

### **3 The short term unemployed**

The provision of unemployment benefits through social insurance in the UK has been principally designed to deal with the short term unemployment of those normally in regular employment who need to be tided over a period of temporary difficulty.

The type of provision established was based on a number of assumptions. The first was that a man or woman with a good employment record would not experience serious difficulty in finding another job. The second was that such a person would not have any difficulty in building and re-building a good contribution record. The third was that, given there had been regular employment, the person concerned would have some savings or other private provision or, if not, could weather a period on a relatively low benefit in the knowledge that work would soon be available again. The low benefit encouraged and supplemented self help and at the same time provided a spur to job search, a search which was expected to be successful.

Such a scheme naturally functions at its best when unemployment is typically brief and when it does not occur too frequently for any individual. In periods of economic downturn, when jobs are harder to find even for those with a good work record, too short a bridge between one job and another will be insufficient. Steps may then be taken to lengthen the bridge by increasing the maximum number of benefit weeks, though in these circumstances, the low level of benefit presents greater problems. For those who are unemployed more frequently than the scheme has planned for, some provision can be made through the rules under which a period of unemployment is calculated, and the linkages made between one period and the next. But this may be rather random in its outcome because individual circumstances differ so

much, and where unemployment occurs too frequently, the provision will cease to be effective.

Outside of the insurance system altogether, are the long term unemployed. However, the definition of long term can be modified. Each time the bridge provided between one job and the next is lengthened, the later the unemployed person is defined as falling into the category of long term unemployed and excluded from insurance provision.

### **The operation of the scheme to 1965**

As Table 3.1 shows, throughout the 1950s and 1960s, the new plan for unemployment benefits operated in a favourable environment. The national rate of unemployment never rose above 2.6 per cent, right through to 1970, and for 12 of those 21 years, it was below 2 per cent. There were regions in the country which were less well placed. The North, Wales and Scotland often had rates of more than 3 per cent and Northern Ireland rarely went below 6 per cent,<sup>1</sup> but even these rates were lower than the 8.8 per cent average unemployment on which Beveridge had developed his plan.

The National Insurance Act of 1946 came into operation in July 1948. It provided a maximum of 180 days (30 weeks) standard Unemployment Benefit for those who met the basic contribution conditions. Someone with a good contribution and benefit record could be granted additional days of benefit, directly related to the number of contributions paid which had not been 'used' for previous periods of benefit. Up to 1952, the maximum benefit period permitted was one year, comprised of benefit plus additional days. However, only 4 per cent of the unemployed claimed the additional days provision.<sup>2</sup>

When these rights ran out the unemployed claimant could apply to a tribunal for extended benefit for up to a further six months at a time. The tribunal had to have regard to the particular circumstances of the individual and the industrial conditions of the area. This right was more extensively used. In July 1951, for example, 20 per cent of beneficiaries received extended benefit, and the tribunals approved over 90 per cent of the applications coming before them.<sup>3</sup>

In 1953, extended benefit was withdrawn on the grounds that it had served its purpose and industry had now settled down to peacetime activity. The provision for additional days was extended at the same time, to a maximum of 492 days or 19 months combined standard

**Table 3.1 Number of registered unemployed persons and rate of unemployment, United Kingdom 1950-89**

Annual averages

Year	No. (000s)	Rate %	Year	No. (000s)	Rate %
1950	341.1	1.6	1970	612.2	2.6
1951	281.4	1.3	1971	792.1	3.5
1952	462.5	2.2	1972	875.6	3.8
1953	380.0	1.8	1973	618.8	2.7
1954	317.8	1.5	1974	614.9	2.6
1955	264.5	1.2	1975	997.6	4.2
1956	287.1	1.3	1976	1358.8	5.8
1957	347.2	1.6	1977	1483.6	6.2
1958	500.9	2.2	1978	1475.0	6.2
1959	512.1	2.3	1979	1390.5	5.7
1960	392.8	1.7	1980	1664.9	6.8
1961	376.8	1.6	1981	2520.4	10.4
1962	499.9	2.1	1982	2916.0	12.1
1963	612.3	2.6	1983 <sup>2</sup>	3104.7	11.6
1964	413.4	1.7	1984	3159.8	11.7
1965	359.7	1.5	1985	3271.0	11.8
1966	390.0	1.6	1986	3289.1	11.8
1967 <sup>1</sup>	556.7	2.3	1987	2953.4	10.6
1968	583.3	2.5	1988	2370.4	8.4
1969	576.2	2.4	1989 <sup>3</sup>	2074.3	7.4

