1. At their meeting on 6th December (C.M.(4/5) 60th Conclusions, Minute 4) the Cabinet invited the Foreign Secretary, the Chancellor of the Exchequer, the Minister of Labour and National Service, the Minister of National Insurance and myself to consider further, in the light of the discussion, the problems relating to the payment of unemployment benefit and the rate of retirement pension.

2. Unemployment Benefit. We agree that it must be the most urgent task of the Government to see that the conditions which led to long-term unemployment in certain areas during the years between the wars do not recur, and that, unless the Government fail in this task, it should normally be possible to provide suitable work or training to the genuine type of unemployed person long before he has drawn benefit for 30 weeks. We also agree that the conditions for the payment of unemployment benefit in the existing law should be maintained. The effect of these is that benefit is not payable if a claimant refuses an offer of suitable work in his own trade at any time, or, after he has been drawing benefit for some time, a reasonable offer of work in another trade. In either case the question whether an offer of employment outside a man’s home district would be suitable would depend, among other things, on the man’s individual circumstances and the length of time for which he had been unemployed.

It is, in our view, impossible to add to the safeguards in the existing law without virtually importing the “not genuinely seeking work” condition. Thus the issue is narrowed down to whether the new scheme should provide (i) that, as at present, the insured person’s title to benefit should cease after 30 weeks (with extensions for persons with good employment records up to as much as 52 weeks), or (ii) that there should be no time limit on the payment of benefit.

The Minister of National Insurance feels that, however successful the Government’s employment policy may be, there will be some genuine cases on whom the withdrawal of benefit after 30 weeks will bear hardly, and he argues that, if the State cannot offer work or training to an unemployed man before the expiry of 30 weeks, it is no help towards a solution of the man’s problem to say to him that in future he must depend on assistance, payable subject to an inquiry into his means. He has also pointed out that the Trades Union Congress in a recent deputation expressed themselves as strongly in favour of the removal of the time limit.
The Foreign Secretary, the Chancellor of the Exchequer and the Minister of Labour and National Service, while appreciating the point of view of the Minister of National Insurance, regard it as of the utmost importance that the principle of insurance should be preserved in the arrangements for unemployment benefit, and they believe that, unless the time is retained, it will be difficult to prevent certain claimants who have no real intention of taking up steady employment from drawing benefit for practically unlimited periods, with the result that an unfair burden will be imposed on the insurance fund. For example, a married woman who did not intend to re-enter the labour market might draw benefit for a very long time, particularly since it would not be regarded as reasonable to offer her work in a district other than that in which she was living. These Ministers accordingly recommend that the present time limit should be retained and that the Government should rest their main defence of this on their determination to prevent a recurrence of the long continued unemployment which occurred in certain areas between the wars. In order to meet the views expressed by the Minister of National Insurance, however, they suggest that, before the National Insurance Bill is introduced, the possibility should be considered of adjusting, if necessary, the conditions on which assistance is given by the Assistance Board to persons who have exhausted their right to unemployment benefit.

We regret that we have been unable to reach agreement and must leave it to the Cabinet to decide in the light of the considerations set out above.

3. Rate of Retirement Pension. The question which we were asked to consider is whether the rate of retirement pension for a single person should be 21s. or 26s. The objection which the Chancellor of the Exchequer had to a rate of 26s. was that this would involve an increasingly heavy addition to the burden on the Exchequer over the next twenty years. On the other hand, the Social Services Committee felt that a rate of 26s. would be much easier to defend, since it would be linked with the rates proposed for unemployment and sickness benefit.

The Chancellor of the Exchequer has now agreed to a rate of 26s. on the clear understanding that there can be no yielding to pressure to increase the rate beyond 26s. when the National Insurance Bill is before Parliament and on condition that specific provision is made in the Bill for a suitable increase in the amount of the contributions after the scheme has been in operation for five years to meet some part of the additional burden due to the increased rate.
4. Increase of Retirement Pension for Deferred Retirement.

At the meeting of the Cabinet on 6th December it was agreed that the payment of pension should be conditional on retirement, and the Chancellor of the Exchequer indicated that he was prepared to consider an increase in the rate of pension of 2s. 6d. a week for a single person and 5s. a week for a couple for each year by which retirement was postponed. If, however, the basic rate of pension is raised to 26s. a week, it seems reasonable to reduce the rate of increase and we accordingly recommend that the inducement for deferred retirement should be an increase of 1s. a week in the case of the single person and 2s. a week in the case of a couple for each six months by which retirement is postponed, the 2s. being payable only where the wife, as well as the husband, has reached pensionable age. When a man has attained the age of 70 (or a woman the age of 65) it will be automatically assumed that he or she has retired and pension will become payable. Thus the maximum retirement pension payable will be 36s. for a single person and 62s. for a couple. (72s. for a couple where the wife is insured in her own right).

We feel, however, some apprehension about the effect of the retirement condition in certain industries, where, owing to the nature of the work, men are unable to continue to work much beyond the age of 65 and would therefore be unable to qualify for the increase of pension reserved for deferred retirement. We consider that this difficulty might be met by separate schemes for particular industries, and, if any such schemes were set up, the machinery of the National Insurance scheme could be made available for them. The Chancellor of the Exchequer has also undertaken to give consideration to the provision of a certain contribution towards the cost of any such schemes.

5. Contributions. The Social Services Committee recommended that the weekly contribution from a man in Class I should not exceed 4s. 6d. It seems clear, however, that the benefits which the national insurance scheme will provide are worth more than this to the workers and the Social Services Committee of the Parliamentary Labour Party have indicated that 5s. is the maximum contribution which could be borne. Accordingly, in view of our proposal in paragraph 3 that the basic rate of retirement pension for a single person should be fixed at 26s., we recommend that the initial rate of contribution in Class I should be 4s. 10d. from the employed man and 4s. 2d. from the employer and that the Bill should provide that after five years these rates should be increased to 5s. and 4s. 4d. respectively. These figures are based on the assumption that the present limit of 30 weeks on the payment of unemployment benefit will be retained. If it were decided to pay continuous benefit unemployment the initial Class I rates would require to be 5s. for the employed man and 4s. 5d. for the employer, rising to 5s. 5d. and 4s. 7d. after five years.
6. To sum up, the Cabinet is asked—

(a) to decide, in the light of the considerations set out in paragraph 2 above, whether the present limit of 30 weeks on the payment of unemployment benefit should be retained;

(b) to approve the payment of retirement pensions to single persons at the rate of 26s. a week, on the understanding that any pressure for an increase in this rate when the Bill is before Parliament will be resolutely resisted; (See Paragraph 3 above).

(c) to agree that the inducement to postpone retirement should be an increase of 1s. a week in the case of a single person and 2s. a week in the case of a couple, both of whom are of pensionable age, for each six months by which retirement is postponed; (see paragraph 4 above)

and (d) to approve the proposal that for Class I the initial rates of contribution should be 4s.10d. from the employed man and 4s.2d. from the employer (or 5s. and 4s.5d. respectively if there is no limit on the payment of unemployment benefit), and that the Bill should specifically provide that after a period of five years these rates should rise to 5s. and 4s.4d. (or 5s.2d. and 4s.7d.), corresponding rates being fixed for women and persons in Classes II and IV. (See paragraph 5 above).

A.G.

Gwydyr House, S.W.1.

11TH DECEMBER, 1945