CABINET.

UNEMPLOYMENT.

Memorandum by the Home Secretary.

It is no part of my purpose to discuss in this memorandum the broad national and economic aspects of the problem presented by the unemployed: these are only too familiar to us all. I have, however, been considering lately the problem in relation to its reactions on the fortunes of the Party at the General Election, and I must confess that despite the remedial measures already applied, in preparation or contemplated, I find the prospect most disquieting. There is not lacking evidence that the Government during the Election will be vilified on all the Opposition platforms, not only for having done nothing to improve the unemployment situation during their term of office, but for having allowed it to become even more acute. Attention will be directed to the periodical returns, and we shall be asked to explain how it is that when we took office there were only about 1,190,000 unemployed and that that figure has now grown to the startling total of 1,520,730.* I am aware that these figures are not strictly comparable and that there have been a number of factors beyond our control operating to keep unemployment in this country at a high level, but at Election times explanations of a seeming failure are received with suspicion: dissertations on world economics will be received with impatience, and references to the Coal Strike and the General Strike as contributory causes of our present industrial ills will only serve to antagonise those whose confidence we most desire to win. We cannot disguise from ourselves the fact that an attack on the Government's unemployment policy is inevitable and will evoke considerable sympathy in the country, and it is necessary for us to use our utmost endeavour to render the attack abortive.

On December 31st, 1928.
The Government measures already in hand will not, I fear, provide the necessary ammunition for a counter offensive. The de-rating scheme with its promise of increased employment, the transference of workers from distressed areas, and their employment on special relief work, the training of adult and juvenile workers for employment in those industries where work is available, and the encouragement of migration, will, of course, bear fruit in time, but their worth in the aggregate as contributions to the solution of the problem cannot properly be reviewed on platforms or be assessed at mass meetings. The probable results which these several projects will produce are matters for careful calculation after a close and dispassionate survey such as they will not and cannot receive during the turmoil of an Election. Moreover, if our opponents take their stand on actual results presently to be achieved - and it is for results, not promises or expectations, that we shall be asked - we shall be able to make but an indifferent showing. Between the end of August and the beginning of January there have been transferred, I understand, through the machinery of the Ministry of Labour, some 10,000 workers from the distressed areas, including trainees and those given employment on special relief works in pursuance of our new grants policy, and during the same period several thousands have, it is thought, transferred themselves. There are, in addition, a number of adults and juveniles undergoing training at the Ministry of Labour training centres. So far as migration is concerned, no agreement has yet been reached with the Canadian authorities in regard to the more ambitious Land Settlement Schemes in Canada which are regarded as a necessary background to an intensive migration policy. In fact any land settlement scheme would appear foredoomed to failure if there were any suggestion that it was linked up with the relief of unemployment. The reduction in the fares to Canada and the various other training and financial schemes in hand will result, on a rough
estimate, in the settlement in Canada of some 69,000 souls during the course of the present year. Of these certainly not more than 25,000 to 30,000 will have been drawn from the ranks of the unemployed: wives and children will account for a considerable proportion of the total and few, if any, of the estimated total of 38,000 unassisted emigrants will come from the unemployed. There is, I gather, no prospect at the moment of increased migration to Australia and New Zealand as the conditions are unfavourable.

I would like here to indicate that, though I agree that the transference of workers from the distressed areas and the training of juveniles for employment in those industries in which work is available is a necessary expedient at the moment, the continuance of this policy for any length of time may well, in my view, react unfavourably on British industry. If and when a revival takes place in the heavy trades or the textile industry, it would be disastrous if the amount of skilled labour available were not adequate. The Industrial Transference Board considered that there was a probable permanent surplus in shipbuilding, iron and steel and heavy engineering, and that certain sections of the textile industry must be prepared to face a permanent contraction of their personnel. The transfer elsewhere of the surplus in those industries, and the diversion of the normal stream of recruitment if persisted in for long, are factors which, when coupled with the operation of natural causes, may make it difficult for those industries to grapple successfully with any considerable expansion of trade. Moreover, I see signs, both in the House itself and outside, that the districts to which transferees are going, notably London and Middlesex, are becoming hostile to the incursion and anxious about its effect on their own unemployed. This hostility will be exploited to the full during the Election.

On a general review of the situation, it is not easy to escape the conclusion that the Government schemes for the assistance of migration and for the transference of workers, which cannot on the most optimistic reckoning embrace more than
60,000 of the unemployed during the current year, will not afford in the near future any substantial relief to the unemployment problem. Are we then satisfied that we are doing all that can safely be done and that with a clear conscience we can ask the mass of the unemployed to be prepared to endure for one, two or three years more their present miserable condition? It would, I think, be disastrous to the Party if we were to make any such claim.

