

FROM CONCEPTION TO REVOLUTION:  
A STUDY OF THE BRITISH UNEMPLOYMENT INSURANCE SCHEME 1906-1945

by

P. STEPHEN HAACK

B.A., University of Victoria, 1984

A THESIS SUBMITTED IN PARTIAL FULFILLMENT  
OF THE REQUIREMENTS FOR THE DEGREE OF  
MASTER OF ARTS

in the Department

of

History

We accept this thesis as conforming  
to the required standard

ACCEPTED  
CULTY OF GRADUATE STUDIES



1990-05-09

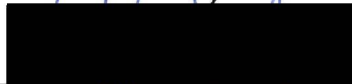
DEAN



Dr. S.W. Jackman, Supervisor (Department of History)



Dr. J. Money, Departmental Member (Department of History)



Dr. T. Morley, Outside Member (Department of Political Science)



Dr. T. Williams, External Examiner (Department of English)

© P. STEPHEN HAACK, 1990

All rights reserved. This thesis may not be reproduced  
in whole or in part, by mimeograph or other means,  
without the permission of the author.



National Library  
of Canada

Bibliothèque nationale  
du Canada

Canadian Theses Service    Service des thèses canadiennes

Ottawa, Canada  
K1A 0N4

The author has granted an irrevocable non-exclusive licence allowing the National Library of Canada to reproduce, loan, distribute or sell copies of his/her thesis by any means and in any form or format, making this thesis available to interested persons.

The author retains ownership of the copyright in his/her thesis. Neither the thesis nor substantial extracts from it may be printed or otherwise reproduced without his/her permission.

L'auteur a accordé une licence irrévocable et non exclusive permettant à la Bibliothèque nationale du Canada de reproduire, prêter, distribuer ou vendre des copies de sa thèse de quelque manière et sous quelque forme que ce soit pour mettre des exemplaires de cette thèse à la disposition des personnes intéressées.

L'auteur conserve la propriété du droit d'auteur qui protège sa thèse. Ni la thèse ni des extraits substantiels de celle-ci ne doivent être imprimés ou autrement reproduits sans son autorisation.

ISBN 0-315-62381-0

## ABSTRACT

On November 29, 1942, William Beveridge, one of the draftsmen of Britain's first unemployment insurance act, submitted his report titled *Social Insurance and Allied Services* to Winston Churchill's wartime coalition government. The submission of this document was indeed a milestone in twentieth century British history. Essentially, it has proved to be the blueprint for the welfare state which was established by the following Labour Government. Within his report, Beveridge reconstructed Britain's failing unemployment insurance, health insurance and pension schemes along with outlining entirely new schemes for children's allowances, marriage and maternity benefits and funeral grants.

These aforementioned institutions have played a distinctive and important role in post Second World War British society. Although the nation was no longer the world power that it was prior to the war, the post war period saw significant changes in the material quality of British life. As a result of this phenomenon, there are two interpretations of post war British history. The first tends to emphasize the decline of Britain after the Second World War. Some historians draw attention to the fact that: the nation had become a secondary power overshadowed by the emergence of the two new 'super powers'; the once great empire was quickly being dismantled; and Britain was not able to compete as efficiently as other industrialized nations. Other historians tend to see the post war period as being the 'rebirth' of the nation. They draw attention to the fact that it was during the 1950s and 1960s that fantastic improvements were made in the quality of life. On the whole, Britons had never been better off in terms of health, diet, housing and education. In fact, during the 1957 General Election, the Conservative Prime Minister Harold Macmillan campaigned on the slogan "You've never had it so good". Much of this individual prosperity was, in part, attributable to Beveridge's plan for social security.

The purpose of this thesis is to attempt to comprehend the development of the welfare state by examining that institution which seems to have been most influential in its creation; namely unemployment insurance. Beginning with its conception in 1906 and concluding with the the decision to entrench the Beveridge Plan in 1945, this work will examine Britain's unemployment legislation in light of political, social and economic conditions. This work shall also attempt to determine and define a historical pattern to Britain's social security system.

Examiners:



Professor S.W.Jackman, Supervisor (Department of History)



Professor J. Money, Departmental Member (Department of History)



Professor T. Morley, Outside Member (Department of Political Science)



Dr. T. Williams, External Examiner (Department of English)

## ACKNOWLEDGEMENTS

I would first like to thank the members of my committee: Professors S.W. (Toby) Jackman, John Money, and Terence Morley for their patience in reading this work and their very helpful and needed advice. Often, it seemed that, they had more confidence in the completion of this thesis than I did. I would also like to acknowledge John Duder, who in his twentieth century British History course, made me aware of the Beveridge Report.

Since a considerable portion of the research for this work took place in the United Kingdom, I would also like to express my gratitude to those people who took care of me during my stay: Geoffrey Skelsey (Cambridge), Hazel and Jim Carter (Bromley, London), Ian and Edith Forbes (Failsworth, Manchester) and Sean and Helen Woodcock, (Leamington Spa). Many thanks for their kindness and hospitality.

Certainly, no thesis can ever be completed without the support and companionship of good friends. Here, I would like to acknowledge some of them which I have made over the past few years: Heather Forbes, Jak New and Mark Stevens; Paul Woodcock; Lori Giacometti; Sean and Susan Madill; Sandro Laudadio and Marilee Logan and Alison Nishihara.

I would also like to thank members of my family for their patience in this endeavour: Christopher, Mariel and Britannie Haack along with Jayne, Len and Nicholas Laba. And finally, my parents, Kathleen and Mathias Haack to whom this thesis is dedicated. Without their support its completion would not have been possible.

## TABLE OF CONTENTS

Abstract	ii.
Acknowledgements	iv.
Table of Contents	v.
I. Introduction	1
II. Conception: Unemployment Insurance Policy in the Era of New Liberalism, 1906-1914	10
<i>The Liberal Government of 1906</i>	
<i>The Royal Commission on the Poor Law</i>	
<i>The Labour Exchange Act 1909</i>	
<i>The National Insurance Act 1911: Part II Unemployment Insurance</i>	
<i>Conclusion</i>	
III. Dismantling the Insurance Principle, 1916-1923	45
<i>A Nation Changed</i>	
<i>Wartime Amendments</i>	
<i>The Unemployment Insurance Act 1920 and Amendments</i>	
<i>Conclusion</i>	
IV. The Years of Change, 1924-1931	75
<i>The General Election of 1923</i>	
<i>Labour's Attempt at Unemployment Insurance Reform</i>	
<i>Baldwin Returns: The Unemployment Insurance Act 1927</i>	
<i>Labour's Second Administration</i>	
<i>Conclusion</i>	

V. Unemployment Insurance During the 1930s	106
<i>Two Nations</i>	
<i>Unemployment Insurance Legislation 1931-32</i>	
<i>Unemployment Insurance Statutory Committee 1934-39</i>	
<i>Unemployment Assistance Board 1934-39</i>	
<i>Demonstrations, Riots and the Jarrow Crusade</i>	
<i>Conclusion</i>	
VI. Revolution: Beveridge and the <i>Report on Social Insurance and Allied Services</i>	147
<i>Welfare State from a Warfare State</i>	
<i>Appointment of the Beveridge Committee</i>	
<i>The Beveridge Report</i>	
<i>Response to the Beveridge Report</i>	
<i>The 1945 General Election</i>	
<i>Conclusion</i>	
Appendix I: Legislation	192
Bibliography	194
Vita	
Partial Copyright Licence	

*Certainly, poverty is the greatest nightmare of those who fall out of work; perhaps we should wonder how this should be so in the richest society the world has ever known. [Seabrook, Unemployment, (1982) p.24]*

By the turn of the twentieth century, Great Britain was facing an uncertain economic future. The nation, which had held almost absolute supremacy over the world market place for much of the previous century, was being seriously challenged by other modern industrialized countries. It seemed as if by 1900 Britain was confronting strenuous economic competition in all of its established markets on almost every continent. The United States, the leading industrial power on the American continents, was in the process of flexing its 'economic muscle' around the world. While in Europe, Germany was competing for market shares in such goods as chemicals, coal, steel, and heavy machinery. Even the newly developing nation of Japan was threatening Britain's long time domination of Far Eastern trade. As the oldest of all the industrialized countries, Britain was starting to show its age. Its machinery, methods of production and marketing were out of date in comparison to its competition. One of the severe side effects of an economy weakened by age and competition is that many of the population were unemployed. Therefore, throughout the first half of this century, the issue of how to deal with chronic industrial unemployment dominated the United Kingdom's domestic situation.

Since the Middle Ages, Britain has had an unemployment policy in one form or another. Prior to the creation of a system of social insurance, being without work meant having to declare oneself a pauper and to apply for parish relief under the Poor Law. Most people, however, would have done

almost anything to avoid turning to this source for relief. "They knew the Poor Law to be, without exaggerating, a system whose name stinks in the nostrils of those compelled to seek its aid." [Abbott, *From Relief to Social Security*, (1941), p.258] For the able-bodied unemployed, asking for relief was tantamount to entering the workhouse. Without going into excessive detail about the Poor Laws, it suffices to say that the nineteenth workhouse was little better than a prison, and according to some social historians, such as Margaret A. Crowther, it was identical to a prison or lunatic asylum. [Crowther, *The Workhouse System 1834-1929*, (1981) p.2] Upon entering the workhouse, the pauper gave up all rights to personal property and privacy and became a ward of the state. Quite often applicants found themselves living in filthy, pest-ridden dormitories, cut off from their families and given hardly enough to eat. Crowther noted that in 1846, "paupers in the Andover workhouse had been reduced by hunger to gnawing the rotting bones which they had been set to pound." [Ibid.] The only real difference between a prison and a workhouse was, the pauper could leave the latter whenever he wished. The individual did at least have the liberty to starve.

Early in this century, the British government devised a unique and experimental plan to relieve the poverty associated with unemployment and to cease the practice of sending able-bodied men and women into the workhouse. The government decided to embark on a state sponsored scheme which would insure the incomes of certain types of workers who were particularly affected by cyclical and seasonal unemployment. Aptly named unemployment insurance, the scheme was a fairly simple operation. During periods of employment, the employer, the employee and the state contributed, on a weekly basis, a set amount of money into a central insurance fund. During periods of unemployment, the former employee would draw against this fund for a set period of time or until he found new employment.

Even though it began its existence as a fairly simple solution to the problems of unemployment and poverty, the British unemployment insurance scheme has had a very complex and eventful history. Because of this, the terms 'conception' and 'revolution' have been consciously used to

describe its development between 1906 and 1945. Prior to the First World War the plan for a nationally run unemployment insurance programme was conceived by the 1909 Royal Commission on the Poor Laws. This does not mean to say that the idea for unemployment insurance did not exist before the appointment of this commission. Private institutions, such as trade unions and friendly societies, had their own unemployment insurance programmes. Nevertheless, the Royal Commission was the first official body to seriously consider the possibility of establishing unemployment insurance on a national and governmental basis. Nearly forty years later, the unemployment insurance scheme was revolutionized by the recommendations made by William Beveridge's Report titled, *Social Insurance and Allied Services*. This Report was largely responsible for recasting the social insurance schemes and establishing the post war welfare state in Britain.

From the time the unemployment insurance programme came into full operation in 1911 until it was revised by the Beveridge Report, the legislation creating it was amended fifty-three times. The majority of these amendments consisted in the main of administrative changes. During the course of its development the number of persons eligible for insurance benefits was expanded, conditions for receiving were either lessened or made more restrictive and the rates of contributions and benefits were raised or lowered to suit the solvency of the insurance fund. Each of these changes required an act of Parliament. In addition to administrative changes, fundamental alterations were made to the principles of insurance. Most important of these was the creation of the 'uncovenanted' or extended benefit. Under this legislation, a person could collect insurance benefits in advance of contributions. In essence, this changed the programme from unemployment insurance to unemployment relief.

Aside from the changes taking place within the legislation, the series of unemployment insurance acts had a profound effect on Britain's political climate. When the insurance scheme was first introduced into Parliament, it had very little to do with party politics. The three main political organizations, Conservative, Liberal and Labour accepted the establishment of unemployment insurance with little dissent. All three agreed that a nationally run insurance scheme was the only foreseeable

method of dealing with the problems of job loss and poverty in an industrial society. Eventually, however, the question of unemployment insurance became a matter for political contention. For the twenty years of the inter-war period, it was the central issue in every domestic political controversy. During the successive general elections, political parties began to include plans for reforming the unemployment insurance scheme within their party manifestos. Furthermore, by either reducing benefits or making benefit rates more generous, various ministries began to leave their ideological mark on the insurance scheme. Conservative administrations became associated with restricting receipt of benefit while the opposition Labour Party were thought to be more flexible. Finally, unemployment insurance legislation served to alter the political fortunes of elected governments. In one particular case, the decision to reduce the benefit rate contributed to the defeat of a government and forced the Prime Minister of that same government to betray his party and form a coalition with the opposition.<sup>1</sup>

In addition to its influence on the dynamics of parliamentary politics in Britain, unemployment insurance legislation also played an important role in the social unrest which was rampant during the inter-war period. From 1920 to 1939, grievances over the administration of unemployment insurance were at the forefront of hunger marches, strikes, demonstrations and riots. Workers, both employed and unemployed, demanded that the government provide either public employment at standard union wages or increase benefits above the subsistence level for the jobless.

Because so much of the text deals with the unemployment insurance legislation made by Parliament, this thesis can be referred to as a legal history. Throughout this work, the most significant insurance acts will be noted and discussed. Nevertheless, it is not intended to be a strictly legal history in the sense that it will simply catalogue all of the insurance acts passed between 1911 and 1945. A history with such a narrow focus would not only be tedious to read, but it would also say little about

---

<sup>1</sup> I am referring to the Labour Prime Minister Ramsay MacDonald and his decision to abandon the Labour Party and form a National Government. His reason for doing this was partially because of a ten percent cut in unemployment insurance benefits.[see Chapter IV, *Labour's Second Administration*

how the scheme developed or its role in twentieth century British history. Therefore, it is necessary that other factors, such as politics, social conditions and economics, be brought into the picture in order to explain why the scheme developed in the way that it did. Within the arena of politics, election manifestos along with campaign platforms of the three major parties will be discussed in order to explain how these organizations planned to deal with the problem of unemployment. In addition, the text will examine most of the general elections and some of the significant by-elections which took place during this time to show that unemployment insurance did play a role in their results. Since unemployment insurance is the foundation of social insurance, a second factor that must be considered is society. In this arena, this thesis will draw attention to the living conditions of the unemployed working class along with the instances of social unrest caused by unemployment insurance policy. Finally, this thesis will acknowledge changes in the British economy in the post industrial world. The inter-war years were a pivotal point in British economic history. They saw the decline of the staple industries - textiles, coal and shipbuilding - along with the rise of consumer industries. In turn, this change affected the employment situation which resulted in high unemployment in the northern industrial towns and full employment in the south and midlands. Each of these aforementioned factors played an influential role in shaping unemployment policy.

In the composition of this thesis, a wide variety of sources, both primary and secondary, have been used. Among the secondary sources, published monographs have provided a wealth of pertinent and accurate information, and therefore, have been extensively consulted. It seems that United Kingdom has possibly the largest number of published works on the topic of social insurance. For the past sixty years, the treatment of unemployment has been a leading topic among British social scientists and historians. In addition to monographs, there is also a large number of journal articles on the subject of social welfare. Two types have been employed. The first are those found in historical journals and periodicals such as *The Journal of Contemporary History*, *British Studies* and *Economic History Review*. The second type are those articles published at the time the unemployment insurance schemes

were being made. Examples of these are *The Times* and periodicals published for civil servants and current affairs magazines. Articles which fall into this category are particularly useful because they provide an insight into attitudes and concerns of the time.

Another form of secondary material which has been extensively used are governmental and non-governmental reports and social surveys. Among the governmental documents which have been consulted are Royal Commission reports, the findings of departmental and interdepartmental inquiries, *Hansard* and the *Law Reports*. These aided in determining official parliamentary policy toward the unemployment insurance scheme and social issues. Some of the non-governmental sources which have been equally weighed are Seebohm Rowntree's social surveys, *The Minority Report of Royal Commission on the Poor Laws*, *The Proceedings of the Conference on the Prevention of Destitution*, and *Our Towns: A Close Up*. The latter was published by the Hygienic Committee of the Women's Group on Public Welfare. The value of these non-governmental documents is that they tend to reflect the conditions of British working class life.

Under the definition of primary sources, once again, a number of different types have been employed. The first type are personal papers of some of the people involved in creating and shaping the unemployment insurance system, namely, Beveridge, Baldwin, Attlee, and Bevin. These have been collected from various British libraries and archives such as Cambridge University Library, Churchill College Archives and the British Library of Political Science. A second source of primary information are personal papers of individuals which have been reproduced and published without any adulteration or editing. Examples of these are *The Letters of Sidney and Beatrice Webb*, *Contemporary Sources and Opinions in Modern British History*, *English Historical Documents* and *Great Britain, The Lion at Home: A Documentary History of Domestic Policy*.

To some extent, the reason for writing a thesis on the subject of unemployment insurance owes its origins to Prime Minister Margaret Thatcher and the 'Thatcher Revolution' of the 1980s. Since

the Conservative Party came into office in 1979, Thatcher has attempted to dismantle the welfare state by undermining its comprehensiveness and by not allowing its benefits to remain constant with the cost of living.<sup>2</sup> Throughout her terms of office, she has often argued that it was the establishment of the welfare state which has contributed to the decline of the British economy in the post Second World War Era. She has also indicated that in order for Britain to regain her prominent position in the world economy she must 'reform' the welfare state and eliminate socialism from British politics. Essentially, she would like to turn the clock back on British social policy to the time before the Second World War. It was mainly this policy which provided the initial incentive to write a history of the British welfare state from its origins in the first unemployment insurance act to its creation within the Beveridge Report.

Perhaps, the most important reason for writing this thesis is to demonstrate that there is a logical pattern to the development of the unemployment insurance and the subsequent creation of the welfare state. Through the form of a descriptive narration it attempts to answer the question: can a structural approach be applied to the history of British social services? It seems that the history of British unemployment insurance can be looked upon in one of two ways. The first is that there was not a logical pattern to its development. That the legislation was enacted in a haphazard response to the changes in the economy and the levels of employment and unemployment. If this thesis had limited its scope, and concentrated only on the legislation passed during the inter-war years, this would have been the obvious conclusion. Between 1920 and 1939, nearly fifty unemployment insurance acts were passed for those very reasons, and the result was a confused and inefficient scheme. This thesis, however, examines the legislation in a comprehensive manner, from its initiation in 1911 to 1945, and comes to the opposite conclusion, that there is a structure to the history of social insurance, although its design is not immediately apparent.

---

<sup>2</sup> In the summer of 1985 I was fortunate to meet Geoffrey Skelsey, the Assistant to the Vice Chancellor of the University of Cambridge. When I said that I intended to write my thesis on the creation of the British welfare state he remarked "Well, I suppose it's all history now."

When this work was initially begun, it was believed that a Marxist approach would be the most logical structure for a history of social services. It was assumed that social insurance came about as a solution to the disparity between a destitute working class and an affluent middle class. Although this may have been a reasonable first assumption, a brief examination of the facts showed that this was not the case. Prior to the first unemployment insurance act, the British working class and their organizations, such as their trade unions, cooperatives and political parties, had very little interest in social insurance. Moreover, there is no substantial evidence that the British 'establishment' feared a working class insurrection or that implementing unemployment insurance was a form of appeasement. Instead, the inspiration for national insurance emerged not out of class conflict, but from a form of upper middle class humanism which manifested itself in the ideology of new liberalism. Because of this, the history of the unemployment scheme does not neatly fit into the Marxist model.

Nevertheless, when the history of unemployment insurance is looked upon as a whole, there is a definite structure which comes to light, one that can be equated to the *paradigm shift theory*. Although a somewhat complex and controversial theory, for the purpose of this work, it can be simply explained and applied to the study of social insurance. Essentially, the paradigm shift theory begins with the establishment of an initial concept - referred to as a paradigm - that is accepted by the community as a solution to a given problem. For a while, the paradigm is a useful function; however, at intervals anomalies are observed which make the paradigm unworkable. The community, unwilling to abandon the original theory, affirms it through a series of adjustments. Eventually, however, the anomalies and subsequent adjustments will overwhelm the original paradigm. At this point, the whole system becomes impractical and an entirely new paradigm is established.

This is exactly what happened to the British unemployment insurance scheme between 1911 and 1945. In 1911, Parliament implemented the first unemployment insurance act. Up until the First World War, it was a workable and acceptable solution to the unemployment situation. It was able to effectively deal with short term cyclical and seasonal unemployment. During the inter-war years,

however, economic depression set in, creating long term industrial unemployment. The original scheme was not able to cope with the situation, became dysfunctional, and had to be constantly amended. By the beginning of the Second World War, Parliament was well aware that the scheme had collapsed under the weight of its amendments and that a new scheme of social insurance had to be established - hence the creation of the welfare state.

*The men of the Somme did not die because they wanted to perpetuate the class structure of English cities and the English countryside, nor the power of those five percent who owned ninety-five percent of the country's wealth. [Alan Sillitoe, *Raw Material*, (1972), p.104]*

#### *The Liberal Government of 1906*

In terms of both constitutional and social policy, the years between 1906 and 1914 were truly remarkable for Great Britain. In January 1906, the Liberal Party, under the leadership of Sir Henry Campbell-Bannerman, was returned to Parliament in a landslide victory over the Conservative Party. The Liberals managed to win four hundred and one seats in the House of Commons and to reduce the Conservative membership to one hundred and fifty-seven seats. Even with this impressive majority, the government could count also on the supporting votes of twenty-four Liberal-Labour members, twenty-nine Labour Party members and eighty-two Irish Nationalists. [Fraser, *The Evolution of the Welfare State*, (1982), p.147] As a result of this general election the Liberals were able to establish a government with a majority of three hundred and fifty-six seats - their largest majority since 1832, and return to their time honoured policy of reform. Unlike any previous Liberal Government, however, reform took on a completely new direction from the *laissez-faire* ideology of the nineteenth century and, because of this, the Liberal administration before the First World War has often been labeled as the 'Era of New Liberalism'.

Some of the legislation the Liberals brought into Parliament in their eight years of peacetime government shook the British Constitution to its very roots, and set the stage for twentieth century

politics. During their administration, they introduced three pieces of highly controversial legislation: the Parliament Bill, the Women's Enfranchisement Bill and the Home Rule Bill. The Parliament Act was designed to reduce the political effectiveness of the House of Lords by hampering its power to veto legislation made in the Commons. It came into law in 1911. Partially because of the pressures of the suffragette movement, the government drafted the Women's Enfranchisement Bill. This would have given women over the age of twenty-eight the right to vote and campaign in parliamentary elections. It failed to be enacted. Finally, with the Home Rule Bill the Liberal Government attempted to deal with 'England's hereditary problem': namely Ireland. Since the announcement of the Newcastle Programme<sup>1</sup> in 1891, official Liberal policy had been to find an acceptable means of repealing the 1801 Act of Union and establish Home Rule for the Irish.

The Liberal Government was not altogether successful in its attempts at constitutional reform. In fact, these three aforementioned pieces of constitutional legislation had the potential to render irreparable damage to the political stability of the United Kingdom. The majority of Lords were prepared to veto the Parliament Bill and thus force the country into a serious constitutional crisis. It took the government's threat to request the Crown to create new peerages, favouring the proposed legislation, to force enough peers to pass it into law. Also, the debate over the Women's Enfranchisement Bill did little to appease the more militant element of the Women's Movement. Increased use of violent tactics on the part of the Suffragists forced the government to withdraw the Bill. As expected, Ireland proved to be the most serious problem for the Liberals. The government knew that if they did not grant Home Rule to Ireland there was the distinct possibility of rebellion and

---

<sup>1</sup> The Newcastle programme basically embodied many of the ideas of new liberalism. Along with Home Rule, the programme included the disestablishment of the Welsh and Scottish Churches, reform of the land laws and rural government and the introduction of Workmen's Compensation.

civil war throughout the Irish nation. They also knew that English troops stationed in Curragh would mutiny if Home Rule was granted to all of Ireland. The solution to the problem of Ireland was delayed by the outbreak of war in August of 1914.<sup>2</sup>

Against this background of constitutional conflict, Britain was also in the midst of a serious social crisis exposed mainly in terms of inequalities of wealth. Paul Thompson, a social historian who has made extensive use of oral history in *The Edwardians*, points out that the death duty figures for 1900 show that the wealthiest one per cent of the population died owning forty per cent of the national capital, and the division between rich and poor was steadily growing. By 1911, the richest one per cent had acquired sixty-nine percent of the entire national wealth. It was in the arena of social reform that the spirit of new liberalism was most active and most successful. Prior to the First World War, the Liberals managed to pass thirteen acts of social legislation. This legislation covered a broad base of social issues and problems such as education, child welfare, pensions for the aged, housing and town planning, as well as the prevention of crime. [Smith, *A Brief Guide to British Social Legislation*, (1972), p.21] Most important, however, were those acts aimed at solving the problems of unemployment: Labour Exchanges and Unemployment Insurance.

#### *Incentives for Social Reform*

It was not the promise of social reform which brought the Liberal Party to victory in the 1906 General Election. A number of historians have pointed out that during the election campaign, Liberal politicians did not make strong references to social reform and the issue of social policy was not a major source of contention between the Liberal and Conservative Parties. [Fraser, *The Evolution of the*

---

<sup>2</sup> For a further discussion of the constitutional problems of Edwardian Britain see George Dangerfield's *The Strange Death of Liberal England, 1910-1914* New York: Capricorn Books, 1935.

*Welfare State*, (1982) p.47 and K.D. Brown, "Labour and the Question of Unemployment Policy", *Historical Journal*, (1971) p.599] It has also been noted that the creation of social services was not a primary concern of the working class. "Unions, cooperatives and the labour movement generally were unenthusiastic about the various programmes through which the state expanded its power." [Cronin, J.E. "The British State and the Structure of Political Opportunity", *Journal of British Studies* (July 1988), p.200] Once in office though, the creation of more positive social legislation became a preoccupation of the Liberal Government.

This interest in social reform probably sprang from to a noticeable change in the attitude to the conditions of the poor. During the latter portion of the nineteenth century Britain appeared to enter into a phase that can be only be described as 'middle class enlightenment'. Organizations, such as the Fabian Society whose membership was almost wholly middle class, began to study the social effects of poverty and concluded that it was an unnecessary evil. Individuals, such as George Lansbury, Charles Booth<sup>3</sup> and Seebohm Rowntree conducted social surveys on some of England's worst slums. They were trying to discover exactly what life was like for the unemployed or unskilled casual labourer and to inform the educated individual of their condition. In 1901, Seebohm Rowntree, an amateur sociologist and heir to the Rowntree Chocolate Company, published *Poverty, a Study of Town Life*. He discovered that "twenty-eight per cent of of the inhabitants of York were living below the nutritional standard necessary to maintain physical health." [Thompson, *The Edwardians*, (1975), p.29] According to Rowntree, the daily diet for a casual labourer with three young children consisted of: *Breakfast*; Bread, butter and tea, *Dinner*; Bacon, bread, butter and coffee, and *Teatime*; Bread, butter and tea.[Rowntree,

---

<sup>3</sup> During the late nineteenth century, Landsbury and Booth conducted social surveys of the living conditions in London's industrial boroughs. Landsbury later became the Labour Member of Parliament for the East End district of Poplar and an influential Member of Parliament.

*Poverty: A Study of Town Life*, (1901), p.32] With a diet such as this, it is not surprising that when conscription was introduced during the First World War, four-fifths of the men had such bad teeth they could not eat properly and that only one third of all male adults could be classified as being in a normal standard of health. [Thompson, p.32] It should also be noted that at the turn of the century, York was considered to be one of the most liveable cities in the United Kingdom. Workers in more industrialised towns in the West Riding and North Lancashire were considerably worse off.

Historians agree that the overall population's realization that poverty and unemployment in Britain were connected was the inspiration for social legislation. For example, Derek Fraser, who is presently a professor of British history at the University of California and author of *Evolution of the Welfare State*, claims that the growing number and proficiency of local charities at the end of the Victorian Age show that Britons were becoming keenly aware of the serious problems of widespread and prolonged unemployment.<sup>4</sup> Fraser draws particular attention to the Charitable Organization Society in order to strengthen his argument. Founded in London in 1869, the Charitable Organization Society was an amalgamation of existing local charities. Unlike any previous charitable institution in Britain, this group attempted to execute scientific methods of social work by keeping accurate records of applicants and conducting personal inquiries and follow ups on charitable cases. [Fraser, pp.130-131] Essentially, the Charitable Organization Society functioned as one of the first social welfare institutions in Britain on a strictly private and philanthropic basis.

A third factor which may have led to the increased consciousness of the unemployment problem was the establishment of private unemployment insurance schemes by trade unions during the latter portion of the nineteenth century. Although these schemes provided only limited assistance to a

---

<sup>4</sup> Julian Fulbrook, author of *Administrative Justice and the Unemployed*, took a similar view point when he stated, "The origins of National Insurance were bound up with a change in the view of the nature of poverty and the reaction of society to its problems." (p.117).

very small percentage of the total labour force, they drew attention to an alternative method of providing aid to the unemployed and one which excluded the workhouse and private charity. These schemes showed Parliament that unemployment insurance was economically feasible and, by their example, provided the civil service with the information and skills necessary to conduct a national programme for insurance. Julian Fulbrook, a lecturer at the London School of Economics and author of *Administrative Justice and the Unemployed*, has asserted,

The National Insurance Act owed a considerable debt to the trade union movement which pioneered the way in so many respects. Their rules and practices were freely copied by Beveridge and Llewellyn-Smith in forming the official scheme.<sup>5</sup> [p.133]

Finally, there is a fourth factor which may have also led to the increased public awareness of unemployment and deprivation which is often overlooked by many historians. This is fiction whose central theme concerns the conditions of poverty existing in working class life. English literature has had a long and substantial history of works of this nature. Good nineteenth century examples are Charles Dickens' *Oliver Twist* and *Hard Times* along with Charles Kingsley's *The Water Babies*. One of the best twentieth century examples of this is Robert Tressell's *The Ragged Trousered Philantropists*. Written sometime in the early years at the turn of the century,<sup>6</sup> *Ragged Trousered*

---

<sup>5</sup> Also see, Beveridge Tables showing Rules and Expenditure of Trade Unions in respect of Unemployment Benefits, (1911), cmd. 5703.

<sup>6</sup> The publication history of *Ragged Trousered Philantropists* is actually quite interesting. It is believed to have been written in 1906. In 1911, its author Robert Tressell died of tuberculosis, probably contracted during his employment. He left the unpublished manuscript to his daughter, a domestic servant, who gave it to her employers for editing and publication. The first edition of this work was published in 1914. In the 1930s, the original manuscript was once again unearthed and it was discovered that the original work was considerably longer than the published version. It was also discovered that, in its editing, the theme of the work had been changed. It was not until 1954, however, that a complete edition of *Ragged Trousered Philantropists* was available to the public. [ Alan Sillitoe's introduction to *Ragged Trousered Philantropists*] I am indebted to Paul Woodcock for bring this novel to my attention.

*Philantropists* provides a realistic account of poverty in the building and decorating trades in Britain during the Edwardian Age. Although Tressell, who himself was a house painter, does not claim that unemployment was the chief cause of poverty, it is perfectly clear to the reader that the greatest fear among the working class, at this time, was unemployment. This concern was also recognized by the novelist W. Somerset Maugham when he wrote, "the greatest tragedy of these people was not separation or death, that was natural and the grief of it could be assuaged with tears, but the loss of work".<sup>7</sup> [Maugham, *Of Human Bondage*, (1915), p.631] Other literary works which should be considered are *Love on the Dole* by Walter Greenwood and Alan Sillitoe's family biography *Raw Material*. In many ways, fictional literature has a distinct advantage over governmental reports and social surveys. It reaches a more broadly based audience and serves to personify the problems of unemployment.

Another reason for the governmental interest in social reform was the growing influence of the newly founded Labour Party. Prior to the First World War, the Liberal Party assumed for itself the role of representing working class interests while continuing to remain a national party. However, by 1906 the labour element supporting the Liberals, namely the Lib.- Labs., began to assert themselves more independently. Although in the pre war years the Labour Party had only twenty-nine members in the Commons, and posed no threat to the stability of the government, it was evident at this time that they were beginning to emerge as a powerful political force, one which the established parties would have to confront seriously in future elections. *The Times* acknowledged the challenge this group posed to the two party system. On January 30, 1906, and immediately after the general election which brought the

---

<sup>7</sup> Maugham witnessed late Victorian and Edwardian poverty first hand. Before becoming a novelist he interned as a physician at St. Thomas's Hospital London. Much of his work took him into the working class homes in Whitechapel, Bethnal Green and Stepney in London's poverty-ridden East End.

Liberals back into office, the editors commented that the most significant feature of the election was not the unsurpassed victory of the Liberals but "the emergence of a strong Labour element in the Commons". [*The Times* , 30 Jan. 1906, p.4] Because of this strong showing of the Labour Party, the Liberal Government realized that it must consider implementing social reforms if it were to retain its working class support.

*The Royal Commission on the Poor Law 1906-1909*

It is generally maintained that, the reports of the Royal Commission on the Poor Laws and Relief of Distress played a crucial part in the social reform movement and the creation of the unemployment insurance scheme. José Harris, a lecturer in social history at St. Catherine's College Oxford, in her doctoral dissertation, *Unemployment and Politics*, remarked that, "The demand for a national insurance policy came . . . most emphatically from the Royal Commission on the Poor Laws and Relief of Distress".<sup>8</sup> [p.221]

This Royal Commission was first appointed in 1905 by Balfour's Conservative Government during a cyclical trade depression which resulted in high levels of unemployment.<sup>9</sup> It was chaired by

---

<sup>8</sup> I first read Mrs. Harris's (nee Chambers) thesis in its original form, a doctoral dissertation in Cambridge University Library. Unfortunately, because of the the library's policy on copyright, I was not able to reproduce a copy of the original text. However, her thesis was later published by Oxford University Press in 1972. Since the Oxford edition is more readily available, I shall be citing the published text's page numbers.

<sup>9</sup> There seems to be some disagreement among historians as to why the Royal Commission was appointed. John Brown in his article for the *Bulletin of the Institute of Historical Research*, 1969, 52(106), pp.239-242, discusses this disagreement. He claims that "historians have accepted Beatrice Webb's explanation that the commission originated in a reactionary desire among Local Government officials to see a retainment of the Principles of 1834." [Webbs, *English Poor Law History, Part II the Last Hundred Years*, 1929, pp.471- 72] However, in this brief article, Brown prints a letter written by Walter Long of the Local Government Board to Prime Minister Arthur Balfour calling for the creation of the commission because of high unemployment and socialist agitation. [British Museum, Add. MS. 49776, *Balfour Papers*, W.H. Long to A.J. Balfour, 6 December, 1904]

Lord George Hamilton, the third son of the Duke of Abercorn. Hamilton had considerable experience as a political and social reformer before taking this post. In 1889, he had been influential in the passage of the Naval Reform Bill and in the late 1890s he helped recast the system of Indian Government. Prior to becoming chairman of the Royal Commission, he was in charge of the London School Board. [*Dictionary of National Biography*, suppl.3, pp.388-90] The remaining membership of the Royal Commission on the Poor Laws was quite diverse in the sense that it represented a variety of opinions on how to deal effectively with the problem of poverty and unemployment. This Commission consisted of eighteen experts in the field of social policy. Six of the members represented the Charitable Organization Society, six represented the Poor Law Guardians, and four represented the Local Government Boards. Also included on the Commission were two representatives of the labour movement, namely, Charles Booth<sup>10</sup> and Beatrice Webb.<sup>11</sup>

The objectives of the Commission were basically two-fold. Firstly, they were to conduct a detailed investigation into both the laws relating to poor relief and to the means adopted outside the Poor Law for relieving distress because of unemployment. [Gilson, *Unemployment Insurance in Great Britain*, (1931) p.31] Secondly, the commission was to consider the question of implementing a state run unemployment insurance scheme and to make recommendations as to its administration. [*Beveridge Papers* III, 16ii, Kyd and Maddex, "Some Actuarial Aspects of Unemployment Insurance", *Journal of*

---

<sup>10</sup> Charles Booth, brother-in-law to Sidney Webb, played an active part in social reform and charity work throughout the 1890s. In 1908 he resigned from the Royal Commission claiming ill health as being the reason. There is, however, some controversy as to his resignation. Beatrice Webb wrote that he took a very conservative view of Poor Law reform, [Our Partnership, p.357] and that he resigned because he felt "unable to agree with his colleagues and too weak to disagree with them." [*Passfield MSS*, ii, 4, d, item 2, Letter from B. Webb to M. Payne, 2 Feb. 1911] Cited in Harris, p.248n.

<sup>11</sup> Beveridge claims that Beatrice Webb was put on the Royal Commission at "the last minute" by the outgoing Prime Minister, Arthur Balfour. [Beveridge, *Power and Influence*, p.6] Possibly, this was an attempt to confound the work of the committee and create problems for the future Liberal Government.

*the Institute of Actuaries* (1929) p.3] The very fact that this Royal Commission was appointed suggests universal dissatisfaction with the Poor Law and the recognition by Parliament that the existing methods of poor relief were inappropriate for twentieth century trade depressions.

The Royal Commission on the Poor Law continued its investigative work until 1909. In the beginning of that year it attempted to publish a report of its findings. Because of the diversity of its membership in conjunction with the controversial nature of its subject matter, the commission could not agree upon a unanimous report. Therefore, they decided to issue two separate reports to Parliament: the Majority Report and the Minority Report.

These reports differed not so much in their analysis of existing schemes of administering poor relief, as in their proposals and recommendations. The Majority Report represented the official findings of the commission and, therefore, owes its authority to Lord George Hamilton. It covers a wide range of issues and is divided into nine sections. These sections deal with descriptions of proceedings and investigation, statistics, history of The Poor Law and charities. The most important section of this report seems to be part four. It provides a critical analysis of Poor Law administration including indoor and outdoor relief, care of the able bodied along with the aged and elderly, and the causes of pauperism. [*Report of the Royal Commission on the Poor Law: (Majority Report), 1909 , cmd 4499*]

Clearly, the most distinctive feature of the Majority Report is that it advocated the retention of the Poor Law, albeit with major changes to its administration. It suggested to Parliament the possibility of making more constructive use of existing private charities by state supplements to the aged and chronically ill and by the integration of private charities into public works during periods of severe trade depression. This report also suggested a method by which Parliament might improve the administrative capabilities of the Poor Law. With this in mind, it recommended the disbandment of the Boards of Guardians and the placing of the management of poor relief under the supervision of county

councils and county borough councils. Finally, the authors of the Majority Report called for a change of name: from Poor Law to Public Assistance. [Bruce, *The Rise of the Welfare State*, (1973) pp. 151-52 ]

The Minority Report owes its authority to the partnership of Sidney and Beatrice Webb. Published in two lengthy volumes in February 1909 by the Fabian Society, it received a much larger audience than the official report.<sup>12</sup> Essentially, this document seems to be a direct attack upon the system of Poor Law Unions and Boards of Guardians. It called for the complete break up of the workhouse system and repeal of the Poor Laws. The authors of the Minority Report argued that the Poor Laws only addressed the problem of voluntary unemployment and that the real problem was destitution because of the inability to find suitable employment. In the first volume of their report, titled, *The Break Up of the Poor Law*, the Webbs suggested to the government the abolition of the General Mixed Workhouse. The authors claimed that outdoor relief with a national minimum standard of subsistence would provide a more effective and equitable method of relief distribution. The Minority Report also recommended changes to the administration of local health authorities, child welfare provisions, improved facilities for mental health patients and pensions for the elderly. [Webb,S. and B., *The Break Up of the Poor Laws* (Minority Report), 1909, Vol.1, pp.574-601] Because many of these recommendations made by the Minority Report were later implemented by the Liberal Government, it can be stated that this report had much more effect on subsequent legislation than the Majority Report.

Although the two reports differed in most of their recommendations, they did manage to agree on a few fundamental points. Both reports stated that the existing state of of the Poor Law was out of

---

<sup>12</sup> Former member of the Fabian Society and popular novelist, H.G. Wells venomously opposed the Society publishing the Minority Report. He believed that the Webbs were trying to force their views upon the Society. After reading the Minority Report, Wells shouted "What a mass of stuff it all is!" [Samuel Hynes, *The Edwardian Frame of Mind*, (1968) pp.120-124]

date and could not cope with high levels of industrial unemployment. Beatrice Webb said in the introduction to the Minority Report that, "the principles of 1834 are hopelessly antiquated and inapplicable to the present state of things." [Webbs, Minority Report, Vol.1, p.ix] The Majority Report further emphasized Mrs Webb's words by observing that the existing Poor Laws "served to perpetuate social and moral conditions of the worst type." With regard to the conditions of outdoor relief, the Majority Report went on to say "Boards of Guardians gave doles and allowances without requiring the most elementary conditions. . . homes maintained out of public funds [were found to be] in a state of indescribable filth and neglect." [Majority Report, (cmd. 4499), p.102] Both reports agreed on the issue of abandoning the detrimental aspects of receiving poor relief and the principle of 'less eligibility'.<sup>13</sup> The two reports also jointly recommended to Parliament the idea of establishing a full employment policy; stressing that the prevention of unemployment was preferable to the simple provision of relief. Finally, both the Minority and Majority Reports expressed similar attitudes in the use of government orders to regularize the demand for employment, by reducing the number of 'blind alley' jobs, by the establishment of financial protection against malingering and voluntary idleness, and by the creation of labour exchanges and unemployment insurance.<sup>14</sup>

---

<sup>13</sup> The Principle of Less Eligibility is perhaps the most distinctive feature of the Poor Law. It precedes the Poor Law [Amendment] Act of 1834 and can be traced back to the original Poor Law of 1601. Essentially, the principle determines who is eligible for parish relief by defining the applicant as either being deserving poor or undeserving poor. Deserving poor primarily included those with diminished capacity to work, for example, orphans, the aged and disabled. Undeserving poor included healthy men and women adults often referred to as 'rouges, vagabonds or sturdy beggars'. The Boards of Guardians used the principle of less eligibility to determine whether the applicant would receive indoor or outdoor relief and what size of settlement the applicant would receive. [*The Laws of England*. London: Butterworth & Co., Law Publishers (1912) vol. XXII, p.523]

<sup>14</sup> I have basically only touched upon the primary differences and similarities of the two reports. For a complete comparison, in point form, of the Royal Commission's reports see, Maurice Bruce's *The Rise of the Welfare State*, pp.151-152

The authors of the Majority Report strongly urged Parliament to pass legislation creating a national network of state-managed employment exchanges. They felt that this would be the best foreseeable method of dealing with the problem of involuntary unemployment. The Commission pointed out that in their examination of foreign systems, particularly those in Germany, they were greatly impressed with the German results. This report claimed that exchanges would be useful "for the general purpose of assisting the mobility of the worker and collecting accurate information on unemployment." [Majority Report, cited in Kyd & Maddex, p.4]

The second volume of the Minority Report; *The Organization of the Labour Market*, dealt with the issues of labour exchanges and unemployment insurance. This report agreed with the majority's proposal that the government ought to begin by establishing exchanges throughout the country. Along with citing the German example, the Minority Report included its findings on the voluntary exchanges existing in Britain: the London Central (Unemployed) Body and the Seaman's Labour Exchange.[Webbs, *The Organization of the Labour Market*, (Minority Report), Vol.2, pp.251-253] The Webbs outlined a number of fundamental benefits labour exchanges would bring to the working classes. By advertising available positions throughout the United Kingdom, a national network of exchanges would increase worker mobility. The exchanges would also help 'men of discontinuous employment' to find steady jobs and the seasonal worker find work in the off season. Thirdly, the authors of the Minority Report believed that the exchanges would prevent underemployment and underpaid employment.

