

INSPIRING
SOCIAL
CHANGE

What can businesses learn from the Rowntrees?



JRF JOSEPH
ROWNTREE
FOUNDATION

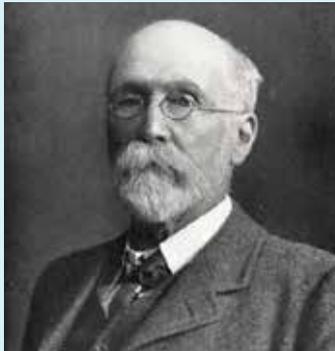
The pioneering Rowntrees have left us with a set of principles for sustainable employment that still inspire businesses today:

- A decent standard of living for all is essential if an economy is to grow.
- The prize for business is engagement. Workers who cannot afford to feed their families can never contribute to business success.
- Achieving motivation and business alignment requires leadership and close attention to welfare.

The Rowntree chocolate factory in York was the real-life equivalent of Willy Wonka's famous fictional factory – a hotbed of confectionery innovation that created Fruit Pastilles, Polos, KitKat, and many other brands that became household names.

But the Rowntree family's legacy reaches far beyond their considerable commercial success. The Rowntrees have had a huge impact on social reform, the understanding of poverty, enlightened business practices and the minimum wage.

This short booklet suggests that modern businesses can learn from the Rowntrees, particularly Joseph Rowntree and his son, Benjamin Seebohm Rowntree.



Joseph Rowntree (1837-1925) transformed his brother's cocoa and chocolate business into a major confectionery manufacturer. He made his huge wealth from the development of techniques for gum pastilles and chocolate. He also had a major influence on our understanding of poverty and the movement for social reform. He founded three trusts, dedicated to achieving social justice and to provide housing for workers and their families. Those trusts, including the Joseph Rowntree Foundation (JRF) and Joseph Rowntree Housing Trust (JRHT), continue their work today.



Benjamin Seebohm Rowntree (1871-1954) was an innovator in business management, industrial democracy and a champion of poor, unemployed, homeless, and older people. As an adviser to David Lloyd George (Prime Minister, 1916–1922) he was also a key architect of the welfare state.

Many of the original ideas that motivated the Rowntree family are still major concerns today:

- the role of work in society, and worker empowerment;
- low pay and the Living Wage;
- the importance of business and its place in communities and a modern democracy;
- the impact of poverty and its moral context;
- the supremacy of the brand and brand identity.

Pioneers in working conditions and employee welfare

There was a direct link between Joseph Rowntree's views on poverty and social policy and his views on business efficiency. As a factory owner, he saw that compassionate leadership and informed managerial organisation was the only way that underpaid working people could be more productive, achieve better wages, and rise above the poverty line. Fair treatment and loyalty also helped fulfil his Quaker ideals of service to employees and consumers.

'Employees should 'never merely be regarded as cogs in an industrial machine, but rather as fellow workers in a great industry.' (Joseph Rowntree)

Seebohm Rowntree went further, writing that *'the present industrial organisation of the country is unsound'*. As both an industrialist and a Quaker, he believed it was his duty to nurture the 'guiding light' of each member of his staff.

Seebohm became the Rowntree company's first labour director, and believed that improving the welfare of workers would not only be a moral good, but would also promote industrial efficiency.

