Profit-Sharing in Canada

A

Thesis

As Required

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B.A.

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Table of Contents.

' Information regarding the majority of schemes described in section IV has been supplied by the Companies concerned. To all those who have been so good as to answer my inquiries I am much indebted.

Profit-Sharing in Canada.

I - The rapid growth of a militant movement among labourers which has characterized the progress of Industry under the capitalist order, has set in motion various counter-reactionary forces; the losses and disturbances from strikes and lockouts, the threats of Communism and Socialism, have caused employers to institute a number of devices designed to lessen the causes for strife. Among these devices is Profit-Sharing and although as a movement it has not enjoyed a great success, it has, at various times and in different countries, attracted considerable interest.

The term Profit-Sharing is often used in a loose sense, hence it is desirable at the outset to define it. '

Definition. Profit-Sharing is an agreement, freely entered into, whereby an employer agrees to give to his work people, in addition to their wages and in consideration of their services, a share, fixed in advance, in the profits of the undertaking.

' This definition, with the qualifications, is in the main identical with that given in: "Report on Profit-Sharing and Labour Co-partnership in the United Kingdom, 1920" Cmd. 544.

The essential principles are therefore:

(1) The agreement shall not unduly discriminate in favour of any one class of employees, e.g. the managerial class, but may be "freely entered into" by the rank and file.

(2) The "share" in profits shall be" in addition to wages and in consideration of services" '

(3) The "share" shall bear a definite relation to profits as the residual element, and shall be "fixed in advance".

Qualifications.

According to definition, several forms of payment, which are sometimes called "Profit-Sharing," are excluded. These are notably:

(a) "Limited profit-sharing" where but a few select employees,--such as the managers,--share in the profits.

(b) "Premium bonuses" or "output bonuses" or other similar schemes which offer rewards proportionate to output, or increase of output, irrespective of the general financial results of the business.

(c) "Gratuities" pure and simple, given at the absolute discretion of the employer and on no pre-arranged basis.

' Experience has shown that to be successful, a Profit-Sharing scheme must assume a standard or "going" rate of wages.

(d) "Dividends" on capital stock which has not been acquired by the employee under specially favourable conditions granted in consideration of services.

In regard to (d) it may be pointed out that there is now a disposition [1] to include, as examples of Profit-Sharing, stock-ownership schemes which provide for the sale of stock to employees at special prices or under other specially favourable conditions granted in consideration of services; for the dividends received by employees from such stock represent a share in profits, which not only bears a direct relation to profits, but is in addition to wages and in consideration of services (to the extent of the concessions granted). Similarly, instances where the employee receives a supplementary rate of interest on his capital invested in the business, which the ordinary stockholder does not receive, are considered to be examples of Profit-Sharing.

While the agreement between employers and employed is usually (and preferably) in writing, a verbal agreement is quite acceptable so long as the conditions set forth are honoured when profits are being distributed. Furthermore, the agreement may be either unilateral or bilateral in construction,--usually the former.

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[1] See: "Report-----in the United Kingdom, 1920". Cmd. 544. Page 6.

Numerous ways have been devised for distributing the "share". For example, distribution may be in cash, in capital stock, in what are known as profit-sharing certificates, or by means of some other device which gives the worker a claim to accrued or future profits. Also, there are a number of methods of determining how much each employee shall receive. The profits may be divided equally among all employees, or be paid as a percentage of each man's wages for the year, or be in proportion to the dividend declared on the capital stock of the company, etc.

General Characteristics.

Although there is no standard scheme of Profit-Sharing which may be applied to every type of business, or under any conditions, an analysis of a number of plans will indicate certain general characteristics:

1. Agreement: The agreement is usually in writing and is often subject to the ratification of the employees. It may, however, be terminated at the pleasure of the employers. The right to share in profits under the agreement does not constitute a legal right.

2. Eligibility: With the express purpose of reducing labour turnover and of rewarding steady, loyal and faithful employees, most schemes provide that the participating employee shall serve a period of probation before he is eligible to share in profits. In no instance is participation obligatory and the employee may with draw at any time. Most every agreement of the thrift type ~~malus~~ makes provision for

2. (cont'd)

some settlement in case of death, accident, withdrawal or dismissal.

3. Profits to be distributed are usually limited to that sum, or portion thereof, remaining after the payment of interest on share capital and on borrowed money, and the setting aside of certain reserves for depreciation, contingencies, etc.

4. In the majority of instances, the amount which each employee receives is reckoned, by some means or another, according to the ratio of his wages (or salary) for a given period, to the total of all wages and salaries for that period.

5. The higher salaried employees are usually prevented from getting too large a share of the benefits.

6. The thrift type of plan places on the employee the responsibility of ~~rushing~~ making regular deposits. The stock-ownership type customarily provides for some special reward to the employee who retains his certificate, and a penalty to the one who does not. Many companies guarantee their employees a minimum return on their investment.

II Motives.

The motives underlying the formation of a Profit-Sharing scheme vary, quite naturally, in each particular instance. There are, however, certain dominant or general motives.

(a) The altruistic motive. While there is probably an element of altruism in most profit-sharing plans the extent to which any one of them is altruistic can only be conjectured.

(b) The business or pragmatic motive. This motive finds expression in the hope that through Profit-Sharing, the company will be strengthened in some way that will "pay", e.g.- increased production, less waste, more careful attention to duty on the part of employees, or reduced labour turnover. In this regard, the following is well worth quoting:

"A company needs to pay a certain financial return in order to get capital, and that return can be pretty definitely ascertained in the financial market in any given instance. Any normally well-managed company, however, if it is supplying society with a real service, ought to make net profits in excess of the amount needed to secure its required capital. Now after the amount needed to secure its capital has been paid out of these net profits in dividends, interest and brokers' fees, any further distributions of profits into these channels are

(b) cont'd.

practically thrown away so far as strengthening the organization or helping it to do more business or competing more successfully is concerned. But after the necessary amount has been paid into these channels to secure the needed capital, if the balance is wisely distributed within the organization it can be made to aid in strengthening that organization. It is in the best interests of capital that some portion of the surplus earnings should go to the worker." *

(c) The tactical motive. It was stated in the opening paragraph that Profit-Sharing is a device used to promote industrial peace by curbing the reaction to Capitalism which emanates from the labourers. Obviously this is so when a scheme is instituted as the direct result of some dispute; it is no less so when strife is anticipated in the immediate, or even the distant, future. Notwithstanding the fact that experience, in the United Kingdom particularly, has demonstrated that any individual scheme which openly challenges the Labour Movement is almost certainly doomed to failure. Profit-Sharing remains a counter-reactionary movement; for, in so far as it creates a spirit of harmony within

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* P. 44-45. "Profit-Sharing and Stock Ownership for Employees." Gorton James. (Harper & Bros. New York 1926.)

industry, the effectiveness of Labour cannot be but lessened. The relentless antagonism of the trade unions to any system of Profit-Sharing indicates that they, at least, consider that the motives underlying the formation of a profit-sharing scheme conflict with the objectives of organized labour.

Arguments for:

The principal arguments in favour of Profit-Sharing are in the main identical with the reasons for which schemes have been started and the results which, it is claimed, have been produced. There are so many factors which into any of these schemes that it cannot be said that Profit-Sharing of itself will produce a desired result. For instance, a well devised plan may be doomed to failure because of inefficient management. Hence it must be realized that the following have a somewhat limited application.

(a) Profit-Sharing produces a spirit of co-operation and loyalty among the working force.

(b) That it promotes efficiency where close supervision is either lacking because it is impossible or it is not desirable.

(c) That it reduces the waste of time and materials.

(d) That it reduces the labour turnover.

(e) That it promotes thrift. This applies to the stock-ownership type in particular.

