

No. 54 March 2014

Part of New Zealand's Pensions Past: the 1898 Old Age Pension*

By Michael Littlewood[†]

In summary

New Zealand was an early adopter of non-contributory pensions for the elderly. The pension started in 1898, but was payable only once a long list of conditions had been satisfied. This article looks at those conditions in their historical context.

An article from *Papers Past*

I was researching an old Auckland family and found a newspaper item from *Papers Past*¹ that mentioned my great-great-grandfather. Here is the item in full from *The Auckland Star* of 17 May 1900:

"PAPAKURA At Papakura, Captain Jackson, S.M. on Tuesday renewed pensions for the year ending March 1901, as follows: John Paton, £14; Grace Paton, £18; George Hoye, £18; Mary Fitzgerald, £18; Thomas Quinn, £18; Christina McDonald, £18; John Stanley Martin, £8; Francis Creighton, £18; Marion McEwen, £18. New claims granted: Anthony Wales Scoffield, £18; William Kerr £18."

Given my interest in New Zealand's state pension arrangements (now called "New Zealand Superannuation"), the article raised several items of interest:

- In 2011 terms, the full 1900 pension of £18 a year (about one-third of the 1900 average wage) is the equivalent of NZ\$3,190 a year². New Zealand Superannuation for a single person, living alone (as was my ancestor) is currently NZ\$20,235 a year before tax (about 43 per cent of the current average wage).
- Not all the pensions in the newspaper article were of the same annual amount.
- A component of entitlement to the age pension was that the applicant had to be of good character. The involvement of the Stipendiary Magistrate (SM) Captain Jackson was part of that process. Already qualified applicants had to renew their pensions regularly.
- The fact that the findings were published in the newspaper is also of interest.

The 1898 pension

New Zealand had one of the early public pensions in the world. Germany was first, with a contributions-based pension in 1885, followed by Iceland in 1890 and Denmark in 1891 (Kuhnle & Sander, 2010)³. Introduced by Richard Seddon's Liberal government following the "Long Depression" of the 1880s and 1890s, the New Zealand scheme started on 1 November 1898. The preamble to the 1898 act states:

* This article is a modified version of a Retirement Policy and Research Centre *PensionBriefing* that was first published on 14 February 2012. The original publication is [here](#).

[†] Co-director, Retirement Policy and Research Centre, University of Auckland.

¹ Accessible at <http://paperspast.natlib.govt.nz/cgi-bin/paperspast>

² Using the Reserve Bank's CPI inflation calculator [here](#).

³ It took the United Kingdom another ten years to introduce a less generous equivalent in 1908. New South Wales' means-tested Old-aged pension of £26 a year also started in 1908 and was followed by an Australia-wide version in 1909 on similar terms.

months before applying. Another exception allowed seamen to include periods of employment on a New Zealand-registered ship as long as his home was in New Zealand.

Satisfying the qualifying conditions

There was a long list of other qualifying conditions, including:

- He must not in the preceding twelve years have been imprisoned for four months or on four occasions for an offence punishable by twelve months' imprisonment.
- He must not during the preceding 25 years have been imprisoned for five years for any offence.
- He must not at any time have deserted his wife and children (a 1902 amendment replaced "at any time" with "during the last 12 years").
- He must have lived a sober and reputable life during the past five years.
- His yearly income must not reach £52⁵.
- The net value of his accumulated property must not be £270⁶ or over.
- He must not have deprived himself of property or income to qualify for a pension.

(Archives New Zealand, 2009)

Despite the use of "he", both sexes were potentially entitled, so that a couple's maximum possible pension was £36 a year.

The income test started at £34 and the pension was reduced by 100 per cent of excess "other income", so that, if yearly income exceeded £52, there was no state pension. For assets, the threshold was just £50 and the pension reduced by £1 for every £15 above that. With "net assets" (after the initial allowance) of £270 or more, again, there was no pension. These seem to have been accumulated tests; in other words, the reduction could occur because of either or both conditions.

The tests created difficulties for Maori claimants because of the requirement for evidence of age⁷ and the problems with shared ownership of land held under customary title. In practice, this meant that claimants had to rely on the magistrate's discretion to grant a pension. The 1898 Act was specific on this issue. Section 66 stated, for example with respect to property:

66. In determining the claim of any aboriginal native, in so far as the same may be affected by rights or property held or enjoyed otherwise than under defined legal title, the Stipendiary Magistrate shall be guided by the following rules:

....In respect of "accumulated property", the interest in land or other property held or enjoyed under Native custom, or in any way other than by defined legal title, shall be assessed and determined by the Stipendiary Magistrate in [such manner as the Stipendiary Magistrate shall in his discretion consider proper], with a view of arriving as nearly as may be at a decision as to the net capital value thereof for the purposes of this Act, and the decision of the Stipendiary Magistrate shall be final.

During its early years, the pension was granted "...relatively freely—and interestingly—more freely to Maori than to non-Maori." (Thomson, 1998, p.162)

However, there was some later official alarm at the number of Maori who were awarded the pension, with some seeing them as somehow less deserving of the full amount. The fact that decisions on entitlements were made by

⁵ The 2011 equivalent of that 1900 income is NZ\$9,151 a year.

⁶ With an initial allowance of £50, this meant, in fact total assets of £320. The 2011 equivalent of those 1900 assets is NZ\$56,300.

⁷ My father Harry Littlewood was a sole-charge teacher at Tawata, a remote settlement on the banks of the Wanganui River in the 1930s. In 1994, he was approached by a Maori lady who had started school at the age of five when he was there. Harry Littlewood could not certify when she was born (she had not been registered at birth) but was able to remember which year she started school. So she had supporting evidence for her age and thus to her entitlement to New Zealand Superannuation from age 65.

local magistrates seemed to help Maori. "...the further Maori lived from the centre and head office prejudices, the more likely they were to benefit from the discretion of the local court." (McClure 1998, p.28)

These "concerns" saw the proportion of pensions awarded falling in later years. (Thomson 1998, p.162.)

