

THE ROLES OF UNEMPLOYMENT INSURANCE AND UNEMPLOYMENT ASSISTANCE IN GREAT BRITAIN

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WHEN THE Committee on Economic Security was working out a suggested pattern of unemployment insurance for the United States, major consideration was given to the relation between an insurance system and the extensive existing programs for relief of the unemployed. There was strong sentiment against the commingling of insurance and relief such as had developed in Great Britain after 1920 and before the establishment of a special category of unemployment assistance in 1934. Unemployment insurance was conceived as a first line of defense, but a rather narrow first line. Beyond the limited number of weeks during which unemployment benefits would be payable, the hazard of unemployment was to be met through a substantial Federal relief program. A work-relief program was already under way in 1934, and the Congress which considered the Social Security Act had before it also plans for extension of work relief. This existing relief set-up doubtless contributed to the willingness of the committee to recommend an unemployment insurance system which would provide benefit rights as limited as those which the actuaries considered possible if the system was to be self-supporting on the basis of a 3-percent pay-roll tax.

Today, after 2 years of experience with benefit payments, attention is again turning to the fundamental issue of the proper scope of unemployment insurance and its appropriate role in the total program of aid to the unemployed. Experience has emphasized the fact that long waiting periods and low weekly benefits mean supplementary relief payments and that limited duration of benefits means a shifting back and forth from unemployment insurance to relief of considerable numbers of workers. The importance of developing our unemployment insurance system until it provides benefits adequate both in amount and duration to the group it covers is coming increasingly to be recognized.

In very broad terms, it might be said that there is general agreement as to the desirable scope of unemployment insurance; it should provide, for

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workers normally and currently attached to the labor market, weekly benefits related to previous full-time earnings and continued for periods long enough to carry the workers through "normal" short-run unemployment. For workers who are unemployed over considerable periods of time, the provision of opportunities for work relief and retraining may be more desirable than cash benefits, and beyond a certain period society cannot afford to provide assistance without requiring the recipient to prove his need. Just where the line shall be drawn, however, between short-run and long-continued unemployment, and what shall be the tests of current attachment to the labor market—these are difficult questions for which generally acceptable answers are still being sought. The operation of the existing unemployment insurance laws is gradually making available data which will throw light on these issues. Until more detailed analyses can be made of spells of unemployment, of earnings in covered employment, and other aspects of the program in this country, it may be instructive to review the British experience, with particular attention to the evolving scope of unemployment insurance in that country and its relation to other forms of aid to the unemployed.

From 1920, when the originally limited unemployment insurance program was extended to cover most industrial wage earners, until 1934, when a separate national system of unemployment relief was established, the British Government struggled with the problem of determining and fixing in practice the proper scope of unemployment insurance. The decision at which they arrived in 1934 cannot be regarded as final, nor is it necessarily indicative of the decisions in regard to the scope of unemployment insurance which should be reached in this country. Partly because of the clarification of basic issues which can result from a study of the evolution of unemployment insurance in other countries, this country should need no such period of trial and error as the British experienced in order to arrive at fairly clear outlines for an insurance program.

The conditions under which unemployment insurance in Great Britain developed present a sharp contrast with the situation in this country where, as has been pointed out, the national work-relief program antedated unemployment insurance and where a period of business recovery followed closely upon the initiation of benefit payments. The inception of the general insurance system in Great Britain in 1920 coincided with the beginning of a period of widespread and long-continued economic depression, which both prevented the accumulation of reserve funds and made it impossible for many workers to obtain sufficient employment to acquire or retain benefit rights. The only form of permanent relief with which there had been any experience in Great Britain was the antiquated and inadequate local poor-law system, designed to care for "paupers" and still limited in many areas to workhouse care. Under the circumstances, it was natural that the insurance mechanism should be utilized to assist the long-time unemployed during what was regarded as a temporary emergency. The British were not unaware that unemployment insurance was being used for purposes outside its proper scope; they were unable to remedy the situation until they had replaced local poor-law relief with a national relief system for the able-bodied unemployed. While this article is not concerned with the character or adequacy of the relief program in Great Britain, it is worth pointing out that the development of that program in turn was inhibited by the failure to define its scope in relation to unemployment insurance. In particular, the inadequate attention given to retraining programs may be attributed in part to the fact that continuing cash benefits were available under the insurance mechanism.

When, in 1934, the benefit rights to be provided by the insurance system were redefined, the scope of insurance was broadened considerably beyond what had been projected in 1920. The duration of benefits which was accepted as proper for the insurance system was 26 weeks in a year, with additional weeks up to a maximum of 26 available to workers who had been steadily employed for a number of years. Weekly benefits were supplemented by allowances for dependents. The statutory waiting period before receipt of benefits was 3 days. Eligibility for participation in the system was attained by employment in each of 30 weeks in the preceding 2 years or in each of

10 weeks after the exhaustion of benefit rights in a preceding benefit year. As will be indicated subsequently, although workers still shift back and forth between the insurance and the relief systems, the general characteristics of the group which qualifies for insurance benefits under these conditions are broadly distinguishable from those of the group which is carried on relief. The validity of the distinction between the two groups is emphasized by a survey of the evolution of the insurance program.

