Profit-Sharing and Labour Co-Partnership
Proposal of the Italian Catholic Party

The Bill to establish workers' control in industry, which was introduced in the Italian Chamber on 9 February, was accompanied by the texts of the proposals made by the General Confederation of Labour, the General Confederation of Industry, and the Italian Confederation of Workers (the central trade union organisation of the Catholic Party). The International Labour Office published in a previous study (1) the texts of the Government Bill and of the proposals of the General Confederation of Labour and of the employers. We now publish the text of the Catholic proposal, preceded by a short account of its origin.

When the Italian Premier, Mr. Giolitti, instituted, in September 1920, a Joint Commission entrusted with the drafting of a Bill to introduce workers' control in industry, the Catholic Party (Partito popolare italiano), finding itself excluded from this Commission, manifested the greatest dissatisfaction both in the Chamber and elsewhere. The party leaders went so far as to threaten to withdraw the Catholic ministers from the Government, which would have entailed the fall of the Cabinet. The political secretary of the party, Dom Sturzo, and the Deputy, Mr. Gronchi, general secretary of the central Catholic trade union organisation (Confederazione italiana dei lavoratori), had a long interview with the Premier on 24 September. They called Mr. Giolitti's attention to the serious impression produced by the recent Decree, both in party circles and in the Catholic trade union organisations. They stated that in their opinion a legislative solution of the question of workers' control could only have been found by giving a very wide

(1) Studies and Reports, Series B, No. 7.
basis to the Joint Commission, so that all classes and all important parties might be represented on it.

The Premier said that the Joint Commission was entrusted merely with the task of formulating proposals, which would be discussed by the Chamber, and that for the final preparation of the Act he desired the collaboration of all the political and trade union forces of the country.

The political secretary of the Catholic party replied that the Catholic Parliamentary group would, nevertheless, present to the Chamber a counter-proposal for the institution of trade union control in industry, at the same time as the Bill to be drafted by the Joint Commission, as the Catholic party could not accept solutions propounded without the participation of its representatives (2).

The Joint Commission, however, concluded its labours on 5 November, having found it impossible to reach agreement, and the employers' and workers' delegations each sent a proposal to the Premier. The Catholics also drafted a proposal, which was forwarded to the Premier on 21 January. Mr. Giolitti promised to submit this to the consultative bodies at the same time as the proposals of the Government, the General Conferation of Labour and the General Confederation of Industry.

The Catholics' proposal is not confined to the introduction of control, for, according to their programme, control without profit-sharing would be of no value. The Bill, therefore, includes a detailed scheme for the introduction of profit-sharing by the issue of shares to workers. From the text published below it will be seen that the Bill confers on representatives of manual and non-manual workers the right of control over the management of undertakings and over their administrative and financial operations. These representatives have also the right to sit on the Board of Directors and on the trade union commissions of control. At the end of each financial year, after the balance sheet has been drawn up, profits are to be divided in the following manner:

Capital shall receive a fair interest fixed by law, and the surplus shall be divided between shareholders and workers: that part of the profits accruing to the workers (by workers is meant equally directors and employees) is not paid to them in cash but is used to buy up shares in the undertaking.

The entire ownership of the undertaking will thus gradually pass into the hands of the workers.

This Bill was submitted at the same time as the others to the Supreme Council of Labour and the Parliamentary Commissions, but the dissolution of the Chamber of Deputies on 7 April caused the postponement of decision.

(2) Cf. Studies and Reports, Series A., No. 11.
BILL
for the introduction of profit-sharing and labour co-partnership
(including trade union control)

proposed by the Italian Confederation of Workers

Article 1 — At the request of at least one-fifth of the staff employed in an undertaking, the management shall allow all its staff to be questioned by means of a referendum with individual secret ballot, and if the majority declare in favour of the introduction of profit-sharing and labour co-partnership, the management shall agree to this reform, which shall be introduced in accordance with the principles hereinafter enumerated.

Any request for a referendum made by 300 members of the staff shall be granted. The referendum shall not be necessary when two-thirds of the staff manifest clearly that they are in favour of the reform.

All persons who have completed their eighteenth year and have been working regularly for the undertaking for at least three months, whether their work is directive, executive, or administrative, and also shareholders or owners of the undertaking, or their representatives, shall be deemed to be members of the staff of the undertaking, and shall be entitled to take part in the request for a referendum or in the referendum itself.

