

Friendly Societies

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Increasing interest is today being taken in welfare law. One form of institution which has long been involved in welfare assistance is the friendly society. This article examines the historical development of friendly societies in Britain and New Zealand, and the legislation that governs them. A decline in their current membership and function is noted and some thoughts are given to their future.

“The essence of a friendly society is that men who know one another pay money regularly into a common fund in order to be able to draw on that fund when they are in need. The need that has been felt most generally as calling for this provision is the need that arises when sickness of a wage-earner interrupts his earning. Desire for security in sickness is the original seed from which above all friendly societies have grown. There have been other seeds as well — two in particular: desire to have a lump of money to spend and desire to avoid a pauper funeral.”¹

From small and inconsequential beginnings at Leith, Scotland, friendly societies developed into large and powerful bodies. The small, informal groups of the seventeenth and eighteenth centuries led to the development during the nineteenth century of large affiliated orders which form the backbone of the movement today.

The societies, which fulfil a unique combination of social and economic roles, have experienced considerable fluctuation in importance. Reaching their peak in New Zealand in the 1930s, they have since declined with the major development of Social Security in 1959.

In this paper, the origins of the movement in Scotland and the important development of it in England will be discussed. Consideration will then be given to the English legislation up to the twentieth century, the establishment and development of the societies in New Zealand, New Zealand legislation, and the role of the friendly societies in New Zealand today. The paper concludes with some speculation as to their future.²

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1. Beveridge: *Voluntary Action* (London, 1948) 21.
2. The friendly societies considered in this paper are the traditional ones; they do not include modern organisations registered under the Friendly Societies Act as friendly societies; nor do they include benevolent societies, workingmen's clubs or any of the specially authorised societies.

I. ENGLISH ORIGINS

Although the friendly society is a distinctively English institution, the origins of the movement are not English. The oldest association still functioning today as a friendly society was founded as long ago as 1555 in Lowland Scotland.³ And the longest standing non-Scottish societies in existence today are Huguenot in origin, having been founded in Bethnal Green by religious refugees from France.

From the early beginnings people in need, and in particular the poor, associated together through friendly societies. One of the reasons given for the Huguenot foundation is that the Huguenots as aliens found themselves excluded from relief under the Poor Law of Elizabeth, and thus they were driven to self-help. In so far as such a motive applied to them it would apply also in Scotland where provision for the relief of poverty long lagged behind that of England.⁴

The English began forming societies themselves by about 1700 and members began to increase rapidly from about 1760. It is likely that the increased industrial development in the second half of the eighteenth century and the needs of the growing number of industrial workers account for this increased rate of growth.⁵ From this background the building societies also sprang, although they were a slightly later development and involved more highly paid workers than did the friendly societies.⁶

At first the economic side of the friendly societies was very limited. They were concerned simply with providing money for funerals so that the poor could be buried with decency and without embarrassment to their families. This was soon extended to relief in sickness, and subsequently to medical benefits, superannuation, life assurance, and other forms of financial assistance.

The social aspect was however not nearly as limited in early times. As Gosden notes,⁷ mere insurance does not have a strong enough appeal and the societies were in fact very socially oriented. It was this factor, probably even more than their financial offerings, which gave them their popularity. As England industrialised and people moved in great numbers to the cities, many found themselves occupations during their admittedly limited leisure hours. Social organisation was underdeveloped in this regard and the friendly societies began to provide entertainment for their members. The monthly meetings at which 'premiums' were collected had to be made attractive if the societies were to succeed and almost invariably an annual — and sometimes half-yearly — feast was an additional attraction for members. Such feasts and monthly meetings were provided for in the rules of the society.

There is a strong connection between the early societies and public houses for it appeared that the local inn was the most suitable place for a number of men to meet together. Innkeepers, with an eye to the business that would result, did much to promote the formation of clubs meeting on their premises.

3. The Incorporation of Carters in Leith.

4. Beveridge, *op. cit.*, 28.

5. Gosden, *The Friendly Societies in England 1815-75*, (Manchester, 1961) 2.

6. Cleary, *The Building Society Movement*, (London, 1965) 9.

7. *Op. cit.*, 115.

Expenditure of club funds on alcohol at monthly meetings led to much hostile comment, however. While on one hand, to ensure a good attendance it was necessary to offer members, most of whom were working men, a good night, there was much concern among actuaries, the clergy and the government at what was seen as the squandering of club funds on alcohol. This issue caused much controversy and eventually the practice was barred, though many clubs did find ways of continuing to provide free alcohol for their members.

The feasts caused fewer problems. Unlike the revelry associated with the monthly meetings, the importance to the societies of their annual feasts was recognised and approved by all and the feasts were, in many cases, the high point of the year for society members. Many of the societies were small — having perhaps only thirty members — but feast day was their day and they revelled in it.