What a labour exchange could remedy would be the habit of each employer of keeping around him his own reserve of labour. By establishing one common reservoir, at any rate for unspecialized labourers we could drain stagnant Pools of Labour which this habit produces and perpetuates. [Minority Report, Vol.2, p.263]

Finally, the last two benefits of the labour exchanges would be the suppression of vagrancy, by preventing the workers from wandering aimlessly in search of employment, and the encouragement of personal responsibility on the part of the unemployed to find work.[Minority Report, Vol. 2, p.265]

The Royal Commission's position on unemployment insurance was much more ambiguous than its unanimous acceptance of labour exchanges. The two reports neither accepted nor entirely objected to the idea of a state-managed unemployment insurance scheme. During the Commission's tenure, the members examined and heard evidence pertaining to foreign schemes of national insurance; again mainly German in origin. They rejected application of these types of schemes simply on the grounds that they would not be acceptable for Britain. At the time, German ideas were not popular in the United Kingdom. In March 1908, the Commission approached three government actuaries with the following question:

For what weekly or monthly benefit could a labourer aged 21 insure against unemployment until 65 years of age, assuming that he was expected, if unemployed to take any work that he could obtain at a rate lower than his usual rate and that payment, when unemployed was either 10 shillings or one half his usual wages? [Majority Report, Vol. XXV, (cmd. 5077) cited in Kyd & Maddex, p.4]

Of these three actuaries, only two felt capable of providing the Commission with estimates, and it should be noted that these estimates varied considerably. The first actuary calculated that the worker would have to contribute 3.79 pence per week provided the overall unemployment rate remained below 3.70 percent. The second actuary estimated that if unemployment went as high as five percent, the worker would only have to contribute one shilling and six pence for the entire year.<sup>15</sup> [Ibid] It was

---

<sup>15</sup> During the first reading of the National Insurance Bill, Conservative Member of Parliament, Mr. Worthington-Evans criticized the Bill by referring to the three actuaries; Aucland, King, and Nielson's inability to make accurate estimates. [*Parliamentary Debates, (Hansard)* 25 H.C. Vol. 25 May 4, 1911, p.663]

partially because of the inability to acquire accurate data and make reasonable estimates that the majority of the Royal Commission rejected making recommendations for unemployment insurance.

The Majority Report concluded that it could not advocate the adoption of a compulsory system of unemployment insurance at this time. Its authors claimed that insurance benefits would be of such great national importance the system would justify some form of assistance from public funds. Because of this foreseen dependency on the public treasury, they felt that relief from unemployment could still be maintained by a modified Poor law or Public Assistance Programme. [Gilson, p.40] The authors of this report did not, however, abandon the idea of unemployment insurance altogether. They recommended that the issue should be put to further consideration by another Royal Commission at a later date. [Kyd & Maddex, p.4]

The Minority Report also rejected the scheme for compulsory unemployment insurance, however, for different reasons than the official report. The Webbs believed that a state managed scheme would prove injurious to existing trade union schemes and therefore detrimental to union solidarity. Instead, they argued for a system of voluntary action on the part of the worker. By their own choice, unorganized labour could engage in a non-compulsory insurance scheme with the Ministry of Labour.<sup>16</sup> With regard to trade union schemes, the Webbs favoured implementing the Ghent scheme, a method of unemployment insurance practised mainly in Germany. The Ghent scheme allowed for the state to subsidize trade union insurance funds, and at the same time allow the union complete autonomy over the management of the scheme. The Minority Report concluded with some reluctance, however, that it would accept some form of compulsory insurance if the government were insistent on

---

<sup>16</sup> The Ministry of Labour had not been established at this time. One of the recommendations made by the Webbs in their report was the creation of such a ministry. [Minority Report, Vol.2, p.309]

implementing one.<sup>17</sup> [Minority Report, Vol.2, p.343] The members of the Royal Commission were supported in their rejection of compulsory insurance by some trade unions<sup>18</sup> and also by the Charitable Organization Society. Both institutions felt that if the government engaged in insuring the worker it would infringe on their prerogative to protect and represent the working classes.

There is, however, evidence that some employers at this time supported the idea of national insurance. John Macaulay, the general manager of the Alexandra Docks in Bristol, testified before the Royal Commission by proposing contributory insurance for old age pensions and sickness in order to keep the poor from becoming destitute. He also called for the amalgamation of the friendly societies under the control of the state. [Royal Commission on the Poor Laws, *Minutes of Evidence*, (1907)] A similar sentiment was expressed by the Birmingham Chamber of Commerce in 1907. Representing the Chamber, J.S. Taylor called upon the government to institute a national scheme for "sickness, invalidity and old age on the lines of the comprehensive system which has worked so well in Germany." [Association of Chambers of Commerce in the United Kingdom, *Annual Report*, (1907), cited in J.R. Hay, *Development of the Welfare State 1880-1975*, (1978), p.32] However, although these employers supported national insurance against sickness and age, neither made any mention of insurance against unemployment.

Those employers who did talk of unemployment insurance were not necessarily being altruistic. Frederick Henderson, a Glasgow shipbuilder, argued for a compulsory and contributory

---

<sup>17</sup> Beveridge believed that the Webbs, only at the last minute, sided with the partially state-managed scheme mainly because they saw they foresaw the Liberal Government as implementing one with or without the approval of the Royal Commission. [Beveridge, *Voluntary Action*. pp.306-8]

<sup>18</sup> The position of the trade union movement on compulsory insurance is complex. As stated, many individual trade unions rejected the state managed scheme. However, at a convention of the Trade Union Congress in September 1909, President Stackton spoke out in favour of the scheme. [Harris, *Unemployment and politics*, p.42]

insurance scheme for unemployment provided the government applied the same conditions for Workmen's Compensation.<sup>19</sup> [Hay, *Development of the Welfare State*, (1972) pp.36-37] The latter was established in Britain in 1897 along the lines that it would be entirely paid for by the employers. The fact that it was non-contributory on the part of the worker had been a sore point among employers, particularly those in the dangerous industries. In his testimony, Henderson used the opportunity of the unemployment insurance issue to attempt to bring the employees into contributing to Workmen's Compensation.

*The Labour Exchange Act 1909*

The passage of the Labour Exchange Act occurred shortly after the publication of the Royal Commission's two reports. Introduced into the Commons on May 20, 1909 by the President of the Board of Trade, Winston Churchill, the Bill became law in September. This act was extremely important in the development of Liberal social policy for two reasons. First, the Liberals were able to get both opposition parties, Conservative and Labour, to support the Bill [*Report of the National Conference on the Prevention of Destitution*, (1911), p.394] and thus, they hoped to set the political climate for smooth passage of future social legislation. Second, without the creation of the exchanges, the concept of unemployment insurance could never have been put into practice. The labour exchanges became the administrative unit for the unemployment section of the National Insurance Act of 1911.

---

<sup>19</sup> Frederick Henderson initially supported some form of unemployment insurance up until 1911. However, once the government announced the National Insurance Bill, he reversed his position. In a letter to the *Times*, he condemned the Bill claiming that it would encourage malingering among workers and ruin British industry. "The Workmen's Compensation Act had done a great deal to encourage malingering and under the new measure the temptation to malingering would be much greater." [*The Times*, 6 May 1911, p.10]

Although Churchill piloted the Labour Exchange Bill through the Commons, the Act owes its authority to William Beveridge and the Permanent Secretary of the Board of Trade, Herbert Llewellyn-Smith. Of these two men, Beveridge was clearly the more influential. Beveridge began his campaign for labour exchanges while working as a journalist for the *Morning Post*. In 1906, he was made chairman of the Central (Unemployed) Body of London's Employment Exchange Committee. Aided by Nathaniel Cohen<sup>20</sup> and Sidney Webb, he began to make plans for a scheme of national exchanges.

The German network of social planning and national insurance played a major role in Beveridge's own plans. In the summer of 1907, he traveled to Berlin in order to conduct a personal appraisal of the German Employment Exchanges. Without any governmental support, he paid all of his own expenses. While in Germany Beveridge was invited by the Minister of the Interior, Bethmann-Holwegg, to examine the Imperial Insurance Office and the Imperial Statistical Office. Impressed by the efficiency of these institutions, upon his return to London in September, Beveridge praised the German system in an article for the *Morning Post*. [Beveridge, *Power and Influence: An Autobiography*, (1953), pp.54-61]

From February to April 1908, Beveridge was offered three positions on the Board of Trade, all of which he declined to accept. One of the positions was to make arrangements as to some memoranda on the Poor Law with a substantial annual salary of five hundred pounds. He rejected this offer claiming, "I should have accepted two hundred and fifty pounds for organising exchanges rather than five hundred for an enquiry at the present moment." [Beveridge, *Power and Influence*, p.61-76] Beveridge was determined to bring the concept of national labour exchanges into reality.

---

<sup>20</sup> Nathaniel Cohen set up the first voluntary labour exchange in England in 1885. [Beveridge, *Voluntary Action*, (1948), pp.223-224]

By March 1908, employment circumstances began to change for Beveridge. At a dinner party given by the Webbs, he was introduced to Winston Churchill. A recent convert to the Liberal Party, Churchill had been appointed to head the Board of Trade shortly before Campbell-Bannerman had resigned as Prime Minister to be succeeded by Herbert Asquith. At this gathering, Churchill indicated that he was inclined toward a labour exchange plan and discussed the possibilities of this with Beveridge. It is interesting to note that, from the entries made in their diaries of this occasion, neither Beveridge nor Beatrice Webb had a great deal of confidence or trust in Churchill. Mrs. Webb wrote that she thought Churchill might be going along with the idea of labour exchanges simply to stay within the ranks of the Liberal Party, [B. Webb, *Our Partnership*, (1948), p.404] and Beveridge noted that he was not impressed with Churchill's reputation for cleverness. [Beveridge, *Power and Influence*, p.62] On July 3, 1908, scarcely three months after this initial meeting, Beveridge was appointed to the Board of Trade to begin the work of establishing labour exchanges.

In 1909, Beveridge published his first major work, *Unemployment A Problem of Industry*. In this volume, he presented his arguments for establishing labour exchanges. He claimed that the exchanges would bring the buyer and seller of labour together, provide solutions to long term unemployment, and reduce the number of wasted man hours. With a national network of labour exchanges, employers could find a ready market of skilled men, and workers would not have to lose valuable hours and wages in the search for employment. In short, the exchanges would reduce the waiting period for both parties. Along with the possibility of administering a scheme of unemployment insurance, Beveridge believed that labour exchanges had two primary functions: decasualisation of employment and reducing the amount of employment competition within certain trades. It was intended that the labour exchange could check the chronic poverty of the casual labourer by limiting the number of men registered within a certain trade and concentrate the available work on them. [Beveridge,

*Unemployment: A Problem of Industry*, (1909), p.195-7] The specific case Beveridge had in mind in discussing this function was the East End London and Liverpool dock worker. Traditionally British dock workers have had a reputation as being notoriously underemployed, often only able to secure employment on a day to day or even hour to hour basis. [Harris, *William Beveridge: A Biography*, (1977) p.108]

Beveridge also envisioned a number of special uses for labour exchanges that would deal specifically with certain kinds of unemployment. He felt that they would be able to cope with the problem of seasonal unemployment by giving seasonal workers access to work in their off months. Moreover, since an organized labour market could more quickly adjust to changes in the industrial structure, Beveridge felt that the exchanges could deal more effectively with cyclical unemployment. In this case, men who had been displaced from their normal occupation, because of a trade depression, would be provided with guidance into a new occupation. He also believed that the exchanges would produce positive results for elderly workers, young people and the unemployable. Elderly workers could be eased into new positions when they grew too feeble to perform their present jobs. By connecting the activities of the exchange to the education provided in schools, the latter could give the necessary training for young people before they entered the labour market. With regard to the unemployable, the exchanges could filter out the unemployable from the employable. In Beveridge's own words; "These men [the unemployable] would be left for disciplinary or hospitable treatment under the law." [Beveridge, *Unemployment*, pp.201-215] Beveridge had very little patience with those who chose to be unemployed.

There was some fear among workers and trade unionists that the proposed labour exchanges would be detrimental to working class interests and contribute to declining wages. They observed that the exchange could be used by the employer as an available pool of 'black-leg' or 'scab' labour during

strikes or lockouts. Beveridge did not agree with this observation. He insisted that the exchanges were to guarantee strict neutrality in all labour disputes. Employers were not be allowed to use the exchange in seeking black-leg labour. In order to secure the full co-operation and support of trade unions in his scheme, Beveridge stated that workers registered at the exchange would be permitted to refuse any job offer that paid less than the union rate. [Royal Commission on the Poor Law, *Minutes of Evidence*, (1910) question 77832, paras., 52-76]

It was no coincidence that Beveridge's arguments for for labour exchanges echoed similar arguments made in the Minority Report. Throughout his career as a social reformer, Beveridge maintained a close working relationship with the Webbs. Even during the tenure of the Royal Commission on the Poor Law he was in constant contact with them. While preparing their report the Webbs often consulted with Beveridge over the issue of exchanges. In his autobiography, Beveridge remarked, "Sidney put labour exchanges in his own form attributing the original idea always to me." [Beveridge, *Power and Influence*, pp.66-67]

The Labour Exchange Act is a relatively brief piece of legislation. Consisting of only six clauses, the Act put the entire responsibility of administration in to the hands of the Board of Trade. Briefly stated, it empowered the Board to establish exchanges where it thought necessary, take over existing exchanges created by local or private authorities, and to make general regulations for the management of the network. [*Law Reports*, Labour Exchange Act (1909), pp.38-40] The only issue of contention presented during the debate of the Bill was that it made registration at the exchanges voluntary. Many Labour M.P.s along with the Webbs insisted that if the exchanges were to be effective, registration must be compulsory for both the worker and the employer.

On February 10, 1910, the Labour Exchange Act came into effect. From this time on, the number of exchange offices expanded rapidly. Beginning with only sixty-one offices throughout the

United Kingdom, four years later, four hundred and thirty-one offices had been established registering two million workers. The immediate results of the Act were not as positive as expected. The exchanges did not increase the volume of available employment and, thus, did not make significant strides in reducing the unemployment in pre-war Britain. Workers often complained that the offices were located in inaccessible areas, [Showler, *The Public Employment Service* (1972), p.21] and a large number of employers would not stoop to using exchanges, on the grounds that the class of labour secured through the exchanges would be of the type usually associated with relief committees. [Rowntree, "The Advantage of the Labour Exchanges to the Large Employer", *Report of the National Conference on the Prevention of Destitution* (1911), p.413]

It would be a mistake, however, to conclude that the Labour Exchange Act was ineffective in dealing with unemployment. The exchanges did produce important and beneficial results. As hoped, they were moderately successful in increasing worker mobility. On May 30, 1911, at the National Conference on the Relief of Destitution, Charles E. Rey, the first general manager of the Labour Exchanges, presented a paper on the work of the exchanges. In this paper he claimed that during the first nine months of operation the exchanges provided loans to four thousand workers to pay for travel expenses in the search for employment. [*Report of the N.C.R.D.* (1911), p.402] However, the most important value of the exchange was as a source of information. By accurately registering the number of jobless workers, the labour exchanges provided the government for the first time with the statistics to comprehend the overall unemployment situation and prepare the ground work for unemployment insurance.

The arrival of war in August of 1914 brought another duty for the Labour Exchanges, one probably not envisioned by the Webbs or Beveridge. They took on the task of mobilizing men for the Army Reserve. The Exchanges selected and supplied the labour required for the construction of camps

and the manufacture of military equipment and munitions. They also brought Belgian Refugees and workmen from Canada, South Africa and Australia into the labour force. [Cheggwidden and Myrddin-Evans, *The Employment Service of Great Britain* (1934), pp.70-71]

*Part II of the National Insurance Act: Unemployment Insurance*

Preparations for the introduction of an unemployment insurance scheme began almost immediately after the passage of the Labour Exchange Act. Referred to as Part II of the National Insurance Act (Part I being health insurance), unemployment insurance has been heralded to as "the boldest experiment of the entire period of New Liberalism." [B.B. Gilbert, *British Social Policy, 1914-1939*, (1970) p.527] By implementing a national insurance plan for health care and unemployment, Asquith's Liberal Government formally abandoned the principles invested in the 1834 Poor Law. It was also clear that Parliament accepted the argument put forward by Beveridge and the Webbs that unemployment was not the result of voluntary idleness, but an inherent condition of an industrial society.

Before discussing the first unemployment insurance scheme, it should be noted that this abandonment of the 'principles of 1834' is extremely important in the history of British social policy and must not be underestimated because it is here that the difference between nineteenth and twentieth century attitudes toward unemployment can be observed. In order to see this change in attitude one must briefly refer back to the Poor Law of 1834. G.D.H. Cole possibly best described the ideology of the Poor Law when he wrote,

The authors of the Poor Law attempted to deny that involuntary unemployment could exist at all. Every unemployed man could find some competitive capitalist to employ him if he would only accept a low enough wage.[Cole, *The Story of Fabian Socialism*, (1943) p.76]

Even though Cole was a socialist, and his summation of the Poor Law could be considered biased, it remains extraordinarily accurate. This institution was used by employers to keep wages down. Through the establishment of a national unemployment insurance scheme, the Liberals rejected this theory and offered a temporary security of income with a protection against declining wages. In short, it would prevent the devaluation of labour.

As with labour exchanges, unemployment insurance was mainly the result of efforts made by Beveridge and Llewellyn-Smith. However, while the former was primarily responsible for the exchanges, unemployment insurance has been described as a team effort. Another important distinction was in the presidency of the Board of Trade. In February 1910, Churchill left the Board of Trade and was replaced by Sir Sidney Buxton. The latter gave almost complete autonomy to Beveridge and Llewellyn-Smith. In preparing a Bill for unemployment insurance, Beveridge was put in charge of establishing the theoretical and economic aspects of the scheme while Llewellyn-Smith created the memoranda for unemployment insurance.<sup>21</sup> [Beveridge, *Power and Influence*, p.81]

Neither Beveridge nor Llewellyn-Smith entirely favoured the German or 'Bismarckian' model of insurance for Britain. Essentially, they did not wish to associate themselves or their legislation with the institutions of autocratic Germany. Furthermore, while Imperial Germany did have a national insurance plan which provided for Workmen's Compensation, disability, health care and old age pensions, it did not provide for insurance against unemployment. Because of this, Beveridge claimed that unemployment insurance was entirely original to Britain. He stated, "Compulsory insurance

---

<sup>21</sup> Of the two men, Llewellyn-Smith has been considered the more conservative in his approach to social policy reform. While Churchill was President of the Board of Trade, Llewellyn-Smith saw his role as easing Churchill away from the influence of the Webbs.[B.B. Gilbert, "Winston Churchill Verses the Webbs" *American Historical Review*, LXXI (1961), p.851]

against unemployment owed nothing to any working model in Germany or elsewhere, it was solely the product of hard work on the Board of Trade." [Beveridge, *Power and Influence*, p.80]

Beveridge was not entirely truthful in making this claim. The first unemployment insurance plan was actually established in 1894 in the canton of St. Gall Switzerland. This scheme turned out to be a dismal failure. Having neither the support of the workers nor the employers, it was dismantled in 1896. Even though the St. Gall plan was unsuccessful, its operational records were examined by the Royal Commission on the Poor Law.[I.G. Gibson, *Unemployment Insurance*, (1911), p.40] Also, Beveridge borrowed from the German system of national insurance the idea of exacting contributions from employers and employees, and he used the British trade union schemes as working models. One of the key features Beveridge took from the trade union schemes was the idea of limiting the number of benefits to a certain number per year and establishing a ratio of benefits to contributions. Initially, Llewellyn-Smith rejected these two conditions, but, by claiming that they would prevent malingering, Beveridge managed to persuade him into accepting them. [Beveridge, *Power and Influence*, p.82]

The unemployment insurance scheme planned by the Board of Trade was based on two principles: it was to function as insurance, and it was to be contributory. Beveridge insisted that workers must be compelled to contribute to the scheme in order to avoid the degenerating and degrading stigma of charity that had been a characteristic of the Poor Law relief system.<sup>22</sup> Workers, by contributing to a national unemployment fund would have more input into the system that administered to their relief and, therefore, a legal right to manage their own lives while unemployed.

---

<sup>22</sup> Robert Roberts, author of *The Classic Slum: Salford Life in the First Quarter of the Century*, (1971) wrote "Workhouse paupers hardly registered as human beings at all. Even late in the nineteenth century able-bodied men from some Northern poorhouses worked in public with a large P stamped on the seat of their trousers. This not only humiliated the wearer but prevented his absconding to a street market where he could have exchanged his good pants for a cheap pair -with a cash adjustment." [p.21]

Beveridge also believed that insurance would be more economically advantageous than charity. Since employers and workers contributions would make up approximately two thirds of the insurance funds, the expenses would not have to be exacted out of the local rates. Finally, Beveridge justified the plan by drawing attention to the success of the trade union schemes. He pointed out that workers covered by trade union benefits rarely made applications to local Distress Committees for aid, and that trade union insurance schemes were extremely flexible in that no accidental stoppage of work was too small for them to handle.[Beveridge, *Unemployment*, pp.224-7]

Beveridge initially faced considerable opposition within the Board of Trade against his contributory scheme. On the radical side of the political spectrum, critics argued that unemployment was an accident of industry and should be compensated entirely by the employer. On the conservative side, critics argued that it was a personal problem and that it was the responsibility of the worker to maintain himself while he was unemployed. Still others, possibly those more paternalistically minded, claimed that unemployment was a national problem and, therefore, the cost of insurance should be met entirely by the state.[Beveridge, *Power and Influence*, p.85] Essentially, by encouraging the tripartite contributory system Beveridge combined the three attitudes into his plan and shouldered the burden of maintaining the insurance fund on the three interested parties.

On January 9, 1911, Asquith informed the King of the government's intention to introduce the National Insurance Bill into Parliament during the spring session. He told George V that he had decided to combine the two areas of insurance, health and unemployment, into a single piece of legislation. The only member of Asquith's cabinet who opposed this decision was Churchill who, as Home Secretary, believed that employment and health care were two different matters and, therefore, the legislation would be more effective if it was separated. [Kenneth Brown, *Labour and Unemployment*, p.145]

Late in the afternoon of May 4, 1911, the National Insurance Bill was given its first reading in the House of Commons by the Chancellor of the Exchequer, David Lloyd George.<sup>23</sup> The time of the Bill's introduction was carefully planned by the government. It was read during one of the most difficult Parliamentary sessions for the Liberals. While the Insurance Bill was being discussed, concurrent debates were taking place over the Parliament Act and the Women's Enfranchisement Bill. In his opening remarks Lloyd George alluded to this predicament when he said,

I think it must be a relief to the Members of the House of Commons to turn from controversial questions to a question which at any rate has never been a subject of controversy between the parties of the state. [*Hansard*, 25 H.C., Deb. 5s (May 4, 1911), p.609]

The National Insurance Bill actually served to deflect the constant attack on the Liberal Government by the Conservative opposition and to restore some moments of harmony to the daily business of Parliament.

The unemployment insurance portion of the Bill has been looked upon as being purposely experimental. Its initial application was limited to only one sixth of the entire working population, specifically, to six trades suffering from the most severe fluctuations in employment during trade depressions. The trades to be covered by social insurance were to be building construction, shipbuilding, mechanical engineering, iron-founding, construction of vehicles, and sawmills. Textiles and coal mining were excluded from the scheme on the grounds that unemployment in these industries

---

<sup>23</sup> Initially, Churchill wanted to be the Minister to bring in the National Insurance Act. When he was told that the task was to be given to the Chancellor of the Exchequer he remarked, "Lloyd George has taken all the plums." Since he disagreed with the combination of health and unemployment insurance, it is difficult to imagine why Churchill wanted to introduce the Bill. Perhaps, he simply wanted to be associated with creating popular legislation. As we shall see, throughout his political career, Churchill often erroneously claimed that he was the founder of Britain's National Insurance scheme.

was considered to be negligible and not affected by trade depressions. At one point Lloyd George claimed that the scheme would cover three million workers. However, the 1911 scheme only applied to two and a quarter million.<sup>24</sup>

As proposed by Beveridge, the unemployment insurance scheme was to be founded on a compulsory tripartite contributory system. All workers within the affected trades, and over the age of sixteen, would have to make weekly contributions of two and a half pence at the Post Office. Employers would have to make identical contributions for each of their employees; however, they could compound their payments. The state was also obliged to make a weekly contribution of one and two thirds pence for each employee. The government justified their smaller contribution on the grounds that they would be meeting the expenses of administering the scheme.

The Bill declared that the benefits were to be graduated according to the age of the worker and the amount earned before becoming unemployed. Although employees were compelled to contribute to the scheme from the age of sixteen, they could not receive a benefit until they were eighteen. Unusually, for this period of time, women were neither excluded from the scheme nor discriminated against with smaller benefits. Parliament did not exclude women because they believed that the number of women employed in insurable trades was negligible. Nevertheless, once the unemployment programme was brought into operation, over ten thousand women were found to be covered by insurance.

Payment of unemployment benefits under the Bill were limited to fifteen weeks per year with a waiting period of six days before receiving first payment. Also, one payment would be made for every five contributions. In order to make a valid application for benefits the worker had to prove that he had

---

<sup>24</sup> Lloyd George made this announcement in July 1910 - five months prior to the introduction of the Bill. [I.G. Gibbon, p.41]

been in an insurable trade for not less than twenty-six weeks in the past five years and that he was capable and available for work.

The unemployment section of the National Insurance Bill outlined six conditions for which an insured applicant could be refused benefits. Briefly stated, these were as follows: if the applicant earned over one hundred and sixty pounds in the year previous to him becoming unemployed; if the applicant was already receiving benefits under the health insurance section of the National Insurance Act; if the applicant was an inmate of a prison, workhouse, or receiving outdoor relief under the Poor Law; if the applicant was unemployed because of a trade dispute; if the applicant was dismissed from his employment because of his own misconduct or drunkenness; or if the applicant refused work at a suitable wage from the labour exchange. However, if an insured worker left his employment voluntarily, he was not disbarred from receiving unemployment benefits; instead, his payments would be delayed for six weeks.

In order to prevent arbitrary and unfair disbarment of an applicant by an insurance officer, Llewellyn-Smith devised two channels of appeal - the Court of Referees and the Umpire. Under the guide-lines of the Court of Referees, the applicant had to present his case within twenty-one days of disbarment. [Cohen, *Unemployment Insurance and Assistance in Britain* (1938), p.122] The membership of the Court was to represent the three contributing parties of the scheme. Workers and employers were to make up the body of the Court with a member of the Board of Trade appointed chairman. [Law Reports, National Insurance Act: Part II Unemployment Insurance (1911) clause 90, p.426] Cases requiring further appeal were to be judged by the Umpire. The latter was to be an officer of the Crown independent of the three interested parties. Here, petitions could be presented by insurance officers, employers and workers within six months of a decision by the Court of Referees. [Ibid., clause 89, p.426]

Finally, the last two distinctive features of the first unemployment scheme were the clauses allowing for refunds and the creation of a concurrent and voluntary scheme of insurance. With regard to refunds, the government agreed to return the funds paid into the scheme by workers and employers provided that the insured applicant reached the age of sixty without claiming an unemployment benefit. [Ibid., clauses 94 and 95, p.430] The voluntary insurance scheme was modeled after the Ghent system. In trades not covered by compulsory insurance, the state agreed to contribute one sixth of the amount paid in unemployment benefits by the voluntary insurance associations, provided that the benefits did not exceed twelve shillings a week. [*Unemployment Benefits and Insurance* (1931), p.31] The voluntary scheme only remained part of the 1911 scheme and in the following legislation was slowly phased out of existence.

The Common's initial reaction to the first reading of the National Insurance Bill can be described as one of welcoming acceptance, but with some reservations. While there was some criticism over points of the Bill, it would be difficult to claim that any leading member of the House openly opposed the legislation. A Conservative member, Austen Chamberlain, welcomed the Bill, but he regretted that it combined invalidity insurance and unemployment insurance into a single piece of legislation. John Redmond, the leader of the Irish Nationalist Party, called the Bill "magnificent and noble", but he reserved comment on its applicability for Ireland. The leader of the Labour Party, Ramsay Macdonald, also accepted the proposed legislation and commended the government for introducing the Bill, yet claimed that there would be points which would have to be amended. [*Hansard*, 25 H.C. Deb. 5s, pp.644-657]

The National Insurance Bill also found approval among leading industrialists. Sir Charles McLarn, chairman of the Metropolitan Railway, claimed that the burden imposed by state insurance must fall on the manufacturers, but did not think the additional charge would be of much consequence.

W.H. Lever, the soap manufacturer, considered the scheme generally sound and thought would do incalculable good for the country. [*Times*, May 5, 1911, p.14]

It would be misleading, however, to state that the Insurance Bill had no enemies. Leaders of the friendly societies strongly opposed the scheme. With particular regard to the invalidity insurance section, they felt the National Insurance Bill would bring about the "death knell" of the friendly society operations. Davison-Dalzeil, a Conservative Member of Parliament and Chairman of the General Motors Cab Company, also opposed the insurance plan. He claimed the contributions exacted out of workers and employers amounted to a direct tax on both parties and would result in an inflation of prices. Finally, there was not complete support for the plan from within the trade union movement. W.A. Appleton, secretary of the General Federation of Trade Unions, argued that the state contributions were inadequate for the successful operation of the scheme. At the same time he argued that, the Bill was unfair in excluding mine and textile workers because these workers would be paying, in part, for the state contribution through their taxes. [Ibid.]

Possibly, the most potent and constructive criticism of the unemployment section of the Bill came from the Labour Party. Although the majority of this party basically supported the principle of unemployment insurance, during the debates they drew attention to some of the weaknesses and ambiguities of the proposed legislation. They attacked the vagueness of the clause which stated no benefit would be paid to those who turned down work at a fair wage without defining what that was. Their second criticism concerned the trade dispute clause. The Insurance Bill did not specify if the unemployed applicant had to be directly involved in a trade dispute in order to be disbarred from receiving a benefit. The Liberals attempted to avoid this criticism by stating that the sole purpose of the unemployment insurance scheme was to aid legitimate workers during periods of trade depression and *not* to provide funds for strikes. Finally, Labour's third criticism dealt with the proposed graduation

in the rate in benefits. Under the Bill, certain 'less skilled trades', such as the building trade, would receive a considerably smaller unemployment settlement than the engineering trade. In this matter, the Labour Party suggested a flat rate for all unemployed insured workers. [Brown, *Labour and Unemployment 1900-1914*, (1971), pp.146-147]

The issue of worker's contributions became a point of contention within the ranks of the Labour Party. While the majority of the party, led by MacDonald and Arthur Henderson, agreed with the contributory principle - provided it was graduated according to income - other Labour Members disliked the concept altogether. Those supporting non-contributory insurance had the support of the Fabian Society and the leaders of the Independent Labour Party: Keir Hardy and Philip Snowden. During the debate over National Insurance, Keir Hardy introduced a private member's bill titled The Right to Work Bill. This Bill called for the government to provide either employment or complete maintenance for unemployed workers. [*The Times*, May 11, 1911, p.4] Included in this proposal was a clause that would make deductions from worker's wages, by either the government or employer, illegal. Without the support of Macdonald or Henderson, the government gave very little consideration to the Independent Labour Party's proposal.

The National Insurance Bill was debated in the Commons until December 6, 1911. On this date it passed third reading with a substantial majority of three hundred and twenty-four to twenty-one. It certainly seems from *Hansard* that, while the majority of Conservatives did not oppose the legislation, almost all of them refrained from voting in the final division. [*Hansard*, 32 H.C. Deb. 5s, pp.1527-1530] The Bill also managed to pass relatively unscathed. Between its introduction and passage the only substantial amendments made to it came from the suggestions made by the Labour Party. Benefits for all insured workers were made uniform at seven shillings a week. The contributions for youths and apprentices were graduated and reduced. The benefit age was lowered from age eighteen to

sixteen and made uniform at three shillings and six pence a week. The disqualification because of trade dispute was made more specific. In this case, a worker would have to be directly involved in the dispute in order to be inapplicable for a benefit. [*Law Reports*, National Insurance Act: Part II, Unemployment Insurance (1911), clauses: 85, 86 and 87, pp.423-44]

On July 15, 1912, the Post Office, with the authority of the Board of Trade, began the process of collecting contributions from workers and, in mid-July 1913, the first benefits became payable. Until the outbreak of the First World War, the financing of the unemployment insurance scheme was extremely successful. During the month before the outbreak of the War, the unemployment insurance fund was found to have a credit of three million two hundred thousand pounds with a total expenditure, in the eighteen months of operation, of only one million two hundred thousand pounds.[Cohen, p.19] The success of its financial position was probably a result of the fact that, between the introduction of the scheme and the War there were no trade depressions and unemployment was at its lowest point since the beginning of the century.

### *Conclusion*

The creation of the unemployment insurance scheme represents a significant departure in the British Government's traditional treatment of unemployment and poverty. With this Act, Parliament began to use its legislative authority to redistribute income, albeit, on a very limited and experimental scale. Admittedly, this premise that National Insurance was a method of income redistribution is debatable. It has been argued that, because the scheme was a self-financing operation, it could not be regarded as income redistribution. Had the contribution system been confined to the employer and the employee, this argument would certainly prevail. However, once the Liberal Government included

the state in the contribution scheme, it set the precedent for using Treasury resources to supplement workers during periods of unemployment and, hence, produced a system of income redistribution.

The Liberals also radically altered the basic proviso behind the nineteenth century Poor Law, namely that applicants had to be entirely destitute, both financially and materially, in order to receive public support. Previous to unemployment insurance, a pauper could only receive relief if he could prove to the Board of Guardians that he had no income, property, or saleable goods. Essentially, the unemployment insurance scheme reversed these conditions. The main intention of the insurance plan was to provide assistance to the unemployed and infirm worker before he reached the state of irreparable destitution.

Finally, as has been mentioned before, by creating insurance for unemployment the Liberal Government rejected the idea that all poverty was the result of a flaw within the character of the individual. This does not mean to say that in 1911 Parliament changed its collective mind as to the causes of poverty. This change was a slow and evolutionary alteration. After the passage of the National Insurance Act, the Poor Law (renamed Public Assistance) remained in effect relatively unchanged and it would be another thirty-four years before the last workhouse in Britain closed. Nevertheless, what began to emerge in the early part of this century was the idea the poverty *could* be the result of problems within the national economy. Throughout the discussion of National Insurance, the issue of trade depressions was constantly being referred to as the major cause of industrial unemployment.

The introduction to this chapter suggested that the legislation brought into Parliament by the Liberals between 1906 and 1911 set the stage for twentieth century politics. This is certainly true in the case of social legislation. Social policy, after this period, became a much more important issue within the spectrum of British politics. The general election of 1906 was fought without confrontation over

social policy. Henceforward, social legislation is a major issue in every general election. Also, the social legislation of the pre-war era changed the priorities of government. Labour exchanges, unemployment insurance along with health insurance, and old age pensions absorbed a large proportion of Parliament's time and money. These twentieth century services required a much larger and more efficient civil service than had ever been needed in Britain during the nineteenth century. In short, it was clearly recognized that the state would play a much larger role in lives of individuals.

The pre-war years is a very peculiar period in British history. Confined between such momentous ages of Victorian expansion and inter war depression, the years before the Great War stand out like an island belonging wholly to itself. Popular novelists and historians seem to have grossly distorted the picture this period by looking at it as a 'golden age' that was destroyed by a world war. They tend to over-emphasize Britain's economic power, a growing Empire, a beloved and respected monarchy, and an affluent upper class.<sup>25</sup> In reality they are only looking at the interests that concern a minute portion of British society - perhaps, less than five percent of the entire population. Only briefly do popular novelists ever refer to the harsh conditions of Edwardian life: the overflowing workhouses and casual wards, the difficulties of finding employment and decent housing, or the possibility of surviving on a five shilling a week pension. These conditions were certainly prevalent before the First World War and, if anything, they simply become more accentuated during the inter-war years.

---

<sup>25</sup> I am referring to such works as *Upstairs Downstairs*, *The Duchess of Duke Street* and David Butler's 'biographies' of Edward VII which have been made into television productions by the BBC. Although they may have entertainment value, they are a poor reflection of the conditions of domestic service. The authors of these works attempt to portray the life of the servant as being one of pleasant comfort, security and paternalism. In reality, it was considerably different. The hours of work were extremely long, often beginning before the family was awake and ending after the family had gone to bed - six and a half days a week. Furthermore, their lives were confounded by strict moral and social control imposed by their employers. As to security and paternalism - it was well known that a clear majority of London's prostitutes started out in service.

*The men had been welcomed back from the Great War to a land fit for heroes. But as they said at the time, 'You'd need to be a bloody hero to live in it!' [Nigel Gray, *The Worst of Times*, (1985), p.201]*

### *A Nation Changed*

The nation which emerged from the war in the autumn of 1918 was very different from that which had embarked on it four years earlier. The previous chapter has shown that society, politics, and economy were changing in Britain before the Great War began, so it would be more accurate to describe the conflict as the accelerator of change rather than its cause. Nevertheless, there can be no doubt that the added experience of war had a profound affect on all aspects of life in the period that followed.

The effect of the war was most obvious in the arena of politics. The Liberal Party, whose vast majority of 1906 had been whittled down in the pre-war years, collapsed under a wartime coalition government and never again achieved a majority in the House of Commons. Political parties ceased to be representative of the nation at large and polarised along lines of class. By the end of the war, the Conservative Party represented the business community and the Labour Party had established itself as the Parliamentary voice of the trade union movement and the majority of the working class. [Checkland, *British Public Policy*, pp.282-283] As the 'national second choice' the Liberal Party was reduced to third place in all general elections after 1919.

Although there was a brief period of prosperity from 1918 to 1920, the first decade of the inter-war years was most notably marked by the sharp decline in Britain's economic situation. The war

not only cost Britain dearly in manpower;<sup>1</sup> it also devastated the country's financial position, which had already been weakened by a series of turn of the century trade depressions. In order to purchase much needed wartime materials, Britain was forced to liquidate portions of its overseas investments, thus incurring a substantial loss in guaranteed foreign markets. The economic situation was further compromised by the heavy reparations exacted out of Germany. Under the conditions of the Treaty of Versailles, Germany was allowed to pay for war damages in kind. This meant that German products such as coal, steel, and heavy machinery were being delivered to the European nations most adversely affected by the war without charge. Because Germany was able to export these goods at ridiculously deflated prices, they undercut Britain's export market in the same products. Furthermore, the Empire failed to provide economic security. In the aftermath of the war, the dominions - Canada, Australia, New Zealand, and South Africa - no longer saw themselves as dependents of the United Kingdom and began to assert themselves as independent partners within the Empire, often competing with the mother country for shares in the world market. Even the more dependent colonies, such as India and Egypt, discovered that they too could successfully compete against British industries, particularly in the textile

---

<sup>1</sup> In actual figures, Britain lost 3,345,000 members of its labour force because of the war. This number includes soldiers, killed or disabled, civilians, male and female, and those diverted from their regular employment due to the war effort. [*Beveridge Papers* III 51, *Economic Costs of the War: Labour Balance Sheet* (Summarised Statements), 1923]

trade. It is mainly because of the loss of world markets that Britain's staple industries suffer serious declines during the inter-war period.<sup>2</sup>

Intangible changes in social attitudes are considerably more difficult to pinpoint and define than changes in politics and economics. The First World War did, however, decidedly alter the nation's perception of the working class and its place in British society. By invoking conscription in 1916, Parliament converted the First World War into a war mainly fought by the working class. Conflicts between nations could no longer be waged by a professional soldiers but needed the forced induction of working class males directly into military services. In order to wage total war, Parliament had also to legislate the conversion of civilian industry to wartime production. This required a large proportion of the labour force to be reassigned into the production of munitions and military equipment. With this legislation, Parliament was forced to acknowledge that the condition of the working class was important to national security and that it must recognise the needs of this class once the war was over.

