

THE GAIN WAS ALWAYS SHARED · CHAPTER TWO

The Mill That Asked First

Chapter Two of The Gain Was Always Shared

Ammanuel Santa Anna

Santa Anna, A. (2026). The Mill That Asked First. In The Gain Was Always Shared (ch. 2). Luminous Prosperity Inc. https://doi.org/10.5281/zenodo.23989508
Luminous Library Licence 1.0 · business.hautelumiere.life/library/the-gain-was-always-shared

THE LICENCE

The Mill That Asked First
Chapter Two of The Gain Was Always Shared

The Gain Was Always Shared · Chapter Two. The Haute Lumière edition, 2026. © 2026 Ammanuel Santa Anna.

Released under the Luminous Library Licence 1.0 (hautelumiere.life/library-licence): free to read, share, quote, translate and teach, non-commercially, for ever. The Author keeps every other right, including every commercial right.

Published by Luminous Prosperity Inc. for Haute Lumière. Author ORCID 0009-0008-3244-0306.

DOI 10.5281/zenodo.23989508 · this record's page: business.hautelumiere.life/library/the-gain-was-always-shared/02-the-mill-that-asked-first/

Please cite as: Santa Anna, A. (2026). The Mill That Asked First. In The Gain Was Always Shared (ch. 2). Luminous Prosperity Inc. https://doi.org/10.5281/zenodo.23989508

Chapter Two of The Gain Was Always Shared. The whole book, with every chapter, is at business.hautelumiere.life/library/the-gain-was-always-shared (DOI https://doi.org/10.5281/zenodo.23989502).

A NOTE BEFORE YOU READ

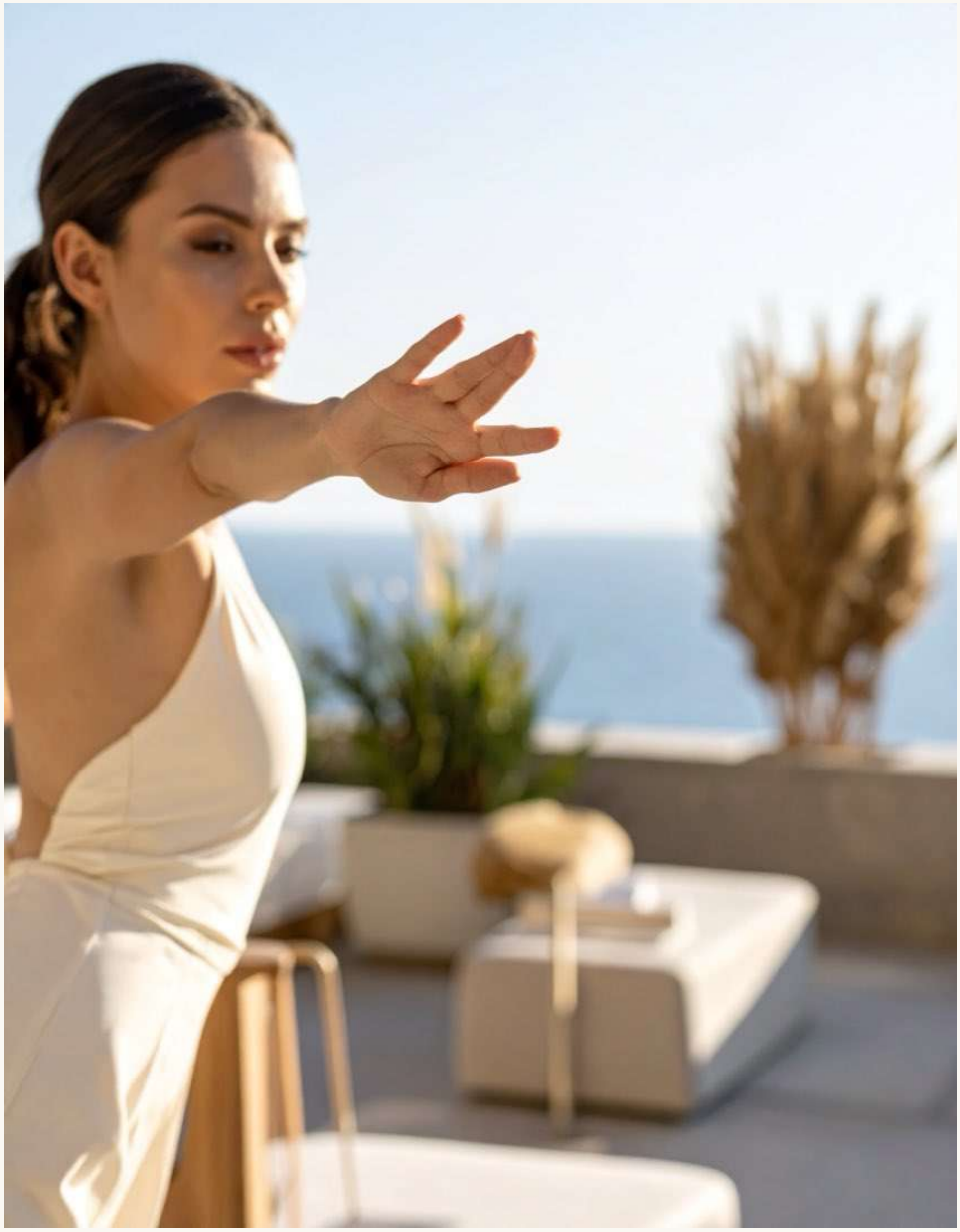
This work is offered for education and leadership development. It is not legal, financial, accounting, investment, medical or psychological advice; take the advice of a qualified professional who knows your circumstances. Companies and events are described from the public record as the author understands it; characterisations are the author's analysis. Examples are illustrative, and no particular outcome is promised to any reader.

