

1 Victims or villains?

Establishing the ground rules

Official policy on the unemployed in the nineteenth century was harsh. Individuals and families were responsible for their own support and if they had no income, they must work. This duty to work to support oneself or one's family extended, not only to single women and able bodied men, but to children of quite tender years, to married women where necessary, to widows with and without children, to other lone mothers with children, to disabled people who were not totally incapacitated and to the elderly still capable of work. If they were unemployed and destitute, they might turn to the Poor Law, but they should not expect sympathetic treatment. It would be assumed that work was available to those willing to work, and that to offer any degree of comfort to those not working would be to encourage idleness.

The Poor Law, as a policy, aimed to be disliked by the unemployed, and to offer a standard of living lower than could be achieved in the least well paid employment. The principle of less eligibility was laid down in 1834 by the Poor Law Commissioners who said:

The first and most essential of all conditions is that the situation of the individual relieved should not be made really or apparently so eligible as the situation of the independent labourer of the lowest class.

For the unemployed, this principle was implemented through insistence that relief be given only in the workhouse, or through the application of a work test – commonly stone breaking or other heavy labour – before relief was given outside the workhouse, and through

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low rates of payment whether in cash or kind. The object was to deter dependence on the Poor Law.

Because the Poor Law was administered locally, this stark policy was not uniformly applied. Moreover, there was some recognition (both nationally and locally) that not all the unemployed were out of work through their own fault. Nor were they all naturally idle. However, such recognition would still be tinged with caution. In 1837, for example the Poor Law Commissioners acknowledged that a period of distress, due to bad trade conditions, had left large numbers out of work through no fault of their own. But, they urged adherence to the rules, saying:

The distress which actually ensues is always accompanied by a demonstration of a large amount of fictitious distress, and the idle and the fraudulent are forward to avail themselves of the sympathy which is then called forth. It is, therefore, of the highest importance that the operative classes should be taught lessons of frugality and forethought at those times when they are able to earn more than is actually necessary for their immediate support, and that they should then save up the surplus to meet emergencies like the present.¹

The Local Government Board (the successor to the Poor Law Commissioners) showed a similar caution in 1886. Noting the 'exceptional distress amongst the working classes' which extended to 'large numbers of persons usually in regular employment', it commented:

The spirit of independence which leads so many of the working classes to make great personal sacrifices rather than incur the stigma of pauperism, is one which deserves the greatest sympathy and respect, and which it is the duty and interest of the community to maintain by all the means at its disposal... It is not desirable that the working classes should be familiarised with poor law relief, and if once the honourable sentiment that now leads them to avoid it is broken down, it is probable that recourse will be had to this provision on the slightest occasion.²

The later nineteenth and early twentieth centuries saw a gradual narrowing of the categories of people expected to work for their own support. Labour legislation, over time, made the employment of young children illegal, while educational provision drew more and more children into the schools. Education was made compulsory to the age of 12 years in 1880 and to 14 years in 1921. Old Age Pensions

were first introduced in 1908 for those 70 years and over and from 1925 for those 65 years and over, though not all the elderly qualified for such pensions. Widows had to wait until 1925 before they received a pension, but the duty to work, where they had dependent children, was not usually enforced after 1914 and, after 1925, the pension was payable without the necessity of proving inability to work. Other lone parents (separated wives for example) remained subject to the Poor Law but commonly were not required to work while the children were under school leaving age.

The situation of the disabled remained uncertain. The introduction of National Health Insurance in 1911 meant that, provided they had paid the requisite contributions, those wholly incapacitated for work would receive an allowance, which might in turn be supplemented by the Poor Law. The same would apply to those receiving Workmen's Compensation (introduced in 1897 and extended in 1906), where they were wholly unable to work. The partially disabled, however, continued to be classified and treated as unemployed if they could not find work.

The introduction of Unemployment Insurance

Accounts of the period given by historians of social security attribute both the shift away from the Poor Law, as it related to the aged, the sick and disabled and widows, and the accompanying modification of attitudes to the unemployed, to many factors. The reports on poverty by Booth and Rowntree in the late nineteenth and early twentieth centuries, the development of socialist theories, the growth of working class movements and the development of new economic theory are typically listed.³ The last, which included studies of the cyclical nature of trade crises and consequent unemployment, was important in challenging the view that unemployment was the outcome of personal weakness or of deliberate idleness.