#### *Wartime Amentments*

---

<sup>2</sup> On January 1, 1924, the Minister of Labour, C.A. Montague Barlow, presented a paper to the cabinet entitled *Special Report on Unemployment*. In this paper the minister drew attention to the industries and districts with the highest levels of unemployment. Most of these industries were located in the North and Northeast. They included mining; both coal and metal, iron and steel, shipbuilding, general engineering and textiles. The minister accounted the for the unemployment in these industries because of the decline of export markets. [*Baldwin Papers*, C.P. 487 (23) Dec.1923, Ministry of Labour *Special Report on Unemployment* No. 99] In a similar report given in 1925, the minister pointed out that certain industries, which did not face export competition, were showing signs of improvement. For example, electrical engineering, the building trades, and the motor car industry had very little unemployment. Social and economic historian Maurice Bruce also noted that, "Of the old staple industries on which Britain's international economic position had been built up, cotton exports by the late 'twenties had diminished by nearly one half, wool and coal by nearly one third and iron and steel by one tenth." [Bruce, *The Coming of the Welfare State* (1961) p.199]

The first amendment to the unemployment insurance scheme was made during the second year of the war. On July 19, 1916, Asquith's Coalition Government passed the Munitions Workers Act.<sup>3</sup> This amendment extended the scope of unemployment insurance to all manual workers wholly and partially connected with the production of war materials. This included munitions workers along with those engaged in the manufacture of chemicals, rubber, leather, and building materials. On the surface, it seems as if this amendment was designed to break down the experimental character of the 1911 insurance legislation and make unemployment insurance universally available. However, Parliament had no intention, at this time, of making the Munitions Workers Act permanent. Benefits to workers in the aforementioned trades were to expire in 1921, and the scheme would revert back to its original conditions. [*Law Reports, National Insurance Part II, (Munitions Workers) Act (1916)*, pp.43-45] Nevertheless, this legislation did extend the conditional right to receive benefits to a further one and a half million employees - nearly a quarter of whom were women. [Gilson, p.44] Although it was the intention of Parliament to bring all those whose employment was considered crucial to the war effort into the category of the insured, textile workers were excluded from the scheme. This was because employers and employees within the cotton and woollen trades petitioned the Ministry of Munitions to be kept out of the scheme.

William Beveridge had a considerable input into the creation of the Munitions Workers Act. In the spring of 1916 he was transferred from his position on the Board of Trade to the Ministry of Munitions where he was made responsible for plans to deal with unemployment in the post war years.<sup>4</sup>

---

<sup>3</sup> The complete title of the Act was National Insurance (Part II) (Munitions Workers) Act 1916. However, for purpose of clarity, this Act is most commonly referred to as the Munitions Workers Act.

<sup>4</sup> Before transferring to the Ministry of Munitions, Beveridge was preparing memoranda for the Board of Trade. His position involved developing an employment scheme for injured servicemen after the war.

This Ministry, in conjunction with the Board of Trade and the Ministry of Reconstruction, wished to generalise the unemployment insurance scheme and to bring more employees into the fold of insured trades, albeit for a limited period of time. [Beveridge, *Power and Influence*, p.138] Forecasting high levels of industrial unemployment during immediate post war period, these Ministries prudently insisted that the Act had to be passed during the war in order for there to be ample time to build up the necessary capital to finance the expanded scheme.

Although Beveridge was influential in preparing the Munitions Workers Act, he had little control over the results of the legislation once it had been enacted. For one thing, he claimed that he urged the Ministry to reject the textile trades' demands to be excluded from the scheme. He was certain that, because of inevitable decline in trade once the war was over, the textile trade would eventually have to be brought into the unemployment insurance scheme. Later on Beveridge observed that a grave mistake had been made because the textile workers were outside the scheme, saying "employers and work people engrossed in [wartime] prosperity would not look past their noses." [Beveridge, *War and Insurance*, pp.232-233]

The passage of the Munitions Workers Act occurred within a year of the passage of two of the most significant pieces of legislation made during the First World War - the Munitions of War Acts of 1915 and 1916. On July 2, 1915, Parliament passed the first Munitions of War Act "to make provisions for furthering the efficient manufacture, transport, and supplies for the present war." [*Law Reports*, Munitions of War Act (1915-16), pp.96] This initial Act dealt mainly with the conduct of workers during wartime conditions. Under this legislation, strikes were prohibited and all labour disputes had to be resolved by binding arbitration. Seven months later, in January 1916, the second

---

While he was performing this task, Beatrice Webb offered her assistance as a consultant. [Beveridge *Papers*.II 6, 67, Letter from B. Webb to W. Beveridge, 18 January, 1916]

Munitions of War Act was passed. This Act extended the power of the Minister of Munitions, at the time Lloyd George, by giving him complete control over the management of industries he deemed crucial to the war effort. In effect, he would have a vertical hold over the industrial economy from the workshop floor to the executive office. Not only could the minister determine the production quotas and use of available resources, but he could also establish the wage scale for the worker and the profit margin for the manufacturer. For the remainder of the war the Minister of Munitions, with the exception of the Prime Minister, was the most powerful and influential member in the cabinet.<sup>5</sup>

The linkage between the Munitions of War Act and the extension of unemployment insurance is not entirely obvious. Unfortunately, there is no Parliamentary record, either in the form of *Hansard* or Cabinet Papers, which provides absolute proof that these two pieces of legislation were officially connected. Upon a close examination of these two Acts, however, there does seem to be a logical connection between the two which shows that the Munitions Workers Act was indeed influenced by the Munitions of War Act.

For the purpose of empirical argument, first consider the timing and scope of the two Acts. Beveridge was commissioned to prepare memoranda for an extended unemployment insurance scheme almost immediately after the second Munitions of War Act came into effect. This suggests a need, recognised by the Ministry of Munitions, for an insurance scheme which would deal specifically with the increased number of workers employed in the production of military equipment as a result of the

---

<sup>5</sup> It is interesting to note that, the Ministry of Munitions was the first official ministry in the British Government. A.J.P. Taylor wrote, "Until 1915 British ministers were secretaries, first lords, presidents of boards. The first avowed minister was the minister of munitions, Lloyd George." [A.J.P. Taylor, "Lloyd George: Rise and Fall" *Essays in English History* (1961), p.258n] It is also important to note that two of the men who held this office later became Prime Ministers: Lloyd George and Winston Churchill. This ministry was not reestablished during the Second World War.

Munitions of War Act. Also, like the Ministry of Munitions itself, the two Acts were limited in their duration. The Munitions of War Act would become ineffective once peace was declared and the Munitions Workers Act was intended to expire in 1921. Second, examine the two Acts simultaneously. There seems to be a definite exchange between Parliament and the employees with regard to workers' rights. Whereas the Munitions of War Acts took away the right to strike, the Munitions Workers Act gave the employee a statutory right to receive a benefit. Finally, notice where the two Acts originate. Had the Munitions Workers Act been prepared by the Board of Trade, as the first unemployment insurance legislation had been, the timing of the two Acts could be thought to be a coincidence. However, both Acts were the creation of the Ministry of Munitions and, therefore, it would be highly unlikely that the Ministry of Munitions was not consciously aware of the conditions established in the Munitions of War Act when it came to prepare the Munitions Workers Act.

The next major development in the unemployment insurance scheme occurred within hours after the Armistice ending the First World War was signed. On November 12, Christopher Addison, the Minister of Reconstruction, and Andrew Bonar Law, the Chancellor or the Exchequer, requested Parliament to grant their Ministries a Vote of Credit worth seven hundred million pounds. They explained to the Commons that this sum of money would be necessary to defray the costs of demobilising the military, to redevelop trade and commerce, and to provide relief from destitution. [*Hansard*, 110 H.C. Deb. 5s (Nov. 12 1918), p.2568] Therefore, it was under the argument of providing relief from destitution that the Out of Work Donation scheme was established.

The Out of Work Donation represents the first significant departure from the original unemployment insurance scheme. It was never written into statutory form and always remained part of the vote of credit. Also, it did not follow the essential principle of insurance in the fact that it did not

require the recipients to have made any contributions. It was simply a 'gift' of Parliament, paid by the Treasury and financed out of general revenue. Historians, however, have tended to treat the the Donation scheme as an crucial part of the unemployment insurance plan this is mainly because, like unemployment insurance, it was administered through the Labour Exchanges, and for the same purpose as insurance. For example, payments of Donation benefits were limited to a specific time period and the amount was uniformly established. Furthermore, the Out of Work Donation was not intended to become charity as was the case with The Poor Law. Its purpose was simply to give the recipients the opportunity to find employment without becoming destitute. Furthermore, the vote of credit was the first instance of deficit financing with regard to unemployment insurance. The post First World War government simply did not have the immediate funds to pay for an expanded programme.

The Donation was only applicable to unemployed non-commissioned ex-servicemen and civilians displaced from their employment because of the cessation of the war. It did not apply to commissioned officers. These men, employed or otherwise, would receive a special gratuity paid directly from the War Office. [*Hansard*, 110 H.C. Deb. 5s (Nov. 12, 1918), p. 2592] Under the scheme outlined by Addison on November 12, civilians would receive thirteen weeks of benefit and ex-servicemen would receive twenty-six weeks, at the rate of twenty-four shillings a week per man and twenty shillings a week per woman. These initial conditions were short lived. On November 27, the duration for receiving benefits was extended to twenty-six weeks for civilians and fifty-two weeks for ex-servicemen, and, on December 12, Parliament increased the rate of benefit for both men and women by five shillings. This made the benefits for the Out of Work Donation considerably more generous than those under the statutory unemployment insurance scheme.

There seem to be two explanations as to why the Out of Work Donation was established. The first explanation was that provided by the Coalition government itself. Because of the anticipated high levels of post war unemployment, some sort of mechanism had to be created to come to the aid of uninsured demobilised ex-servicemen and civilian workers. Addison remarked in his speech before the Commons that he expected over one million workers would require a change in occupations after the war. [*Hansard*, 110 H.C. Deb.5 p.2592] Apparently, Parliament did not want the 'heroes' of the war having to apply for Poor Law relief and charity.

While this explanation may explain why the the Out of Work Donation was introduced, it does not adequately explain why the Donation was established on such generous terms. For this explanation we must turn to Wal (Walter) Hannington, the chief spokesman for the British Communist Party and the leader of the National Unemployed Workers Movement during the inter-war years. He claimed that the Donation was established mainly because the government feared a post war working class rebellion.

The government became very nervous about social unrest. Added to the signs of discontent among the British Troops and the rapid spread of revolutionary ideas amongst the workers in the factories, came the shock of the German Revolution in November. So, quickly following the introduction of the Donation scheme, the government decided to increase the scales. [Hannington, *A Short History of the Unemployed*, (1938), p.20.

Hannington, since he was writing for a politically left-wing audience, may have exaggerated both the willingness of the British working class to rebel and the government's perception of working class rebellion. Nevertheless, there is a strong element of truth in what he had said. The Coalition Government was aware that after the armistice in November 1918 they had on their hands a working

class in which a large proportion were well seasoned veterans. They were also aware that many of the demobilised ex-servicemen sympathised with working class rebellions in Germany and Russia.<sup>6</sup> Although the government was far from being unduly nervous, it is highly possible that it attempted to use the Donation scheme to pacify radical working class elements during the potentially stressful period following the war.

Once the Out of Work Donation was brought in, it was constantly extended. In the end, it was given to civilians until November 1919 and ex-servicemen until March 1921 because employment for these workers was not becoming immediately available. Throughout its duration, the Donation came under a number of criticisms. The Conservative Party in Parliament attacked the expense of the scheme, claiming that the Donation was absorbing too much of the Treasury resources. [*Hansard* 113 H.C. Deb.5 pp.2121-25] Indeed, there is some truth in their criticism since during the first year of operation, it cost the government sixty-two million pounds. They also claimed that the scheme, rather than encouraging recovery, simply functioned to delay it.

The middle class taxpaying public also criticised the Donation scheme. They asserted that it was being abused by workers who were taking advantage of Parliament's largess to give themselves a paid holiday at the ratepayers expense. An example of this opinion can be seen in a letter to *The Times*. In this letter a 'bursar from a public school' made reference to an employee of the school who quit his employment to take care of his invalid mother. After thirteen weeks, the employee reapplied

---

<sup>6</sup> The possibility of a rebellion in the months following the war was certainly not imaginary. Robert Graves draws attention to two instances of mutiny over the process of demobilisation. "In January 1919 a 'Soviet' had been established among two thousand infantry and the Army Service and Royal Army Ordnance Corps men were on strike. . . . A similar mutiny of about two thousand details of the five Guards Regiments stationed at Shoreham, Sussex broke out two months later." [Graves, *The Long Weekend* (1963), pp.25-26]

and received his former position. The bursar later discovered that while this man was away he was receiving the Out of Work Donation. The writer of this letter felt this to be a scandalous waste of public money. [*The Times*, 27 Mar., 1919, p.7] Criticism incited Parliament to appoint a Committee of Inquiry into the Out of Work Donation. After deliberation, the Committee concluded that widespread abuse was largely exaggerated and that there was "no grounds for supposing that there had been fraudulent abuse of the Donation scheme." [*Beveridge Papers* III, 60ii, Committee of Inquiry into the Scheme of Out of Work Donation, *Final Report* (1919) Cmd. 305]

The most perceptive criticism of the Out of Work Donation came from Beveridge. Although he too believed that the scheme was wasteful and lax in its administration, he did not think that these problems were the most damaging aspects. Instead, he directed his attack onto the effect the scheme had on the principle of insurance. Beveridge opposed the Donation because the scheme undermined the foundation of self-financing insurance. He charged that the government was ill prepared to launch such an enterprise and it had turned insurance into the dole. [Beveridge, *Unemployment*, pp.273-274]

There were, however, some positive results of the Out of Work Donation. The Donation managed to save the statutory unemployment insurance fund a considerable amount of money. By November 1919, the insurance fund still had a credit balance of nineteen million pounds. Had the Donation not been established, the unemployment insurance fund would have certainly defaulted under the weight of post war unemployment. In addition, the Donation scheme certainly paved the way for a more comprehensive unemployment scheme. Once the British working class had become accustomed to regular benefits paid through the Labour Exchange, there was little chance they would turn back and accept aid from the Poor Law and local distress committees.

*The Unemployment Insurance Act of 1920 and Amendments*

Even while the Munitions Workers Act and the Out of Work Donation were still in operation, the post war Coalition Government was making preparations for the Unemployment Insurance Act of 1920. This Act was not intended to overhaul the 1911 scheme, but to make further extensions of statutory unemployment benefits to more workers and adjust the scheme to the post war employment situation. Essentially, it incorporated many of the provisions already established in the Munitions Workers Act and the Donation and made them permanent.

The Unemployment Insurance Act of 1920 has come to be referred to as the "Parent Act" of the inter-war unemployment insurance system, [Cohen, p.20] because it was legislation in its own standing and officially disconnected from the National Health Insurance scheme. Also, although the Act was altered and amended numerous times, its fundamental conditions became the provisions for which all subsequent unemployment insurance schemes would follow for the next twenty years. [Gilbert, *British Social Policy*, p.56]

Once again, Beveridge was involved with the extension of the unemployment insurance scheme, this time, however, in a greatly reduced capacity. During the summer of 1919, he was a member of the Departmental Committee Concerned with Framing a General Scheme of Unemployment Insurance. This appointment was short lived, and Beveridge's input into the 1920 Act was negligible. In October, the Webbs asked him to take over as Director of the London School of Economics and Political Science. Beveridge did not seem to be disappointed about leaving the Committee. In his autobiography he gives the impression that he did not appreciate the direction the insurance scheme was taking in the post war years. It seemed to be establishing the precedent of providing benefits without contributions.[Beveridge, *Power and Influence*, p.167] Although he had no practical association with

the unemployment insurance scheme over the following fourteen years, Beveridge used his position as Director of the London School of Economics, and his credentials as one of the creators of the 1911 scheme, to become one of the chief critics of the 1920 Act.

The first public announcement of what was to become the Unemployment Insurance Act occurred in December 1919, when Lloyd George informed the Trade Union Congress that his Government would implement a comprehensive scheme within the following year. [Gilbert, *British Social Policy*, p.56] On February 16, 1920, the Unemployment Insurance Bill was given its first reading and tabled by the Minister of Labour, Sir Robert Home. Many of the provisions established in the 1920 Act were identical to those in the 1911 scheme. Conditions for receipt and disqualification of benefits along with the process for determining claims were not altered by the new legislation. The 1920 Act also retained the voluntary option by which the Treasury would contribute to the schemes operated by the friendly societies and trade unions, provided their operations followed the same principles of national insurance. The conditions which allowed for refunds of contributions were partially changed. The refund to employers was discontinued, but employees could still apply for their accumulated contributions upon reaching the age of sixty. [*Beveridge Papers* III, 49, R.D. 6218/5/1919, Heads of Extensions Bill.] Rates of contributions and benefits under the 1920 Act were raised to meet the inflated cost of living, and for the first time, the government gave statutory approval to different rates for men and women. Under the new legislation, male employees and their employers would contribute four pence a week respectively; women employees would contribute three pence halfpenny and their employers three pence. The rates of benefit was also set to this discretionary scale. Men were entitled to receive fifteen shillings per week and women were entitled to twelve shillings. [*Beveridge Papers* III, 56ii, Unemployment Insurance Act (1920), Second Schedule, 'Rates of Benefit'

and Third Schedule, 'Rates of Contribution'] Before receiving benefits, the applicant had to prove to the insurance board that he had made twelve contributions to the fund and wait three days for his first benefit. Finally, the maximum number of benefits was established at fifteen per year at a scale of one benefit for every six contributions.[Ibid]

Although the unemployment insurance act was intended to create a more comprehensive scheme of insurance, it never reached the stage of universality. There were eleven cases of exemption under the Act.<sup>7</sup> The two most populous groups to be exempted were domestic servants and agricultural workers. The government justified excluding these workers from the category of insured trades for humanitarian and practical reasons. The Ministry of Labour acknowledged that workers in these two fields had extremely low incomes - considerably less than the national average. The framers of the Bill argued that, if they exacted contributions from them, they would be adding to their hardship. In addition, they also noted that unemployment in these fields was minuscule and, therefore, insurance against unemployment would be redundant. [*Hansard*, 126 H.C. Deb. 5s p.1262] At an earlier stage Parliament had also considered extending insurance to Irish agricultural workers, but they abandoned this idea once Home Rule for Ireland became a certainty.

On February 26, the Bill was given its second reading and debated. Since the government was made up of a coalition of Liberals and Conservatives neither party severely criticised the Bill. However, the Labour Party strongly opposed the conditions of the Bill mainly on the grounds that it did not go far enough to relieve distress due to unemployment. John R. Clyne, the Labour member for Oldham

---

<sup>7</sup> The eleven cases of exemption were members of the forces, permanent civil servants, those receiving a superannuation from Parliament, teachers, agricultural workers, domestic workers, those having annual incomes of over £250, part time workers, those paid by commission, crews of fishing vessels, those self employed or employed by husband or wife, and persons excluded by the order of the Minister of Labour on the grounds that their employment is of a subsidiary nature.

and former President of the Side Piecers (Cotton Workers) Union, declared that the benefit of fifteen shillings per week was far too low to maintain a decent standard of living. He estimated that the 'living wage' for British workers in 1920 was £3/17/6 per week or £201/10/0 a year. [*Hansard*, 125 H.C. Deb. 5s, p.1739] Even if unemployment benefits were available for fifty-two weeks a year, the unemployed male would only receive thirty-nine pounds annually. Since 1918, official Labour Party policy had been to make unemployment insurance benefits equal to the cost of living. [Henderson, *The Aims of Labour* (1918) Appendix II, p.117] The Minister of Labour responded to this criticism by saying that the insurance scheme was not designed to provide an income to the unemployed, but to tide them over until new employment could be found. Another Labour member criticised the idea of contributions from the worker. He argued that they were unequal because employers could pay for their contributions by raising the price of their goods but the worker had no similar recourse.

The most strenuous opposition to the Unemployment Insurance Act came from one of the more radical members of Parliament, namely Colonel Josiah Wedgwood.<sup>8</sup> He claimed that the insurance scheme simply served to perpetuate the misery of unemployment and that capitalism was dependent upon this unemployment to force down wages. From here he went on to denounce the entire economic system in the United Kingdom. Wedgwood concluded his impassioned speech against the Bill by directly asking the Minister of Labour how he expected the unemployed worker to live on such low benefits. Home never responded to this question; debate over the Bill was terminated at this point. The

---

<sup>8</sup> Josiah Wedgwood, (1872-1943), is known as being one of the most radical figures in British politics. He began his career in 1906 as a Liberal Member of Parliament. In April 1919 however he abandoned the Liberals and joined the Labour Party. From 1921 - 1924, Wedgwood held the position of vice-chairman of the Parliamentary Labour Party and during the first Labour Government obtained the minor cabinet position of Chancellor of the Duchy of Lancaster. Often considered much more extreme than most of the other Labour M.P.s, Wedgwood was frequently estranged from Labour Party policy.

### CHAPTER III: DISMANTLING THE INSURANCE PRINCIPLE 1916-1923 60

House moved on to other issues and the Bill was put down for a third reading. [*Hansard*, 132 H.C. Deb 5s pp.112-114]

Outside the Houses of Parliament, the Bill was also met with opposition from the friendly societies and some trade unions. The former were solidly opposed to the proposed legislation on the grounds that it interfered with their business operations. They claimed that their main source of profit came from insuring the working classes and that this Bill would exclude them from this source of income. For example, on April 26, the Midland Friendly Society voted unanimously to oppose the new scheme for this reason. [*The Times*, April 26, 1920, p.11] The Miners' Federation, which represented the majority of British coal miners, resented being placed in the category of insured trade. Their opposition resulted from the fact that their members could not afford the weekly contribution. During the inter-war years, the coal industry was seriously affected by economic decline, a result of many industries converting to petroleum fuels and electricity. Mine owners claimed that, in order to keep the mines open, they had to reduce the wages or put the workers on short time. Often, they did both. Therefore, there was a constant decline in coal miners incomes, so much so, that even the few pence they would be required to make in weekly contributions was more than most miners could afford.

On July 19, the Unemployment Insurance Act was given its third reading in the Commons and once again debated. In the final analysis, the Labour Party's criticism had very little effect on the Bill and the Unemployment Insurance legislation passed unscathed with a massive majority of two hundred and one in favour and thirty-two against. On August 7, Royal Assent was given and the terms of the Unemployment Insurance Act were to come effect on November 8, 1920 - with the provisions of benefits and contributions beginning on the same day.

### CHAPTER III: DISMANTLING THE INSURANCE PRINCIPLE 1916-1923 61

Before the Act came into operation two statutory orders to the legislation were invoked and, on the second day of operation, a third order was created. On November 1, 1920 the first amendment entitled the Subsidiary Employments Order was created by the Minister of Labour. This amendment dealt with part time and short time employees and their eligibility for unemployment insurance benefits. Under its provisions, the applicant did not have to prove to the Insurance Board that he was normally employed full time in an insured trade. Part time and short time workers, provided they had made contributions to the scheme, could qualify for insurance benefits.<sup>9</sup> [*Beveridge Papers* III, 56ii, Unemployment Insurance, Subsidiary Employment Order, (1920), Statutory Rules and Orders, No.2092]

Three days later, on November 3, the Ministry of Labour attached a second amendment to the scheme entitled the Transitional Regulations Order. This dealt with the contributions and benefits of those persons already insured under the 1911 and 1919 schemes. It invalidated the fractional contributions paid into the insurance fund before the commencement of the Act of 1920. This meant

---

<sup>9</sup> The Subsidiary Employment Order evolved into a particularly confusing piece of legislation for the Court of Referees and the Umpire to interpret because, by allowing part time and short time employees into the fold of the insured trades, it made it difficult for the deciding bodies to determine which employees were normally employed in insured trades and which were not. There are a number of examples in which the Umpire made conflicting decisions in cases where applicants were denied insurance benefits because they were normally employed in uninsured trades. Two examples of conflicting decisions occurred within weeks of each other in 1923. The first was the case of a woman who had been a domestic servant and then took a position as a wage clerk for a brief period of time. When she became unemployed she applied for her insurance benefits. The Umpire allowed the claim to go through. [*Beveridge Papers* III 60i, *Ministry of Labour Report, Decisions of the Umpire, Case No. 5746, (20 September, 1923), p.164*] A similar case involved a woman who had been trained by the Ministry of Labour to be a domestic servant. After completing her training, she took a position in an insured occupation as a tailoress for seven months. Upon becoming unemployed she applied for her benefits. In this case the Umpire turned down her application on the grounds that her official employment was that of a domestic servant even though she had never worked in that field. [*Ibid, Case No. 6395, (9 November, 1923)p.164*] Inconsistencies in the decision making process allowed the Statutory Employment Order to become ineffective legislation.

that, if the contributions were less than enough to qualify the insured worker for benefits they would be disregarded after November 8. The Transitional Regulations Order also altered the conditions for the receipt of benefits. Under the 1911 and 1920 Acts, there was a six day 'gap' between becoming unemployed and the first benefit payment. The Order, dated November 3, allowed for the dispensation of this waiting period if the insured person became unemployed six days before the commencement of the Act. [*Beveridge Papers* III 56ii, Unemployment Insurance (Transitional Regulations) 1920, Statutory Rules and Orders, No. 2094]

On November 9, the Removal of Difficulties Order was invoked. This applied to ex-servicemen who would become eligible for insurance benefits if they were discharged after July 31, 1920. Under section 41 of the 1920 Act, " certain payments were to be made by the Admiralty, Army Council, and Air Council for the purpose of qualifying [ex-servicemen] to receive unemployment benefits upon their return to civilian life." [*Beveridge Papers* III 56ii, Unemployment Insurance (Removal of Difficulties Order) 1920, Statutory Rules and Orders No.2092] The Unemployment Insurance Act would have allowed the ex-servicemen to collect their benefit on the first day of operation. However, the Removal of Difficulties Order changed the date of their first benefit payment to November 20. The reason for this was stated within the Order: "[it would not be possible] to identify those seamen, marines, soldiers and airmen who were discharged on July 31 until November 20, and therefore, a difficulty would arise in bringing the Act into operation." [Ibid.]

The history of the Unemployment Insurance Act of 1920 is one of failure. No sooner had it passed into law than difficulties became evident. Essentially, there were two major problems with this initial attempt at generalised statutory insurance. First, the scheme was not able to maintain unemployment insurance as a self-financing scheme and second, the provisions of the Act were not able

to provide adequate service to the unemployed and prevent destitution. Between the years of 1920 and 1924, six amending acts were attached to the original legislation in an effort to overcome these problems. In fact, the history of the 1920 Unemployment Insurance Act can be accurately described as being one of amendment followed by amendment in a desperate attempt to achieve financial solvency and provide benefits to all unemployed industrial workers. Because most of these amendments were purely administrative, it will not be necessary to discuss them at great length. It will suffice to simply say that they functioned to "put the benefit rates and benefit periods up or down." [Beveridge, *Power and Influence*, p.274]

By March 1921, unemployment in the United Kingdom had reached a record high level of seventeen percent. Many of the unemployed who signed on at the Labour Exchanges between November and March did not qualify for insurance benefits because they had either become unemployed before making the required number of contributions, or they had exhausted their rights to benefits because of extended periods of unemployment. This brought about the first major amendment to the 1920 Act. In order to circumvent this situation and prevent a run on the finances of the Poor Law, on March 3 the government passed the Extended Benefit Act which allowed the unemployed worker to collect benefits in advance of contributions.<sup>10</sup> This legislation created two classifications of extended benefits, the uncovenanted benefit and the transitional benefit. The former applied to those who had not fulfilled the required number of contributions, and the latter applied to those who had used up all of their allotted benefits. Applicants for extended benefits received the same amount in benefits as the normally insured worker, and the benefits were paid directly out of the Insurance fund. One of the other

---

<sup>10</sup> The date of the Extended Benefit Scheme coincides with the date the Out of Work Donation ceases to be granted to ex-servicemen.

features of the Extended Benefit Act was that it raised the rates of payment from fifteen shillings to twenty shilling a week for men and from twelve shillings to sixteen shillings a week for women. This portion of the amendment was very short lived. In July 1921, the benefits were lowered to their original rates. Finally, it should be clarified that the granting of the extended benefit was not a statutory right. It was given out under the discretion of the Minister of Labour. In order to receive one of these benefits, the applicant had to prove to the Ministry that he was actively seeking employment.

The extended benefit was incorporated into the Unemployment Insurance Act with the belief that the depression would be short lived and that the insurance fund would be replenished by the future contributions made by the recipients once they attained regular employment. Because of this, the amendment was not intended to become a permanent feature of the unemployment insurance scheme. Instead, two special periods of thirty-five weeks were created to administer the scheme. The first period went from March 3 to November 2, 1921. The second period followed immediately after, from November 3 to July 2, 1922. During each of these special periods, applicants could apply for a maximum of sixteen weeks of benefit. Eventually, however, these special periods became meaningless expressions. The depression in heavy industry, which began in 1920, lasted throughout the inter-war years, and the extended benefit, in one form or another, became a permanent feature of the Unemployment Insurance Act until 1934, when it was replaced with Unemployment Assistance Benefits. It also became obvious to the Ministry of Labour that the insurance fund could not possibly finance the extended benefit on its own. Therefore, the amendment included a provision which allowed the insurance fund to borrow up to ten million pounds from the Treasury.<sup>11</sup>

---

<sup>11</sup> In less than one year Parliament brought in an amendment which doubled the amount that the Insurance Fund could borrow - up to twenty million pounds. [Cheggwidden and Myrddin-Evans, p.72]

The Act which provided funds to dependents of the insured unemployed workers became the second major amendment to the 1920 Act. Prior to this piece of legislation, the governing bodies of the unemployment insurance scheme, namely, the Board of Trade and the Ministry of Labour, did not take into account whether or not the beneficiary was married or had children. Under the 1911 and 1920 Acts, dependents of the unemployed had to resort to the Poor Law for grants of outdoor relief. In an effort to reduce the financial burden placed on the local authorities by the dependents applying for outdoor relief, the Coalition Government passed the Unemployed Worker's Dependents (Temporary Provisions) Act.

The Dependents Act took effect on November 10, 1921. Under its provisions, the wife or husband of an unemployed worker would receive five shillings a week in addition to the regular benefit coming into the household. If the beneficiary were male and unmarried, he would also receive the additional five shillings in order to hire a housekeeper. The Act also provided one shilling a week to each child under the age of fourteen. However, if the child remained in school, the benefit would be extended until the child reached the age of sixteen. This amendment also repealed section twenty of the 1920 Act which pertained to dependents receiving outdoor relief. After November 10, the wives and children of unemployed workers were no longer legally entitled to Poor Law relief. Finally, it should be noted that the Dependents Act was intended to operate for only six months. The government retained the optimistic belief that the employment situation would improve and that provisions for dependents would become unnecessary.

On the surface, the Unemployed Worker's Dependents Act does not seem to be a particularly radical piece of legislation. However, like the Out of Work Donation and the Extended Benefit, the Dependents Act represents a further departure from the original principles of the insurance scheme. By

making funds available for dependents, the Ministry of Labour extended its responsibilities beyond the provision of aid to the jobless to insuring the maintenance of his immediate family.

Between January 1922 and January 1924, three amendments to the Unemployment Insurance Act were enacted. None of these amendments produced any radical changes or new additions. They simply consolidated the acts made in 1921. The first 1922 amendment amalgamated the rates of contributions with the rates of benefits and attempted to bring them into line with the cost of maintaining the insurance scheme. It also made the Unemployed Worker's Dependents Act into a permanent piece of legislation. The second amendment of that year added another thirty-five weeks to the dispensation of the Extended Benefit. During 1923, only one amendment was passed. This legislation turned the Extended Benefit into a continuous operation and enabled persons under the age of eighteen to receive their benefit through the local educational authority rather than the Labour Exchange.

Apart from the issue of unemployment insurance, 1922 was an important year in British politics. It was in this year that the Liberal-Conservative Coalition, which had governed Britain since 1916, came to an end. In the October General Election, the Conservative Party, led by Andrew Bonar Law, gained a majority in the Commons with three hundred and forty-four seats and was able to form a government for the first time in seventeen years. This election was also important in the history of the Labour Party. By winning one hundred and forty-two seats in the Commons, Labour was able to retain its position as the official opposition. Finally, the results of this general election decimated the Liberal Party. Reduced to a total of sixty-four seats, the Liberals have never again formed a government in the United Kingdom.

Judged by the number of the amendments that were attached to the unemployment insurance scheme during its first three years of operation, the Act must be regarded as a failure. This failure was a result, to a large extent, of the timing of its introduction. If the level of unemployment in Britain had stabilised at less than six percent, the 1920 Act would have probably been a success. However, the Act came into operation just as the post war economic depression began to manifest itself in terms of high levels of unemployment. On the first statutory day of the legislation, there were five hundred thousand men and women registered on the Labour Exchanges as being unemployed, and the Insurance Fund had a credit balance of twenty-two million pounds. Seven months later, in June 1921, the number of unemployed on the live register peaked at two million while the credit balance had dwindled to one million pounds. [Cohen, p.21] For the remainder of the inter-war years, unemployment in Britain never went below one million, and the once-prosperous fund had to be refinanced through loans, made at interest, from the Treasury.

As Director of the London School of Economics, Beveridge retained a watchful and critical eye on the Unemployment Insurance Act and its subsequent amendments. Although he agreed that the timing of the Act played a significant role in the failure of the legislation,<sup>12</sup> he also pointed out some of the major flaws within the Insurance Act and criticised the government's employment policy. Beveridge claimed that the greatest mistake made was in the Act itself, specifically, in the provision which allowed benefits and contributions to begin on the same day. In the second edition of *Unemployment: A Problem of Industry*, he wrote,

---

<sup>12</sup> In his autobiography Beveridge wrote, "The first general scheme under the Act of 1920 was caught up in depression at once and never functioned as it had been intended, there followed a *wurra wurra* of legislation. Fifteen Acts of Parliament in six years, putting benefit rates and benefit periods up or down, or changing the scheme in other ways." [Beveridge, *Power and Influence*, p.274]

Introduced under the shadow of declining trade, with benefits and contributions beginning on the same day and with no time for the building up of reserves either general or individual, it never had a chance; as the country passed into the worst depression recorded in British history, this belated effort at insurance sank at once beneath the flood of emergency relief. [Beveridge, *Unemployment*, (1930), pp.274-275]

The fact that the contributions and benefits began on the same day explains why the 1920 Unemployment Insurance Fund was burdened by debt in less than one year of operation.

On May 24, 1921, Beveridge gave a lecture at the London School of Economics on the subject of post war unemployment in Britain. At this gathering he spoke primarily on the government's handling of the unemployment situation. However, during his speech he did make brief references to the state's position on unemployment insurance. In his estimation, the government had misplaced its priorities: they over emphasised the extension of the insurance scheme over the creation of further employment and preventing lay-offs.

In this country a very great deal has been done done about unemployment, and chiefly along the lines of providing for rather than preventing it. . . . insurance is a final abandonment of prevention of unemployment for employment. [*Beveridge Papers* III,17, lecture IV (24 May 1921), pp.9-10]

Before going any further into this line of thought, it must be pointed out that this extract from Beveridge's speech does not mean that he was opposed to the extension of unemployment insurance. On the contrary, throughout his career as a social policy maker he actively supported a universal comprehensive insurance programme. What Beveridge had meant in this lecture was that the state, along with the employer and the workman, must make a concentrated effort to achieve full employment. Even though he was the architect of the unemployment insurance scheme, Beveridge firmly believed that the pursuit of full employment had priority over insurance against unemployment.

Finally, Beveridge criticised the Act on the grounds that, through its amendments, it was officially distancing itself from the founding theories and principles of the 1911 scheme. At this point it must be stressed that Beveridge did not believe that insurance should ever be used as a method of relief for overall and protracted poverty. In a lecture given at Oxford in February 1930 he said that,

Insurance itself was proposed not as a measure of relief but of industrial organisation, of spreading wages over good and bad times and making each industry with strictly limited help bear the cost of its normal unemployment. [Beveridge Papers 20, "The Past and Present of Unemployment Insurance" (summary of Sidney Ball lecture, February 20, 1930), p.1]

Throughout his life, Beveridge remained committed to the original principle of the insurance system—that unemployment insurance was not created as a form of relief but as a means to tide the worker over during periods of unemployment and to prevent poverty. Therefore, he held the Extended Benefit Act, which provided benefits without contributions, with particular disdain because it is this act alone which turns statutory insurance into the dole.

### *Conclusion*

Almost all the histories of Britain's unemployment insurance scheme can be divided into two categories. They are either administrative histories or social histories. So far, this thesis has only dealt with administrative and legal developments of the 1920 Unemployment Insurance Act. In doing so, it has presented a one-dimensional image of the insurance scheme, one which suggests that the the scheme was constantly being adjusted to suit the conditions of unemployment. Unfortunately, strict administrative history does not give any indication of how the recipients of unemployment insurance responded to the scheme. Therefore, it is necessary to conclude this chapter by drawing attention to

some of the conflicts which took place between the government and the unemployed from 1920 to 1923.

Three weeks before the 1920 Act came into effect, a major demonstration took place in Westminster. On October 18, 1920, approximately twenty thousand unemployed men and women from the Greater London Area assembled in Trafalgar Square and along Whitehall to protest the government's unemployment policy. These demonstrators were represented by fifteen mayors of London's boroughs, led by Major Clement Attlee. The mayors petitioned and received an audience with Lloyd George and presented the demand that the government either provide work or full maintenance for the unemployed. Initially, the demonstrators behaved in a peaceful manner. They agreed to wait at the Victoria Embankment until the mayors had returned from the meeting. While they were waiting, fourteen hundred Metropolitan Police officers, thirteen hundred on foot and one hundred mounted, along with a contingent of Coldstream Guards were sent to watch over them. When the mayors returned from their audience with the Prime Minister and informed the crowd that the government would not give in to their demands, the demonstrators decided to march onto the Prime Minister's residence. At this point the police and guards assembled into cavalry formation, attacking the demonstrators and inflicting large numbers of casualties until Whitehall was cleared. [Kingsford, *The Hunger Marchers in Britain* (1982) pp. 13-15]

The conflict which took place on that mid-October afternoon has come to be known as "The Battle of Downing Street". Although it is not a well known event in British history, this riot was a crucial factor in twentieth century working class history. It was the first time since the First World War that the authorities had taken violent action against British workers. This sent shock waves of anger and resentment throughout the working class communities in the United Kingdom. Moreover, the riot

represented the reality of a broken promise. When the war was over, Lloyd George promised the British people that the soldiers would be "welcomed back to a land fit for heroes." Many of those demonstrators at Westminster were ex-servicemen, and they saw Lloyd George's promise evaporate as quickly as the cavalry moved down Whitehall.

Aside from creating a great deal of animosity between the unemployed and the government, the Battle of Downing Street caused a large number of the unemployed to organise. Almost immediately after the riot occurred the National Unemployed Workers Movement was founded. Organised by Wal Hannington of North London and Tom Dingley of Coventry, The National Unemployed Workers Movement was formed out of the National Shop Stewards Movement and the Workers Committee Movement. Using tactics similar to those of the trade union movement, Hannington and Dingley were able to organise the unemployed throughout Great Britain. Memberships in the Unemployed Workers Movement remained confidential, subscriptions were levied at one pence a week, and members were expected to turn out for strikes and demonstrations. [Hannington, *A Short History of the Unemployed*, pp.25-27] The National Unemployed Workers Movement was supported both financially and morally by the British Communist Party. Because of this affiliation, this workers' organisation was often excluded from meetings of the Trade Union Congress and never had the official support of the Labour Party.

During its first year of operation, the National Unemployed Workers Movement engaged in a series of raids and occupations of public and private establishments. Members raided and demonstrated outside factories which were offering overtime to their employees instead of hiring more workers. They also occupied offices of the Poor Law, demanding that the Guardians release more generous grants to hardship cases. Finally, the National Unemployed Workers Movement encouraged its members to reject

low wages from the government relief works and refuse eviction notices for rent arrears. Often, members of the the organisation were arrested and imprisoned for these activities. In January 1921, Walter Rigby of West Bromwich was charged under the Conspiracy and Protection of Property Act of 1875. Rigby, along with three other members of the National Unemployed Workers Movement attempted to persuade twenty-two men from taking relief work at less than union wages. At his trial, Rigby offered no defence for his actions except to say:

I want you to realise that I am out to get the necessities of life for myself and my wife and because I am striving against the system of society we are in. This is the position I find myself in and I want you to look at it from a logical point of view. . . . I don't see how you can send me to prison without bail. The point is you want to get rid of me. [Kingsford, pp.29-30]

Bail was, however, denied and Rigby, along with the three others was sentenced to twenty-one days with hard labour. Even though many of its members were incarcerated, Hannington believed that the National Unemployed Workers Movement activities were partially successful in the sense that 1921 saw the creation of the extended benefit and dependent benefit. [Hannington, *A Short History of the Unemployed*, pp.28-30]

In 1922, the National Unemployed Workers Movement decided to change its tactics from raiding factories and Poor Law offices to recruiting its members for hunger marches. From 1922 till 1939, hunger marches were periodical events in Britain, and they were noted for their sense of discipline and order. Violence and looting were forbidden by the organisers, and the executive of the organisation retained cooks, cobblers, and ambulance attendants for the well-being of the marchers. Conditions on the marches were notoriously harsh; often the men had to sleep in makeshift camps along the roadside or, if the weather were particularly bad, they persuaded the Guardians of local workhouses and casual wards to open their doors to them.

Plans for the First Hunger March were announced by the executive of the National Unemployed Workers Movement on September 16, 1922. In mid-October the first wave of marchers left Glasgow and made their way toward London, picking up new recruits along the way. It took exactly one month for the marchers to reach their destination. On November 17, two days after the Conservative Government was established, they arrived at Whitehall. Their demands were the same as the ones made two years before - *work at union wages or full maintenance*. According to the National Unemployed Workers Movement, full maintenance was defined as thirty-six shillings for a husband and wife, five shillings for each child, a fifteen shilling rent grant, and a hundredweight of coal per week. They also demanded to see the Prime Minister, Andrew Bonar Law. The latter adamantly refused to speak to the marchers. At one point he stated, "I am sick and tired of hearing about the unemployed marchers and I don't want to have anything to do with them." [Kingsford, p.67] The hunger marchers remained in London for most of the winter. During their stay, the Conservative Government did not agree to any of their demands, and the Prime Minister did not speak to the marchers or the Movement's executive. Finally, on February 20, 1923, the organisers declared an end to the protest and the remaining marchers made their way back home.

Although the marchers were not able to secure any of their demands, the First Hunger March was not completely unsuccessful. The marchers drew national attention to the unemployment situation and incorporated the whole of Britain's unemployed into their cause. Among those parading through London in November 1922 were shipwrights from Glasgow and Newcastle, weavers from Greater Manchester and Yorkshire's West Riding, dockers from Merseyside, coal miners from South Wales, and engineers from the Midlands. Because of this, the hunger march can be thought of as an effective means of communication. In this era of mass communication it is easy to forget that people were not aware of

the national problem of unemployment. Many people in Britain believed that unemployment was a problem particular to their town or area. "Hunger marches [brought] the problems into the realms of reality and gave them flesh and blood." [Stevenson, *Social Conditions in Britain Between the Wars*, (1977), pp.57-58] Simply because of this factor, they cannot be neglected in the history of unemployment insurance.