A clear example of the importance of the social side of the societies and in particular the monthly meeting, is afforded by the experience of the Hitchin Friendly Institution. Though financially very strong, this society had few social activities and its membership dwindled while other financially unstable societies flourished. Its treasurer wrote in 1872:⁸

I cannot account for so flourishing a society as the Hitchin Friendly Institution is acknowledged by all the neighbourhood to be, having so few members, unless it be the attraction the public house affords of conviviality

In 1810 the Abercrombie Lodge was formed in Manchester and within a few years it had opened several more lodges nearby. A spirit of co-operation developed between these lodges for their mutual support, protection and advice and from these roots sprang the Manchester Unity Independent Order of Oddfellows which is today the world's largest and wealthiest friendly society. Though at this time affiliated orders were illegal, the Unity flourished with lodges opening all over the country and especially in the industrial areas. The Foresters were developing at this time too, though it was not until 1834 that they formed an Affiliated Order — the Ancient Order of Foresters. Very soon their membership was nearly as great as that of the Manchester Unity and these two Orders were by far the largest throughout the nineteenth century. There were other significant Orders, including the Druids, the Shepherds and various Oddfellow offshoots.

The Affiliated Orders grew rapidly in strength as the century progressed. In 1875 — when they were finally given full legal recognition and capacity — the Royal Commission on Friendly Societies noted⁹ that the Orders “as the clubs of highest organization among those invented by working men to meet their own wants, and at the present day greatly surpassing all others in popularity, deserve the first place which is assigned to them In some towns they have made a clean sweep of the local societies; in all they are predominant.” The reason for this growth is that in addition to the normal social attractions — the

8. *Royal Commission on Friendly Societies*, (Fourth Report, 1874) para. 247.

9. *Ibid.*, para. 94, quoted in Beveridge, *op. cit.*, 38.

monthly meetings and the feasts — the Orders could offer financial stability, which the smaller institutions lacked, and an element of mystery.

The financial aspect led to the legal advantages (or rather legal equality) but it was the myth and secrecy which caused the boom in membership. This aspect was exploited to the full and members almost certainly faced expulsion if they disclosed secrets to non-members; uniqueness was of the essence. Foresters and Oddfellows became much more than just social clubs with whom members could insure themselves against sickness and funeral expenses. They became a way of life. "The aim," as Gosden puts it,¹⁰ "was to make an Oddfellow working in a cotton mill in Accrington feel that he had more in common with an Oddfellow working in Portsmouth Dockyard than he had with another Accrington cotton worker who was not an Oddfellow".

II. ENGLISH LEGISLATION

During the nineteenth century the societies grew in both numbers and importance. Their economic and social roles became distinctive facets of English life — particularly in the lower classes — and the Legislature was aware of this. It passed the first Friendly Societies Act in 1793¹¹ and experimented for most of the nineteenth century with various provisions relating to the societies culminating in the Act of 1875. This Act, the product of a four year Royal Commission, is the same in most essentials as that in force today.

The principal advantage which the Legislature could offer the societies was legal capacity as this gave much needed protection for their funds. To gain this protection the societies had to register and by altering the requirements for registration the Legislature was able to manipulate the societies.

The preamble to the 1793 Act — or Rose's Act as it is called — noted that the formation of friendly societies "is likely to be attended with very beneficial effects, by promoting the happiness of individuals, and at the same time diminishing the publick burthens." The reference to the promotion of happiness reflects the importance of this aspect of friendly societies at the time. Subsequent legislation concentrated increasingly on the financial aspects of the societies, though it was not until much later — well into the twentieth century in fact — that the societies themselves did the same.

The preamble to Rose's Act also provided for "societies of good fellowship, for the purpose of raising, from time to time, by subscription . . . a stock or fund for the mutual relief and maintenance of all and every the members thereof, in old age, sickness, and infirmity, or for the relief of the widows and children of deceased members . . ." and these have remained, with a few additions, the basic objects of friendly societies. The rules and regulations of societies had to be taken before quarter sessions for certification by the justices that they were in accordance with the provisions of the Act. Societies were exempted from taxation, were able to sue and be sued in court and had priority of claim against their officers in death or bankruptcy.

The 1793 Act did not, as anticipated, lead to a lightening of the burdens of the poor rate however, and this was partly due to the pronounced financial

10. Gosden, *op. cit.*, 128.

11. 33 Geo. 3, c. 54.

instability of many of the societies. In 1819 a new Act¹² was passed. To the aim of reducing the poor rate was added that of improving the morals of the poor. To this end closer supervision was provided. Before approving a society the justices had to have the society's tables approved by "professional Actuaries or Persons skilled in Calculation".¹³ But the new Act proved to be impractical and failed to improve matters. In 1829 there was another new Act which invoked several changes, but these again failed and in 1834¹⁴ the Legislature adopted a completely new approach under which the friendly societies were given a great deal more freedom and the procedure for registration centralised. Tables of contribution and benefits no longer had to be approved — this was left up to the societies themselves. The justices were cut out altogether, as, instead of seeking approval at Quarter Sessions, the new clubs simply had to send two copies of their proposed rules to the barrister appointed to certify the rules of savings banks. Provided the rules did not in any way contravene the law, he was to certify them. Accordingly there was no consideration of the "desirability or expediency of establishing a new society" as required under the 1829 Act. To the list of permitted aims of societies was added the clause "or for any other Purpose which is not illegal".¹⁵ One new requirement was that "the Returns of the Rate of Sickness and Mortality . . . shall be transmitted . . . to the Barrister or Advocate by whom the Rules of the Society may have been certified".¹⁶

In 1846 an amendment was passed which abolished the vestiges of the local registration system, and gave the title of Registrar to the barrister who certified the rules of societies.

