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This thesis examines the National Confederation of Employers' Organisations (N.C.E.O.), and its attitude towards the unemployment problem between the Wars. Chapter 1 deals with the origins and the development of the Confederation. Founded in 1919, the N.C.E.O. specialised in employers' labour and social interests, and on both subjects, it emerged as a recognised political force. For the Confederation, however, unemployment provided a meeting place for the politics of work and the politics of social welfare.

Chapter 2 examines the N.C.E.O. 's attitude towards the prevention and reduction of unemployment between the Wars. Although it was prepared initially to collaborate with the Government and the trade unions in backing direct measures to tackle unemployment, the N.C.E.O. eventually lost interest. From 1925 until the mid 1930's it argued that unemployment was mainly a function of a rigid wage structure and high standards of State social welfare. In particular, it directed criticism against Government spending on the maintenance of the unemployed.

Chapters 3 and 4 deal with the N.C.E.O. 's attitude towards the unemployment insurance scheme during the 1920's. The Confederation wanted a low-benefit, low-cost scheme, which would preserve the distinctions between wage-earners and the unemployed and minimise the financial responsibilities of employers. This objective was pursued in politics, but with limited success. Chapter 5 examines the N.C.E.O. 's attitude towards the Poor Law and public assistance during the same period. The Confederation wanted to separate the insured unemployed and transfer the long-term workless to the public assistance authorities, and it argued that this should be done in conjunction with a general reorganisation of poor law relief. Chapter 6 deals with the N.C.E.O. 's role in the debate on the unemployed after 1929. It played a prominent part in the controversy over the unemployment insurance scheme in 1931, and it was actively involved in the political debate which preceded the introduction of the Unemployment Act in 1934. During these years political opinion favoured the N.C.E.O. 's views on the unemployed, and to some extent, these views were recognised by the 1934 Act.

The thesis concludes that the N.C.E.O. was an important employers' organisation. Although it exercised little direct influence over Government unemployment policy, it helped to translate ideas about unemployment and the unemployed and shape the political context in which certain policies were devised and implemented.

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INTRODUCTION

I

The history of employers' organisation is now a recognised and expanding field of research. It owes this status, partly to the interest which has been shown in the subject by business historians, but more particularly, the flourishing of work on the origins and development of the British system of industrial relations. However, there are very few specific studies of employers' organisations, and although some historians have dealt with employers' attitudes on various economic and social issues during the opening decades of the century,¹ there has been no attempt to isolate and explore their collective views on unemployment.

II

The subject of this thesis, the National Confederation of Employers' Organisations, has languished for many years in relative historical obscurity. Founded soon after the First World War, it was one of several new central employers' organisations which emerged at this time. Later, in 1939, it changed its name to the "British Employers' Confederation" and in 1965, it combined with two other employers' organisations to form the Confederation of British Industries, (C.B.I.).²


The reputation of the National Confederation between the Wars was built upon its specialisation in the sphere of labour and social questions, and upon its ability to co-ordinate and articulate the views of Industry on a wide range of technical matters. In this role, the Confederation brought employers organisations from the periphery to the centre of national politics. However, although it entered this arena through many different doors, for more than a decade the subject of unemployment preoccupied the Confederation and coloured its political outlook. This study examines the nature of that preoccupation; how it was expressed politically, and how far the Confederation exercised an influence over a particular range of official unemployment policies.

This study relies mainly upon the archives of three employers' organisations: the National Confederation, the Federation of British Industries, and the National Union of Manufacturers. These archives were housed at the offices of the C.B.I. until 1979, when they were transferred to the Modern Records Centre at the University of Warwick. General use has also been made of the surviving records of smaller employers' organisations, and those of the Cabinet and various Government Departments. In addition to these sources, the papers of industrialists and politicians have been consulted. The writer acknowledges the assistance of the C.B.I., and those employers' organisations which granted access to their archive collections. The writer is also indebted to Mrs Agnes Miller for information on Sir Allan Smith.

The National Confederation of Employers' Organisations (N.C.E.O.) was formed in 1919 and developed immediately out of the National Industrial Conference (N.I.C.). The Confederation was brought into being to co-ordinate the labour policies of employers' organisations and to defend their interests generally on all questions relating to the workforce. The N.C.E.O. marked the final move in a process of reorganisation among employers which had commenced during the War and which formalised the separation of function between three central employers' organisations.

During the inter-war years the Federation of British Industries (F.B.I.) and the National Union of Manufacturers (N.U.M.) represented employers in the sphere of commercial, financial and general economic issues. The N.C.E.O., on the other hand, enjoyed official recognition as the employers direct counterpart to the Trades Union Congress (T.U.C.) and as the principal channel of communication between Industry and Government on all labour and social questions. In this role, the Confederation acquired a reputation as a conservative organisation, opposed vigorously to State intervention in industrial relations and the economy, and suspicious of post-war developments in social policy.\(^1\)

The history of the N.C.E.O. is still very incomplete. The Confederation was a secretive organisation about which very little was known outside of Government departments and the world of employers' organisations. Among the trade unions, it was regarded as a branch of the Federation of British Industries.\(^2\) This chapter does not attempt to construct a comprehensive history of the National Confederation. However, any assessment of the role which

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\(^2\) See for example, Labour Research Department, *The Federation of British Industries*, London 1923, p.49.
it played in post-war politics must take into account the nature of the Confederation itself. As a case study in industrial leadership between the Wars, an examination of the N.C.E.O. has its own value. At the same time, however, despite the increased interest which historians have shown in the Confederation, there remain many features of the organisation which are either not generally known, or which stand in need of further clarification. Part II of this chapter examines briefly the origins of the N.C.E.O. In Part III the Confederation's structure and development after 1919 are examined. The final section of this chapter discusses the attitude of the N.C.E.O. towards post-war reconstruction and identifies its main priorities in politics between the Wars.

II

THE BACKGROUND TO ORGANISATION: EMPLOYERS, SOCIALISM AND THE STATE 1890-1919

The N.C.E.O. was a child of the First World War, but it was also part of a significant tradition of organisation and political activity among employers. During the second half of the nineteenth-century, local, regional and national employers' organisations had been formed in most of the large industries in response to the challenge of a more organised and increasingly militant trade union movement. Among the earliest national organisations was the Mining Association of Great Britain (M.A.G.B.), founded in 1854. The Railway Companies' Association (R.C.A.) appeared in 1870. Among the iron and steel employers, national representation was established in 1872 through the Iron Trades Employers' Federation. However, in many important industries, such as engineering, national leadership was divided between large regional groupings. In the textile industry, on the other hand, there were two large national federations which reflected a regional specialisation in the manufacturing process.


The emergence of new unionism in the craft, as well as in the semi-skilled and unskilled trades during the 1890's precipitated the centralisation of local and regional employers' organisations for defensive purposes. The challenge of unionism was a major factor behind the formation of the Shipping Federation in 1890. Likewise in 1891, labour unrest in the textile industry, together with the desire of employers for a more organised system of collective bargaining led to the setting-up of the Federation of Master Cotton Spinners' Associations (F.M.C.S.A.). The highlight of the organisational burst of the 1890's, however, was the launching of the Engineering Employers' Federation (E.E.F.) in 1896. The Federation, based initially in Glasgow, was largely the creation of two men, Sir Benjamin Browne of Hawthorn Ltd. and Thomas Biggart, the Secretary of the North-West Engineering Employers' Federation. From the outset, as they demonstrated in the national lock-out of 1897, the engineering employers attempted to set the pace for the labour policies of employers throughout the country. They were joined in a close working partnership by the Shipbuilding Employers' Federation (S.E.F). Together, these two powerful organisations led the employers' "counter-attack" against the new unions during the years leading up to the First World War. Their example in organisation and unity was soon emulated in other industries, many of them hitherto fragmented, such as printing and the specialised metal trades.

The pattern of growth for employers' organisations generally followed the lines of trade union organisation. Among employers,

5 Ibid., p. 280.

6 Thomas Biggart, 1864-1949, Senior Partner, Biggart and Lumsden and Co., Solicitors, Glasgow. Secretary, Engineering Employers' Federation, 1896-1909; Secretary, Shipbuilding Employers' Federation, 1898-1917; Honorary Vice-President, S.E.F. 1917-1942. Active member of the N.C.E.O.; Member of the Grand Council, F.B.I., 1920-1932. Kt., 1936.


however, increased organisation also drew some stimulus from the general expansion of trade representation through chambers of commerce and trade associations for the purpose of buying and selling, price fixing, and the exchange of commercial intelligence. The M.A.G.B. and the Railway Companies' Association were in part trade associations. However, the majority of employers' organisations were basically employers' trade unions (although very few were registered), and their principal function was collective bargaining. In the case of a few organisations, notably the Shipping Federation, a conscious attempt was made to destroy effective trade unionism in the industry in the years leading up to the War. Others, such as the E.E.F. and the National Federation of Building Trades Employers (N.F.B.T.E.), while sharing a mutual antipathy towards militant labour, chose to work through strike-breaking organisations. By 1914, however, the majority of employers' organisations had lost interest in challenging the existence of trade unionism, or at least moderate trade unionism. Employers had much to gain and little to lose by accepting and developing their role in an organised system of collective bargaining, and they were encouraged along this road by the Labour Department of the Board of Trade and by Government initiatives such as the Conciliation Act of 1896 and the Industrial Council of 1911.

The development of a formal system of industrial relations and increasing political action by organised labour on issues such as trade union law, the minimum wage and social welfare, also encouraged employers' organisations to strengthen their political machinery. Most large employers' organisations before the War maintained parliamentary departments, staffed usually by a solicitor


and where possible, linked with a number of sympathetic M.P.'s. By 1900, for example, the parliamentary department of the Engineering Employers' Federation enjoyed the support of a seven-member caucus of Unionist M.P.'s. Another major concern of employers during this period, however, was the growing strength of the Labour Party and the collectivist trend in economic and social legislation. In 1908 the Engineer, a mouthpiece for the E.E.F., voiced the concern of all employers when it warned that "legislation which is directed against [industry] must needs be met with reprisals."13

The twin challenges of Socialism and State-intervention were major factors behind the formation of central inter-industry employers' organisations during the years leading up to 1914. However, leadership was divided between two rival organisations, the Employers' Parliamentary Council (E.P.C.) and the Employers' Parliamentary Association (E.P.A.). Up until the outbreak of the War, the Council was probably the more important of the two bodies. It was set up in November 1898 by the Engineering Employers' Federation working in close alliance with the Shipbuilding Employers' Federation, the N.F.T.B.E. and other organisations. Among the leading figures in the Council were Sir Benjamin Browne and Alexander Siemens of the E.E.F., G.A. Laws of the Shipping Federation and George Livesey, the Chairman of the South Metropolitan Gas Company. From the outset, the E.P.C. made no secret of its political targets. In their first public statement, the leaders of the Council voiced their suspicion against "those who profess through labour organisations to speak collectively in the name of labour." More emphatically, however, they denounced the "vote-catching interference" of Government in the affairs of employers and "the socialistic tendency of modern legislation."16

12 Minutes of the Parliamentary Committee, 22 February 1900. E.E.F., Minute Book, No. 2.

13 "Labour Representatives in Parliament, "The Engineer, 4 December 1908, p. 597.


15 Sir Benjamin Browne, 1839-1917. Director of Hawthorn Leslie Co., Newcastle. Vice-Chairman of the E.E.F.

16 Statement by the Employers' Parliamentary Council, Engineering, 2 December 1898, p. 284.
The appearance of the Employers' Parliamentary Council was welcomed by its supporters as the “foundation course of a superstructure that will eventually prove the most important ever founded in the United Kingdom.” The Council itself stressed the need for a “corporate organisation” to represent employers and it was quick to style itself as the employers' counterpart to the T.U.C. This role, however, was never fully recognised by the Government, although it was prepared to listen to the arguments of the Council on issues such as trade boards and trade union law in 1906 and on national insurance in 1911. The claim to leadership by the Council was also contested by other groups of employers. As early as 1902 moves were afoot to establish an alternative focus of authority to the E.P.C. which, so the sponsors claimed, would be more effective in uniting all employers against aggressive trade unionism and the creeping collectivism of the Edwardian State.

Nevertheless, a viable rival to the E.P.C. did not materialise until December 1911 when Sir Charles Macara launched the Employers' Parliamentary Association. The Association grew out of the political momentum created by the opposition of employers to the National Insurance Bill. However, the E.P.A. was also partly an organisational response to the National Industrial Council, with which Macara was closely identified. The inaugural meeting of the Employers' Parliamentary Association, chaired by Lord Desborough, attracted over 100 industrialists and traders, together with a sprinkling of Liberal and Unionist M.P.'s. The E.P.A., however, was essentially the creature of the textile employers' organisations and it was closely linked with the politics of Free Trade.

17 The Textile Mercury, 26 November 1898.
18 Engineering, 2 December 1898, p. 284.
19 The Engineer, 17 January 1902, p. 71.
22 The Times, 16 December 1911.
After 1911 the E.P.A. was active enough to divert potential support from the Employers' Parliamentary Council. However, apart from the Association's free trade leanings, there were few differences in the political profile of the two rival organisations. Both the Council and Association were critical of "labour agitators" and both demanded closer consultation between Industry and Government on legislative questions.23 In the three years before the War, however, their most serious complaints were directed against the New Liberal social reforms. The Council, for example, expressed little enthusiasm for the system of Labour Exchanges when it was set up in 1909.24 Later, both the E.P.C. and the Association actively campaigned against the introduction of contributory health and unemployment insurance, claiming that the new State scheme was an unjustified tax upon industry and a threat to "the morale of the nation."25

The First World War heightened the industrial and political challenges which had hitherto confronted employers and released a new wave of organisation.26 During this period the number of employers' organisations rose to over 2,000. Among the newcomers were the Chemical Employers' Federation, the National Federation of Port Labour Employers and the Federation of Gas Employers. There were several reasons for the accelerated organisation among employers. Firstly, the greater unity and militancy of the trade unions invited defensive action from employers, but on a more co-ordinated basis. Secondly, employers now faced a greater threat from the State through the erection of a wartime economy and the proliferation of Government controls in industrial relations, and in


24 "Report by the Deputation appointed to wait upon the President of the Board of Trade, 18 August 1909, "E.E.F., Film/1/8/150. See also, The Engineer, 28 May 1909, p. 559.


26 The relevent statistics can be found in the Directory of Industrial Organisation. In 1907 there were 980 employers' organisations (Cd. 3554); in 1914, 1,528 (Cd. 7483); and in 1919, approximately 2,849 (Cmd. 328).
the manufacturing process. Thirdly, employers gained from the enhanced status which the Government accorded to Labour and the trade unions to facilitate the war effort, because a similar status was extended to employers and to employers organisations. On the political level it found expression through the recruitment of "men of push and go" for Government service, starting from the Cabinet downwards and working through the House of Commons. On the industrial level, official recognition of the employers' movement was extended through the Ministries of Munitions, Labour and Reconstruction, all three of which steadily widened the consultative process between Industry and State after 1916.

The same factors which encouraged the improved organisation of employers nationally, helped to reshape the structure of employer representation on an inter-industry and central level. The first important move in this direction was made in December 1915 with the formation of the British Manufacturers' Association (B.M.A.). The Association was launched in London by a group of small employers who were dissatisfied with the work of the Association of British Chambers of Commerce (A.B.C.C.) in bringing the views of employers before the Government. During the course of 1916, the B.M.A. sponsored several large meetings of employers to discuss the future of employer representation and the attitude which they should adopt towards Labour and the Government's war policies. However, the Association failed to attract national attention until July 1917, when it changed its name to the National Union of Manufacturers and adopted Protection as its main policy. From the outset, the N.U.M. was an overtly political body and made no secret of its links with the protectionist wing of the Coalition. After 1917 the Union's centre of gravity was located in Birmingham and the Midlands from


29 Minutes of the Executive Committee, 1 December 1915. British Manufacturers' Association, Minute Book, No. 1. See also, The Times, 16 April 1916.

where it built up a national network of branches. By December 1919 the N.U.M. claimed a membership of over 1,200 firms and a sprinkling of employers' organisations, mainly representing the small business sector of the economy and many of the highly specialised industries, such as scientific glassware, surgical instruments and steel tubing.31

During the War the N.U.M. won recognition from the Government and representatives from the Union sat on various official committees, among them the Advisory Committee on Manufactures, Wages and Raw Materials, set up by the Ministry of Munitions in March 1917. Here and elsewhere, however, the N.U.M. was overshadowed by the Federation of British Industries. Founded in July 1916, the Federation was the result of discussions among a broad range of employers and financial interests drawn from the B.M.A., the Employers' Parliamentary Association, various professional societies, and the City.32 The leading figures behind the formation of the F.B.I. and its development during and immediately after the War were men of some public standing. They included F. Dudley Docker, a noted Birmingham industrialist who already had connections with the B.M.A.; W.P. Rylands,33 the Vice-Chairman of the Employers' Parliamentary Association, Vincent Caillard of Vickers Ltd, Edward Manville of the British Small Arms Company, and Sir Richard Vassar-Smith, Chairman of Lloyds Bank.

The Federation of British Industries steered clear of Protection, but not of politics. From its inception, it showed an inclination towards co-operation with "patriotic labour". In December 1916 for

31 The Times Trade Supplement, 27 December 1919. By 1921 the Union had increased its membership to over 2,000 firms, The United Manufacturers' Journal, November 1921, p. 220.


example, the Federation helped to launch the National Alliance of Employers and Employed, which it financed for the duration of the War. The F.B.I.'s sponsors, however, were also behind the launching of the British Commonwealth Union (B.C.U.), again in December 1916. The B.C.U. was founded as an anti-socialist organisation and as clearing house for the dissemination of information among employers, but its principle goal was to secure direct representation for employers in the House of Commons.

After 1916, however, the F.B.I. played down its links with other political bodies and concentrated upon building up its membership and a recognised role as the main channel of communication between employers and the Government, on economic, commercial and labour questions. However, the success of the F.B.I. highlighted the existence of a parallel line of leadership among employers which was located in the heavy engineering and related basic industries. Although the Employers' Parliamentary Council continued to function until 1918, its role as the spokesman for the larger employers organisations was occupied effectively by three closely related organisations. The Association of Controlled Firms set up in July 1915 and the National Employers' Federation (formerly the Midlands Employers' Federation), worked on behalf of employers in the munitions industry and the specialised sectors of the engineering trades on wages questions and on all questions arising out of the administration of wartime controls.

36 The F.B.I.'s membership in 1917 stood at 62 employers' organisations and 704 firms. By July 1918 the membership had increased to 146 employers' organisations and 744 firms. Bulletin of the Federation of British Industries, 4 July 1918.
37 "Minutes of Meeting of Representatives of Controlled Establishments ..., 26th June 1916." F.B.I./Nugent Papers/File 5.
38 See The Employer, January 1918, and R. Hyman, op.cit. p. 56.
However, the main focus for leadership in the heavy and labour intensive industries was located in the Engineering Employers' Federation. When War broke out in 1914 the E.E.F. represented over 700 of the largest engineering firms in the country. However, in the first months of the War the organisation assumed a pivotal position in industrial relations and thereafter regarded itself as working on the behalf of all employers. By 1917, assisted by the Ministries of Munitions and Labour, the E.E.F. had established itself as a recognised link between employers and the Government on wage and general labour questions. Much of the E.E.F.'s importance during the War stemmed from the public and political standing of its forceful Chairman, Allan Smith. Essentially, however, the authority of the E.E.F. in wartime industrial politics was firmly rooted in its large membership and the central importance of the engineering industry in the economy.

Throughout the latter part of the War, representatives of the F.B.I. and the Engineering Employers' Federation worked effectively together in bodies such as the National Alliance of Employers and Employed, the British Commonwealth Union, and upon various Government Committees. From the outset, however, the two organisations were at odds over the question of leadership on labour questions. In October 1916, the E.E.F. informed its rival that the engineering employers would not join the Federation "so long as it remained a single body dealing with both Labour and Commercial Questions." The members of the E.E.F. were advised not to join the Federation. Instead, the


40 Allan Macgregor Smith, 1871-1941. Labour Advisor, Biggart and Lumsden and Co., Solicitors, Glasgow, 1896-1909; Assistant Secretary, North-West Engineering Employers' Federation, 1901-1909; Secretary, E.E.F., 1910-1916; Chairman, 1916-1934. Founder and Chairman of the N.C.E.O., 1919-1922; Senior Vice-President, 1922-1923; Ex officio member of the Executive Council, 1923-1934. Member of Committee on Relations between Employers and Employed, 1916-1917; Committee on Industrial Unrest, 1917; Balfour Committee on Industry and Trade, 1924-1929. Unionist M.P. for South Croydon, 1919-1923; Chairman of the Parliamentary Industrial Group, 1921-1923. Kt. 1918.

E.E.F. and the Shipbuilders Employers' Federation convened a secret meeting of interested employers to discuss what steps might be taken to "submit the views of organised employers to Ministers and Government Departments." In December 1916 discussions were opened between representatives of the E.E.F. and employers organisations in the related heavy industries with a view to forming a strong organisation to deal with employers' labour policies and questions concerning post-war reconstruction.\(^4\)\(^2\)

The joint initiative of the E.E.F. and the Shipbuilding Employers' Federation paved the way for the formation of the Employers' Advisory Council (E.A.C.) early in 1917. The Council was the direct outcome of a meeting between F.B.I. and E.E.F. representatives and the Minister of Labour in January 1917 at which the two groups of employers agreed to work together on labour questions.\(^4\)\(^3\) The E.A.C. was formally launched in February and brought together a total of eight employers' organisations, including the S.E.F., the National Employers' Federation and the F.M.S.C.A.\(^4\)\(^4\) On the employers' side, both the F.B.I. and the Engineering Employers' Federation anticipated that the Minister would ask the T.u.c. to set up a "Labour Advisory Council" and that all three parties would work towards the formation of a standing Joint Committee. This expectation, which anticipated post-war developments, was never realised. The Council worked alone with the Ministry of Labour and several other Departments until it was dissolved in March 1918. During this brief existence, the E.A.C. achieved nothing constructive towards improving the relationship.

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\(^4\)\(^2\) Circular Letter by Thomas Biggart, 20 October 1916. Minutes of the Executive Board, Scottish Association of Master Printers, Minute Book, No.1; see also The Builder, 9 February 1917, p.106.


between employers and organised labour. However, the Employers' Advisory Council had a central role in the wartime relationship between employers, trade unions and the State, and in the genesis of the N.C.E.O.

The formation of the Employers' Advisory Council came during a vital phase in wartime industrial politics. The upsurge in shop-floor organisation and militant trade unionism in 1916-1917, together with the revolution in Russia, forced the Government to adopt a concessionary posture and provoked fears of social upheaval among employers. "Unless those who pull the industrial strings utilise all their wisdom," one manufacturer warned, "there is at least a serious possibility of Labour Unrest bordering on social revolution."

At the same time, the publication of the Whitley Report and the establishment of the Ministry of Reconstruction placed an onus upon employers to define their political standpoint and their attitude towards post-war reconstruction. The National Union of Manufacturers met the challenge by linking its policy of Protection with public support for a minimum wage and profit sharing. The F.B.I., however, was prepared to go further along the path of reconstruction. In May 1917, at the height of the strike wave, the Federation called upon the Government to begin preparations in consultation with employers for "the transition of the country generally and of industry in particular from war to peace conditions." Later in the year and without consulting the members of the Employers' Advisory Council, the Federation published a memorandum which endorsed the Whitley Report and then appointed a large committee under W.P. Rylands to draw up a general statement on post-war reconstruction.

46 Minutes of the Executive Committee, 8 July 1916 and 17 July 1917. B.M.A. Minute Book No. 1.
47 Minutes of the Executive Committee, 4 May 1917. F.B.I./C/3/5.
The moderation of the N.U.M. and the Federation of British Industries, however, was not shared to the same extent in the Employers' Advisory Council. In March 1917, doubtlessly influenced by the rising wave of trade union militancy, Allan Smith advised the members of the Council that "employers must look ahead" and that "in the future a greater interest would have to be taken in the affairs of the workers than hitherto."49 Over the next twelve months, however, neither Smith nor the majority of the Council's members showed any great inclination to co-operate with the trade unions, and even less, to commit employers to a firm programme of post-war reconstruction. The Council, for example, vigorously fought a delaying action against the Workmen's Compensation (War Additions) Bill; opposed outright the Government's proposals for educational reform, and vented its criticism against the 12½% wage increase which the Government granted to munitions workers in January 1918. At the same time, the Council made preparations for a national propaganda campaign against "revolutionary schemes such as that of the I.W.W."50

Much of the impetus behind the negative outlook of the E.A.C. came from the cotton employers who consistently warned the other members of the Councils that employers must at all costs avoid "giving themselves away" by making firm commitments to either Labour or the Government.51 It is unlikely that this view was fully shared by even the E.E.F. However, over the course of 1917 the F.B.I's determination to take an independent stand on Labour and social reform closed ranks within the E.A.C. In October the E.A.C. warned the F.B.I. against "infringing upon the ground of the Employers' Advisory Council." The Federation, however, in direct contradiction of the Council, took the view that if employers remained silent or showed no inclination to make concessions to the trade unions, political decisions of major importance would be "arbitrarily settled by the


Government in conjunction with Labour."\(^{52}\)

The differences between the two camps were brought to a head by the interim report of the F.B.I.'s Labour Committee, completed in December 1917. The Report, entitled "Reconstruction after the War", went substantially beyond either what the N.U.M. or the F.B.I. had already said publicly on the subject, and in addition, purported to represent the views of all employers. The Federation reaffirmed its commitment to the Whitley proposals and called for a national scheme of State housing and education. "The Necessity is a national one," the F.B.I. argued, "involving National advantage and the burden should be properly borne in some measure by the State."\(^{53}\) Employers would make their contribution to post-war reconstruction by adopting profit-sharing; by providing additional benefits for accidents, sickness and unemployment, and by co-operating with the trade unions and the Government in devising measures to prevent unemployment.\(^{54}\)

The F.B.I.'s policy statement on reconstruction provides a useful insight into progressive employer opinion during the War. Politically, however, the Report backfired on its sponsors. The majority of employers' organisations in the Federation showed no great enthusiasm for its proposals.\(^{55}\) The Engineering Employers' Federation and the other members of the E.A.C., however, were openly hostile. In a memorandum drawn up by the E.E.F. in January 1918 in reply to the Report, Allan Smith challenged its basic assumption that the "solution of the Labour Problems" could be guaranteed if employers made generous concessions to the trade unions. "The danger is," he noted of the Federation's plans, "that the view of the workpeople may tend towards the direction of the Servile State." The E.E.F. circularised their

\(^{52}\) Minutes of the Executive Committee, 21 September 1917 and 19 October 1917. F.B.I./C/3/5.

\(^{53}\) "Reconstruction After the War", ["Report of the Committee appointed to consider General Principles affecting Industrial and Commercial Efficiency."]], p. 3. F.B.I./C/84/178.

\(^{54}\) Ibid., pp. 5-11. See also S. Blank, op. cit., pp. 16-171.

\(^{55}\) Minutes of the Organisation and Management Committee, 18 January 1918. F.B.I./C/10/22.
members asking them to oppose the Report and warned the Federation that if the Report was submitted officially to the Government or published, they would be forced to disown its proposals.56

The dispute over "Reconstruction after the War" rekindled the E.E.F.'s determination to establish a separate organisation, under its own auspices, which would deal exclusively with employers' labour policies. This ambition was strengthened by a direct appeal from the Government. At a conference between Cabinet Ministers and members of the F.B.I. and the E.A.C. in January 1918, Lloyd George and the Minister of Labour stressed the need for a body which could act as the counterpart of the T.U.C. and which would have the full support of employers. The F.B.I. and the E.A.C., they concluded, must "put their house in order."57 Shortly afterwards, the Ministry of Labour privately advised the Federation not to proceed with any action on its Labour Report.58 These new developments handed the initiative to the E.E.F. In February 1918 talks were opened between the E.E.F. and the members of the Employers' Advisory Council on the formation of a permanent "Confederation of British Employers".59 The important decisions at this stage, however, were taken between the F.B.I. and the Engineering Employers Federation.


57 "Conference between the Prime Minister and Representative Employers and Employers Associations, 4 January 1918." E.E.F., Film/I/1. Also, Minutes of the Executive Committee, 4 January 1918. F.B.I./C/3/5.

58 The Report was unofficially submitted to the Minister of Labour by an F.B.I. deputation led by Rylands on 31st January 1918. The Minister (G. Roberts) was "sympathetic with the spirit underlying the Report," but held that it be "inadvisable for the Federation to take any immediate executive action." Minutes of the Executive Committee, 1 February 1918. F.B.I./C/3/5.

In March 1918, at the invitation of the F.B.I., discussions were opened with the Engineering Employers' Federation on the Labour Report and the Federation's future role in labour questions. After considerable discussion, agreement between the two sides was eventually reached in October in the shape of a "labour concordat". Under the arrangement, the F.B.I.'s Labour Report was effectively suppressed by mutual consent. It was agreed firstly, that all industries "should be fully organised for Commercial and Labour questions respectively." Secondly, it was decided by the two parties that the Federation would not concern itself with "any questions affecting the employed in their capacity as workpeople, including any proposed legislation or other Government action in regard to such questions." Finally, it was laid down that the Federation should co-operate with the E.E.F. in securing the co-ordination of employers for labour purposes and that provision should be made for liaison between the two organisations to ensure "joint action on matters affecting Labour jointly with other considerations."61

The political significance of the dispute between the F.B.I. and the E.E.F. and its solution through the "labour concordat" of October 1918 was not to be fully revealed until after the War. In the short term, the agreement opened the way for the continuation of discussions among employers, led by Allan Smith of the E.E.F. and representatives of the Shipbuilding Employer's Federation, towards the establishment of a new central employers' organisation. An important step was taken in August 1918 when the Engineering Employers' Federation merged with the National Employers' Federation, thus ending the division of leadership in the engineering industry.62


61 "Meeting between Representatives of the Engineering and National Employers' Federation and Federation of British Industries to consider ... Labour matters." F.B.I./C/82/174.

62 The E.E.F. now became known as the "Engineering and the National Employers' Federations". E.E.F., Film/C/9/7. See also, E. Wigham, op. cit., pp. 105-107.
The absorption of the National Employers' Federation in 1918 strengthened the authority of the E.E.F. However, it took a Government initiative, once again, to finally translate its proposal for an employers' confederation into reality. The calling together of the National Industrial Conference in February 1919 confronted employers with the same political challenges which the F.B.I. had already attempted to anticipate in its Labour Report. Initially, however, the most visible threat to employers was an organisational one. The Conference itself is dealt with more fully later in this chapter. It is sufficient at this stage to record the official genesis of the N.C.E.O.

The National Industrial Conference was convened on 27th February at the Caxton Hall, London. On a motion moved on the behalf of the T.U.C., a Provisional Joint Committee (P.J.C.) was appointed, headed by Arthur Henderson for the T.U.C. and Sir Allan Smith for the employers, in order to "translate the morning's general good humour into hard practical proposals for mutual co-operation and reform."63 Smith's colleagues on the Employers Panel, some thirty in all, represented a broad spectrum of British industry ranging through engineering, coal, textiles and steel, on the one hand, to various light industries on the other, such as bleaching, paper and leather. Apart from Smith, few of the employers on the Panel were well known public figures, or prominent members of the F.B.I.64 What they did undoubtedly share, however, was an apprehension as to what concrete policies would come out of the Conference.

On 6th March, two days after the first meeting of the P.J.C., Smith and the Employers Panel convened a meeting of employers' representatives to discuss "what steps should be taken to secure closer co-operation."65 At the end of the meeting it was resolved to set up


64. For a list of the members of the Employers' Panel, see R. Charles, op.cit., p. 239.

a "Federation of Employers Organisations." A Provisional Executive Committee drawn partly from the P.J.C. and chaired by Smith was appointed to make arrangements for the formal inauguration of the new organisation and this took place with the full backing of the Ministry of Labour, on 8th April 1919.66 A skeleton constitution was approved by the employers which laid down the basic lines of the new organisation. It would be called the "National Confederation of Employers' Organisations" and it would occupy itself with "all questions arising out of the relationship between employers and employed." Membership, in contrast to both Federation of British Industries and the N.U.M., would be confined to employers organisations. The control of the National Confederation would be vested in an Executive Council and a General Purposes Committee (G.P.C.), appointed annually by the members and headed by a President and two Vice-Presidents. The model for the Confederation was essentially an enlargement of the E.E.F.'s internal structure. However, the close link between the two bodies was given a more practical recognition. Until the new constitution was worked out in detail and approved officially by the members, it was agreed that the affairs of the N.C.E.O. should be conducted by Sir Allan Smith and the Provisional Executive Committee and located at the E.E.F.'s London headquarters in Broadway.67

The birth of the N.C.E.O. was conducted with almost no publicity. Its appearance on the industrial scene, however, was a major event in post-war politics. The establishment of the National Confederation formalised a permanent separation of function in the structure of employers representation at a national level. From 1919 onwards employers were represented collectively on economic and commercial


67 The Provisional Executive Committee consisted of 15 employers, nine of whom were members of the P.J.C. - E.J. Brown (N.F.B.T.E.), Roscoe Brunner (Chemical Employers' Federation), E.J. Burt (National Association of Quarry Owners), Sir George Carter (S.E.F.), J.A. Crerar (Wholesale Clothing Manufacturers' Association), F.A. Hargreaves (Cotton Spinners' and Manufacturers' Association), Thomas Robinson M.P., Vice-Chairman (Allied Association of Bleachers and Dyers), Sir Allan Smith, Chairman (E.E.F.) and D. Milne-Watson (National Federation of Gas Employers). The Secretary was J. McKie Bryce, also Secretary of the E.E.F. and the Employers' Panel of the P.J.C.
questions by the F.B.I., the N.U.M., and to a lesser extent by the Association of British Chambers of Commerce. On labour and social issues which related directly to the workforce, the collective representation of employers was placed in the hands of the N.C.E.O. Over the next decade, this formal division in function was never complete, but it was visible in 1919 and remained so. Three points about the making of the National Confederation, should perhaps be emphasised. Firstly, the separation of authority between the Federation of British Industries and the N.C.E.O. was also to some extent a separation in political outlook, based upon differing assessments of the threat which was posed to the interests of employers by Labour and the State respectively.

Secondly, the formation of the N.C.E.O. provided all employers' with an officially recognised focus for unity and leadership in industrial politics which had been absent before 1914 and undermined by rivalries during the War. Finally, and most important of all, the two-way division in function of 1919 placed the leadership for employers' labour and social policies in the hands of a group of employers who were traditionally the best organised and politically conscious section of the employers' movement, but also its most conservative.

III

THE N.C.E.O.: STRUCTURE, FUNCTION AND DEVELOPMENT, 1919-1936

After 1919 the National Confederation of Employers' Organisations assumed a recognised role as the employers' counterpart of the T.U.C. Like the T.U.C., the Confederation developed a formal relationship with the Government as the principal consultative agent between employers and various Government departments on labour and social questions. However, the manner in which the Confederation performed this role can only be properly understood in relation to its internal history.

The N.C.E.O. was an unusual organisation, distinct from its close associates, the N.U.M. and the Federation of British Industries, and even more unlike the T.U.C. The Confederation was a highly centralised body with a homogeneous industrial leadership. From its
inception it was dominated by an identifiable "Junta" of employers' organisations headed by the Engineering Employers' Federation, although effective machinery was eventually constructed to ensure consultation between all the members of the Confederation in the formulation of policy.

The distinctiveness of the National Confederation was partly shaped by the organisational and political tradition from which it had emerged, and partly by the industrial leadership which directed its activities and development. These factors, however, rested upon a secure base of economic interest. The N.C.E.O. was brought into being in 1919 to defend and further the interests of all employers, and this it did. At the same time, however, the Confederation perpetuated and indeed strengthened the authority and the political priorities of the traditional and exporting industries in post-war politics. This fact, as we shall see, impinged deeply upon the Confederation's political role and the manner in which it identified and interpreted the challenges which faced employers between the wars.

The period 1919-1922 was a difficult one for employers generally and a formative stage in the development of the N.C.E.O. In April 1919 the Government recognised the new Confederation as the official representative of employers on all labour questions in preference to the Federation of British Industries. Over the next few months the Ministry of Labour took positive steps to strengthen the hands of Sir Allan Smith in uniting employers' organisations behind the National Confederation. For example, official information regarding the work of the P.J.C. of the National Industrial Conference was channelled through the N.C.E.O. and in August 1919 the Confederation won the exclusive right to represent British employers at the Washington International Labour Conference. As well as according the N.C.E.O. an official status, the Minister of Labour, Sir Robert Horne, preached the value of organisation to employers and pressed the leaders of the Confederation to appoint full-time officials to

facilitate communication between the Government and the N.C.E.O.\textsuperscript{69}

The Government's solid support of the N.C.E.O. in its early months expressed the Minister of Labour's strong desire to ensure the continuation of the P.J.C. by giving the Employers' Panel a representative base in industry. For their part, Smith and the Confederation's Executive were confident that in time, they could expect to recruit over 300 employers organisations covering Britain and including Ireland.\textsuperscript{70} By April 1920, largely because of the post-war offensive by labour and the question mark which hung over the Government's future role in industrial relations, the N.C.E.O. had won the firm support of 40 employers' organisations. These included the Engineering Employers' Federation and its traditional allies, the S.E.F., the Shipping Federation and the N.F.B.T.E. The Mining Association and Railway Companies' Association had yet to express an interest in the Confederation. Among the new recruits, however, were the Chemical Employers' Federation, the National Federation of Iron and Steel Manufacturers, the Federation of Civil Engineering Contractors and the Federation of Gas Employers.\textsuperscript{71}

Over the next three years, however, the Confederation made no significant advance in recruiting further members. On the contrary. By the beginning of 1921 the support for the N.C.E.O. had fallen to 38 organisations and by the following year the Confederation's membership had been reduced almost by half.\textsuperscript{72} The decline reflected a national trend which affected all employers' organisations as the wartime enthusiasm for association among employers wore off and the onset of the post-war recession rekindled industrial self-interest.

\textsuperscript{69} Minutes of the Provisional Joint Committee of the National Industrial Conference, 1 May 1919. LAB. 2/775/I.R./1730.

\textsuperscript{70} N.C.E.O./NC/1/C4/1 N.C.019.

\textsuperscript{71} List of members, 27 April 1920. N.C.E.O./NC/1/C4/3.

\textsuperscript{72} "Secretary's Interim Report to the Chairman, 18 January 1921." N.C.E.O./NC/Misc./1/6.A. Also, Minutes of the General Purposes Committee, 3 May 1922. N.C.E.O./NC/1/G.P.C.
The Confederation's particular failure to build quickly upon its initial support, however, may well also have indicated a general reluctance among employers to associate themselves with the political stance of the N.C.E.O. More likely, however, it was a symptom of the serious disagreement between the members of the Confederation over its functions and the internal distribution of authority.

The first Annual General Meeting of the Confederation, held on 25th March 1920, provisionally agreed upon a constitution which loosely defined the function of the N.C.E.O. as being to "secure the fullest co-operation between all Employers Organisations dealing with questions arising out of relations between Employers and their Workpeople." However, this definition was quickly put to the test by the "Central Committee on Wages and Working Conditions", an unofficial caucus of employers led by Sir Allan Smith and Sir Ernest Moir of the Federation of Civil Engineering Contractors. Founded in May 1920, the Committee sought to meet "the difficulty now being experience [through] the want of co-ordination and co-operation amongst the various branches of industry." In August, the Committee called upon the members to invest the Confederation with executive powers over the labour policies of its constituent organisations. "If one branch of industry is being attacked," the Committee argued, "all other branches should take such action as is possible to help." This call was little short of a plan for a "closed shop" among employers and in 1920, despite their misgivings about wage demands from the trade unions, few employers' organisations were either inclined or ready to commit themselves to a collective counter-attack.

The powers of the N.C.E.O. were fully discussed by the members at a Special General Meeting, held in November 1920. Here it was agreed that the role of the Confederation "should for the time being be

73 N.C.E.O./NC/1/C4/3.
consultative and advisory only." No less important, the members also decided to formally separate the Confederation from the E.E.F. by appointing a permanent secretary and establishing new offices as soon as possible. In the long run these decisions helped to secure the future of the N.C.E.O. In the short run, however, they indicated the growing concern of employers over the autocratic methods of Sir Allan Smith and served to justify the suspicion that the E.E.F. and the Shipbuilding Employers' Federation were plotting to convert the Confederation into a vehicle for the pursuit of their particular industrial objectives.

However, these developments also served to highlight the unsatisfactory condition of the N.C.E.O.'s internal organisation. Here the problems stemmed from the first Annual General Meeting. In March 1920 a scheme of representation had been approved based upon 59 trade categories. Each category was entitled to nominate two representatives to attend the A.G.M., with one additional member for every 50,000 unit of workers in the trade group. This scheme, however, satisfied no one. The large industries, notably engineering, shipbuilding and iron and steel, believed that the system did not give adequate recognition to their economic and political importance and feared that the trade category system would muffle their influence within the Confederation. On the other hand, the smaller members of the N.C.E.O., such as the National Association of Heating and Domestic Engineers, thought that the existing system of representation would erode their autonomy.

The internal problems of the N.C.E.O. during the immediate post-war years prevented the replacement of the Provisional Executive Committee of 1919 by a fully representative leadership and undoubtedly hindered the Confederation in dealing decisively with the many issues which it had to face in connection with the National Industrial Conference and at large. Indeed, no serious move was made to resolve

75 Ibid., N.C. 0198.
77 N.C.E.O./NC/1/C4/1. N.C. 061.
the disagreement over the constitution until the break-up of the Provisional Joint Committee of the N.I.C. in July 1921. Shortly before the final meeting of the P.J.C. on 19th July, Sir Allan Smith and the Executive Committee called for the immediate reorganisation and strengthening of the National Confederation and submitted the draft of a new constitution for consideration by the members. The Executive Committee emphasised the necessity for an organisation "which will be in a position not only to deal with difficulties when they arise, but to work in anticipation of them." The outcome of this move was yet another Special General Meeting to discuss the future of the N.C.E.O., held in October 1921. The General Meeting revealed that the Confederation was on the verge of following the Provisional Joint Committee into oblivion. Five members had resigned and others were considering resignation. In addressing the meeting, Sir Allan Smith appealed for solidarity. "It is time we took the lesson of the War," he declared, "and realised that Employers as a class should be in a position to avoid being unprepared." The Confederation's Chairman candidly predicted a period of sustained industrial conflict. "In the future this country is going to be the cockpit of labour troubles," he noted. However, Smith also made it clear to his listeners that the Engineering Employers' Federation and the S.E.F., at least, were not prepared to concede the industrial and political field to the T.U.C. by default. "I can assure you," the Chairman announced, "that there are certain important branches of industry who are determined, no matter at what cost, that this organisation ought to be maintained, and who realise that without such a central organisation the position of employers in the future is going to be very difficult."

The General meeting of October 1921 was a turning point in the post-war history of the N.C.E.O. Sir Allan Smith's warnings galvanised the Confederation's members into immediate action. In


79 "Opening Remarks of the Chairman of the Confederation ... at the General Meeting of the Confederation held at Broadway House ... 27 October, 1921." N.C.E.O./NC/1/C4/8. N.C. 156.
November 1921 the old constitution was scrapped and replaced by a simpler and more centralised arrangement.\textsuperscript{80} The new constitution firmly clarified the functions of the organisation. These were to be:

1. To provide for joint consultation between employers' organisations, and to "ascertain their views and take such steps as may be necessary or desirable to give effect thereto."
2. To watch over and keep employers' organisations informed regarding the operation of existing laws and practices, the activities of government Committees and all legislative proposals which might affect, or tend to affect, the interests of the employers.
3. To collect from employers' organisations statistical and other data and collate such comparative and statistical and other statements as might be deemed necessary or advisable for the guidance of employers' organisations as a whole.
4. To act as a consultative and advisory body in ascertaining the collective views of employers' organisations.
5. To act as the industrial organisation most representative of the employers' organisations in Great Britain and Ireland in accordance with Part XIII of the Peace Treaty.

The vital point in this charter was the fourth stipulation which defined the N.C.E.O.'s function as non-executive. The other features of the new constitution, however, represented a victory for the E.E.F. and its allies. The trade groups disappeared and were replaced by a system of representation which formalised the dominance of the large industries in the Confederation. Each member was now given one representative on the Council with an additional member in proportion to the size of subscription. The same system governed representation at the Annual General Meeting. Most important of all, however, the votes of representatives did not carry equal weight. All representatives had one vote, but each vote was regarded as "having a value equal to the total average number of workpeople ...employed by the firms within the membership of the Organisation."\textsuperscript{81}

\textsuperscript{80} "Minutes of the Adjourned General Meeting, 16 November 1921." N.C.E.O./NC/2/C4/9.

\textsuperscript{81} National Confederation of Employers' Organisations, Constitution and Membership, London, January 1922. N.C. 164, pp. 3-4.
Overall, this system was calculated to promote unity, but not at the expense of the staple and labour intensive industries.

The new constitution came into effect in January 1922 and provided a framework for the stabilisation of the Confederation and its development over the next decade and a half. Predictably, the distribution of authority within the N.C.E.O. was firmly located in the heavy industries. Later in 1922 the Mining Association and the Railway Companies' Association joined the Confederation. After their arrival the Confederation was effectively dominated by a "Junta" of five employers' organisation embracing over 4½ million workers in key industries. The Engineering Employers' Federation, with a labour force of over 1½ million remained as it had always been, the dominant force behind the Confederation. It was followed by the Mining Association (1,250,000), the Railway Companies' Association (1,000,000), the Federation of Master Cotton Spinners' Associations and the Cotton Spinners' and Manufacturers' Association (600,000), and the Shipbuilding Employers' Federation (360,000). Behind the "Junta" the other organisations were ranged in three divisions of importance. The first division included the National Federation of Building Trades Employers, the National Federation of Iron and Steel Manufacturers, the Chemical Employers' Federation and the Shipping Federation. The second division included employers' organisations in the subsidiary staple industries, such as the National Light Castings Iron Founders' Association and the Wool and Allied Textile Employers' Council. The third division, which expanded slowly after 1922 was made up from the new industries and miscellaneous trades, and included bodies such as the National Employers' Association of Vehicle Builders, the India Rubber Manufacturers' Association, the Hotel and Restaurants Association and the National Federation of Launderers.82

However, Sir Allan Smith's vision of an organisation which would embrace almost all of the national employers' organisations in the country was far from realised. The introduction of the 1922

constitution led to an initial fall in the N.C.E.O.'s numbers to 15 members. Thereafter the scale of membership recovered, but slowly. By 1924 the N.C.E.O. included 35 employers' organisations, covering about 6 million workers. However, the weight of support which had launched the Confederation at the end of the War was not regained until 1929.

A number of energetic recruiting drives were launched, notably in 1927, in 1929 and again in 1931, aimed at bringing in employers' organisations such as the Federation of Master Printers and the Brewing Society and giving the Confederation a foothold in agriculture, commerce, insurance and in retailing. These attempts to broaden the Confederation's industrial base, however, produced modest results. In all, only 13 new organisations were brought into the N.C.E.O. during this period, pushing the Confederation's membership up to the inter-war peak of 49 employers' organisations. Had these recruiting efforts proved more successful, then the profile of the N.C.E.O. would have changed significantly. Certainly, after 1929 the "new industries" and the high technology sector assumed a more visible presence inside the Confederation through the recruitment of organisations such as the Newspaper Society and National Federated Electrical Association. Nevertheless, the dominance of the traditional and labour-intensive industries within the Confederation remained as pronounced as ever. Thus, even by 1936, all of the major executive posts in the N.C.E.O., including the presidency, were held by employers from the heavy industries.

83 Annual Report For the Administrative Year, April 1923 - April 1924 N.C.E.O./NC/1/Ann.Rpts. N.C.833.
85 In 1929, for example, the Secretary of the London Employers' Association complained that "the Confederation is rapidly becoming a machine which is concerned with ... the basic industries of the country [and] the interests of other sections of the industrial community are paid comparatively little regard in your ordinary work." H. Kay to J.B. Forbes-Watson, 3 July 1929. N.C.E.O./NC/Misc./1/4/A.
However, the very strength of the traditional industries within N.C.E.O. was also partly the result of one of its major weaknesses. From its inception, the Confederation laboured under severe financial constraints. In the vital period 1919-1922 the E.E.F. almost single-handedly carried the burden of the Confederation's expenses, at a cost of over £6,000. Under the reorganisation scheme of 1922 the subscription rate was fixed at 1d per £1 for wages bill of each member. Over the years which followed, however, various financial expedients were forced upon the Confederation in order to sustain the widening scope of its work. In July 1924, for example, the basic subscription rate was increased to 1d, bringing in an income of £10,000 per annum. In May 1927, however, the members of the N.C.E.O. agreed to set up an Emergency Fund to raise an additional £50,000, most of which came from the E.E.F. and the "Junta". Later, in April 1929, the Confederation was forced to introduce an Exceptional Levy on its members to meet the costs of running the organisation. In addition to these steps, the N.C.E.O. relied heavily upon donations from employers' organisations, both inside and outside the Confederation, and from individual employers.

However, the income of the National Confederation after the War never came near to matching the financial resources of either the F.B.I. or the T.U.C. In 1926, for example, the N.C.E.O. received a total income from all sources of £11,600 in comparison with the £183,000 which was subscribed to the T.U.C. by the unions. By 1936 the Confederation's income was still only approximately £12,500 per annum. Lord Weir, among the most prominent figures inside the

89 N.C.E.O. /NC/Misc./1/4/A. N.C. 2203. In 1926, for example, the Chemical Employers' Federation donated £3,000, and the Mining Association £1,500. Sir James Lithgow of the S.E.F. made a personal donation of £1,000.
N.C.E.O. during these years, was a persistent critic of the "penurious lines" upon which the organisation was forced to function. Yet no permanent solution was found to this problem. Through the inter-war years, the N.C.E.O.'s finances were more often than not in the red. While this situation increased the Confederation's dependency upon the large employers' organisations, it also undoubtedly weakened the general efficiency of the organisation. Nevertheless, the reluctance of British employers to pay for strong central representation remained a closely guarded secret.

The development of the National Confederation after the War was built upon its human capital in the shape of a close-knit and politically committed leadership. The personnel of the Confederation were among the least publicly known of its attributes, but certainly among its most important. As the N.C.E.O. had developed out of the industrial provinces and, in particular, out of industrial Scotland, so its leadership reflected its economic base in the traditional industries. Scottish officials and industrialists loomed large in the Confederation during the inter-war years and they left an unmistakeable mark upon its organisation and its political outlook. They brought with them an authoritarian style of leadership and an unwavering conviction in the supreme economic importance of the heavy industries. However, they also imported the political awareness and indeed, the class consciousness of Scottish employers into the N.C.E.O. Their foremost representatives were Sir Allan Smith and Lord Weir.


The creation of the National Confederation was undoubtedly Sir Allan Smith's largest contribution to the post-war employees' movement and his determined efforts to ensure its survival during the immediate post-war years fully justified the grudging praise he earned from opponents as "the star among the professional representatives of capitalism." In April 1922, however, following the introduction of the new constitution, Smith officially stepped down as Chairman of the N.C.E.O. and assumed the post of Senior Vice-President. His place at the head of the Confederation was taken by Lord Weir, appointed as President in May and re-elected for a second term in April 1923.

At the beginning of 1924, Lord Weir assumed the newly created post of Honorary President, which he held unchallenged for the remainder of the inter-war period. Under his watchful guidance, the N.C.E.O. steadily grew in self-confidence and in public stature. Unlike Sir Allan Smith, whose bluntness and aggression probably alienated the more moderate section of employer opinion, Weir commanded an authority among employers which extended well beyond the boundaries of the Confederation. Both men, however, were important political assets to the N.C.E.O. As a leading figure in the British Commonwealth Union and as an M.P. between 1919 and 1923, Smith fostered the Confederation's political contacts, as well as employing the floor of the House of Commons to expound its views on labour questions.

Likewise, Lord Weir used the House of Lords as a political platform for the N.C.E.O., notably during the 1926 Coal Stoppage. More often, however, he preferred to work behind the political scenes on the N.C.E.O.'s behalf. Along with Smith, the Confederation's Honorary President enjoyed the confidence of politicians and their officials between the Wars. Partly because of this, and partly because of the

96 Interview with Mrs. Agnes Miller, daughter of Sir Allan Smith, 1 September 1980.
positions which they were known to hold in the National Confederation, the two men developed an active role as advisors to Conservative and Labour Governments alike.97

Sir Allan Smith and Lord Weir were at the centre of industrial politics during the 1920's and they remained figures of some political standing thereafter. How they acted and what they said usually represented the collective view of the N.C.E.O. and was read as such by others. Their attitude towards organised labour was respectful but firm. Both men pursued an unrelenting campaign against left-wing trade unionism and they were always quick to identify the hand of "social agitators" behind demonstrations of industrial militancy.98 Their attitude towards State intervention was fundamentally orthodox, although not inflexible. Smith and Weir believed in industrial voluntaryism and the right of employers to manage. Likewise, they believed in the essential voluntaryism of social relationships and social welfare. The State, they argued, could provide minimum provision for the genuinely needy, but it could not guarantee high social standards. "If Labour wants a better time and more prosperity," Weir told employers in February 1921, "then labour must earn it; nobody can give it to them."99

After Lord Weir the twelve Presidents who headed the N.C.E.O. ranked among the foremost industrial figures of the day. The majority were drawn from the Confederation's "Junta" and they prided themselves in "wasting no time on generalities and platitudes."100 Their political outlook, too, was broadly similar. Among the most important Presidents during the 1920's were Sir James Lithgow

97 On Weir, see W.J. Reader, op. cit., chap 7.
98 The Croydon Times, 20 October 1920.
99 The Glasgow Herald, 2 February 1921.
(1924-1925), the Chairman of the S.E.F.,\textsuperscript{101} and Evan Williams (1925-1926), the controversial leader of the Mining Association.\textsuperscript{102} These two men wielded considerable influence inside the Confederation until the mid-thirties and their conservative views left a lasting mark upon the labour and social policies of the National Confederation.

In the aftermath of the General Strike, the N.C.E.O. was headed by a succession of Presidents with moderate reputations, notably Sir David Milne-Watson (1926-1928). However, during the first half of the 1930's the leading figures in the Confederation were once again stern figures, with political opinions which matched and probably reinforced the sharp ideological divisions of the period. This "second wave" of industrial leadership included F.C. Allen (1931-1932),\textsuperscript{103} the Chairman of the Shipping Federation; the aged but politically experienced coalowner, Lord Gainford (1932-1933), Harry Shackleton (1933-1934), from the Woollen Employers' Federation and A.L Ayre (1934-1935), from the Shipbuilding Employers' Federation.

The successive Presidents of the N.C.E.O. between the Wars were figures who commanded authority in industry and respect in public life. Nonetheless, the mainstays of the Confederation during these years were its Executive Council and the General Purposes Committee, set up in May 1922 and thereafter appointed annually.


\textsuperscript{103} See below, p. 96.
Very little was known about the executive personnel of the Confederation during these years. They did not court publicity and very few of them admitted their close links with the N.C.E.O. However, collectively the Confederation's personnel had several distinctive features which marked them out from their counterparts in the F.B.I. and the National Union of Manufacturers. Some of them, like Sir Allan Smith, were not employers at all but "professional representatives of capitalism", usually legal men with developed business interests. Sir Andrew Duncan of the S.E.F., John Gregorson from the National Federation of Iron and Steel Manufacturers and W.A. Lee, the Secretary of the Mining Association, were representative members of this group. Other figures in the N.C.E.O., such as Sir Ernest Moir of the Federation of Civil Engineering Contractors and Sir Ralph Wedgwood of the R.C.A., were first and foremost technical experts in their respective industries. However, the majority of the Confederation's executive were, like most of its Presidents, active capitalists who were involved closely in the management of men and machines. Among the representative members of this group were Roscoe Brunner of the Chemical Employers' Federation, Fred Holroyd of the F.M.S.C.A., Sir Adam Nimmo of the Mining Association, and Cuthbert Laws of the Shipping Federation.

Many of the industrialists who had figured prominently in the affairs of the N.C.E.O. in its formative years were still active by the beginning of the Confederation's second decade. As the Chairman of the General Purposes Committee noted in 1930, "No one knows more than I do the strength that has come to the Confederation through its being able to keep around it those who have worked for it."104 This continuity allowed the N.C.E.O. to secure the maximum benefit from the expertise and experience of its executive. Many of its leading personalities had experienced Government service during the War in the Ministry of Munitions and elsewhere, and a number of them sat on Government committees and enquiries between the Wars. Aside from Sir Allan Smith, however, few of the Confederation's personnel were actively involved in parliamentary politics, although there was more

104 Sir Archibald Ross to J.B. Forbes-Watson, 7 May 1930. N.C.E.O. /NC/Misc./4/A.
evidence of participation at local levels. Nevertheless, the industrial leadership of the N.C.E.O. between the Wars represented a collective blend of professionalism, technical expertise and practical involvement in politics which had been noticeably missing from the pre-war employers' movement. To these credentials, however, must be added the common anti-socialism which bound the Confederation's personnel together in a common purpose. In these respects, the leadership of the National Confederation offered British employers an authentic counterpart to the General Council of the T.U.C.

The N.C.E.O.'s development and its political standing between the Wars depended upon its ability to formulate policy for employers. Speaking before the Annual General Meeting in May 1924, Lord Weir reminded the members of the importance of effective policy-formulation. "Employers have been criticised in the past for a lack of policy," the President noted. The N.C.E.O., however, had both the means and the will to remedy this criticism. The pivot of the Confederation's policy-making machinery between the Wars was its Secretariat, established in January 1921 under the control of J.B. Forbes-Watson, yet another Scotsman and like Smith, a lawyer rather than an employer. The appointment of Forbes-Watson was the first move towards separating formally the Confederation from the E.E.F. Later in July 1922, the N.C.E.O. moved to new premises at Millbank, near the House of Commons, and from this position Forbes-Watson conscientiously nursed the development of the Confederation. He was an excellent administrator and a faithful exponent of


employers' views on many issues of policy, notably on unemployment insurance where he developed a particular expertise. Forbes-Watson also became the Confederation's chief spokesman in the International Labour Organisation (I.L.O.). His unflinching commitment to the N.C.E.O. between the Wars earned him respect among trade unionists and in political circles and not least, among employers where he was regarded as "one of the really outstanding industrial personalities of his generation." The importance of Forbes-Watson to the N.C.E.O. was confirmed at an early stage when, in 1925, he was appointed to the new post of Director. The Secretariat which he supervised co-ordinated the internal affairs of the Confederation and acted as its research department. However, largely because of the N.C.E.O.'s weak finances, the Secretariat was never large.

As Secretary to the N.C.E.O., Forbes-Watson inherited a policy-making system which was rudimentary. Until the reorganisation of the Confederation in 1922, most of the decisions which had to be taken were executed by Sir Allan Smith and the Provisional Executive Committee or by specially convened General Meetings. There was also a practice of consulting the views of the members on particular issues through circular questionnaires. However, this method, employed for example in 1919 on the subject of workmen's compensation and again in 1921 on unemployment insurance, precluded any sustained or detailed discussion of policy. The policy machinery which developed after 1922 was geared towards finding authority, but also continuity in the Confederation's policy statements. "Before we speak," Lord Weir told the members in 1924, "we must now that we speak with authority and a single mistake might throw us back years."

The N.C.E.O.'s policy-making system was built around the Executive Council and the G.P.C. These two committees appointed separate

109 In 1927 the Secretariat consisted of the Director, two Assistant Secretaries (H.M. Piper and Richard Sneddon), three Junior Secretaries and a part-time Research Assistant. N.C.E.O./NC/Misc./4/A. N.C. 2204.
"Ad Hoc Committees" to deal with specific issues and these were usually reappointed annually. The first major policy committee to be set up in the N.C.E.O. after the War was on workmen's compensation, appointed in June 1922 under the chairmanship of Evan Williams.\footnote{Minutes of the General Purposes Committee, 16 June 1922. N.C.E.O./NC/1/G.P.C.} It was followed in January 1923 by the Unemployment Insurance Committee headed by Sir Andrew Duncan.\footnote{Sir Andrew Duncan, 1884-1952. Labour Advisor, Biggart and Lumsden and Co., Solicitors, Glasgow, 1909-1914. Secretary, S.E.F., 1915; Vice-President, 1920-1927. Member of the E.C. and G.P.C. of the N.C.E.O., 1922-1927. Secretary, Merchant Shipping Advisory Committee, 1916. Coal Controller, 1919-1920. Member, Central Electricity Board, 1927-1935; Member, Economic Advisory Council, 1930-. Parliamentary candidate, 1922, 1924 and 1931. Kt., 1921.} Both committees drew their members from employers' organisations and individuals from outside as well as inside the N.C.E.O. and produced reports for the consumption of employers and the Government. Probably the most important policy-making body in the N.C.E.O. during the 1920's, however, was not set up until October 1924, when an industrial policy committee was formed under the chairmanship of Lord Weir. Another important committee during this period was the Social Services Subcommittee, set up earlier in 1924 to formulate the N.C.E.O.'s view on the general question of social welfare. With the appearance of these two committees, the Confederation's ability to shape policy for employers moved into a higher gear.\footnote{Annual Report for the Administrative Year, May 1925- May 1926. N.C.E.O./NC/1.Ann. Rpts. N.C. 1690.}

However, in comparison with the T.U.C. and also the F.B.I., the Confederation's machinery for co-ordinating the views of its members did not reach maturity until a relatively late date at the end of the 1920's. In October 1929, mainly in response to the increasing complexity of the Confederation's work and apprehension among employers over the domestic programme of the Labour Government, a new system of ten Standing Committees was established. Seven of these committees were concerned with areas of policy which had been the consistent concern of the National Confederation over the previous decade.
These committees dealt with: (1) factory law; (2) hours legislation; (3) unemployment and poor relief; (4) health insurance, pensions and workmen's compensation; (5) education and juvenile employment; (6) trade boards, and (7) "industrial organisation", a subject which covered a broad area, including trade union law, industrial courts and Ministry of Labour wages inquiries. The remaining three committees dealt with recruiting, parliamentary work and international labour questions. Overall, the new committee system was a marked improvement which facilitated the detailed discussion of political questions among the employers, as well as continuity of policy.

After the War the scale of the N.C.E.O.'s activities kept pace with the widening scope of its political interests. Over the course of 1925-1926, for example, there were 3 General Meetings, over 20 meetings of the Executive Council and the G.P.C. and 106 meetings of the Confederation's policy committees. The N.C.E.O. also issued over 400 circulars and memoranda to employers' organisations, a number of which were also submitted to the Government. All of this was aimed at ensuring the close co-ordination of employers' organisations generally. Successful co-ordination was vital if the Confederation was to maintain its political authority and its effectiveness in politics. However, the National Confederation showed little inclination to establish close formal links with other major employers' organisations.

There were two exceptions to the Confederation's pursuit of organisational independence between the Wars. One of these was the Trade Boards Consultative Council (T.B.C.C.), set up in November 1919 by a group of small employers' organisations, led by the National Federation of Launderers. Officially, the Council was an autonomous member of the Confederation, but it operated from the Millbank headquarters and its executive and finances were largely


controlled by the N.C.E.O.'s Executive Council. Throughout the 1920's the T.B.C.C. competed with the N.U.M. in a vigorous campaign against extension of wage-fixing machinery. The campaign was supported by the N.C.E.O. as a matter of principle. However, the Council's value to the N.C.E.O. was practical rather than political, for it gave the Confederation the only permanent foothold that it had in industrial relations between the wars and also acted as a useful recruiting agent among the smaller industries.

The second employers' organisation with which the Confederation maintained formal links was also an offshoot from the N.C.E.O. This was the International Organisation of Industrial Employers (I.O.I.E.), a body of much greater political importance to the Confederation than the Trade Boards Council. The I.O.I.E. was Sir Allan Smith's second major contribution to the post-war employers' movement. The organisation developed directly out of the Washington Labour Conference of 1919 and was conceived by the Confederation's Chairman as the employers' counterpart to the International Federation of Trade Unions. The I.O.I.E. was formally launched in London in March 1920 by the Confederation, working in close cooperation with the British Commonwealth Union, and the Organisation quickly established itself as a major force in the International Labour Organisation. By as early as October 1921, Smith was able to remind the members of the N.C.E.O. that the International Organisation of Industrial Employers had been "the one means of preventing the Governing Body of the International Labour Office ... doing damage to this country." Through the I.O.I.E., the Confederation consolidated and developed its own specific role as the representative for British employers on international labour and social questions between the Wars.