These new theories of unemployment, in which the normally hardworking poor were seen as victims of economic forces rather than as loafers and spongers on Poor Law relief, opened the way for a change in official policies. However, while it is reasonable to assume that the influences outlined above led to the decision to try out a modest scheme of Unemployment Insurance for the victims of trade depressions, it was the old view of the unemployed as potential 'villains' which substantially shaped the scheme. Moreover, experimental as the scheme legislated in 1911 was, it proved to be long

lasting both in its general approach and in the rules under which it operated. It is, thus, important to the understanding of all subsequent schemes. The discussion which follows will be concerned only with the structure of provision for the unemployed in general. Later chapters will consider the position of specific groups such as married women, young people and others.

The political and civil service planners of Unemployment Insurance could not draw on much in the way of experience in other such schemes. While there had been social insurance schemes to deal with sickness and disability in other countries, most notably in Germany since the 1880s, there had been no national schemes for the unemployed and the few local schemes had had rather unhappy experiences.⁴ Trade Unions in the UK did operate successful benefit schemes, but mainly for skilled workers in fairly stable employment.⁵ The decision taken, therefore, was to introduce a limited scheme of compulsory insurance in a selected group of trades. These were trades such as shipbuilding, engineering and construction, which normally offered good employment, but in which the employees were subject to temporary and fairly predictable periods of unemployment. Declining trades where long term unemployment might occur were excluded, as were industries where casual work was the norm. The industries to be covered were ones in which male workers predominated.

The number of workers to be covered was around 2.25 million manual workers – a small proportion of the labour force which was then around 18 million.⁶ According to the later (1927) Blanesburgh Report on Unemployment Insurance, the principle which underlay the scheme ‘was that the insured trades should help to maintain, through times of depression and under-employment, the reserves of labour which they required in seasons of good employment’.⁷ The scheme was financed through weekly contributions from employee and employer, with a subvention from the State.

It was natural in an experimental scheme to seek to build in safeguards to ensure its financial viability. The benefit period offered was short – a maximum of 15 weeks in an ‘insurance year’ (i.e. July to July). This was expected to be sufficient for the type of trades covered and during the period in which the 1911 scheme was in operation, proved to be so.⁸ Benefit was earned through contributions. A minimum of 26 weeks contributions had to be paid in order to qualify and no worker could claim more than 1 week of

benefit for each 5 weeks of contributions. In addition, no cover was given for the first week of unemployment (the waiting days). Thus, both proof of regularity of employment and self help (though contributions and self support for the first week) were built in. A further safeguard was the requirement to register for work at the newly established Labour Exchanges (introduced by an Act of 1909), to show availability for and willingness to work.

At the time the National Insurance Bill was being prepared, there was considerable argument on whether these provisions were sufficient. One point on which the politicians and civil servants involved were agreed and that was that the benefit should be set low, so as to 'imply a sensible and even severe difference between being in work or out of work'.⁹ This was presented as a means of maintaining the incentive to work, but it also reflected the 'less eligibility' tradition which was still operating (under that name) in the Poor Law. There was some discussion of wage related benefits – which to an extent were available under Workmen's Compensation – but this idea was not pursued.¹⁰ It was argued that the better paid worker – who would suffer a severe drop in income – would have savings to draw on, or might be covered by Trade Union benefits.

Winston Churchill, who as President of the Board of Trade was the Minister involved, considered this package sufficient to ensure a viable scheme. The principal civil servant, Llewellyn Smith, wanted more. He argued that the scheme must be protected against the wastrel. Workers who lost their jobs through their own misconduct – laziness, drunkenness or carelessness – should be ineligible for benefit. An insurance scheme which aimed to cover cyclical unemployment should not also cover unemployment due to the personal defects of the individual. Churchill, on the other hand, argued that if a worker had paid his contributions, he should receive benefit regardless of the cause of his dismissal. He said, 'I do not like mixing up moralities and mathematics'.¹¹ The fund should be protected by insurance rules, not the personal judgements of administrators. He pointed out that:

A disposition to over-indulge in alcohol, a hot temper, a bad manner, a capricious employer, a financially unsound employer, a new process of manufacture, a contraction in trade, are all alike factors in the risk. Our concern is with the evil, not with the causes, with the fact of unemployment, not with the character of the unemployed. In my judgement, if a man has paid to the fund