ABSTRACT

Picture a tin-plate mill in Mansfield, Ohio, in the late 1930s. The order book is thin, the equipment is old, and the company is losing money in a decade when losing money usually ended with the gates locked. A union officer who has also worked as a cost accountant goes to the owners with a proposal that is, on its face, strange. He does not ask for higher wages. He asks for permission to put the workers' ideas about cost and waste in front of management, formally, through committees, and for management to listen. The officer was Joseph Scanlon. The company, in the account most later writers repeat, was the Empire Steel and Tin Plate Company. The fullest modern account of his life, Daniel Wren's 2009 biography in the Journal of Management History , was built from archives, unpublished sources and correspondence with Scanlon's daughter and a former colleague, and it describes the plan as his own synthesis of experience: union–management cooperation, employee participation and the sharing of gains from cost savings.

CHAPTER TWO

The Mill That Asked First



The Mill That Asked First

HAUTE LUMIÈRE · THE GAIN WAS ALWAYS SHARED · CHAPTER TWO

A question before a cheque

Picture a tin-plate mill in Mansfield, Ohio, in the late 1930s. The order book is thin, the equipment is old, and the company is losing money in a decade when losing money usually ended with the gates locked. A union officer who has also worked as a cost accountant goes to the owners with a proposal that is, on its face, strange. He does not ask for higher wages. He asks for permission to put the workers' ideas about cost and waste in front of management, formally, through committees, and for management to listen.

The officer was Joseph Scanlon. The company, in the account most later writers repeat, was the Empire Steel and Tin Plate Company. The fullest modern account of his life, Daniel Wren's 2009 biography in the *Journal of Management History*, was built from archives, unpublished sources and correspondence with Scanlon's daughter and a former colleague, and it describes the plan as his own synthesis of experience: union–management cooperation, employee participation and the sharing of gains from cost savings.[6] The particulars of the mill story come to us through his colleagues and later writers, and this chapter tells them as they are told, without claiming more precision than the sources give. And the thing that came out of that mill, a decade later, would carry his name and be described in textbooks as a group incentive plan: a way of paying people a bonus when labour costs fall against the value of what they produce.

