

Chapter 1 : Profit Sharing “ Partnerships

The Payment of Bonus Act, has made profit sharing compulsory in all industries and provides that to the eligible employees a minimum bonus of 8 % of gross annual earnings will have to be paid irrespective of profits made or losses incurred.

Strictly speaking, the profit sharing is not a system of wage payment at all. All categories of employees are entitled to such sharing of profits. This encourages better relationship between labour and capital. As a consequence, it helps in building up a more permanent labour force and, thus, the general atmosphere and work environment improves. The time-lag between their sharing of profit and the labour they put in for earning the share of profit causes disenchantment for this sharing of profit scheme. The scheme is not popular with the trade unions since they feel that the scheme stands in the way of solidarity of the worker. In our country, the scheme has met with success since neither the worker nor the employers favour such a scheme. The government- appointed Committee on profit-sharing submitted a report where there were 6 minutes of dissent. This is a scheme to regard labour as a co-partner. Workers will share in the profits which are accumulated and converted into shares of the firm at the market rate. Workers are given a voice in the control and management like the shareholders. This scheme, too, is not successful. Cost of Living Wage: The object of this method of wage payment is to relate wage to the cost of living. This has immense social significance. The attitude of the management for introducing such a method of wage payment is to enable a worker to maintain a uniform standard of living in order to preserve his working efficiency. But the problem arises in fixing the standard cost of living which forms the basis of such a method of wage payment. Of course, in recent years, the Ministry of Labour, Government of India, supplies the cost of living index. This system of wage payment cannot also be used as an incentive system of wage payment. These benefits are supplementary compensations made in addition to wages, the object being to stimulate the interest of the workers and to make the job more attractive and conducive. They are, as a matter of fact, indirect benefits. In India, the government has prescribed certain minimum amenities to be provided by employers to workers. So, they are relevant and useful for an organization, provided it can afford to extend fringe benefits. Examples of fringe benefits in India: Fringe benefits, in spite of some of these drawbacks, have come to stay. They have now become an important part of compensation plans. So far as the corporate management is concerned, it is necessary to take several broad policy decisions regarding wages. One fundamental issue is the break-up of the compensation package. Several options are available: The Bonus Act is a matter for consideration by the corporate management.

Chapter 2 : Co-Partnership and Profit Sharing Schemes (7 Disadvantages)

