

# LIMITATIONS OF UNEMPLOYMENT INSURANCE

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WHENEVER measures are discussed in Canada to protect the worker against the risk of losing his job, unemployment insurance is the first to be mentioned. Its advocates as a rule refer to the fine achievements of the British system, while comparatively little attention is given to the interesting experiment that is being carried out in the United States. The first Canadian legislation in this field, Mr. Bennett's *Employment and Social Insurance Act* of 1935, followed very closely the second part of the British *Unemployment Act*, 1934. This Act was declared constitutionally invalid by both the Supreme Court of Canada and the Privy Council, but it may be expected that new legislation which will take its place will show more of British than of American influence. It seems, therefore, reasonable to analyse briefly the British legislation dealing with unemployment insurance. All the more so as it furnishes excellent material for studying all the limitations of the insurance system as such.

When unemployment insurance was first introduced in England, it was the intention of Government and of Parliament to make it real insurance. It was meant to be a self-supporting institution based, as in private insurance, on strict actuarial principles, the benefits to be paid for a limited period being covered by previous contributions. The contributions it is true were, in contrast to private insurance, not paid exclusively by the insured persons, the workers, but were shared by their employers and the Government. But this participation was limited and was, moreover, part of the actuarial calculation.

Insurance, so it has been defined, means spreading by means of mutual contributions the burden caused by a contingency which will occur to a few among those who are exposed to the risk, provided that its occurrence is accidental and that the burden caused by it can be estimated. It is the last prerequisite that causes great difficulty in unemployment insurance. For even in "normal times", the extent of future unemployment may not easily be estimated by actuarial rules. The fathers of the early British legislation were quite aware of that weakness, and therefore tried to protect the scheme by proceeding care-

fully and gradually. The scheme, when first started, gave protection to only two and one half million workers in seven selected groups of industry. Payment of benefits was entrusted to the trade unions as far as their members were concerned, on condition that they pay benefits of an equal amount from their own funds. In this way the interest of the trade unions in keeping their expenditure down was used to the advantage of the insurance fund. The state scheme has also in many other respects profited by the long experience of the trade unions in handling unemployment benefits.

According to the first Act of 1911, the contribution of workers and their employers was 2½d. per week and that of the Treasury 1d. Five weekly contributions entitled the worker to one week of benefits, the weekly rate being 7s. each, and the maximum duration thirteen weeks.

The careful selection of the groups eligible for insurance, the fixed proportion between contributions and benefits, and the restriction of benefit periods were the chief safeguards which protected insurance against financial abuse, and their abandonment in the post-war period proved very harmful to the insurance fund.

Insurance was in 1916 extended to large groups of workers producing war material, and in 1920 to nearly all other industries. Excluded were agriculture, for which as late as 1936 a special system was introduced with lower contributions and benefits, and some smaller groups, of which the most important was domestic servants. Altogether in 1920 about twelve million people were given protection by the insurance system. Among them were various groups which, on account of the peculiar nature of their work, were not suitable for an insurance system as it then existed and caused considerable difficulty later on.

More fatal still to the financial condition of the insurance fund was the discarding of the principle that benefits should correspond to contributions. In three ways this principle was violated. The scope of benefits was rapidly extended without providing for the necessary funds to meet the increased expenditure. Benefit payments were continued to persons long after they had exhausted their right, and benefits—though under a different name—were granted to persons who, according to the principles of the original legislation, would not have had any claim.

In retrospect, it is difficult to understand why the authorities allowed the insurance fund to be impaired in this way. But

to do them justice we must remember that the mass unemployment of the first post-war decade exceeded all previous estimates, and that there was no suitable organization to take care of the millions of unemployed. The local authorities, already under heavy financial strain, were unable to give them assistance under the rules of the Poor Law. Moreover, public opinion, which still attached a stigma to recipients of poor relief, would not have allowed such a step. Nor was it possible to resort to private charity. Therefore, it was considered expedient, if not necessary, that the unemployment insurance fund should look after all these victims of the depression. In doing so, it lost its insurance character and became a sort of pension scheme for unemployed, partly financed by contributions from employers and workers. In 1920 benefits had been given under the most favourable circumstances up to fifteen weeks. In 1930 payment of eight weekly contributions during the preceding two years, or of thirty weekly contributions prior to that time, was sufficient to provide an insured person with a permanent pension. The result was that by the end of 1931 the insurance fund owed to the Treasury £82,000,000, and that its income was sufficient for benefits to 900,000 unemployed, while in the first six months of 1931 the average number of unemployed was 2,500,000. The reforms which became necessary then were so drastic that they led to the overthrow of Ramsay MacDonald's Labour Government.