At this time the Affiliated Orders were illegal but nevertheless flourishing despite their inability to protect their funds at law.¹⁷ In 1850, however, an Act was passed making it possible for a society "or branch thereof" to register, thus allowing the Affiliated Orders to protect their funds and property at law. The societies now had to make annual returns to the Registrar showing "funds and effects" and quinquennial returns of sickness and mortality.

In 1855 yet another general Act was passed. The purposes for which friendly societies could be formed were re-defined as "any purpose which shall be authorized by one of Her Majesty's Principal Secretaries of State".¹⁸ Registration fees were dropped and the jurisdiction of the Registrar over disputes, established in the 1834 Act, was abolished. Appeal to the county courts was provided for, though this did not interfere with the right of a society to settle its disputes in accordance with its own rules — an important point for the Affiliated Orders.

12. 59 Geo. 3, c. 128.

13. Section 2.

14. 4 & 5 Wm. 4, c. 40.

15. Section 2.

16. Section 6.

17. "The inability of the Affiliated Orders to register and thus to protect their funds was not merely potentially dangerous, as the Oddfellows of the Manchester Unity found to their cost in 1848 when the Corresponding Secretary of the Order pocketed some thousands of pounds and was discharged at Liverpool Assizes on technical grounds, the Order as such not being recognised at law." — Moffley, *A Century of Oddfellows*, (1950), 60.

18. 18 & 19 Vict., c. 63, s. 9.

Societies which did not wish to register could now gain legal recognition and the capacity to sue by merely depositing a copy of their rules with the Registrar.

In 1871 a Royal Commission was appointed to make a full study of friendly societies and its report of 1874 led to the passing of the 1875 Act which is substantially the same as that in force today. Permitted aims of societies were extended to include fire insurance on tools of trade of members and the establishment of workmen's clubs. The principal features of the Act were the establishment of a Registry and the appointment of a Chief Registrar and Assistant Registrars in England and Wales, Scotland and Ireland. The functions of the Registry were registration of societies, collection of returns and construction and circulation of tables. Registered societies were required under the Act to submit an audit of their accounts annually, either by a public auditor or by one of their own choice; they were to forward annual returns of receipts and expenditure to the central office; quinquennial returns of sickness and mortality were also to be made, as were quinquennial valuations of assets and liabilities. Failure to carry out these requirements was made a punishable offence. Disputes within a society could be settled in accordance with the society's rules or appeal might be made to the Registrars who were empowered to require the attendance of witnesses and the production of documents relating to the matter at issue. The Act excluded people under sixteen years of age from adult societies and also severely limited the scope for life insurance of those below the age of ten. Affiliated Orders were permitted under the Act to register as such rather than each branch having to register itself and societies were given power to acquire any amount of land and to build on it. Friendly societies could henceforth gain no legal rights without actually registering. Depositing a copy of the rules without registering would no longer give the right of action.

In 1896 a new Act¹⁹ was passed, but it did not embody any substantial changes. Since then various amendments have been made and a consolidation²⁰ was passed in 1974 but these are not considered here, as the close nexus between New Zealand and English legislation has not existed this century to the extent that it did last century.

It is significant that as time has progressed the friendly society legislation has become increasingly concerned with making the societies sound insurers. The references in early Acts to promoting happiness and improving morality do not appear in present-day legislation, as there is now an almost complete concentration on economic matters. Similarly the Affiliated Orders were finally accorded legal status in their own right because they had shown themselves to be more sound financially than the small isolated societies rather than in recognition of their social roles.

Section 94 of the 1896 Act, which corresponds to section 92 of the New Zealand Act²¹ and embodies the societies' vital ability to sue and corresponding liability to suit, came before the courts in *Longdon-Griffiths v. Smith*.²² The case considered only the right of a party or parties to sue a friendly society but is, of course, also authority for the right of a society itself to take action.

19. The Friendly Societies Act 1896 (59 & 60 Vict., c. 25).

20. The Friendly Societies Act 1974 (U.K.).

21. I.e. the Friendly Societies Act 1909.

22. [1951] 1 K.B. 295.

It was heard by Slade J., who began by noting that statutory authority is necessary for a party to be able to sue an unincorporated society, including a friendly society, in tort. He compared section 94 with section 9 of the Trade Union Act 1871 and found that they had the same meaning despite a slight difference in wording. He then considered the meaning of section 9 of the 1871 Act and, following *Taff Vale Railway Co. v. Amalgamated Society of Railway Servants*,²³ found that a trade union, and therefore a friendly society, can itself be sued.

III. THE NEW ZEALAND FRIENDLY SOCIETIES: HISTORY

We have seen that friendly societies in England provided for their members' social and economic support and that the relative importance of these two roles gradually evolved from the predominance of the former to the predominance of the latter. The same will be seen to be true of the societies in New Zealand.