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It also excludes forms of " output bonus," etc. Under true profit-sharing the share of the employees varies with the prosperity of the firm, and depends therefore not on their exertions solely but on the competence of managers and directors, the state of the market, and other considerations. The Labour Co-Partnership Association in expressed its view that the co-partnership of labour with capital involved: I " That the worker should receive, in addition to the standard wages of the trade, some share in the final profits of the business, or the economy of production. It has not, however, been adopted by all, or nearly all, of the firms which have co-partnership schemes. Profit-sharing and co-partnership are thus seen to differ in theory by the fact that the profit-sharer has a share only in the cash profits of his employer over a given period, and may take his share away in his pocket entire, whereas the co-partner must take some of his profit in the form of investment in the business, and receives also some share in the management. In practice, however, there are so many possible variations that no general distinction is possible, and the terms are frequently interchanged. It will also be observed that both forms assume the existence in industry of two parties, the " firm " and its " employees. Co-partnership, as now understood, is distinctly a " paternal " movement, the dominant " partner " in industry being moved to confer a favour on its junior; and though the ideals of Owen, Fourier and the Christian Socialists may have had some influence on the minds of the earliest co-partners, a truer descendant than the co-partnership of to-day is the working-class Cooperative Movement, which aims at the supersession of capitalism. The earliest example of co-partnership comes from France. In a master painter of Paris, Edme-Jean Leclair, divided among his permanent hands 43 out of about employed the sum of 12, francs. At no time did the members of the mutual provident society amount to more than a third of those employed. In the profitsharing was extended to all the men employed, for however short a time, and upon this basis it has continued as " Brugnot, Cros et Cie. The managing partners also receive a salary. This experiment, as it was the first, is also peculiar in the amount of control entrusted to the permanent workmen, the " kernel," who are very carefully chosen. Among their other privileges it falls to them to elect new managing directors among the employees, a privilege not, as far as the writer is aware, granted under any English scheme of co-partnership. The whole business, however, employs only between one and two thousand workers; its interest is, therefore, chiefly as an experiment. For fuller accounts of this and other French schemes, including the Familistere of Guise, consult the publications mentioned at the end of this article. France, as it was the original home of co-partnership, has also been the country in which it has excited the most interest, and the comparative lack of trustification in French industry has made it easier for schemes established by individual firms to be accepted. The numerical weakness of French trade unionism has also made it easier to gain the adherence of French workers, for an established trade-union movement is generally hostile to co-partnership and profit-sharing. United Kingdom In the British Isles, if we except a scheme inaugurated in by Lord Wallscourt for the farmers on his Galway estates and abandoned shortly afterwards, the movement begins in with the adoption of six schemes, of which five have since been abandoned, although one adopted by Messrs. One of the five was the famous Briggs scheme, of the Whitwood and Methley Collieries, to which reference is made below. The movement then progressed very slowly for some years. Between and only 66 schemes in all were launched, of which all but fourteen had disappeared by The International Congress on Profit-Sharing which drew up the definition quoted at the head of this article was held in In that year also the South Metropolitan Gas Co. These two facts combined to stimulate an interest in profit-sharing, and during the four years , 83 schemes were adopted, of which only 12 survive. A long decline in profit-sharing, owing partly no doubt to the trade depression which began in , led up to rather less vigorous revivals during and The World War then practically put an end to the development of the system, until the phenomenal profits of the early months of the peace and the willingness of many firms to share some of them with their employees, led to an outburst of 42 schemes in The boom continued during the early months of 19 during the first six months ; but during the subsequent industrial depression there was a marked slackening of interest in this direction. Up to the end of the British

Isles had given birth to schemes, of which , or slightly less than half, have been abandoned for one cause or another. Of the remainder, 36 were run by gas companies see below. These figures alone, however, would give a misleading impression of the size of the movement. Of the schemes started up to , only 15 are returned as affecting more than a thousand employees, while no fewer than 54 affect less than a hundred. Pease and Partners, of Darlington 2, out of ii, ; Messrs. The only really large concern whose profit-sharing affects nearly the whole of its workpeople is the Prudential Assurance Co. Details of the number participating are not available for schemes started since , but as out of the 42 firms only eight have a pay-roll of over 1,, while ten employ less than 100, it would seem that the proportions would not be materially altered if they were all included. Neither do all the smaller firms include by any means all their employees in their profit-sharing schemes. The proportion varies from case to case, falling as low, in the case of one firm of manufacturers, whose scheme dates from , as 50 out of 1,, or 31 per cent. It is clear that in this and similar cases the co-partnership is really a tiny experiment carried on with a few picked employees and is of infinitesimal significance in the industrial life of the country. Nor is it only the successful experiments that are of this type; the abandoned schemes tell the same tale, except that the number of participants is lower. Apart from the gas companies, then, co-partnership in British industry has been confined, with one or two exceptions, to small firms, and these for the most part in minor industries. The food trades, such as cocoa, confectionery, jam, chocolate, etc. In the great basic industries of the country, mining, cotton, engineering and shipbuilding and in transport, co-partnership has made practically no progress, nor does it seem to be making any. What is the reason of this? An analysis of the reasons given for the abandonment of dead schemes may provide part of the answer. Forty-nine schemes were abandoned " for financial reasons," i. In 16 cases no cause can be assigned; and in about 40 the abandonment was due to changes connected with administration. There remain 91 schemes which were abandoned owing to the dissatisfaction of owners or men with their results. Translated into cash, this meant in that 105 firms paid to their workmen an average of 13s. In , the average bonus paid per head was 1;4 18s. It will readily be understood that so exiguous a cash benefit causes considerable disappointment to the worker who has been led to expect material advantages from being provided with an interest in the business; and this fact may also go some way towards explaining the failure of schemes which employers gave up owing to the " apathy " of their workmen. This may account for the high mortality among profit-sharing schemes which have actually come into existence. More reasons, however, are needed to explain the smallness of their numbers and their comparative insignificance. This is undoubtedly due in part to the hostility of the consuming public, which tends to regard profit-sharing schemes as designed to keep within the industry money which should be used to reduce the price to itself. Thus the distributive Cooperative Movement, which is an association of consumers, has done very little in the way of profit-sharing or co-partnership, and that little is steadily growing less, and the English and Scottish Cooperative Wholesale Societies have both abandoned their schemes of profit-sharing, the former in , and the latter in . The gas companies, to which reference has already been made, are not open to this criticism owing to their peculiar statutory position. All gas companies are regulated by Act of Parliament, and in most cases they are not allowed to increase their dividends unless the price of gas is correspondingly reduced. In the other cases the dividend is limited to a fixed maximum percentage. Thus the gas companies have never been able to make enormous profits at the expense of their customers, and moreover, since their accounts of capital and dividend must be regularly rendered to the Government, there is little or no cause for the suspicions which occasionally develop in co-partnership concerns, of " watered " capital and the like. Since the war, surpluses have largely disappeared. But the greatest bar to the success of the co-partnership movement has undoubtedly been the hostility of the organized labour movement. The trade unions are almost uniformly opposed to it as a policy, and in some cases even expel any member joining a co-partnership or profit-sharing scheme. The earliest firms to adopt profit-sharing did little to allay the suspicions of the unions. They were generally as unfavourable to the unions as the unions were to them. The well-known experiment of Messrs. The scheme of the South Metropolitan Gas Co. Recently this attitude has been modified, and the most distinguished advocates of co-partnership, such as Mr. Aneurin Williams, now insist on the recognition of trade unions: As far as one can see, this attitude is not likely to be easily changed in the near future, and the co-partnership movement,

