

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

---

## THIRD INTERIM REPORT

FROM THE

## JOINT COMMITTEE ON SOCIAL SECURITY,

DATED

25TH MARCH, 1942.

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MEMBERS OF THE COMMONWEALTH PARLIAMENTARY JOINT COMMITTEE ON SOCIAL SECURITY.

(Appointed 3rd July, 1941.)

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- (c) Senator WALTER JACKSON COOPER, M.B.E.
- (d) Senator RICHARD VALENTINE KEANE.

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- (c) The Honorable JOHN ARTHUR PERKINS, M.P.
- RUPERT SUMNER RYAN, Esquire, C.M.G., D.S.O.,  
M.P.

- (a) Appointed Chairman, 12th November, 1941.
- (b) Appointed 12th November, 1941.
- (c) Appointed Deputy-Chairman, 18th November, 1941.
- (d) Discharged 12th November, 1941 (Deputy-Chairman from 4th July, 1941).
- (e) Chairman from 3rd July, 1941, to 12th November, 1941.

# JOINT COMMITTEE ON SOCIAL SECURITY.

## THIRD INTERIM REPORT.

### CONSOLIDATION OF SOCIAL LEGISLATION AND POST-WAR UNEMPLOYMENT.

1. In presenting its Second Interim Report on "Unemployment and the War Emergency", the Parliamentary Joint Committee on Social Security was impressed by the prospect of unemployment arising directly from enemy action or Government intervention in industry in the interests of the nation and, indirectly, from economic and other causes; also by the need for immediately determining the means for dealing with such a situation as well as with any civil war-time emergency that might arise.

2. While not overlooking the serious disturbance to our social and industrial structure caused by unemployment and particularly by the impact of war, the Committee proposed as an urgent war measure—

- (a) The payment of a prescribed scale of benefits, financed by a graduated tax on incomes, to persons suffering distress from war-time unemployment, and
- (b) The appointment of a Central Commonwealth co-ordinating authority to provide for relief in any civil war-time emergency that might arise.

3. This Report stresses the need for consolidation of social legislation and administration; it deals specifically with unemployment as a social and economic problem, and suggests action that should be initiated during the war to provide against post-war unemployment.

### CONSOLIDATION OF SOCIAL LEGISLATION.

4. As the war situation is intensified with the advance southward of enemy forces, already involving the sacrifice of Australian lives and attacks against Australia, the development and introduction of social measures which, in less critical times, might be regarded as progressive and highly desirable, necessarily are deferred for consideration at some more appropriate time than the present. In this category may be included the more comprehensive proposals before the Committee, such as a national scheme of medical and health services; financing of a national housing scheme; contributory pensions; national control of education; and an all-embracing national scheme of social security.

5. The existence of emergency conditions, however, makes no less imperative the consolidation of existing social legislation and administration. Rather do the immediate effects of the war on social and living conditions—for example, the dislocation and, in many cases, cessation of peace-time industries; the transfer of very large numbers of persons to war industries and to the fighting services; the transfer and care of evacuees from danger areas; and distress in war-time resulting from various causes—strengthen the need for consolidation and uniformity of administrative action, and this becomes more pressing as the acuteness of emergency conditions is accentuated. Furthermore, in any consolidation that is undertaken—the Committee has recommended the passing of a Social Security Act for this purpose—the opportunity should be taken to provide a legislative framework into which may be drafted social measures introduced from time to time during the war and in the post-war period. The Committee considers these measures might well include protection for all in the community against post-war unemployment, and a guarantee that no Australian shall be permitted to suffer from want of the necessities of life.

6. During the war, however, care should be taken to establish and maintain the greatest possible uniformity in measures adopted for relieving distress through unemployment, injury, or other causes, and to centralize administration in one Commonwealth authority. In the opinion of the Committee the Department of Social Services is the proper authority for this purpose.

7. The Committee is convinced that, to make adequate provision against post-war unemployment, and to prepare for the period of post-war reconstruction, action as herein proposed should be initiated during the war, and that this should not be long delayed.

### ADMINISTRATION.

8. Among the proposals submitted in evidence to the Committee was one for the establishment of a Social Security Commission, part of whose duties would be the administration of emergency war-time social security legislation. Reference has already been made by the

Committee to the necessity for selecting one central Commonwealth authority to co-ordinate all war-time social measures and to be responsible for the payment of benefits and administration generally. The Committee is firmly of the opinion that all social security measures affecting the civil community should be administered by the Department of Social Services as at present constituted, this being one of the chief purposes for which that Department was created.