The first friendly society in this country was not formed within these shores; it came into existence on a ship which sailed from Liverpool in November 1841. Four days after its arrival in Nelson in April of the following year nine members of the Manchester Unity held the first meeting of a friendly society in the new land. The meeting was held "about 200 yards below the present Saltwater Bridge, in the fern at about 4 p.m."²⁴ Meetings were in fact held outside for some time as there was no building available to the members at that stage.

Initially there were virtually no funds and accordingly the society had almost no economic function at all — it was predominantly a social institution. This applied to most of the early New Zealand societies. But as social groups they were important for it was "an undoubted boon to the emigrant on reaching these shores to find amid strange people and surroundings a lodge conducted along lines with which he is familiar, where he is assured of a welcome and is afforded the friendship and help of his fellow-members".²⁵

In 1843 one of the nine original members was killed in the Wairau massacre. This struck deeply at the other members, for one of the major functions of the traditional friendly societies is the funeral benefit. Affiliation with the Sydney district was the saviour and a Widows and Orphans Fund was set up, the Sydney district providing a sum of money.

1843 also saw the establishment of a second Manchester Unity Lodge in Wellington, and by 1850 the total was six, of which all but two were in either Nelson or Wellington. This number was trebled during the 1850s and development was rapid for the ensuing three decades. By the turn of the century the Unity had a total of 170 lodges.

The Hibernian Society was first established on the West Coast of the South Island. In the 1860s there were many gold diggers on the Coast and these included a fair proportion of Irish Catholics. When a delegate of the Ballarat Hibernian Society (a non-secretive Catholic friendly society) recently established in Victoria, visited the Coast, a group of Irishmen took the opportunity to set

23. [1901] A.C. 426.

24. Gourlay, *Odd Fellowship in New Zealand, A Century of Progress* (Wellington, 1942) 6.

25. *The Friendly Societies Act 1909, with an introduction and complete index*, (Government Printer, Wellington, 1911) 5.

up a branch of that society in New Zealand and established the St. Patricks Number 17 Branch, Greymouth, in 1869. Two years later three groups, including the Ballarat Hibernian Society, combined to form the Hibernian Australasian Catholic Benefit Society and the New Zealand branch, and subsequent New Zealand branches came under the new society from 1873 onwards. Early on, there were some political overtones in the society, but these were decisively excluded by the Church, and the society's constitution expressly excluded politics.

Several more branches were established on the West Coast in rapid succession, but they lasted a short time only — until the gold ran out. Somewhat more stable branches appeared in Dunedin and Thames in 1873 and 1874 and by 1880 the number was seven. In five years this figure was more than doubled, to fifteen, and thereafter there was steady expansion.

The origins of the other Affiliated Orders are by contrast a good deal more obscure than those of the Manchester Unity and Hibernians. The first to emerge in large numbers was the Foresters, who in 1878²⁶ had 38 lodges. This compared with Manchester Unity's 68 and a total of 126. The Rachabites and I.O.O.F. were in existence at the time, but neither was strong, having three tents and two lodges respectively. The Druids first appeared in official records in 1880 when they had eight lodges. Also appearing in 1880 was the International Order of Good Templars, a large society having 85 courts,²⁷ more, in fact, than the Manchester Unity. But its popularity proved to be short lived. The next five years saw a remarkable growth in friendly societies, the total number being almost doubled, from 254 to 498. Manchester Unity was once again the largest (and has remained so ever since) but the most significant advances at this time were those of the Foresters, Druids and Rachabites. The latter two in particular developed in scope at this time.

By 1890 there was one major change, that being a fall in the International Order of Good Templars' Courts from 114 to 56. The other societies however, including the I.O.O.F. and the Hibernians, had by this time begun steady increases in both members and lodges. These increases were checked around the 1912-1915 period when the effects of the establishment of the National Provident Fund were felt, but rose steadily again through the 1920s. It is interesting to note that the Rachabites did not recover from the post National Provident Fund fall; their lodge numbers dropped steadily from then on. Towards the end of the thirties the societies faltered again, and from 1940 onwards dropped steadily.

IV. NEW ZEALAND LEGISLATION

"The law of friendly societies in New Zealand in almost all essentials is similar to the Imperial Law."²⁸ This has been so ever since the first Friendly Societies Act was passed in 1856, as legislation in this country has been based on that in England. This had disadvantages as well as advantages, for although it has allowed New Zealand to capitalise on English experience, it probably

26. *First Report of Registrar of Friendly Societies*. Figures exist from this time on.

27. Most societies existed prior to registration, which accounts for the large numbers on initial registration.

28. *The Friendly Societies Act 1909, with an introduction and complete index*, op. cit., 5.

retarded the adoption of reforms which could possibly have been grafted on to New Zealand organisations more easily than in England.