therefore, is unlikely to spread beyond the small firms and the minor industries in which trade unionism is weak. It contains nearly all the available information, and has an exhaustive bibliography. Schloss Williams and Norgate, For the Labour point of view the best works are two pamphlets by Edward R. See also chapters in *The World of Labour*, by G. Popularly, the term is loosely used to describe a great variety of methods of wage payment. In this article it is used to describe an arrangement by which employees, other than managerial employees, receive, in addition to wages or salaries, a share of the net profits of the business, such share being distributed at the time of the declaration of dividends to stockholders. The arrangement may be expressed either by a formal agreement or an oral promise. Although the profits are contingent, the percentage of profits to be distributed is fixed and known in advance, and, like dividends, is paid sometimes in whole or in part in stock instead of cash. This definition excludes many forms of wage payment commonly associated and confused with profit-sharing, such as the bonuses sometimes measured by individual or collective output, length of service, attendance at work or employee savings, and sometimes given as Christmas gratuities, and such as sundry stockpurchasing schemes, none of which fluctuate directly with the net profits. The term "co-partnership" is not generally used in the United States in this connexion, since the implied constituents, profitsharing, stock-ownership and participation in management, are not often found in the same establishment. Many profit-sharing plans arrange for distribution of stock as a part of, or as an addition to, profit-sharing. There are also more than 60 known stockpurchasing schemes, besides many arrangements for "managerial" or "limited" profit-sharing, affecting less than one-third of the total employees. These schemes vary all the way from representation on boards of directors, in a very few cases, to joint management through industrial and works councils, shop committees, grievance and welfare committees, shop chairmen and voluntary arbitration boards. The distinguishing characteristic of these management-sharing plans is that under them the management does not depend upon organized labour, but deals with its own employees collectively. They are distinct from profit-sharing, in that the employer retains all of the profits he makes, though the workers are given collectively a voice in determining the wages, hours and working conditions which to some extent affect the profits account. The pioneers of true profit-sharing in the United States, dating from , are the Ballard and Ballard Co. The years of greatest installation of new projects were , , , and . These variations in the progress of profit-sharing in the United States correspond with those in England, where profit-sharing plans found favour during periods of ample employment and labour unrest. It is only natural, however, that periods of low profits should check the spread of profit-sharing and cause the abandonment of many plans, the average life of abandoned plans being two to three years. For this reason, and since no comprehensive study had been made in the five years preceding , it is difficult to state with confidence the exact number of profit-sharing arrangements existing in that year, one of general business depression. On the basis of the Government report in and subsequent semi-official studies it is estimated that 86 true profit-sharing plans were in operation at the end of . Approximately two-thirds of these concerns employed less than people, and only one-seventh employed more than 1,, so that the total number of employees was less than 50, The number of arrangements solely for stock purchasing is not accurately known but the inclusion of several large corporations, as the United States Steel Corp. In the determination of the divisible fund of profits, two general methods, subject to individual variations, are followed: Under the second method, the divisible fund depends on dividends declared. The advantage to the management of this method is that it may be found desirable to pass all dividends and use this amount for strengthening the business. When the amount of divisible profits has been determined, there remains the apportionment of the respective shares to capital and labour. Often, however, divisible profits are distributed according to the ratio of 1 total invested capital to total payroll or 2 interest on invested capital to total payroll. This latter method of division in was known to obtain in only one establishment.