Sources: Department of Employment and Productivity, *British Labour Statistics Historical Abstract 1886-1968*, HMSO, London, 1971. Department of Employment, *British Labour Statistics Year Book 1976*, HMSO, London, 1978. *Department of Employment Gazette*.

1. Figures from 1967 onwards exclude the temporarily stopped. If included in 1967 and 1968, the figures would be 599.1 and 601.3 respectively.
2. After 1983 only benefit recipients were included in the count and many men over 60 were excluded from the count.
3. 1989 figure for January only.

benefit and additions, dependent on the contribution and benefit record as before, but under more favourable terms. In addition, anyone insured under the old pre-war scheme, was treated as if he had a full record of contributions before July 1948. The immediate effect of the changed rules was to increase the numbers of people getting additional days.<sup>4</sup> Those who did not qualify (or did not qualify for many days)

and who would no longer be able to apply for extended benefit, could claim National Assistance (NA).<sup>5</sup>

The rules for benefit established in 1948 have been varied in a number of ways since that time but the broad structure remained intact, until the 1980s. Someone who had left his job of his own accord or had been sacked for misconduct would receive no benefit during the initial six weeks – a period first established in 1911. If he needed assistance he could go to the National Assistance Board (NAB) but would be paid at a reduced rate. For those out of work through no fault of their own, no benefit was paid for the first 3 days. No benefit was paid for an isolated day of unemployment, but 2 or more days in any period of 6 consecutive days excluding Sundays constituted a ‘period of interruption of employment’. This could be linked with another similar period separated by no more than 13 weeks. The link could be made also with a period of sickness which prevented work. In the second of the two periods, no waiting days would have to be served.

When the maximum benefit entitlement expired, it would be necessary to work and pay 13 weeks contributions before benefit would be available again. Any unemployment which occurred during this period would qualify for National Assistance, but only on the basis of a means test.

Figures prepared for the National Insurance Advisory Committee for mid December 1951 to mid December 1952 gave a picture of how unemployment benefit operated.<sup>6</sup> Most spells of unemployment were short term. Some 83 per cent of all the unemployed were back in work within 3 weeks, and 98 per cent within 6 months. Only 2 per cent could be classified as long term unemployed under the then prevailing definition.<sup>7</sup> Thus, for the great majority the benefit duration was reasonably appropriate to their circumstances. Table 3.2 shows the number receiving Unemployment Benefit on a day in November each year from 1949 to 1965.

As the table shows, the numbers involved at any one time during the period were quite modest. However, the use of Unemployment Benefit was much more extensive than this. In the early 1950s, for example, between 2.5 and 3.5 million claims were paid each year, and around 1.5 million of these claimed more than once in the benefit year.<sup>8</sup>

The benefits provided were quite low. As a percentage of gross average male manual earnings, Unemployment Benefit for a single

**Table 3.2 Number receiving Unemployment Benefit in November 1949-65. Great Britain.**

000s

	Male	Female	Total
1949	219	67	286
1950	178	64	242
1951	146.7	79.6	266.3
1952	211.7	116.3	328
1953	145.2	68.7	214
1954	99.5	50.5	150.1
1955	82.4	42.1	124.5
1956	109.0	45.7	184.7
1957	141.9	45.7	187.6
1958	247.4	86.6	334.0
1959	185.6	55.3	240.9
1960	134.9	41.8	176.7
1961	192.1	51.9	244.0
1962	249.0	64.6	313.4
1963	195.4	59.1	254.4
1964	132.1	40.4	172.5
1965	132.7	33.6	166.4

Source: *Annual Reports* of the Ministry of National Insurance and the Ministry of Pensions and National Insurance 1949-52 and 1953-65 respectively, HMSO, London.

man or woman represented 18.2 per cent of average male manual earnings in 1949, fell as low as 15.9 per cent in 1954 and stood at 20.4 per cent in 1965. For a married man with 2 children, who received dependency additions for his wife and children, the figures were 34.7 per cent in 1949, 26.9 per cent in 1954 and 42.6 per cent in 1965.9 The variation reflected the policy on uprating of benefits. While wages rose most years, benefits were increased much less regularly.