Unemployment Insurance, 1911-34

The original British Unemployment Insurance Act of 1911 covered slightly more than 2 million workers in a selected group of industries with highly irregular employment. Only those trades were covered in which unemployment was "due not to a permanent contraction but to a temporary oscillation in their range of business."¹ Benefits were provided out of contributions from employers, workers, and the Exchequer. A system of flat weekly benefits was adopted, with uniform benefits of 7s. a week paid to all eligible workers. The duration of benefit payments, however, was proportional to the number of weekly contributions made by the individual worker, with a maximum of 15 weeks during a year. During the war, coverage was extended to workers in a few war industries, and the weekly benefit paid to insured workers was increased until in 1919 it was 11s.

It was recognized by the Government that at the close of the war the country would be faced with a serious unemployment problem because of the return to civilian life of the demobilized soldiers. In 1915 provision was made for the payment at the close of the war of noncontributory emergency grants to ex-soldiers for a period of 26 weeks within the year following demobilization. With the Armistice, it became apparent that the cessation of war production was resulting in widespread unemployment among the civilian population. The emergency grants, known as "out-of-work donations," were therefore made available also to unemployed civilians, and in November 1918 provision was made for payment of these grants during an additional 13 weeks at a rate of 20s. a week, instead of the 29s. paid during the

¹ Royal Commission on Unemployment Insurance, *Final Report*, Cmd. 4185, 1932, p. 12.

first 26 weeks. That these grants were not regarded in any sense as part of the unemployment insurance system is indicated by the fact that they were fixed at an amount far above the benefit of 7s. a week then paid under the insurance system. It was hoped that before the end of the year during which these "out-of-work donations" were available business would have improved sufficiently to absorb the majority of the unemployed.

Although business did improve slightly in 1919, it soon slumped again. Unemployment remained heavy, and pressure developed for a more comprehensive and permanent program of aid to the unemployed. As a result, in 1920 unemployment insurance was extended to cover virtually all employed persons over age 16 except agricultural workers, domestic servants, nonmanual workers earning more than £250 a year, old-age pensioners, and casual workers. Nearly 12 million persons were thus brought within the scope of unemployment insurance.

The provisions of the 1920 act make it quite clear that the system was intended to provide benefits only to workers regularly attached to the labor market during limited periods of unemployment. The rates of benefit were increased but were still predicated on the supposition that the worker would have some savings to supplement insurance benefit and tide him over these short periods of unemployment.² The benefit rates were set at 15s. a week for men. No women had been covered by the 1911 act; the weekly benefit for women was now set at 12s., in recognition of the lower wages paid most women workers. Definite limitations on the benefit payable were retained by three requirements: a prerequisite of 12 contributions before eligibility for benefit was established; the limitation of each individual's benefit to 1 week's benefit for every 6 contributions; and an over-all limit of 15 weeks' benefit in an insurance year. By the time the act was passed, unemployment had become more severe, and these requirements were immediately relaxed by the provision that a worker could receive 8 weeks of benefit if he had made 4 contributions or if he had had 4 weeks of covered employment since July 1920 or 10 weeks since the beginning of the year.

It soon became evident that the great majority of the newly included members had not made

sufficient contributions to entitle them to benefit even under these provisions. Business failed to improve and unemployment was acute. In March 1921 "extended" or "uncovenanted" benefits payable for a maximum of 16 weeks during two specified 8-month periods were made available through the unemployment insurance system to covered workers who had not fulfilled the requirements for benefit, or who had exhausted their rights. In July 1921 the unemployment situation became still more acute, and the maximum of 16 weeks for uncovenanted benefit was extended to 22 weeks, the additional 6 weeks to be subject to the discretion of the Minister of Labour when he considered it "expedient to the public interest." At the time of their introduction, all these uncovenanted benefits, paid out of the unemployment fund, were regarded as advance payments to potential contributors and were debited to the claimant's account. With the continued unemployment of large numbers of covered workers, however, this practice was gradually recognized to be unrealistic and was dropped. In time the uncovenanted benefit came to be considered as much a right as the standard benefit.

The amendments enacted in March 1921 reflected the growing awareness of the extent of unemployment among covered workers, not only in the provision of uncovenanted benefits but also in an extension of the maximum duration of standard benefits to 26 weeks. This extension was to take effect after July 1922, at the end of the two special 8-month periods during which uncovenanted benefits were to be available. The system of flat weekly benefits was further modified during 1921, and recognition given to variations in family needs, by the introduction of supplementary payments for dependent wives and children. Moreover, in an attempt to balance contributions and expenditures, a further departure from the insurance basis of the system was made in the authorization given the Minister of Labour to withhold uncovenanted benefits from certain individuals considered less needy: single persons residing with relatives, married women residing with their husbands, persons on short-time jobs, and aliens.