The objects laid down in the 1856 Act²⁹ were the ensuring of the payment of a sum of money upon the death of a member to the widow, widower, child, or other persons legally entitled, the relief, maintenance or endowment of members, their husbands, wives, children or kindred, in infancy, old age, sickness or widowhood, and making good loss or damage of live or dead stock, goods or stock-in-trade, implements and tools, sustained by a member through fire, shipwreck or any contingency of which the probability may be calculated by way of average. There was also provision for the frugal investment of the savings of the members, for better enabling them to purchase food, firing, clothes or other necessities or the tools, implements or materials of their trade or calling, or to provide for the education of their children or kindred. Finally there was a blanket provision similar to that in the English Act allowing societies to form for any purpose certified to be legal by Her Majesty's Attorney-General as a purpose to which the powers and facilities of the Act ought to be extended.

No money was to be paid for the death of a child except actual funeral expenses which were limited to £3. The copies of all rules and tables of a society were to be sent to the Attorney-General to check that they conformed to the law. One copy, together with the Attorney-General's certificate as to its conformity, were then to be deposited with the Registrar of the Supreme Court in the relevant province. The society thereupon became a "certified friendly society". This procedure, later replaced with the appointment of a revising barrister, enabled people to set up friendly societies without incurring high legal expenses. The intending members simply outlined their ideas which were then formulated into rules by the revising barrister. Each society had to prepare an annual report on "funds and effects" which was to be filed with the Registrar of the Supreme Court. Benefits were limited to a maximum of £100 or an annuity of £30, or a sickness benefit of 21 shillings per week.

These limits were established to keep friendly society economics on a small scale. The societies were essentially a working class phenomenon and were given various economic privileges. A determination to confine these privileges to those for whom they were intended necessitated the refusal to allow societies to offer large benefits. This was aimed in particular at the mutual life insurance offices, which had been registered as friendly societies in order to obtain exemption from stamp duties.³⁰

Naturally the basic rights of being able to sue and be sued were included, plus the priority of claim of the remaining trustees over the funds of a deceased or bankrupt fellow trustee.

A new Act was passed in 1867 and it provided for a Registrar of Friendly Societies who took over the function of the Registrar of the Supreme Court. The Act also required an actuarial certificate as to the adequacy of contribution prior to registration. This provision was subsequently repealed and an attempt by the Ward Government in 1909 to reintroduce it failed in the face of massive opposition from the friendly societies, especially the Druids.³¹ It was, however,

29. The Friendly Societies Act 1856, s. 1.

30. Cleary, *op. cit.*, 30.

31. N.Z. Parliamentary debates Vol. 148, 1909: 990.

included in an amendment two years later. Benevolent societies and workingmen's clubs were admitted to registration and all societies were exempted from stamp duty. Finally, societies were to furnish the Registrar with returns of sickness and mortality every five years.

In 1877 a third Act was passed, which was virtually a reprint of the English Act of 1875 giving effect to the report of the Royal Commission of 1874. The Act abolished the provincial revising barristers, who were responsible for the Attorney-General's certification, one such officer in Wellington being provided for the whole country. All societies were compelled to submit to actuarial valuation and to auditing of their accounts. The requirement of a certificate from a public auditor was more stringent than exists even today, but existed only until 1882 due to impracticability. The Act required a society to have at least seven members before it could be registered, and amendments to rules also had to be registered. Statistics were to be tabulated by the Registrar's Office and circulated for the use of societies. Henceforth such information was included in the Registrar's report to Parliament which became annual. Many administrative positions were also passed, especially in regard to the auditing of societies.

An amendment was passed in 1878, the significant part of which directed that the moneys of different funds were to be kept distinct and apart, and that the excess from one fund could not be transferred to meet the liability of any other fund. This, however, was repealed by section 42 of the Finance Act 1929.

In 1909 the Act which stands today was passed. Registration of new branches of a society was made compulsory and penalties were provided for officers and members of a society which was a branch still unregistered three months after its establishment.

The Act sets out the means by which a branch may secede and gives the Registrar power to refuse to register an amendment to a society's rules without certification from an actuary as to its finances. The Registrar may, further, compel a society or branch to submit its accounts to a public auditor to be chosen by the society (this is in addition to an annual auditing of accounts). The Act places conditions upon the allocation of surplus moneys and the purposes to which such appropriation may be applied. These are an increase of sickness benefits, an increase of funeral benefits, a reduction in the contributions of members, provision for superannuation benefits, medical aid, distress or management purposes, and grants in aid of branches in deficiency.³² Investment of funds on mortgages was not to exceed a fixed proportion of the value of the securities, and any benefit funds invested in the purchase of land or erection of buildings had to receive at least five per cent net interest. Maximum benefits were increased to £300 gross sum or £52 per annum, and have since been increased to the present figures of \$3,100 or \$208 per annum.

The number of members' signatures required for an investigation into the affairs of a branch or society was reduced and the somewhat complicated

32. See s. 41 Friendly Societies Act 1909. For a recent discussion on the distribution of surplus funds, see *Northern (NZ) District of the Hibernian Australasian Catholic Benefit Society v. Good* [1973] 1 N.Z.L.R. 60.

provisions relating to this are found in section 73.³³ Also, a society could convert itself into branches by simple majority rather than three-quarters as was previously required. The basis for settlement of disputes was considerably widened and the provisions are enumerated in section 72. The Act removed the age restriction of the 1882 Act, thus allowing societies to admit members of any age.

Since the 1909 Act there have been several amendments, some of which are important. The major provisions at present relating to friendly societies in New Zealand include those noted in the above outline together with the following.