Even if this periodic loss of value is left aside, the benefit could only be regarded as adequate for subsistence if the unemployment was brief and infrequent, if the unemployed person had some reserves to draw on or if living expenses were very low. Where this did not apply, it would be necessary to apply to the National Assistance Board for supplementation. Table 3.3 shows the percentage these formed of all those on Unemployment Benefit at any one time.

**Table 3.3 Proportion of those receiving Unemployment Benefit who received supplementation from National Assistance, December 1949-65. Great Britain**

		<i>Percentages</i>	
1949	11.0	1958	19.1
1950	18.0	1959	17.5
1951	16.0	1960	17.5
1952	20.1	1961	14.4
1953	22.3	1962	17.4
1954	20.5	1963	18.2
1955	16.3	1964	15.3
1956	18.1	1965	13.4
1957	20.6		

Source: As Table 3.2

In addition to those receiving supplementation of Unemployment Benefit, there was another, often larger group for whom National Assistance was the sole benefit support in respect of unemployment. Table 3.4 gives the figures for Great Britain. As can be seen the total numbers began to mount up after 1958, but were still relatively modest in comparison with later years.

The National Assistance Board was bothered by the need to pay benefits to the unemployed for any length of time in a period of full employment and in several of its Annual Reports, presented analyses of the group. In 1961, it examined 66,000 cases on National Assistance alone (after excluding a group with substantial records of sickness or imprisonment as well as unemployment) and found that 19,000 of them had been unemployed for less than six months, while the remainder were relatively long term unemployed – 3,000 unemployed from 6-12 months and 44,000 for a year or more.

The short term group were a mixture of school leavers and immigrants who had not been long enough in employment to qualify for National Insurance, and persons whose unemployment benefits were suspended on the grounds that they left or lost their jobs through their own fault.<sup>10</sup> No reference was made to those too frequently unemployed to maintain insurance benefit rights, though presumably they did figure among this group.

**Table 3.4 Number receiving National Assistance, with and without Unemployment Benefit, December 1949-65. Great Britain**

000s

	With UB	Without UB	Total
1949	30	36	66
1950	38	39	77
1951	33	33	66
1952	59	43	102
1953	48	46	94
1954	30	50	80
1955	20	41	61
1956	30	43	73
1957	41	55	96
1958	66	85	151
1959	59	96	155
1960	43	85	128
1961	45	86	131
1962	89	113	202
1963	62	123	185
1964	38	93	131
1965	34	78	112

Source: *Annual Reports of the National Assistance Board 1949-65*, HMSO, London

### **New benefit provision 1965-79**

Social security for the unemployed in the period 1965-79 operated in markedly less favourable economic circumstances than in earlier years. As Table 3.1 showed after 1967, annual average unemployment never fell below half a million and by 1975 it was just short of one million. From 1976 to 1979 it hovered between 1.3 and 1.4 million.

Before this unfavourable trend got moving, four benefit changes of some significance were introduced in 1965 and 1966.

### ***The Redundancy Payments Act 1965***

Introducing the Redundancy Payments Bill in 1975, the Minister of Labour (Ray Gunter) reminded the House of the undertaking in a White Paper (on the economic situation) of the previous year, to carry out an active policy to make it easier for workers 'to change their jobs in accordance with the needs of technological progress'. He added that the government wanted to 'push forward the modernisation of British

industry as fast as possible, and to enlist the co-operation of workers as well as management in this process'.<sup>11</sup>

To this end two measures were to be introduced. Both were designed to facilitate the mobility of labour. The first of these would provide for severance payments for those losing their jobs. The Redundancy Payments Act provided for the establishment of a Redundancy Fund, financed by a levy on all employers as a small addition to their National Insurance contributions. The Fund would meet 60 per cent of the cost of redundancy payments, the balance falling on the individual employer. Thus, the cost would be shared by that part of industry enjoying good times, while the individual employer would be deterred by his share of the cost from making employees redundant without good cause.