The first Hunger March, and the others that followed, also brought some psychological benefits. Considering that many of the marchers had been idle for more than a year, the march itself gave them an activity in which they believed that they could do something constructive about their situation and give them unity. One of the most damaging aspects of long term unemployment is that it tends to make the jobless feel very much isolated from the remainder of the community. Over time, the unemployed become separated both socially and economically from their former colleagues. The Unemployed Workers Movement through its hunger marches brought the jobless from all over Britain into a unified body and restored a sense of working class solidarity.

The years between 1916 and 1924 witnessed the dismantling of the founding principles of the British unemployment insurance scheme. The system which was in operation before 1916 has been considered to have been a well financed and well organised operation able to function as insurance and provide adequate benefits for the unemployed. Its reputed success was mainly the result of the fact that the original scheme was never tested to its limits by a long term economic depression. By 1923, debt ridden and heavily amended, unemployment insurance became a method of relief. It could only tenuously be defined as insurance and, according to many of its recipients, its services were inadequate to maintain a proper standard of living.

*We stand at the moment when the sun of England seems menaced with final eclipse. For the first time in her history, the party of revolution approaches the helm of state. . . with the intention of destroying the basis of civilised life. [English Review, January 1924, pp.3-4]*

*For goodness sake don't allow the King to call on R[amsay] MacDonald to form the next government. Labour should not come into power before [the] second chamber has been briefed on restraining it.<sup>1</sup> [Baldwin Papers, Vol.6, Private letter from A. Shirley Benn to Stanley Baldwin, (Dec. 11, 1923)]*

### *The 1923 General Election*

On November 12, 1923, the Conservative Prime Minister, Stanley Baldwin informed the King of his desire for Parliament to be dissolved and for a general election to follow. Considering that his party had held office for only one year and that it had a substantial majority of three hundred and forty-five seats, Baldwin's decision to go to the polls came as a surprise to the British electorate. Even members of the opposition parties expressed dismay over the Prime Minister's decision. Philip Snowden referred to the announcement of this general election as "suicide during a fit of insanity." [Lynman, *The First Labour Government*, (1957), p.18] Most people expected that the Conservatives would have at least three more years in office.

Although the general election of 1923 was quite unexpected, Baldwin had a number of inter-related reasons for going to the polls at this time. The first stemmed from his political mandate. It

---

<sup>1</sup>I have chosen the above quotations simply to show the panic expressed by many Conservatives over the possibility of the Labour Party forming a government. A. Shirley Benn did not hold a high position in Baldwin's Government and, therefore it is unlikely that Baldwin took any notice of his advice. Benn, however, was an influential backbencher and the president of the Association of British Chambers of Commerce.

must be remembered that Baldwin was not the leader of the Conservative Party during the previous general election. He was, in fact, the Chancellor of the Exchequer in Bonar Law's government. In May 1923, Bonar Law resigned the premiership because of ill health. Upon the recommendation of Lord Balfour, the King chose Baldwin to succeed Bonar Law. [Lindsay and Harrington, *The Conservative Party 1918-1972*, (1974), p.49] Although Baldwin's policies were not significantly different from the former Prime Minister's, it is reasonable to assume the latter felt the need to secure a separate mandate to govern.

The second reason is also partially connected to the problem of political mandate. When Bonar Law was Prime Minister he had promised the nation that he would call for a general election before he radically altered the national fiscal policy. Once Baldwin took office, he expressed the desire to abandon Britain's position as a free trade nation and institute a policy of protection. He sincerely believed that he could minimise industrial unemployment by protecting the home market with high tariffs. [Ibid. p.57] It would seem that possibly, out of a sense of honour, Baldwin adhered to his predecessor's pledge and called for an election.

His third reason for going to the polls at this time concerns the problem of Conservative Party unity. Throughout 1923, the Conservative Party was divided between the independent Tories and Conservative Coalitionists. The Coalitionists wished to ally themselves with the Liberals and take on the Labour Party as a combined force. Therefore, the issue of protection was crucial in bringing the Coalitionists back into the fold of the Conservative Party. [Lynman, p.23] Protection was an issue around which all 'true' Conservatives would rally. Equally important, protection was also an issue which the majority of Liberals would find so abhorrent that under no circumstances would they want to form a government with the Conservatives.

As Baldwin intended, protectionism versus free trade became the primary issue of the 1923 general election. Both the Liberal and the Conservative Parties treated the election as a single issue

campaign. On November 17, the Conservative Party published a four-point election manifesto outlining the rationale behind its protectionist policy. According to this document, tariffs would provide additional revenue, thereby allowing the government to reduce the taxes on industry and give assistance to those firms suffering from foreign competition. [Lindsay and Harrington, p.58]

Similarly, the Liberals in 1923 were also faced with a divided membership. On one hand there was Lloyd George, a coalitionist and adamantly anti-socialist. Being neither a free trader nor a protectionist, he probably would have attempted to come to some agreement with the Conservatives over the tariff issue. On the other hand, there was Herbert Asquith a staunch free trader and more anti-Lloyd George than anti-socialist. Just as the election issue united the Conservatives under the banner of protection, it also united the majority of Liberals around free trade. By autumn 1923, Asquith was reestablished as the official leader of the Liberal Party.

The Liberal argument against protection was based on the premise that Britain's economic survival was wholly dependent on a balance of imports and exports, and therefore tariffs would upset that balance. They argued that taxes on imports would merely serve to increase the cost of living and to create an added burden for the working classes. Moreover, protection would do nothing to reduce the levels of unemployment. In fact, the Liberal Party pointed out that protection might well have the reverse consequences because other nations would retaliate by putting up tariffs against British exports. [Lindsay and Harrington, p.58] On November 5, Asquith gave a speech in Paisley, Scotland, condemning the protectionist position. He claimed that only 140,000 out of the 1,340,000 unemployed would receive any benefit from a protectionist policy. In addition to this, he pointed out that in 1913, unemployment was only two percent, and this when imported goods and services to Great Britain were at their highest level.

While the Liberal and Conservative Parties feuded over the free trade-protection issue, the Labour Party engaged in a multi-issue campaign. Although this party supported the Liberal arguments

that tariffs would increase the cost of living and do little to increase employment,<sup>2</sup> they did not become entrapped in the debate. Instead, their party manifesto offered alternative solutions to the problems of unemployment and the inequalities of capitalism. The Labour Party proposed a more generous system of unemployment relief - one which would adhere to a national minimum standard of living. The policy of maintaining a national minimum was incorporated into *Labour and the New Social Order*.<sup>3</sup> Under the subtitle, "The Universal Enforcement of a National Minimum", the party claimed that this would be the first principle of the Labour Party and "the guiding principle of any Labour Government." [*The Lion at Home, Labour and the New Social Order*, Vol.4, p.3094] Essentially, this policy meant legislation creating a minimum wage for employed workers and a guaranteed income for the unemployed. This would have to be periodically adjusted to the cost of living.

The Labour Party also advocated a policy of massive public works projects as a palliative to growing unemployment. Its public works plan was divided into three categories: building an national system of electrical power stations; improving rail, road and canal transport; and developing land resources such as drainage, town planning and housing. Under this scheme, the unemployed would be given first option to the public works employment and be paid at standard union wages. [Lynman, p.54]

---

<sup>2</sup> During the election, the Labour Party distributed an election poster depicting a worker conversing with a Conservative candidate. The worker asks the protectionist, "Will tariffs give me work?" The candidate replied, "Well, not directly, but by raising your cost of living, it will increase your need for a job." [Lynman, p.53]

<sup>3</sup> *Labour and the New Social Order: A Report on Reconstruction*, was published by the Labour Party in January 1918. This eighteen page document was mainly the work of Sidney Webb and Arthur Henderson. It is reprinted in its entirety within *Great Britain the Lion at Home: A Documentary History of Domestic Policy 1689-1973*, vol.4, 1974.

In order to pay for the public works programmes and control the national debt, the Labour Party pledged itself to invoking a national capital levy. The latter, also known as the War Debt Redemption Levy, was designed to tax the means of production rather than the incomes of the wage and salary earners. [*Labour and the New Social Order*, (Sec. 5 "A Revolution in Social Finance")*The Lion at Home*, vol.4, pp.3103-05] What this was, in fact, was an extremely high corporation tax.

The final plank of the Labour Party's 1923 campaign platform dealt with the nationalisation and regulation of certain industries. The Party called for the immediate public ownership of coal mines, railways and electrical power stations. They argued that these industries could be managed more efficiently and more economically by the state. With regard to the regulation of industry, Labour wanted the state to control the manufacture and retail of alcohol. This was a moral question as much as being the key to temperance reform. [Ibid. (Sec. 6, "The Democratic Control of Industry"), *The Lion at Home*, pp. 3106-07]

For Baldwin and the Conservatives, the 1923 General Election turned out to be a disappointment. Although they remained the largest party in the Commons - with two hundred and fifty-nine seats, they lost eighty-seven seats and were returned as a minority government. In contrast to the Conservatives, the Liberal and Labour Parties made extensive gains. The Liberals captured thirty percent of the total vote and emerged with one hundred and fifty-nine seats. The Labour party gained forty-seven seats and were returned with a one hundred and ninety-one in total. Labour's advances in the polls were made at the expense of both the Conservatives and the Liberals, taking thirty-seven seats away from the former and ten from the latter.<sup>4</sup> Most of Labour's came from the areas suffering from chronically high unemployment, in particular, Scotland, Wales, Northwest England and the industrial boroughs of London.

---

<sup>4</sup> The Labour Party actually lost some of its previously held seats held in the Northeast in this election.

Baldwin managed to govern the nation with a minority government from December 6, 1923 to January 22, 1924.<sup>5</sup> It is difficult to understand why he attempted to form a government since he was aware that it would not survive a vote of confidence. He may have decided that it would be better for the Conservative Party to go through the parliamentary process of being defeated in the Commons rather than simply hand over the reigns of power to the Labour. By acting as he did, he could show the nation that the Conservatives had the courage to attempt government. There is also some evidence which suggests Baldwin had hoped that at the last minute that the Liberals would vote with the government. [Lloyd, *Empire to Welfare State*, (1986), p.127] However, the Liberals let it be well known that they would vote against any attempt to bring in tariffs.

On January 21, the inevitable vote of non-confidence arrived. At three o'clock in the afternoon, Labour initiated a Vote of Censure against the Baldwin Government. [*Hansard*, v.169, January 21, pp.587-674] Judging by the persons in attendance, it is clear that almost everyone within the sphere of government expected the vote to take place on that day. In the Distinguished Strangers Gallery two future British Kings, Edward, Prince of Wales and George, Duke of York, witnessed the proceedings. Joining the princes as spectators were the ambassadors of France, Germany and the United States. Although the debate lasted nearly nine hours, there was an atmosphere of calmness in the House. [*The Times*, January 22, 1924, p.7] Possibly, because the vote was expected, the government did not severely criticise the Labour opposition. Instead, Baldwin reprimanded Asquith and the Liberals for siding with the party of socialism. Asquith responded to these remarks by saying he could not give a vote of confidence to the Baldwin Ministry because it was obvious that he and his colleagues could not cope with the problems of economic distress and unemployment. He added, however, that his party

---

<sup>5</sup> It is misleading to think that Baldwin was actively governing the nation for over a month and a half. He in fact lasted only eight Parliamentary days.

would use its influence to restrain the Labour Government from doing anything extreme. At eleven thirty, the Speaker called for division and the government was defeated by seventy-seven votes. Baldwin offered his resignation to the King, and his Majesty accepted it and called upon James Ramsay MacDonald as leader of the Labour Party to form the next government.

*Labour's attempt at Unemployment Insurance Reform*

Ramsay MacDonald was certainly prepared to assume office after the vote. He had selected his cabinet and had it approved by the King twenty-one days before the Conservative Government's defeat. [Evans and Pledger, *Contemporary Sources and Opinions in Modern British History*, Vol.2, p.67] In deciding who would be in this cabinet, Macdonald was aware that to ensure Liberal support he must give the most important ministerial positions to the moderate members of his party. For example, Philip Snowden was made Chancellor of the Exchequer, Arthur Henderson was given the Home Office, the Ministry of Labour went to Tom Shaw, and Sidney Webb was appointed President of the Board of Trade. MacDonald also realised that, to ensure party unity, he could not ignore the more radical and outspoken of his supporters. To their leaders he gave the largely ceremonial cabinet positions; John R. Clynes was made Lord Privy Seal, and Wedgwood was made Chancellor of the Duchy of Lancaster.

In her diary, Beatrice Webb sharply criticised Labour's first attempt at forming a government. She thought that it was absurd that they should even consider governing while being dependent upon Liberal support. She also made several unkind remarks about certain cabinet appointees and their audience with the King. She said Henderson was "bursting with childish joy over his H.O. seals in the red leather box" and noted that John Wheatly (Minister of Health), "- the revolutionary - went down on both knees kissing the King's hand." [Ibid] Through these extracts, Mrs. Webb clearly indicated that she felt that the Labour cabinet displayed a great deal of hypocrisy by their acceptance of Royal protocol.

During their nine months in office, the Labour Government passed three unemployment insurance acts which increased both the time period for receiving benefits and the numbers of people applicable for benefits. However, it has been noted that "Labour's record in office was hardly glorious in fulfilling the promises made in *Labour and the New Social Order*." [Gilbert, *Britain Since 1918*, p.51] Although they attempted to make the unemployment insurance scheme more accommodating, not once during their administration did they try to implement legislation creating a national minimum standard of living.

Labour's first Unemployment Insurance Act was given Royal Assent on February 21 1924. It was also the first piece of legislation this government ever introduced. Consisting of only one clause, the legislation abolished the three day waiting period between receiving covenanted and uncovenanted benefits thereby making the two benefit periods run for twenty-six consecutive weeks. [*Law Reports, Unemployment Insurance Act, (1924)p.1*] Hereafter, the applicant could receive exactly one year of uninterrupted benefits.

The second of Labour's Unemployment Insurance Acts came into effect on April 15. This legislation also consisted of only one clause, namely one which augmented the benefit period for uncovenanted benefits to forty-one weeks. It did not, however, increase the period for covenanted benefits. [*Law Reports, Unemployment Insurance Act, (No.3), (1924) p.10*] After this legislation was made, the applicant could collect sixty-one weeks of uninterrupted benefits.

These pieces of legislation did not escape criticism from the two opposition parties. In a letter to his wife, Sidney Webb remarked that, "the Labour Government came near defeat on May 22nd/29th." The reason for this was because of its unemployment insurance and employment exchange policies. The Liberals voiced their opposition to the increased expenses which would ensue and were prepared to vote against the Minister of Labour's budget and bring down the government. The crisis was averted when the Minister (of Labour), Tom Shaw, agreed to reduce his cabinet minister's salary in order to

gain opposition votes. According to Sidney Webb, this gesture on the part of the minister gained the confidence of the Liberal members and insured the continuation of the Labour government. Sidney Webb added that "several members of the opposition privately expressed that no previous government had done so much for the unemployed in so short a time" and "everyone admitted that Tom Shaw had done all he could." [MacKensie, ed. *The Letters of Sidney and Beatrice Webb*, Vol. III, (1978), pp.208-9]

The Liberals and Conservatives were not the only political organisations in Britain to criticise the Labour Government for its handling of the unemployment situation. The Communist Party also came out in solid opposition. Initially, the Communists were highly supportive of the Labour Party. During the 1923 election, they agreed not to run their candidates against Labour candidates and risk splitting the working class vote. By May 1924, however, the Communist Party was in complete disagreement with the Labour Government's policies. This was mainly a result of the fact that they believed MacDonald and his cabinet had abandoned the principles of socialism. During the opening address to the Sixth (Manchester) Conference of the Communist Party, the Chairman William Gallacher referred to the Labour Party as being a conservative party because it followed the procedure of constitutional government established by the Liberals and Conservatives. [*Speeches and Documents of the Sixth (Manchester) Conference of the British Communist Party*, "Opening Address", p.8]

Thomas Bell, who was the official reporter to the Party Executive, expressed similar sentiments.

The will of the Labour Government is, as soon as they get into some particular bourgeois office, they kick the ladder from beneath their feet and go over to the camp of the bourgeoisie. . . . Today we see the Labour Party converted into a liberal party. [Ibid, "The Labour Government and Labour Party," pp. 20-21]

Bell went on to attack the government for bringing in compulsory arbitration in industrial disputes and for failing to provide adequate relief for the unemployed. [Ibid. p.24] His speech was concluded with

the passage of two resolutions. The first dealt with the Communist Party's relationship with MacDonald's Government. It stated that, "the so-called Labour Government is only part of the capitalist strategy", and, therefore, the Party resolves to conduct "mass demonstrations and processions" against the government. [Ibid. "Resolution on the Labour Government", pp.31-32] The second resolution dealt with the Labour Party itself. In this matter, they stated that the Communist Party would "enter into the ranks of the Labour Party in order to strengthen its militant and fighting elements and unmask its treacherous middle class leadership." [Ibid. "Resolution on Relations with the Labour Party", pp.32-33] Wal Hannington, who was elected to the Central Executive Committee at this conference, claimed that it was the pressure put on the Labour Government by the Communists which forced the government to pass a more comprehensive Unemployment Insurance Act.

This Act came into effect on August 1, 1924. The legislation began by changing the names of the benefits. Covenanted benefits became known as standard benefits, and uncovenanted benefits became extended benefits. However, this legislation made no major changes to the standard benefit scheme. It still adhered to the founding principles of unemployment insurance. In order to begin collecting the standard benefit, the applicant had to have made six contributions and the applicant had to prove twenty contributions had been made in the previous year. [*Law Reports, Unemployment Insurance Act, (No. 2), (1924) p.164-177*]

Under the extended benefit programme, however, significant alterations were made to the insurance scheme. The applicant had to certify that he was normally occupied in an insured trade and that he had made thirty contributions in the past two years. Although this was part of the Act, it should be noted that the thirty contributions rule was never enforced. If it had been, the majority of insured unemployed workers in the distressed areas of North England, Wales and Scotland would have been cut off the insurance scheme and forced on to the Poor Laws. This legislation also brought in the 'genuinely seeking work clause'. Under this portion of the legislation, the applicant had to show proof

at the Labour Exchanges, by either correspondence with employers or notes from foremen, that he was actively seeking employment before collecting his benefit. Included with this clause was a means test in which applicants had to prove financial distress before they could collect extended benefits. [Lowe, *Adjusting to Democracy*, p.137] These two stipulations were incorporated into the legislation in the attempt to discourage fraud and malingering.<sup>6</sup> Third, they removed the Minister of Labour's discretionary powers over the extended benefits, thus making the extended benefit a right and not a privilege. Finally, this Unemployment Insurance Act raised the benefit rate for both schemes by three shillings a week. [*Law Reports*, Unemployment Insurance Act No.2, (1924), First Schedule p.179] Once again the Liberal Party in the Commons threatened to vote against the Bill and force a general election. In order to appease them, the government made the Act a temporary measure which was to expire in August 1926.

The Labour Government not only failed to bring about legislation establishing a national minimum standard of living, but it also defaulted on two of its other major campaign promises. Their plans for a massive public works programme was abandoned on the grounds that it would be too expensive to implement and that it would not significantly reduce unemployment. The Chancellor of the Exchequer, Philip Snowden, exclaimed that "you are never going to settle the unemployment problem, you are never going to mitigate it to any extent by making work." [Lynman, p.139] This government also failed to implement its plans for a national capital levy. In fact, Snowden repealed the

---

<sup>6</sup> The 'genuinely seeking work clause' was unpopular among most recipients of insurance benefits. Many thought that it led to unfair decisions on the part of the Insurance Board. For example, there was the case of a carpenter who lost his employment on October 12, 1926, and made a claim for benefits. On November 10, he was offered employment at a site forty-six miles away from his home at a standard rate of wages. He refused this position and, under this clause, his benefit was suspended for six weeks. The applicant then appealed to the Umpire on the grounds that the employment offered required him to work forty-six and one half hours a week and the union he belonged to stated that members could only work forty-four hours a week. Had he accepted the job, the carpenter would have been fined or dismissed from his trade union. The Umpire disallowed his claim for benefits. [*Beveridge Papers III*, 60i, Ministry of Labour Report, 1927, p.50]

existing Corporations Profit Tax by claiming that it hindered capital investment. [Brand, p.106 and Beloff, *Wars and Welfare*, (1984), p.134] By the summer of 1924, the Labour Party seemed to have abandoned most of its socialist ideology.

There are a number of reasons as to why the first Labour Government was so ineffective at unemployment insurance and social reform. The most obvious was they had to function as a minority government and were dependent on Liberal support. Had MacDonald introduced legislation creating a national minimum or a national capital levy, the Liberals would have voted with the Conservatives and definitely defeated the government. The Liberals, however, cannot be held entirely responsible for Labour's reluctance to implement other major reforms. For example, they did support the public works projects and, the fact that they did not materialise cannot be blamed completely on them. Without a national capital levy, however, it would have been difficult, albeit not impossible, to finance these massive projects. It seems the option of deficit financing had not been considered.

Another reason for Labour's inability to institute progressive social legislation was the result of the financial policy of the Chancellor of the Exchequer. Philip Snowden, like his Conservative and Liberal predecessors, believed that high unemployment was only a temporary situation and not a chronic problem. He also believed that the national economy could be rejuvenated by fiscal restraint. It has also been noted, by at least two historians, that Snowden's budgets were prime examples of Gladstonian finance in the sense that they were designed to reduce the national debt.<sup>7</sup> Snowden commented on his position that

The function of the Chancellor of the Exchequer is to resist all demands for expenditure made by his colleagues and when he could no longer resist, to limit the concession to the barest point. [K. J. Handcock,

---

<sup>7</sup> Both Lindsay and Harrington, authors of *The Conservative Party 1918-1972*, Carl Brand, author of *A Short History of the Labour Party*, have used this term to describe Snowden's fiscal policies.

"The Reduction of Unemployment as a Problem in Public Policy",  
*Economic History Review*, Vol. 15 (1962), p.332]

A third possibility as to why the Labour Government was not able to administer effective unemployment insurance reforms stems from their inexperience and insecurity in holding office. It should be noted that none of the members of the Labour cabinet had ever been in government before and that much of their time was absorbed in learning what was expected of them. [Lynman, p.230] In addition to this, they were aware that as a minority government they would not be in power very long. Therefore, it is reasonable to assume that they did not want to taint their first administration with a reputation for being financially irresponsible.

The Labour Government was removed from office over the issue of the "Workers Weekly". On August 13, 1924, John Ross Campbell, the editor of this newspaper, published an article which could be interpreted as being seditious. It asked soldiers not to turn their weapons against their working class comrades during instances of industrial warfare. The Director of Public Prosecutions had Campbell arrested and charged. The Attorney-General, Sir Patrick Hastings, however, decided to have the charges dismissed. [Lloyd, p.133] Both the Conservative and Liberal opposition were outraged at the Cabinet's decision. The former believed that the charges were dropped not because they did not have a good case against Campbell, but because it would be politically unpopular to pursue the prosecution. In the afternoon of October 8, a Conservative member, Sir Robert Horne, introduced the following motion into the Commons

That the conduct of His Majesty Government in relation to the institution and subsequent withdrawal of criminal proceedings against the editor of the "Workers Weekly" is deserving of the censure of this House. [*Hansard*, 177 H.C. 5s, p.581]

The debate over the government's censure lasted until eleven in the evening when division was called. In the end, the majority of Liberals voted with the Conservative Party and the Labour Government was defeated by one hundred and sixty-six votes, [Ibid, p.700] A general election was called and, on October

29, Stanley Baldwin and the Conservative Party were return into office with a majority of four hundred and nineteen seats.

*Baldwin Returns: The Unemployment Insurance Act 1927*

Upon their return to power, the Conservative Government repealed portions of the unemployment insurance legislation made by the Labour Government. They restored the Minister of Labour's discretionary powers with regard to extended benefits and reenacted the six day waiting period before collecting standard benefits. In addition to this, they increased the rate of contributions by one pence and reduced the amount of benefit back to the 1923 level. Finally, they retained the 'genuinely seeking work clause' but repealed the means test on extended benefits. [Lowe, p.137] These immediate reforms managed to save the Insurance Fund approximately three and one half million pounds. [Hannington, *A Short History of the Unemployed*, p.43]

There is some evidence which shows that in 1925 the Conservative cabinet considered abolishing the extended benefit altogether. In a letter from the Chancellor of the Exchequer, Winston Churchill, to the Minister of Labour, Arthur Steel-Maitland, the former recommended raising the standard benefit to eighteen shillings and dismantling the extended benefit scheme. Claiming that the uncovenanted benefits were injurious to national finance and demoralising to the working population, Churchill went on to say that "people who use up their standard benefits can go to the Distress Committees for relief." He concluded his correspondence with the Minister of Labour by expressing his personal opinion that " No person under the age of twenty-five should get relief without doing a full day's work." [*Baldwin Papers*, Churchill to Steel-Maitland, September 19, 1925, Vol.7 , No. 328] The

cabinet decided not to accept Churchill's recommendations and, as with the Labour Government, they did not enforce the thirty contributions rule for receiving extended benefits.<sup>8</sup>

The year 1926 was an unusual one in the history of the British unemployment insurance programme. It was the first year since 1919 that Parliament did not make any amendments to the insurance legislation. In place of creating new legislation, Baldwin appointed a special committee to conduct an investigation into the financial and administrative aspects of unemployment insurance. The committee was chaired by Lord Blanesburgh, one of the Lords of Appeal. Blanesburgh had a very close connection with the Conservative Party. His brother, George Younger, was the President of the National Union of Conservative Associations. The remainder of the committee consisted of fourteen members representing employers, trade unionists, and public servants.<sup>9</sup>

After fourteen months of investigation, The Blanesburgh Committee published a unanimous report. Before considering the contents of this report, it is important to know that its recommendations were based on the premise that unemployment would remain below six per cent. When the report was published, however, the national unemployment level was at nine and one half percent. [Beveridge, *Full Employment in a Free Society*, (1944) table,1 p.47] Therefore, the Blanesburgh Report's recommendations were out of touch with the unemployment situation before it met with cabinet approval.

---

<sup>8</sup> It is quite possible that Churchill had the support of Neville Chamberlain (Minister of Health) for his plan. During the 1930s, Chamberlain wanted to transfer the long term unemployed on to the Poor Law, adopt the concept of a pauper class, and introduce means testing for all insurance beneficiaries. [Miller, F.M., "National Assistance or Unemployment Assistance - The British Cabinet and Relief Policy 1932-33" *Journal of Contemporary History*, Vol. 9, 2 (1974) p.164]

<sup>9</sup> The other members of the Blanesburgh Committee were: Margaret Bondfield, James Carter, Carless Davis, J. Hamilton, Hugo Hirst, Frank Hodges, A. Holmes, Laurence Holt, James Lithgow, William McIntosh, Milner, and Glynn Hamilton West.

The Blanesburgh Committee made four principal recommendations to the Conservative Government. First, they suggested that the government adopt a permanent unemployment insurance scheme which would dispense only the standard benefit, and thus eliminate the extended benefit. Second, they wanted contributions made by the employers, employees and the state to be made equal. Since 1911, the state contribution had always been less than that of the employees and employers. Third, they recommended that the one in six rule and the twenty-six week maximum be discontinued and that the standard benefit be given for seventy-six weeks. Finally, the Committee called for the establishment of transitional benefits to replace the extended benefit programme. In essence, the Blanesburgh transitional benefit plan was identical to the Labour Government's extended benefit programme. These payments would be given to 'genuine workers' who had fulfilled thirty contributions at any time or eight in the past year. The Blanesburgh Report was the first in a series of attempts to bring unemployment insurance back to its original principles.

Preparations for the 1927 Unemployment Insurance Bill began in January 1927 - as soon as the Blanesburgh Report was submitted to the cabinet. The Minister of Labour, Arthur Steel-Maitland, took a direct involvement into the drafting of the legislation and insisted that it conform to the Economy Act of 1926.<sup>10</sup> Before the Bill was introduced and throughout the reading, Steel-Maitland received a series of letters from Churchill providing him with advice concerning the issue. The Chancellor of the Exchequer justified his involvement by stating that he was the original author of the 1911 National Insurance Act.<sup>11</sup> Within these letters, there is sharp evidence which suggests that

---

<sup>10</sup> The Economy Act, 1926, was a plan for the reduction of the charges on public funds. It applied specifically to health insurance, unemployment insurance, and education. [*Law Reports, Economy (Miscellaneous Provisions) Act 1926, Part II section 8, p.40*]

<sup>11</sup> Churchill was not the original author of the first National Insurance Act. This honour belongs to William Beveridge, Herbert Llewellyn-Smith and Sidney Buxton. [See Chapter II *Part II of the National Insurance Act*]

Churchill and Steel-Maitland had strong disagreements over the proposed legislation. The latter wanted his Bill passed before Christmas 1927, "Even if it means delaying or eliminating other Bills". [*Baldwin Papers*, Steel-Maitland to S. Baldwin, June 16, 1927, vol. 7 No. 388] He also accepted the Blanesburgh recommendation that equal thirds become part of the legislation, therefore, raising the state contribution to the level of the other two parties. He claimed that this was necessary to counter the Labour Party's 'propaganda' against the Bill. [*Baldwin Papers*, Steel-Maitland to Baldwin, October 7, vol. 7 No. 434] Churchill disagreed with his cabinet colleague's insistence. He did not want the Bill hastened through Parliament and, at one point, asked Steel-Maitland to delay circulation of the Bill and its second reading. With regards to equal thirds, he claimed that the Treasury could not afford to raise its contribution and that he was opposed to increasing taxes. [*Baldwin Papers*, Churchill to Steel-Maitland, March 20, 1927] Finally, he objected to the Bill in its entirety by claiming that "it is a burden and yields no advantage to the government." [*Baldwin Papers*, Churchill to Steel-Maitland, October 18, 1927, vol. 7 No. 438]

Throughout this debate between the Chancellor of the Exchequer and the Minister of Labour, Baldwin was forced to act as arbitrator. He managed to solve the disagreement by appeasing both parties. Baldwin assured the Minister of Labour that the Bill would become law before the year was over and pacified the Chancellor of the Exchequer by having the equal thirds clause dropped from the Bill.

The recommendations made within the Blanesburgh Report became the founding principles of the 1927 Unemployment Insurance Act. This piece of legislation eliminated the extended benefit programme and made the standard benefit payable for a maximum of seventy-four weeks. In addition to this, it created the transitional benefit along the lines recommended by the Report. Finally, the 1927 Act removed the discretionary powers of the Minister of Labour and turned those responsibilities over

to the insurance officers, referees and the umpire. [*Law Reports, Unemployment Insurance Act, (1927)*, pp.386-397]

It was, however, in the area of benefit rates that the most significant alterations to the unemployment insurance scheme were made. For single men, the weekly benefit was reduced by one shilling, but for married men, the benefit was increased by two shillings. The persons most adversely affected by the new benefit rates were the elderly and the young. This Act declared that those over the age of sixty-five were no longer applicable for unemployment insurance and, therefore, must go on to old age pensions. It should be noted that in 1927 the old age pensions were set at ten shillings a week which was half the standard insurance benefit, if one takes the dependent's benefit into account. Of all those living in Britain during the inter-war years, the elderly working class clearly suffered most severely in terms of poverty. In 1927, ten shillings a week was simply not enough to maintain an independent subsistence existence. Upon retirement many were forced to rely on their children or Poor Law relief to supplement their small pensions. This unemployment legislation also created a new class of beneficiary, namely eighteen to twenty year old youths. Males in this age bracket had their benefit lowered from eighteen to ten shillings and females from fifteen to eight shillings. [*Ibid, Third Schedule, p.390*] In the final analysis, this legislation can be accurately described as a very *conservative* unemployment insurance act.

Baldwin's second administration was riddled with incidents of social unrest, by both the employed and unemployed, in the form of demonstrations, strikes and hunger marches. Three of these incidents occurred during the first year of his government. In March 1925, a demonstration took place in London concerning the issue of enforcement of the 'genuinely seeking work clause' at the Labour Exchanges. Fifteen Labour Members of Parliament took part in this demonstration; however, it was unsuccessful and the Labour Exchange policy was not altered. [*Kingsford, p.77*] On June 1, a second

demonstration over this issue took place. Referred to as 'Unemployment Sunday', it was organised by the National Unemployed Workers Movement and had the support of the Labour Party and the Trade Union Congress. Once again the action was unsuccessful. The Trade Union Congress had considered but rejected the idea of calling for a twenty-four hour general strike. [Ibid]

The most crucial conflict between the working class and the government in 1925 took place at the end of July. In this case, the issue was the reduction of the coal miner's wages. The Mine Owners Association decided to reduce miners wages and had the support of Baldwin's Government to do so. The Trade Union Congress and the Labour Party along with The National Unemployed Workers Movement and the Communist Party came out in support of the miners. Collectively, they threatened the government with a general strike which would take place on July 31, known as 'Red Friday'. This time the working class movement was successful. On July 30, the Conservative Government backed down and decided to provide a temporary financial subsidy to mine owners. This subsidy was to be used to maintain miners wages and employment.

The General Strike of 1926 is, perhaps, the most well known incident of industrial unrest during the Baldwin Era. Once again, the issue of miner's wages was at the forefront of grievances. The temporary subsidy to the mine owners was about to expire, and Baldwin had no intention of extending it. It meant that the miner's wages would have to be reduced. This time, the Trade Union Congress followed through with its threat and called for a general strike in all essential industries - railways, local transport, docks, electricity and gas - to begin on May 3. Their only aim was to force the government to grant the subsidy to mine owners.

The strike lasted for eight days, and on May 11 the trade unions admitted defeat and sent their members back to work. There were two principle reasons for the strike's failure. The first was that the trade union movement could not financially afford to subsidise its membership for the duration of a long strike. The second was that they underestimated the overall support for the government. The

Conservative Government was prepared for the strike and could cope with the aid of the middle and upper classes. Aside from being a failure, the General Strike produced an unfortunate 'backlash' for the British trade union movement. During and after the conflict, Baldwin's Government introduced anti-trade union legislation into the Commons. The Trades Dispute and Trade Union Act banned all sympathetic strikes and attacked the political use of union funds by declaring all strikes which were designed to coerce the government illegal. Furthermore, this act made members subscriptions to the Labour Party a matter of individual choice rather than routine practice. [Thomson, *England in the Twentieth Century*, (1965) p.115] The only positive result for the trade unions and the Labour Party was that by introducing such legislation, the Conservative Party lost almost all their working class support.<sup>12</sup> [Lindsay & Harrington, p.78]

The last major incident of social unrest during Baldwin's government was the National Hunger March of 1929. Here, there were two issues at stake: the genuinely seeking work clause and the thirty contributions rule. The opposition to the genuinely seeking work clause was based on the fact that it placed the onus on the applicant to prove to the Insurance officers that he was seeking employment. According to Hannington, this clause was unconstitutional and contrary to the principles of British justice. This is because, it is the responsibility of the authorities to prove their case against the applicant, and it is not the applicant's responsibility to prove his case to the authorities. In addition to this, it had been noted that firms would often not provide notes to applicants proving that they had sought work on their premises. [Hannington, *Unemployed Struggles* , p.187]

---

<sup>12</sup> Just before the 1929 General Election the Conservatives attempted to recapture its lost working class support by electing an ex-miner, Gwilyn Rowland, to be Chairman of the Central Conservative Council. Rowland was an unsuccessful Conservative candidate for Carphilly and the only Conservative on the Rhondda Urban Council. [*Times*, February 27, 1929, p.14]

The hunger marchers were also protesting against the thirty contributions rule. Although this portion of the Unemployment Insurance legislation had never been brought into effect, the Conservative Government announced that it would begin enforcing the rule after April 3. This would result in nearly a quarter of a million workers being struck off the transitional benefit programme. Finally, they asked for substantial increases in benefits - thirty shillings for the unemployed over the age of eighteen, ten shillings dependent spouses, and five shillings for each child. [*The Times*, February 25, 1929, p.14]

As with the first national hunger march, this procession began in Glasgow and acquired more marchers as it moved south. The marchers left Scotland on January 22 and arrived in London on February 24. On the whole, the march was much better organised than the 1922 march - in the sense that the marchers had better food, accommodation and conditions. What the marchers lacked was the support and approval of the Trade Union Congress and the Labour Party. The latter viewed the march as a Communist inspired event, and therefore, denied their participation.

On February 25, the delegates from the National Unemployed Workers Movement asked for an audience with the Prime Minister and the Minister of Labour. Both Baldwin and Steel-Maitland flatly refused to receive any of the marchers. That evening, a group of Scottish M.P.s attacked the government during the reading of the Scottish (Local) Government Bill for its refusal to meet with the deputation. [*Hansard*, H.C. 5s (129), 1929, pp.1679-1686] Two day later, some of the marchers 'invaded' the Commons' public galleries and were forcibly removed. When asked in the House why the government refused to meet with the marchers, Churchill replied that it would set a poor precedent for the Prime Minister to receive such a deputation. [*The Times*, February 28, p.8] The march was, however, partially successful. Although the Conservatives refused to repeal the genuinely seeking work clause, the Minister of Labour announced that the thirty contributions rule would not be enforced. On March 4, the hunger marchers began returning home.

In looking back at the social unrest of the 1920s, it is obvious that the Baldwin Government feared the unemployed. In the autumn of 1925, the attorney general, Sir Douglas Hogg, had twelve members of the Communist Party tried and convicted for sedition. Ten of the men under charges held positions on the Communist Party's Central Executive Committee.<sup>13</sup> Specifically, the charges were preaching sedition, uttering seditious libel, and inciting to cause mutiny among His Majesty's armed forces. The charge of inciting mutiny was levied because one of the National Unemployed Workers Movement handbills asked soldiers to remember their working class origins and not attack the demonstrators. Seven of the men were given short sentence of six months. Hannington, Pollitt, Inkpin, Rust and Gallacher, however, received twelve months at hard labour with no communication with family or friends. In addition to this, they were denied the status of political prisoners, and therefore, were treated as common criminals.[Hannington, *Unemployed Struggles*, pp.136-137] By placing the top echelon of these organisations in gaol, the Baldwin Government was inadvertently successful in keeping the executive of the Communist Party and the leadership of National Unemployed Workers Movement out of the General Strike.

The Conservative Government did not cease by simply arresting these leaders of these organisations. Through the Home Office, they harassed the National Unemployed Workers Movement by infiltrating the group with police spies from Scotland Yard and by hiring unscrupulous working class 'thugs' to provide reports on organisation's activities. This method of harassment probably did little damage to the organisation. Hannington remarked that the "*agents provoquers*" tended to be quite noticeable because they behaved more violently than legitimate members.[Hannington, *Unemployed*

---

<sup>13</sup> The members charged were: William Gallacher (Party Chairman), Albert Inkpin (General Secretary), William Rust (Young Communist League), Tom Bell (Official Recorder), Wal Hannington (Central Executive Committee), Henry Pollitt, (CEC), John R. Campbell, J.T. Murphy (CEC), P. Page Arnott, (CEC), Earnest Cant and T. Winkeringham. The positions held by these men have been taken from *Speeches and Documents of the Sixth (Manchester) Conference of the British Communist Party*.

*Struggles*, p.142] Finally, the government attempted to hinder the hunger marches by passing legislation which would make it difficult for workhouses and casual wards to provide accommodation to marchers and they also cut off the insurance benefits to families of the marchers.

#### *Labour's Second Administration*

From 1927 to 1929, the Baldwin Government was steadily losing the support of the British electorate. This is evident in the fact that the Conservative Party lost every by-election during this period to either the Liberals or the Labour Party. Most historians account for the Conservatives decline in popularity to their failure to solve the unemployment problem. [Lindsay and Hannington, p.86 and Skidelsky, R.J.R., *Politicians and the Slump*, 1967, p.51]

After having held office for five years, Baldwin was forced by political convention to call for a general election in 1929. For the first time in British history, the issue of unemployment dominated all other election issues. The Conservatives campaigned without expressing any specific policy to the electorate. Instead, Baldwin ran under the banner "Safety First", believing that he could win the election on his reputation as a prominent statesman. He was also convinced that he would capture almost all of the women's vote. This was because it was his government which lowered the voting age for women from twenty-eight to twenty-one. [Gilbert, *Britain Since 1918*, p.66]

The Labour Party's campaign platform was not significantly altered from that which brought them into office in 1924. Once again, they offered the electorate their plan of moderate socialism which included a plan for nationalisation. Their social policies took the form of establishing a living wage for all workers and expanding the social insurance network. Nationalisation of key industries, such as coal mines, iron and steel, shipbuilding, railways and electrical power was seen by the Labour Party as being essential to halt the decline of industry and preserve employment.

Of the three parties, the Liberal Party offered the most imaginative and most original campaign platform. In 1928, the Party published *Britain's Industrial Future*, which in 1929 became its election manifesto. Commonly referred to as the 'Yellow Book', this text was the result of the collaboration of such eminent Liberal politicians and economists as Seebohm Rowntree and John Maynard Keynes. Essentially, the Yellow Book advocated the improvement of social conditions and industry, with the aid of the state, but without the adoption of socialism. Its authors recommended that during periods of recession and depression the government ought, through a policy of deficit finance and devaluation of pound, to put more money into circulation. This would eventually increase consumer spending - thus improving the quality of life - and force growth in British industry. [Siddelsky, *Politicians and the Slump*, p.53] The Yellow Book was a preview of Keynesian economic principles.

Although the Liberals offered the most enterprising solution to Britain's problem of declining industry, they emerged a distant third in the polls with fifty-nine seats. The Conservatives also fared quite poorly. They lost one hundred and fifty-nine seats from their previous majority and were returned to Parliament with two hundred and sixty seats. The Labour Party, however, for the first time in its history became the largest party in the Commons by electing two hundred and eighty-eight members.<sup>14</sup> Once again they formed a minority government with the Liberals holding the balance of power. Four days after the election, the King sent for Ramsay Macdonald to form the government.

