

**HUMAN FACTOR
IN BUSINESS**

ROWNTREE SEEBORN

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BUSINESS

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BY
B. SEEBOHM ROWNTREE

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1. Industry should create goods or provide services of such kinds, and in such measure, as may be beneficial to the community.
2. In the process of wealth production, industry should pay the greatest possible regard to the general welfare of the community, and pursue no policy detrimental to it.
3. Industry should distribute the wealth produced in such a manner as will best serve the highest ends of the community.

APPENDIX

MEMORANDUM ON UNEMPLOYMENT INSURANCE DRAWN UP BY THE COMMITTEE OF EMPLOYERS AND LABOUR MEN¹

WE consider that the State should deal with this problem on effective and permanent lines. It should admit the claim of all adult wage-earners who are willing to work and capable of working to either suitable employment or adequate maintenance throughout their working lives, and it should satisfy that claim by legislation providing unemployment benefit varying with the needs of the worker and his family (with a maximum).

Our detailed proposals are as follows :

(1) *Definition of "Insured Persons."*—Subject to certain exemptions referred to later, the statute embodying the scheme should apply to all manual workers, and to salaried workers receiving not more than £400 a year, between the ages of sixteen and seventy. The exemptions should be those set forth in the Unemployment Insurance Act, 1920.

(2) *Rate of Benefit.*—The rate of benefit should be fifty per cent. of the average earnings of the insured person, with ten per cent. additional for a dependent wife, and five per cent. for each dependent child under sixteen, provided that the total benefit should not exceed seventy-five per cent. of the average earnings, nor should it in any case exceed £5 per week. In the case of seasonal or other exceptional trades, special provisions should be made for the calculation of the earnings on which the rate of benefit is

¹ It should be noted that this Memorandum was prepared in 1920, and that if it were revised now (1925) there would no doubt be some modification of view. In particular it is doubtful whether insurance by separate industries would be so favourably regarded. Further, with lower wages the estimate of the cost would be materially less.

based. Benefits should be payable after three days' unemployment, and should be limited to one week's benefit for every six weekly contributions previously made; but in order to give the necessary sense of security from the beginning an adequate number of payments should be credited to all workers at the initiation of the scheme. The present limitation of benefits to fifteen weeks in any one year should be altered to one of twenty-six weeks. If the reactions sought are to be obtained we must aim at removing the *menace* of unemployment. We favour the limitation of benefit to one week for every six weekly contributions as a necessary safeguard against persons who are such unsatisfactory workers as to be practically uninsurable.

(3) *The Cost of the Scheme.*—We have made such estimate of the probable cost of the suggested scheme as was possible with the materials at our disposal. We place the figure at about fifty-six million pounds per annum, exclusive of the cost of administration.

(4) *Sources and Amount of Contributions.*—The contributions should be levied on the wage-earner, the State, and the employer. It is suggested that the worker's contribution should be at the rate of one penny on every complete ten shillings or part thereof of his earnings; that the State's contribution should be four million pounds annually, plus the cost of administration; and that the balance needed to enable the fund to pay the statutory benefits should be raised by a levy on employers. It is estimated that this levy would amount to two per cent. on the wage bill. That the scheme may be put into early operation and financed during abnormal trade depression, it is proposed that the employers' contribution should be fixed for a term of (say five or seven) years at an amount which it is estimated will enable the fund, if the worker contributes twopence in the pound on wages and the State its fixed contribution, to bear the statutory claims upon it. The State should then act in practice in the capacity of an Insurance Company. If there is a profit or a loss on the seven years' working, the State should take the full benefit or bear the cost of this. The Government actuary should then re-assess the contributions for a further period of seven years on the ex-

perience of the previous term, the Government's contribution continuing to be the original figure of four million pounds, plus administration expenses. According to our estimate the cost of the scheme would be divided among the three parties during the first period in the following proportions :

State	4 million pounds.
Workers	15½ million pounds. ¹
Employers	37 million pounds. ¹

Our suggestion is that while the workers' contributions should be the same in all industries, the State, as soon as the necessary statistics become available, should have power to vary the employers' contributions in a given industry, according to the amount of unemployment in that industry.

(5) *Short Time.*—Under the Unemployment Insurance Act, 1920, paragraph VII., Clause 2 (b), those suffering from under-employment can claim unemployment benefit under certain conditions. In view of the increased benefits here proposed, the inducement so to organise short time as to comply with the conditions will be greater than under the terms of the Act with its comparatively small benefits. This fact has been taken into account in framing the above estimates.

(6) *Contracting Out.*—Contracting out is contemplated, as under the present Act, but in the present state of trade it is unlikely to take place on any large scale. An industry that contracts out would be required to collect the statutory rate of contributions from the workers, and to pay the statutory rate of benefit. The State would contribute at the same rate per worker as under the general scheme, and the employer whatever was necessary to provide the benefits.

(7) *Administration.*—We suggest that the method of administering the fund should be that set up under the Unemployment Insurance Act, 1920.

We are advised that with certain greatly needed and practicable alterations in the administration of the Employment Exchanges it will be possible to prevent malingering.

¹ These amounts will vary with the rate of wages.

The Scheme Summarised.—The chief points in our proposal are as follows :

- (1) Unemployment benefit takes the form, not of a fixed amount, but of a proportion of the worker's regular wage, adjusted to the number of dependants.
- (2) Whilst the worker's and the State contributions are fixed, the employer's contribution varies, being made to bear the residuary cost of unemployment in his industry.

The proposal is supplementary to the Unemployment Insurance Act, 1920. That, and previous Acts, will have established the whole administrative machinery needed to work the proposal, which could thus be grafted on to the existing system.

Essentially the proposal is one to compel industry to create a *wages equalisation fund*, and to give employers an incentive to eliminate every removable cause of unemployment. It is suggested that not only would such a policy be worth almost any cost in the suffering which it would alleviate, but that it would prove in practice to be just as sound a policy financially as is a Dividends Equalisation Fund.

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