Profit Sharing

by Eugene V. Debs

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It is possible that profit sharing, if conducted honestly, would do away with the more serious labor troubles which afflict the industrial world. Occasionally we read of profit sharing in France and England where results have proven satisfactory to all concerned, but the idea has nowhere become epidemic, nor is it likely to spread rapidly. At long intervals we hear of an attempt at profit sharing in the United Staes, and we know of one instance, at least, where it is on its second year's trial in an establishment employing nearly 400 men.

It may be well to outline this new departure by the firm operating the establishment referred to, because of some peculiar features developed.

First, the concern employs both union and non-union men, the latter being largely in the majority. In the first year of profit sharing the firm ignored the claims of its union employees and admitted only *non*-union men to the banquet of profits it proposed to spread for them when the book were balanced and the surplus profits to be divided were ascertained.

No reason was assigned for this ostracism of union workingmen, and hence the legitimate inference that it was designed to intimidate union men, and, if possible, make them abandon their organizations. To properly characterize such tactics requires a severity of speech in which we do not care to indulge at this writing, except to say that it indicates a hostility to organization in consonance with purse proud autocratic employers, universally.

Second, the concern to which we refer like all others, was required under the statutes of the state to give the amount of its investment in the industry; first, by a report to the state statistician, and again by giving, under oath, the true cash value of the plant for taxation. To the state statistician the investment was something about $201,000, and for taxation about $168,000. These figures are official and should be borne in mind by the reader who desires to get at the "true inwardness" of profit sharing by those who are making the experiment for the *benefit* of *employees,* a philanthropic movement showing the profound *solicitude* on the part of employers to deal justly.

When the plan for profit sharing was perfected it was ascertained that the concern claimed that its investment was $500,000, of which, by its own showing, $300,000 was *water,* or unadulterated fraud. Upon this $500,000 it was demanded first, from the profits of the business, 8 percent, or $40,000, when *honestly* it should have been 8 percent on not over $200,000, or $16,000. It is difficult to conceive of such downright knavery, but it does exist nevertheless, and that, too, in a scheme blatantly proclaimed as designed to benefit workingmen.

The scheme of the concern referred to had one more feature which should not pass unnoticed. Having secured 8 percent on $500,000, $300,000 of which had no existence, a balance remained to be divided with the employees, but when the time came to distribute the shares the $500,000 came in as *an employee* and again took the lion's share. As a result only a small sum remained to be divided among the men, who being non-union workingmen did not hesitate in parasitical style to applaud the concern for its *liberality.*

The thing called profit sharing worked well for the proprietors, who concluded to try it another year, and as the men, without a murmur, stood a fraud of $300,00 of *water* for the first year, the concern demanded 10 percent on $600,000 capital stock when the investment does not exceed $200,000, making $400,000 the water investment upon which it claims 10 percent. The second year of profit sharing will, in the first place, require 10 percent on $600,000, or $60,000, when, if there is anything left, the concern will *again* put in its $600,000 as an *employee* and after it has absorbed about everything in sight, should there be a remainder, it will be divided among the workingmen. *Sic transit gloria sham.*[1]

So much preliminary to the proposition made by President [Melville E.] Ingalls to introduce profit sharing in railroad work which is found in the *Chicago Herald* as follows:

> President Ingalls, of the Chesapeake & Ohio Railroad, in his annual report to the stockholders strongly recommends a system of profit sharing with employees. His plan is to divide the surplus

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[1] *So goes the glorious sham.*

> available under the existing order of things for dividends between shareholders and employees on the ratio of total capital to total wages paid. Thus, adding wages paid to capital for the purpose of determining the rate of the dividend, in case the rate should be 1 percent, each shareholder would get that rate on his stock, and each employee would get the same rate, 1 percent, on his individual wages or salary. The larger the surplus the larger the dividend to both shareholder and employees. Thus the latter, as well as the former, are interested in having as large a surplus as possible. The plan would tend to protect the company against strikes so long as the regular pay of the men was satisfactory, but no longer. Five dollars extra on the earnings of $500 a year would not prevent him from striking if he was fully persuaded that he ought to get $600 a year for his services. Employees might also want their wages rerated for dividend purposes to the same extend as the company's stock was watered, and the result might be a strike for more dividend after winning a strike for more wages.

In the proposition of profit sharing is embodied a concession of wonderful significance, nothing less than that labor, over and above its per diem, is an investment which gives it an interest in the enterprise in which it is employed. That is its import, and it is of immense consequence. The fact that those who make the proposition may be prompted by sinister motives in no wise affects the concession that labor, as certainly as money, is an investment and justly entitled to share in the profits after receiving its per diem.

In the case of the industrial concern to which we have referred in this article, the proprietors first demand 8 percent on $600,000 as earnings, aside from all other considerations; then 2 percent is demanded to keep in repair and intact the buildings and machinery; then, again, the $600,000 share is made an employee to share with other employees in whatever profits remain. Taking this view of the subject, labor receives its per diem to correspond with the 8 percent on the $600,000, then by sharing in the remaining profits labor secures something as compensation for wear and tear, sickness, and old age. So far, labor, like money, comes in twice in the earnings of the industry, and if the final division was then made it would appear that Justice held the scales evenly balanced, but money comes in three times to share in the profits, and thus demonstrates that capitalists permit their greed to overcome and obscure their sense of honest dealing with labor.

Mr. Ingalls's proposition clearly admits that labor is an investment in all railroad enterprises. He finds first, total capital invested; then, total wages paid then the surplus in which labor and stockholders share alike. On the face of the proposition it is difficult to suggest an improvement, Most assuredly it is fair play if honest wages are paid, and the basis of calculation is an honest investment on the part of those who control the railroad property. But if the investment is watered until it is doubled, that is to say if every million invested is swelled to two millions, the chance for a surplus is scarcely above zero, with probabilities that instead of a surplus, by adroit manipulations there would be a deficit, a proposition no unlike the poet's description of "Dead Sea fruit, which tempts the eye but turns to ashes on the lips," or a desert mirage which transforms burning sands into lakes of water.

Notwithstanding this there is in the proposition of profit sharing the germ which if properly nursed and developed upon a basis of fair dealing and honest investment, would go far toward solving labor problems. It is practical. The difficulties in the way are easily overcome, as for instance: There would be no difficulty in ascertaining the amount of the true cash investment of proprietors. The *water* could be easily evaporated or drawn off. Necessarily there would be no difficulty in finding the investment of each working man. An employee at $3 working 300 days would invest $900, and so on throughout the list. Then when the time came for dividing the profits the amount due each man would be a simple task. All that is required is honesty in every department of the service. Fraud should have no place in the transaction. The books should be kept by honest men and not by knaves, and capital stock having been once fairly remunerated should not be permitted to grab but *once.*

How soon profit sharing will be conducted upon such a high plane of probity is beyond the ken of sages, but it is possible, and is one of the things connected with the welfare of labor that may with eminent propriety be discussed.

Edited with a footnote by Tim Davenport

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