That description is accurate about the later plan and misleading about the first one. The bonus is not where gainsharing started. It started with a question asked of the people who did the work, at a moment when the firm could not afford not to ask. The money came after, as a way of keeping the question honest.

This chapter is about that order, because the order is the idea. A leader who adopts the formula and skips the question has bought the later plan's paperwork without the thing that made it work. And the evidence gathered over the following seventy years, which the chapters that follow read in detail (Chapter 3), keeps returning to the same finding the mill found first: participation is not a garnish on the bonus. It is most of the meal.

What Scanlon wrote down

The best primary source for Scanlon's own thinking is short. In 1948, in the second volume of the *Industrial and Labor Relations Review*, he published "Profit Sharing under Collective Bargaining: Three Case Studies".[7] By then he had left the mill, worked for the United Steelworkers, and joined the Massachusetts Institute of Technology, where Wren's biography shows his colleagues, Douglas McGregor above all, giving his ideas the setting in which they spread.[6] The 1948 article is a practitioner's report. It describes cases rather than proving anything about them, and it should be read that way: as the inventor's own account of what he thought he was doing, not as evidence that it worked.

What it shows, read alongside the essays his colleague Frederick Lesieur collected after his death, is that Scanlon treated two things as inseparable.[8] The first was a structure for ideas: production committees in

each department, a screening committee above them, and a promise that every suggestion would receive an answer. The second was a shared measure: a simple ratio of payroll to the value of production, fixed from a period everyone could inspect, so that when the people on the floor found a cheaper or better way to work, the saving was visible and some of it came back to them.

The second element is the one that travelled. It is easy to explain, easy to put in a contract, and easy to copy. The first is slow, local and dependent on whether a supervisor actually reads the suggestion slip. Douglas McGregor, Scanlon's colleague at MIT, championed the plan, and in *The Human Side of Enterprise* in 1960 he treated it as an expression of a management philosophy rather than as a pay scheme.[9] That is the right reading, and it is the reading the next sixty years kept forgetting.

Ammanuel Santa Anna's *Ecstatic Economics* has a sentence for the gap between the two halves. It opens his chapter on practical applications, and it could have been written over the mill gate:

> *A theory that cannot be practiced is a poem. A practice without theory is a reflex.*[10]

The bonus formula, taken alone, is the reflex: a payment that fires when a number moves, with no account of why the number moved or who moved it. The committees, taken alone, are the poem: a lovely structure for voice with nothing to show that voice changed anything. Scanlon's contribution was to insist on both at once.

The three founding plans

By the 1970s, writers on pay had settled on three "classic" gainsharing plans. They are worth knowing by what each one chose to measure, because the choice of measure is a statement about what the firm believes it is sharing.

The Scanlon Plan measured labour cost against the sales value of production. Its signature was not the ratio but the committee system around it. In most accounts the bonus was paid to everyone in the unit, not to the individual who made the suggestion, which is a deliberate choice: an idea that saves money in the paint shop usually depends on someone in shipping noticing a problem, and individual rewards teach people to hoard what they notice.

The Rucker Plan, associated with the consultant Allen W. Rucker, measured labour against value added: the value of production minus the cost of materials, supplies and services bought in. That is a more demanding measure. It rewards people for saving on materials and energy as well as on hours, and it asks them to understand the economics of the whole operation rather than their own department. The surviving descriptions of Rucker's work are mostly in practitioner texts and pay handbooks rather than in a primary article of his own; a search of the scholarly record for this book found no primary article of his with a DOI, and the details given here are the ones the standard secondary descriptions agree on.

