The Cabinet will remember that on August 12th I circulated a paper calling attention to the situation which would immediately arise as the result of the exhaustion of Unemployment Benefit between that time and November 3rd (when the new provision of benefit comes into operation), and to the situation which would confront us during the winter.

As regards the immediate situation things have eventuated precisely as I forecasted; and as the Cabinet is aware, the Communists have done their best to exploit the fact that numbers of persons - about 380,000 at present and it will be not less than 500,000 before the new benefit commences - have for the time-being nothing to subsist upon. So far as this emergency is concerned, it is in the hands of the Cabinet Unemployment Committee with, as I understand, full powers to do whatever is possible and necessary.

No doubt also the Cabinet Unemployment Committee will devote its attention to the position in the coming winter. But I should be wanting in my duty if I did not once more state to the Cabinet itself the position with which we shall be confronted.

We shall have to carry through the winter at least a million persons unemployed - probably a million and a quarter. The Unemployment Benefit will be 15/- for men; 12/- for women. It was that figure last winter. But there is this vital difference. Last winter that figure was substantially augmented from Trade Union Out-of-Work Funds; from Local Guardians Relief; and from other sources. The continued depression has made such demands upon those additional sources of assistance that whilst 15/- Unemployment Benefit...
was only a part of the means of subsistence for a good many people last winter, it will be their only income this winter.

As regards the possibility of a Trade revival, I regret to say that the latest reports received from the Provincial Officers of my Ministry make it clear that there is little improvement in industry to record. In certain areas, indeed, the tendency is rather in the opposite direction, the Live Registers of the unemployed showing increases, and there are signs of further short-time being worked in certain industries. (I append a short summary of the reports to me).

Now I am very fully conscious of the gravely embarrassed state of the Nation's finances. I may take some credit for having given practical recognition to that in the endeavour to deal with the unemployment problem through the Insurance Act, rather than by way of direct Treasury grant in the form of Out-of-work Donation. As a matter of fact, from the Armistice to the 31st March this year the Treasury had to make - under the policy then in existence - direct grants to the unemployed to the extent of 62 millions. By utilising the Unemployment Insurance Fund and assisting the unemployed out of the contributions to the Insurance Act of their own comrades and of the employers since 8th November last - though the volume of unemployment which I have had to face has been inconceivably greater than anything recorded during the Out-of-work Donation period - the direct Treasury contributions have not been more than 12 millions (2 millions to the Lord St. David's Committee, and about 10 millions the State's contribution to the Unemployment Insurance Act - a considerable part of the latter accumulated prior to last November). There is in addition, of course, the amount (4½ millions to September 2nd) advanced by the Treasury since the exhaustion of the Unemployment Fund; but this should be repaid from the contributions of Employers, Employed, and
the State as and when the Fund becomes solvent.

But hopelessly embarrassed though our finances may be, the situation is one which has got to be faced if grave civil disorder is to be avoided. The Communists have, I think, failed this time just as they failed in connection with the dispute in the Mining Industry. But the winter will give them an opportunity the like of which they have not yet had. I imagine the Cabinet Unemployment Committee will endeavour to deal with the winter problem on a scale far larger than anything upon which it is now engaged -- a scale which, as I think, must include far larger schemes of emergency work, Reclamation Work, Afforestation, Light Railway Construction, Harbour Works, and so on. But I consider it to be my duty to trouble the Cabinet once more with the prospect that lies before us. And I imagine the members of the Cabinet Unemployment Committee would be assisted rather than otherwise if the whole problem of the winter could be discussed by the Cabinet itself at the earliest possible date.

(Sgd) T.J. MACNAMARA.

Ministry of Labour.

17/3/1921.
APPENDIX.

Coal Mining. A further depression is reported, particularly from the Auckland area in Durham, and also from some of the collieries on the Tyneside. In Lanarkshire the miners are only employed 3 to 3½ days a week. In South Wales the rate of absorption is still very low.

Iron and Steel Industry. A slight improvement is reported in the Middlesbrough area, two more furnaces having been put into operation. At Workington three more Siemens furnaces have been put into operation and an additional blast furnace has been lighted. In this case the men are working half shifts in order to give more men employment than if the men were working full time. In Coatbridge about two-thirds of the men normally employed are now engaged. At Wellingborough furnacemen are preparing for the re-opening of works.

Iron Ore Mining. At Cleator Moor two-thirds of the miners have already exhausted their unemployment benefit, and there appears to be no immediate prospect of the mines reopening. Little additional employment is recorded in the Cleveland area. In this case also the bulk of the workmen have exhausted their unemployment benefit.

Shipbuilding. On the Tyne and Weir shipbuilding is in an extremely depressed condition. On the Clyde the bulk of the firms are simply completing work which it is anticipated will only last a short time. A few firms appear to have enough work in hand to last until the end of the present year.

Textiles. As regards the cotton areas, at Blackburn employment shows a downward tendency. At Nelson and Chorley the holiday has been extended. As regards the woollen industry, at Barnsley, Halifax, and Huddersfield there is no improvement. A slight improvement in the silk lace trade at Long Eaton is reported, but the anticipated improvement at Nottingham has not taken
taken place. The linen industry in Scotland, however, shows brighter prospects.

**General Engineering.** Reports from all areas show that firms are either closing down or working short-time, the number of men employed being far below the normal.

**Boot and Shoe Industry.** A slight improvement is reported from Norwich and Wellingboro'. The position in Leicester is much the same.

**Building Industry.** In the London area it is reported that the number of painters now out of work is much larger than is normally expected in September; generally the registers do not increase until the end of October.