioned under (a) the Committee recognizes that the Government desires to assist those women who have given the best years of their lives to the bringing-up of a family, particularly an arduous task for a widow, and are then left without means when the youngest child reaches sixteen years. Cases have, however, been brought to the notice of the Committee which indicate that unless this qualification were carefully drafted the pension may be granted to some women who would have just as good an opportunity of re-establishment in industrial life as single women. It is suggested that in order to conserve the money available for social-security benefits for those whose need is real and urgent some further qualification should be made. The Committee in this case recommends that the benefit under clause (a) should be paid in those cases where the aggregate duration of the marriage and of the period during which widowed mother's benefit was payable is not less than fifteen years.

ORPHANS' BENEFITS.

85. The proposal that orphans' benefits should be paid is intended to rectify the anomaly in the present legislation which makes no provision for orphan children whose mother died first, although a pension is provided for orphans whose mothers were in receipt of a widow's pension, and this proposal has the hearty commendation of the Committee.

86. At the present time, however, endeavour is made through the Child Welfare Department to have such children boarded out with foster-parents who will give the children a home to replace that which they have lost. The evidence submitted to the Committee was all emphatically in favour of this proposal, and we have no hesitation in recommending that the benefit proposed by the Government of 15s. per week payable to approved foster-parents should be adopted. There are no statistics available to indicate the financial means of orphans, although there is no doubt that in many cases children are possessed of estates of varying values. Having regard to the disability which these children suffer in having no natural parents, we think that a reasonable amount of capital should be safeguarded for them to give them a start in life some time after they reach the age of sixteen years.

87. If, however, some income is available towards the maintenance of such children we think that this might reasonably be applied in reduction of the benefit proposed, as 15s. would appear to be an adequate amount for the maintenance of a young child in the average home.

88. We therefore recommend that no account should be taken of capital up to the amount of £500, provided that it is adequately safeguarded for the benefit of the child, and that income payable in respect of the child from any outside source should be applied in reduction of the benefit.

FAMILY ALLOWANCES.

89. The present basic rates of wages have been fixed on the basis of a man, wife, and three children, and the Committee was informed that the average wages paid to male factory workers is £4 8s. 9d.

90. It is clear that in many trades where time is lost owing to wet weather or broken periods of employment the average wage received will be less than this amount, and it is obvious that many families, where there are more than two children, are receiving an amount inadequate to provide for the real needs of the family.

91. The institution of the family allowance was due to the need of assisting large families on low incomes and also to mark the intention of the community to assist those who were providing the future citizens of the Dominion. At the present time the rate is restricted to 2s. for the third and for subsequent children where the family income does not exceed £4 a week plus the allowance. The effect of this restriction to £4 a week is that only the very lowest-paid workers in the community receive the benefit, whereas a very large number of wage-earners whose children are also assets of the community are unable to supply to those children their full material needs. Undoubtedly this circumstance has contributed to the restriction of the size of families and consequently a loss of

children who would be valuable assets to the Dominion. In spite of the large amount involved, in itself evidence of the size of the group which would benefit from this allowance, the Committee has no hesitation in recommending the adoption of the Government's proposal to increase the rate of allowance to 4s. in respect of the third and subsequent children, and to fix a maximum allowable income of £5 per week, plus the amount of the allowance.

MINER'S PHTHISIS.

92. All parties who gave evidence before the Committee were agreed that men who were suffering from this dread disease, and their wives who had to care for them, were deserving of the utmost sympathy and assistance from the community. At the present time the rate of pension is 25s. per week, and the Committee is glad to take the opportunity of recommending the acceptance of the Government's proposal that this benefit should be increased to 30s. per week with the supplementary benefit, as at present, of 10s. for a wife and 10s. for each dependent child up to the age of sixteen years.

WAR VETERANS AND WAR PENSIONS.