The N.C.E.O.'s links with the Trade Boards Council and the I.O.I.E. undoubtedly strengthened its general authority among employers and its standing with the Government. However, the Confederation never established the complete monopoly over employers' labour and social policies in the manner which had been anticipated by the E.E.F. and its allies during the War. Part of the difficulty lay with the Government. The Ministry of Labour and other Government Departments had established a working relationship with the Association of British Chambers of Commerce and the N.U.M. during the War and thereafter they consulted both of these organisations on a wide range of questions, including factory law, trade boards and unemployment insurance. However, the main problem was simply that both the Association and the National Union of Manufacturers had no desire to officially subordinate themselves to the Confederation on labour questions. Consequently, throughout the 1920's the N.C.E.O. sought in vain to establish an agreement with the Association and the N.U.M. "which would avoid overlapping and still permit each Organisation to concentrate on its own special lines." After 1929, however, the N.C.E.O. simply ignored the problem.

In practice, however, the Confederation's failure to monopolise the political discussion of labour questions by employers worked in its favour. Despite their stance of independence, the Association of British Chambers of Commerce and the N.U.M. looked to the Confederation for a lead on most questions concerning the trade unions and social policy. On a number of occasions, such as prior to the submission of evidence to the Blanesburgh Committee on Unemployment Insurance in 1926, discussions were held between the three organisations to co-ordinate their views. Co-operation on these lines maximised the dissemination of arguments which were often than not, 120


essentially those of the N.C.E.O.\textsuperscript{122}

However, the N.C.E.O.'s most important political ally between the Wars was the Federation of British Industries. In October 1919 the two sides drew up a new "labour concordat" which defined their respective functions along the lines of the wartime settlement between the Federation and the E.E.F. Shortly afterwards a "Joint Liaison Committee on the Labour Situation" was set up to co-ordinate the work of the two organisations. But although the Committee was envisaged as a permanent arrangement, it was wound up in October 1920 at the instigation of the N.C.E.O. and was never revived.\textsuperscript{123}

Thereafter, the two organisation met frequently to discuss matters of common interest. However, the Federation never uncritically accepted the leadership of the N.C.E.O. on labour and social questions. As R.T. Nugent, the Director of the F.B.I., noted in December 1921, "We have no responsibility, thank goodness, for anything the National Confederation of Employers' Organisations may say or do."\textsuperscript{124} Differences between the two employers' organisation surfaced in connection with the Coal Stoppage in 1926 and during the Mond-Turner talks. Likewise, in the region of social policy and State intervention generally, the Federation frequently adopted, at least publicly, a more restrained posture than the Confederation.

The differences between the Federation and the N.C.E.O. after the War, however, rarely seriously jeopardised the priorities of either organisation, and when they did, a working agreement was usually reached. Co-operation between the two sides was assisted by a developing interlock in their membership and personnel during the 1920's and more rapidly over the next decade. During the immediate post-war years, the Federation played an important part in mustering

\textsuperscript{122} See for example, National Union of Manufacturers, Why the Hours of Industrial Employment Bill ... will Handicap British Industry, London, 1930.


\textsuperscript{124} R. T. Nugent to C.R. Dibley, 14 December 1921, on the Federation's attitude towards the trade unions. F.B.I./Walker Papers/File 10.
the support of rank and file employers behind the N.C.E.O. and thereafter it consistently encouraged its constituent members to affiliate to the Confederation.\textsuperscript{125} Hence, there was always a substantial degree of overlap between the membership of the two organisations. By 1929 the Federation's Grand Council included several notable members of the N.C.E.O., among them, Sir David Milne-Watson and Evan Williams, while the F.B.I.'s District Committees were filled with N.C.E.O. activists.\textsuperscript{126} The appointment of Sir James Lithgow to the Presidency of the F.B.I. in February 1930 probably reflected the hardening political outlook of the Federation under the pressure of the deteriorating economic situation, but it also affirmed the desire of the two organisation for closer co-operation. By 1932 the relationship between the Federation and the N.C.E.O. was characterised by "the spirit of mutual understanding."\textsuperscript{127}

Ultimately, however, the N.C.E.O.'s political authority and its effectiveness between the Wars depended upon its ability to make its voice heard in official and political circles. This was achieved through the traditional mechanism of deputations to Ministers and their officials, through the presentation of evidence to Government committees, and through the publication or submission to the Government of policy reports. All of these avenues of influence were partially dependent upon the Confederation's formal relationship with various Government departments. In this respect the Confederation was fortunate.

The links of some of the leaders of the N.C.E.O. with the Ministry of Labour pre-dated 1919, and after the War the Confederation enjoyed a privileged relationship with this Department and its influential Permanent Secretary, Horace Wilson.\textsuperscript{128} As a

\begin{itemize}
\item \textsuperscript{125} Minutes of the Executive Committee, 26 March 1919. F.B.I./C/3/6.
\item \textsuperscript{127} Annual Report for the Administrative Year, May 1931-1932. N.C.E.O./Ann. Rpts. N.C. 3740.
\item \textsuperscript{128} Horace Wilson, 1882-1972. Secretary, Committee on Relations between Employers and Employed, 1916-1917; Permanent Secretary to the Minister of Labour, 1921-1930; Chief Industrial Advisor to the Government, 1930-1939.
\end{itemize}
matter of basic strategy, the Confederation usually submitted its policy reports to the Ministry of Labour. "We believe," Lord Weir noted in May 1924, that this procedure "helps to educate us as well as it helps to educate the Minister."\(^{129}\) Private discussion of these reports gave the Confederation access to official opinion and, sometimes, to the concrete intentions of the Government on issues such as hours regulation and unemployment insurance. The close working contact between the Confederation and the Ministry also helped the employers to gain representation on a number of permanent advisory bodies, such as the King's Roll National Council, the National Council on Juvenile Employment and Education and on a number of Government enquiries. The benefits which arose from the Confederation's relationship with the Ministry of Labour were highly valued inside the N.C.E.O. and in particular by its Director, J.B. Forbes-Watson. However, the relationship between the two sides always appeared more balanced and integrated than it actually was.

Throughout the inter-war years the relationship between the N.C.E.O. and the Ministry of Labour was held together as much by necessity and the prospect of direct advantage, as by common agreement on basic political issues. The National Confederation was always acutely aware of the fact that it required the solid support of the Ministry in order to attract new members and to function as an effective political force. The Confederation's recruiting literature stressed its special consultative relationship with the Government on labour and social questions.\(^{130}\) However, the leaders of the N.C.E.O. never saw their political role in subservient terms, either in relation to the Government, or still less, in relation to the T.U.C. During the 1920's the Confederation argued with the Ministry of Labour over access to information and over the right of the N.C.E.O. to be consulted at all stages in the preparation of legislation. After 1929, along with other groups of employers, the N.C.E.O. became even more forthright in attempting to assert its presence in the process of


official policy debate and policy formulation, notably in 1931 during the crisis. 131

Essentially, however, the difficulties in the relationship between the N.C.E.O. and the Ministry of Labour between the Wars turned upon substantive political issues. One of the most serious questions which was debated between the two sides, along with the T.U.C., was the ratification of the Washington Hours Convention on a statutory 48-hour week. By 1932, however, the controversy had been resolved in the favour of the Confederation's view by the virtual renunciation of the Convention by the Government. 132 Other points of contention between the N.C.E.O. and the Government generated more friction and were less immediately open to a solution which favoured the Confederation. These included most of the Government's unemployment measures and almost the whole field of its social policy. Commenting upon these subjects in June 1927, Sir James Lithgow accurately conveyed the N.C.E.O.'s dissatisfaction when he condemned the Ministry of Labour as the worst offender among "the three main industrial interfering departments" and denounced its "Socialisti­cally inclined attitude towards all employers' problems." 133

The Ministry of Labour's attitude towards the N.C.E.O. was equally charged with suspicion and, at times, with antagonism. At the end of the War, it had been convenient politically and it remained so thereafter, for the Ministry to recognise and patronise the National Confederation as the official counterpart to the Trades Union Congress. However, as we have seen, although Horace Wilson and his officials were prepared to grant the Confederation a relatively privileged status, they deliberately stopped short of allowing the N.C.E.O. to establish a monopoly of the channels of communication between Industry and the Government on labour questions. One reason for this caution was that the Ministry of Labour was reluctant to open itself to the charge of political bias, and it was well known


that the Confederation was the most conservative of employers' organisations. The main reason, however, was simply that the Government was never convinced by the Confederation's claim that it represented, either the majority, or the most economically significant section of the employing community. What the Ministry of Labour was always prepared to accept was the sectional unity of the N.C.E.O. and its tendency, as one Ministry official neatly put it in 1934, to advance "the pet theories of certain groups of employers." 134

Apart from the Ministry of Labour, the N.C.E.O.'s main channel of access to Government during the immediate post-war years was the Home Office, with which it collaborated on subjects such as factory law and workmen's compensation. 135 Either deliberately or because the Departments concerned did not encourage communications from the N.C.E.O., the Confederation never developed strong links with the Ministry of Health or with the Boards of Education and Trade. The limited avenues of access which it enjoyed increased the Confederation's practical dependency on the Ministry of Labour. However, it also meant that the N.C.E.O. could not afford to completely abandon the traditional political activities of employers in favour of a total reliance upon "consultation" with civil servants.

The N.C.E.O.'s methods of exercising direct political influence between the Wars fell into two categories. On the other hand it conducted regular deputations to Ministers and their officials. In 1925-1926, for example, there were no less than twelve meetings between representatives of the N.C.E.O. and the Government. 136 On the other hand, the Confederation frequently had to fall back upon independent political action to defend the interests of employers. Overt publicity was usually shunned, but not entirely. Statements and reports were released to the press and circulated among M.P.'s, as for example in 1924 on the question of unemployment insurance;


in 1926 on the Coal Stoppage, and in 1931 as a response to the economic crisis. The Confederation's leaders placed a high premium on these political initiatives. Speaking in May 1924, Lord Weir reminded the Confederation's members that independent political action was necessary to ensure that "the country will come to see ... that we do know what we want and will begin to respect our opinion." With this goal in mind, also, the N.C.E.O. maintained a parliamentary presence in politics between the Wars.

During the inter-war years the National Confederation established and preserved a working relationship with the Conservative Party. The main link between the two organisations was the Parliamentary Industrial Group, established in February 1919 by Sir Allan Smith under the auspices of the British Commonwealth Union. The Industrial Group was Smith's least known contribution to the reshaping of the employers' movement after the War, but undoubtedly one of considerable importance. The main function of the Group was to act as the political arm of the Confederation and other employers' organisations, including the F.B.I. and the N.U.M., as and when requested. Initially, it enjoyed the support of 22 M.P.'s, mainly Coalition Unionists. Some of them, such as Sir Edward Goulding, were first and foremost politicians. The majority, however, were employers and businessmen who saw themselves as spokesmen for their class. Under the guidance of Sir Allan Smith, its chairman and leading spokesman in the Commons between 1921 and November 1923, the Industrial Group built up a membership of around 40 M.P.'s and firmly established itself in post-war politics as the recognised voice of British Industry.


139 Ibid. The successive Chairmen of the Group were: Sir Edward Goulding, 1919-1921, Sir Allan Smith, 1921-23, Sir Edward Manville, 1923-1924, Sir A.S. Benn, and H.G. Williams, 1925-1929. The Secretary of the Group was P.J. Hannon, 1921-1929. See also, Philip Gee, ed., The Employers' Year Book. London 1922.
During the 1920's the Parliamentary Industrial Group functioned in the House of Commons as the employers' counterpart to the Trade Union Parliamentary Group. Regular meetings were held between members of the Group and representatives of the N.C.E.O. to discuss legislation and to co-ordinate political action on the behalf of employers generally. In 1923, for example, the Industrial Group and the Confederation worked closely together in securing amendments to the Government Bills on trade boards and workmen's compensation.\textsuperscript{140} The Group was also active on the Confederation's behalf during the successive parliamentary debates on unemployment insurance during these years. Although the Executive Council of the N.C.E.O. could never completely rely upon the members of the Industrial Group to follow their views of all questions, they gave the Confederation an invaluable platform in the House of Commons.

The other main function of the Industrial Group was to act as an intermediary between the leaderships of the N.C.E.O. and the Conservative and Liberal Parties. There were several meetings, notably in 1924 on the subject of unemployment insurance.\textsuperscript{141} These were informal and they were a closely guarded secret. In July 1929, however, the Parliamentary Industrial Group was wound-up and its members and functions incorporated into the newly formed Trade and Industry Committee of the Conservative Party.\textsuperscript{142} This Committee was one of several set up by the Party following the unexpected election defeat in the spring. Later, in October 1929, the Confederation established a Parliamentary Committee headed by Henry Mond M.P., under its own scheme of internal reorganisation. The main tasks of the Committee were to scrutinise proposed legislation; to canvass support among individual M.P.'s from all Parties, and at the same time, to collaborate with the Trade and Industry Committee.

\textsuperscript{140} Minutes of the Parliamentary Industrial Group, 7 June 1923. Hannon Papers/Box 13/File 3., and N.C.E.O./NC/5/C4/7.N.C. 607.

\textsuperscript{141} Minutes of the Executive Council, 11 June 1924. N.C.E.O./NC/1 E.C.

Committee of the Conservative Party with a view to bringing the Confederation's policies to the notice of the Government. By May 1934, the Parliamentary Committee was providing the Confederation's leaders and the chairmen of its various Standing Committees with the regular "opportunity of meeting and submitting representations to the appropriate parliamentary groups" in the House of Commons.\(^{143}\)

However, although the N.C.E.O. valued its links with the Conservative Party and was careful to preserve them despite substantive disagreements over legislation, the Confederation always treated this political relationship with extreme caution. Like the F.B.I., the National Confederation liked to portray itself as an advocate of policies which were above Party and class and truly "national" in their perspective. Also, like most political organisations, the Confederation enjoyed the support of individual M.P.'s who did not always wish their links with the N.C.E.O. to become known in political circles. Some of these M.P.'s were obscure back-benchers, but others were high-ranking politicians. In October 1929, the Confederation's Director strongly advised his colleagues that "in getting new and improved mechanisms for liaison" with the Conservative Party, the N.C.E.O. should be careful "not to lose its former helpers, Cunliffe-Lister, Betterton, etc."\(^{144}\) A more serious danger, felt acutely by some members of the Confederation, was that of becoming too closely identified with any one political party. It was feared, for example, that the adoption of an overt party stand by the N.C.E.O. would cause divisions within the Confederation and lay it open to the charge "of mixing industrial interests with politics."\(^{145}\) More importantly, as the Chairman of the Confederation's Organisation Committee warned the Director in January 1930, "if the Confederation identifies itself with one Party, it actually weakens itself with that Party - for why should the party make concessions to buy the adherence of those

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144 Memorandum by J.B. Forbes-Watson, 18 October 1929, "Parliamentary Committee File." N.C.E.O./NC/Misc./1/4/A.

145 A.C. Baylay to J.B. Forbes-Watson, 28 January 1930. Ibid.
already committed to them?" 146 This unresolved dilemma helped to shape the role of the N.C.E.O. in politics between the Wars.

During the inter-war years the N.C.E.O. undoubtedly developed a substantial presence and status in the political system. There were, however, several different dimensions to that presence. Firstly, as an organisational response to the T.U.C., the Confederation undoubtedly met the needs of British employers for a central organisation which would be adequately representative and which would be capable of formulating coherent policies on their behalf. Secondly, the N.C.E.O. effectively filled the institutional role, sought and legitimised by the Government, for a strong employers' organisation which could mediate between employers and the State, and which could offer an independent response to the post-war challenge of organised Labour and Socialism. Thirdly, however, the very nature of this independent response militated against the maintenance of a stable relationship between the N.C.E.O. and the Government after the War. In its organisational and political origins and development, the Confederation never lost its sectional bias towards the staple and exporting industries, nor its inherited antipathy towards Socialism and the State. For these reasons, the N.C.E.O. between the Wars is probably best understood as a politically self-conscious pressure group rather than an integrated political institution. 147

IV

THE POLITICS OF WORK AND WELFARE 1919-1936

The role of the N.C.E.O. in politics between the Wars has attracted considerable comment from historians. However, most of the detailed analysis of the Confederation's policies has concentrated upon those which were directly concerned with

146 Idem.

147 For a different view, see K. Middlemas, op.cit., pp. 18-19, 189-192.
industrial relations. This bias is understandable because it was in this area that the Confederation attracted much comment at the time, both from the trade unions and from the Government. 148 As we have seen, however, the Confederation's political interests were spread widely. Among these interests, unemployment and social policy held a special significance for the leaders of the N.C.E.O. during the 1920's and the decade which followed.

The N.C.E.O.'s politics between the Wars have to be seen first of all in relation to its attitude towards post-war reconstruction. The post-war debate on industrial and social reconstruction brought the Confederation and employers generally to the centre of the political stage as participants in the task of defining the terms and the limits of reform. The N.C.E.O. initially accepted this responsibility as the third party in the Provisional Joint Committee of the National Industrial Conference. 149 With the onset of economic recession, however, its political attitudes visibly hardened. In July 1921 the N.C.E.O. withdrew from the Provisional Joint Committee. In doing so, Sir Allan Smith and his colleagues probably removed any real possibility for the creation of a lasting industrial consensus between Government, Labour and employers. However, the "turning" of the N.C.E.O. also signified a more general retreat on its part from the whole concept of industrial and social reconstruction, or at least on the terms in which these had been defined prior to, and during the National Industrial Conference.

The events which surrounded the calling of the National Industrial Conference in February 1919 and the Government's purpose in calling it have been rehearsed elsewhere. 150 Whether the move was tactical, or a genuine expression of the Government's commitment to co-operation with the trade unions, it forced Sir Allan Smith and his colleagues at the Conference to adopt the concessionary stand which earlier they had condemned in the F.B.I's Labour Report. At the first meeting of the Conference on 27th


150 See R. Lowe, _op.cit._, pp. 650-653
February, for example, Smith told the assembled listeners that trade unionists were "under a complete misapprehension" regarding the views of employers. The employers, he argued, "are prepared to go much further in the amelioration of the conditions under which their employees worked than any of them had an idea of." Smith's assurance was confirmed by the subsequent willingness of the Employers' Panel on the P.J.C. to adopt a broad programme of industrial and social reform, including the 48 hour week, a minimum wage, a national scheme of contributory unemployment insurance and the establishment of a national industrial council. By the end of 1921, however, the unemployment insurance scheme was the only major item in the agreed programme of the N.I.C. to which the Confederation still officially adhered.

As Lowe has pointed out, there was a distinct measure of duplicity in the N.C.E.O.'s withdrawal from the P.J.C. in July 1921. Yet, the nature of this duplicity was far from being a simple case of breached commitment. It has frequently been overlooked by historians that, both during and after the War, the attitude of employers and their organisations towards co-operation with Labour was hedged with conditions. The notion of a "fair deal" from Labour as well as for Labour permeated the F.B.I.'s Labour Report of 1918 and Sir Allan Smith was careful to introduce the same idea at the first meeting of the National Industrial Conference. Lasting co-operation between employers, trade unions and the Government, Smith reminded his listeners, could not be accepted as "a one-sided arrangement" which favoured the workers. "If amelioration is going to take place in the working conditions [of labour] and other matters of public importance ... there was another part of the bargain." In common with the Federation of British Industries,

151 The Times, 28 February 1919.

152 Minutes of the Provisional Joint Committee, 26 March 1919. LAB. 2/775/I.R./1730.


154 The Times, 28 February 1919.
Smith painted the other side of the bargain principally in terms of increased productivity. However, with the successful launching of the N.C.E.O. in April 1919, the terms of consent to reconstruction as understood by employers were further clarified, but also stiffened.

Over the course of 1920-1921, labour militancy and the first signs of the post-war economic recession brought a response from the Confederation which suggested that it had redefined the meaning of reconstruction in several important areas. Firstly, the Confederation now insisted repeatedly that the trade unions must adopt a flexible attitude towards the downward revision of wages and working conditions. Secondly, and more generally, the N.C.E.O. placed its weight behind the rising demand from employers for the removal of Government presence in industry and especially, in industrial relations. Finally, and with an increasing shrillness, the N.C.E.O. vented its criticisms against the failure of the Government to reduce the burdens of direct and indirect taxation upon industry. "Industry has been throttled," the Confederation's Chairman complained in December 1920.

The common denominator in the terms of reconstruction as adjusted by the N.C.E.O. was the search for immediate reductions in the costs of production. The logic which underlay his goal, however, was dependent upon the willingness of the trade unions and the Government to accept the economic priorities of employers in the staple industries. This requirement did not and indeed, could not, provide a firm foundation upon which to build a new post-war consensus between State, Labour and employers. The N.C.E.O.'s withdrawal from the Provisional Joint Committee of the N.I.C. in July 1921 was partly a confirmation of this fact. However, it was also a admission by Smith and the Confederation that they could not dictate the terms of reconstruction. Seen from this angle, perhaps, the break-up of the P.J.C. marked a deeper rift in post-war politics than has generally been recognised by historians.

The implications of the failure of the National Industrial Conference were felt most immediately in the sphere of industrial

155 See for example, R. Charles, op.cit., pp. 252-253.
relations. From 1921 onwards the N.C.E.O., guided by Sir Allan Smith and Lord Weir, adopted a progressively more belligerent attitude towards the trade unions and towards any form of government "interference" in collective bargaining. The Confederation's record here has already been documented by historians in some detail. However, there were three principle highlights in the N.C.E.O.'s role in industrial relations after 1921 which should be noted. These were, firstly, its faithfull support of the E.E.F. in its dispute with the engineering unions in 1922; secondly, the Confederation's equal, but more vocal support of the mineowners during the drawn out coal dispute of 1925-1926; and finally, the N.C.E.O.'s hostile intervention in the Mond-Turner talks in 1929-1930. The N.C.E.O.'s presence in industrial relations during the 1930's was less obvious, but only because by then the balance of advantage was squarely and firmly in the hands of employers at plant level.

However, the rapid break-down in consensus between the N.C.E.O. and the trade unions on basic questions of wages and working conditions after the War was reinforced by a parallel collapse of agreed objectives in other areas of policy. Unemployment was probably the major issue which divided the Confederation from organised Labour, but also from the Government, for most of the inter-war period. The main reason for disagreement was the post-war economic decline of the traditional heavy and exporting industries. These industries, such as coal and steel, were the hardest hit by the post-war fluctuations in international trade, yet they remained among the most labour-intensive sectors of the British economy. Faced with economic recession, the members of the N.C.E.O. looked first towards the trade unions for a solution to the problem. After 1926, however, the extent to which employers could solve the problems of foreign competition and falling profits by lowering industrial standards was limited. Consequently, the N.C.E.O. increasingly looked towards the State, and the financial burdens which the State placed upon industry through the taxation and the social services, as the key to restoring the economic

prospect of the staple industries.

Unemployment was a central issue during the National Industrial Conference of 1919 and thereafter the subject acquired an axiomatic importance for the Government and for the trade unions, but no less so for employers. Throughout the inter-war period and particularly after 1929, British employers were an important focus in the national debates on the prevention and the reduction of unemployment and upon the relief of the unemployed. Contrary to the claims of some trade unionists, employers extracted little satisfaction from the prevalence of unemployment. The unacceptability of unemployment was always admitted by the Federation of British Industries. For the N.C.E.O., however, the problem was viewed from the outset in terms of a national economic emergency and, in due course, in terms of a social and political emergency. As Alexander Ramsay of the E.E.F., and a member of the Confederation's Executive Council, warned in 1930, "Unemployment or under-employment is not an abstract condition about which economists may argue in scientific terms ... It is a condition which causes men and women to challenge the very basis upon which society is run. It makes them rebels against circumstances."159

The hallmark of the N.C.E.O.'s approach to unemployment between the Wars was its urgency, but also its political belligerency. Addressing the House of Commons on the country's economic prospects in December 1920, the Chairman of the National Confederation warned the Government against lapsing into complacency. "This period," he argued, "is a crisis which calls for an amount of statesmanship on the part of the Government which has not been called for on any occasion but at the gravest crisis during the War."160 After 1920 this theme was echoed across industry and politics by the N.C.E.O. and by its leaders with a force and a consistency which the Government found difficult to entirely ignore. However, few of those measures which were introduced to directly assist the staple

158 See for example, The Times Trade Supplement, 15th October 1921.


industries, such as the Trade Facilities Act of 1921 and the Derating Scheme of 1929 were regarded by the Confederation as commensurate with the economic crisis which it had identified.

Even before the break-up of the Provisional Joint Committee in 1921, moves were afoot within the N.C.E.O. to draw up a policy on unemployment for British employers which would answer the "Right to Work" campaign of the T.U.C. and provide the Government with a lead behind which all employers might be prepared to unite. However, no general prognosis of the unemployment problem was developed by the Confederation until December 1925 when an internal report was drawn up entitled, "British Industrial Depression", and then submitted to the Baldwin Government early in the following year as the blueprint for an alternative economic policy. The same purpose inspired the submission of a second economic policy report, The Industrial Situation in February 1931 and a third report in December 1933.

These reports outlined a politically unpalatable solution to the unemployment problem which covered both industrial relations and Government expenditure. Their main feature, however, considered in greater detail in the chapter which follows, was a critique of what the National Confederation regarded as a serious imbalance in the relationship between work and welfare. As the Confederation remarked in its 1925 report, "The unemployment position itself is sufficient to demonstrate that this country cannot go on with its present idealistic schemes of Social Services on the basis of its present productivity." For the N.C.E.O., the unemployment problem increasingly became primarily a problem of social spending. In this respect its emphasis was not fully shared by all employers, either then or later. However, the Confederation's view of the unemployment problem added a new dimension to the post-war unemployment debate. Briefly, there were several reasons why this was so: firstly, because the Confederation's viewpoint offered a clear alternative to the reflationary policies of the T.U.C.; secondly, because the N.C.E.O.'s policy was essentially a critique of the existing economic functions of the State, and


162 Loc. cit., p. 11.
thirdly, because it argued that economic policy could not be seen in isolation from social policy.

For the N.C.E.O., as for many conservatives after the War, social welfare was regarded as an important political arena for the fight against Socialism. For the former, however, social welfare was also seen as an issue within which basic ideological and economic arguments could be politically won. "There can be found no social well-being," the N.C.E.O. argued in 1925, "which is not founded upon industrial well-being." 163 The pursuit of this view was to bring the N.C.E.O. into almost every major debate on social policy between the Wars as a critic of existing social expenditure and standards of provision. After the War, evidence was presented by the Confederation to several important Government commissions, including the Royal Commission on Health Insurance, and parliamentary opposition was mounted to objectionable Bills, such as the Workmen's Compensation Bill of 1923 and the Widows', Orphans and Old Age Pensions Bill of 1925. By as early as 1927 the N.C.E.O. was able to claim with some justice that "the Confederation has made the subject of the Social Services peculiarly its own." 164

However, while it was social policy which increasingly shaped the N.C.E.O.'s view of the unemployment problem after the War, it was the unemployed who dominated its perception of the legitimate limits of social action. Speaking of the workless in May 1922, Lord Weir warned the members of the Confederation of the vigilance which would be required to "control unwise idealism." 165 From 1920 until the mid-1930's, the Confederation fought a running battle with the T.U.C. and the Government to ensure that the unemployed were treated on "sound" social principles and that the financial liabilities of employers to the unemployed were restricted. This contest had a dual focus in the shape of the enlarged unemployment insurance scheme and the Poor Law. On both subjects, however, the


N.C.E.O. established a commanding authority among employers between the Wars and a considerable political reputation.

Throughout the 1920's and beyond the National Confederation unflinchingly maintained that unemployment insurance was a mechanism for relieving short-term unemployment and that the scheme could not be converted into a general system of relief in which the liabilities of employers were dictated by the needs of the unemployed and their families. The Confederation's alternative was outlined in 1924 in its first major policy report entitled, the Report on Unemployment Insurance. The Report called for the restoration of the 1920 Unemployment Insurance Act and general reform of poor law relief. 166 As such, it provided the basis for a political campaign by the N.C.E.O. which was to last a decade and preoccupy its leaders. In the short term, the Report gave employers a bulwark upon which they could unite against the T.U.C.'s demand for "Full Maintenance". In the longer term, the Report helped to attract public and political attention to a line of policy which was ultimately endorsed in the 1934 Unemployment Act and the creation of the Unemployment Assistance Board.

How far the N.C.E.O. influenced, or made a practical impact upon Government unemployment policy in its formative and mature stages between the Wars is one of the major questions which is examined in the chapters which follow. Here it is sufficient to draw together two general conclusions about politics of the Confederation during these years. Firstly, as a large and important pressure group, the N.C.E.O. was overwhelmingly an agent of disruption rather than consensus in the post-war political scene. Its views on industrial relations and social policy ran counter to those of the trade unions, but also to existing Government policies. The Confederation was politically geared towards the prevention of socialist-inspired change, yet it was itself a potential agent of policy change, although in a different direction. Secondly, although the unemployment problem was never the Confederation's only concern, it possessed an economic and an ideological centrality for the

organisation and its members. For the National Confederation the unemployment problem between the Wars was the meeting place for the politics of work and the politics of social welfare. For this reason, a significant part of the history of the N.C.E.O. in British politics during these years was built around the national debate on unemployment.
CHAPTER 2

THE PROBLEM OF UNEMPLOYMENT 1919-1936

For all employers, but in particular for the members of the N.C.E.O., the recession which overtook British industry after the War and the high level of unemployment were major embarrassments which also posed a number of specific challenges. Most of these were early in the making, but uneven in their importance for the Confederation. The early concentration of unemployment in the staple and exporting industries reflected badly upon their production methods, their managerial performance and more generally, upon their preparedness and willingness to adjust to post-war trading conditions. Unemployment and the threat of increased unemployment also had a direct bearing upon labour relations, encouraging industrial discord and disrupting the smooth operation of collective bargaining.

These were problems which the Confederation could not ignore. However, the substantive challenges of unemployment for the N.C.E.O. between the Wars were overwhelmingly political in their nature and of two quite different sorts. The first of these was the revival of the T.U.C.'s campaign for "The Right to Work" during the immediate postwar years. Coupled to the demand for "Full Maintenance", the pursuit by the trade unions of full employment guaranteed by the State and underwritten by employers threatened the industrial priorities of the Confederation and challenged the very basis of its economic and political orthodoxy. The second challenge to confront the Confederation between the Wars was longer in materialising but ultimately was no less serious than the first. This was the iron grip on Government unemployment policy which was maintained by the


2 On the origins of this campaign, see K.D. Brown, Labour and Unemployment, 1900-1914, Newton Abbot, 1971.
The steep and sudden rise in the volume of unemployment soon after the end of the War posed a major problem for the Coalition Government and all subsequent Governments. It was hoped that unemployment would be a short-lived phenomenon and that the scale of the problem would
soon fall back on its pre-war dimensions. That hope was not dispelled substantially until the mid-1920's, and even then it retained a following. However, the initial response to unemployment, shaped during the National Industrial Conference of 1919 and heavily dependent upon Addison's housing plans and a national scheme of unemployment insurance, was quickly revealed as an inadequate programme for tackling the problem. As a result, after 1920 British politics were increasingly dominated by a debate about the causes of unemployment and by a search for solutions. All of these solutions had implications for the unemployed and, in many cases, they were advanced in conjunction with specific policy proposals concerning the provision which should be made for the unemployed.

During the immediate post-war years the principal spokesmen for the N.C.E.O. distinguished themselves, not only from trade unionists and politicians, but also from the majority of economists, in their grasp of the seriousness of the unemployment problem and the potential of its duration. They were, of course, well placed to give an empirically grounded assessment of the economic situation and they had good reason to fear the industrial, social, and the political consequences of unemployment. Addressing the Industrial League as early as May 1920, the Confederation's Chairman warned his listeners against the "coming inevitability of unemployment." This pessimism developed rapidly into an alarm which Sir Allan Smith voiced in the House of Commons and which Lord Weir echoed in industrial circles. "We are no longer the workshop of the world," Weir told a meeting of trade unionists in September 1921, while advising them that there was "no rapid solution" to the economic recession. By 1923 Smith and the Confederation's President were even more convinced of the accuracy of their early predictions. In November 1923, amidst the growing political swell in favour of Protection as a comprehensive remedy for unemployment, Lord Weir announced that "there was no short-cut or royal road to better times."

4 The Croydon Advertiser, 29 May 1920.
5 The Glasgow Herald, 17 September 1921.
The appeal of the Confederation's President was directed against the T.U.C. and towards the Government, but also towards the members of the N.C.E.O. During the early 1920's the National Confederation established the political fact that neither the unemployment policy of the T.U.C. nor the measures which had been taken or were contemplated by the Government, had its full support. However, despite the leadership which was offered by Sir Allan Smith and Lord Weir on the issue of unemployment after the War, the N.C.E.O. failed to come up with an official and comprehensive alternative programme for meeting the problems of economic recession and unemployment. Insofar as it did adopt a position, it was short term policy and one which in the main was articulated by the Confederation's leaders rather than by the collective membership. Nonetheless, the period 1919-24 was a formative stage in the development of the Confederation's perception of the unemployment and one in which it played an active role in politics. To see why, it is neccessary to look backwards as well as forwards.

In the years leading up to the War, employers and employers' organisations showed an increasing interest in the problems of unemployment, but very little enthusiasm for the early Government measures which were introduced to reduce and prevent unemployment, such as the Unemployed Workmen's Act of 1905 and Labour Exchanges. The majority of employers regarded unemployment as an inevitable, albeit evil consequence of the trade cycle and as the natural corrective of labour supply and demand. While employers ultimately came to accept that both they and the State had a responsibility for maintaining the unemployed and relieving the poverty with which it was associated, it was held that a similar assumption of responsibility for creating and maintaining work would "spell ruin for all."  

6 The Times, 9 November 1923.

7 See above, p. 7. Also, Royal Commission on the Poor Laws and Relief of Distress, Appendix Volume XI, Cd. 5072, 1911, pp. 16-33.

During the War, however, a combination of industrial and political factors encouraged employers' organisations such as the F.B.I. and the N.U.M. to adopt a more positive attitude towards the role which employers and the Government could play in combating unemployment and under-employment. Firstly, the traditional fear of employers that the eradication of unemployment would destroy their authority in industrial relations did not materialise under the war economy, although only perhaps because of intervention by the Government to preserve the balance of industrial power. Secondly, the outburst of labour unrest and the threat of industrial confrontation after the War gave employers a sound cause for reappraising their attitude towards unemployment and accepting the subject as a legitimate item for discussion in collective bargaining and in the larger political agenda of post-war reconstruction. Finally, a genuine desire on the part of many employers to meet the widened aspirations of the trade unions added a laudable element of sentiment to self-interest.

However, when the representatives of the employers' movement entered the National Industrial Conference in February 1919 they were unsure of their collective views on most subjects of economic and social policy. Unemployment was among the most important of these uncertainties, although for the time being employers were more or less tied to the pronouncements which had been made by their more forward looking spokesmen, such as Seebohm Rowntree and Dudley Docker of the F.B.I., during the last years of the War. The National Industrial Conference had no difficulty in agreeing that the prevention and the reduction of unemployment were proper goals of post-war reconstruction.

Over March and April 1919, the Provisional Joint Committee of the N.I.C. devoted serious discussion to these subjects. However, a significant disagreement surfaced between the worker's side and the Employers' Panel over the question of unemployment and under-consumption. While the trade unionists argued

9 "Notes on the Resolution to be Proposed at the National Labour Conference ... February 27th 1919." F.B.I./ Nugent Papers/ Uncatalogued.

for the preservation of high wages in order to boost domestic demand, Sir Allan Smith and his associates placed their faith in higher productivity.\textsuperscript{11} The difference between the two sides was not resolved. Nevertheless, the Committee as a whole reached agreement upon a modest programme for tackling joblessness. The measures eventually endorsed were: (1) organised short-time, (2) the restriction of overtime, (3) the contra-cyclical placing of Government contracts, (4) the development of a State housing programme, (5) Government assistance for new industries, and (6) the use of Joint Industrial Councils for the regulation of labour recruitment.\textsuperscript{12} This programme was put to the recalled National Industrial Conference on 4th April 1919 as Clauses 1-7 of the Report on the P.J.C. and unanimously approved. In supporting the general programme, Sir Allan Smith assured the Conference that the employers were prepared to faithfully honour their new commitments "not only in the letter, but in the spirit." If the trade unions were prepared to do likewise, he concluded, then "he had not the slightest fear whatever" for the future of British industry.\textsuperscript{13}

The N.C.E.O. thus took its place in the industrial and the political scene in 1919 on a note of optimism and committed in advance to a concrete policy for preventing and reducing the volume of unemployment. Pressed by the T.U.C and the Labour Party, the Government followed the recommendations of the National Industrial Conference, principally through Addison's housing scheme and the Unemployment Grants Committee. In addition, the Government took steps to channel financial assistance to the staple industries through the export credits scheme and the Trade Facilities Act of 1921.\textsuperscript{14} In sharp contrast, as soon as unemployment rose at the end of 1920, the N.C.E.O.'s commitment to the agreed unemployment


\textsuperscript{12} \textit{Industrial Conference. Report of the Provisional Joint Committee, Cmd. 139,1919,pp.10-11.}

\textsuperscript{13} \textit{The Times}, 5 April, 1919.

policies of the N.I.C. withered rapidly. By 1921 the Confederation was already set on a political course which ran directly counter to the policies which had been advocated by the National Industrial Conference. This change in direction had an immediate impact upon the unemployment debate after the War, but in the longer term, its repercussions were to be felt across the broad span of post-war politics.

The steep rise in unemployment during the second half of 1920 brought a vigorous response from the N.C.E.O.'s leading figure, Sir Allan Smith. Speaking in the House of Commons on 21st December, the Chairman of the Confederation surprised his listeners with the announcement that British industry faced a crisis in productivity and profitability. Smith condemned the Government's complacency in the face of the swelling recession and criticised its willingness to depend upon stop-gap measures to stem unemployment, such as public works, while awaiting the revival of international trade. "The Ministry of Labour," he complained, "has been tried and found woefully wanting." The Chairman of the N.C.E.O. then indicated the direction in which solutions to the problems of industry might by found. Sir Allan Smith called for the withdrawal of the Government from the field of industrial relations and for the reduction of the burden of taxation upon industry. Finally, he offered his analysis of the overriding factor behind the rise in unemployment. "The discussion today," Smith concluded, "has ignored the causes of unemployment. It is simply this, that the cost of production of the commodities of this country exceeds the selling price of the article." 15

The attack by the Confederation's Chairman on the industrial and unemployment policies of the Coalition was commented widely upon in the national press and hailed as a "notable contribution to the debate." 16 In the Cabinet, however, his speech was interpreted as an open challenge to the Government and the T.U.C. alike. The


16 The Economist, 25 December 1920, p. 1121.
Prime Minister responded by convening the "Downing Street talks," held at the very end of 1920 between the Government, the T.U.C. and the National Confederation. These talks were undoubtedly among the major political events of the immediate post-war years. However, until recently they have entirely escaped the notice of historians. Nevertheless, for the politics of the N.C.E.O. and, indeed, for the national debate on unemployment, they were a watershed.

The main discussions took place over 24th-25th December 1920 and on New Year's Day 1921 at Downing Street and were not brought to a conclusion until the end of January. The talks were guided by Lloyd George and the Minister of Labour, T.J. Macnamara, with Sir Allan Smith speaking on behalf of the N.C.E.O., and with Arthur Henderson representing the T.U.C. From the outset, the exchanges between the three parties were hampered by the inability to agree on whether the debate should be centred upon the reduction of unemployment or upon the question of the relief of the unemployed. However, prompted by the Minister of Labour, a provisional agreement was reached between Smith and Henderson that a Joint Committee should be set up to enquire into the causes of unemployment and to examine the feasibility of an enlarged programme of employment schemes, including a national scheme of short-time working which would be linked to a specially created distress fund for the unemployed.

The Downing Street talks seemed to promise much, but ultimately they led to confrontation rather than accord between the participants. Although the initiative behind the discussions had come from the Government and the N.C.E.O., it was the T.U.C. which had come from the Government and the N.C.E.O., it was the T.U.C. which made the decisive moves.

18 The Downing Street discussions were fully reported in the national press. Memoranda and correspondence concerning the discussions are in P.R.O. CAB/24/118.
19 CAB./24/118. C.P. 2402.
20 The F.B.I. was invited to participate in the proposed Joint Enquiry, but declined. "There can be no credit to be got from this and I am inclined to think that it is not really our business." R.T. Nugent to W.P. Rylands, 7 January 1921. F.B.I./Walker Papers/Box 1. For the N.U.M.'s response to the Downing Street talks, see The Times, 4 January 1921.
T.U.C. came to the conclusion that the talks and the proposed enquiry were merely a tactic to buy time for the Government and employers' organisations with a view to ultimately binding organised Labour to a cautious policy on unemployment. The leaders of the T.U.C., therefore, decided to repudiate it in advance. On 12th January 1921, despite earnest appeals from the Minster of Labour, Henderson officially informed the Government that the T.U.C. could not support the proposed enquiry. Instead, it set up a Joint Committee on Unemployment with the Labour party and convened a national conference to discuss "constructive proposals" for combating unemployment. The conference, held in London on 27th January, witnessed the formal inauguration of the campaign for "The Right to Work" and "Full Maintenance", and coincided with the publication of Unemployment: A Labour Policy, a forty-eight page report which had been drawn up by the Joint Committee of the T.U.C. and the Labour Party. The new programme for the prevention and the reduction of unemployment included a large scheme of public works, the reduction of working hours, improved training facilities for the unemployed, the raising of the school-leaving age, and the restoration of trade with Soviet Russia. These proposals were essentially a development of the agreed programme of 1919 and they laid the basis for the T.U.C.'s position on unemployment during the 1920's.

These political events outpaced the N.C.E.O. and coloured its attitude towards both the Government and Labour. Despite his criticisms of the Government in December 1920, the Confederation's Chairman welcomed the proposed enquiry into unemployment as a forum for discussion which would allow the National Confederation to clarify its views upon the subject. Sir Allan Smith had no difficulty in securing the support of the Executive Committee, and at the beginning of January he forwarded a list of five employers to the Minister of Labour.

21 A. Henderson to T.J. Macnamara, 12 January 1921, CAB./24/118.

22 See below, p.125.

Labour to represent the N.C.E.O. on the Joint Committee. On 20th January, following a request from the Ministry for a preliminary statement by the Confederation on the question of short-time, a Special General Meeting of members was convened to discuss, and if possible, to frame a general policy for unemployment. The meeting offered the members of the N.C.E.O. their first real opportunity to express a view upon the commitments which had been made on their behalf by Sir Allan Smith and his associates in 1919. However, in contrast to the moves which were currently being made by the T.U.C. and the Labour Party, the N.C.E.O.'s conference on unemployment was cloaked in secrecy. This was just as well, because the meeting revealed that employers' organisations were neither united in their views nor agreed upon what political action should be taken by the Confederation.

The Special General Meeting on unemployment, chaired by Sir Allan Smith, was attended by representatives from the 38 employers' organisations currently within the Confederation. The meeting first reviewed the scope of the unemployment problem and agreed quickly that in the main staple exporting industries "the present unemployment is directly due to general trade depression." The meeting then turned to a discussion of those measures which could be taken to meet the recession. These were debated under five headings: (1) short time working, (2) methods for reducing the cost of production, (3) special schemes of unemployment insurance, (4) public works, and, (5) political action. However, on only one of these points were the Confederation's members fully agreed, although it was a significant area of common ground. This was the conclusion, already voiced the previous December by the N.C.E.O.'s Chairman that "an immediate reduction in the cost of production is essential, in order to produce at a price which will secure buyers."  

24 CAB./24/118.  
26 "Unemployment : Memorandum on points discussed at Special General Meeting of members ... 20 January 1921." N.C.E.O./NC/1/C4/5. N.C. 13.  
27 Ibid.
However, disagreement between the members of the Confederation on the detailed aspects of the unemployment problem ranged widely. For example, on the question of short-time working, it was revealed that each industry had its own precedents and priorities and that a general position for the Confederation on short-time working as a means of reducing unemployment was beyond its existing authority. Opinion was also divided, although to a lesser extent, on the industrial value of public works. The most serious divisions in outlook among the Confederation's large membership, however, were on item (2) and item (5).

Although the employers present at the conference were agreed on the need to reduce costs, they held different views as to how this should be secured. The majority, led by the representatives of the Engineering Employers' Federation and the Shipbuilding Employers' Federation favoured the introduction of new productivity agreements with the unions, coupled with a reduction in standard wages. To support these proposals they pointed out that 85% of the costs in the staple industries were made up from wages and pleaded that "ordinary competition would see to it that the saving on wages was not pocketed by the employer instead of being devoted to the cheapening of the goods." Other representatives, however, took the view of the T.U.C. that a cut in wages would depress demand. On the question of political action, two suggestions were put forward upon which the employers were evenly divided. On the one hand, the view was put forward that the Government "should be asked to disclose their position [on unemployment] now." On the other hand, it was proposed that no approach should be made to the Coalition "until employers have some definite solution of their own to offer to the problem which is before the Government."29

Not surprisingly, the Special General Meeting of January 1921 closed with the members of the Confederation having failed to reach any agreement on a common and permanent policy. Nevertheless, the conference marked an important move forward for the N.C.E.O. On one issue at least the question of production costs, an important basis
for unity among the Confederation's members had been established. In order to build upon that unity, and doubtless with their vision fixed upon Labour's forthcoming unemployment conference, the members of the N.C.E.O. authorised Sir Allan Smith and the General Purposes Committee to further "consider and report upon the whole subject of unemployment and the best methods [for securing a] temporary and permanent remedy." At the same time, and with results which are fully examined in Chapter 3, the Committee was asked to consider and report upon the possibility of implementing short-time working arrangements with a national scheme of supplementary unemployment insurance.

The repudiation of the Downing Street talks by the T.U.C. and the Labour Party in January 1921 aroused consternation in the Cabinet but anger among the leaders of the N.C.E.O. Following the Confederation's conference on unemployment, Sir Allan Smith appealed directly to the Government to disregard the T.U.C. and to proceed with an official enquiry into unemployment "before the appearance of the proposed Report of the Labour Party." When this appeal failed, Smith and other employers took steps to exploit the situation in the Confederation's favour by criticising the Government's lack of resolve and denouncing the obstinacy of the trade unions.

Addressing a meeting in South Croydon in February 1921 the Confederation's Chairman called upon the Government to give the country a lead in turning the economic recession. "No Government," he declared, "can ignore a position in which we are at the moment when 1½ million [workers] are unemployed." The T.U.C., however, was subjected to a more vigorous attack for its refusal to co-operate with the Government and the Confederation and vehemently accused of attempting to hold the other two parties to ransom on the demand of "this way and no other." Sir Allan Smith's attempt to extract some political capital out of

30 Ibid.


32 See especially, The Times, 26 January 1921, where Lord Weir reviewed the Labour Party's unemployment programme.

33 The Croydon Times, 16 February 1921
the abortive Downing Street discussions was firmly backed up by the national and trade press. However, all of this only confirmed the fact that the political initiative in the post-war unemployment debate has passed decisively into the hands of the Labour Movement.

For Lloyd George and the Coalition Government the political events of December 1920-January 1921 were a serious setback to its stated goal, "to hold the balance evenly and fairly between all classes of the community" and a blow to its prestige in domestic politics from which it never fully recovered.34 For the N.C.E.O., however, the Downing Street talks had exercised a unifying influence upon its members on the issue of unemployment, albeit upon a very limited ground. But, and as the T.U.C.'s breakaway on the campaign for "The Right to Work" underlined emphatically, the National Confederation now had firm political reasons and a solid mandate from its members to work towards an independent policy for tackling the problems of economic recession and unemployment. Nevertheless, and for reasons which will presently be discussed, there was to be no immediate repeat of the Confederation's Special General Meeting on unemployment and no comprehensive report by the Confederation's G.P.C. "on the whole subject of unemployment."

The responsibility for the collapse of the Downing Street talks clearly lay with the T.U.C. and the Labour Party, although they both denied the charge. "Labour," they declared in January 1921, "has lost all faith in the intentions of the Government, and refuses to allow itself to be used once again as a smokescreen."35 However, the extent to which the N.C.E.O. had a genuine commitment to ensuring the success of the talks must remain equally questionable. From the outset, Sir Allan Smith and the Confederation always seemed more interested in out-maneuvering the trade unions on the issue of unemployment rather than committing employers to any radically new departures in policy. Either way, the failure of the Downing Street talks reduced the possibility of establishing a broad region of common agreement

35 Quoted in L. Macassey, op. cit., p. 117.
between the Government, the T.U.C. and the N.C.E.O. on the problems of economic recession and unemployment. As already indicated, the wages factor had been a weak link in the agreed unemployment programme of the N.I.C. in 1919 and an important concern of the Confederation thereafter. This fragile link was now snapped by the Confederation. Over the course of 1921-1922, with the backing of the Federation of British Industries, the most powerful members of the N.C.E.O., led by the Engineering Employers' Federation, mounted a political and industrial offensive to bring down wages and working conditions with the stated objective of reducing the costs of production.36

An important side of this campaign was fought on the public stage through a war of words between the N.C.E.O.'s leaders and trade unionists with the Government attempting, but not very successfully, to hold the middle ground. At the end of January 1921, for example, Roscoe Brunner,37 a prominent member of the Confederation's Executive Committee, openly warned the T.U.C. that, "The alternative to reduced wages are short wages or no wages."38 By the end of the year, the leaders of the National Confederation had established a reputation for forthrightness on the wages question and its bearing upon the recession and unemployment which they were to exploit along other routes in later years. Their reputation was strengthened by the publication of a report upon the economic situation by the Engineering Employers' Federation in March 1921. The Report, which developed directly out of Sir Allan Smith's participation in the Downing Street talks, advocated wage cuts and increased productivity as "the only ray

36 For the F.B.I.'s views on these issues, see, "Memorandum on Trade Depression and Unemployment," The Times Trade Supplement, 15 October 1921.

37 Roscoe Brunner, 1871-1926. Chairman, Brunner-Mond Ltd. Chairman of the Joint Industrial Council for the Chemical Industry; Member of the Executive Committee, N.C.E.O., 1919-1922; Chairman of the G.P.C., 1923-1924; Junior Vice-President, 1924-1925; Senior V.-P., 1925-1926; President, May 1926-November 1926.

38 The Times, 19 January 1921.
of hope" for both sides of industry. The Report, however, was roundly condemned by the engineering unions as an exercise in propaganda. "What is hoped and intended," they noted in an official counter to the E.E.F.'s document, "is that the employers' battle shall be won before it is opened."

In the industrial arena, the N.C.E.O. matched words with action, notably by its withdrawal from the P.J.C. of the National Industrial Conference in July 1921 and by co-ordinating the activities of those of its members, such as the E.E.F., the National Federation of Building Trades Employers and the Mining Association, who were then actively involved in renegotiating wages and working conditions with the unions. At the same time, on a series of important issues the Confederation made it known widely that it regarded the Government's labour policy as over-accommodating and further, that it saw no permanent place for the State in the management of industry. In April 1921, for example, the Confederation pressed for the decontrol of the coal industry and protested against the proposed subsidy as a precedent which "will strike a deadly blow and the economic efficiency of every industry of the nation." Writing directly to the Prime Minister later in the same month, the N.C.E.O.'s Chairman advised him against acting upon a recent parliamentary proposal for a Royal Commission on Labour Unrest on the ground that the Commission would prejudice wage discussions and stiffen trade union opposition to the Confederation's stated industrial objectives. Again, in May 1922 Sir Allan Smith advanced the same arguments, but more forcibly and on


41 N.C.E.O./NC/1/C4/6.

42 The Times, 25 April 1921.

43 Sir Allan Smith to Lloyd George, 27 April 1921. N.C.E.O/Misc./1/Mond-Turner.
his own behalf, when the Government intervened in the engineering dispute. 44

The N.C.E.O.'s aggressive industrial strategy was its main answer to the problems of economic recession and unemployment during the immediate post-war years. However, with few exceptions it was seen at this stage by the Confederation's membership as a short-term road for employers. Regardless of the Confederation's view of the potential duration of the recession - a view which was by no means agreed among the members - there was a limit to the contribution which reduced wages and higher productivity could make to lowering costs in the staple industries. Also, the Confederation's pursuit of confrontation with the trade unions undoubtedly placed some strains upon its internal cohesion, although these were contained. Politically, too, the members of the N.C.E.O. paid a price by inviting accusations of extremism. 45

However, the real victim of the N.C.E.O.'s wage-cutting industrial strategy was the unemployment programme of the National Industrial Conference. The deterioration in post-war industrial relations precluded the continuation of any general agreement between the Government, the T.U.C. and the N.C.E.O. on measures to reduce unemployment which required their active co-operation, such as the limitation of overtime, the working of organised short-time, and increasing the supply of labour in the key building industry. What limited moves were made along these roads during and after 1921 were made by individual employers' organisations and trade unions, but they were not encouraged by the Confederation.

Outside the direct vista of industrial relations, the developing gulf between the Government, the T.U.C. and the N.C.E.O. on the issue of unemployment was not concealed wholly by the hastily framed "Gairloch Programme" of 1921. The Gairloch Programme was the last major initiative on unemployment by the Coalition Government.

44 See, The Times, 4 May 1922 and E. Wigham, op.cit., pp. 120-123.

45 In January 1921, for example, the members of the N.C.E.O. were warned against embracing "a Bolshevism of Capital", (The Times, 19 January 1921), and in 1922 the E.E.F. was charged with holding its "feet on the neck of Labour". Sir A. Smith to Albert Thomas, 20 April 1921. N.C.E.O./NC/Misc./1/22/A.
during its period in office and it stereotyped the basic framework of official policy on unemployment for the remainder of the decade. The main features of the Programme, unveiled in the House of Commons on 19th October 1921, were the further development of the assisted emigration scheme, the acceleration and expansion of the programme of public works introduced in the previous year, and the improvement of the export credits scheme. Indeed, the only new additions to the Government's unemployment policy were the trade facilities plan (under which the Treasury guaranteed the repayment of loans granted to companies) and the temporary unemployed workers' dependants' scheme.

There were several direct links between the abortive Downing Street talks of January 1921 and the Gairloch Programme of the following October. One of these was the Government's desire to secure the co-operation and backing of Labour, but in particular the support of the N.C.E.O. At the end of September 1921 with unemployment rising sharply, the Government issued an urgent request to the Confederation for its views on the measures which could be taken to hold down the level of unemployment over the coming winter. The Confederation's General Purposes Committee judged itself "well qualified" to meet this request and informed the Government that it would prepare a report. In the meantime Sir Allan Smith and a small deputation from the G.P.C. travelled to Scotland to discuss the Government's plans with Lloyd George and the Minister of Labour, spending the first two days of October as part of the entourage of Labour Mayors, financiers and economists gathered at Gairloch. Their message to the Government was the same as that which had come out of the Confederation's conference on unemployment in the previous January, namely, that the major factor behind the unemployment problem was the high costs of production in

46 The Labour Gazette, November 1921, p. 570.

the staple and exporting industries. 48

When it was announced later in October, the Gairloch Programme was stamped with the mark of the N.C.E.O. In presenting the package of measures to the Commons, the Prime Minister boldly echoed the Confederation's view on production costs and, more dangerously perhaps, its emphasis upon wage cuts. 49 Among the members of the Confederation, the Gairloch Programme was welcomed as a whole and Sir Allan Smith publicly called upon "all concerned in the welfare of industry" to back the measures. 50 However, his appeal was also tactical for, like the Coalition Government, the Confederation probably hoped that the new measures would distract attention from the attempts of employers to depress wages and working conditions.

The Government's initiative on unemployment of October 1921 foundered, as all future official initiatives were to founder, on the rocks of Labour's now established demand for "The Right to Work", against which it compared poorly. The T.U.C. and the Labour Party denounced the Gairloch Programme and in due course they were followed by the N.C.E.O. The same cost-conscious objectives and its antipathy towards State intervention which shaped the Confederation's industrial strategy gradually impinged upon its attitude towards the Gairloch measures for reducing unemployment. Public works, as we have seen, had never aroused the enthusiasm of Sir Allan Smith and they had very little attraction for the majority of the Confederation's members. Their view was concisely affirmed by Lord Weir in September 1921 when he reminded employers and workers that "relief schemes are a poor substitute for genuine productivity." 51

After 1921 public works, financed locally and by the Unemployment Grants Committee, became the target for a rising swell of criticism from most employers' organisations, including the N.C.E.O. The Con-


49 Parl. Deb., 5th Series, 1921, vol. 147, col. 96.

50 The Times, 26 October 1921.

51 Glasgow Herald, 17 September 1921.
federation condemned any increase of spending on relief works on the grounds that such expenditure placed an extra burden on the local rates and the national exchequer which was not justified by practical results. In July 1922, for example, the N.C.E.O. pointed out in a memorandum to the Government that only a fraction of the existing relief schemes were "revenue producing" and that few had any direct relevance to the reduction of unemployment in skilled sectors of the staple and exporting industries. As an alternative to public works the memorandum argued that the Government should allocate more financial resources to improving the terms of the export credit and trade facilities schemes. These schemes (which attracted considerable criticism from the trade unions) had a tenuous link with the proposals aired during the National Industrial Conference for Government assistance in the development of new industries. Basically, however, they had little in common with the 1919 ideal of a controlled employment policy under the joint supervision of both sides of industry and the State.

The N.C.E.O.'s drift away from the Gairloch Programme, however, can also be seen as part of a larger reaction by the Confederation against the rise in post-war public expenditure and taxation. These issues were the common currency of all employers' organisations during this period, as well as being a matter of some concern to the Government. In the N.C.E.O.'s case, however, they were taken up more firmly in the area of social policy. As indicated in Chapter 1, the period 1922-1923 saw the formation of the Confederation's first major policy committees; one on workmen's compensation in June 1922 and another on unemployment insurance in January 1923. Partly because of their rising cost and partly because of their faulty administration, both of these social policies drew criticism from the N.C.E.O. In

52 Memorandum by Sir Allan Smith, 31 July 1922. PREM/1/30/T.P. 7. The memorandum was drafted in consultation with the Confederation's G.P.C. and the British Commonwealth Union.

53 Partly for this reason, the N.C.E.O. continued to press for the development of the export credits and trade facilities schemes during 1922-1923. This work was conducted through Sir Allan Smith and the Industrial Group and culminated in the publication of a critical report on the schemes by Smith and the Group in July 1923. Memoranda and correspondence on the subject are in PREM/1/30.
October 1922, for example, the Confederation issued a report to employers' organisations calling for their support in resisting the attempts of the T.U.C. and the Labour Party to increase workmen's compensation payments,\textsuperscript{54} and later in January 1924, the Confederation published its comprehensive report on the unemployment insurance scheme. During the immediate post-war years, however, the N.C.E.O.'s political attitudes in general were still in a formative stage.

By the end of 1921 and more fully by 1924, the National Confederation had distanced itself from the unemployment measures which had been agreed by the National Industrial Conference, or at least, insofar as these related to the direct reduction of unemployment. By placing their faith in lower costs of production as the basis for an alternative policy, the members of the Confederation left themselves with few constructive options. Their failure to go beyond a strategy of wage-cutting and productivity agreements may well have indicated their confidence in that strategy. However, it was probably also an unavoidable symptom of the Confederation's organisational weakness during the immediate post-war years. Faced with Labour's challenge on unemployment in 1921, the majority of the Confederation's membership were content to accept the leadership of Sir Allan Smith and the Engineering Employers' Federation in mounting an industrial counter-attack.

However, the N.C.E.O.'s reliance upon the manipulation of wages and working conditions as an answer to unemployment after the War was also a reflection of uncertainties among its rank and file. While Sir Allan Smith and Lord Weir preached economic pessimism, it was natural for the majority of the Confederation's members to retain some hope for a rapid economic recovery. Consequently, the N.C.E.O. lacked the motivation to make any long-term commitments to measures for directly reducing unemployment, many of which were unpalatable to employers. Nevertheless, this was sufficient to undermine the unemployment programme of the National Industrial Conference and with it, the possibility of any broad consensus between the Government and both sides of industry on the issue of unemployment. There are, in

conclusion, two points to be made about the erosion of this consensus. Firstly, an examination of the N.C.E.O.'s response to the rise in unemployment during the immediate post-war period underlines the contingency of its commitment to industrial reconstruction. In this respect, the importance of the Downing Street talks, and the Gairloch Programme of 1921 in shaping the profile of post-war politics have surely been underestimated by historians. For it is in these two closely related attempts by the Government to construct a framework for industrial harmony, rather than in the break-up of the Provisional Joint Committee of the N.I.C., that the real "failure" of post-war reconstruction is to be found.

Secondly, the brief period between January and October 1921 had an overriding importance for the political development of the N.C.E.O. In these months, the N.C.E.O. took up the industrial and political challenge which lay behind the demand for "The Right to Work". The Confederation's answer was no less than the rival demand for "The Right to Profit". For its members, profit was a sovereign right without which there could be no "rights" to employment or security. However, the Confederation's defence of the traditional prerogative of employers after the War had a special importance. For in defending it, the N.C.E.O. undoubtedly helped to raise the wage factor from the conventional arena of collective bargaining into the larger economic debate on unemployment.

III

"PROPOSALS FOR A NATIONAL POLICY" : THE CONFEDERATION AND UNEMPLOYMENT 1924-1929

During the second half of the 1920's the steps which were taken by the Government to reduce directly the volume of unemployment among adult workers proliferated around well-established precedents. The only notable exception in this pattern was the industrial transference scheme of 1928. However, despite the firm grip of the recession, the interest which the Confederation had shown in joint trade union-employer initiatives and in State action to regulate unemployment in
1919-1920 did not revive during the latter half of the decade. After 1924, what was said by employers on this subject came principally from the Federation of British Industries. In the main, its views on the "artificial" reduction of unemployment were critical and, at best, luke-warm.55

However, the N.C.E.O.'s reluctance to engage the Government in a dialogue on specific measures to directly reduce unemployment was more an expression of disapproval of such measures as were taken than any indication of a diminishing concern about the recession and unemployment, and how the two problems should be tackled. By 1926 the members of the Confederation were united firmly in a conviction that the crisis in the economy was of the kind that their leaders had identified at the end of the War, namely, that it was a long-term and deepening crisis rather than a temporary dislocation of capitalism. For the N.C.E.O., the validity of this conclusion was reinforced by the patent failure of post-war monetary policies to reverse the recession and, more directly, to ease the domestic production costs of employers in the staple and exporting industries. The Confederation responded by moving more firmly over to the offensive in the political debate on the economy and unemployment. However, it did so on the strength of a collective policy.

The N.C.E.O.'s progress towards a definitive view of the economic recession and unemployment and their remedies began seriously in 1924, and derived a significant impetus from the arrival of the first Labour Government. During the early months of 1924, the warnings of impending economic disaster which Sir Allan Smith had voiced in earlier years acquired a political intent and a new urgency as the domestic programme of the Labour Government unfolded. The Confederation's Senior Vice-President responded with alarm in a press article published in March 1924. Here Smith predicted the "unobtrusive introduction of socialist measures." Echoing his appeal of 1920, he announced that "an industrial crisis of unparalleled gravity is upon us", and made a spirited call for the organisation of opposition to any radical

55 There is no general account of the F.B.I.'s views on employment schemes during this period, but see Committee on Industry and Trade, Minutes of Evidence, London, 1927, vol. III, p. 1564—Also, The Times, 9 August, 1929.
measures of economic and social reform. "The time has come," Sir Allan Smith argued with characteristic bluntness, "when industry should take a defensive stand and compel our legislators to deal with the facts of the situation." This stand, he concluded, must have the full support of all non-socialists, including the Conservative Party, and anything less would "tend to promote the attainment of the socialist ideal and thereby give a death-blow to the industry and welfare of the country." 56

These fears were shared by the Confederation's President, Lord Weir. In a lengthy statement, published in the Times in April 1924, Weir spelt out the bleak statistics of economic stagnation in the staple and exporting industries and spread the same message of "the gravity of our economic and social position." He also called for a "thorough investigation" of the condition of the staple industries, arguing that "only on the results of this can there be evoked the spirit of practical recognition by employers and trade unions alike that burdens must be shared." 57 Soon afterwards, speaking before the British Engineers' Association, the Confederation's President warned his listeners that the problems of economic recession and unemployment reflected "the influence of definite changes in our economic system." Now was the time, Weir concluded, "for a national industrial policy which [will] march along with the social policy." 58

The political announcements of the Confederation's two "economic statesmen" were directly tied in with the N.C.E.O.'s report on unemployment insurance, published earlier in the year and with the growing national debate on the maintenance of the unemployed. More generally, however, both the timing and the terminology of their statements suggest a concerted tactic by the N.C.E.O. at the beginning of 1924 to attract political attention towards a fuller appreciation of the factors behind the post-war recession. Either way, the

56 "The Political Situation: Socialism versus Industry," The Glasgow Herald, 10 March 1924.