Redundancy pay would take the form of a lump sum payable to an employee who had been more than 2 years in the job after the age of 18 years. He or she would receive half a week's pay for years of work with the same employer at the age of 18 to 20 years, 1 week's pay for years between 21 and 40 years of age and 1.5 week's pay for the period worked from 41 years of age. (There were some special provisions for older workers which will be discussed in Chapter 7.) This payment was given as compensation for loss of security, possible loss of earnings and fringe benefits, and the uncertainty and anxiety of a change of job. These could be experienced even if there was no unemployment involved, or only a brief period, and the payment was justified on these grounds, in addition to a proposed provision of higher unemployment benefits.<sup>12</sup>

The amount of benefit redundant workers received under the Act naturally varied a good deal, since the amount was related to both length of service and pay. For those who qualified, there was a ceiling of 20 years service, made up of half, full and 1.5 weeks wages as appropriate. The receipt of this redundancy pay would not affect the right to Unemployment Benefit. It should also be noted also that the level of payment received would not necessarily bear any relationship to the duration of the ensuing unemployment.

Someone who lost his job after less than 2 years with one employer got nothing. This also applied to a worker who found himself redundant for a second time in less than 2 years. These would continue to rely on Unemployment Benefit in the normal way. The choice of a 2 year qualifying period, it was suggested later, was because it 'would be long enough for the worker to have begun to build up a



measure of security in his job and to have proved himself to be a satisfactory employee in the eyes of his employer'.<sup>13</sup> It would also reduce the scope for 'acrimonious disputes' about the cause of dismissal, since redundancy payments were not intended for persons who lost (or left) their jobs for reasons other than the fact that the need for their services no longer existed.

The eligibility period established, however, had the capacity to exclude a significant proportion of the labour force. In 1968, for example, over one third of all women, one quarter of manual men and one fifth of non-manual men had been in their employment for less than 2 years. In some forms of employment, the proportions were much higher, for example 43 per cent of men in construction and 47 per cent of manual women in miscellaneous services.<sup>14</sup>

In the event, studies of the unemployed showed that only a small proportion of them had received redundancy pay and the amounts received were not usually high. A national survey of the unemployed stock in 1973 (i.e. all those out of work at any one time) found that only 7 per cent had received payments under the Redundancy Payments Act.<sup>15</sup> The Manpower Services Commission reported that in May 1980, of those newly registering as unemployed, 63 per cent had not been made redundant, and therefore would not qualify for redundancy pay. A further 19 per cent were under 20 years or for other reasons did not qualify under the 2 years continuous employment rule. Some 7 per cent had received under £500 in redundancy pay, 6 per cent between £500 and £2,000 and 5 per cent more than £5,000. Other studies confirmed a similar pattern.<sup>16</sup>

### ***The Earnings Related Supplement (ERS)***

The second of the two measures announced by government was introduced in 1966. This was provision for a supplement to Unemployment (and Sickness) Benefit, payable for a period of 6 months. Like redundancy pay, it was presented as having an important part to play 'in promoting mobility of labour which is very much needed to meet economic and technological change'.<sup>17</sup> To this was added a social reason – the 'drastic fall in income for a man who becomes unemployed' which could cause 'very severe hardship' and 'excessive worries for many families'.<sup>18</sup>

To benefit under the new scheme, it was necessary first to qualify for Unemployment Benefit. Those who were frequently unemployed and had run out of insurance rights would not, therefore, qualify. No

payment was made for the first 12 days. This was to exclude very short spells of unemployment and, since the same rules applied to Sickness Benefit, to exclude short illnesses. This decision was made mainly for administrative reasons<sup>19</sup> – short spells gave too much trouble – but it also reduced the numbers who would be eligible.

Until 1975, the benefit paid was one third of earnings between £9 and £30 pw, with a maximum of £7 pw. After 1975 a further 15 per cent of earnings came into play in respect of earnings over £30 pw up to a fixed maximum. By 1980/81, the rates were one third of earnings between £17.50 and £30 pw and 15 per cent of earnings between £30 and £120 pw with a maximum benefit of £17.67. If ERS plus Unemployment Benefit exceeded 85 per cent of gross wages, ERS would be reduced or withdrawn altogether.