In order to restore the financial conditions of the insurance fund, contributions were increased, benefit rates reduced, claims restricted, and the existing deficit assumed by the Treasury. Furthermore, a Means Test was introduced to determine the actual need for the payment of benefits to persons who could not qualify for insurance benefits under the new strict rules. This applied especially to persons whose benefits period had expired. It has been estimated on the basis of the Reports of the Ministry of Labour<sup>1</sup> that when the Means Test was first introduced, more than 500,000 applicants were refused any further payments after the benefits period of twenty-six weeks had expired.<sup>2</sup>

All these reform measures were, however, of an emergency nature and meant to be only temporary. It was the task of the Royal Commission on Unemployment Insurance, which had already been appointed in 1930 by the Labour Government, to recommend a plan which would provide a permanent solution.

1. Ministry of Labour *Report for the Year 1932*, pp. 64-65.

2. Pfister, *Die Entwicklung der Arbeitslosenversicherung und der Arbeitslosigkeit in England*. Stuttgart 1936, p. 166.

In its terms of reference, the Commission was requested "to enquire into the provisions and work of the Unemployment Insurance Scheme, and to make recommendations with regard to (1) its future scope, the provisions which it should contain and the means by which it may be solvent and self-supporting and, (2) the arrangements which should be made outside the Scheme for the unemployed who are capable of and available for work." On these two subjects the Commission made careful investigations extending over a period of nearly two years, and made recommendations in its final report. These have been adopted in a large measure by the Government, and are embodied in the Unemployment Act, 1934.<sup>1</sup>

The very name of the new Act—Unemployment Act, no longer Unemployment Insurance Act—indicates the change of policy that has taken place. The problem of caring for unemployed is the object of the new legislation, and insurance is only one of the devices used for this purpose. Insurance has been restored to its proper place, that of caring for those who on account of their contributions have a claim for certain benefits. But the others, who cannot satisfy these conditions, are not left unprotected. If they have exhausted their right to benefits, or if they have never had such right, they are given a new kind of aid called Unemployment Assistance. Its cost is assumed almost entirely by the Treasury as a national burden, the local authorities contributing only about five per cent.<sup>2</sup> This assistance is, however, available only to persons whose income is below a certain limit. The Means or Needs Test, though in a milder form, is thus preserved. A further prerequisite is that the applicants are capable of and available for work, but it does not matter whether they have ever been in receipt of insurance benefits, or whether they belong to an uninsured group and have been aided by the Public Assistance Committees. Those who are not classified as able-bodied unemployed, especially persons who on account of age or illness are deemed to be unemployable, become a charge on the Public Assistance Committees which succeeded the former Poor Law Authorities in 1929. In this way, provision is made for all groups of unemployed: the Insurance Fund pays benefits to insured persons whose claims are valid; the Unemployment Assistance Board gives allowances graded according to need to able-bodied unemployed, and Public Assistance Committees grant relief to all other groups. This at any rate is how functions are dis-

1. The former Unemployment Insurance Acts as revised by the new Act of 1934 have been re-enacted in the Unemployment Act, 1935.

2. The local authorities' contribution has now been amalgamated with the Exchequer Grant.

tributed according to the law. In practice there are still many controversies about border line cases.

The British Unemployment Act was drafted to meet the peculiar situation which has developed in the English labour market during the post-war period. Many of its provisions cannot be fully understood without an intimate knowledge of the conditions which they are intended to meet. One of the chief objections raised against Mr. Bennett's Employment and Social Insurance Act was that, in following the English model, it adopted some of these provisions which, if the Act had been put in operation, would probably have proved less satisfactory in Canada than they were in Britain. Some criticism may therefore be offered of the English system in its applicability to Canada.