57 "The Handicaps of Industry," The Times, 15 April 1924. Weir added pointedly that, "Under today's conditions such education must come apparently from the highest political authority."

58 The Times, 1 May 1924.
initiative of Sir Allan Smith and the Confederation's President prepared the ground for one of the few solid achievements of the first Labour Government, the appointment of the Committee on Industry and Trade in July 1924.

The Committee on Industry and Trade developed directly out of private discussions between Lord Weir and the Prime Minister in the early months of 1924. Weir, as we have seen, had canvassed in favour of a specific enquiry into the staple and exporting industries. However, the Committee was charged with the wider task of investigating "the conditions and prospects of British industry and commerce." Nevertheless, the N.C.E.O.'s interests were generally represented on the Committee by the choice of Sir Arthur Balfour, the prominent Sheffield steel-owner, as Chairman, and by the inclusion of Sir Allan Smith and F.A. Hargreaves of the Cotton Spinners and Manufacturers' Association.

The appointment of the Balfour Committee was a major political success for the Confederation and a significant Government gesture towards recognising the purely industrial dimensions of post-war recession. Between 1925 and 1929 the Committee published several reports upon British industry, including specialist surveys of overseas markets, industrial relations and industrial efficiency. The concluding Report of the Committee, published in March 1929 was circulated in the Cabinet, although it was not discussed in any detail. Overall, however, the reports of the Balfour Committee performed a valuable service by disseminating information about British industry which had hitherto been unavailable or not collated.

The appointment of the Balfour Committee placed a direct onus upon the N.C.E.O. to clarify its views on the post-war recession and unemployment. In August 1924 the Board of Trade formally invited

59 Address by Lord Weir to the Executive Council, 1 October 1924. N.C.E.O./NC/5/04/23.


61 See for example, Committee on Industry and Trade, Further Factors in Industrial and Commercial Efficiency, London, 1928.
the Confederation to forward evidence to the Committee and separate invitations were issued to other employers' organisations, including the Federation of British Industries. The N.C.E.O. responded in October by appointing a fourteen-man industrial policy committee, designated the "Labour Investigation Committee." Headed by Lord Weir, the Committee's first priority was to supervise and co-ordinate the submission of evidence to the Trade and Industry Committee from individual members of the N.C.E.O., among them, the Engineering Employers' Federation, the Mining Association and the Shipping Federation. In addition to this task, undertaken over the course of 1925, Lord Weir's committee gathered the views of the Confederation's general membership and compiled industrial statistics. However, although the Labour Investigation Committee produced several reports, it did not submit formal evidence to the Balfour Committee.

In 1925 the N.C.E.O. was faced with new political developments which overshadowed the Balfour Committee and which brought the employers into direct contention with the Government and the T.U.C. Soon after it was set up, the attention of the Labour Investigation Committee was directed towards the Government's proposal for a new scheme of contributory widows' and orphans' pensions. A special sub-committee was appointed to draw up a general report upon the social services. The end result, was a detailed and highly critical memorandum on the social services, submitted to the Government on

62 Minutes of the Executive Council, 1 October 1924. N.C.E.O./NC/1/E.C.

63 Ibid. The Committee brought together the principal office-bearers of the Confederation, including Sir James Lithgow (S.E.F. Evan Williams (M.A.C.B.), and the Junior Vice-President, Roscoe Brunner (Chemical Employers' Federation). The other employers' organisations represented on the Committee were: the E.E.F., National Federation of Iron and Steel Manufacturers; F.M.C.S.A.; Federation of Gas Employers; the R.C.A.; Shipping Federation, and the Wool Employers' Federation.

64 See for example, Committee on Industry and Trade, Minutes of Evidence, vol. I, pp. 533-642.

65 Minutes of the General Purposes Committee, 10 December 1924. N.C.E.O./NC/1/G.P.C.
4th March 1925 by a deputation from the Confederation.\(^\text{66}\) The meeting between the representatives of the N.C.E.O. and the Baldwin Cabinet was the first of many which were to take place over the next two years on industrial and social issues. The employers memorandum attempted to focus the Government's attention upon the financing and the administration of the major social services and expressed grave concern. "There can be no doubt," the Confederation complained, "that the social services as a factor in the cost of production now constitutes a burden which cannot be continued to be borne if the industrial welfare of this country is to be safeguarded."\(^\text{67}\)

The N.C.E.O. returned to the question of social welfare, but with a broader object in view, later in 1925. In October, the Confederation's Executive Council instructed the Labour Investigation Committee to prepare a comprehensive report upon the industrial position for submission directly to the Government.\(^\text{68}\) Against the background of the gathering crisis in the coal industry, the Committee drew up a preliminary report, entitled "British Industrial Depression: Its Causes and Remedies". The general theme of the Report was the post-war decline of the staple and exporting industries and its general conclusions were couched in the familiar crisis-ridden language of the Confederation's leading protagonists:\(^\text{69}\)

The general conclusion reached by the Committee is that we have drifted into a state of industrial depression so unexampled in its intensity as to constitute a national emergency comparable with that which the country faced in the Great War, and that if this emergency is not recognised and immediately faced it must inevitably result ... in unparalleled hardship for the community, the gradual decline and bankruptcy of its basic industries and the permanent inability of this country to support its people.

The central argument of the Report accused the trade unions and the Government of stereotyping the costs of production at an

\(^\text{66}\) P.R.O./PIN/7/73. See below, pp. 180-182.

\(^\text{67}\) Memorandum on the Social Services, 4 March 1925, p. 2.

\(^\text{68}\) Minutes of the Executive Council, 10 October 1925. N.C.E.O./NC/1/E.C.

unnaturally high level, and thereby introducing a major cost disparity between British Industry and its foreign competitors. However, this by now well-established criticism was developed in an unusual way by the Confederation. The Report maintained that the basic problem of costs was a problem of "rigidity". This rigidity, introduced initially by the obstructive policies of organised labour, was reinforced by the State through restrictive industrial legislation and through the social services. The rise in post-war social standards, the Report argued, had raised social expectations and fashioned a "social wage" which placed a severe burden upon employers through taxation and which no less importantly, impinged upon wage settlements. "It is a common error," the Report noted, "to talk of the workmen's wages today on the same basis as was done when he had to meet the whole of the National Services which are now provided for him." 70

Only the general proposals of "British Industrial Depression" need concern us here. The N.C.E.O. ruled out any hope of industrial peace and economic recovery unless "the whole nation is prepared to subscribe to a new industrial doctrine" which recognised the national importance of the staple industries and their needs. These were "those and only those which will yield an immediate reduction in the production costs [and] increase the productivity and performance of the nation." 71 On these terms, the Confederation called for a joint initiative from the Government, the trade unions and employers along three roads, all of which led to the same destination. These were, firstly, a review of wages levels and working hours together with the removal of "all Trade Union restrictions and privileges which at present impede production." Secondly, the Confederation demanded an immediate reduction in public expenditure and the "fixing of a definite limit to the total sum to be spent on the social services." Finally, the Report called for a general "halt to restrictive industrial legislation." 72

70 Ibid., p.11.

71 Ibid., p.5.

72 Ibid., pp. 5-14.
The report of the Labour Investigation Committee was approved by the Confederation in December 1925. Later, in February 1926, it was forwarded to the Government in the shape of a shortened and more polished document entitled, "British Industrial Depression : Proposals for a National Policy". However, the second document did not depart substantially from the earlier version except to make adverse comment upon developments in the coal industry and to emphasise even more strongly that the members of the N.C.E.O. were looking to the Conservative Government to give both sides of industry a positive lead towards tackling the problems of economic recession and unemployment. The Confederation, the Report noted, "believes that a national effort is called for to remedy the present situation," and indicated the role which the Government could assume:

Throughout the depressed industries drastic economy, sacrifices and hardship have been undergone by all concerned, and the Confederation feels that there is still much that the Government can do in recognising the need for economy in both local and national expenditure.

The Confederation's Report formed the basis for discussion in a series of three meetings between representatives of the N.C.E.O. and the Government between February and April 1926. These talks, which were concerned mainly with the ratification of the Washington Hours Convention, testified to the hardening of the Confederation's political attitude in the months leading up to the General Strike. The final meeting, held on 20th April, brought a deputation of forty employers from the Confederation to the House of Commons to confront Baldwin and the principal members of the Cabinet with the hard facts of "the critical position of British industry as evidenced in the decline of its staple and exporting industries." Lord Weir warned the Cabinet that employers generally "find their faith and confidence shaken" by the Government's industrial and social policies and complained, (with specific reference to the hours question) that,

73 Minutes of the General Purposes Committee, 15th December 1925, and 10th February 1926. N.C.E.O./NC/1/G.P.C.


When British Employers, struggling with all the difficulties that now beset them, find the present Government dealing lightheartedly with the prospect of placing the intricate and delicate machinery of production under the rigid, meticulous and inflexible regime of State regulations, they are frankly stunned... If State control is to be imposed irrespective of the welfare of industry and merely as an international gesture realising a socialistic ideal it can be understood, but not on any other basis.

The Confederation's Honorary President was supported by Sir Ernest Moir and Sir Ralph Wedgewood, who stressed the employers' "anxiety regarding the extent and the duration of the unprecedented depression in British Industry" and defended the practical proposals which had been put forward by the N.C.E.O. earlier in the year. The Prime Minister responded to this onslaught with sympathy and indicated that the Government was fully alive to the difficulties which faced employers in the staple industries. At this stage, however, the Cabinet was not prepared to make any firm promises to the Confederation.

The completion of "British Industrial Depression" and the discussions between the employers and the Government which immediately surrounded the Report, marked an important stage in the political development of the N.C.E.O. Basically, the Report can be seen as an attempt to synthesise the Confederation's well-established priorities in the field of industrial relations with more recently identified priorities in the sphere of social policy. As such, the Report established the lines of an escalating political campaign which the N.C.E.O. pursued over the next four years to secure lower costs of production in the staple and exporting industries. This was a campaign which directly benefited from the political attention which was aroused by the Balfour Reports and by separate reports and statements which flowed from individuals and employers'


organisations within the Confederation. Inevitably, much of the N.C.E.O.'s own contribution to bringing down the costs of production was concentrated, as it always had been, upon the norms of industrial relations. During the Coal Stoppage and the General Strike, for example, the Confederation was a vocal supporter of the Mining Association and it exploited wilfully the swing of political opinion against the trade unions to foster wider backing for employers in the staple industries. The National Confederation issued several public statements on behalf of the coal owners, all of which paid lip service to the Government's appeal for industrial reconciliation, but which also clearly stated that any settlement of "the coal question" must be "in accordance with the economic needs of the depressed basic industries which are fundamental to the life of our country." The same inflexible priority shaped the N.C.E.O.'s attitude towards the Mond-Turner talks which opened in earnest in 1928.

The escalation of the Confederation's attack upon wages and working conditions during the second half of the 1920's had a serious and lasting effect upon the climate of industrial relations. However, it can only be properly understood in relation to the simultaneous assault against social standards which was mounted by the N.C.E.O. and its members. The criticisms against the social services which had been highlighted in the Confederation's reports of 1925 and 1926 were further developed in evidence which it presented to a series of important Government enquiries during this period. These included the Royal Commission on Health Insurance of 1924-1926, the Committee on Education and Industry of 1925-1928, and two controversial investigations into the working of the unemployment insurance scheme - the Blanesburgh Committee of 1925-1927 and the Morris Committee of 1928.


1929. The N.C.E.O. enjoyed official representation on all but one of these enquiries and the evidence which it submitted attracted considerable political and public comment. Some of this evidence is examined in greater detail in the chapters which follow. At this stage, however, it is more important to clarify the relationship between the industrial and the social dimensions of the N.C.E.O.'s "national policy" and its general relevance to post-war politics.

From 1925 onwards the N.C.E.O.'s strategy in industrial relations and the action which it took with regard to new developments in social policy were not separate planes of political action, but complimentary. How far the Confederation's pursuit of its "national policy" actually neared or achieved its goals can be measured in general terms. Much of the purpose behind the evidence which the members of the N.C.E.O. submitted to the Balfour Committee and the Confederation's own statement, "British Industrial Depression" was educational. The principal aim of the N.C.E.O. during these years was to convert political and public opinion to an essentially "internal" interpretation of the post-war economic recession in which the cost of production was recognised as the major factor. By 1929, aided by the Balfour Reports and by the publicity which surrounded the Liberal "Yellow Book", the view that the problems of economic recession and unemployment were rooted in domestic factors had attracted increasing interest and support from other groups of employers, from politicians and from several orthodox economists, notably, Henry Clay. 81

With few exceptions, however, the interest which was shown in the specific problems of the staple and exporting industries fell well short of the devotion which the N.C.E.O. sought to foster. During the second half of the 1920's neither organised Labour nor the broad spectrum of conservative opinion were seduced by the Confederation's "internal" prognosis of the economic recession and unemployment. While several trade unions in the staple industries, in coal and steel for example, were prepared to accept the argument that production

costs in their industries were too high, they attributed the problem to poor management and organisation and remained, as ever, resolutely opposed to wage cuts, longer hours, and to the reduction of public expenditure as legitimate roads to recovery. The N.C.E.O.'s attitude towards the economy and unemployment more accurately delineated an area of common ground shared by most employers and many sections of conservative opinion. Here again, however, the National Confederation found itself alone in the emphasis which it was prepared to place upon the labour and social factors behind the economic recession. The F.B.I., for example, recognised (and like the Confederation) attempted to draw attention to the cost of production as a factor in the economic recession. However, the Federation retained a firm commitment to an "external" and financial view of the problem, as did the Government.

For these reasons, although the N.C.E.O. enjoyed concrete gains at the level of policy under the Baldwin administration, these gains were strictly limited. They were most visible in the field of industrial relations on issues such as trade union law and the statutory regulation of working hours. In addition, Churchill's derating scheme of 1928-1929 made substantial financial concessions to employers in the depressed staple industries. However, the generally favourable direction of the Government's industrial policy after 1925 only served to highlight the unresolved disagreement between the N.C.E.O., organised Labour, and most conservatives, on the question of social welfare and its bearing upon the recession.

The period 1925-1929 did witness a growing recognition in political and official circles that the social costs of employers represented a significant contribution to domestic costs in the labour-intensive staple and exporting industries. In February 1926,


for example, the Royal Commission of Health Insurance specifically drew attention to the evidence which has been submitted by the N.C.E.O. and concluded that "it is clearly essential that a balance between the expenditure of these [social] schemes and the productive capacity of the country ... should be struck." The same conclusion was reached by the Blanesburgh Committee in 1927 and by the Balfour Committee in 1929. By this date, expenditure on the social services and the question of how far the depressed staple industries should be relieved from their social charges had become the subject of a national political debate. However, while all conservatives and the Government were prepared to recognise the need for a reduction in the cost of social welfare, that recognition fell short of the political goals of the N.C.E.O.

The development of political debate on social expenditure and the social costs of employers, however, was closely linked to a further debate about the potential economic and social effects of relatively high levels of social welfare provision. The N.C.E.O.'s insistence that social welfare adversely affected the "normal" functioning of the labour market was partly based upon the practical experiences of its leaders in industrial relations and in the administration of services, such as the unemployment insurance scheme. However, the Confederation's criticisms were also, to some extent, drawn from and designed to stimulate opinion in the Government. Throughout the 1920's, but particularly after 1924, the Ministries of Labour and Health expressed anxiety over the administrative confusion of the various social services and of the dangers which might arise from the "overlapping" of social insurance benefits. Like the N.C.E.O., many officials in the Ministry of Labour believed that the social insurances could have an adverse effect upon the movement of wages and


86 The N.U.M., however, was always highly critical of social spending. See for example, National Union of Manufacturers Journal, August 1926, pp. 350-1, and The Times, 13 March 1929. For the views of the A.B.C.C., see The Chambers of Commerce Journal, 27 January 1928, p. 58.
also upon labour mobility.87

The question of the relationship between work and social welfare was taken up by several Government Committees during this period, notably by the Inter-Departmental Committee on Migration88 and by the Blanesburgh Committees. However, this whole field of discussion was still in its infancy. Outside Whitehall and apart from a few economists, there was little general recognition of the possible industrial implications of social welfare until, perhaps, the Royal Commission on Unemployment Insurance explored the subject in 1932. But even when these implications were recognised, they were rarely held to be primary factors in determining the levels of employment and unemployment.89

Nevertheless, during the second half of the 1920's the N.C.E.O.'s "national policy" for economic recovery had a direct and practical bearing upon the politics of social welfare and also, a more general significance. During these years the Confederation's voice on the problems of economic recession and unemployment was a loud one. It was, of course, only one voice of orthodoxy among many and its politically unpalatable "national policy" was only one policy among the wide range of competing solutions which were advanced during these years. Having said that, the presence of the N.C.E.O. in the unemployment debate after 1924 has probably been underestimated by historians. By the end of the decade, the Confederation had established itself as a recognised participant, along with the F.B.I., in the debate on unemployment and as a powerful critic of the economic and social policies of the Government and the T.U.C. alike. However,


with the onset of the economic depression after 1929, the N.C.E.O. and the policies which it favoured acquired a heightened political significance.

IV

"THE INDUSTRIAL SITUATION":
THE N.C.E.O. AND THE DEPRESSION, 1929-1936

The economic crisis which swept over Britain after 1929 requires no introduction here. Yet, while much has been written about the response of Labour and the Government to the "economic blizzard", the reaction of employers' organisations has usually either been assumed or ignored in the literature which deals with the subject. This is unfortunate, firstly, because it has tended to obscure the prominent political role which the N.C.E.O. and other major employers' organisations played in the decisive events of the period, and secondly, because it has concealed the extent to which the economic crisis of 1931 and its aftermath accentuated the fragmentation of opinion within the ranks of conservatives and anti-socialists as to how the crisis should be met. As before, the Confederation acted as a focal point for opposition to the economic policies which were advocated by the T.U.C. and its supporters. After 1929, however, the N.C.E.O. pursued this role with a new vigour and with an almost messianic faith in the validity of its cause.

Within the National Confederation, the onset of the economic depression was regarded as a vindication of the trenchant warnings which it had consistently voiced to trade unionists and the Government since the end of the War. The Confederation responded to the new situation by embarking upon a reappraisal of the unemployment problem. In doing so, the policy-makers of the N.C.E.O. decisively shifted the emphasis in their "national policy" from industrial

relations and the wage factor to social policy and the "social wage" factor. The result of this reappraisal was released for public consumption in the shape of The Industrial Situation, a report published by the N.C.E.O. early in 1931. The views which were expressed here guided the Confederation's attitude towards the unemployment problem until the mid-1930's and beyond. The immediate origins of the Report, however, were as much political as they were economic.

The arrival of the second Labour Government in 1929, as we have seen, pushed the Confederation into hasty steps to strengthen its industrial support and to improve its policy making machinery in anticipation of a socialist programme of economic and social reform. At the same time, however, just as in 1924, the leaders of the N.C.E.O. made efforts to bring home to the Government the anxiety which was felt by the industrial community over the immediate future of trade and employment, although the N.C.E.O.'s warning were initially kept out of public view. In the autumn of 1929 Sir Allan Smith used his position as a member of the Government's recently formed "Advisory Panel on Employment" to re-emphasise the overriding importance of holding down the domestic costs of employers in the staple and exporting industries and later, in January 1930, he proposed that the Government should appoint a major enquiry into the unemployment problem. 91

Other spokesmen for the N.C.E.O. adopted a more combative posture. Among the group of top industrialist whom the Prime Minister called together in December 1929 to discuss the Government's economic plans were the Confederation's Honorary President and Sir Andrew Duncan. Lord Weir's general advice to MacDonald was that business confidence could only be restored if the Government abandoned its legislative programme. 92 The same conclusion was put forward, at greater length and more forcibly, in a memorandum drafted by Weir and a team of nine prominent industrialists and circulated to Cabinet Ministers in


February 1930. Weir and his colleagues appealed for policies which would "inspire confidence and enterprise" and stressed pointedly that "a holiday from social legislation is required." 93

The deterioration of the economic situation over the course of 1930 brought new warnings from the ranks of the N.C.E.O., this time in public through Weir in the House of Lords in April 94 and also by Henry Mond in the following November. Addressing the House of Commons, Mond condemned the Government's economic policy and made the ominous prediction that, "We shall be face to face during the next few months with another conflict between Capital and the forces of Labour." 95 The Confederation's anxieties were probably heightened by two other developments on its own side of the political fence. The first was the visible disorder and lack of an agreed industrial policy in the Conservative Party. The second worrying development for the N.C.E.O. was the moves which were being made in the Federation of British Industries to open a campaign in favour of a limited programme of Protection to meet the swelling crisis. 96

With these facts in view, the General Purposes Committee concluded in October 1930 that the N.C.E.O. had an urgent "national duty and responsibility of putting forward its views on aspects of the [economic] situation within its province and the remedy which that situation demanded." 97 The task was entrusted to a new industrial policy committee, replacing the now dormant Labour Investigation Committee.

93 Memorandum by members of the Economic Advisory Council, 30 January 1930. MacDonald Papers, P. R. O./30/69/1/447.


96 Minutes of the Grand Council, 13 October 1930. F.B.I./C/32/74. In November, the F.B.I. set up two committees to further the cause of protection, the "Committee on Fiscal Policy" and the "Co-ordinating Committee on Fiscal Policy," both chaired by Sir James Lithgow.

97 Minutes of the General Purposes Committee, 3 October 1930, and 29 October 1930. N.C.E.O./NC/1/G.P.C.
Chaired by F.C. Allen of the Shipping Federation, the membership of the Committee was drawn from the N.C.E.O.'s past and present office-bearers, together with representatives from the seven main Standing Policy Committees. Allen's Committee finished its work on 11th February 1931, on the same day as the Government faced its first major test in the Commons on the economy. On 12th February the Confederation's Executive Council submitted a report directly to the Prime Minister and published it on the same day. The document, entitled The Industrial Situation, was the N.C.E.O.'s most decisive and provocative intervention in British politics between the Wars and earned a wide currency in political and industrial circles during the course of 1931. However, while the publication of the "Blue Book" (as the Report was soon dubbed), has been remarked upon by a number of historians, it has rarely been subjected to any detailed appraisal.

The preliminaries of the Industrial Situation rehearsed the gloomy statistics of depression in the staple and exporting industries, and called for a reassessment of the unemployment problem:

Today ... when the ever deepening depression has reached unparalleled dimensions, there is the same tendency to seek consolation in the fact of depression and to ignore the gravity of the situation which lies in the fact that, for ten years before the world depression began, this country has been continuously unable to find employment for 10 per cent of its people, even when world trade was good and other countries were not suffering from unemployment.

The Confederation's own prognosis of the economic situation took it a substantial distance from the "national policy" which it had actively pursued since 1926. The challenge of the trade unions on


99 Minutes of the Executive Council, 11 February 1931. N.C.E.O./NC/1/E.C.

100 But see W.J. Reader, op. cit., pp. 155-158.

wage and related issues which had loomed so large during the 1920's was now discounted as broken effectively or at least under control by employers in their separate industries. Instead, the Confederation now promoted the State to the position of the major influence behind the depression. The Industrial Situation was superficially a broadside against the Labour Government and, as we shall see, it was read as such by others. In substance, however, the Report was a premeditated and forceful attack upon the industrial and social functions of the State per se. Following-up the criticisms of the Government which the Confederation had advanced in 1926, the "Blue Book" highlighted the N.C.E.O.'s deep concern over the relationship which had developed between Industry and the Government since the end of the War: 102

The far-reaching effect of ... State influence is not generally realised, and there can be no greater fallacy that to think that the State can set up industrial standards in particular spheres without their ultimately reacting throughout the whole life and industry of the country.

Underlying this case was the theme of an unbalanced relationship between work and social welfare. However, in the Industrial Situation the complaint which had hitherto formed a significant part of the Confederation's prognosis of the unemployment problem now became the basis for this prognosis: 103

We are convinced that the colossal expenditure on the social services is far greater than this country can afford; that the financial burdens which it imposes upon industry are in no small measure accountable for our industrial depression and that this country, by concentrating upon insuring its people against all the risks of life, has in large measure deprived them of the employment which is the greatest security of all.

The "Blue Book" supported this argument by a detailed review of the cost of the social services, together with a number of specific criticisms concerning their administration. It was pointed out, for example, that the various services had developed independently of one another and that there was an "urgent necessity for co-ordination of these Social Services and the multifarious agencies which administer them." Also, the N.C.E.O. argued that the existing benefits which

102 Ibid., p. 7.
103 Ibid., p. 20
were available under the various schemes bore no relation to the post-war fall in the cost of living.\textsuperscript{104}

The N.C.E.O.'s economic solution of 1931 was overwhelmingly an attempt to combat the twin problems of economic depression and unemployment through a "social alternative." The Industrial Situation put forward eleven "constructive proposals" for tackling the growing economic crisis, including the demand for the appointment of a Committee on National Economy. Four of the proposals were directed towards securing economies in local government manpower and wages and the relaxation of wage fixing in the trade board industries. The other six recommendations applied the central contention of the "Blue Book" to specific items of policy. As in 1926, the Confederation proposed that the social budget should be "capped." However, the main target of the N.C.E.O. in 1931 was the finance of the unemployment insurance scheme, and more generally, the unemployed. The Confederation's recommendations in this area included a drastic $33\frac{1}{3}\%$ cut in unemployment benefit and the reintroduction of a strict ratio between contributions and benefits.\textsuperscript{105} The importance of these recommendations are discussed in a later chapter. Their significance in the Industrial Situation was as the edge of a larger political demand that social welfare, like the industrial wage, should be brought into the market place and allowed to feel the full blast of the economic wind.

The "Blue Book" was conceived by the National Confederation as a political challenge to the Labour Government as well as a programme upon which Government policy could be modelled. However, the Report was interpreted by the Government almost wholly in the former terms. It aroused immediate consternation in the Labour Cabinet and provoked the Prime Minister into an prompt response. On the day after the N.C.E.O. released its Report, MacDonald invited the Confederation's leaders to the House of Commons, but at the same time, he made clear his displeasure at the employers' political intervention.\textsuperscript{106} When the two sides met on 19th February the Prime

\textsuperscript{104} Ibid., pp. 9-20.

\textsuperscript{105} Ibid., p. 13.

\textsuperscript{106} Minutes of the General Purposes Committee, 19 February 1931. N.C.E.O./NC/1/G.P.C. See also, The Times, 17 February 1931.
Minister, harried by the rising wave of parliamentary criticism against his Government, accused the National Confederation of seeking to manufacture a political crisis and warned the deputation that they had harmed their own cause. "You have thrown a bombshell," MacDonald declared, "neither the Chancellor of the Exchequer or anybody else can say a single word about economies but our closest friends turn round upon us and say, 'You are going to do the thing which the abominable Confederation have suggested'." 107

Beyond these complaints, however, the Prime Minister made it clear to the Confederation that he and the Government had no intention of discussing the Industrial Situation as a practical basis for policy. Instead, MacDonald suggested that representatives of the N.C.E.O. should meet with members of the T.U.C. and the Government to discuss what steps could be taken to promote industrial peace. 108 By this date, however, the Confederation had already washed its hands of the Mond-Turner talks and the Industrial Situation hardly provided a useful avenue for the re-entry of the Confederation into the talks. In any case, the N.C.E.O. had no intention of being diverted from its head-on course towards confrontation with the Government on the issue of the depression. The eleven-man deputation from the Confederation, led by Lord Weir and the President, Arthur Dorman, 109 informed the Prime Minister that "the recommendations in its Statement were suggestions calling for action by the State and that therefore the responsibility for dealing with them rested with the Government." 110

The meeting of 19th February undoubtedly left the N.C.E.O. as

107 Quoted in W.J. Reader, op. cit., pp. 159-160.

108 The Times, 20 February 1931.


angry as the Labour Government. In view of the seriousness of the economic situation, Lord Weir and his colleagues had expected that they would be given the opportunity to fully discuss concrete issues with the Cabinet and that they would be given an assurance that further talks would be held with the appropriate Ministers to review the position. The T.U.C., seen by MacDonald on the same day as the Confederation, harboured the same expectation. In the event, neither the N.C.E.O. nor the T.U.C. emerged from the discussion with any firm promises. However, it was the employers who were quickest to convey their public reaction. On 20th February, the Confederation's Director issued a statement to the press which accused the Government of attempting to sidestep the unpalatable facts which had been laid before the Cabinet and the country in the Industrial Situation. "Conversations directed in the main to the question of industrial peace," Forbes-Watson noted, "left things as they were before. The Confederation's statement still awaits the consideration of the Government." By the end of 1931, however, the N.C.E.O. had reason to be more satisfied with the official response to their Report.

Like the Confederation's Report of 1926, the Industrial Situation was placed before the Government at a politically crucial stage. In 1931, however, the N.C.E.O. made a deliberate bid to simultaneously gather political and public support behind its programme for economic recovery. Outside Parliament, the "Blue Book" was probably the first significant expression of revolt against the Government's economic and social policies. How far the timing of the Confederation's Report was planned to fit in with the Opposition motion of censure (debated on 11th-12th February), must remain a subject for conjecture, although the evidence points in this direction. The N.C.E.O.'s Parliamentary Committee had been co-operating with Conservatives and Liberals on a number of specific policy questions over the course of 1930, notably on unemployment insurance. Moreover, there was an uncanny similarity between the proposals of the Industrial Situation and the

111 For the T.U.C.'s relations with the Government, see R. Skidelsky, op. cit., pp. 265-270, and The Times, 17 February 1931.

112 The Times, 19 February 1931.

113 See below, pp. 258-261.
views which were aired in the Commons during the Censure Debate, the proposal for a Committee on National Economy being the most obvious example. Certainly, the Cabinet interpreted the Confederation's Report as a deliberate and planned political manoeuvre and they were probably right to do so. In this respect the Industrial Situation can be counted as one of the many political factors which undermined the confidence of the Labour Government in the early months of 1931.

However, the importance of the Confederation's Report has to be seen in a much wider perspective. The Industrial Situation aroused considerable comment in the national and trade press and generated an independent debate on the N.C.E.O.'s "alternative" economic programme. The Times, as so often between the Wars, was the Confederation's most outspoken and least critical supporter. Reviewing the Report in February, the labour correspondent noted that:114

In the facts of trade there is an overwhelming case for the reduction of the burdens on industry, and those who know the burdens that are the hardest to bear are entitled to be heard when they plead, in the country's behalf, no less in their own, for relief.

The T.U.C. was predictably less impressed by the N.C.E.O.'s proposals and condemned its Report as a panic-stricken and reactionary response to the economic depression. However, probably the most perceptive appraisal of the "Blue Book" came from the Economist. "Taking as we do a grave view of the situation," the journal observed in February 1931, "we would, nevertheless, beg employers to realise that there can be no going back to pre-war conditions, still less those of 1831." The Confederation, the Economist concluded, "would carry more conviction if it had made more explicit the contribution which Capital will make to this national crisis."115

The N.C.E.O. did not allow the criticisms which its Report attracted to go unanswered, replying promptly through its leading spokesmen, notably the Chairman of the Confederation's Industrial

114 The Times, 13 February 1931; see also, Engineering, 13 March 1931, p. 363.

115 The Economist, 2 February 1931, p. 390.
Policy Committee. Their public defence helped to make the *Industrial Situation* a focus in the rising debate on public economy over the course of 1931, overshadowing (but complementing) the F.B.I.'s policy statement on the economy, published in March 1931. To maximise its effect, the Confederation circulated copies of the Report to the leaders of the Opposition, M.P.'s, and all members of the House of Lords, as well as to the local authorities. Overall, more than 55,000 copies of the "Blue Book" were distributed during the course of 1931. Along with the May Economy Report, published later in the year, the *Industrial Situation* took its place among the most publicised and discussed political documents of the 1931 crisis. In this larger role it undoubtedly helped to initiate and sustain the political wave which swept the Labour Government from office later in the year.

How far the *Industrial Situation* exercised any direct influence upon the emergency measures which were either contemplated or executed by the Labour Government before it departed from office is more difficult to determine. The "Blue Book" was certainly read and digested in the Ministry of Labour and other Government departments in February 1931, but there is no evidence that it was ever considered as the basis for further discussion between the Government and the Confederation or as a basis for Government policy. After all, the demand for public retrenchment was the common property of almost every political party and shade of non-socialist opinion in 1931 and the Confederation's demand was probably the least politically acceptable from the Government's point of view. Moreover, like the Confederation's policy document of 1926, the *Industrial Situation* was burdened by an obvious degree of special pleading from a particular

116 See *The Times*, 20 February 1931.


119 The Ministry of Labour's attitude towards the Report was that the Government should "seek to deal with the soundness upon which the Confederation have based their demand for these drastic policies." BT/56/43/C.I.A./1870.
section of industry.

Only more detailed consideration of the Confederation's recommendations of February 1931 can shed further light upon the influence of the "Blue Book" on specific policies. The question of the unemployed was given a prominent place in the "Blue Book" and shortly after its publication the N.C.E.O. followed up its proposals on unemployment insurance through evidence before the Royal Commission on Unemployment Insurance. Together with the Industrial Situation, the Confederation's evidence opened the door for further discussions with the Government on the future of the scheme. In this respect, at least, the "Blue Book" had a direct relevance for Government policy.

However, the National Confederation undoubtedly paid a political price for the Industrial Situation. The Report exacerbated its already poor relationship with the trade unions and gave substance to Labour's claim that it had been hounded from office by big business and the City. The N.C.E.O. never denied an accusation which soon became the staple of Labour politics. However, it was less easy for the Confederation to ignore the strains which the "Blue Book" had undoubtedly placed upon its privileged relationship with the Ministry of Labour. Overall, these were costs which the leadership of the Confederation regarded as the unavoidable result of educating the nation in "the gravity of the situation". Certainly, Lord Weir and his colleagues believed that their initiative in February 1931 and the uncompromising manner in which they had presented and supported their case had helped to set the tone of the last months of the second Labour Government. More importantly, however, they saw in the National Government and the emergency measures which it introduced in the autumn of 1931, a general vindication of their stand. "It may fairly be claimed," the Executive Council concluded in reviewing these events,

120 See K. Middlemas, op. cit., p. 211.

that the Confederation's Statement was the first to confront the
nation with the true facts of the national situation; that the
prior knowledge of these facts played no small part in fore­
warning the nation and so preparing it to meet the crisis when it
came; and that, although the Confederation's remedies were not
adopted when they were first put forward, it was to these remedies
that the National Government turned in September 1931, when the
full gravity of the crisis was revealed.

These claims carried some authenticity, although few politicians at
the time were unwise enough to endorse them publicly.

The Industrial Situation represented the N.C.E.O.'s ultimate bid
between the Wars to seize the initiative in the debate on the economy
and unemployment. In the short term, as already indicated, it brought
the Confederation some concrete gains. In the long term, however, the
employers' attempt was a political failure.

After 1931 there was no fundamental change in the N.C.E.O.'s view
of unemployment as essentially a problem of social spending and the
"social wage." Consequently, the challenges which faced the
Confederation were tactical rather than substantive. The crisis of
1931 discredited the T.U.C.'s campaign for "The Right to Work" and
forced the trade unions into a defensive position, but only for a
brief period. By 1932 the T.U.C. had re-opened its long-running
campaign for a State managed economy and a controlled labour market.
The edge of this new campaign were the demands for a statutory 40-hour
week and the raising of the school- leaving age.122 These were
political demands which the N.C.E.O. could not afford to neglect, and
in due course it responded. However, in the immediate aftermath of
the fall of the Labour Government, the Confederation faced the more
pressing task of asserting its policy for unemployment over those of
competing non-socialist authorities. The challenge was familiar
enough to the leaders of the N.C.E.O., but during and after 1931 it
was heighted by the obvious dominance of Treasury and City priori­
ties over the Government's emergency measures. An equally serious
threat to the Confederation was the tightening grip of Protection, not
only on the Government but also upon the industrial community at
large, encouraged as always by the National Union of Manufacturers,

122 See S. Pollard, "Trade Union Reactions to the Economic Crisis,"
in S. Pollard, ed., The Gold Standard and Employment Policies
and now also firmly backed by the F.B.I. 123

The N.C.E.O., of course, had no objection to "sound money" doctrines. Nor, by 1931, was it prepared to oppose Protection. but it was determined that neither of these orthodox solutions to the depression should obscure the fundamental (and still unresolved) question of domestic costs in the staple and exporting industries. 124 A significant indication of the N.C.E.O.'s fixed concern with this subject was given in August 1931 in a statement issued to the press by the Confederation's Honorary President, a few days before the fall of the Labour Government. 125 Here, while enthusiastically endorsing the case for public retrenchment, Lord Weir warned against the uncritical pursuit of a balanced budget at the expense of employers in the staple and exporting industries. "No one," he observed, "who has watched the trend of legislation and of national leadership in recent years can be surprised at the position which this country's finances have reached." However, he added, "let us hope that in this crisis the position and the handicaps of the producer, hitherto ignored and disregarded will at length find adequate recognition." This anticipation was strongly underlined in the following November when Weir collaborated with Henry Mond 126 in publishing a short, but detailed review of the economic situation. 127

123 The N.U.M. co-operated with the F.B.I. to produce Industry and the Nation; see F.B.I./C/32/74. This statement was followed by two further policy statements by the Federation, Industry and the Crisis, London, September 1931, and Industry and the Empire, London, 1932.


125 "Economy First," The Times, 20 August 1931.


With the arrival of the National Government, the N.C.E.O. took steps to capitalise on a political momentum which was flowing in its favour although, after consultation with the F.B.I., it waited until after the October General Election before making any moves. Early in November 1931 the Confederation's Director, J.B. Forbes-Watson, advised the Executive Council on the importance of "staking our claim to be consulted, lest the Government might have the idea that the only industrial aspects which they were expected to bear in mind were those dealt with by the F.B.I." Later in the month the employers attempted to patch up their differences with Ramsay MacDonald in a formal letter which praised the new Government and pledged their support. The N.C.E.O., it was noted, "has remained silent because, recognising the courage and the political leadership with which these emergencies were being faced, it wished to avoid doing anything which might have rendered more difficult an already delicate situation."

These assurances were far removed from the language of the "Blue Book", although it is unlikely that they made any impression on the Prime Minister. However, acting upon the advice on Forbes-Watson, the Confederation linked its conciliatory overtures with a firm request for discussions between the employers and the Government on future economic policy. The Government, the Confederation insisted, must "work out a policy for recovery" and the members of the N.C.E.O. had a right to be consulted to ensure "that any such solutions as may ultimately be adopted shall have been adequately tested from the standpoint of their effect on the employing capacity of industry." The Confederation's firm demand for consultation was not looked upon favourably by Horace Wilson, now Chief Industrial Advisor to the Government. Nevertheless, largely on the initiative of Henry


129 J.B. Forbes-Watson to H.B. Shackleton, 2 November 1931. Ibid.

130 N.C.E.O. Industrial Situation Committee to Ramsay MacDonald, 11 November 1931. Ibid.

131 Idem.
Betterton, the new Minister of Labour, the N.C.E.O. was not completely ignored. At the beginning of 1932 informal talks were opened between representatives of the N.C.E.O. and the Government on the proposed tariff duties and upon unemployment insurance and early in the following year the Confederation was invited to participate in a broad enquiry by the Ministry of Labour into methods to secure the speedy reabsorption of the unemployed.132

These developments impinged upon an important disagreement among the members of the N.C.E.O. about both political tactics and policy. The divergence of views first showed itself in November 1931 when a group of the Confederation's leaders led by H.B. Shackleton133 of the Wool Employers' Federation proposed that the Confederation should follow up the Industrial Situation with a further review of the situation which, like the February Report, would be well-publicised. Writing to the President of the N.C.E.O. Shackleton warned him of the dangers ahead:134

When I see some of the principal members of the ... National Government speaking of its past and future activities being devoted to the maintenance and the preparation for the improvement of the present standard of life, I am convinced in my mind that it is necessary to restate the unpleasant truth that the present standards cannot be maintained,

Further pressure from Shackleton, supported by the Confederation's Director, prompted the industrial policy committee to draft yet another policy document, entitled "The National Outlook". However, this report was simply old wine in a new bottle. All the same, when moves were made to release it for political and public consumption, several members of the Confederation's Executive Council threatened to either disown the Report or to resign. The N.C.E.O.'s President, F.C. Allen, advised caution. "I think we should get more attention paid to our representations," he noted in January 1932, "if we can find a moment

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132 N.C.E.O. 3740, and Minutes of the General Purposes Committee, 30 March 1933. N.C.E./NC/1/G.P.C.


134 H.B. Shackleton to F.C. Allen, 29 November 1931. N.C.E.O./NC/ Misc. /1/31/A.
to present them when [the Government] has time to realise their importance." In the event, the "National Outlook" was suppressed in the early months of 1932, to resurface later through a more politically acceptable channel.

In response to the Ministry of Labour's invitation to present its views at length on the prospects for economic recovery, and upon the measures which both Industry and the Government could take to absorb the unemployed, the Confederation in December 1933 produced a comprehensive report entitled, "The Unemployment Situation". The Report added nothing to the N.C.E.O.'s already established analysis of the depression and discounted all hopes of immediate recovery. It also confirmed the employers' implacable opposition to direct or "artificial" measures for reducing employment. In all, eight possible measures were considered, including the 40-hour week, short-time working, the raising of the school-leaving age, early retirement and public works. Without exception, however, these proposals were firmly rejected on the grounds that they would increase production costs.  

More so than the "Blue Book", the "Unemployment Situation" was closely studied by the Ministry of Labour, where it provoked considerable disappointment because of its negative outlook, and because of its unashamed pleading on the narrow argument of production costs. As one Ministry official noted of the Report, "The Memorandum seems to me to bear the appearance of a document designed to serve as propaganda ... in favour of some of the pet theories of certain groups of employers." For both the Confederation and the National Government, however, the Report retained a practical value. Firstly, as we shall see in Chapter 6, it served to strengthen the N.C.E.O.'s demand for a comprehensive reform of the unemployment insurance system. Secondly, and at the same time, the

135 F.C. Allen to J.B. Forbes-Watson, 8 January 1932. Ibid.  
136 "The Unemployment Situation", 6 December 1933, part IV. N.C.E.O./NC/16/C4/69. N.C. 4174  
137 He concluded that the Report was "only understandable on the assumption that [it] is really intended for the consumption of the less well-informed section of the public." Memorandum by J.W. Ramsbottom, 20 January 1934, LAB. 2/2018/I.L./217/1934.
Report provided the Ministry of Labour with a useful instrument with which to resist the T.U.C.'s proposal for a statutory 40-hour week, for which the Government had no enthusiasm.

The "Unemployment Situation" was the focus for discussions (the so-called "Betterton talks") between the Government, the T.U.C. and the N.C.E.O. on the reduction of unemployment which opened in April 1934. These talks lasted until 1936, but the Confederation played a diminishing role in them. This was partly because it had little interest in the measures which were under discussion, but mainly because the N.C.E.O. could no longer guarantee that its views on unemployment fully represented the views of its members. At the beginning of 1935 the Ministry of Labour commenced discussions with the individual members of the Confederation in the hope of securing some degree of co-operation on measures such as short-time and retirement schemes which could be introduced on a unilateral basis, and by May 1936 had completed discussions with employers' organisations in no less than twenty-four different industries.138 These developments were watched by the Executive Council of the Confederation from a distance, with little sign that it wished to participate. This reluctance, however, confirmed the end of almost a decade of hegemony by the N.C.E.O. over the economic views of employers' organisations in the staple and exporting industries.

What had the N.C.E.O. achieved in the decade between 1926 and 1936? The Confederation's contribution to the politics of unemployment during this period was a recognisable and substantial one. However, two general features of this contribution were of particular significance. Firstly, the National Confederation occupied an important space in the unemployment debate as the champion of the interests of employers in a still important sector of the economy. Its ability to articulate those interests after 1919, but more especially after 1924, offered an effective reply to the demand for "The Right to Work".

Secondly, the N.C.E.O.'s pursuit of its "national policy" during the latter half of the 1920's and the political campaign which it

built around the Industrial Situation in the first half of the next decade highlighted the fragmentation of ideas concerning the depression and unemployment within orthodox circles between the Wars. The extent to which British employers in the staple and exporting industries looked with suspicion and indeed, with real apprehension at the grip of the Treasury and the City on Government unemployment policy during this period has been frequently overlooked by historians. Certainly, the National Confederation and all those who shared its faith in the supreme national importance of the staple industries failed to break the dominance of monetary priorities on Government economic policy during the 1920's and after, but the Confederation always threatened that dominance and it may well have weakened it.

More specifically, the N.C.E.O.'s distinctive approach to the unemployment problem opened up an equally distinctive role for this particular group of employers in politics between the Wars. Wages, of course had obvious relevance to employers after the War and economists and politicians were quick to seize upon the lead which the Confederation gave in attempting to account for the economic recession and unemployment in terms of the movement of wages. However, it was the N.C.E.O.'s developing obsession with the wage and basic shop factors in the unemployment problem during the late 1920's and after which enabled the employers to make an active connection between wages and social welfare. This added a new and controversial dimension to the debate on unemployment and represented a genuine innovation in post-war politics.

There were many critics of social welfare in Britain between the Wars, including the Federation of British Industries, both the Liberal and the Conservative Parties and the Treasury. In this respect, the National Confederation was indeed part of a broad school which was opposed to unrestricted social spending. This fact, however, can easily obscure the special significance of the N.C.E.O.'s contribution to the unemployment debate during the 1920's and the 1930's. For most employers and conservatives lower wages and lower public spending were seen as an acceptable way out of the cul-de-sac of economic stagnation and unemployment. However, among employers at least, only the National Confederation believed that
social welfare posed a dire threat to the survival of Industry and only the N.C.E.O. argued that the "social de-commodification" of the labour market could make a major contribution to the restoration of prosperity. Partly for this reason the N.C.E.O. developed a special interest in the unemployed and in the treatment of the unemployed between the Wars.
Unemployment lay at the very centre of the breakdown in political consensus between the Government, the T.U.C. and the N.C.E. after the War. It was, however, the unemployment insurance scheme and the general question of maintenance for the workless which generated the most sustained political heat. The post-war system of unemployment insurance provided a focus for opposing social doctrines and for an important argument between the State and both sides of industry over the distribution of the financial responsibility for the unemployed. Moreover, the positions which were adopted by the Government, workers and employers in the period 1919-1924 set the stage for a longer contest over the unemployed which lasted until the mid-1930’s.

First introduced as a limited experiment in social policy in 1911, the contributory scheme of unemployment insurance was extended to most industries in 1920 to cope with the unemployment which the Government expected to arise out of the transition from a wartime economy recession in 1921, the national scheme of unemployment insurance was confronted with an industrial challenge which it had not been designed to meet. Faced with the prospect of thousands of ex-servicemen and skilled workers falling on to the Poor Law and the risk of severe industrial and political unrest, the Government amended the scheme, suspending its strict contributory conditions and altering its financial basis.

The collapse of unemployment insurance and the response which it evoked in the Government and from Labour has been copiously documented by historians, notably by Gilbert and more recently,

by Deacon. 2 The main emphasis in their work has been directed towards identifying the key political features of the unemployment insurance scheme during the immediate post-war years. Some attention has also been given to identifying the pressures which were placed upon the Coalition Government by Labour and by the unemployed themselves to provide "adequate" or "full" maintenance for the workless, and to showing how these pressures were either translated into policy, or successfully resisted by the Government. 3 The place which employers' organisations occupied on this large political canvas, however, has so far attracted little detailed study.

The post-war political development of the N.C.E.O. was built around the politics of the unemployment insurance scheme. The Confederation was among the many industrial organisations which participated in the debate on the extension of unemployment insurance immediately after the War, and it supported the Unemployment Insurance Act of 1920. However, the changes which were made in the scheme during the immediate post-war years quickly converted the N.C.E.O. into a critic of unemployment insurance and, more generally, of the Government's policy towards the unemployed. By 1924 the National Confederation had established itself as the leading authority among employers' organisations on all questions concerning the maintenance of the unemployed. Much of this authority was derived from the Confederation's developing command over labour subjects during these years. Essentially, however, it was built upon the Report on Unemployment Insurance, published at the beginning of 1924.

The Report was shaped by three different, although converging debates about the unemployed after the War. These were, firstly, the debate on the problems which had overcome the national


scheme of unemployment insurance; secondly the debate on the advantage of an occupationally-based system of unemployment insurance, and thirdly, on the controversial question of the relationship between unemployment insurance and the Poor Law. Part II of this chapter examines the problems of unemployment insurance immediately after the War and the N.C.E.O.'s general attitude towards the scheme. Part III discusses the political context out of which the 1924 Report developed, and Part IV examines the Report itself. The subject of the Poor Law during this period is dealt with fully in Chapter 5.

II

THE COLLAPSE OF UNEMPLOYMENT INSURANCE 1919-1923

The Unemployment Insurance Act of August 1920 was the official axis of post-war reconstruction. Based upon the limited contributory experiment of 1911, the new State scheme covered approximately 12 million male and female works (including juveniles over the age of 16), whose income fell below the threshold of £250 per annum. The only major exemptions from the scheme were agriculture, domestic service, railway employment, and local government employees. The enlarged State Scheme was administered principally through the established network of Employment Exchanges and backed up by a legally-binding appeal procedure. Several features of the 1920 Act are of particular importance to this study.

Firstly, like the 1911 scheme, the Unemployment Insurance Act of 1920 rested firmly upon the assumption of normal unemployment, calculated at around 5% by the Government Actuary. This assumption was reflected in the administrative tests and checks of the new scheme, all of them inherited from the Edwardian system of unemployment insurance. Under the first statutory condition, known


as the "contributory-ratio rule," benefits were arithmetically linked to the contributions of a claimant on a ratio of one week's benefit to six weeks' contributions (the "1/6 rule"). In addition to the 1/6 rule, no claimant could draw more than 15 weeks' benefit in any one year ("the yearly limit rule") and a waiting period of three days was set between the date of registration and claim and the payment of benefit. The main function of these conditions was to safeguard the Unemployment Insurance Fund from abuse and to prevent malingering by claimants. In more general terms, however, they were geared towards ensuring that unemployment insurance did not adversely impinge either upon the labour market or upon the free play of collective bargaining.

Secondly, and again like the 1911 scheme, the enlarged unemployment insurance scheme of 1920 aimed at providing an acceptable and permanent form of provision for the unemployed outside the scope of the Poor Law. This was emphasised by the substantial increase in the level of provision for the insured unemployed. The original rates of benefit (7s.) were now increased to 15s. for men and 12s. for women. These rates were dictated by actuarial calculations and by the Treasury's desire to minimise its contribution to the enlarged scheme. At the same time, in the Ministry of Labour and among those experts who had helped to draft the new scheme, such as William Beveridge, the increased benefit rates were considered to be commensurate with the increased cost of living and the widened social aspirations of Labour, while at the same time being consistent with the preservation of job and wage incentives.6

Thirdly and finally, the contributory basis of the 1920 Act was weighted in favour of the State. Contributions were set at 4d. for adult male workers and 4d. for employers in respect of each adult worker on the wage role. However, the balance of contributions between the three parties was not equal. In 1920 the Treasury's

contribution to the Unemployment Insurance Fund was fixed at 2d., or approximately one-quarter of the combined contribution from Industry. This arrangement compared unfavourably with the ratio of financial responsibility which had held in the original scheme. Under the 1911 Act, however, the State had contributed one-third of the combined contributions from workers and employers. 7

As an experiment in social policy, the soundness of unemployment insurance was widely accepted by the end of the War. Nevertheless, the political foundations of the 1920 Act were new and very fragile. The Edwardian system of unemployment insurance had been viewed with suspicion by many trade unions and, as we have already seen, it had aroused no enthusiasm from employers' organisations. A more heated reaction from both sides of Industry was precipitated by the National Insurance Act of June 1916. 8 The Act extended the national scheme of unemployment insurance to workers in munitions and related work and added seven new trades to the existing schedule, including chemicals, glass, the leather trades, textiles and rubber. The measure, however was an administrative and political failure. Over the next two years the Government was flooded with requests for exclusion from the Act by joint deputations from trade unions and employers' organisations in the industries concerned. The cotton trade was quickly exempted and it was followed by five other trades. Nevertheless, by the end of the War, the Act had brought an additional 1½ million workers into the national scheme. 9

The political opposition and the ill-feeling between Industry

7. There were separate rates of contributions for women and juveniles. In this study, discussion of the finance of the scheme deals mainly with adult male rates. For the full contribution and benefit structure, and subsequent amendments, see B. Swann and M. Turnbull, Records of Interest to Social Scientists: Unemployment Insurance, 1911-1939, London, 1975.


and Government which was aroused by the 1916 Act had an important bearing upon the politics of unemployment insurance during the immediate post-war years. In the short term, however, the reaction of 1916 delayed serious discussion of the extension of unemployment insurance until the last year of the War. In March 1918 the Civil War Workers' Committee warned the Government that "unless a scheme of general insurance is devised and launched at the earliest possible date, it may be possible to avoid the disastrous chaos of unorganised and improvised methods of relieving distress." 10

This warning was soon borne out by the experience of Out-of-Work Donation. However, the extension of the national scheme of unemployment insurance was given a firm thrust towards realisation by the Report of the Resettlement Committee of the Ministry of Labour, issued in October 1918. The Report recommended that the existing scheme should be extended to all trades, with certain minor exceptions, and that the extension should be reconsidered by the Government in the light of practical experience three years after the termination of the War. The National Industrial Conference approved the further development of unemployment Insurance in April 1919 and the Government introduced its Unemployment Insurance Bill in December. 11

During the second half of the War, employers showed a new enthusiasm for contributory unemployment insurance. The F.B.I., for example, endorsed the extension of the scheme in its 1918 Labour Report, a view which was echoed individually by many employers. 12 In 1919, therefore, the subject was taken up positively by the leaders of the newly formed N.C.E.O. as a legitimate item in the debate on post-war reconstruction. During the National Industrial Conference in February, the principle of wider and improved security for the unemployed was accepted firmly.


12. Federation of British Industries, "Reconstruction After the War", 1918, pp. 3-4. See also, The Economist, 10 March 1917, p. 480.
Sir Allan Smith and the employers' representatives, giving substance to their claim that industrialists were willing to recognise the enlarged social aspirations of Labour. The Sub-Committee on Unemployment which was appointed by the Provisional Joint Committee reported back in March 1919 that its members were unanimous that normal provision for maintenance during unemployment should be more adequate and of wider application. The Sub-Committee also agreed that any scheme which was adopted should provide for under-employment as well as unemployment. However, it failed to agree on the form which the extended provision should take. The trade union representatives argued that the extension of unemployment insurance should be undertaken on a non-contributory basis, while the employers favoured a contributory scheme. This disagreement quickly found another outlet in the political debate which arose over the working of the Out-of-Work Donation.

This scheme, introduced in December 1918 as an emergency measure, was a non-contributory form of State relief which covered both unemployed civilians and ex-servicemen. Allowances were relatively generous: men received £29 per week and women £24s., with additional allowances of £6s. for the first child and £3s. for subsequent children. The principal qualifying condition was proof of 20 weeks employment in the last year of the War. Partly because of the delay in bringing forward the Unemployment Insurance Bill, and partly for political reasons, the Government extended the scheme no less than four times. When it finally came to an end in March 1921 it had cost the Treasury £65½ million and aroused a storm of criticism from politicians and employers.

Out-of-Work Donation acted as an important focus for rival political and social viewpoints in 1919. These were highlighted by


14 As with the disagreement between the two sides over consumption and productivity, the final Report of the P.J.C. left the dispute between the trade unionists and employers on unemployment insurance unresolved. LAB. 2/775/I.R./32/324; also, R. Charles, op. cit., p. 242.

15 For an assessment of the scheme, see B. Gilbert, op. cit., pp. 59–63.
the Aberconway Committee, appointed in May 1919 to examine the scheme and make recommendations as to the modifications that might be desirable in its scope and administration.16 The evidence presented to it by workers and employers was starkly divided. While the representatives of the trade unions argued in favour of the continuance of the scheme on existing lines, the spokesman who appeared on behalf of the Federation of British Industries and the N.C.E.O. condemned the non-contributory nature of the Donation as an encouragement to lax administration, and protested that the high rates of provision were an inducement to malingering.17 These claims were firmly endorsed by the members of the Confederation. The Engineering Employers' Federation, for example, had to deal with complaints from its rank and file that the Donation was financially "disastrous to the nation" and that "abuse of it by both men and women is enormous."18 In November 1919 the N.C.E.O. took action by collaborating with Sir Allan Smith's recently formed Industrial Group to promote a campaign in Parliament and throughout Industry to secure the speedy termination of payments under the scheme.19

The experience of Out-of-Work Donation left a lasting mark upon the N.C.E.O.'s attitude towards the relief of the unemployed. Its main effect in 1919-1920 was to suppress any lingering doubts which may have been harboured in the Confederation over the acceptability of unemployment insurance. On 5th January 1920 the Minister of Labour submitted a memorandum on the Government's insurance proposals to the Confederation and invited Sir Allan Smith and his Executive


18 Engineering Employers' Federation/Film/18/139. For the views of the A.B.C.C., see The Times, 4 June 1919.

19 Smith and the Industrial Group took the view that Out-of-Work Donation had "undermined discipline in industry " and that it was "a hindrance to reconstruction". Minutes of the G.P.C., 20 November 1919. British Commonwealth Union, Minute Book 5. See also, Parl. Deb., 5th Series, 1919, vol. 121, col. 1078.
Committee to submit their views on the Bill. The main lines of the new scheme of unemployment insurance, Horne, emphasised, had already been settled, "but there may be a number of subsidiary points which need adjustment." The two sides met at the Ministry of Labour on 8th January. The discussions, despite Horne's attempt to limit their scope, mainly centred upon the proposed increase in contributions and benefits and upon one particular feature of the Bill, Section 18, which will be examined in due course. Another meeting was held between the Confederation and the Minister on 6th February. At no point in these talks, however, did Sir Allan Smith and his colleagues raise serious objections to the new measure.

The Unemployment Insurance Bill came before the House of Commons on 25th February 1920 and provoked little sustained criticism from the Labour Party. Speaking on behalf of his Party and the T.U.C., J.R. Clynes gave lip service to the principle of a non-contributory scheme financed through general taxation, but noted that while the Government's Bill "does not proceed in the right direction in principle, it is likely to go far to relieve the poverty and distress which would otherwise occur." Surprisingly, perhaps, the Labour Party accepted the stringent 1/6 rule as an appropriate check on claims and concentrated its energies upon persuading the Government to increase the benefits to a level which was on a par with Out-of-Work Donation. The N.C.E.O. replied through Sir Allan Smith and the Industrial Group. Speaking during the Second Reading of the Bill, the Confederation's Chairman welcomed the new scheme as a measure which might facilitate co-operation between Labour and Capital. "This particular measure," he argued, "is going to test whether or not a community of interest is going to be established and maintained."


21 Circular to G.P.C., 30 January 1920. N.C.E.O./NC/1/C4/3. N.C. 0312. However, within the E.E.F. there was strong feeling against the Bill. The East Anglian Federation, for example, complained that "The Bill adds an increased burden to Industry which is not justified at the present time." E.E.F./Film/1/8.


23 Ibid., p. 1785.
of the Bill in May 1920 the Joint Labour Committee of the N.C.E.O. and the F.B.I. worked closely with the Industrial Group to organise parliamentary opposition to Labour amendments to improve the terms of the scheme, although with what success was not recorded.\(^{24}\)

The Confederation's support of the extension of unemployment insurance at the end of the War marked a decisive break with the past record of employers. To some extent this reflected the general view of employers that, whether they liked it or not, security against unemployment was one of the central terms of industrial peace and a condition they would have to meet if they were to secure new wage and working agreements from the trade unions. In February 1920 the Confederation's Chairman was careful to underline the fact that the N.C.E.O. expected the trade unions to recognise the unemployment insurance scheme as a concession which had been made possible by the support of employers. "I do not think there is a single employer in the country who denies that provision ought to be made for unemployment," Smith declared, but added that,\(^{25}\)

> there are numbers of employers, and very important sections of the community, who say that unless there is some demonstration of willingness to give that output which alone will avoid unemployment, there should be no compensation.

The swift rise in unemployment which followed the passage of the 1920 Act, however, made many of the arguments which had surrounded its introduction largely irrelevant. By the beginning of 1921 thousands of workers had exhausted their right to benefit under the 1/6 rule, while many workers had never qualified under the rule. The Government, as Deacon has pointed out, had three clear alternatives. Either it could amend the scheme, or leave the unemployed to fall on to the Poor Law, or it could act quickly to provide some form of State relief outside the scope of insurance and the Poor Law. The second of these alternatives was discussed by the

\(^{24}\) The principal spokesman for the employers was P. Lloyd Creame, M.P., later Sir P. Cuncliffe Lister. Minutes of the Liaison Committee on the Labour Situation, 12 May 1920 and 9 June 1920. F.B.I./C/74. Also, Minutes of the G.P.C., 4 August 1920. British Commonwealth Union, Minute Book 5.

Government and rejected as politically unacceptable. The third alternative seemed unnecessary, so long as unemployment was anticipated to be a short-term problem. In any case, after the experience of the Out-of-Work Donation, it was certain to arouse the opposition of the Treasury.  

The Unemployment Insurance Act of March 1921 was in fact a compromise between these three alternatives. Technically, the Act established a novel form of unemployment insurance. For those who had exhausted their right to benefit under the 1/6 rule, "uncovenanted benefit" now became available for 16 weeks in two "special periods" which ran forward to July 1922. Three conditions were introduced governing the receipt of uncovenanted benefit, all of which had featured in Out-of-Work Donation. Claimants now had to prove that they were: (1) normally engaged in insurable employment; and (2) that they were "genuinely seeking, but unable to obtain whole-time employment."  

The Act also increased benefits (20s. for men and 16s. for women), and reset contributions at 5d. for workers, 6d. for employers and 2d. for the State.

The amending Act of March 1921 was quickly followed by a series of measures which consolidated the parallel schemes of unemployment insurance. The 1920 scheme remained for those workers who could meet its stringent actuarial rules. By the middle of 1922, however, more than 60% of total claims were for uncovenanted benefit.

The Unemployment Insurance Act of July 1921 extended the duration of uncovenanted benefit to 22 weeks in the two special periods, and in April 1922, a third and a fourth special period were introduced for uncovenanted benefit carrying it forward until July 1923. However, several important changes were made in the conditions governing the receipt of uncovenanted benefit. Under the Act of July 1921, payment of uncovenanted benefit beyond the first 16 weeks

26 A. Deacon, op. cit., pp. 16-17.

27 The third condition was that claimants had been in insurable employment for 20 weeks since 1919. On these conditions, see B. Swann and M. Turnbull, op. cit., pp. 186-187.

became subject to "ministerial discretion". Benefit would only be granted if the Minister was satisfied that "having regard to all the circumstances of the case, the grant of further benefit was in the public interest." 29 The Unemployment Insurance Act of April 1922 introduced a nominal qualifying rule of 20 contribution, but more importantly, it applied the discretionary principle to the payment of all benefit in the third and fourth special periods. The Act also introduced a new constraint by stipulating that every 5 weeks of uncovenanted benefit should be broken by a "gap" of 5 weeks during which no payment would be made to the claimant.

The introduction of uncovenanted benefit placed a heavy responsibility upon the Employment Exchanges, and in particular, upon the Local Employment Committees, (L.E.C.'s). The origins and the development of these Committees have been examined at length elsewhere. 30 From March 1921 onwards, the main function of the L.E.C.'s was to undertake the scrutiny of claims for uncovenanted benefit and to apply the various conditions and discretionary rules of the scheme. In theory, their power to allow or disallow claims for unconvenanted benefit was purely advisory. Each recommendation on an individual case which was made by an L.E.C. was examined by the Insurance Officer of the Employment Exchange, who was free to either refer the case back to the Committee or simply to reverse

29 The discretionary principle was usually applied in the form of a means test. It was first activated in February 1921 against five classes of claimant, including juveniles living with parent or relatives, single persons, who were being maintained by relatives, and short-time workers. Ibid., pp. 112-113.

