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PROFIT-SHARING AND LABOUR RELATIONS IN ENGLAND IN THE NINETEENTH CENTURY

An examination of the history of profit-sharing and co-partnership in England in the nineteenth century serves two purposes. One is to add to the growing body of evidence which contradicts the generalization that in the third quarter of the nineteenth century trade unionists were beginning to espouse the capitalist ethic;[1] the other aim of this paper is to draw attention to one of three innovations in the history of labour relations in this period. Of these, both arbitration and conciliation, and cooperation have received considerable attention from historians, but profit-sharing and labour co-partnership schemes, which were forcefully canvassed by such prominent contemporary figures as G. J. Holyoake, respected veteran chartist, and George Potter, the influential labour leader, have not attracted the attention they deserve. The Royal Commission on Trade Unions in 1868 was chiefly concerned with the legal status of trade unions, yet in addition to their discussion of arbitration and conciliation the commissioners took evidence on the progress and achievements of profit-sharing and co-partnership. This reflected the existence of considerable interest in this subject at that time, which in turn provides evidence of the search by contemporaries for a solution to the growing problem of conflict between capital and labour, a matter which generated an extensive literature in the 1860s. The historical failure of profit-sharing, in terms of its limited growth and its lack of success as a method of improving labour relations, even compared with the progress of arbitration and conciliation, does not excuse the historian from neglecting a subject about which a number of influential contemporaries evidently felt strongly – though as it subsequently proved with excessive optimism. This article sets out to describe briefly the origins of the profit-sharing movement of the

[1] This hypothesis first came under attack by G. D. H. Cole, who underlined the continuity in trade union strategy and philosophy in a classic article "Some Notes on British Trade Unionism in the Third Quarter of the Nineteenth Century", in: International Review for Social History, II, 1937.

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nineteenth century, proceeds to analyse the course of development, and finally examines its significance within the context of labour relations in England in the period 1850 to 1914.

Profit-sharing is defined as an agreement between an employer and his employees in which a share, fixed beforehand, of the profits of the enterprise are paid to employees in addition to wages and salaries. Labour co-partnership is an extension of profit-sharing which enables the worker to accumulate his share of profit in the capital of the enterprise employing him, and with it the rights and responsibilities of a shareholder. Not until after World War I was simple share distribution or managerial participation through co-partnership committees included by leading propagandists in the co-partnership movement as essential elements in co-partnership, a modification in their definition which itself reflected the directions in which the movement was progressing at that time.[1]

Profit-sharing first sprang into prominence in England in the 1860s, at a time of growing labour unrest and increasing trade union activity. The pioneering firm was that of Henry Briggs, Son & Co., of Normanton in the West Riding of Yorkshire, comprising the Whitwood and Methley Junction Collieries. The Royal Commission took evidence on the establishment and operation of the new scheme from Henry Briggs, chairman of the company, from his brother who was also company secretary, Archibald Briggs, and three employees, each of whom had played leading roles in the union involved in disputes with Henry Briggs, Son & Co. since the 1850s.[2] What emerged clearly from their accounts was the way in which steadily deteriorating labour relations in the district, beginning in 1853, finally led to the Briggs's desperate attempt to retrieve the firm's declining fortunes by introducing this novel experiment in industrial relations. The industrial peace in the district since the notable campaigns of 1844 was first broken in 1853 by a strike of miners against Pope & Pearson. It lasted for five months with the local miners receiving financial assistance from the miners of the West Riding, while neighbouring employers, including Henry Briggs, supported Pope & Pearson in their resistance. Nevertheless, improved trade and rising coal prices produced a settlement amounting to a 30% advance in the Spring of 1854, a rise which other employers also conceded.

Five years later, in the Spring of 1858, as the peak in economic

[1] Report on Profit-Sharing and Labour Co-partnership in the United Kingdom, 1920 [Cd 544], p. ii.