(f) That it satisfies the worker's sense of justice. While according to legal and economic reasoning the worker has no just claim to profits, for his remuneration is wages and profits are at the discretion of the entrepreneur, labourers are making it manifest that they do not deem as "just" the present distribution of wealth,- which they consider to be inequitable. It is to satisfy this latter sense of justice that Profit-Sharing is directed.

Argument vs:

The arguments against Profit-Sharing are, for the most part advanced by those who have tried the system and have had to abandon it, or by the union organizations.

(i) The apathy of employees to the benefits of a scheme. This is specially true under conditions of high wages or when profits are either small or irregular.

(ii) The employees count on the bonus payments and make use of them in advance.

(iii) Under a system of Profit-Sharing "freely entered into", the inefficient labourers are rewarded in the same degree as the efficient.

(iv) With the stock-ownership type there is a danger of overcapitalization and exploitation. The failure of the company will leave the employee not only without a job, but also without his savings upon which he no doubt relies.

(v) The most strenuous opposition to Profit-Sharing springs from the various Union organizations. The objection is based primarily on the contention that economic justice for the worker can only be attained through horizontal and national organization,-i.e. Labour organization,-- whereas Profit-Sharing, as a device for promoting industrial peace, causes a local and vertical organization.

Again it must be emphasized that these arguments, both for and against, are somewhat limited in their application. It is not true that the success of any one scheme disproves the arguments against; neither can it be said that the failure of any one plan disproves the arguments in favour of Profit-Sharing. Each scheme must be judged according to its own merits or demerits. Too much stress cannot be placed on the importance of other factors such as management, the morale of the working force, etc. The value of these arguments lies, principally, in that they should be taken into account when a new scheme is being drawn up.

III History.

Although there were earlier developments with features analagous to Profit-Sharing, ' the modern movement is generally considered to have started in France in the 1840's. M. Leclaire, (1801-72) proprietor of a house-decorating firm in Paris, began sharing his profits with employees in 1842. While at first there was no definite agreement and only the older employees participated, subsequently all employees were permitted to share in the profits under an agreement and on a pre-arranged basis.

Upon Leclaire's death in 1872, the workmen acquired fifty percent of the capital in the business and the claim to seventy-five percent of the profits. Leclaire is often referred to as the father of Profit-Sharing while his scheme is looked upon as the classical example.

The world-renowned Familistere at Guise which has been built up on the basis of a system of Profit-Sharing was instituted by Jean Godin in 1878. The Familistere is a settlement where the workmen of the Godin's stove-foundry live. It is styled after the

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' The "Report---in the U.K., 1920" (Cmd. 544) records the scheme of Lord Wallscourt on his estate, at Galway, Ireland, 1829. However very little is known about the scheme. The Encyclopaedia Britannica, Art.-Profit-Sharing, mentions several insurance companies which had schemes, somewhat akin to Profit-Sharing, prior to 1840.

phalanx of Charles Fourier, French socialist.

Both these schemes were in operation in 1926 and so far as is known they still exist to-day. [1]

Despite this early movement, as well as subsequent influential sponsorship, Profit-Sharing has been extremely limited in France and in recent years has been in the decline, as is shown in the following table: 2

1893	----------	145 schemes in operation
1901	----------	88 " " "
1921	----------	62 " " "

(Of the 62 schemes in operation in 1921, nine had no profits to distribute in that year)

The early movement in France attracted attention in England and, among others, John Stuart Mill and the Christian Socialists were favourably impressed. The first example of which the details are known was that instituted in 1865 by Henry Briggs, Son. & Co, Ltd, who operated collieries at Whitwood and Methley, Begun with the express intention of ending a strike and breaking up the workmen's union, the scheme was successful for a time but was abandoned in 1875 chiefly because of union opposition.

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[1] See: "Profit-Sharing and Stock-Ownership for Employees," by Gorton James. (Harper and Bros., New York, 1926.)

2. Labour Gazette (Ottawa) Vol. xxlll (1923) P. 1187

The Briggs experiment had the effect of popularizing the movement for a time and later of distracting from it.

The year 1889 marked the beginning of a period of activity which led to the formation of a number of schemes. There were several contributory causes: firstly it was a period of acute industrial unrest, marked by a series of great strikes; secondly, the famous South Metropolitan Gas Company scheme, the success of which has since led to the adoption of Profit-Sharing by many of the gas companies in the United Kingdom, was started in this year; and thirdly, the International Congress on Profit-Sharing, held at Paris in 1889, not only reflected a growing interest but also created a new and greater interest in Profit-Sharing.

The Ministry of Labour in the United Kingdom keeps a complete record of the total number of schemes started and abandoned, and on three different occasions,-(1893, 1912, 1920),-when a revival of interest has been noted, special reports have been issued and made available to the public. Besides this, statistical reports are given in the various Statistical Abstracts, issued from time to time by the Department.

The following table will give an indication of the growth and success of the movement.[1] (Exclusive of co-operative societies)

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[1] P 109, 20th Abstract of Labour Statistics of the United Kingdom, (1931) Cmd.3831.

Period in which started	Total no. of schemes known to have been started	No. of schemes abandoned at end of 1929.	No. of schemes suspended at end of 1929.
Before 1881	35	31	
1881-1890	80	69	
1891-1900	78	67	
1901-1910	84	45	
1911-1918	98	38	
1919	62	22	1
1920	58	12	2
1921	15	1	1
1922	15	1	
1923	18	5	
1924	14	1	
1925	13	3	
1926	15	3	
1927	22	1	
1928	13	2	
1929	15	0	
Total	635	301	4

The periods of greatest activity have been from 1889 1889-1892, 1908-9 (especially in the gas industry) and 1919-20, following the Great War.

What is perhaps most significant is the high proportion of schemes abandoned to schemes started which, incidentally, has been noted in all countries where Profit-Sharing has been tried, to any extent. The Report of 1920, already referred to, analyzes the causes of abandonment as follows; in order of importance. [1]

1. Dissatisfaction of employers with results.
2. Want of financial success of the business.
3. Altered circumstances- death of the employer, etc.

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[1] See: "Report---1920" Cmd. 544 P. 12-13

4. Dissatisfaction of employees, opposition of trade Unions.

5. Preference on the part of the employees for other benefits, efficiency bonuses, etc.

6. In some instances the causes for abandonment could not be ascertained.

Profit-Sharing has been more popular by far in the United Kingdom than in any country. In other European countries it has been limited to a small number of schemes, some of which, e.g. the Zeiss optical works in Germany and the Bata shoe manufacturing concern in Czechslovakia, have been outstanding. There has been considerable activity in the movement in Norway within recent years.

In the United States the first example was that of the N. O. Nelson Manufacturing Company of St. Louis, established in 1886. Although some highly successful schemes have since been launched, the movement has failed to stimulate much interest. In 1917 there were only sixty firms that had adopted Profit-Sharing. [1] There has been a preference for efficiency bonus and limited profit-sharing systems. Since the War a number of stock-ownership schemes, which are types of Profit-Sharing, have been established, and the prominence of this type of scheme in Canada is, in no small part, due

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[1] "Report on Profit-Sharing in U.S." (U.S. Bureau of Labour, Bulletin no. 208.)

to the influence of U.S. Corporations having Canadian Branches.

The earliest instance of Profit-Sharing in Canada was the plan of the W. F. Hatheway Co., of Saint John, N.B., inaugurated in 1888, and discontinued in 1913. The early movement in Canada having been adequately covered in "Profit-Sharing and Producer's Co-operation in Canada," by Prof. H. Michell, which appeared in Queen's University Quarterly, 1917, we shall avoid unnecessary duplication and direct attention to the movement since that time.

Lesislation.

