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EMPLOYMENT POLICY

Forward

Lord Woolton

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EMPLOYMENT POLICY

FOREWORD

The Government accept as one of their primary aims and responsibilities the maintenance of a high and stable level of employment after the war. This Paper outlines the policy which they propose to follow in pursuit of that aim.

A country will not suffer from mass unemployment so long as the total demand for its goods and services is maintained at a high level. But in this country we are obliged to consider external no less than internal demand. The Government are therefore seeking to create, through collaboration between the nations, conditions of international trade which will make it possible for all countries to pursue policies of full employment to their mutual advantage. The discussions which have been undertaken to this end are briefly mentioned in Chapter I of this Paper.

If by these means the necessary expansion of our external trade can be assured, the Government believe that widespread unemployment in this country can be prevented by a policy for maintaining total internal expenditure. The measures by which such expenditure will be influenced are described in Chapters IV and V.

There will, however, be no problem of general unemployment in the years immediately after the end of the war in Europe. In this transition period our problems, though no less difficult, will be different. It will be a period of shortages. Though there will be risk of unemployment due to the dislocation involved in the gradual change from war to peace, the total man-power available will be insufficient to satisfy the total demand for goods and services. It is likely to be some time before the need arises to put into operation the long-term policy for averting mass unemployment which is described in Chapters IV and V. The Paper therefore deals first, in Chapters II and III, with the special problems of the transition period and the measures to be taken for preventing local unemployment by securing a balanced distribution of industry and labour.

Unlike other Papers on post-war problems which the Government have presented or are preparing, this is not primarily an outline of projected legislation. For employment cannot be created by Act of Parliament or by Government action alone. Government policy will be directed to bringing about conditions favourable to the maintenance of a high level of employment; and some legislation will be required to confer powers which are needed for that purpose. But the success of the policy outlined in this Paper will ultimately depend on the understanding and support of the community as a whole—and especially on the efforts of employers and workers in industry; for without a rising standard of industrial efficiency we cannot achieve a high level of employment combined with a rising standard of living.

CHAPTER I

THE INTERNATIONAL AND INDUSTRIAL BACKGROUND

1. This Paper is concerned with the course of policy which the Government propose to follow internally in order to maintain the highest possible level of employment. But the level of employment and the standard of living which we can maintain in this country do not depend only upon conditions at home. We must continue to import from abroad a large proportion of our foodstuffs and raw materials, and to a greater extent than ever before we shall have to pay for them by the export of our goods and services. For as the result of two world wars we have had to sacrifice by far the greater part of the foreign investments which we built up over many years when we were the leading creditor country of the world. It will not, therefore, be enough to maintain the volume of our pre-war exports; we shall have to expand them greatly.

2. A country dependent on exports—and relying largely, as we do, on the export of manufactured goods of high quality—needs prosperity in its overseas markets. This cannot be achieved without effective collaboration among the nations. It is therefore an essential part of the Government's employment policy to co-operate actively with other nations, in the first place for the re-establishment of general economic stability after the shocks of the war, and next for the progressive expansion of trade.

3. The aims of this international co-operation are to promote the beneficial exchange of goods and services between nations, to ensure reasonably stable rates of exchange, and to check the swings in world commodity prices which alternately inflate and destroy the incomes of the primary producers of foodstuffs and raw materials. It will also be necessary to arrange that countries which are faced with temporary difficulties in their balance of payments shall be able both to take exceptional measures to regulate their imports and to call on other nations, as good neighbours, to come to their help, so that their difficulties may be eased without recourse to measures which would permanently arrest the flow of international trade.

4. The Government have already given proof of their intentions. They have signed the Atlantic Charter. They have made a Mutual Aid Agreement with the Government of the United States of America,* one of the chief aims of which is agreed action "directed to the expansion, by appropriate international and domestic measures, of production, employment and the exchange and consumption of goods." They have also declared their acceptance of the comprehensive recommendations made to the Governments and authorities of forty-four nations by the United Nations Conference on Food and Agriculture held at Hot Springs in 1943, in so far as those recommendations are applicable to conditions in the United Kingdom. One of those recommendations† recognises that "the promotion of the full employment of human and material resources, based on sound social and economic policies, is the first condition of a general and progressive increase in production and purchasing power. . . . Progress by individual nations toward a higher standard of living contributes to the solution of broader economic problems, but freedom from want cannot be achieved without effective collaboration among nations."