30 The Committees were set up in 1917 to advise the Employment Exchanges on demobilisation and resettlement problems. By 1921 there were over 300 L.E.C.'s. Each Committee was composed of representatives of trade unions and employers' organisations and presided over by an independent chairman appointed by the Ministry of Labour. See A. Deacon, op. cit., pp. 28-30, and F. Morley, op. cit., pp. 101-103.
its decision on behalf of the Minister of Labour. In practice, however, decisions of the Committees were rarely challenged, except by the claimants themselves. The work of the Local Employment Committees is discussed at later stages in this study. Here it is enough to emphasise the importance of their role in ensuring that the conditions and rules of the unemployment insurance scheme were effectively applied.31

The financial changes which were made in the unemployment insurance scheme during 1921-1922 were no less important than the changes which were effected in its regulations and local administration.32 Under the Unemployment Insurance Act of July 1921, benefits were reduced to the 1920 rates. This was balanced to some extent by the introduction of dependants' allowances later in the same year. At the same time, further changes were made in the contributory basis of the scheme. In July 1921 contributions were again increased to 7d. for workers, 8d. for employers and 3½d. for the State. After April 1922, however, the contributions of the three parties were reset at 9d., 10d., and 6½d. respectively, in an attempt to contain the growing insolvency of the Unemployment Insurance Fund.33

The drastic changes in the scheme after 1920 required trade unions and employers' organisations to clarify their attitude towards unemployment insurance. As with the larger issues of the prevention and reduction of unemployment, it was the T.U.C. and the Labour Party which were best placed to seize and maintain the


33 The Act of March 1921 increased the borrowing powers of the scheme to £10 million. This was increased in July 1921 to £20 million and in April 1922, to £30 million. By June 1923 the accumulated debt of the Fund stood at £15½ million.
political initiative. In the wake of the abortive Downing Street talks at the beginning of 1921, Labour opened its campaign for "Full Maintenance", although the demand quickly assumed a variety of meanings. In the purest form, the slogan of "Full Maintenance" meant the full assumption of responsibility for the unemployed by the State by means of a non-contributory scheme of unemployment insurance. In practical terms, however, and in deference to the fact that trade unionists and Labour M.P.'s were divided on the merits of non-contributory unemployment insurance, their energies were increasingly directed towards minimising the checks and penalties in the existing national scheme. By 1923 the principal targets for Labour were the gap, the means test, and the rates of benefit. In addition, however, Labour M.P.'s launched a campaign to secure an increase in the State contribution to the Unemployment Insurance Fund so as to place it on a par with the contributions from workers and employers. These issues preoccupied the T.U.C. throughout the 1920's and likewise, they quickly attracted and retained the attention of employers.

The N.C.E.O. had played no official role in the making of the Unemployment Insurance Act of March 1921, although the Government was not prepared to completely ignore its views. Prior to the introduction of the Bill in the Commons in February 1921, Sir Allan Smith was called to the Ministry of Labour to discuss the new provisions and to give them his stamp of approval on behalf of employers. How he responded to the destruction of the scheme which he had so firmly endorsed in 1920, cannot be determined. However, the Minister of Labour, in reporting to the Cabinet on


35 Correspondence and memoranda concerning Labour and unemployment insurance during 1921-1923 are in PREM./1/34. See also, T.U.C. and the Labour Party, _Unemployment Relief. The Government's Record and labour Policy_, London, 1922, pp. 2-3.

36 Minutes of the General Purposes Committee, 20 January and 17 March 1921. _British Commonwealth Union, Minute Book 5._
discussions he had held with employers, took the view that "the more far-sighted employers ... while not conceding the full extent of the Labour Party's demands, think that reasonably adequate provision against unemployment is an essential safety for our industrial system." This was a very general view in 1921 and there can be little doubt that the Confederation was prepared at this stage to subscribe to it.

Nevertheless, although they were not prepared to contest the introduction of uncovenanted benefit in March 1921, the leaders of the Confederation believed that the amended scheme was now very vulnerable to maladministration and to abuse, and they were anxious to draw the Coalition Government away from making any further significant concessions to the unemployed. Writing directly to Lloyd George in April 1921 on the question of an official enquiry into Labour unrest, the Confederation's Chairman warned the Prime Minister that "an enquiry would probably bring out the claims of the workpeople on two points, firstly, an increased unemployment allowance, and secondly, their desire that wages should not be reduced." Over the course of 1921, the N.C.E.O.'s hardening political attitude towards the trade unions undoubtedly impinged upon its view of the unemployed and the provision which should be made for them. Discussion among the Confederation's Executive during this difficult period for employers, and over the next two years, also revealed an increasing concern with the long-term future of the unemployment insurance scheme.

The introduction of the Dependents' Allowances Scheme in 1921 gave a concrete political focus for the N.C.E.O.'s concern over the

37 Memorandum by the Minister of Labour, 10 February 1921. CAB./24/119/C.P. 2562.

38 See for example, statements by Lord Weir, The Times, 23 December 1920, 26 January 1921, and (by Roscoe Brunner) 25 January 1921.

39 Sir Allan Smith to Lloyd George, 27 April 1921. N.C.E.O./Misc./1/Mond-Turner. The Minister of Labour endorsed this warning in a memorandum to the Cabinet on 29 April. CAB./24/122. See also, The United Manufacturers' Journal, October 1921, p. 186.
maintenance of the unemployed. The principle of dependents' benefits had been introduced into Government unemployment relief policy via the Out-of-Work Donation arrangements. Under the Unemployed Workers' Dependents (Temporary Provision) Bill, debated in the Commons on 24th October 1921, a weekly allowance of 5s. was granted for a wife, with 1s. per week for each dependent child. To finance these new benefits, a separate Unemployed Dependents' Fund was set up on a tripartite basis between workers, employers and the State. Contributions were fixed at 2d. for each side of industry, with the Treasury contributing 3d. The new scheme was introduced for a period of six months. However, in April 1922, to bolster the income of the Unemployment Insurance Fund, dependents' allowances were incorporated into the main unemployment insurance scheme for the duration of the deficiency period.

The demand for dependants' allowances was an integral part of Labour's campaign for "Full Maintenance" and the focus for considerable political debate during the passage of the Unemployment Insurance Act later, in March 1921. However, the main consideration which persuaded the Government to take up the proposal was the rising swell of complaints from the Boards of Guardians against the financial burden imposed upon the rates through relief granted to the families of the unemployed. The idea of a special fund to provide dependants' allowances was given serious discussion by the Government during the Gairloch Conference, and by the assembled entourage of industrialists who joined the Conference on the 1st-2nd of October. Here it was agreed that a plan for an additional allowance scheme should be put to the T.U.C. and the main employers' organisations as part of the larger programme for reducing unemployment. On 15th October 1921 the Minister of Labour invited the T.U.C. to discuss the new dependants' scheme with members of the Government prior to the introduction of the Bill. The T.U.C. turned him down, choosing to tackle the Government when the Bill came before the House. On the same day, however, he invited the N.C.E.O. and the Federation of

British Industries to discuss the new measure and the three parties met on 17th October.\textsuperscript{41}

The presentation of dependants' allowances in conjunction with export credits and trade facilities, and the hostile posture which the T.U.C. adopted towards the Gairloch Programme as a whole, left the Confederation and the F.B.I. little room for manoeuvre when details of the new allowances were placed before them prior to the introduction of the Bill in the Commons. The Minster of Labour asked Sir Allan Smith and the deputation of twenty-eight employers to accept the new scheme, which they did on "the assumption that the Government's general scheme [of unemployment measures] is such as will revitalise industry." However, another consideration which they admitted was their desire to out-maneuver the T.U.C. and the Labour Party. If the proposal was rejected, the deputation agreed, "it would be a blow to the contributory principle of unemployment insurance."\textsuperscript{42}

Nevertheless, despite their almost non-existent bargaining position, the two employers' organisations attempted to squeeze some concrete assurances from the Minister of Labour. These were firstly, that the new scheme of allowances would definitely be temporary. Secondly, that the Treasury would make and sustain a substantial contribution to the Dependants' Fund; and thirdly, that "the relationship between the allowances and the payments made by the Guardians should be co-ordinated and the overlapping of benefits avoided."\textsuperscript{43} The Minister gave the necessary assurances on all three points.

A second round of talks was convened hastily by the Minister of Labour in March 1922, prior to the incorporation of the Dependants' Fund into the national scheme. During these discussions the spokesmen for the N.C.E.O. and F.B.I. pressed worriedly for a renewed assurance from the Minister that the Government still regarded the future of dependants' benefits as a matter to be decided. This time, however, the Confederation warned that it

\textsuperscript{41} Circular to members, 18 October 1921. N.C.E.O./NC/2/C4/8. N.C. 152.

\textsuperscript{42} Ibid., and, Minutes of the Grand Council, 19 October 1921. F.B.I./C/1/1.

\textsuperscript{43} Ibid.
would oppose in Parliament any attempt to increase the level of existing allowances. Whether this was a serious warning, or simply an attempt to strengthen the Minister of Labour's notoriously weak resolve in resisting his Labour critics, it suggested a hardening attitude within the N.C.E.O.

The talks between the N.C.E.O. and the Government on dependants' allowances in 1921-1922 had a specific political significance. Firstly, they brought to the surface the concern which was felt by the Confederation over the relationship between unemployment insurance and the Poor Law, an issue which was soon to acquire a larger place in the N.C.E.O.'s perspective of the unemployed. More immediately, however, the N.C.E.O. gained some political capital out of the discussions. The talks between the two sides attracted some public comment. The Times, for example, in one of its early expressions of interest in the N.C.E.O., noted that the participation of the Confederation and the F.B.I. in the preparation of the Unemployed Workers' Dependents' Bill was "a very healthy sign that the extremists who are very active in exploiting the cause of the ex-servicemen are not to be allowed to have it their own way." This was perhaps stretching a point, but it was not entirely unfounded.

The N.C.E.O.'s willingness to contest specific features of the unemployment insurance scheme after 1921 was demonstrated more firmly on the politically contentious question of the payment of benefit to strikers. This subject was governed by Section 8 (1) of the 1920 Act which laid down that insured workers who were involved in, or thrown out of work by a stoppage in their place of employment, would not be eligible for benefit during the stoppage. While no one objected to the general principle that strikers should be outside the scope of the unemployment insurance scheme, because of the imprecise wording of the clause and the difficulties which confronted the Employment Exchange officials in determining the relationship of a claimant to a particular stoppage, the rule caused considerable hardship and brought a steady stream of appeals

44 Memorandum by the Minister of Labour, 10 March 1922. CAB./27/177/I.U.C. 2.

45 The Times, 18 October 1921; see also, The United Manufacturers' Journal, December 1921, p. 232, for the N.U.M.'s attitude towards the new allowances.
from trade unions to the Courts of Referees and the Umpire. The stringent application of the trades disputes disqualification clause by the Ministry of Labour (assisted by information on the movement of workers, collated by the N.C.E.O. and its members) was one of the lesser known dimensions of industrial relations during the immediate post-war years. The clause, however, was a major topic for political discussion during the mining dispute of 1921 and the national engineering stoppage of 1922, during which, it was later claimed, members of more than forty different trade unions were penalised.

The T.U.C. had been campaigning for the reform of the strike clause since its introduction into the scheme in 1911, arguing that a new provision should be inserted which specifically protected those workers who were not directly participating in the dispute. After the War, however, neither the Ministry of Labour nor the N.C.E.O. were anxious to tamper with the existing clause, the former because of the intricacy of the subject and the Confederation because the existing clause favoured its wage-cutting strategy in industrial relations. Speaking on the subject in the Commons in February 1921, the Confederation's Chairman admitted that "this point is one of the extraordinary difficulty which cannot be settled off-hand," but at the same time, he showed no enthusiasm for a suggestion from the Labour benches that the Government should appoint a special enquiry into the future of the clause.

In April 1922, however, after further pressure from the T.U.C., the Minister of Labour agreed on the need for a review of the subject and approached the N.C.E.O. with the suggestion of a Joint Committee of trade unionists and employers to discuss the whole


48 Parl. Deb., 5th Series, 1921, vol. 138, col. 1286. However, following this debate, an "informal correspondance" ensued between the N.C.E.O. and the Minister of Labour on the possible reform of the clause. Minutes of the General Purposes Committee, 28th June and 21st July 1921. N.C.E.O./NC/1/G.P.C.
question of the trades disputes disqualification rule. The Confederation agreed to collaborate, perhaps surprisingly in view of the past record of joint ventures, but it probably had little real option, since the Government clearly intended to proceed with or without the co-operation of the employers. The Committee, known as the "Trades Disputes Disqualification Committee", was subsequently formed in June 1922 under the chairmanship of Sir Thomas Munro to review Section 8 (1) and "to consider whether any, and if so what modification should be made therein."

The Munro Committee held four meetings, but it was unable to produce any concrete results. In July 1922 the T.U.C. representatives led by Arthur Hayday submitted a memorandum which criticised the operation of the clause and which proposed that "unemployment benefit should be payable in all cases in which a contributor was involuntarily unemployed." Thereafter, the main obstacles were the Confederation's representatives, Sir Allan Smith and Sir Andrew Duncan of the Shipbuilding Employers' Federation. The two men objected to any relaxation of the clause on the general grounds that it would prolong industrial stoppages and further undermine the finances of the Unemployment Insurance Fund. It was agreed that the Confederation's representatives should submit a memorandum answering the T.U.C.'s case in detail. However, when the Committee met again on 6th March 1923, Sir Allan Smith announced that in the N.C.E.O.'s view, the Committee could no longer usefully function. Although the Committee survived under a new Chairman, until the end of the year, the N.C.E.O.'s representatives played no active part in its deliberations.

The main reason put forward by the Confederation in March 1923 to support the winding up of the Munro Committee was that, "the question of placing unemployment insurance on a new basis has

49 H.J. Wilson to T.J. Macnamara, 4 April 1922. P.R.O./PIN./7/63/1.

50 Minutes of the Trade Disputes Disqualification Committee, 16 June and 30 June 1922. P I N./7/69/1.

51 Minutes of the Trades Disputes Disqualification Committee, 6 March 1923.
become a live issue." Therefore, Smith and Duncan contended, "it would be undesirable ... to deal with one particular point on the Committee, when the whole subject of Unemployment Insurance was being discussed elsewhere." \(^{52}\) In part, this argument was obviously a tactical move, designed to bring down the curtain on a discussion into which the Confederation had been drawn under duress and which it was now anxious to close before the T.U.C. succeeded in winning the Government round to its viewpoint. Nonetheless, the Confederation's claim that a large question mark hung over the future of the national scheme of unemployment insurance was based upon two hard political facts, one of which was the Unemployment Insurance Bill of 1923.

This Act, the sixth major amendment to the unemployment insurance scheme since the end of the War, was a serious attempt by the Government to stabilise the Unemployment Insurance Fund and lay down administrative and financial foundations which could be built upon in the future. The Act extended the fourth special period to October 1923, during which 44 weeks of uncovenanted benefit were allowed, divided evenly by a gap of 4 weeks. After this date, the scheme would be administered on "benefit years," the first of which would run to October 1924. \(^{53}\) No changes were made in the existing rates of contribution and benefit. However, Clause 4 of the Act introduced two new provisions which had important implications for the future of the scheme. Firstly, dependants' allowances now became a permanent feature of unemployment insurance. Secondly, the Act stipulated that when the Fund was restored to solvency, the maximum rates of contributions for workers and employers would be set at 6d. respectively, a reduction of 4d. on the existing rates for employers. At the same time, however, the State's contribution to the Fund would also be reduced and permanently fixed at one quarter of the combined contributions of Industry. \(^{54}\)

\(^{52}\) Idem.

\(^{53}\) During the first benefit year, 26 weeks of convened benefit could be drawn, separated by a gap of 3 weeks.

In several respects, the political context in which the 1923 Act was formed was as important as the measure itself. The new Act was interwoven with the first serious moves towards a reappraisal of the State scheme of unemployment insurance in official circles. These were given a concrete shape in the Inter-Departmental Committee on Health and Unemployment Insurance, chaired by Sir Alfred Watson, the Chief Government Actuary. The final report of the Committee, submitted to the Government in February 1923, tackled what by then was clearly the central problem in the scheme, the 1/6 contributory - ratio rule. Watson and his colleagues argued that the rule had outlived its usefulness and that it should be replaced by a less stringent form of contributory qualification.55

The Watson Report gave practical substance to a growing view in the Ministry of Labour that if the State scheme of contributory unemployment insurance was to become a permanent feature of the industrial scene, then it must be subjected to a comprehensive review. Early in February 1923 the subject was raised in the Cabinet Committee on Unemployment Insurance. The sponsor, the Minister of Labour, C. Montague Barlow, believed that an enquiry into the scheme was necessary, if "only from the point of view of informing public opinion," although the issue was not felt to be pressing enough to bring before the full Cabinet.56 On 12th February the Committee agreed that "while an enquiry into the whole of the unemployment insurance issued was desirable," there was no immediate need for a decision as to when it should be appointed or its scope. However, Montague Barlow anticipated taking action after the termination of the first benefit year.57


56 Minutes of the Cabinet Committee on Unemployment Insurance, 1 February and 12 February, 1923, CAB./27/21.

57 Ibid.
The N.C.E.O. was very quickly drawn into these developments. At the beginning of February 1923 the Minister of Labour held a series of informal conferences with leading industrialists throughout the country, including the Confederation's President, Lord Weir, and P.J. Hannon, the Secretary of the Parliamentary Industrial Group. The Minister's main purpose, it seems, was to test the temperature of industrial opinion on the further extension of uncovenanted benefit, and more generally, employers' attitudes towards unemployment insurance. The overwhelming majority of those employers who were consulted agreed that the uncovenanted benefit had "proved a sheet anchor throughout this whole period of unemployment" and that it had prevented a degree of distress that might have led to serious industrial disorder. Reporting back to the Cabinet, Montague Barlow reassured his colleagues that their policy had the backing of employers:

I put the question to them specifically and with one exception, I cannot recall a single instance where I was advised that it would be appropriate at this moment ... to allow those now on uncovenanted benefit to go off benefit and on to the Poor Law.

When the new Unemployment Insurance Bill was published at the end of February, however, it was subjected to close scrutiny by the N.C.E.O.'s recently established Unemployment Insurance Committee to see how far it "prejudices or affects the factors which [are] best suited to governing an improved system of unemployment insurance for normal times." On 5th March, prior to the Second Reading of the Bill on the same day, a deputation from the Confederation led by Sir Andrew Duncan met the Minister of Labour at the House of Commons to discuss the proposed changes in the scheme. No objection was raised against the proposed extension of uncovenanted benefit, but the deputation criticised the financial arrangements in Clause 4. Sir Andrew Duncan and his colleagues reminded


59 Memorandum by the Minister of Labour, 9 February 1923. CAB./27/210/U.I. 7.

60 Minutes of the Unemployment Insurance Committee, 5 March 1923. N.C.E.O./NC/3/CA/24.
Montague Barlow of the temporary nature of dependants' allowances and argued that to incorporate them formally into the scheme at this stage was "premature and quite unnecessary." More importantly, the deputation pointed out that by laying down the future financial basis of the scheme, the Bill might prejudice discussion of the subject. However, Montague Barlow replied that nothing in the Bill precluded a general review of the scheme at a later date, and promised to make this clear when he introduced the measure to the House. For the time being, this assurance satisfied the Confederation.

The passage of the Unemployment Insurance Bill through the House of Commons in March 1923 witnessed the rehearsal of parliamentary fights between the T.U.C. and the N.C.E.O. over the scheme which were yet to come. However, the most important feature of the debates was the general theme, introduced by the Minister of Labour, of an impending reform of the scheme to place it on permanent lines. Thus, although Montague Barlow presented his proposals on their merits, he also pointed towards "an ultimate reconsideration of the whole unemployment insurance programme" in the not too distant future. This prospect made little difference to the T.U.C. and the Labour Party. In a report published jointly by the two bodies shortly before the Bill came before the House of Commons, the Government's unemployment insurance policy was condemned as an insult to the unemployed and as an evasion of responsibility by the State. During the passage of the Bill, Labour M.P.'s directed their energies towards securing the removal of the gap and increasing the Treasury's contribution to the Unemployment Insurance Fund.

The N.C.E.O. adopted a more welcoming attitude towards the Unemployment Insurance Bill. After seeing the Minister on 5th March, the Confederation's Unemployment Insurance Committee held a

61 Ibid.
meeting with members of the Parliamentary Industrial Group. It was agreed that although the employers should take no steps to secure changes in the Bill, every effort should be made to counter the expected attack by Labour against the measure. As the Bill moved through the Commons, Sir Allan Smith co-ordinated backbench Conservative opposition to Labour amendments, while the task of voicing the Confederation's view was handed to P.J. Hannon. 64

Speaking during the Second Reading of the Bill, Hannon condemned the Labour Party as having failed to "put forward a single constructive suggestion" towards the improvement of the scheme and defended the Government's measure as a step which would lead to the stabilisation of the Fund. "Speaking in some small way on behalf of the employers," Hannon stated candidly, "we are prepared to accept this Bill and to do our best to make it a really helpful measure." 65 However, the Confederation's spokesman was careful to draw the Minister's attention to the question of dependants' allowances and their place in the scheme, and called upon Montague Barlow to give a definite assurance that their future was by no means decided. At the same time, Hannon also attempted to focus the attention of the House upon the urgent need for a general review of the scheme. 66

How far these points were noted by the House of Commons in 1923 is difficult to say, although as we shall see presently, the Confederation did not allow the question of reform to be dropped. However, by this date the question mark which hung over the future of the unemployment insurance scheme was coloured by a second debate upon occupational unemployment insurance, or as it was more commonly termed at the time, "unemployment insurance by industry". This subject posed a major challenge to the N.C.E.O. and all employers during the immediate post-war years and released the political impetus which was to lead directly to the Report on Unemployment Insurance.


66 Ibid., p. 150
III

THE DEBATE ON UNEMPLOYMENT INSURANCE BY INDUSTRY 1920 - 1923

The idea of unemployment insurance administered and financed on the basis of industrial units grew out of the characteristic blending of State collectivism and voluntary effort in Edwardian social policy. Under Part II of the National Insurance Act of 1911, trade unions were empowered to administer the State scheme on the behalf of the Board of Trade. At the same time, trade unions were encouraged to set up independent schemes of unemployment insurance by means of a Treasury subsidy. The 1916 National Insurance Act, however, opened up discussion between the Government, the trade unions and employers' organisations on the merits of developing even further the already existing provisions for industry-based unemployment insurance schemes. While opposing their inclusion in the State scheme under the 1916 Act, most of the industries concerned proposed instead that they should be allowed to make separate provision for their unemployed.67

The Unemployment Insurance Act of 1920 preserved the right of the trade unions to administer the State scheme under Section 17, although the Treasury subsidy to trade unions' schemes was now abolished. However, at the insistence of the T.U.C., and with the encouragement of both the F.B.I. and the N.C.E.O., the Government retained and strengthened the principle of unemployment insurance by industry through two new provisions. Under Section 18 of the Act, the Minister of Labour was empowered to allow industries to "contract out" of the national scheme and to establish "special schemes" which catered for workers in a particular industry. Section 18 also laid down that applications for special schemes should be made through Joint Industrial Councils and that, once approved, they would be compulsory for all workers and employers in the industry concerned.

The principle of occupational unemployment insurance was embodied in a more limited, but nonetheless ambitious form through Section 20 of the 1920 Unemployment Insurance Act. Under this

67 PIN./7/16/E.D./8008/1918.
Section (governed by the same rules which applied to special schemes), workers and employers were empowered to set up "Supplementary schemes" of unemployment insurance, providing additional benefits which covered under-employment as well as unemployment.

In both Section 18 and Section 20, the financing of the schemes was based upon the joint-contributory principle, although it was permissible that supplementary schemes be financed wholly by employers. However, the financial contribution of the State to the further development of unemployment insurance by industry was by no means generous. In the case of special schemes, the contribution of the Treasury was initially fixed at one-tenth of the combined contributions of workers and employers. During the passage of the Act, the Government agreed to increase its contribution to three-tenths. In the case of supplementary schemes, however, there was no financial assistance from the Treasury.68

During the second half of the War, the idea of unemployment insurance by industry had been taken up by the Feferation of British Industries and firmly endorsed in its Labour Report of 1918. This endorsement, together with the approval for the extension of unemployment insurance to all industries, was one of the few features of the Report which the N.C.E.O. showed any willingness to commend. During the course of 1919-1920 the Confederation's leaders expressed considerable enthusiasm for the further development of schemes of occupational unemployment insurance. Early in 1920 they raised the subject with the Minister of Labour in the discussions on the Unemployment Insurance Bill. Here, they expressed its general approval for the principle of unemployment insurance by industry, but pressed for more generous State financial assistance for those industries which might wish to contract out.69

68 For details on Section 18 and 20, see Ministry of Labour, Report on the Administration of Section 18 of the Unemployment Insurance Act., 1920, Cmd. 1613, 1923, pp. 6-10.

69 Minutes of the General Purposes Committee, 7 January 1920. N.C.E.O./NC/1/G.P.C. The question was taken up by Sir Allan Smith during the Second Reading of the Bill in February. "If a trade contracted out," Smith noted, "that is in the interest of the State, because the State gets relieved from a burden which would be carried by the industry itself." Parl. Deb., 5th Series, 1920, vol. 125, col. 1787.
The attractiveness of unemployment insurance at the end of the War turned ultimately upon the anticipated volume of unemployment. In 1919 Sir Alfred Watson, the Chief Government Actuary, estimated that between 3-4 million workers could be catered for by special schemes. However in 1920-1921, the arguments for and against the development of occupational schemes of extended far beyond the unemployment factor. The principle of unemployment insurance by industry meant many different things to different shades of political and industrial opinion. In the Treasury and the City, for example, industry-based schemes of unemployment insurance raised the prospect of reducing the State's administrative and financial commitment to the unemployed. However, for some trade unions, unemployment insurance by industry was seen as a natural corollary to self-government, or "home rule" in industry.

For employers, unemployment insurance by industry opened up a number of possibilities. Among progressive employers, it was seen as a means whereby high benefits could be secured for the workforce, assisting the maintenance of good industrial relations, and at the same time holding up the level of working-class consumption. This view was held strongly in the Federation of British Industries. Among more orthodox employers, however, occupational unemployment insurance fitted in neatly with their industrial priorities and with their general antipathy to State intervention. In November 1920, for example, the Barnes Committee on Employment Exchanges reported that many employers were still dissatisfied with the work of the Exchanges and that they were anxious to develop their own more specialised machinery for job-placing and unemployment insurance. Sir Allan Smith developed this theme more generally in his first major speech on unemployment in the House of Commons. "The first duty of the Government is to

70 Cmd. 498, 1919, p.3

71 This view was popular among the members of the National Alliance of Employers and Employed, the Industrial League and the Council and the General Federation of Trade Unions. See, for example, National Alliance of Employers and Employed, Annual Report, 1920, London, 1920, pp. 18-19, and Parl. Deb., 5th Series, 1922, vol. 15, col. 388-390.

leave employers and trade unions alone," he argued in December 1920, "If the employers and the workers were to carry on unemployment personally ... the exercise of a State right would be removed." 73

After 1920, however, the Government showed no enthusiasm for further development of separate schemes of unemployment insurance. The Ministry of Labour believed that contracting out ran counter to the cardinal principle of unemployment insurance, namely, collective responsibility for the unemployed. Even while unemployment was still low, the officials of the Ministry feared that a proliferation of special schemes would undermine the financing of the national scheme by leaving the Unemployment Insurance Fund to carry the worst industrial risks, such as building, engineering and shipbuilding. 74

When unemployment rose sharply during the first half of 1921, the Government moved quickly to ensure that low-risk industries did not attempt to evade the rising costs of relieving the unemployed. Under Section 5 of the Unemployment Insurance Act of July 1921 the Minister's power to authorise the formation of special schemes was suspended for the duration of the deficiency period. By this date many Joint Industrial Councils had drawn up preliminary plans for contracting-out of the national scheme. However, the only applications which were accepted by the Government before the embargo took effect were from the Banking and the Insurance industries, neither of which constituted a severe financial loss to the Unemployment Insurance Fund. 75

Despite its initial enthusiasm for contracting out, the N.C.E.O.'s commitment to unemployment insurance by industry did not survive the course of 1921, for several reasons. Firstly, the steep rise in unemployment decisively shifted the balance of financial advantage in contracting out against employers, and particularly those in the staple and exporting industries. Secondly, the N.C.E.O.'s attack upon wages and the general deterioration in industrial relations during 1921 removed the industrial good-will which was a precondition for the formation of special schemes in most industries. Thirdly, by the middle of 1921

74 Memorandum by the Minister of Labour, 18 December 1919. CAB./24/95/C.P. 315.
75 Cmd. 1613, pp. 14-17.
it had dawned upon Sir Allan Smith and the N.C.E.O. that the basic principle of unemployment insurance by industry posed a major political threat to the interests of all employers. In the heightened political atmosphere of 1919-1920 it had been convenient for many employers to accept the trade union argument that employers had a sui generis responsibility for the unemployed. However in 1921, against the background of rising unemployment and the T.U.C.'s escalating campaign for "Full Maintenance", the N.C.E.O. quickly concluded that the immediate disadvantages of special schemes far outweighed its potential advantages. Accordingly, the suspension of Clause 18, coinciding as it did with the its withdrawal from the Provisional Joint Committee of the N.I.C., provoked no official opposition from the Confederation.

The rapid erosion of the N.C.E.O.'s commitment to unemployment insurance by industry after 1920 also impinged upon its attitude towards Section 20 of the Unemployment Insurance Act, the arrangements for supplementary schemes. In 1920-1921 the Confederation was the leading force behind a movement among employers' organisations to establish a direct link between collective bargaining and the maintenance of the unemployed. During the Downing Street talks at the end of December 1920, Sir Allan Smith and the Minister of Labour, T.J. Macnamara, agreed that the Confederation and the Government should encourage the establishment of schemes of short-time working in conjunction with the payment of additional benefits to the workers affected. This suggestion stemmed directly from the Confederation's Chairman, who had already aired it in the engineering industry and in the press.76 In January 1921 the subject was taken up by the N.C.E.O.'s Special General Meeting on Unemployment. Here it was agreed in principle that each industry should set up a central fund to provide additional unemployment benefits and that the schemes should be put forward by employers' organisations either as part of short-time proposals or, "at the same time as the workpeople are asked to accept a reduction in wages."77


77 "Unemployment : Memorandum on points discussed at Special General Meeting of members ... 20 January 1921."
As part of their general remit on unemployment, Sir Allan Smith and the General Purposes Committee were asked by the members of the Confederation to report upon "the possibility of drawing up from a national standpoint the principles of a scheme which would be calculated to provide security satisfactory to workspeople ... and which the various industries would be able to adopt." However, the ground was cut from beneath their feet by the intervention of the Association of Joint Industrial Councils. At the beginning of February 1921 the Association approached the N.C.E.O. with its own model scheme of additional insurance for adoption by employers organisations. The scheme was certainly more ambitious than anything which Sir Allan Smith and his colleagues had in mind. The Association's plan was based upon the principle that "Industry is responsible for maintaining its reserve of Labour," and envisaged that supplementary benefits would be linked to earnings on a percentage basis, with allowances for dependants. Under the plan it would be possible for a married worker with a family to draw over £2 in benefit, rising to over £3 from combined sources.

The initiative from the Association of Joint Industrial Councils provoked some consternation in the N.C.E.O. One reason was the source from which it had come. Founded in December 1920 with the assistance of the Ministry of Labour and the Federation of British Industries, the Association represented the most progressive wing of the post-war employers' movement. The Chairman of the Employers' Panel was Sydney Pascall, a Quaker employer and a close associate of Seebohm Rowntree. Among the other members of the Panel were W.P. Rylands, the force behind the F.B.I.'s Labour Report of 1918, and T.B. Johnson (an established


80 On the formation of the Association and its personnel, see LAB. 2/715/I.R./807/ 1921.

advocate of industrial collaboration), from the pottery industry.

However, the main reason for the Confederation's concern was its belief that the Association had already submitted its plans to the trade unions, and further, that it was attempting to use the proposed model scheme as a means of committing employers' organisations in general to the further development of Joint Industrial Councils throughout industry. In responding to the approach from the Association early in March the Confederation's recently appointed Secretary, J.B. Forbes-Watson, warned against the dangers of attempting to force the hand of employers:82

My Committee feel strongly that the adoption of any scheme by only a section of Employers in an industry or by only one industry and not by others must inevitably result in such troubles and misunderstandings as to destroy the solidarity of Employers in industry as a whole.

The Confederation's Secretary also made it clear that he resented the Association's intervention in a question which was clearly the property of the N.C.E.O. The General Purposes Committee, Forbes-Watson noted, was presently considering various proposals and he felt strongly that the "interests of Employers as a whole call for the fullest co-operation and interchange of views before a scheme is put forward to the Employees Representatives in any industry."83 The issue between the two sides was not resolved until May 1921. At the instigation of the N.C.E.O., a meeting was held with the Employers' Panel of the Association to allow Pascall and his colleagues to explain their plans in greater detail. Speaking for the Confederation, Sir Allan Smith was forced to admit that "the principles contained in the scheme were not such that the Confederation could take exception to." However, it was agreed that the Association would take no further action without first consulting and working through the Confederation.84

After May 1921, however, the N.C.E.O. made no effort to encourage the development of supplementary schemes, and despite continuing discussions between trade unions and individual

83 Ibid.
84 "Minutes of Meeting of Joint Committee of Representatives of the Confederation and of the Whitley Council Employers ... 11 May 1921." N.C.E.O./NC/1/C4/6. N.C.62
employers' organisations, no schemes under Section 20 were set up during this period or later. There were several specific reasons why the Confederation was discouraged from pursuing its initial interest in additional benefit plans. Firstly, neither the T.U.C. nor any of its members showed any interest in accepting better security against unemployment through supplementary schemes as a quid pro quo for short-time or lower wages. Secondly, rank-and-file opinion within the Confederation itself was divided in its attitude towards the provision of additional unemployment benefit. A questionnaire which was circulated by the General Purposes Committee to members in February 1921 on the subject brought a generally poor response, with only about half of the membership replying. Of these, nine organisations were in favour of the development of supplementary schemes; eight were against the idea and no less than 11 members were undecided. Among those organisations which raised strong objections were the conservative-minded Cotton Spinners' and Manufacturers' Association and its close associate, the Federation of Master Cotton Spinner's Associations. The former pointed out that the widespread application of Section 20 would "drive all employees into trade unions," an objection which was equally applicable to special Schemes. The Federation, on the other hand, noted that there was no point in employers providing additional unemployment benefits, since the Government had already increased the level of provision for the unemployed in the recent Unemployment Insurance Act.

The general weight of opinion within the N.C.E.O. against occupational unemployment insurance was indicative of the growing tendency of employers' organisations in 1921 to look towards the State scheme of unemployment insurance as the proper agency for dealing with the needs of the unemployed. However, in more general terms, it also reflected the desire of employers to channel political discussion about the unemployed away from industrial relations and towards the Government. This was the context in which, at the end of 1921, the political debate on unemployment


86 Ibid.
insurance by industry took a new turn with the publication of the First Report of the Geddes Committee on national expenditure. In its search for public economies, the Geddes Committee recommended that the Government should consider abolishing the Employment Exchanges, and that it should examine all means of directly cutting the costs of the State scheme of unemployment insurance. Towards these ends, the Report asked the Government to "explore the possibility of developing Unemployment Insurance by industry." The Geddes Report as a whole was not welcomed in the Ministry of Labour. However, the political weight which lay behind it forced the hand of the Ministry on the question of unemployment insurance by industry, and in turn, the N.C.E.O. found itself faced with a range of new political challenges.

The important political initiatives which stemmed directly from the Geddes recommendations took place between February 1922 and February 1923 and followed a pace which was set by the Government. On 22nd February 1922, the Minister of Labour issued a circular to over 15,000 industrial organisations, including the T.U.C., the General Federation of Trade Unions, the N.C.E.O. and the Federation of British Industries, requesting their views on unemployment insurance by industry. Although the Minister made it clear that he had no immediate intention of restoring Section 18, he emphasised that the Government were anxious to determine the views of employers and employed in each industry, and that the Government was looking into all means whereby "State participation [in unemployment insurance] be reduced to a minimum." With this end in view, the Minister announced that the Government hoped to set up a Joint Committee of employers and trade unionists to review the whole future of unemployment insurance.

The "Macnamara circular" was not discussed seriously in the N.C.E.O. until May 1922. Among the members of the General Purposes Committee, the Government's initiative on unemployment insurance by industry was greeted with alarm and interpreted as the first act in


a move by the Treasury to shift the financial responsibility for the unemployed directly upon the shoulders of industry. Hence, the Committee immediately informed the Minister of Labour that, in the N.C.E.O.'s view, further discussion of unemployment insurance by industry "could not usefully proceed in the present depressed state of industry." At the same time, the Confederation took steps to warn its members away from the Macnamara circular. A letter was sent to employers' organisations pointing out the disadvantages of occupational unemployment insurance in a high period of unemployment, together with the request that they should not reply to the Government's invitation. 89

The N.C.E.O.'s attempt to stifle the debate on unemployment insurance by industry before it got off the ground met with limited success. In July 1922 the Minister of Labour set up a committee of civil servants to collate the anticipated replies from the various organisations. Chaired by the Parliamentary Secretary, Montague Barlow, by the end of July it had received replies from 23 employers' organisations, although very few of them were members of the N.C.E.O. 90 Those members which acted against the advice of the General Purposes Committee, including the Mining Association, the N.F.T.B.E. and the National Federation of Furnishing Trades, all declared themselves against the further development of occupational unemployment insurance on contracting-out lines, while some employers' organisations were non-committal. However, the response from other sections of industry was more positive. Predictably, the Macnamara circular brought a steady stream of replies from various Joint Industrial Councils and moderate political bodies, such as the National Alliance of Employers and Employed, in favour of the occupational unemployment insurance. Support was also voiced by the General Federation of Trade Unions and to a lesser extent, by the T.U.C. 91

89 Minutes of the General Purpose Committee, 3 May 1922.
N.C.E.O./NC/1/G.P.C.

90 PIN./7/65/2.

91 Ibid. The T.U.C. rejected the wholesale devolution of unemployment insurance, but it favoured the restoration of the contracting-out clause. See also, T.U.C. and Labour Party, Unemployment Insurance Industry, London, July 1922.
The Macnamara circular was an unprecedented exercise in consultation by the Ministry of Labour on the issue of unemployment insurance and one which opened up a national debate on the subject. However, the public and political interest in the subject only served to highlight the conspicuous silence from the N.C.E.O. and its chief rival, the Federation of British Industries. Early in October 1922, Montague Barlow decided to prepare a memorandum reviewing the debate as it had developed so far, and to submit it to trade unions and employers for consideration and reply.92

The "Barlow memorandum" was issued on 28th November 1922 and, in contrast to the Government initiative of the previous February, it was directed exclusively at the T.U.C. and the N.C.E.O. The memorandum outlined three different forms of unemployment insurance by industry which had attracted discussion over the last two years. "Method A" proposed that the State scheme should be dismantled and that industry should assume the entire responsibility for maintaining the unemployed through separate schemes. "Method B" suggested that the State scheme should be retained along with a network of special schemes which would also make a contribution to the Unemployment Insurance Fund. "Method C" proposed the restoration of Section 18 on the original terms provided under the 1920 Act. More generally, however, the T.U.C. and the Confederation were asked to advise the Government on those "steps which might be taken with a view to the establishment of an improved system of unemployment insurance."93 Since the views of the T.U.C. on the subject were already well known, the Barlow memorandum was clearly directed first and foremost towards the Confederation. To see why, it is necessary to look closely at the relationship between the N.C.E.O. and the Federation of British Industries over the course of 1922.

In 1922 a major dispute arose between the Confederation and the F.B.I. on the issue of unemployment insurance, but more generally, over the leadership of employers' social policies. The F.B.I., as we have seen, had preserved a say on matters concerning the unemployed after the War, either directly or indirectly through bodies such as the National Alliance of Employers and Employed and

92 Minutes of the Unemployment Insurance by Industries Committee, 6 October 1922. PIN./7/65/2.

93 PIN./7/65/2. See also, Cmd. 1613, pp. 22-27.
the Association of Joint Industrial Councils. When faced with the Macnamara circular in February 1922, the Federation reacted positively. On 8th March the General Council of the F.B.I. appointed a forty-member Committee of enquiry on Unemployment Insurance under the chairmanship of W.P. Rylands. The purpose of the Committee was to "enable the various trades throughout the country to know what was being done by other trades" and to consider "the possibility of putting forward a co-ordinated policy on behalf of manufacturers." 94

The Federation's Committee on Unemployment Insurance was certainly among the most unusual to be set up by any group of employers after the War on an issue of social policy. Aside from Rylands, it was dominated by progressive employers, including Sydney Pascall and a large contingent from the Association of Joint Industrial Councils. It also included recognised authorities on labour welfare and social insurance, notably Seebohm Rowntree (representing the Cocoa Manufacturers' Association) and Henry Lesser from the National Association of Employees Approved Societies. Also on the Committee however (although in an unofficial capacity), were two members of the N.C.E.O., Thomas Biggart, representing the Shipbuilding Employers' Federation and T. Harris Spencer from the E.E.F. 95

The Committee held its first meeting early in May and completed its final report in November 1922. Based largely on the views of Seebohm Rowntree, the Report started from the observation that the existing scheme of insurance "has long since ceased to be in any real sense an insurance scheme, and has become little more than an alternative or supplement to poor law relief." The true function of unemployment insurance, the Report argued, was "the complete removal of the menace of unemployment." 96


95 Ibid.

which followed this ambitious claim were well in advance of Government opinion and industrial opinion at large. Like the T.U.C., the Federation's Committee on Unemployment Insurance rejected the idea of replacing the national scheme with a network of autonomous special schemes on the grounds that it would be administratively and financially impractical. Instead, they proposed that the right to contract out of the national scheme should be restored immediately, irrespective of the condition of the Unemployment Insurance Fund. However, the crux of the Report turned upon the level of maintenance. The Rylands Committee recommended that the rates of contribution and benefit in the State scheme should be proportionate to the wages of the insured person and to family size.97

The proposals of the Rylands Committee were not new, but they were certainly controversial. The basic idea behind them, that of a "wages equalisation fund", had already been publicised by Seebohm Rowntree in various articles on unemployment insurance and in several private submissions to the Ministry of Labour. The latter had not met with a welcome response. In December 1920, for example, when Rowntree put his ideas before officials of the Ministry, the benefit proposals were criticised as "so high as to be a direct incentive to idleness." More seriously, the Ministry objected to the underlying principle behind Rowntree's scheme. It seemed, they noted, "to be based essentially upon the principles of the Labour Party's Right to Work Bill. Failing the provision of work, the State must provide adequate maintenance."98 By 1922 the Ministry of Labour had not changed its views on the proper function of unemployment insurance, although officially at least, it had yet to receive the F.B.I.'s Report.

For the N.C.E.O., the Rylands Committee posed a major challenge to its still tenuous authority in the field of social policy. The work of the Committee raised the same general issues of tactics

97 Ibid.
and policy which had been fought out between the two organisations four years earlier over the Labour Report, and in 1922 the contest had to be fought again. On 15th May, a few days after its first meeting, the F.B.I. invited the Confederation to appoint official representatives on the Committee. The N.C.E.O. replied by warning the Federation that it was stepping outside the realm of its authority in taking up the question of unemployment insurance and called for a conference between the two organisations to discuss their respective jurisdiction.99 Representatives from the two sides met in June 1922. All that was agreed, however, was that the deliberations of the Committee should be made available to the G.P.C. of the N.C.E.O., including the Report of the Committee, when this was completed. When the final Report was submitted to the N.C.E.O. early in November 1922 it brought a hostile reaction.

The N.C.E.O.'s objections were tactical and substantive. In a critical review of the Federation's recommendations drafted by Forbes-Watson, and based upon the observations of the G.P.C., the Secretary complained that the Rylands Report was not representative of the general opinion of employers and that the release of the Report would bind employers to a policy which had not been discussed fully. "It would be disastrous to Employers' interests," Forbes-Watson warned, "if Employers' Organisations have publicly to dissociate themselves from any statement of views coming from such an important body as the F.B.I., and it is clear that they would have no alternative but to do so pending their consideration of the matter."100

In November 1922 the threat of a public division of opinion among employers on the issue seemed very real. However, the N.C.E.O.'s Secretary also drew the attention of his colleagues to the wider policy issues which were at stake. Firstly, he pointed out that an official statement on unemployment insurance by any group of employers must take into account the whole question of


social policy and employers' views on social welfare. "It must be borne in mind," Forbes-Watson reminded them, that unemployment insurance cannot be dealt with as an isolated problem and account must also be taken of the principles governing the other State obligations which industry has to meet and the interrelation and reaction of these principles." 101 More specifically, the Secretary advised Lord Weir and the Executive Council of the need to work out a long-term policy on unemployment insurance which would take account of changing economic and political circumstances: 102

Such experience as has been gained during the pre-war and post-war periods shows that the present system calls for amendment, but the greatest care must be taken, before making such amendment, to see that it is put at last on the right lines and to take note of where the amendments will lead to. The meeting of the present situation by a system of relief works or other temporary measures is in an entirely different category from the laying down of a new code of unemployment insurance, embodying new principles for the future.

In the context of unemployment in 1922 and the N.C.E.O.'s still largely pragmatic attitude towards unemployment insurance, this was a weighty observation which possessed a significant element of foresight. The Secretary concluded by advising the Confederation's leaders to adopt a more positive attitude towards the reform of unemployment insurance and to co-operate with the Government towards developing the lines of reform. He also insisted that it was important that neither the Government nor the T.U.C. should be allowed to interpret "any expression of views as binding employers until these views have the considered approval of the Employers' Organisations." 103

The Forbes-Watson memorandum formed the basis for the Confederation's case against the F.B.I. at a meeting which was held between representatives of the two sides on 28th November 1922. Led by Sir Andrew Duncan, the N.C.E.O. group warned that the publication of the Federation's Report would be premature. The F.B.I. delegation, led by O.C. Armstrong 104 and W.P. Rylands, defended their Report and argued

101 Ibid.
102 Ibid.
103 Ibid.
that its release was essential in order to guide public opinion. In the end, the two sides agreed that the publication of the document should be postponed until January 1923. On the same day, however, the Minister of Labour issued his invitation to the N.C.E.O. to review the unemployment insurance scheme and, altogether, the timing was too neat to be wholly coincidental. Although the F.B.I.'s Report was still formally confidential, it seems likely that its contents were known to the Ministry of Labour, either through members of the Rylands Committee or through Forbes-Watson and the Confederation. Either way, whether intended or not, the Barlow memorandum forestalled the release of a Report which would have embarrassed the Government, the N.C.E.O. and probably the rank and file of the Federation of British Industries.

The Minister of Labour's intervention placed the F.B.I. in an exposed position in its dispute with the Confederation over unemployment insurance. Early in December, the N.C.E.O. formally drew the Federation's attention to the Minister of Labour's invitation and pointed out that a new situation had arisen. In view of the Minister's memorandum, the Confederation noted "any adoption and publication by the F.B.I. of its Committee's Report would seriously prejudice the position of Employers in dealing with the question which they have now been called upon to consider." The Federation of British Industries made no effort to challenge this argument. In December 1922 Sir Eric Geddes took over the Presidency of the F.B.I. and from this date onwards the influence of the progressive caucus of employers led by Rylands since the War, quickly declined. In any case, very few of the leading members of the F.B.I. relished a public dispute with the Confederation over the unemployed. Consequently, in January 1923 the Grand Council of the Federation indefinitely postponed any further action in support of its Report. With this decision, the way was opened for the N.C.E.O. to establish fully its authority among employers on the issue of the unemployed.


106 Minutes of the General Purposes Committee, 8 December 1922. N.C.E.O./NC/1/G.P.C.

In the N.C.E.O., the Barlow memorandum was welcomed with a sigh of relief. Almost immediately, the Executive Council informed the Minister of Labour that "the necessary steps are being taken to secure the joint consideration [of unemployment insurance] by employers' organisations in the various industries." This prompt reply contrasted sharply with its belated response to the Macnamara circular earlier in the year. Much of the new purpose in the Confederation's attitude towards the question of unemployment insurance came from Lord Weir. At his instigation, the Executive Council circulated copies of the Barlow memorandum to over 250 employers' organisations and convened a Special General Meeting of employers' organisations on 21st December 1922 to discuss the action which should be taken towards formulating a policy on the unemployed. This meeting, which was attended by representatives of no less than 62 employers' organisations, including the F.B.I. and the National Union of Manufacturers, marked the first positive and collective move by employers after the War to come to terms with the industrial, social and political challenges which were posed by the growing army of unemployed.

In addressing the representatives, the Confederation's President adopted a cautious stand. He argued against any radical restriction of unemployment insurance, either in the direction of improving the level of provision as envisaged by the T.U.C. and, to a lesser extent, by the F.B.I., or in the direction of unemployment insurance by industries. "I think it is agreed," Lord Weir ventured, "that Great Britain has been progressive at least in...


109 Minutes of the General Purposes Committee, 8 December 1922. N.C.E.O./NC/1/G.P.C.

110 "Unemployment Insurance : List of Employers' Organisations represented at Meeting ... 21 December 1922." N.C.E.O./NC/3/04/14.
regard to Unemployment Insurance." What was now required, he concluded, was a review of the position rather than any unconsidered changes in the arrangements for the maintenance of the unemployed. In taking up this challenge, the N.C.E.O. would be assuming "an onerous duty and a heavy responsibility," but it was also "an example of the character of general industrial problems which the Confederation was constituted to deal with.\[111\]

The Special General Meeting paved the way for the appointment of an "Ad Hoc Committee on Unemployment Insurance" early in January 1923. Headed by Sir Andrew Duncan, the new Committee brought together over 30 employers, including most of the Confederation's leading industrialists. A number of those employers who had been behind the F.B.I.'s unemployment insurance report were also drafted into the Committee, although Rylands and Seebohm Rowntree were notable absentees.\[112\] Most of the early activities of the Committee were directed towards the political stage and the questions which arose over the trades dispute disqualification and the Government Unemployment Insurance Bill of March 1923, with results which have already been noted. However, these two issues helped to open up and sustain the informal exchange of opinion between the leading members of the Committee and the Ministry of Labour over the course of 1923.

After March 1923, the main work of the Committee concerned the formulation of a long-term policy on unemployment insurance for the N.C.E.O. Sir Andrew Duncan and his colleagues drew upon a wide range of Government reports, including those of the 1905 Poor Law Commission and those of the Ministry of Labour which dealt directly and indirectly with the administration and finance of the unemployment insurance.\[113\] However, the Committee also went beyond official sources in its search for a policy. For example, the F.B.I.'s unemployment insurance report was closely scrutinised, and the opinion and advice of insurance experts and academics were drawn


upon. They included the well-known exponents of "All-in" insurance, T.T. Broad and J.A. Marriott,114 and also William Beveridge.115 However, insofar as these authorities advocated progressive innovations in unemployment insurance, their visible influence upon the N.C.E.O. proved to be minimal.

In 1923, the Confederation quickly established that, as it had argued consistently since 1921, the majority of employers' organisation were not seriously interested in the development of unemployment insurance by industry on a general scale. The results of one of a series of circular questionnaires in February 1923, for example, showed 16 employers' organisations decidedly against all forms of unemployment by industries, five which were undecided, and another five which were in favour of special schemes if the economic and industrial conditions were favourable.116 This represented a clearer shape of opinion in comparison with the views which had been expressed by the N.C.E.O.'s members on the more limited question of supplementary schemes two years earlier. Among those organisations which expressed opposition were the Federation of Civil Engineering Contractors and the National Federation of Iron and Steel Manufacturers. Those in favour included the India Rubber Manufacturers' Association, which candidly declared that "so far as statistics are available, it would appear that the Rubber Manufacturing Industry has everything to gain by adopting the principle of insuring its own unemployed."117 However, the dominance of the "Junta" in the Confederation by 1923 was already secure enough to ensure that little room was left for minority views in the unemployment insurance policy which was finally between the members later in the year.


115 For Beveridge's views on unemployment insurance by industry, see The Manchester Guardian Commercial Supplement, 1 February 1923, and J. Harris, op.cit., pp. 347-349.


117 Ibid.
The discussions of the Unemployment Insurance Committee over the first six months of 1923 confirmed fully that the majority of employers in the Confederation had little wish to see a radical or unorthodox reform of the unemployment insurance scheme. Commenting upon this prospect in January 1923, the Confederation's Senior Vice-President reminded the Committee that "Too much is involved, both as to money and the number of individuals affected" to allow any experimentation with unemployment insurance.118 This conclusion undoubtedly helped to convince the Committee in its view that the F.B.I.'s Report of 1922 offered no practical guidance for employers. Some members of the Committee, for example, were still prepared to question whether dependants' allowances had a legitimate place within a permanent scheme of unemployment insurance. It was suggested that the allowances should only be included within the scheme if they were financed by the contributions of the workers and the Treasury, excluding employers from the charge.119 Among the other important questions which occupied the deliberations of the Committee were the local administration of the scheme, its contributory basis and, perhaps most importantly of all, the relationship between unemployment insurance and the Poor Law. All three subjects were examined at length in the final report of the Committee.

Sir Andrew Duncan and the Unemployment Insurance Committee completed their enquiry and presented their report to the Confederations Executive Council on 19th December 1923. Their conclusions, eventually set out in a document entitled simply, Report on Unemployment Insurance, were in four sections. Part I of the Report consisted of an historical review of the origins and the development of the unemployment insurance scheme. Part II of the Report took the Geddes recommendations as its starting point and then examined


the three forms of unemployment insurance by industry which had been outlined by the Montague Barlow memorandum in November 1922. The N.C.E.O. rejected decisively the industrial maintenance of the unemployed as a possible alternative to a State scheme of unemployment insurance on administrative and financial grounds. The Geddes Committee, the Confederation noted, "did not have regard to the value of Employment Exchanges in the scheme of the social services." 120

The Report returned to this subject at a later stage. Before then, however, a number of substantive objections were raised against unemployment insurance by industry. For example, the Report pointed out that it would be almost impossible to establish a strict demarcation between different industries for insurance purposes. At the same time, it insisted that in many industries "there is, and can be no trade organisation either on the men's side or on the employers'." 121

Predictably, the weight of the N.C.E.O.'s case against the development of schemes of industrial maintenance was financial. In opening the debate on unemployment insurance by industry, the Confederation noted caustically, the Geddes Committee "did not seem to think that it mattered that additional expense was thrown upon employers and workmen, so long as the burden [of maintenance] was removed from the shoulders of the State." 122 However, in view of the uneven incidence of unemployment and the uncertainty of its duration, the Report continued, it was unrealistic for the Government to presume that both sides of industry could provide for their own unemployed. Even if this course was open to industry, "the great disparity between the contributions and the benefits [in special schemes] would inevitably create unrest and dissatisfaction." Finally, the Report warned the Government that to increase the burdens upon industry would be a fatal policy and argued the "whole industrial population should stand together on a uniform basis." 123

121 Ibid. p. 9.
122 Ibid. p. 8.
123 Ibid. p. 10.
Part III of the Report on Unemployment Insurance consisted of a lengthy and detailed appraisal of the national scheme of unemployment insurance. The N.C.E.O. was critical of the Government's departure from the administrative and financial guidelines which had been laid down in the 1920 Act, although it was prepared to recognise that the payment of uncovenanted benefit had materially relieved the local rates. However, the Report upheld the 1920 scheme as the only basis upon which a permanent system of unemployment insurance could be developed:124

The magnitude of the experiment under the 1920 Act must not be overlooked. Ours is the only country in the world that has attempted legislation of this kind on a broad and comprehensive basis. It is only when the provisions of the 1920 Act are at work again, free from emergency measures, that experience will be gained upon which full development can be determined in the light of permanent conditions.

The Report therefore proposed that the 1920 scheme should be restored to its original position at the centre of the Government's unemployment policy when the existing legislation expired in October 1924. Until then, the Confederation concluded, "under no circumstances should further emergency measures be grafted on to the Insurance Fund or allowed to delay the date at which the 1920 provisions are re-established."125

The N.C.E.O.'s call for the restoration of the 1920 Unemployment Insurance Act was coupled with a programme of practical reforms for improving its administration and redistributing its financial burdens. The Confederation contended that the State should be the sole administering authority of unemployment insurance. It therefore recommended strongly that Section 17, governing the trade union and friendly society administration of benefit, should be abolished, arguing that these organisations competed with the Employment Exchanges and undermined their placing work. The Report also proposed that Section 18, the contracting-out arrangement, should not be restored, although at this stage the employers were

124 Ibid., pp. 16-17.
125 Ibid., p. 16.
not prepared to advocate its permanent abolition.\textsuperscript{126}

An important section of Part III of the Report dealt at length with the work of the State system of Employment Exchanges. In discussing this subject, the N.C.E.O. cut new ground for employers' organisations. As we have seen at various points in this study, employers had never shown any real enthusiasm for the Exchanges. However, the Confederation now placed the weight of its authority behind their future development as a means of gathering information on labour supply and demand, and as an instrument for placing workers in employment. For the N.C.E.O., however, the key factor was the role of the Exchanges in administration of unemployment insurance. "It is an indispensable condition of the efficient administration of Unemployment Insurance," the Report observed, "that the administering authority should be in a position to test the bona fides of a claimant." With this object in view, the Confederation recommended that the Local Employment Committees should be given stronger executive powers in determining claims for uncovenanted benefit, pending the full restoration of the 1920 Act.\textsuperscript{127}

The N.C.E.O.'s reformed administrative framework for unemployment insurance was put forward alongside concrete proposals for changes in the finance of the scheme. The Confederation now accepted, although with a visible reluctance, that dependants' allowances should be retained as a permanent feature of unemployment insurance. To take account of this the Report also endorsed the 6d. rate of contribution for employers which had been laid down in the 1923 Unemployment Insurance Act as the maximum rate after the close of the deficiency period. However, the Confederation was careful

\textsuperscript{126} The N.C.E.O.'s sole concession to occupational unemployment insurance was made on Section 20. The Report agreed that the provision should be retained, but laid down that the development of supplementary schemes must be upon "voluntary initiative" in industries "where employers and workers find it practicable and mutually advantageous to co-operate to that end." pp. 13-14.

\textsuperscript{127} Ibid., pp. 22-23. The Report also noted that compulsory notification of engagements and of refusals to accept work would "facilitate in a direct way the administration of Unemployment Insurance and prevent abuse." But the N.C.E.O. rejected any suggestions that employers should be obliged legally to notify the Exchanges of vacancies.
to preserve its right to press for a further reduction in the future, should the economic and political circumstances be favourable to the employers' case. Commenting upon this prospect, it noted confidently that, "The reduction to 6d. will be material relief from the present burden which the employed workmen and the employer are carrying and only experience will show whether it is still not too heavy."128

The Report also firmly rejected the existing legislative arrangement whereby the Treasury's contribution to the Unemployment Insurance Fund after the termination of the deficiency period had been fixed at one-quarter of the combined contributions of Industry. Instead, it proposed that the permanent State contribution to the Fund should be fixed at the same rate as employers and workers. "When the Fund is solvent," the Report stated forcibly, "the State should pay the same rate at the Employer and the Worker."129 For the Confederation, the increase in the contribution of the Treasury to the Fund was a prerequisite for securing a general move back towards the low-cost scheme of 1920. At this stage, however, the employers chose to emphasise the advantages which would accrue to the unemployed through the application of the principle of "equal thirds" by way of improved provision.130

However, the N.C.E.O. 's blueprint for the reform of the unemployment insurance scheme was set against a much larger canvass of social policy: the Poor Law. The Report on Unemployment Insurance raised three important questions about the relationship between unemployment insurance and the Poor Law. Firstly, the Confederation strongly criticised the administrative "overlapping" between the local machinery of the unemployment insurance scheme and the work of the Boards of Guardians in relieving the unemployed and their families. Secondly, and more importantly, the employers' policy on unemployment insurance raised, and indeed was designed to raise a fundamental question about the arrangements which should be

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128 Ibid., p. 16.
129 Ibid., p. 17.
130 This increase in the State contribution," the Report noted, "should allow improvement in the direction of increasing the number of weeks in any insurance year for which benefit will be paid." p. 17.
made for the class of the unemployed who were currently in receipt of uncovenanted benefit. "If further emergency measures on a modified basis should prove to be ... necessary," the Report argued, "they should be in the form of an ad hoc State provision." Thirdly and finally, in tackling both of these problems the N.C.E.O. called upon the Government to review the recommendations of the 1950 Poor Law Commission with a view to reconstructing the system of public assistance. This subject was raised at various points throughout the Report and formed the substance of Part IV of the document.

The Report on Unemployment Insurance was circulated to all members of the N.C.E.O. and to interested employers' organisations, including the F.B.I., at the beginning of January 1924. On 23rd January, against the background of the formation of the first Labour Government, the Report was submitted to a re-convened Special General Meeting of employers' organisations where it was fully discussed and approved without serious dissent. However, the F.B.I., which had waited patiently for twelve months for the outcome of the Confederation's enquiry into unemployment insurance, now took the view that the changed political situation warranted caution by employers' organisations. Prior to the Special General Meeting, the Federation suggested to the N.C.E.O. that it should withhold its Report, advising its rival that "nothing would be lost by waiting to see what the proposals of the Labour Government were." These doubts were not shared in the N.C.E.O. "The Report is undoubtedly the best and the most authoritative statement on the subject of Unemployment Insurance which has yet been made," Lord Weir told the members of the Confederation, "and it represents for the first time

131 Ibid., p. 16.
132 Minutes of the Executive Council, 23 January 1923. N.C.E.O./NC/1/E.C.
133 Minutes of the Grand Council, 16 January 1924. F.B.I./C/1/E.C.
in this country a statement on behalf of Industry generally from the Employers' point of view." 135 This verdict was shared by the Special General Meeting which empowered the Confederation to take political action on the basis of the Report in the name of Industry generally. 134 On 1st February 1924, the Report was officially submitted to the Minister of Labour, Tom Shaw, and released to the press. Soon afterwards, the National Confederation published the document and circulated copies to the three main parties, to all M.P.'s, and to interested bodies. 135

The general period from 1919-1924 was a formative stage in the organisational and political development of the N.C.E.O. and much of this development rested upon the Confederation's emerging presence in the post-war debate on the maintenance of the unemployed. After 1920 the Confederation was unable to exercise any significant influence upon the Government's unemployment insurance policy because, for tactical reasons, the employers were a party to it. The N.C.E.O. had nothing to gain immediately by embarking upon a campaign against the lax administration of unemployment insurance during the early post-war years, except rebuke from the trade unions and the Government.

However, the N.C.E.O.'s role in the more specific and limited debate on unemployment insurance by industry after 1920 was much more decisive. The general importance of this political and inter-industry debate has yet to be fully explored by historians. From one angle it can be seen as the continuation of the wartime and immediate post-war controversy over the relationship between the State and Industry. More directly, however, the question of occupational unemployment insurance reflected the post-war flux of ideas about the level of maintenance which should be provided for the unemployed and about the legitimate balance of responsibility


for the unemployed between the State and both sides of industry. Confronted with these issues, the N.C.E.O. made itself the focal point for opposition among employers to any radically progressive changes in unemployment insurance. As a result, even before the completion of the Report on Unemployment Insurance at the end of 1923, much of the initial impetus behind the movement for a devolved system of unemployment insurance had been contained (at least among employers), by the Confederation.

In conclusion, the completion of the Report on Unemployment Insurance marked an important stage in the post-war political development of the N.C.E.O. Firstly, the Report was the last move in a contest for the leadership of employers' labour policies between the progressive and the conservative wings of the employers' movement which had commenced in earnest with the dispute over the F.B.I.'s Labour Report in 1918, and which had not been fully resolved by the formation of the Confederation. The F.B.I.'s bid to preserve an independent place for itself in post-war social politics was halted by the N.C.E.O. in 1922 and extinguished by the completion of the Report two years later. However, it was also significant that this had been engineered, at least in part, by the Ministry of Labour.

Secondly, the Report on Unemployment Insurance, as Lord Weir emphasised in 1924, was the first major statement by organised employers on the unemployed and upon social policy in general. As such, it had an importance which, at this stage can only be indicated rather than fully explained. As a response to Labour, the Confederation's Report offered all employers' organisations a coherent political reply to the challenge of "Full Maintenance". No less significantly, however, the Report represented a substantial challenge itself to existing Government policy towards the unemployed. The Report on Unemployment Insurance raised fundamental questions about, firstly, the legitimate scope and content of unemployment insurance; secondly, about its relationship to the framework of public assistance; and thirdly, about the
distribution of the financial responsibility for the workless, and in particular, for the long-term unemployed. Faced with basically the same question in 1921 the Government had postponed an answer by interposing uncovenanted benefit between unemployment insurance and the Poor Law. In 1924, however, the N.C.E.O. sought to clarify these questions and foster their discussion. Partly in consequence, the Report on Unemployment Insurance became an important part of the dialogue on the unemployed which developed between the Government, the T.U.C. and the Confederation during the second half of the 1920's.
CHAPTER 4

I

THE REFORM OF UNEMPLOYMENT INSURANCE 1924-1929

The politics of unemployment insurance during the second half of the 1920's were shaped by the inexorable slide of the Unemployment Insurance Fund into deeper insolvency. The 1/6 rule, the administrative pillar of the 1920 scheme, remained in operation until 1927 when it was replaced by a less stringent contributory qualification. However, for a significant proportion of the unemployed during this period a discretionary benefit was made available in advance of contributions. The prolongation of the dual system of unemployment insurance, together with the rise in unemployment after 1925, placed new burdens upon the Unemployment Insurance Fund which it was unable to bear. By the end of 1926 the debt of the Fund had risen to £22 million and by November 1929 it stood at over £56 million.