[2] The following account is based on this evidence in the Royal Commission on Trade Unions, Sixth Report, 1868, qq. 12486-12770.

activity was passed, and coal prices fell, the employers sought relief from a profits squeeze by securing a 15% reduction in wage rates. The response of the miners was to form the South Yorkshire Miners' Association, which immediately called strikes in opposition against any attempt to enforce this cut. As the strikes increased in number throughout the summer, the Manufacturers' Association, under Henry Briggs' leadership, eventually staged a lock-out affecting the entire district. However, in November one firm agreed to only a 7½% reduction, and this set the pattern for settlement generally. A recovery of coal prices in the Spring saw the restoration of the remaining 7½% in March 1859, without a strike.

The long term effect of the 1858 dispute was the polarisation of masters and men in formal organisations and the introduction of considerable distrust and bitterness engendered by the hardships endured by the locked-out miners. When Briggs became involved in a disagreement over working practices in 1862 the ensuing conflict was conducted with unrestrained intensity on both sides. The dispute arose when in response to a growing demand for large coal Henry Briggs attempted to introduce the practice of riddling, which consisted in separating the larger pieces of coal from the dust and other waste objected to by customers in a sagging market. This process called for extra effort and trouble on the part of miners who claimed that riddling below ground was dangerous and that the 1d. per ton extra they were offered was insufficient. A strike followed against both Briggs and Pope & Pearson, and lasted twenty weeks. "Lecturers" paid by the unions toured the district to afford the miners verbal nourishment in their fight against the employers, and particularly against Henry Briggs who, identifying the unions as the cause of the labour disturbances, resolved to destroy their power in the district. The strike became a lockout. Briggs tried to ensure his men would not be employed elsewhere and proceeded to evict those in company houses. When labourers from Staffordshire and Derbyshire were secured to replace the local men and installed in the vacated tenements, animosity turned into a riot which the police put down only with difficulty. The criticism by the magistrates of the disorder and expense arising from the strike was followed by a compromise agreement whereby the local men returned to their jobs alongside the strike breakers who chose to remain. Riddling was accepted, as was the "endway" method of working instead of "boardway", an alteration in method which eliminated the amount of slack in coal getting. These changes were accompanied by higher wage rates to compensate. Furthermore the unions promised not to interfere with Briggs in future, an undertaking which was not in fact honoured according to Henry Briggs, for the

Metchley colliery continued to be affected by frequent stoppages.

Relations between Briggs and the 550 collier employees had reached a nadir, manifest in the intermittent petty disputes, absenteeism, and stoppages, that occurred at the collieries. Henry Briggs came to personify, in the workmen's eyes, exploitation and repression.[1] Briggs, on his part, resented the effects of militant labour on the financial position of his enterprise, for not only was the return on capital reduced to an average of 5 per cent in the ten years 1855-1865, but a partner in the firm withdrew his considerable financial interest from it. At this juncture Henry Briggs adopted a new tactic. Instead of attempting to eliminate the trade unions in the district by a process of attrition, which in any case had failed in 1863, his profit-sharing plan aimed at weaning the men away from union membership, and undermining the influence of the unions in his own collieries. He also anticipated economies in working, arising from the incentives to employees to ensure high profits for the company.[2]

This policy was made possible by the Companies Act of 1862 which legalized industrial partnerships, and it was the publication of Professor H. Fawcett's lecture on profit sharing in 1864 which engaged the enthusiasm of Henry Briggs for implementing the policy.[3] His brother, Archibald Briggs, was promoted secretary of the company for the purpose of carrying out the experiment. The joint stock limited liability company of Henry Briggs & Son was capitalized at £90,000, the Briggs family retaining two-thirds of the 9,000 £10 shares, offering the remaining one-third for sale with preference for officers, agents workmen, and customers of the company. Another 1,000 shares were issued shortly after the company's formation. Employee share ownership was not the novel feature of the new company, Crossleys, the Halifax carpet manufacturers, were the pioneers in this respect, but the Briggs firm was the first to write into the prospectus the resolution that when profits exceeded 10%, then one-half of the excess should be annually divisible among employees, whether shareholders or not, in proportion to earnings during the year.[4] Two conditions were made. If a workman did not take a share in the company his bonus was to be

[1] N. P. Gilman, Profit Sharing (New York, 1889), p. 247.