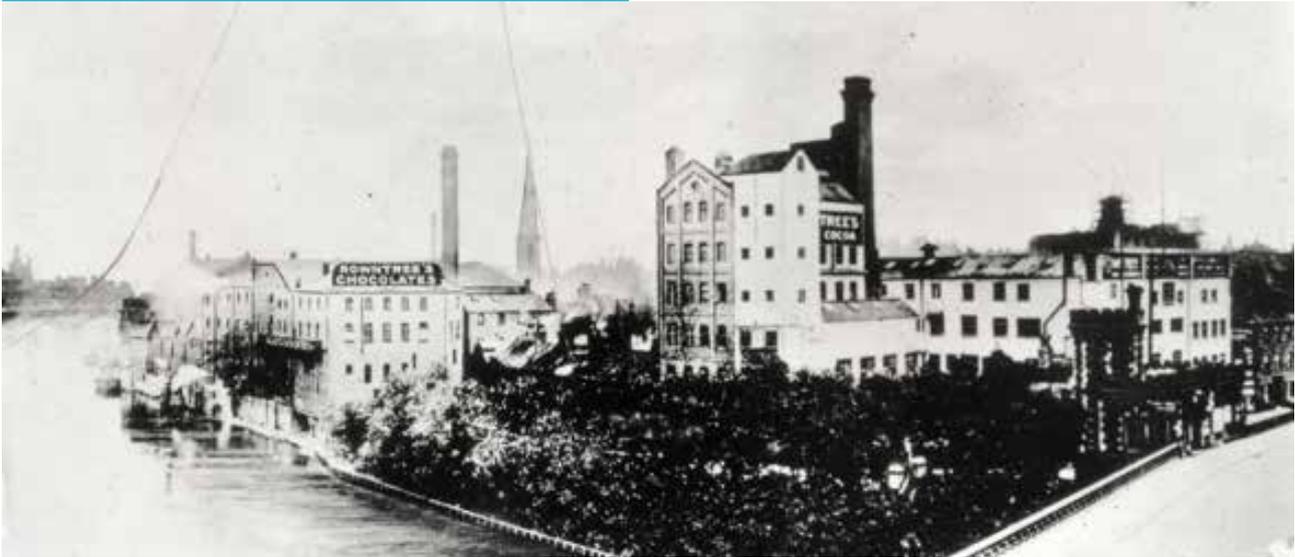
"If they [the workers] are to co-operate in producing a high output of goods, which will compete successfully in the world market, they rightly demand, in their working lives, conditions which will enable and encourage them to give of their best." (Seebohm Rowntree)

He introduced an eight-hour day in 1896, a pension scheme in 1906, a five-day (44-hour) working week, works councils in 1919, and a profit-sharing scheme for employees in 1923. To put some of this progressive thinking into context, the average

The men's dining room at the factory, c.1910



The Rowntree factory in the 1890s.



working week for a manual worker was still 53 hours by 1943. In 1904, a doctor was employed to offer free advice to all employees followed by a dental department with a resident dentist.

Seebohm also believed that low wages were bad for the *'nation's economy and humanity'* and, from his position as an adviser in Lloyd George's wartime government, he argued strongly for a national minimum wage in England, which would also be 'a liveable wage.' He urged the Prime Minister to ensure that wages after the war would equate with wages before it.

"While work is undoubtedly a way out of poverty for some, low pay and irregular hours mean that working poverty is a visible feature of our times." (Julia Unwin, Chief Executive, Joseph Rowntree Foundation)

Seebohm's influential book, *The Human Factor in Business* (Longmans, Green and Co, 1921), became a key text in the development of management theory. He advocated a more scientific approach to business, such as cost accounting and research, and laid down the following principles for the welfare of workers in any efficient enterprise.

