CABINET

UNEMPLOYMENT INSURANCE COMMITTEE.

INTERIM REPORT.

1. At the request of the Prime Minister the following Committee have examined the proposals relative to Unemployment Insurance contained in Memoranda C.P. 169(24) and C.P. 169A (24) circulated to the Cabinet by the Minister of Labour.

   The Minister of Labour (In the Chair)
   The Chancellor of the Exchequer, or, in his absence The Secretary to the Treasury,
   The President of the Board of Trade,
   The Minister of Health,
   The Secretary for Scotland,
   The President of the Board of Education,
   The Lord Advocate.

   After careful consideration of the various proposals contained in the Memoranda above referred to, the Committee submit the following suggestions and recommendations to the Cabinet.

2. As the Cabinet are aware, the passage into law of an Unemployment Insurance Bill on a very early date is necessary if large numbers of unemployed persons are not to be deprived of benefit from the middle of April 1924 onwards. It is strongly urged that it would be most undesirable even if it were politically possible to confine the proposals of the Government to a stop gap measure, abolishing the "gap"
(extending in extreme cases to as much as 26 weeks), which will in the absence of legislation commence in the middle of April next, and that it would be most difficult, if not impossible, to pass two Unemployment Insurance Bills in the remainder of the present Session, one Bill dealing with the coming "gap" and the other dealing with the remaining proposals of the Minister of Labour.

3. On the other hand it has been pointed out to the Committee that having regard to the small amount of Parliamentary time available, the fact that the Government Actuary will require possibly a month to examine and report on the actuarial aspects of the proposals, that reasonable time must be provided for the drafting of the measure and that the proposals themselves are in the main of a highly controversial character, it will prove quite impracticable to secure the passage into law of a single comprehensive Bill covering the various contentious proposals of the Minister of Labour, by the middle of next month.

4. It has accordingly been suggested that two Bills should be prepared and submitted simultaneously to Parliament - one dealing with the coming "gap" and the other with the remaining proposals, and that having regard to other claims of the Government on parliamentary time after the Easter Recess it would be wise to make provision in the Bill dealing with the "gap" for a period of not less than six months.

5. The Committee recommend to the Cabinet -

(i) That the Minister of Labour should be authorised to proceed as speedily as possible with the preparation of a comprehensive Unemployment Insurance Bill, covering the whole of his proposals as approved by the Cabinet:
(ii) that every effort should be made to expedite the introduction in and the passage of the Bill through Parliament and that should it subsequently transpire that there is no possibility of ensuring the passage into law of the comprehensive Bill before the middle of April, 1924, the Cabinet should consider the advisability of introducing a separate Bill dealing exclusively with the coming "gap".

6. The Committee concur with the views expressed in paragraph 4 of the Minister of Labour's Memorandum C.P. 169(24) as to the desirability of devising a scheme for paying benefit without the existing arbitrary limit (on the number of weeks of benefit to be drawn as a maximum during a period of 12 months) to unemployed workers belonging to the insured trades for so long as they are capable of work, genuinely seeking work and unable to obtain it. The Cabinet have already approved the principle of the abolition of "Uncovenanted Benefit" and the Committee now recommend:-

That the Minister of Labour should be authorised to include in his Bill provisions for securing payment of Benefit continuously without arbitrary limits to genuine workers so long as they remain unemployed in the manner indicated in detail in the Appendix to his Memorandum C.P. 169(24).

7. As the Cabinet are aware the existing weekly rates of benefit are as follows:--

<table>
<thead>
<tr>
<th>Basic rate</th>
<th>For wife (or invalid husband)</th>
<th>For each Young child</th>
</tr>
</thead>
<tbody>
<tr>
<td>Man</td>
<td>15/-</td>
<td>5/-</td>
</tr>
<tr>
<td>Women</td>
<td>12/-</td>
<td>1/-</td>
</tr>
<tr>
<td>Boy (16-18)</td>
<td>7/6d.</td>
<td></td>
</tr>
<tr>
<td>Girl (16-18)</td>
<td>6/-</td>
<td></td>
</tr>
</tbody>
</table>
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Reference CAB 241165

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6. While the Committee concur generally with the proposals of the Minister of Labour for increasing Rates of Benefit as set out in paragraph 10 of his Memorandum CP.169(24), they must warn the Cabinet of the probable re-actions which the contemplated increase in the Rates will have on National Health Insurance, the Committee recommend to the Cabinet:-

That the Minister of Labour should be authorised to provide in his proposed Bill that the weekly rates of benefit for men and women should be increased to 18/- and 15/- respectively and the rate for each child to 2/-; the 5/- for a wife remaining unaffected.