Improshare, created by the industrial engineer Mitchell Fein, measured hours. It compared the hours actually worked against the hours an engineered standard said the output should take, and shared the difference. Its name is a compression of "improved productivity through sharing". Improshare was designed to be simpler than Scanlon and Rucker. It did not require the firm to open its financial accounts, and in its original form it did not require a committee system at all.

That last point matters for what comes next. Of the three, Improshare is the one that most completely separated the shared measure from structured participation. It is also the one that was studied most carefully at scale, which is how its basic design can be confirmed from a primary study rather than from a handbook. Robert Kaufman's 1992 analysis in the *ILR Review*, based on 112 firms that answered a 1988 survey sent to every known user, found a median productivity gain of about eight per cent in the first year and cumulative gains of seventeen and a half per cent by the third year, after which they levelled off.[11] A large part of the gain came from fewer defects and less downtime. Smaller firms gained more than larger ones.

Those figures are real and they are often quoted. What they cannot show is what they are usually used to show. The firms answered a questionnaire about their own programme; a firm whose plan had been abandoned was less likely to be a "known user" in 1988 and less likely to answer. Kaufman's sample is a portrait of the survivors. And the finding that gains came through defects and downtime, rather than through people simply working faster, points back towards the mill: the improvement is in how work is organised, which is knowledge the people doing it hold.



The myth worth correcting

HAUTE LUMIÈRE · THE GAIN WAS ALWAYS SHARED · CHAPTER TWO

The myth worth correcting

The common account of gainsharing runs like this. Firms wanted productivity. Economists and engineers designed group bonuses to create an incentive for it. Some worked, some did not, and the ones that worked were the ones with a well-designed formula.

The history runs the other way. The plan began in a crisis as a participation system, at a union officer's initiative, with the bonus added as the mechanism that made participation credible. It was championed at MIT by a psychologist of management, not by an economist. And the most careful case reviews, which this

book reads in Chapter 5, find that the features that predict success are mostly about participation: whether employees were involved in designing the plan, whether there were formal structures for their involvement, and whether they were favourable towards it.[12]

The correction matters for one practical reason. A leader who believes the myth will spend the design effort on the formula: the base period, the split, the payout frequency, the cap. Those questions matter. But the myth sends attention to the part of the plan that is easiest to copy and least likely to explain whether it works.

Santa Anna's diagnosis of what goes wrong in conventional firms is blunt about where that attention usually lands. His book describes the extractive workplace's view of people in one sentence:

> *The phrase "human resources" tells you everything you need to know about how extractive economics views the people inside its organizations.*[13]

A gainsharing plan designed as a formula alone is still speaking that language. It treats the people on the floor as inputs whose output can be raised by adjusting the price paid for it. The plan Scanlon described treats them as the part of the firm that knows things management does not, and the bonus as the firm's way of admitting it.

Why a failing mill

There is a reason the first plan appeared where it did. A firm that is doing well has little need to ask its employees how to save money; it can carry its inefficiencies. A firm that is about to close has run out of other options, and its managers are suddenly willing to hear what they would ordinarily screen out.

The same pattern shows up later in the evidence. Dong-One Kim's study of 211 organisations with gainsharing experience, published in 1999, found that programmes were more likely to survive when they were approved by an employee vote, when a union took part in running them, when the firm relied less on outside consultants, and when it was in sound financial health.[14] Read together with the origin, that last factor is interesting. Crisis can open the door to participation; it cannot keep it open. A plan born in desperation and run by a firm that recovers has to find a reason to keep asking once the pressure is gone.

Santa Anna's book has a line about the moment before that recovery, written about the economy as a whole rather than about one mill, that fits the scene in Mansfield closely. Of the pain built into ordinary economic life, the sense that this is simply the cost of progress, he writes:

> *It isn't. It's the price of a wound we haven't named.*[15]

The mill's wound was nameable. Labour and management had spent the decade treating each other as the cause of the firm's decline. Scanlon's proposal named a different cause: that the firm was not using what its

own people knew. The committees were a way of using it. The ratio was a way of proving that it had been used.