MacDonald began his second administration at the worst possible time. Four months after taking office, Britain found itself at the centre of a world wide economic depression. Initially the economic situation seemed to be going quite well for the Labour Government. During the summer of 1929 there was a noticeable element of optimism for its success; unemployment seemed to be

---

<sup>14</sup> In the 1929 General Election, the Labour Party actually received a smaller percentage of the popular vote than the Conservatives. The results were Conservative, 38.2, Labour 37.1 and Liberal, 27.7. [Butler, p.207]

stabilising at just over one million out of work and the national economy was showing some growth. Even the King's speech reflected this feeling of hopefulness. It promised an attack on poverty through more generous unemployment relief, an extensive use of public works to reduce unemployment, and a new housing policy which included slum clearance and urban renewal. [Brand, p.148] However, with the collapse of the New York Stock Exchange in October, along with the ensuing depression, this feeling of optimism came to an abrupt end. By November, two and a half million British workers were without employment and, of course, this resulted in chaos for the unemployment insurance scheme. It meant that twenty percent of the insured population were collecting standard or transitional benefits. [Ibid]

The economic crisis of 1929 led the government to appoint a special committee to look into the solution of unemployment. The most significant members of this committee were James H. Thomas, who was officially Lord Privy Seal and unofficially "minister of employment" and Sir Oswald Mosley, the Chancellor of the Duchy of Lancaster. [Thomson, p.132] The work of this Committee resulted in a serious disagreement between the two men. Thomas saw the solution to Britain's problem of declining economy and growing unemployment as being increased public works projects along with an increased export market. Mosley, however, was diametrically opposed to Thomas' plan. Instead, he advocated reconstructing Britain's economy on an *autarkic* model. This meant developing economic self-sufficiency based on internal consumption and not exports.<sup>15</sup> [Beloff, *Wars and Welfare*, p.177]

In November 1929, the Labour Government brought in its first Unemployment Insurance Act of this administration. This legislation raised the state contribution into the scheme from two fifths of the combination of employers and employees to one half of the same. [Gilson, pp.56-57] In

---

<sup>15</sup> Shortly after this disagreement Mosley left the Labour Party and in 1932 formed the British Union of Fascists.

addition to this, the government expanded the public works schemes along the lines suggested by Thomas. The Development Act provided seventeen million pounds for railway improvement and a twenty-five million pound subsidy for the creation of new industry in distressed areas. [Brand, p.149] Finally, the government appointed a select committee, chaired by Sir Harold Morris, to preform an inquiry into the functions of insurance officers and referees.

The recommendations made by the Morris Committee became the foundation for the Labour Government's second Unemployment Insurance Act. Given Royal Assent on February 16, this insurance legislation was the most significant of the second Labour Government. First, it altered the wording of the genuinely seeking work clause to make it more acceptable to applicants. In place of demanding that the applicant prove to the insurance officers that he was seeking employment, the new clause stated,

An applicant would be disqualified from receiving benefits for six weeks if he failed to accept suitable employment of which he had been notified in writing by the Labour Exchange. [Fulbrook, p.158]

With this clause in effect, the onus was placed on the insurance officers to prove that the applicant was seeking work. Second, this Act took the funding of the transitional benefits away from the Insurance Fund and made it the responsibility of the Treasury. Finally, this legislation raised the dependents' benefits from seven to nine shillings. [*Law Reports*, Unemployment Insurance Act, (1930) pp.75-88]

By the end of 1930, unemployment in Britain was rising as an alarming rate. On December 15, there were 2,299,592 unemployed persons registered at the Labour Exchanges. By December 22, the number had risen to 2,408,371. This meant that in the week before Christmas 108,779 workers lost their employment. [*The Times*, January 1, (1931)p.12] Responding to this rapid growth in unemployment, on December 30, MacDonald appointed the Royal Commission on Unemployment Insurance, under the direction of Justice Holman Gregory. The purpose of this commission was to

make recommendations with regard to the future scope of the scheme and the means by which unemployment insurance might be made solvent and self-supporting. On June 1, 1931, the Royal Commission published its interim report. This report claimed that, under the present legislation, the fund could be balanced if number of beneficiaries remained below nine hundred thousand; however, once the number of unemployed reached two million, the state would have to contribute two and a half times the amount contributed by employers and employees. The signatories of the report recommended reinstating the twenty-six week limit for standard benefits and means tests for transitional benefits. [Interim Report, (cmd, 3872)]

While the Royal Commission was conducting its investigation into the unemployment insurance scheme, MacDonald appointed Sir George May to be chairman of the Committee on National Expenditure. Commonly known as the May Committee, its purpose was to find ways in making economies in government finance. Exactly one month after the Royal Commission published its interim report, the May Committee presented their findings to the Labour Cabinet. Two thirds of their recommendations on restraining governmental expenditure concerned the unemployment insurance scheme. As with the Royal Commission, the May Committee also wanted to limit benefits to twenty-six weeks and to implement strict means testing. In addition to this, they called for a reduction in the rate of benefit by twenty percent and an increase in the contribution rate by the same. Finally, the May Committee suggested increasing the scope of the scheme to include employees in banking, insurance, public service and utilities. Since these employees were considered to have steady employment, the government could use their contributions to supplement the Insurance Fund. The Committee claimed that if its suggestions were implemented, the government would save sixty-six and one half million pounds annually but, if they were not, the governmental deficit would increase by one hundred and twenty million pounds. [Cohen, p.40]

The majority of MacDonald's cabinet refused to accept the recommendations made by the May Committee. This left Prime Minister in a serious dilemma. On one hand, if he implemented the economies, his party would vote against him and, quite possibly bring down his government. On the other hand, he was being pressured by Britain's financial institutions to implement the May Committee's recommendations. The Bank of England informed Macdonald and the Chancellor of the Exchequer that in order to maintain the value of the pound, they would have to borrow from American and French banks. They also claimed that a gesture of economy was needed which would show these creditor nations that Britain would be capable of repayment. The private banking sector also informed MacDonald that they would not extend credit to the government unless it made substantial economies. [Beloff, p.180] On August 28, MacDonald abandoned the Labour Party and, with the support of the Conservatives and Liberals, formed the National Government. Only two members of his former cabinet, Snowden and Thomas, joined him in this coalition.<sup>16</sup>

### *Conclusion*

In looking back at the seven year span between 1924 and 1931, it can be argued that this was an era for tremendous change in British politics and society. For example, 1924 saw the creation of a Labour Government led by Ramsay MacDonald. Although his government was only theoretically socialist, its very existence marked a pivotal point in the history of the British political system. For the first time since the establishment of 'parliamentary democracy', the party of the working class assumed constitutional political power. Perhaps, quite unintentionally, George V made the most potent

---

<sup>16</sup> On August 24, MacDonald wrote an apologetic letter to Clement Attlee explaining his reasons for forming the National Government. Within this letter he stated, "we were on the verge of a financial crisis which, if not dealt with in the space of a few days would have meant not cuts of ten percent but would have disorganised our whole financial system with the most dire results to the working class. . . we should have been fiddling while Rome burned." [*Attlee Papers*, unsigned letter from MacDonald to Attlee, August 24, 1931, Vol.2 (6)]

statement concerning the creation of the first Labour Government. The day Ramsay MacDonald came into office the King wrote in his diary, "Twenty-two years ago today dear Grandmama died. I wonder what she would of thought of a Labour Government?" In noting this event - in this manner - the monarch was acknowledging the passage of the old order. After 1924, the institution of Parliament could no longer be seen as the personal property of the upper and well-to-do middle class as it had been during Queen Victoria's time.

Against this background of political change, British society entered into a period of fluctuation. During the latter portion of the 1920s, with its reputation for strikes, demonstrations and hunger marches, the nation often seemed to be on the verge of class warfare. A good example of this is the General Strike. Many historians have attempted to reduce the severity of the General Strike by looking at it as being an important but ineffectual event in British history. Quite often, it is stressed that the General Strike produced no violent deaths, few serious injuries and strikers and policemen could be seen playing football on East End London streets. Neglected in this type of analysis is how the Strike was perceived by the persons involved in it.

The General Strike was, perhaps, the last time in twentieth century British history when a person's class origins could be determined by where he stood on the barricades. Although there were some exceptions to this rule, the middle and upper classes took the side of the government, and the working class took the side of the Trade Union Congress. For a good example of class attitudes it is particularly useful to turn to a work of popular literature, in this case Evelyn Waugh's *Brideshead Revisited*. In this novel, the main character, a upper middle class young man named Charles Ryder, leaves his studies in Paris and returns to London, during the Strike, to fight for his social class. On his way to London he says;

I, at any rate, had formed in my mind a clear composite picture of 'Revolution' - the red flag on the Post Office, the overturned tram, the drunken N.C.O.s, the gaols open and gangs of released criminals

prowling the streets, the train from the capital that did not arrive.  
[Waugh, *Brideshead Revisited*, p.194]

Ryder, along with his university friends, saw the strikers as being the enemy and a threat to the security and stability of the nation.

Whereas the middle and upper class fought for the privileges of their social class, the working class engaged in the Strike out of fear and desperation. Employed workers feared the prospect of becoming unemployed or having their wages reduced. Many of them had been without work before and were very much aware of the problems that occurred with unemployment. Therefore, they joined with the miners to secure employment and wages. Unemployed workers joined in the strike with the desperate hope that, if this action was successful, perhaps in the future they could force the government to be more generous with unemployment relief.

At the centre of political change and social unrest was the unemployment insurance scheme. By the end of the 1920s the administration of the insurance programme was a volatile political issue. The two main political parties began to approach the matter with very different attitudes and intentions. The Conservative government was determined to restrain the insurance scheme and return it to the original principles of social insurance. During their administration the rates of benefits were reduced, the 'genuinely seeking work clause' was strictly enforced and the uncovenanted benefit was discontinued. Alternatively, the Labour Governments worked to make unemployment insurance a method of relief rather than reconcile it to its original principles. Under their administration, benefit rates were increased, the scope of insurable occupations was expanded and the time period for receiving benefits was lengthened. As we have already noted, the administration of unemployment was also the focal issue in cases of social unrest during the mid 1920s. Examples of this are the demonstrations at the Labour Exchanges over the 'genuinely seeking work clause', 'Unemployment Sunday' and the 1927 National Hunger March.

In conclusion, the years between 1924 and 1931 saw the further deterioration of the insurance scheme. By the time the National Government was formed, the Insurance Fund was over a hundred million pounds in debt and was borrowing approximately a million pounds a week from the Treasury. In 1927, there was an attempt made to curb the rising deficit by dismantling the extended benefit programme; however, this attempt was made futile once the transitional benefit came into operation.

*REMEMBER BIRKENHEAD!*

*REMEMBER BELFAST!*

[NUWM leaflet addressed to the police, 1932]

*When I went before the Public Assistance Committee they asked me if the baby was being breast fed and when I said yes they reduced the 2/s [shilling] allowance for a child. [Nigel Gray, *The Worst of Times*, 1985, p.193]*

### *Two Nations*

The 1930s is possibly the most misunderstood decade of twentieth century British history, perhaps because it was a period in which affluence and austerity ran side by side in extreme proportions. During this decade, Britain had the highest Gross National Product of all industrialised countries, and because of the fact that real wages were rising faster than the cost of living, the employed worker enjoyed a substantial growth in his standard of living.<sup>1</sup> [Glynn and Oxborrow, *Inter-War Britain: A Social and Economic History*, (1976) pp.20-21] Throughout the English Midlands and the Southern Counties, new consumer oriented industries were being constructed, industries which were to provide motor cars and electrical appliances to the wave of suburban homes being built around the Greater London Area. In addition to the development of a consumer economy, the Capital city was also engaged in an era of prosperity. This prosperity was not the result of new industry, but mainly of the export of 'invisibles', namely, insurance, banking and advertising. After the collapse of the New York

---

<sup>1</sup> In Bristol ninety percent of working class families had more income than was barely necessary and nearly fifty percent had double the the minimum standard income. [Breach and Hartwell, *British Economy and Society*, (1972) p.137]

Stock Exchange in 1929, London became the unchallenged centre for international finance. For many Britons the Great Depression was a time of economic growth and recovery.

Unfortunately, the prosperity of the 1930s was mainly limited to the Midlands and South. The remainder of the United Kingdom was trapped within a depression from which it has never completely emerged. The heavy industries, such as textiles, shipbuilding, and coal mining which had built the economies of Wales, Scotland, Northern Ireland and Northern England in the previous century were decimated by the cessation of international trade. It was not uncommon in towns and areas that had depended on single industries to experience up to sixty and eighty percent unemployment. For the unemployed in these districts, the 1930s were a continuation of the decline of the 1920s.<sup>2</sup>

#### *Unemployment Insurance legislation 1931-34*

The National Government, which held office for the remainder of the 1930s, has often been credited with making the conditions for receiving unemployment relief difficult. However, even before MacDonald formed the National Government his former cabinet was implementing policy to restrict the conditions for receiving unemployment insurance benefits. On July 31, 1931, the Labour Government passed the Anomalies Act.<sup>3</sup> This legislation had two functions: to stop the payment of

---

<sup>2</sup> It is interesting to compare the different levels of poverty between the north and south of Britain. At the height of the Depression, 1932, the level of poverty in Bristol was four percent, in the north, it was over ten percent and in Wales and Scotland, fifteen to twenty percent. [Ibid, p.137] During the 1930s, J.B. Priestly toured the city of Hebburn in the district of Tyneside. He commented that "you felt that there was nothing in the city worth a five pound note. It looked as much like an ordinary town of that size as a dust bin looks in a drawing room. Here and again, idle men - and not unemployed casual labourers but skilled men - hung about the streets waiting for Doomsday. Nothing it seemed would ever happen again. . . I had an odd feeling all the time that I was looking at a camp just behind the front lines in some strange new war." [Priestly, "Tyneside in the Depression", *The Priestly Companion* (1951), p.302]

<sup>3</sup> The full title of the Act was Unemployment Insurance Act (No.3), 1931.

benefits to households which could have existed without them and "provide for facilitating [by either grants or loans] the removal of workers from one place to another." [*Law Reports, Unemployment Insurance Act (No.3) (1931)*, pp.209-13] This meant that part time workers and married women who had contributed into the unemployment insurance fund were disallowed from receiving benefits. Once this legislation was enforced, one hundred and thirty-four thousand women were taken off unemployment insurance. John Stevenson and Chris Cook, co-authors of *The Slump*, referred to this legislation as an example of the financial orthodoxy and economic conservatism which became the dominant strategy of MacDonald's Government. [Stevenson and Cook, *The Slump*, p.3] The Anomalies Act was, in fact, a foreshadowing of the future unemployment insurance acts to be made by the National Government. It ought to be remembered that in the early 1930s, Keynesian economic principles had not been considered by the Labour Party. They still adhered to the practice of attempting to maintain balanced budgets and reduce government spending during periods of economic recession.

The first piece of legislation to be passed by MacDonald's coalition government was the National Economy Act of 1931. This was, quite possibly, the most important economic legislation passed during the 1930s and, certainly, the most undemocratic. It is under this act that all unemployment insurance legislation passed between 1931 and 1932 was brought into effect. Essentially, the National Economy Act gave the British Government the authority to make orders in council for economies in certain areas with particular regard to unemployment insurance. Under the first section of this legislation, the government could reduce benefits and increase contributions without debating these issues in Parliament. [*Law Reports, National Economy Act (1931)*, p.343] It also gave the Cabinet unlimited powers to reduce unemployment insurance expenditure by thirty-five million

pounds and, because of this legislation, MacDonald's cabinet was able to pass two unemployment insurance orders in one week.<sup>4</sup>

In October 1931, the first unemployment insurance order was put into operation. This order was a further attempt to return the scheme to the strict insurance principle established in 1911. There was an immediate reduction of ten percent in the rate of all standard and transitional benefits followed by a ten percent increase in the rate of contributions. It had been hoped by MacDonald and his colleagues that the cost of living would also fall by ten percent. [Lloyd, *Empire to Welfare State*, p.174] In addition to this, the thirty contributions rule was enforced and the time period for receiving standard benefits was limited to a maximum of twenty-six weeks. [*Law Reports, Unemployment Insurance (National Economy) Order, 1931*, p.343] In bringing in this legislation the National Government immediately transferred approximately nine hundred thousand unemployed men and women onto the transitional benefit programme. [Deacon and Bradshaw, *Reserved for the Poor*, p.16]

Because of the large influx of persons on transitional benefits, a few days later the government passed the second Unemployment Insurance (National Economy) Order. This legislative order began by changing the name of transitional benefits to transitional payments. On the surface, this may seem to be a minor point; however, the name change was highly significant. During the 1920s and 1930s, the term "benefit" was interpreted by the public as being a statutory right of the insured unemployed; the term "payment", however, was associated with charitable relief. Under the new regulations, the administrative bodies for dealing with the transitional scheme were changed. The responsibility was taken away from the Insurance Board and the Ministry of Labour and given to the

---

<sup>4</sup> Specifically, the economies resulted in: twelve million pounds being saved by the ten percent reduction in benefits, three million pounds being saved by the removal of anomalies, ten million pounds by the strict enforcement of the means test on transitional benefits and ten million pounds added to the Insurance Fund by the increase in the rate of contributions. [Gilbert, *Social Policy*, p.175]

local authorities' Public Assistance Committee under the jurisdiction of Ministry of Health. [*Law Reports, Unemployment Insurance (National Economy)*(No.2) Order, 1931, p.343] The Public Assistance Committee was, in fact, a euphemism for the old Poor Law Guardians. This meant that the transitional payment was subject to a locally enforced means test and that the able bodied unemployed, who had successfully avoided the regulations of outdoor relief, found themselves trapped within them.

On October 7, the same day the Transitional Payment Order was passed, MacDonald announced his decision to dissolve the government and to call for a general election. His primary reason for doing this was to secure a popular mandate to carry on with his policies. He, in fact, referred, to this general election as the 'doctors mandate', implying that a National Government was needed to cure the financial sickness. [Skidelsky, p.385] Before going onto describe the election, it should be noted that between August 28 and October 7 MacDonald did not have this mandate. There were two hundred and seventy-three Labour Party members in the Commons opposed to the National Government. Such a large group of Parliamentarians could have used their privileges to delay the passage of legislation. Because of these individuals that MacDonald decided it would be easier to make economies through orders in council rather than go through parliamentary debate. The timing of the election is also very important. It is quite possible that he realised he had to have a majority government established before the negative effects of his unemployment insurance orders became noticeable. Therefore, the general election was set to take place on October 27, 1931.

The Campaign of 1931 has been referred to as a savage affair because the main battles were fought within political parties rather than between them. [Pimlott, p.15] The Labour Party was unequally divided into two factions. Only a small minority of its total membership supported MacDonald's National Government. Although they still considered themselves Labourites, they were

formally expelled from the official party on September 28. The remainder of the Labour Party came out in total opposition to the National Government. The Liberal Party was in an even worse position to fight an election because it was divided three ways. Sir John Simon led the National Liberals, who were also known as the Simonites and who gave complete support to the National Government. At the centre of the Liberal Party were the Samuelites, led by Herbert Samuel. This group would only give partial support to MacDonald's government. They accepted the financial orthodoxy, but announced that they would not support protectionist tariffs if the issue arose.<sup>5</sup> Finally, there was the Independent Liberal Party led by Lloyd George. Although he was a strong coalitionist during the 1920s, Lloyd George would have nothing to do with the National Government. Possibly, his attitude could be explained by the fact it would have Labour Party members in it, and, more important, he would not be Prime Minister. The only party not to be affected by internal division was the Conservative Party. This party unanimously supported the fiscal policies of the National Government.

In comparison, the campaign between the three major parties was not very exciting. The National government's platform was based on getting Britain back to work. According to them, this meant reducing the national deficit, restraining governmental expenditure and expanding the export market. Labour, however, campaigned on its traditional theme of increasing social services and nationalising staple industries. The only real political animosity of the election was expressed between National Labour and the Labour Party. In one instance, Snowden referred to Labour's election platform as "Bolshevism gone mad." [Skidelsky, p.385] The schism between the two factions managed to keep the Labour Party from forming a government for fourteen years.

---

<sup>5</sup> In the Spring of 1932, the National Government introduced tariffs in the form of the Abnormal Importations Act. All the Samuelite Liberals voted against it. [T.O. Lloyd. *Empire To Welfare State*, p.177]

In the end, the government of the day was returned to power with a massive majority. They gained sixty-seven percent of the popular vote and five hundred and fifty-four seats in the House of Commons. Of this majority, four hundred and seventy-three were Conservatives, thirty-five were Simonite Liberals, thirty-three were Samuelite Liberals and only thirteen were former Labour Party members. In the opposition there were fifty-two Labour Party members and four Lloyd George Liberals. [Butler, p.207] It was the largest political landslide in British history.

Clearly, the Labour Party was decimated by the election. Important members, such as Clynes and Henderson, lost their seats and, safe Labour constituencies, such as Durham and Salford, actually elected Conservatives. There are a number of reasons as to why the Labour Party did so poorly in this election. Foremost was the unemployment issue. Owing to its governmental record, the party was seen by the general public as being largely responsible for the high unemployment. On polling day, there were two million eight hundred thousand unemployed, many obviously voting in anger and frustration. Second, the Labour Party had become very conservative organisation. Their campaign did not offer the electorate anything different from its campaign eight years previously. Third, the party had been declining steadily in public opinion since its victory in 1929. A good example of this is in the results of the November 1930 by-elections. Secure Labour seats in the industrial areas of Nottingham and Glasgow were lost to the Conservatives. Finally, it must be remembered that the Labour Party did not have a strong hold on the government in 1929. It had less popular votes than the Conservatives. In fact, sixty-six of its two hundred seats were minority wins, the result of a Labour member winning a seat evenly contested between the Conservative and Liberal candidates. Therefore, when the 1931 election came around, most of these seats went to the the National government. [Stevenson and Cook, pp.94-103]

Almost as soon as the Transitional Payments Order took effect, problems within the legislation became apparent. These difficulties stemmed from the locally administered means test. The Public Assistance Committees were instructed by the Ministry of Health to assess claims for transitional payments in the same way as applicants for Poor Law Relief. However, local authorities in different areas differed over how to assess individual earnings, savings and property. The typical procedure for administering the transitional payment was to provide relief only if the combined resources of the household were less than the total requirements as measured by the Public Assistance scale. [Deacon and Bradshaw, p.17] Nevertheless, some areas were less generous with their aid to the unemployed than others. For example, in Lancashire, almost one third of those applying for transitional payments had their claim rejected, and only sixteen percent received the maximum amount of the payment. For the nation as a whole, however, fifty percent of applicants received the full amount of the payment. Other districts, such as Durham and Rotherham, which had members of the Labour Party elected to their Public Assistance Committees, were considered to be too lenient with the transitional payment. In these towns, the Minister of Health, Neville Chamberlain, had the locally elected Public Assistance Committees dissolved under the Guardians Default Act 1926, and appointed a central government body in their place. [Stevenson and Cook, pp.69-70] It is ironic to note that there is no available record which shows a Public Assistance Committee being disciplined for giving too little to the unemployed.

On November 17, 1932, the National Government passed the Transitional Payments (Determination of Need) Act. This was done in order to bring about some form of uniformity in administering the means test. In the end, however, the Determination of Need Act became the most detested piece of legislation passed by the National Government.

Essentially, the Determination of Need Act was a standard household means test. Under its conditions all forms of income coming into the household, including workman's compensation, disability, friendly society and health insurance benefits had to be assessed and deducted from the transitional payment. It was designed to make people use their savings and any other resources open to them before they were allowed any public money. [Roebuck, *The Making of Modern English Society*, (1973) pp.126-127] In addition to the assessment of income, Public Assistance officers had the distasteful duty of investigating the personal saving and possessions of recipients. The value of these items would also be deducted from the payment. This legislation did, however, contain one unusual clause. It stated that Public Assistance Committees could not deduct any part of the transitional payment because of money made by the applicant over the sale or mortgage of his dwelling. [*Law Reports*, Transitional Payment (Determination of Need) Act, 1932, p.1059] While on the surface this may seem to be quite generous, this clause was insignificant because few people applying for transitional payment owned their own home.

The implementation of a national means test produced horrendous effects for the chronically unemployed. First, it forced responsible working class people into a state of absolute destitution. Only after the applicant had used up all of his savings and sold his most valuable possessions could he receive a transitional payment. One former recipient of the transitional payment later remarked, " You were only left with the bare essentials. I bet, today, in some upper class homes, there are thousands of pounds' worth of valuable goods stolen by the means test men from the poor in the thirties." [Gray, p.188] Second, the means test discouraged thrift on the part of the recipient. Although it would have been unlikely for a person to save anything from his transitional benefit, it would not have been worth his while to do so. If a person managed to have any money left over one week, that amount, if discovered by the Public Assistance officer, would be deducted from his next payment. This seemed to

penalize people who had managed to save a little and reward those who had prodigally squandered all they earned. [Roebuck, p.126] Third, means testing served to break up immediate families. Because the entire resources of the household were assessed, any wages coming into the household were deducted. For example, if the father were unemployed, but his children were working, the amount of the children's income would be taken out of the payment. The same conditions applied to old age pensions. Therefore, the entire household would be financially better off if the children and grandparents moved out. Finally, and perhaps most important, the means test violated the individuals' right to privacy. Public Assistance officers could enter the applicant's home, without warning, and search the premises for anything of value. The officer could also interrogate neighbours as to the claimants' means. It was even rumoured that means test investigators used to loiter outside cinemas taking into account who the patrons were and if they were receiving public assistance. [Kingsford, p.135] This practice, more than anything else, was resented by the unemployed. It humiliated them and made them feel like criminals or second class citizens.

After nearly two years of investigation, the Royal Commission on Unemployment Insurance published its Final Report. As with the reports of the Royal Commission on the Poor Laws (1909) and the Blanesburgh Report (1927), the Final Report set the foundation for future unemployment insurance legislation. The Royal Commission concluded that the government should make a clear distinction between temporary unemployment resulting from short term interruption of work and chronic unemployment. [Royal Commission on Unemployment Insurance, *Final Report* (1932), H.M.S.O. Cmd. 4185, para. 280] In making this distinction the government would also have to administer to them differently. The Commission also concluded that the main reason for the bankruptcy of the unemployment insurance fund was that it carried "the chronic unemployment of large numbers of persons suffering no moral or physical defects but so distributed geographically and industrially that

their chances of employment is doubtful". [*Final Report*, para. 283] In this sentence, the Commission acknowledged the difference between the depressed north and the prosperous south.

The Royal Commission called for the complete reorganisation of the unemployment insurance scheme. It stated that short term unemployment could be handled by the scheme as it was established in 1911. This assumed that benefits were limited to a maximum number of weeks, the scheme could be self-financing and the recipient could retain his statutory right to benefits. The report recommended that long term unemployment ought to be administered separately and the government should drop any pretence that it was insurance. Instead, the chronically unemployed would be aided by a form of governmentally funded charitable relief. This meant that the recipient did not have a right to the payment and that it would be financed out of general revenue. The report also recommended the removal of unemployment relief from the locally elected Public Assistance Committee and placing the responsibility in the hands of a centrally appointed body in London. Finally, the Royal Commission suggested that all unemployment insurance, administering to both long and short term unemployment, be removed from the sphere of politics, within the Ministry of Labour, and turned over to the civil service.

Although Beveridge was not a member of the Royal Commission, he was called upon to give expert testimony before the Commissioners. He suggested that the unemployed should be divided into three groups. The first group were those who had reasonable hopes of regaining employment. These persons could be covered by the insurance scheme and draw benefits as a contractual right. They could also refuse work if it were not in their chosen field or less than their former wages. Beveridge also suggested that these workers should have their contributions graduated according to the risk of them becoming unemployed. This meant high risk positions would have to contribute more money into the insurance fund than those of low risk. The second group were those who had exhausted their contractual

benefits and had little chance of regaining work. They could get relief based not on a statutory right but by administrative discretion. They could not refuse jobs if they were not in their normal occupation or if they paid less than their former wage. He suggested that this scheme make conditions for workers in this category to undergo retraining for new occupations. The third group were those who were physically fit for work, but by their own decision, unwilling to accept employment. He suggested that they be turned over to penal labour colonies.<sup>6</sup> Of groups one and two, Beveridge claimed that they could be administered to by a statutory commission attached to the Ministry of Labour, but not answerable to Parliament. The third group, however, would be taken care of by the Poor Law. [Harris, *Beveridge: A Biography*, pp.353-354]

The year 1933 began with the highest rate of unemployment ever recorded during the inter war period. In January of that year, there were 2,903,065 people collecting either insurance benefits or transitional payments. [Cohen, p. 49] It was also the year in which the largest number of people were cut off receiving benefits. Between January and December 82,461 cases were brought before the Court of Referees. The court decided to allow 22,651 to collect their benefits but disallowed 59,846 from receiving anything. By the end of the year, there were 1,013,073 men and women receiving transitional payments. There was, however, one positive result from putting so many people onto this arrangement -- the insurance fund was able to reduce its debt by four million pounds. [Cohen, p.50]

---

<sup>6</sup> At the turn of the century, before beginning his career as public servant, Beveridge prepared notes for the establishment of labour colonies for vagrants and unemployables. He looked into the German system, but, like the German system of social insurance, rejected it as being unsuitable for Britain. Instead, he advocated the creation of two types of colonies. The first would be compulsory and apply only to the habitual vagrant. The second would be voluntary and apply to the average unemployed worker. Under his plan, both colonies would be placed under state control and administered by civil servants. They would also have to provide accommodation and training facilities for both groups. [*Beveridge Papers*, Vol. III, (2) no date, hand written notes]

On November 28, 1933, the Minister of Labour, Sir Henry Betterton introduced the thirty-sixth piece of unemployment insurance legislation into Parliament. There were two parts to this Bill. The first part dealt with the statutory contractual unemployment insurance programme. Its primary objective was to reestablish the contributory principle of the 1911 Act, and therefore, make the scheme solvent and self-financing. The first section of the Bill established the Unemployment Insurance Statutory Committee to administer to the strict insurance portion of the scheme. [*Law Reports, Unemployment Insurance Act, 1934, p.192*] The Statutory Committee was given a large number of duties and responsibilities. For example, it had the right to raise or lower the rates of benefits and contributions without the consent of Parliament. The Ministry of Labour's only responsibility was to make major policy changes. [*Ibid. Schedule One, p.251*] The Statutory Committee must also provide the Ministry with an annual report stating the financial position of the Unemployment Insurance Fund. Finally, with regard to statutory insurance, benefit rates were restored to their pre-National Government level and limited to twenty-six weeks. [*Ibid. Schedule Two, p.253*]

The second part of the Bill dealt with an entirely new form of unemployment insurance; referred to as unemployment assistance. Its only objective was to deal with long term and chronic unemployment; specifically, those workers who had been unemployed for longer than twenty-six weeks. This portion of the scheme was to be administered by the Unemployment Assistance Board. This centrally appointed organisation would initially work with the local authorities. On a preordained date, referred to in the legislation as "The First Appointed Day", it would take over the maintenance of the insurable unemployed from the Public Assistance Committees. The latter would be left with caring for uninsurable unemployed, the 'unemployable' and all those in need but not aided by old age, disability or widows' pensions. On the "Second Appointed Day" the Assistance Board would take over the maintenance of the uninsurable and the unemployable. Essentially, the second part of the 1934

Unemployment Insurance Act would turn the Public Assistance Committee into a redundant institution. By 1935, there were three separate bodies established to deal with the unemployed.

Unlike statutory insurance, no person in the assistance category had a right to receive a payment. Applicants had to prove to the local officers of the Assistance Board that they were in need. Before receiving a payment the applicant was subject to the rigorous means test established by the Determination of Need Act. In addition to this, there was no established rate of payment. Applicants could only receive the amount determined by the means test. Finally, all expenses of the Unemployment Assistance programme would be paid by the Treasury.

The Unemployment Insurance Act of 1934 required both the Statutory Committee and the Assistance Board to provide job training centres for the unemployed. In the case of juveniles, those under the age of eighteen, attendance at the training centre was essential before receiving payments. Also under this Bill, neither the Committee nor the Board could pursue fraudulent claims for benefits through the criminal courts. Instead, unemployment insurance fraud would have to be handled by the civil court. [Ibid. sec.48, p.238] By doing this, there was chance, albeit a slim one, that the Insurance Fund or the Treasury could recover losses.

The Labour Party came out in unanimous opposition to the Unemployment Insurance Bill. Consuming nearly twenty-seven days of Parliamentary debate, it was possibly the most controversial domestic legislation introduced during the inter-war period. Also, by introducing this Bill into the Commons, the National Government gave the opportunity to the Labour members to make points against the insurance legislation passed under the National Economy Act. Labour's opposition to this particular Bill was based on two grounds. They interpreted the Bill as being discriminating against the long term unemployed, and they objected to unemployment insurance scheme being taken out of Parliamentary politics.

During the Second reading of the Bill, Aneurin Bevan, the Principle Secretary of the Labour Party, summarised his party's position. He said that by making the distinction between insurance benefits and assistance payments, the government was dividing the unemployed into two unequal classes. 'First class unemployed' were those who were able to receive insurance benefits. They were able to claim them at the Labour Exchange as a statutory right. 'Second class unemployed' were those who were on assistance payments. They had no right to standardised benefits and were subject to means testing. Bevan argued that the difference in treatment implied that those receiving assistance were unemployed because of a fault in the character. According to him, this was not so -- these people were unemployed because of regional economic disparity. At this point he referred to his youth in South Wales. Bevan, like the majority of males in his village, went to work in the mines. During the 1920s, he was laid off and, because of the depression in the coal industry, was unable to find work in the mines again. Based on this anecdotal situation, Bevan pointed out that unemployment in heavy industry was not caused by people being unwilling to work but the result of being unable to find it. Therefore, it would be unfair for the government to penalise these people with smaller allowances and means testing. [*Hansard*, 283 H.C. Deb 5s, pp.1309-19] It was also noticed that the proposed legislation discriminated geographically. The majority of persons who would receive assistance payments lived in the heavily distressed areas of Wales, Scotland and Northern England.

The Labour members also voiced strong objections to unemployment insurance being taken out of the arena of politics. They did not wish to see either the Statutory Committee or the Assistance Board having the power to make regulations without the consent of Parliament. It would give too much authority to a centrally appointed body. It was pointed out that even the detested Public Assistance Committees were elected bodies. Moreover, by removing the Committee and Board from politics, there would be no recourse for public opposition to future regulations. Bevan stated,

To take poverty out of politics is to make the poor dumb. . . The only way for a man to protest will be to throw a brick through a window. . . You want to suffocate the unemployed man's cries through a maze of bureaucracy. [Fulbrook, p.165]

Although the Labour Party put up solid arguments against the Bill, the legislation passed in the Commons unamended and with a massive majority. On June 15, the Unemployment Insurance Act was given Royal Assent and the first part of the legislation took effect one month later.

*Unemployment Insurance Statutory Committee 1934-1939*

On July 26, the Unemployment Insurance Statutory Committee took over the maintenance of the unemployment insurance scheme. William Beveridge, retaining his position as Director of the London School of Economics, was appointed part-time Chairman of the Committee by the Minister of Labour. He was required to devote three days a week to Committee and two days to his own research. Even though he held the position for ten years, Beveridge always referred to the Chairmanship as being a "sideshow in his life as a director." [Beveridge, *Power and Influence*, p.224] Of the remainder of the Committee, three of the members were picked from the Employers' Federation and three from the Trades Union Congress. None of the members could be members of Parliament or stand for public office. The Chairman had no authority to make appointments to the Committee or dismiss members, this being a ministerial responsibility.

The work of the Statutory Committee was mainly financial. As mentioned earlier, the sole purpose of the organisation was to make the Unemployment Insurance Fund solvent. During their first years in operation, the Committee did not make any changes to the rates of contribution, even though they raised the rates of benefits in 1934 and in 1938. In 1936 they officially brought all agricultural workers into the unemployment insurance scheme, albeit with smaller contributions and benefits.

Their secondary duty was to establish the regulations for administering the insurance scheme. Under the Committee's direction, the benefit year was increased from twenty-six weeks to thirty weeks, and the six day waiting period for benefits was reduced to three days. Finally, through their publication of an annual report, the Statutory Committee was to act as an advisory body to the Ministry of Labour. In preparing the reports, Beveridge canvassed trade unionists, employers and social workers for their opinion on how the insurance fund should be spent.[Beveridge, *Power and Influence*, p.226]

On the whole, the Unemployment Insurance Statutory Committee was a highly successful and efficient administrative unit. Between 1934 and 1939, the Committee was consistent in its reduction of the Insurance Fund debt. In fact, by the end of the decade, the one hundred and five million pound deficit was replaced by a fifty-seven million pound surplus. There was, however, one drawback to this success. The surplus became as embarrassing to the government in 1939 as the deficit was in 1934. [Fulbrook, pp.163] Individuals began to question why this surplus was not used to alleviate poverty throughout the nation. Furthermore, it exposed a serious problem in the financing of the unemployment insurance scheme, one that showed that the contribution into statutory insurance were too low. If they were raised, statutory insurance could be made available to all the unemployed and there would be no need for unemployment assistance.

Beveridge's experience as Chairman of the Committee altered his perspective on social policy and social economics. Early in the decade he was very much opposed to John Maynard Keynes' idea that deficit financing and increased consumer spending was a solution to a depressed economy. After touring the United States, in 1933, Beveridge was also highly critical of President Roosevelt's New Deal. He believed that it was headed for disaster -- culturally, politically, and economically. By the end of the decade, however, Beveridge partially reversed his opinion. Using Keynes' formula, which was based an eight year trade cycle, he made plans for a 'depression reserve' in the Unemployment Insurance Fund.

This money would be accumulated during periods of economic growth and spent during periods of economic decline. In doing this, the government would be able to maintain consumer spending. Although he did not believe that benefits should be raised to offset economic depression, Beveridge was convinced that it would reinforce the depression if rates were lowered during periods of slack demand. Beveridge also became convinced that poverty could be eliminated with family allowances. By establishing generous family allowances, the government could supplement the incomes of poorly paid workers. [Harris, *Beveridge*, pp.326-331]

The success of the Unemployment Insurance Statutory Committee confirmed Beveridge's belief that the changes made to the 1911 unemployment insurance scheme were harmful and unnecessary. [See Chapter III, *Unemployment Insurance Act 1920 and Amendments*, 12n] Instead of constantly adjusting the scheme to suit the level of unemployment, the government should adopt a full employment policy. He noticed that it was the contributions from the highly paid and fully employed South which made the insurance programme solvent and efficient.

#### *Unemployment Assistance Board 1933-1939*

The Unemployment Assistance Board was essentially the creation of the Minister of Labour, Sir Henry Betterton. The latter was aware of the geographical distribution of the transitional payment and its effect of local government. He believed that unless the central government took over the financing and administration of the transitional payment, there would be serious problems for the Public Assistance Committees in the depressed areas. [Miller, p.176] First and foremost of these problems was financial. Long term unemployment was mainly a local problem. Therefore, providing relief for the long term unemployed was producing a serious run on the funds in local treasuries. Moreover, the local poor rate would have to be raised, thus compounding the fiscal problems in these

areas. The second problem was that the Public Assistance Committee provided only the most basic form of unemployment relief. It had no authority to retrain or mobilise unemployed workers. This could only be handled by a central authority.

Initially, Betterton faced opposition within the cabinet to the idea of a Unemployment Assistance Board. This opposition came from the Chancellor of the Exchequer, Neville Chamberlain, who wished to retain the Poor Law system with its distinctive 'pauper class' character. [See Chapter, IV *Baldwin Returns* 8n] Despite the sentiments of the Chancellor of the Exchequer, Betterton submitted his final draft for the Unemployment Assistance Board to the cabinet. The majority approved of his proposal and incorporated unemployment assistance into the 1934 Unemployment Insurance Act. The day the Bill became law, Betterton resigned his cabinet position to become Chairman of the Unemployment Assistance Board, taking the title Lord Rushcliff.<sup>7</sup>

The general duties of the Assistance Board were immense. First, it had to establish local offices, appoint officers and make arrangements with local authorities to take over from the Public Assistance Committees. Second, it had to establish comprehensive guidelines for assistance allowances. In this matter, the Board took into account the enforcement of the means test, allowances to dependents, separated and deserted wives and exceptional cases of extreme poverty. Third, the members of the Board had to develop an effective procedure for dealing with cases of fraud and misrepresentation on the part of the applicant. Fourth, they had to establish training centres throughout the country. And finally, they had to prepare monthly statistical statements and annual reports for

---

<sup>7</sup> The other original members of the Board were: Vice Chairman, Sir Ernest Strohmenger, formerly with the Ministry of Health; Thomas A. Jones, a close friend of Stanley Baldwin; H.M. Hallsworth, a professor of economics at the University of Durham; M.A. Reynard, formerly the Director of Public Assistance in Glasgow; and Miss Violet Rosa Markham.

Parliamentary review. [PRO AST, *Minutes and Memoranda of the Unemployment Assistance Board 1934-48*, passim]

Before taking over the care of the unemployed from the Public Assistance Committees, the Board had a considerable amount of preparatory work to do. The Unemployment Insurance Act only stated that the Board would take over the functions of the Public Assistance Committees; it did not give any details on how it was supposed to go about this. Therefore, the first six months of operation were devoted to making plans for the 'first appointed day.'

One of the primary items on the Assistance Board's agenda was to establish local and district offices throughout the United Kingdom. Between July 1934 and January 1935, six thousand local offices and twenty-eight district offices were created. The local offices were directly responsible to the district offices and the latter were responsible to the Unemployment Assistance Board. This form of hierarchy created a massive bureaucracy in which the recipient of the allowance could not approach the Board. In fact, the Board became extremely remote from the people under its care. In addition to this, those people who did have direct contact with the unemployed -- the investigate officers -- were very poorly paid and lacked experience. Gladys Gibson, an investigative officer for the London borough of Stepney said, "most [of her colleagues] were untrained and had a low opinion of the unemployed believing they could find work if they only tried a bit harder." [Gray, p.54] Furthermore, the Unemployment Assistance Board should not be thought of as 'a new broom' which swept away the practices of the Public Assistance Committees and the Poor Law. Many of the district officers were hired away from the Public Assistance Committees, and they managed to apply their former practices to the administration of the Assistance allowance.

Another item on the Board member's agenda was the recognition that they were going to be responsible for the care and maintenance of approximately 800,000 unemployed workers. Of this

number, 480,000 had dependents which accounted to a further 1,225, 000 people being brought under the care of the Board. By January the Unemployment Assistance Board would be directly and indirectly responsible for over two million people. The Board decided that it could not define a dependent as simply a spouse or relative of the applicant. All members of the household, including lodgers, could be classified as dependents. [PRO AST 12/1, memo 16 (169), August 17, 1934] This determination was necessary for the administration of the household means test. The members of the Board had to debate this issue among themselves because there was no statutory definition of a household. They assumed a household to mean "two or more persons who live under the same roof and share a common table." [Report on the British Social Services, Political and Economic Planning, (1937) p.151] Under this definition, the incomes of distant relatives, lodgers or two families living together were to be included as part of the household resources.