The uncovenanted benefits under the 1921 acts were intended to cease after July 1922. They were, however, continued by later amendments. By 1923 maximum benefits allowable included

² *Ibid.*, pp. 21-22.

the 26 weeks of standard benefit plus 18 weeks of uncovenanted benefit or 44 weeks of uncovenanted benefit alone for those who had not met the eligibility requirements. In 1924 the Labour Government raised the benefit rate to 18s. for men and 15s. for women and liberalized the waiting-period requirements. At the same time it introduced a more stringent eligibility requirement of 30 contributions within 2 years and 20 within the year preceding application for benefit. The operation of this provision was affected, however, by the power exercised by the Minister of Labour until April 1928 to waive the first part of the requirement. The following tabulation, based on reports of the Ministry of Labour,³ shows the proportions of total claims paid as standard or as uncovenanted benefit at several different periods during the years 1924-27, when this eligibility requirement remained in effect.

Date of investigation	Men		Women	
	Standard benefit	Uncovenanted benefit	Standard benefit	Uncovenanted benefit
Nov. 24-29, 1924.....	40.2	50.8	67.2	32.8
Apr. 12, 1926.....	48.2	51.8	80.7	19.3
Apr. 4-9, 1927.....	52.7	47.3	83.1	16.9

It will be noted that the proportion of women receiving uncovenanted benefit was much smaller than of men. This is to be explained partly by the withholding of benefit from married women residing with their husbands; it probably reflects also the greater concentration of men claimants in depressed industries and areas.

In 1927 all statutory limits on the duration of standard benefit were removed⁴ for workers who continued to meet the revised eligibility requirement of 30 contributions in the preceding 2 years and who were available for and seeking employment. An eligible claimant was thus entitled under the amended act to a continuous run of 74 weeks of benefit. The eligibility of a claimant who was drawing benefit continuously was, how-

³ For 1924, *Report on an Investigation into the Personal Circumstances and Industrial History of 10,003 Claimants to Unemployment Benefit, November 24th to 29th, 1924*, 1925, p. 53; for 1926, *Report on an Investigation into the Employment and Insurance History of a Sample of Persons Insured Against Unemployment in Great Britain, 1927*, pp. 52-53; for 1927, *Report on an Investigation into the Personal Circumstances and Industrial History of 9,748 Claimants to Unemployment Benefit, April 4th to 9th, 1927, 1928*, p. 28.

⁴ The act also repealed the 1920 rule limiting benefit payments to 1 for every 6 contributions, which had been revised from time to time but never put into practice.

ever, reviewed every quarter by a court of referees. For persons who could not fulfill the standard eligibility requirements, transitional benefit payments were to be available for a year if the worker had made 8 contributions in the last 2 years or 30 contributions at any time, if he was over 18 years of age, was normally in insured employment, and had had a reasonable amount of insured employment in the preceding 2 years. The time during which transitional benefit might be paid was later extended another 2 years.

In 1930, as a new depression threatened, recognition was given to the fact that the unemployment insurance system was carrying a load which it was not designed to carry. The entire cost of transitional benefit under the 1927 act was placed for the future upon the Exchequer and the unemployment fund relieved of all burden but the cost of standard benefit. A few figures are available to indicate the growth in the number of persons receiving transitional benefit as compared with the increase in the number of unemployed persons on the active files of the employment exchanges in the years 1929-31.⁵

Year and month	Number of registered unemployed (at end of month) (in thousands)	Estimated number in receipt of transitional benefit (in thousands)	Percent of registered unemployed receiving transitional benefit
January 1929.....	1,394	120	8.6
October 1929.....	1,234	130	10.6
February 1930.....	1,530	140	9.1
May 1930.....	1,770	303	16.9
May 1931.....	2,507	410	16.4
October 1931.....	2,726	526	19.3

With the depression of the early 1930's, matters grew worse. Recourse to poor relief was necessary for the growing number of those who were unable to acquire the minimum number of contributions or who had already received the maximum number of weeks of benefit. In 1931, in an attempt to economize, the Government made a determined effort to restrict unemployment insurance payments to the short-time unemployed. The standard benefit was again limited to 26 weeks in a year and transitional benefit abolished. This change was expected to bring about a considerable reduction in the expenditures on insurance benefits. Workers unable to qualify for standard benefit or remaining unemployed beyond 26 weeks

⁵ Royal Commission on Unemployment Insurance, op. cit., p. 20.

would in the absence of other provisions have been forced to resort to poor relief and to undergo a needs test. It was recognized, however, that the poor-relief system, which was administered and financed locally, would not be able to carry the burden which would thus be placed upon it. Consequently a new system, intermediate between poor relief and insurance, was set up. The cost of relief to the unemployed, known as "transitional payments," was placed upon the Exchequer up to the limit of the amount of unemployment benefit that would have been payable to each individual each week if he had been able to draw insurance benefit. The administration of these transitional payments was in the hands of the local authorities, but the Minister of Labour had power to supersede authorities not conforming to certain general standards.