While in most systems of continental Europe the amount which the insured person has to contribute to and may receive from the insurance fund is dependent upon his wages, the British Unemployment Act provides for uniform contributions and benefits irrespective of wages, only slightly differentiated according to age and sex. This method has caused many difficulties, and has met with considerable criticism. For workers with good wages, who accordingly pay higher rent and have a better standard of living than the average, the unemployment benefit has proved quite insufficient. In the case of low-paid unskilled workers, on the other hand, benefits sometimes come quite close to the wage level, especially if the insured is the father of a number of children, which under the English law entitled him to additional allowances. Observers have considered that the rigid benefit rates have acted as a sort of minimum wage level, and have contributed to making the whole wage system inelastic. In its Final Report, the Royal Commission on Unemployment Insurance admits the advantages of graded benefits and contributions, but rejects them nevertheless on account of their administrative difficulties.<sup>1</sup> It may, however, be assumed that the strongest argument against the graded rates is the use of uniform rates in sickness and old age pension insurance. Naturally, it is undesirable to have different systems in two institutions serving such similar purposes. But this difficulty does not exist in Canada. Unemployment insurance will here be the first social insurance scheme to be introduced, and it will probably serve as a model for other systems which may come later. To follow the British example will, therefore, be advisable only if it is justified by the special conditions prevailing in the Dominion. On examination, it will be found that

1. Pars. 391-396.

wages vary in Canada far more than in England, not only between the various industries, but also within the same industry in different parts of the country. This may be accounted for, to some extent, by differences in the cost of living. The British system of uniform contributions and benefits would therefore probably cause greater difficulty here than it does in the Old Country. It is worth noticing also that in the United States graded contributions and benefits are provided for in their new system of unemployment insurance.

The fact that in contrast to England there will not be any other form of social insurance in existence when unemployment insurance is introduced, may be considered also from another point of view. Friendly societies with their long experience with sickness insurance have done a great deal to make the English worker familiar with the principles of insurance. Further, the self-help activities of the British trade-unions have had a fine educational influence on their members. Prosecutions for abuse of unemployment insurance have, for instance, been much less frequent among trade-union members receiving the state benefits through the Union than among other insured persons.<sup>1</sup> All these safeguards furnished by the old English tradition will be absent in Canada. It seems, therefore, worth considering whether it is not possible, through the application of certain methods used in private insurance, to enlist the private interests of the insured in keeping down the expenditure from the insurance fund.

Similar attempts have been made in Canada and the United States in accident prevention and workmen's compensation, and they have proved very successful. The amount of contributions to be paid by the insured companies to the insurance fund are to a certain extent made dependent upon the frequency of accidents in their plants. Their workers on the other hand are given premiums if no accident occurs within a given period. In unemployment insurance such devices seem even more desirable, since the risk of unemployment may easily be influenced by the behaviour of the insured persons. Among the 26,328 cases in which claims for insurance benefits were disallowed in Great Britain during December, 1937, by Courts of Referees, in 15,868, or about sixty per cent, the finding was that the insured had left employment voluntarily or without just cause or that he had lost his job through misconduct.<sup>2</sup>

1. Royal Commission on Unemployment Insurance, *Minutes of Evidence*, p. 1938, Pfister, p. 60.

2. (British) Ministry of Labour Gazette, 1938, p. 28.

In a system of unemployment relief granted only to indigents, the Needs Test prevents people from making unjustified claims. It has been said that in practice this has proved to be a far more important function of the Needs Test than cutting down the allowances of those actually assisted.<sup>1</sup> In a genuine insurance scheme there is no such inducement to the insured to make him apply for benefits only if he really needs them. To achieve this, insurance would have to be organised in such a way that persons who are assisted rarely or never would have some advantage over those who draw benefits repeatedly and for long periods. To a small extent this has been done in the British Unemployment Act, 1934, through the so-called additional benefits days. In determining the length of the benefits period, the employment record of the insured person in the last five years is taken into account: persons with a favourable record are entitled to additional benefits, days over and above the minimum period of thirteen weeks. This device, it is expected, will encourage the worker to draw on his own resources for short spells of unemployment, and refrain from making a claim for benefits. He knows that by so doing he improves his position in case he should become in the future unemployed for a long time.