All friendly societies and their branches must appoint trustees to hold all their property. Section 48 provides:

Trustees of a registered society or branch shall not be liable to make good any deficiency in the funds of the society or branch, but shall be liable only for moneys actually received by them respectively on account of the society or branch.

The trustees may invest the funds of the society in savings banks or banks, in any debentures, bonds or Treasury bills issued by or on behalf of or guaranteed by the Government, in the purchase of land (if the rules of the society permit) or in the erection or alteration of offices or other buildings thereon, in the bonds, debentures or other securities of any local authority, on a first mortgage of freehold lands provided that the amount so invested does not exceed two-thirds of the value of the land, and under certain conditions in company shares. The procedure for deciding how moneys are to be invested is to be included in the rules of the society.

A society may, out of a separate loan fund, make loans to its members on such security as it, the society, sees fit, provided these do not exceed \$2,000. Under section 57, a member of a society may, by notice in writing to the society, nominate a person to receive money payable by the society on his death. This may be done provided the sum payable does not exceed \$1,000, and a nomination, once made, is irrevocable except by a further written notice to the society or the marriage of the nominator. There are clauses in the Act providing for the restriction of payments in respect of children.

No moneys paid or payable by a society to a member are assets in the bankruptcy of that member. And payments made by a society to a member are tax exempt.

Finally, it is provided by section 61(23) of the Income Tax Act 1976 that "the income of a friendly society, except so far as derived from business carried on beyond the circle of its membership" is exempt from income tax.

V. NEW ZEALAND FRIENDLY SOCIETIES: PRESENT POSITION

Statistics clearly illustrate the trend in membership in the traditional friendly societies in New Zealand. At the end of 1971 there were 60,849 society members, all but 560 of whom belonged to one of the six affiliated orders operating in

33. The Registrar can order an investigation himself without a request from a society.

the country: the Manchester Unity,³⁴ Druids,³⁵ Foresters,³⁶ I.D.O.F.,³⁷ Hibernian³⁸ and Rachabites.³⁹ Of them, nearly half, 28,575, were in the Manchester Unity.

The decline has had a decisive effect on the role of the societies. In this section consideration is given to the reasons for the decline, the present position of the societies and their responses to that position.

From the economic viewpoint there are two factors for consideration. The first is the increasing part played by the State in welfare, particularly since the Social Security Act 1938. This was a major blow to the societies and its effect was immediate. There was a rapid fall in membership which continued for ten years⁴⁰ and thereafter a slower but nevertheless steady decline. Many of the benefits provided for in the Social Security Act were those provided by the friendly societies. The sickness benefit and superannuation scheme in particular were undermined and at a general level it was noted that the Government scheme was "in principle . . . an extension of the work which the Manchester Unity started over 130 years ago".⁴¹ Following the introduction of the Social Security Act, hospital benefits were provided and these were almost identical with those already operated by several societies. Maternity benefits were added, and finally pharmaceutical benefits were introduced, and again these were practically the same as those provided by the friendly societies.

These measures left only the funeral and death benefits unduplicated, although the sickness benefit was not completely surpassed because in applying the means test for this benefit, members of friendly societies were allowed to receive one pound per week more than other members of the community without affecting the State benefit. From this time on the societies' benefits could be regarded as supportive rather than basic, the State assuming primary responsibility.

The second economic factor is inflation. The change here is due to serious erosion of the value of money. Its impact was not as immediate as that of Social Security but the result has been very much the same. It has tended to make the friendly society benefits supportive in nature.

With respect to this factor, there are variations between societies as some (e.g. the Druids) are operating on exactly the same tables as they used when established, whereas others (e.g. Manchester Unity) have increased their benefits, which naturally entailed increasing their members' contributions. None of the societies, however, provide a sickness benefit capable of fully supporting an incapacitated member. It is important to note the relationship of friendly society sickness benefits to those of Social Security. In assessing the benefit which the State will pay some "other income" is allowed. In most cases this amounts to \$17 a week for a single person and \$21 a week for married persons. People on friendly society sickness benefits are allowed an extra \$2 of "other income"

34. Manchester Unity Independent Order of Odd Fellows.

35. United Ancient Order of Druids.

36. Ancient Order of Foresters.

37. Independent Order of Odd Fellows.

38. Hibernian — Australasian Catholic Benefit Society.

39. Independent Order of Rachabites.

40. This fall also coincides with the beginning of World War II and war deaths would have had some effect on membership figures.

41. Gourlay, *op. cit.*, 85.

before the abatement applies. In many cases, of course, this negates the worth of higher benefits.

The effects of inflation were initially absorbed by Social Security but quickening inflation has overwhelmed Social Security itself and the effects of this are now being felt. The Welfare State is no longer fully effective but in many cases the friendly society benefits are too small to make up the deficiency. Doctor's bills, for example, once paid entirely by the societies now often exceed the combined contributions of the Social Security Department and the societies. Funerals (which are of course not affected by Social Security) often cost more than the amounts given on the death of a member; and the \$2 given by most societies in sickness benefit would be of little use without the State sickness benefit. Comparing the buying power of one pound at the turn of the century with that of \$2 today is in fact succinct evidence of the crashing effect of inflation. Even the \$6 provided by Manchester Unity compares unfavourably. The benefits which were once guarantees of security are now little more than the promise of some pocket money in times of distress.