One factor affecting the level of ERS was the use, for reasons of administrative simplicity, of the wages from the last full tax year as the basis for calculation. These would be out of date, perhaps notably so in periods of high wage inflation. Moreover, if there had been any periods of sickness or unemployment, the wages on which ERS would be calculated would be lower than normal. This might bring more than the normally low paid into the 85 per cent net. It was estimated in November 1978 that about 10 per cent of recipients were affected by this ceiling.<sup>20</sup> The average payment received was a good deal lower than the maximum. In November 1980 when the maximum was £17.67 pw, the average ERS for men was £9.67 pw and for women £6.41 pw. At this time the single person's Unemployment Benefit stood at £20.65 pw and that for a married man with 2 children at £35.90 pw.<sup>21</sup>

### ***The extension of Unemployment Benefit duration***

In the Bill which introduced ERS there was a further measure for the unemployed. Unemployment Benefit was still payable only for 180 days, though additional days could be earned subject to the contribution and benefit record. The Minister (Margaret Herbison) indicated to the House that it was felt that these added days provisions were outdated. She said:

Unemployment usually arises through social and economic factors over which the individual has little or no control, and it is unfair to pay benefit for a shorter period to the man who has worked in a less stable industry and been harder hit by economic factors.<sup>22</sup>

The additional days arrangements would therefore be dropped (apart from existing rights) and Unemployment Benefit (UB) paid in future for a full 12 months.

From the end of 1966, therefore, an unemployed person received UB only for the first 12 days (less the waiting days), UB plus ERS, if eligible, for the next 6 months and thereafter UB only for 5 months. The proportion of men on Unemployment Benefit receiving ERS at any one time was around the 40 per cent mark.<sup>23</sup> For the remainder, only UB was available from National Insurance. In 1971, changes were made to the provision for the sick. Sickness Benefit, previously of indefinite duration, was cut back to a six month period and a new long term benefit, Invalidity Benefit was introduced. From 1973 this was paid at a higher rate than Sickness Benefit. This higher rate after 6 months on benefit was not, however, applied to the unemployed, the whole of whose 12 month benefit continued to be set at what was now, in National Insurance terms, a short term rate. Short term had, in effect, been redefined as up to 12 months unemployment, not 6 months as before.

### ***The Supplementary Benefits scheme***

The fourth change in benefit arrangements, also made in 1966, was the conversion of National Assistance to Supplementary Benefits (SB). For the short term unemployed, the change was not particularly significant since most of the old rules were reapplied in the new scheme. Those receiving Unemployment Benefit would now remain longer on UB and thus postpone the time when they had to claim full support rather than supplementation from SB, but their income would not greatly alter. Those receiving UB and ERS might now find themselves above the eligibility level for SB but some did still qualify for additional assistance.

Table 3.5 shows the numbers who received Unemployment Benefit in November each year from 1965-79. The sharp increase from 1965 to 1966 reflects the longer duration of UB introduced in late 1966. For the rest of the period the growth in numbers is a consequence of the increased rate of unemployment shown in Table 3.1 and its longer duration. Table 3.6 shows the proportion of Unemployment Benefit recipients who received supplementation from SB. Again the higher figures reflect both the longer duration of UB, the greater numbers of the unemployed and the longer average periods out of work.

**Table 3.5 Number receiving Unemployment Benefit, November 1965-79. Great Britain**

000s

	Male	Female	Total
1965	133	33	166
1966	231	45	276
1967	268	50	318
1968	255	39	294
1969	242	38	279
1970	260	43	302
1971	393	66	459
1972	293	59	352
1973	166	31	197
1974	234	41	275
1975	426	99	545
1976(a)	468	120	587
1977	416	145	347
1978	347	146	492
1979	317	150	467

Source: *Social Security Statistics*

(a) Figures for May and November not available because of industrial action.

