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CABINET

NATIONAL INSURANCE SCHEME - LIMITATION
OF UNEMPLOYMENT BENEFIT

Memorandum by the Minister of National Insurance

At their meeting on 13th December (C.M.(45) 62nd Conclusions, Minute 2) the Cabinet agreed that the National Insurance Bill should provide for a limit of 30 weeks on the payment of unemployment benefit, with extensions for contributors with good employment records, and invited the Social Services Committee to consider what changes might be made in the conditions for the receipt of assistance by unemployed persons who had exhausted their title to benefit, with a view to the preparation of a statement which might be made by me when the Bill was before Parliament.

2. After consultation with the Assistance Board I have come to the conclusion that it would be difficult to make any effective change in the conditions for the payment of assistance which would not virtually abolish the existing needs test. I have therefore been driven to seek a solution along the lines of a temporary modification of the benefit conditions rather than of an adjustment in the conditions for the receipt of assistance.

3. As the National Insurance Bill stands, benefit will be payable not merely for 30 weeks, but for a substantial additional spell based on the applicant's record of contributions over a recent period. Thus, a claimant with a good record may receive benefit for a total period substantially in excess of a year.

4. I fear, however, that this provision may not be adequate to meet the situation as it is likely to develop in the next year or two. There are already considerable pockets of unemployment in those areas - e.g. South Wales, the Industrial Belt of Scotland and North East England - which suffered most from long-term unemployment in the years between the wars, and it is clear that, however actively a policy of full employment may be pursued, there will be an interim period, before the measures taken by the Government come into full effect, during which considerable numbers of workers, unemployed through no fault of their own, will exhaust their title to unemployment benefit under the Bill as it stands. A trend in this direction is already evident from the experience of the Assistance Board.



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5. To meet this situation I should propose to treat the period of, say, two years from the passing of the National Insurance Bill as an emergency period, and to take power to give to all contributors insured for unemployment special credits which would entitle them to a further spell of benefit in that period up to a maximum of 26 weeks.

6. I have discussed my proposal with the Social Services Committee and, with the exception of the Chancellor of the Exchequer, they are, I think, convinced that there is no alternative to it. The Chancellor of the Exchequer is not satisfied that any such provision is necessary and would prefer to wait and see what the extent of the pressure is in Parliament before considering whether any concession should be made. I feel, however, that unless some provision on these lines, to tide us over the difficult period for the next year or two, can be inserted in the Bill before it is introduced, the whole question of the limitation of unemployment benefit will become a matter of bitter controversy and we may well be faced with a difficult situation when the Bill is before Parliament.

J.G.

Ministry of National Insurance.,
S.W.1.

15th January, 1946.

