

DEFERRED PROFIT SHARING AND OLD AGE INCOME ASSURANCE

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WHAT IS PROFIT SHARING?

Profit sharing, as it is being practiced in the United States today, can best be understood if it is viewed as a complex of economic, political, sociological, psychological, and moral concepts which have evolved from the experience of almost a century of various kinds of applications by businessmen.

In the field of economics it has been looked upon as a method of wage payments, a method of providing security, a method of increasing productivity, and a method of improving labor relations. (John Bates Clark, J. H. von Thunen, Bernard Dempsey.)

In the field of sociology it has been discussed as a superior method of organizing industrial groups to achieve high standards of performance through cooperation. (Georges Friedmann, Jean Fourastie.)

In psychology it has been described as a method through which high levels of ego involvement of individuals can be obtained. (Douglas McGregor, Abraham Maslow.)

In the field of religion and morals, it has been referred to as the application of Christian principles to business and the just wage. (Catholic encyclicals, N. P. Gilman, a Protestant clergyman.)

In the field of political science, it has been discussed as the alternate of socialism and communism. (Vandenberg-Herring Senate committee.)

The use of profit sharing as an idea to raise productivity is an old one. It can be traced to ancient civilizations where it has been employed in agricultural and fishing economies as well as in trading societies.¹

The term "profit sharing" as it is currently being used in the American business economy originated with a definition developed by the International Congress on Profit Sharing held in Paris, France, in 1889. This Congress, which was composed of persons from a number of emerging industrial countries who were interested in profit sharing, passed the following resolution which became the basis on which most recent profit-sharing definitions were built:

The International Congress is of the opinion that the agreement, freely entered into, by which the employee receives a share, fixed in advance, of the profits is in harmony with equity and the essential principles of positive law.²

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¹E. R. Hardy submits early Babylonian letter to show profits were shared in brickyard at Larsa, New York Times, Oct. 9, 1919.

²The International Congress on Profit Sharing, *Compte Rendu in Extenso des Seances*, Paris: Chaux, 1890, p. 267.