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C A B I N E T.

UNEMPLOYMENT GRANTS COMMITTEE.

Memorandum by the Minister of Labour.

Copy No. 30

1. My colleagues will remember that a drastic cut in the grants made by this Committee was made in the late autumn of 1925. The Committee has been carrying on provisionally on this restricted basis, and last November the Cabinet approved my proposal (see C.P. 369 (26)) that no change should be made for the time being and that the whole matter should be reviewed a little later.

2. From the institution of the Committee in 1920 to the latter part of 1925, the tendency was throughout in the direction of giving greater encouragement to the undertaking of relief works, by making the grants easier to get and larger in amount. The restriction imposed in 1925 on the conditions of grant (but not on the terms of grant where given) was thus a direct reversal of past policy.

3. Up to 31st December, 1926, the Committee has aided schemes the estimated cost of which is £100,838,142.* The amount of grant actually paid (up to 31st December, 1926) was £4,623,771. In respect of grants in aid of interest and sinking fund, there is an estimated liability on the Exchequer as follows :-

Each financial year	1927-8 to 1932-33	£2,870,000
"	"	"
"	1933-4 to 1938-39	£1,890,000
"	"	"
"	1939-40 to 1942-43	£ 590,000 .

* In addition schemes promoted by Public Utility Companies have been approved to the extent of £3,460,211.

The liabilities of the local authorities in respect of interest and sinking fund are of course still larger and extend over a considerably longer period.

4. The present position is that the Committee can only approve a scheme where (a) unemployment in the area is exceptional, and (b) the scheme is accelerated by at least five years. It is obvious that only very few proposals can satisfy both these conditions, particularly when it is remembered that most areas with heavy unemployment have already exhausted pretty well all the "accelerated" works they were able to undertake. Many of the larger towns are cut out altogether by the unemployment condition.

5. Although relief works have been largely discredited there is evidence that a number of important local authorities are still in favour of them, and will press for further grants. The burden thrown on them by the coal dispute is to some extent a deterrent but operates also to make them look to the Government for a greater measure of assistance for work which they feel they may have to undertake, whether they receive such assistance or not. I have myself received deputations from the Lancashire and Cheshire local authorities and from Birmingham on the subject, and the Department have had representations from Glasgow, some of the London Boroughs and Sheffield, among other places.

6. From the strictly economic point of view I feel convinced that "relief works" in present circumstances are a wasteful use of capital and therefore a mistake. If administered with sufficient strictness they help to prevent deterioration of those who are employed

on them, but I am not at all sure how far this result is achieved in practice. As things now are, any Government grant tends to be a disguised subsidy in aid of work, which the authority would have to do in any case. The chief argument in favour of relief works is that they give tangible evidence of an effort to provide employment and are probably effective in allaying unrest, where unemployment is severe, to a degree out of proportion to the numbers actually employed.

7. The last mentioned consideration leads me to the conclusion, though reluctantly, that we cannot close down these grants at the present time, or so long as unemployment remains at anything like its present level. On the other hand, I hope we may avoid any extension.

8. In applying the condition that unemployment must be exceptional the Committee has up to the present looked only at the percentage rate of unemployment in the twelve months prior to the coal dispute. This was unavoidable owing to the temporary inflation of current figures, but can hardly be continued any longer. If the grants are to continue, as I suggest they should, it will be necessary to use the present rate of unemployment as the test, coupled with any estimate it may be possible to make as to the future prospects of the area. Subject to this, I should still propose that the Committee should limit their grants to areas where unemployment is exceptional and to works which are accelerated for five years or more.

9. I understand the Treasury, although they would prefer an immediate abandonment of this form of expenditure, do not wish to raise any objection to the line of action I suggest, and I propose to proceed accordingly, subject to any views which my colleagues may wish to express.

(Intd). A. S-M.

Ministry of Labour.

February 11th, 1927.