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Unemployment Relief in Great Britain

By Sir Francis Floud, K.C.B.

Vice-President Fell:—Sir Francis Floud, honored guests, and members of the Canadian Club of Toronto, there are two pleasant aspects of our meeting today. In the first place, this is the first opportunity which has presented itself for us to welcome to Canada, the Province of Ontario and the City of Toronto, the High Commissioner for the United Kingdom, the ambassador, may I say, in this country of His Majesty's Government in the Old Land in the person of our guest of honor, Sir Francis Floud.

That Sir Francis has had a distinguished career in the British Civil Service is, I believe, quite sufficient in itself to commend him to Canada and Canadians. As one in the long succession of official and unofficial emissaries from Great Britain, he personifies for us another of these very worth while contributions of learning, experience and culture made by Great Britain to Canada and other parts of the British Commonwealth in the cause of mutual advancement and understanding. But it is not only in the person of our guest of honor but also in the subject matter of his remarks. During the past four years there has been brought home to us in Canada a realization of our problem of unemployment. Its characteristics are chronic and possibly of a permanent nature. There is also, may I say, a relationship between it and the nature of our major Canadian problems, namely the condition of public finance and public credit in this country. Unemployment and its related problems in Great Britain resulted in social legislation and experience in dealing with these conditions which has given a training that should be

worth while to us here in Canada with our own problems. Sir Francis Floud has had an unique opportunity to watch the trend of events, and I am sure we will listen with very real interest and profit to his address today on the subject "The Relief of Unemployment in Great Britain." I have very much pleasure in calling upon Sir Francis Floud to address you.

SIR FRANCIS FLOUD:—Mr. Chairman, Mr. Mayor and gentlemen may I begin with a word of thanks for the welcome that your chairman has been good enough to give and which you have so kindly endorsed. I think the first letter I received from Canada, after my appointment was announced, was from Mr. Philp, your secretary, inviting me to address a meeting of the Canadian Club in Toronto. I need hardly say that I expressed my thanks for that honor and said that I hoped to have an opportunity of meeting you at a very early stage in my career here. I may say I had one previous appearance before the Canadian Club, because I was under the obligation of addressing the Canadian Club at Ottawa where my home will be for the next five years. After that I felt that Toronto had the next claim. I am, therefore, very glad to be here today.

Well, as your chairman has told you, my position today may be described as that of ambassador from the Old Country. I felt, therefore, in choosing a subject to speak on to you, it would be better to confine my remarks to the Old Country rather than attempt, after a short sojourn of one month here, to touch on any of your problems.

It was my lot during the last four years to be closely associated with the problems of unemployment in the Old Country, and as unemployment is one of the great tragedies of our civilization all over the world at the present time, I felt that it might be of some interest to you to tell you something of the way we have tried to deal with our own problem in the hope that it may be of some service to you or, at any rate, you may be able to profit by our mistakes. When I opened my paper this morning, I felt perhaps it was doubly opportune, because I noticed there has been a little disturbance in the Old Country on this question.

I think perhaps you may like to know something of the conditions we have had to face, means which we have adopted and something of the background which goes to make up the whole problem in Great Britain. In order to understand our present position it is necessary, for a few moments, to give something of the background and the history in which it has developed. Our system for the relief of the poor in Great Britain dates back to the time of Queen Elizabeth, and a good many of the principles laid down in the Statutes of Elizabeth have endured right through the ages, and there are principles still seen in our administration. In the time of Elizabeth was the first occasion on which the State took responsibility for the condition of the poor. The unemployed before that time had been regarded as the responsibility of the Church. But from that time it was regarded as part of the duties in a civilized state to give proper provision for these people who were in difficulties owing to their inability to obtain work, illness, misfortune or other ills. In these days the problem was regarded as purely a local one.

Each parish was responsible for its own poor but as time went on there have been several changes. In the first place, the weight of the burden has been distributed more and more over a wider area, beginning with a union of the parishes, going to the County Council and finally coming back to the national exchequer of the state. And side by side with that development there has been another marked change. Now as to the position of Elizabeth, if you look up the old statutes, you will see a reference to "sturdy vagabonds." At that time, people who for one reason or another had not got work were regarded as men who could have got work if they wanted. That again has changed. With the development of modern civilization we have come to the position where there are men anxious to work, as most of our unemployed are, but unable to find work.

