

# Profit-Sharing.

BY THEODORE COOKE TAYLOR, M.P.

Mr. Theodore Cooke Taylor, M.P., Batley, England, addressed the Club upon the subject of Profit Sharing as follows:—

Mr. Chairman, and Fellow Business Men,—Students of the history of civilization may well believe that the organization of industry has not yet reached its final form. All who take an interest in the present relations of capital and labor or employer and employee must recognize that the too prevalent mutual distrust and suspicion, nay, even the absence of good will, not only diminishes the actual natural amount of wealth produced in industries, but is a standing menace to the fabric of society. And surely all of us, whether of the capitalist class or not, hope to see, sooner or later, lightened and brightened the lot of the industrial toiler. Human nature everywhere is made of the same stuff. Our workmen in all material respects are like ourselves. They, too, are very much what we, their employers, make of them. On the other hand, I am glad that the average employer is not the hard-hearted villain that he is so often

painted. A very large number of employers, I am quite sure, in this country as well as in the Old Country, are ready and willing to do more than they now are doing for their employees if they could be convinced that they could afford it and could continue to afford it.

My own approach to profit sharing was from this standpoint. And may I ask your indulgence if I speak mainly from my own experience even at the risk of appearing egotistical and subjective. I want to say this because I am going to explain and illustrate it from my own experiences, and the history of our own case must begin with myself.

Very early in life I asked myself, "How can I do the greatest amount of good in the world?" A question which no doubt every young man asks himself. And it seemed to me that after the members of my family those who had most claim upon my sympathy and help were my own workers. I have no faith in Mrs. Jellaby's religion. I do not believe in any man not sweeping before his own door and going about the world crusading to set other people right. Well, sir, I am a woollen manufacturer of the fourth generation. Mr. grandfather—you will excuse these particulars, because it is a little necessary as illustrating the condition of things in the country where it is not like it is here—my grandfather bought the site of one of the principal mills, which is our headquarters, in 1820. Ours is a great family concern, but those who know the woollen trade know very well that a man or a firm cannot live on its reputation for four years, let alone four generations. We have to keep up to the mark now as in all other trades nowadays. You know you can lose a reputation in a year that it took a man fifty years to acquire.

Born, as it were, an employer of labor, I early adopted theoretically the principle of profit sharing as the best means of paying the highest wages, but it was only in 1892, when I succeeded to the complete control of our business that I for the first time in my life had the opportunity of putting my theories into practice. We then had 600 work people. The proper place to begin always is with the main class of man, with the managers of the business. I did that and then I went forward to the foremen, and three years later, in 1895, solely for the purpose of working out profit sharing, we converted our business into a private limited liability company. We took the capital in our books—there is neither water nor wind in our capital—(applause)—and nothing even for good will. We pay at least as high wages as our competitors, and out of the net profits at the end of every year, after  $4\frac{1}{2}$  per cent. interest is paid on all capital, all further dividend is shared between capital and labor at the same rate per cent.

Here is an illustration—I won't give you actual figures, because we do not publish them; we only publish the rate of dividends. We say the people outside have nothing to do with the capital, because it is a private concern. Take a business concern with a capital of \$100,000. They pay \$50,000 a year in wages and show profits at the end of the year—very

moderate profits—of \$14,500. Under our scheme we would first appropriate  $4\frac{1}{2}$  per cent., \$4,500, as interest on the capital. Then probably we should pay an additional dividend of 5 per cent. on the capital, \$5,000, and 5 per cent. on the wages, which were \$50,000 paid during the year, \$2,500, a total of \$12,500, leaving \$2,000 to carry forward or to carry to reserve.

But this wages bonus or workers' share of profits is payable only to those who have been in our employ the whole of that particular year. The bonus on that part of our year's wages bill which consist of fractions of a year, instead of being paid to individual workers, is carried to a special fund, called the Workers' Benefit Fund, out of which we help our workers in case of misfortune, illness, death, etc. I am glad to say that during the past year we have sent two women to a convalescent home, and I believe in each case we have saved the life of the woman—they were two consumptive cases. (Applause.) As this fund grows we expect from time to time to increase the number and scale of benefits to our work people. But of course, the great bulk of bonuses payable at the end of the year goes to the individual workers, for most of them have been the whole year with us. Each of such worker's share of profits goes to him in proportion, of course, to the amount of his earnings during the year, and is given to him not in cash, but in shares of the company. This is a most important feature of our scheme and is of slowly growing but far reaching influence.