In an attempt to restore their economic significance, the friendly societies have considerably diversified their activities. Initial developments included the offering of life assurance — at very good rates, though only up to \$6,200 — and a new credit union scheme. A credit union is in effect a savings bank, paying interest at an average rate of six to six and a half percent and offering protected loans and mortgage finance. There is, however, a \$3,000 statutory limit on accounts contained in section 55(1)(b) of the Friendly Societies Act 1909.

In the last decade, medical services have emerged as another major development. The Health Department is rapidly becoming unable to provide adequate hospital services and an increasing number of people are turning to private hospitals for treatment in preference to a long wait for treatment. "To bridge the gap between Social Security and real costs"⁴² the societies are offering medical expense insurance schemes. These are not confined to hospitalisation but cover the whole range of medical expenses. Although section 51 of the Friendly Societies Act 1909 limiting benefits to \$6,200 applies to medical insurance, the societies are, in reality, unlimited in this field as the maximum benefit which is thought to be necessary is considerably lower than this figure. This is one of the few areas where the societies can operate virtually without restriction.

It is interesting to note that in these new fields the traditional friendly societies find themselves with competition and in some cases this is coming from a new type of friendly society which has no social function. This is particularly so with regard to medical insurances where, for instance, a very large society — the Southern Cross Medical Care Society — has been established.

These new measures have not increased recruitment to the societies, their success being confined to existing members plus a relatively small number of new members. But in many cases, members' financial involvement with their societies is now considerably higher than it was ten years ago. Whereas a member may previously have participated in the funeral, sickness and superannuation schemes (all members must contribute at least to the funeral

42. Extracted from an advertising brochure for Medi-Care.

benefit, as this is the criterion for membership of the societies), today, in addition to these, he may have a deposit of up to \$3,000 in a credit union, a \$6,200 life assurance cover, extensive medical insurance and some dental cover. He may also be financing his house through a credit union. The societies themselves are in fact very sound financially and this is somewhat anomalous in the face of falling membership.

The reasons for declining membership were not purely economic however. It has already been noted that the beginnings of the decline coincided with the establishment of Social Security. It also coincided with a noticeable change — and decline — in the social role of the societies. Thus there were major blows to both functions of the societies at about the same time and this caused the abrupt fall in membership.

While in New Zealand membership of a friendly society never really became a way of life as it did for many in nineteenth century England, the social aspect of the societies was nevertheless very important before World War II. The lodge, court or tent meeting⁴³ was, for many members, a major social event and many were very active. At that time there was little offering in the way of entertainment and monthly meetings thrived in the absence of competition. After the war though, social activities in the community as a whole increased rapidly in scope and society members began to find themselves faced with conflicting interests. Lodge attendances fell markedly and have never returned to their pre-war heights. The advent of television in the sixties and more recently the extension of hotel hours have also adversely affected attendance.

There are wide variations in attendance from one lodge to another.⁴⁴ At one end of the scale there are the Druids lodges in Christchurch where attendance is generally very low and in some cases meetings occur only quarterly instead of monthly. At the other end there are the Wellington Druids lodges which record much higher rates of attendance and some of which meet fortnightly. Most lodges have steady attendance figures as they find that there is a central core of members who participate regularly. This is good for the society, for although attendance may be low on a percentage basis (and in most cases it is) the solidarity of those who do attend ensures the continuation of lodge evenings. As one Manchester Unity official put it: "So long as the lodge is there if needed, it does not matter if there is not a full turnout at meetings."

One factor common to lodges of all orders, is a concentration on informality at meetings. All try to get their business over as quickly as possible to allow a relaxed social atmosphere. This was not always so in earlier days when meetings were often conducted in a formal manner with emphasis on correct procedure which was often elaborate and followed meticulously. Debates were one of the major activities.

The expansion undertaken by the societies in the economic sphere has not been matched in the social sphere. Some are planning improvements. Manchester Unity in Christchurch, for example, is looking at the possibility of setting up a social service club with a view to attracting younger members. So far, however, the societies have done little to enhance their appeal socially. The activities provided at present are perhaps adequate for current members, but they do

43. The different orders use a variety of terms for their basic groups.

nothing to promote the societies. The economic improvements have made them more attractive financially, but this development without a corresponding social advance may lead to an imbalance. Indeed a higher percentage of people are joining the friendly societies for purely economic reasons and accordingly the balance between the traditional roles is becoming disturbed.

It is interesting, in this context, to consider the new type of friendly society — that without any social function at all. It could be that the traditional societies are themselves heading in this direction and some lodges⁴⁵ are nearly at that stage already. The two major new societies, Credit Union and the Southern Cross Medical Care Society, have specific and narrow functions and large memberships. The latter has nearly three times the total combined membership of the traditional friendly society and has been operating for only fifteen years. Whether these societies are an indication of the direction in which the friendly societies are heading or whether the old orders will reinforce their social role is difficult to tell.