9. In paragraph 17 of his Memorandum CP. 169(24) the Minister of Labour recommends that power should be taken in the Bill to modify the existing arrangements (under which the Exchequer at present bears one fourth of the total cost of the Unemployment Insurance Scheme, which proportion will, when the Unemployment Fund is again solvent, be reduced to one-fifth of the whole) so as to increase (while the Fund is insolvent) the Exchequer contribution from 6d. to 9½d. and to provide, when solvency is reached, for payment by the employer, the worker and the Exchequer of equal contributions of 6d. which, in other words, will result in an increase, (when solvency is attained), of the Exchequer contribution from 3d. to 6d.

10. The Committee are informed by the Chancellor of the Exchequer that on the information before him the Unemployment Insurance Fund ought to bear and is capable of bearing the new charges which it is proposed to lay upon the Fund without an increased Exchequer contribution. Owing to the fall in the number of unemployed the existing debt on the Fund is being rapidly reduced. For example,
A decrease of 100,000 in the Unemployment figures means a reduction of £5,000,000 per annum on the liability on the Fund, and, given a continuous decline in the Unemployment figures at the present rate it seems not improbable that the present liability of the Fund to the Exchequer (£11,000,000) may be discharged within the next 18 months. In these circumstances any proposal to increase the Exchequer contribution at the moment would be difficult to justify and would certainly be highly contentious in Parliament.

11. The view was expressed that having regard to possible future claims for measures of social betterment, such as Mothers' Pensions, it might be unwise to make any provision in the Bill for a reduction of the existing rates of contribution when the solvency of the Unemployment Insurance Fund is reached, on the other hand, the Cabinet should remember that the present rates were accepted by Parliament on the distinct understanding that they would only be enforced while the Fund was insolvent.

12. The Committee have requested the Chancellor of the Exchequer and the Minister of Labour to consider the question of the Exchequer contribution in the light of the Committee's discussions with a view to the submission to the Cabinet of some agreed solution of the difficulty.
The Cabinet have already agreed that provision should be made in the Unemployment Insurance Bill for the extension of Unemployment Insurance to juveniles as and when they begin to work for wages. The proposals of the Minister of Labour are set out in detail in paragraphs 23 to 32 inclusive of his Memorandum CP.169(24). In effect it is suggested that the rates of contribution in respect of boys and girls between 14 and 16 should be the same as those for boys and girls between 16 and 18. These rates at present are:

<table>
<thead>
<tr>
<th>Employer</th>
<th>Employed</th>
<th>Exchequer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boys 5d.</td>
<td>4\frac{1}{2}d.</td>
<td>3\frac{1}{4}d.</td>
</tr>
<tr>
<td>Girls 4\frac{1}{2}d.</td>
<td>4d.</td>
<td>3\frac{1}{4}d.</td>
</tr>
</tbody>
</table>

It is also proposed that the weekly benefit for boys and girls between 14 and 16 should be, boys 5/-, girls 4/-; corresponding rates for boys and girls between 16 and 18 are, boys 7/6d., girls 6/-.

Having regard to the current rate of wages these latter rates of benefit are thought to be too high for boys and girls between 14 and 16 and the suggested reduction in the rate of benefit for them, although they pay the same contributions as boys and girls between 16 and 18, could further be justified on the ground that those between 14 and 16 have only just come into insurance and have therefore necessarily paid very few contributions.

It is contemplated that part of the revenue from contributions of juveniles between 14 and 18 should be applied to assist in the maintenance of Juvenile Unemployment Centres. This contribution might take the form of a per capita attendance grant out of the Unemployment Fund to the Local Education Authority, (or other body running the centre), in respect of each
boy or girl required to attend the Centre as a condition for receiving benefit.