The finer points, for a leader reading this today

HAUTE LUMIÈRE · THE GAIN WAS ALWAYS SHARED · CHAPTER TWO

The finer points, for a leader reading this today

The history is not only history. A leader who runs a team, a plant, a clinic or a firm can take four specific lessons from the first plan before anyone mentions a bonus.

Start with the answer, not the scheme. The Scanlon committees worked, where they worked, because every suggestion got a reply. Schuster's longitudinal study of a Scanlon plant reported that its production committees generated more than two thousand four hundred and seventy-seven suggestions, of which seventy per cent were implemented.[16] Seventy per cent is not a sign that the workforce was unusually gifted. It is a sign that someone was reading the slips and that people learned it was worth writing them. Before any shared measure exists, a leader can make that promise: every idea answered within a fixed number of days, in writing, with the reason if it is declined.

Measure what people can actually affect. Scanlon's ratio, Rucker's value added and Fein's hours each reflect a judgement about what the people in the unit could change. A measure that moves for reasons nobody inside the unit controls, such as commodity prices or a contract won by the sales team in another city, teaches people that the number is weather. Before sharing anything, ask of the measure: if the people in this room changed how they work, would this number move, and would they be able to see why?

Choose the group deliberately. The founders shared across the whole unit. Later writers argued about whether smaller groups produced stronger effects; Kim's survival study found that a small bonus group was associated with programme survival.[14] The finer point is not that small is better. It is that the group should be the set of people whose cooperation produces the gain. Draw it too small and you reward one shift for savings another shift made possible. Draw it too wide and the line between effort and result disappears.

Keep the books open enough to be believed. The Scanlon and Rucker plans both required the firm to show its people a number they could check. That is uncomfortable for many owners. It is also the condition of trust. A shared measure that people cannot inspect is a promise that the firm will tell them how well they did, and people do not change how they work for a promise of that kind.

None of these four requires a pay change. All four are the first plan's first half. A firm that does them well is in a position to consider the second half; a firm that does not will find that a formula imposed on top of silence produces mostly suspicion.

What the origin asks of the rest of this book

The chapters that follow take this history forward. Chapter 3 reads the critiques and the failures, including a close study of six Scanlon plans that went wrong for reasons of power rather than design. Chapter 4 reads gainsharing through the house's own lens, as circulation in a living system. Chapter 5 works through the published cases with every figure traced to its source, and Chapters 6 and 7 add cases from service work, from a hospital and from a plan that broke its promise. The rest of the book is practice: the field manual, measurement, the hard conversations, and the household.

What the origin establishes is a test that every later chapter applies. When someone describes a gainsharing plan, ask what it does before it pays anything. If the answer is nothing, it is the later plan's paperwork. If the answer is that it asks, answers and opens the books, it is the idea Scanlon carried out of the mill.

Santa Anna's book frames the whole field of practical economics with the same impatience about ideas that never become structure:

> *But groundwork that never becomes building is just a particularly eloquent hole in the earth.*[10]

Scanlon's committees were building. They were small, procedural and unglamorous, and they are the part of the history that deserves to be copied first. The mill in Mansfield is long gone. What survives of it is a practice that cost nothing to start: a slip of paper, a committee that read it, and an answer that came back.

The Tool: The Origin Reading

Use this before any conversation about shared rewards. It takes one hour, with the leader and two people who do the work. Write the answers down; they become the baseline the later tools in this book return to.

1 · The question we are asking

What do the people doing this work know about cost, waste or quality that management does not? Write three examples, in their words:

When was the last time one of those examples reached a decision-maker? · What happened to it?