Although considerable legislation has been proposed regarding Profit-Sharing at different times and in various countries, very little has ever been passed. In France, Legislative Acts in 1915 and 1919 made Profit-Sharing compulsory for workers' co-operative productive societies and for all future mining concessions. [1] In Great Britain, 1917, it was proposed that soldier settlement plans adopt Profit-Sharing. [2]

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1 Labour Gazette. (Ottawa). Vol XXlll (1923) P 1187

2. " " " Vol XVlll (1918) P 903

In Mexico the suggestion was put before the legislative body that it be made compulsory for all mining companies. [1] A number of states in the United States, also some of the provinces in Canada have ruled that under a Profit-Sharing agreement the employee shall not have a legal right to profits. [2] Regulation twenty-eight, issued under the Security Frauds Prevention Act, Ontario, 1930, makes it necessary that all stock-ownership and thrift types be administered as a Trust Funds. [3]

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[1] Labour Gazette (Ottawa) Vol XXlll (1923) P. 825

2 Revised Statutes Ontario, 1927, Ch. 177 S.2.

3 Labour Gazette (Ottawa) Vol XXXl (1931) P. 807

IV Schemes of Profit-Sharing in Canada since 1917.

Of the schemes described in "Profit-Sharing and Producers' Co-operation in Canada", already referred to, several are known to still exist. The W. J. Gage and Company, Limited, manufacturing stationers of Toronto, still maintain their stock-ownership plan for employees with but a few minor changes. The Steel Company of Canada and the International Harvester Company, both situated in Hamilton, have on different occasions since 1917 sold stock to their employees under practically the same conditions as those described by Prof. Michell. Quite a number of the firms have gone out of business, while others have been either reorganized under a different name or taken over by some other concern, and so far as can be determined the profit-sharing schemes have been abandoned.

Canadian Kodak Co., Ltd., Toronto.

This Company, a subsidiary of the Eastman Kodak Co. of Rochester, N.Y., has made special payments to its employees on a profit-sharing basis since 1912.

In recognition of the value of trained, steady workers, and as reward for continuous service, the Company makes a payment, called the Wage Dividend, to the employees in addition to their regular wages or salaries. All employees who have worked portions or all of at least twenty-six weeks during the preceding calendar year, and have continued in the service of the Company

without a break up to and including July 1st, are eligible to participate. Special provision is made for cases where absence is due to sickness, lay-off because of slack work or leave of absence.

The Wage Dividend is based directly on the earnings of the Company and its continuance from year to year is dependent on profits being sufficient to warrant it, and upon special action of the Board of Directors. It is calculated as a percentage of the total wages or salary received for the past five years, (or the last period of continuous employment within the five years), immediately preceding the date of payment of the Dividend.

Method of Calculating:

For each dollar per share of dividends declared during the calendar year upon shares of the common stock of the Company over and above three dollars and fifty cents ($3.50) per share, the Wage Dividend rate is five dollars ($5.00) for every one thousand dollars ($1,000.00) of the wages or salaries upon which the Wage Dividend is computed.

For example:

An employee's earnings for the five calendar years immediately preceding the date of payment of the Wage Dividend are $7,500.00 and the common stock dividend for the year amounts to $8.00 per share. That employee's Wage Dividend would then be:

$$\frac{\$5}{\$1000} \times \$7,500 \times (\$8.00-\$3.50)$$

$$\text{i.e. } \$\left(\frac{5}{1000} \times 7,500 \times 4.50\right)$$

i.e. $168.75

In 1931 about 750 employees, or practically the entire staff of the Kodak Co., shared in the annual Wage Dividend. The rate of 2¼% of the annual payroll amounted to approximately $115,000. and was distributed proportionate to employee's wages over the five year period. [1]

This scheme is but one of a number maintained by this company with a view to both rewarding their employees and fostering a spirit of co-operation within the plant. Others are: An Employees' Association; a Savings Plan; a Retirement, Insurance and Disability Plan; a Monthly Magazine; a Loan Plan; a Recreation Club; and a Cafeteria where Good Meals are served at cost.

The Proctor and Gamble Co., Hamilton.

The ~~present~~ parent Proctor and Gamble Company in the United States has had a Profit-Sharing scheme in continuous operation since 1887, and the Canadian subsidiary has had a similar plan for a number of years. The late Wm. C. Proctor, for many years the President of the Company, was one of the foremost advocates of

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[1] These figures taken from Labour Gazette, 1931, P. 785

Profit-Sharing in America.

The P & G plan is of the stock-ownership type and its purpose is "to encourage thrift among the employees and to reward those who remain continuously in the employ of the Company," and in recognition that "the Company's interests and those of its employees are inseparable."

From time to time the original plan has been altered and amended. The revised plan, as of January 1st, 1933, may be summarized as follows:

Any employee, excepting salesmen and travelling representatives, whose wages or salary is not in excess of two thousand dollars, ($2000), and who has been in the service of the Company for twelve consecutive months, is eligible to make application to participate in the plan. His application is subject to the approval of three Trustees who are appointed by the Board of Directors.

The employee agrees to deposit with the Company an amount equal to 5% of his wages,--to be deducted from his pay envelope The Company agrees to open an account on its books in favour of the employee and to credit him with his payments. When the sum of each worker's payments equals the market value of one share of Proctor and Gamble common stock, the Board of Trustees purchases one share of such stock and holds it in trust for the workman. Dividends on the stock are credited to each of the employee's accounts and with his payments are used to purchase further shares. In addition, the

Company agrees to credit to each employee's account at the end of each calendar quarter, ending March 31, June 30, September 30 and March 31, a special Profit-Sharing Dividend, as declared by the Board of Directors and computed on the total amount of wages or salary received by the employee for the quarter. As payments, stock dividends and Profit-Sharing Dividends accumulate, additional shares of capital stock are purchased and credited to the employee.

At the end of six years the stock certificates, which have been held in trust, with any cash balance, are turned over to the employee and his account is closed out. Thereafter, so long as he retains his stock he receives his dividends as any ordinary shareholder and the quarterly Profit-Sharing Dividends are paid to him in cash.

In November 1934, 96% of the eligible employees, i.e. 86% of the total enrollment, participated in the plan. The Profit-Sharing Dividend for the previous quarter ending September 30, 1934, was at the rate of 8%.

While employees are encouraged to retain their stock, they may withdraw from the plan at any time--forfeiting all benefits, of course. Conditions covering withdrawal in case of death, disability or dismissal guarantee the employee at least a cash sum equal to what he has himself paid in plus interest thereon,

compounded quarterly, at the rate of 6% per annum. In case of retirement, the Company will buy back the stock at the same price as was originally paid for it. Participants of six years or more, and in the case of a woman leaving to be married, three years, have the option of retaining their stock or of turning it in and being paid the market price for it, or a sum equal to their payments plus 6% interest, whichever they prefer.

Certain penalties are imposed on employees who sell their stock without notifying the Board of Trustees. The Company reserves the right to terminate the plan at the end of any fiscal year, in which case the participants are guaranteed at least what they have paid in plus 6% interest.

The Proctor & Gamble Co. also sponsors a Pension and Benefit Plan, an Employment Plan which guarantees everyone in their employ forty-eight weeks' work per year and two weeks holidays with pay, a Shop-Committee of elected representatives, and a Cafeteria. '

' In the boom years of 1928-29, a number of P & G employees --both in the U.S. and Canada,--taking advantage of the appreciation in value of their stock and using it as collateral, borrowed money. When the crash came they found themselves in financial difficulties and their actions were disclosed. However, the Company came to their ~~reserve~~ rescue, took over the loans and charged them a lower rate of interest than they could have obtained elsewhere. An employee who disposes of his stock without notifying the Company is usually debarred by the Shop Committee from participating for a number of years.

The Noble Foundation of Nobleford, Alberta.

In so far as we have been able to determine, the only example of Profit-Sharing in the farming industry in Canada was that of the Noble Foundation. Established in 1912, the Company had, apparently, all the ear-marks of success when the scheme was announced in 1919.

