UNEMPLOYMENT BENEFIT

MEMORANDUM BY THE MINISTER OF LABOUR AND NATIONAL SERVICE AND THE MINISTER OF PENSIONS AND NATIONAL INSURANCE

A Committee of officials was appointed (C.M. (56) 35th Conclusions. Minute 5): "To promote and co-ordinate any action which may be necessary or desirable for the Government to take in regard to automation and the developments to which it may give rise."

2. The Committee have now made a Report, which we circulate herewith, on:

(a) The possibility of improving the unemployment benefit provision for workers made redundant in their employment by automation.
(b) The general rules governing the payment of unemployment benefit to workers on short time, whether arising from automation or not.

On the second subject the Committee suggest a change which might require legislation and we therefore discuss this first.

Short-time Working

3. A worker who is on short time or whose work is temporarily suspended cannot be treated as unemployed on any day on which he works or for which he receives payment from his employer. Recent rulings of the National Insurance Commissioner have, however, made it clear that a guaranteed week agreement need not imply payment by the employer for each day of the week and, for days on which no work is done and no payment is made; claims for benefit can be made under the same rules as apply to the man who is without an employer and seeking a new job. After three waiting days, benefit is payable for any two days of unemployment in six consecutive weekdays, so that as the rules stand benefit (and two days at that) is payable to a worker who has earnings for four full days' employment in a week, even though he may normally work only one day more. This situation has attracted much criticism where the worker's earnings are still high by ordinary standards, and is unsatisfactory both from the insurance point of view and in its effect on the mobility of labour.

4. From the insurance point of view it was never intended that benefit should be paid where only one day's work a week has been lost, but this principle has been increasingly undermined by the adoption of the 5-day week in industry. The availability for other employment of such workers is difficult to test effectively and many people think it wrong that short-time workers with high earnings should have them subsidised out of the contributions of workers whose full-time earnings are lower. On the other hand, there seems to have been no criticism of the payment of benefit in the cotton industry, where wages are low, to short-time workers who have equally lost only one day's earnings, and it would seem very questionable policy to make insurance benefits less available to those with high earning power.

5. As regards labour mobility, in some industries, particularly motor-cars, the effect of the Government's economic measures has shown itself so far in 50071...
short-time working rather than the discharge of workers. The ability to supplement earnings with benefit is not of course the only reason causing workers to prefer short-time working rather than seek fresh employment, particularly when they are employed in firms or industries where their earnings are relatively high. But to make an insurance change primarily in order to increase the mobility of labour would clearly lay the Government open to political attack on the ground that it was indifferent to the interests of the workers and determined to create unemployment. It would seem therefore that the justification for any further restriction on the insurance benefits of short-time workers would have to be on wider grounds of general equity.

6. After considering various possibilities the Committee of officials have recommended that the method of dealing with the situation which would cause the least difficulty would be to treat Saturday as a day in respect of which unemployment benefit is not payable. The rule would then be that benefit could only be paid if the worker were unemployed in a week on two days other than Saturday and Sunday. For the days of unemployment which counted, benefit would then be paid at one-fifth (instead of one-sixth) of the weekly rate. A variant of this proposal would be to eliminate the first day of proved unemployment in any calendar week and pay one-fifth of the weekly rate for each of the remaining days if in excess of one. While this would avoid the suggestion that Saturday is to be regarded as a non-working day, it would be more difficult to administer. The intention of either change would be to limit the payment of benefit during short-time working to those cases in which the worker was not working more than three days a week. The result would, in our view, be to limit considerably the extent to which workers on short time would receive benefit. Assuming the present level and pattern of short-time working, such a change might save the National Insurance Fund perhaps £2 million a year, though too much importance should not, owing to the uncertainty of the situation, be attached to this figure.

7. Either of the general changes suggested would require legislation and we should mention that an automatic effect of the adoption of a five-day benefit week (unless countervailing action was taken) would be to increase by one-fifth the present periods, from 30 weeks upwards, for which unemployment benefit can be drawn. Either change would also have to apply to sickness benefit because, for various purposes of the insurance scheme, days of sickness and days of unemployment are interchangeable. The practical effect in relation to sickness benefit would, however, be quite small.