PROFIT-SHARING UNDERTAKINGS

A.— Joint Stock Companies

Principle of Division of Profits between Capital and Labour

Article 2 — In joint stock companies with labour co-partnership, the net profits which remain at the end of the financial year, after the current legal interest to paid-up share capital has been allotted, and after the statutory and customary deductions and allocations to the reserve fund have been made, shall be divided between the paid-up share capital and labour, whether administrative or executive (including manual and non-manual workers of all grades), in proportion to the actual contribution of each of these factors to production, and with due regard to the nature of the undertaking, in accordance with Article 6.

Representation of the Staff by a Works Council

Article 3 — The protection of the interests of the staff, as against those of the share capital, in regard to the participation of the staff in profits, and in the management and ownership of undertakings, shall be secured by the election of a works council. The number of members of the works
Council shall be 3 for undertakings of the first grade (employing from 10 to 30 persons), 7 for undertakings of the second grade (employing from 31 to 100 persons), 15 for undertakings of the third grade (employing from 101 to 500 persons), and 25 for undertakings of the fourth grade (employing over 500 persons).

Article 4 — The members of the works council shall be elected by secret ballot and on the system of proportional representation, by all persons of either sex connected with the undertaking who have completed their eighteenth year and are in full possession of their civil rights.

The two groups of manual workers and non-manual workers shall be proportionately represented on the works council.

In order to be eligible for election candidates must have completed their twenty-first year, must be in possession of their civil rights, and must have been connected with the undertaking for at least one year.

The Joint Commission

Article 5 — The works council and the Board of Directors of the company shall elect a Joint Commission, which shall fix the proportion to which reference is made in Article 2. The number of members of each of the parties on the Joint Commission shall be, in undertakings of the first grade, two; of the second grade, four; of the third grade, six; of the fourth grade, eight.

The two parties on the Commission shall nominate a chairman by common agreement. If they fail to agree, the chairman shall be nominated by the President of the Tribunal, or, in his stead, by a Justice of the Peace.

If a member of the Commission become chairman, his electors shall appoint a new representative to replace him.

The Division of Profits

Article 6 — The division of the net profits of the undertaking between capital and labour shall be effected in accordance with the following formula:

The share assigned to labour shall be to the share assigned to capital as the sum total of the wages paid during the year is to the total capital.

Modifications

Article 7 — The Joint Commission instituted in accordance with Article 5 shall adapt the above formula to the principle laid down in Article 2. The Commission shall be guided by the following considerations:

(a) The predominance of wages over capital (in such undertakings as mining, quarrying, and the like), or the predominance of capital over wages (for example, in
commercial undertakings), in the economic activities which are the object of the undertaking.

(b) The degree of financial risk involved in the conduct of the undertaking, with due regard to the corresponding reserve funds (Articles 2 and 8).

(c) Neither of the two factors in production, capital or labour, shall receive more than 25 per cent. of the profits; any eventual excess in the share of one factor shall be added to that of the other. Should both shares exceed 25 per cent., the excess profits shall be utilised for the benefit of the community, either by reducing the selling price of the products, or by investing in new installations when these are deemed to be of obvious social utility; or for any other purpose which may be considered, by at least two-thirds of the members of the Joint Commission, more effective and more profitable to the community.

Functions of the Joint Commission

Article 8 — The Joint Commission shall be competent to decide as to the utilisation of profits which have become available for industrial or commercial purposes (expansion of business, new installations, etc). It shall also be called upon to decide in any disputes arising from the separation of the commercial from the industrial management of the undertaking; whenever one of the two groups raises a dispute on this subject: if one of the two groups considers itself aggrieved by the decision of the Joint Commission, it may appeal for arbitration to the Council of Industry (Article 29 et seq.), whose decision shall be final.

Issue of Shares to Individual Workers — Fractions of Shares

Article 9 — That part of the profits of the undertaking which is allotted annually to labour shall be distributed, according to the provisions of the following Article, among the members of the staff of the undertaking—manual workers, non-manual workers, technical and administrative staff—in proportion to the total wage or salary received by them (including cost of living and other bonuses).

Any person who has been employed by the undertaking for at least six months, and has accepted the labour agreement in force between the class organisations concerned, where such organisations exist, shall be deemed to form part of the staff.

