Mr. Morgan refers to the fact that the British system is the "straight pension." They have had that system for a long number of years and for just about the same number of years have the employees been protesting against it. The Governments were always satisfied with it just as the officials of the U. S. Steel Corporation are satisfied with their scheme. But the employees have been far from satisfied. They have always maintained that their salaries were far lower than they ought to have been, so that those who retired from the service before superannuation or who died in the service, got no adequate return for the loss of salary. One of the strong arguments advanced for the "straight pension" is that salaries may be maintained at a lower level than otherwise and still retain an efficient staff. This is very true, but in the case of a civil service at least, the "straight pension" goes further in this direction than is desirable. It is seldom that a pension fund is established or that the annual addition to liability on account of prospective pensions is calculated.

By the time the service attains a fairly stationary condition, the outgo for pensions becomes a very high percentage of the pay roll. For benefits equal to those under our old schemes the outgo would probably be not less than twenty per cent. of salary outgo. Consequently, if it were absolutely proved that salaries were twenty per cent. below what they ought to be in comparison with salaries in the commercial world, the answer would be that civil servants were getting the other twenty per cent. in form of pension, whereas the real cost would perhaps not be more than seven per cent. The real cost of a pension scheme in relation to salaries is the percentage of salaries which must be set aside annually and accumulated at compound interest to meet the maturing pensions, and not the percentage of outgo to salary payments.

Again, a straight pension ties an employee too closely to his position. There is less excuse for this in the service than in industrial corporations; and it is less necessary. Perhaps nearly seventy-five per cent. of Government employees after, say, ten years' of service would find it exceedingly difficult to make a living in the outside world. He has lost touch with affairs. All his training has been in the performance of duties of value only to a government. In this the civil servant is not peculiar. How many professional men after ten years of practice can successfully take up another career? A very small percentage. The case, however, is different with industrial corporations or with banks. A railway employee can readily transfer to another railway and surely no railroad wishes to train men in order that they may be picked up by other roads. They cannot be blamed if they get as firm a hold on them as possible. But a government is not in the labour market in competition with other governments, and only to a very limited extent with other employees of labour. Therefore considering the natural hold, in any event, they have on their employees it does not seem desirable that they should bind them hand and foot, however, necessary it may be for other employees. The gain for the government in so doing would in no way be commensurate with the loss, due to the irritation which would necessarily be produced by binding hand and foot an employee, perhaps very unhappy in his position due to peculiar circumstances.

Thus, being at one with neither Mr. Morgan nor Mr. Jordan, it may be well to outline a scheme—which, so far as indications go, would be fairly acceptable to civil servants in Canada.

(1) The scheme should provide a superannuation allowance on attaining a reasonably old age, as say 65, which, while depending on