[2] Ibid.

[3] Ibid., p. 248. In fact according to G. J. Holyoake, "Partnerships in Industry", in: Transactions for the Promotion of Social Science, 1865, pp. 480-487, Sir Frances and John Crossley, carpet weavers of Halifax were the first to convert a private firm into a public company. This was designed to encourage the 4,500 employees to invest their savings in the firm and promote share ownership among workers.

[4] Archibald Briggs, "The Whitwood Colliery", in: Transactions of the Society for the Promotion of Social Science, 1866, p. 703.

only two-thirds of that received by a workman who was also a shareholder; and if he did not at the outset qualify for participation in the profits by purchasing a penny book, in which his wages should be entered at least once a fortnight, he was not eligible for profit distribution.[1] The scheme encountered a mixed reception. The miners' trade union officials and lecturers were apprehensive, and paid delegates campaigned against its introduction.[2] Archibald Briggs claimed that their influence altered the workmen's attitude towards the scheme, which initially had been favourable, and that this explained why out of 1,000 colliers not more than 301 purchased penny wages books to qualify for participation. The reasons given by the men included a fear of higher taxes and a reluctance to divulge earnings to their wives, but perhaps the most significant concerns were first the possibility that the scheme would pose a conflict of interests between shareholders and non-shareholders, and second the lack of credibility in the good faith of the management.[3] Some of this distrust disappeared at the end of the first year of trading when 2% return on capital, which amounted to £1,800, was distributed to those employees who qualified as participants. Immediately the proportion of penny book holders rose from 30% to 80%, among them a handful of workmen who formerly had been prominent in the union, as officials or lecturers.[4] If Briggs' workers showed increasing enthusiasm for the new scheme, the employers were similarly impressed by its apparent success, and even in 1866 in a statement to the Social Science Association of Great Britain Archibald Briggs claimed that profits had increased in approximately direct proportion to the number of workmen participating in the scheme.[5] He made it clear that profit was only one criterion of success, for he declared that if co-partnership succeeded, the trade unions should wither away as anachronisms.

From its inception, the Briggs scheme received considerable publicity, not only through the testimony of the Briggs directors communicating to the Social Science Association, and in 1868 giving evidence before the Trades Union Commission, but also as a result of the fulsome accounts and assessments of their experiment by such notable

[1] Gilman, p. 249.

[2] Archibald Briggs, "The Whitwood Colliery", in: Transactions of the Social Science Association, 1866, p. 704; Royal Commission on Trade Unions, VI, 1868, evidence of Henry Curer Briggs, q. 12705.

[3] Ibid., p. 705.

[4] Royal Commission on Trade Unions, VI, 1868, evidence of Joseph Pyrah, John Pickles, John Toft, qq. 12782-12944, 12962-13080, 13082-13118; Archibald Briggs, "The Shitwood Colliery", in: Transactions of the Social Science Association, 1866, p. 705.

[5] Ibid., p. 708.

advocates of cooperation as G. J. Holyoake, Henry Fawcett, and George Potter, by J. M. Ludlow and Lloyd Jones in their *History of the Working Classes in England*, by Thomas Hughes, and Frederick Harrison; even by John Stuart Mill in *Principles of Political Economy* and W. S. Jevons in a lecture "On Industrial Partnerships" delivered before the Social Science Association in 1870.[1] Indeed, the first six years of the experiment seem to support the sanguine assessments made by contemporaries. Whereas between 1855 and 1865 the dividend on capital had scarcely averaged 5 per cent, between 1865 and 1871 dividends of 10 per cent were declared annually, and in addition the stockholders received as bonus an amount equivalent to more than 15 per cent on their investment. Employees received the same amount in total. Thus the first six years of profit-sharing produced dividends three times as large as they had been and a bonus to capital and labour averaging £5,000 per year. In part this reflected the improved market situation in the coal trade, in part the much improved labour relations and the complete absence of stoppages. H. C. Briggs claimed that the men worked more effectively and more efficiently but how far labour was more productive in working it is impossible to say, for none of the witnesses examined before the TUC in 1868 could produce any figures on this aspect. Nevertheless, the addition of one day in six enabled a significantly fuller utilization of plant and a spreading of overheads as a result of the expanded productive effort. The apparent success of the scheme prompted Archibald Briggs to recommend to shareholders that the workmen shareholders elect one of their number to become one of the five directors of the company. In 1874 the number of participating workmen at the Whitwood Colliery was 2,208.[2] By that time, however, the scheme was already in difficulties.