Up to the present every share so granted carries with it no voting power. The shares given to the workmen have no power of controlling the concern, but I hope the time is coming—I believe the time will come before long—when to those the fittest among our people we shall be able safely to confer the power to vote.

Thus far, since the adoption of profit sharing, our business has been continually extending, one legitimately employing the capitalized profits represented by the new bonus shares which are issued from time to time, but, as the principal shareholder myself, I realize that my duty to those who will follow me in the management of the business and my duty to my family make further enlargement of our business undesirable. We have issued shares almost up to the limit of our registered capital, and I hope to stop there. If, therefore, we are able, as I hope we shall be, to continue to declare bonus dividends to workers, I shall from year to year sell back to the company for cash a proportion of my shares for the purpose of future apportionment among the workers as bonuses. We shall thus go through the process which I maintain every private concern should do, namely, the senior partner gradually withdraw both capital and services in favor of younger men. (Applause.) I hope that the older gentlemen are applauding that. (Laughter.)

I ought further to add that the leading men in our business, the managers, travellers, salesmen, designers, all the leading managing men, not

only share profits the same as every other worker does, but I lend them money on the security of their shares to enable them to buy more shares to build up a capital such as the workers control of the business. It is, in fact, my continual study in every possible way to identify the interests of workers, manager and capitalist. I want not only to make the workers, capitalists, but also to train them for the responsibilities which ownership of capital carries with it. These processes are slow; as nearly all the best work is, gentlemen, but if they are begun in the right spirit and carried on on sound lines, they are sure of success.

Our shares are divided into two classes, the original capitalist or "A" shares of £5 each, and these shares of course have the voting power to controlling power; and "B" shares of £1 each, which we use from time to time to issue as bonuses. At the time of the formation of the company four years ago, I was absolute owner of the entire business, and therefore I made myself a life director, so long as I pleased, of the whole concern. I still own a majority of "A" shares. Subject to my veto, however, we already have at work an Executive Committee, which will become the Directorate upon my retirement or death, and is acting as the Directorate at present while I am at this side of the Atlantic; for, like all good business men, I have always looked forward and tried to provide successors not only for everybody else, but for myself. (Applause.) We have our annual workers' meeting early in the year. It is of a partly festive and partly business character, and our thirteen hundred work people look forward to my declaration of the dividend thereat with a certain amount of interest. Now, as you are no doubt quite unaware of the dividend story I have to tell you, because it is a very mixed affair, the story which I am going to tell you—you will naturally be interested to hear of the dividend we pay. Our dividends have been:—For the year 1895—remember it is on the very modest capital, no water and no gas—was  $7\frac{1}{2}$  per cent., for 1896 it was  $7\frac{1}{2}$  per cent., 1897 nil, 1898 nil—we had two very bad years and it was a trying time for the scheme. I remember very well that a newspaper at that time headed its paragraph report of the meeting: "Profit sharing; failure of the experiment." There was no failure to divide the profit; the failure was to make it, that is all. (Laughter.) That was 1897 and 1898. Of course the same newspaper has been lauding us to the skies a great deal more than we deserve since then. In 1899 we were able to resume and to pay  $9\frac{1}{2}$  per cent., in 1900  $9\frac{1}{2}$  per cent., in 1901  $9\frac{1}{2}$  per cent., in 1902 12 per cent., in 1903 12 per cent., in 1904  $14\frac{1}{2}$  per cent. I do not know what it will be for 1905, something, I hope. But then including the two bad years, it averages 8.2 per cent. You have to remember that in addition the workers got during these years all their wages paid, out of the profits declared always  $4\frac{1}{2}$  per cent. less than these dividends. Then the workers have got nearly 4 per cent. average on the wages during these years, and got last year 10 per cent. on their wages in addition to these capitalist's dividends. Well, any shareholder leaving the company's

employ must within six months sell his shares, and the bonus shares must be sold only to some one in the employ of the company.