Under the terms of the agreement, employment was offered to experienced farm labourers and teamsters at the following rates:

April to July (inclusive)	$65 per month
Aug. to Nov. (inclusive)	$75 per month

Those who remained through the full season and gave good satisfaction were to receive a bonus of 20% of their total wages.

In addition the Company agreed to pay, not later than thirty days after December 31st, a dividend on the amount earned at the same rate as the dividend paid to shareholders,--which averaged 20% from 1912-18. Furthermore, it was proposed to pay an extra 10% bonus to any who should return the following year and complete the season.

The Noble Foundation was, unfortunately, forced out of business about 1924 after a succession of bad years, and it is not known how successful their plan turned out to be.

The Alaska Bedding Co., Montreal.

Realizing that: "the success of the Company was due to two things,--the capital invested in the business

and the efforts of the employees," the management of this firm announced a scheme of Profit-Sharing in 1919. It provided that each December a dividend should be paid to employees on their regular wages at the same rate as the dividend paid to shareholders on the common stock of the Company. All employees, regardless of length of service, were eligible to participate. The wage dividend was to be based directly on profits and if no dividend was declared by the directors on the common stock, no wage dividend would be paid.

The Company has ceased to exist and the outcome of this venture could not be ascertained.

Canadian Cottons Ltd., Montreal.

With the definite purpose of increasing efficiency and improving industrial relation, the management of this enterprise announced, in 1919, a plan which so closely approximates Profit-Sharing that it merits a detailed examination. *

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* There having been but comparatively few examples of Profit-Sharing in Canada, this inconsistency with the classical definition given on page one is, I think, justified; for to follow the definition precisely would mean the exclusion of several very interesting schemes which present most of the important characteristics of Profit-Sharing.

At their Ontario Mill, situated in Hamilton, Ont., production was estimated to be 64% of the rated capacity. To encourage greater and better production it was agreed that the workmen should share in the profits realized from such increased production and in direct proportion thereto. The Company would pay to the employee, at the same time as dividends were paid to shareholders, a sum equal to 1% of his wages for every 1% increase in production. For example, if production increased to 75% of capacity,--i.e. by 11%,-- each individual operative would receive as his share of profits 11% of his regular wages. It was provided further that this "share" might be re-invested with the Company to draw interest at the same rate as dividends paid to stock-holders, such deposits with accrued interest being subject to withdrawal at any time.

Participation was granted to all employees whose attendance at work was 92½% of the full working time.

Owing to a serious slump in business with a consequent loss of profits, this plan had to be discontinued several years ago. Severe competition from English manufacturers, who are trying to stave off the Japanese, has necessitated that prices and costs of the cotton industry in Canada be kept at a minimum which does not allow of Profit-Sharing.

Canadian Cottons Ltd. have instituted different plans with a view to rewarding their employees. A Group Insurance Fund had to be discontinued because of the financial difficulties which the depression brought on. However the Company established a fund to take care of

those employees who through accident or old age were unable to carry on their work. At time of writing a new Pensions and Insurance Scheme is being worked out. '

The Robert Simpson Co., Ltd., Toronto.

The Robert Simpson Co. and its subsidiary, the Robert Simpson Eastern Ltd., have had an "Employees' Savings and Profit-Sharing Fund," in operation since 1919. Originally it was strictly a savings plan but in 1925 was enlarged to include stock-ownership for employees. An outline of the revised plan, as of June 24, 1933, follows:

The intention of the plan is to encourage thrift and the habit of saving and to help employees provide for retirement, accident or death.

Participation is entirely voluntary and is granted to any employee who has completed one year of service

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' The following is worthy of note: "Canadian Cottons Ltd., has recently made provision for the welfare of the employees of their Gibson Mill at Maryville, N.B., in the form of a handsome and well-equipped club-house, at a cost of $25,000, named the Dawson club in honour of Mr. A. O. Dawson, first vice-president (now pres.) of the Co. The club was started some years ago but was destroyed by fire in Feb. 1924."

P. 759, Labour Gazette (Ottawa)

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with the Company. The employee is required to sign an "Employee's Acceptance" form and be bound by conditions set forth under the plan. He agrees to deposit 5% of his wages, or a maximum of $100 per year, with the Company. (The maximum is designed to prevent higher salaried employees from getting to large a share in the benefits of the plan.)

The Company agrees to contribute to the Fund 5% of its net profits as soon after the close of the financial year as is possible. Net profits are defined to not include dividends from associated, allied or controlled companies, and shall be understood to mean the balance of profits remaining after payment of bond and other interest, dividends on capital stock, and such allowances and reserves as are deemed necessary by the executive.

A Board of Trustees of five members appointed by the Directors, two of whom shall be employees other than officers or directors, administer the Fund. The constitution of the plan provides that: "the Board of Trustees shall invest and re-invest or direct the investment of not less than 60% of the monies of the Fund in and upon such securities or investments as shall be allowed from time to time by the laws of the Province of Ontario for the investment of trust funds, but, may invest or re-invest the remaining 40% in and upon such securities as the Board of Trustees may deem fit, and in particular, without limiting the generality of the foregoing, in the capital stock of the Company and / or

Simpsons Ltd." In other respects, the administration is left largely to the judgment of the Trustees. The Company bears all the costs of administering the Fund and the members of the Board of Trustees serve without remuneration.

Conditions of withdrawal provide that any employee who has completed ten years in the service of the Company, (or in case of a woman leaving to be married, five years), may withdraw from the Fund at any time and receive all the benefits which have accrued to his (or her) account. In case of death, beneficiaries also receive all the benefits. The employee who has not completed ten years service and who withdraws, forfeits his right to any share in the Company's contributions to the Fund but receives what he has paid in plus interest thereon at the rate of 5% compounded half-yearly.

In view of recent criticisms of this plan of the Robert Simpson Co., the following clause, which covers all instances of withdrawal, is of particular interest: "the employee or his beneficiaries shall be entitled to receive at least an amount equal to the total amount contributed to the Fund, together with interest thereon at the rate of 5% per annum compounded half-yearly on the first days of March and September in each year."

By written notice to the Board of Trustees the Company may require that the Fund be discontinued at a date after three months of the notice.

That the Fund has proved satisfactory to the parties concerned may be assumed, I think, as it has not only been in continuous operation since 1919 but on several

occasions--the last on June 24, 1933-- a majority of the participating employees have voted for its continuance.

General Motors of Canada, Ltd., Oshawa.

The General Motors' Savings and Investment Fund was started in 1919. The following is a synopsis of the plan:

An employee could have withdrawn from his annual earnings an amount not to exceed 20% thereof or a maximum of $300. This money deposited with the Company drew interest at the rate of 6% compounded half-yearly. For each dollar saved the Company added a dollar; the latter contribution being known as the Investment position of the Fund. A Finance Committee, composed of the principal executives in the Corporation, invested the Investment portion in either General Motors' Common Stock or in the stock of other General Motors controlled or allied Companies. The original saving, together with the accrued investment, was allowed to remain in the Fund to maturity on December 31st of the fifth year following investment. Employees were paid off at this time at a ratio which varied from two to nine times the original amount saved.

The first year of maturity was 1924. The employee who started saving in 1920 received his settlement at the end of 1925, and so on. If a workman put $300 in the Savings Fund in 1919 and received considerably more

than that in 1924, he could take his original $300 turn it back into the beginning of the 1925 Fund and not have to make any pay deductions for that year, so that the whole thing ran, from that time, on a self-supporting basis in so far as the individual was concerned.

An employee could elect to take settlement in cash, or in a number of shares of General Motors Common Stock at the prevailing market price with any balance in cash. Those who elected to take stock received dividends on the same but were gambling on an appreciation in the market value of their shares; they also were eligible to partake in any stock splits.