Indeed booming trade, in particular the response of directors and employees to it, led ultimately to the abandonment of the profit-sharing experiment. For the year ending June 1872 not only was the usual 10 per cent dividend paid, and the highest bonus ever, but the workmen requested, and received, an increase in wages amounting to nearly 30 per cent to bring them into line with wages paid by other firms in the district. To satisfy shareholders who felt that they were likewise entitled to a higher return on their capital in line with the higher dividends declared by other firms, the directors increased the rate of dividend. This step provided the basis for the elaboration of a principle that as the profits of the coal trade had largely increased, the initial rate of interest payable on capital would for the future be

[1] "The Whitwood Collieries seem to me to furnish all the requirements of a perfectly decisive experiment."
[2] Gilman, op. cit., p. 260.

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augmented in the same ratio as the advance on the standard remuneration of labour.[1] This principle was approved by the workmen, and was implemented again in 1873 when wages rose to a level 50 per cent above the original standard, and dividend rate raised accordingly to 15 per cent. Towards the end of 1874 coal prices eased and coalmasters in the district gave notice of a reduction in wage rates, Briggs did the same, and like their fellow colliers employed elsewhere Briggs' workmen struck in opposition to the wage cut. The strike ended after four weeks when an arbitrator recommended a considerable reduction in rates. This was the only strike to occur throughout the period of co-partnership, but it was also the last, for outside shareholders interpreted the strike as a sign of the failure of industrial partnership to solve the problem of industrial conflict. At the half yearly meeting of the shareholders in February 1875 it was agreed to discontinue payment of a bonus in wages.[2]

An analysis of the causes of the failure of this experiment emphasizes the unpropitious circumstances in which the experiment was conducted, for the firm's appalling record in labour relations did not induce confidence, and neither did the Briggs declared aim to detach their own workers from the unions. Initially, the union's influence did decline, but when it began to retrieve its strength in the boom beginning in 1868, the company joined the Employers' Association. When in 1872 the Miners' unions of West Yorkshire demanded that like other employers Briggs should close the pits for one day while all workers attended the annual meeting and demonstration at Leeds, the Company refused, and all those who did attend – approximately one-third of the total – forfeited their bonus.[3] Sedley Taylor maintained that the Briggs family did not have full control over policy and that the capitalists holding the majority of shares in the Company had no interest in the profit-sharing principle. During the boom distributed profits were lower, so it was said, than the company's trading warranted, and the colliers resented this. Finally, added to the campaign to prevent wage reductions in 1874 a dispute occurred at Briggs collieries, again over riddling, which the directors wished to reintroduce in a deteriorating market situation. The ultimate repudiation of industrial partnership, however, occurred when the colliers struck to resist wage reductions in the Autumn, and at the half-yearly meeting of the shareholders in February 1875, bonuses on wage payments were discontinued.

[1] See Briggs, "Memorandum", the comments on it by Sedley Taylor, and the reply by Archibald Briggs in Sedley Taylor, Profit-sharing (1884).
[2] Gilman, op. cit., p. 267.
[3] Sedley Taylor, op. cit., p. 123.