In August of 1934, one of the members of the Unemployment Assistance Board, Violet Rosa Markham, embarked on an investigative tour of Glasgow, Liverpool, Manchester, Stockton-on-Tees and Sheffield. On September 14, she reported her findings to the other members. Markham claimed that there was no evidence of serious malnutrition among those receiving transitional payments. However, she did notice that unbalanced diets, particularly among children, were evident in all five northern cities. She also noticed that there was a high percentage of nervous strain among unemployed males and housewives having to cope with the means test. Through this memorandum, Markham used the opportunity to voice her objection to the implementation and administration of the household means test. Although she was aware that the Unemployment Assistance Board had no authority to repeal or alter the Determination of Need Act, she did recommend being more lenient in its enforcement. Finally, she commented that the major problem faced by people on the transitional payments was the replacement of clothing and household necessities, such as soap and cleaning materials. The transitional

payment only covered the purchase of food and the payment of rent. She suggested that the Board take clothing bedding and cleaning materials into account in determining the scale of allowances. [PRO AST 12/1, memo 18 (182), 14 September, 1934]

Markham's candid discussion of the means test provoked the Board into coming to some resolutions on how to administer the means test and how to treat the resources of the applicant other than direct earnings. At a meeting held on September 19, the Board discussed the major points of criticism concerning the means test. It was stated that recipients of transitional payments resented the mean test because: an excessive amount of earning were taken into account; it humiliated the parent to look to his children for support; and, although most children would be willing to support their parents during the early stages of unemployment, they were not prepared to support them indefinitely. The Assistance Board unanimously agreed that these were valid criticisms. Nevertheless, they concluded the meeting by stating that the Board was obligated to follow the strict interpretation of the Determination of Needs Act and could not arbitrarily apply their own conditions. [PRO AST 12/15, meeting 7 (145), 19 Sept. 1934]

One of the resources other than earnings which was discussed was the co-operative dividend. Essentially, the "co-op dividend" was a rebate of money given to the members of Co-operatives. If a member spent a pound at the co-op store, he would get a shilling credit against his next purchase. It had been common practice of some Public Assistance Committees to deduct co-operative dividends. For example, there was the case of the unemployed miner with a wife and six children children. He had fifteen pounds saved in the co-op. The Committee decided he was not eligible for transitional payments while this sum was on deposit. [Kingsford, p.136] The Board discussed the possibility of deducting this rebate from the assistance allowance. In the end, they decided not to do so, but all other sources of credit would be considered deductible. [PRO AST 12/2, memo 20 (192) 14 September 1934] The Board

stated that officers enforcing the means test must make the distinction between needs and requirements. This distinction would be made on an individual basis. It was noticed that all applicants have identical needs -- food, clothing and shelter -- but some applicants have different requirements, such as extra nutrition, transportations or furnishings. The Board also commented that old age pensioners would have considerably fewer material requirements than wage earners. Therefore, they should receive smaller allowances. [PRO AST 12/1, memo 21 (197), 29 September, 1934]

On the topic of allowance, Markham prepared a memorandum suggesting an average rate of assistance payments.

Class (a) husband and wife           £1 4s 6d

Class (b) single head of household	<u>male</u>	<u>female</u>
	16s	14s

Class (c) other members of the household - dependency supplement		
<u>age</u>	<u>male</u>	<u>female</u>
21 +	10s	8s
18-21	8	6
15-18	6	5
11-15	5	4/6d
8-11	4	4
3-8	3	3
below 3	2	2

It should be noted that, Assistance Board officers were not required to provide this rate and applicants were not allowed to demand it. It was simply a general guideline from which they could work. [PRO AST 12/1 memo 22 (202), 29 September 1934] It should also be noticed that after the age of eleven, different rates of allowances were established according to the sex of the applicant. This applied even though there would have been no difference in need.

The agenda of the Unemployment Assistance Board also dealt with some unusual cases of resources other than earnings. For example, there was the problem of the "Upholland Experiment".

Upholland is a small town near Wigan in Lancashire. During the 1930s, this community attempted to alleviate the poverty in this area by becoming self-sufficient in the production of boots, clothing and food stuffs. These items would then be distributed to the most financially distressed in the area. The Board reported that the experiment was quite successful in its aims, and that Lord Nuffield had contributed thirty thousand pounds toward the continuation of the programme. Because of its success, the Board debated the possibility of either reducing or eliminating allowances to the unemployed in Upholland. The majority of members were, however, in favour of the experiment and came out against reducing or eliminating allowances. They also advised the Minister of Labour to encourage such programmes in other economically distressed areas. [PRO AST 12/4, memo 48 (131) 27 November 1934]

On January 6, 1935, Assistance Board officially took over the care of the able-bodied unemployed from the Public Assistance Committees. Immediately after taking responsibility for the transitional payment, which were now referred to as assistance allowances, a major problem arose. In some areas, the average assistance allowance was discovered to be considerably less than the amount that was given under the former transitional payment. For example, the assistance allowance was higher than the transitional payment had been in Lancashire, but lower than the transitional payment in South Wales. Fearing that the reduction in amount would produce serious social unrest, the Unemployment Assistance Board approached Parliament for a solution.

In order to solve this problem, on February 15, the National Government passed the Unemployment Assistance (Temporary Provisions) Act 1935. More commonly known as the 'Standstill Act', this legislation stated that the assistance allowance had to equal the former transitional payment in districts which payment was higher, but the allowance could not exceed the amount given in statutory insurance payments. Also under this legislation, the local governments were provided with

5,650,000 pounds annually from the Treasury. This Act was only a temporary measure and set to expire in January 1937. The implementation of the Standstill Act resulted in the "Second Appointed Day" being put off indefinitely. This meant that the Assistance Board would not be taking over the care of the uninsurable or unemployable on March 15 as intended by the 1934 Act. It was not until April 1937 that the Unemployment Assistance Board was able to take over the care of the remainder of the unemployed from the Public Assistance Committees. By 1939, the Public Assistance Committees were left with responsibility for only forty thousand people. [Fraser, p.207]

From January 1935 until the outbreak of the Second World War the Unemployment Assistance Board carried out its work with reasonable efficiency. During the course of its activity, it debated the problem of separated wives and concluded that they could receive a separate allowance from their estranged husbands. [PRO AST 12/5, memo 70 (74), 30 January 1935] In April 1936, the Board advised the Foreign Office in the drafting of the Anglo-French Agreement on Public Assistance. Under this treaty, French citizens residing in Great Britain were applicable for allowances and British citizens could receive public assistance in France. [PRO AST 12/7, memo 140 (99), 22 April 1936]

Also in 1936, the Board raised the overall scale of allowances to correspond with the decrease in unemployment and slackened the enforcement of the means test. With regard to the means test, they allowed the local offices to provide "dignity money" to some recipients. Because it violated the conditions of the Determination of Needs Act, dignity money was technically illegal. Nevertheless, it was necessary in cases where extra nourishment was needed, or where rents were unusually high or where there was severe friction between parents and children over support. During the first two years of operation this supplement was only given to 4,350 people out of the 578,000 on the assistance programme, and it averaged between five and seven shillings a week. [PRO AST 12/10, memo 342 (139), 28 July 1938]

The arrival of the Second World War altered the activities of the Unemployment Assistance Board. By September 1939, full employment had been achieved in Britain and the work of the Board had become redundant. As early as 1938, they took over the responsibility of providing supplementary pensions to the elderly, and by 1941 the Assistance Board was administering to ten pensioners for every one unemployed. In addition to this, during the war, the organisation changed its name from Unemployment Assistance to National Assistance. [Fraser, pp.212-213]

In retrospect, it remains difficult to determine whether or not the Unemployment Assistance Board was a success or a failure. On one hand, no person on unemployment assistance ever perished from exposure of starvation. It provided the recipients with the subsistence for survival, albeit with no amenities. It was even noted that persons on unemployment assistance were better off than the employed casual labourer at the turn of the century, and in some cases better off than employed wage earners. In fact, George Orwell noted in *Road to Wigan Pier*, that in a 1930s census taken among Lancashire cotton workers it was discovered that forty thousand full time employees were making less money than they would on the average assistance allowance. [Orwell, p.67n] On the other hand, the Assistance Board certainly perpetuated the misery of being unemployed. The Assistance Board did not allow for some of the simple luxuries that the employed person took for granted such as a newspaper, a trip to the cinema, a holiday at the seaside, or even the replacement of worn out furnishings and bedding. Orwell also effectively described the utter misery of life on the dole when he said,

What chiefly struck me was the expression on some of the women's faces. . . One woman's face stays by me, a worn skull face on which was the look of intolerable misery and degradation. I gathered in that dreadful pigsty, struggling to keep her brood of children clean, she felt as I should feel as if I was coated all over with dung. [Ibid. p.56]

There can be no doubt that life on Unemployment Assistance was harsh, miserable, and because it lacked any funds for entertainment, incredibly boring.

Although unemployment assistance was part of the 1934 Unemployment Insurance Act, it is debatable if it belongs within the category of social insurance. Because it applied the nineteenth century policies of less eligibility, requiring that applicants prove destitution, and the public humiliation of poverty, through the means test investigation, unemployment assistance can be seen as a reaffirmation of Poor Law policy. The principle differences between the former and the latter were that applicants were not required to enter the workhouse, and relief would be administered uniformly through a central government board. Because of the similarity between unemployment assistance and the Poor Law, it is difficult to imagine why Neville Chamberlain opposed Betterton over the creation of unemployment assistance. This is because it, in fact, created a distinct pauper class.

In January 1939, Wal Hannington approached the Board with the following criticisms of unemployment assistance. First, he said that assistance payments were inadequate to maintain a healthy existence. This was evident in the slums and in observing the poor nutrition throughout the nation. Second, he claimed that that the local offices were arbitrary in providing supplementary payments such as dignity money, Christmas allowances, and rent relief. Third, he said that the Board failed to inform the unemployed of their rights.<sup>8</sup> Finally, he accused the Assistance Board of discouraging appeals from recipients. [PRO AST 12/10, memo 292 (282) 2 January, 1939] Hannington's defence of the unemployed and his criticism of the Board's activities was very astute. It should be pointed out that the majority of persons receiving unemployment assistance were between the ages of twenty-five and forty-five. This age bracket represents the prime earning years for most people. It is during this time that people establish their life long incomes. The real tragedy of Britain during the 1920s and the 1930s

---

<sup>8</sup> This is a rather confusing piece of Hannington's statement because he never refers to which rights he is talking about.

was that nearly a quarter of Britain's working class spent a large portion their 'best years' on an austere subsistence income.

*Demonstrations, Riots and the Jarrow Crusade*

J.H. Plumb, in his text *The First Four Georges*, wrote that "no nation rioted more easily or more savagely" as the British did between 1714 and 1830. [p.15] He then went on to cite instances of unrest in Suffolk, Gloucestershire and Southwark. Even though he was discussing instances of social unrest during eighteenth and early nineteenth centuries, Professor Plumb, it seems, could have just as easily been discussing Britain during the 1930s, citing Glasgow, Birkenhead and Belfast as more contemporary examples. And, although the conditions were not as extreme as in the eighteenth century, the factors which provoked working class rebellion were the same -- unemployment, poverty and, to some extent, political repression. Between September 1931 and December 1932, the United Kingdom experienced innumerable riots and demonstrations in thirty different cities and towns. [Stevenson and Cook, p.168] At the centre of each of these incidents was the issue of unemployment relief.

The National Unemployed Workers Movement was directly responsible for the majority of the riots because of a tremendous growth in its popularity during the late 1920s and early 1930s. In the years between 1929 and 1932, the membership of the organisation grew from under ten thousand to thirty-seven thousand members. In addition to this, they were able to expand their branch offices from two hundred and fifty-four to three hundred and eighty-six. [Ibid. p.150] The surge in popularity of the Unemployed Workers Movement corresponded to the rise in the level of unemployment and the increased restriction on receiving unemployment insurance benefits.

Throughout the early 1930s the National Government continued with the former Conservative Government's policy of harassing the Movement. In November 1931, the Movement's

headquarters was searched without warrant by the London Metropolitan Police, and documents were seized. Hannington responded to this by taking legal action against Lord Trenchard, the Chief Commissioner. The latter was charged with trespass, conversion and detaining documents. Hannington retained Sir Stafford Cripps, a leading Labour politician, to plead the National Unemployed Workers case. After deliberating for less than a week, the Court of the King's Bench ruled in favour of the Movement. Lord Trenchard was fined thirty pounds and ordered to return the documents. [Hannington, *A Short History of the Unemployed*, p.68] However, the court's decision did not curb the harassment. One year later, Hannington and four other members of the Movement's executive were put in gaol on the charge of inciting riots.

During September 1931, Scotland experience three unemployment demonstrations in three different cities. Early in the month, a body of unemployed workers occupied the Clydebank town hall chambers and demanded that the Public Assistance Committee provide extra relief for the on-coming winter months. After a brief scuffle with the police, six of the members were arrested and charged with disturbing the peace. A few weeks later a similar demonstration took place in Dundee. In this instance, a procession of unemployed marched through the city and made their demands outside the town hall. Although there was no violence between the police and the demonstrators, the city council passed an ordinance banning all future demonstrations and processions. It was in Glasgow, however, that the most violent of the Scottish demonstrations took place. On September 30, fifty thousand men and women led by their Member of Parliament, John McGovern, assembled on Glasgow Green to protest the Public Assistance Committee's dispensation of the transitional payment. The police were sent in to disperse the crowd through the use of the baton charge. By the end of the day, the police and the unemployed were engaged in a pitched battle on the Green. Forty-nine arrests were made, including

McGovern, who was charged with inciting the riot. [*The Times*, October 3, 1931 p.7] He was later convicted and fined.

London also experienced a major unemployment riot in September 1931. On the same day Parliament reassembled under the National Government, several thousand people gathered outside the House of Commons. *The Times* reported that, "Most of the people were obviously sightseers attracted by the reassembling of Parliament and the floodlights of Westminster." [*The Times*, September 9, 1931 p.9] By evening, however, the "sightseers" had become an unruly assembly, and the police were sent in with automobiles and horses to disperse the crowd. (It was the first time that motor vehicles were ever used to administer crowd control.) During the ensuing fight, seventeen men were arrested and charged with failing to disperse, assault and insulting police officers. Fifteen demonstrators were convicted on the minor charges and fined forty shillings. [Ibid, September 17, p.6] The arrests and fines did little to intimidate London's unemployed. On September 29, another demonstration took place in Westminster and further arrests were made. [Ibid, September 30, p.12]

The unemployed not only protested against the Public Assistance Committees and the National Government, but they also expressed a great deal of animosity for the Trade Union Congress. In September 1931, the National Unemployed Workers Movement, with the support of the major churches -- Baptist, Church of England, Roman Catholic and Methodist, led a contingent of Welsh miners to a Trade Union Congress meeting in Bristol. The miners requested that they take part in the meeting. When the Congress refused to allow them to take part, fighting broke out in front of the meeting hall. The police were called in and six men were arrested. After the Bristol riot, Parliament decided to enforce the Metropolitan Police Act of 1839 which made demonstrations outside public buildings illegal. [Kingsford, p.132]

Although riots and demonstrations took place throughout the United Kingdom, the county of Lancashire provided the scene for the most numerous and most violent clashes between the police and the unemployed. In order to explain why this was so, it is crucial to understand Lancashire's economic situation during the inter-war period. Of all the English counties, Lancashire was certainly the most industrialised. Unfortunately, its industrial base, inherited from the previous century, was extremely limited. Coal, cotton textiles and international trade were the 'foundation stones' of the Lancashire economy. During the 1920s, with the increased use of petroleum and electrical power, the coal industry was in a state of rapid decline. This meant that there was a severe reduction in available capital and consequently there was massive unemployment in the mining areas. The problem was compounded in the 1930s by the importation of cheap Indian and Egyptian cotton. The textile mills began to close and the manufacturers began to sell their machinery abroad. The demise of the the two major industries functioned as a catalyst for the demise of the third. Liverpool and Birkenhead, no longer able to export vast quantities of coal and cotton fabric, became ports of import, and therefore, were only working to about half of their capacity. Essentially, one could state that the economic problems which entrenched the British Depression were encapsulated within Lancashire itself.

Another factor which must be taken into account is the unemployment relief scale. Lancashire had the lowest transitional payment in all of Great Britain. In some cities it was nearly a third less than the national average. Moreover, Lancashire had the reputation for having the most strictly enforced household means test. This resulted in incredible hardship, particularly for the wives of unemployed men. In fact, women played an important role in Lancashire militancy. When one looks at photographs of hunger marches and demonstrations there is almost always a 'Lancashire Women's Contingent' in the forefront.

The first Lancashire unemployment demonstration took place in Salford in September 1931. Approximately two thousand unemployed workers gathered outside the town hall in Bexley Square. When they attempted to enter the council chambers, police moved in and broke up the crowd. Twelve of the demonstrators were arrested and "frog marched" to the local police station. [*The Times*, October 1, 1932, p.6] At the same time as the Salford Demonstration, the Manchester Riots were taking place. On September 30, five thousand unemployed assembled on Aldwich Green. Once again, the police attempted to break up the crowd with a baton charge. This time, however, the demonstrators were prepared to fight back. They threw bricks, building stones and hammerheads at the police, and attempted to pull them off their horses. By the end of the day, six people were severely injured and thirty-eight were arrested. [Stevenson and Cook, p.168] Further demonstrations and clashes with the police took place in Oldham in November and Rochdale in January 1932.

By far, the most serious of the Lancashire unemployment riots took place in Merseyside. What began as a simple protest against the the means test and the low relief scales in Birkenhead developed into a district wide riot. Essentially, the issue was that the Birkenhead Public Assistance Committee's transitional payments were three shillings below the national average. Throughout the summer of 1932, sporadic demonstrations took place. On September 30, eight thousand men and women gathered outside the county council chambers and unfolded the 'Red Flag'. Following usual procedure, mounted police assembled into cavalry formation and leveled a series of charges into the crowd. Eventually, the demonstrators dispersed, but they did not return to their homes. Instead, they moved throughout Birkenhead and across the river into Liverpool. In their wake they smashed windows, set fires, looted shops and attacked the home of Alderman Baker, the Chairman of the Public Assistance Committee. In the aftermath, the city assessed the damage and decided to raise the transitional payment by three shillings.

The unemployment riots came to an end in the Northern Irish capital of Belfast. On October 11, 1932, several thousand workers from across the city assembled to demand an increase in the relief scales. It was, perhaps, the first and last time in this century that working class Protestants and Catholics came together to form a united front. Eventually, fighting broke out between police and demonstrators. The Northern Irish Constabulary attempted several baton charges, however, with little result. The *News Chronicle*, reported that "charge after charge was made by the police on bunches of men, but the charges had an only temporary effect." [Stevenson and Cook, p.109] The police then called upon the aid of the Royal Enniskilling Fusiliers and the King's Royal Rifles. They were transported to the centre of the riot in armoured cars and armed with machine guns. The soldiers opened fire on the crowd, killing two workers and wounding several others. It was the first time that there were deaths attributed to the unemployment riots. As with Birkenhead, the Belfast riot had one positive result: the mayor personally raised the relief rates.

If it can be said that Lancashire and Belfast epitomised the militancy of the unemployed worker, then it can also be said that the Jarrow Crusade epitomised the tragedy of the unemployed. The Jarrow Crusade was not the only hunger march of the 1930s, but of all hunger marches that took place during the inter-war period, the march of the Jarrow shipbuilders to London is the most well known. It would be difficult, if not impossible, to write about the Jarrow Crusade without invoking the emotion of sorrow, and it would be misrepresenting the situation to try. The sense of tragedy which arose from the crusade has become an essential part of its history. Even though fifty years have passed since the event, it is easy to imagine the marchers; row after row cloth caps and mackintoshes, the smell of damp wool mingled with sweat, the sound of hobnailed boots on cobblestone pavement and hushed Geordie accents of the marchers themselves. Perhaps it is easy to imagine the marchers because of the countless photographs taken of them on their way to London. Almost every text that

deals with unemployment during the inter-war period contains a familiar photograph of the Jarrow March.<sup>9</sup>

In order to understand the Jarrow Crusade, it is important to be aware of the history of this community. Jarrow is a unique city on the northeast coast of England. Unlike many other towns in the area, it did not develop out of the Industrial Revolution. In fact, Jarrow is an ancient city which ranks in age with York, Canterbury and London and preceded Oxford and Cambridge as a scholarly town. The earliest record of settlement goes back to 681 with the establishment of St Paul's Monastery. From this institution came this first English historian, the Venerable Bede. Over the next millinium, the city changed from being an ecclesiastical centre to a coal mining area to a producer of salt. It was not until the middle of the nineteenth century that shipbuilding became the major industry.

In 1852, Charles Mark Palmer opened the Palmer Shipbuilding and Ironworks Yard. He consolidated other firms to create the most advanced and efficient shipyard ever built, to that day. In doing this, Palmer turned Jarrow into a single-industry town with only one major employer. The Palmer Shipyards literally converted raw iron ore into full scale vessels. Everything was done within the Palmer Yards such as smelting, fabricating, casting and assemblage. Up to the inter-war period, Jarrow remained an extremely prosperous city because shipbuilding required a highly skilled labour force. There were few positions open for casual or unskilled workers. This meant that wages were comparatively high and there was a great deal of pride taken within the work. Charles Palmer also had a unique relationship with his workers. He was well liked by his employees and held the parliamentary seat in Tynside from 1885 until his death in 1907. Even his Labour opponents commented that he was

---

<sup>9</sup> There is a noticeable lack of motion picture footage taken of the Jarrow Crusade. "In 1934 letters were written to each film company asking them to refrain from making pictures of either marches or meetings. All companies agreed." [Pickard, *Jarrow March* (1982), p.21]

the most popular man in Northern England. [Purdue, 'The Myth of Jarrow' *New Society*, 8 July, 1982, pp.50-1] In a way, Palmer established the political culture for the area. Long after his death, his workers still voted for moderate politicians and would not accept any form of militancy or radicalism.

During the 1920s, however, the prosperity of Jarrow wavered. The shipbuilding industry in the Tynside entered into a period of steady decline. Contracts became fewer and fewer and there was less international demand for British ships. Before the First World War, Tynside produced nearly one third of the world's total tonnage of ships; by 1930 it was less than a tenth. [Stevenson, 'The Jarrow Marchers' *Illustrated London News*, October 1976, pp.75-6] In 1931, Palmer had only launched one vessel. This meant massive unemployment for Jarrow. By 1932, four out of every five men, approximately eighty percent, were unemployed.

From 1932 to 1934, the Conservative Member of Parliament for Jarrow, W.G. Pearson, actively petitioned key members of the National Government to come to the aid of his constituency. He wrote a series of letters to Eyres-Monsell, the First Lord of the Admiralty, asking for a Royal Navy contract to be given to Palmers. He drew attention to the fact that the local finances were in ruin because rates were going unpaid and the high level of bankruptcy among Jarrow businessmen. Monsell replied, "Tynside, as a whole has received its fair share of naval contracts" and it would be impossible to give Jarrow a contract at this time. [*Baldwin Papers*, Vol.6 (88) (90) Letters between Pearson and Monsell, November 1932]

Pearson then enlisted the aid of the Minister of Labour, Henry Betterton, to urge the Admiralty to grant a contract. Monsell informed the Minister of Labour that Palmer's bids were too high. He added,

if in your judgment the problem of unemployment is such to make it necessary to depart from that principle, it is really for you to make representations to the cabinet on the subject. I fear, however, that

preferential treatment of this kind would involve grave difficulties.  
[Ibid, (91) Monsell to Betterton, 17 February 1933]

Betterton adhered to the Admiralty's advice and on March 9 he brought the issue of Jarrow into cabinet. He said that Palmer Shipyards should be given a contract to build a cruiser even though its bid was one hundred thousand pounds over the lowest tender. The First Lord of the Admiralty remained adamantly opposed arguing that such a measure would set an expensive precedent. [Ibid, (93) Note from the Sixth Cabinet Committee on Trade and Employment, 9 March 1933] The cabinet sided with Monsell and Jarrow was not given a contract.

On July 7, Pearson wrote to Stanley Baldwin telling him that Palmer's had declared bankruptcy and was in the hands of the official receiver. He also informed Baldwin that National Shipbuilders Security Ltd. had made an offer for the yard. This company's sole reason for purchasing Palmer's was to shut the yard down --*permanently*. Since Jarrow had no other industry the entire community would obviously suffer. Pearson appealed to Baldwin to use his influence in government and prevent this from happening. [Ibid, (105) Pearson to Baldwin 7 July, 1933] Baldwin did not answer Pearson's letter. Instead he turned the matter over to the President of the Board of Trade, Walter Runciman. He replied to Pearson's letter by stating, "there is a surplus of shipbuilding in the country and the National Shipbuilders Security has undertaken the task of reducing that surplus. . . This means hardship for Jarrow but it will be good for the country as a whole. . . In any event the government has no power to stop them." [Ibid, (109) Runciman to Pearson 11 July, 1933] Essentially, the President of the Board of Trade was stating that he would do nothing to stop the National Shipbuilders Security from scuttling Britain's most efficient shipyard. By April 1934, the gates of Palmers Shipyard and Ironworks were closed and the Shipbuilders Security managed to scrap two thirds of the British

shipbuilding capacity. [Stevenson, "The Jarrow Marchers", p.75] In the general election of 1935, Pearson lost his seat to the Labour candidate, Ellen Wilkenson.

For the next two years, Jarrow's economy was moribund; there was no new industry to replace shipbuilding and it seemed that no one wanted the services of their skilled workers. J. B Priestly commented that,

a large number of citizens, skilled workmen have been unemployed not merely this year and last but for seven or eight years who might as well be crossbowmen or armourers, it seems, for all the demand for their services. [Priestly, *The Priestly Companion*, p.301]

The unemployment rate for the city remained between seventy and eighty percent. The local medical officer of health reported that out of a total population of thirty-five thousand, six thousand people were being supported by insurance benefits and twenty three thousand were being supported by assistance payments. [Wilkinson, *The Town that was Murdered*, (1939), p.192] It was also commented that the poor rate was being paid mainly by the poor.<sup>10</sup> Throughout the summer of 1936, the Labour Member of Parliament for Jarrow, Ellen Wilkinson made plans to conduct a hunger march of Jarrow's unemployed to London.<sup>11</sup> Under her influence, the march was specifically designed to be non-political. She rejected the National Unemployed Worker's Movement and the Communist Party's application to join the march. Instead, she wanted the march to be entirely local effort.

---

<sup>10</sup> "Jarrow with an average of seventy-five per cent unemployed was supporting the unemployed out of the rates -- 'the poor supporting the poor'" [Pickard, p.16]

<sup>11</sup> Ellen Wilkinson (1891-1947) was born in Manchester into a fairly wealthy middle-class family. Her father was a cotton operative and insurance agent. She was educated at the University of Manchester and was elected to Manchester city council. In 1935 she ran against W. G. Pearson and subsequently defeated him in the general election. It is mainly through her influence that the Jarrow March took place. [*Dictionary of National Biography*, Suppl. 5 pp.995-6]

On October 10, at ten o'clock in the morning, two hundred and seven unemployed men, led by Ellen Wilkinson began their three hundred mile trek to London. They brought with them two petitions which would be taken into the House of Commons upon their arrival. The first petition, containing eleven thousand signatures, came directly from the citizens of Jarrow. The second petition, with over ninety thousand signatures, came from the Tynside district. Those who attended the demonstration and march spoke of the aura of optimism which surrounded the event. Many of the marchers had been without work for more than twelve years, and for the first time in as many years believed they were contributing to the life of their community. As they left the city the marchers sang "Goodbye Old Ship of Mine".<sup>12</sup>

The Jarrow Marchers received tremendous popular support within the city itself. Several thousand people turned out in the town square to see them off, and it was noted that the crusade broke down the existing class divisions. Among those attending the send off was the Bishop of Jarrow along with representatives of the Liberal and Conservative Parties. In addition to local support, the marchers achieved considerable national and press sympathy. In every town they passed through, they received food and accommodation, and in some towns luxuries such as tobacco and cinema tickets. [Pickard, pp.15-6]

There are two possible reasons why the Jarrow Crusade received so much popular support. First, it was a non-political and non-violent protest. By excluding the Unemployed Workers Movement and the Communist Party, the Crusade excluded the militancy and radicalism which was evident in previous marches. The workers of Jarrow had no intention of overthrowing the establishment or

---

<sup>12</sup> In October 1986, I was fortunate enough to be in Britain during the fiftieth anniversary of the Jarrow Crusade. On October 7, I listened to the BBC radio four interview the twenty remaining survivors of the march. Many of my impressions of the Jarrow Crusade have been taken from that broadcast.

capitalist system. Perhaps its because of this, the march was not marred by incidents of brick throwing and baton charges. Second, the demands of the marchers were not considered to be unreasonable. Although many people in Jarrow objected to the means test<sup>13</sup> and the low levels of relief, the focus of the march was simply to save their town. They wanted the shipyards open and to be given the chance to work again.

The principal group to disapprove of the march was the National Government. Many members of the cabinet would have liked to have prevented the march but were unable to do so because of popular sympathy. Instead of directly attacking the marchers, the government decided to coerce the marchers' families. This was done by making sure that the strict interpretation of the unemployment insurance regulations were applied. A memorandum was sent to the Jarrow Labour Exchange declaring that families of the marchers could not collect insurance benefits or assistance payments while their spouses were away from home. This action had very little effect. An alderman forced the Jarrow Public Assistance Committee to grant relief to the most desperate cases. [*British Broadcasting Corporation*, radio four, Oct 7, 1986] Moreover, the marchers had their own emergency relief fund which was made up by public subscription.

On November 1, the Jarrow Marchers finally arrived in London. William Deedes, a reporter for the *Morning Post* in 1936, has recently written an article for *Spectator* magazine describing how

---

<sup>13</sup> One of the women living in Jarrow during the 1930s spoke about the horrors of the means test. She claimed that it was the worst thing the government could do to people. This woman was the only working member of her family and her father was receiving unemployment assistance. The means test officer went to her employer and questioned him about her wages. He then approached her father and threatened him with prison unless the wage was deducted. [*British Broadcasting Corporation*, radio four, October 7, 1986] Here is an example of how means test officers routinely misinformed recipients. Under section 48 of the 1934 Unemployment Insurance Act, fraud and misrepresentation of household resources were not criminal offences but civil matters. [see Chapter V *Unemployment Insurance Legislation 1931-32*]

the procession entered the city. Deedes mainly recalls the dignified manner of the marchers. They were orderly, tidy in appearance and most of all -- *silent*. "They were the most silent of all the crowd, marching steadily and quietly in their appointed places, with packs swung squarely across their backs and the strain of many miles of travel on their clothes." [Deedes, "What I Saw in Jarrow", *Spectator*, 11 October, 1986, p.16] In a way, the arrival into London was a anti-climax to the event. On November 4, the marchers presented their petitions to the legislators and attended a session of Parliament. For the remainder of their stay they were 'entertained' by the government -- given theatre tickets, treated to tea in the Commons dining room and taken for a boat ride on the Thames. Although John Jarvis, the member of Parliament for Guilford, offered to open part of Palmer's former ironworks plant to build a metal tubing factory, and thus employ a hundred and fifty men, there was no mention of reopening the shipyards. The marchers returned home by train, paid for out of the march fund, and Wilkinson carried on her fight for Jarrow in the House of Commons.

### *Conclusion*

It seems appropriate to conclude the inter-war years with the Jarrow Crusade. This event, more than any other, personified the depression in the minds of many Britons. After examining the Crusade, the question arises: did the Jarrow March have any effect on the National Government's unemployment policy or the insurance scheme? A cursory analysis would conclude that there was no direct reaction by this government to the March. Although after 1936 the mean testing was noticeably relaxed and the rates of benefit and assistance were raised, there were no major changes to the unemployment insurance scheme. With regard to unemployment policy, it has been noted that in December 1936 the Special Areas Act passed. This legislation was designed to allow for new industry and new investment into the

depressed areas such as Jarrow. This act, however, cannot be considered a consequence of the March because its provisions had been planned as early as 1934.

Even though the March did not produce any short term results, it did have a long term impact on the attitude toward the government and the insurance scheme along with an effect on future social policy making. First, it managed to embarrass the National Government. The average person began to realise that this government did not have a comprehensive plan to create employment or relieve poverty. Public works and training projects produced only minimal employment and recipients considered the jobs to be low paid and 'dead end'. Moreover, the Special Areas Act had very little positive effect. This act was only designed to encourage investment through tax incentives, not to create new firms. It was also implemented at a time when there was very little surplus capital available for investment.

Secondly, the unemployment insurance scheme began to get an evil reputation. Recipients began to see existence on the 'dole' as being a life sentence of having to do without. What was needed was a revolution in the attitude toward, and the regulation of the entire network of social insurance. This revolution, however, would not come about in the mid 1930s, but in the mid 1940s, as we shall see in the following chapter.

In September 1939, the Second World War broke out, thus providing a temporary solution to the unemployment situation. In some respects, the eve of this war was similar to that of the previous World War. Whereas the latter deflected the constitutional crises of the pre war years, the former deflected the social crises of the inter-war years. The machinery of total warfare brought employment in munitions factories and conscription into the military. For many of the young men of the inter-war period, their first regular employment was that of being soldiers.

*A revolutionary moment in the world's history is a time for revolutions, not a time for patching. . . . The scheme proposed is in some ways a revolution, but more important it is a development from the past. It is a British revolution. [Beveridge, *Social Insurance and Allied Services*, (1942) p.6]*

#### *Welfare State from a Warfare State*

The final chapter of this thesis deals with William Beveridge's *Report on Social Insurance and Allied Services*. More commonly known as the Beveridge Report, this document is considered, by social historians, to be largely responsible for the creation of the British welfare state. Since its publication in 1942, the overall impact of the Beveridge Plan has been phenomenal. Essentially, it created an extensive programme of social services for post Second World War Britain and decidedly altered the government's responsibility with regard to maintaining the well being of its citizens. Through a network of state subsidisations, everyone in the United Kingdom would have universal access to social and financial security. It is believed that the Beveridge Report created a revolution in the arena of social planning.

Since the *Report on Social Insurance and Allied Services* deals with the entire network of social security, such as health insurance, pensions and family allowance, it will no longer be possible to discuss unemployment insurance as a separate system. While the latter remains a crucial aspect of this thesis, other social programmes will have to be brought into the scope of discussion. Moreover, it will soon become evident that many of those principles which formed the basis of the unemployment insurance schemes were incorporated into the British welfare state. This expansion into other arenas of

social policy should not detract from the structure of this work because it is the logical conclusion to nearly forty years of disjointed social planning.

Arthur Marwick, a social historian for Britain's Open University, has suggested that the United Kingdom created the welfare state during the post war years as a response to Adolf Hitler's "warfare state". [Marwick, *Britain Since 1945*, p.49] In many respects, Professor Marwick's play on words is quite astute when one considers the general situation Britain was in when the government chose to recast its system of social services. Beveridge was commissioned to investigate the condition of social services at the height of the Second World War and at a time when Britain faced the possibility of defeat at the hands of the Axis Powers. Because of this, historians, such as Marwick, agree that the advent of the Second World War played a tremendous role in the decision to rebuild the system of social services.

One of the major impacts the war had in the development of the welfare state came with the reorganisation of government. In May 1940, Winston Churchill took over the office of Prime Minister from Neville Chamberlain and formed a wartime coalition with the Labour Party. For the first time in nine years, the official Labour Party had the opportunity to participate in the government. In order to see how this affected social policy, it is crucial to be aware of how this coalition cabinet was constructed. Churchill decided that the majority of ministerial positions which were directly involved with the war and foreign policy were to be given to Conservatives. Alternatively, the cabinet positions which were connected to the Home Office and domestic policy were to be given to the Labour Party. This meant that Labour would have the 'lion's share' of influence over post war reconstruction and social policy planning. [Beloff, p.262]

On the surface, it may seem that Churchill made a political blunder in giving the Labour Party a virtual monopoly over domestic affairs. By the end of the war, Labour was able to present an elaborate social policy platform to the British electorate while the Conservative Party could only campaign on their success in winning the war. However, Churchill's decision was actually very shrewd in the sense that it definitely contributed to the British success in the struggle against Germany and Japan. He was well aware that his party was capable of administering to the military aspect of the conflict. At the same time, he was also aware that the Conservative and National governments' record in dealing with domestic policy was unpopular. Britons had not forgotten the poverty, unemployment and hunger marches of the inter war years. Therefore, to insure national unity and domestic support for the war effort, he gave the responsibility for social policy and post war reconstruction to the Labour Party.

The evacuation of women and children from the cities to the countryside provided a second wartime incentive for reconstructing social services. During the first year of the war, three and a half million people left the industrial cities and were transported to middle class homes in suburban towns. What was immediately noticed by the recipients of the evacuees was the tremendous difference between their children and working class children. The former were found to be taller, cleaner, better educated and in much better physical health than the latter. This observation sparked an extensive investigation into the conditions of urban working class life by the Hygienic Committee of the Women's Group on Public Welfare. In 1942, this group published *Our Towns: A Close Up*, which was a nationwide survey of income, sanitation conditions, diet, and health of working class families inhabiting the larger urban centres. Within this survey, they noted that the average income of these families was stationary at less than three pounds a week -- provided the father was employed. It was less than two pounds if he were unemployed. Under these financial conditions, each additional child was a severe burden on the

household resources. They also noted that in towns such as Clerkenwell in London's East End, it was not uncommon to sleep five children to one bed and to have eight families sharing one outdoor toilet. With regard to diet, the woman's group confirmed that it was nutritionally incomplete and not dissimilar from Rowntree's findings forty years earlier. Working class diets consisted mainly of white bread, meat pastes, sausages, cheap jam and marmalade. Finally, the most revealing of the group's findings were in the arena of health statistics. They compiled information taken from the public health offices in the Newcastle district on the difference between middle class children and working class children. Of the one hundred and twenty-four middle class children examined, there were two cases of pneumonia, one case of pleurisy, two cases of chronic cough and six cases of measles. Of the same number of working class children examined, there were seventeen cases of pneumonia, thirty-two cases of chronic cough, forty-six cases of measles and six cases of chronic diarrhoea. *Our Towns* concluded with the statement:

When the history of the war comes to be written . . . it will be revealed to the whole people the black spots in social life. In the early days of September 1939, children and mothers from the poorest quarters of our towns descended upon the countryside. They came, they were seen, they horrified. ["Spotlight on Poverty" *Economist* (May, 1943) pp.545-6]

Because of the reaction of the Women's Hygienic Committee to the evacuees it can be stated that the evacuation of working class slums brought the realities of working class existence directly into middle class life. Social historians like to believe that the Second World War broke down the existing class barriers. This point is debatable since it can also be said that the war, by drawing attention to the differences, simply reinforced them. The reason for this is that the evacuation made the differences between middle class life and working class life much more evident. In certain respects, Britain has a very peculiar social class structure. Its classes are not divided by tremendous geographical distances, but by experience. The British middle class were certainly aware that working class poverty existed prior to

the outbreak of war. In *Our Towns* the following appears, "The conditions of extreme poverty are generally unknown to the ordinary citizen, who, although may sometimes walk through the poorer streets, has no occasion to penetrate into the homes which line them." [Ibid, p.xiv] Nevertheless, it was not until the women and children from the slums of London, Manchester, Liverpool and Glasgow physically entered their homes did they comprehend the depth of working class poverty. This exposure did not result in disgust at dirty children or condemnation for irresponsible parents, but with anger against a system which allowed this to happen. [Minns, *Bombers and Mash*, (1980), p.21] Therefore, instead of breaking down social class divisions, the wartime evacuation simply evoked the sympathy of the middle class for the working population.

Apart from the Second World War, there were other factors which brought about the reform of social services. It is important to realise that the appointment of a committee to investigate the situation of social services was a deliberate attempt by Churchill's coalition government to rethink the concept of social policy. By the end of the 1930s, most politicians were aware that social insurance was not fulfilling its objective of alleviating poverty and therefore needed recasting. Moreover, they were also aware that the entire network of social programmes would have to be reconstructed in order to handle the transition from a total war economy to a peacetime economy. [*Beveridge Papers*, VII (28) 'Internal means for the Prevention of General Unemployment' memo from the economic section of the war cabinet] Certainly, no one in the government wished to see a repetition of the poverty and unemployment which followed the First World War.

Basically, there are two identifiable reasons for the coalition government reaching the decision to recast social service legislation that do not deal directly with the war. The first stems from a report published in 1937 by the Political and Economic Planning Research Institution. *The Report on British Social Services* dealt with many of the same items as the Beveridge Report, albeit in a more general

manner and without access to confidential government documents. Within this text, the group made a number of sharp criticisms against the administration of the unemployment insurance scheme with particular regard to unemployment assistance. The report stated that the scheme was too ambiguous in giving allowances and too ridged in its enforcement of the household means test. In addition, although the Assistance Board was supposed to take over the duties of the Public Assistance Committees, there were still some areas where services were duplicated. Third, the Assistance allowance was too low to maintain proper physical health. [PEP Report, (1937) p.28] Finally, the report noted the assistance allowance was costing the Treasury fifty million pounds annually and therefore was too expensive for the quality of service it was providing. [Ibid, p.35] The research group had similar criticisms to make over the administration of health insurance, statutory unemployment insurance and pension schemes. They concluded their report with two recommendations: prevent duplication of services by eliminating sectionalism and appoint a royal commission to investigate social services. [Ibid., p.178] The government did not act upon these recommendations until the appointment of the Beveridge Committee five years later.

A second reason for the coalition government to recast the system of social insurance, which was not a direct result of the war, came as a result of pressures from the trade union movement. On February 14, 1941, a delegation from the Trade Union Congress approached the cabinet with criticisms over the National Government policy toward health and unemployment insurance. Although they were concerned with the administration of assistance allowances, their main arguments against the social insurance programmes were levied against the national health scheme. In the afternoon, the delegation met privately with the Minister of Health, Malcolm MacDonald.<sup>1</sup> They asked him to make three significant changes to the administration of health insurance: first, that the scheme be expanded from

---

<sup>1</sup> Son of the former Prime Minister, Ramsay MacDonald.

simply providing doctors' care to the insured worker, to providing specialist, diagnostic and hospital care for the workers family; second, that the administration of the health service be taken away from approved societies and be turned over to the civil service; and finally, the delegation asked that the health benefit be made equal to the the unemployment benefit. [Beveridge, *Power and Influence*, p.290]

Two months after the meeting with the Trades Union Congress, the government announced the the appointment of a committee to investigate the status of social services.