And with the development of labor-saving machinery with increasing technique and increasing organization of business we find, in almost every industry, that there are certain types of labor which cannot be absorbed. We are

really finding ourselves faced with the same position that was described in the Old Book when it said, "Why stand ye here all the day idle?" and the answer was, "Because no man has hired us."* That is the position now. Consequently, as a result of that process we have seen a gradual change not only in the public attitude towards unemployment but in the methods adopted to deal with it. Whereas over a great number of years various measures were adopted in dealing with the unemployed, we are now adopting methods to restore employability—to find what means we can adopt to put them into work and we treat them as human beings, who are suffering through no fault of their own.

Well, I said there was a gradual process of transferring the burden from the narrow to the wider areas, and that culminated about the end of 1929 in a measure that was passed which removed the responsibility from the small local authorities and concentrated it in the larger authorities. In the year 1909 we first introduced a system of old age pensions for those people over 70 years of age who were in need of it. That took a considerable burden off the local authorities. Prior to that time it was not an uncommon thing in a country village to find old people having to resort to the work-house in their declining years. When the old age pensions came, it enabled them to live in their homes possibly with members of their family and have a grant from the state sufficient to save them from a pauper's taint and a pauper's grave. And then a few years later we began a system of unemployment insurance and, at the same time, a system of health insurance, both of which took a considerable measure of burden off the poor law authorities. When they feel ill they had the free services of a doctor and had an allowance in place of the wages which they lost. And when they became unemployed they were able to draw unemployment insurance sufficient to tide them over the period until they can get work again. We began that system rather as an experiment with a few industries which were particularly subject to unemployment, but in 1920 it was extended to cover practically the whole field of industry.

*Math. xx, 6-7.

The result is now that for 12,000,000 of a working population we have a system of unemployment insurance which, by payment of contributions from the work people and the employers and the state in equal shares, provides for them, as a right, a payment when they become unemployed for a certain period. Well, that system had to suffer many great strains. A great increase of unemployment threw a very heavy burden on the funds which had been accumulated and it was not long before they were exhausted and the result was that we introduced various systems called extended benefit to carry people whose contributions had been exhausted. Eventually, by the year 1931 we had come to the position that the burden of debt was so heavy, the whole system seemed in danger of breaking down.

The Government appointed a Royal Commission with instructions to prepare a scheme which would operate on a solvent basis, and make recommendations for dealing with people who had exhausted their rights or who had never been insured against unemployment at all. Following that, the Government passed a measure through Parliament last year to reform the whole system. It was provided that, so far as an unemployment insurance scheme was concerned, the period for which benefit could be drawn had to be limited. The present arrangement is that a man, who has paid his contributions and then becomes unemployed, draws his insurance benefit for a period of not less than twenty-six weeks in a year. It may be for a whole year if his contribution record over five years has been a good one, but at the end of that time it was necessary to make other arrangements for him. These reforms have put the unemployment fund on a solvent and self-supporting basis and, at the present time, the fund has not only began to pay off the debt of £115,000,000 which it had accumulated, but it has been able to increase benefits that were being paid at the time when the system nearly broke down in 1931.

But then there remained what to do with the others—people who had exhausted their rights under the scheme and those who had never been insured at all. The Gov-

ernment had to decide between two courses. Up to the time, as I say, the responsibility had rested very largely with the local authorities but, owing to the different conditions in different parts of the country, the burden fell very unevenly in the depressed areas where they were suffering from the heavy unemployment. In great stable export industries of the country the burden was becoming almost too heavy to bear. In other parts of the country where industry was expanding and where there was greater prosperity the burden was comparatively light. There were complaints, therefore, from our local authorities that there should be greater localization of the authority and assumption of national responsibility by the exchequer and the central government.

Then again there was another trouble. We found that some of the local authorities were inclined to give relief on a much more lavish scale than others. Naturally there were a good many complaints. In order to produce a greater measure of uniformity it was decided, therefore, that the business of relieving people who became unemployed should be taken out of the hands of the local authorities altogether. They still have, and no doubt will continue to have, the responsibility for looking after the old and infirm and that is a sufficiently heavy burden for most of them to bear. But so far as the unemployed are concerned that is now the sole responsibility of the central government.

Well, in considering the manner in which they should be dealt with it was decided that it was essential to make a clear distinction between insurance and relief. Insurance is a matter for which they have paid. They can make their claim as a right. They are entitled to have money from a fund to which they have contributed. But relief is a different matter. Relief is a matter of discretion and it was decided that it should be subject to a test of need. At the time before this was introduced, it was not at all an uncommon thing to find payments being made to families who had quite considerable reserves of their own in one form or another. It was considered, therefore, in 1931 that it was essential to introduce a test of

need, before anyone was entitled to come to the state and claim that they should be relieved at public expense. Well now, the administration of this "means test," as it is called, has been a very difficult and delicate operation. It involves, of course, an enquiry into the resources of the husband. It involves also assumption of responsibility by other members of the household for those who happen to be unemployed at the time.