The political acceptability of the unemployment insurance scheme during these years was based upon a general recognition of its industrial and social necessity, but also upon the widespread expectation of a fundamental reform of the scheme. However, the moves which were made in this direction aroused intense political controversy, notably in 1924 when the Labour Government introduced the question of extended benefit, and again in 1927, following the Blanesburgh Report. The central issues which were under debate during these years concerned the level of maintenance, the terms upon which it should be granted to the unemployed, but also, the question of the distribution of the cost of maintenance between Industry and the State. These questions invited many different answers, but by the end of the 1920's most of them remained substantially unresolved.

During the second half of the 1920's the N.C.E.O. occupied a central position in the politics of unemployment insurance alongside the T.U.C. The Confederation consolidated and built upon the concrete proposals for reform which had been put forward in the
Report on Unemployment Insurance and confirmed its standing as an authoritative spokesman for employers on the subject of the unemployed. In the process, however, it was brought into sharper contention with the trade unions and the Government over both the administration and finance of unemployment insurance. Part II of this chapter examines the N.C.E.O.'s response to the Labour Government's unemployment insurance reform in 1924. Part III examines the dialogue between the Confederation and the Conservative Government which developed in the period 1924-1926. Part IV considers the N.C.E.O's evidence to the Blanesburgh Committee and its role in the debate surrounding unemployment insurance during the years 1926-1929.

II

THE LABOUR GOVERNMENT AND UNEMPLOYMENT INSURANCE 1924

The Report on Unemployment Insurance provided the N.C.E.O. and employers generally with a critique of the existing scheme of unemployment insurance and with a blueprint for its reform. However, it was the first Labour Government, formed at the beginning of 1924, which gave the Confederation a powerful justification for the political pursuit of its new policy on the relief of the unemployed. The Labour Government came into office committed to improving the level of maintenance for the unemployed and relaxing the conditions for the receipt of unemployment benefit. In attempting to realise these commitments during the first half of 1924, however, the Government hoisted the N.C.E.O. to political prominence as its most outspoken critic and as a rallying point for all anti-socialists.

When the N.C.E.O. presented the Report on Unemployment Insurance to the Government and published the document in February 1924, its call for the return to a scheme based upon strict actuarial lines attracted considerable public applause, notably from Montague Barlow,
the former Minister of Labour. The Government's own policy unfolded in three Unemployment Insurance Acts over the spring and summer of 1924, each one more controversial than the last. The first two, in February and April, abolished the gap and increased the duration of uncovenanted benefit from 26 to 41 weeks. These were moves which only confirmed the worst fears of most Conservatives and employers. However, in March 1924 Tom Shaw, the new Minister of Labour, submitted a confidential memorandum to the T.U.C. and the N.C.E.O. outlining his plans for the complete overhaul of unemployment insurance.\(^2\) Two months later, these plans surfaced in Parliament as the Unemployment Insurance (No. 2) Bill. In this measure the Minister of Labour attempted the first step towards the realisation of "Full Maintenance". Under the Bill, convenanted benefit was renamed "standard benefit" and uncovenanted benefit became "extended benefit". The major change now introduced was that although standard benefit was still restricted to 26 weeks, extended benefit would be available for those who had exhausted their rights under the 1/6 rule for as long as he or she remained unemployed and not subject to ministerial discretion.\(^3\)

To ensure that the unemployment insurance scheme was not open to abuse by claimants, the Minister of Labour reformulated the existing statutory conditions and rules covering the receipt of benefit in Clauses 3 and 4 of the Bill. The conditions covering the receipt of standard benefit were: (1) that the claimant had paid 30 contributions during the previous two insurance years; (2) that he had applied in the prescribed manner and had proved continuous unemployment; (3) that he was capable and available for work; (4) that the claimant was genuinely seeking work but unable to obtain suitable employment, and (5) that he attended a

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1 Barlow welcomed the Report as "a document of the greatest moment." See "Unemployment Risks," The Times, 5 February 1924. The Times itself described the Report as "a document of remarkable importance," (6 February 1924). In all, the Report was reviewed by over 100 newspapers, excluding the trade press.

2 Minutes of the General Purposes Committee, 26 March 1924. N.C.E.O./NC/1/G.P.C.

3 Ministerial discretion was withdrawn by the Unemployment Insurance (No. 1) Act in February 1924 and the withdrawal was confirmed in the No. 2 Bill in May 1924.
course of instruction if so required to do so by an insurance officer. In principle, the first statutory condition applied to claims for extended benefit, but to avoid hardship in the interim, the condition was "waived" until October 1925. The new fourth statutory condition now became applicable to claims for both standard and extended benefit. It was reinforced by the introduction of four additional regulations governing claims to extended benefit, all of which were designed to test the genuineness of the claimant. 4

The overall effect of these changes was twofold. Firstly, they converted extended benefit into a legal payment which could be claimed as a right instead of at the discretion of the Minister, and secondly, as Deacon emphasised, they decisively shifted the onus for the scrutiny and control of claims for benefit to the Local Employment Committees. 5 However, despite the introduction of the new administrative checks, the Bill as a whole favoured the general policy of the T.U.C. Benefits were increased to 18s. and 15s. for men and women respectively, and the trades disputes qualification was amended. Under Clause 4, benefit became payable to workers who lost employment through a strike if, (1) they could show that they were not directly participating in, or belonging to a class of workers involved in the dispute, or, (2) in those cases where an employer had contravened a local or national agreement. Taken as a whole, it was estimated that the Government's proposals would cost the Fund more than £10 million per annum. 6

4 The most important were, (3) that in the previous two years the claimant had been in insurable employment "to an extent which was reasonable, having regard to all the circumstances of the case and ... to the opportunities for obtaining insurable employment during that period," and (4) that the claimant was making "reasonable effort to obtain employment." See Report of the Ministry of Labour for the Years 1923 and 1924, Cmd. 2481, 1925, pp. 135-136.

5 A. Deacon, op. cit., p. 36.

6 The Bill also adopted the recommendation of the T.U.C. that the unemployment insurance age should be lowered from 16 to 14. This would cost the Fund £500,000 per annum, but would bring in a net income of £1½ million p.a.. Memorandum by the Minister of Labour, 5 April 1924. CAB./24/166/C.P. 240.
The case for an improvement in the terms of unemployment insurance in 1924 was a strong one. The volume of unemployment was indeed falling and the debt of the Unemployment Insurance Fund stood at £7 million, the lowest figure since 1921. The Minister of Labour was confident that his Bill would win the general support of Parliament and both sides of industry, but this optimism was not fully shared within the Government. and still less, among Conservative and Liberal M.P.'s. Least confident of all, however, were the employers. The presentation of the Government's plans for the reform of unemployment insurance in March 1924 provoked consternation in the N.C.E.O. and brought an immediate request for a meeting with the Minister to discuss the proposals. Even before the two sides met, however, the Confederation had made it clear that it intended to challenge the Government on the issue of unemployment insurance.

In the wake of the public comment which was attracted by the publication of the Report on Unemployment Insurance, the N.C.E.O.'s leaders attempted to hold political attention upon the subject. In his public review of the political situation in March 1924, noted earlier in Chapter 2, Sir Allan Smith singled out unemployment insurance as an issue around which all anti-socialists must unite in opposition to Labour. The abolition of the gap, he warned, was merely the first instalment of a legislative package which would "demoralise" the unemployed and bring financial ruin upon the Unemployment Insurance Fund.9 Lord Weir also took up the subject in his letter to The Times on the economic situation in April and struck the same note of disquiet as the Confederation's Vice-President.10 These public declarations by the Confederation's leading spokesmen anticipated the emergence of an important

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7 The Cabinet agreed that Shaw's proposals were "highly contentious," and the Treasury argued that they would invite "abuse of the scheme ... and public complaint." CAB./24/165/C.P. 176, and P.R.O. T./172/1767.

8 Minutes of the General Purposes Committee, 26 March 1924, N.C.E.O./NC/1/G.P.C.

9 The Glasgow Herald, 10 March 1924.

10 The Times, 15 April 1924.
political alliance between the employers and the Government's parliamentary critics in the spring of 1924.

The N.C.E.O.'s defence of the existing scheme of unemployment insurance began in earnest on 31st March 1924 with a deputation from the Confederation's Unemployment Insurance Committee to the Minister of Labour to discuss the draft Bill. Led by Lord Weir and Evan Williams, the employers adopted a position which set a precedent for the future. In principle, the N.C.E.O. adhered to the restoration of the 1920 administrative arrangements as endorsed in its Report. However, the immediate demands of the employers were substantially less. Two proposals were put forward, the first being that the 1923 scheme should be left intact for the time being. The Government plans, Lord Weir argued, "completely revolutionise what has hitherto been contemplated by all previous legislation." The Confederation's second proposal was a more ambitious one. The Government, it suggested, should appoint an immediate enquiry into the unemployment insurance scheme and at the same time, carry through the review of the Poor Law which the Confederation had requested in its Report. 11

The N.C.E.O.'s objections to Shaw's Unemployment Insurance Bill were based upon a visible financial priority. In the opinion of Lord Weir and his colleagues, any relaxation in the administrative conditions and checks of the scheme would accentuate the debt of the Fund and "indefinitely postpone the possibility of a return to the maximum rates (6d.) contemplated by the 1923 Act." 12 However, the N.C.E.O.'s objections to the new scheme also reflected its conventional social outlook. If uncovenanted benefit were converted into a legal right, the deputation noted, "the existing National Scheme would cease to be insurance." 13 In this connection, the


12 Ibid. In connection with the solvency of the Fund, the N.C.E.O. expressed "complete agreement" with the Bill's proposals to abolish the right to contract out. During the passage of the Bill, however, the right was restored by a Liberal amendment. See Parl. Deb. 5th Series, 1924, vol. 176, 18 July, cols. 815-830.

13 N.C. 777A.
employers expressed their concern over the new responsibilities which were to be placed upon the Local Employment Committees: 14

These Committees themselves would be the first to admit that the present machinery does not provide an efficient test of the claims to benefit ... The present proposals beyond stating that there shall be a close scrutiny of the claims to uncovenanted benefit provides for no new machinery to carry out that scrutiny, and in those circumstances the Confederation feels called upon to say that the proposals are placing permanently upon the present machinery a national responsibility which it is unable to discharge.

In March 1924, however, the N.C.E.O.'s message was clear. If uncovenanted benefit continued to be paid, the Confederation argued "it means national demoralisation." 15 This was not the view of the T.U.C. and the Labour Party, or the Ministry of Labour. Tom Shaw, perhaps not surprisingly, showed little inclination to adopt a sympathetic posture before the employers. On the contrary, the Minister bluntly told Lord Weir and the deputation that he was not prepared to consider any departure from the proposals which had been set forth in Ministry's memorandum and that "the Government would adhere to those proposals in the Bill when presented." 16 This response set the N.C.E.O. on a direct course of confrontation with the Government. The critics of the Unemployment Insurance Bill when it finally emerged in May included the N.U.M. and the Association of British Chambers of Commerce, and both organisations lodged complaints against the new measure on similar grounds to

14 Ibid.
15 Ibid.
16 Minutes of the General Purposes Committee, 31 March 1924.
N.C.E.O./NC/1/G.P.C.
those which had already been identified by the Confederation.\textsuperscript{17}

The political edge of the N.C.E.O.'s reaction against the Unemployment Insurance (No. 2) Bill, however, was the Parliamentary Industrial Group. Under the direction of P.J. Hannon and working in close collaboration with the Confederation's Unemployment Insurance Committee, the Group orchestrated the parliamentary opposition to the Labour Government's Unemployment Insurance Bill, beginning with a general denunciation of the measure during the Second Reading on 20th May. The opposition to the Bill was strengthened by the advance circulation to all M.P.'s of copies of the \textit{Report on Unemployment Insurance}, together with a covering letter from Lord Weir. In addition, the Confederation's Unemployment Insurance Committee circulated a specially prepared memorandum to M.P.'s outlining its specific objections to the Bill.\textsuperscript{18} Both documents attracted considerable comment during the debates on the Bill and acted as a focus for the widely spread opposition to the Government's proposals.

The highlight of the N.C.E.O.'s opposition to Shaw's Bill as it moved through the parliament was the demand for an immediate enquiry into the scheme and the Poor Law. The Confederation's memorandum on the Bill complained that "before any fundamental change is made in the permanent structure of Unemployment Insurance there should be a combined enquiry into unemployment insurance and the Poor Law."\textsuperscript{19} However, the effective weight of the Confederation's campaign was concentrated in a series of amendments to the Bill, tabled between May and July 1924. These were worked our and agreed over several meetings between the N.C.E.O.'s Unemployment Insurance Committee and the Conservative Shadow Cabinet. The most important of these meetings took place on 14th May at Conservative Party Central Office on 2nd of July at the House of Commons. At the first meeting, the Conservatives agreed to endorse officially the

\textsuperscript{17} See for example, \textit{The National Union of Manufacturers' Journal}, June 1924, p. 90; also, \textit{Association of British Chambers of Commerce, Report of Proceedings and Resolutions adopted at the 64th Annual General Meeting, 21st-22nd May 1924}, London, 1924, pp. 116-117.

\textsuperscript{18} Minutes of the General Purposes Committee, 9 May 1924.
N.C.E.O./NC/1/G.P.C.

\textsuperscript{19} \textit{National Confederation of Employers' Organisations, Unemployment Insurance (No. 2) Bill, 1924} N.C. 834, London May 1924, p. 8.
employers' objections to the Bill, and in July they agreed to press for a public enquiry into the working and future of the scheme. This was followed by a further meeting on 3rd July, this time between representatives of the Confederation and Asquith's Liberals. Out of this discussion there emerged a strategic amendment to limit the operation of the new scheme to June 1926. The amendment was moved on the same day by C.A. Masterman during the Committee Stage and carried by 7 votes, the general assumption being that the whole subject of unemployment insurance would be officially reconsidered before that date.

The Masterman amendment was the N.C.E.O.'s most successful counter in the pitched battle against the Unemployment Insurance (No. 2) Bill. Thereafter the Government held its round against the combined forces of the employers and the Opposition. In July, during the Report Stage of the Bill, the Confederation tabled two further amendments via the Industrial Group. The first was moved by P.H. Hannon on 9th July and was aimed at securing the restoration of ministerial discretion. Supporting the proposal, the Secretary of the Industrial Group echoed the employers by condemning the Government's attempt to define unemployment benefit as a legal right. "The acceptance of this principle," he argued, "would strike at the very roots of the efficiency of unemployment insurance." Hannon predicted firmly that the Government's Bill would encourage abuse of the scheme and "give direct encouragement to number of ne'er-do-wells to become a continuous parasitic element in our public life." If the Bill was implemented he concluded, "it would really be a measure for the promotion of perpetual pauperism in this


23 The N.C.E.O. also succeeded in securing the deletion of the clause on the lowering of the unemployment insurance age. N.C. 915.

country." The Hannon amendment, however, was lost by 15 votes, partly because of the unexpected defection of Asquith's Liberals to the Government's cause.25 The second amendment (also tabled on 9th July), was aimed at restoring the 1920 trades disputes disqualification, but it was passed over without a vote.

From the N.C.E.O.'s standpoint, the main constructive features of Unemployment Insurance (No 2) Bill were its contributory clauses. In 1924 the Labour Government made no changes in the existing contributions of 9d. for workers, 10d. for employers and 6d. for the State. However, it took an important step which was consistent with the financial priorities which had been outlined in the Report on Unemployment Insurance. In Clause 5 of the Bill the Minister of Labour incorporated the maximum rates of contribution which had been laid down in the 1923 Act for the post-deficiency period (6d. for the workers and employers), and further stipulated that when these rates came into effect, the contributions of the three contributing parties should be equal.

These proposals were welcomed by the N.C.E.O. in May 1924, although it firmly adhered to its view that the whole financial basis of the scheme would be seriously jeopardised by the alterations which had been made in the statutory conditions and regulations of the scheme.26 Nevertheless, during the passage of the Bill the Confederation watched the debates on the main contributory provisions to ensure that no adverse changes were made to clause 5. In general however, the retention of the 6d.


26 N.C. 834, pp. 6-7. The Confederation also objected strongly to the proposed increase in benefits and pointed out that the new rates did not take into account the substantial fall in the cost of living since 1920.
contribution rate as the permanent rate for the scheme after the end of the deficiency period and the adoption of the principle of equal contributions drew applause from the Conservative and Liberal critics of the Government, as well as its supporters. However, the contributory provisions of the Unemployment Insurance (No. 2) Act carried the seeds of an important controversy between the Government and the employers over the financing of the unemployment insurance scheme.

In May 1924 the Minister of Labour made it publicly clear that his Government, at least, was prepared to recognise that the dimensions of the unemployment problem required a more even distribution of the financial burden of maintaining the victim. "It is the opinion of the Government," Shaw declared in moving the financial clauses of the Bill, "that the State's liability for the unemployed is as great at least as that of the individual workers and the individual employers". This conclusion, as the Report on Unemployment Insurance had demonstrated, was acknowledged by the N.C.E.O., but with its own financial priority in view, namely, lower unemployment insurance contributions for employers. The Confederation's goal, however, ran counter to the level of maintenance which was sought by Labour, but, as we shall see, it also conflicted with the political and financial priorities of the State.

In the intermediate term, nevertheless, there were two significant dimensions to the Confederation's opposition to the unemployment insurance policy of the first Labour Government. Firstly, although the N.C.E.O. entered the controversy over the Unemployment Insurance (No. 2) Bill of 1924 as an already recognised


authority on the subject, during the course of the year it emerged from the contest in a much stronger and potentially more influential position. This much was appreciated clearly by the leaders of the Confederation, as Lord Weir noted before the Annual General Meeting in May 1924:

I may say that our Unemployment Insurance Report and our recent statement to Members of Parliament on the present Bill have contributed more than anything else toward enabling the Bill to be intelligently fought out in the House of Commons. ... I do not think that our time is wasted in preparing these statements, if only from the point of view of educating the politicians.

Secondly, as Deacon has pointed out, a direct line can be drawn between the political opposition which was mounted against the Unemployment Insurance (No. 2) Bill and the appointment of the Blanesburgh Committee in the following year. However, the N.C.E.O. played an important part in casting this line. In the process, it sharpened its own attitude towards unemployment insurance and may well have helped to sharpen the attitudes of politicians and other groups of employers. But either way, after 1924 the Confederation was almost guaranteed a say on the future of the unemployed insurance scheme.


30 See A. Deacon, op.cit., p. 41.
Between the end of 1924 and 1926 a large part of the N.C.E.O.'s political energies were devoted to fostering a climate of opinion which was favourable to the reversal of the concessions which had been made to the unemployed by the first Labour Government and to preparing its evidence for Blanesburgh Committee on Unemployment Insurance. The Committee was appointed in November 1925 and the Confederation presented its evidence in March 1926. By this date, however, the employers had become embroiled in a political contest with the Conservative Government over the social insurances in general which was to impinge deeply upon the relationship between the two sides.

The Conservative Government took office at the end of 1924 with a stated commitment to "tightening-up" the administration of unemployment insurance, but also to widening the scope of the social insurances. As soon as he took up his post, the new Minister of Labour, Sir Arthur Steel-Maitland, considered the possibility of re-establishing a direct link between contributions and benefits.\(^{31}\)

The government had two main options. Following the advocacy of the N.C.E.O., it could apply the 1/6 rule to all claims for benefit. Alternatively, it could strictly apply the 30 contribution rule, introduced under the Labour Government. Either course of action, however, would throw at least 250,000 unemployed workers on to the Poor Law. Although this prospect was not relished by the Government, it was prepared to take a firm step towards reducing the number of claims for extended benefit. As Steel-Maitland advised the Cabinet in for February 1925, "we have gone too far in the direction of throwing the burden of destitution on the insurance scheme."\(^{32}\)

\(^{31}\) Memorandum by the Minister of Labour, 30 January 1925. CAB./24/171/C.P. 43.

\(^{32}\) Memorandum by the Minister of Labour, 27 February 1925. CAB./24/172/C.P. 119.
The course of action which the Government ultimately chose was a compromise between principle and political expediency. The Unemployment Insurance Bill which was introduced by the Minister of Labour in June 1925 preserved the stringent statutory conditions which had been built into the scheme by the previous Government, but strengthened them by restoring ministerial discretion for claims to extended benefit. There was no change in the level of benefits, but the contribution of workers and employers were reduced to 7d. and 8d. respectively at a charge to the Fund of almost £7 million per annum. This loss of income was met partly by the savings to the Fund which were expected to accrue from the new regulations and, if necessary, partly by increasing the Treasury's contributions to the Fund.33

Presenting the measure to the Commons for its Second Reading on 7th July, the Minister of Labour admitted that it was a stop-gap Bill, but nevertheless a justified and necessary move.34 The Labour Party took the view that the Bill was "a clever piece of heartless jugglery" which would penalise the "poorest of the poor," and force more workers to turn to the Boards of Guardians for assistance.35 The N.C.E.O.'s attitude towards the Bill was generally favourable, especially with regard to the reduction of contributions. Nevertheless, the new measure as a whole still fell far below the Confederation's expectations. To identify some of the reasons why they held this view it is necessary to look at the relationship between the Unemployment Insurance Bill of June 1925

33 Section 4 of the Bill included three new provisions. (1) It provided for an increase of the Treasury contribution to 9d. if the debt of the Fund continued to rise. (2) It stipulated that the maximum contributions after the termination of the extended period would be, workers 6d., employers 6d., and the State 5d., and therefore technically deleted the principle of equal thirds from the scheme. (3) It empowered the Minister of Labour, "having all regard to the circumstances of the case," to reduce employers' contributions by 1d. when the debt of the Fund fell below the "1925 debt," approximately £7½ million.


35 Ibid., pp. 262-263.
and the pensions legislation of the same year and the debate between the Government and N.C.E.O. which developed around it.

The Government's election commitment to widening the scope of the social insurances was honoured by the Widows' Orphans' and Old Age Contributory Pensions Act of 1925. The origins of this measures have been fully dealt with elsewhere. Basically, however, it developed out of the post-war debate on "All-in" insurance and from the desire of moderate Conservatives to regain some ground from Labour in the general area of social reform. The Government's intention to introduce a new Pensions Bill was announced in December 1924 and details of the scheme were published early in the following year. The main feature was 10s. pension beginning at 65 and payable until 70, the contributor thereafter passing to the non-contributory 1908 pension. The cost of the new scheme was met early by a weekly contribution of 4d. from workers and employers respectively, as against 2d. from the State.

The widows' pensions scheme directly assisted unemployment insurance and health insurance by removing persons in the 65-70 age bracket from the scope of the two schemes, at a saving of more than £2 million per annum in the case of unemployment insurance. In addition, the Ministry of Health anticipated that new pensions would reduce the number of aged workers already on, or faced with the prospect of the Poor Law, and would therefore ease the growing financial burdens of the local authorities. However, the social arithmetic of the scheme was visibly constructed in the interests of the national exchequer. The State contribution to the scheme was lower than in either unemployment insurance or health insurance. Moreover, the Bill made a significant difference to the totality of the insurances. For unemployment insurance, health insurance and pensions, workers paid ls. 7d., as against 11½d. by the State, making a total charge of 4s. 0½d. for each adult male worker.


37 Under the National Insurance Act of 1920 workers contributions were set at 5d, employers 5d, and the State 2½d. By 1925 these contributions had created a substantial surplus in the Health Insurance Fund. See B. Gilbert, op. cit., p. 269.
The Widows' Pensions Bill of 1925 aroused little enthusiasm in the labour movement. During the Second Reading of the Bill on 19th May, the Labour Party argued that the level of benefits under the scheme were totally inadequate and criticised the rates of contributions as a heavy imposition upon the working classes. Instead, the Labour Party pressed for the withdrawal of the Bill and its replacement by a non-contributory scheme. The response of employers to the new measure was more hostile. After the Bill was published, the Federation of British Industries called upon the Government to postpone its plans until the economic recession had lifted. The N.U.M took the same view, condemning the proposed pensions scheme as a burden upon manufacturing industry. The main opposition to the Bill, however, came from the N.C.E.O. and took the shape of a general attack upon the Government's policy for the social insurances.

The N.C.E.O.'s interest in the widows' pensions scheme was first aroused in the December 1924 following the Government's announcement that it intended to bring forward legislation on the subject in the near future. On 10th December the Confederation's General Purpose Committee, under the direction of David Milne-Watson, agreed that steps should be taken towards ensuring that a comprehensive enquiry would be undertaken by the Government into "the whole of the social services as at present operating ... before any modifications were made to the unemployment insurance scheme." The Confederation's Director, J.B. Forbes-Watson, immediately approached the Government with a request for a formal meeting between the two sides before the Bill was introduced to the House of Commons. At the same time, as noted earlier in Chapter 2, the N.C.E.O. set up a special committee to draw up a general statement on the social services.


40 Minutes of the General Purposes Committee, 10 December 1924, and 25th March 1925. N.C.E.O./NC/1/G.P.C.
On 4th March 1925, after some delay, a deputation from the N.C.E.O. met several members of the Cabinet to discuss the employers' grievances. On the employers' side, Lord Weir was accompanied by the Confederation's President, James Lithgow, Evan Williams, the Vice-President, and four others. The Government was represented by Winston Churchill, the Chancellor of the Exchequer, Neville Chamberlain, the Minister of Health, and the Minister of Labour. In opening for the N.C.E.O., Lord Weir made it clear that the employers were opposed totally to the proposed scheme of widows' and orphans' pensions. Firstly, he questioned the necessity for any immediate addition to the social insurance and argued that "expenditure on the social services does not necessarily bring contentment and added productivity." Secondly, he put forward the Confederation's subsequently immovable view that "there must be some sort of relation between the minimum productivity of the country and the cost its social services". The Honorary President drew to a conclusion by calling upon the Government to drop its proposed Pensions Bill and to turn its attention instead to eradicating the existing defects of unemployment insurance.

Lord Weir's views were developed in the official memorandum which had been prepared in advance by the Confederation and which was now submitted to the Chancellor and his colleagues. The N.C.E.O. rested an important part of its case against the proposed Pensions Bill upon the claim that the social insurances had secured few benefits for Industry and singled out unemployment insurance for dramatic criticism:

The independence and the morale of the Workers is being sapped by the provision which is being made. Work-dodging and dole-getting have become almost a profession and, indeed, even a sheltered industry. Unions of unemployed persons are as active in the protection of their rights and privileges as any trade union can be of the rights and privileges of persons who are employed.

41 The others were Sir Andrew Duncan, D. Milne-Watson, J.A. Gregorson and J.B. Forbes-Watson. Minutes of the Deputation, 4 March 1925. PIN./7/75.

42 Ibid.

In view of these developments, the memorandum argued, "the time is therefore opportune for the carrying through of a comprehensive review of the whole Social Service system."

However, the main weight of the N.C.E.O.'s case against the proposed Widow's Pensions Bill rested upon a vehement denunciation of the combined social costs of employers. The Confederation's memorandum provided two sets of detailed statistics, the first of which demonstrated the substantial increase in the cost of the social insurances and the Poor Law since 1913. The cost of unemployment insurance, for example, showed an increase from £2½ million per annum to £49 million per annum. The second set of statistics showed the social costs of British employers in relation to their European competitors and revealed an impressive disparity. The social charges of British employers, the N.C.E.O. estimated, were 40% above those of French industrialists, 60% above those of their German counterparts, and 95% above the social costs of Belgian employers. "The fact is," the Confederation noted with little relish, "that this country has been the pioneer in this whole sphere on a comprehensive scale."44

The N.C.E.O.'s deputation in March 1925 did not persuade the Cabinet to drop its pensions plan. Churchill, who acted as the Government's spokesman for the occasion, reminded the employers that the Conservatives could not afford to entirely neglect social welfare and that "the system of social insurance ... is going to be an absolutely inseparable element in our social life and eventually must have the effect of attaching the mind of the people".45 However, the Government found it less easy to sidestep the N.C.E.O.'s criticism of the cost of the social services. The Chancellor admitted that he was willing to consider ways and means of reducing employers' social insurance contributions, but he made no firm promises at this stage. However, he agreed that the two sides

44 Ibid., pp. 2-4 These were later incorporated into "British Industrial Depression" and included in the N.C.E.O.'s evidence to the Royal Commission on Health Insurance, the Committee on Education and Industry, and the Committee on Unemployment Insurance.

should meet again in the future to discuss the question. The result was a second round of discussions, held in May 1925, to which Confederation came armed with an ambitious plan to reform the contributory structure of the social insurances as a whole.

The second meeting between the representatives of the N.C.E.O. and the Government took place on 8th May, two weeks in advance of the Second Reading of the Widows' Pensions Bill. After an introductory statement by Lord Weir in which he made it clear that the Confederation was still opposed in principle to the Pensions Bill, a memorandum was submitted to the Ministers which put forward the employers' alternative. The N.C.E.O. contended that employers should not be required to pay more than a total of 1s 3d. for the social insurances and put forward three constructive proposals for consideration.

The N.C.E.O.'s recommendations were, firstly, that unemployment insurance, health insurance and widows' pensions should be placed upon a financial basis of equal contributions between workers, employers and the State. The Government, the Confederation reminded the Ministers, had already accepted the principle of equality of contributions in unemployment insurance. Secondly, the employers proposed that the cost of the pensions scheme could be met partly by utilising the existing surplus (approximately £17 million) of the Health Insurance Fund. Thirdly, and finally, the N.C.E.O. proposed a "complete overhaul of all existing social services," with the purpose of securing economies in their administration.

At the direct request of the Prime Minister these proposals were amplified and their actuarial implications explained in a further memorandum which the Confederation submitted directly to the Government on 14th May. Here the employers insisted that the Government accept that "there is a maximum sum which this country can afford to spend on these [social] services," and renewed their request for an official meeting.


enquiry into the unemployment insurance scheme and the Poor Law.\textsuperscript{48}

The serious examination of the N.C.E.O.'s criticism of the social insurances in the spring of 1925 began in the Ministry of Labour. Here, as we have seen, there was general agreement in principle with the employers on the need to "tighten-up" the administration of unemployment insurance. The main focus for the Ministry's attention, however, was the Confederation's international comparison of social costs. This was a subject upon which the Ministry of Labour had failed to make any detailed investigation. Steel-Maitland accordingly asked the Statistical Section to undertake and official survey of international costs. To its surprise, the Ministry found that the figures which had been cited by the N.C.E.O. in its memorandum were fully accurate. Reporting this fact the Minister later in the year, his officials noted that the accuracy of the employers figures would have to be accepted and further, that their validity was "certainly not due to any attempt ... to reconcile our estimates with Confederation's."\textsuperscript{49}

In spite of this however, there was little sympathy in the Government for the N.C.E.O.'s ambitious proposals for reforming the finance of the social insurances. The Treasury was adamantly opposed to the principle of equality of contributions, mainly on the ground cost. The Minister of Health, on the other hand, regarded the Confederation's designs on the Health Insurance Fund as heresy, while the Minister of Labour was opposed to the reduction of unemployment insurance contributions which was implied by the Confederations financial package.\textsuperscript{50} Nevertheless, by the end of May 1925 the Government had come to the conclusion that some form of quid pro quo would have to be offered to the employers if the Pensions Bill was to

\textsuperscript{48} "Memorandum by the Confederation on the Bill in its relation to the existing Social Services. 14 May 1925," N.C.E.O./NC/5/C4/26 N.C. 1248. The Confederation also noted that it was "even prepared to face an addition to the debit balance of the Unemployment Fund" in order to avoid any increase in the total insurance contributions of employers.

\textsuperscript{49} "In each case," it was observed, "the per capita figure obtained was not identical with, but of the same order of magnitude as the N.C.E.O. figures". PIN./7/73.

\textsuperscript{50} Minutes of the Deputation, 8 May 1925. PIN/7/73., and Minutes of the Cabinet Committee on Widows' Pensions Bill, 9 April, 1925. CAB./27/276.
be carried through Parliament.

The reasons which persuaded the Cabinet to adopt a concessionary stand at this stage were largely political. The strident complaints of the Confederation and the F.B.I. against the pensions scheme had not been anticipated in the Government and it was feared that the employers might strike up an alliance with the trade unions in order to secure the withdrawal of the Bill, albeit for different reasons. A more important factor was the threat of a back-bench revolt by Conservative M.P. 's against the Government's proposals. Here the Parliamentary Industrial Group performed a valuable service for the employers. Early in May, following discussions with the N.C.E.O. and the Federation of British Industries, the Industrial Group approached the Chancellor of the Exchequer with a request for an interview to discuss the new Pensions Bill. Churchill was unable to see the deputation, but he invited the Group to present their views in the form of a memorandum. 51

After further consultation between the Industrial Group and the employers, P.J. Hannon forwarded a statement to the Chancellor on 18th May in which he made it clear that the widows' scheme would be unacceptable to Conservative back-benchers unless it was coupled with a tightening-up of unemployment insurance and a reduction of employers' contributions to the scheme. When Churchill finally replied early in the following month it was to announce that the Cabinet had decided to recognise the claims of the employers. "We have always contemplated," the Chancellor now assured the Industrial Group, "a mitigation of the present charges of unemployment [insurance contributions] during the temporary period." 52 However, he asked Hannon and his Group to await the formal announcement of the precise details of the reduction. This was enough to placate the Industrial Group and to secure its allegiance to the Pensions Bill. The N.C.E.O., however, was less easily won over to the Government side.

51 Minutes of the Parliamentary Industrial Group, 7 May 1925. Hannon Papers/Box 10/File 1.
The Government's decision to meet the claims of the employers was taken the day before the Second Reading of the Pensions Bill. On the 18th May, the Minister of Labour presented his draft Bill to the Cabinet Committee on Unemployment Insurance and outlined his proposals for tightening-up the scheme. In accepting these proposals, the Cabinet Committee reached the firm conclusion that both workers and employers should be granted a lower rate of contribution. The inclusion of workers in this concession, it was hoped, might take some of the impetus out of the anticipated reaction from the T.U.C. and the Labour Party against the Unemployment Insurance Bill. The Cabinet's main purpose, however, was to secure the support of the employers for the government's wider policy on the social insurances. As Steel-Maitland informed the Cabinet Committee:

All were agreed on the desirability of reducing unemployment insurance contributions so that the burden on industry of the combined unemployment insurance and pensions schemes should not be substantially greater than at present. It was very necessary to reassure industry on that point.

However, the precise details of the proposed reductions were not decided by the Government until the following month. At a meeting of the Cabinet Committee on Unemployment Insurance on 23rd June, the Ministers adopted a recommendation from Churchill that the unemployment insurance contributions of workers and employers should be reduced by 2d. In accepting this suggestion, the Minister of Labour stressed the need to consult the employers before the concession was announced. It was very important, Steel-Maitland noted, to first ascertain that the employers would endorse the proposed reduction in the rates of contributions.


54 Minutes of the Cabinet Committee on Unemployment Insurance, 23 June 1925. CAB./27/280/U.I. 25.
On the 24th June the Prime Minister invited representatives of the N.C.E.O. to the House of Commons to discuss the Unemployment Insurance Bill and the Pensions Bill. Steel-Maitland explained the provisions of the forthcoming Bill on unemployment insurance and laid stress upon its financial concessions to the employers. The Confederation deputation, led as usual by Lord Weir, welcomed the Bill as a whole but expressed regret that the Government had failed to adopt the more wide-ranging proposals of the employers for an overhaul of the finance of the various schemes of social insurance.55

The Unemployment Insurance Bill was discussed further by the N.C.E.O.'s Executive Council on 2nd July 1925, when it was decided to circulate all members with a memorandum explaining the provisions of the Bill and requesting their views on the subject.56 As the Bill passed through its parliamentary stages, the Confederation's Unemployment Insurance Committee worked with the Industrial Group to supply M.P.'s with information on its clauses and in organising back-bench opposition to Labour amendments against the tightening-up clauses. At the end of July 1925 the Executive Council of the N.C.E.O. noted with satisfaction that the Bill had passed through the Committee Stage with its main clauses intact and now confidently looked forward to the "re-establishing of the position [of the scheme] to what it was prior to the Labour Government's Act of 1924."57

The Unemployment Insurance Act which came into operation at the beginning of October 1925 gave substantial recognition to the views of employers, both with regard to the benefit regulations and the finance of the scheme. One of its first effects, as the Government and the N.C.E.O. anticipated, was to increase the rate of

55 Minutes of Meeting between the Prime Minister and Representatives of the N.C.E.O. PIN/7/73. No papers concerning this meeting survive among the records of the N.C.E.O.

56 Minutes of the Executive Council, 2 July 1925. N.C.E.O./NC/1/E.C.

57 Minutes of the Executive Council, 29 July 1925. N.C.E.O./NC/E.C.
for disallowances to benefit, particularly among women. To help ensure this result, the Minister of Labour asked the N.C.E.O. for its assistance in securing the greater participation of employers representatives in the work Rota Committees, and this request was acted upon. However, the Confederation remained convinced that the problems of unemployment insurance scheme would not be solved without a full-scale Government enquiry into the subject. Equally, however, they were convinced that the Government could take immediate and practical steps to redistribute the financial burden of the social insurances.

After their meeting with the Prime Minister on 14th June, the N.C.E.O. agreed to continue its campaign for lower social insurance contributions. During the passage of the Widows' Pensions Bill the Confederation's Unemployment Insurance Committee tabled several amendments with this object in view. Probably the most serious challenge to the Government from this source came on 13th July when, after consultation with the N.C.E.O., Sir Alfred Mond moved an amendment to link the finance of the widows'pensions scheme to the debt of the unemployed Insurance Fund. Under the Mond amendment, the contributions required by the pension scheme would not come into effect until the debt of the Unemployed Insurance Fund had been liquidated and the maximum rates of 6d. had come into operation. The Government, however, insisted that it was not prepared to postpone indefinitely what it regarded as a vital social reform, and the proposal was rejected by 50 votes.

58 Rota Committees were sub-committees of the L.E.C's and performed the task of interviewing claimants. Minister of Labour to N.C.E.O., 29 November 1925, and Minutes of the Unemployment Insurance Committee, 9 December 1925. N.C.E.O./NC/6A/C4/30.N.C. 1475 and N.C. 1476.


60 Parl. Deb., 5th Series, 1924-1925, vol. 186, cols. 909-922. The other agent for the employers during the Committee Stage of the Bill was Sir Robert Horne who tabled several amendments to bring down employers contributions, but without success. Minutes of the Grand Council, 8 July 1925. F.B.I./C/74/186.
The attention of the N.C.E.O. now shifted towards the health insurance scheme. Under the provisions of the Widows' Pensions Bill as it finally reached the statute book in August 1925, the commencement of the new scheme in the following January would be coupled with a reduction of \frac{3}{4}d. in the health contributions of workers and employers, bringing them down to 4\frac{3}{4}d. respectively, as against the State's contribution of 2\frac{1}{4}d. However, there was no real saving for both sides of industry. The reduction in health contributions simply represented the actuarial equivalent of the transfer from the scheme to the Pension Fund of persons in the 65-70 age bracket, and it was balanced by the addition of a further \frac{1}{4}d. to the pension contributions of workers and employers.

On 17th July a deputation from the N.C.E.O., headed by David Milne-Watson, met the Minister of Health and his officials to discuss the question of employers' social insurance contributions. The deputation requested a reduction of 2d. in the contribution of employers to the health insurance scheme and made it clear to the Minister that they expected the Government to recognise their claim. "To come right to the point," Milne-Watson announced, "what we really want is a reduction in the present health insurance contribution as from January next year, and we want to get you to look at that in a sympathetic way, and if possible, to introduce a Bill for the purpose."

The N.C.E.O.'s case for a reduced health contribution was based mainly upon the contention that the scheme was over-financed, as indicated by the swelling surplus of the Health Insurance Fund. "In our view," Milne-Watson declared, "the periodical emergence of these surpluses is of itself sufficient to show that the rates of contributions are too high." The Minister of Health however, rejected the Confederation's claim outright on the grounds that, if implemented, it would seriously jeopardise the future of the health insurance scheme, and also, that any reduction in employers' contributions would arouse opposition.

from the Approved Societies. Instead, Chamberlain proposed that the employers should place their views before the Royal Commission on Health Insurance. This suggestion was acted upon and the Confederation placed its evidence before the Commission in November 1925.

The subsequent course of the N.C.E.O.'s dispute with the Conservative Government over financing of health insurance falls outside the scope of this study. Despite further representations to the Minister of Health and a vigorous attempt to convert the Royal Commission on Health Insurance to accept its case for lower contributions, the Confederation failed to secure its principle objective. By the end of 1925, the total social insurance contribution of employers stood at 1s. 5d., still 2d. higher than the ceiling which the N.C.E.O. had stipulated in its financial plan of the previous May, and still the highest total contribution among the three contributing parties to the social insurances. This fact helped to ensure that the Confederation's attention remained fixed on the cost of the social insurances.

After the implementation of the tightening-up measure for unemployment insurance in October 1925, the N.C.E.O. had good reason to anticipate a further reduction in their contributions to the scheme. Aided by a stabilisation in the rate of unemployment, the debt of the Fund fell slowly to 7 million by the beginning of the following year. However, the employers' financial objectives were seriously threatened by the Economy Bill of March 1926. This measure, forced upon the Government by the Coal Subsidy, reduced the Treasury's unemployment insurance contribution to 6d, and also


reduced its contribution to the Health Insurance Fund. These economies aroused sharp criticism from the T.U.C. and from the Labour Party in the House of Commons, but they also provoked consternation in the N.C.E.O.

When the Economy Bill was published it was subjected to detailed scrutiny by the Confederation's Labour Investigation Committee and, with the exception of its insurance clauses, generally welcomed as a timely recognition of the proposals, which the employers had recently placed before the Government in "British Industrial Depression". This report, as we saw in Chapter 2, provided the basis for a series of discussions between the representatives of the N.C.E.O. and the Government. During the final installment of these talks on 20th April 1926, however, the Confederation took the opportunity to express its concern over the reduction of the State's financial contribution to the social insurances:

The Confederation does not object to [the Economy] Bill, but it would point out that the Bill appropriates money available for reducing health insurance contributions and anticipates—so far as the State is concerned—the solvency of the Unemployment Insurance Fund, thereby postponing the date when industry can obtain the further relief that it was led to expect.

This was not the last time Lord Weir and his colleagues were to remind the Government that public retrenchment should not be pursued at the direct expense of manufacturing industry. However, in April 1926 it sharply underlined the conflict of financial priorities between employers in the staple industries and the State. By this date, however, the Confederation had presented its evidence to the Blanesburgh Committee and it was upon this Committee that the employers pinned their hopes for the future realisation of their social and financial priorities.

64 As Churchill admitted, the Bill was directly aimed at Section 4 (3) of the 1925 Unemployment Insurance Act governing employers' contributions. "The employer," he noted, "who was led to expect that he would get the reduction of 1d. ... is now not going to get it. I say that quite frankly." Parl. Deb. 5th Series, 1926, vol. 194, col 637.


Few official enquiries have attracted more critical attention from historians than the Blanesburgh Committee on Unemployment Insurance and the measure which it shaped, the Unemployment Insurance Act of 1927. The origins of the Committee, as we have seen, lay in the general political concern about the future of unemployment insurance which gained ground in Government and political circles over the course of 1923-1924. The proposal to appoint the Committee was put before the Cabinet by the Minister of Labour early in May 1925 and announced in the Commons shortly afterwards. The Committee, under the chairmanship of Lord Blanesburgh set to work in November, took most of its evidence in the following year, and produced its Report in January 1927.

The N.C.E.O.'s attitude towards the Committee was coloured by the political disagreements with the Labour and Conservative Governments which have already been described. Among the leaders of the Confederation, the appointment of the Committee was welcomed. On the other hand, it was with disappointment that the N.C.E.O. noted that the Committee's terms of reference did not include the Poor Law. The exclusion of this subject from the enquiry was to confuse many of witnesses who appeared before it to give evidence. Nevertheless, from the outset the N.C.E.O. was acutely alive to the general political significance of the Committee.

67 Memorandum by the Minister of Labour, 4 May 1925. CAB./24/173/ C.P. 226.


69 The Committee's full terms of reference were, "To consider, in the light of experience gained in the working of the Unemployment Insurance Scheme, what changes in the Scheme, if any, ought to be made."
The N.C.E.O.'s stake in the outcome of the Blanesburgh enquiry was recognised by the inclusion of Sir James Lithgow on the Committee. The appointment of Lithgow, along with Margaret Bondfield\(^{70}\) was an act of unofficial recognition by the Ministry of Labour of the gulf which separated the employers from the trade unions on the subject of unemployment insurance. Technically, Lithgow sat on the Committee in an individual capacity. In his own judgement, however, he was there to safeguard the interests of employers and if possible, to promote the unemployment insurance policy of the N.C.E.O. The ex-President of the Confederation was well-qualified for these tasks. Lithgow was one of the authors of the Report on Unemployment Insurance, and he had played a prominent role in organising the N.C.E.O's political campaign against the insurance policy of the first Labour Government and the Widows' Pensions Bill of 1925. His own views on the unemployed were deeply conservative and since entering public life he had acquired a reputation, both inside and outside the employer's movement, as a staunch critic of the "dole" and as a vehement advocate of economic and social individualism.\(^{71}\)

The political importance which the N.C.E.O. attributed to the Blanesburgh Committee was underlined by the careful and comprehensive manner in which it set about preparing its evidence. Throughout the summer of 1925 it waited impatiently for the Government formally to constitute the Committee. In October the Executive Council asked its Unemployment Insurance Committee to undertake a preliminary review of the unemployment insurance scheme in anticipation of the appointment of the Government's enquiry.\(^{72}\) The appointment of Blanesburgh Committee was announced on 11th November and on 27th November the N.C.E.O. and the T.U.C. were invited to submit their views.

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70 Margaret Bondfield, Member, General Council of the T.U.C., 1918-1924, 1926-1929. Parliamentary Secretary to the Ministry of Labour 1924; Minister of Labour, 1929-1931. See M. Bondfield, A Life's Work, London 1948.

71 See J.M. Reid, op. cit., pp. 87-89.

72 Minutes of the Executive Council, 7 October, 1925, N.C.E.O./NC/1/E.C.
The N.C.E.O.'s Unemployment Insurance Committee, now under the chairmanship of J.A. Gregorson of the National Federation of Iron and Steel Manufacturers, held ten meetings between November 1925 and January 1926. During this period, it circulated questionnaires to employers organisations and compiled of their views. The members of the Confederation, however, had little to add to the statements which they had submitted to the Unemployment Insurance Committee in 1923 and most of them were content to leave the subject in the hands of the Confederation. Even the Food Manufacturers Association, one of the more progressive employers' organisations during the immediate post-war years and the power base of Seebohm Rowntree and Sidney Pascal, was not prepared to challenge the basic arguments which had been laid down in the N.C.E.O.'s Report of 1924. Thus, for example, the Association advised the Confederation that "extended benefit should be curtailed," and that the "general aim should be to lower costs, and contributions from both employers and employed, rather than to build up large reserves or to increase contributions." 74

The Confederation's Unemployment Insurance Committee was also faced with the task of ascertaining the attitude of the Federation of British Industries and the N.U.M. towards the Blanesburgh Committee. In the case of the F.B.I., there was no repeat of the dispute which had separated the two organisations in 1922. On the contrary, the Federation announced that it looked to the Confederation to deal with this matter. 75 The National Union of Manufacturers, however, along with the Association of British Chambers of Commerce, insisted that they should be given the opportunity to present separate evidence to the Committee.


75 Minutes of the Executive Council, 3 March 1926. N.C.E.O./NC/1/E.C.
The N.C.E.O.'s statement of evidence was approved by the Executive Council on 3rd March 1926 and forwarded to the Blanesburgh Committee two days later. The employers' views did not depart substantially from the Report on Unemployment Insurance, which was included as an appendix to its statement. In dealing with the question of a permanent system of unemployment insurance, the employers affirmed their faith in a scheme founded upon the principles of the 1920 Act, but took into account amendments which, in the light of practical experience, seemed desirable.

The focal point of the N.C.E.O.'s evidence to the Committee was the strong plea which was made for the restoration of unemployment insurance on the basis of an operative contributory-ratio rule and yearly limit rule. Probably for tactical reasons, the N.C.E.O. did not stipulate any precise ratio or limit, but it made it clear that it saw these two rules as the basic pillars for a permanent scheme.

Any modification of the 1920 Act in the actuarial fixing of that ratio and maximum number must necessarily be determined on data which the Confederation does not possess but it is vital to the Confederation's recommendations that such modification, if any, must be such as will not weaken either the testing of the genuineness of the claim or the claimant's incentive to seek work, and must also be such as will permit the scheme being carried on as a permanent scheme on a solvent basis.

This view, in effect, pointed towards the full restoration of the 1/6 with a yearly limit to the number of contributions which could be paid in the region of 26 to 30 weeks. Beyond this, however, the N.C.E.O. placed considerable importance upon the retention of the existing fourth statutory condition, the genuinely seeking work clause, and pointed out one way in which this clause could be made more effective:


78 Ibid., p. 73

79 Ibid., p. 73
The condition that the applicant must be genuinely seeking work should, in the interests of the mobility of labour, be so modified as to provide that an applicant cannot by labelling himself as belonging to a particular trade successfully and indefinitely maintain that suitable employment does not exist for him in some other trade or district.

The other significant alteration to the benefit regulations which was suggested by the N.C.E.O. concerned the trades disputes disqualification clause. This clause, we will recall, had been altered by the Labour Government in 1924 by providing that the benefit would be payable where, (1) the claimant could show that he was not directly participating in, or financing the dispute, or (2) that the stoppage was due to an employer contravening a local or national agreement. The Confederation was prepared to accept the continuation of proviso (1), but it called for the immediate repeal of proviso (2) on the grounds that the Courts of Referees and the Umpires were not appropriate instruments for the interpretation of collective wage and working agreements.80

The N.C.E.O.'s recommendations on the finance of unemployment insurance also followed the general guidelines of the 1924 Report. The employers proposed the return to the benefit structure of 1920, namely, 15s per week for adult and 12s. for women, adding the rider that regard "must be had to the fact that these benefits are intended as an aid to the workers own thrift and self-help" and "must not be such as to weaken the worker's incentive to seek employment". With regard to the contribution structure, however, the Confederation took the Unemployment Insurance Act of 1924 as its point of reference, and advocated the immediate introduction of the "maximum" 6d rate of contribution and the application of the principle of equal contributions between the three parties.81

Finally, the N.C.E.O.'s blueprint for the reform of unemployment insurance still anticipated the abolition of all forms of non-

80 Ibid., pp. 73-74. The other main recommendations of the N.C.E.O. were (1) the abolition of contracting-out, and (2) the abolition of Section 17, the clause which empowered the trade unions to administer the State scheme.

81 Ibid., pp. 72-73.
contractual benefit. In March 1926, however, the Confederation was even more confident in affirming that extended benefit had no place in a permanent system of employment insurance, advising the Committee to fix a definite date for the restoration of the insurance basis of the scheme. In this connection, the N.C.E.O. raised important questions once again about the relationship between unemployment insurance and the Poor Law. The same theme figured prominently in the N.C.E.O.'s oral evidence, presented to the Committee on 10th March by J.B. Forbes-Watson and John Gregorson. In opening the defence of the Confederations statement of evidence, the Director clearly indicated to the Committee that the employers were looking beyond unemployment insurance towards a more fundamental and far-reaching reform of the framework of unemployment relief. "There is a national problem," Forbes-Watson reminded the Committee, "and we have suggested ... that the re-organisation of the public assistance authorities is perhaps the first step in the ladder of enquiry before you come to Unemployment Insurance." The cross-examination of Forbes-Watson and Gregorson by the Committee brought about a sharp clash of conflicting social viewpoints with regard to the purpose of unemployment insurance. For example, pressed by Bondfield to concede that employers must be prepared to carry their share of the responsibility for the maintenance of the unemployed, the N.C.E.O.'s Director handed out an open challenge to the Labour movement:

82 Ibid., p. 72
83 Ibid., p. 75
84 Ibid., para. 783.
85 Ibid., paras. 771-772.
Where we are at variance is as to what the object of the Unemployment Insurance Fund is. You say that it is to guarantee maintenance. We do not say that at all. That is not the basis of the 1920 Act; that is not the contract we made. We entered into a contract along with the State to help the worker to get, as of right, in respect of his contributions, something that would go towards tiding him over hard times.

Forbes-Watson's reference to unemployment insurance as a "contract" underlined the N.C.E.O.'s essentially legalistic conception of the scheme, but also the special significance which it now placed upon the principle of equal contributions. The question of equal thirds did not figure prominently in the Confederation's oral evidence and in the cross-examination which followed, mainly because the committee members were more concerned to elucidate the implications of the employer's suggestion for the restoration of a fixed relationship between benefits and contributions.

Nevertheless, soon after it had presented its evidence, the N.C.E.O. made a further attempt to draw the attention of the Blanesburgh Committee more firmly towards the whole question of unemployment insurance contributions. This was done by means of a supplementary statement of evidence, submitted by the employers to the Committee on 27th July 1926. Here the N.C.E.O. gave further vent to its dissatisfaction with the unemployment insurance clauses of the Economy Act. In fixing the Treasury's contribution to the Fund at 6d., the Confederation again argued, the State had anticipated the restoration of the Fund's solvency, and the N.C.E.O. concluded by restating firmly its allegiance to the principles of lower and equal contributions:86

It is suggested that if the financial position of the State is such as to necessitate an anticipation of the solvency of the Fund, the position of industry as a whole is no less serious, and that the principle which has been applied to one of the three contributors should be applied to all. The action of the State, it is submitted ... gives added emphasis to the Confederation's previous recommendations ....

The N.C.E.O.'s evidence to the Blanesburgh Committee was among the most trenchant contributions from an orthodox standpoint to be placed before the enquiry and it undoubtedly gave a focus to the conservative case for the reform of the scheme as it unfolded before the Committee over the course of 1926 in evidence from a total of no less than 20 employer's organisations and large companies, ranging from the National Union of Manufacturers to the sedate Edinburgh Chamber of Commerce.87 As the Confederation hoped, the evidence from these sources generally followed the lines of the statement which had been submitted to the Committee by the N.C.E.O. In addition, however, its plea for the restoration of the strict contributory basis of the scheme found support, if not in detail then in broad principle, from the Banking and Poor Law lobbies.88

The T.U.C.'s evidence to the Blanesburgh Committee, submitted in April 1926, adhered in principle to a non-contributory scheme. As steps towards this goal, the Congress advocated that all benefit should become payable as of right, without a means test, and that the rates should be raised to 20s. for a man and 15s. for a woman. The T.U.C. also proposed the immediate reduction of unemployment insurance contribution for workers and indicated that, pending the introduction of a non-contributory scheme, the contributions of workers and employers should be cut by half and equalised. Under this plan, however, the State would become the largest single contributor to the Unemployment Insurance Fund.89

The Report of the Committee on Unemployment was signed and published on 31st January 1927, amid a fanfare of publicity. In Part I, the Committee sought to construct a rationale for the proposals which followed by defining the nature of the unemployment problem. Unemployment, the Report noted, "is a risk which moves in cycles ... and any scheme of unemployment insurance must take into account both seasonal fluctuation and others, which occur at longer intervals and are of longer duration." One interesting aspect of

87 For the N.U.M.'s attitude towards the Committee and the preparation of its evidence, see The National Union of Manufacturers Journal, May 1926, p. 288.

88 See A. Deacon, op. cit., pp 43-44

89 Minutes of Evidence, p. 171-174.
the Blanesburgh Report, however, was the early hint which was given that the Report might be favourable to an enlarged State commitment to the maintenance of the unemployed. "To some extent," the Report ventured, "the existence of ... unemployment may be due to State policy." 90

The Blanesburgh scheme of unemployment insurance was built around three proposals, all of them contentious. Firstly, the Report proposed the abolition of extended benefit and its replacement by standard benefit, which would be paid to the claimant who could meet the rule of 30 contributions in the previous two years. The two main statutory conditions for standard benefit would remain as before, the 30 contribution rule and the genuinely seeking work close. The Committee rejected a return to the 1/6 rule for a variety of reasons, some of them administrative, but mainly because it regarded it as too abrupt and arbitrary a test of the bona fide of the claimant. The unemployed insurance scheme, the Report concluded, "should not fail to provide benefits for all insured persons who can genuinely be described as unemployed." 91

The second main proposal concerned the finance of the scheme. The Report recommended a cut of 1s. in the rate of benefit for adult men, taking it down to 17s., together with lower benefits for insured contributors in the 18-21 age bracket. However, it also suggested a sharp reduction in contributions and implementation of equal thirds. Under the Blanesburgh scheme, the contributions of workers, employers and the State would be set at 6d. until the liquidation of the debt of the Unemployment Insurance Fund, when they would automatically fall to 5d. In the Committee's view, a low-cost scheme was essentially desirable, while the application of equal contributions would guarantee the prudent administration of the scheme by the State. 92


91 Ibid., p. 40.

92 Ibid., p. 34.
The third recommendation of the Blanesburgh Report was, in the long term, the most politically significant. The Committee recognised, as participants in the debate on the scheme had hitherto agreed, that the immediate implementation of the 30 contributions rule would turn thousands of unemployed workers on the Poor Law. To avoid this event, the Report suggested that the 30 contributions rule should be suspended for a "transitional period" of up to 19 months, during which time benefit could be drawn by claimants who satisfied the other four statutory conditions. In effect, however, this meant that the administration of the transitional scheme would be based upon the application of the genuinely seeking work clause, and further, that all claims for transitional claims would be assessed by the officials of the Employment Exchanges, with a right of appeal to the Courts of Referees.93

These recommendations represented what was essentially an attempt to steer a middle course between the schemes of unemployment insurance which had been advocated by the T.U.C. and the National Confederation. In one sense, however, as most employers quickly realised, the Report was more favourable to their point of view, for it firmly endorsed the orthodox conception of unemployment insurance as a scheme of limited social support, rather than as a "scheme automatically to give assistance to every insured person who is out of work." In addition, the Report followed the N.C.E.O.'s views on a number of minor, but concrete features of the scheme. For example, it accepted employers' argument that the genuinely seeking work clause should be strengthened, although it did not fully take up the Confederation's suggestion regarding refusals to accept work.94

93 Ibid., pp. 45-46. However, claims to transitional benefit would be subject to automatic review by the Courts of Referees after 13 weeks.

94 The Report recommended that a statutory definition should be given to the meaning of genuinely seeking work. Claimants would remain entitled to decline offers of employment if less advantageous than those he habitually obtained, but claimants would be expected to accept such employment after a "reasonable period of unemployment." p. 48.
However, on the long-standing question of the trades disputes disqualification, the Report backed the Confederation in recommending the deletion of Clause 4 (2).

As a number of historians have pointed out, the fundamental weakness of the Blanesburgh Report was its assumption of the future rate of unemployment. By the time that the Report was published in January 1927, the rate of unemployment stood at 12% and the debt of the Unemployment Insurance Fund stood at over £21 million. Despite these discouraging facts, the Committee uncritically adopted the advice of Sir Alfred Watson, the Government Actuary, and based their calculations upon an estimated unemployment rate of 6%. On this assumption, the Committee believed that the scheme, working on the basis of the 6d. rate, would quickly become self-supporting that it would be possible to liquidate the existing debt of the Fund by the beginning of 1932.95

In January 1927, however, the political weight of the Blanesburgh Report seemed to turn upon its actuarial credibility. The Report, and the fact that it was unanimous, was warmly welcomed by the press, by the Government, and the employers; the T.U.C. and the Labour Party being the only dissenters.97 In March the National Union of Manufacturers spokes for all employers when it announced that, "Industry owes a debt of gratitude to Lord Blanesburgh" and called upon the Government to legislate on the basis of the Report. "A Bill founded upon these recommendations" the N.U.M. noted, "should, if a few amendments can be provided for, prove satisfactory."97

The N.C.E.O. wasted no time in setting about the task of shaping a view on the Blanesburgh Report. Early in February 1927 the Executive Council instructed the N.C.E.O.'s Unemployment Insurance Committee to carefully watch the attitude which the Government and the trade unions adopted towards the Report.98 In the meantime,

95 Ibid., pp. 35-37.
96 See M. Bondfield, op. cit., pp. 270-272
98 Minutes of the Executive Council, 11 February 1927. N.C.E.O./NC/1/E.C.
Sir James Lithgow was asked to give his opinion on the Blanesburgh recommendations. When he presented his conclusions early in March 1927, Lithgow first of all made it clear to his colleagues that he had signed the Report with a tactical purpose in mind and with reservations. "Early it appeared to me," he noted, "that a Minority Report without the support of 'independents' and the Ministry of Labour would be futile so far as future legislation was concerned." In any case, he did not believe that either public opinion or the Government was yet prepared to "take what the Confederation would regard as a courageous stand in the matter of unemployment insurance." He took the view, however, that the essentials of the Confederation's policy had been recognised in the Report and that the way was open for the N.C.E.O. to make further representatives to the Government.99

Lithgow's memorandum was adopted by the Confederation's Unemployment Insurance Committee as the basis for the report which it submitted to the Executive Council at the end of March 1927.100 After reviewing the recommendations of the Blanesburgh Report and identifying those points upon which it departed from the N.C.E.O.'s policy, the Committee noted, "the probabilities are that the Government will allow the present emergency system to go on." This would mean, they pointed out, that employers would lose any immediate prospect of a reduction in their contributions to the scheme. The Committee continued:101

The practical issue for consideration is what the Confederation can at present do to prevent that situation arising and how it can safeguard its right to urge the re-establishment of a fixed ratio between benefits and contributions if the situation does arise.


100 Minutes of the Executive Council, 23 March 1927. N.C.E.O./NC/1/E.C.

The Unemployment Insurance Committee recommended that as a first step the N.C.E.O. should ascertain unofficially whether the Government intended to give effect to the Blanesburgh Report as a whole and then seek an interview with the Minister of Labour before the terms of the Bill were settled.¹⁰²

On 13th May 1927, a deputation from the Confederation led by Lord Weir and Sir David Milne-Watson met the Minister of Labour to discuss the Report. The employers stated that, in principle at least, they still held that there should be a fixed ratio between contributions and benefits, although they were prepared to support a scheme of insurance based upon the 30 contribution rule subject to its effect upon the Unemployment Insurance Fund. The N.C E.O. welcomed the prospect of the Blanesburgh rates of contribution and equal thirds and pressed the Minister to take steps to "tighten-up the administrative [of unemployment insurance] at every point" as a means of bringing the 5d. rates into operation and ensuring their continuance. In responding to the Confederation, the Minister assured the employers that the Government would adhere in substance to the Blanesburgh Report and that their views would be taken into consideration during the framing of the new Unemployment Insurance Bill.¹⁰³ Subsequent events, however, revealed the limitations of this pledge.

The N.C.E.O.'s meeting with the Minister of Labour in May was the prelude to a final contest between the employers and the Baldwin Government over unemployment insurance. The main issue at stake, as it had been consistently since 1925, was the contributory basis of the scheme. The problem arose out of the Treasury's conviction that the financial proposals of the Blanesburgh Report were not only unsound, but also politically dangerous. While the Ministry of Labour was prepared to adopt the Report as a whole in order to create and sustain a new political consenus on unemployment insurance, the Chancellor of the Exchequer was to argue that the

¹⁰² Ibid.
price of this consensus for the State was too high. The short term result was a sharp dispute between Steel-Maitland and Churchill in the spring of 1927 which went against the Ministry of Labour.

The disagreement between the Ministry of Labour and the Treasury over the financial proposals of the Blanesburgh Report has been examined at length by Gilbert and Deacon and will not be dwelt upon here. The dispute began in March 1927 when the Chancellor of the Exchequer warned Steel-Maitland of his strong opposition to equality of unemployment insurance contributions and then developed in force over April and May as the Ministry of Labour prepared its Unemployment Insurance Bill. The crucial exchange between the two disputants came at the beginning of June when Steel-Maitland brought the subject before the Cabinet and defended his case for the adoption of the Blanesburgh Report as a whole.