Chapter 3 : Full text of "Co-partnership and profit-sharing"

Profit sharing is an important consideration but there are many moving parts to a business that need to be considered and included in the partnership agreement. For more complete information on business partnerships check out these guides from the IRS, calendrierdelascience.com, and calendrierdelascience.com

Incentives are not always provided in form of money. It is possible to provide incentives in other forms as well. Thus, classification of incentives may be into: Direct monetary incentives are provided by the above discussed bonus plans. Indirect Monetary Incentive Schemes: Under this scheme, some shares are given to the employees so that they can get share of profit. The employees may be either allowed to deal freely with such shares or some restrictions may be imposed by the company on employees on the dealing in such shares. Merits of the scheme: Demerits of the scheme: This may lead to strikes, closure, unrest etc. The objectives of providing non-monetary incentives are: Out of quite a good number of non-monetary incentives forms, some are mentioned below: We have the best tutors in Accounts in the industry. Our tutors can break down a complex Indirect Monetary Incentive Schemes, Co-partnership Scheme problem into its sub parts and explain to you in detail how each step is performed. This approach of breaking down a problem has been appreciated by majority of our students for learning Indirect Monetary Incentive Schemes, Co-partnership Scheme concepts. You will get one-to-one personalized attention through our online tutoring which will make learning fun and easy. Our tutors are highly qualified and hold advanced degrees. Please do send us a request for Indirect Monetary Incentive Schemes, Co-partnership Scheme tutoring and experience the quality yourself. Online Other incentive Schemes Help: If you are stuck with an Other incentive Schemes Homework problem and need help, we have excellent tutors who can provide you with Homework Help. Our tutors who provide Other incentive Schemes help are highly qualified. Our tutors have many years of industry experience and have had years of experience providing Other incentive Schemes Homework Help. Please do send us the Other incentive Schemes problems on which you need help and we will forward then to our tutors for review. Other Topics under Labour and Machinery Cost.

Labour Co-partnership: This is a scheme to regard labour as a co-partner. Workers will share in the profits which are accumulated and converted into shares of the firm at the market rate.