The body of experts called upon under the 1934 Act to supervise the finances of the Insurance Fund—the Unemployment Insurance Statutory Committee under the Chairmanship of Sir William Beveridge—evidently thought well of the results to be obtained in that way. It has recommended that part of the 1936 as well as of the 1937 surplus of the insurance funds be used for increasing the number of additional benefit days, a recommendation that was acted upon by the Government.<sup>2</sup>

However, it seems too early to form an opinion about the working of this method. The underlying psychological consideration is probably correct. But will the inducement be strong enough? The insured can enjoy the advantages offered him by the scheme only if he becomes unemployed, and his spell of unemployment lasts longer than the minimum benefits period. One can imagine that there are too many uncertain factors in this calculation: that the insured will prefer to make his claim for a short period of actual unemployment, instead of providing for a possibly longer one in the future.

1. R. C. Davison, *British Unemployment Policy Since 1930*, p. 24.

2. Report of the Unemployment Insurance Statutory Committee, 1936, p. 20 and 1937, p. 29.

A much stronger incentive would be created if it were possible to compensate the insured for depending on his own resources for short spells of unemployment by according him quite definite rights. The history of British unemployment insurance has various examples of this type. According to the original Act of 1911, insured persons who had drawn less in benefits than they had paid in contributions were refunded the difference after they reached the age of sixty.<sup>1</sup> The employer could also claim a refund of one-third of his contributions if the worker at the age of sixty had never been unemployed.<sup>2</sup> Both these devices were abandoned in the post-war period<sup>3</sup>, partly on account of unsatisfactory financial results, partly because of administrative difficulties.<sup>4</sup>

The underlying conception has been revived in a proposal made to the Royal Commission by Sir William Beveridge. He recommended that any man who at sixty had contributions to his credit might be allowed to retire voluntarily on a small pension, say 10s. a week instead of working at all.<sup>5</sup> In explaining his idea, Sir William emphasized the need for "enlisting the interests of employers and workpeople on behalf of the insurance fund, instead of uniting them as at present in more or less of a conspiracy against it."<sup>6</sup> However, Sir William's proposal was not included among the recommendations made by the Royal Commission, nor has it been embodied in the Act of the Government.

Besides safeguarding the insurance fund, such a device as that recommended by Beveridge would also have a very favourable effect on the labour market. By making it possible for men of sixty with a good employment record to retire with pensions, it would make jobs available for younger people. The present situation is certainly most unsatisfactory: men who have done their share and need a rest cannot get it because no provision is made for their old age, while young people anxious to use their energy are paid unemployment benefits. Beveridge's suggestion shows a way out of this dilemma. It would be of particular value in the case of workers over sixty years of age who have lost their jobs and under present-day conditions have very slight prospects for reemployment. Germany has made provision similar to that suggested by Sir William Bev-

1. Royal Commission on Unemployment Insurance, Minutes, p. 39, ques. 59. Minutes, p. 480, ques. 4007.

3. 1920 and 1924.

4. Royal Commission on Unemployment Insurance, Final Report, para. 26.

5. Royal Commission on Unemployment Insurance, Minutes, p. 273.

6. Ibid. Under the provisions of the British Old Age Pensions Act, 1925, an insured person may not receive a pension before the age of 65.



eridge for clerical workers over sixty, a group in which unemployment was very heavy during the depression.<sup>1</sup>

### *Unemployment Relief*

From the experience of Britain, we have learned that unemployment insurance alone is not sufficient to take care of the unemployed. We have also seen what a great risk there is for the insurance fund if there is no effective scheme for dealing with the unemployed who are not protected by insurance. No government can permit respectable citizens and voters, who by no fault of their own have become indigent on account of unemployment, to remain without adequate help after they have exhausted their claims against the insurance fund: that is just the point when such help is even more needed than before. The lesson can be learned from England that unemployment insurance and assistance for the unemployed outside insurance are interrelated problems which must be tackled simultaneously. All the more so as at present and for many years to come there must be in Canada a great mass of unemployed who, though employable, will derive no advantage from the introduction of insurance. They are the men and women suffering from chronic unemployment—the hard case of unemployment, as they have been called in England. Out of 100 relief recipients registered at the beginning of June, 1937, 85 in Montreal and 87 in Ottawa would not have been entitled to insurance benefits under Mr. Bennett's Act, because they had been on relief for more than thirteen weeks. An enquiry made in February 1938 of a number of relief offices revealed the following picture:

City	Number of persons on relief	Percentage on relief for thirteen weeks
Edmonton.....	10,175	85%
London.....	5,623	61
Montreal.....	78,154	58
Ottawa.....	14,733	80
Vancouver.....	19,660	72
Windsor.....	12,303	95
Winnipeg.....	5,932 (families)	79

At the same time, of the 142,452 persons who were on relief in the Province of Quebec, 60% had been assisted for thirteen weeks and longer.

