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C A B I N E T.

Third Report of the Unemployment Insurance Committee.

Memorandum by the Minister of Labour.

1. I regret that I must record my dissent from the scheme put up by the Committee on Unemployment Insurance.

2. In spite of some important modifications in the scheme as originally proposed, I am still of opinion that the scheme is wrongly conceived and that its adoption would be a political blunder. Whatever may be said to the contrary it is the application of Poor Law principles to large classes of the unemployed who have hitherto been free from them. Many of our supporters will strongly object to the inclusion of the industrial unemployed in the same class as the casuals and vagrants, and placing them under what will inevitably be regarded as a Poor Law Commission operating an Act which will be a reproduction of the main provisions of the Poor Law. When the needs test was introduced in September, 1931, we gave pledges that there should be protection to those who for the first time were being made subject to it, and we provided that -

- (i) payment should be in cash and not in kind;
- (ii) there should be no test work;
- (iii) payment should not be on loan;
- (iv) payment should not be made at a workhouse.

It is now proposed to withdraw this protection.

3. I feel sure that the majority of the House of Commons are expecting us to deal with the problem as an industrial rather than a poor law one. An executive Statutory Commission with its own staff, but responsible on questions of policy

to the Minister of Health, would not, in my view, be a satisfactory or acceptable instrument of government, and I am sure that its relations with the Employment Exchanges, who presumably must register, certify unemployment, and pay the persons relieved, would create serious practical difficulties. Also, it is, I think, clear that the Local Authorities will not readily acquiesce in contributing to a scheme over which they have no control. Finally, no consideration has been given to the case of Scotland, though the Secretary of State has expressed grave doubts if the scheme could be applied in that country. If the scheme is a good one for England and Wales, then why not for Scotland? If, on the other hand, it is not good enough for Scotland, how can we defend its application to England and Wales.

4. It will be asked what alternative I would suggest. I circulated two Memoranda to the Cabinet Committee outlining the principles on which alternative schemes could be framed, and I annex as an Appendix a summary of these memoranda in the form of an alternative scheme. The details of an alternative scheme cannot, however, be worked out pending a decision on the important question whether the Local Authorities are to be entirely excluded from the administration of assistance to the able-bodied unemployed. If the Local Authorities need not be wholly excluded, they could be retained, either as assessing authorities or in connection with an appeal machinery. If, on the other hand, they are excluded, I could prepare a scheme, to be administered through the Employment Exchanges. The scheme could cover either the transitional payment class or the whole of the able-bodied unemployed within the industrial field; the latter would be the more logical course. In either case, there would have to be central regulations to secure reasonable uniformity, and the Minister should have the protection of a strong Statutory Commission on whose advice the regulations would be made.

5. It seems to me essential, therefore, that the question of the participation of the Local Authorities should be decided and that they should be consulted before any further progress can be made either with the scheme of the Minister of Health or with any alternative scheme. Also, it is essential to decide whether the Authorities are to be asked to continue to pay substantially what they are now paying for the services transferred, the Exchequer paying no more than it now pays, or whether the clamour of many Authorities for financial assistance is to be met by relieving them of some of their present costs of outdoor relief.

6. I feel bound also to call the attention of my colleagues to the time factor in the situation. It is clearly impossible now to pass a Bill setting up an entirely new system before the existing provisions expire next June. I doubt also whether we have sufficient time to prepare and pass any comprehensive legislation on the subject before the Summer Recess, and even if we can it could not come into operation before the end of this year, if so soon. It is inevitable, therefore, that there must be some extension of the transitional period. On the other hand, a mere extension of that period will not suffice. We cannot continue much longer with the present lack of uniformity and the disparities in the scales of relief, and I am convinced that we cannot get through another winter without at least taking power to issue regulations to secure greater uniformity. This measure would be confined to the present transitional payment classes, i.e. those who have been insured but who have exhausted their insurance rights. If this were done I could at the same time introduce the Bill for the reform of the Unemployment Insurance Scheme, which is practically ready. By these means I should hope to be able to carry on through the coming winter.

(In.d.) H.B.

4th April, 1933.

APPENDIX.Essential Principles of an Alternative Scheme.

1. It is agreed that -
 - (a) there must be central regulations to secure uniformity;
 - (b) the responsible Minister should have the protection of a Statutory Commission;
 - (c) the Minister must have no power to intervene in individual cases;
 - (d) the service must be taken out of local politics.
2. The scheme I contemplate, which meets all the above points, is -

(i) Ministerial responsibility.

A Minister to be responsible to Parliament for the administration of the scheme. He will be responsible for making such rules as are not contained in the Statute, and for issuing such instructions to the machinery which will assess individual cases. These rules would secure uniformity in administration;

(ii) Appointment of a Statutory Commission.

The Commission to be small and to be advisory and not executive. It will have in particular the duty of advising the responsible Minister before he makes rules:

(iii) Local machinery for assessing payments.

Initial decisions within the ambit of the general instructions to be in the hands of officials with an opportunity of appeal from those decisions to some appropriate local tribunal. This would protect the Minister from dealing with individual cases and take the question of assessment out of local politics:

(iv) Appeal Machinery.

This could take one of a number of forms -

- (a) the Public Assistance Committee of the Local Authority; or
- (b) a joint Committee consisting of non-elected persons appointed by the Minister and persons nominated by the Local Authority; or
- (c) a Committee of the Local Employment Committee; or
- (d) a local tribunal, similar to the Court of Referees for insurance benefit, consisting of an independent Chairman and two assessors.

(v) Scope.

Scope and Finance are closely linked together. The amount of the liability taken over from the Local Authorities will depend on the extent of the financial contribution to be obtained from the Authorities. The scheme can be confined to the present transitional payment class or be extended to the whole of the able-bodied unemployed within the industrial field.

(vi) Training and Occupation.

No new machine is required to develop training and occupation. The Ministry of Labour have for many years been doing as much as circumstances permit and with the aid of the experience which the Ministry have gained the machinery can be steadily expanded if sufficient money is available.