

Civil Service Superannuation in Great Britain.

An analysis and criticism in concise form.

One of the most educative and serviceable volumes ever issued on the superannuation question is a report recently prepared by Mr. Herbert D. Brown, under the direction of the United States Commissioner of Labour, which deals in considerable detail with the experience of the British government with superannuation systems. Great Britain is acknowledged to be the parent of superannuation and an analysis of her experiences are essential to an appreciation of the present situation in Canada. Mr. Brown draws a number of important conclusions from his study, of which the following are excerpts:

"The conclusions to be drawn from Great Britain's century of experience in pensioning its civil employees are very definite. That experience shows that pensions paid out of the public treasury as gratuities are certain to be taken into account in fixing salaries, and a pension system thus becomes in effect a contributory system. . . . It is in recognition of the reluctance of human nature to give something for nothing,—shown first by the officers of the government in taking the pension into account in fixing salaries and next by the employees in their unwillingness to forfeit their contributions under any circumstances—that the pension system in England was modified by the act of September 20, 1909. . . .

"In this last act the government puts a legal stamp on the superannuation scheme of England as a contributory plan and not a pension system at all. . . .

"The general impression among people of the United States is that Great Britain had first a contributory plan of retirement which was found unsatisfactory and which was abandoned in 1859 for a straight pension that has proved eminently satisfactory. . . . The objections to the contributory system were based on the inadequacy of salaries to bear deductions and the faults in the details of the scheme, particularly the lack of provision for returning contributions in case of death or resignation and the failure to fund the contribution and keep the employees' account with the government separate from all others.

"It seems reasonable to suppose that the pension system which succeeded this contributory plan would have been popular with the employees themselves, if not with the country. Doubtless it was for a short time

in the beginning. The evidence shows, however, that the employees soon ceased to regard the pension as a pure gratuity and came to consider it as a benefit paid for by themselves out of reductions in salaries and subject to large chances of forfeiture through death or resignation, since statistics showed that not more than one out of seven entrants into the service remained to the pensionable age. Of about 100,000 in the service in 1902, approximately 70,000 were members of the Deferred Pay Committee and claimed that pensions were deferred pay.

"This large body of employees held in the second place that the amount withheld from their salaries for the payment of pensions was more than necessary for the purpose. . . .

"The English pension system is, therefore, not a free and absolute system of gratuities at all, but a system of theoretical contributions from the employees' salaries, more or less adequate to pay the benefits given. Whatever it may have been in the beginning, that is what it has become through the policy—a policy sure to develop under a system of gratuities, human nature being what it is—of taking the pension into consideration in fixing salaries.

"The first lesson for other countries seeking light from the history of English superannuation schemes, is therefore, this:

"The logical plan to adopt is a contributory plan, since the pension system is certain to be treated as a contributory system, and since a pension system is far more costly. It is better, then, to adopt a contributory plan in the beginning, worked out on scientific lines, with a definite relationship between contributions and benefits to make it equitable as between all classes of employees, rather than a pension in the beginning, and finally a patched-up arrangement, the fairness of which is open to question. . . .

"Other valuable lessons may be learned from Great Britain's experience in retiring civil employees. It has been shown that not all contributory plans are good. To be satisfactory, a contributory plan must be based on certain fundamental principles:

"The contributions should be placed in a fund and invested at interest under guarantee of the government, a separate account being kept with each contributor. Failure to fund the contributions of the employees under the plan of 1834 led to unnecessary misapprehension and discontent. . . .

"The amount of contributions should be determined by the amount of the annuity to be granted under the pension scale adopted. The annuity should be based upon the amount of salary and the length of service, which latter, in turn, depends largely upon the age at entrance into the service. The