This presumably temporary arrangement lasted for 3 years, as the failure of business to revive removed all hopes for a decrease in the relief load. In 1932 the Determination of Need Act set forth in some detail types of income which should not be considered in the determination of relief grants. These rules were mandatory on the local authorities in the case of transitional payments and optional in the case of poor relief. Beyond this, however, the amount of relief available was dependent upon the relative frugality or liberality of the local administrator. Standards often varied from the highest to the lowest in adjoining districts merely because of differences in interpretation of the national regulations; some authorities deliberately evaded the regulations for determining need; and among the workers there was considerable dissatisfaction with the situation.

Unemployment Assistance, 1934-38

To relieve this situation and to dissociate unemployment relief from local politics, the Unemployment Assistance Board was set up in 1934 with broad powers to care for the welfare of the able-bodied unemployed, to provide them with material support, and to maintain their employability. Diverse local standards of unemployment relief were to be replaced by a uniform scale of allowances and by uniform regulations governing the determination of need. The able-bodied unemployed who had worked in covered employment, or who might have done so if economic conditions had permitted, were to be

taken completely out of the locally administered poor-relief system.

The jurisdiction of the Unemployment Assistance Board was to extend to all workers subject to the provisions of the Widows', Orphans', and Old-Age Contributory Acts. This meant in effect that, of the working population, only the self-employed and nonmanual workers earning more than £250 a year were ineligible for the assistance grants. These, as well, of course, as families containing no able-bodied members, might still have to depend on poor relief. Recipients of unemployment assistance had to apply to the local poor-law authorities for any medical relief which they or their dependents might need,⁶ but otherwise no supplementation of assistance grants by these authorities was permitted.

Unemployment assistance grants were to be available to workers who had exhausted their insurance benefits, to workers who could not meet the qualifying requirements for insurance, and to eligible workers during the waiting period or during periods of disqualification from insurance benefit except disqualification due to trade disputes; they could also, after 1937, supplement inadequate insurance benefits. Under the 1934 act the eligibility requirement for unemployment insurance was set at 30 contributions in the preceding 2 years or 10 contributions after exhaustion of benefit rights in a previous benefit year. The maximum duration of benefit was 26 weeks, except that provision was made for payment of additional days of benefit, up to a maximum of another 26 weeks, to workers who had long been steadily employed and had drawn limited amounts of benefit in proportion to their contributions over the last 5 years.

Two successive dates were set for putting the assistance features of the new law into effect. On the "First Appointed Day," January 7, 1935, the system was to take over all the able-bodied unemployed who had been receiving or who would have qualified for transitional payments from the local authorities—in other words, workers who had exhausted their benefit rights and those who had not been able to meet the qualifying requirements; on the "Second Appointed Day" it was

⁶ Many of these workers had at one time been covered by health insurance but had lost their eligibility for benefit as a result of long-continued unemployment; moreover, health insurance benefits are limited in scope and not available to dependents.

to take over the remainder of those subject to its jurisdiction, primarily young workers under 18 who had not been eligible for transitional payments in 1934 and workers not covered by the unemployment insurance system. The former group comprised about 800,000 applicants and their dependents, totaling about 2.5 million persons. The latter group was expected to constitute

about 200,000 applicants⁷ and their dependents, or about 600,000 persons.

The system had just got under way when a crisis arose. There was much discontent because in some areas the new payments were lower than transitional payments had been. When the House

⁷ Unemployment Assistance Board, *Report for the Period Ended 31st December, 1935*, Cmd. 6177, 1936, p. 7.

Table 1.—Distribution of registered unemployed,¹ by claims admitted for insurance benefit and applications authorized for assistance allowances, Great Britain, by months, 1935-38

[In thousands]