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for six months he should have his benefit in all circumstances, including dismissal for personal fault even of the gravest character.¹²

The limited period of benefit, Churchill thought, its low rate and the requirement for prior contributions ought to be safeguard enough. What the benefit would do was to mitigate the often disproportionate penalty for personal failings, not remove it altogether. What finally emerged in the Bill was a compromise. Benefit would be withheld from those who lost their employment through ‘misconduct’ or left to ‘without just cause’, but only for six weeks. The key safeguards – the penalty for unsatisfactory behaviour and the low level of benefit – represented the view of the unemployed held by the Poor Law, i.e. that given an inch, the worker would take a mile. No doubt there were idle poor – just as there were idle rich – but the penalty clause for ‘misconduct’ or leaving ‘without good cause’ was open to administrative interpretation based on employer’s reports, and was likely to catch many more than the true idler. The decision to set a low rate of benefit, moreover, would affect ‘good’ and ‘bad’ alike. It assumed that the average worker needed the sting of poverty to induce him to work, and that even the normally industrious could not be trusted to seek to return to work as quickly as possible.

It was, perhaps, a little ironic that the Board of Trade who held this view, was at the same time piloting through a Bill to protect workers in the sweated trades which, according to a House of Lords enquiry (in 1890), were characterised by:

... a rate of wages inadequate to the necessities of the workers or disproportionate to the work done; excessive hours of labour; the insanitary state of the houses in which it is carried on. These evils can hardly be exaggerated. The earnings of the lowest classes of workers are barely sufficient to sustain existence. The hours of labour are such as to make the lives of the workers periods of almost ceaseless toil, hard and often unhealthy.¹³

It was not the picture of a naturally idle labour force.

The level of the benefit did not prove a serious problem to unemployed people while the 1911 scheme was in operation. Employment opportunities for those in the covered trades were good, and the coming of war in 1914 enhanced them still further. Those who benefited from the scheme (which from 1916 included workers in war industries) were usually able to avoid the necessity of applying to the

Poor Law,¹⁴ which continued to maintain the rest of the unemployed on the old principles.

Unemployment provisions in the 1920s

The low rate of unemployment in the insured trades from 1911 to 1920, the provision for one week of waiting days, the short benefit period and the low benefit paid, all combined to ensure a handsome surplus in the insurance fund and to induce a confidence in unemployment insurance as a method of provision. Problems in the immediate post-war period, concerning the resettlement of the armed forces into civilian employment and the industrial readjustment for civilian workers, due to the winding down of war-related industries, were dealt with outside the 1911 scheme. Provision was made in the shape of non-contributory 'out of work donations' leaving the insurance fund still in surplus and, thus, a financial 'success'. These were, however, temporary arrangements and, conscious of the political difficulty of restricting unemployment insurance to a minority of the labour force after so many others had received aid during the post-war period, the government in 1920 extended the insurance scheme. It was now to cover all manual workers (excluding agricultural and domestic workers) and non-manual workers earning less than £250 p.a.

The new Act was to face far different conditions from its predecessor. There followed a period of high unemployment and, what was more important, of much lengthier periods out of work for many. From 1920 to 1935, successive governments engaged in a series of expedients to avoid throwing large numbers of unemployed on the Poor Law. The details need not be elaborated here¹⁵, but the issues discussed in this period by two inquiries are of interest.

The first of these was the Unemployment Insurance Committee which reported in 1927 (The Blanesburgh Report). The sharp increase in unemployment since 1920 had been accompanied by many accusations of fraudulent claims. The Committee first found it necessary to consider how far these were true. If a system of unemployment insurance was open to widespread abuse, it might be necessary to recommend discontinuing it altogether or, at the least, to impose additional rules to control abuse. Having examined the evidence, the Committee concluded that even given the many recent difficulties, the insurance scheme, as administered by the Ministry of Labour, was able 'while dealing fairly with the genuine claimant'¹⁶

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to guard against abuse. Indeed, it found that the level of abuse recorded was 'almost negligible'¹⁷. The evidence of the Secretary of the influential Charity Organisation Society added further interest. He said he had believed that abuses were serious, but on enquiry was unable to find them. He said of his evidence:

When this material was read to our people... they were much disappointed at the general character of almost all of it. They had hoped that many more examples would be forthcoming illustrating the criticisms passed upon the present working of the unemployment insurance by almost everybody who discusses the subject. This shows the value of bringing these criticisms to the test of demanding examples, and more than one of our secretaries said they quite expected to find from our case papers numerous samples of abuses, but when they came to look they found very few. This does not of course prove that their previous impression was not a sound one, on the other hand, it may quite well prove that unfavourable instances impress themselves upon the memory, while the proper and smooth working of a scheme passes almost unnoticed¹⁸.