**Table 3.6 Proportion of those receiving Unemployment Benefit who received supplementation from Supplementary Benefits, December 1965-71 and November 1972-79. Great Britain**

Percentages

1965	13.4	1973	21.4
1966	15.3	1974	26.5
1967	23.0	1975	22.7
1968	20.2	1976	na
1969	22.5	1977	21.6
1970	19.5	1978	18.3
1972	24.0		

Source: *Social Security Statistics*

Table 3.7 shows those receiving SB, with and without Unemployment Benefit. None of these tables show the full tally of the unemployed. In November 1979, for example, the total numbers were 816,000 men and 336,000 women – over 1 million in all. Of these, around 18 per cent of both sexes were not drawing benefit<sup>24</sup> sometimes because they were awaiting acceptance of their claims, and in other cases because they were suspended from benefit.

**Table 3.7 Number receiving Supplementary Benefit, with and without Unemployment Benefit, November 1965-79. Great Britain**

000s

	With UB	Without UB	Total
1965	34	78	112
1966	77	102	179
1967	86	138	224
1968	73	147	220
1969	71	157	228
1970	73	166	239
1971	129	258	387
1972	87	305	392
1973	48	201	249
1974	73	228	301
1975	135	400	541
1976	na	na	654
1977	128	543	671
1978	93	505	598
1979	70	486	566

Source: *Social Security Statistics*

### **The policy debate in the 1970s**

During the 1970s, there was considerable controversy about the benefits paid to the short term unemployed. As seen earlier, the introduction of redundancy pay and ERS was intended to promote the mobility of labour. However, it was now claimed that ERS, in particular, was acting to increase the numbers unemployed because it reduced work incentives by offering too high a level of wage replacement during unemployment. This was characterised as ‘insurance-induced unemployment’. Maki and Spindler, for example, in 1975 suggested that an increase in the ratio of benefits to ordinary

work income could lead to an increased consumption of leisure. 'This may take place by employed workers initiating their own unemployment for some period of time or by unemployed workers extending their period of unemployment'.<sup>25</sup> On the econometric model they used, they calculated that the introduction of ERS had increased male unemployment rates by 33 per cent in the period 1967-72.

In the highly technical debate which followed over the next few years, much of which related to the non-ERS variables which ought to be included in the model, these stark conclusions were modified. The idea that men and women were induced to become unemployed because of the existence of ERS was rejected. Nickell, for example, writing in 1979 used figures of the monthly flow into unemployment to show that the numbers had hardly varied from year to year since 1967 in spite of the massive rise in unemployment since that date.<sup>26</sup> The stock of unemployed, on the other hand, had increased and there was, therefore, a question of whether ERS acted to prolong the duration of unemployment by reducing job search activity or making the unemployed more choosy about the jobs they accepted. His conclusion was that there was an ERS effect of about 10 per cent increased unemployment rate.

Other writers questioned whether the econometric models were unduly based on a theoretical level of ERS rather than the actual amounts received or not received. Once this was taken into account, the ERS effect faded still further.<sup>27</sup> Moreover, when the question was individualised in surveys of unemployed people receiving benefit, more doubts were raised. In 1977/8 a team of officials from the Department of Health and Social Security (DHSS) was reviewing the Supplementary Benefits scheme. In the course of this, they examined a number of the studies referred to above as well as others on the same subject, and studies of unemployed beneficiaries. They also made their own calculations of benefit to wage ratios.

They began by reporting: 'We found no evidence that any significant number of men were giving up their jobs and choosing to live on benefit instead'.<sup>28</sup> They went on to note that in a minority of cases, the total income support out of work in the early months of unemployment could be not much smaller than work income. This could result from the combined effects of Unemployment Benefit, ERS, redundancy payments and tax refunds. The last arose if the individual had already paid more tax than he would be liable for if he

was not working for part of the year but drawing a non-taxable benefit instead. The DHSS review team said it 'found no evidence, however, that cases with higher levels of benefit in the early months were declining to return to work'. On the contrary, 'people with larger amounts of ERS, redundancy payments and larger tax refunds had previously had high earnings, and they tended to find jobs quicker'.<sup>29</sup> There might be problems in relation to previous low earners, especially where their benefits included dependency additions, but even here little evidence of a preference to remain on benefit, rather than to work, was found.