Date	Registered unemployed persons						
	Total number ¹	With claims admitted for insurance benefit ²		With applications authorized for assistance allowances		All others ³	
		Number	Percent	Number	Percent	Number	Percent
1935							
Jan. 28	2,325	1,108	47.7	735	31.6	482	20.7
Feb. 25	2,285	1,091	47.7	739	32.3	455	19.9
Mar. 25	2,151	991	46.0	730	33.9	433	20.1
Apr. 15	2,044	947	46.3	721	35.3	406	19.9
May 20	2,015	914	45.4	723	35.9	408	20.0
June 24	2,000	912	45.6	703	35.1	385	19.3
July 22	1,973	897	45.5	693	35.1	383	19.3
Aug. 26	1,948	853	43.8	699	35.9	396	20.3
Sept. 23	1,959	867	44.3	698	35.6	394	20.1
Oct. 21	1,916	820	43.3	704	36.7	392	20.6
Nov. 25	1,910	842	43.9	698	36.4	370	19.7
Dec. 10	1,860	822	44.0	688	36.8	350	19.2
1936							
Jan. 20	2,160	1,031	47.7	703	32.5	426	19.7
Feb. 24	2,025	911	45.0	688	34.0	396	19.6
Mar. 23	1,852	811	43.8	659	35.5	382	20.7
Apr. 27	1,831	798	43.6	656	35.8	377	20.6
May 25	1,795	722	40.2	637	35.4	346	19.3
June 22	1,703	750	44.0	616	36.2	337	19.8
July 20	1,652	722	43.7	603	36.5	327	19.8
Aug. 24	1,614	681	42.2	597	37.0	336	20.8
Sept. 21	1,621	690	42.5	592	36.5	342	21.1
Oct. 20	1,612	691	42.9	587	36.4	334	20.7
Nov. 23	1,624	716	44.2	583	35.9	325	20.0
Dec. 14	1,620	744	45.7	579	35.5	306	18.8
1937							
Jan. 25	1,689	794	47.0	572	33.9	323	19.1
Feb. 22	1,628	755	46.4	559	34.3	314	19.3
Mar. 15	1,601	732	45.7	553	34.5	316	19.7
Apr. 10	1,454	621	42.7	612	42.1	221	15.2
May 24	1,451	652	45.0	601	41.4	198	13.6
June 21	1,357	583	43.0	573	42.2	201	14.8
July 20	1,370	622	45.4	552	40.3	205	14.9
Aug. 23	1,359	602	44.3	550	40.5	207	15.2
Sept. 13	1,330	592	44.5	544	40.9	203	15.2
Oct. 18	1,300	614	47.2	544	41.8	192	14.5
Nov. 16	1,400	715	51.1	551	39.3	203	14.6
Dec. 13	1,605	806	50.2	556	34.6	243	15.2
1938							
Jan. 17	1,829	1,040	56.9	591	32.3	227	12.4
Feb. 14	1,810	1,034	57.1	558	30.8	218	12.0
Mar. 14	1,740	995	57.2	549	31.4	205	11.7
Apr. 4	1,748	993	56.8	546	31.2	209	12.0
May 16	1,770	1,010	57.1	541	30.4	228	12.8
June 13	1,803	1,074	59.6	531	29.5	198	11.0
July 18	1,773	1,041	58.7	520	29.3	212	12.0
Aug. 15	1,750	1,020	58.3	518	29.6	212	12.1
Sept. 12	1,799	1,042	57.9	532	29.6	225	12.5
Oct. 17	1,781	1,020	57.3	530	29.7	231	12.9
Nov. 14	1,828	1,061	58.0	546	29.9	221	12.1
Dec. 12	1,831	1,070	58.4	554	30.3	207	11.3

¹ Registered at the employment exchanges as of a particular day; beginning with Sept. 13, 1937, method of counting was changed, resulting in a reduction for that date of 49,000 persons.

² Beginning with November 1939, when benefits became payable under the agricultural insurance system, figures include claims of agricultural workers.

³ Receiving neither benefits nor allowances; computed.

Sources: Registered unemployed: Ministry of Labour, *Twenty-Second Abstract of Labour Statistics of the United Kingdom (1922-1936)*, Cmd. 5556, pp. 50-51; *Report for the Year 1937*, Cmd. 5717, p. 93; *Report for the Year 1938*, Cmd. 6919, p. 96. Claims admitted: *Report of the Unemployment Insurance Statutory Committee*, 31st December, 1937, pp. 50-51; for 1938, current issues of *Ministry of Labour Gazette*. Allowances authorized: *Ministry of Labour Gazette*, 1935, 1936, 1937, 1938.

of Commons began to discuss supplementary budget estimates for the Unemployment Assistance Board, existing anomalies were brought to light. Therefore, in February 1935, the "Standstill Act" was passed, providing that an applicant should receive either an allowance based on the regulations or such allowance as he would have received if transitional payments had continued, whichever was higher. This compromise provision was not entirely eliminated until 1938. At the same time the Second Appointed Day, originally set for March 1, 1935, was postponed; it finally went into effect on April 1, 1937. As a result of the postponement, a large group of able-bodied unemployed remained dependent upon poor relief for 2 years after the initiation of unemployment assistance. Largely as a result of improved business conditions in 1937, the number of applicants added to the unemployment assistance rolls on the transfer day was 90,000 rather than the anticipated 200,000.

The 1934 act centralized the administration of unemployment assistance under the authority of the Unemployment Assistance Board. The Board works closely with the Ministry of Labour, since both are concerned in general with the same clientele--the able-bodied unemployed who normally work for wages. The Ministry of Labour, through the local employment exchanges, takes applications for assistance and makes assistance payments in the same manner and on the same day as it pays unemployment benefits. The Board, through its area offices, makes detailed investigations of the applications and determines eligibility and the amount to be paid to each recipient, in accordance with regulations submitted through the Ministry of Labour to Parliament for approval.