It was a pointed commentary on the value of anecdotal evidence about social security abuse. The Committee thought it had 'great force'.

Having established to its satisfaction that unemployment insurance was workable, and that, indeed, it must 'now be regarded as a permanent feature of our code of social legislation'¹⁹, the Committee went on to discuss the role the scheme should play.

The 1920 Act, like its predecessor, offered only 15 weeks benefit and aimed only to tide over the worker for what was expected to be a brief period out of work, preceded and followed by regular employment. All other needs would be met by the Poor Law. The huge increase in unemployment which followed, and which overwhelmed the resources of locally financed Poor Law, created the need for a more substantial role for national provision. The Blanesburgh Committee, therefore, sought to identify the proper boundaries of an insurance scheme. It began by saying:

And first, it must be clearly understood that the purpose of any unemployment insurance scheme is to provide an insurance against unemployment on certain conditions, that is to say, with certain limitations. It is not a scheme automatically to give assistance to every insured person who is out of work. It does not provide an out of work donation. The distinction is vital. It flows from it that a beneficiary under an insurance scheme must be

willing and still able to work, that he must still remain in the field of employment; that he must, in a real sense, be genuinely unemployed only from circumstances and in no way by choice. No other person can properly be a beneficiary under an insurance scheme. A scheme to provide benefit in the event of unemployment would impose no such conditions²⁰.

Having excluded those not still in the field of employment, the question then was how far unemployment insurance could cover all those defined as genuinely unemployed. One school of thought argued that the scheme should be run on strict actuarial lines with benefits directly related to individual contributions. All other unemployed people should fall outside the insurance scheme and be the responsibility of the community at large. The other school held that provision in the insurance scheme should be made for all genuinely unemployed people and no matter how long they were unemployed.

The Blanesburgh Committee chose a path between these two extremes. Practice since 1920 had given contributors the expectation of more favourable treatment that would be available under strict actuarial principles, but a contributory insurance scheme which covered long term unemployment would impose a severe burden on workers and on industry.

The Committee proposed that benefit should be available for 26 weeks to anyone who had paid 30 contributions in the previous two years. The Committee assumed that it would normally be possible to find at least 15 weeks work in any one year and that this evidence of labour market attachment should be enough to give entitlement to benefit without means test. On the basis of estimates of future unemployment supplied to the Committee, it took the view that its proposals would cover all or at least the great bulk of unemployed people, for as long as they needed benefit. The minority not covered would be subject to Poor Law provisions in the normal way²¹.

Unfortunately the unemployment estimates proved to be awry. The government was forced once more into temporary measures, and, in doing so, strengthened the national role in supporting the unemployed. In particular, it extended the benefit period for those who had qualified for Unemployment Insurance, through nationally financed subventions to the local Poor Law Authorities - called Public Assistance after 1929. These paid what was called 'transitional benefit' to those who had run out of insurance rights.

In 1930, a Royal Commission on Unemployment Insurance was established and it once more addressed the issue of the appropriate role of an insurance scheme. Like the Blanesburgh Committee, the Royal Commission affirmed the usefulness of a scheme of insurance for unemployment. It defined such a scheme as one in which the major cost was borne by the potential beneficiaries and their employees and in which the fund provided by their contributions, with a subvention from the State, would operate in balance taking one year with another²².

The insurance scheme, as originally conceived in 1911, was intended to be 'no more than a partial expression of the collective responsibility of the community for relieving want arising from unemployment'²³. Unemployment Insurance was to be seen as a 'first line of defence' against unemployment, but, financed as it was by mutual insurance (employers and employees) within industry, it could not be expected to deal with all types of unemployment or to provide benefit of indefinite duration. If, in order to do this, the State subvention became, not the minor, but the major proportion of the funding, then the scheme would lose its character of mutual insurance. It would become 'simply an agency for the distribution of State money to particular categories of unemployed workers'²⁴. Therefore, if it was desired to maintain an insurance scheme, and one which was financially viable, limits would have to be placed on its operation.