8. An alternative to a general change in the benefit rules would be to make special conditions for five-day-week workers on short time. This could be effected by regulations. Any such regulations would, however, have to be submitted in draft to the National Insurance Advisory Committee and, as they would be obliged to consider representations on the subject, it would probably be three to six months before they were able to report.

9. It is important in this connection to note that in a report last autumn the National Insurance Advisory Committee, while recognising the present anomalies, expressly recommended that no change should be made in the arrangements relating to short-time working. The likely attitude of the Committee to draft regulations on these lines might therefore not be altogether favourable.

10. While there is undoubtedly public uneasiness about the payment of benefit to some short-time workers, we do not consider that a sufficiently strong and clear case exists for action to change the insurance rules at present. A further reason for delay is that the decisions so far given by the National Insurance Commissioner on guaranteed week agreements only relate to those of individual firms in the engineering industry. The proper interpretation of the main agreement covering some 2½ million workers in federated firms arises on an appeal which will shortly be coming before him. The amount of short time being worked is not increasing. We would therefore propose to keep the subject under review and, if in the autumn it still seemed desirable that some change should be made, it might perhaps be undertaken in a less controversial atmosphere in conjunction with other changes in the insurance scheme, which may in any case have to be the subject of legislation next Session. We might in this way also expect to get the benefit of some exchange of views on the subject with representatives of employers and trade unions.
Position of Discharged Workers

11. The introduction of automation may lead to the discharge of workers on redundancy and the Committee of officials accordingly considered the possibility of improving the present rate of benefit to help meet this situation. They point out, however, that automation is only one possible cause of redundancy (and in present circumstances we think a less likely one than some others) and that any adjustment in the benefit rates would have to apply to all unemployed workers. Secondly, they take the view that any improvement in the general rules of unemployment benefit could only be considered along with the rates of national insurance pensions and benefits generally, and also of war pensions. We agree with the officials on both points and also share their view that no practicable improvement in benefit rates would significantly weaken the resistance of workers to losing their employment.

12. The report points out, however, that where a worker's employment has been finally terminated, he is not prevented from getting benefit by the fact that he is also getting compensation from his former employer for the loss of his former remuneration, so long as the compensation, together with his own benefit (ignoring any payments for dependants), does not exceed two-thirds of his previous remuneration. We think it desirable that this arrangement should be more widely known so that, where an employer wishes to compensate a worker who is being discharged after long satisfactory service, he should not be discouraged from assisting the worker's resettlement by the belief that it would prevent the payment of benefit.

13. We therefore recommend that—

(1) no immediate action should be taken to restrict the right to benefit of short-time workers but the subject should be kept under review as set out in paragraph 10, and the whole subject looked at again in the autumn;

(2) on the possibility of improving the rate of unemployment benefit, the views set out in paragraph 11 should be accepted;

(3) the fact that employers are not prevented from supplementing the benefits of discharged workers should be made more widely known.

I. M.
J. A. B.-C.

21st June, 1956.
1. Workers who have been discharged and are compelled to seek fresh employment are normally entitled to unemployment benefit. This benefit may be drawn by workers who are receiving compensation payments from their late employers provided that these payments do not exceed certain limits. The provision for supplementation of benefit by employers for their former workers is reasonable where employment has been finally terminated and therefore we do not suggest any change in these arrangements.

2. Under present arrangements, supplementation of benefit by employers is not permitted where workers are on short time or are temporarily suspended. We accept the view that employers should not be encouraged to retain workers who are temporarily under-employed at the expense of the National Insurance Fund and accordingly recommend that the existing arrangements should be endorsed.

3. Unemployment benefit has always been available to persons who are temporarily under-employed, provided that they are willing to work elsewhere on the days when their regular employer cannot use them and subject to the normal tests for receipt of unemployment benefit. Where guaranteed week agreements provide for no more than four days pay, benefit may be payable for the two days of the week on which no work is done - even where the worker is on a five day week. This gives rise to two serious anomalies:

(a) Two days benefit can be earned by the loss of one day's work;

(b) In practice, the statutory test of availability for employment cannot be effectively applied.