I have told you already that ours is a private business as far as we can keep it so, consistent with giving our work people an interest in it. I mean to keep it so. In the case of a worker's death or retirement from work, specially favorable conditions allow the family of the deceased or retired worker to retain the shares, and nothing gives us greater pleasure than to welcome at our annual meetings our old veteran shareholders who have retired from work. The full conditions upon which "B" shares are issued are printed upon the back of every "B" share certificate. So that when a man gets a few bonus shares coming to him, all with the liability limited—because I am not going to present a man with a liability—he can see the conditions under which he holds it.

Well, we have practised profit sharing altogether for thirteen years, three with the chief employees of the company and ten with every man, woman and child. We have not many children in our employ, and when I say that we have about half women in our employ you understand some of the difficulties we have and that the number of employees who are apt to leave is increased. I must admit that although I have great respect for the ladies they are a little more difficult to deal with sometimes than the sterner sex. At all events, they have not the feeling, naturally, of permanency in their employ, because we know that the normal career of a woman is another one. (Hear, hear.) When you ask, gentlemen, what are the results, I must ask you to distinguish between profit making and profit sharing. I need not tell you, an audience of business men, that it is a great deal easier to divide money than it is to make it. Any fool knows that, and I am certain that it takes a good deal of wisdom as well as courage to inaugurate a sound and sensible system of profit sharing. Well, sir, to those—and I hope there are none here even in this audience of business men—to those whose sole object in life is to make money, I say, "Don't entertain a thought of profit sharing if your only object in business is to make money. I don't recommend you to undertake it, because you are not the kind of man that will make it answer." (Applause.) But, to the large number of employers who, while in business to make money for themselves, are anxious at the same time to do the very best for their workers, and I believe the vast majority of business men are so anxious, I strongly recommend the principle of profit sharing as at once scientific and safe. By profit sharing I mean that over and above current rates of salaries and wages a share of the year's profits in some form or other be given to the workers who have helped to make them.

I am not here to advocate any particular mode of profit sharing, though my own was adopted after a life-long study of the best models, chiefly French. I may say it is standing so far the test of experience. And when I speak of profit sharing I mean chiefly the spirit of profit sharing, which is much more important than any particular form. The profit sharing spirit exists in many private concerns already to-day, I am quite

sure, where it is absent in form, and if the form of profit sharing does exist anywhere without the spirit, then, I say, it is a pestiferous corpse. Like every other reform, profit sharing requires the practical idealist. It is not a question so much for a sentimentalist as for a man of affairs. It is in that capacity, gentlemen, that I appear before you to-day. I will not deny that in my case, as in the case of all true profit-sharers, the motive was largely altruistic, but I believe I have not lost money by it, and in the matter of comfort and happiness, happiness I mean in my business, I have gained immensely—(applause)—and, after all, what do we earn money for only as a means towards happiness? My relations with my work people were good before, but they are better still now. They take more pride in their work than in the prosperity of their company. The best work people stick to us, and with it increases the stability of the company's personnel, and therefore the stability of the company's prosperity. Some of our workers, against my advice, sell their shares, but what one worker sells another buys, and it is nearly always a better workman that buys than the one that sells. (Applause.)

One of the great lessons, however, that nearly all non-capitalists need to learn, and some agitators—I am an agitator, so I suppose there is no offence in saying that—one of the lessons needed is this lesson that in order to have you must save. Saving is the foundation of all capital, but some people need to learn that lesson, and the profit sharing system is teaching the people that much needed lesson. As to the results upon my own employees, I may divide them into three classes. First there is the class who are doing their work now and always did it. There is not a decent business employer anywhere that would not be glad to give these people a little more if we could only find them out. Then, there is the other extreme, the people that will not do their duty, however well they are treated, whom kind treatment seems to make worse. There is only one remedy for them; find them out and get rid of them as soon as you can. And this system helps to get rid of them, because one don't want to be burdened with the bad ones, and there becomes a public opinion in favor of good workmen instead of against them. (Applause.) Then, we come to the third and greatest class, certainly I suppose in my employment everywhere, the class of people who are neither very good or very bad, but who are amenable to influence. To these I am glad to say that slowly and surely they are learning the lesson that profit sharing teaches them. From year to year they are more thrifty, more conscientious, more intelligently interested in the welfare of the business. And as their personal share of the capital in the concern grows their sense of responsibility increases and in course of time I trust it may be—nay, sir, I believe it is now—impossible that anybody could drive a wedge between our workers and their work. (Applause.)