The insurance scheme, then, would meet the needs of workers who were unemployed for periods of limited duration. These were expected to be the majority of all those who became unemployed. However, it would not be reasonable to expect the remainder to be dependent on Public Assistance, which was still regarded by working people with considerable distaste. Some alternative means 'suited to modern needs and acceptable to the public conscience'²⁵, must be found. During a depression and when major industrial reconstruction was taking place, workers who had a history of regular work were displaced. Those who, as a result, were unemployed for a long period might be no less anxious to work than those whose unemployment was of short duration. A specific scheme for assisting the longer term unemployed was therefore necessary, financed and supervised by national government, but administered locally. Because indefinite benefits paid regardless of need would be very costly, it would be necessary to relate benefits to needs, i.e. they would have to be means tested. Those who could support themselves would be left to do so.

The Royal Commission was not, however, at one on this subject. A Minority Report took a different view. It questioned the whole concept of an insurance scheme, theoretically based on actuarial principles, when the risk being 'insured' i.e. unemployment, was so unpredictable. One way or another, the State had to provide for the unemployed worker, whether by a smaller or larger subvention to the insurance scheme, or through additional expenditure outside the scheme. The State, in effect was called upon to decide 'how many of the unemployed it is to maintain within the Scheme and how many outside it'²⁶.

The Minority Report also questioned the simple division of the unemployed into two classes - the short term unemployed drawing benefit at a flat rate, as of right, and the long term unemployed compelled to seek relief on the basis of need²⁷. Unemployment, especially in a period of depression was more complex than this. Large numbers of the unemployed fell between the two classifications. Their unemployment was intermittent and, as a result, at times they had insurance rights and at other times they did not, so that they moved between employment and unemployment and between insurance and relief payments. Nor could they be easily divided up by the 'type' of unemployment. The report added:

We cannot distinguish between normal unemployment and the abnormal unemployment of today, because, in normal times, sudden changes in industry may cause abnormal unemployment on the part of a certain section of the workers. All that can be said is that it is important to frame a scheme which will meet both the needs of more favourable times when unemployment is low and the needs of abnormal periods like the present²⁸.

Moreover, the argument (which formed part of the Majority case), that the payment of an indefinite benefit by right would demoralise the worker and tempt him to depend on benefit rather than to work was unacceptable to the Minority group. What was operating here was 'a return to the out worn principle of deterrence'²⁹. It was being assumed that virtues of self help, thrift and forethought would be stimulated in the unemployed worker if he knew that his right to benefit was limited. At the same time, those dependent on relief were to be deliberately placed in a less advantageous position. 'Their status is to be lowered. They are to be made to feel that they no longer have any rights, and that if they need assistance they will be a charge on the community'³⁰.

The Minority Report proposed that the State should take over responsibility for the payment of unemployment benefit, covering all forms of employment and paying benefit, without limit in its duration, to the genuinely unemployed. Contributions would continue to provide part of the finance, but would not determine the length of benefit payments: 'If an unemployed worker had once established his place within the Scheme, and if he continued to fulfil the conditions laid down, there should be no arbitrary conclusion to his receipt benefit' conclusion to his receipt of benefit'³¹. The conditions would include willingness to work and availability for work, the undertaking of re-training where appropriate, and the readiness to move to another area for work if necessary.

The details of the proposed Minority scheme, spelt out in the report, need not be elaborated. It was not adopted. It was the Majority view which prevailed.

Three categories of unemployed

The legislation which followed in due course, divided the unemployed not into two, but three categories; those who had paid the requisite contributions and were entitled to Unemployment Insurance; those who were capable of and available for work but had run out of insurance entitlement or had been unable to acquire rights; and those who were considered to be, for all practical purposes, no longer in the labour market. The 1934 Unemployment Act established the Unemployment Insurance Statutory Committee (UISC) which was to advise on the running of the insurance scheme and the Unemployment Assistance Board (UAB) to deal with those who had no insurance rights, but were still regarded as being within the labour market. The residue of the unemployed fell to the Public Assistance authorities.

