Memorandum by the Minister of Labour.

1. The Cabinet record of the discussion about my Bill to increase the borrowing powers of the Unemployment Fund contains the following:

"Stress was laid on the importance of the Government spokesmen on the Bill being in a position to indicate, if necessary, what the ultimate policy of the Government was to render the Unemployment Fund solvent and to avoid periodical increases in its borrowing powers".

I think we must anticipate that questions on this point to which an answer must be given will be raised during the Debate on Friday, and I should be glad to receive advice as to the line to be taken.

2. The magnitude of the financial problems involved will be apparent when I say that to make the income and expenditure balance at the present time, we should require an extra £25,000,000 per annum, and that the points on the Live Register at which the Fund would balance with various amounts of additional revenue - but without making any provision for repayment of debt - would be as follows:

<table>
<thead>
<tr>
<th>Additional Contributions, Pence per week</th>
<th>Equivalent amount of additional revenue for the Fund</th>
<th>Point on the Live Register at which the Fund would balance with this additional revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men.</td>
<td>Women.</td>
<td></td>
</tr>
<tr>
<td>4½</td>
<td>3</td>
<td>8,600,000</td>
</tr>
<tr>
<td>6</td>
<td>4½</td>
<td>11,600,000</td>
</tr>
<tr>
<td>9</td>
<td>6</td>
<td>17,000,000</td>
</tr>
</tbody>
</table>

3. In the above figures it is assumed that the Fund will continue free of responsibility for the benefit of those who have not paid 50 contributions. This is at present a charge on the Exchequer at the rate of nearly
£20,000,000 a year, which is additional to its contribution to the Fund on the equal thirds basis, amounting to £16,000,000.

4. Apart from reduction of expenditure there are only two ways of making the Fund solvent, viz:-

(a) by an additional annual grant from the Exchequer, or (b) by raising the contributions from employers, employed and the Exchequer.

These alternatives were examined in March last (C.P.97(30)) in consultation with the Chancellor of the Exchequer and the Secretary of State for Dominion Affairs; we were reluctantly driven to the conclusion that we could not then recommend either of the alternatives and the Cabinet accordingly approved an increase of the borrowing powers from £40,000,000 to £50,000,000. These questions were again before the Cabinet in June, (C.P.210(30)). It was then decided to increase the borrowing powers to £60,000,000.

5. While it is obvious that the Fund cannot be financed on borrowed money indefinitely and that we should be driven later to adopt some other alternative, we are not, I think, in a position now to announce "our ultimate policy ................. to render the Unemployment Fund solvent and to avoid periodical increases in its borrowing powers".

6. The matter is, of course, bound up to some extent with the consideration of the relief of the able-bodied generally, on which I have just circulated an important Paper: it is unlikely, however, that decisions on this Paper will be available for my guidance before Friday. As at /present
present advised, if I am asked during the Debate to say what the Government have in mind about the Unemployment Fund, I should propose to reply to the effect:

"that the Government are, of course, fully alive to the serious position of the Fund; the immediate cause of difficulty is the phenomenal rise in the Live Register, brought about in the main by world causes; whatever views might be held as to the moment at which an improvement in general trade conditions may be expected, nobody is pessimistic enough to deny that we may confidently look for that improvement, in which event the present heavy charges upon the Fund will drop rapidly; in the meantime, those who are unemployed owing to the depression are drawing maintenance, thus maintaining the level of home purchasing power. The steps to be taken regarding the permanent unemployment insurance scheme cannot be considered apart from the question of the able-bodied unemployed generally; both matters are engaging the earnest attention of the Departments affected; naturally the abnormal unemployment situation increases the complexity of a subject which in any case raises many very difficult questions; while, obviously, steps will have to be taken to put the scheme in balance, it would be unfortunate if any attempt were made to do so in the present atmosphere; anything said or done now as to the particular remedies to be applied might prejudice the position and make a satisfactory solution difficult under more favourable conditions; in our consideration we are naturally giving, and shall continue to give, attention to the finances of the Fund."

I should welcome the views of my colleagues upon this statement.

(Intd.) H.G.B.

Ministry of Labour.
In July, 1930.