It was calculated in 1928, with the Common shares of General Motors stock at 1928 value, that if an employee had gone into the plan in 1919 and had invested $300 each year, taken as much stock as he could and participated in all the splits, he would have been worth $30,000 for an original saving of $1,500.00. Since the crash of 1929, the shares are of course not worth nearly as much. Incidentally it is worthy of note that when the crash came the Company advised their employees to convert the stock into cash as quickly as possible.

Should the employee wish to withdraw his savings before maturity, for instance, at the end of the third year, he was entitled to receive his original savings, plus compound interest thereon, plus three fifths (3/5)

of the amount of his savings as his share of the Company's guaranteed investment return.

This guarantee has varied from time to time. At first the Company invested a dollar for every dollar saved; at other times it was found necessary to reduce this to fifty cents for every dollar saved and for at least two years there was no guarantee, but a general expectation that the accrual would be greater than that received from any other investment.

In May 1932 the plan was temporarily suspended, principally due to the fact that it was no longer serving a useful purpose, because the factory employees, for whom it was originally designed, were unable to save any money. Up to the present time it has not been re-continued.

Another important feature of the plan, which ought to be mentioned, was that an employee who was buying a home could obtain credit under the plan for his mortgage payments. Assuming that an employee was paying for his home at the rate of $40 per month, he could pay $15.00 directly to the mortgagor and deposit the other $25.00 in the Savings Fund. The Corporation credited him with the $25.00 and then passed it on to the mortgagor. This gave the employee a credit of $300 for the year which was really of the nature of a loan. Nevertheless he received his investment portion the same as any other employee. Suppose that at maturity this class paid $800 for the original $300. The interest due the employee was cancelled by the interest on the five year loan. The $300 was deducted and the employee received

the balance. At the same time he was buying a home.

Mr. E. R. Complin, Director of Personnel for General Motors of Canada, sums up the results of the Plan as follows:

1. It induced a large proportion of the employees to save on a systematic basis.

2. These savings proved of immeasurable value in case of sickness or lack of employment.

3. An employee was able to buy a home and save at the same time.

4. A tremendous amount of employee good will was built up for the Company.

The Dominion Sheet Metal Corp. Hamilton.

This Company, now the Lysaght Dominion Sheet Metal Co., inaugurated a stock-ownership scheme for employees in the year 1919. An initial offer of one hundred shares was immediately subscribed for. According to the terms of agreement the Company offered 8% preferred stock to its employees at par, for which they were to pay at the rate of 2%, or $2.00, per share per month until paid in full. No interest was charged on the deferred payments. Further, in order to assist the men in making their payments, an additional 6% dividend was to be paid on the stock each year during the period in which it was being paid for.

The Company has not since 1919 made any additions to their share capital, hence the above plan has not been continued. However, employees who wish to buy shares of the Company's stock in the ordinary way, are given assistance in that the Company will loan them money.

The International Metal Works, Ltd., Brockville.

This Company employing about fifty hands announced a scheme in 1920. Profits were to be divided as follows: a maximum of 10% to be paid on the capital in the business; 25% to be set aside as a reserve against contingencies; the remaining 65% to be divided on a fifty-fifty basis between capital and labour.

Only those employees who had served one year or longer were eligible to participate. The dividend to employees was to be divided "pro rata" according to the earnings of each. If at the end of five years there had been no losses, a further distribution between capital and labour on an equal basis was to be made from the reserve fund. In this distribution only those employees who had served for at least three years could participate.

The International Metal Works is now defunct and the outcome of its scheme of Profit-Sharing could not be ascertained.

The National Cash Register Co.

According to this plan introduced in 1920, profits were to be divided viz:

An amount equal to 6% of the Company's total investment, not including the value of patents and good-will, was first to be deducted from the total profits,--as determined by an outside firm of accountants. The remainder of the profits was to be divided equally between the Company and its employees, the share of the latter to be paid in Cash on the earliest possible date. For the purpose of the scheme the employees were divided into five groups which received different percentages

of the labourers' share in profits.

1. The executive, who received 24%
2. The foremen, who received 10%
3. The job-foremen, who received 16%
4. All other employees who had been with the Company for more than six months who received 50%. '
5. New employees who had to serve one month's probation before being placed on the profit-sharing roll and to whom standard wages were guaranteed.

The Company reports that "due to depressed trade conditions in practically every country in the world, it was necessary to discontinue the plan several years ago."

The Imperial Oil Company, Ltd., Sarnia.

The first Imperial Oil Co-operative Investment Trust was begun in 1920 and since that time three other Trusts have been launched, the last being started in July 1932 will not be completed until July 1935.

The provisions of the different Investment Trusts having been practically the same we shall examine only those of the last, i.e. The Fourth Investment Trust, which will be completed in July of this year.

' 50% of the labourers' share would be 25% of the total profits to be distributed, as described above.

The purpose is to help the employees of the Company and those actively engaged in the conduct of its business to become shareholders therein on favourable terms, and to assist them in paying for their stock. Participation is extended to certain employees of subsidiary and controlled companies. The Trust is in operation for a term of three years--July 1932- July 1935. The Company bears all costs of administering the Trust. All employees who have been in the servic of the Company (or subsidiary) for one year or more are eligible for participation, with the following exceptions.

(a) Any employee who participated in the Second Trust, but not in the Third, and has disposed of more than 50% of the stock he acquired in the aforesaid Second Trust, is not granted participation in the Fourth Trust for a period of one year. (If he disposes of his stock after July 1932, he is suspended for one year following such disqualifying act.)

(b) An employee who participated in the Third Trust and who has disposed of one third of his stock so acquired is barred for one year.

(c) An employee who participated in both the Second and Third Trusts and who has disposed of 50% of his stock is also barred for one year.

The employee becomes a participant by authorizing the deduction from his pay envelope of a sum not in excess of 10% of his wages or salary, which sum shall be paid over to a Board of Trustees of five members appointed by the Board of Directors to administer the Fund. An account is opened in favour of the employee and he is credited with any amounts he deposits. The Board of Trustees

have power to pay, satisfy and discharge, out of the Fund, any taxes or assessments which may be imposed in respect to the Fund. Concurrently with the making of deposits by the employee, the Company (or subsidiary) shall, out of its own moneys, pay into such Fund, to the further credit of the employee, a sum equal to 50% of his deposit. That is to say, for every dollar the employee saves the Company adds fifty cents.

So far as is practicable, the Trustees must invest the moneys of the Fund in the Capital Stock of the Company, at a price to be determined from time to time by the Board of Directors when the stock is purchased from the Company directly, or at market price when the shares are bought in the open market.

The title to the stock shall remain vested in the Trustees until completion of the Fund but shall be apportioned to each employee's account. Voting rights, etc., attached to the shares also remains with the Trustees.

The employee is automatically disqualified when he fails to make a deposit, or when he fails to comply with the eligibility requirements regarding the retention of his stock acquired under other of the Trusts. In all instances of withdrawal the employee is guaranteed either a cash sum equal to what he has paid in, plus interest at 6% per annum, or, at the discretion of the Trustees, the equivalent thereof in the stock of the Company. In case of retirement, total disability or death, the employee (or beneficiary) is entitled to receive the full amount

standing to his credit either in cash or the equivalent in stock and cash. All stock and moneys accruing from interest earned by the Fund and from the withdrawal of participants shall enure to the benefit of the participants remaining at the termination of the Trust and thereupon shall be credited to them proportionately to their respective accounts and on an equity basis.

When the Trust is terminated, at the end of three years, the employee shall receive his shares of stock, and any sum standing to his credit less than the value of one share of stock shall be paid to him in cash. Settlement is to be made as soon as possible.

The accounts of the Trust shall be audited at least once a year by an independent auditor, the Company to bear the costs.

The Trust may be terminated at any time by notice from the Board of Directors.