The Government are considering, with the Governments of others of the United Nations, how these general agreements regarding the common ends of

* Cmd. 6341, 1942. Part of Article VII.

† Cmd. 6451, 1943. Resolution XXIV. Achievement of an Economy of Abundance.

international economic policy can best be carried out in practice. For this purpose they are working in close consultation with the Governments of the Dominions and of India. The early renewal of the economic strength of the British Commonwealth of Nations and the economic development of our Colonial dependencies are among the substantial contributions we can make to stability in the world's economic order. The Government will also collaborate with other Governments in considering how effect may be given to the principles and recommendations recently put forward by the International Labour Organisation. Further reports on all these matters will be made to Parliament in due course.

5. While the Government will spare no effort to create, in collaboration with other Governments, conditions favourable to the expansion of our export trade, it is with industry that the responsibility and initiative must rest for making the most of their opportunities to recover their export markets and to find fresh outlets for their products. In the interest of the whole national economy, our export industries must be resilient and flexible; and in the period immediately after the end of the war their claims for raw materials, labour and factory space freed from war purposes must have a high priority.

6. Though there will be special reasons for giving this measure of early priority to the export trades, the need for increased efficiency in industry is in no way limited to those trades. To maintain and improve our standard of living there must be steady progress in the efficiency of our industry as a whole. During the war British industry has amply demonstrated its power to improve the technique of its production, and this improvement must continue if we are to solve the problems of the post-war years. The Government have been considering as part of their general reconstruction plans, what help they can give to this end. The Chancellor of the Exchequer has already announced in his Budget speech the means by which taxation policy will be adapted to foster the development of industrial research, and to facilitate the modernisation of industrial plant, machinery and buildings. These important modifications in the incidence of taxation on industry will make a substantial contribution towards industrial recovery after the war and will pave the way for a continuous technical advance throughout British industry. The means of promoting industrial efficiency will be kept under constant review—other proposals to this end are already under examination—and the Government will continue from time to time to report their conclusions or present their proposals to Parliament on this subject.

7. The earlier paragraphs of this Chapter, which were concerned with the balance of payments and the export trades, referred mainly to the manufacturing industries. In the remainder of this Paper the term "industry" is used in its widest sense to cover all the manifold activities which provide employment. Thus, it includes, not only the manufacturing and processing industries, but the industries providing raw materials and primary products, such as agriculture, forestry, fishing and mining, services such as shipping, inland transport and the distributive trades, and all the varied activities of commerce.

The prosperity of a particular industry depends partly on circumstances peculiar to that industry and partly on the general economic condition of the country. This Paper sets forth the Government's policy for securing general conditions favourable to a high level of employment throughout industry as a whole. In addition, special measures may be taken from time to time which are directed to the circumstances of particular industries. The Government have, for example, declared their determination to ensure that we shall have in this country after the war a healthy and well-balanced agriculture; and the special measures needed to secure this are now being discussed with representatives of the industry. This Paper does not deal with

special measures which are peculiar to a particular industry. But all alike will benefit from the general policy which it describes; for, to the extent that this policy succeeds in maintaining a high level of employment, it will sustain the demand for goods and services of all kinds.

CHAPTER II

THE TRANSITION FROM WAR TO PEACE

8. After the end of the war with Germany, the war with Japan will have first call on our resources of man-power and materials. There will, however, be some redistribution of man-power which will release labour for urgent civilian work. At this point we shall enter a period of unsettled economic conditions, which is likely to last until some time after the end of war with Japan. The plans for this transition period must be extremely flexible; for no one can yet know when the war with Germany will come to an end or how long thereafter Japanese resistance will continue.

9. During the present war, as during the last, unemployment has shrunk to negligible proportions. In April, 1944, the figure was 75,000; whereas during the years between the wars it varied between one and three millions.* The reasons for this improvement are obvious. The call of the Armed Forces for men and munitions is limited only by the availability of labour and other physical resources. There could therefore be no question of demand falling short of the level necessary to employ all available resources. On the contrary, steps have had to be taken to hold demand in check and to prevent a runaway rise of prices by such means as high taxation and encouragement of war savings, rationing of food and clothing, allocation of materials, control over the employment of labour and direct control of prices.