9. Whatever social developments may follow in the post-war period, and we may anticipate considerable advance in this field, it is clear that, during the war, heavy responsibility devolves upon that Department if the various war-time measures already decided upon and contemplated are to be administered efficiently and with the least possible disturbance to the community as a whole. In the event of enemy action at the larger centres of population disturbance will be inevitable, but this can be reduced by prompt and effective organization to provide against any of the various emergencies that might arise. The Committee regards this as of the utmost importance and considers that the Department of Social Services should immediately be authorized to complete all necessary arrangements effectively to co-ordinate the activities of State and Local Government authorities; and, where possible, to co-opt public and other bodies, so that complete provision for the after care, including food, clothing, shelter, and, if needed, first-aid attention, of persons evacuated from bombed, invaded or danger areas may be definitely assured. Furthermore, the stage has been reached when, to ensure the efficient administration of war-time relief and after-care measures, in addition to pensions and child endowment benefits, administration should be decentralized by the establishment of branch offices in the larger provincial centres. Adoption of the Committee's recommendation for a scheme of widows' pensions would accentuate this need. This action, we consider, is fully justified and essential to provide the social amenities approved by the Government during this period of national emergency.

#### UNEMPLOYMENT AS A SOCIAL AND ECONOMIC PROBLEM.

10. In referring to unemployment as a social and economic and post-war problem, the Committee supports the view of those who have pointed out the dire effects of worklessness on the physical, mental and moral well-being of the workers and their families, and on the general welfare of the community.

11. It is unnecessary to emphasize how the most valuable of our resources, man-power, is undermined by the want and misery that unemployment brings in its wake. We have approached these problems without any preconceived ideas and have given careful consideration to the various schemes which have been in operation in other countries. It might be possible to deal at the moment only with war-caused unemployment, leaving other types until the war is over; but we believe that this would be a mistake, firstly, because it is difficult and unjust to distinguish between the different types of unemployment; secondly, because war causes will from now on bring about the bulk of unemployment and, consequently, there will be little additional cost in including non-war unemployment; and thirdly, because the machinery which must be set up to relieve war-time unemployment will serve equally well to alleviate and reduce non-war-time unemployment, and can be continued, very much in its present form, when the war is over.

12. The Committee believes that forethought and organization can reduce the incidence of unemployment in this country. The phenomenon of unemployment can be broken up into a number of parts, of which the most important are seasonal unemployment caused by the fact that there is a rhythm in all processes connected with primary industry and even in secondary industry activity ebbs and flows with the seasons; casual unemployment connoting continuous under-employment of a large body of men who live in want because they never succeed in getting more than a few days' continuous work at one time; frictional unemployment, that is, difficulties involved in the change-over from one job to another—the main reason often being the workers' ignorance of existing opportunities which would largely be obviated by an effective system of labour exchanges; technological unemployment due to industrial change, particularly that associated with the introduction of machinery and the rise and fall of industries; and finally, cyclical or large-scale depression unemployment, the causes of which are very complex.

#### RESIDUE OF UNEMPLOYMENT.

13. Evidence before the Committee and an analysis of existing unemployment confirm the view that, apart from fluctuations due to seasonal and frictional unemployment, such as on the cane-fields of Queensland and in the period of change-over from job to job in industry generally, the residue of unemployment includes a disturbingly large proportion of problem cases, or what is often described as the "hard core" of unemployment. Although accurate figures are unobtainable, it is probable that this residue approximates 30,000 throughout the

Commonwealth at the present time. In normal times the economic loss therefrom is considerable, while in war-time the vital importance of making the best possible use of all available man-power makes imperative a new approach to the problem.

14. Of this residue of unemployed it can reasonably be assumed that a substantial proportion—particularly among younger men—could, with proper training, be fitted for useful employment. With this object in view, the Committee is of opinion that this field of potentially useful man-power should immediately be explored and classified by the Director-General of Man Power. We consider that the actual training should be undertaken in co-operation with the States, who have the necessary facilities at their disposal.

15. While the Commonwealth has in war-time undertaken the vocational instruction of workers to fit them for war industries, in normal times responsibility for the training of workers should be accepted by the States. Such training, if carried out systematically as a further development of the educational system, would have important economic advantages and, at the same time, would substantially assist in preventing unemployment, which usually includes a large majority of unskilled workers.