1. Clerical workers have in Germany a contributory old age pension system of their own entitling them to rather substantial pensions when sixty-five years of age. During the depression the Act was amended, entitling the insured to pensions at the age of sixty provided they had lost their jobs and had been unemployed for more than six months.

Actually the number of those not entitled to insurance benefits under the Canadian Employment and Social Insurance Act 1935 would be considerably larger, since it may be expected that a large percentage would not have been able to fulfil the other statutory conditions laid down in the Act for receipt of benefits, especially payment of contributions for not less than forty full weeks preceding the period of unemployment. It is, however, impossible to collect any data in that respect.

It is true that the number of persons with long spells of unemployment will be reduced as business recovers; but for some time to come it will remain considerable, and it will never become unimportant. Who is to take care of them?

If the present legislation remains unchanged, they will be entitled to unemployment relief under the Federal Relief Act. The present relief system has met with severe criticism from many sides. But, in spite of all its inadequacies, the system has the great advantage of distributing the financial burden between the Dominion, provinces and municipalities, while the costs of poor relief or, as it is usually called, public welfare, are an exclusive municipal charge. The participation of Dominion and provinces also ensures a certain degree of uniformity in administrative methods, at least within the various provinces, and makes possible a certain supervision by provincial authorities. Prolonged receipt of unemployment relief does not affect one's status as a citizen, while in New Brunswick, for instance, persons assisted under the Poor Law are disfranchised.

But even if the present Federal Relief legislation should remain in force, relief under its provisions would by no means be available to take care of all those who exhaust their right to insurance benefits under a scheme of Unemployment Insurance. Relief is granted only in a limited number of municipalities which have made arrangements for that burden with their provincial governments, have signed special contracts and have pledged themselves to fulfil the conditions contained therein. The number of these municipalities is decreasing, especially in the East. In Nova Scotia, where in 1933 relief had been administered in 31 municipalities, at the beginning of 1938 only five municipalities were left, while in New Brunswick relief was abolished altogether in 1936, the province receiving instead of relief Federal contributions to its programme of public works.

It seems quite likely that if the economic situation improves, relief will no longer be available outside the larger cities and densely populated industrial areas. While this may be a highly

desirable development, it means that after unemployment insurance has been introduced, unemployed persons no longer entitled to insurance benefits will, so far as they are indigent, become a municipal charge. It means that after a period of insurance benefits obtained without any form of means test, they will be exposed to the humiliating scrutiny of public assistance. They will be subject to the complicated settlement rules of public welfare regulations, and they will even be disfranchised in some provinces. The fall will be a precipitous one indeed.

If on account of these considerations it should be concluded that some constructive measures will have to be devised to assist the unemployed not protected by insurance, the further question arises as to the authority that should be charged with the responsibility. Once more we can look to recent English developments for a solution of the problem.

When in 1931 the British Government made payment of unemployment allowances dependent upon a means test for persons who had been assisted longer than twenty-six weeks, the scheme was administered by the local authorities. They were deemed suitable for that purpose owing to their long experience in Poor Law and Public Welfare administration. Their expenditure was refunded by the Exchequer. The device was a temporary one, and meant to last only until the Government found a solution for the whole problem of unemployment, including insurance as relief. But while an agreement could be reached without difficulty on the question of insurance, the problem of relief proved to be a controversial one.

The Royal Commission had given careful consideration to the question whether unemployment relief should be administered by the central government through the medium of the employment exchanges or whether it should be made a responsibility of the local authorities. In their final report, after examining the advantages and disadvantages of both systems, the Commission rather emphatically rejected the idea of a relief administration conducted by the Ministry of Labour. Such a system—that is the gist of the Report—would burden the central government with the responsibility for all decisions taken by relief officers throughout the country, and would lead to discussions of local relief policy in Parliament. Since, as the Report states, “there is no way by which the question can be taken out of politics”<sup>1</sup>, the Commission preferred to have it in local rather than in national politics.

