THE UNEMPLOYMENT INSURANCE BILL.

Memorandum by the Minister of Labour.

SECRET.
C.P. 253(29).

I submit for the approval of my colleagues the report of the Committee which was appointed on July 24th 1929 to examine the question of relieving the Unemployment Insurance Scheme of the charge in respect of persons not in possession of the 30 contributions qualifications with a view to provision being made for them in a Bill to be introduced in the Autumn. (Cabinet 30(29) Conclusion 8.a.)

(Intd.) M.G.B.

Ministry of Labour,
20th September, 1929.
1. At a meeting on 24th July, 1929, the Cabinet appointed a Committee composed of the Minister of Labour, the Minister of Health, the Secretary of State for Scotland and a representative of the Chancellor of the Exchequer, "to examine the question of relieving the Unemployment Insurance Scheme of the charge in respect of persons not possessing the thirty contributions qualification", with a view to provision being made for those persons in a Bill to be introduced in the autumn. The Committee have agreed upon the following report:

2. Under the existing law, the persons referred to have certain rights to unemployment benefits at present during a transitional period, but, by a gradual process extending over the period April 1930 to April 1931, these rights will be extinguished. In February last when the figure of unemployment was about 1,400,000, the number of persons then drawing unemployment benefit without having paid 30 contributions in the preceding two years was 150,000 of whom 10,000 were women. Though a few would be found in most localities, the great majority are concentrated in a small number of depressed areas; 47,000 were found to be in the coal mining industry.

3. The Committee do not think it necessary or indeed possible, to deprive these persons of any part of the rights which they at present possess during the transitional period above referred to.

4. On the other hand, they consider that there should be no further extension of the charge thus falling on the Unemployment Fund. The existing arrangement is a "transitional" one, on lines recommended by the Blanesburgh Committee (and, in fact, a good deal more generous to the applicants than that recommended by the Committee). It would be unfair to the insured workpeople
and their employers, who contribute two-thirds of the revenue of the Unemployment Fund, if there were any further extension of the benefits granted at the expense of the Fund to persons not possessing the minimum insurance qualification. Moreover, the Fund is financially in such difficulties that increased revenue may be necessary in any event, and will certainly be necessary if there were any further extension of the grants now in question; it would be impossible to put up the contributions of the workpeople and their employers for the purpose of extending these grants. Apart from financial considerations, the administration of Unemployment Insurance is being brought into disrepute by payments made to persons not possessing the minimum insurance qualification. These payments are clearly a "dole", and the machinery necessary for administering the dole inevitably tends to colour both the public estimation and the actual practice of what ought to be an insurance scheme.

5. It is therefore necessary to consider what assistance is to be given to them when their rights to unemployment benefit cease.

6. If no special action is taken, it will fall to the Poor Law Authorities to support them so far as they are destitute. In many places the additional burden on the Authorities would be negligible, but in the depressed areas it would be considerable. Moreover, it would be a ground for public criticism if it were possible to say that the persons in question were being driven to the Poor Law. The Committee therefore exclude this alternative.
7. The Committee have considered the possibility of taking the whole of the able-bodied unemployed under a national relief scheme (so far as they are not covered by Unemployment insurance), which would include those persons now in receipt of outdoor relief. These latter may number roughly 150,000 in Great Britain and are largely concentrated in a few depressed areas. The Committee, however, are satisfied that it will be impossible to devise and put into operation such a scheme by next April. The new Public Assistance Committees will not by that time have had time to assimilate their duties, and the scheme itself is too full of unexplored difficulties to be capable of being worked out in time. They consider, however, that the examination of such a scheme should be proceeded with.

8. As a temporary expedient, therefore, and pending the development of the larger scheme, the Committee recommend that from next April a plan be adopted to make grants, so far as they need them, to those persons whose insurance benefits cease by reason of the contribution qualification. This plan will maintain the status quo as between National and local expenditure. Persons now drawing unemployment benefit without the 30 contributions qualification will, when the benefit ceases, receive a payment under the conditions of the scheme as set out in the Appendix.

9. The Local Authorities will continue to carry their present liabilities but will not have an additional burden thrown on to them by reason of persons losing their unemployment benefit or the termination of the transitional period. Those authorities which suffer from exceptional unemployment will retain the higher derating grants which are allocated to them on that account. So far, therefore, as
4.

In this scheme is concerned, the Local Authorities will have no ground for claiming special assistance. In so far as a need for special assistance may be found to exist, apart from the proposed scheme, such need will have to be considered as a separate issue.

10. It is difficult to frame an estimate of the payments to be made under the scheme as they would depend very largely on the course of unemployment. It seems reasonable, however, to estimate that the total in a full year would not exceed £5 million. In the initial year (April, 1930 to April, 1931) the amount would be roughly one half of that for a full year, namely, £2 1/2 millions.

11. Legislation would be necessary and it is proposed to include this in the Unemployment Insurance Bill to be introduced at the beginning of next Session.
APPENDIX

The proposed Scheme will cover, subject to the conditions stated below, persons who, though not having paid 30 contributions in the preceding two years, are, if unemployed, eligible for receipt of unemployment benefit under the "transitional" provisions and whose rights to benefit will cease at some time during the year beginning April, 1930.

The chief provisions of the Scheme would be as follows:

1. The payments would be in the nature of a privilege to be granted where they are needed.
2. One of the aims of the scheme would be to improve the employability, where necessary, of the applicants, and, accordingly, where the applicant's chances of obtaining employment would be increased by a course of training or some such treatment, acceptance of it would be a condition of receipt of the grant. The payment would not be continued to a person who refused unreasonably to move from an area where the chances of his re-employment were slight.
3. The payment would not be continued after it became clear that the applicant was unlikely to regain a footing in industry.
4. The weekly rates of payment should be the present rates for unemployment benefit including the allowances for dependents.
The persons covered by the scheme being limited to those eligible for unemployment benefit under the transitional provisions, the conditions to be fulfilled should include the same conditions as for unemployment benefit.

In addition, the applicant must be willing to undertake any work suited to his capacity.

Further, as the new payment is not a right but a privilege, it should be clearly limited to applicants who can satisfy an appropriate "needs" test.

The payments will be made through the Employment Exchanges out of a separate account of the Unemployment Fund to be financed by the Exchequer.

The final decision on an application must rest with the Minister, who would have power to refer applications for advice to local persons or committees so far as necessary.