#### *Appointment of the Beveridge Committee*

On May 22, the Minister of Health, Ernest Brown,<sup>2</sup> announced in the Commons the appointment of the Inter-departmental Committee to Investigate Social Insurance and Allied Services, which was later to be known as the Beveridge Committee. Initially, the task of this committee was to simply take over from a defunct Royal Commission on Workman's Compensation and to examine the feasibility of the Trades Union Congress's suggestions for health insurance. Also, according to Beveridge's biographer, José Harris, the committee was established to appease the lobby for family allowances. This lobby, led by Eleanor Rathbone, began in the late 1920s and was influential in convincing many social reformers, including Beveridge that family allowances would be useful in reducing working class poverty. The committee was not expected to complete its report until after the war was over. [Harris, 'Some Aspects of Social Policy", *Emergence of the Welfare State in Britain and Germany* , p.250]

The actual duty of appointing the interdepartmental committee was given to Arthur Greenwood. The latter, as deputy leader of the Labour Party and Minister Without Portfolio, was

---

<sup>2</sup> Brown replaced MacDonald the same day as the Trades Union Congress's meeting with MacDonald.

heavily involved in planning the social policy for post war reconstruction. On June 14, he asked Beveridge to be chairman of the committee. His decision was not based entirely upon Beveridge's past experience in drafting social policy. Prior to becoming chairman, Beveridge was an under-secretary in the Ministry of Labour and National service. He did not get along very well in this position. He openly argued with the Minister, Ernest Bevin, over such issues as departmental finance, establishing a wage policy for munitions workers, and conscripting women into the armed forces. In his autobiography, Beveridge implied that Bevin was a lazy administrator, saying, "Ernest Bevin does not seem to have exchanged procrastination for speed." [Beveridge, *Power and Influence*, p.292] It should also be noted that Bevin equally disliked Beveridge, referring to him as a "most difficult colleague" and a "*prima donna*". [Fulbrook, p.71] There also may have been some political animosity between the two men. Although a civil servant, Beveridge was an active member of the Liberal Party and often voiced his opposition to Labour Party policy.

Initially, the Minister of Labour opposed Beveridge's appointment on the grounds that he would be a domineering and manipulative influence on the other members of the committee. However, Greenwood was able to gain Bevin's approval by pointing out that, once he was chairman, Beveridge would no longer be attached to the Ministry of Labour. The prospect of Beveridge leaving his department appealed to Bevin, and therefore he approved of the appointment. [Harris, *Beveridge*, p.376] The remaining twelve members of the committee were made up of civil servants from various ministries, academics and representatives of private insurance associations.<sup>3</sup> Noticeably absent were

---

<sup>3</sup> Aside from Beveridge there were: R.A. Branington (Home Office), Edward Hale (Treasury), B.Y. Bundun (Ministry of Labour), Marjorie Cox (Pensions), A.W. Mackenzie (Customs and Excise) Muriel Ritson (Department of Health for Scotland), George Reid (Secretary of the Assistance Board), D.N. Chester (University of Manchester), Mary A. Hamilton (London School of Economics), B.K. White (Friendly Society Association) and Sir George Epp (Institute of Actuaries). [Harris, *Beveridge*, p.384.]

representatives from the trade union movement and employer's associations. Instead of being on the Committee, they would be asked to give evidence.

The terms of the committee were very explicit: it was supposed to examine the administration of all existing social services and make recommendations for their improvement.<sup>4</sup> In July, Beveridge called upon all members of the committee to prepare a preliminary analysis of the insurance plans which applied to their departments or professions. These reports were to be submitted directly to the chairman by mid-October. It was not until the following month that the committee, as a whole, began meeting on a regular basis.

On December 9, 1941, Beveridge presented to the war cabinet a memorandum titled, 'Heads of the Scheme for Social Security'. This memorandum is extremely important because it outlines, in brief, almost everything that was to become central to the final report. Therefore, it can be surmised that the cabinet was well aware of the contents of the Beveridge Report nearly a year before it was published. The Heads of the Scheme was based on three assumptions and three principles. It assumed that a post war government would establish comprehensive national insurance for health and unemployment, universal children's allowances and a full employment policy. The principles laid down within the memorandum were: the insurance fund would be financed by compulsory contributions, benefits would be at a subsistence level and there would be no household means test. It is interesting to note that the principle of discontinuing the means test was a non-issue at this time. Prior to the 'Heads of the Scheme' memo, the coalition government passed a new Determination of Needs Act which effectively repealed the household means test. It was hoped that this would encourage the purchase of war bonds. [*Law Reports, Determination of Need Act, 1941, pp.7-13*] Nevertheless, Beveridge must

---

<sup>4</sup> The actual mandated of the committee was, "to undertake with special reference to the inter-relation of schemes, a survey of existing national insurance and allied services, including workmen's compensation and make recommendations." *SIAS*, p.5.

have feared that as soon as the war was over, the government would reinstitute it. In addition to the assumptions and principles, this memorandum called for the reform of the three types of social insurance, the establishment of three types of allied services, the creation of a new ministry and a system for classifying each person in the United Kingdom according to occupation and age.

After having read the 'Heads of the Scheme' memo, the cabinet realised that the Beveridge Committee was no longer engaged in investigation, but attempting to create new policy. Technically, under British law, the civil service cannot make or implement policy on its own. It can only function as an administrative and advisory body. Since the majority of members on the committee, including Beveridge, were employed as civil servants, they could not sign the report once it had been completed. Therefore, they decided that the committee would have to be reconstructed. Instead of replacing the members with non-civil servants, the cabinet simply gave them different titles. Beveridge, who decided to resign from the civil service, became the only official member of the committee, while the other eleven members became his advisers. It is because of this reconstruction that there is only one signature on the final report, namely, that of William Beveridge.

Between January and November 1942, Beveridge and his advisers met forty-four times to discuss the plans for social security in the post war period. Among the more controversial items on their agenda was the possibility of placing a means test on some insurance benefits and allied services. Although the 'Heads of the Scheme' called for an end to means testing, the advisers were not unanimous over its abolition. Some, such as Edward Hale of the Treasury, wanted means tests in order to discourage fraud and abuse. He insisted that the test ought to be applied to those who had been unemployed for longer than six months. It is possible that Hale believed that anyone receiving more than twenty six benefits was abusing the scheme. Beveridge defeated Hale's motion on the grounds that a means test only served to discourage thrift and reinforced destitution and squalor. [*Beveridge Papers*,

VIII (26) Meetings of the Inter-departmental Committee, April 1942] Another item which provided debate was the issue of children's allowances. Other advisers wanted to reduce the cost of this programme by putting in the condition that only wage earning families with more than one child could qualify for payments. Once again, Beveridge successfully resisted a movement to alter the 'Heads of the Scheme'. He said that this proposed condition would defeat the universality of the scheme. [Ibid]

In addition to conducting weekly meetings, Beveridge managed to listen to testimony from one hundred and thirty different organisations and individuals. [SIAS, Appendix C, p.297] The principle groups to present testimony to the committee were trade unions, professional associations, cooperative societies, private insurance firms, research institutions, and local authorities. All of these groups were familiar with the provisions outlined in the 'Heads of the Scheme', and, according to José Harris, most agreed with the initial plan. [Harris, "Some Aspects of Social Policy During the Second World War" *The Emergence of the Welfare State in Britain and Germany*, (1983) p.250] Beveridge claimed that the most constructive testimony came from the Trade Union Congress and fondly remembered the influence they had in the 1911 National Insurance Act. He said that it was the trade union movement which gave the strongest support to his idea that all benefits for the interruptions of earnings because of poor health, unemployment and industrial accident be made equal. Alternatively, Beveridge claimed that the least helpful testimony came from the National Conference of Friendly Societies and the Industrial Assurance Company. These two groups, which administered to health insurance and workmen's compensation, opposed the trade unions and wished to continue with the system of unequal benefits. Beveridge attempted to persuade these groups to give up this practice stating, " I was set upon turning them from their bad ways into a public service." [Beveridge, *Power and Influence*, p.300] In the end, he felt it necessary to call for the abolition of the Friendly Societies' control over the national health service.

Throughout 1942, Beveridge toured the nation advocating his proposals for a welfare state. Perhaps his most impressive speech was given on July 30, when he spoke at the Engineering Industrial Association convention. At this gathering, he claimed that this war could only be won through the "staying power" of the British people to resist the onslaught of fascism and Nazism. In order to develop this, the government must convince the people that it was taking post war reconstruction seriously by implementing a policy for universal social welfare. [Beveridge, "Maintenance of Employment" *The Pillars of Society* (1943) pp.42-43] He feared that the conditions of poverty, along with the lack of enthusiasm on the part of the government to maintain the unemployed during the inter-war years, may have led to disillusionment with parliamentary democracy. This was the first time that Beveridge publicly admitted that the promise of a welfare state could be used to promote the war effort on the domestic front.

#### *The Beveridge Report*

In late November 1942, the Inter-departmental Committee completed its investigation and submitted its findings to the Coalition Government. On December 4, the same day as British victory at El Alamein, the Churchill Ministry decided to publish The Report on *Social Insurance and Allied Services*. Initially, there was a disagreement between the author and the government over which publishing company would have the rights to print and market the report. Prior to its completion, the Penguin Company asked Beveridge for permission to publish the committee's findings. Beveridge claimed that he supported Penguin's offer on the grounds that this firm could produce an edition which would be affordable to almost everyone. Nevertheless, the government, which retained sole control over

the report's distribution, rejected Penguin's bid over the more prestigious and more expensive Macmillan Press. [Beveridge, *Power and Influence*, p.314]

A considerable portion of the Beveridge Report is devoted to analysing the causes of poverty and need in British society. In making this analysis, the committee consulted a number of social surveys taken in London, Liverpool, Plymouth, Southampton, York, Bristol, and Sheffield during the inter-war years. According to Beveridge, these surveys confirmed his belief that poverty was a direct result of an interruption of earnings or an inability to relate income to household needs. [SIAS, para 11-2] In addition, he cited eight primary causes of need, namely, unemployment, disability, loss of livelihood, retirement, marriage, funeral expenses, childhood and physical desertion. His solution to the problem of poverty caused by the interruption in earnings was social insurance, and his solution to the problem of need caused by low incomes was allied services.

As stated earlier in this chapter, there was little deviation between the Heads of the Scheme Memorandum and the Beveridge Report. The proposals for reforming the insurance schemes absorbed approximately nine tenths of the entire text. Beveridge wished to reconstruct the existing schemes to prevent the poverty caused by unemployment, health disability, and old age. Therefore, the three different insurance plans would have to be reformed to combat each of these situations.

Unemployment insurance under the Beveridge Plan would become universally available. No person in any gainful occupation could be excluded from the scheme. This meant that benefits would be made available not only to employees, but also to employers and the self-employed. Moreover, benefits would be made available -- at full rates -- for the duration of unemployment. Beveridge's reason for doing this was twofold. First, he noted that during prolonged periods of unemployment, need tends to increase rather than decrease. Therefore, to reduce the benefit or eliminate it entirely would simply cause undue hardship. His second reason for making the number of unemployment benefits unlimited

was that "it would prevent deterioration of morale and encourage recovery." [SIAS, para 129-32] As with earlier schemes, unemployment insurance was still based upon the principle of contributions. In order to receive benefits, the applicant would still have had to have made a minimum of twenty-six contribution into the insurance fund. A person could only be denied benefits was if he refused suitable employment, was dismissed for misconduct or left his employment without cause. [SIAS, para 326] Beveridge estimated that his reformed unemployment insurance scheme would cost one hundred and ten million pounds a year. At a meeting of the Association of Municipal Corporations, Beveridge claimed that this only amounted to one eighth of the total social security budget. Since, during the inter-war period unemployment insurance benefits absorbed nearly one half of the social security budget, Beveridge believed that this scheme would result in a considerable saving for the Treasury.

Certainly, Beveridge's plan to reform the National Health insurance scheme was his most ambitious undertaking. He called for the immediate suppression of the Approved Societies system on their monopoly over health insurance.<sup>5</sup> Since 1911, the Approved societies had formed the administrative functions of the national health scheme for the Ministry of Health. Beveridge outlined four specific reasons for their suppression. First, they gave unequal benefits for equal contributions. Second, they operated solely for profit and not necessarily in the public interest. Third, they were inconsistent with the concept of a national minimum. Finally, since there were a number of different firms of different sizes, there was no consistency in benefits and contributions. [SIAS, para 48-65] Individuals could still privately insure themselves with the Approved Societies; however, these companies would no longer be connected to the national health insurance scheme.

---

<sup>5</sup> Approved Societies were private insurance companies, such as friendly societies, industrial life offices, trade union and employer's provident funds which were under contract with the government to provide health insurance for their members.

Beveridge wanted to create a completely comprehensive national health service. He believed that it should provide the means for medical treatment, the prevention of disease and long term care for the permanently disabled. The report stated that

a comprehensive national health service will ensure that for every citizen there is available whatever medical treatment he requires, in whatever form he requires it, domiciliary or institutional, general, specialist or consultant, and will ensure the provision of dental ophthalmic and surgical appliances, nursing and midwifery and rehabilitation after accidents. [SIAS, para 427]

Under the Beveridge Plan, health insurance became entirely universal and would no longer be given only to employees. It would now cover wives, children, old age pensioners and all those gainfully employed.

Unlike unemployment insurance, national health would not be based entirely upon the principle of tripartite contributions. Instead, Beveridge envisioned contributory and non-contributory classes participating in the scheme. The contributory class would be made up of employees, those in gainful occupation and those of working age. The non-contributory class consisted of housewives, those below working age and those above working age. [SIAS, para 431] He estimated that the annual expenditure for the national health scheme would be approximately one hundred and seventy million pounds.

Finally, under the heading of social insurance, the Beveridge Plan called for the establishment of four different types of pensions to deal with the interruption of earnings resulting from *inability* to work. The largest of the pension schemes was the old age benefit. This would be made available to men at age sixty-five and to women at age sixty upon the condition of their retirement. Previously, persons who had reached retirement age could continue working and receive their pension benefits. However, if a person chose to postpone his retirement after reaching a pensionable age, "they will be able to qualify for additions to the basic pension according to the length of their postponement."

Nevertheless, under the Beveridge Plan normal benefits were to be adequate to maintain a decent standard of living and indexed to the cost of living. [*SIAS*, para 256]

As with national health insurance, old age pensions were divided into contributory and non-contributory schemes. Contributory pensions were subject to the same rules as unemployment insurance and therefore funded by the employee, employer, and the state. Non-contributory pensions, referred to as assistance pensions, were given to those who had reached the age of retirement yet had not made contributions to the pension fund. This type of old age benefit would be phased out over a transitional period lasting about twenty years. By then, all retired persons would be incorporated into the contributory scheme. [*SIAS*, para 267]

The second type of pension called for in the Beveridge Report was the industrial disability pension. This would effectively bring an end to the workman's compensation scheme established in 1897. Beveridge cited nine specific reasons for the suppression of workman's compensation. Among the most significant were that it did not prevent litigation between employees and employers, there was no security of payment if the employer declared bankruptcy, compensation was in most cases inadequate; and the existing scheme only dealt with industrial accidents and not with disease caused by employment. [*SIAS*, para 79] Under the industrial disability pension scheme, injured employees would be provided with a weekly benefit along with a grant for post-medical rehabilitation. In cases where the accident or disease was definitely the fault of the employer, the employee could receive compensation in the form of a lump sum. Also, if the employee was incapacitated for more than thirteen weeks, his pension would be set at two thirds of his former insurance. The industrial pension did not, however, provide for medical treatment. This would be covered by the national health scheme. [*SIAS*, para 331-2]

The third type of pension scheme was the non-industrial disability pension, referred to as the disability benefit. Similar to unemployment insurance, benefits were unlimited and would be given so long as the beneficiary was incapable for work because of ill health. [SIAS, para 129-32] Benefits would be made available to all those formerly employed and to dependent wives. [SIAS, para 330]

The final pension scheme was the widows and guardian pensions. These benefits would be available to surviving dependents of deceased employees. In cases where there were children, a guardian's benefit would also be given. For the first thirteen weeks of widowhood, this pension would be fifty percent higher than the normal unemployment insurance benefit. Beveridge argued that this was to allow for "readjustment" to a new situation.

With regard to social insurance, it is clear that Beveridge was not offering any new schemes. Contributory unemployment and health insurance along with non-contributory and contributory pensions had been in effect for over twenty years. Nevertheless, he did reform the social insurance system by making it more accommodating and more efficient. He was able to do this by establishing six fundamental principles for how the entire network was to be administered. The first two dealt with the rate of benefit and contribution. He said that they both must be set at a flat rate. Therefore, unemployment, health and pension benefits would be the same amount. Moreover, there would be no differentiation made in contributions. All forms of social insurance would be taken care of by a "single stamp" or premium. The main reason for this was that flat rates and unified contributions would advance the sense of financial security. They would guarantee to each contributor the amount he would have to pay into social insurance and the amount he could expect to receive in return. The third principle was that all benefits would have to be adequate to maintain a healthy standard of living. This was an important difference between the Beveridge Plan and the former system. After examining the development of unemployment insurance during the inter-war years, it should be evident that benefit

rates were rarely in line with the actual cost of living. They were based upon the state of the insurance fund and therefore, dependent on whether or not it was solvent. The fourth principle was that all forms of social security had to be unified under a single administration; namely a proposed ministry of social security.<sup>6</sup> Prior to the Beveridge Plan, unemployment insurance, national health insurance and pensions were managed by separate ministries. Unification would ensure that none of the social services would be duplicated by other departments. The fifth and sixth principles dealt with classification and comprehension. Beveridge believed that social security could be managed much more efficiently if the population was divided into five distinct groups. These groups were employees, employers, the self-employed, housewives, those above working age and those below working age. By establishing these classifications, he was also enforcing the comprehensiveness of his plan because each of these groups was eligible for some form of social insurance upon loss of income. [SIAS, para 303-9]

The remainder of the Beveridge Plan outlines an entirely new network of social services, namely, the allied services. These were intended to supplement all forms of personal income, including social insurance benefits. In this arena, Beveridge proposed the establishment of marriage, maturity and funeral grants along with children's and national assistance allowances. He argued that marriage, children and death were primary causes of poverty. The main difference between allied services and social insurance is that the former were not based on any form of contributory principles. They were funded entirely out of general taxation. It is mainly because of the allied services that the Beveridge Plan earned the reputation as being 'cradle to grave' welfare.

---

<sup>6</sup> It is interesting to note that the other main report dealt with in this thesis --The Minority Report of the Royal Commission on the Poor Laws - -also called for the creation of a new ministry, namely, the Ministry of Labour.

It was through the marriage and maturity grants that Beveridge claimed that his plan recognised housewives as a distinct insurance class. [SIAS, para 107-17] However, he later made the statement that

Every woman on marriage will become a new person acquiring new rights and not carrying into marriage claims to unemployment or disability benefits in respect of contributions made before marriage. [SIAS, para 339]

Nevertheless, every woman in the United Kingdom would receive a grant upon the event of her marriage from the Ministry of Social Security. This grant was tied into her husband's social insurance scheme. For every forty contributions made by her husband, she would receive one pound. It was, however, limited to a maximum of ten pounds. [SIAS, para 340] The main intention behind the marriage grant was to give otherwise impoverished couples the opportunity to establish and furnish their own homes.

The maternity grant was to be given to all pregnant women regardless of marriage or employment. It was to last for the for the final thirteen weeks of pregnancy and to be fifty percent above the normal unemployment benefit. Beveridge claimed that this was not designed to cover the entire cost of maternity but was "intended to make it easy and attractive for women to give up gainful occupation at a time of maturity." [SIAS, para 341] Often, women in industrial occupations would continue working until the final weeks of their pregnancy. This was detrimental to both their health and the health of their child.

The proposed universal children's allowance, which was paid for entirely out of general revenue, was the largest expenditure of the allied services. Essentially, it dispensed with unemployment insurance dependent benefit. Beveridge claimed that the dependent benefit, set at five shillings a week, was insufficient for raising a child. By referring to 1938 prices, he estimated that it cost approximately seven shillings to feed, clothe and shelter a child. [SIAS, para 227-8] Therefore he proposed that children's allowances be given to every child in the United Kingdom up to the age of fifteen or if in full time

education, up to sixteen.[*SIAS*, para 301] Moreover, the allowance was to be of a substantial sum which would be more than enough to take care of the expenses incurred while raising a child. Essentially, there were two theories behind the institution of children's allowances. The first was that they must deflect the burden of having children. The second was that substantial sums would give couple incentive to have more children. The report stated,

With its present rate of reproduction the British race cannot continue . . .  
. But children's allowances can help restore the birth rate, both by making it possible for parents who desire children to bring them into the world without damaging the chances of those already born, and as a signal of the national interest in children, setting the tone of public opinion. [*SIAS*, para 413]

Beveridge was concerned that in the post war years, there would be a significant decline in the working population. He estimated that by the mid-1960s there would be severe shortage of people of working age and too many people on old age pensions. Since the social insurance scheme depended on employees' and employers' contributions, this shortage would create havoc for the financing of the welfare state. Therefore, people had to have some encouragement to have more children.

The fourth proposed allied service was the funeral grant, Beveridge claimed that, although most people carry insurance for their eventual funeral, a significant number went into debt to pay for unexpected deaths in their families. [*SIAS*, para 157-60] Often funerals were financed on long term credit at extraordinarily high interest rates. Also, in cases where people had funeral insurance with Approved Societies, premiums absorbed a considerable portion of their income. He suggested a grant graduated to the age of the deceased and limited to a maximum of twenty pounds.

The last of the allied services was the national assistance scheme. Formerly called unemployment assistance, this benefit would be made available to those people who somehow were not covered by any form of social insurance. Beveridge envisioned that there were four groups who would be in need of national assistance. The first group were those who had not made sufficient

contributions into the social insurance fund. An example of this would be young people who were of working age, but unable to gain steady or full time employment. The second group to receive national assistance were those did not fulfil the conditions to receive insurance benefits. An example of this class were those denied the unemployment insurance benefit because of the refusal of suitable employment, were dismissed for misconduct or left their employment without cause. The third group were "those who had special needs in respect to diet care and other matters." National assistance would be used to supplement unemployment, health and pension benefits. The final group applicable for national assistance were those people not covered by any form of social insurance. In this case, Beveridge had in mind wives who were deserted by their husbands and because of separation were unable to claim benefits on the former spouses' insurance plans. [SIAS, para 365-74] In essence, national assistance can be seen as 'safety net' or scheme of last resort for all those who escaped the social insurance network. Furthermore, national assistance was the only plan in which the applicant had to prove need and was subject to a means test. It was to be funded entirely from the Treasury.

#### *Response to the Beveridge Report*

The public's response to the *Report on Social Insurance and Allied Services* was extraordinary. Within days of its publication, nearly everyone in Britain was aware of its existence. In a Gallup Poll taken during December 1942, ninety-five percent of the public claimed to have heard of Beveridge's Plan for social security. [Beveridge, *Power and Influence*, p.319] Much of this public awareness is directly attributable to the overwhelming attention the Report received at the hands of the British Press. Throughout the winter of 1942 and 1943, there were daily articles and editorials devoted to the Beveridge Report in all of the national newspapers. Furthermore, there were reviews and synopses of the Report written in almost every popular and academic periodical. This, combined with

the fact that plans for post war social security were major topics for debate among universities, churches, trade unions and welfare organisations, made the Beveridge Plan the leading issue of the day. For a while, it seem as if the Report overshadowed the war news. [Fulbrook, p.172]

In terms of sales, the Report could be described as a 'best-seller'. During its first month of publication, it sold over a hundred thousand copies, and by the end of the war six hundred and fifty thousand copies were purchased by the British public. [Addison, *The Road to 1945*, p.217] There was also a cheap, abridged version printed for soldiers serving overseas. While the sales of the Report were unusually high, it is difficult to imagine the average individual actually reading it because, on its own, the text is not particularly interesting. It is written in the style of a Royal Commission Report, and therefore is overly technical, loaded with tables and graphs and remarkably dull. One early critical review commented that it was also "unduly repetitive". [C.H. Gratten, "Beveridge's Plans are not Enough" *Harpers*, March 1943, p.369] Whether or not people actually read the Report is not particularly important. Simply the fact that it sold so many editions, however, indicates that there was widespread interest in Beveridge's proposals.

From the beginning, the British public enthusiastically supported the Beveridge Plan. In 1943, the British Institute of Public Opinion (BIPO) took a nationwide survey asking if the proposals made in the Report ought to be adopted. The results of this poll showed that eighty-six percent favoured implementation while only six percent were opposed. [Addison, p.319] The plan received its largest support from the working class. Perhaps the reason for this was that the bitter memories of the inter-war years were not erased by the arrival of the Second World War. The working class certainly must have remembered the long queues while signing on for the 'dole', the humiliation of a means test investigation and the inadequate unemployment, health and old age benefits. Beveridge's Plan, with its commitment to full employment, the absence of means tests, and subsistence benefits for everyone

offered a sense of economic security which previously had not existed. Furthermore, the Report somewhat altered the national attitude toward the war and in turn provided a much needed incentive to carry on with the war effort. For the working class, the war was no longer simply viewed as a battle against the ideologies of National Socialism and Italian fascism. Instead, "people believed that they were fighting for economic security". [Lloyd, p.257] Essentially, through their support of the Beveridge Report, Britons invested their hopes into a plan which offered a better life than that which they left in 1939.

Along with the working class, a strong percentage of support came from upper income groups such as well-to-do employers and professionals. For example, Lords Melchett and McGovern, the directors of the International Chemical Industry (ICI), openly supported the Plan on the belief that it would improve industrial relations through better public welfare. [Addison, p.215] Professionals, such as lawyers, teachers, engineers and civil servants, through their associations also voiced their support of the Beveridge Plan. Derek Fraser, author of *The Evolution of the Welfare State*, believes that their support was a result of the aura of "universalism" and class cooperation which was evident throughout the war.

The universalism, the nature of a people's war, the the introspection of hopes for the future all made it likely that plans for reconstruction would be a much more important part of this war than previously.  
[Fraser, p.209]

Here, Fraser argues the idea that they were in this conflict together and that the war was 'blurring class distinctions', allowing the professional classes to support a plan that would mainly benefit the working class.

As shown earlier, the British press gave considerable attention to the Report's publication. For the most part, almost all the national newspapers favoured the Beveridge Plan. Support did, however, vary in degrees. Liberal and Labour newspapers, such as the *Manchester Guardian* and the *Daily*

*Herald*, gave unanimous approval for the plan, while the conservative *Times* merely gave tacit approval for the principles of the Report. Only one national paper openly opposed the plan. The *Daily Telegraph* claimed that the adoption of the Beveridge Report would take the country "halfway to Moscow". [Addison, p.217]

Along with national enthusiasm, there was a considerable amount of foreign interest in the Beveridge Report, particularly in the United States and Canada. In 1943, the Canadian government commissioned Leonard Marsh to write a report on social security for Canada. While in the United States, President Roosevelt asked that every member of the Congress be given a copy for personal study and comment.<sup>7</sup> The Macmillan Press responded to the demand and had a further one million copies printed for the North American market. In addition, Beveridge became a popular figure in the United States and was invited to speak at a convention of the American Federation of Labour and the Congress of Industrial Organisations. Owing to the obvious dangers of crossing the Atlantic in 1943, he declined their invitation. [Beveridge, *Power and Influence*, p.210]

Perhaps the most interesting foreign response came from Nazi Germany. Within days of publication, the German newspapers were making comments over its contents.<sup>8</sup> The *Berliner Bösen Zeitung* wrote:

Who would of thought that in the middle of a war against National Socialist Germany a report should be submitted to which the three most important suggestions are an imitation of what has already been put

---

<sup>7</sup> It is interesting to note that during the 1930s, Beveridge engaged in a long series of correspondence with the state government of Wisconsin discussing the possibilities of comprehensive and universal unemployment and health insurance, [See *Beveridge Papers* III (18) Letters between W.H. Beveridge and Allen B. Forsberg 1934]

<sup>8</sup> Because the the German propaganda ministry was so quick to respond, I initially believed that they must have had advanced knowledge of the contents of the Report -- either through espionage or through government 'leaks'. However, it was lately brought to my attention that they could have received copies of the Report and reviews of it in the *Times* through neutral Sweden.

into practise by National Socialist Germany? [*Times*, Dec. 5, 1942, p.5]

The three suggestions this question is referring to are: children's allowances, comprehensive health insurance and a full employment policy. Other German newspapers were not nearly as complementary. The *Deutsche Allegmeine Zeitung* called the Beveridge Report dishonest and a swindle. [Ibid]

Even though they remained a minority throughout the remainder of the war, opponents to the Beveridge Plan lobbied to prevent its implementation. The most active opposition came from employers in the depressed industries -- textiles, shipbuilding, coal mining and heavy machinery. Although the demands of war had made them quite prosperous, employers in these industries were aware that during peacetime they would have to struggle to reduce costs and maintain exports. They viewed the Plan as an inflationary tax on industry, which therefore would make them uncompetitive in the world market. [Addison, p.218] These businessmen found their support in Lord Weir, the Chairman of the British Employers' Federation.

At the same time the Report was being submitted to Parliament, Weir was urging the government not to make too much of post-war reconstruction plans. He argued that it would take at least ten years for the nation to recover from the effects of this war, and that "to implement [the Beveridge Report] in ignorance of future world trade conditions would do infinite harm." [*Weir Papers*, 23/1, "Post War Polices: A Plea" Dec. 1942] Weir followed up his plea with a memorandum addressed to Sir William Jowitte, the Minister Without Portfolio. Once again he stressed the folly of implementing a social welfare scheme without being certain of the post war financial situation. However, in this message to the government, he seemed much more conciliatory. Weir advised the government not to implement the entire Beveridge Plan all at once. Instead, they should "establish an order of priority" and phase in the programmes over an extensive period of time. [*Weir Papers*, 23/4,

10 Feb. 1943] By using his position as a member of the upper chamber, Weir was able to influence many Conservative cabinet members.

Another group to oppose the Beveridge Report were anti-socialists who felt that it was an attack on free enterprise and individualism. The chief spokesman for this group was Sir Ernest Benn, the leader of the Individualist Society and nephew to Josiah Wedgwood. In an article for the *Quarterly Review*, Benn cites a number of reasons for the government to reject the Plan. The first concerns American reaction. He believed that the United States would interpret the acceptance of the Beveridge Report as a decisive move toward socialism and therefore reduce their financial aid to Britain. His second reason involved his opposition to Children's Allowances. Benn argued that children were the responsibility of their parents and not the state. Therefore, the state should not attempt to finance the maintenance of children because it would interfere with the parent's authority. Finally, he opposed the Plan because -- it undermined democracy. Benn, claimed that it would be unconstitutional to implement Beveridge's recommendations at this time.

Revolutions are sometimes discovered only after they have occurred, but I doubt whether the British people would willingly permit the foundation of their democratic system to be undermined or removed if they were told in advance of this intention to do so. . . .Signed by Beveridge alone is perhaps the most glaring example of modern breaches in the democratic armour. These officials no doubt seem to be interpreting the public will, a belief which is shared by Hitler himself and a belief even if justified, lacks the only proof known to democracy, the evidence of the ballot box. [Benn, "Some Implications of the Beveridge Report" *Quarterly Review* (April 1943), p.231]

He argued that there must be a general election held over the issue of social security before the Beveridge Plan could be implemented.<sup>9</sup> Benn concluded his article by stating that "it should be

---

<sup>9</sup> This was contrary to Beveridge's ideals. He wanted the Plan to be put into effect during a coalition government, and therefore no single political party could take credit for creating social security in Britain.

considered an offence to read the Beveridge Report until a prior examination has been made of the present economic position of the nation." [Ibid]

More than any other wartime issue, the publication of *Social Insurance and Allied Services* exposed the weakness of the Conservative-Labour coalition, and paved the way for its eventual destruction. Generally speaking, the Conservative Party was opposed to the specific proposals made in the Report, while the Labour Party approved of the Plan and called for its immediate implementation. The leading Conservative opponent was the Chancellor of the Exchequer, Kingsley Wood. In a memorandum to the Prime Minister dated November 1942, he expressed his discontent with the principle of universal benefits. He believed that this principle would give aid to those who did not need it and would be far too expensive. At this point it became evident that Kingsley Wood had adopted the Treasury's attitude toward the Report. According to José Harris, the latter felt that universal social security would cause excessive peacetime taxation and thus discourage savings and hinder post war economic expansion. [Harris, *Beveridge*, pp.422-3]

Among the Conservative backbenchers, Ralph Assheton led the parliamentary party's opposition to the Beveridge Report. In December 1942, he formed a secret committee to examine the Plan. This committee, which was made up entirely of Conservatives, arrived at three significant conclusions. First, the cost of Beveridge's plan universal social security would be more than the nation could afford. Second, unlimited subsistence benefits would undermine the unemployed's incentive to return to work. And finally, without means tests there would be no way to prevent waste or abuse in the system. [Deacon & Bradshaw, pp.42-43] They suggested that unemployment benefits should cease after six months, be substantially lower than the normal wage rate, and should not represent a subsistence level of income. They also opposed universal health insurance by suggesting that it be

limited to those with annual incomes of less than four hundred and twenty pounds. [Addison, *The Road to 1945*, p.221] By refuting the principles of universality and unlimited subsistence benefits, the Assheton Committee was attacking the very foundations of the Beveridge Plan.

Churchill's attitude toward the Beveridge Report remains a mystery.<sup>10</sup> For a politician who was certainly not shy about expressing his opinions, he stayed unusually silent over this plan for social security. Privately, it seemed that he was in favour of the Beveridge Plan. In a war cabinet meeting held in February 1943, he remarked that "This approach to social security bringing the magic of averages nearer to the resources of millions constitutes an essential part of any post war scheme for national betterment." [Gilbert, *The Road to Victory: Winston Churchill*, (1986), p.292] At the same time, however, he was publicly adopting a policy of stonewalling the Report and was unwilling to implement its plans during the war.

The Prime Minister's objections to wartime implementation clearly indicate that he was influenced by the writings of Ernest Benn and Lord Weir. Churchill accepted Benn's belief that the Americans would react negatively to implementation. He feared that they might reduce financial aid if they thought it was not going to the military effort but to social services. Churchill also believed that implementation of the Report would create a false sense of security throughout the nation. [Addison, p.220] In 1943, he decided to recall the copies of the Report given to soldiers, claiming, "I do not wish to deceive people with false hopes of Utopia and Eldorado". [Fulbrook, p.173] Although he came out

---

<sup>10</sup> In the autumn of 1986 I went to Churchill College Archives for the specific purpose of using the Churchill Papers. Unfortunately, upon my arrival I was informed that these papers were closed and that they would not be reopened until ten years after Martin Gilbert has completed his biography of Winston Churchill. It is for this reason that Churchill's opinion of the Beveridge Plan will remain a mystery for the time being. Gilbert only devotes one brief paragraph to the subject of the Beveridge Report.

in opposition to the Beveridge Plan, Churchill, nonetheless, always said he supported the idea of a welfare state. However, he never made it clear to the public what form it should take.

It ought to be noted that not every Conservative in the House of Commons was opposed to the Beveridge Plan. In fact, opposition was limited to those members over the age of forty: those under forty approved its proposals. Two leading Conservatives who were particularly sympathetic to the principles of universal social security were Henry Willinks and Harold Macmillan.

Feeling the need to have a Conservative in the Home Office, Churchill appointed Willinks Minister of Health. [*Willinks Papers*, Box 2] From November 1943 to August 1944, Willinks conducted negotiations with the British Medical Association concerning the establishment of a comprehensive national health insurance scheme. Although he certainly approved of Beveridge's plan, he did have some reservations over its effect on government. He was repelled by the fact that the Report was splitting the coalition and that after its publication, Labour began to act as an opposition party.

Harold Macmillan, was also a strong advocate for the principles of the Beveridge Report. In 1937, he wrote and published *The Middle Way: A Study of the Problem of Economic and Social Progress in a Free and Democratic Society*. Within this text, he promoted the concepts of unlimited benefits and universal unemployment insurance.<sup>11</sup> [Macmillan, *The Middle Way*, p.331] In addition, he soundly condemned the inter-war unemployment policy.

Whatever may be said for this system in *theory*, it is clear that we cannot return to it in practice. To attempt to do so in my opinion would be morally wrong and economically unsatisfactory. In any case it is politically impossible. [Ibid, p.322]

Finally, Macmillan departed from traditional Conservative ideology by advocating a planned direction for economic activity as being the only solution to low wages and unemployment.

---

<sup>11</sup> Karel and John Williams, authors of *The Beveridge Reader* (1987), suggest that Beveridge's ideas for collective liberalism and social security have their origins in Macmillan's book. p.7.

Among Labour's Parliamentary Party, there was almost unanimous approval for the Beveridge Report. The three most vocal supporters were Herbert Morrison, Clement Attlee and Arthur Greenwood. These three men called for the government to begin immediately implementing Beveridge's proposed schemes. Their reason for this demand was fairly simple. If the government began establishing social security during the war, then once the war was over, it would become immediately functional. Therefore, there would be no gap between demobilisation and post war reconstruction. In addition, by making this demand the Labour Party could capitalise on the Beveridge momentum. [Addison, p.222] Nonetheless, the acceptance of the Report created a serious internal problem for the party. Because they were so deeply rooted in the coalition, Labour cabinet members were committed to maintaining the government. In the spring of 1943, the Labour Party was not prepared to bring down the government over the issue of social security.

The only openly dissenting member within the Labour Parliamentary Party was Ernst Bevin. It is more than likely that his opposition to the Report was tempered by his animosity toward its author. On April 31, 1943, he gave his personal evaluation of the Report to a meeting of the parliamentary party. At this gathering, he voiced his discontent with the fact the Report seemed to be the sole creation of one man, namely, Beveridge. Like the Conservatives, Bevin opposed the principle of universality, claiming that it was wrong for people who have never made contributions to draw money that others have contributed. "Abnormal unemployment should not be met by the unemployment fund for all." [*Bevin Papers*, 2/4, "Statement on Unemployment Safeguards" April 31, 1943] Finally, he said that it would be impossible to operate a scheme on the loose methods Beveridge suggests. [Ibid]

Between February 16 and 19, 1943, the question of whether or not to implement the Beveridge Plan was debated in the Commons. Essentially, the Labour members supported implementation and the

Conservatives argued for delay. Moreover, this debate provoked the only internal revolt during the entire tenure of the coalition government. The issue came to the forefront when Anderson announced that while the government accepted the Report's recommendations, in principle, they would not commit themselves to any of its proposals. Labour, was outraged. Immediately following this announcement, Greenwood called for an amendment for the House to express its dissatisfaction with the government over its policy to the Report. Although he concluded that his party had no intention of bringing down the coalition over this issue, Greenwood argued for immediate implementation. [*The Times*, Feb. 17, 1943, p.4]

The second day of the debate took place between Kingsley Wood and Greenwood. The Chancellor of the Exchequer said the government would not alter its policy under the threat of the Labour Party amendment. He also urged all members of the Commons to be cautious with their opinions, arguing that division would weaken the nation. Greenwood countered by stating that he knew of at least forty Conservatives who supported the Labour Party's position. [*The Times*, Feb.18, 1943, p.4]

Finally, on the third day of the debate, the deputy of the Labour Party, Morrison, decided to defend the coalition over the implementation of the Beveridge Plan. He attempted to persuade his party members not to vote against the government. When division was called, the Labour amendment was defeated by a majority of two hundred and sixteen votes. [*The Times*, Feb.19, 1943, p.4] Only two Labourites, Morrison and Bevin, voted with the government. None of the Conservatives voted with Labour. However, all of the Liberals including Lloyd George voted with the Labour Party. It was his last vote in the House of Commons. [Beveridge, *Power and Influence*, p.325]

Following the February debate, Beveridge lost all contact with the government. He claimed that Churchill refused his requests to see him. [Ibid] In response to this boycott, Beveridge decided to

take his case directly to the people. Between February and September, 1943, he toured the nation advertising his plan and rallying support for social security. He spoke at such gatherings as the Liberal Party, the Association of Municipal Corporations, the Royal Institute of British Architects, the National Council of Women and businessmen from Yorkshire and Scotland. [*The Times*, passim] The theme for each of these speeches was always the same: the coalition government should not delay implementing the Beveridge Plan.

In the autumn of 1943, he decided to embark on a new book, *Full Employment in a Free Society*. This text dealt only with Assumption C of *Social Insurance and Allied Services*, and argued that achieving full employment would be more beneficial than social security. Being denied of any governmental support for this project, Beveridge was forced to turn to friends for financial aid. The majority of funds came from Kenneth Lee, David Astor, and Edward Halton. Beveridge claimed that he was more proud of this work than he had been of the Beveridge Report.

During the summer of 1944, Beveridge was encouraged by the Liberal Party to enter political life. In October, he won a by-election in the constituency of Berwick-on-Tweed. His brief encounter as a member of parliament can be best described as being both undistinguished and unsuccessful. After having given his maiden speech on the Beveridge Report, he rarely rose to speak in the House, and in the following general election lost his seat to the local Labour candidate because his constituents felt that he had ignored them. [Harris, *Beveridge*, p.447] In the autumn of 1945 he was given a peerage and moved up into the House of Lords.

The Conservative decision to delay implementation resulted in a minor change in the British political order, namely in the emergence of the Commonwealth Party. This new party was "set up to enable a socialist banner to be carried while the official Labour Party observed the agreed truce." [Beloff, p.264] Led by Richard Acland, its manifesto proclaimed socialism as the political embodiment

of Christian principles. [Brand, p.225] Nevertheless, the Commonwealth Party limited its immediate concerns to the secular issues of nationalisation and social security.

Between 1943, and April 1945, there were six by elections call in England and Scotland. Of these six, five of the seats were formerly held by the Conservative Party. The Commonwealth Party put up candidates in each of these ridings and managed to capture three of them. The other two went to Independents and the one former Labour seat was won by the Scottish Nationals. [Butler, p.225] Clearly, this party's success in the wartime by elections indicates popular dissatisfaction with the coalition government and the two established parties.

