

PROFIT SHARING.

THE introduction of the system of profit sharing in Canada was made at the beginning of the current year by Messrs. T. S. Simms & Co., manufacturers of brushes, etc., St. John, N.B. On the last pay-day of the expiring year—1891—Mr. T. S. Simms, the head of the concern, gave a dinner to which all his employes were invited, about eighty in number, including quite a number of women and girls, at which, after some appropriate introductory remarks, Mr. Simms called attention to the fact that while most of his employes were careful and faithful in the discharge of their duties, it could not but be observed that there was more or less unnecessary waste of both time and materials, and that even greater economy could and should be exercised in carrying on the business. To meet this he proposed to establish the system of profit sharing. He said: "My plan is to share with you the profits of the business, and then on every dollar you save or make, a share will go into your own pockets. He who saves a foot of lumber where it now goes into the fire, will save something for himself. He who saves an ounce of bristles will add to the profits of all. The girl who is saving of stock and wire does the same. The broommaker who saves two pounds of stock a day will save a month's wages in a year. And so I might go on enumerating the saving that may be made in stock, tools, machinery, oils, nails, tacks, twine, paints, gas and a hundred other articles. Also, by improving your workmanship a larger sale at better prices will be secured." The management of the business would not be changed, and the system of wages would remain the same. As the employes would have no voice in the management, so they would not be expected to share any losses that might occur. The invested capital of the concern would be paid interest at the rate of six per cent. per annum, and ordinary salaries would be paid for management. Percentages would be allowed for depreciation of plant, for a sinking fund and for an invalid fund; and after providing for all these charges, the profits were to be shared equally between capital and wages, this to apply only to employes who had been in the employ of the firm at least ten months when the profits were divided. The employes were to have the privilege of appointing two of their number who could inspect the books and see that the terms were faithfully carried out; or a public auditor would be employed. The agreement was to be in force for a year, at the end of which time the firm could continue or discontinue it at their pleasure. The dividends, when declared, would be paid in cash, but if they were deposited with the firm, certificates of deposit would be issued and interest allowed thereon at the rate of six per cent. per annum.

Interest in the result of this business innovation induced us to enquire concerning it; and we are in receipt of a letter from Messrs. Simms & Co., in which they inform us that their first year of this experiment has not yet expired, therefore they are unable to show just what the financial result of it will be, but they are able to say that the arrangement has resulted in a more cordial relationship between employer and employe, and that it can be seen that many of the best hands are taking more interest in the business. As might have been expected it had made no difference with some; but if the result of the

year's work would allow of a dividend being paid, this would be a realization to the employes which would so encourage them that better results might be expected in the future. The letter concludes by saying: "We have faith in the plan and expect to continue it."

In a previous article in these pages on profit sharing, allusion was made to the N. O. Nelson Manufacturing Company, St. Louis, who were pioneers in this departure in the United States. In reply to a letter from us asking information regarding the working of the system in that country, Mr. Nelson informs us that profit sharing has had considerable growth within the last half dozen years. Last winter "The Association for the Promotion of Profit Sharing" was formed in New York for its promotion and for supplying information concerning it. The president of this Association is Hon. Carroll D. Wright, United States Labor Commissioner, the vice-presidents General Francis A. Walker and Mr. N. O. Nelson, and the Secretary Mr. N. P. Gilman, West Newton, Mass. It is estimated that there are now about one hundred manufacturing concerns of some consequence in the United States operating under some form of profit sharing, this exclusive of all such as pay a percentage of profits to heads of departments or other leading employes. In the profit-sharing system, as practised in Mr. Nelson's business, we are informed that there is no deviation from the ordinary methods of controlling and conducting the business. There is simply a division of the profits at the end of the year on a simple and well-understood plan. Experience has shown that free labor will do more faithful and efficient work than slave or convict labor; and for the same reason labor, which is interested in the profits, is working for itself and not simply for a taskmaster, and will, therefore, do more and better work. Mr. Nelson thinks that a provident fund for the benefit of the disabled should be a feature of every profit-sharing enterprise, and that the joint or association principle should be cultivated.

Regarding the association above alluded to, its executive committee consists of a railroad director, four manufacturers, who, like Mr. Nelson, practise the system in their business, and a Professor of Political Economy in an American College. The Association thus bring together men of science and men of business who desire the extension of this and kindred systems of uniting the interests of employers and employes. It is their intention, we are informed, to establish a bureau of information for the benefit of manufacturers and others interested in profit sharing, and by various publications and addresses before commercial and other clubs to promote the discussion and extension of this industrial reform.

It may be thought by some that profit sharing partakes strongly of socialism. This may be so. If it is so, it is a feature of socialism which manufacturers would do well to study. Those who have studied it the closest are the ones who are not afraid of that sort of socialism; and the testimony of a large number of manufacturers, including some in Canada, think so favorably of it as to adopt it in their business. The system when judiciously administered, seems to be uniformly successful; and it cannot but prove to be a tower of strength in supporting any fiscal system of the Government in that, without doubt, the interests of employers and employes are identical. With the general adoption of the system by manufacturer— it