The John Lewis model reveals the tensions and paradoxes at the heart of workplace democracy

By Democratic Audit

*Politicians of all parties have been keen to promote the 'John Lewis model' of industrial organisation, emphasising its features of employee ownership and workplace democracy. **Dr Abby Cathcart's** research into the company shows that management and workers have different visions of what 'partnership' means, with ongoing struggle taking place via the organisation's democratic structures. This, she argues, has stark implications for other organisations with partnership models that are less robust.*

The John Lewis Partnership: a shining light for workplace democracy? Credit: Mike Traboe (CC BY-NC 2.0)

The John Lewis Partnership is one of Europe's largest models of employee ownership and has been operating a form of employee involvement and participation since its formation in 1929. The Partnership has been described in the media as "a middle-class, non-exploitative institution, like Radio 4 or the National Trust", a "workers' paradise" and even the "blueprint of a perfect world, where everyone is decent and fair." At the beginning of 2012, Deputy Prime Minister Nick Clegg unveiled plans to create a 'John Lewis economy' and in July 2013 the Treasury consulted on proposals for £50m-worth of tax breaks for employee-owned businesses.

Despite frequent references to the 'John Lewis model' in the media, there has been very little discussion of the organisation's structure or practices. Many of the claims made about democratic forms of working remain untested, and we need to be cautious about promoting the model without first gaining a deeper insight into the experiences of the 84,000 employees who work there.

The John Lewis Partnership has an unusual organisational structure including employee councils, 'independent' press and a profit-share scheme. The Partnership was created in 1929 when John Spedan Lewis signed an irrevocable settlement in trust which meant that the retail business which his father started in 1864 would be given to the workers 'present and prospective'. Lewis published a Constitution, expanded the profit-sharing scheme he had designed in 1919, and created a range of democratic structures. The Constitution for the Partnership set out his vision of a co-owned business, an experiment in industrial democracy based on the principle of 'sharing knowledge, gain and power'.

John Lewis and Waitrose – owned by the Partnership – are widely admired and regularly top Which? polls, as well as being awarded 'Britain's favourite retailer' four years in a row. Commentators frequently claim that it is the Partnership's co-ownership structure which makes it so successful. Politicians appear to be equally impressed; both the Coalition government and Labour opposition have proposed that a John Lewis-style Partnership model would have benefits in the public services. However, some scholars have accused the firm of operating a form of pseudo-democracy which does little to address the inequalities of power which flow from hierarchical organisation.

In my research I critically assessed the functioning of workplace partnerships in John Lewis in the present day, through an exploration of the context, mechanisms and drivers for partnership over the organisation's 80-year history. I illuminated the structures and practices through which the Partnership claims to engage employees and compete in a competitive market. My findings challenge the popular view of the organisation as a simple profit sharing entity by emphasizing the radical intentions of the founder, and exploring the principles of democratic participation outlined in the constitution. Workplace partnership in John Lewis is rife with tensions and paradoxes. The tension is not simply a struggle between management and workers, but rather that managers and workers have fluctuating visions of the purpose of partnership and the best way of achieving that purpose. Managers welcomed 'robust exchanges of views' and condemned 'compliance' and 'deference'. However, they also demanded 'loyalty' and support for the management's decisions. Non-management partners wanted meaningful voice and a vote on key decisions, but they also indicated their faith in their management, and a preference for seeking participation on operational rather than strategic concerns.

Sharing profit, knowledge and power

The annual distribution of profits, known as the Partnership Bonus, has averaged 15% of pay for the last twenty years. It is this profit-sharing element of the Partnership that is most well-known, and the annual profit share features heavily in the press accompanied by photos of celebrating workers and commentary on how employee ownership leads to greater profits. However, there are several flaws in the popular understanding of the organisation. Firstly it is a trust that owns the shares, not individual employees, and unlike co-operative forms of organising, members do not contribute equally, or democratically control the capital. Instead partners receive a share in profits as long as they are employed by the organisation, and that share is calculated as a percentage of salary, so higher paid employees receive significantly more than shop-floor workers. Partners are unable to sell their shares, a point reinforced by legal challenges made by employees in what became known as the 'carpet-bagging' incident in the late 1990s. In recent years there is evidence of a move away from the founder's views on pay and fairness. For instance the original Constitution stated that no-one in the Partnership should be paid more than 25 times the pay of a full-time partner working in London*;* in 2012 a revised Constitution increased the ratio threefold from 25 to 75.

The second principle that the founder outlined was the idea that information should be shared freely with all partners. Knowledge is shared in a number of ways. In-house magazines are distributed and partners can write anonymously and the letter and reply (from senior management) must be published. My study indicated that the 'letters page' was highly valued and partners relished their right to be critical and to challenge anonymously through the journalism. Knowledge-sharing was also facilitated through representative bodies, including branch forums, and a partnership-wide council.

The Partnership's third principle, the sharing of power, is enshrined in the Constitution. John Spedan Lewis emphasised that conflict between management and workers was natural and that democratic processes would provide a forum for conflicts to be resolved. Partners were asked to vote on key decisions and elect representatives to both the Partnership Council and the Board. The use of the vote in the Partnership was seen as a mechanism for ensuring that management was accountable to the workforce. Managers were free to manage but were expected to do so according to the interests of the co-owners, and subject to full accountability to the managed. The Constitution enshrined this principle of power-sharing through organisational democracy; anyone seeking to alter the Constitution needed the approval of two thirds of the Partnership Council. The Council also had the power to remove the Chairman of the Partnership by a majority vote.

The Partnership has faced a number of challenges and changes to its democratic structures in recent years. The Council has been the forum for debate on several matters of strategic importance, including seven day trading, the non-contributory pension scheme, store closures and constitutional change. On many occasions during my research, I observed partners criticise proposals, but then vote to accept them. On other occasions, despite concerted campaigns from management to influence partners' opinions, the vote was used to reject management proposals. Significantly, a proposal to alter the Constitution and remove voting rights in favour of a 'consultation model' was rejected, albeit by a fine margin.

A key implication for scholars and practitioners from the 80-year-old experiment at John Lewis is that mutual gains are only possible if the partnership is structured in a way that acknowledges that employee and employer interests are not necessarily always the same. Partnership in John Lewis is both an industrial relations process *and* a model of ownership and organisational structure. Democratic processes are protected by the Constitution, which allows for challenges to management. However, even with this safeguard in place, there is a constant struggle to redefine partnership in a way that preferences managerial interests. This finding has stark implications for less robust partnership models. The tensions and paradoxes at the heart of the debates about the meaning of partnership remain, and mutual gain continues to be elusive.

Note: This post represents the views of the author, and not those of Democratic Audit or of the London School of Economics

Dr Abby Cathcart is a Senior Lecturer in Management at Queensland University of Technology, Australia. Abby's PhD thesis was a historically situated exploration of democratic participation in the John Lewis Partnership. The work is positioned within wider literature on employee involvement and participation and her most recent publications speak to the growing interest in non-union employee representation and voice. Access her latest research in The Journal of Industrial Relations and The International Journal of Human Resource Management.