#### *The 1945 General Election*

Even though the Beveridge Report established a division in the wartime coalition, the three major parties managed to work together for another two years. It is difficult to determine exactly when the coalition government began to come apart. Paul Addison, suggests that it was toward the end of 1944, when the two parties "exhausted the subjects on which they could agree upon." [Addison, p.252] Other historians, such as Carl Brand, argue that the breakup began much earlier, in the spring of 1944 when victory over Germany seemed probable. [Brand, p.229] Nonetheless, there is one particular date which stands out as being the day the coalition finally dissolved. On January 17, 1945, the Conservative Party formally announced that they would not implement the Beveridge Plan for social security. After this, cooperation between the two parties became virtually impossible.

The only remaining question was; when the dissolution of Parliament should take place - after the defeat of Germany or after the defeat of Japan? On May 18, Churchill wrote to the leaders of the Liberal and Labour Parties, pleading with them to continue in his government until the war in the

Pacific was over, He even attempted to 'sweeten' the offer by indicating that a renewed coalition would implement a plan for social security and full employment. [*Attlee Papers*, 2/2 untitled note] The Labour Party was not convinced. On May 21, Attlee replied he would not wait until the Japanese were defeated; however, he did suggest that a general election should not be held until October. [Lloyd, p.266] In a following letter, Churchill bitterly expressed his disappointment with Attlee and the Labour Party, accusing them of leaving before "the job is finished." [*Attlee Papers*, 2/27, not dated but probably written on 21 May, 1945] He rejected the leader of the Labour Party's suggestion that the coalition be prolonged until October, claiming that knowledge of a general election would make it impossible for the coalition to continue.

It is odd that you should accompany so many unjust allegations with a earnest request that we should go on bickering together till autumn. Such a process would not be a decent way of carrying on a British government. [ibid]

One day later, Churchill asked the King to dissolve the government on June 15 and call for a general election on July 5. In the interim period he would lead a caretaker government.

Although the actual election took place on 5 July, the ballot boxes were not opened until 15 July. This was done so that the ballots cast by soldiers overseas could be counted at the same time as the domestic vote. For the Conservative Party, the 1945 General Election was disastrous. The Labour Party, which had taken three hundred and ninety-three seats and forty-seven percent of the popular vote, came to power with an overwhelming majority. Subsequently, the Conservatives were humiliated by winning only two hundred and thirteen seats and thirty-seven percent of the popular vote. Britain had not witnessed such a political landslide by a single party since the 1906 General Election.

The 1945 General Election has become a major topic in twentieth century British history. Historians have presented innumerable theories as to why the Conservative Party was so soundly defeated and why the Labour Party emerged victorious. Conservatives, along with much of the world,

and perhaps most Britons, were convinced that Churchill would lead a post war government<sup>12</sup> because it seemed perfectly logical that the great war leader would be honoured by being able to form the reconstruction government. However, this was not to be so. When the ballots were counted, Labour was undoubtedly the victor and Churchill was turned out into the political opposition.

The Conservative Party claimed that they were defeated because they were not prepared to fight an election so soon after the war in Europe. Some said that it happened because "Labour men had stayed in Britain, working in factories and building up their party organisation in trade unions while Conservatives were away fighting." [Lloyd, p.269] Others argued that they did not have the opportunity to organise a campaign or prepare a comprehensive party manifesto. The platform they did eventually produce, although it committed the party to the concepts of full employment, social security and national health, was hopelessly vague. Even its title, *Mr Churchill's Declaration to the Electors*, sounded stuffy and pretentious in the world of post war politics. Under a close analysis, the Conservative's reasons for defeat are inaccurate. In fact, Attlee's main reason for an autumn election was that he felt the the euphoria of victory would sweep the Tories back into office. Moreover, there is no real evidence that Labour was better prepared for the election. During the war, their funding and membership had fallen equally with the Conservatives.

Another reason for the Conservative's defeat was their campaign strategy. They attempted to win by using their military success. Churchill encouraged party members with prominent war records to run for office. Quite often these candidates were indifferent to domestic politics and therefore incapable of attracting voters. [Harrington and Young, p.149] Furthermore, Churchill, as a self-proclaimed historian, ought to have been aware that the British public prefer to keep the military out of politics. In addition to promoting his record as a war leader, Churchill attempted a campaign of

---

<sup>12</sup> It was rumoured that whichever party won the election Churchill would remain Prime Minister.

negativism against the Labour Party. In a Broadcast over BBC radio, he said that Labour would have to use *Gestapo-like* tactics to implement socialism. This foolish remark did more to benefit his opposition. The British public simply did not appreciate people like Attlee, Morrison and Bevin being equated with Hitler, Himmler and Goebbels.

A third factor which may have cost the Conservatives the election was Churchill's reputation as a warmonger.<sup>13</sup> The evidence for this comes from the 'servicemen's vote'. Although the Prime Minister was popular among the soldiers, it was common knowledge that the majority voted Labour. After Churchill's attempt to intervene militarily in Greek politics, it was believed that he would have carried on the war past the defeat of Germany and Japan and taken on the Soviet Union. Many of the soldiers had been in the services for the duration and were tired of war.

The final reason for Churchill's and the Conservative Party's defeat stems from their inter-war reputation. Prior to the Second World War, Churchill was very unpopular among the working class. He was seen as the minister who ordered the army to put down a Welsh miner's strike, the chancellor who returned Britain to the gold standard and entrenched the depression, the publisher of the government newspaper, *The British Gazette*, during the General Strike and the Prime Minister who rejected the Beveridge Plan for social security. Furthermore, his government, which had been elected in 1935, was the longest uninterrupted Parliament since the days of Cromwell. It came into office at the height of the depression and became associated with the depression. As noted earlier, the British had not forgotten the Churchill of the inter-war years, nor the hunger marches, dole lines and means tests.

They [the people] did not want to return to 1939. By 1945, the dominant feeling was that it must not happen again, that the same old mistakes were not going to be made. People were not going to be

---

<sup>13</sup> I use the term warmonger with confidence. I once asked my mother, who was in her teens during the war years, why Churchill lost. Her answer was, "he was a warmonger who carried on fighting".

cheated as they had been in 1918. [Harrington & Young, *The 1945 Revolution*, (1978) p.19]

The catch phrase for the '45 election was *never again*. Never again would the working class be asked to give up their lives in the service of their country for the pittance of the dole. Never again would the unemployed face the onslaught of a baton charge. Never again would the unemployed feel compelled to march on London. This was the sentiment expressed from women in the munitions factories to the soldiers at the front.

Equal to the number of reasons the Conservative lost the general election are the number of reasons why the Labour Party achieved such a tremendous majority. The most prominent was that their election manifesto, *Let Us Face the Future*, was a specific declaration of party policy. Published in April 1945, this document called for the nationalisation of the Bank of England and the essential industries, specifically, fuel and power, inland transport, and iron and steel. Although this may have sounded quite radical, it should be noted that nationalisation would not have caused a major disruption in the political or economic order. These industries had been under strict governmental control since the beginning of the war. In addition, *Let Us Face the Future*, called for a planned economy by prioritizing the use of raw materials, instituting price controls and making a commitment to housing and urban development. Most important, however, the Labour Party committed itself to implementing a plan for social security along the lines of *Social Insurance and Allied Services*, a full employment policy, and a comprehensive education service.

Another reason for Labour's success was its campaign strategy. Unlike the Conservatives, they did not put up military heroes as candidates. Instead, they put their most prominent members in marginal ridings and lesser known candidates in safe constituencies. This was a tremendous gambit for the party. Had they lost the marginals, the party would have been without leadership in the House of Commons. It also showed that Labour was intent on running an all or nothing campaign. They would

either win a solid majority or go down in a crushing defeat. This time, they were determined not to depend on a second party to form a government.

A third reason for victory was that the internal nature of the Labour Party had changed during the war. It had become more of a national organisation and was no longer a party of the working class. For the first time in their history, they managed to capture the middle class vote. In fact, in the Parliamentary Party of 1945, the trade unionists were outnumbered by the professionals. This broad-based support guaranteed a Labour majority.

The fourth and final reason for Labour's unprecedented victory goes back to a statement made much earlier in this chapter. That is, the manner in which the ministry offices of the coalition were allocated in 1940 determined the result of the 1945 election. Having almost complete control of the Home Offices for the duration of the war allowed the Labour Party to remain in touch with public sentiment. When it finally came down to a general election they were aware of the public's attitude toward the war and its desire for a better post war world.

On July 31, 1945, Parliament reconvened under its first majority Labour Government. The opening session of the House of Commons could be described as a peculiar mixture of humour, bitterness and excitement. Both *The Times* and *The Manchester Guardian* commented that some long-time Labour members upon entering the Chamber turned toward their former places on the opposition benches. They had to be redirected by their colleagues with shouts of "this side this time". [*The Times*, p.4 & *The Guardian*, p.5, August 2, 1945] When the Conservatives took their seats, some of the Labour members took the opportunity to 'rub salt into fresh wounds'. One anonymous backbencher rose to his feet and shouted with obvious glee "We're the masters now"! At this juncture Winston Churchill entered the House. All the Conservative and Liberal members rose and sang for "For he's a jolly good fellow". Only one Labour member, Ellen Wilkinson, joined in the singing. The mass of

Labour members sat silently. Afterward, they were called to their feet by G. Griffen, and sang a verse and a chorus of the "Red flag". It must have seemed that this sort of party bitterness and rivalry was going to carry on for the day. However, the Speaker of the House, Clifton Brown, attempted to alleviate the animosity by saying "I wondered a moment ago whether I was elected Speaker of the House of Commons or director of a musical show." [*Guardian*, August 2, 1945, p.5] Furthermore, the Speaker used his position to moderate the more extreme Labour members. In his opening address he said,

To the new members -- and there are quite a number -- do not expect that you are going to revolutionise the House of Commons in a fortnight. . . . My warning to you is not to be too controversial.

To some extent, Brown's speech set the tone for the House of Commons for the next thirty-four years. The Labour members adhered his warning and in fact became advocates of the the rules, customs and conventions of the Parliamentary procedure. This allowed them to work with the Conservative opposition and not always against them. Furthermore, it allowed for a consensus to develop between the two parties over social policy, a consensus which remained intact until the election of the Conservative Government under Margaret Thatcher in March of 1979.

### *Conclusion*

The primary aim of this thesis has been to describe the development of British unemployment insurance during the first forty years of the twentieth century in order to understand how it contributed to the creation of the welfare state. In presenting this narrative, a number of questions have been raised. First, was there a distinct pattern to the history of unemployment insurance? As stated in the introduction, it is believed that there is an identifiable structure to this history -- one that can be referred to as a *paradigm shift*. In the sense that it fulfilled its primary objectives, Britain's unemployment

policies enacted prior to the First world War were certainly a success. With the establishment of labour exchanges in 1909, they managed to organise the labour market so that unemployed workers could readily find available employment and perhaps more importantly they created an administrative body for measuring unemployment. As a result, this institution was pivotal in the creation of the first unemployment insurance act. The latter was successful in providing benefits for those workers who lost their jobs because there was only a seasonal demand for their services or because of short term trade depressions. It insured that workers who were unemployed through no fault of their own would not have to turn to the Poor Law for relief. Furthermore, the first scheme was a financial success, resulting in a positive balance of three million pounds in 1914.

Essentially, the success of the initial scheme fulfilled the first criteria of the paradigm shift theory. That is, an initial concept is established by the community as being a solution to a given problem. Within this work, the principle of contributory unemployment insurance is equated to the paradigm and is accepted by the political nation as a solution to the problems of cyclical and seasonal unemployment. At this juncture, these are the two main causes of involuntary unemployment.

In sharp contrast to the pre-war scheme, the inter-war unemployment insurance policy was a dismal failure, both financially and socially. The first departure from the original scheme came two years prior to the end of the war. In 1916, the coalition government passed the Munitions Worker's Act. This brought all industrial workers into the scope of unemployment insurance. Therefore, it altered the aim of the original scheme because it was serving employees that were not necessarily being affected by seasonal or cyclical unemployment. Although intended as a temporary measure, it was never officially repealed. Moreover, throughout the inter-war period, the scope of unemployment insurance was steadily widened to include eventually all employees in all occupations.

A further deviation from the original plan came in 1918 with the Out of Work Donation. This allowed for former soldiers and unemployed workers to collect benefits without ever having made a contribution. This temporary grant in fact set a precedent which was carried out through the inter-war years, namely, the granting of benefits without contributions. Later on the Donation is simply renamed uncovenanted and extended benefits.

Once again, the relation to the paradigm shift theory becomes evident. During the inter-war period, Parliament claimed to be committed to the original principle of contributory insurance. However, in the aftermath of the war, anomalies such as long term economic depression and new obligations to ex-servicemen made the original scheme inoperative. In place of overturning the paradigm, Parliament chose to amend it to suit the new circumstances. This, in turn produced a new series of problems. The granting of benefits without contributions meant incurring debt. Therefore, the pre-war insurance fund surplus was replaced by a tremendous deficit. Moreover, since benefits were never adjusted to the actual cost of living, inter-war insurance policy was not an adequate solution to the social problems of poverty. Able bodied workers were once again having to turn to the Poor Law (renamed Public Assistance Committees) for help. Thus, the purpose of unemployment insurance was defeated. By the end of the inter-war period, it was generally recognised that the scheme had collapsed under the weight of its own amendments. So far removed from its original principles and aims, unemployment insurance had become a mass of disjointed, inefficient legislation.

During the Second World War, the British government decided to examine the unemployment insurance scheme along with the whole network of social services. In 1941, William Beveridge was chosen to lead an inter departmental committee in a survey of existing schemes of social insurance and make recommendations for their improvement. What the Beveridge Committee eventually produced was quite different from what the government called for. Instead of simply making recommendations, they

produced a blueprint for the post-war welfare state. Their plan was deemed acceptable by the political nation in the election of 1945 -- thus fulfilling the third and final criteria for the paradigm shift.

A second question which ought to be addressed is this: was the Beveridge Plan a revolution in social policy? Essentially, there are four revolutionary aspects to the Beveridge Plan which become apparent after close examination. The first is that it proposed to abolish *want* and poverty. This was a unique concept in the arena of social policy making. Prior to the Beveridge Plan, the objective of social policy makers was to alleviate the effects of poverty -- not eliminate it. Therefore, Beveridge's Plan revolutionized social policy by altering its basic aim. The second aspect is that the method of administering social relief would be elevated to a calculated and scientific basis. By adhering to social surveys and the cost of living, benefits and allowances would be designed to meet the subsistence needs of the individual. No longer would the disbursement be tied to the solvency of the insurance fund. The third revolutionary aspect of the Beveridge Plan established that all forms of social insurance and allied services be established as a right and not a privilege. Each person in the United Kingdom would have equal access social services regardless of income or occupation. Beveridge's Plan, unlike previous schemes, would not violate traditional liberties. For example, it did not allow for a 'genuinely seeking work clause', which interfered with the 'burden of proof' or a means test, which deprived the individual's rights to property and privacy without due process of law. The final revolutionary aspect of the Beveridge Plan is that it unified a disjointed system of national insurance and social services under one department -- the Ministry of Social Security. This would eliminate the duplication of services and promote efficiency.

It must be pointed out, however, that there was one non-revolutionary aspect to the Beveridge Plan. With regard to social insurance, he retained his belief in the contractual system of tying insurance

benefits to contributions. Nevertheless, Beveridge himself considered his plan to be a revolution. He justified his position in the introduction to *Social Insurance and Allied Services* when he wrote, "The scheme proposed is in some ways a revolution, but more importantly it is a development from the past. It is a British Revolution." According to Beveridge, the adherence to former schemes gave his revolution a sense of legitimacy.

If it is accepted that the Beveridge Report did create a revolution in social policy, then there is a third question which ought to be addressed. Was the Beveridge Revolution a socialist revolution? Did the plan take Britain "halfway to Moscow" as predicted by *The Daily Telegraph*? It must be emphasized that Beveridge was not a socialist, but a lifelong member of the Liberal Party. Therefore, by implementing Beveridge's Plan, the Labour government was establishing a liberal policy for social welfare -- not a socialist one. Furthermore, when it comes to establish a economic policy for the nation the Labour government once again abandons its socialist ideology and implements the ideas of another prominent Liberal, namely, John Maynard Keynes.

It would be impossible to discuss the impact of the Beveridge Report without at least mentioning some of the economic theories of Keynes. It is often mistakenly believed that Beveridge derived his conclusions for the welfare state from Keynes text *The General Theory of Employment, Interest and Money*, published in 1936. Although Keynes and Beveridge were close friends, they came to their theories from different directions. It is also important to be aware that, while the two theories are different, their systems complimented each other in what Tony Cutler and Karel and John Williams, co-authors of *Keynes, Beveridge and Beyond* , refer to as "collective liberalism".

Beveridge's Plan showed a practical and empirical understanding of and offered a solution to poverty. As stated earlier, he understood that poverty was the result of either interruption in earnings or

excessively low wages. The primary cause of the former is either the interruption of earnings by unemployment or, excessively low incomes. The solution to the former is a full employment policy with adequate unemployment insurance benefits. The solution to the latter is a national health service which would include complete medical treatment along with prevention of disease and care for the disabled. With regard to low income, this could be handled by through a network of supplements such as children's allowances, marriage benefits, rent controls and payments for funerals. These are what Beveridge referred to as the allied services. In the case of insurance, maintained by contributions, benefits must be sufficient to maintain subsistence of life. The 'extras' will come from the allied services which were available to everyone.

Keynes' *General Theory* is a much more complex and abstract tract, but none the less practical. His solution to poverty and disparity came through the careful balance of consumption and investment. Both of these economic functions must work at peak efficiency. The first premise of Keynes' theory requires that personal incomes be maintained at a high and constant level. If income is low or intermittent, consumption will be defused; however, consistence in income will insure that consumption is maintained. High incomes are only maintained by a periodic influx of investment, thus, increasing available employment. According to Keynes, it is the rotation of capital between consumption and investment which will establish high wages, steady employment and eliminate poverty.

There are a number of recognized repercussions of Keynes' theory. Full employment at high wages means that money will be more abundant and more available. Since it lacks scarcity it will become less valuable. In order to maintain high wages for workers and substantial profits for investors, prices must go up. Therefore, inflation is the inevitable result of full employment and a devalued currency. The second consequence of Keynes' theory falls into the category of psychological economics.

With more money available, people will feel wealthier. There will be less incentive to save and stockpile capital and resources. This in turn means increased purchasing power and a subsequent increase in demand for goods and services. This is the point where the influx of new investment takes place.

Beveridge's plan established the basis for subsistence and Keynes theory provided the means for economic growth. The Labour Party, more or less, accepted both concepts and in the post war years successfully implemented them into the British economic structure. Although they never completely abandoned the idea of laissez-faire capitalism as an economic model, from this point onward the marketplace was regulated and answerable to Whitehall. Moreover, they abandoned the more stagnant ideals of nineteenth century socialism. Although putting the means of production into the hands of the working classes remained part of the Labour Party's constitution, there was no mention of this in their election manifesto of 1945, nor was there any discussion of leveling class barriers. In reality, the period between 1945 and 1950 were the years of revolution directed toward the ideal of collective liberalism, an ideal which had its origins in the pre-war years of new liberalism. The revolution in social welfare had made a complete circle.

## APPENDIX I : LEGISLATION

Throughout this thesis, over thirty separate pieces of Parliamentary legislation relating to unemployment insurance have been cited and consulted. In order to prevent confusion, each of these acts is listed by their short title, along with the exact date they were enacted and their page number in the *Law Reports*. They will also be listed in the order they appear in the text.

(Con) = Conservative Government (Lib) = Liberal Government (Lab) = Labour Government

(Nat) = National Government (Col) = Coalition Government

1. Parliament Act, 18 August, 1911. p.38. (Lib)
2. Labour Exchanges Act, 20 September, 1909. p.38 (Lib)
3. National Insurance Act, 16 December, 1911. p.337 (Lib)
4. National Insurance (Part II) (Amendment) (Munitions Workers) Act, 16 March 1915, p.54. (Col)
5. Munitions of War Act, 2 July 1915. p.96 (Col)
6. Munitions of War (Amendment) Act, 27 January, 1916. p.352. (Col)
7. Unemployment Insurance Act, 9 August, 1920. p.184 (Col)
  - Subsidiary Employment Order
  - Transitional Regulations Order
  - Removal Of Difficulties Order
8. Unemployment Insurance (Temporary Provisions) Amendment Act, 23 December 1920. p.559. (Col)
9. Unemployment Insurance (Extended Benefits) Act, 3 March, 1921. p.1. (Con)
10. Unemployed Workers Dependents (Temporary Provisions) Act, 8 November 1921. p.540. (Con)
11. Unemployment Insurance Act, 21 February, 1924. p.1. (Lab)
12. Unemployment Insurance [No.3] Act, 19 April, 1924. p.9. (Lab)
13. Unemployment Insurance [No.2] Act, 1 August, 1924. p.164. (Lab)
14. Economy (Miscellaneous Provisions) Act, 16 June, 1926. p.34 (Con)
15. Unemployment Insurance Act, 22 December, 1927. p.386. (Con)

16. Trade Disputes and Trade Union Act, 29 July, 1927 p.328. (Con)
17. Unemployment Insurance Act, 26 July, 1929. p.5 (Lab)
18. Development (Loan Guarantees and Grants) Act, 26 July, 1929. p.22. (Lab)
19. Unemployment Insurance Act, 19 December, 1930. p.11. (Lab)
20. Unemployment Insurance [No.3] (Anomalies) Act, 31 July, 1931. p.209. (Lab)
21. National Economy Order, 30 September, 1931. p.343. (Nat)  
Unemployment Insurance (National Economy) Order, 1931.  
Unemployment Insurance (National Economy) (No.2) Order, 1931
22. Boards of Guardians (Default) Act, 15 July, 1926. p.92 (Con)
23. Transitional Payments (Determination of Need) Act, 17 November, 1932. p.1058. (Nat)
24. Unemployment Insurance Act, 28 June, 1934. p.191 (Nat)
25. Unemployment Insurance (Temporary Provisions) Act, 15 February, 1935. p.30. (Nat) also referred  
to as the "Standstill Act".
26. Metropolitan Police Act, 7 August, 1840. p.279.
27. Special Areas Reconstruction (Agreement) Act, 29 May, 1936. (Nat)
29. Determination of Need Act, 26 March ,1941. p.7. (Col)

*Texts*

- Abbot, Grace. *From Relief to Social Security: the Development of the New Public Welfare System and Their Administration*. New York: Russell & Russell, 1941.
- Atkinson, Anthony B. *Poverty in Britain and the Reform of Social Security*. Cambridge: University Press, 1969.
- Addison, Paul. *The Road to 1945: British Politics and the Second World War*. London: Jonathan Cape, 1975.
- Barker, Theo, ed. *The Long March of Everyman*. London: Andrea Deutsch and the British Broadcasting Corporation, 1975.
- Bean, Philip and Stewart MacPherson, eds., *Approaches to Welfare*. London: Routledge & Kegan Paul, 1983.
- Bell, Colin, ed. *The Times Reports on National Government 1931: Extracts from the Times January to October 1931*. London: Times Books, 1975.
- Beloff, Max. *Wars and Welfare: Britain 1914-1945*. London: Edward Arnold, 1984.
- Beveridge, William H. *Power and Influence: An Autobiography*. London: Hodder and Stoughton, 1953.
- \_\_\_\_\_, *Unemployment: A Problem of Industry (1909 and 1930)*. New York: AMS Press, 1930.
- \_\_\_\_\_, *Voluntary Action: A Report on the Methods of Social Advance*. London: George Allen and Unwin, 1948.
- \_\_\_\_\_, *Causes and Cures of Unemployment*, London: Longmans Green, 1931.
- \_\_\_\_\_, *Social Insurance and Allied Services*, London: Macmillan Publishing, 1942.
- \_\_\_\_\_, *The Pillars of Society and other Wartime Essays and Addresses*. London: Allen & Unwin, 1943.
- \_\_\_\_\_, *The Price of Peace*. London: Pilot Press, 1945.
- \_\_\_\_\_, *Full Employment in a Free Society*. London: Macmillan, 1946
- Brand, C.F. *The British Labour Party: A Short History*. Stanford: Hoover Institution Press, 1974.
- Branson, Noreen. *Britain in the Nineteen Twenties*, London: Weidenfield and Nicolson, 1975.

- Breach, R.W. and R.M. Hartwell. *British Economy and Society 1870-1970*. Oxford: University Press, 1972.
- Briggs, Asa. *They Saw it Happen: An Anthology of Eye-witnesses' Accounts of Events in British History, 1893-1940*. Oxford: Basil Blackwell, 1960.
- Brooks, Collin. *Devils Decade: Portraits of the 1930s*. London: Macdonald, 1948.
- Brown, Kenneth D. *Labour and Unemployment 1900-1914*. Newton Abbot: David & Charles, 1971.
- Bruce, M. *The Coming of the Welfare State*. London: B.T. Batsford, 1967.
- , *The Rise of the Welfare State*. London: Weidenfield and Nicolson 1973.
- Butler, David, and Anne Sloman. *British Political Facts 1900-1979*. London: Macmillan, 1980.
- Buxton N.K. *British Employment Statistics: A Guide to Sources and Methods*. Oxford: Basil Blackwell, 1977.
- Campion, Sir Gilbert. *et al, British Government Since 1918*. New York: The Macmillan Co., 1950.
- Carter, C.F. and A.D. Roy. *British Economic Statistics*. Cambridge: At the University Press, 1954
- Checkland, Sydney. *British Public Policy 1776-1939*, Cambridge: At the University Press, 1983.
- Cheggwidden, T.S. and G. Myrddin-Evans. *The Employment Service of Great Britain: An Outline of the Administration of Placing and Unemployment Insurance*. New York: Industrial Relations Counselors, 1934.
- Cohen, Percy. *Unemployment Insurance and Assistance in Britain*. London: George G. Harrap & Company, 1938.
- Cole, G.D.H. *The Condition of Britian*, London: Victor Golancz, 1937.
- , *Fabian Socialism*, London: Allen & Unwin, 1943.
- Cowling, Maurice. *The Impact of Labour 1920-1924*. Cambridge: At the University Press, 1971.
- Crowther, M.A. *The Workhouse System 1834-1929*. London: Batsford Academic and Educational Press, 1981.
- Cutler, Tony, & Karel and John Williams. *Keynes, Beveridge and Beyond*. London: Routledge Kegan Paul, 1986.
- Dangerfield, George. *The Stange Death of Liberal England, 1910-1914*. New York: Capricorn Books, 1935.

- Davidson, Roger. "Llewlyn-Smith, The Department of Labour and Government Growth 1886-1909", *Studies in the Growth of Nineteenth Century Government*, Gillian Sutherland ed. London: Routledge & Kegan Paul, 1972.
- Davidson Ronald. *British Unemployment Policy Since 1930: The Modern Phase*, London: Longmans Green & Co., 1938.
- Deacon, Alan and Jonathan Bradshaw. *Reserved for the Poor: the Means Test in British Social Policy*, Oxford: Basil Blackwell and Martin Robinson, 1983.
- Elbaun, B, And W. Lazonick. *The Decline of the British Economy*. Oxford: Clarendon Press, 1986
- Ford, P. and G. Ford. *A Breviate of Parliamentary Papers 1900-1916*. Shannon Ireland: Irish Univesity Press 1969.
- Fraser, D. *The Evolution of the Welfare State*. London: Macmillan Press, 1982.
- Friend, Andrew. *Slump City: the Politics of Mass Unemployment*. London: Pluto Press, 1981.
- Fulbrook, Julian. *Administrative Justice and the Unemployed*. London: Mansell Information Publishing, 1978.
- Gibbon, I.G. *Unemployment Insurance: A Study of Schemes of Assisted Insurance*. London: A.S. King & Son, 1911.
- Gilbert, Bently B. *The Evolution of National Insurance in Great Britain*. London: Michael Joseph, 1966.
- , *British Social Policy 1914-1939*, London: Batsford, 1970.
- , *Britain Since 1918*. London: Batsford, 1967.
- Gilbert, Martin. *The Road to Victory: Winston Churchill 1939-1945*. London: Macmillan, 1986.
- Gilson, Mary Barnett. *Unemployment Insurance in Great Britain: The National System and Additional Benefit Plan*. New York: Industrial Relations Counscelors, 1931.
- Glynn, Sean and John Oxborrow. *Inter-War Britain: A Social and Economic History*. London: George Allen and Unwin, 1976.
- Graves, Robert. *The Long Weekend: A Social History of Britain During the Inter-War Years*. London: Faber & Faber, 1963.
- Gray, Nigel, *The Worst of Times: an Oral History of the Great Depression in Britain*. London: Wildwood House, 1985.

- Hannington, Wal. *A Short History of the Unemployed*. London: Victor Gollancz Left Book Club, 1938.
- \_\_\_\_\_, *Unemployed Stuggles 1919-1936: My Life and Struggles Amonst the Unemployed*, London: Lawrence and Wishart, 1936. [Reprinted in 1973 by EP Publishing, Wickfield, Yorkshire England.
- Harrington, W., and P. Young. *The 1945 Revolution*. London: Davis-Potter, 1978.
- Harris, José. (née Chambers) *Unemployment and Politics: A Study of English Social Policy 1886-1914*. Oxford: At the Clarendon Press, 1972.
- \_\_\_\_\_, *William Beveridge : A Biography*. Oxford: Clarendon Press, 1977.
- \_\_\_\_\_, "Some Aspects of Social Policy" *Emergance of the Welfare State in Britain and Germany*. W.J. Mommson and Wolfgang Mock, eds. London: Croom Helm, 1982.
- Hay, J.R. *The Development of the Welfare State*. London: Edward Arnold, 1978
- \_\_\_\_\_, *The Origins of Liberal Welfare Reforms, 1906-1914*. London: Macmillian Press, 1975.
- Henderson, Arthur. *The Aims of Labour*, New York: B.W. Huebsch, 1918.
- Hynes, Samuel. *The Edwardian Turn of Mind*. Princeton: Princeton University Press, 1968.
- Jenkins, Roy. *Baldwin*. London: Collins Publishing, 1987.
- Keeling, Frederic. *The Labour Exchange in Relation to Boy and Girl Labour*. London: P.S. King & Son, 1910.
- Keynes, John Maynard. *The General Theory of Employment, Interest, and Money*. London: Macmillan, 1936.
- Kingsford, Peter. *The Hunger Marches in Britian 1920-1939*, London: Lawrence and Wishart, 1982.
- Labove, Roy. *Social Welfare in Transition: Selected Documents 1834-1909*, Pittsburg: University of Pittsburg Press, 1966.
- Lindsay, T.F., and Michael Harrington. *The Conservative Party 1918-1970*. London: Macmillan Press, 1974.
- Lloyd, T.O. *Empire to Welfare State*. Oxford: Claredon Press, 1986.
- Lockhead, A.V.S. ed. *A Reader in Social Administration*. London: Constable, 1968.

- Lowe, Rodney. *Adjusting to Democracy: the Role of the Ministry of Labour in British Politics, 1916-1939*. Oxford: Clarendon Press, 1987.
- Lynman, Richard. *The First Labour Government 1924*. New York: Russell & Russell, 1957.
- Mackensie, Norman ed. *The Letters of Sidney and Beatrice Webb*. Cambridge: University Press, Vol.III, 1977.
- Macmillan, Harold, *The Middle Way*. London: Macmillan, 1938.
- Marchant, Sir James *History Through 'The Times' : A Collection of Articles on Important Events 1800-1937* . London: Cassell and Company, 1937.
- Markham, Violet, R. *Return Passage: Autobiography*. London: Oxford University Press, 1953.
- Marsh, David C. *An Introduction into the Study of Social Administration*. London: Routledge & Kegan Paul, 1965.
- Martin, E.W. ed. *Comparitive Development in Social Welfare*. London: George Allen and Unwin, 1972.
- Marwik, Arthur. *Britain Since 1945*. Harmondsworth: Penguin, 1982.
- Minns, R. *Bombers and Mash*, London: Virago, 1980.
- Owen, A.D.K. *The British Social Services*. London: Longmans Green & Co., 1943.
- Orwell, George. *The Road to Wigan Pier*, Harmondsworth: Penguin, 1937.
- \_\_\_\_\_, *Down and Out in Paris and London*. London: Victor Gollancz, 1933.
- Pickard, Tom. *Jarrow March*. London: Allison & Busby, 1982.
- Pimlott, Ben. *Labour and the Left in the 1930s*. Cambridge: University Press, 1973.
- Plumb, J.H. *The First Four Georges*. Glasgow: Fontana/Collins, 1956.
- Priestly, J.B. *The Priestly Companion*. Harmondsworth: Penguin Books, 1951.
- Read, Donald ed. *Edwardian England*, London: Croom Helm, 1982.
- Roberts, Robert. *The Classic Slum: Salford Life in the First Quarter of the Century*. Harmondsworth: Penguin Books, 1971.
- Robson, William A. *Social Security*. London: George Allen & Unwin, 1987.

- Rodgers, Brian *The Battle Against Poverty Vols. 1 & 2*. London: Routledge & Kegan Paul, 1968.
- Roebuck, Janet *The Making of Modern English Society From 1850*. London: Routledge & Kegan Paul, 1973.
- Rowntree, B. Seebohm *Poverty: A Study of Town Life*, London: Thomas Nelson and Sons, 1900.
- \_\_\_\_\_, *Poverty and Progress: A Second Study of York*, London: Longmans Green & Co, 1941.
- Rowntree, B. Seebohm and Bruno Lasker. *Unemployment: A Social Study*, London: Macmillan and Co., 1911.
- Runciman, W.G. *Relative Deprivation and Social Justice*. Berkley: University Press, 1966.
- Seabrook, Jeremy *Unemployment*. London: Quartet Books, 1983.
- Schwemitz, Karl de *England's Road to Social Security: From the Statute of Labourers in 1349 to the Beveridge Report, 1942*. New York: A.S. Burns & Company, 1975.
- Showler, Brian. *The Public Employment Service*. London: Longman Group, 1976.
- Skidelsky, Robert J.A. *Politicians and the Slump: The Labour Government of 1929-31*. London: Macmillan, 1967.
- Smith, N.J. *A Brief Guide to British Social Legislation*. London: Methuen & Co., 1972.
- Stevenson, John and Chris Cook. *The Slump: Society and Politics during the Depression*. London: Jonathan Cape, 1977.
- Stevenson, John. *Social Conditions in Britain Between the Wars*. Harmondsworth: Penguin, 1977.
- Taylor, A.J.P. *Essays in English History*. Harmondsworth: Penguin Publishing, 1976.
- Thane, Pat. *The Origins of British Social Policy*, London: Croom Helm, 1978
- Thompson, Paul. *The Edwardians: The Remaking of British Society*. London: Weidenfield and Nicolson, 1975.
- Thomson, David. *England in the Twentieth Century*. Harmondsworth: Penguin, 1965.
- Webb, Beatrice. *Our Partnership*. London: Longmans Green and Co., 1947.
- Webb, Sydney & Beatrice Webb. *The Breakup of the Poor Law: Being the First Part of the Minority Report of the Royal Commission on the Poor Laws*, London: Longmans Green, 1909.

\_\_\_\_\_, *The Organisation of the Labour Market: Being the Second Part of the Minority Report of the Royal Commission on the Poor Laws*, London: Longmans Green, 1909.

\_\_\_\_\_, *The Prevention of Destitution*. London: Longman Green and Co., 1911.

Wilkinson, Ellen. *The Town that was Murdered: The Life Story of Jarrow*. London: Victor Gollance, 1939.

Williams, Karel, *From Pauperism to Poverty*. London: Routledge & Kegan Paul, 1981.

Williams, Karel & John Williams. *A Beveridge Reader*. London: Allen & Unwin, 1987.

#### *Periodicals and Newspapers*

Anderson, J.R.L. "Has Unemployment a Future?" *Encounter*, XXXIX, 5 (1972), pp.12-18

Beenstock, M. and P.Warburton. "Wages and Unemployment in Inter-War Britain", *Explorations in Economic History*, 23 (1986) pp.153-72.

Benn, Ernest. "Some Implications of the Beveridge Report" *Quarterly Review*. (April 1943)

Brown, John. "The Appointment of the 1905 Poor Law Commission, *Bulletin of the Institute of Historical Research*, XLII, 106(1969), pp.239-242.

Brown Kenneth D. "The Labour Party and the Unemployment Question", *Historical Journal* , XIV, 3 (1971), pp.599-616.

Cronin, J.E. "The British State and the Structure of Political Opportunity" *Journal Of British Studies*. (July,1988)

Deedes, W. "What I Saw at Jarrow" *Spectator*, (Oct. 1986)

Gilbert, B.B. "Winston Churchill Verses the Webbs: The Origins of British Unemployment Insurance" *American Historical Review*, Vol.LXXI No.3, (April 1, 1966)

Gratten, C.H. "Beveridge's Plans Are Not Enough" *Harpers*. (March 1943)

Handcock, K.S. "The Reduction of Unemployment as a Problem in Public Policy" *Economic History Review*. Vol.15 (1962)

Hatton, T.J. "The British Labour Market in the 1920s", *Explorations in Economic.History*, 22 (1985), pp.257-70.

Headlam, C. "Insurance of the Dole" *Quarterly Review*, October, 1930, pp.211-30.

- Gorside, "Keynesian Policy and British Unemployment in the 1930s", *Economic History Review*, 38 (1985), pp.83-8
- Kyd & Maddex "Some Actuarial Aspects of Unemployment Insurance." *Reprinted from The Journal of the Institute of Actuaries*, Vol LX pp.103-160 (July 1929).
- Maurette, F. "Is Unemployment Insurance a Case of Permanent Unemployment?" *International Labour Review*, December, 1931. pp.663-84.
- Miller, F.M. "National Assistance or Unemployment Assistance: The British Cabinet and Relief Policy, *Journal of Contemporary History*. Vol.9/2, (1974)
- Mitchell, M. "The Effects of Unemployment on the Social Conditions of Women and Children in the 1930s", *History Workshop*, 19 (1985) pp.105-27.
- Peden, G.C. "The Treasury View on Public Work and Employment in the Inter-War Period", *Economic History Review*, 2nd series, 37 (1984) pp. 263-7.
- Purdue, A. "The Myth of Jarrow" *New Society*. (8 July, 1982)
- Stevenson, John. "The Jarrow Marchers" *Illustrated London News*. (Oct. 1976)
- Webster, C. "Health, Welfare and Unemployment During the Depression", *Past and Present*, 109 (1985), pp.204-30.
- "Dole Once More", *Economist*, 23, November 1929, pp.957.
- "Economics of the Dole", *Weekend Review*, 29 March, 1930, pp.87-88.
- "Menace of the Dole", *Nation*, 16 August, 1930. pp.610-11.
- "Principles of the Report of the Unemployment Insurance Committee" *Law Times*, 25 July, 1930, pp. 54-6 & 81-3.
- "Spotlight on Poverty" *Economist*. (May 1943)
- "Unemployment Insurance Act, 1930 [No.1]: Conditions Explained" *Bankers Magazine*, September 1930, pp.382-4.
- English Review*. (Jan. 1924)
- The Times*, 1906-1945
- Manchester Guardian Weekly*, August, 1945

*Government Publications and Reports*

*Parliamentary Debates (Hansard)*, House of Commons 1906-1945.

*Report of the Proceedings of the National Conference on the Prevention of Destitution*. Claxton Hall, Westminster, 30 May to 2 June 1911.

*Report of the Royal Commission on the Poor Laws and Relief of Distress*, (Majority Report), cd.4499, 1909.

*Report on the British Social Services: A survey of the existing Public Services in Great Britain with proposals for future development*. London: Political and Economic Planning, June 1937.

Royal Commission on Unemployment Insurance, *Interim and Final Reports*, (1932)

*The Law Reports: The Public General Statutes*. London: The Council Of Law Reporting, 1909-1941.

*The Welfare State: A Policy Discussion Pamphlet*. London: Labour Party Publication, 1952.

*Speeches and Documents of the Sixth (Manchester) Conference of the Communist Party of Great Britain*. May 17, 18, and 19, 1924.

*Unemployment Benefits and Insurance*, New York: National Insurance Conference Board, (no date available).

*Minutes and Memoranda of the Unemployment Assistance Board, 1934-1948*.

Betty, J.H. ed., *English Historical Documents 1906-1939*. London: Routledge and Kegan Paul, 1967.

Evans, Lloyd, and Pledger, Philip, J., *Contemporary Sources and Opinions in Modern British History*. Vols. 1 and 2. Melbourne: F.W. Chesire, 1966.

Wiener, Joel, H. *Great Britain the Lion at Home: A Documentary History of Domestic Policy, 1689-1973*. Vol.1. New York: Chelsea House, 1974.

*Private Papers*

Baldwin Papers, Cambridge University Library

Attlee Papers, Churchill Collage Archives, Cambridge

Weir Papers, Churchill Collage Archives, Cambridge

Willink Papers, Churchill Collage Archives, Cambridge

Beveridge Papers, British Library of Political Science, London School of Economics

*Fictional Works*

Greenwood, Walter, *Love on the Dole*, London: Jonathan Cape, 1933.

Maugham, W. Somerset, *Of Human Bondage*. Garden City New York: The Sun Dial Press, 1915.

Sillitoe, Alan, *Raw Material*, London: Pan Publications, 1972.

Tressell, Robert, *The Ragged Trousered Philanthropists*. London: Monthly Review Press, 1955.

Waugh, Evelyn, *Brideshead Revisited*. Harmondsworth: Penguin Press, 1945.

## VITA

Surname: Haack

Given Names: Paul Stephen

Place of Birth: Trail, British Columbia

Date of Birth: 13 October 1961

### Educational Institutions Attended:

University of Victoria

1982 to 1990

Okanagan College

1980 to 1982

### Degrees Awarded:

B.A. (Majors) University of Victoria

1984

### Honours and Awards:

The Nora Lugin Shaw and Wendell Burril Shaw Memorial Scholarship for a paper titled "English Liberty and the Petition of Right" 1985.

PARTIAL COPYRIGHT LICENCE

I hereby grant the right to lend my thesis to users of the University of Victoria Library, and to make single copies only for such users or in response to a request from the Library of any other university, or similar institution, on its behalf or for one of its users. I further agree that permission for extensive copying if this thesis for scholarly purposes may be granted by me or a member of the University designated by me. It is understood that copying or publication of this thesis for financial gain shall not be allowed without my permission.

Title of Thesis: FROM CONCEPTION TO REVOLUTION: A STUDY OF THE BRITISH  
UNEMPLOYMENT INSURANCE SCHEME 1906-1945

Author



PAUL STEPHEN HAACK

20 April, 1990