S. C. Johnson and Sons, Ltd., Brantford.

While the Johnson scheme is technically a producers' co-operative, which is somewhat more advanced than Profit-Sharing, it may, as a matter of interest, be mentioned here.

The Canadian factory for the manufacture of polish and wax was set up in 1920 with a bank loan of $40,000 guaranteed by the parent Company in the U.S. Backed by the good-will and reputation of the Johnson name it was

a success from the beginning, with the result that the loan was paid off out of earnings in several years. Fulfilling his desire to experiment, the late H. F. Johnson, who was philanthropically bent, made provision for his Canadian workmen to buy out the Canadian business. With abnormally high wages and steady employment they were able to do so over a period of ten years. To-day the entire two thousand shares of capital stock are held by the employees, no one of whom, not even the managing director, holds more than thirty-five shares.

The Canadian Company is now entirely independent but, by arrangement with the U.S. enterprise, retain the name and good-will of the Johnsons. The experiment has proved most successful and needless to say, the best working conditions prevail in the plant at Brantford.

Jas. Pender & Co., Ltd., Saint John, N.B. [1]

A most interesting and novel experiment was that of James Pender & Co. which was in operation from 1925 to 1929. It is an object lesson in regard to the success which can be achieved through the co-operation of employers and employed.

James Pender & Co., are an old established firm in Saint John and are now a subsidiary of the Dominion Steel

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[1] I am indebted to Mr. W. F. Knoll, superintendent of James Pender & Co., for having sent me his scrap book which gave the details of this plan from start to finish.

and Coal Corporation. Previous to, and during the War they had enjoyed a quite considerable export business for their wire and wire nail products to the West Indies. With the post-war slump in trade, which was characterized by a determined search for new markets on the part of European competitors, their export business fall off, with the result that the plant was producing only, part time and many of the men were either on part time or out of work altogether. In 1922, with the express purpose of relieving the increasing tension between employees and the management, a workmen's council, known as the "Pender Co-operative Plan" was set up. This Council was composed of seven representatives elected by the workmen and seven appointed by the directorate. It was agreed that steps should be taken to remove, as far as possible, the existing conditions by improving both the quantity and quality of output, which would naturally decrease costs and thus conserve the interests of the workmen as well as those of the Company.

Even with this loyal co-operation the Company was unable to meet competition from Continental Europe,--especially from Belgium,--in the West Indian markets. The Belgian manufacturers were underselling them in spite of a preferential tariff and a much longer haulage. In 1925 the situation became so acute that the Pender agents, who had represented them for years in the West Indies, wrote that they would be unable to carry on and of necessity would have to accept agencies with the European interests. Faced with the alternative of giving in or putting up a last desperate struggle, the Company, backed by the "Pender Co-operative Plan, decided in favour of

the latter course and hit upon an ingenious plan.

In order to reduce costs to meet the competition, the workmen agreed to work overtime on orders from the West Indies, and for this they were to receive no stated remuneration. The Company, on its part, was not to include any of its overhead charges in working out the costs for such orders. Any profits which accrued from this production were to be divided on a basis of 75% and 25%, the 75% going to the employees in remuneration for their overtime services and the 25% to the Company in lieu of overhead expenses.

Endorsed by the Co-operative Committee, the plan was ratified by the whole body of employees and put into operation on August 1st 1925. On several later occasions the employees voted for the continuance of the plan.

Leading newspapers throughout Canada, England and the United States heralded the scheme and many editorials pointed out the contrast between the idle factories, the unemployment and the strained industrial relations which existed in other cities, and this determined effort to win back business on the part of the Pender' management and employees. Steamship and railway companies, moved by the spirit of co-operation, granted reduced rates on the wire and wire-nail products which the Pender Co., manufactured. The agents in the West Indies not only consented to carry on but accepted reduced commissions.

The plan was a success from the start. The year 1926 showed an increase in business over the previous year by 56% and 1927 was ahead of 1926 by 52%. During

1926, 84% of the wire nails exported from Canada were supplied by Pender & Co. and by 1929 their former prestige in the West Indian market had been regained.

The employees received, as their share of the profits, as low as 45% of what their normal wages for overtime would have been and as high as 150%. Over the three year period the amount received in lieu of wages was in excess of 100% of normal pay. Besides this, it must be remembered, the employees received full time employment at regular rates of wages.

Towards the end of 1928 the Company, having regained its place in the export business, decided not to ask the employees to continue the plan.

It has been said of Profit-Sharing that, "the success of the scheme is dependent on the personality of the management." [1] This statement is particularly applicable to the James Pender & Co. scheme, and in appraising its success, too much credit cannot be given to Mr. W. F. Knoll, whose personality was probably the most important factor.

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[1] Report on Profit-Sharing--------in the United Kingdom 1920. Cmd. 544, Page 1V

The Robert Mitchell Co., Ltd., Montreal.

In 1925 this Company offered a block of stock to employees in order to encourage a greater interest in Company affairs. According to the plan, each employee was invited to purchase a number of units made up of one Preferred and one-half Common shares of stock at a price of $97.00, with a period of ten months to complete payments. Each Preferred share was redeemable by the Company (and at its option) at $107.00. Any employee who wished could at any time exchange each Preferred share for three Common shares.

The first allotment of stock was quickly taken up and it was planned that further blocks were to be appropriated at intervals in the future. However the Company reports that the plan has now been abandoned.

Christie Brown & Co., Ltd.

This well-known firm of confectioners instituted an "Employees Savings and Profit-Sharing Fund" in 1925.

All employees who had served one year and who signed an acceptance agreement, were eligible to contribute to the Fund and share in its benefits. A Board of Trustees composed of three officers of the Company and two employees was responsible for the administration of the plan.

According to the terms of the agreement, the employee was to deposit, with the treasurer of the Company, an amount equal to 5% of his wages or a maximum of $104 per year. The Company was to contribute 5% of its net profits. It was calculated that the workman who had served that the workman who had served thirty years would thus have accumulated at least $14,142.00.

The plan was designed with the definite purposes of encouraging employees to form the habit of saving and to provide for the future, as well as to reward old and faithful employees.

The Company reports that the Fund ~~also~~ has since been abandoned in favour of Group Insurance.

The International Paper Co.

In 1926, the employees of this Company were offered the opportunity of purchasing 7% Preferred, cumulative stock at $94 per share, the number of shares to be allowed to each employee being limited to the amount of his earnings. The employee-investor could pay for his stock in installments over a period of five years. The Company was to pay, in addition to the $7. dividend, a bonus of $1 per share the first year, $2 the second, $3 the third, up to $5 in the fifth year, whereafter the bonuses would cease.

Stock was offered under these conditions up till 1927. The Company has since ceased to exist and both the outcome of the plan and the settlement the employees received are not known.

The Gold Medal Mfg. Co., Toronto.

This furniture manufacturing concern instituted a very generous scheme of Profit-Sharing in 1926.

The factory and office employees were to elect a Workers' Committee, on which there was to be but one representative of the management. This Committee, besides being empowered to deal with certain matters of organization, discharge of employees, employees' rights etc., ~~were~~ entrusted with dividing among the workers

50% of the net profits of the Company after allowances had been made for a 6% dividend on capital. A further 10% was to be distributed to such charities as the Company might direct. In addition, each worker after three months' services was to be insured for an amount ranging from $1000-$2000, the Company assuming payment of all but a small portion of the premiums.

No employee was obliged to become a partner to the scheme and the union men were even encouraged to take the plan before their respective unions to be either approved or disapproved.

Although the Gold Medal Mfg., Co., is still in business, the outcome of their very democratic and altruistic scheme could not be ascertained,--inquiries addressed to the Company not having been answered.

Canadian General Electric Co., Toronto.

The "Employees' Savings and Investment Plan No. 3" of this concern was launched in 1929.