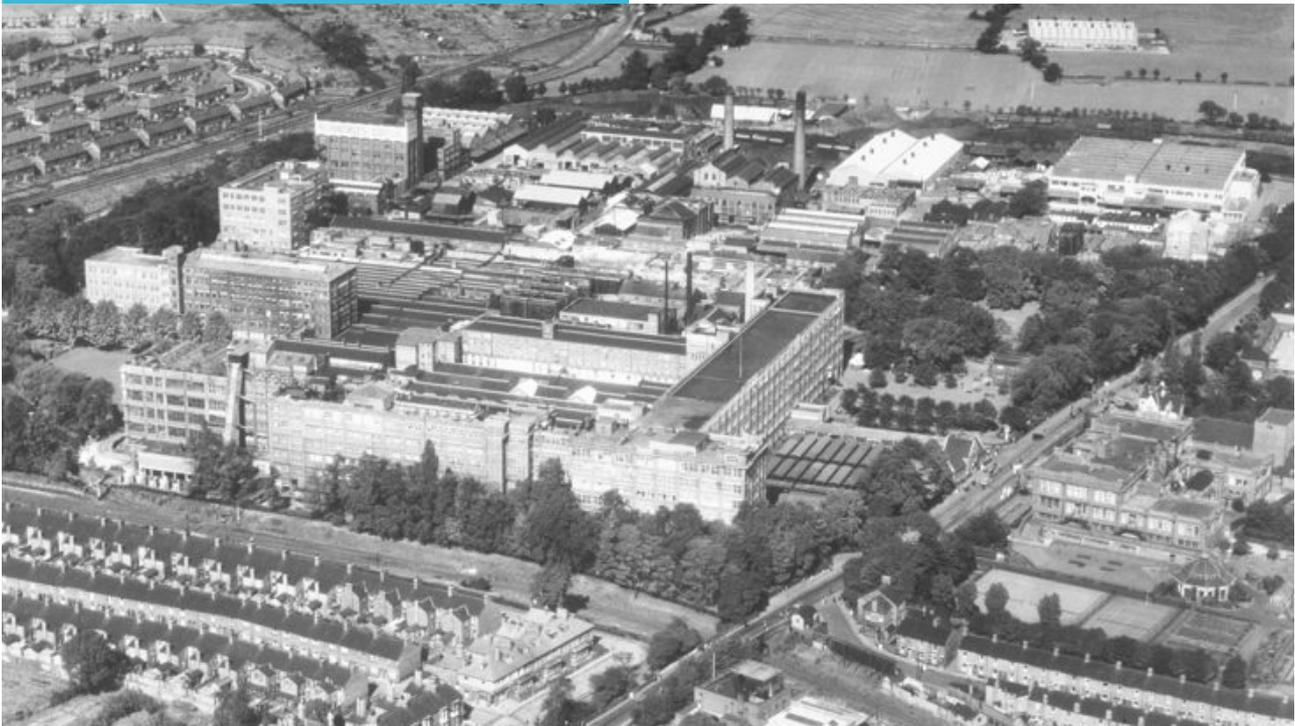
- earnings sufficient to maintain a reasonable standard of comfort;
- reasonable hours of work;
- reasonable economic security during the whole working life and in old age;
- good working conditions;
- a status for the workers suitable to men in a free country in the 20th century.

Seebohm wrote that every man should be entitled to a basic wage that enabled him to *'marry, live in a decent house and provide the necessities of physical efficiency for a normal family'*. He added that if a business could not afford to pay such a wage they should limit what they paid themselves while making the company more efficient. Low wages, he wrote, were 'a false economy.'

"... many factories are still running on inefficient lines. Much of the machinery is antiquated, the buildings are badly planned, and the staff and workers are ill-trained and badly organised... Only after a minute examination, on these lines, is an employer really in a position to say whether his industry can or cannot afford to pay higher wages." (Seebohm Rowntree)

Today, the Joseph Rowntree Foundation and Nestlé, which owns the former Rowntree chocolate factory, are among the first organisations in the UK to pay the Living Wage.

The Rowntree factory on Haxby Road, York.



Poverty and income

The Rowntrees' influence extended beyond their own business.

Like many Quakers, Joseph Rowntree believed that people should not inherit great wealth. An industrialist who cared passionately about the welfare of his workers, he was also concerned about the appalling levels of poverty that marked Victorian and Edwardian society. He highlighted the need to understand and tackle the root causes of poverty, not just treat its immediate symptoms.

Joseph supported his son Seebohm in establishing a dispassionate scientific analysis of poverty in York. Seebohm conducted a major survey of more than 11,500 families, pioneering a new style of interviewing real people to collect life histories and to record the income and expenditure of working-class households. He was able to show that much poverty was caused by low incomes not spending habits. Many of those affected by poverty were in work but low wages meant they were unable to provide a decent standard of living for their families. Research published by JRF in 2015 (Hirsch, 2015) shows that this is still a problem today – many working families will be unable to afford a minimum standard of living in 2020 because of a combination of low pay, benefit reductions and rising costs.

In 1901, Seebohm published his research findings in a book *Poverty: a Study of Town Life*. It had a profound impact, changing public perception of the causes of poverty, steering attitudes away from individual failings to the recognition that poverty had structural causes that required government action. Seebohm Rowntree's book influenced the welfare reforms of David Lloyd George. Another future Prime Minister, Winston Churchill, said that Rowntree's book had 'fairly made my hair stand on end'.

Five Rowntrees: (L-R) Joseph Stephenson, Seebohm, Joseph, Arnold Stephenson, Oscar Frederick.



Management and capitalism

To back up his philosophy, Seebohm created an industrial psychology department in 1922, which pioneered the use of psychological recruitment tests to assist in the selection and training of workers. He also helped to set up the National Institute of Industrial Psychology and the British Institute of Management, and convened the first meeting of the Welfare Workers' Association, which was later to become the Chartered Institute of Personnel and Development in 1913.

