REPORT OF ADVISORY COMMITTEE ON UNEMPLOYMENT INSURANCE.

Note by the Minister of Labour.

I circulate for the information of my colleagues the minutes of the final meeting of the Advisory Committee on Unemployment Insurance and the Report of the Committee, to which are appended memoranda summarising the views of the three parties to the Committee.

(Initialled) M.G.B.

November 5th, 1930.
CONCLUSIONS of the Fifth Meeting of the Committee, held in the Room of the Minister of Labour, Montagu House, S.W.1., on Wednesday, 5th November, 1930, at 5.0 p.m.

PRESIDENT:-
The Rt. Hon. M.G. Bondfield, M.P.,
Minister of Labour.

The Rt. Hon. V. Hartshorn, C.B.E., M.P.,
Lord Privy Seal.

The Rt. Hon. A. Greenwood, M.C., M.P.,
Minister of Health.

Sir H. Betterton, Bt., C.B.E., M.P.,

Major W.E. Elliot, M.C., M.P.,

Mr. Isaac Foot, M.P.,

Mr. W.D. Wilkinson } ................ Joint Secretaries to the Committee.

Mr. P.Y. Blundun.
The Conclusions of the Fourth Meeting were agreed subject to the following amendment:-

The second sentence of the last paragraph but two to read - "Attention was drawn to the fact that certain principles had been agreed in paragraph 6 of the Conclusions of the Second Meeting although in fact these principles had subsequently been further discussed".

Sir Henry Betterton, Major Elliot and Mr. Foot entered a protest against the action of the Government in announcing the decision contained in the King's Speech to appoint a Royal Commission, having regard to the fact that the Committee had not yet arrived at its Conclusions.

It was agreed that the three Party memoranda should go to the Cabinet, subject to the amendment (in which Mr. Foot acquiesced) striking out (3) in the first paragraph and adding after the word "character" in the second paragraph the following words "and the provision for this class should be wholly or mainly a national charge".

After further discussion the draft report for the Cabinet which had been circulated to the Committee was agreed, subject to the three following alterations:-

(1) the addition of the words "or otherwise" after the words "Royal Commission" in line 11;

(2) the substitution of the words "in suitable cases" for the word "adequate," in line 17;

(3) the omission in line 22 of the words "by the public".
REPORT OF THE ADVISORY COMMITTEE ON UNEMPLOYMENT INSURANCE.

The Committee have held five meetings. They have been supplied with memoranda and statistics by the Ministry of Labour and have had a thorough discussion of the problem. Ultimately three memoranda, summarising the views of the respective parties to the Committee were prepared and circulated. A copy of these memoranda is appended hereto.

The memoranda disclose a divergence of view on a number of points, and particularly with regard to the necessity, or possibility, of immediate amendment of the law in advance of an inquiry by a Royal Commission or otherwise. But the Committee are agreed that:-

(1) the Unemployment Insurance Scheme should be placed on a solvent and self-supporting basis;

(2) appropriate provision should be made for the unemployed who fall outside the Unemployment Insurance Scheme and there should be in suitable cases facilities for training available to them, and also to those within the Scheme;

(3) the provision referred to in paragraph (2) for those outside the Insurance Scheme should be so framed as to be clearly distinguishable from the Insurance Scheme.

Signed on behalf of the Committee

MARGARET G. BONDFIELD.

November 5th, 1930.
ADVISORY COMMITTEE ON UNEMPLOYMENT INSURANCE.

MEMORANDUM BY THE GOVERNMENT REPRESENTATIVES ON THE UNEMPLOYMENT INSURANCE ADVISORY COMMITTEE.

1. The Unemployment Insurance Scheme should be placed on an actuarially sound and self-supporting basis.

2. This involves the establishment of a further scheme on national lines to provide for the unemployed who may not be entitled to benefit under the unemployment insurance scheme.

3. The restoration of the unemployment insurance scheme and the formulation of a further scheme raise difficult and far-reaching questions which, in our opinion, cannot be satisfactorily settled except by means of a strong Royal Commission, which could consult the various interests involved.

4. Allegations of abuse have been made and it has been urged that we should make immediate amendments in the law without waiting for a Royal Commission. We have considered this point very carefully and have come to the conclusion that any such partial measures, taken in advance of inquiry, would be unjustifiable. In practice it would be impossible to single out special cases and deal with them apart from the general problem. It would equally be impossible and indeed improper, to attempt to deal with the whole problem without the fullest investigation and consultation with workers and employers, an investigation which could only be satisfactorily conducted by a Royal Commission.

5. We accordingly propose that a Royal Commission should be appointed immediately to review the provisions and working of the unemployment insurance scheme and to make recommendations with regard to:-
(1) its future scope, the provisions which it should contain and the means by which it may be made solvent and self-supporting and
(2) the arrangements which should be made outside the scheme for assisting the unemployed.

The Commission should be instructed to proceed as rapidly as possible with its work and asked to make interim reports on the more urgent matters.

(Intd.) M.G.B.
A.G.
V.H.