In order that you may understand some of the difficulties of this system perhaps you will bear with me if I give you a short account of the main principles on which the "means test," at the present time, has been based. A household is a unit to the Unemployed Assistance Board which has been established to deal with these problems and considers the case of each household and decides on the particular circumstances how much relief should be given. In order to do that and secure a measure of uniformity the Board has drawn up a scale of allowances which are appropriate to the ordinary family that has not sufficient resources of its own. If you can stand a few figures, I would like to give you a few elements of the scale which has been adopted.

I have tried to translate English sterling into dollars. I hope I have done right as I am not accustomed yet to dollars. The scale for a family with no resources is composed of these elements. For a man and wife alone, twenty-four shillings or six dollars a week. For children additional allowances are granted on a sliding scale, depending on the age of the child. For a child under five an additional sum of three shillings or seventy-five cents is paid each week. For children from 5 to 8 it is increased to 87 cents. For children from 8 to 11 to a dollar, and from 11 to 14 to a dollar twelve cents. From 14 to 18 to a dollar fifty cents.

This seems rather different from the six dollars paid to the man and his wife and then if there are older members of the family also in need—for the adult man over 18 living as a single man in the household an extra sum of ten shillings is paid, and for a girl over 18, an extra sum of eight shillings would be paid in addition to the

allowance to the father, mother and children. Then, on the other hand, if we have unemployed persons who are living alone, the scale is rather different. A single man living alone would be given $3.75 and a single woman $3.50. And then if they are under 18, a man gets $3.25 and a woman $3. This scale of allowance has been laid down for the ordinary class which has no other resources at all.

Then there is another important factor which is taken into account and that is the element of rent. Rent, unfortunately, represents a pretty large proportion of the outgoings of the working class family in Great Britain. It varies very much in different localities. In agricultural districts rents are very low. In industrial towns they may be very high. In some cases, a working class family may have to pay one-third or a quarter of the total earnings in rent. In order to deal with this rent element it was decided to adopt something in the nature of a sliding scale. It was decided to take a basic rate for the whole country of 7/-6d or $1,87 as a sort of average figure on which calculation might be based, and if their rent were higher than that an additional allowance was paid. If the rent were lower there was a deduction from the ordinary scale. Well, this is fairly simple so far as an ordinary household is concerned, which has no other resources coming in. But, of course, in a great many cases, there are unemployed men and women living in a household with some other members of the family which are earning or have some other resources. It was necessary to lay down fairly elaborate provisions in the Act of Parliament to deal with these resources. In the first place, there are a good many cases in Great Britain where the people, owing to their thrift in their earlier years, have been able to pay for their own house. It was considered it would be unreasonable to require a man who had shown evidence of thrift of that kind to have to sacrifice it and have to sell his house before he was entitled to get any relief from the state. So if a family has a house of which they themselves are owners, this is taken into account in estimating the resources of the family. In the same way, with regard to savings.

Many working people have been able to accumulate small savings. They have invested a little money in a few shares of the local co-operative or bought national savings certificates of invested money in some other way. There, again, it was felt that it would be unreasonable to expect them to have to dissipate the whole of their savings before they were entitled to any relief at all from the state. It was provided, therefore, if a family had savings of £300, the first £50 should be regarded as not available and not to be touched in taking into account their resources.

Well, then, take another source of income for which special treatment was required. We have had, as you have had, of course, a considerable measure of unemployment among people who served in the war, and many of the rather severely disabled men have naturally found great difficulty in getting into employment owing to the nature of their disabilities. So far as the disabled men are concerned, we have tried to recognize the national debt to these men by giving pensions on a scale which is intended to compensate them for their disabilities. But there again we felt that we have men who did good service during the war and that, if they became unemployed, it would be rather hard if all that pension should be taken into account, before he was entitled to receive any relief. It was decided in the past year that the first pound of any disability pension should not be taken into account at all. We had a great deal of discussion with the British Legion on that subject. They claimed with a good deal of force that a certain part of that pension should be regarded as blood-money and should not be taken into account, if the men became unemployed through no fault of their own.

This concession was accordingly accepted by the British Legion that the first sovereign of every disability pension should be ignored in reckoning the resources of the family. Half of any amount paid to an unemployed person, in respect to Workmen's Compensation due to accident, is also left untouched in taking into account the total resources. There was another difficult problem. You will have a household in which the head of the family is unemployed and where other members of the family, prob-

ably some of the younger sons or daughters, are earning. The question was to what extent shall we take into account the earnings of other members of the family in reducing or obviating altogether the necessity of relief to the head of the household or the wife? There again it was considered that a certain proportion of the earnings of any member of the family should be left to them untouched for their own personal requirements. If it is the wife, father or mother, they are allowed to keep five shillings for themselves before the rest of their earnings are taken into account. But if it is the children, they are allowed a larger proportion. They are allowed a third of their earnings up to £1, and a quarter of any amount they earn over that. That is left to them for their personal requirements. And for more distant members of the family they are allowed a third of the total earnings they may make.