Unemployment Insurance

When Unemployment Insurance was established in 1911, it was not thought necessary to build up a large fund against future claims, of the type then established for National Health Insurance. Instead Unemployment Insurance would operate, more or less, on a pay as you go basis. Since it was then believed that levels of unemployment could be predicted, planning could be based on the level of contributions required from those in work which could meet the current benefits for those out of work, and leave enough in reserve to

cover short term fluctuations in unemployment levels. Should there be a temporary inability to meet claims, the Fund could ask the Treasury to advance money as a loan, to be repaid out of later contributions once the short term problem was over. Should the Fund remain in deficit, then either benefits would have to be lowered or contributions raised³².

The new plan, operating from 1935, was based on the same principles, though with some practical differences. The accumulated debt to the Treasury, which by 1934 had reached more than £105 million, was separated off. This was to be repaid, with interest, from the Unemployment Fund, at a rate of £5 million per year, so that the debt would be cleared by 1971. If there was a surplus in the fund in any year, more could be paid off the debt but there was no requirement to do so. For current commitments, in the words of Sir William Beveridge the chairman of the Unemployment Insurance Statutory Committee (UISC), unemployment insurance was to be 'financially self-contained and self-adjusting'³³. New borrowing from the Treasury was to be repayable within two years. Summing up the position, Beveridge said in a report on the scheme, 'Under the Act of 1934 the insurance scheme is thrown entirely on its own resources; must pay off the old debt and must pay its way in future'³⁴.

The effect of this was that those currently in employment, and their employers, with a proportional State subvention, were not only paying for the current unemployed, but were paying off debts in relation to past unemployed people, dating back to 1920. That the Fund was successful in achieving financial viability was due to three factors. Credit must be given for good management by the UISC. A second factor was the fall in unemployment. In early 1933, just under 3 million were registered as unemployed in the UK, and there were still 2.4 million when the UISC began to operate. Thereafter the numbers fell fairly steadily reaching 1.2 million in mid-1939³⁵. However, almost as important was the fact that the insurance fund aimed only to cover around 48 per cent of the unemployed. On this basis, it decided in 1935, it could balance its books, taking the good years with the bad, and assuming an unemployment rate of 18.1 per cent³⁶. When the unemployment rate went down, the UISC adjusted its calculations but maintained the goal of covering around half of the unemployed.

Under the UISC, benefit could be paid for 26 weeks provided that 30 contributions had been paid in the previous two years. A person who could show a good past employment record over the previous 5

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years could, on the basis of his contributions, draw additional days benefit up to 30 weeks in all. Once the maximum benefit period had expired, benefits could only be re-earned by a period of employment. Otherwise it was necessary to apply for means tested assistance from the Unemployment Assistance Board.

The fall in unemployment after 1935 fairly rapidly produced a surplus in the insurance fund. This was used to speed up the repayment of the debt so that it was actually paid off by 1941. Other uses were to increase the rate of benefit, to improve dependency additions and to reduce the waiting days from 6 to 3 days. At the same time, agricultural labourers were, for the first time, brought into unemployment insurance though for a lower contribution and a lesser benefit. Some other marginal groups were also brought in. All of this improved the position of those who qualified for benefit. The only extension in the benefit period occurred in 1939 when all qualified claimants became eligible for a maximum of 30 weeks benefit. The long term unemployed remained outside the scheme.

By October 1942 (in the middle of the second world war), the fund showed a surplus of £145 million. Unemployment then stood at 122,00037. At the benefit rates in payment it would have been possible to consider a further extension to the benefit period. Instead it was decided to build up the fund against expected post-war disruption in the labour market.

Unemployment Assistance

The Unemployment Assistance Board (UAB) was established in 1935 as a national agency operating through local office. It took over the unemployed without insurance entitlement in two stages. In the first stage, those unemployed who were 18 years and over and on transitional benefit became the Board's responsibility. These had a fairly clear labour force attachment in that, relatively recently, they had been entitled to Unemployment Insurance on the basis of their contributions. In the second stage (from 1937) the net was widened to include the unemployed aged 16 to 64 years who had worked in employment covered by other contributory schemes (old age pensions, for example) and people who would have worked in such employment, were it not for the depression. The unemployed individual must also be capable of and available for work³⁸.

The eligibility requirements covered the major proportion of all the unemployed not receiving Unemployment Insurance. The scale

of benefits paid, though lower in some respects than the insurance benefit, was higher in others in that the UAB gave additions for rent and for special needs and made higher allowances for children. There was, however, an important difference. Unemployment Insurance was paid at a flat rate by right of contributions. Unemployment Assistance was subject until 1941 to the Household Means Test and thereafter to a simplified test. The former took into account the income of other members of the household and of liable relatives. The effect was to exclude any household with means above the line laid down by the Board or to reduce the benefit paid.