The other notable experiment in industrial partnership in this period, that of Fox, Head & Company of the Newport Ironworks in Middlesborough, likewise ended in failure in 1874 after eight years of trading on principles laid down by Briggs & Company. However, whereas the Briggs directors looked to a withering away of the trade union influence in their collieries, Fox Head & Company actually prohibited their workmen from belonging to a union, for like the Briggs experiment poor labour relations and a lengthy strike ending in 1866 was the situation from which the scheme grew. The reasons for the discontinuance of Fox Head & Company's scheme, according to Jeremiah Head, was a lack of cooperation on the part of the workmen, who "were not sufficiently civilized to be able to understand and appreciate the improved system"; it seems likely, as Nicholas Gilman argued a few years later, that the men decided that given the choice between the company and the union the union could be expected to be more advantageous to them,[1] a conclusion which may well have been prompted by noting the rise in wages which other ironworkers had succeeded in securing, and were attempting to hold on to through their unions. The initiators of these industrial partnerships, as they called them, considered labour militancy as their major problem, and saw profit-sharing as a method of providing a solution to it. James Nasmyth shared these views, and one suspects that had he not retired from business ten years sooner than he had hoped – allegedly because of labour problems – he might have been another employer launching this oblique attack on the unions.[2]

Clearly the experiments were a failure, and this was attributed by Gilman not to the principles of industrial partnership *per se*, but to the handicaps of the two pioneering firms in their previous relations with labour, and the anti-union posture with which they continued to be identified.[3] While Archibald Briggs did not express this view himself, he too maintained that despite the abandonment of the scheme he retained his faith in the future of profit-sharing.[4] Nevertheless, following the extensive favourable publicity the Briggs experiment had received between 1865 and 1871, its failure seems to have been all the more effective in deterring many further experiments along the same lines until the second phase in the history of profit-sharing in this country which began in the 1880s.

[1] Gilman, op. cit., p. 274.
[2] C. R. Fay, Co-partnership in Industry (1913), pp. 10-11.
[3] Gilman, op. cit., p. 276.
[4] Gilman, op. cit., p. 291.

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Gilman's emphasis on the deterrent effect of Briggs's failure in explaining the slow growth of profit-sharing may well be misplaced. If one examines the subsequent history of profit-sharing down to World War I it is possible to identify a direct relationship between the introduction of profit-sharing or co-partnership schemes with a high level of employment and labour unrest. The peaks for new schemes occurred in 1889-92, 1908-9 and 1912-14.[1] As in the case of Briggs and Fox Head & Company, therefore, it seems that profit-sharing throughout the nineteenth century was seen by employers as a method of combatting labour unrest and had little to do with philanthropic motive. It was a method of management.

This was the case for example when the South Metropolitan Gas Company attempted to introduce their scheme in 1889, in order to forestall a strike for higher wages by the Gas Workers' Union. The latter objected that the scheme outlined by George Livesey, the Chairman, was likely to induce men to leave the union, and that men bound by twelve monthly agreements, especially by agreements terminating at different dates and punishable for breach of their contract by penalties of a criminal nature, would find it impossible to strike with effectiveness. For these reasons the Union leaders pressed either for the abolition of the profit-sharing scheme, or that the men who had accepted it should be dismissed from the company. To enforce this demand almost all the company's stokers, numbering more than 2,000, struck. Within two months the company had successfully filled the places of the strikers and the strike came to an end. In order to qualify for the profit-sharing scheme employees were required to sign agreements, and those who in the view of the employers did not "take an interest in the welfare of the company and its co-partnership, or who was wasteful of the company's property, or who is careless or negligent in the performance of duty" were denied the opportunity of participating in the scheme.[2] In the initial agreement membership of the Gas Workers' Union was forbidden, but this clause was subsequently withdrawn from the contract. At first few of the workmen took advantage of the option of leaving the withdrawable part of their bonus on deposit, at interest, with the company, but steps were taken to ensure that unless workmen placed a minimum sum on deposit bonuses would be subject to deductions. In 1900 the company required employees to invest one-half of the bonus in the company's shares, and permission was required from the secretary to sell the shares to persons outside the company. Furthermore, only for the purpose of approved invest-

[1] Report on Profit-Sharing and Labour Co-partnership, 1920, p. 11.
[2] Ibid., pp. 48-49.

ment or purchase could employees withdraw half their bonus without forfeiting their future right to continue to bonus payments.[1] From 1910 not even one-half of the bonus was available for withdrawal, except for approved investment or expenditure.