#### A NATIONAL PROBLEM.

16. In peace or war, unemployment is a national problem and a national responsibility. Hitherto, State Governments have provided varying scales of relief to unemployed persons and their dependants, which cannot be regarded as adequate to maintain a reasonable standard of living. From time to time during periods of widespread unemployment, State and Commonwealth Governments have made special grants of funds for unemployment relief works. But these are palliatives which make no contribution to a permanent solution of the problem. Unfortunately, progress towards a realization of the responsibility of Governments and the part they can play in the alleviation of unemployment has been slow. As a consequence, it was not until the last depression was well advanced that any large-scale approach to a public works employment programme was made, and many of the projects then undertaken were such that they conferred no permanent benefits, despite the expenditure of very large sums on unemployment relief works. The problem remains unsolved, even though temporarily it is relieved by the present high employment figures. Constructive proposals in this regard follow in paragraph 26.

#### ORGANIZATION OF LABOUR.

17. While better organization of the labour market and a more enlightened employment policy may reduce the volume of prolonged unemployment in the post-war period, short-term unemployment will probably remain much the same. That is to say, we assume that seasonal, casual and frictional unemployment will not differ appreciably in volume and consequently will need to be relieved in some fashion, but that government policy will be directed to ensuring that technological and cyclical unemployment is minimized, and that when it does occur, or when special war unemployment appears, measures will be taken by means of re-training schemes and employment on government works, to remove the men from the relief field.

18. The first step, and one upon which we lay stress because without it any solution of the unemployment problem is impossible, is the setting up of an efficient system of employment exchanges, which must become the recognized agencies for filling every vacancy. Employment exchanges under Commonwealth supervision are without doubt the most important and the most urgent reform required in the Australian system for the organization of labour. Such a policy has had a great measure of success in Great Britain. In Australia, State Labour Exchanges have performed useful service, but their scope has been limited, and they have been used primarily as a means of relieving unemployment and of engaging unskilled labour. The existing machinery must now evolve into delicate and skilled agencies for the placing of Australian labour to the best advantage.

19. The organization created under the control of the Director-General of Man-power provides the nucleus of an efficient system of employment exchanges which may be expanded to carry out any function associated with unemployment benefits. Under any scheme of protection against post-war unemployment, the principal day-to-day work would necessarily rest with the employment exchanges, upon whom would devolve the registration of all unemployed persons, and in the event of their failing to obtain work within the prescribed waiting period, the payment of their weekly benefit. When fully organized the national services offices in each State would be the appropriate agency through which to apply a work test—one object in establishing such offices being the fullest possible employment of all labour.

20. No good purpose would be served by laying down at this stage detailed suggestions as to the waiting period and other administrative questions. Unemployment should, however, be defined as involuntary worklessness. There should be a penalty waiting period in the case of a person proved to have left his employment without just cause, or to have been dismissed through misconduct. On the other hand, he should not be disqualified for benefit solely for refusing work at less than award rates, or where a condition of employment is the joining or leaving of a particular union.

### THE PRINCIPLE OF "INSURANCE"

21. The generally accepted meaning of unemployment "insurance" is a system whereby employers, employees and the State contribute to a common fund, from the proceeds of which workers—in most such schemes only those who contribute—are entitled to benefit and receive regular payments, free of any means test, provided they prove that they are involuntarily unemployed, are capable of and willing to work, and cannot find it. Such a system obtains in Great Britain and a number of European countries, in Canada, in the United States of America, and in Queensland.

22. A scheme on similar lines to that in Great Britain, but adapted to Australian conditions, was proposed by Mr. Godfrey Ince, of the British Ministry of Labour, who came to Australia in 1937 at the request of the Commonwealth Government. Strong evidence in favour of such a scheme has also been submitted to the Committee by representatives of employers and workers, and by independent witnesses. An outstanding feature of "insurance" schemes is that they make no provision for a means test. We feel, however, that despite the merits of the tripartite contributory method, it has drawbacks which make it unsuitable for adoption in Australia.

23. The first disadvantage of the method is the fact that, since it is constructed on a quasi-actuarial basis, benefits and contributions must balance. Because it is impossible accurately to estimate the incidence of unemployment from year to year, benefits are severely limited, and this in turn necessitates supplementary government assistance, usually on a relief basis and involving a means test, after the expiry of benefits. A further disadvantage is that the scheme cannot cover the whole population, but only workers employed under a contract of service. All independent workers, farmers, shopkeepers and other self-employed persons, many of whom are in the same income class as employees, are excluded.