This Profit Sharing Agreement Template is written in a manner so that it can apply to a situation whereby a company has hired someone to market a product for them and offered a share of the profits on the sale of the product. This sentence is to establish that one party owns the intellectual property rights in the Product around which the activities will center, which will be important with regard to the aftermath of the termination of the relationship. Depending on your relationship, there may be other ways to structure this. For instance, you may want to have a longer requirement for written notice. Upon termination according to section 1, the following shall occur: This section is to govern the aftermath of ending this profit share relationship. This allows the Representative the right to continue to receive any residuals if the circumstances dictate while giving the Representative a responsibility to direct all further inquiries to the Company to ensure a seamless transition. In consideration for the profit share granted herein, the Representative shall perform the following duties: Performing research and other prospecting duties with regard to potential customers; Completing paperwork as needed; and Performing other such duties and services as may be assigned by the Company to accomplish the aims of this Agreement in the time, place, and manner deemed appropriate by the Representative. There are a few basic duties listed here that the Company may want to add or subtract from depending on the actual circumstances of the relationship. The Company should be sure to consult with an attorney with regard to the duties to ensure the duties do not make the representative a de facto employee which could result in violations of employment law. The Parties agree that the Parties shall be considered independent contractors and not agents or employees of the other Party. Neither Party shall have authority to make any statements, representations or commitments of any kind, nor to take any action which shall be binding on the other Party, except as may be expressly provided for herein or authorized in writing. Even with this clause, the instruction to consult with an attorney still applies as this is not determinative by itself. It always depends on the actual circumstances of the Parties. The Representative shall not, in any fashion, form, or manner, either directly or indirectly: The Representative shall receive written confirmation from the Company in using any marketing materials related to the Product that were not directly provided by the Company. The Representative shall not be entitled to reimbursement for any expenses except those that have been previously approved in writing by the Company. Should the Company require travel by the Representative, the Company shall reimburse the Employee for such travel expenses, along with reasonable lodging and meal expenses upon presentation of receipts of such expenses. This section can be tweaked to reflect a different arrangement but as it stands, the Representative is responsible for all expenses other than required travel unless receiving written confirmation from the Company. This section of the Profit Sharing Agreement is to protect the Company from the Representative acting illegally or harmfully on its behalf. No modification of this Agreement shall be valid unless in writing and agreed upon by both Parties. This Agreement represents the full understanding of the Parties and shall supersede all previous oral or written agreements regarding the subject matter herein.

Chapter 5 : Co-Partnership and Profit-Sharing

Note: Citations are based on reference standards. However, formatting rules can vary widely between applications and fields of interest or study. The specific requirements or preferences of your reviewing publisher, classroom teacher, institution or organization should be applied.

Print Article Between employer and employed , a method of remunerating labour, under which the employees receive, in addition to ordinary wages, a share of the profit which the business realizes. The term is not infrequently used loosely to include many forms of addition to ordinary wages, such as bonus on output or quality, gain-sharing and productbearing. In the same way if a workman is employed on the basis that if in doing a particular job he saves something out of a stipulated time of labour, or a stipulated amount of materials, he shall receive in addition to ordinary wages a proportion of the value so saved, that is technically gain-sharing, not profit-sharing. Even where the bonus depends strictly on profit, it is not reckoned as profit-sharing, if it is confined to the leading employees. An agreement is of the essence of the matter. It is not profitsharing where an employer takes something from his profits at his own will and pleasure, and gives it to his employees. Strictly such gifts in cash are gratuities, while, when they take other forms, such as better houses, libraries, recreation rooms, provision for sickness and old age, all given at the will of the employer, we have paternalism. Such benefits thus taken expressly from profits and varying more or less with the amount of profit certainly approach true profit-sharing: Though many of the above methods of remunerating, or benefiting, the employed are from time to time included under profit-sharing even by writers of repute, the strict sense of the term was defined by the international congress on profit-sharing in as "an agreement freely entered into by which the employed receives a share of profits determined in advance. Profit-sharing, in the loose sense, must be of untold antiquity; the first great example of profit-sharing in the strict sense is that of the Parisian house-painter, Edme-Jean Leclair, "The Father of Profit-Sharing. By greater zeal and intelligence and less waste, not necessarily by harder work, he reckoned they could save X a year; and he made it their interest to do so by arranging that they should receive the greater part of the saving themselves. In the system was still in active operation in the firm. Its main features are as follows: The Mutual Aid Society is a registered body, and is a limited partner in the firm, the liability of the two managing partners being unlimited and the control resting entirely in their hands. The benefits of the Mutual Aid Society, and of the profit-sharing generally, are enjoyed in the main by all the employees of the business, but certain advantages are confined to a limited number of permanent employees. The main object in this case was to detach the workmen from the trade union and attach them to the firm. In there were in the United Kingdom and its colonies 65 ordinary firms practising profit-sharing in its strictest sense, and 17 others known to have adopted and not known to have discontinued it, making 82 in all as against 92 in , and lot in On the other hand the number of employees had grown from 28, in 18 9 4 to 48, in In it was found that there were more profit-sharing firms in the British Empire than in any other country, and this is probably still true. The only rival is France, where, however, the term "participation aux benefices" is used in a wider sense. There are also important examples in Germany, the United States, Switzerland where the state once applied the system in the postal service, and still does in the telegraphs , in Holland, in the socialist co-operative societies of Belgium, and elsewhere. Profit-sharing has been quickly abandoned in many instances, for various reasons; there were no profits to divide; the small bonus given seemed to have no effect; the hope of detaching the men from their union, or contenting them with lower wages, was not realized; or the business passed into unsympathetic hands. On the other hand, one lasting success in such a matter proves more than many short experiments which failed; and profit-sharing has been splendidly successful where some highminded man has breathed into it the spirit of partnership. Often it has been a step to actual partnership; the workman has not only received a share of profit, as added remuneration of his labour, but been led on to invest in the capital of the business, and as a shareholder, to take his share of the profits paid on capital, as well as of responsibility, of loss if any, and of control. This system of profit-sharing plus shareholding is now known as co-partnership see CO-Operation , and is making undoubted progress. In the South Metropolitan Gas Co. It would seem to be in this direction, as a step to full