In consideration of the employees buying shares of 7% cumulative Preferred stock, par value $50., the Company agreed to give to those who remained in the service and retained their stock certificates, in addition to their annual 7% dividend, one-half of one percent of the par value of the said shares for every one percent of the net earnings in the year, over and above 8% on the sum of its average Common Stock outstanding and the average balance in the surplus account for the year, after all deductions and charges were made.

Suppose the Company earned 20% on the sum of its Capital outstanding and the average balance in the surplus account. Then the employee would receive in addition to his 7% preference dividend:

$\frac{1}{2}$ x 1/100 x $50.00 x (20-8)

i.e. $(1/200 x 50.00 x 12)

i.e. $3.00

The success of this scheme is also not known.

The Consolidated Mining and Smelting Co. of Canada, Ltd., Trail, B.C.

This Company, operating large mines and smelters in British Columbia and employing several thousands of men, has found it advantageous to delegate a great deal of the authority and responsibility of management to a "Workmen's Co-operative Committee." Established in 1918, this Committee has provided a democratic relation between employer and employed, and has paved the way for the setting up of a number of schemes designed not only to help employees but also to promote the Company's interests. Among these are several schemes of Profit-Sharing.

Through a system of metal bonuses the workmen share in the profits realized in the production of lead, zinc and silver. The bonuses are determined by the spread between the average of daily prices for each month, and the lowest prices at which it is estimated the Company can operate profitably. Both the average and base prices are weighted by the monthly production of the metals figured in long tons (2,240 lbs). The individual workman receives his bonus in proportion to the number of

shifts he has worked. The base prices,--i.e. prices at which it is estimated the Company can operate profitably,-- are computed and set by the executive from time to time. The average monthly prices, in case of lead and zinc, are the averages of daily quotations on the Lond Metal Exchange converted into Canadian funds; in case of silver, the average of official New York prices for foreign silver, converted into Canadian funds.

The base prices for lead and zinc, as set on Nov. 10, 1933, were as follows:

lead ---------- $57.51 per long ton.

zinc ---------- $82.46 " " "

Now assuming the average monthly priced for both lead and zinc to be $68.13 per long ton and the monthly production figures viz:

lead ---------- 9,311 long tons.

zinc ---------- 5,514 " "

the bonus would be calculated as follows:

9,311 long tons lead @ $68.13	=	$634,358.43
5,514 " " zinc @ $68.13	=	$375,668.82
14,825		$ 1,010,027.25

Less

9,311 long tons lead @ $57.51	=	$535,475.61
5,514 " " zinc @ $82.46	=	454,684.44
14,825		$990,160.05

Remainder = $19,867.20

Dividing the remainder by the total weights we get

$ $\left(\frac{19,867.20}{14,825.00}\right)$ = $1.34 which is the weighted average spread between the base prices and the average prices.

The bonus, according to the following table would then be 5¢ per shift.

When the spread is from					0-$4.86	the bonus is			5¢	per shift.	
"	"	"	"	"	$4.87-$9.73	"	"	"	11¢	"	"
"	"	"	"	"	$9.74-$14.60	"	"	"	18¢	"	" etc.,

the bonus increasing as the spread increases by each $4.86, i.e. £1 at par.

The workman who had received $3.85 per shift would have his wages made up to $3.90 per shift, and so on.

The silver bonus is computed in the same manner. The base price as set on Aug. 14th, 1934, is 35¢ per oz., and the bonus is at the rate of one cent (1¢) per shift for each full cent that the average monthly price of silver exceeds 35¢,--the average price being the average official New York price for foreign silver, converted into Canadian funds.

An efficiency bonus, determined similarily to the metal bonuses, is another supplement to wages which the Consolidated Company makes to its employees. Furthermore, each employee who completes, or has completed, three years of continuous services is given one share of Company' stock of the par value of $25, (market price for the year 1934 ranged from $118, to $170; for 1933, from $54 to $144), ' if married, free of charge, and if single, at the nominal price of $12.50.

' Toronto Globe. Financial Survey Jan. 3, 1935. Page 28.

The Consolidated Mining and Smelting Co., has been a pioneer in scientific management and it is noteworthy that its schemes of Profit-Sharing are reported as being very successful.

The International Harvester Co., Ltd., Hamilton.

The various "Stock Ownership and Investment Plans" of this Company have been models for schemes adopted by other companies. A brief outline of the Plan of 1924-29 follows:

Any employee could subscribe for shares of Preferred stock up to the amount of his annual wages or salary with a maximum of $3000. The initial price was $100 and the prices at later dates were set by the directors. The employee was required to pay for his stock over the period of five years in monthly installments not exceeding 20% of his wages or $50. To help the employees to purchase the stock, the Company each year credited the stock-purchase account of each employee-investor with an amount equal to one percent of his annual wages or salary.

Furthermore each share of stock so acquired was entitled to a special dividend of $2 per share for five years,--in excess of the regular 7% dividend.

The special dividend is a feature common to a number of Stock-Ownership plans. The Steel Company of Canada, Hamilton, have used it in all of their offers.

The above plan of the International Harvester, as well as previous plans, was very successful. The Company reports that about 85% of the employees availed themselves of the opportunity to become shareholders. A similar plan, begun in 1929 at the expiration of the above, was

doomed to failure when the depression came on. The employees did not lose anything, however, for they were paid off in full.

A number of other firms have adopted Profit-Sharing in some form or another since 1917. However, since in some instances the schemes have been so similar to a particular one already described that a detailed examination of them is not warranted, while in others the available information has been insufficient to allow of a comprehensive description, we shall make only a brief mention of them.

The John Morrow Screw and Nut Company of Ingersoll, Ont., inaugurated a plan in 1920. During the first eleven months the employees shared in profits to the extent of 22½% of their wages. The distribution for 1921 was estimated to be about $77,000. The present management has been unable to give any further details.

The Canadian Pacific Railway announced an "Employees' Stock-Ownership Plan" in 1927. A block of 5000 shares was offered at $150. per share. Employees were allowed to subscribe for one share for each $200. of their wages or salaries. Payments were to be made in monthly installments of not less than $5 and not more than $15 per monthly wage. Deposits were to draw interest at the rate of 6% compounded quarterly.

Several years ago the Company made a stock split of four shares for one, thus reducing the par value from $100 to $25. The market price for 1933 ranged from $9 to $22,

and for 1934, from $10 3/8 to $18 3/8. [1] Considering the difficulties which the C.P.R. has experienced throughout the depression it is highly improbable that the Plan has been continued.

The Brinton Peterboro Carpet Company Ltd., of Peterborough offered stock to their employees in 1928. Each employee could purchase a minimum of two shares at $50 each, having a year to complete his payments. The shares drew a dividend of 3%. Enquiries addressed to this firm have failed to stimulate any response.

The Bell Telephone Co., of Canada sold stock to employees a few years ago under the same provisions as the American Telephone and Telegraph Co. of the U.S.A. Employees could subscribe for shares at a certain price and were allowed to make payments over a period of time. When the stock market crash came and the price of the stock fell below the level at which it was purchased, the employees demanded some settlement. Mr. Sise, President, issued a statement that those employees who were still making payments could withdraw at any time and receive what they had paid in, and to those who had received their certificates he advised that, if the price of the shares fell below the price paid, minus brokerage fees, etc., they would do well to convert them into cash. The Company, he added, was prepared to buy back any shares so acquired at the purchase price, i.e. $113. As a matter

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[1] Toronto Globe, Financial Survey Jan. 3/35. P. 28.

of interest it may be pointed out that the market price for Bell Telephone shares for 1934 ranged from $110 to $131. [1]

Lever Bros., Ltd., Toronto, operated for a number of years under a scheme of Profit-Sharing similar to the famous scheme of Lever Bros., in England. A detailed description of the latter will be found in "Report on Profit-Sharing--- in the United Kingdom, 1920," already referred to. The Company informs me that the system was abandoned in 1925 after the death of the first Lord Leverhulme.

