



(c) crown copyright

C A B I N E T.SECRET  
C.P.178(29).

Copy No. 74

HOUSING SUBSIDY.Memorandum by the Minister of Health.

1. I circulate this Note in supplement to my Memorandum C.P.157(29).

In opposing the Order reducing the amount of subsidy I laid great stress on the point that as a result of subsidy reduction the rate of building is much slower than it need ever have been and that we are not building at the rate of which the building industry is capable.

And while we all agree as to the importance of reducing cost there is, in the words used by the Chancellor on the same occasion, "Something more important than reducing the cost of building and that is to maintain and to increase the rate of building houses".

2. The Housing Act, 1924, contemplated a gradually increasing programme of construction of houses extending over a period of 15 years.

The numbers of subsidised houses completed in each year since 1924 in England and Wales are as follows -

Year ended 30th September, 1924	...	36,459
" " " "	1925	92,291
" " " "	1926	131,895
" " " "	1927	212,916
" " " "	1928	101,791
" " " "	1929	120,000 $\phi$

It is notorious that a large need for housing accommodation still exists: it is the general experience of the large towns and industrial districts that overcrowding remains serious and that there is, as evidenced for example by the waiting lists, a large unsatisfied demand, particularly for houses for the less well paid workers. It is clear that a great deal remains for the

local authorities to do and that it is very desirable if possible to avoid any discontinuity in their work.

3. The previous revision of subsidy produced a very serious discontinuity in the amount of housing work in hand and consequently in the state of employment in the building industry.

The number of houses under construction at the end of January, 1925, was 52,463. During the year 1925 the head of construction rose steadily month by month. At the end of January, 1926, it was 74,340, and continued to rise. At the end of September, 1926, which was the date when the question of subsidy revision could first be considered, it had reached 102,976. The announcement of the first reduction of subsidy was made in December, 1926. The number of houses under construction remained at about 103,000 till February, 1927, when the effort to take advantage of the original rate of subsidy began to make itself felt. Then the figures rose sharply.

At the end of March they were 107,732.

" " " " April " " 117,491

" " " " May " " 119,005

The figures then began to fall away owing to new commitments being avoided.

At the end of June the number under construction was 115,765.

" " " " July " " " " 108,354.

" " " " August " " " " 97,612

At the end of September, when the new rates of subsidy operated, the number under construction had fallen to 52,899 and by the end of October the number was 48,212 and remained below 50,000 to the end of the year.

During 1928 the number under construction never rose above 59,930.

The figures for January to May, 1929, are as follows:-

January .....	54,130
February .....	54,170
March .....	55,987
April .....	62,410
May .....	68,490

The figures for April and May are the highest since August, 1927. The increase is due to the desire to take advantage of the present rate of subsidy.

The figures for 1929 suggest that the revision which is to take effect from the end of September will produce a result similar in type to that which occurred in 1927 though it is to be anticipated so far as local authorities are concerned that the fall in the volume of building will not be so great.

4. The following tables give some indication of the influence on unemployment in the skilled trades of the building industry of the cut in subsidy which operated from 1st October, 1927.

	25th Oct. 1926.		22nd Nov. 1926.		20th Dec. 1926.	
	No.	%	No.	%	No.	%
Painters	7,003	5.5	8,458	6.7	9,051	7.2
Plumbers	3,717	5.2	4,494	6.2	4,667	6.5
Electricians	363	1.8	566	2.9	804	4.1
	24th Oct. 1927.		21st Nov. 1927.		19th Dec. 1927.	
	No.	%	No.	%	No.	%
Painters	9,811	7.3	11,424	8.5	13,774	10.2
Plumbers	5,590	7.4	7,044	9.3	11,128	14.7
Electricians	1,658	7.5	2,525	11.4	3,954	17.9
	22nd Oct. 1928.		23rd Nov. 1928.		17th Dec. 1928.	
	No.	%	No.	%	No.	%
Painters	9,268	7.3	10,453	8.2	10,760	8.5
Plumbers	5,852	7.9	6,435	8.7	6,707	9.1
Electricians	2,371	10.1	2,696	11.5	2,963	12.6

It may be anticipated that a similar dislocation of the labour market in these trades would follow a cut in subsidy as from 1st October next, since the curve of building construction for 1929 would no doubt continue to show a general resemblance to that for 1927.

5. It seems to me on a review of these considerations that it is extremely desirable to take steps at once to reverse the decision of the late Government so far as it affected houses provided by local authorities. The removal of the subsidy to private enterprise will almost inevitably cause some dislocation; we can to some extent discount its effect on the unemployment situation if we can encourage the local authorities to continue without interruption the development of their programmes and there can be little doubt that the stabilisation of the subsidy for a further period would enable the authorities to do so with confidence.

A.G.

25th June, 1929.