A Bill carrying out the Blanesburgh proposals will no doubt be opposed, but once it is carried, it will be accepted ... as a practical settlement for a good many years to come. A Bill omitting any of these essential proposals - and it is clear that 'equal thirds' is one of these - will release all of those critics who might otherwise have been disposed to accept the Blanesburgh compromise, and, so far from effecting a settlement, will merely serve to keep the Unemployment system in the arena of party politics.

The Minister's views clearly bore the mark of his recent meeting with the N.C.E.O. His plea on the behalf of the Blanesburgh Report and its supporters, however, was vigorously countered by the Chancellor of the Exchequer Churchill took the view that to give way on the principle of equal thirds in the case of unemployment insurance would open the door for the employers, but more especially, the Approved Societies to argue that the principle should be applied to the health insurance scheme. Churchill also argued that the adoption of equal thirds would not win the T.U.C. and the Labour Party from their allegiance to a non-contributory scheme or dampen their criticism of the Government's unemployment insurance policy. Looking in the other direction, he warned the


105 Memorandum by the Minister of Labour, 25 May 1927. CAB./24/187. C.P. 166. Minutes of the Cabinet, 1 June 1927. CAB./22/55/C.C.35.
Cabinet against bowing to the demands of its own supporters. "No doubt there are real advantages in the stiffening-up proposals of the Blanesburgh Report," Churchill pointedly noted, "But we must not pay too high a price for securing them." 106

The dispute over the Blanesburgh rates and equal thirds was resolved in the favour of the Treasury later in June when the Cabinet decided that there should be no immediate change in the financial principles of the scheme, and this decision 107 was faithfully reflected in the Unemployment Insurance Bill which was published in October 1927. On the benefit conditions, the level of benefits and on the general administration of the scheme, the Bill adopted the main recommendation of the Blanesburgh Report. 108

With regard to contributions, the Bill proposed to retain the existing rates of 7d. for workers, 8d. for employers and 6d. for the State. The only concession to Industry was the provision which was made for the introduction of lower contributions when the debt of the Fund fell to £7\frac{3}{4} million with a further reduction when the Fund reached solvency. 109

As the Government had anticipated, the Bill was hotly criticised by the T.U.C. and the Labour Party when its full provisions were finally published and when it came before the Commons for its Second Reading on 9th November. The weight of their criticism, however, was directed against the reductions in benefit and the statutory conditions of the scheme, in particular, the

106 Memorandum by the Chancellor of the Exchequer, 31 May 1927. CAB./24/187/C.P. 168, and CAB./22/55/C.C. 35.


108 The subsequent Act formally abolished the 1/6 rule and the Local Employment Committees and deleted Clause 4 (2) of the 1924 Act (trades disputes disqualification) from the scheme. However, the 1927 Act did not implement the Blanesburgh recommendation that a statutory definition should be given to the meaning of "genuinely seeking work."

genuinely seeking work clause. Nevertheless, despite sustained pressure from the Opposition back-benches, Steel-Maitland managed to push his Bill through its stages without any substantial concessions to Labour. A similar determination characterised the Government's attitude towards the demand for very different concessions which came from the employers.

The Government's decision not to adopt the Blanesburgh Report as a whole provoked consternation and anger in the N.C.E.O. and faced the employers with a severe political challenge. By the end of June 1927, largely through Lithgow's close contact with Lord Blanesburgh, the employers were already alive to the prospect that the Government might not adopt the 6d. rate of contribution and equal thirds in its forthcoming Bill. Writing to Blanesburgh on 28th June, Sir James Lithgow made it clear that the N.C.E.O. would regard the Government's failure to adopt the Report as a whole as a serious political development:

I am particularly anxious to make it quite clear that so far as I myself and the employers for who I am entitled to speak are concerned, we would look upon a departure from the vital principle of 'equal contributions' as a fundamental disturbance of your Committee's report, and ... as a complete breach of faith.

The ex-President of the N.C.E.O. went on to warn that if the Government persisted in departing from the Report, he would be forced to disown the Report and "retain liberty of action in giving public expression to my feelings on this matter." Furthermore, he believed that the Government's failure to adopt the full Blanesburgh Report would severely test the already strained relationship between the Confederation and the Government over the question of the social insurances. "It appears to me unbelievable," Lithgow remarked,


111 Steel- Maitland Papers, GD./193/94/2.

112 Ibid. Lithgow concluded by appealing to Blanesburgh to use his influence to persuade the Government to adhere to the Report. Blanesburgh passed Lithgow's views on to Baldwin and the Minister of Labour, but with no visible effect.
that a Government who are constantly preaching conciliation between employers and their workers, deploring interference of politics in industry ... should take a step which will clearly wreck this most promising instrument which your industry and tact has placed in their hands, to remove one of the most troublesome industrial problems from the sphere of party politics ... It would be most regrettable that a final rupture should arise over Unemployment Insurance, but if such a Bill as foreshadowed does made its appearance in the autumn, I will have a rough time of it, and I can promise passing on the knocks with interest.

The publication of the full details of the Government's Unemployment Insurance Bill in October 1927 only confirmed the worst fears of the N.C.E.O. and provoked an immediate outcry of discontent from employers' organisations. The National Union of Manufacturers, for example, announced its dissatisfaction with the Government's proposals, and called upon the Government to adhere to the principle of equal contributions.113 Despite Lithgow's warnings, however, there was no immediate move by the Confederation to repudiate the Bill or to bring its views to public notice. Instead, following past practice, the N.C.E.O. sought a meeting with the Prime Minister and the members of the Cabinet to discuss the Bill and, if possible, to secure concessions before it came before the Commons for the Second Reading.114

When representatives of the N.C.E.O. and the Government met at Downing Street on 7th November 1927, two days before the Second Reading of the Unemployment Insurance Bill, the stage was set for a forthright exchange of views. The deputation, led by Lord Weir and the President, Sir David Milne-Watson, rested its case upon three essential points. Firstly and with reference to the Blanesburgh Report, the employers argued that a permanent system of unemployment insurance should be based upon an assumption of a "normal" rate of unemployment, namely between 5% and 6%. Secondly, they pointed out that the rates of contribution for the three parties as envisaged by the Blanesburgh Report was the vital recommendation upon which the whole scheme of the Committee was based, and thirdly, they reminded Government that the

113 Speech by Sir John Corcoran, 14 November 1927. See The National Union of Manufacturers' Journal, November 1927, p. 646.

Confederation's support of the Blanesburgh scheme had always been contingent upon the adoption of the financial proposals of the Report.\textsuperscript{115}

The Government, represented by Baldwin, the Chancellor, and the Minister of Health and Labour, came well prepared for their meeting with the N.C.E.O., and with no evident intention of going back upon their decision on unemployment insurance contributions and the implementation of equal thirds. The Prime Minister left the task of answering the employers to the Chancellor of the Exchequer on the grounds that the issues at stake "affect very closely the national finances." In pursuing this theme, Churchill dwelt upon the "dangerous condition of the national finances" and warned the employers that any move which might ultimately require the Treasury to increase its share of the cost of maintaining the unemployed would have to be balanced by higher taxation.\textsuperscript{116}

Turning to the Blanesburgh Report, Churchill noted that it reflected "the very greatest credit on all concerned," but added that the Committee's search for common agreement had produced a scheme which was not consistent with the solvency of the Fund. The Government's case against the 6d. rates of contribution advocated by the Blanesburgh Report and the N.C.E.O. rested upon the existing level of unemployment. If the Blanesburgh rates were adopted, the Chancellor pointed out, the Unemployment Insurance Fund would quickly build up a new debt on top of the current debt of approximately £22 million.\textsuperscript{117}

The Chancellor's principle target for attack, however, was the principle of equal thirds. The implementation of equal contributions, he argued, was totally unacceptable to the Government. Churchill now rehearsed the argument before the employers that equality of contributions in unemployment insurance would have a serious reaction upon the health insurance, and again warned that the end result might

\textsuperscript{115} Report on Deputation to the Prime Minister, 7 November 1927. N.C.E.O./NC/C4/40. N.C. 2266.

\textsuperscript{116} Minutes of the Deputation, 7 November 1927. Steel-Maitland Papers, /G D /193/345.

\textsuperscript{117} Ibid. On the Treasury's reaction to the Blanesburgh proposals, see also, A. Deacon, \textit{op. cit.}, p. 46.
be higher taxation. In the end, however, he was forced to state that the interests of the Treasury must overrule those of manufacturing industry. "And what is the particular sanctity of this principle of equal thirds," the Chancellor enquired. "As I have shown," he continued, it is not one which we adopt in Health Insurance; it is not one which rules at the present time in Unemployment Insurance. Of course, there is a certain symmetry about equal thirds, but the parties in the matter have not equal interests. You say employers have very little interest in the matter, or none at all. The State's interest is not so great as that of either of the parties in industry. We certainly have a different interest.

In winding-up for the Government, the Prime Minister noted that although the Blanesburgh contribution could not be introduced at this stage, he and his Ministers would consider any further constructive proposals which the Confederation might submit on the financing of the scheme. The representatives of the N.C.E.O. left Downing Street gravely disappointed with the outcome of their meeting with the Government. In a statement issued to the press on the following day the confederation made it clear it regarded the whole subject of unemployment insurance as an open controversy. Without the lower rates of contribution and equal thirds as envisaged by the Blanesburgh Report, the N.C.E.O. announced, "the compromise disappears." This view was taken up by the Times, which firmly supported the employers in their dispute with the Government. "Many considerations enter into the argument of the proper distribution of the [contributory] burden," the newspaper's labour correspondent remarked with sympathy, "but the simplest and the best conclusion is to establish equality."

118 Ibid.
119 N.C. 2266.
120 The Times, 8 November 1927.
121 Ibid.
After their meeting with the Minister and his colleagues on 7th November, the leaders of the N.C.E.O. turned their attention towards securing a number of subsidiary, but nevertheless important financial concessions from the Government. In writing to the Federation of British Industries to report upon the outcome of the recent meeting at Downing Street, the Confederation's Director recorded gloomily that, "I'm afraid there is little hope of the Government altering its Bill, but we'll go on trying." On the 17th November, following up Baldwin's invitation for further constructive proposals, the N.C.E.O.'s Unemployment Insurance Committee forwarded a memorandum directly to the Prime Minister which, if nothing else, demonstrated the employers' versatility in the pursuit of their objectives.

The Confederation's memorandum gave further notice to the Government that the employers had little confidence in the Government's Bill. The N.C.E.O. reminded the Prime Minister, with reference to the conditions which would now govern the receipt of standard and transitional benefit that the Blanesburgh scheme did not represent the scheme which the Confederation had contemplated or advocated, and it expressed concern over the abolition of the contributory-ratio rule. In the absence of that rule, the employers insisted, the unemployment insurance scheme would be governed not by actuarial consideration, but by "changing factors of political necessity."

With regard to the finance of the new scheme, the N.C.E.O. put forward two concrete proposals. Firstly, it suggested that Government should provide for the introduction of the Blanesburgh rates when the existing debt of the Unemployment Insurance Fund fell to £15 million, and secondly, that a clause should be inserted in the Bill which would ensure that any future reduction in the State's contribution to the Fund would be accompanied by a corresponding reduction in the contributions of workers and employers. The


Prime Minister acknowledged the N.C.E.O.'s recommendations but gave no indication that they would be adopted by the Government.

The N.C.E.O.'s second approach to the Prime Minister was made in conjunction with an attempt to arouse enthusiasm for the Blanesburgh financial proposals among the back-benches of the Conservative Party, but with mixed success. For example, P.J. Hannon, hitherto the Confederation's faithful voice in the Commons, adopted a position of almost uncritical appreciation of the Bill in the face of the onslaught which the Labour Party mounted against the measure.125 This partly explains the Confederation's failure to mobilise the Industrial Group against the objectional financial features of the Bill, but the main reason was probably the intervention of the Party Whips.

On 17th November, however, as the Bill moved through the Committee Stage, the Unemployment Insurance Committee decided that steps should be taken to table an amendment giving effect to the proposals which had been outlined by the employers in their letter to the Prime Minister on the same day. The amendment, put down the name of a mixed group of Conservatives and Liberals representing industrial constitutences was tabled for debate on 29th November, but fell victim to the parliamentary guillotine.126 Thereafter the N.C.E.O. lobbied individual M.P.'s but with no clearly identifiable results.127 All of this revealed the very real political limitation of the N.C.E.O. In the long term, however the political significance of the Confederation's struggle with the Government over the Blanesburgh Report and the Unemployment Insurance Bill of 1927 was not the extent of the employers' failure to extract major concessions, but the fact that the N.C.E.O. managed to emerge from the contest with its belief in its own unemployment insurance policy essentially intact.


127 A possible exception was Esmond Harmsworth, chairman of the Newspaper Proprietors' Association and Conservative M.P. for the Isle of Thanet. Harmsworth was one of the few Conservative M.P.'s to challenge the Government's failure to adopt the Blanesburgh rates and tabled several amendments during the Committee Stage to reduce employers' contributions. See for example, Parl. Deb., 5th Series, 1927, vol. 211, cols. 1098-1105 and cols. 1225-1227.
The Unemployment Insurance Bill reached the statute book at the end of December 1927 and came into effect in April 1928. The new scheme, however, quickly fell into serious difficulties. The assumption of the Blanesburgh Report that unemployment would gradually fall was not realised. Over the course of 1928 the rate of unemployment rose to 12 per cent, although it fell during the first half of 1929. The real problem, however, was continuing existence of hard-core unemployment, particularly in the mining districts. By the beginning of 1929 the existence of the 30 contribution rule had created a bulge of transitional claimants, estimated at 120,000.128 Once again, rather than turn this politically significant minority of the unemployment on to the Poor Law, the Government conceded ground by extending the transitional scheme for a further year, beginning in April 1929. The discussions which surrounded the future of transitional benefit at this stage are taken into account in Chapter 5. On the main political stage, however, the key question concerning unemployment insurance during 1928-1929 was the operation of the genuinely seeking work clause.

As the Blanesburgh Report had anticipated, after 1927 the genuinely seeking work clause became the principle administrative check upon claims for transitional benefit. Between the beginning of 1928 and 1929 the rate of disallowances under the clause rose steadily to nearly 46 per cent of the total number of claims disallowed by Insurance Officers under the existing statutory conditions and regulations.129 In the process, Labour's criticism of the clause reached a new pitch of intensity. The seeking work test, as Deacon has observed, "was a futile and sometimes brutal ritual. No-one pretended that the work which claimants were supposed to be seeking actually existed."130 This much was recognised by Sir Arthur Steel-Maitland. In March 1929 the Minister of Labour reported worriedly to the Cabinet that the fourth statutory condition was not even being applied in some of the depressed areas

128 B. Gilbert, _op. cit._, p. 95.
129 M. Gilson, _op. cit._, p. 115.
130 A. Deacon, _op. cit._, p. 61.
on account of the prevailing employment situation.\textsuperscript{131}

When Labour came into office in June 1929 steps were immediately taken to review the working of the clause through the appointment of the Morris Committee in July. The Chairman, Sir Morris K.C., presided over a Committee which included Arthur Hayday of the T.U.C. and J.A. Gregorson, formerly the head of the N.C.E.O.'s Unemployment Insurance Committee.\textsuperscript{132} At the same time, the new Minister of Labour, Margaret Bondfield set up "Boards of Assessors" to deal with claims affected by the clause. The introduction of this new machinery, as the Minister anticipated, led to an immediate fall in the number of disallowances under the fourth statutory condition.

The Morris Committee produced its conclusions in October 1929 in the shape of three separate Reports. In the first and main Report, Sir Harold Morris and Professor F. Tillyard proposed that the existing genuinely seeking work clause should be abolished and replaced by a new formula under which a claimant would be disqualified if, (1) he refused an offer of suitable employment, or (2) there was evidence that there was suitable work available and he failed to prove that he had made efforts to obtain such work.\textsuperscript{133} What later became known as the "Morris-Tillyard formula" was contested by Arthur Hayday in the second Report. He recommended the abolition of the existing clause, but argued that it should be replaced by a provision which placed the onus upon the employment exchanges to prove that "the claimant has been offered suitable employment and refused it."\textsuperscript{134} However, both the Morris-Tillyard

\textsuperscript{131} Memorandum by the Minister of Labour, 2nd March 1929. CAB./24/202. C.P. 63.

\textsuperscript{132} The Committee's main terms of reference were: "To consider and report upon the constitution and procedure of statutory authorities performing the functions of Insurance Officers and Courts of Referees under the Unemployment Insurance Acts, and the nature of the evidence to be required as to the fulfillment of the conditions or the absence of the disqualifications for the receipt of unemployment benefit under the Acts."


\textsuperscript{134} Ibid., "Reservations by Mrs A. Adams and Mr. Arthur Hayday." p.40.
formula and the Hayday solution were rejected outright by J.A. Gregorson in a third Report which argued against any alteration in the existing fourth statutory condition.135

The views of the Hayday and Gregorson exactly followed the lines of the evidence which has been submitted to the Committee by the T.U.C. and the N.C.E.O. respectively. The Confederation's evidence presented in September 1929, added nothing to either its 1924 Report or to its evidence before the Blanesburgh Committee. This, indeed, was the purpose of the employers.136 The N.C.E.O. used the Morris Committee as a convenient political opening to restate its firm commitment to the restoration of an unemployed insurance scheme founded upon an operative contributory-ratio rule. "The conditions entitling claimants to benefit and their effective administration," the Confederation stated, "are the bed-rock of any system of Unemployment Insurance." The N.C.E.O. continued:137

On that subject the Confederation has throughout maintained that in any compulsory State system of Unemployment Insurance a definite ratio must be maintained ... [The Confederation] still adheres to that principle and ... it is impressed by the fact that in the absence of that principle the debt on the Unemployment Insurance Fund ... now stands at some £35 million.

On the genuinely seeking work test itself, the N.C.E.O. rigidly adhered to the view that any weakening of the test would bring the whole of the unemployment Insurance system into disrepute. In defending this view, in his oral evidence, the Confederation's Director expressed an immovable faith in the validity of the seeking work test. Thus, for example, in answering the criticism that

135 Ibid., "Reservation by Mr. John A. Gregorson." With specific reference to the Morris-Tillyard formula, Gregorson commented that it was "calculated throughout to seriously weaken and, indeed, imperil such existing safeguards as the system still retains, and may ultimately seriously jeopardise the whole Unemployment Insurance Scheme." p. 45

136 Minutes of the General Purpose Committee, 24 July 1929. N.C.E.O./NC/1/G.P.C.

unemployed workers were frequently forced to seek non-existent work, Forbes-Watson replied, "He may be seeking for something he could not find, and genuinely seeking for it." 138

The political controversy which developed out of the Morris Report and N.C.E.O.'s role in the controversy are examined in the final chapter of this study. Over the course of 1928-1929, however, the swelling debate between the Government and both sides of industry on the future of the genuinely seeking work clause was intimately connected with the longstanding problem of the indebtedness of the Unemployment Insurance Fund. In July 1928, barely three months after the implementation of the new unemployment insurance scheme, the debt of the Unemployment Insurance Fund had risen from £22 million to £24 million. In reporting this fact to the Cabinet, Steel-Maitland suggested an immediate re-examination of the financing of the scheme, and noted, "We cannot clearly contemplate the continuance of a burden of debt of this kind. The load of unemployment which we have carried and are carrying requires either a higher level of contributions, or a lower level of benefits." 139

There was however, no serious reappraisal of the financing of the unemployment insurance scheme until the second Labour Government took office in 1929. In July the Minister of Labour informed the Cabinet that the Unemployment Insurance Fund was carrying a debt of £35½ million and advocated immediate action to halt the slide into indebtedness. 140 The result was the Unemployed Insurance (No. 2) Act which passed quickly through its parliamentary stages in the same month and which more or less implemented the principle of equal thirds. The contributions of workers (7d.) and employers (8d.)


139 Memorandum by the Minister of Labour, 19 June 1928. CAB./24/196. C.P. 244. The Government avoided this politically difficult choice by the Unemployment Insurance Act of November 1928. The Act increased the borrowing powers of the Fund from £30 to £40 million, but stipulated that after December 1930 there should be no further borrowing until the debt of the Fund had fallen back to £30 million.

140 Memorandum by the Minister of Labour, 1 July 1929. CAB./24/204. C.P. 169.
remained unchanged. The State's contribution to the Fund, however, was now increased to approximately 7½d. for each male worker, pushing up the Treasury's total contribution to the Fund from £12 million to £15½ million. 141

The ease with which the Unemployment Insurance Act of July 1929 reached the statute book pointed to a new consensus of political opinion over the grave financial problems which faced the unemployment insurance scheme in the face of sustained mass unemployment. Yet although the Act was welcomed cautiously by the Conservative Party, it was received with cold silence by the N.C.E.O. However, this was itself a political gesture against the new Government which testified to the Confederation's entrenched disillusionment with unemployment insurance policy of successive post-war Governments.

In assessing the impact of the N.C.E.O. on the politics of unemployment insurance during the second half of the 1920's the conclusion must be drawn that its concrete gains were very limited. Probably its largest achievement was the appointment of the Blanesburgh Committee. How far the Confederation's persistent demand for an enquiry into the scheme influenced the timing of the Committee's appointment is impossible to say. What is more certain, however, is that the advocacy of the N.C.E.O. was among the important factors which in 1925 made the Blanesburgh Committee politically necessary as well as publicly acceptable.

Beyond the Blanesburgh Committee, the N.C.E.O. had very little of a concrete nature to show for the effort which had gone into the making of the Report on Unemployment Insurance and its evidence to the Blanesburgh Committee in 1926. Certainly, the Government's tightening-up policy of 1925-1929 favoured the employers' viewpoint, but it more accurately reflected the views of the Ministry of Labour. The reduction of unemployment insurance contributions in 1925, on the other hand, was indeed a concrete gain for employers, but one which fell below their own ambitions. Thus, during the second half of the 1920's the N.C.E.O. can be seen as a vocal agent in the politics of unemployment insurance, but not as an agent which managed to secure major changes in the scheme.

There are, however, in conclusion, two positive features of the N.C.E.O.'s role in the debate on unemployment insurance after 1924 which need to be emphasised. Firstly, during these years the Confederation helped to clarify political opinion about the nature of unemployment insurance. Ironically, in doing so, it probably did more than any other political organisation to discredit the 1/6 rule as a viable foundation for a permanent scheme of unemployment insurance. However, it also provided a valuable political ally for the Government in its defence of the contributory principle against the attacks of the T.U.C. and the Labour Party. Secondly, in 1924 and almost consistently thereafter, the N.C.E.O. sought to focus political attention upon the question of the distribution of the financial burden of unemployment insurance contributions between Industry and the State. That campaign paid a limited dividend in 1929, but its purpose went far beyond either lower or equal unemployment insurance contributions. To see how far this purpose extended we need to examine the N.C.E.O.'s attitude towards the Poor Law. For while it was the unemployment insurance scheme which absorbed the N.C.E.O.'s political energies during the 1920's, it was the vexed question of the relationship between unemployment insurance and the Poor Law which gave an enlarged political meaning to the Confederation's attitude towards the unemployed.
During the 1920's the politics of unemployment insurance were closely interwoven with "Britain's oldest question of social politics,"¹ the reform of the Poor Law. The relationship between these two social agencies was never a happy one. The collapse of unemployment insurance under the weight of the post-war recession was also accompanied by an equally serious and long-term "break-down" of the administration and finance of poor law relief. After 1920 the Boards of Guardians were confronted with a rising wave of applications for relief, mainly from among the unemployed and their families. This "rush to the Poor Law"² highlighted and encouraged the erosion of the traditional deterrent function poor law relief and imposed a heavy financial burden upon local government.

The political debate on the reform of unemployment insurance which gathered pace during the 1920's was, in several ways, also a debate about the relationship between unemployment insurance and poor relief. It was always one of the major concerns of conservatives to preserve the material distinctions among the unemployed and between the unemployed and wage-earners, or the principle of "less eligibility". This traditional social priority, however became part of a new and important political debate over the separation of the unemployed which, in turn, raised fundamental questions about the scope of poor law relief for the unemployed, but also about its organisations and finance.

During the 1920's the N.C.E.O.'s recognised position as the political spokesman for Industry on the subject of the unemployed drew it into the politics of poor law relief. In reassessing its attitude towards unemployment insurance during the immediate post-war years, the Confederation was also forced to clarify its attitude towards the Poor Law and its future. The N.C.E.O.'s conclusions, outlined initially in the Report on Unemployment Insurance of 1924

¹ B. Gilbert, op. cit., p. 204.
² F. Morley, op. cit., p. 81.
stated the case for a clearer administrative separation of unemployment insurance and poor law relief and pointed towards a re-organisation of public assistance arrangements for the unemployed. From 1924 onwards these two objectives were the basic reference points for the Confederation's general policy on the unemployed. Part II of this chapter examines the N.C.E.O.'s attitude towards the Poor Law after the War and the place which the subject occupied in the Report on Unemployment Insurance. Part III considers the employers' attitude towards the reconstruction of public assistance during the second half of the 1920's.

II

THE BREAK-DOWN OF POOR LAW 1919-1924.

The extension of contributory unemployment insurance at the end of the War was implemented against the background of a long-standing and unresolved controversy over the future of poor law relief. In 1909 the Majority and the Minority Reports of the Royal Commission on the Poor Laws had recommended the end of a separate Poor Law, the abolition of the Boards of Guardians, and the transfer of their diverse social functions to the County and County Borough Councils. Both Reports were anxious to ensure that any new system of public relief would secure the careful sifting and classification of applicants for relief and that it would give a high priority to prevention of destitution, as well as the encouragement of self-help. However, the two reports took a different view as to the administrative machinery which would best realise these aims.

The Majority Report of the Commission proposed that all applicants for relief, including the unemployed, should be assigned to two new committees, appointed by each local authority. A "Voluntary Aid Committee" would give advice to applicants for relief.

and co-ordinate the distribution of charitable funds to the destitute and the needy. Working in close co-operation with this agency, a "Public Assistance Committee" would assist the necessitous "under specific conditions at the public expense." Within this scheme the unemployed would therefore be treated as an integral part of the more general problem of destitution. The Minority Report, on the other hand, wanted to assign applicants for relief to separate specialised committees, co-ordinated by a "Register of Public Assistance." With regard to the able-bodied unemployed, however, the Minority Report favoured the creation of a separate "national authority" which would be under the control of a central Government Department, the Ministry of Labour.

The immediate political fate of the Poor Law Reports is well-known. While the Liberal Government discussed poor law reform, it took little or no constructive action before the War intervened. The future of poor law relief was reviewed again during the War by the Local Government Committee, or "Maclean Committee," set up in July 1917, amid the general political enthusiasm for reconstruction planning. The Committee's Report, completed in the following December, and published in January 1918, also recommended the abolition of the Boards of Guardians and the transfer of their relief functions to committees of the local authorities. Under the Maclean scheme, the able-bodied unemployed who had exhausted their personal resources would be treated through an unspecialised agency, known as the "Home Assistance Committee". However, the Report also recognised the need for some kind of specialised treatment for the unemployed, and it proposed that this requirement should be met by a second agency, the "Prevention of Unemployment and Training Committee". The Maclean Report was adopted by the Coalition Government as a basis for post-war policy, and at the time it was seen widely as the political instrument which would ease the Boards of

4 Cd. 4499, 1909, Majority Report, Part VI, pp. 538-539.
5 Ibid., Minority Report, chap. XIII, pp. 1031-2, 1215.
Guardians and the existing system of poor relief into extinction.\(^7\)
There were several reasons why this expectation was not realised. Firstly, as Gilbert has pointed out, the sheer enormity of the task of reforming the Poor Law discouraged the Government from pursuing it with maximum vigour.\(^8\) Secondly, the poor law authorities mounted a skilled campaign of opposition against the Maclean proposals. Finally, the general political preoccupation with the Government's plans to extend unemployment insurance, together with the low rates of unemployment and pauperism, diminished the immediate political relevance of poor law reform.

The T.U.C. and the Labour Party had always been among the main supporters of poor law reform. In 1909, and again in 1918 in response to the Maclean Report, they had demanded explicitly the abolition of the Boards of Guardians and the complete break-up of the poor law services.\(^9\) In contrast, the subject had never aroused the enthusiasm of employers. The evidence which various industrialists and employers' organisations placed before the Poor Law Commission of 1905-1909 was appreciative generally of the work of the Boards of Guardians and stressed the importance of preserving the deterrent role of poor law relief. Although, therefore, the Reports of the Poor Law Commission attracted some comment from employers and the most vigilant sections of the trade press, with few exceptions they indicated no desire to side with the supporters of poor law reform.\(^10\)

The revival of interest in poor law reform during the War, and the debate which was generated by the Maclean Report was completely ignored by the major employers' organisations. The Federation of

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\(^9\) See K.D. Brown, *op. cit.*, pp. 120-121.

\(^10\) See for example, "Trade Waves and Unemployment," *The Engineer*, 26 February 1909. In reviewing the Report of the Poor Law Commission, this editorial remarked that it "deserves to be studied by every employer who takes a sympathetic interest in the social problems of his industry." p. 219. However, most employers regarded the Report as "socialistic".
the British Industries, for example, said nothing about the subject in its unpublished policy document of January 1918, "Reconstruction after the War." After its formation at the beginning of 1919, the N.C.E.O. showed a similar disinclination to express a view on the question of poor law reform, or to intervene in the developing controversy between the Government and the poor law authorities over the Maclean recommendations. In any case, it was occupied fully with the immediate industrial and political questions which had been raised by the National Industrial Conference.

The Poor Law survived the political threat of the Maclean Report only to be confronted with the challenge of post-war unemployment. The Unemployment Insurance Act of 1920, built around the strict 1/6 contributory-ratio rule, was aimed at keeping workers off the Poor Law, but it was never intended that the scheme should provide a complete barrier between the unemployed and the poor law authorities. Notwithstanding the suspension of the 1/6 rule and the introduction of uncovenanted benefit in March 1921, a significant proportion of the unemployed turned to the Poor Law, either to supplement their limited income from unemployment insurance, or more commonly, as a sole means of support. When unemployment insurance was extended at the end of the War, fewer than 500,000 persons were in receipt of poor law relief. By July 1921, however, assisted by the coal dispute, the number in receipt of relief had risen to over 1 million, or an estimated 1 in 28 of the population. Thereafter the volume of pauperism rarely fell below the 1 million figure. Of these recipients, the majority were unemployed or members of families where the main wage-earner was unemployed, and in general, the assistance which was provided was in the form of out-door relief in cash and kind. 11

As we saw in Chapter 3, the T.U.C. and the Labour Party vehemently criticised the Government's refusal to ensure that all unemployed workers remained inside the scope of unemployment.

11 The government did not publish information on the number of insured unemployed persons on the Poor Law until 1922. In June 1922 the Ministry of Health estimated that approximately 1,090,488, persons (including wives and dependants) were in receipt of out-door relief who were insured under the Unemployment Insurance Acts. By March 1923 this figure had fallen to approximately 793,000. Ministry of Labour Gazette, September 1923, pp. 324-325.
insurance. In principle at least, poor law relief had no part in Labour's programme of "Full Maintenance" as outlined in January 1921. For its part, the N.C.E.O. undoubtedly regarded the movement of unemployment workers from unemployment insurance to the poor law authorities as a political and industrial embarrassment, but nevertheless unavoidable if the basic administrative and financial principals of the 1920 Act were to be upheld. However, the Confederation was by no means satisfied with the relationship which developed between unemployment insurance and poor law relief after the War. One feature of this relationship which quickly aroused and retained its concern was the "overlapping", or duplication of unemployment benefit and poor law relief.

The Unemployment Insurance Act of 1920 did not establish a clear administrative separation between unemployment insurance and poor law relief. Firstly, it did not debar workers who were already in receipt of benefit from applying to the poor law authorities for additional assistance. Secondly, under Section 27 of the 1920 Act, Boards of Guardians were empowered to discount the first 10s. of benefit in calculating the amount of relief which should be paid to an unemployed applicant. This provision initially attracted little political attention, but it did not survive for long. The Government suspended Section 27 when it introduced dependants' allowances in October 1921 and abolished the Section in the following year. Thereafter, the duplication of benefit and relief became a relatively minor administrative problem, but it retained a serious political currency.

12 See above pp. 125-126.

13 In November 1921, in order to improve the co-ordination between unemployment insurance and poor law relief, the Minister of Labour instructed Local Employment Committees to co-opt representatives of the poor law authorities on to their membership. On this and other aspects of the problem of overlapping, see Ministry of Labour, Report on National Unemployment Insurance to July 1923, pp. 131-132.

14 The Government did not publish regular statistics on the problem of overlapping. The only official investigations of the subject were the Ministry of Labour's 1% samples of the unemployed, undertaken in 1923, 1924, and 1927. The first sample showed that approximately 10% of unemployed men were in receipt of benefit and relief, and in most cases the amount of relief did not exceed 10s. In 1924 the proportion was 4.3% and by 1927 it had fallen to 2.4%. See for example, Ministry of Labour, Report on an Investigation into the Personal Circumstances and Industrial History of 10,903 Claimants to Unemployment Benefit, London, 1925, pp. 65-68.
Employers generally were not slow to criticise the duplication of unemployment benefit and poor relief. As early as June 1921, for example, the Association of Chambers of Commerce put forward a memorandum to the Minister of Labour which commented upon the "lack of co-ordination" between the Local Employment Committees and the Boards of Guardians, and which warned the Minister that overlapping could bring the income of many unemployed workers and their families near to, or even above the level of wages in some industries.\textsuperscript{15}

This danger was also noted by the General Purposes Committee of the N.C.E.O. during a brief discussion of poor law relief, of which more will be said presently. However, the Confederation felt strongly enough about the problem to raise it with the Government at the earliest opportunity. Accordingly, when a deputation from the N.C.E.O. met the Minister of Labour in the following October to discuss the proposed scheme of dependants' allowances, Sir Allan Smith and his colleagues reminded the Minister that "the relationship between [unemployment benefit] and the payments made by the Guardians should be co-ordinated and the overlapping of benefits avoided."\textsuperscript{16}

During the course of 1921-1922, however, the issue of dual payments of unemployment benefit and poor law relief became an integral part of the larger political controversy which developed over the lax administration of out-door relief.\textsuperscript{17} The wave of able-bodied pauperism which swept over the world of the Poor Law was largely concentrated in some 200 Unions, situated in the industrial districts and in London, but encompassing about one half of the total population. These Boards of Guardians, some of which were controlled by Labour councillors, faced

\textsuperscript{15} The Glasgow Chambers of Commerce Monthly Journal, October 1921, p. 241.

\textsuperscript{16} Circular to members, 18 October 1921. N.C.E.O./NC/2/C4/8 N.C. 152.

\textsuperscript{17} The payment of out-door relief of the unemployed was governed by the Out-Door Relief Regulation Order of 1911, renewed periodically thereafter. The Order stipulated that payment of relief be conditioned upon test-work. However, Boards of Guardians were empowered to disregard the labour test "upon consideration of the special circumstances of any particular case," subject to reporting the case to the Local Government Board. S. and B. Webb, op. cit., pp. 727-728.
strong demands from trade union branches, ex-servicemen's associations and newly formed organisations of the unemployed, to dispense out-door relief to the unemployed on improved terms.\textsuperscript{18} All of this added an important local dimension to Labour's national campaign for "Full Maintenance" and it secured concrete concessions from the poor law authorities, among them, the disregarding of the traditional labour test and the payment of higher rates of relief.\textsuperscript{19}

The break-down of poor law relief caused consternation in the Government and anxiety among employers. Among the latter, the National Union of Manufacturers emerged as the most publicly outspoken critic of the Boards of Guardians. In September 1921, for example, the N.U.M. sent (and published) a strong-worded protest to the Minister of Health against the indiscriminate payment of out-door relief to the unemployed and suggested that where relief was granted, it should be in kind rather than in cash. The subject was also raised for discussion at a meeting of the N.C.E.O.'s General Purposes Committee at the very end of September 1921 in connection with an alarmist article on poor relief which had been published recently in the \textit{Times}. The article, presented by a special correspondent, complained loudly that the Poor Law had almost completely lost its legitimate social stigma and pointed out that the payment of relief "is now a matter for mass meetings and processions headed by bands of music." Unless the traditional principles of the Poor Law were

\textsuperscript{18} The pace was set by the National Unemployed Workers' Movement, formed in March 1921. The N.U.W.M. demanded the following rates of relief: 36s. for married men; 5s. for each child and a rent allowance of 15s; 30s. for adult single persons. See W. Hannington, \textit{op. cit.}, p. 29. For the position in Scotland, see Ian Levitt, "The Scottish Poor Law and Unemployment, 1890-1929." in T.C. Smout, ed., \textit{The Search for Wealth and Stability}, London, 1979.

\textsuperscript{19} In September 1921 the T.U.C. officially extended its programme of "Full Maintenance" to include the provision of adequate poor relief. In principle, however, it adhered to the view that the maintenance of the unemployed was the responsibility of the Government and that it should be secured through unemployment insurance. See T.U.C. and Labour Party, \textit{Manifesto on Unemployment}, London, 1921; in L. Macassey, \textit{op. cit.}, pp. 122-123.

\textsuperscript{20} Minutes of the Administrative Committee, 13 September 1921. National Union of Manufacturers, Minute Book No. 2. See also, \textit{The Glasgow Herald}, 14 September 1921.
restored, it concluded, "the state of things now existing is bound to end in disaster." 21

However, it was not until the following year that the N.C.E.O. considered taking political action on the Poor Law. In January 1922 the Minister of Health, Sir Alfred Mond, announced the first officially sanctioned scale of poor law relief. The so-called "Mond scale" provided for a maximum payment of 25s. per week to single unemployed men, and a maximum payment of 54s. per week for a family of eight, with an additional allowance for fuel in winter. Technically, the scale was applicable only to Poor Law Unions in London, but it was adopted subsequently by many Boards of Guardians throughout the country. In a few Unions however, notably the Poplar Union of London, the Mond scale was adopted as a base-line for calculating out-door relief, rather than as the maximum ceiling. 22

The Mond scale was not welcomed by employers. On the contrary, it only strengthened their anxiety with regard to the Poor Law. In February 1922 the Federation of British Industries made its first contribution to the developing controversy over poor law relief when it criticised publicly the prevailing rates of out-door relief as having a demoralising effect upon the unemployed, and imposing a heavy burden on the local rates. 23 For the N.C.E.O. the Mond scale was no less of an anathema. In May 1922 the Confederation's General Purposes Committee noted that reports had been received from various members that unemployed workers in receipt of poor law relief were refusing to accept offers of work. At the same time, however, a sharp reference was made to "the effect which the present high scales

21 Minutes of the Special Meeting of the G.P.C., 29 September 1921. NC.E.O./NC/1/04/8, and "Danger of the Doles," The Times, 2 September 1921. No details of the discussion of this article are recorded. However, in a memorandum (drafted by Roscoe Brunner) circulated to members of the G.P.C. early in October 1921, it was pointed out that poor relief payments in some districts were close to existing wage rates.


23 The Times, 10 February 1922. See also, The Times, 24 March 1922; F.B.I. deputation to the Minister of Health on rising cost of poor law relief.
of relief have in maintaining wages at their current level." 24

Faced with these apparent dangers the General Purposes Committee sought to clarify the situation. Firstly, the employers' decided to ask the Ministry of Health to supply the them with information on the scales of relief which were operating throughout the country. Secondly, the G.P.C. invited the members of the Confederation to furnish the Committee with their views on the subject, including "examples of the effects of the scales ... in the various districts." Finally, the Committee decided to seek an interview with the Minister of Health to express the Confederation's concern over the administration of poor law relief. 25 However, there is no evidence that any of these initiatives were brought to a concrete conclusion. In some respects this was not surprising. The Ministry of Health, for example, although much better informed on the Poor Law than the N.C.E.O., had no national picture of relief scales. 26 The members of the Confederation, on the other hand, were not well placed and probably disinclined to make enquiries about the unemployed in the industrial districts. The main factor which prevented the N.C.E.O. from pursuing the question of poor relief at this level, however, was the intervention in 1922 of the wide-ranging political debate on the unemployment insurance scheme. 27

During the course of 1922-1923 the gathering pace of the political discussion on unemployment insurance impinged upon the subject of the Poor Law. Within the Government, preliminary consideration of the reform of unemployment insurance, as witnessed by the Report of the Watson Committee and the Government's sponsorship of a national debate on unemployment insurance by industry, was linked with a tentative review of the relationship between unemployment insurance and poor law relief, and of the future of the Poor Law itself. In February 1923 the Government appointed


25 Ibid., and Minutes of the Executive Council, 25 May 1922. N.C.E.O. /NC/1/E.C.

26 See for example, Parl. Deb., 5th Series, 1922, vol. 152, col. 574. Statement by the Minister of Health, 2 March 1922.

27 See above Chap 3 p. 150.
the Inter-Departmental Committee on Public Assistance to examine the administrative co-ordination between the Poor Law and the various social insurances. Later in February the Cabinet Committee on Unemployment Insurance agreed that when, as anticipated, the Government appointed an official enquiry into unemployment insurance, it should be empowered to undertake a general review of the existing arrangements for the relief of the able-bodied unemployed. In the meantime, the Ministries of Health and Labour were instructed to examine the subject.

This examination was pursued through a series of inter-departmental conferences in 1923 and revealed a division of opinion in Whitehall over the future course of the Government's policy on the unemployed. The Ministry of Health, or at least some of its officials, argued that unemployment insurance should be administered on a strict contractual basis, and that a separate scheme of relief for the able-bodied unemployed should be established, financed by the Treasury. This scheme, it was suggested, might be introduced as a preliminary to a general reform of poor law administration. The Ministry of Labour, on the other hand envisaged the continuation of the existing dual system of unemployment insurance, providing a contractual benefit and a further discretionary payment. However, unemployed workers who for various reasons fell outside the scope of unemployment insurance completely, would be dealt with through a reformed system of local

28 The Committee's Report, published in January 1924, attracted little public attention. In dealing with the relationship between unemployment insurance and poor law relief, however, the Report was critical of overlapping and recommended that Local Employment Committees and Boards of Guardians should review their arrangements for co-operation. See Report of the Committee on the Co-ordination of Administrative and Executive Arrangements for the Grant of Assistance from Public Funds on Account of Sickness, Destitution and Unemployment, Cmd. 2011, 1924, pp. 43-58.

29 Minutes of the Cabinet Committee on Unemployment Insurance, 1 February and 12 February 1923. CAB./27/210.

30 Memorandum by Lord Eustace Percy (Parliamentary Secretary at the Ministry of Health) on Poor Law Relief, November 1923. P.R.O./HLG./30/32. "I presume that the Government intend to prepare a complete scheme for the reform of the Poor Law," Percy noted, although he admitted that "this would take several years to work out properly."
relief, rebuilt around appointed Public Assistance Committees.31

The official discussion of these issues was to run far beyond 1923 and had a practical bearing upon later policy. In 1923, however, the Government's new-found interest in the relationship between unemployment insurance and poor relief was matched by similar, and indeed, more purposeful interest within the N.C.E.O. The Confederation's Unemployment Insurance Committee, set up in January 1923, took the view that any policy which it drafted would also have to deal with the relationship between unemployment insurance and poor law relief. The principle advocates for this approach were Sir Allan Smith, the Confederation's Senior Vice-President, and Sir Andrew Duncan, Chairman of the Unemployment Insurance Committee. Both men argued that the N.C.E.O.'s long term objective must be to secure a fundamental restructuring of the relationship between unemployment insurance and the relief of the able-bodied unemployed. Duncan for example, pointed out that "the flaws in poor law administration [had] revealed particularly the want of proper co-ordination of all forms of relief of unemployment."32

In March 1923 Sir Andrew Duncan announced to his Committee that the Government was already reconsidering the future of the Poor Law, and that any permanent measure of unemployment insurance must therefore be considered in its relation to the whole problem of relief.33 Accordingly, the Confederation's Unemployment Insurance Committee agreed that34:

31 The Ministry of Labour argued that a separate scheme of unemployment relief would simply restore the discredited Out-of-Work Donation scheme in a different guise, but with the same administrative and financial drawbacks. It also pointed out that any policy on the able-bodied unemployed would require the careful adjustment of benefit and relief levels in relation to wage levels. "Unemployment Insurance and the Poor Law," Joint Memorandum by Sir Arthur Robinson and Horace Wilson, 14 January 1923. Also, Minutes of Inter-Departmental Conference, 29 November, 1923. HLC./30/32.


33 Ibid.

it would be desirable to consider in detail the position under the Poor Law system and Relief Agencies generally in order to see how any new compulsory Unemployment Insurance Scheme would fit in with these various Relief Agencies locally and nationally.

The completed Report on Unemployment Insurance dealt with the subject of poor law relief from three different, although related angles. Firstly, the Report criticised sharply the lack of effective co-ordination between the administration of unemployment insurance and poor law relief and expressed concern over the disregard of traditional social principles, among them the principle of less eligibility. Much of the unsatisfactoriness of the present arrangements for the relief of the unemployed arises primarily from the absence of any well-defined co-ordination between Unemployment Insurance and Poor Law Relief... As a consequence, little or no distinction is drawn between the deserving and the undeserving, and even worse, the condition of the unemployed is not infrequently more favourable than that of the employed.

Secondly, in connection with the question of unemployment insurance, the Report suggested that those unemployed workers who had exhausted their benefit rights under the restored 1/6 contributory-ratio rule should be provided for separately under new arrangements "in the form of an ad hoc State provision." The Report, unfortunately, did not attempt to elaborate upon the form which these new arrangements should assume; how the unemployed outside the scope of insurance should be further classified, or how an ad hoc measure of unemployment relief should be financed. For the time being, the Confederation chose to leave these questions unanswered, but the remainder of the Report indicated clearly the political terms within which they should be discussed.

Thirdly, and finally, the Report on Unemployment Insurance adopted a positive stand on the question of poor law reform. The essential point of reference for the Report as a whole, as indicated in Chapter 3, was the Majority Report of the Poor Law Commission. Almost the whole of the Introduction of the Confederation's Report was devoted to a detailed summary of the Commission's recommendations, and these were held to have a contemporary relevance:

36 Ibid., p.16.
37 Ibid., p. 7
It has been thought desirable ... to call to mind the broader problems of re-organisation of Poor Law relief and its administration, as well as the co-ordination of all forms of relief of distress, the consideration of which - in the light of the Poor Law Commission's Report - still remains to be undertaken.

Thereafter, the Report on Unemployment Insurance referred frequently to the Poor Law Commission in support of specific arguments. For example, in discussing the level of maintenance which should be provided for the unemployed, it cited the authority of the Poor Law Commission, and noted that "the old fashioned virtue of thrift must still occupy a central place in preventing distress." Again, in its critical examination of the work of the Local Employment Committees, the Report pointed out that this question could not be fully discussed apart from the urgent and more general question of the co-ordination of the local public authorities and social agencies as contemplated in the 1909 Poor Law Commissioner's Report.

In Part IV of the Report on Unemployment Insurance the N.C.E.O. formally stated its new commitment to a general overhaul of the system of poor relief. What was required, the Report concluded, is ... such co-ordination between Unemployment Insurance and Poor Law Relief as will prevent overlapping and will ensure that both thrift and charitable aid are preserved as part of the general scheme. The conclusions of the Royal Commission should be reviewed again in the light of the experience of Unemployment Insurance since 1911, and more especially during the past three years.

The N.C.E.O.'s Report of 1924 thus had a special bearing, not only upon unemployment insurance, but also upon the Poor Law. From an angle therefore, the Report on Unemployment Insurance can be seen as a direct response to the post-war breakdown of the traditional principles and administration of poor law relief. Clearly, however, by building their Report upon the foundation of the Majority Report of the Poor Law Commission, the employers were also seeking to give a social and political coherence to their overall policy on the maintenance of the unemployed. Viewed in a broader perspective, the

38 Ibid., p. 13. At this point the Confederation also explicitly endorsed the principle of less eligibility. The Report stated: "The principle that had operated in Poor Law administration since 1834 in relation to the able-bodied workman, viz, that the situation of the individual relieved should not be made really or apparently so eligible as the situation of the independent labourer of the lowest class, must be maintained."


40 Ibid., p. 25.
Report on Unemployment Insurance marked an important break from the hitherto negative or neutral stand which employers had adopted on the issue of poor law reform. How far the Confederation's initiative was encouraged by an informed awareness of the discussions on the able-bodied unemployed, which were underway in Whitehall in 1923, is difficult to say. It seems likely, however, that there was some informal exchange of opinion on the subject during the preparation of the employer's Report. What can be said, however, is that by the end of 1923 the Confederation was confident that the whole question of the relationship between unemployment insurance and poor law relief would soon be on the political agenda. 41

III

THE RECONSTRUCTION OF PUBLIC ASSISTANCE 1924-1929

During the second half of the 1920's the Poor Law emerged as a major political issue, but the debate which surrounded the subject had many different facets. The whole question of the lax administration of outdoor relief, for example, acquired a quite new momentum in connection with the Coal Stoppage and the General Strike, and ultimately persuaded the Conservative Government into a series of measures to bring the Boards of Guardians under the more effective control of the Ministry of Health. 42

41 The F.B.I.'s Unemployment Insurance Committee of 1923 also criticised the relationship between unemployment insurance and poor law relief and complained that "the relief is very frequently at a higher rate than unemployment benefit." The Committee took note of the Maclean Report and commented upon "the much desired amendment and improvement of the present Poor Law." However, the F.B.I. stopped short of explicitly advocating poor law reform. Report of Unemployment Insurance Committee, November 1922. See above, pp. 148-150.

At the same time, political discussion opened on the much larger question of the reform of local government administration and finance, within which the subject of the Poor Law was only one item, although an important one.

During these years, however, the N.C.E.O.'s contribution to the national debate on the Poor Law was strictly conditioned by the politics of unemployment insurance and by the campaign which it mounted to secure a reform of the unemployment insurance scheme. Within this restricted political field, the employers emerged as forceful advocates for the reconstruction of public assistance. The N.C.E.O.'s pursuit of this goal began in earnest in 1924, during its dispute with the Labour Government over the controversial Unemployment Insurance (No. 2) Bill, and reached its political highpoint with the evidence which it submitted to the Blanesburgh Committee in 1926.

The Unemployment Insurance (No. 2) Bill of 1924, we will recall, aroused a storm of political protest from all conservatives. The main features of the Bill - the introduction of extended benefit and the abolition of ministerial discretion - were criticised widely as steps which would convert the unemployment insurance scheme into a disguised system of unemployment relief and create "perpetual pauperism". The N.C.E.O.'s opposition to this Bill was largely built upon the issue of the able-bodied unemployed and public assistance. When in March 1924 representatives of the Confederation met the Minister of Labour, Tom Shaw, to discuss the draft Bill, they pointed out that the opportunity now existed to establish separate arrangements for the relief of the able-bodied unemployed who had exhausted their contributory rights under the unemployment insurance scheme. Commenting upon the Minister's plans, the employers' reaffirmed the view that "if further emergency measures on a modified basis should proved to be necessary, they should be quite distinct and separate from the Insurance Fund and should be in the form of an ad hoc State provision." In making this point, the Confederation

43 See above pp. 172-173.

emphasised that any separate scheme of unemployment relief should only be regarded as a temporary expedient:45

The Confederation did not presume [in its Report] to specify the form which such ad hoc provision might take but it did contemplate that the temporary nature, which is the essence of an ad hoc provision, would be the governing factor in any proposal which any Government might in the future put forward for dealing with unemployed workpeople who had exhausted their right to benefit ... An emergency situation should be dealt with by emergency measures and emergency measures only.

During the passage of the Unemployment Insurance (No.2) Bill, as we saw in Chapter 4, the N.C.E.O. attempted to focus political attention upon the proposal for an emergency measure of unemployment relief and upon the general future of the system of poor law relief. In the memorandum which it circulated to all M.P.'s, for example, the Confederation explained that the employers had looked forward to some constructive measure proceeding upon a review of the Royal Commission's conclusions of 1909, which would also "bring some alleviation of the charges which industry has to bear," and called upon all M.P.'s to support a combined enquiry into Unemployment Insurance and the Poor Law.46

In 1924, however, the Labour Government was set upon a course of policy which was designed deliberately to keep the majority of the unemployed technically within the scope of the unemployment insurance scheme. There is no evidence that the Minister of Labour ever seriously considered proposals, either from the N.C.E.O., or from his own officials, to transfer workers who had exhausted their contributory right to benefit to another agency.47 The Labour Government was, however, committed fully to pressing forward with a general reform of poor law administration. As early as February

45 Ibid.
46 Unemployment Insurance (No.2) Bill, 1924, N.C. 834, p.8.
47 The national press and the Conservative Party, however, showed more interest in the proposal. See especially, "The Difficulties of Poor Law Reform," Lord Eustace Percy, The Times, 18 February, 1924.
1924, it was widely predicted that the Government would soon introduce a Poor Law Bill, and the Ministry of Health asserted confidently that it had the matter in hand. However, poor law reform was not highly placed on the Labour Government's political agenda. In August a Cabinet Committee on Poor Law Reform was set up, but it managed to hold only one preliminary meeting before the Government departed from office.

After the sharp struggle with the Labour Government over the Unemployment Insurance (No. 2) Bill, the N.C.E.O. decided to await the appointment of the expected enquiry into unemployment insurance before again raising the question of the status of the able-bodied unemployed who had exhausted their contributory right to unemployment benefit. Instead, as soon as the Conservatives came into office at the end of 1924, the Confederation reopened its campaign for a general reform of the machinery of poor law relief. The N.C.E.O. fired the first shot in this direction in March 1925 in the memorandum on the social services which it placed directly before the Cabinet. In this document, as we saw in Chapter 4, the N.C.E.O. criticised sharply the administration and the rising cost of the various social insurances. With regard to the Poor Law, the Confederation started from the now familiar problem of overlapping. There were now many recorded cases, the memorandum claimed "where unemployed men with no contribution to their credit have in the form of Unemployment Benefit and Poor Law Relief obtained 65s. a week ... Employers view with the greatest apprehension the present state of affairs." 50

However, in March 1925 the N.C.E.O. directed its main appeal to the question of poor law reform. Since the Report of the Poor Law

48 The Times, 16 February and 21 February 1924.

49 The incoming Conservative Minister of Labour was briefed by his officials on the Confederation's views of unemployment insurance and public assistance. Early in November 1924 Horace Wilson sent Steel-Maitland a copy of the Report on Unemployment Insurance. "I think you will find the Report interesting," he noted. Steel-Maitland Papers/G D /193.477.

50 Memorandum on the Social Services, 4 March 1925. p. 4. N.C.E.O./NC/4/C4/21. N.C. 1161. This claim referred to information which had been revealed by the Ministry of Labour's first 1% sample of the unemployed, published in March 1924.
Commission in 1909, the employers reminded the Cabinet, it had been recognised that the system of poor law relief called for review. The Maclean Report, the Confederation noted, had led to no practical results, while the 1923 Inter-Departmental Committee had dealt only with the co-ordination of executive and administrative arrangements. The memorandum concluded with a resounding demand that the new Government should immediately review the social services, beginning with the Poor Law. The Government, the N.C.E.O. argued, "has exceptional opportunities of transferring this subject from the realm of ... controversy to the realm of settled order based on the fruits of experience. Actions now taken on the lines of right principle will be far-reaching in their future results."51 In the following May, the Confederation pressed home this message to the Government during the series of meetings which were held between the two sides in connexion with the Widows' Pensions Bill.52

The Conservative Government, however, required no lessons from the N.C.E.O. on the political importance of poor law reform. By the beginning of 1925 the Cabinet was already studying proposals for the reorganisation of the Poor Law, drafted by Neville Chamberlain, the new Minister of Health. Chamberlain's scheme of reform envisaged the abolition of Boards of Guardians and the transfer of their functions to the local authorities.53 With regard to the relief of the unemployed, the Minister put forward a separate plan for "linking up unemployment insurance with Relief to the Able-Bodied." The Minister anticipated no alteration in the scope of unemployment insurance. Insured unemployed workers who failed to qualify for unemployment benefit would be dealt with by Public Assistance.

51 Ibid., p.6.

52 N.C.E.O./N/5/C4/26. N.C. 1248. The subject of Poor Law was also raised by the Confederation in its evidence to the Royal Commission on Health in November 1925 and in its report of February 1926, "British Industrial Depression".

Committees, but on rigorous terms.  

In the case of persons within the scope of the Unemployment Insurance Scheme who are able to work and who are suffering from no medical disability, assistance should only be granted after benefit has been withheld ... subject to a labour test, or possibly should be refused altogether. The existing statutory responsibility of the Poor Law Authorities to prevent a person from starving to death must, however, be retained.

In rounding off his plan, the Minister assured his colleagues that steps would be taken to ensure that the amount of relief granted to unemployed applicants would not exceed the prevailing rates of unemployment benefit.

Chamberlain's proposals for the reorganisation of the Poor Law were approved by the Cabinet in May 1925 and carefully unveiled to public view in stages. The Government's first move was the Rating and Valuation Bill, transferring the rating powers of the Boards of Guardians to the local authorities, and more generally, rationalising the system of local taxation. The Bill, which was applauded widely, reached the statute book in December 1925, and in the same month the Government published Chamberlain's plans for the reconstruction of poor law administration. This exercise in public relations, however, was not a resounding success.

By 1925 the poor law authorities were by no means resigned to their ultimate fate. The principle opponent of the Government's proposals was the Association of Poor Law Unions, representing 590 Unions. In calling for the postponement of the reorganisation, the Association argued that the Ministry of Health had given insufficient attention to ensuring that the accumulated expertise of the Boards of Guardians found a place in the new system.

54 "Scheme for Linking-up Unemployment Insurance with Relief to the Able-Bodied," March 1925. CAB./27/263.

55 Ibid.

56 For the details of this complex measure, see Parl. Deb., 5th Series, 1924-1925, vol. 183, col. 1873-1892. The Bill aroused suspicion in local government circles, but it was cautiously welcomed by industrialists and by the F.B.I. Minutes of the Rating and Valuation Committee, 22 May and 25 May 1925. F.B.I..96/140.

57 The Times, 20 November 1925, and 7 December 1925.
of public assistance. The Association also argued that in view of the economic and social changes which had taken place since the Royal Commission and the Maclean Report, the Government should appoint a further enquiry to examine the position of the Poor Law. 57 The Minister of Health rejected this proposal, but he agreed to shelve his scheme of reorganisation pending consultations with the interested parties. 58 In the event, when Chamberlain's plans for the Poor Law reappeared in 1928 they were part of a more comprehensive scheme for the reform of local government administration and finance.

As in 1923, the N.C.E.O.'s interest in poor law reform in 1925 was coloured by political events in the sphere of unemployment insurance, in this case, the appointment of the Blanesburgh Committee. When Chamberlain's plans for the reorganisation of the Poor Law were published at the end of 1925, they were considered immediately by the Confederation's Executive Council and welcomed as a constructive step in the right direction. 59 Thereafter, it was left to the N.C.E.O.'s Unemployment Insurance Committee to take account of the Government's proposals in preparing its evidence for the Blanesburgh Committee. The Confederation's policy-makers had no doubt that poor relief was "the crux of the whole matter," and noted that the Minister of Health "appeared to be endeavouring to carry out the recommendations of the Poor Law Commission." 60 However, as the N.C.E.O.'s evidence to the Blanesburgh Committee indicated, the employers were still looking for a fundamental separation of the unemployed which would take account of the recipients of extended benefit.

The N.C.E.O.'s written evidence to the Blanesburgh Committee on unemployment insurance, submitted on 3rd March 1926, placed a renewed emphasis upon the relationship between unemployment insurance and the Poor Law. In dealing with this subject, the Confederation once again

57 The Times, 20 November 1925, and 7 December 1925.

58 The Times, 22 February 1926 and 10 March 1926.

59 Minutes of the Executive Council, 15 December 1925.
N.C.E.O./NC/1/E.C.

60 Minutes of the Unemployment Insurance Committee, 21 December 1925 and 5 January 1926. N.C.E.O./NC/6A/C4/30.
turned to the Royal Commission on the Poor Laws as an essential point of reference: 61

The Confederation, in reviewing the position as it stands today finds that the emergency measures - with the attendant heavy charges upon industry - have continued; that the position today bears a striking resemblance to that described by the Royal Commission, and that no comprehensive review of the social services or effective steps towards their coordination has yet been undertaken.

In what followed, the N.C.E.O. went over the ground which it had covered in the 1924 Report. The overlapping of unemployment benefit and poor law relief was criticised sternly and the complaint was registered that benefit and relief "have to a large extent become merged."62 Again, the Confederation argued that unemployed workers who had exhausted their contractual right to unemployment benefit should be dealt with separately from the unemployment insurance scheme by "some ad hoc State provision." In this connection, however, the employers drew the attention of the Blanesburgh Committee to the Ministry of Health's recently announced plans for the reorganisation of poor law relief and noted that these plans might provide some practicable alternative. 63

The only new feature of the N.C.E.O.'s approach to the question of unemployment insurance and poor relief was statistical. In the Confederation's view, the existing statistical picture of claims for unemployment benefit and poor law relief was woefully inadequate and contributed directly to the lack of effective co-ordination between the two responsible agencies. As the N.C.E.O. rightly pointed out, the Government did not publish regular information on the number of unemployed who were in receipt of unemployment benefit and poor law relief, or information about the number and size of households to which payments of benefit and relief were made. It was obvious, the Confederation noted, that without these essential facts "the public is unable to secure a proper perspective of this matter." Accordingly, the employers recommended that the Ministries of Health and Labour should review their statistical policies with a view to publishing weekly figures on unemployment insurance and poor law


62 Ibid., p. 75.

63 Ibid., p. 74.
relief on a co-ordinated basis. 64

In concluding, the N.C.E.O. called upon the Blanesburgh Committee to take up and examine the whole question of the relationship between unemployment insurance and public assistance: 65

The Confederation is not aware as to how far the present Committee may feel itself justified in investigating not merely these statistical features, but also the whole organisation, present and contemplated, for dealing with Poor Law relief and in viewing the whole matter in the light of the recommendations of the 1909 Poor Law Commission and the experience gained since that time. It ventures respectfully to suggest that such an investigation is essential in dealing with the subject of Unemployment Insurance and placing such service in its appropriate sphere.

Despite its limited terms of reference, the Blanesburgh Committee did not completely ignore this challenge. However, before examining its comments upon the question of public assistance, it is necessary to consider closely the additional evidence which the N.C.E.O. placed before the Committee.

The Confederation's oral evidence to the Blanesburgh committee, given by J.B. Forbes-Watson and John Gregorson on 10th March, further clarified three aspects of the employers' approach to poor law relief. Firstly, Forbes-Watson and his colleague emphasised the importance which the N.C.E.O. placed upon poor law reform as the key to a general rationalisation of the social insurances. As the Confederation's Director observed at the very beginning of his cross-examination, the reform of the Poor Law must be regarded as the "first step in the ladder of enquiry before you come to unemployment insurance." 66

Commenting upon this view, Margaret Bondfield astutely identified one of the Confederation's general political objectives. "I take it," she suggested to Forbes-Watson, "that practically the whole of your memorandum is directed towards a desire to secure a more scientific adjustment of the burden of poverty, unemployment, sickness, old age and death." 67

Secondly, the Confederation's Director did not conceal the employers' dissatisfaction with the administration of outdoor relief. Discussing the problem of overlapping, Forbes-Watson criticised the lack of any common policy among the Boards of Guardians in dealing

64 Ibid., p.75.
65 Ibid., p.75.
66 Ibid., para.783.
67 Ibid., para.766.
with applicants for relief and hinted strongly that the N.C.E.O. would like to see more central supervision over the administration of unemployment relief. "I would proceed to say," Forbes-Watson commented, "that every Board of Guardians is a law unto itself as to the amount it pays and the reasons for paying it. If there were some national uniformity of control [of relief] the question would have a different complexion to what it has." 68 The Director's views upset Sir John Curtis, the spokesman for the Association of Poor Law Unions on the Committee, but otherwise they were received with uncritical silence.

Finally, the Confederation's Director was closely cross-examined on the employers' proposal to transfer the recipients of extended benefit to some kind of new agency of unemployment relief. On this issue, Forbes-Watson found himself in difficulties. While he defended the N.C.E.O.'s insistence that the system of extended benefit could not be continued indefinitely, he assured the Committee that the Confederation was "far from thinking that those people would just have to fend for themselves," and that the employers had no wish to promote destitution. 69 The problem arose when Forbes-Watson was asked to specify how the N.C.E.O. proposed to prevent widespread distress among the unemployed who would be outside the scope of unemployment insurance: 70

[Professor H.W. Davis]: ... but am I right in understanding that you are suggesting that what is now extended benefit should be transferred to some kind of public assistance authority under another name?