4. We have considered various methods of remedying this unfortunate situation:

(i) By providing (by regulation) that benefit should not be paid where a guaranteed week was in operation;

(ii) By introducing an earnings rule which would prevent benefit being paid in any week to any one with comparatively high earnings in that week;

(iii) By altering the conditions for receipt of benefit so that no more than one day’s benefit could be paid to a five day week worker who has lost one day’s work.

5. All these proposals would give rise to administrative difficulties and would probably lead to new anomalies without dealing effectively with the problem of the payment of benefit to workers on short time. Moreover, (i) would be represented as an attack on the guaranteed wage principle and (ii) would be attacked as a means test.

6. We have therefore suggested that the problem could best be tackled by excluding Saturday for benefit purposes in the same way as Sunday is now excluded. Benefit would then be payable for the five remaining days of the week at one-fifth of the weekly rate; consequential adjustments of the conditions would be required. The change proposed would exclude from benefit all short time workers now entitled to pay from their employers for four working days. Legislation would be necessary.

7. Details are given in the Report below.
1. Our terms of reference have led us to consider specially the provision, by way of unemployment benefit or otherwise, of compensation payments to workers displaced by automation, and also the general rules governing the receipt of unemployment benefit by workers on short time.

Displaced Workers compelled to seek fresh employment

Compensation payments by former employer

2. A worker who has been discharged by his employer on redundancy and compelled to seek fresh employment, will normally be entitled to unemployment benefit at the rate of 45s. single, 65s. married, with additional payments for dependent children. He can at the same time be in receipt of periodic compensation payments from his previous employer, provided such payments do not exceed two-thirds of the remuneration lost less the single person's rate of benefit (45s.). The fact that it is permissible for benefit to be paid concurrently with compensation payments in this way is not perhaps so widely understood as it might be. The present rules were endorsed by the National Insurance Advisory Committee in 1954, when the regulations were slightly varied from those previously in force in order to fit the provision made for workers displaced in consequence of the Transport Act, 1953. They also fit agreements, which have statutory Ministerial approval, arrived at for payments to colliery workers who become redundant as a result of major reorganisations, and we understand that similar arrangements for cushioning redundance discharges have been in operation for a considerable time in certain other industries.

3. Where workers who have given satisfactory service over a substantial period are discharged because of reorganisation voluntarily undertaken by the employer in order to make his business more profitable, there would seem to be both a moral obligation on the employer and also the means available, for him to make compensation payments additional to national insurance benefit to assist the smoother resettlement of the workers in fresh employment, and we understand that such provisions (often called "severance money") and also in some cases assistance in other directions, such as removal expenses, have been fairly widely adopted in the U.S.A. and in other countries. In this country the Government can hardly discourage similar action in view of what has already been done for workers displaced not only under the Transport Act, 1953, but under the various nationalisation statutes including the provision for colliery workers already mentioned. It does not, however, seem to us that any case can be made out for making better provision from insurance or other public funds for workers displaced by automation or other forms of technological change, than arises where a worker with equally long and satisfactory service loses his job because his employer's activities have contracted, or, in extreme cases, the employer has been forced out of business. Indeed, it could be argued that the latter case is more deserving of sympathetic State action because the employer is then much less likely to have the financial resources with which to assist his displaced workers. Where employment has been finally terminated therefore we see no objection to employers arranging to supplement the unemployment benefit of their former workers to the extent allowed by the present regulations, which seem to us to impose a limit which is reasonable in itself and also acceptable to trade union opinion.
Rate of Unemployment Benefit

