CABINET.

Unemployment Insurance.

Memorandum by the Chancellor of the Exchequer.

As stated by the Minister of Labour in his Memorandum C.P. 45 (24) the Treasury concur in the proposal to introduce a one-clause Bill into Parliament as soon as it meets, abolishing the "gap" of three weeks; but I would urge my colleagues to think twice before abolishing the present restrictions on the grant of uncovenanted benefit to certain classes of applicants. These restrictions are set out as follows in the recent report of the Ministry on Unemployment Insurance, pages 113-4:

"The Minister has decided that it is not expedient in the public interest that uncovenanted benefit should be paid to:

1. Single persons (both juveniles and adults and including widows and widowers without dependent children) who are residing with parents or relatives to whom, having regard to all the circumstances, they can reasonably look for support during unemployment."
In the application of this limitation, the Minister has directed the Local Committees that in the absence of special circumstances benefit should not be withheld from single persons over the age of 25;

(2) Married women living with their husbands who are in employment and whose incomings are sufficient to justify the withholding of Uncoventioned Benefit from the wife. A similar limitation may also be applied to married men whose wives are in employment.

(3) Persons who are working short time and whose incomings are sufficient to justify the withholding of Uncoventioned Benefit. Ordinarily this will be the case if they are earning on the average half or more than half their normal earnings.

(4) Persons who are unwilling to accept on fair terms and conditions work other than that to which they are accustomed but which they are reasonably capable of performing.

(5) These provisions were added in April 1923 in response to suggestions made during the passage of the Unemployment Insurance Bill 1923.
(5) Aliens other than:

(a) British-born wives and British-born widows of aliens;

(b) Aliens who served with H.M. Forces (or in certain cases as merchant seamen) during the late war;

(c) Aliens not being former enemy aliens, who have been continuously resident in this country since the 1st January, 1911.

Single persons residing with parents. In determining whether uncovenanted benefit should be paid to single persons residing with parents or other relatives, the test applied is whether the total incomings of the household are sufficient to justify the withholding of benefit from the applicant. Where the circumstances indicate that a disallowance of benefit would lead to hardship, the claim would be allowed; where, however, the incomings of the household and the general circumstances are such as to make it not unreasonable that the applicant should look to his parents or relatives for support during unemployment, the claim is disallowed.

For this purpose it is necessary to ascertain the total incomings of the household and the number of persons dependent thereon. This enquiry is made when the applicant is being interviewed by the Committee. No definite standard per head of a household has been laid down. Considerable discretion is given in this respect to the Local Committees.

 Married

These provisions were added in April, 1923, in response to suggestions made during the passage of the Unemployment Insurance Bill, 1923.
Married women living with their husbands. The principle governing the rule that uncovenanted benefit should not be paid to a married woman living with her husband, is similar to that applied to single persons residing with their relatives i.e. if the husband is in employment and the incomings are sufficient to enable the wife to look to him for support without hardship, the claim by the wife would be disallowed. In such cases regard is paid not to the total incomings of the household, e.g. the earnings of adult children, but only to the incomings of the husband and the number of persons dependent thereon.

The similar rule in respect of a married man living with his wife is only applied if the wife is in definite employment, and is earning sufficient to justify the withholding of benefit from the husband."

It will be recollected that ordinary benefit under the scheme is related to the payment of contributions and it is right that such benefit, to which a man is legally entitled, should be paid irrespective of whether he needs it or not. But when we come to the extraordinary temporary arrangements introduced during the present prolonged unemployment crisis the position is quite different. For all practical purposes this uncovenanted benefit is a free gift to the unemployed person out of the contributions of those employed. He has paid nothing to get it and although the payment at present is debited against possible future contributions, the chances are that the debit will never be enforced.
enforced either because it is too great or, more probably, owing to changes in the system of correlating contributions and benefit which have been in contemplation for a year or so.

In these circumstances it is reasonable that the uncovenanted benefit should only go to persons who need it. And this course is strongly indicated by considerations of the general finance of the Unemployment Scheme. The Scheme is a contributory one and must remain so, for the State could not accept the whole charge. But it is nevertheless being severely strained by the prolonged unemployment. In spite of a very high rate of contribution (1/7 a week for men), which we shall be pressed to reduce as soon as trade revives, and in spite of an Exchequer grant on an exceptionally generous scale while the Fund is in deficit, the Fund is in debt at the moment to the tune of £14,000,000, notwithstanding these restrictions against indiscriminate grant of uncovenanted benefit. The additional charge involved in the repeal of the restrictions set out above is put at £2,000,000 to £4,000,000 or more, all going to persons who do not need it!

This charge is heavy, but it is small compared with the amount which the Exchequer might find itself saddled with as a consequence of an assimilation of covenanted and uncovenanted benefit which the Minister's proposal brings very near. Once that is done, the contributory character of the insurance scheme is practically obliterated and the task of re-establishing it on a proper financial footing will be
be almost insuperable.

Finally, I would urge my colleagues to consider the political aspect of the matter. Great play has been made over the waste of money in 'doles' to men who do not wish to work. With the best administration in the world one cannot prevent undesirable characters trading on the country's generosity and incidentally I should be very much interested to see what further measures the Minister proposes to introduce to secure that uncovenanted benefit is not given to a person who is not genuinely seeking whole-time employment and unable to obtain it. Will not these cases be greatly multiplied and the public outcry increased if we deliberately set out to give money to persons who do not need it? The nation cannot afford to waste money at the present time.

P.S.

TREASURY, S.W.

6th February, 1924.