Standard amounts were set by law for allowances to various types of household units throughout the country. Cost-of-living differentials, as such, were not introduced, except for variations in rent allowances, but local officers of the Board were permitted some discretion for extraordinary conditions. The reason given for ruling out general cost-of-living differentials was that most of the persons concerned lived in industrial areas and living costs probably did not vary much among such areas, except in the case of rents--particularly in the London area. Under revised regulations issued in 1936, recognition was given to

variations in the standard of living through the adoption of a rural-urban differential in the size of allowances. Since 1937, seasonal variations in living costs have been taken into account in the raising of all allowances during the winter months to cover the cost of fuel and additional clothing.

Allowances for large families may be as high as or higher than insurance benefits in spite of supplements for dependents under the insurance system, primarily because assistance allowances provide larger sums for older children and because they are adjusted for rent differentials. In a small percentage of cases, allowances to unemployed individuals with large families are higher than their regular wages when they are employed. However, a 1937 sample study of insurance and assistance recipients found that, whereas 2.3 percent of insured men were receiving insurance benefits equal to or higher than their previous wages, only 1.3 percent of the men on the assistance rolls were receiving such favorable treatment. Among women applicants, the relative percentages were 5.2 receiving insurance payments and 3.5 receiving assistance allowances equal to or higher than their regular wages.⁹

Relation of Insurance and Assistance

The relative number of persons receiving insurance benefits and assistance allowances in the years 1935 through 1938 is indicated in table 1. The Ministry of Labour publishes monthly the number of claims admitted for insurance benefit and the number of applications authorized for allowances as of a given day in the month. Since all claims and applications filed during a week are handled for benefit purposes as though they had been filed on a single day, these figures represent the number of persons receiving benefit or assistance allowances in one week of the month. The table shows the number of such persons as a percentage of the number of unemployed persons registered with the employment exchanges as of the last day of each month. The derived figures in the final columns, showing the number of registered unemployed receiving neither benefit nor allowances, are approximate only and do not relate to any specific date.

This latter group of persons includes workers

⁹ *Reports of the Unemployment Insurance Statutory Committee . . . 31st December 1937, 1938, p. 21; Unemployment Assistance Board, Report for the Year Ended 31st December 1937, Cmd. 6762, 1938, p. 82.*

not covered by the insurance system: agricultural workers (until 1936);⁹ domestic workers (since 1938 certain classes of domestic workers have been covered); and casual workers and a few workers in seasonal occupations, as well as persons previously self-employed and nonmanual workers earning more than £250 a year. Up to April 1937 the group included also workers in insured occupations who had failed to qualify for transitional payments and hence did not become eligible for unemployment assistance until the Second Appointed Day. The effect of the transfer of these workers to the assistance rolls in April 1937 is clearly evident in the figures. Whereas on March 15, 1937, 34.5 percent of the registered unemployed were receiving unemployment assistance and 19.7 percent were receiving neither assistance allowances nor insurance benefit, on April 19, 1937, 42.1 percent were receiving assistance and only 15.2 percent were in the latter group.

For this residual group, poor relief remains the chief source of public aid. During the period since 1934, about 96 percent of the total registered unemployed have held insurance cards. Of those holding such cards, about 5 percent on the average were in receipt of poor relief—other than exclusively medical aid—during 1935, about 4.5 percent during 1936 and through March 1937, and less than 1 percent after April 1937.¹⁰ An average of slightly over 10 percent of the registered unemployed holding insurance cards have not received insurance benefits, assistance allowances, or poor relief. The Ministry of Labour also reports the number of uninsured registered unemployed in receipt of poor-relief grants. Before April 1937, more than 90 percent of this relatively small group were receiving such grants in the months for which figures are reported; after April 1937, when some of this group became eligible for assistance allowances, the proportion dropped to 60 percent. It should be noted that not all the unemployed persons receiving poor relief were granted this aid because of unemployment. An exact measure of the relative roles played by unemployment insurance, unemployment assistance, and poor relief in meeting the total burden of

unemployment would require elimination from these figures of the considerable number of poor-relief payments made on account of such other factors as sickness or disqualification due to a trade dispute.¹¹

Of more concern to this discussion is the proportion of the total number of registered unemployed workers receiving insurance benefit during the years since 1934. The effect of continued depression on the insurance system is evident in these figures. Throughout 1935, 1936, and most of 1937, the insurance beneficiaries constituted about 45 percent of the total registered unemployed, while those receiving assistance allowances made up about 37 percent of the total except in the months immediately following April 1937, when a large group of workers was transferred from poor relief to the assistance rolls.