With a view to facilitating distribution the labour shares shall be divided into "fractions" of 5 lire each.

Article 10 — Shares and fractions of shares shall be distributed and allotted (Article 9) directly to each member of the staff; two-thirds of the amount due shall be paid in securities of the undertaking, in accordance with the
provisions established by the Joint Commission. The remaining third may be paid in cash by agreement with the workers' organisations concerned.

The fractions of shares shall be transferred to the worker concerned as soon as they are paid up.

As the shares are paid up they shall become the private property of the member of the staff to whom they are allotted. They shall, however, be deposited with the Works Council, along with the profit-sharing account of the member of the staff concerned.

**Nature of the Labour Shares and Fractions of Shares**

**Article 11** — Labour shares and fractions of shares shall be personal, inalienable, and not distrainable.

Subject to the consent of the works council and the Board of Directors, to be given in each individual case, and according to the regulations drawn up by these bodies, they may be transferred to another member of the staff.

**Procedure in case of Death, Departure, or Dismissal**

**Article 12** — In case of death, of voluntary departure of a shareholder from the undertaking (for reasons other than those provided in the following Article), or of dismissal for reasons recognised as justifiable by the competent representatives of the parties, and in case of dispute by the Joint Commission, the worker's shares and fractions of shares shall be redeemed by the works council.

If the works council does not exercise this right, the Board of Directors may do so.

**Speculation in Labour Shares**

**Article 13** — If it is proved, or if there is reason to believe, that the holder of shares or of fractions of shares has left the undertaking, or has caused himself to be dismissed, with the intention of profiting by the value of the shares or fractions of shares belonging to him for the sake of gain or for speculative purposes, the works council, or, in its stead, the Board of Directors, when redeeming such shares or fractions of shares, shall deduct from 20% to 75% of their value.

This deduction shall not take place when the member of the staff is ill, or over 60 years of age, or when he is compelled for serious reasons to change his place of residence, or if he has become indigent for reasons over which he has no control.

**Encouragement of Thrift**

**Article 14** — Any member of the staff may at any time arrange that a part of his wage, salary, profits, or other remuneration (the amount to be fixed by himself) shall be paid into his
profit-sharing account: he may also pay into his account sums in cash, which shall bear interest, on the conditions and within the limits fixed by the Joint Commission.

**Labour Shares and Capital Shares**

*Article 15* — Labour shares redeemed or paid up shall carry the same rights, dividends, etc. as capital shares, unless it is expressly stipulated to the contrary.

The fractions of shares or parts of shares which cannot be distributed among members of the staff, and those which do not confer upon the holder the right of direct representation, shall be represented at the general meeting and for all purposes by the works council.

Labour shares, which, according to the general rules of the company, entitle the holder to direct representation or representation by delegate at the general meeting, shall be treated in the same way as capital shares.

Labour shareholders, therefore, as well as capital shareholders, shall be eligible for election to the various offices: Board of Directors, Board of Auditors (sindaci), Committee of Counsel (probitiri), etc.

**First Stage of Labour Representation on Board of Directors and Board of Auditors (sindaci)**

*Article 16* — So long as the representation of labour shares on the Board of Directors, the Board of Auditors, and other statutory organs of the company does not equal one-third of the representation of the capital shares, the Board of Directors, the Board of Auditors, and other bodies shall include representatives of the workers nominated by the works council, whose rights and obligations shall be the same as those of other members. The number of these representatives shall not as a rule be less than two on the Board of Directors and one on the other bodies, nor shall it exceed one-third of the total number of members of such bodies. In case of dispute, the number of representatives shall be fixed by the Joint Commission.

To this minimum number of representatives shall be added annually the representatives elected by the ordinary organs of the company (general meeting, Board of Directors, etc.) or of the undertaking. When the number of representatives thus elected is one-third of the number of representatives of the capital shares, these representatives shall take the place of the original representatives nominated by the works council; subject to the condition, however, that the representation of labour shall not at any stage of the proceeding decrease, but shall at least maintain its original number during the period necessary for the substitution to take place.
Redemption of Capital Shares

Article 17—As the accumulation of profits creates, in each financial year, new labour shares or fractions of shares, a number of capital shares corresponding in value to the total of such labour shares shall be redeemed at par.

