

The first part of this statement is often quoted in the literature as the definition of profit sharing formulated by the Paris Congress. The group expanded on various aspects of the basic definition and during the course of its discussions came up with the following comments:

By a share of the profits was meant a sum paid to the employee, in addition to his wages, out of profits, the amount of which was dependent on the amount of these profits.

Profits were understood as the actual net balance of gain realized by the financial operations of the undertaking in relation to which the scheme exists.

It was observed that the money to be received by the employee under profit sharing was to be received by him strictly as an employee; that is, in consideration of the work done by him, not as a gift.

The committee pointed out that the share must be fixed in advance; however, they indicated it was not necessary that the employee know all the details of the basis on which their share is fixed. However, if the share is indeterminate; that is, the employer decides at the end of the year how much he will give, at his absolute discretion, this is not profit sharing.

The committee also indicated that the shares should be distributed among the employees according to some fixed fashion, but that under some cases the employer may be able to distribute according to his idea of the employee's merit. The committee indicated that no part of the employees' share can revert to the employer; all must be distributed among the employees.

The committee indicated that all employees should share, and plans for managers, foremen, or salesmen alone are not to be considered profit sharing. However, the committee laid down some limits that would have to be met as far as coverage was concerned. Only adults need to be included. As a minimum coverage, the committee suggested that 75 percent of the total number of adult employees who have been in the service of the employer for at least 1 year must participate in the plan.³

The following are some concepts inherent in the definition of profit sharing given by this International Congress:

1. Consideration was being given to profit sharing as a moral concept as can be noted by the terms "equity" and "essential principles of positive law."
2. The idea of incentive was inherent in the manner in which the term was defined. It is to be received by the employee "not as a gift" but "in consideration of work done by him."
3. The concept of total group motivation was in the minds of the conferees, because they indicated that "all" employees should share and then proceeded to define "all employees."

THE DEFINITION OF PROFIT SHARING IN THE UNITED STATES

The first organization to encourage profit sharing in the United States was formed in 1890 and was called "The Association for the

³ David F. Schloss, *Methods of Industrial Remuneration*, 3d ed., London, Williams & Norgate, 1898, pp. 239-253.