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ADMINISTRATION SERIES. SHARING  
PROFITS WITH EMPLOYEES; A  
CRITICAL STUDY OF METHODS IN  
THE LIGHT OF PRESENT CONDITIONS**

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649160839

Pitman's industrial administration series. Sharing profits with employees; a critical study of methods in the light of present conditions by James A. Bowie

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Cover @ 2017

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**JAMES A. BOWIE**

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WITH EMPLOYEES**

UNIV. OF  
CALIFORNIA

PITMAN'S  
INDUSTRIAL ADMINISTRATION SERIES

*Edited by A. P. M. Fleming, C.B.E., M.Sc., M.I.E.E.*

# SHARING PROFITS WITH EMPLOYEES

A CRITICAL STUDY OF METHODS IN  
THE LIGHT OF PRESENT CONDITIONS

BY

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LONDON

SIR ISAAC PITMAN & SONS, LTD.  
PARKER STREET, KINGSWAY, W.C.2  
BATH, MELBOURNE, TORONTO, NEW YORK

1922

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SIR ISAAC PITMAN & SONS, LTD.  
BATH, ENGLAND

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## INTRODUCTION

HISTORICALLY, profit-sharing and co-partnership appear as the hobbies of benevolent employers. The experiments made in industry attracted the attention of theorists, who, on rather slender evidence, claimed for co-partnership the merits of an ideal form of industrial organization. Extravagant claims call for scornful replies and the vocal extremists of labour have not been slow to respond. Thus the literature on this subject exhibits the movement from the points of view of contending factions.

In this book an attempt is made to learn from each, and to co-ordinate the views of both in the light of practical experience. Much that was previously written on this subject has, by the passage of time, been rendered irrelevant. In every case an effort is made to consider modern post-war conditions and to review the movement in this new light. How far will profit-sharing and co-partnership aid society in its larger development, how far in their application will they promote the just aspirations of labour and remove the exceeding irksomeness under which to-day our economic machinery works? No attempt has been made to give full details in all cases, as these already appear in the valuable Government reports, in the publications of the Labour Co-partnership Association, and elsewhere.

The term "profit-sharing" has been given by many writers a very restricted significance, and while an endeavour has been made to use the term only in this limited sense, the more general expression "sharing of profits" has been employed to include all those schemes where extra earnings, that otherwise would accrue to capital, are handed to labour. That the rate of profit to labour should be in proportion to the rate of profit accruing to capital, and further, that this should be pre-arranged



between the respective parties, while a useful distinction seems, if arbitrarily applied, needlessly to rule out of consideration many allied systems of division.

The main argument running throughout is that every industrial innovation must justify itself on one of two grounds: either it must sweeten social relationships or promote the efficiency of production. Does cash profit-sharing justify itself on either of these grounds?

Briefly put, the conclusion reached in this book is that it does not. From the point of view of increasing production it is incomparably inferior to an equitable system of payment by results. As a means of promoting industrial integration by improving the status of the wage-earner, it is, apart from special cases, quite ineffective.

The further we move from the cash nexus and the donating principle, the nearer we approach a true solution of the problem. Co-partnership, as commonly conceived, avoids the pitfall of mere cash distribution but retains the gifting element. This means that workers with no desire for shares and no knowledge of the rights and obligations involved have these responsibilities thrust upon them.

The wrong method is to give and then try to enlighten the worker as to the meaning of the gift. The primary necessity is Education. The worker desires a higher status than that of a mere wage-earner. This cannot be an unmixed blessing. Greater power means greater obligations, new functions mean new knowledge, higher earnings mean heavier risks. The first and fundamental condition of success in co-partnership is therefore a sound knowledge of the responsibilities involved in share-holding.

This can be guaranteed only by asking labour to sacrifice something for the greater good it hopes to attain. Contributory co-partnership satisfies this test. It implies appreciation followed by desire and effort and is therefore selective in principle. It permits of real control because it implies real ownership of capital, and it offers labour

a vital investment for higher wages while at the same time obliterating the too heavily underlined distinction in modern society between owners and workers.

It would be impossible to thank individually the many employers who have sent drafts of schemes, and it is equally impossible to guarantee that in every case the details set forth have not been altered. It will always be a pleasure for the writer to receive corrections or comments from those interested.

With a view to preserving continuity, detailed references are not given throughout the text, but a list of the publications dealing with the subject of each section is given at the end. The two most important sources of information to which the writer wishes to acknowledge his indebtedness are the three Government Reports of 1894, 1912 and 1920, especially the last, and the many publications and reports of the Labour Co-partnership Association.

The writer's thanks are also due to many friends who have assisted him in the revision of this work. Professor D. H. Macgregor of Oxford University, Mr. A. P. M. Fleming, Editor of the series, Mr. Frank Watts, M.A., and Miss H. M. Bowie, M.A., have each read the typescript; while Mr. R. B. Forrester, M.A., M.Com., has read the work in proof. They have made many valuable suggestions which the writer has endeavoured to incorporate in these pages.

J. A. BOWIE.

COLLEGE OF TECHNOLOGY,  
MANCHESTER.  
1922.