[J.B. Forbes-Watson]: We are saying that it should not be part of the Unemployment Insurance system - that the Ministry of Labour should administer standard benefit and stop there. Some other authority has got to deal with this balance ... We would have hoped that out of the review of the Poor Law and the public assistance authorities there might have been found the appropriate machine.

68 Ibid., para. 827. However, Forbes-Watson later qualified this criticism. "We would be the first to recognise the efficiency of the bulk of the Poor Law Guardians," he admitted. Some Boards had "paid according to large scales, but their general investigation and administration have been of a high order." Para. 828.

69 Ibid., paras. 718, 766.

70 Ibid., para. 815.
However, the Confederation's Director refused consistently to be drawn into any detailed discussion of either ad hoc or permanent arrangements for the relief of the unemployed. In particular, he sidestepped the attempts which were made by several members of the Committee to open a debate on the precise conditions upon which relief should be granted and the level at which it should be set. These were questions on which Forbes-Watson had, or pretended to have no representative view and which, he maintained, were more properly subjects for the Government itself to decide. Nevertheless, he did remind the Committee that the relief of the able-bodied unemployed "raises questions entirely different from standard benefit." 71

However, the N.C.E.O.'s proposal to separate unemployment insurance and public assistance implied clearly, not only the transfer of the administrative responsibility for the jobless who had exhausted their contractual right to benefit, but also a corresponding transfer of financial responsibility. On this subject, Forbes-Watson was also guarded, but he did not conceal the N.C.E.O.'s presumption that the State would have to assume a larger share of the cost of relieving the able-bodied unemployed. "Is it your point," enquired Professor Davis, that the recipients of extended benefit "should be provided for in such a way that if employers do not contribute qua employers, and workmen in work do not contribute to their maintenance, it should be the general taxpayer?"

The Confederation's Director replied: 72

We say that [extended benefit] should not be administered by the Ministry of Labour, nor paid for by the unemployment insurance fund. When you ask how it should be administered and where should the money come from, I say there is always the possibility of a State ad hoc measure. As to where the State is to find the money, that is a question of State policy. There is always the proposed new Public Assistance Authority's new organisation; where it will find its money from, will it be from the local rates entirely, or will it have grants in aid for necessitous areas from the Ministry of Health - I cannot say.

The N.C.E.O.'s reluctance in its 1924 Report and again in 1926 to elaborate upon the subject of public assistance was partly a tactical move which was designed to leave the employers with room for future political manoeuvre. However, the Confederation's caution was also

71 Ibid., paras. 784-795.

72 Ibid., para. 815.
strengthened by a genuine embarrassment over the numbers of workers who would immediately be affected by the employers' proposals. As several members of the Blanesburgh Committee pointed out, under the N.C.E.O.'s scheme of unemployment insurance, operating on a strict contributory-ratio rule, at least 500,000 unemployed workers would be transferred to the public assistance authorities. Furthermore, most of these workers would have little immediate prospect of becoming re-eligible for unemployment benefit because of the large arrears of contributions ("minus balances") which they had incurred while in receipt of extended benefit. The Confederation's Director and his colleague agreed that these were genuine problems and suggested that they should reappear before the Committee at a later date to discuss the whole question of the relationship between unemployment insurance and public assistance.

However, the N.C.E.O. gave no further oral evidence to the Blanesburgh Committee. Instead, at the end of July 1926 it submitted a supplementary statement to the Committee. This statement, which was noted earlier in Chapter 4, nevertheless failed to elaborate upon the employers' policy for the reconstruction of public assistance. The N.C.E.O. now admitted candidly that it could not add to the views which its representatives put forward on the question. In defence of position, the Confederation informed the Committee that there must inevitably be the utmost difficulty in formulating constructive views on the problem without "first-hand knowledge as to what are to be the concrete proposals of the Ministry of Health." At the same time, however, it took this opportunity to sharply criticise the Government's piecemeal approach to the problem of the unemployed:

73 Ibid., paras. 787, 813. This figure, however, was a conservative estimate. In 1924, for example, the Ministry of Labour estimated that almost 70% of claimants were overdrawn under the 1/6 rule. See Report on an Investigation into ... Claimants to Unemployment Benefit, 1925, p. 13.

74 Ibid., paras. 816-817. However, Forbes-Watson argued that at least 14% of claimants for extended benefit either had no regular occupation or were "verging on the unemployable," para. 840. The fact remained that many unemployed would have to pay contributions for between five and ten years before re-establishing an entitlement to benefit under the N.C.E.O.'s scheme. See A. Deacon, op. cit., p.43.

It is to the Confederation a matter for the most anxious regret that a comprehensive review has not yet taken place and that the future sphere of the fundamental problem of public assistance is thereby left undefined, while the problem of Unemployment Insurance has necessarily to take concrete shape without reference to the future of that interrelated service.

The only aspect of this subject on which the Confederation was prepared to make a constructive suggestion concerned arrears of unemployment insurance contributions. Upon the reintroduction of a strict contributory-ratio rule, the N.C.E.O. argued, the arrears of contributions which had been accumulated by unemployed workers in receipt of extended benefit should be written-off "so that all could start with a clean slate." 76

The N.C.E.O.'s criticism of the relationship between unemployment insurance and the existing system of poor law relief was faithfully supported by many other employers organisations which placed evidence before the Blanesburgh Committee. The Association of British Chambers of Commerce and the N.U.M, for example, were no less strident than the Confederation in attacking the overlapping of unemployment benefit and poor law relief. 77 From the N.C.E.O.'s standpoint, however, the most important source of support was the Association of Poor Law Unions. Like the Confederation, the Association also sought to abolish extended benefit and restore the distinction between insurance and relief. Furthermore, it also suggested that since this would increase the financial burden on Boards of Guardians in the industrial districts, "a suitable scheme of Government aid" would be essential. 78 However, in 1926 the N.C.E.O. was alone in advocating the separation of insurance and relief as part of a comprehensive reconstruction of public assistance.

The Blanesburgh Report, published in January 1927 avoided the question of poor law reform in deference to its terms of reference. However, it dealt at length with the relationship between unemployment insurance and poor law relief. With regard to the

problem of overlapping, the Report agreed that recipients of unemployment benefit should be discouraged from seeking additional assistance from the Boards of Guardians. The Committee observed: "The dislike of most insured persons to resort to poor relief is natural and laudable. We would encourage it."79 Having said this, the Committee did not feel that the problem was sufficiently serious to recommend that unemployed workers in receipt of benefit should be debarred legally from relief. Nevertheless, it endorsed the N.C.E.O.'s complaint against the lack of information on overlapping and recommended that there should be closer co-ordination between the Ministries of Health and Labour in collecting and publishing statistics which would give an accurate picture of the extent of the duplication of benefit and relief.80

The Blanesburgh Committee's insistence that unemployment insurance "should not fail to provide benefits for all insured persons who can fairly be described as genuinely unemployed"81 inevitably coloured its attitude towards the evidence of the N.C.E.O and the Association of Poor Law Unions with regard to the scope of public assistance. Essentially, the Report argued that if the unemployed were separated, and a significant section transferred formally to the poor law authorities, then the distinction between insurance and relief would be obscured rather than upheld, as the employers and the Association believed. With reference to the evidence of the Association, the Blanesburgh report argued that if the recipients of extended benefit were placed upon the Poor Law the Government would be forced to assume a greater degree of supervision over the administration of poor relief, and this would ultimately lead to control. This situation, the Report suggested, would threaten the unemployment insurance scheme and the Poor Law alike:82

79 Report of the Unemployment Insurance Committee, First Volume, 1927 para.81.

80 Ibid., para 177.

81 See above, pp. 201-202.

82 Report of the Unemployment Insurance Committee, First Volume, para.82.
It would ... not be long before an organisation arose little different, in the eyes of the claimants at least, from that required for the payment of unemployment benefit. It would be unfortunate if a state of things were created under which anyone whom the authorities of the Insurance scheme declined to pay were paid at once by the Guardians. In that case the administration of unemployment insurance would be seriously compromised since ... the refusal would be a matter of indifference to the claimant.

The Report also argued that the expansion of relief for the unemployed would in time undermine the legitimate deterrent function of the Poor Law. Mainly for these reasons, it rejected the "limitation of unemployment insurance and the State-aided expansion of Poor Relief." 83

The Blanesburgh Report's views on the relationship between unemployment insurance and poor law relief aroused a mixed response in the N.C.E.O. The criticism which the Report had levelled against the duplication of unemployment benefit and relief was rightly viewed by the Confederation's leaders as a vindication of their evidence. In the review of the Report which he submitted to the N.C.E.O.'s unemployment Insurance Committee in March 1927, Sir James Lithgow pointed out that the Blanesburgh Report would undoubtedly help to focus political attention upon the problem of overlapping and noted that this might "serve as a useful purpose when the promised poor law legislation comes to be dealt with." 84 On the other hand, Lithgow admitted that as a member of the Blanesburgh Committee he had found it difficult to defend the Confederation's proposal that the recipients of extended benefit should be transferred to public assistance in one form or another. "In my view," he recorded gloomily, "there is little hope of any political party readjusting this in the near future." 85

In the wake of the Report, the N.C.E.O. made a final attempt to establish some kind of formal distinction between unemployment benefit and poor law relief. In May 1927 when the Confederation's representatives met the Minister of Labour to discuss the Report, they pressed Steel-Maitland to introduce a provision in the forthcoming Unemployment Insurance Bill which would debar the

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83 Ibid., para 83.


85 Ibid.
recipients of unemployment benefit from poor law relief. To support this proposal Lord Weir and the deputation drew the Minister's attention to the scope of unemployment insurance and the benefits of the scheme: 86

[When] Mr. Tom Shaw supported his Bill of 1924 abolishing the one-in-six rule for all practical purposes on the ground that it was to 'prevent any decent working man or woman genuinely out of employment, having to go to the Poor Law Authorities'; the benefits he suggested in his Bill were on the whole not more generous than those in the Report and the 30 contribution rule was the same.

The N.C.E.O.'s recommendation, however, was not included as a feature of the Unemployment Insurance Bill, published in October 1927. While the Minister of Labour was undoubtedly sympathetic towards the employers' viewpoint on overlapping, he did not wish to burden his already controversial Bill with subsidiary features which would attract the critical attention of the T.U.C. and the Labour Party and hinder its parliamentary progress. 87 In any case, until the Poor Law had been reorganised, there was little hope that the Government would be able to ensure the high degree of administrative co-ordination and practical compliance which would be required if the dual payment of benefit and relief was to be eradicated completely. 88

It remains to briefly examine the aftermath of the Blanesburgh Report insofar as it concerned the question of the able-bodied unemployed. As we saw in Chapter 4, the Unemployment Insurance Act of 1927 swept away established features of the scheme, notably, the 1/6 rule and the Local Employment Committees, but at the same time it generated new administrative and financial problems. Almost immediately the scheme was burdened with over 100,000 unemployed workers who could not meet the 30 contribution rule, but who were granted transitional benefit. Around this class of unemployed workers who could not meet the 30 contribution rule, but who were granted transitional benefit. Around this class of unemployed


88 After 1927 the problem of overlapping moved again into the political background, but it continued to arouse strong criticism. See for example, Committee on Industry and Trade, Final Report, Cmd. 3283, 1929, p.137.
there arose two quite distinct, but related political debates. One of these concerned the operation of the genuinely seeking work clause and another debate, although at this stage less prominent, concerned the general future of the transitional scheme.

The N.C.E.O.'s attitude towards the "non-thirty stampers" after 1927 was the same as that which it had adopted with regard to extended benefit, namely, that unemployed workers who could not meet the contributory conditions of unemployment insurance were the legitimate responsibility of the relieving authorities. This view found an outlet through statements which were made by various leaders of the Confederation and the employers' organisations which they represented. A notable example was Sir Allan Smith and the Engineering Employers' Federation. At the beginning of 1928 Smith approached the Ministry of Labour with the proposal that it should conduct an enquiry into the composition of transitional claimants. The purpose of this enquiry would be to establish how far they represented a permanent reserve of labour, or as Smith put it, an "industrial pension load." In March 1928, following up this initiative, the E.E.F. published a report on unemployment which called upon the Government to make separate provision for the transitional claimants. If "the Government is prepared to take this step," the Federation argued, "the method of dealing with the segregation could be readily decided."

At the very end of 1927 the Cabinet had in fact considered the possibility of excluding the non-thirty stampers from unemployment insurance, but at the time the Ministry of Labour argued that the Blanesburgh scheme should be given a fair trial. By 1929, however, the Ministry had come round to the view that a substantive separation of the insured unemployed could not be delayed for

89 Steel Maitland Papers/G D /193/433. See also, The Times, 17 March 1928.

90 Engineering and Allied Employers' National Federation, Memorandum re Burden of Local Taxation, London, March 1928, p. 15.

91 Minutes of the Cabinet Committee on Unemployment in the Coal Trade, 2 December 1927. CAB./27/358. The Committee also anticipated that the number of transitional claimants could be held in check by a programme of industrial transference. See Thomas Jones, op. cit., vol. 2, 1926-1930, pp. 119-121.
much longer. This change in outlook was partly inspired by the difficulties which surrounded the implementation of the genuinely seeking work clause, and partly by the growing indebtedness of the Unemployment Insurance Fund. In March 1929 the Minister of Labour submitted a memorandum to the Cabinet in which he reviewed the future of the transitional scheme. "I am being pressed with increasing frequency," he reported, "to give an estimate of the number who will fail to qualify [for ordinary benefit] and to say what action the Government proposes to take." The Minister's answer was that the Government should abolish transitional benefit in stages, beginning with its withdrawal from single adult men. However, he noted, this policy could not be pursued without first "examining afresh the position of the Able-Bodied Unemployed who for any reason are outside the scope of the Unemployment Insurance scheme, with a view to determining the steps to be taken to deal with them."92

The door to further discussion was opened by the Ministry of Health and the realisation of Chamberlain's long awaited scheme of poor law reform, unveiled in November 1928 as part of the mammoth Local Government Bill. Chamberlain's scheme affected almost every aspect of poor law administration. However, the clauses which dealt with the reconstruction of public assistance followed what were, by now, well rehearsed lines. Under the Bill, the Boards of Guardians were abolished and the various functions of the 625 Poor Law Union unions transferred to the County and County Borough Councils. The relief of the able-bodied unemployed who were not eligible for unemployment benefit now became the formal responsibility of appointed Public Assistance Committees.93 However, in recognition of the complaints which had been made by the Association of Poor Law Unions in 1925, the Bill carefully made room for the officialdom of the Poor Law in the shape of "Guardians Committees." These would function as sub-committees of the new public assistance authorities and would

92 Memorandum by the Minister of Labour, 2 March 1929. CAB/202/C.P.63.

perform the task of dispensing relief. This only served to emphasise, as Gilbert has noted, that under Chamberlain's Bill, "Poor Relief remained Poor Relief and pauperism remained pauperism." Within the N.C.E.O. and among employers generally, however, the Local Government Bill was regarded as a long overdue and constructive measure of social reform. How far the Confederation subsequently took account of, and exploited, the political potential of this measure in formulating its policy on the unemployed, is examined in the final chapter of this study.

The N.C.E.O.'s intermittent attempts to focus political attention on the relationship between unemployment insurance and poor relief during the 1920's had a special significance, both for its policy on the unemployed and for politics generally. In concluding this chapter, two provisional observations can be made about this significance. Firstly, the N.C.E.O.'s concern with the relationship between unemployment insurance and relief during the 1920's underlined its deep-rooted commitment to traditional tenets of social policy. Among these, the principle of less eligibility probably occupied the attention of the employers more so than others. Hence the Confederation's near obsession with the problem of overlapping but also, or at least in part, its general interest in the separation of insurance and relief.

Secondly, it was this desire to redefine the relationship between employment insurance and relief which stands out as one of the N.C.E.O.'s distinctive contributions to the debate on the unemployed during the 1920's. We can now see that underlying the Report on Unemployment Insurance, and the Confederation's evidence to the Blanes-burgh Committee, there lay an ambitious political objective. This was no less than to persuade the Government to separate and reclassify the unemployed. Despite the N.C.E.O.'s reference to ad hoc measures of relief in 1924 and again in 1926, there can be little doubt that it


95 The Bill reached the statute book in March 1929 and came into effect in the April of 1930. It was, however, the financial clauses of the Bill concerning block grants and derating which attracted the most interest from employers. See CAB./24/192/C.P.30 for Lord Weir's views on derating. Also, *The Times*, 25 April 1928 and 11 May 1928.
was seeking a permanent solution to the problem which was posed by the long term unemployed. It cannot be said, perhaps, that the N.C.E.O. had a clear conception of the precise nature of this social solution. What can be said is that, as far as the N.C.E.O. was concerned, this solution would require the State to assume a larger share of the administrative and financial responsibility for the relief of the unemployed. By 1929 the Confederation's objective was still beyond its grasp, but it was at least within the boundaries of practical political debate.

Finally, what contribution, if any, did the N.C.E.O. make to the movement for poor law reform during the 1920's? In part, the answer to this question lies in the Confederation's understanding of poor law reform. In certain respects, the N.C.E.O. never rejected the Poor Law. The employers' enthusiasm for the Majority Report of a Poor Law Commission, although real enough, was nevertheless a qualified enthusiasm. What the employers sought during the second half of the 1920's was not the abolition of the Poor Law, but its administrative and financial reorganisation. In this respect, the N.C.E.O. was part of a broad movement among conservatives which embraced many shades of social opinion. In this role, however, it had a practical political contribution to make.

The Report on Unemployment Insurance represented a significant shift in the attitude of large employers against the existing Poor Law. The Report itself was among the first major political documents of the immediate post-war years to question the future of the Boards of Guardians, and the fact that this question was raised by employers only served to heighten its political importance. Thereafter, perhaps, the N.C.E.O.'s initiative was outpaced in the main political field by Neville Chamberlain and the Conservative Government, but by adding its weight to the political movement in favour of the overhaul of the Poor Law and poor relief, the employers at least helped to sustain its momentum. Perhaps more importantly however, the N.C.E.O.'s conversion to poor law reform, albeit on limited terms and pursued within a restricted political context, helped to ensure that, when finally the 1928 the Boards of Guardians were faced with extinction, they were isolated politically.
CHAPTER 6

I

THE SEPARATION OF THE UNEMPLOYED 1929-1936

This chapter examines the role of the N.C.E.O. in the decisive phase in the post-war unemployment controversy, and although the political events of these years need no introduction, some readjustment in the focus of the discussion is required.

With the arrival of the second Labour Government in 1929 the unemployed and the question of what provision should be made for the unemployed assumed a heightened importance in British politics. In 1929 the Government stumbled visibly when it abolished the controversial genuinely seeking work clause, and it never recovered. The fall of Labour on the issue of the unemployed in 1931 testified to the acute politicisation which had overtaken unemployment insurance and, indeed, nearly every branch of social policy. An obvious reason was the onset of the economic depression and the rising wave of political opinion in favour of social retrenchment which it released. Another reason, however, was the acute polarisation of rival political, economic and social doctrines after 1929. This created a momentum which opened the way, via the fall of the Labour Government, for the separation of unemployment insurance from relief and the introduction of the means-tested Transitional Payments scheme. However, the formalisation of a dual system of insurance and relief raised many question for social policy, among them, the question of how, if at all, the long term unemployed should be distinguished from the insured class and from the recipients of public assistance. Some of the answers were provided by the Unemployment Act of 1934, a measure which was of lasting significance for British social policy.

The role of the N.C.E.O. in the politics of the unemployed after 1929 was a conspicuous and politically charged one. In part, this role derived its impetus from its participation in the wider unemployment controversy, examined in Chapter 2. However, the Confederation's preoccupation with the unemployed during these years had a specific strength and significance which was drawn from
its political involvement with unemployment insurance and the Poor Law in the 1920's. In 1929, however, faced with a renewed challenge from Labour on the unemployed, the N.C.E.O. went over to the offensive against the Government on behalf of the economic and social priorities of employers. Its attack found some expression in the Industrial Situation, published in February 1931. However, the main thrust of the Confederation's strategy was channelled through the Royal Commission on Unemployment Insurance and its Final Report, issued in 1932. Around the Royal Commission, the N.C.E.O. concentrated its energies in a vigorous effort to bring about a fundamental change in Government policy towards the unemployed. In a general way, it was not disappointed. Yet, the noticeable shift in political opinion after 1929 and ultimately, of policy, in a direction which favoured the views of the Confederation, also isolated a range of practical and ideological questions related to the unemployed upon which the employers and the Government remained on two different sides. Differences - social and financial - rose to the surface upon the introduction of the emergency measures in 1931 and they were eventually formalised in the 1934 Unemployment Act. However, the Act also embodied important areas of agreement between the Confederation and the Government on the treatment of the unemployed which, on balance, were probably more important than the outstanding differences.

This chapter examines the N.C.E.O.'s role in the politics of the unemployed in three stages. Part II examines the Confederation's confrontation with the Labour Government in 1929 and its immediate aftermath. Part III looks generally at the N.C.E.O.'s response to the emergency measure of 1931. Part IV examines the Confederation's evidence to the Royal Commission on Unemployment Insurance and the N.C.E.O.'s role in the making of the 1934 Act.
II

THE CRISIS OF UNEMPLOYMENT INSURANCE 1929-1931

The crisis which overtook the unemployment insurance scheme after 1929 was a political turning-point for post-war policy towards the unemployed because it led directly to the collapse of the "Blanesburgh compromise" of the 1920's. Of central importance to the destruction of 1927 Unemployment Insurance Act was a renewal of the confrontation, similar to that of 1924, between the N.C.E.O. and Labour over the unemployed. The source of that confrontation was the Unemployment Insurance Bill of November 1929.

The problems which confronted the Minister of Labour, Margaret Bondfield, in her first six months of office were of two sorts, financial and political. The financial problem was posed by the unemployment insurance debt of £37 million which the Labour Government had inherited from its predecessor. To make matters worse, partly because of the concession on contributions which had been made to industry in 1925, the income of the Fund was £7 million short against an annual live register of 1,200,000, more or less the same as in 1925.¹ The new Government expected the Opposition and its supporters to make political capital out of the insolvency of unemployment insurance, but in 1929 the greater immediate challenge was from the Government's own supporters and their demand for a more generous scheme of maintenance. Bondfield's early moves, explained in Chapter 4, were the Unemployment Insurance Act of July 1929 which increased the Treasury contribution to the scheme to £15 million, and the formation of Boards of Assessors.² At the same time, the appointment of the Morris Committee reassured the trade unions that the days of the genuinely seeking work clause were numbered.

During the summer of 1929 Bondfield had warned the Prime Minister that she envisaged a comprehensive Bill which would

² On the work of the Assessors, see A. Deacon, op. cit., pp. 71-72.
place the unemployment insurance scheme "on a reasonably sound basis". Her views on the Morris Report were circulated in the Cabinet in October along with a draft of what became the Unemployment Insurance (No.2) Bill.\(^3\) The Bill, which came up for its second reading on 21st November, bristled with controversial features. Clause 1, following the recommendations of the recent report by the National Advisory Council on Juvenile Employment, proposed to lower the unemployment insurance age to 15, which would come into operation in conjunction with the raising of the school leaving age.\(^4\)

However, from the Cabinet's point of view, the worrying features of Bondfield's Bill were those which were open concessions to the Labour Left and the trade unions. In a series of steps the Bill proposed the removal of vital props of the Blanesburgh compromise. The main alteration to the scheme was the abolition of the genuinely seeking work clause. In its place, the Minister of Labour inserted a new Clause 4 based on the Morris-Tillyard formula. A claimant would in future be disqualified from benefit if, (1) he refused an offer of suitable work, and (2) there was evidence that suitable work was available and that he failed to prove that he had made reasonable efforts to obtain such work. This formula did not, as J.A. Gregorson had contended before the Morris Committee, free the claimant from any responsibility to prove bona fide, but it did decisively shift the onus of proof from the claimant to the Employment Exchange officials and the Courts of Referees.\(^5\)

3 Memorandum by the Minister of Labour, 19 October 1929, CAB/24/206/ C.P. 282.


5 As Deacon has shown, the abolition of the seeking work clause aroused considerable alarm among senior officials in the Ministry of Labour, who predicted that it would have "a bad effect upon the less fortunate workers," and that it would strengthen "the undoubted effect of unemployment benefit in retarding the adjustment of wages ... ." See A. Deacon, \textit{op. cit.}, pp. 73-74.
In 1929 two other changes were made in the administration of the scheme which gave added importance to the abolition of the genuinely seeking work clause. Firstly, in Section 14 of the Bill, the minimal conditions governing the receipt of transitional benefit were relaxed by the removal of the third condition that the claimant show that "he has been employed in such employment for a reasonable time."\(^6\) Claimants need now only show that they had paid 30 contributions at any time or were normally employed in an insurable employment. Secondly, although there were no changes in the contributions and benefits for adult works, the carefully worked-out benefit structure of the Blanesburgh scheme was not left intact. Apart from the new benefits which were made available for juveniles aged 15, (6s. and 5s. for males and females respectively), the benefits for young men and women in the age bracket 17-19 were increased. Finally, adult dependents' allowances were increased from 7s. to 9s. and the conditions covering the receipt of the allowances were relaxed.\(^7\)

However, neither the abolition of the genuinely seeking work test nor the clutch of improvements outlined above were sufficient to mollify the trade unions and their supporters in the House of Commons. The opposition which the Bill aroused from this direction has been explored fully by Skidelsky and requires no detailed account here.\(^8\) The principal targets for criticism were the waiting period (fixed at 6 days in 1925) and Clause 4. The Government resisted successfully all attempts to reduce the waiting period but capitulated to the Labour Party trade union group on the Morris-Tillyard formula. On 5th December, during the Committee Stage, Arthur Hayday moved an amendment to delete Clause 4 (2),

\(^{6}\) This condition had been introduced under the Unemployment Insurance Act of July 1924 and it was retained as one of the conditions for the receipt of transitional benefit under the Act of 1927.

\(^{7}\) It was estimated by the Government Actuary that the new Clause 4 would cost the Fund an additional £3,250,00 per annum. The total cost of the Bill was estimated by the Ministry of Labour at £12\(\frac{1}{2}\) million per annum, assuming a "live register" of 1,200,000. See Unemployment Insurance Bill, 1929 Report by the Government Actuary on the Financial Provisions of the Bill, Cmd. 3437, 1929, pp.2-4, and Parl. Deb., 5th Series, 1929-1930, vol. 232, cols. 1102-1106.

thereby leaving the refusal of an offer of work as the solitary test of a claimant's character, but the amendment was easily defeated.\(^9\)

On 9th December, however, Bondfield withdrew Clause 4 and substituted it three days later with two new clauses which were the Hayday proposals in all but name. A claimant would be disqualified from benefit if he refused an offer of suitable work, or if it was proved that the claimant "has without good cause refused or failed to carry out any written directions given to him by an officer of the Employment Exchange with a view to assisting him to find suitable employment."

The Government admitted openly that these alterations would bring another 90,000 claimants into the scheme, many of whom had never been within its scope to any considerable extent, including married women and seasonal workers in the off season.\(^10\) In addition, it was now expected that a significant section of the long-term unemployed would move back from public assistance to transitional benefit. Partly for these reasons, the Government Actuary, Alfred Watson, was unable to cost the new clauses in his revised financial estimate of the Bill. The Ministry of Labour, however, cautiously estimated an additional outlay of 4½ million.\(^11\)

The Unemployment Insurance Bill of 1929 provoked a stern reaction from the N.C.E.O. and aroused a wave of criticism from employers which was to outlast the immediate challenges which were posed by the Bill. As we have seen, the Confederation had grasped the opportunity provided by the Morris Committee to restate generally the basic position which it had taken up before the Blanesburgh Committee only four years earlier. Briefly, the essence of that position was the argument that unemployment insurance must contain a contributory-ratio rule and a yearly limit rule. Their effective absence from the scheme in 1929

\(^9\) The Hayday amendment was lost by 137 votes. See Parl. Deb., 5th Series, 1929-1930, vol. 233, cols. 2599-2664.

\(^10\) The Ministry of Labour Gazette, December 1929, p. 438. However, privately, the Ministry expected an additional 200,000 unemployed workers to come onto the register. See A. Deacon, op. cit., p.75.

largely explained the vehemence with which Lithgow and John Gregorson denounced the establishment of the Boards of Assessors and opposed any tinkering with the original genuinely seeking work clause. However, this defiance won them no friends on the Morris Committee and it appears to have confirmed the Minister of Labour's suspicion of the Confederation.12

When the Government's Unemployment Insurance Bill was published in November the N.C.E.O.'s Unemployment Insurance Committee resolved immediately to oppose the measure.13 However, neither in November or over the next few months did the employers seek a meeting with the Minister of Labour, nor did she make any overtures in their direction.14 This break-down in a process of consultation on unemployment insurance which had been nurtured carefully by the Confederation and the Ministry of Labour since the end of the War, pushed the employers towards the Conservative Party, where they found an open door and an attentive audience.

The arrival of the second Labour Government in June 1929 had been greeted with general dismay by the N.C.E.O. and the Federation of British Industries. As noted in Chapter I, the Confederation reacted by overhauling its internal organisation and by establishing two important bodies, the "Unemployment Insurance Standing Committee", under the chairmanship of W.A. Lee,15 and a Parliamentary Committee. These changes dovetailed with an overhaul of the

12 See for example, CAB/24/206.C.P.282.


14 This jarred with the wide publicity which was given to the Minister's talks with the T.U.C. prior to, and during the passage of the Unemployment Insurance Bill. See, for example, The Times, 8 November, 1929, and 23 January 1930.

Conservative Party's internal committee structure and the formation of the Trade and Industry Committee under the direction of Sir Philip Cunliffe-Lister. As a result of these developments, effective consultation between the employers and the Opposition now became possible. Between November 1929 and the beginning of the following year, a series of ten meetings took place between representatives of the N.C.E.O. and the Trade and Industry Committee in connection with the Unemployment Insurance (No. 2) Bill.\(^{16}\) While the proposed amendments to the Bill which emerged from this caucus of industrialists and M.P.'s did not entirely conform with the Confederation's policy on unemployment insurance, on several important issues the two sides agreed.

The N.C.E.O.'s critical attitude towards the Bill was echoed in the motion of rejection which was moved by the Conservative Party on the Second Reading. The first part of the motion condemned the lowering of the unemployment insurance age, the alteration in the scales of benefit, and attacked the amended Clause 4 (the Morris-Tillyard formula) as calculated "to produce administrative confusion by the vague and unsatisfactory nature of its tests" and to throw an "impossible strain upon the adjudicating machinery".\(^{17}\) Although no serious attempt was made by the Government's critics to cut the new benefits out of the Bill, there was stiff opposition to Clause 1, the provisions affecting juveniles. At the end of November the clause was finally passed, but only by 13 votes. This failure was mainly the work of the Liberals and it foreshadowed similar defeats for the N.C.E.O. and the Opposition on various minor features of the Bill.\(^{18}\)

Predictably, however, it was towards Clause 4 that the employers and the Conservative Party devoted their combined energies. There was no attempt to defend vigorously the original genuinely seeking

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18 These included an attempt to restore the third condition for transitional benefit; that the claimant show that "he had been employed in such employment for a reasonable time." See Parl. Deb., 5th Series, 1929-1930, vol. 232, cols. 1687-1996; vol. 233, cols. 322-411.
work clause, but instead, the Opposition attempted to persuade the Government to allow M.P.'s ample time to examine fully the wording of the Morris-Tillyard formula, with a view to ensuring that the clause would not be open to misinterpretation or abuse. When the clause was withdrawn by the Minister of Labour on 9th December, the Government's critics believed that they had scored a victory. Consequently, the introduction of the Hayday formula shortly afterwards aroused a howl of anger from the Conservative Party. This time, under the direction of the former Minister of Labour, Sir Arthur Steel-Maitland, and Walter Elliot, the Opposition moved that the new clauses be passed to a Committee of the Whole House for discussion. On 12th December, however, the Hayday formula was incorporated in the Bill by 90 votes.19

From the outset, the Government's Unemployed Insurance Bill had aroused hostile public criticism from employers. In November 1929, for example, the National Union of Manufacturers had condemned the Bill as "a wicked course of subsidising idleness instead of work."20 But it was left to the N.C.E.O. to focus political attention on the substantive objections of the employers. Following the incorporation of the Hayday formula into the Bill, the Confederation circulated a memorandum to all M.P.'s, the House of Lords, and the national press, outlining its views on the measure as a whole.21

The Confederation's memorandum predicted that the Government's Bill would undermine the administration and finance of the unemployment insurance scheme. It opposed the lowering of the unemployment age and criticized the new benefits for juveniles and dependants on the grounds that there was "no relation between these increases and the cost of living index."22 On Clause 4, the N.C.E.O. adhered in principle to its evidence before the Morris


20 The Times, 28 November 1929. See also The National Union of Manufacturers Journal, January 1930, pp. 1079-1080.


Committee, but it was now prepared to argue that the Morris-Tillyard formula should be given a fair trial. "The question at issue," the employers noted, "is whether the trade unions would undertake from their own funds to pay high benefits to their members for long continuous periods with no greater safeguards than those which will remain after the Bill has become law." It was inevitable, the memorandum continued, that the Employment Exchange officials would "take discretion as the better part of valour and pay the claims without further question." However, the N.C.E.O.'s main concern, and one which had always been felt, now found expression in the argument that:

Unemployment benefits ... are now being granted not on the basis of insurance, or as an encouragement to self help, but on the basis of poor law relief - a principle which is demoralising in the case of adults and indefensible in the case of juveniles.

The N.C.E.O.'s memorandum was basically an attempt to repeat the political exercise of 1924 which had led, in that instance, to the appointment of the Blanesburgh Committee, although this time there was no explicit call for an enquiry, but simply an appeal for the rejection of the Government's insurance proposals. The memorandum, however, although circulated widely, came too late in the day to have any practical effect in the Commons apart from strengthening the Opposition's condemnation of the Bill. Despite the support of the House of Lords against the Hayday formula, the Government remained unmoved.

The full significance of the 1929 Insurance Bill and the N.C.E.O.'s opposition to it, however, can only be drawn out by looking closely at the developing debate between the Government and the employers over the separation of the unemployed. As we saw in Chapter 5, by the beginning of 1929 the Ministry of Labour had come to the conclusion that the transitional scheme could not be continued indefinitely and that some alternative arrangements would have to be made for those unemployed workers who could not meet the first statutory condition, the 30 contribution

23 Ibid.
24 Ibid.
rule. This question was taken up by the Ministries of Labour and Health in the autumn of 1929 in connection with the Unemployment Insurance (No. 2) Bill. In September the Cabinet Committee which was drafting the Bill put forward tentative proposals for the creation of a "national relief scheme" to cater for transitional claimants and for the able-bodied unemployed who were currently on the Poor Law. This proposal, however, ran up against the opposition of the full Cabinet on the grounds that it would require the creation of new machinery and that it would almost certainly involve the application of a means test. As a temporary compromise, but pending further thinking by the Government on the question, two steps were taken. Firstly, under Clause 12 of the Unemployment Insurance (No.2), the transitional scheme was given a further lease of life until April 1931. Secondly, under the same clause, the whole cost of transitional benefit was transferred to the national exchequer. Consequently, in addition to the £3½ million which the Treasury added to the Unemployment Insurance Fund under the Act of July 1929, it now assumed a further charge of £8½ million, almost half of which was expected to arise from the abolition of the genuinely seeking work clause.

These provisions of the Unemployment Insurance Bill brought the N.C.E.O. a new political ally in its pursuit of the separation of the unemployed. After years of fruitless attempts to persuade the Conservative Party to adopt officially a policy with which many members undoubtedly sympathised, the Confederation now found that the Opposition was prepared to advocate the separation of unemployment insurance from relief, and with it, a reconstruction of public assistance arrangements for the able-bodied which would go beyond Chamberlain's recent administrative reforms.


The official conversion of the Conservative Party to this position was embodied in the second part of its motion of rejection to the Second Reading of Bondfield's Bill. This condemned openly the transfer of the cost of transitional benefit to the Treasury "without in any way facing the inevitable re-organisation of the whole system of insurance and social assistance entailed thereby." Speaking on the resolution, Walter Elliot warned the Minister of Labour that the problem of the transitional class had now become a permanent one. "This is a group" he pointed out, "which will not diminish or pass away, but which will continue and increase," and Elliot managed to attract the support of several Liberal M.P.'s when he requested that the Government undertake an immediate reorganisation of the transitional scheme. The wrangle over the genuinely seeking work clause in December also brought Clause 12 and the question of the status of transitional claimants to the forefront of political attention. On 10th December the Opposition moved a tactical amendment to limit the operation of the transitional scheme to September 1930. In the process Elliot pointed to the new Public Assistance Committees (P.A.C.'s) as the proper agencies for dealing with the transitional class. "We are dealing here", he noted, "not with an insurance problem, but with a relief problem." Although the amendment was defeated emphatically, the political message which it carried was not lost upon the Minister of Labour.

The precise role which the N.C.E.O. played in steering the Conservative Party towards the position which it had now adopted on the transitional scheme is impossible to determine. Clearly, however, the question was one which must have come under discussion between the N.C.E.O.'s representatives and those of the Trade and Industry Committee as they prepared and executed their opposition to the Bill. In any case, along with its criticisms of administrative clauses of the Bill, the N.C.E.O. was prepared to raise the question

29 Ibid., cols. 765-1094.
30 Bondfield admitted that the Government was currently reviewing the position of the transitional class, and further, that the Ministry of Labour was undertaking "a minute examination ... of the quality of this group." Ibid., vol. 233, cols. 292-301.
of the transitional scheme with the Government on its own behalf. The first occasion was during the debate on the Financial Resolution in November 1929. Henry Mond, the Chairman of the N.C.E.O.'s Parliamentary Committee, took this opportunity to launch into what was obviously a prepared attack upon the cost of the social insurances, and he rehearsed the statistics and the complaints which had earned the N.C.E.O. its reputation as a critic of post war welfare provision. In a warning which indicated the hardening mood of employers at this date, he declared, "I think that at the present moment we are drifting into a condition which eventually can only lead to disaster." 31 This view derived its justification from the Unemployment Insurance Bill. "It is a Bill" he noted, "which undermines and is calculated to destroy the whole principal of insurance." Following this theme, Mond invited the Minister to distinguish between her measure and the Poor Law. The Bill, he argued, "attempts to saddle industrial insurance with the burden of the Poor Law. If the Right. Hon. Lady wants to introduce a Poor Law measure let her do so ... I for one, will be glad to support it." 32

The challenge which had been laid down on the N.C.E.O.'s behalf by Henry Mond was more fully developed in its critical memorandum on the Bill noted earlier. Here, the employers linked the subject of the genuinely seeking work clause with the questions which had been left unanswered by Clause 12. Like the spokesmen for the Conservative Party, the Confederation welcomed in principle the financial separation of transitional benefit from the main scheme. However, the employers were more emphatic in condemning the self-imposed limitations of the transfer. "Having segregated the cost and having provided that the Exchequer will bear that cost," the memorandum complained, the new scheme dealt with the transitional class "on the same basis and through the same mechanisms as the recipients of ordinary benefit." 33

32 Ibid.
33 Memorandum by the Confederation, January 1930. N.C.2905.
As it had done so often in the past, the N.C.E.O. called again for a reappraisal of the basic recommendations with regard to the able-bodied unemployed which had been laid down in the Majority Report of the Poor Law Commission, and invited M.P.'s to confront the Government with the only real solution to the problem of transitional claimants. The Ministry of Labour must now "face the problem frankly and recognise that the machinery for administering benefit to that section [of the unemployed] must be entirely different, both in its methods and in its conditions, and in the amounts of benefits from that vouchsafed to the bona fide working population. "

If this course was not taken, the employers argued, the unemployment insurance scheme would be left wide open to "political exploitation," and in the short term it would obliterate the few remaining distinctions between unemployment insurance and relief:

The inevitable result will be another Bill increasing the borrowing powers to £50m on a permanent basis, and thereby leaving unsolved the whole problem of unemployment insurance and allowing it to drift further and further into a poor relieving agency.

These warnings reflected the N.C.E.O.'s growing confidence in its own policy and in its ability to muster political support. However, there were a number of additional features to the N.C.E.O.'s attack upon the Unemployment Insurance Bill of 1929 which merit attention. One of the most important was the extent to which the Confederation sought to exploit the second Labour Government's rudimentary, but nonetheless effective advisory machinery to underline its demands.

When in November 1929 Sir Allan Smith became a member of the Lord Privy Seal's Advisory Panel on Employment, he at once used this position to alert J.H. Thomas and his officials to the burden which the long-term unemployed had placed upon industry. In a long memorandum on 11th November to Thomas, he proposed an immediate investigation into the composition of the unemployed as a means of determining the potential scope of the insurance and relief problems and emphasised the need "to separate the permanently unemployed from

34 Ibid.
35 Ibid.
industry as a going concern." In January 1930 Sir Allan Smith made similar and direct approaches to Tom Jones, the Secretary of the Cabinet Committee on Unemployment, and to the Prime Minister. In addition, the voice of the N.C.E.O. was heard through Lord Weir and Sir Andrew Duncan. In February 1930, for example, they were among the group of businessmen who called upon the Government in a memorandum to "place unemployment benefit on a true insurance basis and provide ad hoc relief for those outside the scheme." This proposal was fended-off by the Minister of Labour, at least for the time being. There can be no doubt, however, that together with the political attack from other directions on the Unemployment Insurance Bill, these efforts added to the rising anxiety in the Cabinet over unemployment insurance.

All of this has to be seen against a wider canvas. As in 1924, but more so, the N.C.E.O.'s opposition to the Labour Government's unemployment insurance policy in the autumn of 1929 was closely linked to the Confederation's concern over other areas of domestic policy. In July 1929, for example, the Hours Committee of the Confederation had met the Minister of Labour to discuss the ratification of the Washington Hours Convention which, as ever, employers on the whole remained implacably opposed. Similarly, in November a deputation from the Confederation cornered the Minister of Health, Arthur Greenwood, to protest against the Government's Widows' Pensions Bill and the Minister's plans to bring an additional 500,000 recipients into a scheme which it had opposed root and branch in 1925. However, on this occasion the N.C.E.O.'s spokesmen took the opportunity to coach the Minister of


37 Sir Allan Smith to Thomas Jones, 13 November 1930. BT./56/20.

38 Memorandum by members of the Economic Advisory Council, 30 January 1930. MacDonald Papers, P.R.O./30/69/1/447.

Health on sound principles of social policy. "The Unemployment Insurance Fund debt," they noted, "is an example of how a departure from realistic insurance principles undermines a contributory fund."40

Despite its efforts, the N.C.E.O. won no major concessions from the Government in these areas of policy in 1929. That fact was to have some bearing upon the increasingly extreme position on social issues which the Confederation adopted over the next two years. Yet, on unemployment insurance, the employers' efforts had not been in vain. As a number of historians have pointed out, by the time that Bondfield's Bill came into operation in March 1930, the hitherto contested principle of separating insurance from relief was accepted widely in political and public circles, and by the end of the year, it was "the accepted orthodoxy."41 This much was recognised by the N.C.E.O. at an early date. Reviewing their lack of success in halting the Government's unemployment insurance plans in May 1930, the Executive Council took consolation from the visible shift in opinion against the transitional scheme and its claimants:42

Throughout the past 10 years the Confederation has consistently focused that problem before successive Governments - so far with little success. But the Confederation will continue to press for the problem being faced and there is now evidence of a growing recognition that the only real solution lies in the adoption of that policy which the Confederation has advanced throughout.

The immediate aftermath of the 1930 Unemployment Insurance Act and the heightened political controversy which developed out of it is well-known, and requires no detailed account here. Nonetheless, the N.C.E.O.'s attempt to force the Labour Government to face up to the issues which it had sidestepped in 1929, through the publication of the Industrial Situation in

N.C.E.O./NC/10/C4/50.

41 See A. Deacon, op. cit., p. 76.

42 Annual Report for the Administrative Year, April 1929-April 1931.
N.C.E.O./NC/1/Ann. Rpts.
February 1931, needs to be placed in the context of the webb of difficulties in which the Labour Government’s new unemployment insurance scheme became entangled.

In one simple move, the Unemployment Insurance Act of 1930 changed the whole focus of political and public discussion on the maintenance of the unemployed. With the abolition of the genuinely seeking work clause, the means test replaced Clause 4 as the centre of contention. In 1930 there was no general means test in the unemployment insurance scheme, but Bondfield’s Act gave its supporters and its critics alike concrete social and financial grounds for advocating its introduction in one form or another. As the Government had predicted, the Unemployment Insurance Act of 1930 brought thousands of unemployed workers into the scheme who had been out of work for a considerable time, or who had not sought, or been eligible for benefit. Barely two months after the Act came into operation the numbers in receipt of transitional benefit had increased from 140,000 to over 300,000 and of this increase, an estimated 60,000 had previously been unregistered.43.

In retrospect, and with the documentation which is now available on the period, it can now be seen that the crucial deliberations and decisions which were to affect both the future of the second Labour Government and the unemployment insurance scheme were almost all located in 1930. Two moves in particular exposed the Government to a rising tide of criticism from the Opposition in Parliament and from employers. The first was the Minister of Labour’s recourse to borrowing which, by the end of the year had pushed the borrowing limit of the fund up to £70 million, and opened the Government to the charge of financial recklessness.44 The second move was the ill-timed attention which the Government gave to the longstanding, but hitherto submerged accusation from the trade unions, that employers were abusing unemployment insurance by using it to finance short-time

43 B. Gilbert, op.cit., p. 96.

working and to shed labour generally.\textsuperscript{45} When in November 1930 the Prime Minister identified himself and the Government with this charge he drew a storm of complaints from employers, notably from the National Union of Manufacturers. Pointing to the condition of the unemployment insurance fund, the Union noted that "it would appear that the chief blame rests not with [the employers]... but with the legislators who have done their business so incompetently."\textsuperscript{46}

In 1930 the Labour Government failed to establish a clear policy on the unemployed when it was in political demand. For example, a Cabinet Committee which had been set up in June to review the social insurances decided at an early stage of its enquiries that the question of unemployment insurance and its relationship to public assistance was best left to other to untangle.\textsuperscript{47} This was one of the tasks which was entrusted to the Three-Party Advisory Committee, appointed in July 1930.\textsuperscript{48} However, the Labour Government was never short of concrete proposals on unemployment insurance. During the course of 1930 two alternative policies were put before the Cabinet for a decision by the Ministries of Health and Labour. The first proposal was to establish a "national relief scheme" which would cover all the able-bodied unemployed, including those on the Public Assistance Committees. The scheme would be administered by two existing agencies, the Employment Exchanges and the P.A.C.'s, along

\textsuperscript{45} See "The Employer and the Unemployment Insurance Scheme" Memorandum by Ben Greene, March 1930. Papers for Panel of Ministers, 16th June, 1930. CAB/21/330. Commenting upon this memorandum, Macdonald noted, "I fear that unemployment insurance is being used to revolutionise industrial responsibility." R. Macdonald to A. Henderson, n.d., but probably June 1930. Macdonald Papers, P.R.O. 30/60/440.

\textsuperscript{46} See The Times, 12 November, 27 November 1930, and The National Union of Manufacturers Journal, January 1931, p. 1311. The whole subject of "abuse" of unemployment insurance by employers was explored by the Royal Commission of Unemployment Insurance, which cautiously vindicated the Government's claims. See Final Report, Cmd. 4185, 1932, pp. 99-100.

\textsuperscript{47} The committee occupied itself with reviewing the established problem of "the gaps and overlapping of existing insurance, pensions and workmen's compensation schemes." See Cabinet Committee on National Insurance and Pensions Schemes, Inter-Departmental Sub-Committee. CAB/27/409.

\textsuperscript{48} See A. Deacon, \textit{op. cit.}, p. 79.
with a new local body, the "Local Employment Authority" which would determine those who were eligible for relief. The scheme would be financed by the Treasury, but whether there would be a means test and a national scale of relief was left for the Cabinet to decide. The second course was simply to transfer the transitional class to the Public Assistance Committees. If this policy was adopted the Government would have to decide on the measure of financial assistance which should be granted to the local authorities. However, these suggestions led only to the announcement in October 1930 of the Government's decision to appoint the Royal Commission on Unemployment Insurance.

The appointment of the Royal Commission, and the policy of drift which it failed to conceal, were some of the many factors which went towards the making of the N.C.E.O.'s ultimate challenge in politics between the Wars, The Industrial Situation. Presented to the Government and published on the eve of the economy debate in February 1931, it was very likely timed to smooth the way for the reception of the Opposition's vote of censure. The "Blue Book," however had many targets, among them, the Royal Commission on Unemployment Insurance, which had already taken much of its evidence. Most of that evidence was highly critical of the existing unemployment insurance scheme, and it was amplified in the Industrial Situation.

The section of the "Blue Book" which dealt with the subject of unemployment insurance was located appropriately at the centre of the Report, and began with a blistering attack upon the existing rates of benefit (men, 17s., women, 15s) and the whole system of dependants' allowances. In addition, the case against benefit levels was developed through arguments which had always been a familiar feature of the N.C.E.O.'s approach to cash benefits of all kinds, namely, their relation to wages and the cost of living. Thus, for example, the employers argued that existing benefit rates had undermined the "plasticity in wage rates," and pointed out that benefits had not been in any way adjusted to meet a 50% fall in the cost of living.

49 "Relief of the Able-Bodied Unemployed," Memorandum by the Minister of Labour, 9 July 1930. CAB./24/13/C.P. 235.
since 1921. All of this, the N.C.E.O. maintained, had helped to convert the unemployment insurance scheme into an instrument of electoral advantage:

Successive Governments ... have yielded to the temptation of misusing the system in preference to tackling the causes of our unemployment problem - the history of the system from Act to Act has been a record of ingenious expedients to ensure that benefit would be obtainable in some form or another - and we have throughout protested against the political abuse of the system which has now degenerated into undisguised relief.

This attack was followed by a review of the financial experience of unemployment insurance which traced its decline into insolvency, and following the Treasury's evidence to the Royal Commission (which was cited in extract), the N.C.E.O. endorsed its panic prediction that the unemployment insurance scheme would soon "call into question the stability of the British financial system." On the basis of these observations, the N.C.E.O. recommended that: the existing rates of benefit should immediately be reduced by 33\(\frac{1}{3}\)%; that the reduced unemployment benefits should be confined to those workers who could meet a restored 1/6 contributory ratio rule, and finally, that those unemployed workers who could not satisfy this stringent condition "should be dealt with through a special fund provided by the Government and administered locally on a means test basis which would have regard to the circumstances of the case."

The effect which the "Blue Book" had upon Ramsay MacDonald and his Cabinet colleagues was the result of these recommendations in particular. They were followed in May 1931 by the publication of the Confederation's evidence to the Royal Commission on Unemployment Insurance as a pamphlet, but the main political impact came from the statement in February. The only contentious aspect of the N.C.E.O.'s recommendations at this stage was the demand for the

50 The Industrial Situation, pp. 9-11
51 Ibid., p. 11.
52 Ibid., p. 12.
53 Ibid., p. 13.
54 See below, p. 297
restoration of the 1/6 rule. However, that rule had been discredited effectively during the 1920's and there is no evidence to suggest that by 1931 either the Cabinet or the Ministry of Labour saw its restoration, even as an emergency measure, as a possible way out of the rising indebtedness of the Unemployment Insurance Fund. In any case, the administrative and financial implications of restoring a contributory-ratio rule, and with it, a yearly limit rule, clearly placed the subject within the province for the Gregory Commission.

Nevertheless, by the beginning of 1931 the differences between the N.C.E.O. and the Government over a number of important features of the unemployment insurance scheme were beginning to narrow. In February the Minister of Labour had already proposed to the Cabinet that adult benefits should be reduced by 2s. at an early date, and this view had the support of the Prime Minister. Also, in the Ministry of Labour there was now a solid concern, built up over many years, about the economic effects of unemployment insurance, and in particular, its effects on unemployment and labour mobility. For example, in a special report on the subject which circulated between Ministry officials at this date, it was noted that "the description of the present scheme as a tax on employment is not merely economic jargon." Finally, as already shown, the Ministries of Labour and Health seemed committed in principle to the introduction of some kind of means test and were waiting only for a signal from the Cabinet to draw up a workable scheme, although this signal was never issued by the Labour Government.

As a political manoeuvre, the Industrial Situation more than compensated the N.C.E.O. for the brief deterioration in its relationship with the Ministry of Labour which the document precipitated, and for the counter attacks which it invited from the T.U.C. and other hostile sections of public opinion. The hurried

55 In addition, the Cabinet had considered restricting the benefit right of married women, seasonal workers and short-time workers. Memorandum by the Minister of Labour, 5 February 1931. CAB./23/90/B/ C.P. 31. See also, D. Marquand, op. cit., p. 588, for a full account of the Cabinet's discussions.

First Report of Royal Commission on Unemployment Insurance had an automatic stamp of political acceptability which it might not have had in other circumstances. Published in July 1931, the Report was widely acclaimed in conservative circles, and nowhere more so than among employers. The National Union of Manufacturers, for example, accorded the Report its "unqualified support" and looked forward to the next installment, although the N.C.E.O. was more guarded. The leaders of the Confederation had probably expected more from the Royal Commission, but what they were offered nevertheless went some way towards legitimising the principles of policy which it had defended for so long.

The First Report of the Gregory Commission basically represented what the Ministry of Labour believed was politically feasible and acceptable to all shades of opinion. The Report condemned the failure of past Governments to tackle the fundamental administrative and financial problems of the unemployment insurance scheme and then outlined a package of emergency measures which quite deliberately left the question of the future of the transitional claimants to be settled fully at a later date. The Majority Report (the Minority Report recommended no action and was subsequently ignored), proposed the restoration of a yearly limit rule of 26 weeks for ordinary benefit and a 11% cut in the level of benefits, with a reduction of 1s. in the allowance for adult dependants. To allow the existing rates to stand, the Commission noted, "would be to confuse insurance with relief." In addition, however, it adopted a cost-of-living argument to justify the proposed reductions. On the finance of the scheme, the Report recommended an immediate increase in the rate of contribution for the three parties to 9d.58

With regard to the transitional scheme, the Commission was frank, and in its view, generous. The only alternative for the transitional class, the Report indicated, was the Poor Law. Both socially and financially, the Report argued that there were some grounds for transferring the transitional class to the Public

57 The National Union of Manufacturers Journal, July 1931, p. 1397.

Assistance Committees, but concluded that the main obstacle was the "insupportable burden" which this would place upon the local authorities and the ratepayers and its effect on unemployment. 59 However, in recommending the prolongation of the transitional scheme, the Commission outlined a series of alterations which were designed to reduce the volume of the transitional claimants. These included the reintroduction of a means test for three classes: single persons living with their parents; married women living with their husbands; and persons in receipt of fixed incomes from other sources. 60 The main recommendation, however, concerned so-called "anomalies" in the scheme. These arose where workers possessed sufficient contributions to qualify for transitional benefit and yet were not genuinely unemployed, and mainly concerned married women and seasonal workers. To rectify these anomalies the Commission recommended that a married woman be required to prove that she had not abandoned insurable employment and could "reasonably expect" to secure it in her district, and that a similar formula be applied to seasonal workers. 61

The only recommendation of the Royal Commission which was acted upon by the Labour Government before it departed from office was that concerning anomalies. Predictably, this move had the full backing of the N.C.E.O., but it also attracted a measure of criticism from the employers. In June 1931 the Minister of Labour introduced the Unemployment Insurance (No. 3) Bill which empowered the Minister to draw up regulations covering anomalies and to appoint an Anomalies Committee to advise the Government on the framing of these regulations. The Committee would consist of an independent chairman.

59 Ibid., pp. 34-35.
60 Ibid., p. 36. These sources included workmen's compensation awards and service pensions.
61 Ibid., pp. 37-43. The precise formula for married women workers was: (1) that she had not abandoned insurable employment; and, (2) that "having regard to her industrial experience and to the industrial circumstances of the district, she can reasonably expect to obtain insurable employment in the district in which she is residing." The Commission also recommended that a means test should be applied to short-time workers and that intermittent workers working for less than two days each week should be excluded from the scheme.
and eight members, including two from the T.U.C. and two from the
N.C.E.O.  

In order to smooth the passage of the Bill, the Minister of Labour
took care to consult both sides of industry. In 16th June she met
representatives of the T.U.C. and secured their agreement to sit on
the Committee, although the trade unionists made no secret of their
distaste for the Bill. On the following day, it was the turn of
the N.C.E.O. to test the Minister. At a meeting at the House of
Commons, F.C. Allen, the Confederation's President and the
Secretary, H.M. Piper, informed the Minister that the employers
welcomed her Bill. At the same time, however, they held that the
Government had an obligation to implement the Report of the Royal
Commission as a whole. That request presumably encompassed the
9d. contribution rate for, certainly at this stage, the Confederation
had little to gain by upholding its traditional opposition to higher
contributions.

However, in the summer of 1931 the Minister of Labour had no
intention of opening the controversial question of the Royal
Commission with the Confederation. As the Cabinet on the 25th June
moved towards its split on the issue of benefit cuts and the means
test, the N.C.E.O.'s Director managed to secure another interview
with the Minister of Labour. Forbes-Watson now proposed that the
N.C.E.O. should be allocated four representatives on the Anomalies
Committee in order to ensure that the views of employers were
adequately heard, and again, he raised the subject of the Royal
Commission. Bondfield agreed to increase the N.C.E.O.'s
representation on the Anomalies Committee to three, but she refused
outright to discuss the broader problems of unemployment insurance.
In August 1931 the N.C.E.O. nominated its three representatives for
the Committee - F.C. Allen, W.A. Lee, and the Confederation's

63 See A. Deacon, op. cit., p. 82.
64 See above, p. 96.
65 Minutes of the General Purposes Committee, 15 July 1931, N.C.E.O./
NC/1/G.P.C.
66 Ibid.
However, by the time that it was appointed at the end of the month, the Labour Government was out of office and the N.C.E.O. was anticipating a new initiative on the unemployed from the Government.

The appointment of the Committee on National Expenditure in February 1931 had conformed neatly to one of the key recommendations of the Industrial Situation, and it seems likely that it was from this source that the employers expected some compensation for the limitations of the First Report of the Royal Commission on Unemployment Insurance. How far the Committee was influenced by the wave of general and specific proposals for public economy is a matter for guesswork, but its recommendations followed the lines which had already been spelt out in the Industrial Situation.

The May Committee recommended that benefits be cut by approximately 20% alongside the introduction of a yearly limit rule. At the same time, the Committee saw no future in prolonging the transitional scheme and proposed instead that the non thirty stampers should be handed over to the public assistance authorities on a means tested basis. However, the financial priorities of the May Committee were those of the Treasury and not those of employers. To restore the Fund to solvency on the basis of a live register of 2½ million unemployed, the May Committee argued in favour of an emergency contribution rate of 10d. for all three parties. More drastically, it recommended that the Exchequer should be freed from any direct responsibility for the finance of the former class of transitional claimants. Instead, the cost of unemployment relief for this section of the unemployed should be divided between the unemployment insurance fund and the local authorities, less the existing Exchequer grants to the local authorities under the formula which had been laid down by the Local Government Act of 1929.


68 Report of the Committee on National Expenditure, Cmd. 3920, 1931, pp. 145-149. However, the Committee admitted that it might still be necessary to recognise an "intermediate class of persons" who were still suitable for employment and who should be assigned in the first place to the Employment Exchanges.

69 Ibid., pp. 149-150.
proposal was designed to save the State around £66 million per annum, but it also raised a controversial question over the allocation of the financial responsibility for the long-term unemployed.

The publication of the May Report August 1931 and its political impact requires no comment here. The Report's proposals for further cuts in benefit, the separation of insurance from relief and the introduction of a means test were doubtlessly the recommendations which the N.C.E.O. had in mind when, on 20th August, four days before the Government departed in disorder, the Confederation sent a terse Memorandum to Margaret Bondfield deploiring the Government's inaction and its continuing failure "to deal fundamentally with the whole problem of Unemployment Insurance." By this date, however, the Labour Government had long since given up listening to the N.C.E.O.'s representations on how it should resolve the problems of unemployment insurance.

However, despite its sharp and persistent criticism of the Labour Government's unemployment insurance policy in 1931, the N.C.E.O. showed no inclination to dwell upon the financial remedies which had been proposed by the Royal Commission on Unemployment Insurance and by the May Committee. The Confederation was in fact set upon a solution to the problem of the unemployed in which the main, if not all the sacrifices would be borne by others. As Lord Weir indicated in his statement on the economic situation, published in August, on the eve of the Government's resignation, the employers saw no "equality of sacrifice" if the price to be paid was higher domestic costs for the staple industries.

The N.C.E.O.'s concern over the cost of maintaining the unemployed and the share of that cost which was carried by employers had always been an important feature of its approach to the subject, but in the economic climate of 1931 and the years of slow recovery which followed, cost considerations acquired a heightened relevance for the members of the Confederation. In the short term, however,


71 N.C. 3740.

72 "Economy First," The Times, 20 August 1931. Also, see above, pp. 104-105.
with the departure of the second Labour Government, the N.C.E.O. found itself party to new policies for the unemployed which compared favourably with its past and more recent demands. These developments, notably the Transitional Payments Scheme, posed new challenges for employers. It is useful at this stage, therefore, to make a preliminary assessment of the Confederation's impact on the politics of unemployment insurance during the period of the second Labour Government.

Up until 1929 the N.C.E.O.'s importance in the debate over the unemployed had largely, although not entirely, been rooted in its ability to challenge the Government on general principles of policy and upon its details. That role, among employers at least, remained the distinctive property of the Confederation after 1929, but it was visibly overlaid with a political purpose. Indeed, probably for the first time since 1919, the political objectives of the Confederation threatened to overshadow its policy goals. Whether the leaders of the Confederation were angling consciously to bring down the Labour Government either in 1929-1930, or in 1931 is difficult to ascertain. What can be said is that well before the main body of informed Conservative opinion, the N.C.E.O. was willing to make a political issue out of the future of the unemployment insurance scheme. Neither the N.C.E.O. nor employers generally were disinterested observers of the crisis which overtook unemployment insurance after 1929 and of the political events which flowed from it, but the Confederation in particular was well-placed to exploit these developments. In the events surrounding the fall of the Labour Government in 1931 on the question of the unemployed, it played a recognisable, if modest part.

This conclusion raises an important question about the N.C.E.O.'s relationship with the Conservative Party on the subject of the unemployed during the period 1929-1931. As this chapter has shown, the distrust which had characterised the relationship between the two sides during the second half of the 1920's came to an abrupt end in 1929 because of the challenge which was posed by the abolition of the genuinely seeking work clause. The "alliance" which was forged between the Confederation and the Conservatives took the same form as in 1924, but it was fuller in the points of agreement which it
embodied and noticeably unanimous on the principle of separating unemployment insurance from unemployment relief.

The making of this political alliance can be traced in part to the dire condition of the Conservative Party following its election defeat in 1929 and its lack of sharply defined policies on many economic and social subjects. However, during the opposition to the Unemployment Insurance Bill of 1929 and the political momentum which it left in its wake, Conservative policy was clarified in general terms with the assistance of the N.C.E.O. and with the support of other groups of employers. The successive fights which were conducted by the Confederation and the Conservative Party against the Labour Government's unemployment insurance policy after 1929 had a common basis and suggest a degree of collaboration. The significance of this emerging agreement after 1929 was twofold. Firstly, it testified to the potency of Labour's unemployment policy during the 1920's as a unifying influence among conservatives. Secondly, and of a more immediate importance, the unity of the political right after 1929 on the issue of the unemployed narrowed the acceptable options in policy which appeared to lie before the Labour Government. The outcome was the political cul-de-sac of August 1931.

III

UNEMPLOYMENT INSURANCE AND TRANSITIONAL PAYMENTS 1931-1933

The main questions which remain to be posed and answered relate to the N.C.E.O.'s role, if any, in shaping the Government's policy for the unemployed after the departure of Labour in 1931. The unemployment insurance policy of the National Government as it unfolded over the course of 1931-1932 was a curious mixture of unfinished business and cautious experiment in anticipation of the Final Report of the Royal Commission on Unemployment Insurance. This involved the implementation of the interim measures which had been recommended by the Royal Commission in July 1931, and the setting-up of the Transitional Payments Scheme. Together, these moves widened the political debate on the unemployed.

