The British White Paper on Employment Policy *

Use of variable rates of social insurance contributions in preventing a decline in consumer purchasing power and hence in employment is one of the methods advocated by the British Government in its proposed plan for maintaining high employment after the war. The following article outlines briefly that and other aspects of the proposed plan.

Maintenance of a high and stable level of employment after the war is one of the basic assumptions underlying the Beveridge plan for a comprehensive system of social insurance. The Beveridge plan, in the words of its author, "is a plan to win freedom from want by maintaining incomes." But, he continues, "income security, which is all that can be given by social insurance, is so inadequate a provision for human happiness that to put it forward by itself as a sole or principal measure of reconstruction hardly seems worth doing. It should be accompanied by an announced determination to use the powers of the State to whatever extent may prove necessary to ensure for all, not indeed absolute continuity of work, but a reasonable chance of productive employment."1

The recent British White Paper on Employment Policy2 takes up this challenge and sets out a broad and comprehensive policy for the prevention of unemployment after the war. Ernest Bevin stressed the pioneering nature of this approach when he introduced into the House of Commons the motion—agreed to after debate— that "this House . . . welcomes the declaration of His Majesty's Government accepting ... their primary aims and responsibilities the maintenance of a high and stable level of employment after the war." After summarizing briefly the past attempts of the Government to cope with unemployment by means of the social services, public works, and other measures, he continued: "But all these were merely measures to minimise the effect of unemployment, not a recognition that unemployment was and is a social disease, which must be eradicated from our social life. The State's job up to this date has been to deal with the after-effects of the disease, and not to take active measures itself to promote and maintain economic health. This Motion is an assertion that, while there will still be difficulties to contend with, and the social services must continue to play their part, the first consideration must be the way to remove the cause. Having tried relief in all its forms, we now propose to diagnose, and we hope to cure."3

The White Paper is concerned primarily with the prevention of mass unemployment in the post-reconversion period. It analyzes the general conditions required to maintain a high and stable level of employment and proposes specific measures to prevent a fall in total expenditure and hence in employment. It also deals with the particular problems of the transition from war to peace and of localized unemployment in particular industries and areas. Although the White Paper is concerned with domestic policy, it stresses throughout the important connection between the level of employment and the volume of Britain's foreign trade and emphasizes the need to expand British exports, not only by all appropriate internal measures, particularly through increase in industrial efficiency, but also by international collaboration and agreements.

General Conditions of a High and Stable Level of Employment

The three general conditions of a high and stable level of employment, as set out in the White Paper, are

this essential condition of a successful employment policy. It is suggested that employers "seek in larger output rather than higher prices the reward of enterprise and good management"; that workers examine their trade practices and customs "to ensure that they do not constitute a serious impediment to an expansionist economy and so defeat the object of a full employment programme"; and that the Government "seek power to inform themselves of the extent and effect of restrictive agreements, and of the activities of combines; and to take appropriate action to check practices which may bring advantages to sectional producing interests but work to the detriment of the country as a whole."

Finally, a high degree of mobility of labor between occupations and localities is considered essential if unemployment is to be reduced to a minimum. While the White Paper stresses that "every individual must exercise to the full his own initiative in adapting himself to changing circumstances," it advocates that the Government facilitate this process by such measures as retraining programs, resettlement allowances, and adequate low-cost housing for workers who have to move to a new locality.

Methods for Maintaining Total Expenditure

To carry out the general policies for maintaining total expenditure outlined above, specific proposals are made for stimulating private investment activity, planning and facilitating public capital expenditure, and encouraging expenditures on consumption goods.

As a first step in stabilizing capital expenditure, the Government will consider the possibility of influencing such expenditure by the variation of interest rates. "Monetary policy alone, however, will not be sufficient to defeat the inherent instability of capital expenditure. High interest rates are more effective in preventing excessive investment in periods of prosperity than are low interest rates in encouraging investment in periods of depression." To supplement monetary policy, the White Paper proposes that the Government encourage privately owned enterprises "to plan their own capital expenditure in conformity with a general stabilisation policy," pointing out that this should not be too difficult to accomplish "For a strong and well-established business . . . there are obvious attractions in executing plans for expansion or for the replacement of obsolete plant at times when costs are low." It is also suggested that a system of deferred tax credits might be considered, since it would provide business with a further inducement to undertake capital expenditure at the onset of a depression.