93. The Committee had the advantage of hearing very fully and carefully prepared evidence from the New Zealand Returned Soldiers' Association and representations from other bodies of returned soldiers. It was recognized on all sides that the present allowance by way of war-disability pension is entirely satisfactory to the returned soldiers, and, in fact, they ask that there should be no interference with the present provision. In the case, however, of the war veteran's allowance, the Returned Soldiers' Association made representations to the Government some time ago for an increase in the amount payable, and the Government's proposals are somewhat in excess of the amount then asked for. The association, however, recently reconsidered the question and has asked for a further increase, and also for an increase in the amount payable by way of economic pension to war-disabled pensioners.

94. The Committee has given serious consideration to these pensions, recognizing as it does that the community intend that the very best assistance possible should be given to the men who sacrificed their health during the Great War.

95. When the cuts made in pensions were restored in 1936 the Government acceded to the request of the returned soldiers to increase the widow's pension, the restoration of the economic pension being left in abeyance with the consent of the returned soldiers, and this was made clear in the evidence. The association, however, now asks that the economic pension should be fully restored to bring it into line with other pensions, particularly mentioning the invalidity benefit suggested in the Government's proposals.

96. The Committee fully appreciates the circumstances described in the evidence of the representatives of the Returned Soldiers' Association, and recommends to the careful consideration of the Government the possibility of increasing the economic pension to 30s. per week, leaving the allowance of 20s. for wives and 10s. for each child as at present.

97. At the present time war veterans' allowances are paid to men who do not qualify for economic pension, but who are medically certified as being unfit for permanent work. It was found from evidence supplied by the Pensions Department that in several cases men in receipt of the war veterans' allowance had also been granted sustenance to a limited extent in order to meet cases of real need. In view of the existence of this need, and the particular desirability that there should be no duplication of benefits under the national scheme, the Committee considers that some effort should be made to place the men in the war veterans' class on a more definite footing so that it should not be necessary for them to apply for sustenance. The real reason for the need of war veterans' allowances is the fact that these men have been impaired in health by their war service and their expectation of life has been reduced. Although medically unfit, they are unable to show either a degree of disability qualifying them for an economic pension or are unable to obtain a definite medical certificate that their present disability is due to war service, but they are in the same position in some respects as those who are receiving the economic pension. Bearing these facts in mind the Committee therefore recommends that the proposals of the Government be adopted as the basic rate for the war veterans' allowance, and the War Pensions Board be empowered under special circumstances to increase the rate for the veterans to 30s. per week and the wife of the veteran to 20s. per week. The maximum allowance should be £3 10s., and the veteran should have the right to receive 20s. additional earnings without suffering a reduction of the allowance.

STATE SUPERANNUATION.

98. A very considerable volume of evidence was tendered to the Committee by representatives of persons who contribute to the Government or local-body or private superannuation funds, and by persons already retired on superannuation. The Committee was surprised to find the widespread misunderstanding of the Government's proposals displayed by many of these representatives, and a considerable portion of the time taken during the hearing of their evidence was devoted to an explanation of the actual terms of the proposals.

99. The most general misconception was that the proposal to require a contribution of 1s. in the pound on salary, wages, and other income was intended to finance nothing but the proposed State superannuation benefit. During discussions, however, the representatives of these contributors invariably agreed that provision should be made by the State on behalf of its citizens for the persons covered in all the benefits enumerated under the proposals. No objection was raised to the present old-age pension, nor to the suggestion that it should be increased to an amount which the witnesses agreed was not unduly generous.

100. The members of the Committee were at pains to point out to these witnesses that there was no distinction between the superannuation benefits and the other benefits proposed under the scheme. Each one is a social security benefit, which term implies that the community as a whole insures its individual members against part of the financial loss resulting from permanent invalidity, unemployment, widowhood, orphanhood, sickness, disability, and, in the case of superannuation, the attainment of old age without sufficient means of livelihood.