15. The Cabinet will no doubt bear in mind the important considerations indicated in para. 50 of the Minister of Labour's Memorandum, respecting the possible reaction on the Health Insurance Scheme of the proposed reduction in the age for unemployment insurance. In this connection reference is made to the Memorandum by the Minister of Health (C.P. 174(24)) circulated to the Cabinet after the Committee had considered the general question.

16. The Committee recommend to the Cabinet -

That the Minister of Labour should be authorised to make provision in his Bill for the extension of unemployment insurance to juveniles, as and when they begin to work for wages, the provisions to include inter alia arrangements for the rates of contribution being paid in respect of juveniles between 14 and 16 being the same as those for juveniles between 16 and 18; for the weekly benefit which juveniles between 14 and 16 should receive, being, boys 5/-, girls 4/-, and for charging the Unemployment Insurance Fund with payments to be applied towards the maintenance of Unemployment Insurance Centres. The proposed Bill also to contain provisions to secure that as a condition of receiving benefit juveniles shall be required to attend Unemployment Centres if available.

17. The Committee agree generally with the views expressed by the Minister of Labour in paras. 33 to 38 inclusive of his memorandum respecting the desirability of abolishing the existing provision for refunds of contributions in certain cases at the age of 60.

18. The Committee recommend to the Cabinet -

(i) That the Minister of Labour should be authorised to make provision in his Bill for the abolition of the refunds in question without compensation;

(ii) That the Minister of Labour should be authorised, if pressed in Committee, to offer a scheme of compensation for cases where rights may be said to have already accrued on the lines suggested by him, viz. the payment to persons who are over 50 years of age and have paid 50 contributions at least
of the present value of the excess value of their contributions over benefit which they have received, plus compound interest at 2\%.

19. The Committee recommend to the Cabinet -

That the Minister of Labour should be authorised to make provision in his Bill for the removal of the present disqualification for benefit in cases where work people are thrown out of work owing to stoppage due to trade disputes at the establishment at which they are employed, although they are taking no part in the dispute.

20. The Cabinet will observe that the Minister of Labour is in favour of the insertion in his Bill of a Clause withdrawing the right conferred by Section 12 of the Unemployment Insurance Act, 1920, on an industry, subject to the approval of the Ministry of Labour, to set up a special scheme for itself and so to contract out of general scheme.

21. In this connection the attention of the Committee has been drawn to the fact that the adoption of this proposal would render impracticable in future the setting up of a special scheme under the Act for, say, agricultural labourers.

22. The Committee recommend to the Cabinet -

(i) That the Minister of Labour should be authorised to make provision in his Bill for the abolition of the existing statutory power to form special schemes for insurance by industry for the future, on the understanding that such provision will be without prejudice to the position of agricultural workers, domestic servants and other similar categories of employees.

(ii) That the Minister of Labour, in consultation with the Minister of Agriculture and Fisheries and the Secretary for Scotland should be requested to ascertain the views of the Agricultural interests as to the inclusion of agricultural workers in the Unemployment Insurance Scheme and, if so, as to the precise form which such inclusion should take.
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23. While the Committee concur generally with the view of the Minister of Labour that it is highly desirable that the classes of workpeople who are now "excepted" from the scheme on the principle that their employment was permanent should be brought into insurance, they realise that the adoption of this proposal would be highly contentious and might seriously affect the passage of the Bill into law. The Railway "Conciliation" Grades form one of the most important "excepted" categories and the Committee think that it is highly desirable that the views of the Railway Companies and the workpeople concerned should be ascertained.

24. The Committee recommend to the Cabinet:

That the Minister of Transport and the Minister of Labour should be authorised to ascertain as soon as possible the views of the Railway Companies and the Railway "Conciliation" Grades on the proposal to bring these grades in future into the Unemployment Insurance Scheme.

25. The Committee recommend to the Cabinet:

That the Minister of Labour should be authorised to prepare a draft Bill in accordance with the decisions reached by the Cabinet and to submit the Bill in question to the Committee for consideration as soon as practicable.

T.S.

Signed) T. Jones.

R.B. Howorth.

Joint Secretaries to the Committee.

Initialled on behalf of the Committee

Chairman.

2, Whitehall Gardens, S.W.1.

12th March, 1924.