4. We have also considered whether it would assist in meeting any redundancy problems likely to be thrown up by the spread of automation if the present rates of unemployment benefit could be increased. We do not see how the rates of this benefit, provided as it is from funds to which all contribute equally, could be varied according to the particular economic circumstances which led to the worker losing his employment or according to his previous earnings. Any increase in the rate of unemployment alone would not be politically possible. But a general increase in the standard rate of benefit, including retirement pension, would be a very costly operation which, in view of the need for stringent economy in Government expenditure, could not be contemplated at present. Even a minimum increase of 5s. on the standard rate — together with the inevitable consequential improvement in war pension rates — would impose an additional charge of the order of £20 millions on the Exchequer in the first full year. The immediate increase in expenditure from the National Insurance Fund would be about £80 millions but this would rise steadily thereby adding to the deficits which will have to be met by the Exchequer in future years. Increased benefits would have to be accompanied by increased contributions and these would add to the pressure on wage rates. An increase of 5s. on a weekly rate of 40s. weekly rate would still leave the rate of unemployment benefit far below the average earnings of men. As regards the likely effect on the attitude of the redundant worker, a high rate of unemployment benefit might be disadvantageous in that, by making short time working more attractive to the worker, employers would be under increased pressure to retain redundant staff. But otherwise, the rate of State unemployment benefit available does not seem to us likely to have much effect on the worker’s willingness to accept displacement from his employment by automation or other technological change. If his unemployment is likely to be prolonged the worker will do everything he can to resist the changes which would bring it about whatever the rate of the unemployment benefit. If (as in present circumstances must nearly always be the case) he can expect to be offered full time employment elsewhere very quickly, his attitude towards displacement will not be determined by the rate of benefit payable during the interval but by the prospects offered in the new employment as compared with the old, any disturbance costs involved, and, where a change of home is involved, housing, educational and other family problems. Pension schemes for manual workers supplementing the national insurance provision have become widespread, and any loss of pension rights which cannot be made good in the new employment may also have an important effect on the worker’s attitude.

Workers on short time or temporarily suspended

Supplementation of benefit by Employers

5. Except in the case where employment has been finally terminated, there is no provision allowing employers to supplement any unemployment benefit to which their workers are entitled during short time or suspension. As benefit is payable on a daily basis, it is however possible for an employer to be making payments in respect of certain days
in a week, whether work is done on them or not, while benefit is payable for others. The rules have not always been so restrictive. Between 1939 and 1948 there was statutory provision for Ministerial approval for supplementation of benefit by employers, of which advantage was taken by the flour-milling industry and the Unilever group. The National Insurance Advisory Committee was specially asked in 1947 to consider whether corresponding provision should be made by regulations under the National Insurance Act, 1946. After hearing the arguments of those who had taken advantage of the old provision and those who wished to do so, the Committee recommended against any such provision being made, and their advice was accepted. The relevant part of their report (which was published and laid before Parliament (H. of C. No.151 of 1948) is reproduced as an Appendix. It will be seen that the Committee took the view that in post-war conditions it was wrong to use national insurance funds to help employers to retain workers to whom they were unable to offer work.

Apart from the economic arguments against encouraging under-employment, the Committee drew attention to the fact that a large section of the insured population and their employers would, because of the terms of their employment, be unable to take advantage of such arrangements if permitted, and pointed out that in some cases the bar was statutory, e.g. in the case of workers covered by the Dock Workers (Regulation of Employment) Act, 1946, or by the Agricultural Wages Acts.

We find the arguments used by the National Insurance Advisory Committee in 1948 still convincing, and we would add that it might be thought particularly unfair by other insured workers and their employers if an exception to the general rule were made in favour of concerns whose workers were temporarily under-employed during the introduction of processes designed to make the concern more profitable. We think particular attention should be drawn to the position in the port transport industry since, if we were now decided to revert to the unemployment insurance position which obtained between 1939 and 1948, an unanswerable case could be made for a revision of the Dock Workers (Regulation of Employment) Act arrangements to permit the payment of benefit (or sums in lieu) to disengaged dockers in relief of the present "fall back" guarantee payments now made out of the proceeds of a general levy on port transport employers. A Committee is at present examining the working of these arrangements.
Benefit during short time working

Historical and General

7. Unemployment insurance has always catered, not only for the wholly unemployed seeking fresh employment, but for those who are temporarily under-employed, provided they are willing to work elsewhere on the days when their regular employer cannot employ them, and subject to rules which normally prevent the payment of benefit for the first three days of unemployment (the "waiting days") and for isolated days which do not satisfy the "continuity" rule. Down to 1940 the continuity rule prevented the payment of benefit unless there were at least three days of unemployment in any six consecutive days (excluding Sunday which is disregarded for all purposes). The daily rate is one-sixth of the weekly rate. Since 1940 only two days of unemployment in any six have been required to enable benefit to be paid for them, and with the spread of the five day week in those manufacturing industries where short time working is most often resorted to, it has become common for workers who have lost only one day's work not only to get benefit but to get it for two days, since Saturday can then be claimed as a day of unemployment. In the case of the more highly paid workers (and the earnings of some of those recently on short time have been bigger than those of many full time workers) the exception of unemployment benefit from income tax is an added attraction.