Although the recipients of Unemployment Assistance might value the fact that they were no longer classified as paupers on Public Assistance, their relations with the UAB were frequently unhappy. They were spared the imposition of a 'genuinely seeking work rule' which had applied from 1921, and which had required them to satisfy a Local Employment Committee, under cross-questioning, of their eagerness in the search for work. This had been abandoned as unnecessary in 1930, and buried in what Beveridge called 'a dishonoured grave'³⁹. But the operation of the Household Means Test was greatly disliked, even detested, especially for the way in which it placed an unemployed head of household in dependence on other members of the household. An increase in the wage of a 14 year old son or daughter, for example, would lead to a reduction in the father's benefit⁴⁰.

Public Assistance

When, in 1937, the UAB cast its net more widely some 140,000 of the unemployed were being supported by local Public Assistance⁴¹. The latter authorities were naturally eager to transfer as many as possible of these to the UAB, and from local to national expenditure. Some cases were quite straightforward, while others went to an appeal procedure to settle the matter. At the end of this process, some 44,000 persons, classified by Public Assistance as able bodied unemployed, were rejected by the UAB on the grounds that they were so unlikely to work again as to be effectively out of the labour market.

At the beginning of 1937, of the registered unemployed in Great Britain, 50 per cent were receiving Unemployment Insurance, 35 per cent Unemployment Assistance and 15 per cent either received no benefit or were supported by Public Assistance⁴². As the rate of unemployment fell, the numbers receiving benefit from all these

sources declined. Moreover, as more jobs became available, the length of time out of work tended to be shorter and more of the unemployed could qualify for insurance benefit. Thus by the end of 1938 (the last annual report of the UAB) some 60.4 per cent were supported by insurance, 32.2 per cent by Unemployment Assistance, and 7.4 per cent were on Public Assistance or without benefit⁴³. Of the Unemployment Assistance group, 45 per cent had been out of work for 12 months or more and 16 per cent for a least 6 months but under 12 months⁴⁴. The remainder included those without insurance rights even though they were short term unemployed. Thus the UAB became the principle safety net for the unemployed, with emphasis on the longer term unemployed.

The outbreak of war in 1939 completed the process of returning the country to full employment. By 1940, the unemployment role of the UAB had diminished so much that it was renamed the Assistance Board, and given a number of additional functions which required a national rather than a local approach. In 1941 it also took on the task of paying supplementary old age pensions. In the process it acquired a new respectability which was to have an influence on later events.

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32. See Gilbert, *Evolution of National Insurance*, op.cit., pp.280-2 for a more detailed explanation.
33. Sir William Beveridge, *The Unemployment Insurance Statutory Committee*, Political Pamphlet No.1, London School of Economics, 1937, p.28.
34. Ibid., p.29.
35. *British Labour Statistics Historical Abstract*, op.cit., pp.309-10.
36. Beveridge, op.cit., p.31.
37. Clara Rackham, 'Unemployment Insurance', in William Robson(ed), *Social Security*, Fabian Society/George Allen and Unwin, London, 1943, p.123 and *British Labour Statistics*, op.cit., p.311.

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38. Unemployment Assistance Board, *Annual Report 1935*, Cmd 5177, HMSO, London, 1936, p.75.
39. Alan Deacon, 'Concession and Coercion: the Politics of Unemployment Insurance in the Twenties', in Asa Briggs and John Saville (eds), *Essays in Labour History, 1918-1939*, Croom Helm, London, 1977, pp.9-35.
40. See, for example, the account in Michael Foot, *Aneurin Bevan 1897-1945*, Paladin, London, 1975, pp.257 and 328-30.
41. Unemployment Assistance Board, *Annual Report 1937*, Cmd 5752, HMSO, London, 1938, pp.27-9.
42. Ibid. The proportions in Northern Ireland were different. See Paddy Devlin, *Yes We Have No Bananas: Outdoor Relief in Belfast 1920-39*, Blackstaff Press, Belfast, 1981.
43. Unemployment Assistance Board, *Annual Report 1938*, Cmd 6021, HMSO, London 1939, p.181.
44. Ibid., p.65.