Seebohm Rowntree was a passionate advocate of the capitalist system. But his listing of the five main duties of business makes interesting reading today:

- to be efficient;
- to provide a decent living for employees;
- to provide employment and security;
- to provide pensions and sick pay;
- to ensure justice and consultation for its workers.

Capitalism, according to Seebohm, had its limitations and he once wrote that the state should be able *'to over-ride the immediate interests of the employer by imposing on him obligations which are to the advantage of the nation rather than his own'*.

Joseph Rowntree presides over a board meeting on his 80th birthday, 24 May 1916.



A Rowntree goods wagon prepares to make a delivery.



Under Seebohm's chairmanship, the Rowntree company was also responsible for a remarkable change in the way companies marketed their goods. Up to the 1930s, firms making consumer products like chocolates concentrated on persuading shops to sell their goods on the grounds that they would make a good profit from them. Decisions on what goods to sell and where to sell them were based on the needs of production and distribution (e.g. how much it would cost to make a product and get it to market). Rowntree's oversaw a switch to a more customer-focused approach, which asked consumers what they wanted and what companies needed to do to persuade them to buy their products.

The company created a single unified marketing department with responsibility for everything from product development to sales. This new department

used research to alter its product range and marketing methods with systematic testing of individual products on consumers.

This 'niche' strategy, which encouraged consumers to see branded products as unique, encouraged impulse buying and is now part and parcel of the way companies market and advertise their goods, developing brand identity and loyalty.

A Rowntree factory car, c.1897.



The Rowntrees' impact

The Rowntree legacy combines social values, philanthropic principles, better management of enterprise, and a vision for the long term. All of these are just as vital today as they were in 1904. Their ideas of fairness, equality, community, and change still retain great power.

Many of the improvements originally suggested by the Rowntrees have indeed come about. They were leaders in innovation, but their Quaker modesty and caution kept them out of the limelight, making it easy

for us to forget their role in turning the innovations of yesterday into everyday practice today.

The Rowntree message, first outlined in the 1904 Founder's Memorandum, is still firmly linked to the need for social change, and JRF/JRHT implement this message by collecting evidence, pioneering new methods and supporting innovative ideas and organisations. Like the Rowntree company before us, we have pioneered our own anti-poverty employment practices. For example, JRF/JRHT was the first UK care provider to adopt a Living Wage.

Joseph Rowntree welcomes the Prince of Wales on a visit to York in May 1923.



“I feel that much of the current philanthropic effort is directed to remedying the more superficial manifestations of weakness or evil, while little thought or effort is directed to search out their underlying causes.” (Joseph Rowntree)

The ideas behind the Rowntree legacy don't stand still, but need to be reiterated in the light of today's experience. The 'enlightened entrepreneurialism', which was promoted so strongly by Seebohm Rowntree, has certainly not become irrelevant or unworkable – indeed the recent financial crisis has put the issue of responsible business higher on the national agenda.

In 2016, JRF is publishing its comprehensive, costed strategy to reduce poverty for people of all ages across the UK. At a time when half of all people living in poverty in this country are in a working family, the Rowntrees' principles, and the role of business, are as relevant and important as they have ever been.

Further reading:

CIPD (2013) *A potted history of work-related ideas and events* – see <http://www.cipd.co.uk/cipd-hr-profession/centenary/timeline.aspx>

Hirsch, D. (2015) *Will the 2015 Summer Budget improve living standards in 2020?* York: Joseph Rowntree Foundation

Lindsay, C. (2003) *A century of labour market change: 1900–2000*. London: Office for National Statistics

Rowntree, B.S. (1921) *The Human Factor in Business*. London: Longmans, Green and Co

Unwin, J. (2013) *Why Fight Poverty?* London: London Publishing Partnership



JRF JOSEPH
ROWNTREE
FOUNDATION

www.jrf.org.uk

Joseph Rowntree Foundation (Head Office)
The Homestead, 40 Water End, York
YO30 6WP, UK
tel: +44 (0)1904 629241
email: info@jrf.org.uk

Also available in other formats (such as large print, Braille or audio) from
the Communications Department at JRF
Tel: 01904 615905 Email: info@jrf.org.uk.

ISBN 978-1-910783-47-4