8. It was at one time thought that the guaranteed week agreements which have been widely adopted in manufacturing industries since the war, would preclude the payment of benefit to workers covered by them on the ground that the guarantee must be regarded as a payment by the employer for each day of the week. But where the guarantee is for no more than four days, which is the commonest form, it has been found possible to draw the agreements in such a way that they do not prevent claims for benefit for two days of the week on which no work is done.

9. The situation which has resulted from the interaction of these factors - whereby a tax free benefit is payable in addition to comparatively high wages earned for a short week - is economically indefensible. In conditions of full employment and shortage of labour the availability of benefit in these circumstances is an inducement to firms which have achieved improvements in productivity to hoard labour by working short time. This nullifies the benefits which the economy as a whole should derive from industrial prosperity by keeping up costs which should be reduced and by withholding much needed relief to the general scarcity of labour. Moreover, the pressure for mild short time working usually comes from the workers who are not worried by it so long as benefit is available.

10. Nor is the position satisfactory from the insurance point of view. The availability for employment of a worker who has lost at most one day's pay through short time working must be suspect but cannot usually be effectively tested; and, unless his normal wage is low, he can rarely be offered full time employment elsewhere which he will not have acceptable reasons for refusing. Nor does it seem consistent with the "two-in-six" rule or with the limitation on benefit payments to unemployed workers in receipt of compensation from their former employers (see paragraph 2 above), that a worker should get benefit at all, still less for two days, when he has only lost one day's work and is earning 80 per cent of his normal wage.
11. While the payment of benefit during recent short time working in high wage industries has attracted a good deal of public criticism, there would certainly be strong resistance from the trade unions and also from some of the employers concerned if it were proposed to alter to the disadvantage of short time workers the conditions on which unemployment benefit can be paid. Because of difficulties arising out of earlier short time working, the National Insurance Advisory Committee were asked in 1953 to review the whole question of the payment of benefit for very short spells of sickness or unemployment. They went into the question very fully but were unable to arrive at any agreed solution of the difficulties, and their Report, while frankly admitting the anomalies, accordingly made no recommendation for change. The Report was published as a Command Paper in November, 1953, (Cmd. 9609) without any indication whether the Government accepted the Committee's conclusions.

12. We have, as directed, nevertheless reviewed the whole position again in the light of the experience gained during recent short time working. We have not limited ourselves to the suggestions examined in the Advisory Committee's Report.

Guaranteed Week Agreements

13. Following decisions recently given by the National Insurance Commissioner, there is nothing to prevent any guaranteed week agreements being re-worded, where this has not already happened, so as to ensure that where the guarantee is for no more than four days' pay, two day's benefit can be drawn if four days or less are being worked. A regulation could probably be framed to prevent the payment of benefit where a guaranteed week was in operation, but it could be represented as an attack on the guaranteed wage principle and we doubt whether it would be effective or free from anomalies in limiting the payment of benefit to short time workers. Our doubts arise because the agreements can usually be suspended at short notice on a variety of grounds and because in any firm on short time there are always some workers not covered by the guarantee, e.g. because of short service, who would then be free to claim benefit while earning as much as those prevented from claiming by their guarantee.

An Earnings Rule

14. The Royal Commission on Unemployment Insurance which reported in 1932, recommended that the payment of benefit to short time and casual workers should be limited by an earnings rule which would prevent benefit being paid in any week to any one with comparatively high earnings in that week, irrespective of the proportion which those earnings bore to the normal wage. The recommendation was not implemented. The idea behind this approach was to limit payments to those whose total income from earnings and benefit was such that they could be said to be suffering hardship and who could therefore be presumed to be willing to accept other more regular employment. An earnings rule of this kind would meet those critics of the payment of benefit during recent short time working who consider that unemployment benefit should not be paid to people whose earnings are high in relation to those of many full time workers who, through their contributions, are meeting the cost of the benefit. An earnings rule also has certain
attractions from the point of view of securing fairness, both as between different classes of claimants and as between claimants and contributors but it seems open to the following objections —

(1) Although, as the Royal Commission explained, an earnings rule would be no more than a measure of employment, which is obviously relevant to a claim for unemployment benefit, the proposal would doubtless be attacked as a means test.

