



Rethinking Profit and Profit-sharing

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A couple of months ago an article in the *New York Times* explained how select companies spread the wealth among employees via generous, egalitarian profit-sharing plans.

The article contrasted this practice with many of today's companies, where profit-sharing primarily benefits those in the executive suite, but not so much the rank-and-file workers.

According to the *Encyclopedia Britannica*, profit sharing is “a system by which employees are paid a share of the net profits of the company that employs them.” Such payments are distinct from regular earnings. Although it now exists in several parts of the world—mostly in Western Europe, the U.S. and Latin America—I learned that profit sharing was first introduced in England's woolen mills in the late 1800s.

Interestingly, the central figures of the Baha'i Faith commented on this practice around the same time period:

It is therefore clearly established that the appropriation of excessive wealth by a few individuals, notwithstanding the needs of the masses, is unfair and unjust, and that, conversely, absolute equality would also disrupt the existence, welfare, comfort, peace, and orderly life of the human race. Such being the case, the best course is therefore to seek moderation, which is for the wealthy to recognize the advantages of moderation in the acquisition of profits and to show regard for the welfare of the poor and the needy, that is, to fix a daily wage for the workers and also to allot them a share of the total profits of the factory. – Abdu'l-Baha, *Some Answered Questions*, newly revised edition, pp. 317-318.

In the same passage, Abdul-Baha added:

... the factory owners reap a fortune every day, but the wage the poor workers are paid cannot even meet their daily needs: This is most unfair, and assuredly no just man can accept it. Therefore, laws and regulations should be enacted which would grant the workers both a daily wage and a share in a fourth or fifth of the profits of the factory in accordance with its means, or which would have the workers equitably share in some other way in the profits with the owners. – *Ibid.*, p. 317.

It's hard to imagine that many companies today would agree to give their workers such generous shares. Even in the United States (according to the U.S. Chamber of Commerce) only about 20

percent of companies participate in profit sharing schemes at all, and often the compensation is very modest. Critics may convey the downsides with profit-sharing—like problems with free-riders, when companies go bankrupt, inconsistent returns, etc. ... However, the essential principles behind profit sharing seem important to reflect on.

While the Baha'i writings don't address economic theory in detail, they do offer important guidelines that pertain to creating a just society. These include the need to eliminate extremes of wealth and poverty; due concern for the welfare of the poor and needy; the importance of balancing the needs of capital and labor; and wealth not being bad per se, but needing to be spent for the good of society and governed by justice. As Baha'u'llah counseled:

Dissipate not the wealth of your precious lives in the pursuit of evil and corrupt affection, nor let your endeavors be spent in promoting your personal interests. – *Tablets of Baha'u'llah*, p. 138.

Fair ways of profit-sharing seem at least one method of addressing some of the principles above. Given widening income gaps globally, as well as the contributions workers make to a company's success and the motivation and increased productivity that profit-sharing can create, businesses may want to revisit this powerful idea.

I expect that I am more optimistic about this path since I have seen it in action. On a work trip over this past year, I was privileged to accompany a group of international visitors on a tour of the headquarters of Bob's Red Mill in Oregon. The whole grain company was founded in the late 1970's, but owner Bob Moore eventually created an Employee Stock Ownership Program and made everyone an employee-owner. The positive difference in the culture of the organization—and the pride that people there took in their work—felt palpable to me. Mr. Moore himself hosted our delegation and clearly had an ethic of service and genuine concern for his workers.

Those higher moral qualities, rather than greed, make all the difference. It largely seems forgotten now, but economics works best when it rests on a moral foundation.

In a letter to the Baha'i world in March 2017, the governing body of the Baha'i Faith, the Universal House of Justice, asked Baha'is everywhere to think about their own individual roles in the world's economic life. Their advice seems universally applicable:

Economic life is an arena for the expression of honesty, integrity, trustworthiness, generosity, and other qualities of the spirit.

The letter went on to assert that individuals reach their highest station by following a path of service and virtue, rather than pursuing endless acquisition of “an ever greater share of the world's material resources.” Imagine how different our economic situation could look if we took this message to heart.