101. The opinion in the minds of some of the witnesses was less understandable when it was found that many of the superannuation funds represented made provision for no more than an endowment or a cash payment, at the end of the term of service, so that on retirement the employee's income was subject to all the usual risks attending private investment. In one case at least the employee lost the whole of his personal contributions if he left the service of the employer before reaching retiring-age. It was clear also that the contribution to many of these funds, with their restrictive rights of return of contributions, was a real tie and prevented many employees from taking advantage of opportunities to improve their position in outside firms. It was a striking feature of practically all these funds that they make no provisions for widows and children in the event of the early decease of the contributor.

102. The Committee, in this regard, was concerned to ascertain the cost to an individual who desired to make provision himself for an annuity equal in amount to State superannuation as proposed by the Government—namely, 30s. per week at age sixty. The following table sets out the premium, as given in evidence, according to the present age of the contributor, and allowing for all bonuses, discounts, or other indirect credits:—

Ordinary Deferred Life Annuities.—Approximate Weekly Contributions required to produce 30s. per Week from Age Sixty.

Age last Birthday.	With Return of Contributions in the event of Prior Death.	Without Return of Contributions in the event of Prior Death.
MALE LIVES.		
	s. d.	s. d.
20	4 3	3 11
30	7 3	6 4
40	13 3	11 9
FEMALE LIVES.		
20	5 0	4 9
30	8 3	7 8
40	15 0	14 2

103. The objections raised by some of the witnesses were very confused, but the evidence given on behalf of the bank officers is illuminating. In reply to a question by the Prime Minister, Mr. Evans, eminent counsel retained by the associated banks, replied that if superannuation were treated as a thing apart his submission was that only those who benefit should contribute. As far as other services were concerned, he submitted that taxation was the proper basis for them.

104. These witnesses were united in agreeing that it was entirely right that the whole community should bear the cost of providing old-age pensions, and it is clear that if provision had been made by way of an increase of the old-age pension at the cost of the Consolidated Fund, paid for by general taxation, they would have had no objection on principle.

105. It was pointed out by members of the Committee that the social-security contribution of 1s. in the pound represented only an increase of 4d. in the pound over the present rate of employment tax. The 1s. was estimated by the Actuary to produce the sum of £7,500,000 in the year 1939-40. Out of this amount the following entirely new benefits or increases over existing benefits are to be provided under the Government's proposals, leaving superannuation out of account altogether.

106. We quote the figures furnished by the Actuary:—

	£	
Widowed mothers	130,000	(additional).
Widows	150,000	(new).
Orphans	50,000	(new).
Family allowances	620,000	(additional).
Invalidity pensions	300,000	(additional).
War veterans' allowances	40,000	(additional).
Miners' pensions	15,000	(additional).
Health benefits	3,000,000	(new).
Sickness benefits	1,000,000	(new).
Disability benefit	500,000	(new).
Administration	450,000	(additional).
	£6,555,000	
Add sustenance now covered by the 8d. in the pound ..	1,500,000	
	£8,055,000	

107. From these figures it is clear that there is no justification for regarding any particular portion either of the 1s. in the pound contribution or, for that matter, of the subsidy from the Consolidated Fund as earmarked or allocated for any particular benefit. The scheme is in the nature of an insurance cover against disaster, exactly on all fours with fire and accident insurance which every prudent citizen undertakes as a matter of course, hoping, nevertheless, that he will not be so unfortunate as to have to make a claim for a cash return.

108. The Committee recognizes that if it were possible to grant a benefit of a like amount to every person in the community that would undoubtedly have some desirable effects. Where, however, the money available is limited and the needs of some are so great as to require the application of all that money, leaving nothing for those who are otherwise adequately provided for, it seems that no civilized community need make any apology for applying the money in the way suggested under the Government's proposals.

109. The most careful consideration has been given to the representations of the witnesses on the subject of this benefit, but after due deliberation the Committee is unable to appreciate how the suggestions made by these witnesses could be carried into effect without either increasing the amount to be taken from the public by way of contributions or taxation, or by reducing the benefits proposed to those whose need is the whole reason for the scheme.