It was Mr. Carnegie, I think, that said before the Institute of Mechanical Engineers in Britain about two years ago that "No man can

secure the best of a man's brains or hands which has not his heart." And I believe that, sir. (Applause.) I hold that no man ever does, and I believe that no man can do, his best for an employer he hates or even that he does not like. (Applause.) And I am happy to know that as a band of fellow-workers we are bound together by ties of the kindest feeling and mutual confidence, which kindness and confidence are the result of working for each other. For, mark you, the employer must work for his men as well as expect men to work for him. After all, the note of profit sharing is almost brotherhood; only in that spirit can it succeed. Profit sharing is no panacea. It will not make bad people good, nor will it make a rough business into a good one, but it will make decent folks better, and it does make a good business a better one. (Applause.) I take it that the principal requisites for a successful business and character and capacity in its management. No scheme of any kind can make up for the lack of these. But, granted the ordinary conditions of success, granted an honest purpose in starting a profit sharing scheme, I know of nothing which so richly repays a decent employer as the principle I am advocating now. Not only to myself, but to all my colleagues in the management of our business, our scheme adds a zest and a pleasure to our business, to the daily round, the common task which one who has not experienced it can hardly believe. We are as keen as other men to succeed, nay, I hope we are keener because we feel that we are not only working for ourselves, but we are working for our comrades and followers, and instead of being sullen hirelings behind, these fellows are our trusted, trustful and loyal friends. I feel that in standing up before an audience of business men I am apt to be misunderstood. But I assure you I am as keen after the bawbees as any man here. (Applause.) It may seem overdrawn, but at the risk of being misunderstood I must say that the profit sharing spirit dignifies and glorifies a business man's life. (Hear, hear.)

No employer of labor need seek political or military honors for the satisfaction of his own ambition to serve his day and generation. With Dr. Flint of Edinburgh, I hold "that the captains of industry can do more for the elevation of the working classes than all the politicians put together." (Applause.) And I often think that if our middle classes and upper classes of young men—you will excuse my importing those old terms here, where they seem out of place—I mean men who have education and wealth and influence on their own side. If the young men of those classes who are so nobly ready to fight for the Empire in South Africa and elsewhere, if they once realized the great work they could do with and for the industrial classes at home, we should soon see developed a new and even a higher form of patriotism than ever before. Surely if it is great to die for one's country abroad, it is no less great to live for one's fellowmen at home. (Loud applause.) I fear that we do not always realize the openings lying around us to true greatness in the service of our fellow-

men. Does not the young man of wealth and intelligence who gives his services to the management of municipal affairs, and who tries, say, to keep Toronto from going down the path that has led Philadelphia to infamy, does not such an one render to his fellowmen as great a service as the man who follows a military career? In the industrial world, as elsewhere, "noblesse oblige." It is not, gentlemen, to the rank and file that we must look for industrial reform. Trades unions, employers' associations are all very well in their place, but they are fighting forces, and all war is costly, and costly industrially in what is even more valuable than money. It is a truism that capital and labor are twin engines, and only by their working together can progress be made. I profoundly believe that if capital and labor could be all the world over harmoniously reconciled and working together the hours of work would be shortened, wages could be raised and capitalists no worse, but better off. Be that as it may, however, no one will deny, I suppose, that in every country where industry is organized there is room for improvement.

Why, sir, Canada herself is taking part in this grand reform. I went across, I won't say the trackless, because there is a track across the prairie—I went across what was up to a few years ago the trackless prairies to British Columbia. I called upon the manager of the "British Columbia Electric Railways." What did I find? A splendid system of profit sharing. The manager told me to go to the men and talk with them. I talked with them, six or eight men, and it is all summed up in what one fellow said to me. He said, "This is the grandest company to work for on this continent." (Applause.) Why? Because there is a human feeling on the part of the management for the men and this human feeling is turning out decent dividends.

Well, depend upon it that is the spirit to evoke in your employees if you can, and profit sharing in the true profit sharing spirit, is the best way to do it. Do not expect wonders in no time. It is a great reform that has got to come, and we have to be patient. It is a worthy work in which to engage. There may be, probably there will be, money reward, but if not there should be no money loss. On the other hand, of a moral kind there is great reward, the reward that one has tried to leave the world a little better than one has found it. (Loud cheers.)

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