The markedly improved business conditions in England during the early months of 1937 and the sharp depression at the end of that year are reflected not only in the figures for total registered unemployed but in the notably higher proportion of the registered unemployed receiving insurance benefit during 1938. In June 1938 approximately 60 percent of the registered unemployed were receiving unemployment benefit. It is apparent that industrial activity during 1937 enabled a considerable body of workers to find sufficient employment to qualify them for receipt of unemployment benefit when they subsequently became unemployed. Other contributory, though minor, factors in the increase in the proportion receiving benefits may have been a slight increase in the number of additional days of benefit allowed under the general system and a relaxation in the conditions for eligibility under the agricultural insurance system in 1938.

Since 1935 the Unemployment Assistance Board has recorded for one day in December the reasons for application for assistance. For the majority of applicants the reason has consistently been failure to fulfill the basic eligibility requirement of 30 contributions in the preceding 2 years (table 2). Most of the applicants unable to meet the basic requirement are presumably young workers

⁹ A special unemployment insurance system for agricultural workers went into effect in 1936, bringing into insurance an additional 600,000 persons.

¹⁰ Computed from Ministry of Labour, *Twenty-Second Abstract of Labour Statistics of the United Kingdom (1922-1936)*, Cmd. 5550, 1937, and current issues of the *Ministry of Labour Gazette*.

¹¹ An extended discussion of this problem, as part of a detailed history and evaluation of the British programs for aid to the unemployed, will be found in a forthcoming publication of the Committee on Social Security of the Social Science Research Council. The author, Dr. Eveline Burns, has kindly made parts of the manuscript available for use in checking the results of this analysis.

who have never had more than casual employment and older workers who have suffered long-continued unemployment. The approximately 20 percent who have exhausted benefits in the current year or have not paid 10 contributions since exhausting benefit in the previous year represent a group with more recent experience in the labor market. The marked decrease in December 1938 in the proportion of applicants with less than 30 contributions in the past 2 years is probably further evidence of the increased industrial activity in 1937.

Assistance grants made to workers to carry them during the waiting period for insurance benefit are included in this table with disqualifications from benefit. Although the statutory waiting period is only 3 days, workers may be subject to greater delay in receiving benefits, since benefit payments are made on only one day in the week. In 1938, of 180,000 applications for assistance during the waiting period, 120,000 were granted. The average weekly number of persons receiving assistance allowances to supplement insurance benefits in 1937 was 2,900 or about 0.5 percent of the average weekly recipients of benefits; in 1938 the number was 8,400 or about 1.5 percent. The average supplementary payment for 1937 was 7s. 7d. and for 1938, 7s. 2d. a week.

There are a number of significant differences between the groups receiving assistance and those receiving insurance benefits. As would be expected, the duration of unemployment for recipients of assistance is in general much longer than for insurance beneficiaries. In November 1938, 82.0 percent of insurance applicants for

whom allowances had been authorized had been out of work less than 3 months, and only 2.7 percent had been unemployed 12 months or more; only 28.5 percent of assistance applicants, on the other hand, had been unemployed for less than 3 months, and 45.3 percent for 12 months or more, as is indicated in the following tabulation.¹²

Type of applicant	Applicants with registered unemployment lasting—							
	Less than 3 months		More than 3 and less than 6 months		More than 6 and less than 12 months		12 months and over	
	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent
Insurance.....	928,054	82.0	110,469	9.8	62,833	5.5	30,107	2.7
Assistance.....	166,133	28.5	55,201	10.0	88,714	16.2	248,280	45.3

Because of the length of their period of unemployment, a greater number of assistance recipients are in need of special measures for improving their mental and physical health as well as for training them in the skills of their previous jobs or new jobs. The Unemployment Assistance Board maintains no training program of its own but sends its clients to the Training and Instructional Centres maintained by the Ministry of Labour. Through 1938 the total number of workers at such centers had, however, never been more than 25,000 in any one year.

Persons under the jurisdiction of the Assistance Board are in general older than those receiving insurance benefits. In April 1935, 40.7 percent of the applicants for assistance were over 45 years of age and 20.7 percent were between 55 and 64.¹³ At the same time, assistance has been caring for the young persons who came into the labor market during the great depression and have never become firmly entrenched in any job or trade. Both groups need substantial aid for extended periods of time—the first because the probability of their returning to employment is low, the latter because they have had no opportunity to lay aside savings or accumulate contribution credits. The importance for the Unemployment Assistance Board of the problem of the older worker can be seen from the following percentage comparison of the age

Table 2.—Percentage distribution of applicants for assistance allowances, by reason for application, Great Britain, as of a specified day in December, 1935-38

Date	With less than 30 contributions in past 2 years	Having exhausted benefit in current year or not paid 10 contributions since benefit exhausted in preceding year	Possessing no unemployment book (not insured)	Disqualified from benefit	Requesting supplementation of benefit
Dec. 16, 1936 ..	76.5	23.5	-----	-----	-----
Dec. 14, 1936 ..	79.4	20.6	-----	-----	-----
Dec. 13, 1937 ..	77.4	16.6	4.1	0.9	1.0
Dec. 12, 1938 ..	69.8	23.1	3.5	1.2	2.2

¹ Percentages do not equal 100 because a small number of cases were still under consideration.