The stern financial paternalism characteristic of the profit-sharing arrangements at the South Metropolitan were complemented by the activities of a co-partnership committee which before 1914 was the most progressive, in the sense of participation by workmen in management, then devised. The management committee consisted of the chairman of the Board of Directors and seventeen members elected by the Board, and eighteen members by the profit-sharers, one-third of the members of the committee to retire by rotation every year, but to be eligible for re-election. Seventeen members constituted a quorum, of which not less than eight were to be workmen. One of the two auditors to the company was elected by the workmen to ensure that the profit-sharing scheme worked properly.[2] Dr Charles Carpenter, who succeeded Sir George Livesey as chairman of the company, described the Co-partnership Committee as "a small scale Parliament of Labour" its functions being limited to a large extent of maintaining high standards of labour relations, the committee interposing itself between the individual workmen and the managerial officers of the company. The committee also handled relations between the employees as a whole. The South Metropolitan permitted up to three employees to take places on the board of directors, of which one was to be a salaried officer. To qualify, an employee director had to have been employed continuously by the company for fourteen years, and to hold not less than £120 of stock in the company, accumulated under the copartnership scheme.[3]

Between 1889 and 1917, inclusive, total amount paid out in bonus was £771,804, the ratio of bonus to wages and salaries varying from 2 to 9 per cent. From 1896-1914, with one exception, it was at the rate of 7 per cent or over. Employee shareholders commanded only 7 per cent of the entire voting strength of shareholders, thus the actual degree of participation and control was very small. Sir George Livesey maintained that the company's labour relations improved as a result of the introduction of profit-sharing and co-partnership. South Metropolitan stokers' wage rates were identical with those paid by other companies, but according to Livesey the wage costs per ton of coal carbonized were almost 50 per cent lower. The stokers at South

[1] Ibid., p. 50.
[2] Report on Profit-Sharing and Labour Co-partnership in the United Kingdom, 1912 [Cd 6496], p. 57.
[3] Report on Profit-Sharing and Labour Co-partnership, 1920, p. 53.

Metropolitan showed a willingness to work retorts to their capacity and justified investment in machinery, in contrast to the restrictive practices exercized by stokers at other companies. The South Metropolitan also led the upward movement of wages in 1898.[1] In fact the profit-sharing gas companies were presented by the champions of participation as proof that the failure of the Briggs experiment did not undermine the case for implementing the principle to achieve practical benefits both for employers and workpeople, and in 1912 the journal *Profit-sharing and Co-partnership* was published, designed to do in the commercial world what *Co-partnership* was said to have been doing for many years in connection with workers' societies.[2] However, there may be special reasons why the gas companies' record was outstanding in comparison with other profit-sharing experiments at that time, for whereas in other industries workers' bonus depended on the level of profits– which could be negative – in nearly all cases the rate of bonus in the gas companies' schemes varied inversely with the *price* of gas as required by the regulations governing their establishment by Act of Parliament.[3]

In the early years of the twentieth century there was still considerable disagreement as to the achievements of participation through profit-sharing and co-partnership, largely due to the lack of statistical data on the record of such schemes. On the side of the protagonists, omitting those figures who were actually involved in schemes, such as Livesey, Carpenter, and Aneurin Williams, were a group of Christian Socialists including Robert Ludlow and Vansittart Neal, founder of the Society for Promoting Working Men's Associations, Professor Sedley Taylor, Professor Pigou, A. J. Balfour and Christopher, later Lord, Furness.[4] Public figures of comparable standing who were opposed to profit-sharing included George Schloss, William Ashley, neither of whom were associated with the Fabians, who like the majority of trade unionists were hostile to the movement.[5]