There is one other condition qualifying the amount which may be granted; nobody may be paid more than he would get were he in normal employment, so that the relief was a little below what he would get if he were at work. That is reasonable. We have set up a system of tribunals all over the country, to which people, who think they have not been reasonably treated, can appeal. These tribunals are constituted of three members. One member is appointed by the Minister of Labor, one member by the Unemployment Assistance Board and the third member is a representative of the working class appointed from a panel nominated by a number of trade union organiations in the district. They try by that means to get a tribunal which will be impartial and who will look at a case from a human point of view and correct any mistakes in the original assessment made by the officials of the Unemployment Assistance Board.

I think we must admit that the machinery is creacking a little badly at the start but it is a colossal operation to transfer in one week the responsibility of estimating the needs and providing for a population of something like 1,000,000 people in Great Britain from some 100 local authorities all over the country to a central board. While it is true that one of the objects of this transfer was to

get a greater measure of uniformity, it is also true that in getting uniformity there are bound to be a certain number of difficulties. There are places where relief is on a more lavish scale than others. In some case the relief granted is less than that granted by local authorities and in other places it is greater than that granted by local authorities. Well, we have not had complaints from these but a good many complaints where there have been cuts. It is probably true in the process of doing this—trying to operate a uniform scale for the whole country—there will be, in the first instance, a certain number of hard cases which, with the exercise of a little more discretion and a little more time, can be avoided. The result is that the government decided that, until this question can be examined more closely for the time being people will get whatever they were getting before if it is more than the new asessment.

I want you to realize that in this thing to which a great deal of effort and attention has been given—we do not pretend we have found finally the right solution, when we had to proceed experimentally and tentatively. But we did everything in Great Britain to provide a fair and reasonable system of allowances for our unemployed, and we hope it won't be long before we achieve satisfaction. We hope particularly with our system of appeal tribunals and a little more time to work on them, they will prove an effective means of redressing inequalities and hardships and that we shall get a greater measure of satisfaction from our fellow-citizens in their unfortunate position. At any rate, I would say this: "There is a very marked and real change in public opinion towards the whole question of unemployment. I remember when I first went into the Ministry of Labor, I not infrequently met people who talked with a good deal of criticism of what they called "the dole." They said, it was being given indiscriminately to everybody who applied for it; it was crippling the national exchequer and that it might mean the downfall of Great Britain as an industrial country. Well, I think the position now is very different from that. There is a much greater recognition of what is the real

truth—that these unfortunate fellow-countrymen of ours are unemployed in the vast majority of cases through no fault of their own, but through the inevitable working of our present system.

We find also that there is a far greater readiness in our country not only to look with more sympathy on the plight of the unemployed but to try to do something positive to help them. There has grown up in the last few years a remarkable movement, headed very largely by the inspiration of the Prince of Wales, who has built up a great network all over the country of occupational centres and recreational centres and opportunities for doing a useful piece of work for the people. There are now something like 700 occupational centres all over Great Britain, guided very largely by the unemployed themselves, in order to find some useful occupation—useful to themselves and to the community in which they live—to give them something to occupy their leisure time instead of standing on the market-place and in the streets. In Welsh towns where the coal mines have been closed and there are no alternative opportunities of employment, the unemployed have set themselves to tidying up places and building a swimming pool and laying out recreation grounds, to try to make the place where they live a little more pleasant and beautiful. That kind of work is not only assisted by the government but is mainly inspired by public spirited men and women all over the country, who want to make a contribution to the relief of this great tragedy of unemployment.

I would, therefore, like to point to the rather more hopeful note that we are feeling in troublesome times—the greater unity between class and class—the greater desire that we should try to work together for the good of the country as a whole. I hope this spirit may be taken as an earnest of the co-operation, goodwill and fellowship that still exists between the Old Country and the premier Dominion of the Crown.

MR. FELL:—Gentlemen, Mr. Newton Rowell, in addressing a gathering in Toronto some twenty years ago, advanced the argument that we were many years behind

the Old Country in dealing with social matters. I think you will all agree that we are still a long way behind the Old Country. I think I speak for everybody present, Sir Francis, when I say that we listened to your address with very keen interest. We extend cordial greetings and thank you.