27th October, 1930.
MEMORANDUM BY THE CONSERVATIVE PARTY REPRESENTATIVES ON THE THREE-PARTY UNEMPLOYMENT INSURANCE COMMITTEE.

From the documents placed before us the following facts would appear to be established:

UNEMPLOYMENT INSURANCE PROPER.

(1) The number on the Live Register is (according to the latest returns) 1,498,155 wholly unemployed, 585,156 temporarily stopped, and 105,361 normally in casual employment, making a total of 2,188,672, of whom approximately 95% of the men and 38% of the women are actually in receipt of benefit.

(2) The income of the Fund from all sources is approximately £45,000,000.

(3) The outgoings from the Fund amount approximately to £70,000,000.

(4) The debt on the Fund is now approaching £60,000,000.

Thus there is a gap between the income and the outgoings of the Fund amounting to £25,000,000 per annum, and this gap is being closed by borrowing. In our view there is already grave doubt whether the existing debt can ever be fully redeemed, and to go on adding to it seems to us to be merely obscuring the actual position of the relations between the Exchequer and the Fund.

TRANSITIONAL BENEFIT.

(1) The entire cost of transitional benefit falls on the Exchequer, and will amount to about £21,000,000 in the current year. This payment has, in our view, ceased to be insurance; it is in fact a maintenance allowance outside the Public Assistance Scheme paid without the tests attaching either to a contributory insurance scheme or to the Poor Law.

(2) The rate of benefit paid is the same as that received by the persons who have satisfied all the statutory tests, including the full contributions test of 30 contributions within the last two years.

(3) Those on Transitional Benefit number more than 340,000—an increase of 200,000 since February last. In consequence of the Act of February, 1930 about 110,000 persons who previously had not been in receipt of either Poor Law relief or unemployment insurance were brought into "benefit".

22nd October, 1930.
The position in regard to this "transitional" group is of special urgency, since by Statute the period during which this benefit expires begins in April, 1951.

NECESSARY MEASURES, PART I - INSURANCE.

It is agreed that it is necessary to place the Insurance Fund on an insurance basis. It is important also that the general public should distinguish between real insurance and other forms of relief. Outside the unemployment scheme, individual examination is necessary to determine what are individual needs as regards maintenance and remedial treatment. A flat rate of payment is quite unsuitable, and individual examination should include a test of means. We would add that the position of the beneficiaries of the insurance scheme proper, whether actual or potential, is prejudiced by the present situation.

There are three ways in which the scheme can be made self-supporting. The contributions may be increased, the benefits reduced, or the numbers on the Fund may be brought down by stiffening up the qualifications for benefit.

If benefits are not to be reduced or contributions increased, the burden of those sensibly in excess of the balancing point must be carried by other means, unless an early revival in trade should absorb the surplus. In our opinion it is not legitimate to anticipate so large a reabsorption at an early date.

The Minister has stated that on the existing scale of contributions and benefits, the Unemployment Insurance Fund would remain self-supporting so long as the number of unemployed persons in receipt of benefit does not exceed 1,240,000.
The reduction in numbers required is about 40% of the present register. This, it is clear, can only be achieved by requiring a higher qualification than hitherto for Insurance Benefit, and can be obtained either by raising the stamp qualification or adopting a ratio of benefit to contribution, with a limit to the number of weeks in any year. One or other of these methods must be adopted, and from the information supplied to us we think that the latter alone would be likely to prove effective. It is also clear that relief could be afforded to the Fund by measures to correct practices which, even though within the statutory framework of the scheme, are admitted by all to be abuses of the original intentions of Parliament.

We were impressed by the evidence submitted to the Committee regarding the manner in which the resources of the Fund are being depleted on a large and increasing scale by organised arrangements between employers and employees, by which short-time is systematically worked and wages supplemented from the Fund.

We consider that power should be given forthwith to the Minister to schedule for examination and necessary action industries in which organised short-time is reaching dimensions far beyond those contemplated when the Insurance schemes were initiated.

**NECESSARY MEASURES. PART II: RELIEF.**

It is clear that the numbers of those outside the insurance scheme proper will be increased if the Insurance Fund is to be brought to a state of solvency.

As stated above, the annual amount paid on Transitional Benefit amounts to £31,000,000, and this without the obligations laid on either Poor Law or Insurance claimants.

It is impossible that these large sums should continue to be paid out on this basis; for these cases, as already stated, a flat rate is unsuitable and individual examination indispensable.

Accordingly we consider that those among the unemployed who would no longer be qualified to draw insurance benefit should be relieved under separate arrangements having no connection whatever with the Unemployment Insurance Scheme.

We recognise that as the responsibility for this category is largely national the larger proportion of the expense
under these provisions must probably be borne by the Exchequer. Actual administration should be worked through the Local Authorities to prevent overlapping. We consider, however, that both for administrative and for financial reasons a further step is necessary. Regional Commissioners should be appointed for each large area, to whom the arrangements for the handling of these funds should be entrusted. The fact that the areas in question would be large, and few in number, would enable the Commissioners to take a wide view and to envisage a national policy, constructive rather than merely relieving. Methods of co-operation between the Departments concerned, which involve problems of administration rather than matters of principle, should be worked out by an inter-departmental committee.