The reports produced by the Ministry of Labour in 1912 and 1920 provide a useful basis for assessing the overall record of participation in

[1] George Livesey, The Profit-sharing Scheme of the South Metropolitan Gas Company (Co-operative Conference of the Labour Association, Newcastle on Tyne, 1899), pp. 13-15.
[2] L. V. Lester Garland, "Labour Co-partnership", in: Economic Review, XXII, 1912, p. 318.
[3] Report, 1912. See also Edward Pease, Profit-sharing and Co-partnership: A Fraud and a Failure? [Fabian Tract No. 170] (1913), p. 11.
[4] Pease, op. cit., p. 5.
[5] In the labour movement George Potter and the trade unionists at Henry Briggs & Co. provide the only exceptions to our general conclusion that trade unionists were opposed to profit-sharing.

British industry before World War I. Two remarkable features of the statistics of profit-sharing schemes were the high rate of abandonment and the fluctuations in the formation of schemes which were concentrated in relatively short periods of labour unrest: 1865-67, 1889-92, 1908-9, 1912-14. The apparent correlation of profit-sharing activity with periods of good employment and industrial unrest underline the conclusion to be drawn from two specific cases, namely that the underlying motive for these schemes were not philanthropic but were self interested attempts on the part of employers to improve industrial relations, and often enough through undermining the power and influence of trade unions either explicitly or otherwise. It is also true that workers were less willing to consider such schemes in periods of low employment, and low profits, when the prospects for bonuses were poor.[1]

In 1912, out of schemes known to have existed at one time or another no fewer than one hundred and sixty three had come to an end, and only fourteen of the schemes then existing had a history of more than thirty years. The reasons for abandonment are not surprising, and reflect not so much the inherent defects of profit-sharing *per se*, as the business ability of firms to make profits in good times and bad. "Want of financial success" was the major cause of abandonment in twenty-nine cases. In fifty-nine cases the cause given was dissatisfaction with the scheme either by employers or by employees, but it would be surprising if the financial performance of the company was not a significant influence on the attitudes of those participating in the scheme. A poor profit record offered little benefit to workers, while in a boom year the advances won by trade unions could seem more attractive than the schemes to which profit-sharing employees were committed, especially when this involved the deposit of a proportion of the bonus with the company. In 1912 the average duration of existing schemes was twelve years, and of abandoned schemes only eight years.

Besides the high mortality rate of profit-sharing schemes, the number of firms and workpeople involved in them was not at any time large.[2] In 1912 only one hundred and thirty-three firms conducted profit-sharing schemes, in which not even the entire 106,000 or so employees participated. Furthermore 28,246 of these were gas workers, 17,336 were in engineering and shipbuilding, and 15,649 in chemical, glass and pottery trades. The actual number belonging to these schemes, however, was considerably less than this, perhaps 60 per cent.[3] The participants received an average ratio of bonus to wages

[1] Report, 1920, p. 11.
[2] Report, 1920, pp. 13-15.
[3] Report, 1912, p. 15.

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between 1901 and 1911 of 5.5 per cent, without substantial year to year fluctuations. Whether wages would have increased by more than this amount had these groups of employees been effectively unionized is open to question. Trade unionists and Fabians evidently thought this would have been the case. Nevertheless, profit-sharing was increasingly a subject for debate in the early years of the twentieth century and in 1912 a group of MPs presented a memorandum to the Prime Minister calling for a Royal Commission on co-partnership.[1]