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[1] Toronto Globe, Financial Survey, Jan. 3/35. P. 28.

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Conclusion.

This completes the record, so far as research has been able to discover, of Profit-Sharing in Canada. Our conclusions are as follows:

1. The movement has been very limited. In view of the fact that Canadian labourers are not unionized to any great extent and that the most stenuous opposition to Profit-Sharing emanates from the unions, it might well be expected that a greater number of the industrial leaders of Canada would have adopted some scheme. On the other hand, the feebleness of organized labour, in so far as it fails to stimulate a reaction, may in no small measure account for the apparent indifference to this device. High wages, in that they have satisfied both the workman and the employer, have diverted interest from the various means of providing additional renumeration. Other factors have been the high degree of mechanization in industry and a rapid labour turnover. In the words of Dr. Aneurin Williams: "Prabably as in England in the early Victorian period, the material development of the country has been too rapid, the increase in production too great, and the openings for men of ability, even without capital, too tempting, for many of the most acute minds to concern themselves much with improvements in industrial relations and the system of sharing wealth." *

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* P. 146. "Co-partnership and Profit-Sharing" Aneurin Williams. (Home University Library Series 1913)

The scarcity of literature and propaganda on the subject in Canada, as well as the absence of any group of advocates, are additional factors. The Labour Gazette publishes reports on various new schemes from time to time but no other record of the movement is kept by the Department. Apart from "Profit-Sharing and Producers' Co-operation in Canada", already referred to, there has been no other treatise on the subject. The Department of Labour for Ontario published a "Survey of Industrial Welfare in Ontario" in 1929. It was found at that time that there were some sixteen Profit-Sharing and forty-four Stock plans in existence in Ontario. A Royal Commission to inquire into the Industrial Relations in Canada in 1919, reported as follows:

"As a neams of improving the relations between themselves and their employees, many employers have put into practice different profit-sharing schemes. It would be incorrect to say that these profit-sharing plans have escaped criticism, but witnesses, engaged as workers in the industries where these plans are in operation, agreed they had promoted harmony in industry. In order that they may succeed it is essential that the recipients should be put in possession of the information necessary to enable them to judge whether they are getting a specific share of profits or a mere dole." [1]

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[1] Labour Gazette, (Ottawa) Vol. XIX (1919) Supplement P. 9. S 45.

2. The death rate,--by that we mean the proportion of schemes abandoned to schemes started,-is very high. However this is by no means peculiar to Canada for it has been observed in every country where Profit-Sharing has been adopted to any great extent. The chief cause for abandonment has been altered circumstances such as, the failure of the Company, or amalgamation with another. Scarcity of profits has caused a number to be abandoned or suspended for the time being. It is worthy of note that in no instance, so far as reports have indicated, has the scheme been abandoned directly because of the dissatisfaction of employers or employed.

The current economic depression has, without doubt, taken a heavy toll, the stock-ownership type apparently being the most susceptible. Possibly a number of these have only been temporarily suspended and should not be treated as though they were positively defunct.

3. The stock-ownership type of plan has been the most common, probably due to influence from the United States. The fact that this type, in particular, places a responsibility on the employee helps to account for the preference. As regards the abuses which are commonly supposed to be corollaries of such plans, it can not only be said that there have been few, but also that in the majority of cases the interests of the employees have been well protected, the employers having displayed a willingness to accept the attendant responsibilities. Many of the agreements guarantee that the employee-investor will receive at least an amount equal to what he has paid in plus compound interest at a rate comparing most favourably with rates which the best fin-

ancial houses will pay on deposit accounts. In others it is agreed that the Company will buy back the stock at a certain price, usually in excess of the price paid.

4. In a number of examples it has been found that the scheme of Profit-Sharing has been but an integral part of a system of management. There would even appear to be a positive correlation between successful Profit-Sharing and democracy in industrial management attained through a Workmen's Co-operative Committee or some such device.

5. The year of greatest activity in the movement was 1919. The fact that industry was trying to adjust itself to normal conditions after the four abnormal years of the War, probably accounts for this.

6. While Profit-Sharing as a movement has not been very successful in Canada, a quite substantial ground work has been laid. The problems relating to distribution, production and industrial management are to-day being discussed as never before. If the conduct of industry is to be lieft in the control of private enterprise, it is not unreasonable to expect that a more scientific management of industry, with the treatment of labour as something other than a commodity, will result. Profit-Sharing would then, in all probability, be more widely adopted. However if there is to be some form of government control, such as price control, minimum wages, and unemployment insurance, Profit-Sharing may be doomed; for with such forms of state intervention a great deal of the responsibility for industrial relations will rest on the government. In a recent address to a convention of

mining delegates, Mr. S. G. Blaylock, head of the Consolidated Mining and Smelting Company, made the following statement:

"I am convinced," he asserted, "that most of the dealings between employer and employee today result in leaving the parties further apart and more antagonistic than before.

"Legislation is the last resort and the worst way of handling labor problems. These problems should be discounted before they arise, and be discussed when both parties are able to act reasonably and impassionately. Our company has been carrying these ideas into practice for the past sixteen years.

"During that time profit sharing bonuses have had to be withdrawn when necessary and reinstated when possible. On the whole wages have been substantially increased. Group insurance and pensions have been provided free of charge to the worker. The prices of nearly all supplies have increased and yet costs have been considerably reduced. These facts have enabled our company to carry every one of its 5,000 permanent employes throughout the depression." '

' See the article "Anyox to close Permanently", by Reece H. Hague, appearing in Saturday Night, (Toronto, Jan. 26, 1935).

This expression of opinion of an executive whose broad practical experience in the field of industrial relations is not to be doubted, has, in our opinion, the greatest significance.

Reference List.

1. "Report on Profit-Sharing and Labour Co-partnership in the United Kingdom," 1920, (Ministry of Labour, Cmd. 544)

2. "Principles of Economics" F.W.Tanssig, Ch. 59, (Macmillan Co., 3rd Edit. Revised, 1930)

3. "Profit-Sharing and Producers' Co-operation in Canada." H. Michell. (Queen's University Quarterly, Kingston, 1917)

4. Co-partnership and Profit-Sharing" Aneurin Williams. (Home University Library Series. 1913)

5. "Profit-Sharing in the United States". Boris Emmet. (U.S. Bureau of Labour. Bulletin no. 208, 1916)

6. "Profit-Sharing and Stock-Ownership for Employees." Gorton James. (Harper and Bros. New York 1926)

7. "Report on Profit-Sharing" and "Report on Employee Stock-Ownership Plans," prepared by the Policy-holders' Servbe Bureau, Group Insurance Division, Metropolitan Life Insurance Co., N.Y.

8. "Co-partnership in Industry" C.R. Fay. (Cambridge: University Press.

9. "Encyclopaedia of the Socail Sciences". Article on Profit-Sharing. (Macmillan, New York, 1934)

10. "Encyclopaedia Britannica" 14th edition. Article on Profit-Sharing.

11. "Twentieth Abstract of Labour Statistics of the United Kingdom." (Ministry of Labour. C.M.D. 3831, 1931)

12. "Labour Gazette." Vols. XVll-XXXlV (1917-34) (Department of Labour, Ottawa)

References to most of the schemes described in section IV will be found in the Labour Gazette. The

Reference List.

(Cont'd)

12. Department informs me that : "apart from what has been published in the Labour Gazette, we have no information about new profit-sharing plans in Canada or the position of schemes adopted some time ago."

13. "Survey of Industrial Welfare in Ontario." (Dept. of Labour, Toronto, 1929)

14. For details regarding certain plans described in section IV, I am indebted to those firms which have most willingly and courteously answered my queries.