(2) Unless the rule was so severe as to exclude many claims which can now be made, there would be much extra work for Employment Exchanges and for employers in ascertaining the claimant’s earnings week by week and there might well be delays in payment benefit.

(3) In selecting a suitable base for adjusting benefit to earnings there would be the same difficulties as now arise in connection with the earnings rule for retirement pensions, from the disparity of men’s and women’s earnings.

(4) As the amount of benefit would be related to total earnings week by week, it might be difficult to resist claims for supplementation of low weekly earnings where no claim for unemployment benefit could succeed under the present rules.

(5) It might be difficult to defend an earnings rule for unemployment benefit without admitting the validity of an earnings rule for sickness benefit, yet this would encounter the fiercest opposition. Nearly 50 per cent of new claims for sickness benefit are made by people who are also receiving payments from their employers.

Changing the Continuity Rule

15. It might be possible to frame a regulation which would prevent the payment of more than one day’s benefit to a five day week worker who has lost only one day’s work, but this would still leave serious anomalies between the treatment of five day and six day week workers, and between five day week workers who lost one day’s work and those who lost more. The most serious objection to such a change is, however, that it would seem to establish the principle that benefit should be paid generally for single days of unemployment. Further, while irritating the workers affected, the change would not satisfy those who criticise any payment of benefit where only one day’s work has been lost.

16. We consider that if a change is to be made, it should go further and seek to increase the proportion of a normal week’s work which must be lost before any benefit can be paid and thereby get to a position in which the short time worker can only qualify for benefit in circumstances where it can
reasonably be supposed that if the short time continued for long, he would be prepared to move to full time employment elsewhere. Any diminution of existing benefit rights would of course be opposed but the effect of criticism would be weakened if the new rule could be defended —

(a) as no more than the development of the principles of the present rule to meet changing industrial conditions;

(b) as being in line with the established rule which regulates the payment of benefit with compensation from a previous employer, explained in paragraph 2.

A New Proposal

The best proposal we are able to make is that Saturday should in future be treated for benefit purposes generally in the same way as Sunday now is, that is excluded from reckoning altogether. Benefit would then be payable for the five remaining days of the week at one-fifth of the weekly rate, subject to the continuity rule which would be altered in conformity with the new situation to secure that benefit was not paid unless there were two or more days of unemployment in any five days (excluding Saturday and Sunday). Legislation would be necessary. We understand that the National Insurance Advisory Committee looked at, but did not pursue, this possibility because they thought the Government would not wish to appear to be endorsing the five day week for general adoption; the fact that the Civil Service is now to be put on a five day basis would seem to have weakened the force of such an objection.

The rule put forward would effectively exclude from benefit all short time workers now entitled to pay from their employers for four working days, thereby substantially removing the unfairnesses as between five day and six day week workers and those arising from guaranteed wage agreements, to which the Advisory Committee drew attention in their Report. An incidental advantage would be to relieve pressure on Employment Exchanges and, if the rule also applied to sickness benefit, on National Insurance offices and on general practitioners on Saturdays. Even for the six day a week worker, inability to work on his Saturday half-day could hardly nowadays be regarded as a matter requiring compensation from the National Insurance Fund.
APPENDIX

Supplementation of Unemployment Benefit

Extract from the N.I.A.C. Report on the draft Unemployment and Sickness Benefit Regulations, 1948*

"Our attention was drawn "by the Ministry of National Insurance to the omission from these regulations of any provision similar to that contained in the Approval of Arrangements Regulations, 1940, made under section 2 of the Unemployment Insurance Act, 1939, enabling arrangements to be made, subject to the approval of the Minister, for the supplementation by employers of unemployment benefit during periods when a worker's employment is suspended or terminated. There is no provision in the National Insurance Act, 1946, corresponding to section 2 of the Unemployment Insurance Act, 1939, but there is power under section 11(3) of the 1946 Act to make regulations defining what can or cannot be treated as a day of unemployment which could be used to achieve a similar effect.