The general interest in this matter was a reflection of two developments. First, the Labour Co-partnership Association appears to have recognised that the ideals of the old Christian Socialists were unattainable, and abandoned the notion that the workers' co-partnership society on strict lines was the only possible or desirable type of co-partnership. The Association began to give support therefore to schemes which contained even the mildest degree of profit-sharing initiated, of course, by middle class employers.[2] The second, and more important, development was the growth of industrial unrest, for which profit-sharing seemed to some to provide a remedy. The advocates maintained that it was possible to raise the efficiency of labour employed under this arrangement, that strikes were less likely to occur, that workers were thereby offered a convenient means of saving, encouraging thrift, and forge a closer loyalty between workers and employers. Most trade unionists drew attention to what they considered to be weaknesses in the system. It was seen as a device for breaking up the unions, and employees came to be tied not just to an industry – through specific skills and experience – but to a single firm, thereby increasing their dependence on an employer. The views of most trade unionists was that if employers could afford to share profits they could afford to pay higher wages, which were greatly preferred.[3]

Other critics, notably D. F. Schloss, pointed out that workers in profit-sharing schemes were often required to invest in concerns in which no trustee would think of investing funds,[4] and condemned the sectionalizing influence of profit-sharing separating the interest of one group of workers from their fellows. This criticism was echoed by Edward Pease who decried profit-sharing as contributing to dis-

[1] L. V. Lester Garland, "Labour Co-partnership", in: Economic Review, XXII, 1912, p. 318.
[2] H. Sanderson Furniss, "Co-partnership and Labour Unrest", in: Economic Review, XXIII, 1913, p. 65.
[3] H. Sanderson Furniss, "Co-partnership and Labour Unrest", in: Economic Review, XXIII, 1913, pp. 66-67.
[4] D. F. Schloss, Methods of Industrial Remuneration (1894), pp. 190-191.

integration of working class solidarity, describing it as a "piffling palliative".[1] The theoretical basis of these arguments is sound, but in practice the progress of profit-sharing, as we have seen, was very limited, and while confined mainly to smaller and semi-private business its record depended mainly on the developments in a tiny minority of public companies employing several hundred people.[2] The actual extent to which profit-sharing did divide workers, therefore, was very small. Similarly the argument that profit-sharing encouraged the maldistribution of resources by introducing further imperfections into the capital market, though valid, does not lead us to conclude that this actually occurred to a significant degree before 1914. Most profit-sharing schemes were cash bonus schemes or schemes in which bonuses were paid into saving or deposit accounts from which they could be drawn at short notice. The gas companies' practice of compulsorily accumulating bonus for investment shares was limited outside this sector to a handful of firms.[3]

In attempting to assess the performance of profit-sharing firms in comparison with others in the same line of business, the Report of 1920 drew attention to the impossibility of doing this, not only because of the influence the performance of a single firm would have upon any general conclusion.[4] On the question whether the bonus was a clear addition to wages, the judgement was that the answer depended on whether workpeople were highly organized. Certainly the trade unions would not allow bonuses to be taken into consideration in fixing rates of wages, but where labour was not organized and in the case of local monopolies, like public utilities, the suspicion remained that the bonus might be a substitute for higher wages. It was not possible to reach a conclusion on this matter because of the lack of data.[5] As for the participation in the control and management of firms' affairs, the proportion of votes held in companies was virtually negligible. Except in all but a very small number of cases, workers' influence on management was restricted for the most part to the implementation and expedition of profit-sharing and welfare.

In *Industrial Co-partnership*, published in 1914, Charles Carpenter, formerly chairman of the South Metropolitan, referred to this company's twenty-two years of "unruffled industrial peace" in the turbulent gas industry since 1889.[6] But that profit-sharing scheme had

[1] Pease, Profit-sharing and Co-partnership, pp. 15-16.
[2] Report, 1920, p. 17.
[3] Ibid.
[4] Ibid., p. 23.
[5] Ibid., p. 24.
[6] Charles Carpenter, Industrial Co-partnership (1914), p. 5.

been established at the South Metropolitan Gas Company on the basis of non-union labour, and the perpetuation of a sternly paternalistic managerial policy. The case of the South Metropolitan was generally considered to be the model of what could be achieved by profit-sharing, which leads us to the conclusion that profit-sharing in the nineteenth century was merely an extension of anti-union paternalism characteristic of labour management in Britain in that period.