partnership, that profit-sharing has a great future before it. The following may be specially mentioned:

Chapter 6 : 14+ Profit Sharing Agreement Templates – PDF, DOC | Sample Templates

My acknowledgments are due to many authors, and my thanks to many friends. In particular to the Maison Leclair and to several American and English firms which I have mentioned, for kindly sending me details as to their own businesses; to Mr. N. O. Nelson for much valuable information and comment.

Entrepreneurship Profit sharing refers to monetary benefits offered to the employees by the employer apart from salary and bonuses. They are a form of incentives given to employees either directly or indirectly, depending upon the profits made by the respective company. The profit can be shared in the form of bonds, stocks or cash, which can be given at the time of retirement. A company will share its pre-taxed profits with employees who are eligible for it. The base salary of the employee is taken into consideration and depending upon the amount the profit is shared. Employees with higher base salaries get a higher share of the profits. Profit sharing is a gesture extended by the company to make the employee feel that he or she is also part of the company. An employee who is well taken care of will perform better. His or her motivation to work will be higher. Advantages of profit sharing Brings employees together to work towards a common goal. The sole aim of the employees is the success of the company. Motivation levels of the employees are high because of the extra financial gain they get if company is profitable. The employee focus is on profitability and they work together as a team. It increases commitment to the organization. Employee can identify with the company. He or she will feel part of it. Bridges the gap between the employee and employer. Promotes the well-being of the employee. Additional income for the employee helps them to lead a comfortable life. If they are comfortable in their personal life, the performance at workplace improves too. Disadvantages of profit sharing The salaries of the individual employees go up equally, not on the basis of merit or promotion. The focus of the employee may be of the profit rather than on quality. People get their share of the profit regardless of their contribution. Employees at top position feel more motivated than the bottom rung as they get higher percentage of profit share. Employees would like to have share in the profits of the company. It is some kind of reward for their hard work and efforts. They would be motivated to put in their best.

Chapter 7 : Why have Profit Sharing? - Advantages and Disadvantages of Profit Sharing

Agreeing to share profits is a precondition for the formation of a partnership. Sharing profits is not the same as sharing revenues. Revenues refer to all of the money received by a business, including income, receipts, or proceeds.

Chapter 8 : Profit Sharing Agreement Template - Get Free Sample

A partnership agreement spells out the terms for profit sharing among members of a partnership. Primary factors used for establishing a profit-sharing ratio include responsibility for the company.

Chapter 9 : Profit - Sharing And co-Partnership - Encyclopedia Britannica - Bible Encyclopedia

"PROFIT - SHARING AND CO-PARTNERSHIP (see) Profit-sharing was defined by the International Conference on Profit-Sharing held in Paris in in the following formula: " The International Congress is of 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 with the essential principles.