1. Under existing legislation, benefit may be paid as follows:

   (1) During the Fourth Special Period (2nd November, 1922 - 1st July, 1923) - Up to a maximum number of weeks ranging from 12 to 22 according to circumstances.

   (2) From 2nd July, 1923, onwards - Up to maximum of 26 weeks during the Insurance Year (July to July).

2. The position, therefore, is that exhaustions of benefit began on 24th January last. It is estimated that anything up to 120,000 will exhaust benefit by 4th April, and after that date exhaustions will increase rapidly week by week, thereby creating serious unrest and throwing an increased burden on the Poor Law Authorities. Moreover, the Unemployment Insurance Acts, as they now stand, will leave large numbers without benefit after a few weeks from 1st July, 1923.

3. It is proposed, therefore, to make a further grant of benefit in the period from April 18th onwards, and for this purpose immediate legislation will be necessary.

4. The proposals, which have been agreed with the Treasury, are briefly as follows:

   (1) The Fourth Special Period, instead of ending on 1st July, 1923, should be extended to 17th October, 1923. During the period as thus extended a maximum of 44 weeks of benefit (covenanted or uncovenanted) should be granted, but after 22 weeks have been drawn in any particular case since the beginning of the Fourth Special Period, there should be a "gap" of a fortnight.

   (2) The twelve months from mid-October, 1923, to mid-October, 1924, would be treated as a benefit year during which a maximum of 26 weeks of benefit (covenanted or uncovenanted) may be drawn.
order to spread this over a longer period than 26 weeks, individuals would be required to serve a "gap" of three weeks after they had received all covenanted benefit (if any) to which they were entitled, plus twelve weeks of uncoovenanted benefit, or after twelve weeks of uncoovenanted benefit if they are not qualified for any covenanted benefit. Twelve weeks is fixed for this purpose in order that the gap may not arise in any case at or about Christmas. The Minister of Labour and the Minister of Health are apprehensive about imposing a gap of longer duration than two weeks, but the Treasury press for at least three weeks. The Minister of Labour would be prepared to accept three weeks, but only on the understanding that the Cabinet realise that the point may give rise to difficulty in the House and that they would be prepared to face the issue and adhere to the three weeks.

(3) The additional benefit at present payable at 5s. for a wife and 1s. for each young child is a temporary provision and is to cease when the "deficiency period" of the unemployment insurance scheme ends, (i.e. when the debt to the Treasury - now £26,500,000 - is paid off and the Unemployment Fund has accumulated any necessary reserves); at the same date the rate of contributions is to fall to a figure which does not make provision for this additional benefit. The additional benefit has amply justified itself and should be made a permanent feature of the insurance scheme, a corresponding adjustment being made in the rate of contributions at the end of the deficiency period. As from the same date the State contribution to the scheme should be one-fourth of the joint contribution of employers and employed-the rate fixed in the Act of 1920 - instead of the rate of one-third payable under the present emergency Acts.

(4) Two further changes in the Unemployment Insurance Scheme are proposed on lines which are being recommended by the Inter-Departmental Committee presided over by the Government actuary:-
(a) The refunds now payable to insured persons at the age of 60 (which are based on the value of their own share of contributions paid, less benefit received) should be abolished for the future, subject to limited compensation in respect of the contingent rights of those insured persons who are now aged 50 years or over. This change is important (i) for the sake of economy in administration; (ii) because the system of refunds is hardly consistent with the principle of an insurance scheme; and (iii) because the liability created by the system is not only very heavy but will tend in the future to absorb a large part of the workpeople's contributions, thus throwing the cost of benefit in large part on the employers and the State. The amount of compensation payable under the proposals is estimated to be £2,000,000 at a maximum.

(b) At present covenanted benefit is limited in the ratio of one week of benefit for every six contributions paid. It is proposed to substitute a new rule under which the number of weeks of benefit would be assessed according to the average number of contributions paid in the three preceding insurance years. This change would not come into effect till the period beginning mid-October, 1923, and the normal scale of contributions qualifying for various periods of benefit should probably be relaxed during the first two or three years of its operation, owing to the abnormal unemployment which has prevented large numbers of insured persons from having the opportunity to pay contributions.

This change, coupled with the abolition of refunds at 60, will enable a substantial economy in administrative expenses to be effected.
5. The above proposals will involve a gradual increase in the debt of the Unemployment Fund from its present figure of £16,500,000 to a figure which (on the assumption that the average numbers unemployed remain as high as 1,250,000 during the next 18 months) is estimated to reach at its maximum 25 or 26 million pounds, reducing to 23 or 24 millions by mid-October, 1924; the maximum borrowing power of the Unemployment Fund is 30 millions. There will be no increase in the present yearly amount of the charge on the Exchequer, but in consequence of the present proposals this charge will of course have to be continued for a somewhat longer period, since the sum borrowed must be paid off by means of a continuance of the present high rates of contributions from employers, workmen and the State. After the end of the deficiency period, the State contribution will be reduced both on account of the lower total contributions then necessary and because the ratio of the State contribution to the Joint contributions of employers and employed is to be one-fourth instead of the present ratio of one-third.

NOTE:—A further point with which the Minister of Labour hopes to be able to deal in the Bill now proposed is that of giving effect to the recommendation made by Lord Chelmsford and approved by the late Government that any Local Education Authority which so desires should be permitted to have the sole administration of a choice of Employment Scheme for boys and girls under 18 years of age provided that it arranges also to administer unemployment benefit in respect of these boys and girls on lines satisfactory to the Ministry of Labour. This matter is now being considered by the Minister of Labour in consultation with the President of the Board of Education.

13th February, 1923,