1. Final Report, para. 238.

Accordingly it was proposed that relief should be administered by the local authorities under close supervision by the Minister of Labour, who should determine the general standards of administration. The cost of the new service was to be divided between the Exchequer and the local authorities, the former bearing considerably the greater part.<sup>1</sup> The proportion was to be determined by means of a formula based on unemployment records and offering no inducement to enlarge or to reduce the number of persons to be assisted.<sup>2</sup>

A decision in favour of local authorities was also advocated by many social workers and municipal experts. They argued that the newly formed Public Assistance Committees were most suitable for the task, as they were free of the spirit of the old Poor Law and guided by modern social principles. The supporters of this policy further pointed out that the care of indigents in a community was and always had been the duty of municipalities, and that it should not make any difference whether indigence was caused by unemployment or by other reasons. They explained that it would be bad administrative policy to differentiate among the various groups of indigents for reasons other than their need, that close familiarity with local conditions as enjoyed by municipal boards or commissions was indispensable to the task, and that therefore relief should be closely linked up with the other branches of local welfare administration. They urged that it would mean a duplication of services to establish a new board for the care of indigent unemployed.

However, politicians and press were not of that opinion. They interpreted the slogan "Unemployment is a National Responsibility" as meaning that material aid for the unemployed should be dispensed by central and not by local government. The taxpayer and not the local ratepayer was to shoulder the burden. Such a policy was advocated also by numerous representatives of municipalities, who were anxious to get rid of the financial responsibility of unemployment relief.

This movement met with the wishes of the government, which was dissatisfied with the way the Means Test had been administered by some local authorities. Consequently in the Unemployment Act, 1934, the task of assisting able-bodied unemployed outside insurance was assumed by the Central Government and entrusted to the newly formed Unemployment Assistance Board.

1. *Ibid.*, pars. 267-269.

2. *Ibid.*, para. 546.

The Board means a compromise. It is not a section of the Ministry of Labour, a possibility that was emphatically rejected by the then Minister during the discussion on the second reading.<sup>1</sup> Nor is it an agency of the local authorities, though advisory committees composed of local persons provide a certain link with the municipal governments. The Board is a semi-independent body modelled on public utility boards which had proved so efficient in Great Britain, administering electric power, docks, broadcasting, etc.<sup>2</sup> The Board has far-reaching powers. It appoints its own staff and makes its own regulations, which Parliament can repeal but not amend. It has its own organisation covering the whole country. There were, at the beginning of 1937, 242 area offices (including 53 subsidiary offices or out-stations in certain large areas) distributed throughout England, Scotland and Wales. For purposes of co-ordination and control, the areas are grouped in districts and the districts in regions, while the whole organisation is directed from a small headquarters in London.<sup>3</sup> For districts with a comparatively small number of applicants, officers of the local authorities acted as agents for the Board during its first two years of operation. Afterwards these districts were taken over by the Board, since local authorities were for various reasons of their own anxious to be relieved of such responsibilities. But it is stated by the Board that the administration in these districts was carried out with little or no friction, and that the decisions of the officers were accepted as fair.<sup>4</sup> The scheme, although only of a temporary nature, is mentioned here because it offers a solution for thinly populated areas with few applicants.

The clients of the Board are the able-bodied unemployed under sixty-five years of age who have no claim for insurance benefits. It is the task of the Board to promote their welfare, not only by granting allowances but also by such other measures as are deemed suitable for improving and re-establishing their employability. The officers of the Board make available for their wards the services established by the Ministry of Labour for instruction and training of juveniles and adults, for land settlement and transference to other areas, tasks which play an important part among the activities of the Board.

Allowances are graded according to standard scales uniform for the whole country, but adequate provision is made for the

1. Parliamentary Debates, 5th. Series, vol. CCCLXXXIII, col. 93.
2. A. M. Carr-Saunders, "The Unemployment Assistance Board", *The Political Quarterly*, 1936, p. 146.
3. *Report of the Unemployment Assistance Board* for the period ended December, 1936, p. 7.
4. *Ibid.*, p. 9.

exercise of discretion, so that modification can be made to fit the circumstances of an individual case. The amount of the allowances to be granted is based on the needs of an applicant and the needs of the household dependent on him. In assessing these needs, the Board has to take into account the resources of all members of the household to which the applicant belongs, except certain kinds of resources specified in the Act. Provision is also made to meet special conditions. In that way the whole system combines uniformity of principles with flexibility in their application.

