

MAY 3, 1939

Dear Mr Hardy,

Many thanks for your encouraging letter.

In answer to your question, I believe, under French law, the responsibility lies with the employer to become a member of an equalization pool, and that his doing so gives all employees, or at least all in certain categories, the right to family allowances. The working of the pool is very simple: the employer pays the allowance to his men with their wages at rates fixed by the pool as a whole. The pool credits him with the amount of these payments and debits him with an amount which is often reckoned as a fixed percentage of his total wage payments other than allowances. Sometimes, I believe, the basis of computation is the total number of employees, rather than the total wages paid, but this makes little difference, and indeed the payments made to or from the pool are generally quite small, since most employers pay approximately their fair share of allowances, and would only do otherwise if, for some reason, they were employing an unusually large proportion of young or of

middle-aged men.

The great point gained by these pools is that, from the employers' standpoint, he is merely buying labour of different grades according to the needs of his business, and has no economic inducement either to sack or to promote a man with a lot of children, if he would not otherwise be inclined to do so. From the point of view of the employee, the system tends to give, not a fixed money payment, but a fixed standard of living in return for work of given quality. Society as a whole gets the advantage of making reasonable provision for the depreciation and the replacement of its essential working parts.

The greater part of the benefit lies in the distribution of income over the lifetime of the same individual, although the system also works by increasing the standard of living and purchasing power of parents against non-parents. Thus to a young unmarried man a deduction to provide for family allowances is analogous to a deduction for life insurance or superannuation benefit, and indeed concerns a rather less remote contingency. The chief obstacle to establishing a comprehensive system in any group at one step is the existence of elderly men, who have already set their families afloat without the aid of allowances, and who would justly complain if required to submit to a deduction from which

they could not benefit. One method, which is perhaps worth thinking of, of handling the transition would be to allow men to vote themselves into the scheme by age groups, though it would not be, in any case, unfair to require new entrants and men under 30 to join the scheme at once.

As the system has developed in France, with different pools for different industries, there is a rough correspondence between the amounts of the allowances and the basic wages earned, so that the allowances are greater among those groups who do, in fact, spend more on their children. In its introduction into this country, there is some danger that its aspect as a kind of Public Assistance may lead, as it has done with the few firms who give allowances, to a flat rate up to a maximum wage of £5 or £6 a week. Such firms ought certainly to establish contributory schemes for their better paid employees, and in a contributory scheme it is obviously just to take account of the fact that a family share the standard of living of their parents, and that to equalize the position of parent and non-parents at £600 a year requires about twice the allowance that is needed to equalize it at £300 a year. In fact, without proportionate contributions and proportionate benefits, such as are customary with superannuation, any number of economic anomalies are bound to be produced, analogous to the really disgraceful fact that unemployed men with large families now have to

have their childrens' allowances docted, in order partially to obliterate the fact that they are better off out of work than they would be ~~in~~ full employment.

As regards the staffs of schools, I suppose the matter might usefully be discussed at the Headmasters' Conference, or within a smaller group having greater economic uniformity; but do you not think also the schools could do something to undermine the greatest obstacle to reform, namely, the widespread ignorance of the existence of the problem and of the possibility of a really well-designed solution? The topic seems to provide a useful introduction to a whole network of social problems, and has the special merit that immensely beneficial changes have been brought about abroad, not by State action and at State expense, but by the intelligent and public-spirited cooperation of groups concerned with their own business.

Yours sincerely,