110. The witnesses suggested that those they represent should be exempt from contribution for some or all of the benefits, which would throw the whole of the cost on to the remainder. In the alternative they asked that they should receive a benefit at the same rate as anybody else, irrespective of their need. The latter course would increase the total cost so greatly as to double the cost of superannuation benefits alone.

111. Under the proposals superannuation for a man and his wife when they are over the age of sixty years would be £3 per week and other allowable income of £1 would enable them to receive up to £4 per week. Figures are not available from private funds, but we found that in the case of the Government Railways Superannuation Fund not less than 1,635 (70 per cent.) of the present superannuitants, numbering in all 2,331 (and most of them are married), were receiving superannuation of less than £4 per week, and 1,010 (43 per cent.) of them are receiving under £150 per annum or £2 18s. per week. In the Public Service Superannuation Fund, which now has 1,979 males on superannuation, 1,023, or 51 per cent., receive less than £4 per week, and 583, or 29 per cent., have superannuation of under £150 per annum. The vast majority of these have no other income, and they would therefore, if otherwise eligible, become entitled to State superannuation from the national scheme to supplement their present income up to the maximum of £4 per week. This fact appears to have been entirely overlooked by most of the witnesses.

RECOMMENDATIONS.

112. The Committee, therefore, after giving due weight to the representations made, finds itself in accord with the proposals of the Government in regard to superannuation, and recommends that these proposals should be adopted.

113. Recognizing, however, the desirability of providing universal superannuation without regard to other income or property, we recommend that immediately the procedure for the social-security proposals has been instituted, the Government should consider the extension of the scheme to provide a gradual increase in allowable income until universal superannuation is realized.

WIVES UNDER SIXTY YEARS OF AGE.

114. We have looked further into the position of those married men who are older than their wives and who would qualify for superannuation for themselves some years before their wives did so. The majority of men will scorn to retire from work at the age of sixty, and there is nothing in the proposals to prevent them from working as long as they desire. Where, however, reduced capacity compels a man to retire at sixty, a hardship may be caused if his wife is under sixty and only 30s. can be paid. To meet these cases the Committee recommends that the Government should consider favourably the practicability of making some provision for the wives and children of such men if a medical certificate shows the breadwinner is unable reasonably to maintain his place in industry owing to failure of physical and mental powers of a permanent nature.

PART III.—FINANCE.

115. The Government in its proposals has suggested that the cost of the scheme should be borne by a contribution of 1s. in the pound on all salary, wages, and other income, a registration levy of £1 per head per annum, and a subsidy from the Consolidated Fund to meet the difference between the produce of the contributions and levy and the total cost.

116. In his report placed before the Committee the Actuary estimated that the total cost of the benefits under the Government's proposals, including administration expenses, would be £17,850,000. The national income on which contributions would be levied was estimated in 1939-40 at £150,000,000 yielding a return from contributions of £7,500,000, to which would be added the produce of the registration levy on the present basis—namely, £500,000. This calculation would leave a sum of

£9,850,000 to be found from the Consolidated Fund, an increase of £2,355,000 over the expenditure on present social services estimated to amount to £7,495,000 at the close of the financial year in 1938-39.

✓117. In effect, the total cost of the scheme is divided more or less equally between the Consolidated Fund and contributions plus levy. This division preserves in some measure the principle originally adopted in 1930 in respect of the relief of unemployment whereby the amount raised by the special unemployment tax was subsidized out of the Consolidated Fund. In the later years, however, it was found that the Consolidated Fund was unable to make a contribution towards the relief of unemployment, and the whole of the expenditure for that purpose has been met by the unemployment tax, which consequently was gradually increased to 1s. in the pound and then reduced to 8d.