The capital shares to be redeemed shall be taken in the first place from the largest holdings; in case of equality in the value of holdings the shares to be redeemed shall be chosen by lot. The Joint Commission may at any time buy out certain shareholders, and may redeem shares below par when the shares have fallen considerably in value.

In view of the necessity of preventing speculation, shares shall not be redeemed above par, i.e., above the price at which they were bought by the holder, which price shall be indicated on the certificates.

Privileged Shares

Article 18—If a particular capital shareholder has rendered special services to the undertaking or to a branch of the industry to which the undertaking belongs, and if he desires to retain his interest in the undertaking, the Joint Commission may, in agreement with the Board of Directors, exempt his "privileged shares" wholly or partially from redemption.

If a holder of capital shares regularly performs directive or executive functions in the undertaking, his capital shares may be considered by the Joint Commission wholly or partially as labour shares, and he may be remunerated for his work in proportion to the function he performs and subject to the same general conditions as those relating to the wages or salary of the staff of the undertaking.

Operation of the System after the Buying up of the Capital Shares

Article 19—When all capital shares have been bought up, the net profits of the undertaking, after the deduction of the statutory amount reserved for the labour shares (including any privileged shares), shall be divided amongst the members of the staff in proportion to their respective wages or salaries.

Article 20—Labour shares or fractions of shares (Article 2 et seq.), as well as the net profits (Article 18), shall be distributed amongst the staff of the undertaking classified in wage or salary groups, in a proportion such that the ratio between the amount received by the members of the lower grades and that of the members of the higher grades of the staff shall not be greater than the ratio of one to five.
Article 21.—When the undertaking has become a labour co-operative society, as provided in Article 18, the Board of Directors, in agreement with the works council, the trade union, and the council of industry concerned, shall adopt the system of management best adapted to the new form of organisation.

B. — Private Undertakings

Compulsory Bookkeeping

Article 22.—The provisions of the Commercial Code relating to the keeping of books shall be extended to all undertakings managed by their owner and employing as a rule more than ten persons, exclusive of the members of the family of the owner.

Valuation in Shares and Fractions of Shares

Article 23.—The capital of such undertakings, whether circulating capital, such as money, goods, and raw materials, or fixed capital, such as land, buildings, movable property and machinery (excluding objects personally owned or for personal use, such as private motor cars, furniture, dwelling houses, etc.), shall be considered as divided into personal shares of 100 lire each, all belonging to the owner or owners of the undertaking. Such shares shall be deemed to be divided into fractions of shares of five lire each, according to Article 9 (last paragraph) et seq. of the present Act.

Works Council and Joint Commission

Article 24.—All members of the staff of the undertaking shall take part in the election of the works council according to Articles 3 and 4 of the present Act.

Article 25.—The owner or owners, or their delegates, and the works council shall elect a Joint Commission, which shall be composed and which shall function according to the provisions of Article 5 et seq. of this Act.

If the owner or owners of the undertaking, or their delegates, perform in the undertaking directive, executive, or administrative work, the Joint Commission may estimate equitably the amount of the remuneration which is due to them for such work and may, further, allot to them a certain number of privileged shares, in conformity with the provisions of Article 17 of this Act.

Profits

Article 26.—The profits which remain at the end of the financial year shall be disposed of as provided in the preceding Articles of this Act. The profits which are assigned to the
workers shall be utilised to form labour shares, which shall continue to be part of the capital of the undertaking, with the exception of that part of the profits which may be distributed in cash, in accordance with Article 9 of this Act.

**Article 27** — As the labour shares are created year by year, the owner or owners of the undertaking shall withdraw annually a portion of the capital equal to the amount of the labour shares created in each financial year, with the exception of any privileged shares.

**Article 28** — The other provisions of the preceding Articles of this Act shall be applicable by analogy to private undertakings.

As the result of the issue of labour shares, such private undertakings shall, at the discretion of the parties concerned, take the form either of limited companies or of labour co-operative societies, and the profits realised shall be allocated exclusively to those who are employed in the undertaking.

C. — Councils of Industry

**Article 29** — The national organisations of employers and workers in any given industry, who accept the profit-sharing scheme and the method of collaboration of the organised classes, shall elect, at the request of an affiliated association, on the system of proportional representation and within three months' time, a Council of Industry composed as follows:—

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When any one of the industries classed under "various" desires to form a Council of Industry, it may do so, with the consent of the two Confederations.