The House is to be asked to authorise an increase of the debt of the already heavily indebted Insurance Fund before the year is out. In addition, before the end of the financial year, the Treasury will have to lay a large supplementary estimate for transitional benefit. Further, the Minister will require to introduce and pass a Bill dealing with the transitional beneficiaries, whose position, it was specifically stated, would be reviewed before the conclusion of the period for which powers were taken, a period which begins to expire in April next.

In the present financial circumstances of the nation, we should feel compelled to oppose measures to provide further supply for these purposes, unless active steps are concurrently taken to restore the solvency of the Fund upon a contributory basis and to correct those defects in the existing system which have contributed to its present position.

(Sgd) Henry Batterton.
(Sgd) Walter Elliot.

28th October, 1930.
HOUSE OF COMMSNS,  
28th October, 1930.

ADVISORY COMMITTEE ON UNEMPLOYMENT INSURANCE.

Dear Miss Bondfield,

It was agreed when we separated on Thursday last that the representatives of the three parties should submit their several memoranda expressing their opinion upon the facts and conclusions already considered. We prepared a memorandum accordingly, and, in fact, had the draft typed that afternoon. Our intention was that we should meet early this week to amplify or amend the draft if we thought it advisable after a further perusal of the documents.

On Monday, however, at the meeting of the Liberal Shadow Cabinet, we were made acquainted with the terms of the King's Speech. In view of the paragraph relating to Unemployment Insurance, it was apparent that the policy of the Government had already been determined and, therefore, further consultation was made unnecessary. In these circumstances we had some doubt whether our memorandum could serve any useful purpose but we have thought it advisable in courtesy to yourself and our colleagues on the Committee to send it.

We have purposely refrained from any amendment to our draft, which you will observe bears last Thursday's date.

Yours sincerely,

(Sgd.) ERNEST BROWN.

(Sgd.) ISAAC FCOY.
MEMORANDUM.

Having carefully considered all the relevant documents, and having had the advantage of consultation with our colleagues upon the Committee we desire to express our views upon the issues which have emerged. We concur in the conclusions at which the Committee has already arrived, viz:

1. That it is essential that the Insurance Fund shall be placed upon a solvent basis.
2. That provision shall be made from other sources for such able bodied unemployed persons as cannot be carried by the fund when it is placed on such a basis.
3. That this payment shall be distinguished from the payment of unemployment benefit, and shall not be on a flat rate but shall have regard to individual need.

In our view the machinery for the administration relating to the uninsured able bodied unemployed should be national in character and the provision for this class should be wholly or mainly a national charge.

We think the objections to imposing this task upon the new Public Assistance Committees are valid, and that an ad hoc organisation is essential.

Seeing that so large a measure of agreement has been arrived at we apprehend that difference of opinion will probably arise as to the time and method of bringing these agreed changes into effect.

Obviously the whole question must come up for the consideration and action of Parliament at an early date. A Bill must shortly be introduced to extend the present borrowing
powers, and again, within a few months, legislative provision must be made to deal with those persons now under transitional arrangements. We think it is impracticable to ask Parliament to sanction these immense new financial commitments unless the House of Commons can be assured that the essential changes are to be carried out with the least possible delay. Public opinion has been strongly expressed upon this matter, and the action of the Government in setting up our Committee has been a considerable factor in this concentration of public interest upon this grave problem. The Chancellor of the Exchequer in his speech on October 15th stated clearly that it was the duty of Parliament to face up to this problem, and unless the Committee can agree upon immediate action the country as well as Parliament will have the strongest grounds for complaint and criticism.

If, therefore, the Minister of Labour should introduce a simple Bill for the extension of the borrowing powers postponing the effort to grapple with the problem of solvency until the uncertain future we believe she will be inviting disaster. We agree that the problems raised are not easy of solution but we do not think that any further delay would be warranted.

We have devoted three months to the anxious consideration of the duty committed to us, and we believe there would be serious resentment if we did nothing more than suggest another inquiry involving indefinite delay.

We have considered the suggestion as to the appointment of a Royal Commission and in our opinion this proposal is open to grave objections. Inasmuch as agreement has been reached upon the main objectives of Unemployment Insurance policy the line of enquiry surely should be as to the time and the method of the application of these recognised principles.
For that purpose we consider an inter-departmental inquiry would be the better machinery for the solution of such technical problems, and the information necessary could be obtained with greater expedition. Our conclusion, therefore, is that coincident with the introduction of the money Bill actual proposals should be submitted to the House of Commons, thus giving both to Parliament and the Country the assurance that the urgent reforms upon which all Parties seem to be agreed shall not be further delayed.

(Sgd.) ERNEST BROWN.
(Sgd.) ISAAC FOOT.

23rd October, 1930.