118. The principle of social security insurance is one that is well established throughout the world, and practically every scheme in Europe and America has as its basis the payment of a premium by way of contribution from the beneficiary. This principle was readily accepted by the citizens of this Dominion in respect of unemployment, and contributions have been paid by vast numbers of citizens who, while covered against the risk, were most unlikely to be placed in the position of claiming benefits. A perusal of the schemes in operation in most of the countries overseas indicates that a flat contribution, with no variation according to the amount of wages or other income, is the course most generally adopted. This has the effect of throwing a greater proportionate burden on the low-income group, and, owing to the necessity for keeping the amount of contribution within the means of that group, the total funds so raised are necessarily restricted. The inevitable result is to keep the benefits made available down to extremely low amounts in many cases, and certainly well below the amounts which the citizens of this country regard as the minimum requirements of persons who would qualify for such benefits. In many countries the expedient has been adopted of levying a contribution on the employer, who, in effect, is required to subsidize payments by his employees. While there is no doubt that industry should bear its share in providing for those who are unable to fend for themselves, the Committee considers that the proposed method of levying the contribution assessed on a percentage of the income of every individual, augmented by a State subsidy which is found by general taxation, is a much more efficient and a much fairer way of raising the necessary funds.

✓ 119. In addition, the method proposed ensures to the community a direct voice in the future development of social security. As public opinion requires further provision to be made for those who suffer from the contingencies of life, so it will balance the provision to be made against the necessary charge on the national income with a sense of responsibility and control that would not be present were the cost to be met from the Consolidated Fund. The Committee is therefore satisfied that the method of finance proposed by the Government is a sound one.

NATIONAL PRODUCTION.

120. A certain amount of evidence was tendered to the Committee, the effect of which was an endeavour to create the impression that the cost of the scheme would be beyond the resources of the Dominion.

✓ 121. It was obviously overlooked by many of the witnesses that the effect of the scheme is simply to provide a more equitable distribution of the national income. No part whatever of the expenditure under the scheme will cease to be available for consumption of foods available in the Dominion's markets. On the contrary, the Committee feels certain that the effect of such redistribution will be a definite stimulus to production in the Dominion, particularly for those goods which the Dominion itself produces, and should tend to cause the expansion of the primary and secondary production of the Dominion. On the question of the total amount required now and up to the next forty years, a great deal of speculation was indulged in, almost the whole of which was based on an assumption that production would remain more or less static at the present figures. One point stressed by witnesses was that the Dominion is emerging from the undeveloped stage and that it could not reasonably be expected that progress would be as rapid in the future as it has been in the past. We were interested, however, to observe that in the United Kingdom from the year 1890, at which time England could certainly not be called undeveloped, whether as a primary producer or industrially, the national revenue from taxation increased from approximately £80,000,000 to over £800,000,000 in 1937-38. Her own exports during that period grew from £247,000,000 to £441,000,000 and her imports from £435,000,000 to £848,000,000. The national income grew between 1907 and 1935 from £2,038,000,000 to £4,926,000,000. Such an increase could only have been made possible by a relative increase in the production of the country, coupled with the fact that any increase in the rate of taxation was accompanied by redistribution of the national income, which represented no loss whatever to the community.

✓ 122. We are confident on the evidence of past years that it is within the capacity of the Dominion to extend production sufficiently to carry out the scheme, and we believe that it may well be found that it has made a large contribution towards a more rapid development of the country. The Committee therefore recommends that the Government's proposals for the financing of the scheme should be adopted.

COMMENCEMENT OF SCHEME.

123. The Committee is in agreement with the proposal that benefits should be made available, and contributions should become payable as from the 1st April, 1939, and recommends that the necessary departmental machinery be set up to enable this to be done.

ADMINISTRATION.

124. We recommend that a new Department of State be created, to be known as the Social Security Department, to administer the benefits proposed, the technical supervision of the health services remaining under the Health and Mental Hospitals Departments. The Social Security Department should be created by the amalgamation of the whole of the Pensions Department and that part of the Employment Promotion Branch of the Department of Labour at present dealing with sustenance and other relief.

A. H. NORDMEYER, Chairman.

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