Cabinet

National Insurance: Unemployment Benefit

Memorandum by the Minister of Labour and National Service and the Minister of Pensions and National Insurance

On 9th October, 1956 (C.M. (56) 70th Conclusions, Minute 2) the Cabinet, having considered proposals for changes in the unemployment benefit rates for short-time workers,

(1) Approved in principle the proposals in C.P. (56) 213;

(2) invited the Minister of National Insurance to arrange for a draft clause to be included in the National Insurance Bill;

(3) agreed to resume their discussion of this question on the basis of the draft Bill towards the end of the year.

The first print of the National Insurance Bill includes a clause on the subject and the Cabinet will now wish to consider the matter further particularly in its bearing on the atmosphere in which wage negotiations are now being conducted.

2. It is too early as yet to pronounce definitely upon the form which wage negotiations are likely to take in the next few months, as the most important wage claims (e.g., engineering, shipbuilding, railways and coal) are still unsettled, but there are grounds for hoping that a reasonable restraint will be observed on the workers' side provided the cost of living does not rise dramatically in the next month or two. There are therefore strong reasons for not introducing a controversial measure which might be interpreted in some quarters as a political measure directed to worsening the position of workers whose earnings are already seriously affected by short-time working and loss of overtime. Moreover, in recent months employers have tended to discharge workers instead of putting them on short time and the need to check short time arrangements is not so strong.

3. In the circumstances we think that it would be inexpedient at present to press the first proposal in paragraph 6 of C.P. (56) 213 (viz. that no benefit should be paid in any calendar week unless the worker is unemployed in that week for two days on which he normally works) but we take the view that the second proposal (viz. that no benefit be paid for a day on which the worker does not normally work unless he is wholly unemployed in that week) would not be open to the same objection, and should be proceeded with as removing at least the most obvious and glaring anomaly in the present position. The effect would be that workers normally working a five-day week would if working three days get two days' benefit, those working four days at most one day (if the pattern of short-time working were adjusted to meet continuity rules, as it mostly would be). The proposition that benefit should not be paid for a day on which the claimant does not ordinarily work seems easy to defend. This amendment to the present Act, being included in a Bill other changes in which are in the direction of relaxations for insured persons, would still attract opposition but it might not be strongly pressed.
4. This change would have the effect of producing a saving to the National Insurance Fund of the greater part of the £22,000,000 very tentatively estimated in paragraph 3 of C.P. (56) 213 as being the total potential saving resulting from both changes together.

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

29th January, 1957