Throughout this discussion, the level of unemployment (as Table 3.1 shows) was moving upwards at a faster rate than a theory of insurance-induced unemployment could explain, reaching an annual average of 1.475 million in 1978. Moreover, almost 4.4 million claims for benefit for spells of unemployment were made during 1978.<sup>30</sup> While the incidence of long term unemployment was increasing, it was still the case that the majority of claims were short term, and this was so even if a somewhat better level of benefit in the early months enabled some people to spend longer securing what they thought would be the most suitable job or one more likely to be fairly stable. No change of policy on short term benefits was therefore proposed by the Labour government of the time.

### **A change in policy 1979-85**

The Conservative government which took office in April 1979, had been impressed by the evidence which appeared to show an element of insurance-induced unemployment. It therefore set out to reduce the income available for short term unemployment. The first step, in 1980 was to uprate Unemployment Benefit by 5 per cent less than the rate of inflation, pending bringing the benefit into tax. This was achieved two years later in July 1982. Henceforward any tax rebate would not be paid until the end of the period of unemployment or the end of the tax year, when the amount of tax owed, including that on the unemployment benefit (which would have been paid out in full) would be calculated against tax already paid. The 5 per cent abatement of Unemployment Benefit was not, however, immediately restored. This was not done until November 1983.

Also in 1980, the government announced its intention of phasing out the Earnings Related Supplement. The reasons it gave was that the scheme had been 'diminishing in worth and effectiveness over

recent years' and that any any one time, it was being paid only to 10-15 per cent of the unemployed.<sup>31</sup> The maximum rate was therefore reduced in 1981 and the benefit abolished altogether by June 1982.

A third step taken was to reduce and then in 1984 abolish the child dependency additions to Unemployment Benefit. The government's stated objective was to ensure that the children of the unemployed received the same treatment as the children of those in work so that their presence in the household and the benefit they attracted would not create a disincentive to work.<sup>32</sup>

The fourth was to reduce the linking period between one spell of unemployment and another from 13 weeks to 8 weeks. Among other effects, this altered the impact of the waiting days, to the disadvantage of those whose spells of employment fell between 9 and 13 weeks.

Government also made a series of changes to the way in which the figures for the registered unemployed were arrived at. Registration was made voluntary and the count was restricted to those receiving benefit – either UB or SB. As will be seen in Chapter 7, men over 60 were permitted to receive the higher long term rate of SB provided they ceased to register as unemployed. Other statistical adjustments were made from time to time. Although this means that a comparison with earlier figures is defective, it cannot disguise the very large increase in the numbers of unemployed as shown in Table 3.1, passing the 3 million mark in 1983 and remaining at that level until 1987.

**Table 3.8 Number receiving Unemployment Benefit November 1978-84. Great Britain and Northern Ireland**

		<i>000s</i>
1979	467	27.3
1980	940	43.8
1982	-	41.2
1982	975	36.1
1983	906	32.3
1984	896	29.1

Source: *Social Security Statistics 1985* and *Northern Ireland Annual Abstract of Statistics* November 1985.

Table 3.8 shows the numbers receiving Unemployment Benefit in the years 1979-84, including this time figures for Northern Ireland. As the table shows, there was a sharp increase in recipients between 1979 and 1980 and thereafter the numbers stabilise. This stabilisation does



not indicate that unemployment levelled out. As Table 3.1 showed, this was far from the case. But the benefit itself lasts only 12 months and as Table 3.9 shows, the additional burden was borne by Supplementary Benefits. The SB figures also show the effects of the real reduction in UB levels and the abolition of ERS as well as the longer duration of unemployment, so that more Unemployment Benefit recipients required supplementation.

**Table 3.9 Number receiving Supplementary Benefit, with and without Unemployment Benefit, November 1979-84. Great Britain and Northern Ireland.**

000s

	Great Britain		Northern Ireland	
	With UB	Without UB	With UB	Without UB
1979	80	486	3.4	29.6
1980	176	678	6.1	41.0
1982	234	1,084	7.8	63.7
1982	285	1,437	8.8	70.8
1983	205	1,621	7.2	82.0
1984	197	1,688	5.3	85.2

Source: As for Table 3.8

By 1981, the figures for the proportion of UB recipients receiving supplementation, which had fallen to 17.2 per cent in 1979 and 1980, rose again to 23.2 per cent.<sup>33</sup> After that year, the DHSS ceased to publish the figures in their annual statistics.