It is easily understood that the introduction of this new system met with certain difficulties, as the local authorities which had granted allowances before had not been bound by such detailed rules and had granted allowances at their discretion. Although the regulations issued by the Board after approval by Parliament, in 1935, provided for an increase of allowances for about one-third of all recipients, public opinion in the areas which were to suffer a decrease naturally reacted very unfavourably to the new scheme. The question was taken up in Parliament, and the Unemployment Assistance (Temporary Provisions) Act of 1935—popularly called the Stand-Still Act—was passed to meet these complaints. It provided that for a transitional period an applicant should be paid either an allowance according to the new regulations, or such allowance as he would have received if payments under the administration of the local authorities had continued, whichever was the higher. Government and Board have been severely blamed for not avoiding these difficulties. Those coming to their defence have pointed out that 800,000 families with their dependents, altogether 2 million people, had to be taken over by the new administration within nine months from 200 Public Assistance Boards with over 1000 sub-committees; that there had crept into the relief administration of the local authorities a good many anomalies and abuses; and that an attempt to bring them to an end would naturally cause some friction. The new regulations, which came into operation after the Stand-Still Act expired, contained the same basic principles as the original regulations. But the Board had the wisdom to provide this time for a period of transition from the local to the new national standard.

Since then, the Board has no longer received much publicity. It has worked quietly and efficiently. It has won the confidence of its clients and the approval of the observers who saw the Board's officers at work. Even scientists who, like Professor John Hilton of Cambridge, are in principle opposed to a system

that is based on the needs test, are full of admiration for the fine services rendered by the officers of the Board.<sup>1</sup> It is true that the Unemployment Assistance Board has developed differently from what was expected at the time of its establishment. It was found once more that uniform scales of benefits will not work when the individual needs of thousands of families have to be assessed. By the end of 1937, fewer than half of the Board's clients were paid according to the regulation scale.<sup>2</sup> The local officers of the Board had to display for greater discretion and to be allowed far greater responsibility than was customary in other branches of a central government administration. But this development speaks more in favour of than against the policy adopted by the Board, and has thus been commented upon. To quote Professor John Hilton: "It has never until to-day been possible to see each unemployed person as a separate and distinctive case needing special aid. It has still less been possible to treat each one as such. The nature and method of the Unemployment Assistance Board has made that for the first time possible."

Some difficulties seem to have been encountered by the Board in taking over persons hitherto cared for by Public Assistance Committees under the Poor Law. The local authorities, anxious to get rid of financial responsibilities, naturally tried to transfer as many of their clients to the Board as possible. Since the line of demarcation drawn in the Act was not a very clear one, many disputes arose. During the initial take-over, one-third of the 135,000 cases whose transference was asked for had to be rejected by the Board. The opinion has been expressed that the enclosure of these Poor Law cases under the tutelage of the Board would better have been avoided.

The fear that the efforts of the Board might duplicate the social services of the local authorities has not proved to be justified. There seems to be close co-operation between the Board and the officers of the local authorities. This is facilitated and encouraged by the formation of advisory committees in all administrative areas of the Board. They comprise members with experience in the local administration of public health and public assistance, members with knowledge of industrial conditions from the workpeople's and employers' point of view respectively, members actively engaged in social service in the area and members with knowledge of the other special require-

1. John Hilton, "The Public Services in Relation to the Problem of Unemployment." *Public Administration*, 1937, p. 3.

2. R. C. Davison, "British Unemployment Policy Since 1930", p. 80.

ments and conditions of the locality. The functions of the committees are to provide information and advice on matters which may have a bearing on the Board's work in the locality, and to obtain information and advice with regard to the best treatment for certain types of cases.<sup>1</sup>

Reading the Annual Reports of the Regional Officers of the Board,<sup>2</sup> which in their vivid descriptions of the work sometimes seem to lose their official character, we learn how they make available to their clients the social services of the local authorities, especially health services, while on the other hand health and housing officers of local authorities apply to the Board for aid for indigents under their care. Co-operation here really seems to be not just a name but a reality.

It is still too early to form a definite opinion about the interesting experiment being carried out in Great Britain by the Public Assistance Board. But it seems to indicate that a system of unemployment relief may be carried out efficiently on a national basis, provided that its organisation is flexible enough, and that great care is taken to enlist the co-operation of municipal authorities.

1. Report 1936, pp. 32 and 34.

2. Ibid. chap. 7; Report 1935, chap. 8.