VI. CONCLUSIONS

The friendly societies, then, are in a dilemma. They are all financially sound and between them hold funds amounting to the considerable figure of \$40 million,⁴⁶ yet their membership is still falling, and has been for the last 30 years. Without some significant changes it seems likely that the societies will gradually fade into obscurity. It is clear that their social side is not strong enough to carry them as it did during the beginnings of the movement, and thus the only real chances of recovery lie in economic improvements. It is proposed to consider here the main economic activities of the societies to see whether any, with development, offer the hope of revival.

The societies are naturally reluctant to abandon their traditional role as sickness and death benefit societies, and to this end representations were made to the Royal Commission on Social Security requesting that the two dollar per week concession made to their members be increased. The Commission rejected this suggestion and added that they doubted the justification for having a concession at all!⁴⁷ It is submitted that the Commission's approach is the correct one. The concession was originally made in recognition of the value of the pre-1939 role of the friendly societies, but this now has little more than sentimental value and creates an inconsistency in the application of the Social Security sickness benefits. The aim of that benefit is to ensure a reasonable standard of living for those who are sick and unable to adequately provide for themselves. If a man's needs are supplied by Accident Compensation or if he has sufficient private insurance cover then he does not receive the Social Security benefit. And there seems to be no reason why members of friendly societies should be in a privileged position. All

44. The material on lodge attendance and the social side of the societies comes from the secretaries of the following societies: The Druids (Christchurch and Wellington); Manchester Unity (Christchurch and Wellington); and Hibernians (Wellington).

45. E.g. some of the Christchurch Druids.

46. As at 31 December 1973: See the *Report of the Registrar of Friendly Societies for the year ended 31 December 1974* (Wellington, 1975).

47. *Social Security in New Zealand. Report of the Royal Commission of Inquiry* (Wellington, 1972) 151. Although no recommendation was made on this point.

recipients of the State benefit are allowed some "other income"⁴⁸ and members of friendly societies should not get an additional concession simply on the basis of the good works of their forefathers.

In terms of future development it is difficult to see the sickness benefit reviving interest in the friendly societies. The benefits offered are too small and the basic need for them removed by Social Security.

The Credit Union, one of the initial attempts at economic revival, has probably achieved as much as it ever will. It has proved attractive to existing members and perhaps encouraged a few others to join, but it has obviously not solved the problem and is unlikely to do so.

Also administered under the Credit Union though, is housing finance, and this is one of the more encouraging aspects of friendly societies economics. With insurance companies, in particular, not as active in this field as they were ten years ago, an opportunity for development has arisen for friendly societies. An added benefit of this is the inducement it affords to younger people to join the societies, the prospect of housing finance being a strong incentive to young married couples in particular.

Finally there is the development in the field of medical insurance, though this is a peculiarity. Firstly, several of the Affiliated Orders are offering medical cover through the Southern Cross Medical Care Society, members dealing directly with Southern Cross who give them a discount of ten percent pursuant to an agreement with the Orders. And, secondly, Medi-Care, the scheme run by Manchester Unity and Southern Cross's only real competitor, is available to non-members of the Unity.

Bearing both these points in mind, it is again difficult to see how a friendly society revival could occur here, at least as far as societies in the traditional sense are concerned. The ten percent discount on Southern Cross policies is unlikely to encourage people to join the traditional societies and the benefits of the Manchester Unity scheme can be gained without becoming a member. Perhaps if Medi-Care was used to promote membership it might offer some hope.

Finally there is insurance and in this field the friendly societies are somewhat of an oddity for they operate under quite different provisions from their competitors. The advantages which they enjoy over those competitors (life assurance companies and mutual provident societies) are considerable; they get free actuarial services from the Registry of Friendly Societies, are not taxed, are run on a non-profit basis,⁴⁹ and do not have to make security deposits as required of the others by the Life Insurance Act 1908 and the Insurance Companies Deposits Act 1953.

In the light of these advantages, it is scarcely surprising that the rates which they can offer are significantly better than those of their competitors. But they have one major disadvantage (which apart from considerations of equity, is necessary to stop the life assurance companies operating under the Friendly Societies Act 1909). They are limited under section 51 to offering a

48. See *Social Security in New Zealand. Report of the Royal Commission of Inquiry*, op. cit., 141.

49. Not an advantage over mutual provident societies.

maximum benefit to any member of \$6,200 and in the days of high insurance policies this is a somewhat crippling provision. Certainly it prevents the friendly societies from developing within their existing structure, through insurance.

By way of conclusion then, it seems that within the present framework, nothing is going to revive the traditional friendly societies. There is perhaps one practical, though in a sense negative, possibility that the societies could register under the Companies Act 1955 and try to develop fully as ordinary insurance companies. This suggestion is negative in that it involves abandonment of the traditional role but it is a way in which the present organisations could again flourish.

None of the societies has shown any inclination to move in this or any other substantially new direction. As time passes, however, they may find that a development of this kind will become necessary, or at least their only alternative to sliding into insignificance. It does not seem possible for them to continue in their present form indefinitely and eventually they must either take a new path or gradually disintegrate.

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