We must, I submit, find a comprehensive policy with the three-fold object of stimulating production in the depressed industries so as to secure work at their trades for as many of the unemployed as possible, and incidentally to obviate any danger of drainage by transference beyond the safety line, of quickening migration so as to absorb the remainder of the permanent surplus, and at the same time to render the Dominion Governments more tractable in the matter of British migrants, and of increasing the wealth-producing capacity of the Empire. I would venture to make a proposal on these lines which seems to merit detailed consideration. In the Dominions and Crown Colonies there are vast areas of undeveloped country which at present are potential sources of wealth and no more. If these areas were to be opened up, they would attract immigrants and traders and become wealth-producing centres. Such development, whether it were to take the form of the building of railways, dams, irrigation works, electric power plants, harbours or the like, is unlikely to be undertaken by private enterprise, at any rate on any large scale, unless the undertakings promise immediate return, and it cannot be undertaken under the Empire Settlement Act of 1922 on a sufficiently large scale because of the limitations imposed by the Statute. But if those works were to be undertaken in the near future, were to be constructed so far as practicable of British materials (and these, if the de-rating scheme fulfils its promise, could presumably be supplied at competitive prices), a substantial contribution would have been made to the provision of productive work for the unemployed in those industries which are
at present suffering most severely, to the stimulation of migration, to the expansion of the national revenue, and to the productive power of the Dominions and Colonies. Any increase in the prosperity of the Dominions and Colonies will, of course, ultimately redound to the benefit of British trade and shipping. I imagine that in the Dominions and the Crown Colonies plans have been prepared, whether by private or public bodies, for various development schemes to be undertaken when the necessary funds are available, or when there is a fair prospect of immediate return. Many of these schemes are doubtless known to the Colonial Office. I would suggest that those schemes be undertaken at the earliest possible moment and that we should embark on a policy of financing on a much larger scale than hitherto Imperial development.

The first question that naturally presents itself is, how are the necessary funds to be provided? I suggest that the answer is to be found in a publicly subscribed loan guaranteed by the Government. I am aware that in many quarters the raising of such a loan would be regarded as an abuse of Government credit and as a concealed measure of inflation. I am aware also that the Government would have to be prepared to make provision for part of the service of any such loan for an indefinite though certainly lengthy period, and for the maintenance of the various undertakings until such time, possibly 20 or 30 years ahead, as they succeed in paying their way. The sharing of this burden would, so far at any rate as the Dominions are concerned, have to be a matter of agreement but even if the major portion fell upon our shoulders it would, I am convinced, be money well and wisely spent. Moreover, there would be some immediate return to set off against such expenditure; increased employment and migration would relieve the unemployment fund and the rates which between them provided in benefit and out-relief some 50 millions during last year for the unemployed and their dependents, and there would of course, be an increase in the national revenue. I cannot assume that the total cost of the unemployed is limited to the
above figure: I think that the lowest estimate per head of the unemployed made up of "dole", poor law relief, feeding of children and charity, is 30/- per head per week or on a figure of 1½ million unemployed somewhere about £110,000,000 per annum.

As the Minister of Labour remarked in a memorandum some two months ago, the present situation is of a character and seriousness such as has only faced this country two or three times in the economic history of the last 500 years, and we must be prepared in coping with such a situation to employ exceptional measures.

It may be that the flotation of a large development loan if approved in principle should be a matter for discussion at a Special Imperial Conference. If that be the general view then I would urge that preparations for the convening of such a Conference should be undertaken as soon as may be. In the meantime, there must be work waiting to be done in the Colonies and if we were able to announce before going to the country the flotation of a Colonial Development Loan and that we had under consideration the inviting here at an early date of Dominion Representatives to discuss at a Special Conference a similar loan for the Dominions, we should, I am convinced, in some measure both allay the apprehensions of our supporters and still the voices of our critics.

But this proposal does not by itself cover all the ground. It will of course be obvious that some considerable time must elapse before the raising and employment of Colonial and Dominion Development loans can react on the labour market here, and we must, I submit, if we are to survive politically, find some means of bridging that interval. It has come to my notice that the Liberals intend to put before the country proposals for the raising of a large loan for road construction in England, and that Mr. MacDonald is to base his appeal to the country mainly on the promise, "I will find you work". I think we must, to a certain extent, anticipate our opponents by creating at once employment for as many of the unemployed as possible. If the existing schemes for transfer and migration were supplemented in this way we should be in a far stronger position to present satisfactory results to the country.
It may be that the Industrial Transference Board were right in deprecating the creation of artificial employment - but we have already, by encouraging relief works in connection with the transference of industrial workers, disregarded their advice. Moreover, it is my firm conviction that unless we are prepared to create work during the intervening period we shall suffer for our neglect at the polls. This may seem to be placing the question on too narrow a Party basis, but if a Labour or Liberal Government is formed as the result of the General Election, there is no doubt that the projects they will conceive for meeting the situation will inflict far more injury on the State than will the creation of artificial employment for 50,000 or 100,000 men. I do therefore urge my colleagues to reconsider their refusal to embark on road construction on a fairly large scale. It is the only work suitable for unemployed and has the advantage that it makes a good show throughout the country. In effect I want a reply to the question which will be hurled at us on every platform, "Where can I get work?".

It will no doubt be urged that if we are going to embark on major works of relief in this country it would be better that we should concentrate our attention exclusively on our own needs and drop any idea of overseas development on a large scale. But to take this stand is wholly to ignore the importance which successive Imperial Conferences have attached to overseas settlement - an importance which no member of the Conservative Party would wish to minimise - and the benefits which British trade and shipping will ultimately derive from an increase in the population and wealth-producing capacity of the Dominions. I entirely share the view of the Industrial Transference Board "that no question is so fateful for the destiny of the British Commonwealth of Nations as a proper distribution of the people of British stock throughout its territories", and in my opinion a policy - other than a purely stop-gap policy - which will have the stimulation of migration for one certain effect is infinitely preferable to one which will not contribute to that end.

W. J. H.

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