The authors of the White Paper do not place too much confidence in the efficacy of these measures, and they believe that public investment can be used more directly as an instrument of employment policy. They accept the principle that public capital expenditure should not, as it usually has in the past, fall in times of slump and rise in times of boom but "should actually expand when private investment is declining and should contract in periods of boom." Since by far the greatest part of such expenditure is undertaken by local authorities and public utilities, it is proposed that the Government induce these agencies to plan and carry out their investment activities in this way. It is suggested that the Government should require local authorities to submit 5-year public works programs prepared in the light of the prospective employment situation, coordinate these programs and set a target for the whole volume of public works in the succeeding year, and use the existing mechanism of loan sanctions or grants to slow down or accelerate the execution of these programs as the employment situation may warrant.

If, despite all these measures, capital expenditure and employment should fall, the White Paper suggests, as a second line of defense, steps to influence the community's expenditure on consumption in order to prevent a progressive decline in expenditure and employment. It favors "a scheme for varying, in sympathy with the state of employment, the weekly contributions of workers by an estimated average of £500,000 a week, above a certain level of unemployment, a rise of 2 points in the unemployment percentage would decrease the total social insurance contributions of workers by an estimated average of £500,000 a week, quite apart from the reduction in the costs of employers. The authors of the White Paper believe that "the additional money thus left in the hands of many millions of people would help to maintain the demand for consumers' goods, thereby offsetting, at least in part, the decline in the expenditure of those who had lost their employment. This maintenance of purchases...
The Problem of Localized Unemployment

The White Paper deals separately with the problem of "depressed areas," i.e., areas largely dependent on an industry or group of industries which have declined because of "technical change, the trend of fashion, or the growth of foreign competition." Although it is pointed out that such areas will benefit somewhat from the Government's policy to maintain domestic expenditure and prevent mass unemployment, additional measures will be necessary to solve their problems. The first line of attack should be to promote the technical efficiency of the depressed industries. In addition, the Government should influence the location of industry so as to "diversify the industrial composition of areas which are particularly vulnerable to unemployment"; remove obstacles to the transfer of workers from one area or occupation to another; and provide training facilities "to fit workers from declining industries for jobs in expanding industries." The emphasis of the White Paper is on bringing the work to the men rather than the men to the work (an important reversal of policy), and the measures by which the location of industry is to be influenced by the Government are outlined in considerable detail.

Next Steps

Although the foreword to the White Paper states that "Unlike other Papers on post-war problems which the Government have presented or are preparing, this is not primarily an outline of projected legislation," legislation will undoubtedly be required to translate some of the proposed policies into practice. The debates on the White Paper in the House of Commons at the end of June resulted in acceptance by the House of the Government's general responsibility for securing a high and stable level of employment. Before the Government can seek powers to carry out the policies set out in the White Paper, however, it will probably be necessary to elaborate and strengthen some of them.

The proposals for maintaining private investment, for example, have been regarded as much too weak, and the statement on restrictive practices has been criticized as being vague and ambiguous at best. While the proposal for variable social insurance rates has had a favorable reception, it is generally regarded as insufficient by itself to counteract fully a fall in consumption at the onset of a depression. As a matter of fact, it is questionable whether the rates suggested would achieve appreciably greater variation in contributions collected than a flat percentage rate of contribution such as is already in effect in the social insurance system in the United States.

Nevertheless, the White Paper is an important landmark. "It is true," the British Economist points out, "that full employment—and over-full employment—has twice been attained in this country in wartime. It is true also that some other industrial countries—Russia and Germany, notably—have attained it in peace-time—but only at the triple cost of employing a large part of their national industries on war preparations, of conscripting the persons and restricting the consumption of their citizens. What is now to be attempted in Great Britain is something quite new—and something much more difficult than any of these. For there are two unspoken assumptions in any full employment policy for a democracy. The first is that full employment is to be achieved without any departure from methods of persuasion and agreement; it is to be achieved under free criticism and without conscription. The second is that employment is to be devoted to supplying the idiosyncratic wants of individuals. No community, of course, can survive if its citizens insist on devoting all of what they produce to current consumption. But it is the democratic dogma that the people themselves shall decide how much they will consume, how much they will provide for the needs of the State and how much they will set aside for additions to capital. A democratic full employment policy must attain its goal while obeying these instructions. No country has ever done this. Until last week, no country had even announced a policy for doing it.

Irrespective of the precise nature of its contents, the first formal resolution of democracy to shoulder a new responsibility on behalf of its members deserves a round of applause."