A number of firms or industries especially concerned in this question, either because they had such arrangements in force, or because they were seeking or known to be seeking approval of such arrangements, were informed by the Ministry of this omission from the regulations and of their right to make representations to us on the question. As a result all those so notified did make representations to us urging, in every case, that provision should be made enabling approved arrangements of the same kind to be made in the new scheme of national insurance. Almost the whole of the oral evidence which we received on the provisions of these regulations was directed to supporting this request.

The conditions under which in accordance with the Approval of Arrangements Regulations, 1940, such arrangements may at present be approved are:

(a) the workers must be free to accept alternative employment, and the employer must not be in a position to require the workers to resume employment with him unless they are unemployed at the time of the offer;

(b) the payments plus benefit receivable must not, except for 13 weeks in the year, exceed three quarters of the normal wage; and

(c) the conditions of the Minister's approval must be notified to the workers in a way approved by the Minister.

The condition that the worker must be free to accept alternative employment has, in the arrangements made, usually been imposed in the form that supplementary payments are made only so long as the worker registers at the Employment Exchange, is available for work, and does not unreasonably refuse an offer of suitable employment.

The main reasons advanced by the Ministry for the omission from these regulations of any provision enabling arrangements for the supplementation of unemployment benefit by employers to be approved by the Minister were, briefly, that the continuation and possibly extension of such arrangements would both detract from mobility and the full use of labour and would weaken collective negotiation of guaranteed wage agreements designed to ensure proper wages while employment lasts.
The principal arguments advanced in favour of these arrangements being permitted were, put equally briefly, that far from detracting from the full use of labour the condition that supplementation was payable only so long as an employee made himself available for and did not unreasonably refuse other work secured that surplus labour was freely available for other work and, on the Ministry's second point, that the supplementary payments made under these arrangements gave a greater measure of security than was provided under guaranteed week agreements. In one case at least, the arrangements had been made in addition to a guaranteed week agreement.

We recognise that in making arrangements of this kind these industries and firms were indeed progressive in providing a measure of security for their employees, particularly in those cases where the arrangements were made at times when unemployment was much more widespread than it is to-day and short-time working was more common. We have felt considerable sympathy with the desire of both the employers and employees concerned to secure that these arrangements are continued.

We doubt whether the fact that certain industries or firms pay sums to former employees during period of unemployment does greatly affect the availability of these employees for alternative employment during short periods of unemployment. We think that in the main workers, especially workers with some special skill, will always tend to look for work in their usual occupation and while unemployed to wait for re-employment in that occupation rather than seek new employment. This we think will certainly be the case where a period of unemployment is short, perhaps not more than a few days, and where a worker is aware that his unemployment is due to some temporary cause, for example, weather conditions or shortage of supplies.

So far as concerns short-time working of this kind, we therefore do not think that approved arrangements will detract from mobility of labour to any material extent. There can be no doubt, however, that there has been a general improvement of conditions of employment throughout industry. Employers in some industries, either by statute or by agreement, are now under an obligation to guarantee a week's employment and a minimum wage to all employees retained on their books. Not only does this act as a discouragement to industries and to employers to retain more workers than necessary but it has the effect that these employers meet the whole cost of ordinary short-time working arising from temporary industrial conditions. It is therefore in our view wrong that the Insurance Fund should be used, by means of the approved arrangements which we are discussing, to subsidise short-time working in other firms where the guaranteed week in one form or another is not in operation either by agreement or as a result of legislation. Further the fact that the cost of short-time working is not met wholly by the employer where approved arrangements are in operation may to some extent result in disguising under-employment in these industries or firms.
We consider now the operation of these arrangements during unemployment of a more enduring nature. We recognise that where a worker is clearly redundant in his industry or firm, it is during his initial period of unemployment that there is the best chance of placing him in other employment. If however, during this period a worker receives payments from his former employer which continue only while he is unemployed, this must, we think, lead him to hope and to wait for re-employment in that occupation and reduce his incentive to seek and accept alternative employment. In this way we feel that these arrangements for supplementation of unemployment benefit must, to some extent, operate against the full use of labour. In view of the country's great need for the fullest possible use of labour we are therefore unable to support the case for supplementation by employers of unemployment benefit during prolonged periods of unemployment."