10. At the present time we have about 23 million men and women in the Armed Forces and in gainful employment—an increase of 4½ millions since 1939. There has been an enormous transfer of man-power to the Armed Forces, Civil Defence and the munitions industries; and, within industry, a very large change-over from civilian production and services to more direct war needs. Something like 80 per cent. of employment in the manufacturing industries is now on Government account. During the transition from war to peace these movements will be reversed. There will be both a reduction in the total man-power employed and a substantial movement from the Forces and war work to civilian production and services. The numbers involved in this change-over may be in the region of 7 millions. For many the transfer will not involve any change of employment; substantial numbers in the munitions industries will be re-employed by the

* After the last war there were a few months of dislocation and unemployment, while industries were switching over from war to peace. There then followed the brief but violent boom (which reached its peak in the summer of 1920) while stocks were being rebuilt, war arrears of maintenance made good and the accumulated demands of foreign countries satisfied. Unemployment was very low, and prices and wages soared. As soon as demand at home and abroad slackened towards the end of 1920, prices began to slump. Deflation followed inflation, with disastrous results. Wage reductions led to widespread industrial unrest. There was a startling increase in unemployment, which reached 1½ millions in March, 1921, and rose to 2½ millions about the middle of that year, owing largely to a shortage of fuel caused by a stoppage of work in the coalmining industry. From this figure unemployment gradually fell to the neighbourhood of 1½ millions and (apart from the coal dispute in 1926) stayed at about this level from 1923 to 1929. With the onset of the great depression at the end of 1929, unemployment mounted to over 2½ millions in just over one year and did not fall below that figure until the middle of 1933, after which we had a steady decline to under 1½ millions in the middle of 1937.

same firm as soon as its plant can be turned over to production for civilian needs. But large numbers will have to change their present occupations and their place of employment, including not only members of the Armed Forces but many workers now employed on tasks, such as shell filling, to which there is no peace-time parallel, and those who will have to make room for the men and women returning from the Forces to their pre-war jobs.

11. Side by side with the gradual release of this great labour force there will be a vast transformation in the demand for the products of labour. Government expenditure on aircraft, warships and munitions will naturally contract, though the needs of the Armed Forces are likely to remain high for a considerable time; on the other hand, the pent-up demand for civilian goods of all kinds will be released. There will be an immense need for all the things we have had to go short of during the war.* There will be houses to be built, shops to be filled, factories to be transformed, plant and rolling-stock to be replaced and export trade to be renewed and extended.

12. If this switch of demand could be immediately matched by a corresponding switch of supply, there would be no need to fear the occurrence of unemployment in the period immediately after the war. But of course this cannot happen in practice, even though the war against Japan continues after the defeat of Germany and, as a result, there is a more gradual re-allocation of labour to civilian tasks. Of the millions of men and women who will have to find new jobs on release from the Armed Forces, Civil Defence and the munitions industries, not all can be released in the areas where the immediate demand for their labour is greatest, nor will all those who are released have the special skills to fit them for the peace-time tasks available. Moreover, for a time, shortage of key workers or of particular raw materials or types of equipment may delay the full re-employment of all the labour released. New designs have to be created and approved; factories need to be re-tooled or re-opened; semi-manufactures have to be produced before full manufacture can begin; the skilled labour which is needed for one set of processes cannot immediately be reconstituted by the release of skilled labour from others. Peace-time production, like war production, will necessarily take some time to get fully into its stride.

13. There will be inherent in the situation a threefold danger:—

(a) that patches of unemployment may develop where the industrial system fails to adapt itself quickly enough to peace-time production;

(b) that demand may outrun supply and create an inflationary rise in prices;

(c) that civilian production, when it is resumed, may concentrate on the wrong things from the point of view of national needs.

Government action will be directed to forestall, so far as possible, each of these dangers.

14. It would be vain to imagine that patches of unemployment can be eliminated altogether in the transition period; but they should not be so widespread or so persistent as is sometimes feared. After the last war the number of ex-Service men claiming out-of-work donation never rose substantially above 400,000, although demobilisation was proceeding at an average rate of nearly 700,000 a month in the first quarter of 1919. The total

* The present clothing ration provides roughly one-half of the pre-war consumption of clothing. Supplies of household goods have also been greatly reduced. Only about one household in ten can now buy a pair of sheets and one household in five a pair of blankets each year. Only one person in seven can now buy each year a knife, fork or spoon, one person in three a kettle, saucepan or frying pan, one person in four a teapot or jug. The manufacture of carpets, vacuum cleaners, refrigerators and other household appliances is virtually prohibited.

