

## THE RIGHT OF WORKERS TO SHARE IN OWNERSHIP, MANAGEMENT, AND PROFITS

We may properly begin our panel discussion with a definition of terms. While this is traditionally the scholastic method of avoiding difficulties, it is particularly appropriate in the present confrontation. Defining terms occasionally provides us with a surprising turn of thought. This may be so, particularly when we begin to ask the question which is set for us in this panel.

We must first define the term *rights*, as we shall be using it this afternoon. A right is one's due by title of occupation, of natural increment, of discovery, of contract, or of labor.

When we ask what the workers' rights with regard to ownership, management and profits, we are in fact, asking what is his title to these things if the worker is to claim them as his due.

We have this afternoon to agree first of all that the right which the worker has is by contract, not necessarily by labor. The reason is that while the working man expends energy, it is not his own labor performed upon his own material. He is in reality working under contract, by agreement, according to which he gives so much an expenditure of natural energy to receive in return a reward in the form of wages.

### THE FACTORS OF PRODUCTION

We are able to say this because in economics it is customary to make the mental or theoretical division of the productive process into four factors of production, each of which has its concomitant reward in the productive process. These four factors are land, labor, capital, and the entrepreneur. To each of these productive factors there goes a reward in the productive process, according to the title which each has. The theoretician in economics sees the reward of the use of land as rent; he sees the reward of labor as wages; he

sees the reward of capital as interest; and he sees the reward of the entrepreneur as profit.

Each of these factors of production has a proper reward, therefore, so that in the capitalist system under which America has grown great, the system of private ownership has thriven, and has rewarded the individual.

This seems to be what Pope John XXIII indicated in paragraph 115 of the encyclical *Mater et Magistra*.

It is especially appropriate that today, more than heretofore, widespread private ownership should prevail, since, as noted above, the number of nations increases wherein the economic systems experience daily growth. Therefore, by prudent use of various devices already proven effective, it will not be difficult for the body politic to modify economic and social life so that the way is made easier for widespread private possession of such things as durable goods, homes, gardens, tools requisite for artisan enterprises and family-type farms, investments in enterprises of medium or large size. All of this has occurred satisfactorily in some nations with developed social and economic systems.

We like to think that the United States of America, with its employment of the capitalistic system, has in justice to be identified as one of the nations with developed social and economic systems in which the system of private property, prevalent and rewarding, sees the individual man with his proper dignity.

#### THE IDENTIFICATION OF RIGHTS

Be this as it may, we must, in thinking through the theoretical approach to capitalism, make the denial that the worker as such has any right with regard to ownership, with regard to management, or with regard to profits. The reason we do so is that these are the rewards which are proper to the capitalist, to the one who owns the land, and to the entrepreneur. The worker has right only with regard to wages.

The reason is somewhat elemental. It can be discerned first of all by showing that the ownership of wages does not come about because of the simple title of labor. The workingman does not labor

on his own material. The material is furnished by the one who owns the land, perhaps by the entrepreneur himself. Neither does the worker own the machinery, the tools with which he works. This is provided by the capitalist, who has a vested right, a title, so that he enjoys the notion of rent. In short rent, interest, and profits, belong to other factors of production, just as surely as wages belong to the worker. This is by reason of the contract, under which capitalism flourishes, under which the right of private property has in the United States of America developed to such a prolific extent.

#### INCREASING THE WORKERS' RESPONSIBILITY

While this statement may surprise some, it need not dismay the follower of the practical order. Neither does it need to disturb anyone who would expect that *Mater et Magistra* is going to give an indication of what the just and charitable solution to the economic problem should be. The just solution is not to take away from the other factors of production that which is rightly theirs in the form of interest or of rent or of profit, any more than it is just to take away from the labor force the wages which are its due by reason of a title of contract.

The solution to the problem is to make the workingman himself a capitalist, to make the workingman himself an entrepreneur. In other words, if the man who actually expends the physical energy does so upon material which is his very own, he thereupon has a double title to reward in the productive process. We may carry this all the way out to the logical conclusion, in which the man who does the work is also the owner of the land and is the capitalist who furnishes the tools, and finally is the entrepreneur who makes the entire system work.

This comes to be true in the agricultural situation, in which the farmer owns the entire system of production. As the total owner, he has a right to the entire reward, no matter what its source theoretically, of the returns of the productive process in the form of rent, of wages, of interest, and of profits.

It is perhaps this analogy, appealing so strongly as it did to Pope John XXIII, which led him to use it as the feature of what all productive processes should be.