Source: Unemployment Assistance Board, *Reports*, op. cit., 1936, pp. 304-306; 1936, p. 65; 1937, pp. 180-187; 1938, pp. 180-181.

¹² Unemployment Assistance Board, op. cit., 1938, p. 66; *Ministry of Labour Gazette*, December 1938, p. 484.

¹³ Based on a 10-percent sample (Unemployment Assistance Board, *Report*, 1936, p. 80). The corresponding percentages for selected dates in the following years, based on a 5-percent sample for 1936 and 1937, and all usable records for 1938, were: November 1936, 46.7 and 24.3; December 1937, 47.5 and 26.0; December 1938, 49.0 and 27.4.

distribution of insurance and assistance clients and of assistance recipients alone.¹⁴

Age group (years)	1935		1936	
	Recipients of insurance and assistance	Recipients of assistance	Recipients of insurance and assistance	Recipients of assistance
Under 25	21.6	11.4	18.8	9.7
25-34	26.6	20.4	25.1	22.7
35-44	19.3	21.5	20.2	21.9
45-54	17.2	20.0	18.2	21.4
55-64	16.3	20.7	17.7	24.3

That depressed industries and areas contribute heavily to the Unemployment Assistance Board's clientele is indicated by an analysis of the age and length of unemployment of assistance applicants in five major industrial groups (table 3). The analysis is based on a 5-percent sample of all applicants on December 3, 1937. It is estimated by the Board that about 65 percent of all male applicants for assistance are found in the five industrial and occupational groups included in the tabulation. The mining industry, which shows for this sample group the largest proportion of unemployment assistance applicants aged 45 and over, is and has been for many years one of the most severely depressed industries in Great Britain.

Conclusion

Thus, after 30 years' evolution, the British unemployment insurance system has achieved a fairly clear-cut definition of scope. Workers who qualify, by evidence of at least a minimum amount of recent employment, may receive insurance benefits for 26 weeks in a year, or longer if they have been steadily employed in the past 5 years. Workers who remain unemployed beyond this period or who fail to meet the qualifying requirements must prove their need, on the basis of specified statutory definitions, in order to receive assistance under the national unemployment assistance program. No matter how long the period during which insurance benefits are paid, however, some able-bodied unemployed will fail to find jobs within that period; no matter how lenient the qualifying requirements, some workers will fail to meet them. The current requirements

¹⁴ Unemployment Assistance Board, *Reports*, op. cit., 1935, p. 80; 1936, p. 201. *Ministry of Labour Gazette*, August 1936, p. 278; December 1936, p. 442. For 1935, the combined figures relate to a date in May, the assistance figures to April.

Table 3.—Distribution of male applicants for assistance allowances, customarily employed in specified industrial groups, by age and length of previous unemployment, Great Britain, Dec. 3, 1937¹

Age and length of unemployment	Applicants customarily employed in—				
	General labor	Mining	Transport	Engineering	Shipbuilding
Total number	152,020	76,830	61,640	32,950	21,300
Percentage	100.0	100.0	100.0	100.0	100.0
Age group (years):					
45 and over	46.6	57.7	41.4	53.8	48.4
Under 45	53.4	42.3	58.6	46.2	51.6
Under 30	18.1	10.0	27.5	15.0	18.6
Length of unemployment:					
Under 1 year	55.1	34.6	57.7	47.5	63.5
1 year and less than 3 years	22.7	28.4	22.4	21.9	17.8
3 years and over	22.2	37.0	19.9	30.6	28.7

¹ Based on a 5-percent sample of all applicants.

Source: Unemployment Assistance Board, op. cit., 1937, p. 73.

in Great Britain are not severe; 30 weeks' contributions in the past 2 years may mean employment of as little as 1 day in each of 30 weeks, yet approximately 22 percent of the persons registered with the employment exchanges as unemployed in 1938, following a good year, claimed unemployment assistance because they were unable to meet this requirement. Nevertheless, as this brief survey has indicated, there is a difference in the characteristics of the total insurance and the total assistance group. Certainly to British workers the distinction between the insurance and assistance programs has seemed of great significance.

The demarcation of the fields to be covered by insurance and assistance which is appropriate in Great Britain may not be appropriate to the United States. As has already been suggested, the prior development in this country of work relief and of special programs for young unemployed workers should certainly influence the evolution of our unemployment insurance system. The history of unemployment insurance in Great Britain, as well as the limited experience in this country, would suggest that if an entire national program for care of the unemployed is to develop satisfactorily, each part of this program must not only be coordinated with all others but must be adequate to meet all its appropriate responsibilities. The importance of a reconsideration of the function of our current unemployment insurance benefits and a reexamination of their adequacy is thus emphasized by a review of British experience in this field.