24. The fact is, therefore, that "insurance" schemes have dealt and can deal only partially with unemployment, and do not fully provide against the distress arising from it ever amongst those who participate in the schemes. Our problem is capable of solution provided that appropriate action is taken before unemployment—war caused or otherwise—makes its appearance on a large scale. The fact that unemployment is primarily a national problem and not wholly the responsibility of the States or of industry must be recognized. Our problem can be solved only by providing work or maintenance for every unemployed person in the community as a right for the full period of unemployment, it being understood that compliance with a work test is a condition of the payment of maintenance.

### POST-WAR UNEMPLOYMENT.

25. In this report the Committee has not attempted to set down any detailed scheme for the permanent solution of post-war unemployment as it is not possible at present to predict accurately the conditions that may then have to be taken into account. Nevertheless, it is our opinion that the principle of a graduated tax on incomes, as recommended in our second interim report, should be continued in the post-war period as the most equitable means of financing unemployment benefits and any similar measures the purpose of which is to maintain a minimum standard of subsistence for disemployed persons or those suffering from want of the necessities of life. We have also defined the preparatory action and planning which, in the light of our knowledge and experience, appear to the Committee to be desirable and necessary as an immediate approach to this important problem.

### A WORKS DEVELOPMENT POLICY.

26. Since the only satisfactory solution of the problem of unemployment is to be found in the provision of full-time employment for all efficient and able-bodied persons seeking it, the paramount importance of the early planning of a national works development policy is emphasized. It is now clearly understood that the nation has a large measure of responsibility for maintaining the level of employment. Probably the most effective means of achieving this is to have in readiness public works projects which can be commenced as soon as unemployment increases, thus preventing the spread of further or secondary unemployment. In a country like Australia, where resources are still largely undeveloped, such a policy has the great advantage

that we can use a period of adversity to improve our capital equipment—such as forests, unified railway gauges, telephone and telegraph services, water supply and irrigation, bridges, roads, aerodromes, sewerage systems, housing and slum clearance, hydro-electric schemes and all the other necessary services that go to make up the wealth of a nation. A public works policy of this nature planned by the Commonwealth in conjunction with State and local government instrumentalities, to operate over the period of a trade cycle, so that it is accelerated at the first signs of economic depression and slackened when the demand for labour and materials recovers, would provide a real measure of preventive "employment assurance" in place of the more orthodox but somewhat restricted insurance benefits and relief works hitherto adopted. The protection in the form of financial benefit during war-time recommended in the Committee's Second Interim Report is, from a constructive viewpoint, supplementary to the provision of continuous employment resulting from the re-establishment of industry, together with a complementary public works policy, into which inquiry and planning along the lines suggested is now logically necessary in preparation for the post-war period.

27. Because of the great value of building construction in the absorption of labour of all classes and to overcome the serious shortage of homes, especially for low-paid workers, together with the need for slum clearance, the importance of planning a national housing scheme as an essential part of any works development programme cannot be over-estimated.

### RECOMMENDATIONS.

28. We therefore recommend—

1. Early consolidation of Commonwealth social legislation in a Social Security Act.
2. Organization of the Department of Social Services to ensure the efficient administration of war-time relief and complete provision for the after care of evacuees; and decentralization of administration by the establishment of branch offices in the larger provincial centres.
3. Classification by the Director-General of Man Power of the "hard core" of unemployment, and the training, in co-operation with the States, of those who, with vocational instruction, might be fitted for useful employment.
4. Training of youths by the States as a development of the educational system with the object of preventing unemployment among unskilled workers.
5. Establishment of an efficient system of employment exchanges.
6. Early planning of a National Works Development policy, including a national scheme of Housing and Slum clearance.
7. Continuation in the post-war period of the principle of a graduated tax on incomes as a means of financing unemployment benefits and to maintain a minimum standard of subsistence for disemployed persons or those suffering from want of the necessities of life.

H. C. BARNARD, Chairman.  
W. J. COOPER, Deputy-Chairman.  
J. J. ARNOLD, Member.  
MAURICE BLACKBURN, Member.  
J. A. PERKINS, Member.  
R. S. RYAN, Member.

25th March, 1942.