The "good character" and means-tests were established by a public process and "in open Court" (Section 18(1)). The results were then published in the local paper, hence *The Auckland Star's* article from 1900 that stirred my investigation. Publication of the courts' decisions continued until 1913 (McClure 1998, p. 13).

The local pension district's deputy registrar sent forms out to banks, valuation and tax departments, the Post Office Savings Bank, the police department, the land registrar, employers, insurance companies and the Registrar of Births Deaths and Marriages. A certificate was also required from someone who knew the applicant and also was of "good character", and from any lender to certify amounts owing (debts were deducted for the asset test; only net assets mattered). The registrar then presented all the information to the magistrate.

Having established to the magistrate's satisfaction that the applicant qualified for a pension, the magistrate authorised a "pension-certificate" and the deputy registrar entered the pensioner's name and details on the District Old-age Pension Register. In the light of the means-tests, the pension-certificate had to specify the annual amount payable where that was less than the full amount.

The magistrate's decisions were final (Section 26) based on "such means and in such manner and good conscience as he thinks fit" and he was "not bound by the strict rules of evidence" (Section 24).

The Register was a public list and anyone could inspect it on paying the one shilling (10 cents) fee (Section 57).

In a report to Parliament for the year ended 31 March 1900,⁸ the country's Registrar of Old Age Pensions was pleased to report that few failed the "good character" test:

Testimony to the good character of old-age pensioners generally is also borne by the fact that out of 6,178 claims for the second year's pension certificate dealt with up to the 31st March, 1900, only thirteen were rejected on the ground that the conditions set forth in the subsections of Section 8 of the Act relating to character had not been fulfilled.

Given the likely cost of the processes involved in establishing good character, the fact that only 13 were disqualified on that ground made it very expensive to administer that test. On the other hand, the need to meet the test may have deterred many from applying at all. As with all entitlements based on relatively complex testing, many eligible apparently did not apply:

Even for the Pakeha [non-indigenous] population, the initial impact of the legislation was limited. In 1901, three years after the law was passed, only 37.5 per cent of the number of people estimated to be eligible were collecting the old-age pension.

(Ministry for Culture and Heritage, 2011)

Applicants had to renew their "pension-certificates" each year. The income and assets tests were the most obvious reason for doing that. The application of the income and asset tests presumably explains why, in the original *Auckland Star* article of 17 May 1900, John Paton was entitled to only £14 a year (of the potential maximum of £18) and John Stanley Martin only £8 a year.

However, the other conditions as to character, convictions and reputation were all part of that annual process (Section 35). Apart from this, a pensioner could lose entitlements at any time on other grounds:

49. If any pensioner is convicted of drunkenness, or of any offence punishable by imprisonment for not less than one month and dishonouring him in the public estimation, then, in addition to any other penalty or punishment imposed, the convicting Court may in its discretion, by order, forfeit any one or more of the instalments falling due next after the date of conviction.

(Section 49)

⁸ The report is accessible [here](#).

Any “wilfully false statement or representation [through which an applicant] obtains or attempts to obtain a pension-certificate” was subject to conviction and a term of imprisonment of up to six months “with or without hard labour” (Section 47).

Subsequent changes

The Pensions Department took over administration of the Old Age Pension in 1913. The passing of the Social Security Act 1938 saw the Department of Social Security taking that over. As *Old Age Pensions* (Archives New Zealand 2009) reports:

In 1938 the Social Security Act introduced non-contributory superannuation for all New Zealanders over the age of 65 meeting certain residential qualifications.

The original means tested old age benefit continued to run for some time [until 1977], with the age for qualification reduced to 60 years [from 1938].

Comment

Although New Zealand was at the forefront of state-provided pensions in 1898, the benefit was by no means “universal” in the way that New Zealand Superannuation now is. About two-thirds of the over-65s did not receive it, and only some of those would have had more income and/or assets than the maximum allowed. The intrusive and public nature of the examinations of income and assets would have deterred many.

Modern sensibilities react negatively to the direct discrimination against New Zealanders of Asian descent⁹ (that was not eliminated until 1936); some would also be surprised at very public, continuous nature of the tests of character and reputation.

However, the 1898 pension broke new ground and put New Zealand on the social welfare map at an early stage.

References

- Archives New Zealand (2009). "Old Age Pensions" from <http://archives.govt.nz/old-age-pensions>.
- Kuhnle, S. and Sander, A. (2010). The emergence of the western welfare state. In F.G. Castles, S. Leibfried, J. Lewis, H. Obinger and C. Pierson (eds). *The Oxford Handbook of the Welfare State*. Oxford: Oxford University Press, p. 68.
- McClure, M. (1998). *A civilised community: a history of Social Security in New Zealand 1898-1998*. Auckland: Auckland University Press.
- Ministry for Culture and Heritage (2011). Old-age Pensions Act becomes law, from <http://www.nzhistory.net.nz/old-age-pensions-act-passes-into-law>
- Phillips, J. (2011, 1 September). The New Zealanders, *Te Ara—the encyclopedia of New Zealand*. Accessible [here](#).
- St John, S. and Ashton, T. (1993). *Private pensions in New Zealand: Can they avert the crisis?* Wellington: Institute of Policy Studies, p. 8
- Thomson, D. (1998). *A world without welfare. New Zealand's colonial experiment*. Auckland, Auckland University Press.

⁹ This was also a feature of the equivalent Australian legislation, passed in 1909.