2 · The answer we owe

How is an idea submitted today? (none / informal / a form / a committee)

Median days from submission to a written reply, measured from the last ten ideas:

- Share of the last ten ideas that received any reply: ___ of 10

The promise we can keep from Monday: every idea answered in writing within ___ days, with the reason if declined. Owner:

3 · The measure people can see

One number this group could move by changing how it works:

Three things that move it which this group does not control:

Can the people in the group see this number today? yes / no · How often?

What would have to be opened (a report, a ledger, a meeting) for them to check it?

4 · The group

Who cooperates to produce a change in that number? List the roles:

Who is left out of that list but affects the number?

Is the group drawn around cooperation or around the org chart?

5 · Before any money

- Which of the following are already true? (tick) every idea answered · a measure the group can affect · the measure visible to the group · the group drawn around cooperation

If fewer than four are ticked, the next step is the unticked item, not a pay scheme. Write it:

Review date, ninety days from today:

References

1. Wren, D. A. (2009). Joseph N. Scanlon: The man and the plan. *Journal of Management History*, 15(1), 20–37. https://doi.org/10.1108/17511340910921763. An archival biography; read here from its abstract. It also analyses 117 studies over six decades for the conditions that help or hinder the plan, which this chapter has not read in full.
2. Scanlon, J. N. (1948). Profit sharing under collective bargaining: Three case studies. *ILR Review*, 2(1), 58–75. https://doi.org/10.1177/001979394800200104. A practitioner's case report; it describes the plans and does not test their effects.
3. Lesieur, F. G. (Ed.). (1958). *The Scanlon Plan: A frontier in labor-management cooperation*. Technology Press of MIT and John Wiley & Sons. The book has no DOI; the account of the Empire Steel and Tin Plate origin and of Scanlon's career is taken from it and from later secondary accounts, and was not re-read for this chapter.
4. McGregor, D. (1960). *The human side of enterprise*. McGraw-Hill. Cited for McGregor's championing of the plan, which Wren (2009) documents from the archives; no chapter or page range is claimed here.
5. Santa Anna, A. *Ecstatic Economics: Wealth Creation Rooted in Vitality, Not Extraction*, chapter 4, "Practical Applications of Ecstatic Economics". The Luminous Developmental Canon, Luminous Prosperity Inc.
6. Kaufman, R. T. (1992). The effects of Improshare on productivity. *ILR Review*, 45(2), 311–322. https://doi.org/10.1177/001979399204500208. Based on 112 survey responses from known users; it cannot account for firms that had abandoned the plan before 1988.
7. Bullock, R. J., & Tubbs, M. E. (1990). A case meta-analysis of gainsharing plans as organization development interventions. *The Journal of Applied Behavioral Science*, 26(3), 383–404. https://doi.org/10.1177/002188639026301l. Thirty-three published case studies across fifty years; published cases tend to over-represent successes.
8. Santa Anna, A. *Ecstatic Economics*, chapter 4, "The Vitality-Centered Workplace".
9. Kim, D.-O. (1999). Determinants of the survival of gainsharing programs. *ILR Review*, 53(1), 21–42. https://doi.org/10.1177/001979399905300102. A 1992 survey of 211 organisations; the associations are correlational, not causal.
10. Santa Anna, A. *Ecstatic Economics*, chapter 1, "The Wound at the Root".
11. Schuster, M. (1984). The Scanlon Plan: A longitudinal analysis. *The Journal of Applied Behavioral Science*, 20(1), 23–38. https://doi.org/10.1177/002188638402000107. One large manufacturing plant over seven and a half to nine years; a single site cannot show the plan would work elsewhere.

The Mill That Asked First

Ammanuel Santa Anna · Luminous Prosperity Inc. · Haute Lumière

Set in Cormorant Garamond and Manrope.

Read the Business Library at business.hautelumiere.life/library.

Luminous Library Licence 1.0 · hautelumiere.life/library-licence

REQUEST A CONVERSATION

business.hautelumiere.life/book/?kind=gainshare

The Business Library

business.hautelumiere.life/library/

The packages

hautelumiere.life/pricing/