Each Council of Industry shall elect a chairman by agreement between the parties; if the chairman elected is a member of the Council of Industry, another representative shall be elected in his place.

**Article 30** — It shall be the duty of the Council of Industry to draft and interpret the general regulations necessary for the introduction of profit-sharing and labour co-partnership,
on the basis of the provisions contained in the preceding Articles of the present Act, and for introducing and maintaining in each branch of industry justice, prosperity, and industrial peace.

The functions of the councils of industry shall include the following:

1. To draft, discuss, conclude, interpret, and revise agreements for the regulation of the profit-sharing system;
2. To fix rules concerning the relations between the works councils, the joint commissions, the trade unions and confederations;
3. To fix minimum wages and the prices of products;
4. To decide any cases of appeals, requests, and disputes originating in the joint commissions or the trade union organisations;
5. To exercise technical and administrative control in the second instance (so-called trade union control);
6. To distribute equitably the products of labour through the channels of commerce and co-operation, without harmful speculation;
7. To settle all questions referred to them by confederations, by laws and regulations, by the authorities, or by bodies of any kind.

The councils of industry shall take care that individual undertakings or labour co-operative societies, and particularly those operating under specially favoured conditions, shall not accumulate excessive products or profits to the prejudice of the consumers, or an excessive number of labour shares for the benefit of a few persons, thus tending not to restrict or abolish capitalist exploitation and the wage system, but to perpetuate them by depriving the producers of the benefits of profit-sharing and labour co-partnership.

When all or the great majority of undertakings have been transformed by means of the new scheme, the councils of industry will automatically become more and more highly developed organs of co-operation between the various classes of producers, in the same way as the joint commissions within the individual undertakings.

D. — General Provisions

Article 31 — All undertakings which employ regularly more than ten persons, exclusive of the owner and the members of his family, shall, within three months' time, be requested to conclude with the staff employed by the undertakings and represented by the works council (assisted by the workers' organisations concerned who accept the profit-sharing scheme) a collective labour agreement, on the basis of which the provisions of the present scheme may be put into force.

Article 32 — In addition to its chief functions as laid down in Article 3, the works council shall assume in small
undertakings and shall co-ordinate in large undertakings the
following duties usually entrusted to internal committees:

(a) Co-operation with the management of the undertaking
in the maintenance of discipline;

(b) Determination, in agreement with the management,
of the regulations and the exceptions which it may be
necessary to make regarding administrative and disciplinary
provisions;

(c) Determination, in agreement with the management,
of regulations concerning the engagement and discharge of
staff and the settlement of disputes which may arise;

(d) Supervision of the application of labour legislation
and agreements;

(e) Settlement of internal disputes, including those which
may arise between a worker or a gang of workers and the
foreman or other superiors of this worker or gang of workers,
before recourse is had to intervention of the organisations;

(f) Exercise of technical and administrative control of the
first degree within the undertakings, in co-operation with its
representatives on other bodies concerned, with a view to the
development of production and the proper management of
the undertaking in the interests of the workers and of the
public;

(g) Fulfilment of all other functions assigned to it by agree­
ment between the management and the works council, or en­
trusted to it by organisations, or by other bodies, or in virtue
of statutory provisions.

Substitutes, etc.

Article 33 — At every election to councils and commissions
a suitable number of substitutes shall be elected, who shall
take the place of the members, if the latter leave the
undertaking, or if, for any reasons, they cannot or do not
desire to continue to act as members.

Article 34 — The works councils, the joint commissions,
and the councils of industry shall have recourse, in the
exercise of their functions of technical control, to the assistance
of engineers, and in the exercise of their administrative
functions, to the assistance of certificated accountants; such
engineers and such accountants need not be members of the
commissions and councils, and need not be connected with
the undertaking.

Article 35 — A Bill embodying the scheme set forth above
shall be drafted and introduced in the Chamber of Deputies,
after consultation with the most important national
organisations of engineers, non-manual workers, technicians,
and accountants, as being classes concerned, together with
manual workers, in a more equitable participation in profits
and in the organisation of production.
STUDIES AND REPORTS

already issued.

Where the English or French text of a Report has not yet been published it will be issued at a later date.

Series A.


" 2. The Dispute in the Metal Industry in Italy. Trade Union Control of Industry, (First part) issued September 25th 1920. French and English.


" 15. The International Congress of General Factory Workers issued on January 24th 1921. French and English.


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