### **The short term unemployed in 1985**

Although the debate about benefits for unemployed people in the preceding years had principally concerned the long term unemployed and young people, the position of the short term unemployed in 1985 still warranted consideration.

A proportion of short term unemployed people received no benefits or reduced benefits. The position of married women will be discussed in Chapter 5. A further group has been mentioned earlier – those under benefit suspension. The practice in what are termed ‘voluntary unemployment’ cases is that if the benefit authorities believe it possible that a new claimant has left work of his own accord or has been dismissed, benefit is automatically suspended pending

inquiries. If these show that the suspension was incorrectly applied, then back benefit will be paid. This means that a much larger number than are classified as having been suspended will have experienced a delay in benefit payment. Moreover, it was found in 1983 that back payments were not always made – some 25,000 cases were identified, and pressure had to be brought to bear on the government to try to trace this group and repay them.<sup>34</sup>

If during benefit suspension the individual, especially a person with dependants, would suffer serious hardship, Supplementary Benefit could be paid, but the claimant's benefit (but not that of his dependants) would be reduced by 40 per cent during the period of suspension. Since it was already payable at the short term rate, this implied a severe reduction of an already minimal benefit. Some of those affected might find work during the period of suspension, but others would be beginning a longer spell of unemployment, with resources already under strain.

Unemployment is not evenly distributed across the working population. Chapter 8 will discuss the significantly higher unemployment rates of disabled people when compared with the general population. In 1981 for example when the general rate was 10.3 per cent, the rate for registered disabled people was 16 per cent. Table 3.10 shows the unemployment rates by ethnic origin in Spring 1984. This higher level of unemployment among ethnic minority workers has been a persistent feature of the figures for many years.

**Table 3.10 Unemployment rates by ethnic origin, all persons 16+, Spring 1984. Great Britain**

	<i>Per cent</i>	
Ethnic origin	Male	Female
All ethnic origins	11.5	10.5
White	11.0	10.1
Ethnic minority of which	21.3	19.1
West Indian	29	17
Indian	13	18
of which E. African Indian	9	20
Pakistani, Bangladeshi	34	40
Others	17	20

Source: Barber, Anne, 'Ethnic origin and economic status', *Employment Gazette*, December 1985, pp.467-77.

Among the unemployed generally it is the lower paid unskilled workers who are most likely to be out of work. A study undertaken by DHSS in 1978 of people of all ethnic groups entering unemployment found that half the sample group had previous earnings which fell into the bottom 20 per cent of the earnings distribution. Moreover, only one third had spent the whole of the previous year in work. Half had been unemployed for a time, 12 per cent sick and the rest in full time education. A quarter had had three or more spells of unemployment in the past five years.<sup>35</sup> Relatively few, therefore, were well placed to withstand a period on very low income.

For the short term unemployed as a whole, where the periods out of work were brief and infrequent, the limited benefit available could probably be tolerated. However, the evidence was that the typical duration of even short term unemployment had increased. In the 1960s, the *average* duration of male unemployment was 8-10 weeks and if those with employment disadvantage were excluded (age, lack of skills, poor health etc.) the average was 4-5 weeks.<sup>36</sup> By 1982, the *median* duration of completed spells of male unemployment was 11 weeks.<sup>37</sup> By 1984 it was nearly 17 weeks in Great Britain and 22 weeks in Northern Ireland.<sup>38</sup>

At the beginning of this chapter it was suggested that provision for unemployment was based on the assumption that what was required was a short bridge between one job and the next and that the income provided in this period need not and ought not to be too high. It 'need not' because the short term unemployed would have other resources or could manage for the brief period involved. It 'ought not' because too high a benefit would reduce incentive to work. Although in 1985 the longer duration of short term unemployment and the lack of resources of many of the unemployed might suggest the need for upgrading the benefit provision, the presence among the unemployed of so many formerly low paid workers ensured that the work incentive arguments predominated. As the next chapter will show, this disadvantaged group has a key influence on policy for the unemployed.

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