73 See for example, K. Feiling, op. cit., pp. 177-178.
The political crisis of 1931 settled only one question about the future of the unemployment insurance scheme, that of anomalies. When the National Government assumed office it fell to Sir Henry Betterton, as the new Minister of Labour to draw up and implement the regulations authorised by the Unemployment Insurance Act of July 1931. These regulations, framed in consultation with the representatives of the T.U.C. and the N.C.E.O. on the Anomalies Committee, touched four classes of workers: married women, seasonal workers, intermittent workers, and short-time workers. The new regulations followed the lines which had been laid down by the Royal Commission and, in effect, they restored the principle of "genuinely seeking work" to the unemployment insurance, but through the back door.

From the outset, however, the effectiveness of the anomalies regulations was never in doubt. By July 1933 more than 250,000 claims for unemployment benefit had been disallowed under the regulations, 200,000 of which represented claims from married women, compared with 45,000 from seasonal workers, and 5,000 from intermittent workers. Overall, the psychological effect of the regulations was probably as great as their practical impact. As R.C. Davison later pointed out, the regulations (along with the means test) discouraged enquiries from the unemployed. "They ceased to sign on," and it was fairly certain, he added, "that many of them no longer even regarded themselves as seeking work."

In view of their immediate effectiveness in reducing the number of claims upon the unemployment insurance scheme, and also because of the principles which the regulations upheld, the N.C.E.O. treated the Anomalies Committee as a body of some importance. For reasons which will become clear in due course, however, by the beginning of 1933 the N.C.E.O. had grounds for doubting the strength of the Government's commitment to the strict policies for the unemployed.

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74 For a concise summary of the regulations, see Report of the Ministry of Labour for the Year 1931, Cmd. 4404, 1932, pp. 67-68.


76 Ronald C. Davison, British Unemployment Policy since 1930, London, 1938, p. 16.
This suspicion was partly confirmed in July 1933 when the Minister of Labour placed a series of draft amended regulations before the Anomalies Committee, aimed at relaxing the conditions affecting married women and seasonal workers. With consternation, the N.C.E.O.'s General Purposes Committee noted that the proposed amendments would "largely nullify the effects of the original regulations, which have so far resulted in considerable economies in the cost of unemployment insurance."77 In August, however, the Anomalies Committee adopted the Minister's amendments,78 but not before F.C. Allen and his two colleagues had registered their dissent and warned the Committee that the alterations, particularly those affecting married women, "might revive abuses." Accordingly, they informed that Minister that they reserved the right to raise the question of the amended regulations at some future date.79

In the long term, however, the main planks of the unemployment insurance policy of the National Government posed a larger challenge for the Confederation. After the break-up of the Labour Government, the new Government wasted little time before bolstering the finances of the Unemployment Insurance Fund and separating the transitional class of the unemployed from the scheme. Under the National Economy Order (No. 1) of October 1931, benefits were reduced to 15s. 3d. for men and 13s. 6d. for women, together with a 1s. reduction in dependants' allowances,80 and contributions for the three parties were increased to 10d. - a 2d. increase for employers and a 3d. increase for workers.

These financial changes had an almost immediate effect upon the

77 Minutes of the General Purposes Committee, 19 July 1933.
N.C.E.O. NC/1/G.P.C.

78 See Unemployment Insurance (No. 3) Act, 1931. Second Report of the Advisory Committee on Draft Regulations, Cmd. 4407, 1933, pp. 3-7. The main change concerned married women. A married woman now had to show that "her expectation of obtaining insurable employment in her usual occupation is not less than it would otherwise have been by reason of the fact that she is married."

79 Ibid. p. 6, and, Circular to members, 15 September 1933.

80 Cmd. 4404, p. 80.
Unemployment Insurance Fund. The accumulated debt, after touching an all-time high of £115 million in 1932, receded in the following year to £110 million, helped by the improvement in trade. More significantly, for the first time since the end of the War, the income of the Unemployment Insurance Fund substantially exceeded expenditure, and over £4 million of the outstanding debt of the Fund was repaid to the Treasury. For the N.C.E.O., these developments had a practical and tactical importance for, as ever, it was watching vigilantly for all openings which might give it the opportunity to state the case for a minimum-charge unemployment insurance scheme. After 1931, however, the finance of the scheme, more so than ever before, was bound-up with the question of unemployment relief.

In August 1931, Neville Chamberlain and the Minister of Labour proposed to the Cabinet that pending the final Report of the Royal Commission on Unemployment Insurance, an emergency system of relief should be established to deal with the unemployed workers who were not eligible for ordinary on benefit under the 30 contribution rule. In principle, the two Ministers believed that the plan for the separation of the unemployed which had been outlined recently in the Report of the Committee on National Expenditure was "sound" and that it ought to be adopted. Not only would it save a large amount of public money, it would also "secure that each case was dealt with by a body competent to have due regard both to the local and personal circumstances of each case and removed from political pressure." In the end, however, they rejected the proposals of the May Committee on hard political grounds, anticipating the charge of heartlessness from the trade unions and criticism from employers and the local authorities over the new burdens which the implementation of the financial proposals of the May Report would place upon the Unemployment Insurance Fund and the rates.

The alternative which was chosen finally by the Cabinet was the Transitional Payments scheme. This resembled closely the "national

81 Ministry of Labour. Report for the Year 1933, Cmd. 4543, 1934, pp. 75-76.

82 " Provision for Insured Persons not Entitled to Ordinary Benefit" Memorandum by the Minister of Health and the Minister of Labour, 28 August 1931. CAB./24/223/C.P. 211.
relief scheme" which had been envisaged by the Labour Government earlier in the year. Under the new arrangements the administrative responsibility for the transitional class of unemployed workers was divided between the Public Assistance Committees and the Employment Exchanges. Payment to the unemployed under the transitional unemployed were fixed at the same rates as unemployment insurance benefit, but subject to a household means test conducted by the public assistance authorities. The new scheme was financed wholly by the Treasury, and to emphasise its formal separation from unemployment insurance, a separate "Transitional Payments Account" was established. The scheme came into effect in November 1931, and by the beginning of 1933 over 1 million unemployed workers were being maintained through this machinery.83

In general, the Transitional Payments scheme worked well, but it nevertheless aroused political controversy. There was, at least initially, widespread resentment among unemployed workers against the intrusion of the inquisitorial methods of the Public Assistance Committees into family life.84 However, there was probably more resentment against the fact that each of the 183 Public Assistance Committees had its own rules for applying the means test. In both these respects, the Government's anticipation that transitional payments would be free from political pressure proved to be a gross miscalculation. After 1931, the public assistance authorities once again became a political target for the unemployed workers' movement in pursuit of "adequate" maintenance.85 Taking note of this political development in December 1932, the new Chancellor of the Exchequer, Neville Chamberlain, complained to

83 Cmd. 4543, p. 73.

84 Under the regulations which were issued by the Minister of Labour the P.A.C.'s were instructed to deal with applicants for transitional payments as if they were "dealing with an ordinary application for public assistance from an unemployed able-bodied persons, but as if such assistance could only be given in money." Cmd. 4404, p. 89.

the Cabinet that local government was "being debauched, standards were being lowered, and the trouble was spreading like a contagious disease." 86

Graphic evidence of the predicament of the local authorities was offered in the Report of the Committee on Local Expenditure ("Ray" Report), published in November 1932. In reviewing the services and the financial commitments of the local authorities, the Report complained that Public Assistance Committees had been placed under an intolerable political and financial strain by the Transitional Payments scheme and called upon the Government to "remove the responsibility for the able-bodied unemployed ... altogether from the purview of the Local Authorities," and place it in the hands of "independent persons". 87 In the short term the Ray Report helped to justify the relaxation of the means test under the Determination of Needs Act of December 1932. However, its full significance was only to become clear because of the political debate which developed around the Final Report of the Royal Commission on Unemployment Insurance.

The cuts in the employment benefit and the introduction of the Transitional Payment scheme at the end of 1931 were not far removed from the N.C.E.O.'s political objectives and they were accordingly welcomed by the Confederation's Executive Council as a long-overdue attempt to "deal more fundamentally" with the problem of the unemployed. 88 However, the National Government's emergency measures were by no means regarded in the N.C.E.O. as the ultimate end of policy. This, the employers anticipated, would be shaped by the Royal Commission on Unemployment Insurance and they expected that it would produce its completed Report by the end of 1931. However, it soon became common knowledge that the Commission would not reach

86 Minutes of the Cabinet Committee on Unemployment Insurance, 20 December 1932. CAB./27/501.

87 Report of the Committee on Local Expenditure (England and Wales), Cmd. 4200, 1932-33, p.114. The Ray Committee was appointed by the Chamberlain in July 1932 and was composed entirely of representatives from the local authorities. A separate committee, the "Lovat" Committee, was appointed to review the financial condition of local government in Scotland.

its final conclusions before the end of 1932 at the very earliest. The N.C.E.O., therefore, had little choice but to endorse the Government's emergency measures pending the publication of the Report.

However, during the course of 1932 considerable anxiety developed among the leaders of the N.C.E.O. over the operation of transitional payments and the general direction of official policy on the unemployed. At the beginning of 1932 some of them feared that the Government was already contemplating the restoration of the benefit cuts of the previous year and a modification of the means test. In March 1932, H.B. Shackleton warned the N.C.E.O.'s Director that the employers must be prepared to take an independent stand if the Government attempted to go back on the emergency measures of 1931. "If there is any dallying with the idea," he wrote, "we must be able to stop it before it is too late."89

However, Shackleton's confidence in the political muscle of the N.C.E.O. was not shared fully by the Director, although his own concern over the immediate future of unemployment insurance and unemployment relief soon found expression. In April 1932, writing to Lord Weir, the Director announced his dissatisfaction over the growing "political interference" with the Transitional Payments scheme. "I find myself driven more and more to the conclusion," he continued,90

"that what we should set out to prove to the Government as a major proposal, is the necessity for the social services being removed from direct political control and manipulation. So long as one third of the population is actually drawing cash benefits at some time of the year ... we shall have to show the politicians a way out before we can get them to put our expenditure into relation with our trading capacity."

These were views which the N.C.E.O. had already developed before the Royal Commission on Unemployment Insurance and upon which they would have more to say at a later date. Even at this stage, however, they indicated the Confederation's contingent approval of the "solution" of 1931.

89 H.B. Shackleton to J.B. Forbes-Watson, 24 March 1932. N.C.E.O./NC/Misc./1/31/A.

90 J.B. Forbes-Watson to Lord Weir, 21 April 1932. Ibid.
Nothing in the next 18 months strengthened the N.C.E.O.'s confidence in the Government's handling of the unemployed. Lord Weir, for example, was especially perturbed over the "demoralisation" which he found settling in among the long-term unemployed. "We need to know how to deal with the soul as well as the body", he wrote in March 1933, "One possible method of attack is along the line of voluntary Social Service and self-help as enunciated by the Prince of Wales." 91 His organisation, however, showed no inclination to take any official action to encourage developments in this sphere of social action, and preferred to leave the whole subject of the rehabilitation of the unemployed to the Ministry of Labour and the voluntary agencies.

The N.C.E.O.'s concern over the future of Government unemployment insurance and relief policy in 1932 was tied in with a larger uncertainty over its relationship with the National Government. As was shown in Chapter 2, in the wake of the fall of the Labour Government the Confederation believed that it had earned the right to a formal say on the framing of the new Government's economic and social policies, and in order to convey this message it drafted a second installment to the "Blue Book" of February 1931. Completed at the end of 1931 and entitled, "The National Outlook", this document rehearsed the N.C.E.O.'s familiar complaints against the levels of unemployment benefit and unemployment insurance contributions. 92

The fate of the Report, however, was determined partly by an important political initiative by the Government in the employers' direction. In March 1932 the Minister of Labour informed the N.C.E.O. that when the Royal Commission on Unemployment Insurance reported, and the Government drew up its plans for the complete overhaul of unemployment insurance and relief, the Confederation would be fully consulted. 93 This assurance was among the factors which


92 N.C.E.O./Misc./1/31/A. Also, see Chapter 2, pp. 106-108.

93 Sir Henry Betterton to J.B. Forbes Watson, 2 December 1931. N.C.E.O./NC/Misc./1.783. and, Minutes of the Executive Council, 31 March 1932. N.C.E.O./NC/1/E.C.
ensured that the "National Outlook" was not released for political consumption. Had the Confederation issued the document, it is very doubtful that it would have made any impact upon the Government's immediate policy, but it would almost certainly have damaged the relations between the two sides and handed the T.U.C. an additional stick with which to beat the Government. However, by staying silent in 1932 the N.C.E.O. helped to ensure that it found a place in the discussions between the Government and other interested parties which preceded the Unemployment Act of 1934.

IV

THE FRAMING OF SOCIAL POLICY 1931-1936

It is widely accepted, but more so than at the time, that the political connection between the Royal Commission on Unemployment Insurance and the Unemployment Act of 1934 which established a dual system of unemployment maintenance - unemployment insurance and "unemployment assistance" - was a loose one. By the time that the Commission's Final Report was published in 1932, it had been overtaken by the experience of the Transitional Payments scheme and by discussions which were already underway in Whitehall on future policy for the unemployed. Consequently, the Final Report assumed the role of a focus for discussion rather than providing a precise blueprint for future policy.

In general terms, this is the view which has been popularised by Gilbert and it is followed usually in standard accounts of social policy between the Wars. In part, it derives its force from the disagreement which emerged between the Royal Commission and the Government over the future shape of unemployment relief. More recently, however, it has been given an additional weight by the work of Miller and others, who have argued that the Unemployment Act arose out of policy discussions which were restricted to the Cabinet and Whitehall and that the Act represented a "bureaucratic response to popular demands."


The evidence to support this view is considerable, but it has two weaknesses. Firstly, it has minimised unduly the concrete relationship between the Royal Commission's proposals on unemployment insurance and the 1934 scheme, and secondly, it has assigned little relevance to the general and specific proposals on the unemployed which were placed before the Royal Commission and the Government by other interested parties. At the time the T.U.C. argued that it had a viable political and social alternative to the plans of both the Royal Commission and the Government. However, in the political and economic circumstances of 1931-1934, the T.U.C.'s policy of "Full Maintenance" had even less credibility, at least in the Government, than it had done in the 1920's. The field was therefore left open for others whose plans for the unemployed were on the same political and social wavelength as those under consideration in official circles.

The Royal Commission on Unemployment Insurance and the interval which followed between its Final Report and the publication of the Government's Unemployment Bill offered the N.C.E.O. a unique opportunity to gather political support for its policy on the unemployed, and its last opportunity between the Wars to leave its mark upon a major item of policy which affected the unemployed. The conditions for a degree of political success certainly existed. By 1931, as we have seen, opinion generally was favourable to a permanent separation of unemployment insurances and relief. At the same time, the N.C.E.O.'s authority to speak on the subject was unchallenged, least of all by employers themselves. Finally, apart from the T.U.C., few of the interested parties could claim a policy on the unemployed which had such political currency, and which had been advocated with so much consistency.

Before the abolition of the genuinely seeking work clause by the Labour Government in 1930, no one had thought seriously about a Royal Commission on Unemployment Insurance, except and in a very tenuous way, employers. The circumstances in which the Commission was conceived and appointed were noted earlier. The first formal suggestion for a Royal Commission was made by the Minister of
Health to the Three-Party Committee on Unemployment Insurance in September 1930. The Commission was appointed in the following December under Justice Holman Gregory, with terms of reference which reflected the shift in political opinion on the unemployed which had taken place under Labour in office.

The Holman Gregory Commission was instructed to enquire into the working of the unemployment insurance scheme and to make recommendations as to "its future scope, the provisions which it should contain, and the means by which it may be made solvent," and "the arrangements which should be made outside the scheme for the unemployed who are capable and available for work." The Chairman, Gregory, and the six other members of the Commission were noticeably "non-political"; they included Henry Clay, the economist, Clara Rackham, a social worker, and H.M. Trouncer, a noted actuary. The careful selection of the members by the Ministry of Labour was designed to avoid the polarisation of opinion which had characterised the Blanesburgh Committee (although not the Report), and to ensure that the Commission would be receptive to Government advice.

The Commission began work in December 1930 and by the spring of the following year had taken the evidence which was to shape its First Report and exercise an influence over the Final Report. This evidence came from the Treasury, the Ministries of Labour and Health, Sir Alfred Watson, the Chief Government Actuary; from the main local authorities and from William Beveridge. The main thrust of the Treasury's evidence was the demand for an immediate cessation to borrowing. The representative of the Ministry of Labour and Watson restricted themselves to cataloguing the successive departures from the insurance basis of the scheme and to discussing the meaning of "abuse." The local authorities (particularly the Association of Municipal Corporations and the County Councils Association), assumed an actuarially based and self-supporting scheme.

96 Memorandum by the Minister of Health, 23 September 1930. CAB./21/325/A.C.U.I. 11. See also, B. Gilbert, op. cit. p. 79.
97 First Report Cmd. 3872, 1932, p.iii.
99 PIN./6/12/U.I./38225/1931.
would be established and recommended that all the able-bodied unemployed outside the scope of insurance "should be provided for at the cost of the state." However at this stage, they agreed that this class should be subject to a means test, conducted by the P.A.C.'s although the central responsibility for the scheme of public assistance should lie with the Ministry of Labour. 100

At the end of March 1931, William Beveridge gave evidence and put forward a complex scheme of unemployment prevention and compensation, the highlight of which was his proposal for segregating the unemployed into three classes. Class 1 would be provided for through an unemployment insurance scheme on the lines of the 1920 Act; Class 2, essentially the non-thirty stampers, would be dealt with through a national scheme of unemployment relief; and Class 3, consisting of the infirm and the work shy would come under the aegis of the P.A.C.'s. The first and second groups were to be dealt with by two Statutory Commissions connected with the Ministry of Labour, but not directly responsible to Parliament. 101 Six weeks later the T.U.C. appeared before the Commission and presented the case for a non-contributory scheme, sufficient to cover almost all the able-bodied unemployed and free from a means test. Like Beveridge, however, they agreed that unemployment insurance should be placed under the control of a "statutory body". 102

The N.C.E.O.'s attitude towards the Royal Commission on Unemployment Insurance was cooled initially by the circumstances in which it had been appointed. Like the Conservatives and the Liberals, employers had interpreted the appointment of the Commission as first and foremost a political manoeuvre, rather than as a sign that the Government intended to face up to the problem of the unemployed. Furthermore, as we have seen in previous chapters, by this date the N.C.E.O. would probably have preferred a wide-ranging enquiry into the social services as a whole. That ambitious goal continued to elude the Confederation, but the Gregory Commission seemed to the employers to point in this direction.

The N.C.E.O. was invited to present its evidence by the Commission in January 1931 and early in the following May a four-man team, led by J.B. Forbes-Watson, appeared before the Commission armed with copies of the *Industrial Situation* and a carefully synchronised statement on the unemployed. In the four preliminary sections of its evidence, the Confederation dealt with the history of unemployment insurance and "How Relief has come to be Paid as Benefit."

The criticisms which were put forward against unemployment insurance and social welfare generally were now more than familiar:\(^{103}\)

> What lies at the root of the problem is that the use to which Unemployment Insurance has been put in the last ten years has fostered the belief that this country has unlimited resources which can enable it to act as a universal provider against all ills by paying weekly benefits which are demandable as a legal right, without conditions attached, and without reference to either the recipient's own contributions or his needs.

In Section 5 of its evidence, the N.C.E.O. dealt separately with unemployment insurance and the "unemployment relief section of the problem." On insurance, the Confederation adhered to the position which it had adopted before the Blanesburgh and Morris Committees and laid emphasis upon five central recommendations. These were:

1. The Treasury should assume the full responsibility for the whole of the debt under the existing scheme.
2. Contributions between the three parties should be equal and should not exceed 5d. in the case of adult men.
3. The permanent scheme should incorporate a contributory-ratio rule and a yearly limit rule.
4. The level of benefits provided by the scheme should be determined by the contributory income and calculated in relation to the ratio and yearly limit rules.

The fifth recommendation was the only real departure from the N.C.E.O.'s established position on unemployment insurance. Following

Beveridge, from whom they had probably culled the idea, the employers suggested that unemployment insurance should be placed under the supervision of a "Board of Trustees" which would be charged with safeguarding the solvency of the Fund. 104 To this end, it would have the power to manipulate the statutory conditions of the scheme, the benefit levels, and to increase contribution rates up to a maximum of 1d. for the three contributing parties.

As on all previous occasions, it fell to the Confederation's Director to defend this position, and he quickly dispelled any thoughts on the part of Holman Gregory and his colleagues that the N.C.E.O.'s policy was simply a debating position. "We have throughout supported and still support a national compulsory system of unemployment insurance," he told the Commission, "provided it adhered to the fundamental conception and principles of the 1920 Act." 105 Nothing that the Commissioners said could budge the N.C.E.O.'s Director from this position. Trouncer, for example, pointed out that a scheme based upon "anything like a one-in-six rule" would restrict its scope to a mere 20% of the unemployed. So limited would it be, he added, "that there is a grave danger of its becoming ridiculous." Forbes-Watson, however, was not impressed. "On the principle of a ratio," he answered, "we are immovable." 106

Largely because of the N.C.E.O.'s rigorous position on unemployment insurance, the Royal Commission showed considerable interest in the employers' views on unemployment relief. This time, however, the Confederation had a position to defend which was clearer and also understood more widely. In Section 5 of its written evidence to the Commission, the N.C.E.O. admitted frankly that "the problem of those who have exhausted their rights to benefit constitutes the major part of the problem." In approaching this problem, it made four precise recommendations. The first recommendation was that any new scheme of unemployment relief should be based on the principles that, (i) relief should be given only after adequate enquiry and assessment


105 Minutes in Evidence, para. 8127.

of need," and (ii) relief should not be given "to any applicant who refuses to accept work which he is reasonably capable of performing, even though it is outside his normal occupation."

The N.C.E.O.'s views on the assessment of applicants was probably the least contentious feature of its evidence on unemployment relief. A more thorny question was posed by the Confederation's administrative framework for relief. The permanent machinery for the administration of relief, it admitted, was "a problem of the greatest complexity." However, it ruled out the need for the creation of a new agency tailored specifically to administer relief to the unemployed as superfluous, and indeed, "inconceivable". Instead, as its second recommendation, the N.C.E.O. proposed that relief should be administered jointly by the "existing Public Assistance and Employment Exchange Services." 107

In its third recommendation, the N.C.E.O. leaned again on Beveridge by suggesting that its decentralised system of relief should be under the direct control of a Statutory Commission which would determine the scales of relief and ensure that they conformed to the principle of less eligibility. The fourth and final recommendation followed from the Confederation's established priority of minimising the cost of the unemployed on Industry. Accordingly, it recommended that the financial burden of unemployment relief should be met by the Treasury, leaving the local authorities to bear "only such proportion as may be deemed necessary to ensure economic and efficient administration." 108

Each of these last three recommendations were to retain the interest of the N.C.E.O. in the future. However, the crux of its blueprint for the relief of the unemployed was its second recommendation, and here the question was essentially one of definition. How far did the unemployed outside insurance represent an industrial problem, as distinct from a social problem? Were the long-term unemployed to be lumped with the poor and infirm, or should they be

107 Statement of Evidence, N.C. 3500, p. 20. It was also suggested that, "the two Departments of State concerned ... put forward a joint plan showing the maximum of co-operation which is administratively possible between them for the building up of joint machinery for the administration of Unemployment Relief."

placed in a "more eligible" position? These questions had all but paralysed the Ministries of Labour and Health in the 1920's on the few occasions they were examined. Likewise, the N.C.E.O. had dodged the challenge posed by their own proposal for the separation of the unemployed. For the Royal Commission, however, the question of how the unemployed were to be classified demanded an answer.

Among the witnesses who advocated the separation of the unemployed before the Royal Commission, only the representatives of the local authorities and Beveridge seemed to have a clear conception of how the unemployed would be reclassified. However, the N.C.E.O. hovered uneasily between the two positions which these witnesses had adopted. "I suppose with regard to this question of relief," Forbes-Watson was asked by one of the Commissioners, "what you contemplate is the operation of the provisions with regard to public assistance." The N.C.E.O.'s Director, however, took a different view: 109

If we had merely meant that, we could just have said that when anyone falls outside insurance he can go to the Public Assistance Authorities. That is the very line we did not take. We went out of our way to try to make a contribution towards the building up of something different - leaving application to the public assistance authorities as the last resort for relief of a third class.

Forbes-Watson indicated that the employers envisaged a standard scale of relief for the unemployed who were outside insurance, and that N.C.E.O.'s scheme of relief would apply to "every able-bodied worker," but not to every "able-bodied man." 110

However, the real difficulty arose over the N.C.E.O.'s suggestion that two nominally distinct categories of unemployed could be treated appropriately without establishing an additional agency for class two. Under close cross-examination, Forbes-Watson resisted the argument that the N.C.E.O.'s proposals logically implied a new agency for unemployment relief, separated from both the Employment Exchange

109 Minutes of Evidence, para. 8187.

110 Ibid. para. 8191
and the P.A.C.'s. 111 The reasons, so far as they can be gleaned from his answers, were twofold. Firstly, it would not be in anyone's interest to cut the long-term unemployed off from the established machinery of job-placing and retraining. "We have further behind our minds," Forbes-Watson noted, "the fact that this co-ordinated organisation would not neglect that great aspect of the training and rehabilitation of those who have the misfortune not to find work." And secondly, only the P.A.C.'s he insisted, had the experience, the expertise and the personal insights which were required if an "adequate assessment of need" was to be made. 112

These views were firmly set within the intellectual penumbra of the Poor Law Commission which, as we have seen, Forbes-Watson and the N.C.E.O. had always held in high regard. However, in the manner and in the context they were put to the Royal Commission on Unemployment Insurance they diminished the Director's claim that the Confederation was seeking "something different" for the unemployed who were not eligible for unemployment benefit. In the employers' blueprint for the reorganisation of unemployment insurance and relief, the normative line between "unemployment relief" and public assistance was faint, and the Poor Law seemed to cross that line. Nevertheless, the Director's admission that some distinction between the unemployed and the poor might be necessary, was an important clarification of the N.C.E.O.'s position. How deeply it held this view, however, remains to be seen.

In 1931 the N.C.E.O.'s statements of evidence 113 to the Royal Commission on Unemployment Insurance enjoyed an expected backing in a general way from the evidence of the Association of Chambers of Commerce and a number of employers organisations, including the Railway Companies' Association and the Flour Milling Employers' 111, paras. 8188-8129. In this connection Forbes-Watson noted: "I am sure that you will not expect us to put many more clothes on this idea than are already upon it ... It is difficult for a big organisation to be articulate, and you will understand my personal reasons in not wishing to risk my arm too far." Para. 8193.

112 Ibid., paras. 8136-8153; 8194-8198.

113 The N.C.E.O. submitted an additional memorandum on the question of the trade union administration of the State scheme (Section 17), to which it still strongly objected. See Minutes of Evidence, pp. 1044-1046.
However, the extent to which either the N.C.E.O. or supporting groups of employers influenced the Royal Commission is hard to determine with any degree of accuracy. Certainly, along with the views of the T.U.C. and the local authorities, those of the N.C.E.O. were given a prominent place in the Commission's Final Report and several references were made to them in the text. At best, however, this indicated the extent to which, by 1932, the Confederation had established itself as an acknowledged authority on the problem of the unemployed.

The Royal Commission's scheme of unemployment insurance recognised some of the principles which were valued highly in the N.C.E.O., but it bore no practical resemblance to the 1920 parent Act. The Commission, for example, accepted the general propositions that unemployment insurance should not place an onerous financial burden upon Industry or interfere with the wages structure and the labour market. Having said that, it rejected the 1920 Act as essentially inappropriate for prevailing industrial and social conditions. In particular, it accepted the advice of Alfred Watson, the Government Actuary, that a scheme based on the contributory rates and the strict ratio rule advocated by the employers would place an unacceptable financial burden upon the State through the large numbers of unemployed workers which such a scheme would transfer to relief and public assistance.

In a memorandum commissioned by the Minister of Labour, the Government Actuary demonstrated that the N.C.E.O.'s insurance scheme would add an additional £7½ million to the existing £50 million which the Treasury was already providing under the transitional scheme. The Confederation also lost out on the important question of the unemployment insurance debt. By the time that the Commission reported the debt, as already noted, had reached

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114 See for example, Ibid., pp. 649-650.

115 To underline this fact, it published its evidence. See National Confederation of Employers' Organisations, Unemployment Insurance: Confederation's Evidence to the Royal Commission, "The Problem of the Unemployed". London 1931.

116 Final Report, pp. 98-105; 221-222.

its inter-war peak of £115 million. The Commission recommended that the debt should be detached from the Fund, but that it should remain the liability of the contributors. At an interest rate of 3\%, the Commission calculated that annual payments from the Fund of £4\frac{1}{2} million would be required to remove the deficit by 1997.\textsuperscript{118}

On the details of unemployment insurance, the important recommendations of the Royal Commission were: the lowering of the unemployment insurance age to 15; the raising of the income limit of the scheme from £250 to £350 to bring in lower paid white-collar workers, and the introduction of a two-tiered system of benefits. The 30 contribution rule was retained as the first statutory condition. On top of this, however, the Commission proposed a \frac{1}{10} rule, calculated on contributions over the previous five years. Under this arrangement, the existing yearly limit rule of 26 weeks was lengthened for workers with a good employment record.\textsuperscript{119} No changes were recommended in the existing rates of contribution (10d.) for the three parties, but despite the cuts of 1931, the Commission envisaged lower rates of benefit for adults.\textsuperscript{120} However, the novel feature of the scheme was the proposal for a Statutory Commission to run the new system, as proposed by Beveridge, the N.C.E.O. and others.\textsuperscript{121}

To deal with those workers who fell outside the 30 contribution rule the Royal Commission recommended a national, but decentralised scheme of "unemployment assistance". In fact, most of its members had favoured a centralised agency with national rules, but they were warned off the idea by Chamberlain in the summer of 1932. Their

\textsuperscript{118} Final Report, pp. 343-350.

\textsuperscript{119} Ibid., pp. 222-223. The yearly limit rule of 26 weeks had been restored to the unemployment insurance scheme under the Unemployment Insurance (National Economy) No. 2 Order of October 1931.

\textsuperscript{120} Ibid., pp. 354-355. The Commission adhered to the view which it had taken in 1931 that the existing rates of benefit were out of step with the fall in the cost of living. The rates recommended were: men, 15s.; women, 13s.

\textsuperscript{121} Ibid. pp. 163-171.
alternative represented an "uneasy compromise between social principles and administrative pressures relating to the future of means-tested unemployment relief." The Commission insisted that assistance to the genuinely unemployed outside insurance should be insulated from the taint of poor relief. Towards this end it recommended that the local authorities set up a new statutory committee, the "Unemployment Assistance Committee", which would take over the relief of all the able-bodied unemployed not on insurance. The Ministry of Labour was given vague supervisory powers which did not extend to rates of assistance, which would continue to be under local control. This was necessary partly because under the scheme, the cost of assistance would be borne in the first instance by the local authorities who, in turn, would be partly reimbursed through a revised Exchequer Grant.

The Final Report of the Royal Commission, signed by five of the seven members, was published on 7th November 1932. The T.U.C., which had denounced the Commission in 1931, showed no enthusiasm for its final conclusions and immediately sought a meeting with the Minister of Labour to discuss the Report. However, the local authorities, too, showed some alarm. By 1932, the difficulties which had arisen over the administration of the Transitional Payments scheme, together with the prospect of a large permanent load of unemployed outside insurance, had convinced many of the local authorities that the administration and the finance of unemployment relief was best taken out of the hands of local government. Their views found

122 F.M. Miller, _op. cit._, p. 172.

123 _Final Report_, pp.278-287. The Commission's financial proposals on unemployment assistance were similar to those which had been put forward by the May Committee in 1931. The main difference was that the Gregory Commission anticipated that the Treasury would carry the main share of the cost of relief.

124 The Minority Report was signed by W. Astbury, a Labour councillor, and Clara Rackham. It proposed a tripartite scheme of contributory unemployment insurance which would cover all manual workers. Benefit would be paid for as long as the worker remained unemployed and there would be no means test. Like the Minority Report of 1931, the dissenting Report of 1932 was ignored in the political debate which followed its publication.

125 See _The Times_, 9 February 1933.
one outlet through the Report of the Ray Committee, noted earlier, but they were heard loudly in political circles throughout the course of 1933. 126

The publication of the Final Report of the Royal Commission on Unemployment Insurance was regarded as a major political event within the N.C.E.O. On 12th November, five days after its publication, the Unemployment Insurance Committee issued the members of the Confederation with a detailed summary of the main recommendation of the Majority Report and then sat down to draw up a policy in the light of its recommendations. 127 The conclusions of the Committee were put before the Executive Council and the G.P.C. in December. The Gregory Commission, it argued, had given effect to three basic contentions of employers: that there should be a clear distinction between insurance and relief; that relief should be subject to a means test; and that, as far as possible, unemployment insurance and relief should be removed from the influence of national and local politics "by the interposition of some independent authority such as a Statutory Committee." On these grounds, the Committee noted, employers could not oppose the Report, but they should still seek to move the Government on points which vitally affected their interests. 128

The Government welcomed the Final Report of the Royal Commission, and promised legislation, but it gave few hints as to the exact shape which it would assume. At the end of December 1932, however, the Minister of Labour officially notified the N.C.E.O. that "before coming to any decisions on the Commission's Report, he wished to receive the views of the Confederation on the subject." 129 This request was what the employers had been waiting for. On 8th February 1933 the two sides met, the N.C.E.O.'s deputation led by the

126 See The Times, 9 February 1933.


129 Minutes of the General Purposes Committee, 21 December 1932. N.C.E.O./NC/1/G.P.C.
Confederation's President, Lord Gainford,\textsuperscript{130} and by the Chairman of the Unemployment Insurance Committee, W.A. Lee.

In its written statement to the Minister, the N.C.E.O. "noted with satisfaction" that the Royal Commission had followed in principle the views which it "has for the past ten years urged upon successive Government's," and asked the Minister to adhere to the general outline of the Majority Report in drafting the new legislation. However, the Confederation expressed "profound disappointment" that the Commission's scheme of unemployment insurance and unemployment assistance offered no relief for employers from their existing direct and indirect financial commitment to the maintenance of the unemployed.\textsuperscript{131} It then dealt in detail with the Gregory Report, covering both unemployment insurance and unemployment assistance. On unemployment insurance, the N.C.E.O. adhered in principle to the position which it had adopted before the Royal Commission, but it recognised that a dogmatic defence of the 1/6 rule was not likely to influence the Minister of Labour. Its alternative tactic, however, pointed in the same direction. The N.C.E.O. argued that the benefits proposed under the scheme, although lower than the existing rates, were still unacceptable to employers, and that there was room for a further reduction. In justifying this contention, the N.C.E.O. appealed, firstly, to the cost-of-living argument, and secondly, it argued that any permanent scheme of unemployment insurance must avoid the perpetuation "of the present position, under which Insurance Benefits have come to be widely adopted by Local Authorities as the normal standard scale for Relief purposes." The Confederation further submitted that:\textsuperscript{132}


\textsuperscript{131} "Unemployment Insurance - Royal Commission's Report. Statement for Deputation to the Minister of Labour on 8 February 1933." N.C.E.O. NC.14/C4/64. N.C. 3875.

\textsuperscript{132} Ibid.
so long as Insurance Benefits are maintained at a level which enables that situation to continue, it will be impossible to re-establish and maintain that clear cut distinction between 'Insurance' and 'Assistance' which is the fundamental basis of the Royal Commission's proposals and which, we feel sure, the Government will be as anxious as the Confederation to safeguard in its proposed legislation.

Under the N.C.E.O.'s alternative proposals, the priority in framing the new unemployment insurance legislation would not be the level of benefits, but the level of contributions. If benefits were reduced by 20%, the employers suggested, it would be possible to build the new scheme around an emergency contribution rate of 8d. for the three parties, although the Confederation envisaged a "permanent" rate of 5d. To assist the scheme in moving towards these financial targets, the employers suggested that any new legislation should provide for the automatic transfer of savings accrued under the emergency rate to fund a future reduction and that, contrary to the recommendation of the Gregory Commission, the Government should assume the whole responsibility for liquidating the existing debt of the Unemployment Insurance Fund. 133

On the subsidiary features of the Gregory unemployment insurance scheme, the N.C.E.O. had very little to say, and most of it was negative. The Confederation remained opposed to the lowering of the unemployment insurance age, principally on the ground of cost. It also rejected the Commission's recommendation on the income limit of the scheme. That change would cost employers an estimated £500,000 in its first year of operation, and equally important, "from the standpoint of management, the bringing into the insurance scheme of higher grades cannot but have detrimental reaction." 134 Finally, as in 1924, 1926, and in its evidence to the Royal Commission, the N.C.E.O. opposed the retention of Section 17, covering the trade union administration of the State scheme. 135

133 Ibid.

134 This was presumably a warning that unemployment insurance for managers would result in revised wage claims from white-collar unions and staff associations.

135 By 1933 the N.C.E.O. had three objections to Section 17 in addition to the complaint which was made in 1924 (see above p. 158.). These were: (1) that it was wrong in principle to allow a tripartite scheme to be administered by one of the parties; (2) that the cost of the Treasury grant to trade unions administering the scheme (£128,000 in 1931-32) represented a loss to the Unemployment Insurance Fund; and (3) it increased the net cost of the Employment Exchange system.
The crux of the N.C.E.O.'s case by 1933 thus remained social, but its immediate political objectives were financial. This preoccupation was understandable in view of its general analysis of the unemployment problem at this date. After their meeting with the Minister of Labour in February, the Confederation's representatives pressed their case at a further meeting with Betterton in April in connection with the tripartite talks between the T.U.C., the N.C.E.O., and the Ministry of Labour on the absorption of the unemployed, and again in July 1933 in the shape of an interim report on unemployment. There is no indication, however, that the Confederation's arguments for an unemployment insurance scheme tied either to an 8d. or a 5d. contribution rate carried any weight in the Ministry of Labour, and still less, with the Treasury.

As soon as the Final Report of the Royal Commission was completed, it had been passed to a Ministry of Labour committee of senior officials to scrutinise. That committee, headed by Betterton and designated the "Committee on New Legislation", decided in the spring of 1933 to make no substantial changes in the existing contribution-benefit structure of unemployment insurance, and during the course of the year it worked its way through the Commission's proposals almost completely insulated from the developing political debate in the Government's forthcoming legislation.

However, when in February 1933 the Minister of Labour met the N.C.E.O., his mind was much less certain on the Royal Commission's proposal on unemployment assistance. The case which was put forward by the N.C.E.O. on this question sought to clarify his thinking. In


its submission to the Minister the Confederation rejected emphatically the Royal Commission's proposals for a third specialised agency, separate from the P.A.C.'s and the Employment Exchanges to deal with the long-term unemployed. "It is clear from the Report," the N.C.E.O. noted with suspicion, 138 that the object of the Commission's proposal is to remove from the new 'Assistance' system any stigma which may at present still attach to the Public Assistance system of Poor Law relief ... In these circumstances, this new system may attract to itself persons who at present refrain from asking Public Assistance because of their reluctance to being associated with the body which administers Poor Law Relief.

In the N.C.E.O.'s view, there were two alternatives to the Royal Commission's scheme of unemployment assistance. One of these had been indicated by the Ray Report and implied a centralised scheme of relief in which the local authorities would play no active part and bear none of the cost. However, this alternative was ruled out by the employers for several reasons. They contended that "such a system, although freeing the administration from local politics, would throw it into the opposite extreme of national politics," and further, that although the local authorities could not be asked to carry the full burden of unemployment relief, they had a legitimate obligation to carry some of the cost, if only as a "financial inducement to economy." 139

This left the N.C.E.O. free to state the second alternative to the Royal Commission's scheme, namely, its own plan for a decentralised system of "unemployment relief", in the most favourable terms 140

In the whole circumstances ... if the influence of national and local politics is to be reduced to a minimum it can only be done through some machinery which will ensure that the responsibility for the administration of the system is shared between the local authorities and the national authorities, and further, that if in such machinery the tradition and the experience of the present Public Assistance Committees are to

138 Statement for Deputation, 8 February 1931. N.C. 3875.

139 Ibid., The N.C.E.O. noted that "this question ... is likely to be one of the most controversial issues in the Government's new Bill."

140 Ibid.
be retained and the local disbursement of Exchequer funds safeguarded, it can only be done by 'welding' together the existing Public Assistance Committees and representatives of the Ministry of Labour.

Finally, in outlining this alternative, the Confederation reminded the Minister of Labour of the importance of appointing a Statutory Commission which would have wide powers to supervise this decentralised scheme of relief, including "the right to initiate and submit proposals to the Minister, as well as the right to be consulted on the Minister's proposals." 141

The N.C.E.O.'s policy on unemployment relief had an immediate relevance of which it was probably unaware. By the time that the employers saw the Minister of Labour, the Cabinet had also rejected the Royal Commission's scheme of unemployment assistance and was looking for an alternative, but it was divided over what shape this should take. On the one hand, Chamberlain (and the Minister of Health, Hilton Young), wanted a national, centralised scheme of relief, against his earlier advice to the Royal Commission. 142 His scheme, first put before the Cabinet in December 1932, and later elaborated as a plan for a comprehensive scheme of "national assistance", envisaged the creation of a Statutory Commission, independent of Parliament, charged with the responsibility for the existing transitional class and all unemployed persons and their dependants on public assistance, apart from the sick and disabled. The scheme would be supervised locally by Assistance Commissioners and there would be a standardised means test for all applicants. 143

These ambitious proposals, however, aroused stern opposition from the Minister of Labour. Betterton argued that any new system of unemployment assistance should retain some degree of direct political accountability. "Ministerial responsibility is the price of Parliamentary government," he argued. He also maintained that the P.A.C.'s had done valuable work and should be given a fair trial.

141 Ibid.
More importantly, he objected to the Chancellor's scheme on the grounds that it would formally bracket workers of a "good industrial type," with the "worst end of the poor law," vagrants, casuals and the "habitual poor." He believed, finally, that the Chancellor's scheme would probably require "a general standard [of assistance] more severe than public opinion is likely to accept." The Minister of Labour's alternative, which he put before the Cabinet in January 1933, also envisaged the creation of a Statutory Commission, but with advisory powers only. Under this scheme, however, the unemployed would be left where they were, in the hands of the P.A.C.'s and the Employment Exchanges.\textsuperscript{144}

The division in the Government at the beginning of 1933 over the long-term unemployed was not immediately resolved. How far the Minister of Labour was strengthened in his view by his knowledge of the N.C.E.O.'s desire for a decentralised scheme of unemployment relief is a matter for speculation only. However, for almost three months he defended stoutly a policy on the machinery of unemployment relief which was in outline the same as that which was envisaged by the employers,\textsuperscript{145} although the latter were probably willing to place more emphasis upon the retention of a poor law element in any new scheme.

The crucial stage in the Cabinet controversy between Chamberlain and the Minister of Labour came in April 1933 when Betterton put forward a compromise proposal for the creation of an "Unemployment Assistance Board," (U.A.B.). The new Board was to have jurisdiction over all able-bodied unemployed under the age of 65 who "normally work for a living," but the P.A.C.'s would remain as the proper agencies for those in need of assistance from causes other than unemployment, such as widow's and orphans. The Board would be subject to the Minister of Labour in determining the standard of assistance and the various rules governing the receipt of assistance, but it would be insulated from central interference in executive


\textsuperscript{145} See F.M. Miller, \textit{op. cit.}, pp. 177-178.
This plan was accepted by Chamberlain and the Minister of Health in principle and the details were worked over the summer of 1933.

The long awaited Unemployment Bill was published on 9th November 1933 and introduced to the House of Commons by Betterton on 30th November. Part I of the Bill (Unemployment Insurance) departed from the Final Report of the Gregory Commission in two main respects. Firstly, the Minister adopted the existing rates of benefit under the Transitional Payments scheme, and secondly, he ignored the Commission's recommendation to raise the income qualification for unemployment insurance to £350. However, the pivots of the Gregory scheme, the 30 contribution rule and the 1/10 contributory-ratio rule were incorporated into the new scheme. Likewise, the Bill adopted the Gregory recommendations on the contribution rates (10d.), and with minor adjustments, the arrangements for the redemption of the debt of the Unemployment Insurance Fund. Finally, as anticipated by everyone, the Bill proposed to place the scheme under the supervision of an independent body, the "Unemployment Insurance Statutory Committee", which would monitor the solvency of the Fund and make recommendations to the Minister on any changes in the administration and finance which might be required.

Part II of the Unemployment Bill, to which Betterton devoted most of his Second Reading speech, dealt with the administration and finance of the Unemployment Assistance Board. The question of the allocation of the cost of unemployment assistance, which as we have seen, had been an important issue for the local authorities and the employers alike, was agreed between Chamberlain and the representatives of the local authorities in the autumn of 1933. Their financial contribution to the U.A.B. was eventually calculated on a percentage basis against the cost of out-door relief in 1932-1933, leaving local government with an estimated annual contribution to the Board of £4 million. This figure was higher than the local authorities anticipated, but it nevertheless represented a

146 Ibid., pp. 180-182.
147 Unemployment Insurance Bill, 1933. Explanatory Memorandum on Clauses, Cmd. 4464, 1933, pp. 2-16.
substantial concession from the Treasury.\textsuperscript{149}

However, the Minister of Labour's description of his Bill as "one of the most comprehensive and constructive pieces of legislation which have been introduced to this House," was not endorsed by the T.U.C. and the Labour Party, although much of the opposition which they mounted against the Bill as it moved through Parliament was ritual and ineffective. Nevertheless, the Opposition was able to derive some political capital out of the broad resemblance between the Unemployment Bill and the N.C.E.O.'s well-known views on the subject of the unemployed. Thus for example, during the Committee Stage of the Bill in February 1934, the Labour M.P. for Ebbw Vale, Aneurin Bevan, complained that, "this Bill has been drafted to suit the requirements of the employers," and drew the attention of the House to the N.C.E.O.'s evidence to the Gregory Commission. "As faithful as his master's voice," he argued, "the Government bring forward a Bill embodying the wishes of the Employers' Confederation."\textsuperscript{150} This criticism and similar barbed comments from the Opposition benches struck a sensitive spot in the National Government and probably contributed to its decision in April 1934 to restore fully the 1931 cuts in benefit.\textsuperscript{151}

To the very end the N.C.E.O. defended the case for a low-cost, minimum benefit scheme of unemployment which was only marginally in advance of the 1920 model. Well before the Unemployment Bill was published, the Confederation was making preparations to defend its policy on the unemployed. In the wake of its meeting with the

\textsuperscript{149} The net result for the Treasury was an estimated annual charge of £74 million for unemployment assistance, only £1 million less than the cost of transitional payments in 1932-1933, and substantially higher than the national charge which had been envisaged by the Gregory Commission. See \textit{Parl. Deb.}, 5th Series, 1933-1934, vol. 284, cols. 51-53.

\textsuperscript{150} \textit{Ibid.}, vol. 285, col. 1605.

\textsuperscript{151} The restoration of the cuts was announced by Chamberlain in his Budget on 17 April and the appropriate clauses were later inserted into the Unemployment Bill. Memorandum by the Minister of Labour, 27 April 1934. CAB./24/249/ C.P. 119.
Minister of Labour in February 1933, however, the N.C.E.O. was uncertain as to how far the Government would act upon the recommendations of the Gregory Commission. In June 1933 the Executive Council felt it necessary to remind employers that "it is difficult to over-estimate the importance of which will attach to the terms of the Government's comprehensive Bill." However, the Council believed that, "with the background of the work which it has already accomplished," the N.C.E.O. would be "well prepared for dealing with the many important issues which will arise." This confidence was justified, but it glossed over the very limited room for political manoeuvre which was now available to the employers.

When the Unemployment Bill was published in November 1933 it brought an immediate sigh of relief from the N.C.E.O. As the Executive Council noted, the new measures gave effect to the general principles of the Gregory Report and the Confederation's evidence to the Commission. However, apart from the income limit, almost all of the questions which the employers had raised before the Minister of Labour earlier in the year remained outstanding. Accordingly, "as a matter of urgency", the Unemployment Insurance Committee was instructed to draw up a statement on the Bill for submission to Betterton before the Second Reading. The N.C.E.O.'s memorandum, forwarded to the Minister on 24th November, made no attempt to conceal the fact that it regarded the Bill as a version of its own policy.

As you are aware, the Confederation has throughout attached the utmost importance to a clear distinction being drawn between the Unemployment Insurance on the one hand, and Unemployment Assistance on the other; to Unemployment Assistant being subject to a means test and to both being removed as far as possible from the influence of national and local politics, and the Confederation would wish at the outset to express its appreciation of the extent to which these vital principles are incorporated in the Bill.

Having said this, the Confederation rehearsed the position with regard to contributions and benefits which it had adopted since its evidence to the Gregory Commission, although no substantial objections were raised against Part II of the Bill. Over the next few months, the N.C.E.O.'s political resources were directed towards two main goals: the introduction of an 8d. contribution rate; and relieving of Industry from any responsibility for the accumulated debt of the Fund. The return for this effort, however, was very small.

Early in January 1933, a deputation from the N.C.E.O. headed by the President and W.A. Lee, met the Minister of Labour for a second time to press its views on the Bill. Betterton, however, gave no indication whatever that he was willing to make any concessions to the employers. Moreover, he pointed out that any reduction in the rates of contribution "would immediately raise the question of restoring the emergency 10% cut in benefit which also took place in October 1931." There was no reply to this political argument, but the Confederation had not yet exhausted its options. In January it circulated a series of amendments to M.P.'s on both sides of the House which, in one way or another, would reduce the cost of unemployment insurance to the contributors, but there were no practical results. Finally, when in April the Government announced that it intended to increase benefits, the N.C.E.O. requested various sympathetic M.P.'s to press for an equivalent reduction in contributions. According to the Executive Council, "as a result of the attention focused upon this matter," the Government agreed to reduce the annual debt charge on the Unemployment Insurance Fund by £500,000. Armed with this token concession, the N.C.E.O. retired formally from debate on the Unemployment Bill, although not

155 Note on Deputation to the Minister of Labour, 11 January 1934. N.C.E.O./NC.16/C4/16/71, and N.C. 4320.

156 Minutes of the Unemployment Insurance Committee, 9 January 1934. N.C.E.O./NC/16/C4/16/71. There were three main amendments: (1) to reduce the yearly limit rule from 26 weeks to 13 weeks; (2) to reduce contributions for workers and employers from 10d. to 8d; and (3) to ensure that any surplus in the Fund would be applied to reducing contributions, so long as the existing rates were above 6d.
from the debate on the maintenance of the unemployed.\textsuperscript{157}

The Gregory scheme of unemployment insurance fulfilled the expectations of its architects. Under the guidance of the Unemployment Insurance Statutory Committee, set up in July 1934 with William Beveridge at its head, the Unemployment Insurance Fund quickly moved into solvency, and by the beginning of 1936 it had accumulated a net surplus of £21 million.\textsuperscript{158} At the same time, the subject of unemployment insurance moved from the centre of the political stage which it had occupied for almost a decade and a half. As anticipated, the Statutory Committee contained political discussion on the scheme and translated it directly to Whitehall.

However, both the T.U.C. and the N.C.E.O. were represented on the Statutory Committee and the employers' spokesman, A.L. Ayre,\textsuperscript{159} was quick to assert their social and financial priorities. The Confederation also wasted little time before it asserted its collective authority before the Committee. As soon as the unemployment insurance scheme moved into prosperity, it reopened its campaign for lower contributions, beginning in earnest in June 1935, with a deputation to Beveridge and his colleagues. However, the N.C.E.O. now set its sights on securing a modest 1d. reduction and the acknowledgement of the principle that the first charge upon any surplus in the Fund should go towards lowering contributions.\textsuperscript{160}

The N.C.E.O.'s subsequent relationship with the Unemployment Insurance Statutory Committee was distinguished by an absence of rancour, despite disagreement. The employers' financial priorities


\textsuperscript{158} On the work of the Statutory Committee, see B. Gilbert, op cit., pp. 179-180, and R.C. Davison, op. cit., pp. 49-51.


were not recognised immediately by the Committee. In October 1935, for example, the Minister of Labour, acting upon the advice of the Committee, appropriated £1½ million from the Unemployment Insurance Fund to finance a 1s. increase in child allowances. The Confederation argued that this generosity was misguided and inopportune.161 However, in the following year the N.C.E.O. was more fortunate when, after further representations, it persuaded Beveridge and his Committee to recommend a 1d. reduction in the contributions for the three parties. This suggestion was adopted by the Government and implemented in July 1936, at an annual saving of £2 million to the contributors. With cautious optimism, the Confederation's Executive Council welcomed the concession as the sign of a "definite tendency to arrest the hitherto progressive growth of social expenditure."162

However, the dignified restoration of unemployment insurance was not emulated by the Unemployment Assistance Board. Formed in July 1934 under the chairmanship of Sir Henry Betterton, the Board was immediately beset by organisational difficulties but more especially, by working-class opposition to its personnel and policy. The controversy which developed around the U.B.A. in January 1935 when it assumed responsibility for the transitional class of the unemployed has been fully documented elsewhere.163 The main trouble arose from the Board's attempt to impose a uniform scale of assistance (24s. for a man and wife), in conjunction with a rigid means test. The popular outcry which followed undermined the authority of the Board, raised a question about its competence, and led directly to the Standstill Act of February 1935. This Act allowed the unemployed to accept Board Assistance, or relief from the P.A.C.'s, whichever rate of payment was more favourable to them. At the same time, the Act postponed indefinitely the date on which the U.A.B. would assume responsibility for the remaining unemployed on public assistance.


162 Ibid.

The N.C.E.O.'s preoccupation with unemployment insurance during and immediately after 1934, left it little time to make a considered appraisal of the new system of unemployment assistance. However, there was also no real incentive for employers to challenge it. In the memorandum which it submitted to the Minister of Labour in November 1933, the Confederation accepted the Unemployment Assistance Board as a political fait accompli, but no less so, as an acceptable alternative to its own proposal for a decentralised relief scheme "welded" out of the P.A.C.'s and the Employment Exchanges. This proposal, in any case, had always suffered from a lack of precision.

Commenting upon the proposed Board at the end of 1933, the Confederation argued that its success in the future "would depend in no small measure upon the type of administrative machinery which evolves." Once the Board was set up, however, the Confederation's doubts faded quickly. In May 1935 the Executive Council commented upon the Standstill Act and gave the Board a firm vote of confidence:

The Council profoundly regrets that the new system should have met with this serious check in the early stages of its operation and, having regard to the important and far-reaching principles which the problem involves, it sincerely trusts that a satisfactory solution will be found.

As the N.C.E.O.'s leaders must have recognised by now, the Unemployment Assistance Board could offer no guarantee that its standards and methods would be insulated from political pressure. On the contrary, centralised relief proved to be "more sensitive to the breath of criticism than any decentralised system had ever been." However, when it was heard, this criticism did not come from employers. By 1936 the N.C.E.O. and employers generally were prepared to back the U.A.B. as a political necessity, but also, as an administrative experiment which came nearest to embodying their conception of "sound" social policy.

165 Ibid.
THE N.C.E.O. AND THE "SOLUTION" OF 1934

In drawing this chapter to a close, there are four general conclusions which can be drawn about the N.C.E.O.'s impact upon the debate on the unemployed after 1929.

Firstly, one of the distinctive features of the period immediately after 1929 was the acute politicisation of unemployment insurance. However, whereas during the 1920's the political initiative in the debate on the maintenance of the unemployed came mainly from the Left, after 1929 it shifted decisively from the trade unions and the Labour Party to the employers and the Conservative Party. This political shift, as already noted, contributed to the downfall of the second Labour Government, but it also altered the terms of the debate on unemployment insurance and the unemployed. The N.C.E.O. was among the important agents which helped to redefine this debate in terms of the separation of insurance and relief.

Secondly, by fostering political discussion of the separation of the unemployed, the N.C.E.O. made a direct contribution to the making of the Unemployment Act of 1934. The Act itself developed out of two Government initiatives; the appointment of the Royal Commission on Unemployment Insurance, to which employers were not party, and the Transitional Payments scheme, to which they were. The N.C.E.O.'s contribution to future policy was as a focus for the emerging consensus of conservative opinion which favoured a permanent and comprehensive solution to the problems of the unemployment insurance scheme. Without this coalition of opinion on the political Right, official action on the basis of the Holman Gregory Report would not have been prevented, but it might have been delayed.

Thirdly, although the N.C.E.O. helped to shape the terms of the debate about the unemployed and solidify opinion during the early 1930's, its practical influence on Government policy remained very limited. The only important marks which employers left upon the 1934
scheme of unemployment insurance were mediated through, and refined by the Holman Gregory Commission. The most obvious example was the 1/10 contributory ratio rule, and the most obvious failure for employers was on the rates of contribution. The basic fact was that by 1931 and even more by 1933-1934, the N.C.E.O.'s views on unemployment insurance were obsolete. Its practical contribution to the making of the Unemployment Assistance Board were equally limited. At best, the views of the N.C.E.O. on unemployment relief gave the Ministry of Labour added confidence in opposing Chamberlain's plan for a centralised scheme of national assistance which would bracket the unemployed firmly with the poor. However, the compromise - the U.A.B. - was the distinctive child of Whitehall.

Finally, the Unemployment Act of 1934 nevertheless recognised many of the general priorities of employers. It erected an unemployment insurance scheme which, although in advance of the 1920 Act, was limited in its scope; in the benefits which it provided for the unemployed, and in the degree of financial liability which it entailed for the three contributing parties. Against these advantages, the N.C.E.O.'s complaints against the rates of contribution should be seen only as special pleading, rather than as a serious accusation against the new scheme. In the other direction, employers gained as much, if not more. The Act separated, and provided for the unemployed outside insurance on different social principles, but perhaps most important of all, it acknowledged the problem of the long-term unemployed as a national responsibility and released employers from any direct responsibility for their maintenance. For all of these reasons, the N.C.E.O. regarded the Unemployment Act of 1934 as a vindication of its own policy.
The N.C.E.O. was an important employers' organisation. When it was formed after the War, British employers were divided in their attitude towards many economic, labour and social questions. The Confederation met the needs of employers for a national organisation which could compete with the T.U.C. and which could formulate coherent policies on their behalf. However, the survival and the development of the N.C.E.O. was secured at a cost. The price of the unity and competent leadership which it offered employers organisations was the domination of their views on labour and social issues by the spokesmen for the large staple and exporting industries.

The N.C.E.O. filled the institutional role, legitimised by the Government throughout the inter-war years, as a strong employers' organisation which could mediate between Industry and the State and which could offer an independent response to the challenge of organised Labour and Socialism. However, in assuming this vacant role, the Confederation diminished rather than enhanced the prospects for a general or lasting consensus between the State, organised labour and employers. The N.C.E.O.'s commitment to industrial and social reconstruction after the War was always tenuous, and at best, hedged with conditions. Employers' leaders like Sir Allan Smith wanted co-operation with the trade unions and the Government, but on terms which were defined by employers. This did not preclude agreement on specific issues, but it narrowed the scope for agreement.

The N.C.E.O.'s main preoccupation in politics between the Wars was the unemployment problem, and it played an active and sometimes conspicuous role in the political controversy which developed around the subject. Its leaders distinguished themselves from other groups of employers and from most orthodox economic opinion after the War in their grasp of the potential scale and duration of unemployment and of its political potency. This was emphasised by their early attempt to formulate a collective policy on unemployment for employers and by the eventual emergence of this policy in 1925-1926.
The N.C.E.O.'s prognosis of the unemployment problem can be seen as a direct response to the challenge which was posed by Labour's campaign for "The Right to Work", but it was also a reaction to the threat of State intervention in industry, and against the monetary bias of Government economic policy. In stressing the "internal" aspects of the economic recession, the Confederation sought to direct attention to the constraints which employers faced in the workplace, in the shape of rigid wage levels and working conditions, and in the sphere of Government policy, in the shape of social taxation and the "social wage". As a whole, this approach to unemployment attracted little real support either in industry or in official circles, but it nevertheless represented a distinctive contribution to the debate.

The N.C.E.O. was the first major employers' organisation after the War to construct a settled policy for economic recovery and the reduction of unemployment. In doing so, it established employers in the staple industries as a recognised force in politics. The N.C.E.O.'s frequent expression of concern over wages during the 1920's heightened the political temper of industrial relations and helped to create a climate of political opinion which was sympathetic to employers' complaints against the trade unions. At the same time, the Confederation's persistent criticism of the Government social policies served to focus political attention on the relationship between work and social welfare. This probably contributed to the general reaction against increased social spending during these years. More importantly, however, it fashioned a part of the political context within which N.C.E.O. challenged the labour movement and the Government on the treatment of the unemployed.
The post-war development of the N.C.E.O. cannot be understood fully without reference to the unemployed. One of the few issues upon which the Government, the T.U.C. and the Confederation were agreed after the War was the extension of the scheme of contributory unemployment insurance. The subsequent collapse of the scheme opened the way for the T.U.C. to mount its campaign for "Full Maintenance", but it also fixed the N.C.E.O.'s attention upon the maintenance of the unemployed for more than a decade.

Although the N.C.E.O. played an active part in the political debate of unemployment insurance during the immediate post-war years, its presence and the relevance of its views on the unemployed were not confirmed until the completion and publication of the Report on Unemployment Insurance in 1924. For the Confederation and for politics generally, the Report had a central significance. It provided the N.C.E.O. with a focus of policy around which to unite employers and upon which the Confederation could establish its authority in the field of social policy. At the same time, the proposals which were put forward in the Report offered a direct alternative to the T.U.C.'s policy on the unemployed and a blueprint for the Government's future policy. As a result, from 1924 onwards the N.C.E.O. moved from the sidelines to centre of the inter-war debate on the unemployed.

The N.C.E.O.'s impact on political discussion about the maintenance of the unemployed in the decade between 1924 and 1934 was felt in several ways. As the champion of a low benefit, low cost and actuarially-based scheme of unemployment insurance, the Confederation had few rivals in politics during these years. Although its insistence that unemployment insurance should be restored to the lines of the 1920 scheme was ignored by the Government, the N.C.E.O.'s defence of the broad principles of insurance gave the Government a weapon with which to counter the demands of the T.U.C..
However, the intervention of the N.C.E.O. in the politics of the unemployment debate during the 1920's effectively widened the terms of the debate. Up until the publication of the Report on Unemployment Insurance this debate was concerned largely with the question of the level of provision for the unemployed and the terms upon which it should be granted. After 1924, however, the Confederation's criticisms directed attention towards the finance of the scheme. As a result the level of contributions and the conditions of the Unemployment Insurance Fund became live political issues. At the same time, the N.C.E.O. was able to open and sustain a more general dialogue with the Government over distribution of the financial responsibility for the unemployed.

There were many critics of unemployment insurance after 1920, but apart from the N.C.E.O., very few of them advanced their criticisms as part of a comprehensive plan for the reform of the scheme, and for altering its relationship with the Poor Law. Herein lay the N.C.E.O.'s constructive contribution to the political debate on the unemployed. After 1924 the Confederation sought with persistence to focus the attention of the Government, and political opinion in general, on the case for separating unemployment insurance from all forms of unemployment relief. In presenting this case, the employers made a heavy political investment in the Majority Report of the Poor Law Commission, and in persuading the Government to accept the main financial responsibility for the long-term unemployed. Although neither of these investments were realised fully, in the N.C.E.O.'s view, they were given sufficient recognition by the Unemployment Act of 1934.

How far the N.C.E.O. influenced Government policy on the maintenance of the unemployed between the Wars is difficult to establish with precision. If this influence is measured in terms of concessions which the Confederation managed to secure, then it was undoubtedly very slight. Few changes made in the unemployment insurance scheme or in the arrangements for the unemployed outside insurance which can be attributed entirely to employers. Indirectly, however, the N.C.E.O.'s influence was probably quite considerable.
Between 1924 and 1934 it exerted sustained pressure upon the Government for a decisive change in the direction of policy. This pressure helped to secure the appointment of the Blanesburgh Committee in 1925 and it gave an important impetus to the debate on the unemployed in the crucial period between 1929 and 1931. At the same time, the N.C.E.O. functioned throughout the inter-war period a translator of ideas about the maintenance of the unemployed. While few of these ideas were its sole property, the N.C.E.O. provided one medium through which they were guided into the political arena and subjected to scrutiny and discussion. Within these terms, the Confederation made a practical contribution to shaping political opinion and public policy on the unemployed.

Viewed as a whole, the N.C.E.O.'s involvement in the politics of unemployment added up to a major effort by one cohesive group of employers to assert its views and its policies against those of organised labour and the Government. This effort demonstrated the strengths and the limitations of the Confederation as a pressure group, but it also testified to the effectiveness of the unemployment problem in mobilising employer's organisations in the staple industries. To neglect the N.C.E.O.'s contribution to the unemployment debate is to overlook a large and significant dimension of politics between the Wars.
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