## CAN THE WORKER COMBINE FUNCTIONS?

Here in the United States, we have occasionally endeavored to make the workingman, the labor force, the recipient of some added form of reward, drawn from the productive process. Some forms thus attempted have had notably little success. The attempt to make the workingman a stockholder in the company for which he labors was never particularly rewarding. The reason was that the workingman did not want to take the risk and the responsibility of ownership in a business. He did not want to be tied down too much to the fortunes of one company. He wanted to be able to leave one job, with no strings attached, and be free to go to some other job whenever he felt like it. The stock partnership idea, appealing as it was to the executive, failed to appeal to a very broad segment of the populace.

Other means of rewarding the worker fell afoul of the labor unions. For instance those which tried to feature a form of incentive pay, given in return for extraordinary efforts in work, soon felt the displeasure of labor union leaders. The reason was that it set up a distinction in the working force, and left the lazy man too far behind.

Some of the difficulties then, which go along with the notion of making the worker enjoy the rewards of the other factors of production, have to be tied in with human psychology. Be this as it may, we may see that there are two major problems:

First—restore pride to the workers' outlook.

Second—engender a sense of responsibility in the workers' use of time and material.

Fulfilling these two needs means that the workman takes pride again in his work. He shares; he communicates; he identifies. This is the great desire of the Holy Father in *Mater et Magistra* in which he speaks of the dignity of man. We may cite paragraphs 82 and 83 of *Mater et Magistra* in point:

82. Justice is to be observed not merely in the distribution of wealth, but also in regard to the conditions under which men engage in productive activity. There is, in fact, an innate need of human nature requiring that men engaged in produc-

tive activity have an opportunity to assume responsibility and to perfect themselves by their efforts.

83. Consequently, if the organization and structure of economic life be such that the human dignity of workers is compromised, or their sense of responsibility is weakened, or their freedom of action is removed, then we judge such an economic order to be unjust, even though it produces a vast amount of justice and equity.

It is in these paragraphs that one can see that labor unions in the United States of America have focused on only one aspect of the workers' productivity, namely his wages and his material rewards. Labor unions have failed in the United States by not developing a sense of spiritual rewards, which we may see as a sense of responsibility and a true pride of workmanship.

It should thus be true that we distinguish the workingman as such from labor as a concept. "The man who does the work" can be identified as "owner" and "entrepreneur." Therefore the workingman, the man who expends the energy on the material, can share twice and thrice in the productive effort. Hence the idea of John XXIII in *Mater et Magistra* may actually be based on American practice and standards. It is true that many Americans own stock, and it is true that many Americans do, despite difficulties, participate in wage incentive plans.

#### PROFIT SHARING AS THE SOLUTION

The workingman can actually achieve what seems impossible: he can be a workingman, he can be simultaneously a capitalist and a member of management. This comes about by the practice of what is known in the United States as profit sharing.

Profit sharing is any procedure under which an employer pays or makes available to employees (subject to reasonable eligibility rules) in addition to prevailing rates of pay a special current or deferred sum based upon the profits of the business.

There are two principal types of profit sharing plans being practiced very extensively in the United States today. The first of these, the "cash plan" means that at the close of the business year,



when the size of the profit has been determined, a proportion of that profit is made to all participating employees and is paid to them in the form of cash money.

A second and somewhat more complex form is the deferred distribution plan. This means that credits are made to accounts of fund members at the end of the period, after the profit has been determined, and their shares are then held for them in trust until such time as these people leave the service of the company.

There are something like twenty thousand of these profit sharing plans in operation in the United States of America today, with great corporations being listed as members of the idea. There is no particular organization amongst the profit sharing members, because each company tailors its plan to its own needs. Only the concept unites their activities, and there is no contractual bond which governs their actions.

#### THE HOPE OF *Mater et Magistra*

The expectation is that something like the success of the capitalist system in the United States could be duplicated in backward countries—an enticing prospect. We like to feel that our work here in the United States is a reward first of all for natural virtue, and secondly for supernatural virtue. We like to feel that the indications of *Mater et Magistra* are workable here in the United States, as well as throughout the world. Nevertheless, we need not feel that this has to be undertaken with any inclination to withdraw ourselves from the basic and accepted economic concepts according to which we understand the working of the capitalist system. Therefore while we deny that the worker has, as worker, rights with regard to ownership, management, and profits, we do affirm that it is entirely possible for the worker, by combining his functions to have a greater share in the productivity and the rewards of the economic process, thereby achieving a greater measure of responsibility and freedom in his own life, under justice and charity.

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